

Saudization as a Solution for Unemployment

The Case of Jeddah Western Region

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Dedication

To my mother, Khadijah J. Attar

My first teacher

With love

Abstract

Saudi Arabia is a young wealthy nation with multiple social and economic problems. While the country is extremely wealthy, it has a young population, many of whom are unemployed. The country is highly dependent on a single resource (oil), and relies heavily on imported labour to meet the requirements of economic growth and contribute to the development of the country. In recognition of these systemic problems, the Government has developed a policy of 'Saudization' as a way of replacing expatriate with Saudi workers as a way of solving the problem of unemployment.

This thesis is an attempt to understand the roots of this paradox of high wealth and high unemployment. How did Saudi Arabia arrive at a situation where it became dependent on the labour of expatriates and why did the government not use the countries' wealth to create a vibrant high-skill economy? What strategies is the government using to deal with alarming rates of high unemployment, and how successful are their endeavours. Is Saudization the answer to the current labour market situation and, if not, what are the shortcomings of the policy? These are questions addressed in this thesis.

With Saudi Arabia having developed relatively recently, the thesis begins by providing an historical overview of the establishment of the Kingdom and at the impact of the 1970s oil boom. It focuses on the labour market, the role of religion and on government attempts to stem rising unemployment through the policy of Saudization. The thesis draws on documentary evidence as well as on interviews with representatives of the key stakeholder groups: policy makers, employers and employees.

It is argued that the roots of the problem in the Saudi labour market can be traced back to the process of transformation from an agricultural to an industrial society. Reliance on oil wealth and the establishment of a rentier economy led to a situation where citizens had a low level of involvement in the economy or the political process and labour needs were met through the recruitment of expatriate employees rather than through education and training.

The thesis argues that the policy of Saudization falls short in several key areas. First, Saudization as a policy is targeting the symptom (unemployment) instead of focusing on the problem *employability*. In many respects, the education system and labour market situations are poorly aligned; strict religious controls over the content of the curriculum and a lack of forward planning means that young Saudis are not being equipped with the hard or soft skills necessary to meet economic demands. Second, the policy is not tuned into the needs of the private sector and has failed to meet the concerns of employers or employees. Third, the policy has failed to respect the varying situations of employers in different sectors of the labour market and should recognise the need to set industry specific targets for Saudization.

In sum, the research lends weight to the idea that Saudization is deficient as a policy and that, without targeted logistics and application, provides little more than a short-term solution to unemployment.

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Declaration of Originality

I Manal Soliman Fakeeh declare that this thesis is my own work and has not been submitted in any form for another degree or diploma at any university. Information derived from the published and unpublished work of others has been acknowledged in the text and a list of references is given in the bibliography.

Acronyms and Abbreviations

ARAMCO: Arabian American Oil Company (also known as Saudi Aramco)

BBC: British Broadcasting Corporation

CDS: Central department of Statistics (Saudi Arabia)

CEO: Chief Executive Officer

CIA: Central Intelligence Agency

COO: Chief Operating Officer

CoM: Council Of Ministers

CPA: Certified Public Accountant

CSR: Corporate Social responsibility

CV: Curriculum Vitae

GCC: Gulf Cooperation Countries

GDP: Gross Domestic product

GM: General Manager

HCT: Higher College of Technology

HR: Human Resources

HRDF: Human development Resources Fund (Saudi Arabia)

HRH: His Royal Highness

ILO: international Labour Organization

IMF: International Monetary Fund

IT: Information Technology

JCCI: Jeddah Chamber of Commerce

KBKCB: Khadijah Bint Khouwailid Center for Businesswomen

Km: Kilometres

KSA: Kingdom of Saudi Arabia

Lab: Laboratory

MA: Master Degree

NBC: National Broadcasting Corporation

NCB: National Commercial Bank

OJT: On the job training

PBUH: Peace Be Upon Him(Prophet Mohammad)

PC: personal Computer

PhD: Doctor of Philosophy

SABIC: Saudi Arabia Basic Industries Corporation

SAMA: Saudi Arabia Monetary Agency

SR: Saudi Riyal

UAE: United Arab Emirates

UK: United Kingdom

UNDP: United Nations Development Programme

USA: United States of America

WTA: World Trade Agreement

WTO: World Trade Organization

Chapter One

The Saudi Paradox

Introduction

This thesis is an attempt to look at Saudi Arabia's labour market in terms of its socio-economic structure: specifically, its history and the factors that have shaped the country's work culture. The purpose of the thesis is to analyse, first, the Saudi labour market's disequilibrium that has resulted in high unemployment, and, second, the solutions to this problem proposed by Saudi policy-makers. The thesis concludes with an analysis and evaluation of the process of 'Saudization' proposed by the government as a solution to the high rate of unemployment among its citizens and its reliance on foreign labour.

As an introduction, the present chapter focuses on the historical, social and economic environment that produced modern Saudi Arabia. It describes the Saudis' national profile and the social indicators – the characteristics of Saudi Arabians at work – that emerged during the country's transition from a nomadic/subsistence to an urban/industrial economy. It also explains its work culture, work ethic and current economic prospects.

By way of contrast, the modern transformation of Saudi society will be examined in the light of similar changes that occurred in the British economy during the Industrial Revolution, when Britain moved from being an agrarian/rural to an urban/industrial economy. Through an analysis of the similarities and differences between these two societies, the chapter aims to show how these changes in Britain produced an industrious and innovative industrialised economy while the equivalent economic transformation in Saudi Arabia produced less satisfactory results from an economic point of view. It is a paradox how Saudi Arabia, an extremely wealthy country, nevertheless, has a major problem with unemployment. With a GDP of \$546 billion as of 2008, according to the Saudi Arabian Monetary Agency (SAMA, 44th Annual Report, 2008), the kingdom should possess a flourishing, developed industrial economy; however, this is not the case.

Saudi Arabia has 25 per cent of the world's proven oil reserves and has recently seen its economy boosted by record oil prices in excess of \$140 per barrel in June 2008 (Bloomberg, 2008). The oil sector accounts for roughly 75 per cent of Saudi budget

revenues, 45 per cent of GDP and 90 per cent of export earnings (estimates from CIA World Factbook, 2008). Crude oil production, oil refining, basic petrochemicals, ammonia, industrial gases, sodium hydroxide (caustic soda), cement, fertilizer, plastics and metals have also grown, as they are important for the petroleum industry. However, oil is still the essential component of the Saudi economy, and is expected to sustain the kingdom's economy for the next half century (Al Naimi, 2004).

Amid all this oil-generated wealth, however, unemployment remains a problem. Index Mundi estimates put the Saudi unemployment rate at approximately 13 per cent among males in 2008; other independent observers estimate that the 'real' rate may be as high as 25 per cent (CIA World Factbook, 2008). Added to the fact that, as a low estimate, only 5.5 per cent of the female population is employed, this gives an overall unemployment and inactivity rate of around 60 per cent, possibly as high as 72 per cent (Ministry of Economy and Planning, Labour Force Survey: 2008). The government understands that oil wealth alone will not be sufficient to sustain the welfare of a country with such a fast-growing population and that in the long run the issue of unemployment and underemployment must be dealt with. This is a key issue for the Saudi economy as it is not the unemployment figures as such that are alarming, but their significance for the sustainability of wealth production of Saudi Arabia.

How did this situation come about? The answer lies in the fact that while Saudi Arabia benefited from a huge influx of petrodollars during the second half of the twentieth century, there was no indigenous domestic social structure to provide the people with the skills necessary for the building a modern state. Workers and their knowledge had to be imported. Thus, instead of the gradual development of an education system that provided indigenous workers with appropriate skills over generations, or a gradual migration away from traditional agrarian and subsistence economies (as was the case in Britain), in Saudi Arabia – based on the largely nomadic nature of the society – industrialization arrived 'pre-packaged', purchased with the sudden advent of enormous wealth.

Dealing with rising unemployment among Saudi youth has now become the focus of the government's efforts. A government policy of Saudization – the compulsory inclusion of Saudis on the staff of national and foreign companies operating in the kingdom – has been introduced. However, Saudization has so far done little to increase skills or lower the

unemployment rate. Employers report a mismatch between the skills with which Saudi youth leave school and the requirements of the labour market. Added to this is a reported lack of motivation or 'work ethic' among Saudis, coupled with a refusal to take on specific jobs (for example, manual labour and/or artisanal occupations) that Saudis see as 'beneath them'. The lack of a work ethic only compounds the problem of unemployment among Saudi nationals since they are already regarded as unskilled by potential employers and thus considered to be unable to replace the expatriate skilled workforce that currently sustains the economy of Saudi Arabia.

Pre Industrial Saudi Arabia

This section focuses on Saudi Arabia's pre-industrial era and the history of the kingdom's foundation. The political and ideological foundation on which the Saudi state was established helps to explain the nature of Saudi society today. The foundation of the Saudi Arabian polity in 1932 was influenced by two principal factors. The first was the political power vacuum created by the demise of the Ottoman Empire and Britain's expansionist ambitions. The second factor relates to the rivalries between the two main local candidates for ruling Arabia, Sharif Husseyn bin Ali of Mecca and the later-to-be King Abdulaziz Al Saud (Menoret, 2005).

At the beginning of the nineteenth century the Ottoman Empire was in decline, and it struggled to maintain its grip over the Arabian Peninsula. Not prepared to forego Arabia without a fight, it undertook several invasions in 1818 and in 1871 in an attempt to re-establish its authority. However, large areas of these territories remained without an Ottoman governor. The only *Amir* who still supported Ottoman rule was Ibn Rashid of Ha'il, if only nominally and without giving military support according to al-Angari (1998). Meanwhile, Sharif Husseyn in Hijaz actively supported the British against the Ottomans whereas Ibn Saud also allied himself with the British but without direct involvement in the war against the Ottomans.

After the First World War, Britain and France divided up the Ottoman territories between them. Although the Arabian Peninsula fell under the British sphere of influence, Arabia was never to become a colony or a mandate in a similar manner to other parts of the former Ottoman Empire. During the war, Britain cultivated close relations with both Ibn Saud and

Sharif Husseyn, making conflicting promises to both parties, while providing them with financial support. By doing so, the British aimed to eliminate smaller polities, in order to pave the way for a more manageable Arabia under one ruler. British influence in Arabia was considerable throughout the first three decades of the twentieth century (Al-Angari, 1998). This is particularly important as Al-Rasheed (2002) and Vassiliev (2000) both demonstrate that Britain at the time was inclined to create monarchies and emirates (not multiparty democracies) in its imperial domains in this region. As the Ottoman Empire continued to decline, Ibn Saud was advancing militarily. Britain recognized him as the de facto ruler of Najd, and then further sanctioned this position in 1915 by recognizing him as the King of Najd and its Dependencies (Al-Rasheed 2002). It was with British subsidies that Ibn Saud was able to conquer the Rashid Emirate in 1921 and subsequently defeated the Sharif of Mecca. Finally, Ibn Saud took over Hijaz in 1924–25, ousting the Hashemite dynasty in the process (Almana, 1980). Ibn Saud declared himself King of Saudi Arabia in 1932.

Figure 1:1Map of Saudi Arabia



While Britain may have been a key force behind the formation of the Saudi state, the rise

and consolidation of its four regions (Hijaz, Najd, Hasa and Asir) was primarily due to Ibn Saud's efforts over the next thirty years (1902–1932) (Vassiliev, 2000).

Ibn Saud's claim to ruling the peninsula was based on his being a descendant of the Saudi-Wahhabi rulers of Dar'iyā (the home town of the Al Saud). The Wahhabis were a religious reformist movement that preached a puritanical, strict interpretation of Islam (Vassiliev, 2000; Almana, 1980). They had ruled the area from 1744 to 1818 and again from 1824 to 1891. However, this claim did not justify Ibn Saud's rule over the peninsula's other regions or emirates, and especially not of the Hijaz, where the Sharif of Mecca, Husseyn bin Ali, held a stronger ancestral claim and legitimacy, being a descendant of the Prophet Muhammad (PBUH). Therefore, Ibn Saud had to resort to other methods to enforce his presence in what was to become the kingdom. So, like his ancestors, he justified his claim to rule with the rhetoric of the Wahhabi movement, which aimed to purify the religious practices of the region from '*bid'a*' (novelty) and to enforce closer *conformation* to the *divine* law of God as represented in the *shari'a*.

In turn the Wahhabis were more than ready to expand their religious influence through this alliance with Ibn Saud as early as 1902, Ibn Saud enlisted the *mutawwa* (who were then merely self-appointed experts in Islamic ritual) in the process of expansion. The *mutawwa* established a strict regime of discipline and punishment to enforce the more ritualistic aspects of Islam in the communities into which they moved. Ibn Saud now used this rigid interpretation of Islam to subdue the rebellious population in areas into which he wanted to expand and establish himself as imam.

Ibn Saud would send the *mutawwa* to tribal confederations before arriving with his troops (Vassiliev, 2000). Here their job was to familiarize the population with: the importance of obediently following the ruler, a process called *ta'at woulaat al-amr*; ridding their religious practices from *bid'a*; paying *zakat* (Alms Tax); and being prepared to engage in *jihād* (holy war) for the cause. This ideology usually encountered little resistance for the in the regions Ibn Saud was expanding into the population was mainly illiterate, and the people were easily intimidated by the *mutuwwa*. Gradually, the *mutuwwa* inculcated and ingrained the virtues of obedience into these communities. Although in this context the *mutuwwa*'s concept of obedience' was supposed to be obedience to divine law as sanctioned by God, (or *shari'a*), the implication of the doctrine was that this was not

possible without wholeheartedly accepting the rule of the leader or imam, (that is to say, Ibn Saud), as well. According to the *mutuwwa*, without this acceptance, deeds performed in good faith would not be found acceptable to God.

