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### CHALLENGES IN PROMOTING NETAQAT PROGRAM IN THE INSURANCE INDUSTRY OF KSA

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#### **ABSTRACT:**

This study identifies the impact that the Ministry of Labour has on recruitment, selection, and turnover by their offered program "Netaqat" on the companies. The purpose of this study is to find solution for the problems and hindrances faced by the private sector when hiring Saudis and to fill in the gap for fellow expatriates and Saudi employees when seeking jobs in KSA. This study gives an overview of the HRM Department of five insurance companies in Saudi Arabia. There are five companies used as sample which are UCA (United Cooperative Assurance), Allianz Saudi Fransi, Gulf General Cooperation, SALAMA Cooperative Insurance Company, ACE Arabia Cooperative Insurance. The primary results were collected through questionnaires given to the HR managers and secondary data was collected to support the findings of this research. Based on the obtained results, this study provides some recommendation to increase the awareness amongst the graduating Saudi employees such as encourage existing Saudi employees for compulsory IFCE exam, enrolls in suitable training and development programs for Saudi employees, define career paths to existing Saudi employees. In addition the insurance companies should conduct seminars for awareness of their industry.

#### **INTRODUCTION:**

The Netaqat program basically creates a market for Saudization where companies are required to increase the number of Saudis in their companies [1, 2] and are judged on the basis of red category (non-compliant), yellow

category (semi-compliant) and green category (compliant). The process of adjustment in labor Saudization level toward a desired level is both industrial and time-specific and is expressed in terms of factors affecting the speed of adjustment [3]. From 2007 to 2015, the empirical results show that, in the long run, labor Saudization responds greatly to gross domestic product, followed by unit Saudi wage and least by non-Saudi labor [3]. In addition, labor over-use in Saudi manufacturing sectors is reduced after application of Nitaqat program [3].

Insurance is a contract in which an entity or an individual receives monetary protection against future losses from an insurer which is an Insurance company. Simply, policyholder's purchases policy from an Insurance company and pay premium for required coverage and in return the Insurer promises to pay the required financial losses listed in the policy. Types of Insurance policies are Life Insurance, Auto Insurance, and Health Insurance [4].

Robert Looney [5] emphasizes to increase employment for Saudi nationals across all sectors of the domestic economy, decrease and reverse over-reliance on overseas foreign workers, and evoke and reverse income which would have otherwise flowed overseas as remittance to foreign worker home countries. The organizational policies and diversity management in Saudi Arabia was studied by Abaker et al. [6] and the finding suggest that Saudization, retention, pay with benefits and health insurance policies significantly affect the diversity management in the Saudi private sector. "Therefore, there is a need to develop organizational policies that support the existence of foreign employees for private businesses in Saudi Arabia by considering differences as strengths that can be utilized to enhance performance, a diverse workforce might better be able to serve diverse markets" [6].

Al-Asfour and Khan [7] review the key initiatives undertaken by the government and its stakeholders for the workforce localization in the Kingdom. The study "examines the Saudization process initiated in the Saudi public and private sectors and its efficacy in dealing with the challenges of replacement of the expatriate workforce and the skill development strategy" [7]. The study reveals that there is a strong need to adopt a comprehensive human resource development (HRD) framework to develop local employees and aligning it with the demands of the job market. A holistic Saudization policy is needed to bridge the gap of talent and skills required after the removal of the expatriate workers [7].

Azhar et al. [8] explores the issues involved in effectively implementing the policy of Saudization in the hotel industry in Saudi Arabia, specifically four- and five-star hotels [8]. Azhar et al. [8] specifies criteria for the effective implementation of Saudization and identifies the issues involved in implementing this policy in four- and five-star hotels and also provide recommendations, which could assist in implementing the policy effectively in the hotel industry. The unemployment rate of Saudis 12% and the number of expatriates employed in KSA is 7.2 million out of 23 million in the workforce.

Expatriates represent 31 percent of the working population in KSA [9]. Unemployment is itself a problem, and many companies face difficulties in human resource management processes in relation to Saudization [10, 11]. The purpose of this study is to understand the problems, hindrances, faced by the private sector and by the HRD when hiring Saudis in terms of following the Netaqat program in the chosen industry, which is the Insurance Industry. The aim is to recommend solutions and to fill in the gap for fellow expatriates and Saudi employees who are seeking jobs in KSA.

