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Socio Economic Impact of 'NITAQAT' in Kerala

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Abstract: ***One of the burning issues discussing at present related with the gulf expatriates is the implementation of saudization 'Nitaqat' in Saudi Arabia. This is an attempt to bring the facts on the newest Saudization policy of Saudi Arabia Kingdom 'Nitaqat', its implications and impacts on Kerala. There are about 5.74 lakh Keralites in the gulf countries. Saudization policy is expected to affect Kerala workers who employed in red zone, illegal residents and unauthorized entrepreneurs. Here the purpose of this work is to find out the impact of Nitaqat in kerala and its multiplier effect on various sectors including employment sectors of Kerala. The paper also attempts to make suggestion to manage the situation emerged following the 'Nitaqat'.***

Keywords: ***iqama, Nitaqat, Saudization.***

I. INTRODUCTION

The boom raised in oil sector of the Middle East countries in early 70s made the gulf countries extremely wealthy. This triggered rapid expansion of economy and developmental activities together. It necessitated the development of infra structural facilities. The construction of such infrastructural facilities required a bulk of labor force. But there was shortage of labour force in the Middle East. This provided many employment opportunities in gulf countries. Such hike in employment opportunities attracted people from all over the world especially from developing nations like India. Thus, Indians have been depending on gulf countries from 1970s. Thus, The gulf boom began when there was a massive requirement of skilled, semi-skilled and unskilled labor of gulf nations was fulfilled by the migrants from Kerala contributing the major share of the total emigrants of the country .Saudi Arabia had adopted several programms to ensure that more nationals enter the labour market over many years. Once, Kingdom had adopted a policy of so-called *Saudisation* which is aimed at gradually replacing expatriate workers with Saudi employees. But it did not result as they expected in fulfilling their objective. Saudization is the term to denote the policy measures taken by the government of Saudi Arabia to promote employment of Saudi nationals in the Kingdom. Though it was initiated in mid 90s, it gathered momentum in late 2000s particularly after the advent of the Arab Spring. Article 26 of the Saudi Labor law (2006) supplemented by several resolutions and circulars form the basis of the initiative. The basic idea is to replace the large chunk of expatriate workers with Saudis and generate employment for the youth in Saudi Arabia. The Ministry of Labor of the Kingdom of Saudi Arabia has launched the *Nitaqat* (which means 'Ranges' in Arabic) program recently to increase job opportunities for its citizens in the private sector. The government's direct intervention is aimed at obtaining quick results and giving Saudi nationals a better stand in the local jobs market, which is currently dominated by foreign employees holding 90% (6.5 million) of the jobs.

The Saudi Arabian government has introduced several initiatives to nationalize private sector jobs in the past. The idea of improving local participation in private sector jobs was introduced in the first five-year development plan (1970–75), during which the government decreed that 75% of workers should be Saudis and 51% of total salaries should be paid to local employees. However, the policy became a priority only in late 1990s when the Kingdom faced budget deficits and high rates of unemployment. As part of the sixth development plan (1995–2000), the government aimed at creating nearly 319,500 jobs for Saudi nationals. Since the previous five-year plans proved to be ineffective in increasing the participation of the nationals in the private sector, and realizing the difficulties in correcting the imbalance, the government set a supposedly more realistic target of 25% Saudization in the private sector by 2002 during its seventh five-year development plan (2000–05). The target was later altered to a blanket of 30% for all companies. However, just a third of the target was achieved after years of implementation.

Unrealistic target was one of the reasons for the unsuccessful implementation of the Saudization program. This called for a new program with more practical quotas. Thus Nitaqat program replaces the previous nationalization of jobs program *'Saudization'*.

