

Nitaqat program in Saudi Arabia

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Abstract— This article seeks to provide an overview of the concept of localization of employees in Saudi Arabia and also examines the new job localization program “Nitaqat” with particular reference to the case of Saudi Arabia, in order to pursuing the strategy of Saudization that been introduced at the late of the 90s. Moreover, the article provides latest statistical data about the unemployment rate in Saudi Arabia. The analysis is based on a number of interviews have been done with HR mangers in different economic activities in the Saudi private sector. The initial findings provide valuable insights into the Nitaqat program, its barriers such as the education system that is not market driven, some cultural practices that concerning women in the workforce and some of the local’s habits such as focusing more on prestige than performance. Further, it shows some of HR managers concern about the replacement of their employees. Interview respondents advised enhancing the skills of the local workforce and enhancing the educational system outcomes in the country and linked it to the needed jobs in the private sector.

Keywords—Human Resource Management, Knowledge Management, localization barriers, Saudi Arabia, employees’ turnover

I. INTRODUCTION

Since the middle of the past century and with the discovery of the oil, Saudi Arabia became one of the most desirable countries that attracted millions of foreign labour from all over the world for work on its land. That also caused a huge transformation in the country's demographical, economic, and social structures. At the last 20 years of the past century, the Saudi Arabia’s private sector was dominated by the foreign labour, which led to number of economic and social problems. For instance, the unemployment among the Saudi citizen was one of the biggest problems that this issue caused, the over-reliance on foreign labour and the huge amount of remittances that the foreign workers transfer to their home countries each year. This affected both the local economy and the government budget.

Recently the Kingdom of Saudi Arabia established a new program “Nitaqat” for supporting the Saudization initiative that has been discussed since the begging of the millennium. Saudization means localizing the jobs by replacing foreign labour in the Kingdom of Saudi Arabia with locals [1].

The aim of this initiative is to ensure that a certain proportion of Saudi Arabia jobs are occupied by locals in order to place limitation on foreign workers. One of the biggest problems in Saudi Arabia is the unemployment rate for locals. In 2004, according to [2], the percentage of non-working Saudis was 8.2% [2]. This percentage increased in 2010 to 10.8%. Moreover, that figure is just represent the male citizens only; other estimates for both male and female citizens range as high as 30% [3].

The Saudization initiative has three main goals, listed by [2] as follows:

1. Increasing the percentage of employment among locals. As it mentioned before it considers high as 10.8 % among male citizens.
2. Reducing the over-reliance on foreign workers. The percentage of foreigners in the Saudi labour force is estimated at 51%, considered the highest among other countries See Figure 1. [4]
3. Reducing the remittances that the foreign workers transfer to their home countries. The Migration and Remittances Fact book 2011 [5] showed that Saudi Arabia is the second country in world with more than US \$26 billion in such remittances. See Figure 2.

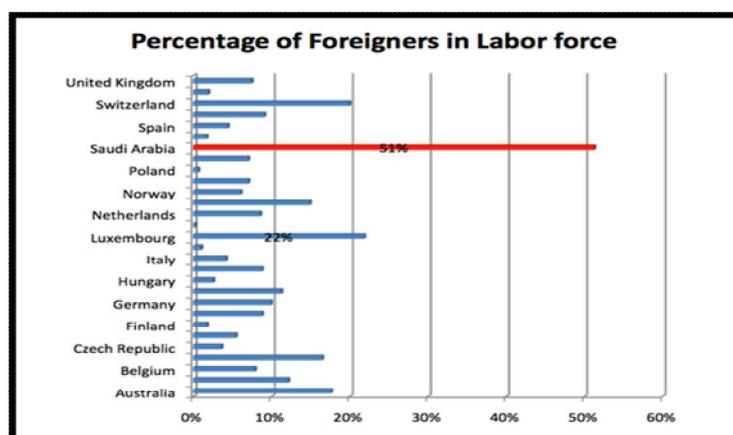


Figure 1: Percentage of foreigners in labour force in different countries
Source: The percentage of foreigners in labour force, OECD, 2011