Ibn Saud's expansionist designs were put into practice through a series of military incursions: these were achieved through the formation of the *Ikhwan* (Vassiliev, 2000; Almana, 1980), a tribal-military force formed by the *muttawa* and dedicated to fighting in the name of jihad against 'infidels', a loosely defined category that at times included anyone who was not willing to accept Ibn Saud's leadership. The creation of the *Ikhwan* only increased Ibn Saud's growing political power.

Ibn Saud never set out to establish a nation; this was a later development, as noted by al-Al-Rasheed (2002): moreover political movements with a religious element were hardly unusual at the beginning of the 20th century. However, the key issue here, specific to Saudi Arabia, was that Ibn Saud's particularly strict and orthodox Wahhabi ideology to eliminate all the other more moderate schools of Islam in the peninsula. But in the long term this led the kingdom into a vicious circle of isolation, slowing down the introduction of modernity. It could be argued that it is Wahhabism that is essentially responsible for the Saudi Arabia's continuous religious upheavals and economic stagnation (in terms of the labour market). The key issue here is Ibn Saud's fusion of the religious and the political creating a political expansionist ideology that *was also* religious. In Britain, by contrast, Protestant beliefs had encouraged *a separation* of the religious from the secular, which allowed unhampered growth and development in areas of scientific and technological development and a separate secular state to emerge, while retaining the discipline and ethical constraints needed to engender a productive economy (Armstrong, 2007).

As King Abdulaziz established his kingdom over the four regions of the peninsula, he continued to enforce his position by buying allegiances into the 1940s. Acts of generosity to heads of tribes, and marriages in marginalized branches of the Al Saud as well as within the Arab nobility became another way in which he consolidated his influence and power. It is important to note that affairs of state at this time were very informal and had no real structure. There was no existing government authority, no state machinery, no ministers and no judiciary. All-important political decisions were made by the king himself.

However, the Saudi king did have help in making these decisions in the form of *the al-Shu'ba al-Siyasiyya* (the Political Committee) (Almana, 1980 and Jerichow, 1997)). This committee consisted of eight members, mainly Arab nationals (Syrians, Egyptians, Lebanese and a Libyan) and Harry St John Philby, a British adviser and observer. They provided advisory services for King Abdulaziz since they brought knowledge of public organization from their own countries. Some of Saudi Arabia's most important organizations (such as the education system, which was based on the Egyptian model) still carry the imprint of those early importations. This was only possible because of the absence of local know-how and the pressing need to rapidly build state institutions. Due to Saudi Arabia's total isolation from the rest of the world in both government infrastructure and religious readiness to change, plus the absence of a previous frame of reference on which to build a government, it was nearly impossible to build a nation that was uniquely Saudi, by Saudis and for Saudis. As Niblock (2007, p 33) says, 'The edifice of a modern state was developed, but not its reality.' For example, unlike other countries around the same period, it has been argued that up until the 1940s, Saudi Arabia had no archives recording expenditure or any other official acts. Another example is the unplanned demographic shifts in many parts of the young Saudi nation that led to a loss of manpower in areas that were originally agricultural. The government failed to stem this move: nor did it make any attempt to keep people on the farms or use the new wealth to empower them to further develop the agricultural sector. People simply moved to areas with newly available services, but this brought no economic benefit to the Saudi economy.

The management of the Saudi state was thus carried out by an informal system of social and cultural mechanisms specific to the Arabian Peninsula (Jerichow, 1997). This system was highly dependent on the king's public *majlis*, or court. Most state affairs were dealt with behind closed doors and out of the ambit of the Political Committee. Since the declaration of the kingdom in 1932, the king and his elder sons, Saud and Faisal, his foreign advisers and employees constituted the entirety of the government. None of the other areas of the new kingdom (for example, the Hijaz or western region) were represented in this government.

At this point in the development of Saudi Arabia there was very little economic activity. Before the advent of oil, the country had very little agricultural activity, and what existed was mainly subsistence agriculture. There was a small surplus from internal trade and

passing travellers en route for destinations outside the area – as, for example, in Aljouf, which served the Persia–Egypt trade route. The Hajj economy of the Hijaz was self-regulating and needed no direct involvement by government. According to an estimate of state revenues quoted by Niblock (1982), in 1938, just before the first major oil find, Hijaz customs and revenue from pilgrims amounted to £1.3m (gold). Salaries to state employees could not be paid until the pilgrims' revenues had been received.

By 1939 Saudi Arabia was producing more oil per day from one well than any oil well in the United States. At that time King Abdulaziz was passing on the reins of his young country to his two sons, Saud and Faisal. There was talk of establishing a Council of Ministers but this never materialized in his lifetime.

Saudi Arabia suffered from a lack of resources up to the point at which it began to produce and sell oil. Niblock (2007) points out that the only ministries in existence at that time were Finance (1932), Foreign Affairs (1933) and Interior (1944). The king used any state resources as if they were for his own private use, or for him to allocate in the public interest.

Even when oil revenues started to flow in, in 1948, and the state had more resources at its disposal, the socio-political system remained the same: thus there was no state planning whatsoever (Niblock, 2007). Subsequently, there was some government development, when the ministries of Interior and Health (1951), Water and Agriculture, Education, and Communication (1953) were established. However, government ministers were not paid regularly and there was no centralized administrative system. Ministries worked on a semi-independent basis.

By the time of the founder's death in 1953, institutions, civil services and bureaucracies that had developed over centuries of war, rebellion and organic growth in democratic European states had been imported, ready packaged, to the unfamiliar soil of the fledgling Saudi Arabia, but without the wealth of experience that had developed those structures.

Nation building

Nations are built through a process of social and historical development as a combined result of people and policy-makers' efforts, and at times struggle. Religion and key historical events also often play a role. This section of the thesis focuses on Saudi Arabia's history from the 1960s to the early 1990s. These years include the rules of King Saud (1953–64), King Faisal (1964–1975), including the oil embargo–'boom' effects of 1975, and King Khalid (1975–82), through to the early years of King Fahad's (1982–2005) rule, culminating in the 'bust' and what it revealed about the structure of Saudi Arabia's nationhood.

In the early days of the state, the traditional relationship between the ruler and the ruled persisted. The 'head of the tribe' remained the centre of mediation and decision-making and the source of patronage, gifts and handouts. This pattern of rule – based on the distribution of patronage, both in the form of influence over public-sector jobs and in the provision of welfare schemes for the remainder of the population – continues to the present day (Yamani, 1996; Champion, 2003 and Amuzegar, 2001). The heirs of King Abdulaziz continued this pattern as far as they could, although the population was increasing rapidly. (According to the Human Development Report UNDP, 2001), the population grew at 3.32 per cent from 1950 to 1974 and then peaked in the 1970s and 1980s at around 4.6 per cent per annum) according to the UNDP 2003 report.

King Faisal's initial efforts concentrated on resolving the country's debt problem and lack of infrastructure. According to Rentz (in Beling, 1980), Saudi Arabia was on the verge of bankruptcy by 1958. In order to prevent a repeat of the struggle for power which had dogged the early years of his reign, King Faisal appointed a loyal heir and delegated what he thought of as the vital ministries of Defence and Petroleum to trustworthy individuals.

As the country's GDP rose from 10.4 billion to 163.53 billion Saudi riyals (SR) in the decade 1965–1975, King Faisal launched Five-Year Development Plans based on a projected 9.8 per cent annual budget increase. Those expenditures were concentrated in the areas of defence, education, transportation and utilities. The First Five-Year Development Plan (1970–75) prioritized the development of the material infrastructure, including transportation, services such as the wider geographical distribution of electricity and water,

and the construction of roads and ports became a priority. Much of the expenditure was unaccounted for, however, since oversight and government control were still very much in their infancy, (Al-Rasheed, 2002).

The expansion of education followed, to cover distant regions of the kingdom that had previously had no elementary education. In addition, girls' education was introduced in the mid-1960s under the king's personal protection and patronage. Four universities were established, making a total of five, and producing the kingdom's first generation of formally educated nationals. Vocational training and higher institutes of education followed (Al-Salloum, 1995; Niblock, 2007). King Faisal also created a new Ministry of Higher Education to reduce the pressure on the Ministry of Education due to the massive expansion required by tertiary institutions, reflecting an approximate 10 per cent per annum increase in the education budget. Throughout the creation and expansion of the education system, the establishment of vocational training centres, the building of girls' schools and later the extension of girls' higher education, foreign systems, programmes and teachers were imported to implement this rapidly expanding area of nation building. Later in this chapter, this fact will be examined in terms of its effects on the suitability of the Saudi educational programmes, their outcomes and how they have affected the labour market up to the present day.

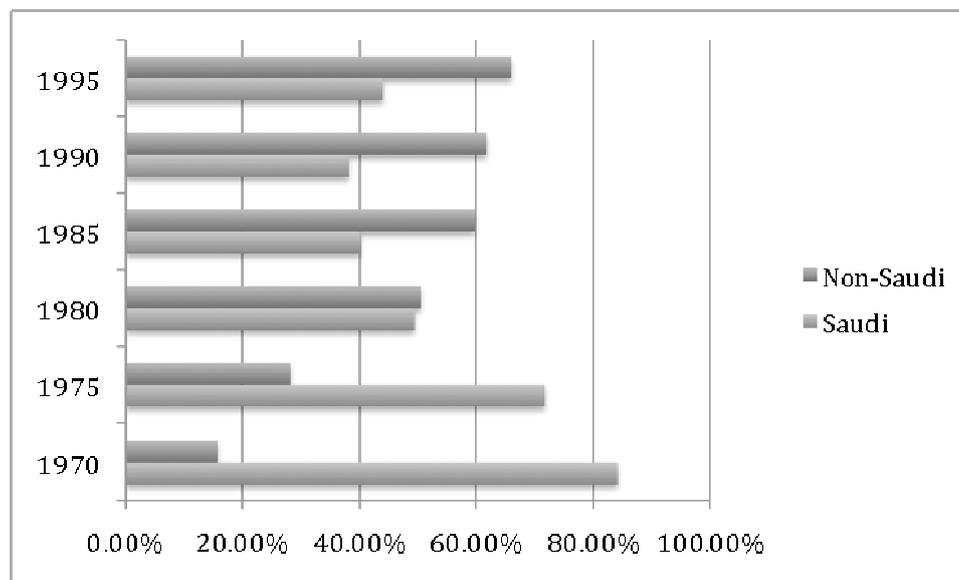
The Saudi government offered education, healthcare, medical services, water and electricity and grants of agriculture land. Subsidies on food and petrol were introduced, so that a high standing of living became the norm for the average Saudi. In the 1970s, according to the World Bank, Saudi Arabia's per capita GDP was \$16,000.

During King Faisal's reign, the Saudi state offered interest-free loans to private entrepreneurs and businessmen who helped develop the nation's services, thus continuing the Saudi ruling family's tradition of largesse. Thus, under King Faisal, the state became a source of welfare for its patrons. In effect, the state operated a paternal relationship between the ruler and the ruled, dependent on the immense oil wealth controlled by the Saudi government. This largesse encouraged the rapid development and expansion of the private sector, in relative freedom from government restrictions (though it mainly relied on foreign labour and expertise). This explains the resistance of the current developed private sector to government interference in the form of labour control, and the state policy of

Saudization.

In this pivotal area of Saudi Arabia's development as a nation, the economy became exclusively and very rapidly dependent on oil revenues and most importantly on an imported labour force. The graph below illustrates the imbalance created in the Saudi labour market between 1970-1995s.

Figure 1:2 Saudi Arabia Work Force Growth (1970-1995)



Source: Central Department of Statistics (CDS), Labour Force Statistics in Saudi Arabia 1977; 1990; 2001 (Jeddah, Saudi Arabia).

How has this affected the country's socio-economic development, or more specifically its labour market, both in the early years of oil production and at present?

To answer this question several factors need to be taken into consideration. First: when Saudi Arabia became dependent on land rent alone to build its economy and strive to modernize the country in such a short time frame, it became, with its fledgling institutions and without a frame of reference on which to build them, more susceptible to 'rentierism'. This accelerated material progress, but failed to encourage for the gradual patterns of development experienced by other industrial nations. In the view of Amuzegar (2001), Saudi Arabia's dependence on oil, coupled with the government's distribution of largesse and its being the sole owner of the nation's principal physical resource, is a classic example of the economy of 'rentier' or 'petrolized' nations. This factor contributed to the

'learned helplessness' among many unemployed Saudi nationals, creating unrealistically high expectations (in lifestyle, income and social position) that were not earned and could not be sustained after the oil wealth slowed down in the following decade.

In other words, Saudi Arabia's wealth was not the result of the development of the country's internal productive forces, but rather derived from the export of a raw material (oil) whose exploitation required imported expertise and few local workers, setting the ground for total government control over the country's wealth, (Amuzegar, 2001). This is in sharp contrast with the modern capitalist economies of Taiwan, Hong Kong, Singapore and South Korea. In those countries, rapid economic growth was due to an aggressive strategy that promoted the export of new manufactured goods rather than more traditional primary commodities (like oil) (Isbister, 2001).

This development of Saudi Arabia as a rentier economy (as opposed to a more 'normal' capitalist economy) has had deep and lasting effects on the country: economically, socially and politically. Areas associated with the extraction and exports of oil, the main income-generator, were developed at the expense of other forms of economic development. The fact that the oil sector required minimal manpower and thrived at the expense of other vital sectors such as agriculture and industry, regardless of how developed they were, has had a major influence on Saudi Arabia's economy. Today, only 10 per cent of the kingdom's revenue comes from sources other than the export of oil (CIA: 2007). The only exception to this over-reliance on one sector is the collateral development of the petrochemical and related industries.