## **METHODOLOGY**

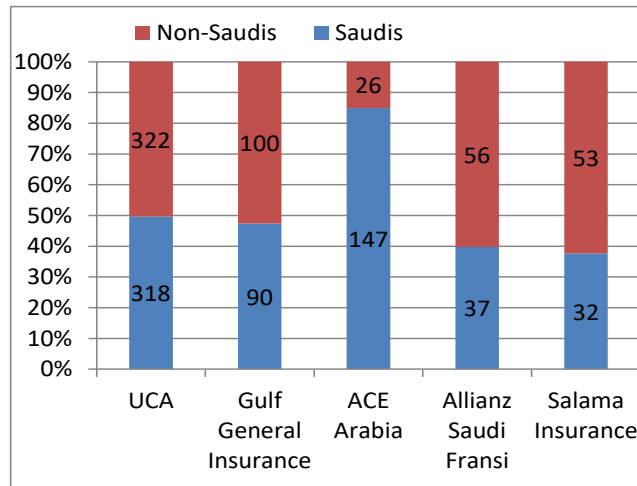
The research method used in this study is mix method where mostly qualitative and a small part is quantitative. Primary data collection was achieved through structured interviews. Secondary data collection came from research articles, Websites, Blogs, and research papers. The HR managers in the insurance sector in KSA are the population of this study. The sample size is five insurance companies one being the large one and other four from medium to small size companies, with respect to renew such as Gross Written Premium. The samples have selected using convenience sampling. One from large companies and the remains four are from medium and small company's band. Four of the companies' head offices are located in Jeddah and one is in Al-Khobar. A structured questionnaire has been developed to collect the information. The interviews have been conducted with the HR Managers of the companies in Jeddah and response of one company. While, the questionnaire for company in Al-Khobar have been collected through email.

## **RESULT AND DISCUSSION**

There are five large, medium and small companies in the Insurance Industry are consider in this study in order to provides diversification when explaining about Saudization in the Insurance Industry. The companies are UCA (United Cooperative Insurance), Gulf General Cooperation, SALAMA Cooperative Insurance Company, ACE Arabia Cooperative Insurance Company and Allianz Saudi Fransi.

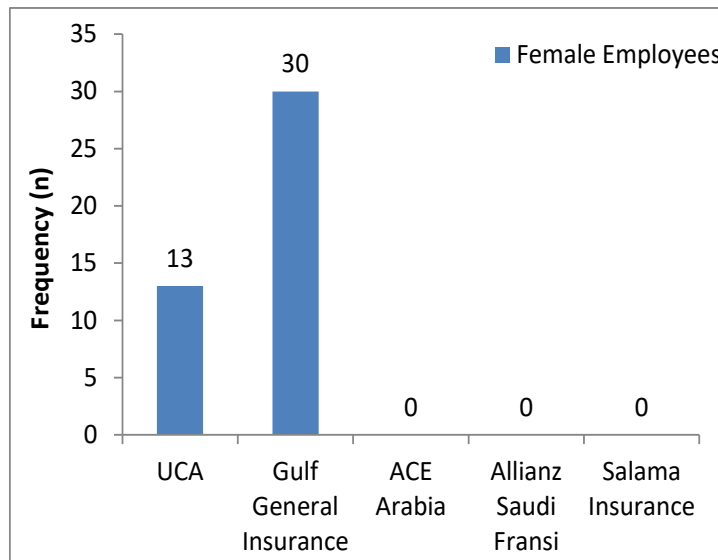
### ***Descriptive data***

UCA implemented Saudization since 2009, ACE Arabia since 2009, Allianz Saudi Fransi since 1996, Gulf General cooperation since 2010 and SALAMA Insurance since 2009-2010. UCA has the largest number of employees which is 640, second is Gulf cooperation having 190 employees, third is ACE Arabia having 173 employees, fourth is Allianz Saudi Fransi having 93 employees, and fifth is Salama Cooperative having 85 employees.