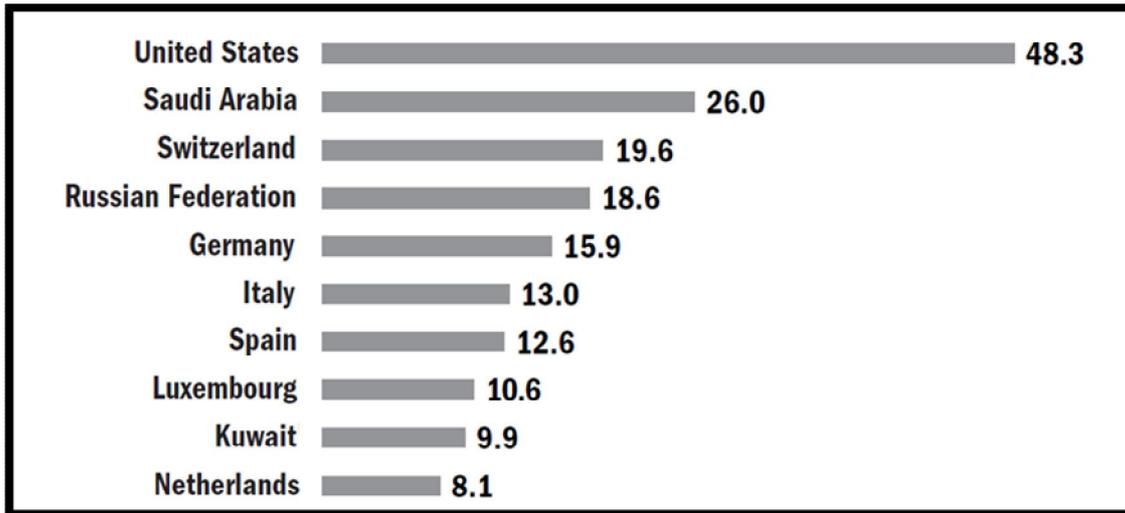


Figure 2: Top 10 sources of remittance payment (US\$ billion), 2009
Source: World Bank Migration and Remittances Fact book 2011

“Nitaqat” is an Arabic word that means “ranges” or “limits”. The primary goal of this program is to assist the “Saudization” initiative and to absorb Saudi job seekers. Theoretically, this should reduce the unemployment rate in the country by forcing companies and firms to hire more Saudis. The Saudi Ministry of Labour announced the program on June 2011. The program sets penalties for non-compliance with the rules. One of the decisions that accompanied this program was the restriction of foreign workers who had lived in Saudi Arabia for less than 6 years for both red zone companies (companies having less than 10% local workers) and yellow zone companies (from 10-20% local workers).

Companies in Saudi Arabia that were not employing enough local workers under the new rules were notified they may have their foreign workers taken away through the non-renewal of visas resulting into the inability to obtain renewed working visas for existing workers. The Saudi Labour Minister mentioned that it was the right time to begin to force companies in the Saudi private sector to hire locals [6].

Nitaqat divided the Saudi private sector enterprises to four zones, currently some of them are situated in the green and excellent ranges which have achieved reasonable and acceptable rates of localization. The enterprises that are located in the yellow and red zones, they did not employ Saudis, or that the Saudization rate is less than acceptable and they are given sufficient time to correct their positions in order to move to the green and the excellent zones by the Saudi ministry of Labour.

The aim of the ministry through Nitaqat program is to use Saudization rates as a competitive feature among the private sector firms.

The firms that engaged with Nitaqat and within the excellent and the green zones will be provided with a package of facilities and motivations, making it easier for dealings with their employees and worker unions and gives them sufficient flexibility to achieve the levels of growth. The program also aims to create a much better balance between the advantages of hiring a foreign worker and the Saudi worker by raising the cost of maintaining foreign workers in the red and yellow ranges. Also, Nitaqat can be considered as a monitoring tool for the Saudi labour market that aims to achieve a growth in jobs for local residents in the private sector and to move the unemployment rate in the country to lower levels.

Nitaqat, as the Saudi ministry claims, came into place to meet the directives of the country with regards to finding opportunities for Saudi Arabia’s citizens, and to achieve growth and stability in both social and economic areas as it meets the needs of two important stakeholders; businessmen with their needs in expanding their businesses and improving the development of the national economy.