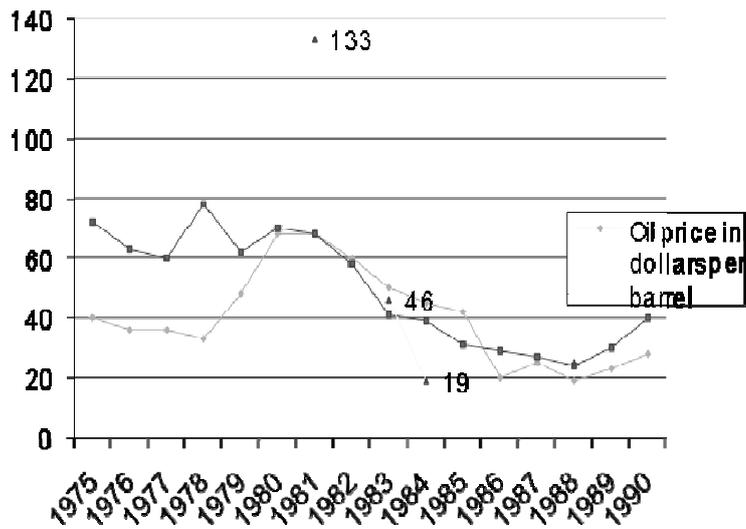
Oil revenues also allowed the government to dispense with ad hoc taxpayers, i.e. pilgrims and the old merchant families, as taxation became an insignificant source of income for the economy. As Al-Rasheed states (2002, p.126) 'With oil, local merchant families lost all semblance of their previous bargaining power vis-à-vis the state.' This bargaining power could have gone towards earning the right of these merchant families to a say in the policies that were being created to govern the young kingdom, such as the education system, the establishment of a free press, the distribution of wealth and land, and development priorities. Had this representation been allowed in the significant years of nation building (1964–1980), it may well have become the norm in the following decades, allowing the country's educated, liberal merchant elites to make a positive contribution to

the countries' development. To turn the famous American slogan on its head: there can be no expectation of democratic representation without taxation (Heradstveit and Hveem, 2004).

As for the politico-ideological alliance between the ruling family and the Wahhabi religious class, it transmogrified (and continues to do so), depending on several factors. In the early years, the alliance was very important for the kingdom's legitimacy. During the crucial reign of King Faisal, *muttawā* leaders were placed in government positions, depending on their flexibility and their allegiance to the needs of that era (Champion, 2003). Although over time their role has weakened as religious leaders, their effect on the education, the media and the status of women has remained strong. Later, after the invasion and occupation of the Holy Mosque at Mecca by the religious fundamentalist Juhaiman Al-Oteibi (Pfaff, 1991) and his followers, the religious authority regained significant control over the same vital organizations and everyday lives of Saudis. This would change again in 2001, after the September 11 attacks on the World Trade Centre, when the Saudi government had to be seen to be attempting to curb the *muttawā*'s power and interference, both for national security reasons and to protect the country's image internationally.

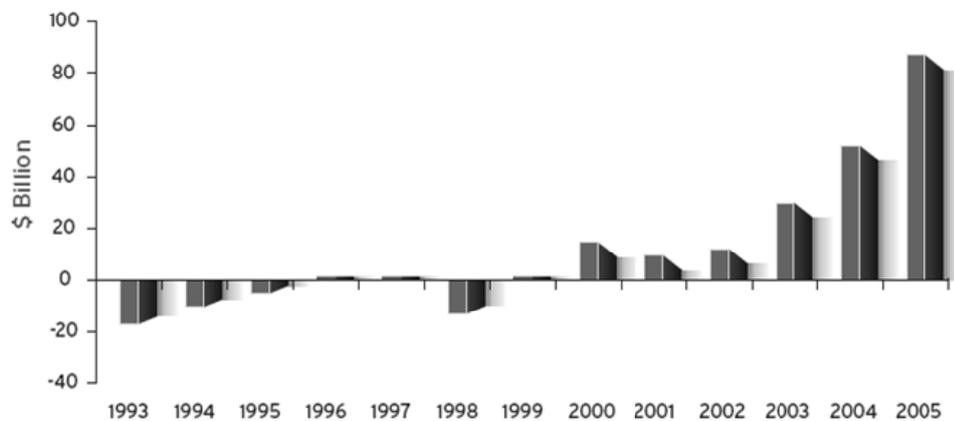
To an observer it might appear that there was nothing wrong with most of the Saudi government's measures in building a nation during the 'golden decade' (1970s–1980s). However, from a sociological viewpoint, this 'golden era' – characterized as it was by 'rentierism', extreme wealth, speed of development without a frame of reference, complete dependence on the importation of expertise, systems and manpower, the eradication of taxation and the creation of unsustainable expectations in the mind of every Saudi citizen – has hindered the process of nation building in Saudi Arabia.

This will become clear by examining state policy in the years of the 'bust' and during the Gulf War of 1990–1991. The events that took place in the decade 1980–1990 help explain the defects in nation building which have influenced the country's social and economic set up.

Figure 1:3 Prices and GDP in Bust Period

Source: www.wrtg.com/prices.html

As the indicators presented in figure 1:3 show, there was a sharp drop in Saudi GDP from SR 400 billion in 1982 to SR 271 billion in 1986, according to the International Monetary Fund (IMF, 1999). Vassiliev (2000) believes that the government was reluctant to cut its spending on public services at first, but in 1985, faced with a persistent deficit, it increased utility bills (e.g. gas and electricity) by 70 per cent, the first such rise since 1972. Al-Rasheed (2002) recalls that, with that increase, ordinary Saudis began to feel the winds of change in state revenues for the first time. They remember the 1980s as the beginning of austerity.

Figure 1:4 Saudi Arabia Current Account Balances 1993-2005

Source: SAMA

As a result of the growing deficit and a drop in GDP from an expected 4 per cent to 1.4 per cent per annum, the government was forced to draw on its reserves and borrow from local economic organisations (Amuzigar, 2001): several government projects were cut as a direct response to the economic uncertainty. Even plans to invest in the construction of new oil refineries were halted (Vassiliev 2000). In the Fourth Five-Year Development Plan (1985–1990), as a response to the bust of the 1980s, expenditures on infrastructure and several ambitious projects shifted in the direction of developing economic and human resources.

Life in Saudi Arabia as Saudis knew it during the 1960s until the early 1980s was coming to an end. The government resorted to a better development of alternative resources and human capital to protect the economy from the harsh economic realities of the 1990s. The country also had to take account of the political, social and economical ramifications of the 1990–1991 Gulf War. Saudi Arabia discovered it was vulnerable to events outside its control for the first time. It was threatened militarily, and the Saudis realized that the source of their wealth – the Eastern Province’s oilfields – were not as secure as they had believed. The implications of the bust and the Gulf War brought to the surface many socio-economic problems, the most urgent of which were reduced government spending, a halt to educational expansion and higher-education opportunities, an increase in poverty and rising unemployment. These problems were magnified and experienced as something new, however, because the population was growing rapidly: at a rate of 4.8% in the first half of 1990s, according to UN estimates. Before the bust, being unemployed was not as keenly felt because of the benefits provided by state welfare: after the bust, there was a very definite pressure on Saudis to become employed.

The next section of this chapter will describe and analyse Saudi government policies in relation to the present state of inertia in the kingdom, and particularly the current state of the labour market.

State Policies

Saudi Arabia had had a promising future for its nationals, as well as for the neighbouring countries that benefited from Saudi petrodollars. The combination of abundant natural resources, great wealth and a small population should have encouraged successful nation

building, prosperity and a dynamic labour market. When Al Namla, ex-Minister of Labour, announced in 2003 that there were 3.2 million unemployed Saudis and shortly after announced that 5 million Saudis were below the poverty line, the question had to be asked: what went wrong?

Saudi Arabia today suffers from many serious structural socio-political and economic problems: dependence on oil and deficiencies in other areas of the economy, coupled with demographic and regional differences (i.e. the lack of a national identity and homogeneity), and fundamentalism that spawns terrorism. These factors have led to rising social unrest, an increase in crime and drug trafficking, poverty and high levels of unemployment.

The state of inertia that has befallen the kingdom derives from its history. Current Saudi state policies vividly reflect its short history: a lack of vision, internal contradictions and various instances of the mismanagement of physical and human resources.

These problems go back to government policies created during the nation building phase of Saudi history which to a certain extent continue today: for example in the Saudi policy-makers' approach to tackling rising unemployment.

The key problem is the Saudi's unique fusion of religion (in a highly specific, fundamentalist form) and more or less secular politics (Aarts and Nonneman, 2006). This has led to fundamental problems arising from the lack of separation between the secular (economic) spheres and the religious (in the particular form encouraged by the government). How can a government, for instance, encourage the innovation [*ibda'a*] necessary for economic development something encouraged by (mainstream) Islam, yet stifle novelty [*bid'a*] on the grounds that it is forbidden by the religious authorities as being irreligious and corrupt? (Aarts and Nonneman, 2006).

To repeat: the kingdom was founded on a politico-religious ideology, following a set of rules derived from a limited and restrictive orthodox interpretation of the Islamic faith. The unusual nature of this ideology made it possible for King Ibn Saud to unite numerous disparate peoples into one country. However one must consider the consequences of

imposing one ideology (and a highly reductive, restrictive one at that) on a vast nation with such a diverse, unique social and religious composition.

Each region before unification had had its own social structure. For example the Western region was more 'cosmopolitan' and 'progressive'. The Eastern region had for some time been under British influence, and had a population which, for the most part, followed a different sect of Islam altogether (*Shi'a*). Even in the South there was a vibrant agriculturally based community, which has had to conform to the kingdom's uniform ways of life.

Instead of allowing the merged regions to retain individual characteristics vital to their existence, the Saudi rulers imposed the culture of their own region. This totalitarian approach has prevented genuine nation building, and instead of a democratic state, it has produced a centralized, authoritarian regime.

Vassiliev (2000) believes that the Saudi government lacked the vision to provide long term plans for its economy. Many of the government's development schemes were not designed with a long-term view. In addition, 5-year Development Plans, as will be seen in later chapters, do arise from a comprehensive study of the growing economic crisis. Lack of vision is also apparent in the Saudi habit of prioritizing the building of infrastructure as opposed to developing human capital.

Another manifestation of the lack of vision in Saudi state policies can be seen in its failure to develop and protect certain industries vital for the development of a healthy diversified economy. Agriculture and fishing were potential areas of strength for the Saudi economy had they received enough protection and proper management, especially in the 1970s. (Metz, 1992) Saudi Arabia was self-sufficient in food production until the late 1960s. Hasa produced large quantities of dates (Beling, 1980). The southwest of the kingdom in addition to other areas with deep-water wells and valleys produced vegetables, fruit and grain.

The lack of vision is reflected on the development of agriculture in two ways. While water wells were used to supply growing cities with drinking water, most of the deep-water reservoirs were depleted to irrigate grain production in desert land. Thus, according to data

from the US Library of Congress (Metz, 1992) after a decade of massive government incentives, agriculture in 1999 accounted for only 10 per cent of GDP, up from 1 per cent of GDP in 1982. Rapid growth in output led to some food self-sufficiency (particularly grain), but caused a scarcity of vital underground water resources (Elhadi, 2008).

In addition, the process of rapid urbanization caused by low incentives for small farmers, forced them in their thousands to the cities in search of easier better-paid employment adding pressure on the labour market and the economy as a whole.

The lack of vision is also seen in the failure of the state policies to promote the fishing industry until as late as the 1990s. Despite 2100 km coastline both on the Red Sea and the Arabian Gulf, the kingdom only produced some 50,000 tons of its approx. 100,000-ton annual consumption (Report on Fishing Industries Development, GCC, 1993).

Another defect in the Saudi policies is that some are in conflict with the general goal of the state or with another policy, which can adversely affect efficient policy execution and can lead to policies that contradict each other. Amuzegar (2001) gives a glaring example in the area of agricultural policy. This policy encouraged a surplus in some crops, favouring landowners and entrepreneurs rather than the indigenous small farmer. The agricultural policy quest for economic diversification and food self-sufficiency was in conflict with both retaining the small farmers' continued interest and the country's water development and conservation. Agriculture accounted for nearly 90 per cent of water consumption in the late 1980s (Amuzegar, 2000). Water needed for non-essential agriculture was drawn from deep wells, depleting the aquifers. This in turn resulted in increasingly deeper drilling and the costly purification of seawater, as a final resort to meet the country's water demands.

As well as this issue of 'contradictory' or 'paradoxical' policies there is also the issue of 'lack of policy development' Specifically, many policies which, if implemented, would have helped to modernise the country have stagnated or remained on the drawing board. An example is the failure to privatize several government public-service utilities, as discussed in the Fourth Five-Year Development Plan (1985–1990). In 2001 there was a new drive towards privatization, targeting several vital public utilities such as water supply, telecommunications, and air and rail transportation (Aarts and Nonneman, 2006). Plans were drafted and announced throughout the years 2000–2005 to privatize public

companies, with an emphasis on water desalination, seaports, railways, Saudi Arabia Airlines and Saudi Telecom. However, as of January 2009, only one public company, Saudi Telecom, has been fully privatized (AME info, 2008).

Mismanagement of wealth and the suppression of knowledge and expertise seem to be another problem with Saudi state policies. The Saudi royal family has assumed great personal interest in profiting directly and indirectly from oil exports and commissions in areas such as the purchasing of arms, land gifts the exploitation of many other sectors of the economy. Royalty who served as ministers together with those who had no political role during the reign of King Faisal (1964–1975), for example, seized the new economic opportunities and became the state's subcontractors, receiving substantial commissions on projects and materials they then sold back to the state (Al-Rasheed, 2002).