The new nationalization program, Nitaqat, uses a practical and dynamic approach in determining quotas. As part of Nitaqat, separate quotas have been imposed on firms based on their size and economic activity. Foreign employees constitute the major chunk of employees in the Kingdom's private sector. This is leading to higher unemployment rates among Saudi nationals and causing discontent among the people especially among youth who are unemployed. The Nitaqat law implemented by the Kingdom of Saudi Arabia makes it mandatory for Saudi Companies to reserve 10 per cent of jobs for Saudi nationals. Saudi Arabia has its own justification behind the implementation of policy. Unlike other gulf countries Saudi Arabia itself has large number of unemployed citizens. According to recent estimates the unemployment rate among Saudi nationals has reached 12 per cent. It is also reported that more than 6.5 million non-Saudis are working in the private sector of the Kingdom compared to 7,00,000 Saudis. In 2012 there were 340000 firms in the Kingdom that did not employ any Saudi. The Nitaqat law is aimed at eliminating unemployment and generating employment in the Kingdom. Nitaqat seeks to replace the 1994 scheme of Saudization which required 30 per cent of the jobs to be reserved for Saudi citizens. Saudization scheme failed due to the inherent loopholes in the system and the targeted 30 per cent localization of jobs could not be achieved.

Unlike Nitaqat, Saudization followed a blanket approach requiring 30% quota for the locals in all companies, irrespective of their economic activity and size. Under Nitaqat, the government would evaluate private entities based on their nationalization performance, which is measured by calculating the percentage of Saudi nationals employed by the firm. The nationalization performance of the companies will be calculated on a moving average basis over successive periods of 13 weeks. Enterprises are classified into Excellence, Green, Yellow and Red based on the level of compliance. Excellence and Green for firms being in the highest localization ratios will be conferred with special incentives. Yellow categorized firms being in the mid-way would be awarded time to improve their compliance level. Red categorized firms for having the lowest localization ratio would be subject to various sanctions. They would be disabled from applying new work visas, recruit expatriates, participate in government tenders or apply for government loans or incentives It requires that 10% of the workforce in all firms to be Saudi nationals. Nitaqat program aims to be more practical in determining the nationalization quotas for each band which varies according to the economic activity and performance of the firm. In order to devise realistic quotas, the Ministry of Labor has remapped the labor market into 45 economic activities and categorized companies into five sizes based on the workforce employed: micro (0–9 employees), small (10–49 employees), medium (50–499 employees), large (500–2999 employees), and giant (3,000+ employees). Micro entities have been exempted from the program at the launch stage to ensure fairness and protect small businesses. This has led to 180 different nationalization quotas for business entities of various sizes and sectors.

The Nitaqat program is being implemented in a phased manner. After the formal announcement of the program in June 2011, all companies were asked to update their employee information both at the General Organization for Social Insurance (GOSI) and the Ministry of Interior to calculate their nationalization levels. In the second phase of the program starting September 11, 2011, Saudi Arabia’s Ministry of Labor started suspending services such as transfer of visas, issuance of new visas and opening files for new businesses or branches of companies in the Yellow and Red bands, Following the implementation of the third phase on November 27, 2011, companies in the Red band are not allowed to renew work permits of expatriates, while foreign employees in those companies are permitted to shift to companies in the Excellent and Green bands without the current employer’s consent. Earlier regulation required the foreign employee to work for at least two years with the current sponsor before shifting the job. The final phase was enforced on February 23, 2012, following which companies in the Yellow band are not allowed to renew work permits of foreign employees who have stayed for six years and more in the Kingdom. To continue their stay beyond six years, foreign employees of companies in the Yellow band would have to move to Excellent and Green companies, which they could do without the consent of their employer from February 23, 2012.Since employment permit is compulsory for getting the ‘iqama’ (the residential permit) the expatriate workers would become illegal residents when denied the renewal of the work permit and thus have to leave the kingdom by their own or will be deported. It is relevant to take into account the impact of ‘Nitaqat’ on socio economic scenario of Kerala economy where most of the people depend on Saudi Arabia for their livelihood.

Nitaqat divides the Saudi labor market into 41 activities and each activity into 5 sizes as Giant, Large, Medium, Small and Very Small to have in total 205 categories. Nitaqat classifies establishments into ranges various as Excellent, Green, Yellow and Red based on the ratio of the citizens working in the establishment. The Excellent and Green range, which are the ranges with the highest localization ratios, will be rewarded with incentives. The new law proposes to deal firmly with the Red range, the range characterized by the lowest localization ratio. More time is given to the Yellow range to improve their positions, it being the medium range. Therefore, the policy affects severely are those who work at firms comes under red zone.