The second stakeholders are the Saudis, in terms of these creations of jobs are for them aiming to absorb and integrate them into the work force in order to improve the development of the national economy.

Nitaqat program provides an integrated set of incentives for those companies that are working to increase their Saudi employees, which also clearly defines the consequences faced by those companies that are unable to achieve the needed percentage of Saudi employees or have less than required. As it was mentioned before, Nitaqat classify the private sector enterprises to (4) ranges (platinum, green, yellow and red) as well as enterprises that have less than 9 employees.

The Saudi ministry of Labour take in consideration both of the unemployment and the localization from a holistic perspective and believes in combining long-term solutions through policies that generate opportunities and align output in addition to replacement policies through initiatives and programs that provide short term solutions.

Therefore the ministry focuses on the quality factor in their systems in order to achieve the country's current development plan, which states the need to expedite the growth and development of Saudi human resources in both quality and quantity so that the Saudi's economy at the end will occupy its proper position on the global competitiveness map.

[7] argued that employees could be considered valuable assets that help influence the competitiveness of organizations. However, in the case of Saudi's new localization program, the knowledge that foreign workers hold is their most valuable asset. When employees leave any organization, knowledge leaves with them as well [8].

Accordingly, and in order to transfer knowledge successfully to locals, the organisation should act soon to retain the knowledge held by these workers in order to maintain the competitive advantage of intellectual capital.

According to [9], lost knowledge can have an impact on any organization by reducing innovative capacity, reducing organizational efficiency, giving competitors an advantage, and increasing vulnerability. These effects can results from knowledge loss on an organizational scale.

More importantly, losing knowledge due employee turnover across organizations has great effects on a country that go beyond the simple impact on one organization. If Saudi Arabia keeps forcing companies to replace their non-local employees without considering the importance of knowledge transfer and the effects of the employee turnover, the same effects felt on the organizational level would be felt in a tremendous way on a much larger scale.

II. THE UNEMPLOYMENT RATE IN SAUDI ARABIA

The number of unemployed Saudi increased by 5.3% in the first half of 2014. The number of unemployed Saudis increased to 657047 at the end of the first half of this year, compared to 622533 at the end of last year 2013, an increase of 34514 unemployed in just six months, an increase of 5.3%, due to the increase of unemployed females by 35608 Saudi female, while the number of unemployed males decreased by 1094 Saudi.

TABLE I UNEMPLOYED SAUDIS BY SEX

	Male	Female	Total
The end of first half of 2014	260,298	396,749	657,047
End of 2013	261,392	361,141	622,533
change	-1,094	35,608	34,514
% change	-0.4	9	5.3

According to the Saudi ministry of labour, 80 % of the unemployed among Saudis holds secondary school certificates or equivalent, and bachelor's degree (Higher Education).

TABLE II UNEMPLOYED SAUDI AT THE END OF THE FIRST HALF OF 2014

Educational status	Number	Percentage %
Illiterate	396	0.06027
Read and write	1920	0.292217
Primary school certificates	21015	3.198401
Intermediate school certificates	34592	5.264768
Secondary school certificates or equivalent	242892	36.96722
Diploma before university	70009	10.6551
Bachelor's degree	281336	42.81825
Masters/ high Diploma	4887	0.743782
PhD	0	0
Total	657047	100

The results showed a high rate of unemployment among Saudis to the level of 11.8 per cent at the end of the first half of this year, compared to 11.5 per cent at the end of the fourth quarter of last year, to hit the highest level since the second quarter of 2013, when it achieved the same level.

The improvement in the unemployment rate among Saudi males to reach 6 per cent at the end of the first half of this year, compared to 6.1 per cent by the end of the fourth quarter of last year, with an increase among the unemployed female to reach 33.3%, after an improve at the end of last year with 32.1 % .

The total labour force among Saudis is 5.55 million people, 4.4 million males (78 %), and 1.2 million females (22%) of the labour force at the end of the first half of 2014.

The current number of employed Saudis is about 4.9 million people, 4.1 million males (84%), and 796 thousand female representing (16%) of the employed Saudis.