Another key issue is the lack of free speech and a concurrent lack of transparency in terms of the development of state policy. For example, world class Saudi academics and experts who have spoken out against the regime have been placed under house arrest and imprisoned (BBC news, 2003) and otherwise prevented from taking part in the democratic discussions that would facilitate the development of coherent and meaningful economic development policy. In addition, the Saudi government bans any form of elected parliament, guilds, and trades unions or public gatherings. Any form of group discussion of ideological issues or a free press is banned (Asianews, 2008 and US Department of state 2003). Jail sentencing, public whipping and business closure have also been used as a means of punishment to any criticism by journalists, academics or publishers. For example, world class Saudi academics and experts who have spoken out about social and judicial reforms have been placed under house arrest and imprisoned and otherwise prevented from taking part in the democratic discussions that would facilitate the development of coherent and meaningful economic development policy (CSMonitor.com, 2004). When a political movement of reform took place in the early 1950s by the Front of Nationalist Reforms, some of its leading members were jailed and its leader, (Abd al-Rahman Shamarani) executed. Other demonstrations and strikes that took place by ARAMCO employees in the 1950s were suppressed by the army and led to King Saud issued a royal decree banning all

¹ This discouraged the only legal form of public gathering, and has led to thousands of non licensed religious Wahhabis and extremists 'filling the gap'. . This has in turn led to a new process of radicalisation which has led, in some cases, to the formation of underground anti-regime terrorist 'cells'..

strikes and demonstrations. The general strike of 1956 was the last large-scale Saudi demonstration in the twentieth century (Ménoret, 2005).

Mismanagement in state policies also occurs in the media and the educational system. Saudi media are policed and censored by the government for 'religious reasons'. Saudi schools (public and private alike) have to follow a unified school curriculum from which deviations are not tolerated. The education of women is, generally speaking, not effectively utilized, leading to a waste of resources in terms of women's potential contribution to a skilled national labour market.

This impact of the Saudi government on the education of Saudi youth extends even to those who study outside the country. Although there is no law to this effect, it has been reported narrated by students sent to universities in the west that they have been dissuaded from studying political science, philosophy and international affairs, for example, as they were seen as contradicting with the country's ideology.

Saudi state policy in terms of education contrasts sharply with another Islamic society, Malaysia which has constructed a model economy in just twenty years and is a highly respected member of the Islamic fraternity. The ex-prime minister of Malaysia, Dr Mahatere, the architect of the 'Malaysia Can' campaign, was an advocate of engendering expertise among all nationals to build greater confidence and ability in all fields of society. Modern Malaysia is an example of what can be done with the right state participation by a young Islamic state (Dr Mahatere speech, Jeddah Economic Forum, Feb, 2004).

Contrasts with Classic Models of Industrialization: The Case of Britain

As mentioned in earlier parts of this chapter, Saudi Arabia reached a considerable degree of wealth and industrialization, albeit mainly restricted to the petroleum industries, in a span of thirty years. The fact that it did so without relying on its indigenous population to extract, develop or reach an industrial status has given it a unique labour market dilemma of high unemployment in a country of great wealth. This predicament invites us to look at classical models of industrialization, namely the UK in the nineteenth century, in an attempt to recognize what factors led to an industrialized nation creating a professional local workforce. Those factors will be analysed in the light of the Saudi economic, social

and political situation to better understand the processes that led to the creation of a 'strong' work culture/ethic in the UK vis a vis a 'weak' work ethic in Saudi Arabia.

Therefore the following section of this thesis will look at both countries' economies, state policies and social structure, with a view to assessing the impact of these factors on the creation of a dynamic labour market.

A key distinction must be made here between factors that operated over a long period of time and others which generated change in the short term (usually via a trigger mechanism). This division between long-term and short-term factors is particularly important to this comparison, since it is the 'long term factors' that are lacking in the Saudi Industrial development model.

There are two main pillars that supported the economic development of Britain from a largely agrarian economy to the world's leading industrial nation. The first of these was ready access to local, natural, physical, resources such as wood, coal and water coupled with a network of rivers and waterways that aided the transport of goods and products throughout Britain. This was facilitated by Britain's being a colonial Empire which allowed the importation of unavailable natural materials and also provided a ready market for British exports. The second pillar was a labour pool willing to migrate to towns and a developing education system that supplied workers with sufficient industrial skills to work effectively. It is difficult to make meaningful generalizations about labour' mobility, leading to and during the industrial revolutions for movement came at a heavy social cost (Morris, 1979). Workers moved temporarily and then permanently to new locations searching for employment as in the case of Scotland's southern and eastern Highland people who were basically forced to move to the lowlands and in the case of Irish migrants who flocked to the Lowlands and the central belt as cheap labour. It is best then to describe the labour pool of Britain as champions of that revolution for they paid the price of changing craft, cyclical unemployment, living away from their families in settlements or in bad living standards while the government catches up with new over crowding in towns and lack of basic services, poor sanitation and bad housing (Whatley, 1997).

It should be stressed that despite the name 'industrial revolution' it should not necessarily be inferred that the key factor in terms of the British economic transformation in this period was its rapidity. Actually long term factors such as political stability (i.e. the

absence of political revolutions as in France) and highly developed *pre-existing* economic and social structures were as important in terms of ensuring that Britain's economic changes could be built on and developed even long after the 'industrial revolution' itself was over.

If Britain's industrial development arose out of a *gradual* coalescence of socio-cultural and physical circumstances, Saudi Arabia's transformation from a traditional peninsular economy to an oil dependent state with its associated technical infrastructure happened more or less overnight. The oil boom of the 1970s made the kingdom a wealthy country but failed to provide a broader industrial infrastructure to tap into the country's other natural resources. Technology necessary for the developing oil industry was imported and did not develop from a change in training, education, work culture or a self-sustained indigenous development of scientific thought.

In the case of Saudi Arabia's industrialization, economic and resources factor seem to be less significant in creating a modern work culture than in Britain. Saudi Arabia lacked the *long-term* aspects of developing an industrial nation. The 1970s oil boom was the short-term trigger mechanism for the industrialization of the kingdom. Building on pre-existing economic or social structures was not an option as they were simply not available. This is why the industrialization of Saudi Arabia fell into the trap of *rentierism* and *Dutch Disease* phenomenon². Even today Saudi's industrialization fails to fully exploit its human capital.

The British Empire and British Agriculture

By the time the Industrial Revolution took off, the British Empire was the largest free trade area in the world. According to Mathias (2001), restrictive foreign trade practices enforced on its colonies and competitors provided the UK with additional natural resources and a ready market for Britain's goods. The colonies became protected markets for Britain's exports.

Agriculture, as well, was a driver for industry, providing food, raw materials for industrialization and the migrant labour force. Capital flowed from the land to industry,

²*Dutch Disease* is an economic concept that tries to explain the apparent relationship between the exploitation of natural resources and a decline in the manufacturing sector combined.

forming a flow of investment *before* the Industrial Revolution took off. As the single largest contributor to the economy, it enabled money to be invested outside agriculture in areas such as industry and transportation. Agriculture also provided the industry with a labour force thus providing an incentive to those left behind on the land to increase their productivity in order to feed the new urban-based population.³

The agricultural position in the two countries contrasted drastically even before industrialization. In pre-industrial Britain, agriculture provided one third of the national income and employed one third of the population (Trevelyan, 1942). According to Hobsbawm (1999), agricultural output in industrializing Britain adequately met demands and put no strain on the industrial and trading sectors of the economy. In the 1830s, 90 per cent of food consumed in Britain was grown locally and this was with about twice the population of 1750. In addition, the agricultural sector was becoming increasingly efficient: there were no famines or serious strains on the growing non-agricultural sectors of the economy (Mathias 2001; Breunig and Levinger, 2002). It is evident that in the early stage of industrialization sustained economic growth in non-agricultural sectors was dependent on the increased efficiency of the agricultural sector.

In comparison to Britain, the Saudi model of industrialization lacked the advantage of relying on *any* devolved sector of the economy, thus severely limiting the young kingdom's ability to rely on any successful, well established economic structure to provide for security (such as food supply), Capital (other than oil income) and most importantly a source of trained labour able to migrate expertise into other industries.

The Role of the State in Britain

British industrialization was a classic case of spontaneous growth, in that growth was not planned by government but was instead caused by market influences and underlying social institutions. The state in industrialized Britain neither led nor hindered change.

Deane and Cole (1969) estimated agricultural output growth on the basis of population growth obtaining results that show growth in agriculture output of 0.24 per cent per year in 1700-1760 and 0.56 per cent per year in 1760-1801. More exhaustive calculations at present have shown a 0.60 per cent per year growth that rose to 1.18 per cent per year by 1801-183 Crafts, 1985: 38-39).

Nonetheless, the role of the state in Britain Industrialization proved essential. By maintaining social stability and assuring wealth creation, government's policies helped develop the Industrial Revolution and sustained it for more than a century. The government's positive role was twofold. Firstly the state by providing protective laws for the agricultural and trading sectors. Secondly allowing the market to grow freely.

Mathias (2001) describes the ways in which the state contributed to industrialization. First was the role the state played in creating the context in which the economy thrived; second was the role it played in responding to new economic demands. In terms of context, it provided security at home, by producing a period free of major wars allowing new wealth to take long-term risks in business projects. A second area of positive government action cited by Mathias (2001) was protection, as a way to respond to new economic demands. Protective laws promulgated between 1651 and 1660 promoted economic growth protected both Britain's agricultural sector and foreign trade economy (Breunig and Levinger, 2002). The state issued laws helped the growth of new industries such as weaving, papermaking and shipbuilding. These laws created a healthy trading structure with differential duties regulating shipping, inter-colony trade and excluded rival trading nations such as France and the Dutch from trading with British colonies. Protection of trade and high tariffs ended in 1840s inspiring the many trade policies in other European countries, encouraging new skills and protecting national enterprise.

From a judicial viewpoint, says Mathias (2001), restrictions on the legal status of the exclusive guilds, charters and internal monopolies opened up the British economy to the forces of the free market. Breunig and Levinger (2002) cite another example of positive state intervention in encouraging the mobility of the labour force. When poor-relief was introduced by the state in the eighteenth century, it contributed to the emergence of a mobile workforce in England by giving rural inhabitants some assurance that they could move away from their homes without risking starvation for them and their families.

In Saudi Arabia, on the contrary, the role of the state was limited to a 'trickle-down' welfare state structure to provide for its citizens. Instead of 'laissez faire' policies, the Saudi government has enacted restrictive laws with, for example, regulations regarding the abolishment of guilds and unions and later (in the 1990s) employment laws which tightly regulate the labour market.

In Saudi Arabia, wealth creation was less of an issue and social stability was seen as being achieved not so much through the provision of jobs but through conformity to the political /religious system. Unlike Britain, the Saudi government relied on the traditional system of wealth trickling down from the top through well-established traditions of patronage, and it therefore felt less pressure to create an infrastructure where the population felt responsible for generating their own wealth.

Industrialization, Inventiveness and Innovation in Britain

To recap: industrialization in Britain was supported by many factors, based on Britain's development in the two centuries prior to the 'industrial revolution'. Even before industrialization 'took off', the UK was in an advantageous situation in that it was a colonial power with a 'captive' market for trading. Britain's flourishing agricultural sector was also a vital factor in that this provided food security, goods for trade, capital to invest in other growing sectors of the economy and a pool of skilled labour ready and willing to take on and migrate to where the new industries needed. Finally, the positive role of the state both in the way it allowed the markets to run themselves free from obstruction and restrictive laws whilst at the same time protecting key industries and sectors of the economy, allowed Britain to reach the 'tipping point' of industrialization. Mathias (2001) argues that innovation in Britain was triggered by demands made by businessmen eager to develop machines to solve production problems or increase profit. Innovation was a vital enabling factor in establishing large industrial enterprises and inventiveness was driven and supported by industries that had the capital to support it and the profit motive to encourage it.

The two most important elements that characterized innovation at that stage were the shift from brass to iron and the availability of massive power on demand generated by the steam engine. Those technological improvements were not driven by advances in the realm of pure science; rather, new production techniques evolved in response to specific economic demands (as opposed to being legislated for by the state). Therefore, most technical changes in Britain (except for military technology) took place in a 'free market' commercial context.

As efficiency of production increased, so did demand, driven by lower prices based on mass production and increasing demand from a swelling population at home and in the colonies. This developed into a self-sustaining cycle of innovation and demand between 1700 and the late 1800s (Mathias, 2001).

In a nutshell, the British Industrial Revolution was built on centuries of inventiveness by small industries and, funded by entrepreneurs. The 'revolution' itself was triggered by the commercial need for profit.

In Saudi, however, the oil boom allowed the instant import of the fruits of industrialized economies without a pre-existing history of development. The country's income was created almost instantly with no prior history of intellectual or industrial development by either the government or the people. Therefore the link, necessary to the process, between the pre-existing need for, and the supply of innovation did not exist in Saudi Arabia's case.

Except for the pilgrimage industry, Saudi Arabia was a subsistence economy before the oil boom. Over half its population was nomadic or semi nomadic Bedouin. El Ghonemy (1998) shows that the Saudi economy was chiefly dependent on grazing, camel raising, growing cereals when rainfall permitted, fishing, exporting sheep, hides and dates, and relying on revenues generated by pilgrimages. Very few small-scale industries existed, most of which depended on imported raw materials such as dressmaking, textile dying and simple leather goods making that required few manual skills. The severe shortage of indigenous professionals and a skilled labour force was and still is an inhibiting factor in terms of industrialization and economic development.

The second major problem in Saudi Arabia after the boom was the type and rapidity of the increase in wealth. The unprecedented influx of wealth resulted in an increase in a per capita income 40 times higher in 1962 than in 1957, a fourteen fold rise by 1970 and an incredible 75 per cent increase just in two years 1979-1981 (El Ghonemy, 1998). That sudden increase led to rapid dependency on imported consumer goods as opposed to goods produced domestically.

A third factor hindering the encouragement of economic innovation in Saudi Arabia is social and religious attitudes. Wahhabism severely discourages the idea of change and considers it a clear crossing of religious boundaries, condemning it as *bid' a* (novelty).