**Figure 1:** Total Employees for Saudis and Non-Saudis

Figure 1 indicates that the company which tops amongst these five companies in terms of Saudization is UCA having 50% (318 Saudi employees) Saudization, second is ACE Arabia company having 48% (147 employees) Saudization, third is Gulf General cooperation which is 42% (90 employees) Saudization, fourth is Allianz Saudi Fransi having 40% (37 Saudi employees) Saudization, and lastly Salama Cooperative having 38% (32 Saudi employees) Saudization. All companies are in the Green category, besides UCA which is Platinum. The average salaries per head in the companies range from 4,000 to 10,000. Figure 2 shows UCA has 13 female employees, ACE and Allianz Saudi Fransi has no female employees yet but are working towards it, Salama has female employees but definite number is not known and Gulf General has 30 female employees.



**Figure 2:** Number of female employees

**Interpretive data**

Table 1 summarizes the responses of a structured questionnaire. When asked about the effect of Saudization on the economy in the interviews, all the

responses were very positive. All the companies believe that the Saudi employees have a lot of potential and are giving their best to be progress in their designated jobs. Slowly and gradually, educational amends are being made which have and will give birth to qualified personnel to work in the cooperate world. The GDP of the country has also increased. The turnover parentage in the companies is very high depending on several reasons in each company. The reasons are age, work load, unacceptable work environment, work hours, working condition, no willingness to work, compensation, employer employee relationship, productivity. To increase Saudization in the companies, the HR department either fires or hires Saudi employee and non-Saudi employees. The HRD in UCA focuses only on hiring Saudi employees and has not fired any employee (Saudi and non- Saudi). ACE company believe in increasing Saudization by letting go Saudi and non-Saudi employees. This also depends on the work situation and potential of the employee to remain in the company. Allianz Saudi Fransi also believes in only hiring Saudi employees and not letting go any employee. Salama Cooperative has not fired any employee (Saudi and non-Saudi) yet and lastly, Gulf general fires non-Saudi employees to increase Saudization in the company.

**Table 1: Summary of Results of Questionnaire**

QUESTIONS	UCA	ACE	ALLIANZ	SALAMA	GULF
Turnover percentage	11%	High	Very High	High	Very High
To achieve Saudization level how many fired	Increasing in the Hiring of Saudis	Fired Saudis & Non Saudis	No Firing, Only Hiring	No firing of Saudi & Non-Saudis yet	Firing of Non-Saudis Employees
Saudi employees have increased production in sales or no?	Yes	No sales dept. consists of mostly Non-Saudis only on managerial level position	Increased Sales	No Saudis in Sales Department	Increased in Sales
Recruitment channels	Universities, Recruitment Agencies	Sites, employee database	Sites, job fairs, government support	Director Hiring	Sites, Job Fairs

	es, King Fahad Centre, HR Fund, Labour Office				
Willingness of employees to learn from basics	Yes	Yes	Yes	Yes	Yes
Difficult to find Saudi employees in the market	No	Yes	Yes	Yes	Yes
Programs to qualify fresh Saudi candidates	On the Job training for new joiners plus necessary courses for their work needs, Qualifications of IFCE Exams	OJT, Seminars and workshops abroad like Lebanon	Given the chance to work full time and by correspondence for entry level position	In house training, training programs abroad	Qualification of IFCE Exam and job rotation
Programs to qualify for managerial level positions	In House Training, Rotation, Training Courses	Training programs like leadership, management, risk management.	Given the chance to go abroad like France, Germany for workshops and seminars and training in English Language.	Promotion depending upon their skills and potential	Qualification of IFCE Exam and based on employees potential and skills