TABLE III Quarterly unemployment rate by sex in Saudi Arabia %

Period	Male	Female	total
First quarter of 2012	6.9	34.0	12.2
Second quarter of 2012	6.4	35.1	12.1
Third quarter of 2012	6.1	35.7	12.1
Fourth quarter of 2012	6.0	35.7	12.0
First quarter of 2013	6.3	34.8	12.0
Second quarter of 2013	6.2	34.0	11.8
Third quarter of 2013	6.1	33.2	11.7
Fourth quarter of 2013	6.1	32.1	11.5
Second quarter of 2014	6.0	33.3	11.8

The unemployed number of Saudis at the end of the first half of 2014 is 657 thousand people, 40% of them are males with total number about 260.3 thousand Saudi male, and 60% females with total number about 396.7 thousand Saudi female.

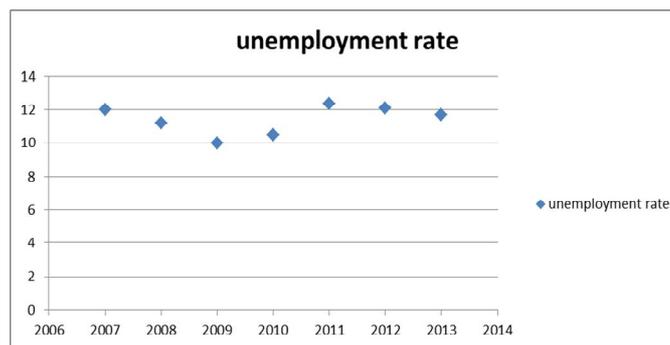


Figure 3: The unemployment rate in Saudi Arabia (2007-2013)
 Source: Saudi Arabia Ministry of labour

The number of unemployed Saudis male was about 261.4 thousand at the end of 2013, while the number of the unemployed Saudi female was 361.1 thousand. Therefore, the number of unemployed Saudi women rose by 9 %, while the number of Saudi males fell by 0.4 %, this reflected a slight improvement in unemployment of male vs female in Saudi Arabia. The entire labour force in Saudi Arabia (Saudis and non-Saudis), is about 11.6 million people 10.9 million are currently working and about 700 thousand unemployed.

III. DEFINITION OF EMPLOYEE TURNOVER, ITS SOURCES AND THE ROLE OF HUMAN RESOURCE MANAGEMENT (HRM) IN MINIMIZING KNOWLEDGE LOSS THAT CAUSED BY EMPLOYEES TURNOVER

[10] defined Employees' turnover as "the rotation of workers around the labour market; between firms, jobs and occupations; and between the states of employment and unemployment". The employee turnover is always expensive, detrimental and always affects the organizational performance[11]. Replacing leaving employees and selecting, recruiting and training the new ones will cost a lot of time, money and effort [12]. [13] Find that the relationship between total turnover and organizational performance is significant in a negative way. The sources of employee turnover has been discussed and listed in many studies before [10-12, 14-16] these include job stress, lack of commitment in the organization, extensive job pressures, job dissatisfaction, low wages, powerlessness, economic reasons , organizational instability, poor personnel ,toxic workplace environment and poor Human Resource Management policies and procedures, and lack of motivation in the company. [14] shows that employee's turnover has many effects on the company performance and can be considered expensive due to hidden costs associated with paying the leaving employees and hiring the new ones.

A study conducted by [17] revealed employee turnover is not only troublesome, it is costly for the hospitality industry. They also discovered a typical organization spends over \$10,000 to replace a manager as it invests a significant amount of time on training and developing. [18] signified that employee turnover is expensive for a business organization at any level. For example, [19] projected replacing a worker such as a front office clerk costs \$1,500 during the teaching period. The cost of employee turnover at the supervisory or managerial level is higher than a front desk clerk. Companies spend roughly \$25 billion annually in worker turnover-replacement expenses [20].

In the case of the Saudi Arabia's localization program "Nitaqat", the program caused a huge employee turnover in both red zone and yellow zone companies. The loss of the leaving employee's knowledge is one of the most important issues that these companies in red and yellow zones should take care of.