Encouraging innovation in Saudi Arabia after the boom would have required massive planning during the Second and Third Five –Year Development Plans (1970-75/1975-80). In particular, it would have been necessary to import industrial components, machinery and expertise in order to start manufacturing goods, allowing the growth in the oil industry to sponsor the development and production in other sectors. Instead, in the 1990s Saudi Arabia's export of manufactured goods was less than 1 per cent of total exports (Saudi Arabian Monetary Agency/Economic and Research and Statistics). The import of goods should have been enough to satisfy the new needs of this developing rich economy yet monitored to sustain the population's need to invent and produce for themselves. Perhaps, a greater effort should have targeted progressively educating and training nationals to (in time) take charge of their labour market as they qualified for this replacement especially on a technical and industrial level. Additionally, Saudi Arabia could have benefited (long term) from the influx of professionals, technicians and scientists that flooded the country during the boom years. The laws of the Kingdom did not allow naturalization (except for a few individuals who were of tribal descendants or those who served the royal family).

Saudi law prohibited foreigners working in the kingdom from owning business, property or investing except under the cover of nationals. Therefore those who owned the know how had little incentive to benefit the host country whether by training Saudi's to take over or by establishing their own businesses, which would have enriched both Saudi society and the Saudi economy on the long term.

In Saudi Arabia's case, inventiveness was a luxury that became unnecessary after the flood of petrodollars. As opposed to Britain (where the cycle of economic need led to invention which in turn led to better performance) production or profitability did not exist in Saudi Arabia's subsistence economy. And after the petrodollar boom the Saudis quickly learned to purchase (rather than produce) any technology they needed from any part of the world. Furthermore, as mentioned earlier in this chapter, the ideology that governed Saudi Arabia had and continues to have a restrictive impact on education, which is crucial for encouraging individuality, creativity and innovativeness.

Industrialization and the Human Dimension in Britain

When it comes to the industrialization process, it is the human dimension that plays the most important role. Experimentation, productivity, and a positive work culture arise from specific human qualities (intellectual capital), which are an invaluable pre-requisite for industrialization. The social and economic structure of Saudi Arabia at the commencement of industrialization was vastly different to that of Britain. In Saudi Arabia, the majority of nationals were not in wage earning occupations, an economic structure, in the traditional sense, did not exist in the kingdom. Industrialization could have better utilized the national human resources at its onset in a more developed economic and flexible social structure. In contrast, the subsistence sector of the British economy prior to industrialization was very small. In other words, in Britain a market culture and a widespread familiarity with at least the rudiments of commerce existed where almost all groups of the society were committed to the marketplace; producing goods for sale, working for a wage, receiving rents and profits, investing, lending to some degree and so forth (Mathias, 2001).

Saudi and British Social Structure

Saudi Arabia's social structure had a fundamental division between those of tribal descent and those who were not. This affected all aspects of Saudi society, especially as regards social mobility. This also affected people's ability to acquire governmental positions especially in much sought after sectors such as the military and government ministries. The Saudi society is governed by favouritism, determining a person's potential according to their tribal heritage. This characteristic, as fieldwork suggests, is perhaps an important factor in nurturing qualities such as irresponsibility and lack of motivation, blamed for low productivity and high unemployment among Saudi nationals. The less fortunate sectors of Saudi society believe they can do little in a life time of hard work, if society pre-determines their potential and set limits on their social mobility.

On the contrary, as Mathias (2001) points out, 'For over two generations prior to industrialization, Britain's social structure was flexible, in terms of mobility. The economy of Britain said to be differentiated with trade and commerce in association with differentiated social structure known all over Europe for the importance of its (middling

⁴ One had to be of born and educated in Saudi Arabia to Saudi Parents to be accepted to serve in the military.

orders)'. Hard work earned recognition and social status in many cases and in certain circumstances the bestowing of titles and estates in recognition of exceptional achievement.

A second point characterizing Saudi society prior to the 1970s oil boom is the lack of ethnic and religious diversity. Although a broader exposure through commerce to other faiths existed in the western and eastern regions, it was something of an exception. A population which is 100 per cent Muslims and, as mentioned earlier, severe restrictions caused by the government's naturalization policy over the last four decades, has produced clear social rigidity and isolation. Until relatively recently in Saudi Arabia foreigners could not invest or conduct business without the sponsorship of a male national (this law also applied to women until 2004). This allowed the creation a class of uneducated, unqualified Saudi de facto business owners and the emergence of a new bourgeoisie bypassing the formation of a middle class. Today, young Saudis struggling to qualify and land employment are finding that they have to lower their job expectations in the new less forgiving economy.

As well as this, pre industrial Britain's social differentiation was characterised by increasing religious heterodoxy, in particular the Protestant nonconformists who associated their diverse theological views with different social ethics and economic roles. Also, the Methodist revival that swept Britain during the late eighteenth century and early nineteenth century to some extent offered workers an egalitarian religious ideology that also had potential for political expansion. As a result of exposure to these religions coupled with its characteristics of open-endedness, mobility and flexibility, British society created a middle class.

Liberalism, Socialism and Imperialism

An essential element in the discussion about the Industrial Revolution is political sentiment and power reaching into the hands of the working class, in the form of political and social reforms taking place across Europe especially during and after the French Revolution.

Socialism and Liberalism at the beginning of the twentieth century placed great value on the rights and dignity of the individual human being arguing that humans were best

capable of achieving their full potential when living in a free environment without government restriction. They imbedded concepts that included freedom from arbitrary arrest, imprisonment, assembly, speech, as well as freedom of the press.

Liberals in Britain, as cited by Breunig et al (2002), also stressed the authority of reason rather than tradition, emphasized the perfectibility of a political and social institutions: contrary to the conservatives who often idealized the past, liberals viewing history as being progressive in nature.

In contrast, Saudi Arabia has remained unchanged and in virtual isolation throughout most of its history. The Arab world was subjected to changes in the region brought about by the Ottoman and European influences in the twentieth century with the exception of the Arabian Peninsula. Colonization can sometimes deplete and mismanage natural and human resources, but it can also ignite seeded political and social responsibility and a sense of patriotism. In addition, change brought about by exposure to political movements such as Nasserite Nationalists movement in Egypt, and later *Ba'thism* in Iraq /Syria changed the Arab world's ideology and sense of independence and patriotism in the 1950s. John Isbister (1998) believes that these political upheavals heralded the age of nationalism and independence for much of the Third World, establishing national identities and riding a wave of political self-determination. The Saudis however, became more inward looking and simply adapted to the new wealthy lifestyle that oil boom afforded them.

Today, Saudi Arabia is inadequately prepared to face a rapidly changing world. The national education system is still controlled by government edicts and the spirit of Wahhabism, and the vocational system is failing to qualify Saudis technically in sufficient quality and quantity to replace a highly skilled foreign workforce. In Europe, mass education evolved from a need for a skilled and literate workforce in a modern economy. It also led to dynamism and a relatively fluid society. Workers' demands for citizenship rights were met giving room for those with skill and talent to rise to positions of wealth, status and political engagement. Education therefore becomes a driving force instilling motivation and ambition. This is patently not the case in Saudi Arabia.

Conclusion

Saudi Arabia and Great Britain underwent Industrial Revolutions, albeit very different in character and process, two centuries apart. They both arrived at the post-revolutionary period with an industrial infrastructure not seen before in their societies and both built their new social and economic infrastructure on new technologies. However, there are major differences between the roads they took.

In the case of the UK, the existence of colonies and a social structure built up over centuries provided ready markets for goods to be exported to and sources of supply. Saudi Arabia had a ready market, but its wealth was derived almost entirely from within its borders.

The products of Britain's new industries were diverse, manufactured and labour intensive, the value added to raw materials through an increasingly educated and skilled *local* labour force. Saudi Arabia has a single-product economy, extracted and minimally processed (if at all) by a small, skilled but *imported* labour force.

Perhaps most importantly, Britain's revolution progressed slowly (over 200 years or so) producing out of necessity new skills, inventiveness and an education system that met, to a great extent, the needs of the new era. Backed by the protestant work ethic and enhanced by the migration from agricultural areas to cities, a perception arose that working in an industrialised area for a wage was the norm (as opposed to living in a relatively simple agrarian economy).

By contrast, Saudi Arabia's economy had an almost instant transformation from a nomadic/subsistence economy to an industrial monoculture with the accompanying technocratic elite being imported from abroad. There was no local skill base, educated workforce, industrial work ethic or effective education system.

There was however a paternal patronage system that, following long established tradition structures, facilitated the 'trickle down' of cash from the oil bonanza to individuals and the physical infrastructure of post revolutionary Saudi Arabia. This paternal methodology of the 'hand-out' state was infertile ground for the germination of the work ethic; there was

little or no need to be economically and financially productive as money was easy to come by.

Nearly 40 years on, although the kingdom has a small-educated elite and a fledgling vocational training sector, there is a huge mismatch between the output of the state education system and the needs of industry. Half the domestic population (Saudi women) is actively discouraged by circumstance, law or tradition from entering in any meaningful way into the workplace.

Moreover the country is in effect managed and serviced in most areas by a foreign workforce that constitutes about one third of the total population of the kingdom. They are there as workers not immigrants (as it is almost impossible for a foreign national to become a Saudi national) and are consequently migrant labour, either long or short term.

None of these factors encourage the development of a work ethic, the development of a skilled and motivated working class or the rapid development of skilled domestic technical sector. High unemployment even despite the financial riches of the country is the result.

In the following chapters we take a detailed will look at the labour market in Saudi Arabia focusing specifically on the role of migrant labour and the effectiveness of the favoured policy response, Saudization, to labour market imbalances.

Chapter two will examine Saudi Arabia's labour market in terms of availability of physical and human resources. Those resources will be looked at in terms of their potential to alter the imbalances of the labour market, with a view to lowering the high rate of unemployment. In order to do so, the chapter will give a detailed description of the Saudi's human resources, their regional characteristics, their evolution according to population and religious specificities as well as the general socio-economic development of the country. It will focus on important aspects of this process such as the role played by the foreign work force, on which the Saudi government relied since the oil boom and which now represents almost 90 per cent of the labour force, and the influence that such figures have on the national labour force, currently dominated by high unemployment rates. The chapter will then shed a light on the need for human and physical resources to be dealt with by government policies, and it will evaluate the effects of these policies in their attempt to

reduce unemployment by replacing the expatriate workforce with nationals. By illustrating the theoretical background of unemployment, the chapter will then describe the characteristics of Saudi structural unemployment, defined as an imbalance between the Saudi jobseekers' expertise and education on one hand and the availability and requirement of jobs on the other.

The chapter will end with considerations on skills development, as a mean to boost and develop human capital. Given the fact that education and training are the core of human capital development, the research will evaluate the quality of the education system, whose lack of effectiveness is seen as majorly responsible for the difficulties encountered by young Saudi entering the labour market. Similarly to its economy, Saudi basic social care and investment in education was sudden and rapidly developed. Faced with rapidly growing population, Saudi Arabia invested heavily in educating the rising numbers of youth. Although education in Saudi Arabia has always been an essential part of government policies and development plans, Saudi nationals still find extremely difficult to access a labour market which is still dominated by foreigners. The last part of chapter two will aim at analyzing the reasons behind the failure of Saudi educational system in producing young male and female Saudi fit for entering the labour force with imbalance between the Saudi jobseekers' expertise and education on one hand and the availability and requirement of jobs on the other.

Following on from this, in chapter three the methodological underpinnings of the empirical research undertaken as part of this study is described.

Chapter four introduces the government's initiative of Saudization, the key process which is intended to solve the problem of chronic structural unemployment in Saudi Arabia. This chapter is intended to reflect the policy-maker's point of view on what Saudization is designed to achieve. The chapter describes other similar experiences of culturally homogenizing a work culture in countries similar to Saudi Arabia. Using qualitative data obtained via extensive empirical work, there will follow a discussion of perceptions of Saudization as an economical necessity. The importance of finding an immediate solution for unemployment will be stressed in the light of the fact that any unemployed young Saudi is seen as representing a risk to Saudi society (due to the risk of radicalisation) as well as an economical liability. Methods used to enforce Saudization will be discussed in

detail. Each method will be discussed separately illustrating how the policy-makers use them to enforce Saudization in different occupations and sectors of the economy. It is obvious that the Saudi government regard Saudization at a high priority, therefore, chapter four will describe in details the different agencies that issue and legislate for Saudization in order to demonstrate the difficulties inherent in Saudization and the conflicting priorities of the many different agencies and people involved in the process. Finally, the chapter lays out the many barriers the process of Saudization faces from the policy-maker's point of view.

Chapter five sets out to learn about the private sector's views on labour market imbalances and the pros and cons of Saudization as a policy. The chapter will discuss why the policy of Saudization was received by the many private industries and businesses with disbelief and reluctance. As the government pressed for larger numbers to be employed progressively by the private sector, tightening the laws of Saudization, making it difficult to issue visas to recruit expatriates and restricted a list of occupations to nationals only, the private sector seem to continue to struggle with abiding by this policy.

Chapter five will cover the views of the private sector on the matter, how they value its objectives and what impedes the progress of their compliance to this policy. The chapter will be supported by fieldwork conducted and carried out for this research comprising interviews with representatives from the private sector in different industries and size of organizations.

Being the major recipient of Saudization reforms to prioritize national employment, the chapter aims at outlining the dilemma faced by the private sector, which realized that the Government openly and repeatedly pointed it as the main target to promote Saudization but at the same time is faced with the consequences, in terms of economic risks and logistic downfalls that such a structural change might bring to their business routine. The chapter will derive generalizations and evaluation of the private sector's point of view by the extensive fieldwork that has been carried out in forms of in depth interviews. The chapter will also outline the major barriers faced by representatives of the private sector when they try to meet the objectives and apply the measures designed by the Saudization plan. The chapter shall also cover any areas of successful Saudization by the private sector as to verify how it is possible to be achieved if any.

While chapter four and five discuss policy-makers and the opinion of the private sector, Chapter six looks at the Saudi workforce. This chapter introduces the reader to the way the workforce in Saudi Arabia regards Saudization. It depicts the way Saudi nationals view this process as it was, after all, created with the intention of reducing their unemployment and increasing their chance to compete by removing what Saudi policy-makers see as their biggest obstacle; the expatriate worker. Qualitative data obtained from expatriates is also discussed. The chapter then moves to describe the dynamics of interrelations between the Saudi and the expatriate workforce and how they regard each other in the light of Saudization. The chapter then discusses workers' views of Saudization and their evaluation of its strength and weakness.