UCA, Allianz Saudi Fransi and Gulf general responded positively when asked if there was an increase in sales since implementation of Saudization in the company. Allianz Saudi Fransi commences their sales through a third party, broker, and does not do direct sales. They have a fixed commission when there is any sale. Gulf Cooperation believes that the reason their sales department is progressing is because they have good relationships and they have Saudis more than non- Saudis in their sales department. Salama Cooperative responded negatively to this question and said that it is unacceptable by Saudis to work in the sales department because it is commission based, so there is very less number of Saudis working in the Sales department. However, there are Saudis working on the managerial and executive positions in the sales department. ACE company had the same response that Saudis don't prefer to work in the Sales department because it is commission based, however, there are Saudis working in the Marketing department. UCA has very vast recruitment channels for example they recruits candidates through job fairs which are held annually in few Universities, through recruitment agencies, King Fahd Centre, HR fund and Labour office. ACE company recruits through Sites and employee database. Allianz Saudi Fransi prefers to hire Saudi candidates through references mostly but they have other sources like "www.bayt. Com", through job fairs which was carried out in 2004 with the participation of HRDF (human resource development fund) and private sector. They have plans in future to take government support for fresh Saudi candidates in which government would support the candidates with 50% of salaries, tuition fees etc. Gulf General recruit's candidates from the Site www.byat.com, recruiting agencies and job fairs and also has future plans to increase the recruitment channels. Salam Cooperative receives job applications and CV's through emails which are entered in the database system and re filtered. Very rarely, the company uses head hunters for hiring employees for higher managerial positions. Company also used sites like "byat.com" and "gulftalent.com". UCA commences on OJT (on job training), necessary courses depending on the employees work needs and qualification of IFCE (Insurance Foundation Certificate exam) certificate is a must for the employee. ACE company does OJT, send employees with potential for workshops and seminars abroad like Lebanon. Allianz Saudi Fransi gives the employee chance to work full time and by correspondence for entry level position. Salama Insurance provides In house training and training programs abroad. Gulf General requires IFCE certificate and gives specific training on the basis of their skill and potential. UCA provides In-house training, job Rotation and training courses to the skilled employees. ACE company provides training programs like leadership, management and risk management. Allianz Saudi Fransi gives the skilled employees opportunities to work abroad like France and Germany or workshops and seminar and training programs in English language. Salama Cooperative promotes employees based on the employee's skills and potential. Lastly, Gulf General requires IFCE certificates and also based on the potential of employee. The response to the question of willingness of employees to learn from basics was positive. All the companies besides UCA responded "No" to the question that they faced difficulty in finding Saudi employees in the Market, besides UCA. The reason

why the companies said no was because Insurance Industry is still very immature in KSA and there is very less awareness and no educational degree available especially in the field of Insurance, only some general courses about Insurance which are not enough. Therefore, demand for qualified Saudi candidates is high, and supply is less. The insurance company is still not mature in KSA and awareness and education are the problems to why the generation of today is not aware about Insurance Industry. The insurance industry is slowly progressing and growing in KSA but it needs more time to become more successful. The problem is to understand and find solutions for the problems, hindrances, faced by the private sector when hiring Saudis and to fill in the gap for fellow expatriates and Saudi employees when seeking jobs in KSA.

### **RECOMMENDATION**

The recommendations are to increase the awareness amongst the candidates and to encourage them to join Insurance Industry providing them with suitable courses in the curriculum of the educational Institutes [12]. This will eventually help in increasing the Insurance penetration into the GDP. Also, all exiting Saudi employees should pass the IFCE exam. To achieve this, in-house training as well as third party training centres should be utilized which will assist them in qualifying IFCE exam and will improve their professional capabilities. Suitable training and development program should be organized within the company to motivate and encourage the existing Saudi employees to progress up into managerial levels. This should be done by designing an appropriate development path for the future years by rotating into different departments of the company. Also, help should be sought from outside training and development to assist the Saudi employees in developing their skills for team work and leadership etc. in addition, defining career paths to existing Saudi employees to encourage them to stay longer in the company which will moreover, motivate them. Since Insurance lacks awareness amongst the graduating students, the Insurance Companies should endeavour to organize symposiums or seminars before the students graduate. Also, the Insurance companies should participate in job fairs which are held annually in the Universities and Colleges in KSA.

### **CONCLUSION**

Based on the interview results, in order to increase Saudization in Insurance Industry, it is necessary to take specific steps to increase Saudization in general which will increase the GDP of the country and will have better effect on the KSA economy. The main solution is to increase awareness amongst the current and future generations by adding core subjects related to Insurance in the universities curriculum also receive proper training related to this field and will be obligated to appear for the IFCE exam which will educate and increase professional capabilities. This method can provide a larger supply of qualified candidates to meet the demand of the Industry.



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