[21] states that one of the main reasons knowledge does not flow within organizations is that people "stick" to their knowledge. HRM has a major role in facilitating knowledge transfer between the leaving employees and the new ones through the management of people. The facilitating knowledge flow amongst employees in order to avoid knowledge loss could be considered as a key issue for succession planning. One could argue that HR departments and managers would not be responsible for the establishment of KM in organizations; their role is to facilitate the movement of knowledge and assist in the transformational process of knowledge transfer by performing their regular activities. However, HR managers should review their job responsibilities and look at big picture of knowledge retention in order to act as a strategic partner for organizations.

Research begun in the 1990s strongly asserts that organizations that could effectively attract and retain the market's best and brightest talent would be able to turn this to economic and strategic advantage. On the other hand, different research suggests that the previously mentioned advantages will rest with organizations that can retain knowledge and facilitate knowledge transfer between employees. The current localization program in Saudi Arabia has led to the need to consider new plans to retain knowledge that will be caused from employees' turnover in order to retain economic and strategic advantage.

The general role and responsibilities of an HR department should be flexible enough to assist in knowledge transfer and, accordingly, in maintaining the competitive advantage of an organization. According to [22], the traditional HRM domains revolve around selection, training, appraisal, rewards, and performance management systems. These HRM domains take a "different colour" when they contribute to organizational knowledge assets [23]. According to [24], HR professionals confront five key challenges in dealing with knowledge: developing and sustaining the knowledge culture within an organization; accessing employees' tacit knowledge; securing trust and commitment between employees; handling non-traditional employees such as knowledge workers; and "handling the organizational vulnerabilities arising out of a heavy dependence on key knowledge workers" [25].

[26] suggested that HR departments have to play "the leading role" in facilitating knowledge management and transfer to enable the organization to maximize the benefit of the retained knowledge.

Successful organisations have an ability to attract, develop and retain individuals that can run organizations at global level while exploiting technological advancements for achieving and sustaining success. This is possible by building intellectual capital (IC), which the Business Dictionary explains as the collective knowledge of individuals in an organization or society, which can be used to produce wealth, multiple output of physical assets, gain competitive advantage, and/or to enhance value of other types of capital including customer capital, human capital, intellectual property, and structural capital [27].

Human and intellectual capitals constitute the knowledge gained by employees through specific activities that result in learning and innovation. Overall, [28] regard IC as "a valuable resource and a capability for action based in knowledge." Moreover, they regard IC of greater value compared to other organizational assets. According to them, IC operates in two dimensions, first based on types of knowledge; secondly, levels of analysis in knowledge and knowing. From the types of knowledge perspective, its classification into tacit and explicit knowledge by [29] stands good in organizational contexts. Intellectual capital is the hidden value of the organization, and closely linked to Knowledge core processes such as acquisition, codification, dissemination, development and application [30]. Establishment of this link between Knowledge core processes and IC requires an understanding of knowledge and its management in organizational contexts.

[31] Argued that HR management functions need a transformation in dealing with employees in order to achieve a sustainability of intellectual capital (IC). He also considered IC as a competitive advantage in the knowledge economy.

As mentioned before, most of the factors that cause knowledge loss are directly related to the employee turnover. Accordingly, retaining needed knowledge from departing employees requires a holistic approach. HR departments must create the needed infrastructure for knowledge retention. [32] Indicates that Organization with strong HR policies and strong communication systems enjoyed lower turnover of staff which can be linked to loss of knowledge.

All the discussion thus far highlights issues related to employees more than knowledge systems, and suggests that HRM strategies need to be equipped with knowledge processes in order to achieve effective knowledge management and to minimize the effects of employees' turnover. The next few sections evaluate HRM main domains and their effects on knowledge management.

Recruitment and selecting

Recruitment can be considered as “a knowledge acquisition technique” that involves the determination of requirements related to organizational knowledge and the selection and hiring of individuals deemed to possess such knowledge.