The most number of Keralites has been working in Saudi Arabia .Estimates of Kerala Migration Survey says that there are about 5.74 lakh Keralites in Saudi Arabia which accounts for about 28% of the total Keralites in the middle-east. The lion share of the emigrants is from Malabar region particularly from Malappuram. It is reported that about 2.5 lakh small and medium enterprises are likely to fall in red zone.

The major share of Indian expatriates works in Saudi are helpers in basic engineering and services. Other areas where the most of the Keralites have been working are small grocery stores, restaurants and boofiyas. This working areas would be the worst affected by new policy of Saudi Arabia. The impact of this would be felt in all service sectors of Kerala that depend on the gulf remittances. It would also adversely affect the thousands of families that depend on the earning of their relatives who works in Saudi Arabia and caught in the red zone of Nitaqat. The strict implementation of the programme would severely affect the migrants working under Free Visas. Thousands of Keralites are engaged with businesses which are under licenses issued to Saudi nationals. But Saudi has no ownership on such business. Such kind of businesses will be hardly affected by this policy. Estimates say that there are about 2.75 lakh small scale enterprises in the Kingdom are run under this category.

The share of Keralites in Saudi in total number of Keralites in the middle-east has been increasing since 2008.At the same time there was a fall in the number of Keralites in U.A.E. This shows that the dependency on Saudi Arabia has been increasing.

The most recent additions to the Nitaqat law that an expatriate worker should work only under his sponsor and the worker do not perform any job anywhere other than the one mentioned on his job card. This raised much panic among the expatriate workers. More over the Saudi government has increased the fee for renewing labour cards (iqamas) to SR2, 500 from SR100. This created huge crisis among the workers who are under this category. The strict implementation of the Nitaqat law recently has raised panic in Kerala. Majority of the Indian migrant labour in Saudi Arabia are from Kerala. Though the impact of Nitaqat would be on less than 3 per cent of this migrant population, remittances by them were consistently contributing to the economy of the state, especially to the northern districts of Malappuram, Kozhikode, Kannur and Kasargode. The inflow of remittance payments from Saudi Arabia has considerably raised living standards of every people in these districts. Because the existence of major part of trade and commerce, construction etc. are depend on this foreign remittances. Saudi Arabia continues to be the most desired destination among the low and semi-skilled Keralites.

The implications of the Nitaqat regulations resulted in immediate job losses and reduced job opportunities. Many small scale shops and establishments in Saudi Arabia are run by Keralites under licences in the names of Saudi nationals. Now all such shops and establishments must have 10 per cent of their employees from among Saudi nationals who should be paid at least 3 times more salary than their expatriate counterparts. It is almost impossible now to run companies on the licenses given to Saudi nationals. The actions against such businesses led to the closing of many establishments run by Keralites in Saudi Arabia.

The impact of Nitaqat in Saudi Arabia will create serious consequences on Kerala’s economy. The sudden rise of unemployment will result in huge economic crisis and social unrest in the state. The sudden fall in remittances from Saudi Arabia may lead to a multiplier effect on interlinked sectors like education, health, businesses and trade, real estate, construction, transport, etc. The problems will be much more if Saudi continues this policy and other gulf nations follow the same path.

II. CONCLUSION

Above said facts say that the new policy of Saudi Arabia Kingdom for generating employment for youth in Saudi Arabia will affect the employment sector of Kerala adversely. To boost up employment opportunities in Kerala massive investments in basic and industrial sector should be made by the government. Saudization being a domestic policy of the Kingdom of Saudi Arabia, India cannot intervene in it. However, Even if the worker has to leave the Kingdom for not having legal documents; he can come back once and finds a sponsor and have legal documents of stay. This was disallowed earlier. This provides much relief to the affected people. May be, this crisis will be a blessing in disguise since it is going to open up more opportunities for the legal migrants from the state. There is no need for the legal immigrant worker to panic. The Nitaqat effect is not just on Indians. Lakhs of illegal migrants in Saudi Arabia are from countries like Pakistan, Bangladesh, Philippines, Egypt, etc. Kerala can grab this opportunity by providing the needed skills to the future migrants and allowing them to migrate legally.

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