



Changes to Nitaqat in Saudi Arabia

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Saudi Arabia is re-visiting its Nitaqat program with a renewed focus on reducing unemployment in the Kingdom. This is the first time Nitaqat has been reviewed since it was implemented in 2011 and the revisions have several aims:

- developing the Saudi labour market;
- improving the labour market's performance;
- raising the quality of employment;
- creating fulfilling work for Saudi nationals;
- maintaining a proper work environment; and
- curbing unproductive Saudization.

The labour market in Saudi Arabia has faced several challenges relating to high Saudi national unemployment rates, the takeover of key positions by foreign labour, low productivity, lack of female participation and challenges regarding mismatches between the qualifications obtained by Saudi nationals and the job opportunities and market needs in Saudi Arabia.

The Ministry of Labour has launched a number of initiatives to overcome these challenges. The main initiative is having a 'Balanced Nitaqat' which goes beyond the quantitative factor and encourages the job market to take a more qualitative approach by increasing salaries for Saudi nationals, by hiring Saudi nationals for high management positions, and by focussing on job stability and increasing female employment rates. The new Nitaqat is, therefore, based on five factors which form the calculation of an entity's Saudization:

1. the overall Saudization percentage
2. the average salaries of Saudi employees
3. the percentage of Saudi female employees
4. the length of service of Saudi employees at the entity; and
5. the percentage of Saudi employees with high salaries

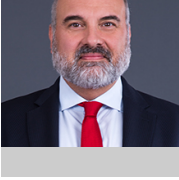
These factors will be translated into points which will determine the category or band of the entity in respect of the Nitaqat program (platinum, green etc). Ultimately the services provided by the Ministry of Labour will be linked with the entity's category.

We are expecting more details on the points system to be released in the coming weeks. If you have any queries or would like further information, please contact one of the team below.

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