Consideration of the requirements of organizational knowledge in the recruitment and selection of hires was recommended as an organizational best practice by [9]. Many organizations adopt highly advanced and complex methods of selecting and recruiting employees to attract the best talent in the market. However, this is not the best way for facilitating knowledge management. Many studies have shown that selecting the best talent in the market cannot guarantee knowledge sharing. Rather, gaining commitment from both the source and recipient of knowledge in a knowledge sharing arrangement should be the focus [33] [23] [9]. Furthermore, the social skill of having the propensity to share and develop is another important issue behind effective knowledge transfer and management. The selection of individuals with competent skills and the right attitude is essential for creating knowledgeable teams (or a knowledge repository). Highly innovative selection processes have been introduced that are technologically sound and efficient [34]. Selection processes are highly customized to the job descriptions and corresponding skills and competencies that ensure the right candidates are hired for the job. However, such customized selection processes can conceal certain employee behaviours. Another implication for appropriate selection is the person-organization (PO) fit, which intends to ensure that the perceived values of the new staff are similar to the organizational values or, at least, can be adjusted according to the organizational culture. Such non-job-related criteria are usually assessed through face-to-face interviews, which do not possess absolute predictive validity [35]. Moreover, such selective hiring procedures can slow down or even obstruct knowledge sharing between individuals from different departments [36]. However, certain job descriptions have to adhere to specific skills. In such cases, codified knowledge can be of great assistance in knowledge transfer to individuals from other functions.

Ultimately, the main idea behind a selection process that keeps knowledge management in mind is that the value perception of the hired individuals should fit with the organization's values. This requires highly selective hiring, which will also aid in higher level of knowledge management, as hypothesized by [37]. With this in mind, HR managers must keep many questions top of mind when selecting new team members for an organization. What about the commitment of the new team member to share their knowledge when they leave the organization? What is the ability of the new team member to absorb knowledge? The management and other important personnel involved with the hiring of the new team member must also be sensitive to these issues. The intellectual and the personal compatibility between the new joiner and the leaving employee, play a significant role in facilitating the transfer of knowledge and to reduce the cost of the employee turnover. The organizations in both red and yellow zones in the Saudi private sector have to look carefully to the selection process and to give the chance to the leaving employee to participate in the selection process of new employees.

Training and development

Training is a process that directly connects HR personnel with other employees in order to source knowledge transfer, which stands at the core of any knowledge management process. Training plays an important role in the development of the three dimensions of organizational knowledge: breadth/depth of knowledge, competence, and exploratory/exploitative knowledge [23]. Training provides an opportunity to improve employee performance through work-related knowledge and skill-development [38]. Knowledge related to skill-specific work can be transferred through systematic and frequent training [39]. [37] Hypothesized that training leads to higher knowledge transfer. Frequent training that supplements organizational knowledge can be accomplished by creating a learning culture and improves competitiveness, enhances technical and social learning, results in knowledge acquisition outside one's main domain, and improves overall business performance. Training on documentation is a great way to transfer knowledge. HR departments in the private sector in the organizations that are committed to Nitaqat need to be ready and prepared to invest time and effort in developing new members of their organizations. Using training as one forum to facilitate knowledge transfer will foster the adoption of Nitaqat and help create sustainable advantage for Saudi Arabian organizations.

Performance management

Performance management processes can make an important contribution to knowledge management and employee turnover by setting behavioural expectations related to knowledge-sharing, ensuring that actual behaviours are reviewed and in establishing appropriate financial or non-financial rewards (Armstrong 2006). Performance appraisals are the key employee performance assessment process and aim to provide role and goal clarity to individuals. [40] posited that employee performance evaluations can help drive knowledge management by providing feedback for leadership, enhancing the decision making capabilities of individuals, creating interpersonal relationships, minimizing high turnover and absenteeism, and clarifying roles and goals. Performance appraisals should be designed to evaluate the degree to which certain competencies are used; this can help drive the proper direction for further training and development [23].

Performance appraisals can also be used to evaluate knowledge sharing practices of employees. Moreover, a good performance appraisal system can help align individual actions and knowledge to organizational strategies. Strategies of employee selection and training assist in acquisition and development of individual knowledge and experiences for the organization, which can be moulded to match the organizational strategies through performance management systems. Performance management also helps in the effective review of the selection of (and requirements for) training strategies [41]. Therefore, an effective performance appraisal system enhances the knowledge creation and sharing process, which can result in a higher level of knowledge management and lower costs of employee turnover.

Rewards and employees turnover

Employees must be motivated to improve knowledge sharing, and rewards and recognition must improve employee motivation and commitment which can affect directly on the employee turnover. Numerous researchers have emphasized that reward structures are necessary to recognize optimal learning and knowledge sharing behaviors in order to motivate people to communicate and share knowledge [24, 37, 42].