Chapter Seven concludes this research. It starts with a summary of each of the empirical chapters: four, five and six each representing one of the stakeholders involved with the process of Saudization. The chapter will analyze the policy makers view then move on to describe the employers' viewpoint before representing that of the workers in today's labour market in Saudi Arabia. Each stakeholder opinion of the objectives of Saudization, how is it progressing and what impedes it will be covered as a conclusion to the empirical chapters. The chapter will also examine and evaluate the transition that Saudization took over the last decade in terms of how it is being managed by each of the stakeholders nearly ten years after its introduction.

Chapter Two

The Labour Market

Introduction

Saudi Arabia is a relatively young nation. Its economy and labour market present an interesting case for research for although other nations have similar sized economies (e.g. in terms of GDP), they do not share the Saudi labour market profile.

Today, the kingdom possesses 25 per cent of the world's proven oil reserves and many mineral reserves – notably phosphate, bauxite and gold. Its economy is heavily dependent on oil and petrochemical exports. Other sectors of the economy are mainly industries based on the country's minerals and metals. The industry sector of the economy accounts for 60 per cent of GDP (10% of which is manufacturing and 5% construction and building). The services sector accounts for 35% (of which 14% are Government services and 8% insurance and real estate). Neither agriculture nor tourism constitute more than 3% respectively of the total GDP according to SAMA, 2008.

The sudden influx of a single source of wealth (oil) in the 1970s that still forms 80 percent of Saudi GDP, a rapidly increasing population (3.8 percent increase per annum 1975-2005 Ramady, 2005) of which 56% are below the age of 20, high unemployment among working age nationals, and a heavy reliance on imported labour provide a fertile environment for economic and social problems (Saudi Arabia Information Resources, 2008).

Saudi Arabia's history of reliance on an expatriate work force since the 1970s was important initially for Saudi economic development as this experience was not readily available among Saudi nationals at that time. Non-Saudis constitute 86.9% of the Saudi labour market across all sectors of the economy as will be illustrated later in this chapter (SAMA, 2008). Those expatriates (about 7 million people) send an estimated 60 billion dollars a year back to their home countries: money which is, by definition, therefore, 'lost' to the Saudi economy.

High unemployment figures and an inability to rely on Saudi nationals to replace the expatriate workforce raise several questions: What physical and human resources does the kingdom have? Does the government have the vision and/or policies to maximize the potential of those resources? How efficient are the methods of reducing the unemployment among Saudi nationals?

The Saudi Government has attempted to address the problem of high unemployment mainly by pressuring the private sector to employ higher percentages of Saudi nationals, limiting some employment sectors to Saudis only and is in the process of building new industrial cities to absorb thousands of graduates every year into an expanded labour market. The Government is also re-evaluating the curricula of its educational system and putting more consideration and emphasis into human capital development.

However, The Saudi government's efforts to develop national human capital have been criticized as being insufficient in terms of creating an able educated workforce of nationals and an industrialized society.

This chapter will examine Saudi Arabia's labour market in the light of available physical and human resources and its current economy. It addresses questions such as: Has the human aspect of Saudi resources been developed and utilized in an optimal fashion? Are the present Government efforts sufficient to remedy the labour market imbalance in both the short and long terms? The chapter will also detail how the labour market in Saudi Arabia evolved and what factors shaped it in the process; how and why the foreign work force became such an indispensable asset; and why most government initiatives (such as Saudization) intended to deal with these issues tend to fall short of their aims. The chapter will end with a discussion on human capital development in the Kingdom looking specifically at the educational system.

The Saudi Context

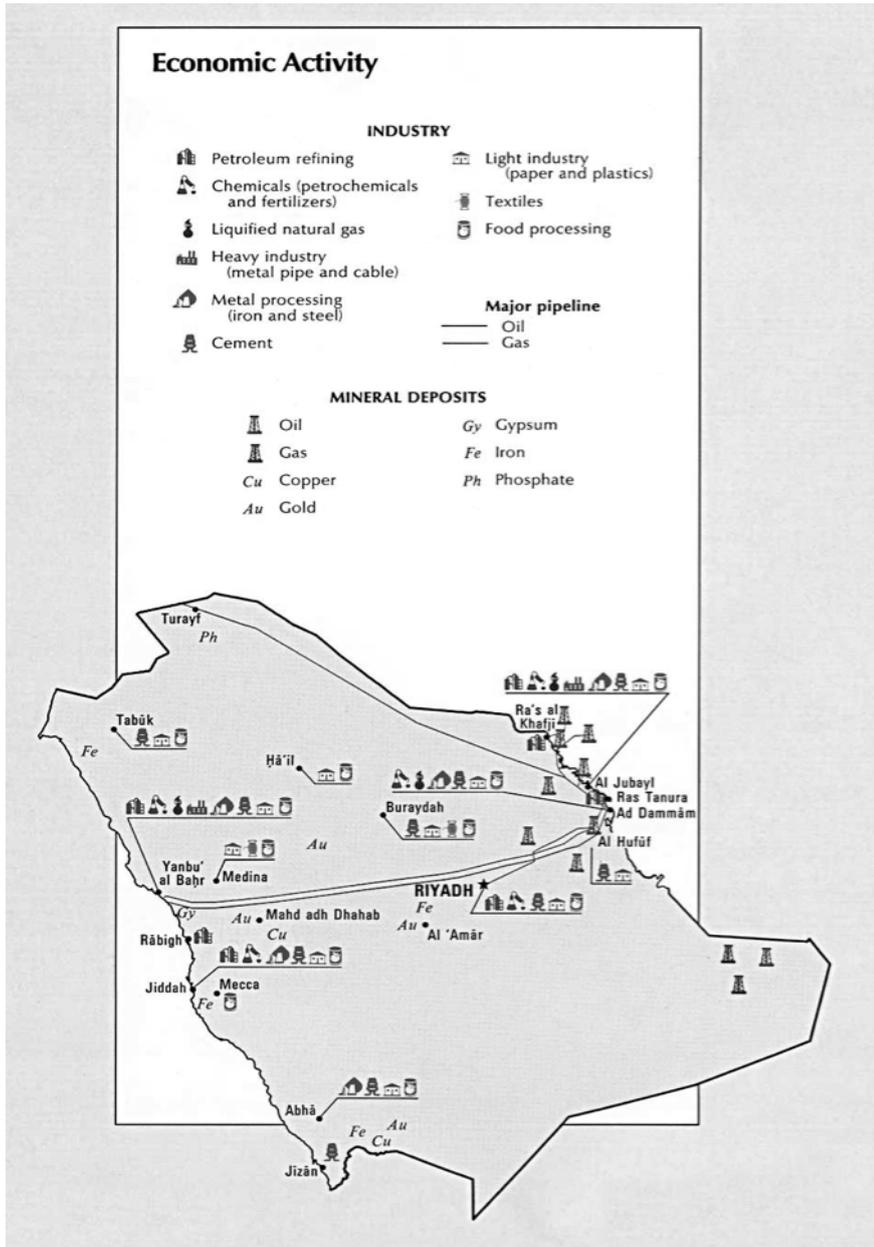
Liftwich (1973) defines economic resources as all the factors available to produce goods and services to satisfy the needs of individuals or society. Rational use of economic resources is crucial in terms of maximizing the efficiency of an economy. The choices a state makes about using its natural resources, the pace and level of dependency on them

and how it uses its human capital all go to determine the development of a society and individuals. Saudi use of human capital will be discussed in detail in the following section. For the purpose of this thesis, factors of production are divided into *natural* and *human* capital, natural resources being defined as factors supplied by nature (i.e. a wider definition of “land”.)

Natural (Physical) resources

Physical resources will be reviewed in the country’s four geographical regions: Najd, Al Hijaz, Al Hasa and Asir. The same regional categorization will be maintained when addressing the different characteristics of the indigenous population, its history and cultural evolution in relation to their potential influence on the local labour market. Figure 2:1 illustrates Saudi Arabia’s geographical physical resources and economic activity.

Figure 2:1 Economic Activity Per Geographical Region



Source: Al Tawati for CBS, 2006.

The central region, Najd, is a mostly arid plateau that consists mainly of desert land. A few scattered oases exist (for example in Alqassim, Alkharj, Alaflag and Alhota) enabling herding of cattle to occur. This allowed the growth of a large dairy industry.

Najd has benefited the most from the government's agricultural plans and distribution of arable land and Government investments in a modern infrastructure and good public services (Tawati, 1990).

Alhasa, the Eastern Province, is the richest and most diversified region in the Kingdom of Saudi Arabia in terms of economic activities and physical resources. Even before the revenues from oil in the middle of last century, this region enjoyed good trade via the Arabian Gulf, the closest access to Asia, and access to British navigation and ships. Today, the Eastern region contains massive petroleum resources and is the headquarters of the Arabian-American company (ARAMCO). Saudi Arabian Basic Industries Corporation (SABIC) the largest regional complex of petrochemicals is also located in Aljubail Industrial City in this region. This region also receives additional income from fishery and shrimp production as well as from housing the fertile oasis cities of Alhofuf and Alqatif. The former covers about 50,000 acres of agricultural land producing high quality dates (Hansen 2004) and (Saudi Economic Survey, 2003).

Hijaz, located along the Red Sea hosts the two holy cities of Islam Mecca and Medina as well as Altaif, a rich agricultural area south of Mecca. Hijaz revenues come from trade and fishery but most revenue is accrued by providing pilgrimage services, which even before the discovery of oil, were sufficient to sustain a local economy.

The southern Tihama coastal plain of Hijaz, sustains subsistence farming and produce small quantities of some seasonal crops insufficient to satisfy local consumption. The highlands of this region receive more rain however, providing self-supporting cultivation and, to some extent, commercial agricultural production (Metz, US Library of Congress, 1992). The Kingdom, with additional effort planning for agricultural development in this region, could benefit in many ways. Produce high quality vegetables and fruits, employ a higher percentage of this province's locals that now migrate north in search of jobs, increase this regions income and diversify economic opportunities away from the oil industry (National Agriculture and Water Research Centre, 1996).

In addition to the above-mentioned resources, the Arabian Shield is known for being rich in minerals such as gold, iron, magnesium, phosphate and natural gas (Mobbs, 2000).

More government attention is being directed to the latter (natural gas until the early 1980s was flared) and its other rich hydrocarbon resources (Bahgat, 2004).

Asir, the fourth province, lies to the south of the Kingdom extending from the south of Hijaz down to the northern borders of Yemen. This region houses the agricultural coastal plains of Tihama along the Red Sea. This area enjoys an average of 30.4mm of rain a year sustaining subsistence agricultural activities. Cultivation takes place largely in the floodplains. Despite the fact that this region is relatively richer than all other parts of the country in rainfall, this advantage is not fully utilized in crop and other agricultural production (Prinz, and Wolfer, 1998).

Human Recourses

Human resources are the second element needed to develop any economy. It is important to evaluate Saudi Arabia's human resources in terms of their regional characteristics, the composition of the population and the underlying trends they exhibit. Saudi Arabia has the problem of having one of the highest population growth rates in the world according to SAMA report on population 2003. The population of the Kingdom grew three fold from 7.3 million in 1975 to 22.67 million in 2003 to reach 24.24 million in mid-2007 (SAMA, 2008). A high growth rate of population was put by Ramady (2005) between 3.4 - 3.8 percent per annum. Improvements in the living standards, health and social conditions over the past three decades have contributed to that growth. Saudi Arabia's population is not only one of the fastest growing but it is also characterized by a high fertility rate internationally (UNDP 2002). Table 2:1 compares demographic trends in the Kingdom to the rest of the world.

Table 2:1 Demographic Trends: Saudi Arabia and the World

Description	Year (Period)	Saudi Arabia	Arab Countries	Developing Countries	OECD	The World
Total Population (In Million)	1975	7.3	126.4	2898.3	924.4	3987.4
	1999	21.3	240.7	4609.8	1122.0	5862.7
	2015	31.7	332.7	5759.1	1209.2	7048.2
Annual Growth	1975-1999	4.2	2.7	1.9	0.8	1.6
Rate of Population	1999-2000	3.0	2.0	1.4	0.5	1.2
Urban Population (Ratio to Total)	1975	58.4	40.4	25.9	70.4	37.8
	1999	85.1	54.0	38.9	77.2	46.5
	2015	89.7	61.9	47.6	81.3	53.1
Population Below 15 Years (Ratio to Total Population)	1999	40.8	40.8	33.1	20.6	30.2
	2015	28.1	28.1	28.1	17.3	25.8
Fertility Rate (Infants Per Woman)	1970-1975	7.3	6.5	5.4	2.5	4.5
	1995-2000	6.2	4.1	3.1	1.8	2.8
Life Expectancy (Years)	1970-1975	53.9	51.9	55.5	70.4	59.9
	1995-2000	70.9	65.9	64.1	76.4	66.4

Source: Central Department of Statistics, Ministry of Planning, 2003, and Human Resources Development Report of 2001, United Nations Development Programme, 2002.

Note: Population Below 15 Years (Ratio to Total Population) in the table above presents equal (percentage of 40.8 in both Saudi Arabia and the Arab world). This particular grouping is faulty since the UNDP 2003 report (the original source of this table) groups Saudi Arabia in terms of population growth of 3% or more with only Mauritania, Palestine (occupied and territory), Somalia, Oman and Yemen. The rest of the Arab world falls under a lower percentage of population growth ranging between 2-3 % only.

It is worth noting that the high fertility rate for women in Saudi Arabia is largely related to cultural and religious beliefs promoting the virtues gained by females staying at home rather than joining the labour force.

Figure 2:2 below clearly shows the female absence from the Saudi work force in an international context even though more recent reports indicate a total of 5.5% female involvement as of March 2008 according to Ministry of labour (Kadijah Bint Kwaitid international Forum 2008).

