

Question and Answer (Q & A) on Saudi Nationalization (Saudization) Policy

- **What is Saudization?**

'Saudization', officially known as Saudi nationalization scheme, or *Nitaqat* system in Arabic, is the newest policy of the Kingdom of Saudi Arabia implemented by its Ministry of Labor, whereby Saudi companies and enterprises are required to fill up their workforce with Saudi nationals up to certain levels. It calls for an increase in the share of Saudi manpower to total employment and for expanding work opportunities for Saudi women and youth.

- **Why is the K.S.A. implementing 'Saudization'?**

The 'Saudization' scheme is the government's response to improve employment participation of Saudi nationals in the private sector and ultimately address the Kingdom's unemployment problem.

- **How is the 'Saudization' scheme implemented?**

To carry out the scheme, the Ministry of Labor is coming up with 41 classifications of its employment sectors. It will also classify Saudi companies into five categories according to the number of their workers. Lastly, it will also categorize companies into four zones or bands —*Nitaqat*—according to compliance or non-compliance with the 'Saudization' requirements.

- **What are the five company classifications according to number of workers or employees?**

No. of Employees	Classification	Required Nationalization
1 – 10 employees	None	Exempted
10 – 49 employees	Small	5 – 24%
50 – 499 employees	Medium	6 – 27%
500 – 2,999 employees	Large	7 – 30%
3,000 or more employees	Big	8 – 30%

- **What are the categories or zones of companies according to compliance or non-compliance with 'Saudization'?**

These categories or zones are Blue (VIP Category), Green (Excellent Category), Yellow (Poor Compliance), and Red (Non-Compliant). Blue and Green companies are more or less already compliant, while Yellow and Red companies are not.

- **When did the 'Saudization' scheme take effect?**

June 11, 2011. From this date, all Saudi companies, estimated to number around 300,000, are required to 'nationalize' or fill up their workforce with Saudis (for those who have not done so) or speed up their hiring of Saudis (for those who are slow to comply or are not complying). Yellow category companies have nine (9) months (11 June 2011 to 11 March 2012) to improve their compliance, while Red category companies have six (6) months (11 June 2011 to 11 December 2011) to comply with 'Saudization'.

- **Has the categorization of companies according to compliance or non-compliance been completed?**

The categorization would be completed on 30 August 2011.

- **What will happen after August 30, 2011?**

Generally, starting on 11 September 2011, the Ministry of Labor will provide incentives to compliant companies and will impose restrictions to those which are not.

- **What are the privileges of compliant companies?**

Companies categorized as Blue (VIP) will enjoy the following privileges:

- ✓ Hire anybody from anywhere in the world;

- ✓ Apply for new visas for foreign workers with open professions through e-services, provided they remain in the blue category after issuance of new visas;
- ✓ Change the professions of their foreign workers to other professions, including those restricted to Saudi nationals, but except those which have been identified by the Saudi Council of Ministers;
- ✓ Hire foreign workers from Yellow and Red categories without the permission of their employers;
- ✓ Renew work permits of their foreign workers irrespective of their period of stay in the Kingdom; and
- ✓ Apply for replacement visas.

Companies categorized as Green (Excellent) will enjoy the following privileges:

- ✓ Apply for new foreign workers' visas not more than once every two months;
- ✓ Obtain one replacement visa for every two transactions for exit-only visas;
- ✓ Change the professions of their foreign workers to other professions, except those which are restricted to Saudi nationals;
- ✓ Renew work permits of its foreign workers regardless of their period of stay in the Kingdom; and
- ✓ Hire foreign workers from companies in the Red and Yellow categories without the permission of their employers.

- **What are the restrictions for companies under the Yellow and Red categories?**

Yellow category establishments will NOT be able to:

- ✓ Apply for new visas;
- ✓ Hire or transfer foreign workers from any of the categories; and
- ✓ Change the profession of its foreign workers.

They will also lose control over their foreign workers because they will be free to sign contracts with new employers in the Blue and Green categories.

However, they would still be able to:

- ✓ Obtain one replacement visa for every two workers who have left the KSA for good;
- ✓ Renew the work permits of its foreign workers regardless of their stay, provided the remaining period in their foreign workers' residence permits is at least three (3) months on the date of renewal; and
- ✓ Renew the work permits of its foreign workers, provided these workers have not spent a total of more than six (6) years with their employers.

Red category companies will NOT be able to:

- ✓ Apply for new, replacement, or seasonal visa;
- ✓ Change their foreign workers' professions;
- ✓ Hire or transfer foreign workers from any category;

- ✓ File application for opening new enterprises (whether they are branches or entities).

They will also lose control over their foreign workers because they will be free to sign contracts with new employers in the Blue and Green categories. They will also be barred from renewing the work visas of their entire foreign staff.

- **Will 'Saudization' affect the employment of OFWs in Saudi Arabia and up to what extent?**

Yes, if the Saudi government pushes through with a sustained implementation of the policy.

However, there will be no massive, short-term displacements of OFWs as feared by some sectors, based on the foregoing incentives for compliant companies and restrictions for non-compliant companies.

For example, semi-skilled, low-skilled, or unskilled OFWs in Yellow and Red categories who will be most likely affected, particularly if their length of stay in Saudi have exceeded six (6) years and, therefore, whose work permits could not be renewed, could still transfer their services or be hired by Blue and Green category companies. This can be done without the permission of their employers.

On the other hand, OFWs in Blue category companies who may still face the risk of being displaced may change their professions to other professions, even to professions restricted for Saudi nationals, except those identified by the Saudi Council of Ministers exclusively for nationals. Those in Green category companies may change their professions to other professions, except to those restricted for Saudi nationals.

Companies in the Blue and Green professions may also renew the work permits of these OFWs regardless of the length of their stay in the Kingdom.

Due to this complex process, it is not possible at this time to provide an accurate number of OFWs who might be affected, pending the completion of the categorization of companies by the Saudi Ministry of Labor set on 30 August 2011.

The categorization could change the current classification of companies and their status may also change after the grace periods of nine (9) months and six (6) months, respectively, given to companies in the Yellow and Red categories to improve their compliance.

- **Will household service workers be affected?**

No. Household service workers (HSWs) are not included in the 'Saudization' requirements. The announced ban for new-hire HSWs was brought about by the Note Verbale sent by the Saudi Ministry of Foreign Affairs on 12 March to the Philippine Department of Foreign Affairs asking the Philippine government to stop the verification of contracts for new-hire HSWs.

- **What will the government do to assist OFWs who might be affected by 'Saudization'?**

The Department of Labor and Employment is taking three immediate steps:

- (1) **Deployment of an online registration system** to capture accurate data and information on OFWs affected by the Saudi nationalization scheme.
- (2) **On-site re-employment assistance** to facilitate the transfer of the services or hiring of affected OFWs from Yellow and Red category companies to Blue and Green category companies.
- (3) **Reintegration assistance** to returning OFWs with final exit visas for local employment or for re-deployment to other foreign markets, or for self-employment through entrepreneurship and livelihood undertakings.

END