Motivation by rewards and recognitions will assist in encouraging innovation in different aspects such as products, services, or communication style between staff and also will minimize the employee turnover. HR activities and procedures that are backed by a reward system is an excellent tool to minimize the employees turnover and to positively affect the organizational culture through group performance, knowledge sharing, and innovative thinking [43].

HR departments have to assess the ability of each departing staff member to transfer their knowledge to remaining workers, and moreover must assess their level of motivation to do so, as motivation is critical in any strong knowledge management culture[44].

The below model was suggested by [45], showing nine factors and concludes and explains the relationship between these factors, and both job satisfaction and employee turnover. Same factors also have a strong relationship with knowledge retention in case of the higher employee turnover like the recent case in Saudi Arabia which will be discussed in the next section of this paper.

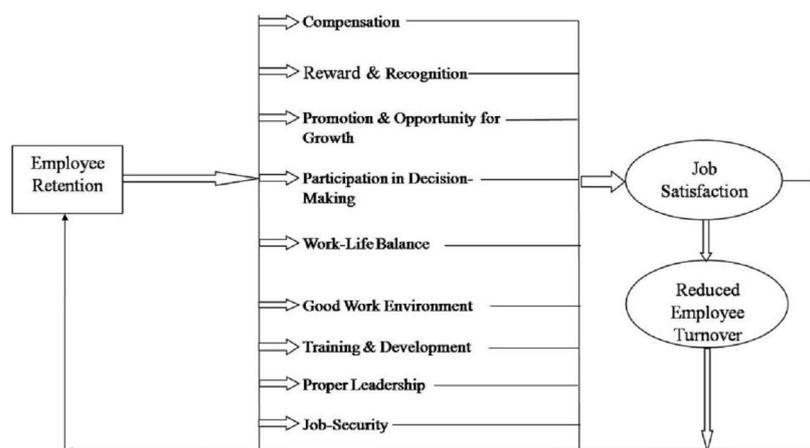


Figure 4 the Employee Retention and Job Satisfaction Model

IV. RESEARCH METHOD

Data for this research were obtained from individual face-to-face semi-structured interviews with 13 Saudi HR managers as well as secondary sources such as recent Ministry of Labour documents and announcements about the Nitaqat program, and articles in Saudi Arabian major newspapers and specialized magazines.

Interviewees were asked to comment about the new localization program in the country “Nitaqat” beside general questions related the HRM policies in the private sector.

In particular, interviews focused on the characteristics of the current HRM framework that is currently used in each company, the new localization program “Nitaqat” and the current phase of the company in Nitaqat zone. Further, the localization barriers from the HR managers views and the effects of Nitaqat program on the current expatriates in the company. The main Key of the program from their point of view and finally they were asked if that program would enhance the company’s performance by replacing the existing non locals employees with locals.

The result that is going to be listed in the next section is only related to the Barriers of Nitaqat program from the view of 13 HR managers in the private sector companies in Saudi Arabia. The remaining results will be included and introduced as a part of a PhD study that aims to investigate the Saudi Arabia’s new localization program “Nitaqat”.

V. INITIAL RESULTS

One of the localization barriers in Saudi Arabia is the qualifications of the Saudi citizen which is linked to the Education Systems in the country as it is not a market driven. This barrier was mentioned by three HR managers in both green and yellow zones companies. The educational system outcome in Saudi Arabia still needs much attention from the government in order to improve its quality especially in both managerial and technical skills and also to link it with private sector most needed jobs that still occupied by foreign labor such as project managers.

The other barrier is Job type which is also related to the education system in the country. Through the data collection phase there was no Saudi project manager no Knowledge management department in all the 13 companies that have been visited for collecting data. This barrier was mentioned by one HR manager in the green zone, three yellow zones companies and three red zone companies.

Salaries were also one of the barriers for localization program. This barrier was mentioned by one HR manager in the green zone, three yellow zones companies and one red zone company. Due to the average monthly wages and compensation between the Saudi nationals’ employees and the non-Saudis and as it is clearly shown in figure 3 the Saudis wages are much higher than the non-Saudis.