Figure 2:2 Women as Percentage of the Work Force in Saudi Arabia



Source: World Economic Outlook & Ministry of Finance and National Economy, 1998

For the purposes of this thesis, we will assume that the Saudi population is homogenous in terms of their religious beliefs. The population of Saudi Arabia is 100 percent Muslim and Arabic is the only native language. The leading religious school of thought, Wahhabism, is the only accepted school of Islam. A small but discrete population of Muslim Shi'ites exists, estimated by international organizations to be 15 percent of the total population. They live mainly in the Eastern region where they constitute 75 percent of the population; another small Shi'a population lives in the highlands of the western region (Country Studies, Federal Research Division, Library of Congress, 1988–98).

Proselytizing by any other religion is not permitted and all other schools of Islam are persecuted; public practice of any other religion is strictly prohibited (Amnesty International 2002). A small percentage of European expatriates, especially of the higher paid jobs, work in Saudi Arabia and some Christians from East and South East Asia discretely attend limited religious services under the protection of a Diplomatic body or in private residential compounds. Non-Muslims are ineligible for citizenship. To expatriates of other faiths (or none), Saudi Arabia's religious stature tends to be seen as being intolerant. This lack of freedom of religious practice and the rigid process of naturalization has discouraged many professional non-Muslim expatriates from working in Saudi long term.

A brief portrait of the population region by region in the Saudi Kingdom will help fill in some of the necessary background in terms of the Saudi labour market.

The majority of Najd's population before the oil wealth was discovered in 1937 survived on herding and trade from and to Iraq and the richer neighbours north of the Kingdom. The mobility needed for herding in a dry land kept the tribal population of this region from developing sedentary communities.

Loyalty to the ruling Al-Saud family and the resurgence of the Wahhabi religious sect is reflected in the people's culture and lifestyle. The harsh environment of the desert and extreme temperatures also affects the social profile of the population of this region. Many consider Najd as a closed society that finds it extremely difficult to open up to modernity, women's education and the other cosmopolitan activities essential to modern economic development. Intermarriages and exposure to foreigners is not common in this region. Still governed by tribalism, the family (mostly represented by the elderly males such as the father and grandfather) rules over the individual even in the smallest of personal preferences and choices let alone choice of occupation. Based on the researcher's personal experience and informal feedback, it is believed among nationals in the kingdom that this region and its population are favoured by the government's projects (such as infrastructure, the presence of all ministries, Government organizations and the diplomatic body) and public services.

The Eastern region's population is mainly Shi'a. Reports by Amnesty International express concerns for the population of Shi'ites in the kingdom being discriminated against in job opportunities, education and access to government funds (Amnesty International report 2000). The government acknowledged this point and took measures to prove otherwise. Interestingly, the private sector in the kingdom tends to favour hiring nationals from the Eastern region for their perceived diligence at work, sense of professionalism and positive work ethic (Work experience observation and informal interviews with private sectors business managers and HR). Hijaz is the most densely populated region and most hetero-cultural area of the Kingdom where the two holy cities of Mecca and Madina are located. Mecca attracted pilgrimages to the holy *Kaaba* for thousands of years even before Islam. Madina gained its holiness from the migration of the Prophet Mohammad to what was known as the small town of "*Yethreb*" about 1500 years ago.

These important Islamic features and the fact that the region lies bordering the Red Sea, has a more moderate climate and is the location of the ancient port of Jeddah are reflected in the population's ways of life. They are more open and able to mix with other cultures. This shapes their daily activities and their 'entrepreneurial profile' differs from other parts of the Kingdom. The Hijaz had a head start on other parts of Saudi Arabia in the introduction of education, organized business and trade with the rest of the world and women's enrolment in education and the labour force. A wider variety of occupations exist in this region such as the pilgrimage economy, fishing, some farming and agriculture in Madina (palm tree oasis's), but most importantly in Taief, south of the region.

The mountainous region of Asir was the last region to submit to the rule of Ibn Saud. They are described by anthropologists and historians such as Mauger and Philby (1996) as colourful, crafty, hard working people dependant on their agricultural crops for their livelihood. Although not described as completely open to other cultures and faiths, a phenomenon apparent in regions along the east and the west of the Kingdom, this region's people lived a relatively open lifestyle.

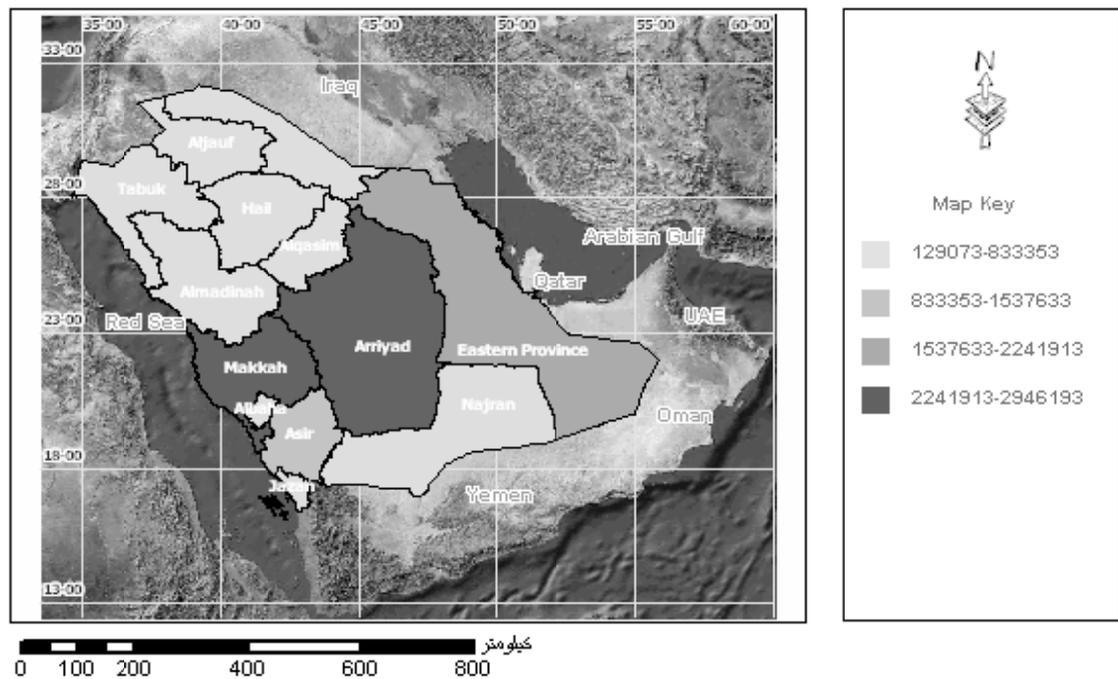
In Asir women enjoy a partnership with males in work, owned land and oversaw land cultivation (Mauger, 1993) giving them an advantage unique among women in Arabia until formal Government education throughout the country was introduced. Shortages in public services, especially quality education and health care, for many of the southern clusters of

the south has led to mass migration to large northern cities mainly in Hijaz but also to other regions.

It should be noted that there have been major demographic shifts especially in the 1980s, disturbing the natural distribution of those human resources over the new, growing economy. According to the World Bank Annual Development Report (2002), 49 percent of the total population of Saudi Arabia was urbanized as early as the 1970s and 12 percent of the population lived in cities with a population of 1 million or more. So what was largely a rural society fifty years ago has become a relatively urbanized one over a short period of time. This rapid trend towards urbanization is the result of poor planning and an imbalance of regional development caused by the government building growth centres only in the main provinces of the regions. This trend led to the migration of the population to growth centres seeking better education and other services. The numbers of Saudis seeking employment in cities increased beyond the capacity of the each local labour market. Meanwhile, the numbers of those employed in agriculture dropped from 45 percent in 1970 to under 7 percent in 1998 (World Bank Annual World Development Report, 2002) is further proof of the vacuum created in other local labour markets by this rapid urbanization.

According to figure 2:3 below, based on the most recently released general census data by the Central Department of Statistics (CDS, 1999) of the Ministry of Economy and Planning, the areas of highest population density are the two main provinces, Mecca and Riyadh, and to some extent, the Eastern Province.

Figure 2:3 Distribution of Population Density in Saudi Arabia

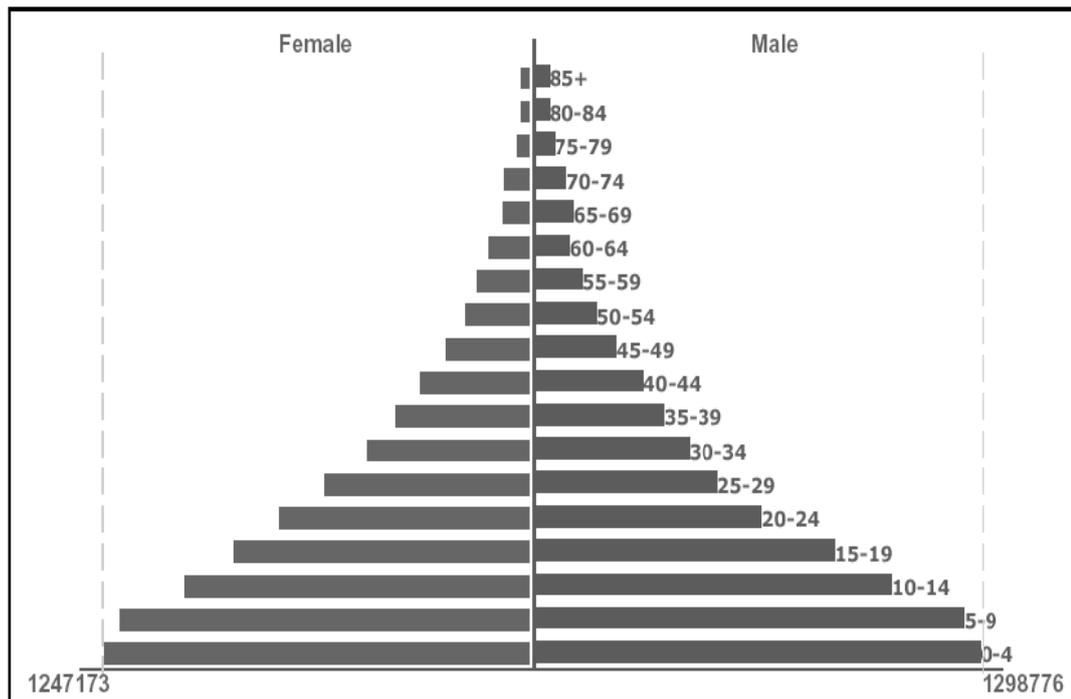


Source: Central Department of Statistics for the Ministry of Planning, 2001

Another major and worrying factor for the present and future of the labour market in the Kingdom in addition to the speed of demographic shifts is the age profile of the population. The United Nations estimated the population in 1980 to be 44 percent under the age 15 yrs and the percentage of over 65 yr olds as relatively small (Alfarsy, 1982).

Saudi Arabia's population is young. The age group of under 30 years accounts for 72.6 percent (11.3 million) of the Saudi population (SDC 2001, SAMA, 2002). The population of under 15 year-olds constitutes 7.1 million or about 45 percent of the total population excluding those over 65 years of age. Figure No: 3 below highlight the population age composition and the projected figures of the labour market entrants.

Figure 2:4 Saudi Arabia's Population: Age and Gender Distribution.



Source: Central Department of Statistics 2001, SAMA 2002

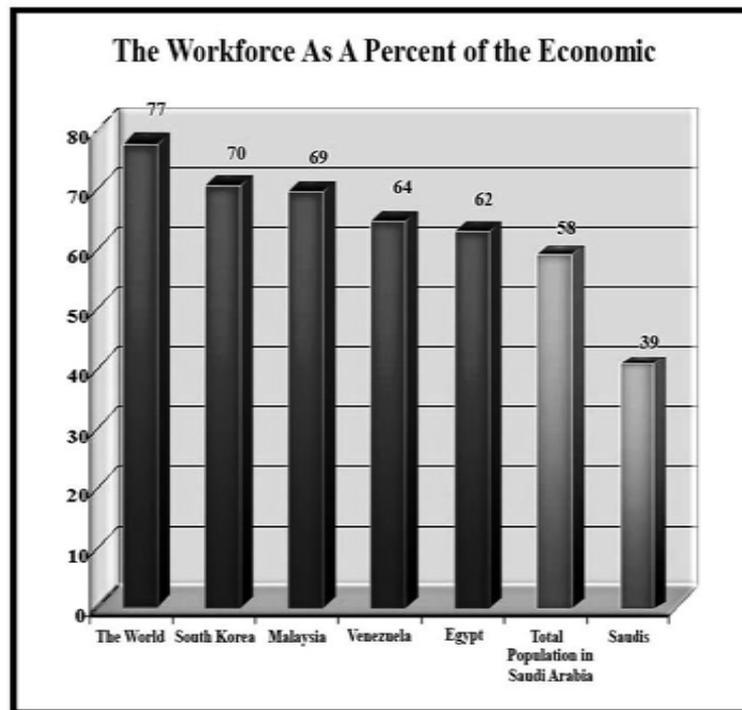
Saudi Arabia today bears little resemblance to the projected population growth estimated in 1974, according to the most recent figures by SAMA and CDS. The population grew threefold from 1975 from 7.3 million to 22.67 million in 2003 at a ratio of 3.4-3.8 per annum (Ramady, 2005).

Employment

According to the SAMA (2008) report on the work force in Saudi Arabia in the first part of 2007, the work force totalled 8,229,654 million with about 50.9 percent of the population above the age of 15 years of age currently working.

The relatively low rate of overall manpower participation (Figure 2:5) is due to the fact that a large portion of the population is currently engaged in secondary and tertiary stages of education and a high proportion of housewives, people employed in the traditional activities of rural areas, as well as people who work in agriculture go unreported in official statistics.