Unneeded extra employees in the company were mentioned once by a HR manager in the red zone company. as well as the working hours as a barrier that mentioned by another HR manager in the red zone company and it was from a company that is working shifts in IT and the majorities of their employees are expatriates and singles. This barrier is linked to the social life style to the locals and this barrier need more research to identify the ability of the locals in working night shifts.

Out of the 13 HR managers only two managers said that there is no barrier to localize all the jobs in the private sector of Saudi Arabia. Both companies are located in the green zone.

TABLE IV: AVERAGE MONTHLY WAGES AND COMPENSATION: COMPARISON OF NON-SAUDI AND SAUDI NATIONALS (IN S.R.)

Main occupation	Non-Saudis	Saudi nationals	Percentage non-Saudi to Saudi
Building and construction	1029	3330	31%
Professional, technical and related work	4758	9394	51%
Administrative	13160	14858	88%
Clerical	3816	6212	61%
Sales	777	3676	21%
Electricity, gas and water	4187	8659	48%
Services	1204	3619	33%
Agriculture, animal husbandry and fisherman	1000	3191	31%
Production, transport, equipment operator and related work	1119	6721	17%
Mining, oil and gas	4916	16927	29%
Not reported	2512	3963	63%
General average	2354	7034	33%

Source: Calculated from data provided by the Ministry of Planning (2010), Saudi Arabia (www.planning.gov.sa/docs/107.htm) (accessed 15 May 2014)

Throw the data collection phase and the interviews there were many different topics and aspects were discussed in order to find a way to move the company from one phase to another higher one. Many solutions and ideas were arisen. The noticeable issues were some of the practises that some of the companies found in order to manipulate Nitaqat program such as by hiring unneeded locals that are not actually working in the company but they include their names in the system “delusive or fake Saudization” The ministry explained that fake employment is “where a business enlists a Saudi with the social security body without actually employing him in order to achieve its Saudization quota”. In June 2013 the minister of labour announced that the ministry found over than 600 firms practicing the fake Saudization. hence, the ministry of labour in Jan 2014 prepared a draft regulation that include a penalty for employers who involved in fake Saudization by facing 5 years imprisonment and a fine of up to 10 million riyals. One of the ways as well to manipulate Nitaqat is merging with another sister company and includes the Saudis who are working in the other company in the same system. Moreover, hiring female employee is count as hiring two male employees which was also a way to encourage the local companies to absorb as much as Saudis from both male and females parties.

VI. CONCLUSION

Nitaqat program is an enormous opportunity for the Kingdom of Saudi Arabia, provided that it is applied correctly. If it is successful, the program could reduce the country’s unemployment rate and minimize the remittances that foreign workers transfer to their home countries. This paper provided an introduction and background of the Saudi’s new localization program “Nitaqat” and presented initial results of the data that was linked to the barriers of Nitaqat program.

Private sector companies in Saudi Arabia are facing a series of difficulties relating to the Saudization initiative and Nitaqat program. The problems were illustrated by the answers and the reactions of the HR managers in the private sector in Saudi Arabia. As this study findings indicated, many HR mangers believes that the barriers of localizing jobs in the country are linked to many thing such as the quality of the education system in the country which need essentially to be improve and upgrade in order to link it with the current jobs market needs. Also, the salaries of the non-local are less than the locals which made many of the private sector managers before the application of Nitaqat program to look overseas and hire more talented staff who were willing to work harder for less pay. Moreover, the type of the jobs and the working hours were mentioned as barriers for localizing the private sector jobs in the country.

This paper looked at one particular part of the problem with the current situation in Saudi Arabia, and highlighted the barriers of Nitaqat program from the HR managers view in the Saudi Arabia’s private sector. The effectiveness of HRM in facilitating the movement of knowledge, and the role of both knowledge management, the HRM in supporting employee replacement processes, are parts of a PhD study that aims to investigate the Saudi Arabia’s new localization program “Nitaqat”. The study will further examine the links between Human Resource Management and Knowledge Management in order to understand the impact of both knowledge management and HRM strategies on organizational effectiveness in order to avoid losing knowledge that might be a result of replacing non-locals with locals and maintaining the competitive advantage of Intellectual capital. Furthermore, the study will suggest some strategies to transfer the needed knowledge to new employees.

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