Figure 2:5 NCB Report on the Workforce as a Percentage of the Economically Active Population

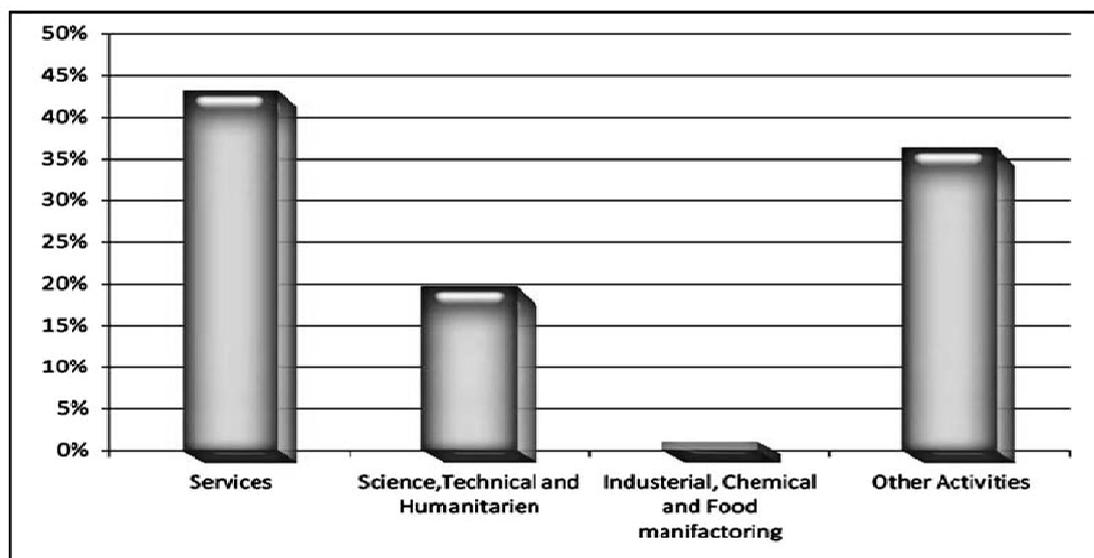


NCB Report on the Workforce As a Percent of the Economically Active Population.
Source: World Economic Outlook & Ministry of Finance and National Economy, 1998

The Saudi work force generally favours working for the government and the data here reinforced this observation. This could be related to the fact that there is such a discrepancy in benefits and working conditions between the private and the public sectors; the latter is nearing the point of employment saturation. The CDS report of 2007 indicates

that the majority of the registered Saudi work force are currently in the services sector (43.1 per cent), 19.7 per cent are in the scientific, technical and the humanities sectors, while only 0.9 per cent are involved in the industrial, chemical and food manufacturing sectors. The rest of the Saudi workforce is involved in other unregistered activities such as real estate, farming and herding. The data, although not detailed in economic sector breakdown, highlight the Saudi nationals' small presence in industries, technical fields and any physical labour area of occupation.

Figure 2:6 Workforce Distribution per Economic Sector 2007



Source: Central Department of Statistics 2007.

This distribution differs, however, in the case of the female Saudi workforce, which is estimated at 565,000, representing 5.5 percent of the total Saudi work force. It has been reported that 50 percent of all working national females are university graduates. Another estimate puts nearly 86 percent of the female workforce in the education and health sectors; the remaining 14 percent are involved in businesses that cater only to other females such as female branches of banks, small retail outlets and private businesses (Saiidah Khdiya Bint Khwailed Economic Forum, 2007). The participation rate of females is highest amongst those who hold teacher-training diplomas (78.5 percent of the total female workforce) and peaks at 20 percent in the age group between 25-34 among those with high school or higher levels of education (Cordesman, 2002; UNDP, 2003).

Efforts to rectify the general low participation of Saudi women in the labour force in Saudi Arabia are represented by the Royal Decree (120). Issued in 2003, it invites all ministries and the high counsels to promote, facilitate and remove obstacles facing women in the labour market and to create new jobs. So far, this decree has faced resistance through logistical impediments. The increasing numbers of educated females coupled with the rising cost of living raise the expectation that female employment participation rate will increase in the labour market over the next decade in spite of some cultural and religious resistance.

As for the expatriate work force, the General Census Department's estimates of 1999-2000 refers to a 79.76 percent expatriates involved in the labour force, divided as 67.89 percent males and 11.87 per cent females mostly 25-44 yrs of age.

The table below, divides the total workforce in the Kingdom (15 years +) according to educational level, nationality and gender for the Year 2008.

Table 2:2 Patterns of participation in the labour force according to Gender, Nationality and Educational Level.

Education Status	Saudi			Non Saudi			Total		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Illiterate	131,325	9,945	141,270	324,470	31,774	356,244	455,795	41,719	497,514
Read & Write	111,058	3,759	114,817	608,070	176,378	784,448	719,128	180,137	899,265
Primary	446,288	7,613	453,901	637,530	171,101	808,631	1,083,818	178,714	1,262,532
Intermediate	626,781	11,761	638,542	850,388	125,682	976,070	1,477,169	137,443	1,614,612
Secondary or Equivalent	1,010,102	54,551	1,064,653	584,057	34,067	618,124	1,594,159	88,618	1,682,777
Diploma	264,103	86,327	350,430	175,514	16,002	191,516	439,617	102,329	541,946
Bachelor Degree	633,777	298,454	932,231	444,020	23,035	467,055	1,077,797	321,489	1,399,286
Higher Diploma OR M.A.	35,149	4,323	39,472	34,191	2,440	36,631	69,340	6,763	76,103
Doctorate	15,773	5,580	21,353	19,242	2,670	21,912	35,015	8,250	43,265
Total	3,274,356	482,313	3,756,669	3,677,482	583,149	4,260,631	6,951,838	1,065,462	8,017,300

Source: General Census Department. Publication of Work Force 2008

Trade and profession based distribution reveals that almost half of the expatriate work force (48.25 percent), work mainly in the production and construction fields, (23.81 percent) work in the service sectors, (23.14 percent) work in retail while only (0.62 percent) serve in the administration sector. The UNDP report of 2003, however, divides the expatriate work force equally between the services sectors (46.5 percent) and the producing sectors (48.3 percent).

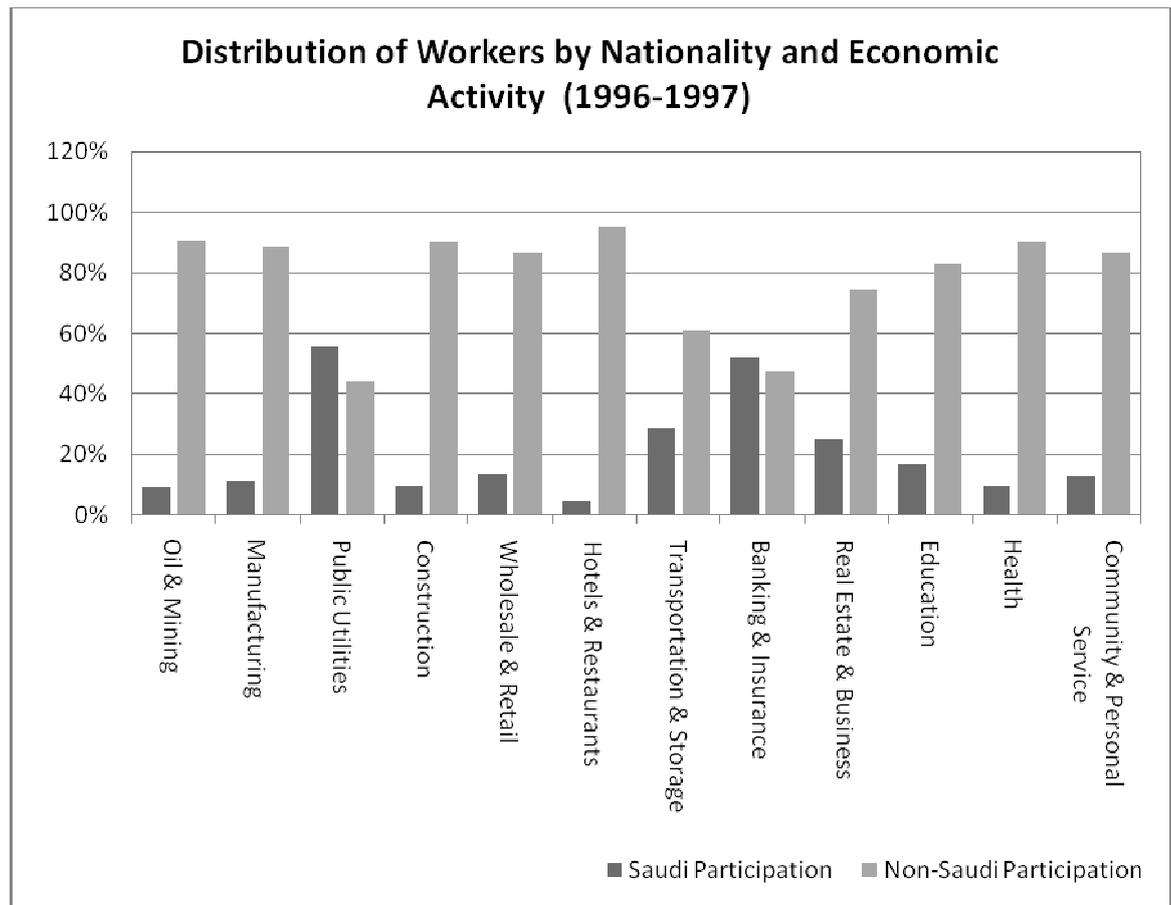
The CDS report of 2000 reveals that 17.98 percent of the female expatriate workforce are employed as domestics and 9.33 percent work in the health and social services. There is no record of female housewives' economic activities since they hold no work permits.

The work force in Saudi Arabia (both nationals and expatriates) is divided mainly over three major sectors: the Government sector, the oil sector and the private sector. According to an unpublished article by Tawati in 2007, the Saudi Government employs about 14 percent of the total labour force, the oil sector's share of that is less than 5 % and the private sector leads with 86 % employment of the labour force. Additional information about the distribution of the work force in different economic sectors is detailed in table 2:3 and Figure 2:6.

Table 2:3 Work Force Distribution by Economic activities and Professions (Saudis and Expatriate)

	Total Employment	Saudi Participation	Non-Saudi Participation
Oil & Mining	4.19	9.3%	90.7%
Manufacturing	19.7	11.5%	88.5%
Public Utilities	0.7	55.7%	44.3%
Construction	17.07	9.8%	90.2%
Wholesale & Retail	31.66	13.4%	86.6%
Hotels & Restaurants	5.55	4.7%	95.3%
Transportation & Storage	6.59	28.8%	61.2%
Banking & Insurance	1.64	52.4%	47.6%
Real Estate & Business	7.14	25.4%	74.6%
Education	1.36	16.9%	83.1%
Health	2.05	9.8%	90.2%
Community & Personal Service	2.36	13.1%	86.9%

Source: NCB 2002, SAMA 2002.

Figure 2:7 Distribution of Workers by Nationality and Economic Activity

Source: NCB 2002, SAMA 2002.

The fact remains that the public sector, although supported by oil revenues and subsidies, can no longer generate a sufficient number of jobs. This figure seems to include ‘disguised’ government unemployment and is based only on the male work force. Saudi Arabia can only hope to ward off an even worse unemployment crisis in the coming years by expanding trade and private investment and generating new jobs (Tawati, unpublished research, 2007). The private sector’s role in alleviating unemployment is thus far low, for reasons that will be elaborated on in chapter four and chapter five.

Unemployment

In spite of Saudi Arabia’s wealth, unemployment is currently rising. The Labour Force Survey estimates that in the first half of 2007 unemployment stood at 11 %, a reduction of one percent from 2006. In the CIA World Fact Book this percentage is said to be as high as 25%. Discrepancies in Saudi unemployment figures are a major concern to policy makers, given that the workforce in Saudi Arabia now totals 8,229,654 million. Some international

organizations now estimate Saudi unemployment stands at 25 percent. It is evident to the researcher the pronounced discrepancy between the Saudi government figures of the unemployed and international estimates such as the example given of the CIA's. Perhaps this could be best justified by the fact that the CIA relies on the ILO methods of measuring unemployment and takes no account for political or national considerations in measuring the phenomena. The mere idea that there is no unemployment compensation in Saudi Arabia makes reporting to the labour offices by the unemployed random and at times futile. Thus, the unemployed will only seek employment via the government agents if they fail in finding one through family, friends, knocking on private organizations doors for job vacancies and responding to ads. The researcher also acknowledges that female unemployment figures are subject to relativity and cannot be easily estimated for the grave limitations on areas women are welcomed to work in the kingdom as mentioned earlier in this chapter.

For clarification, this research is majorly focused on male employment and not female unemployment because the latter is primarily subject to social and religious restrictions that severely hinder women's further involvement in the Saudi labour force.

The nature of the Saudi economy (and therefore the nature of Saudi unemployment) is unusual for three reasons:

- 1) The Government owns all the natural resources and the rights to exploit them. It also is the sole controller of all educational and training organizations for the mass. Private educational entities are responsible for a small percentage of educational output and are still largely dictated by the government's national curriculum.
- 2) The type of economy in the Kingdom is largely dependent on oil revenues. Therefore the correlation between GDP and unemployment is not helpful in measuring or solving the problem of high unemployment amongst nationals.

Unemployment is often split into different types to help analyse the causes. The most common types of unemployment are Cyclical Unemployment, Seasonal Unemployment,

Frictional Unemployment and Structural Unemployment (Sharp, Register and Grimes, 2003).

Unemployment in Saudi Arabia is involuntary, visible and best described as structural. It is a case of a young work force that is not suited to the demands of the market for many reasons. It is not however a result of the usual causes of structural unemployment. In other words, there were no major shifts of use of new technology, shift of certain industries to new geographical locations or the evolution of a new need for new expertise required for the production of new products or services. Saudi unemployment is indeed an imbalance of supply and demand in that it arises from a mismatch between labour force expertise and the jobs available.

The situation is made worse due to the high number of new entrants to the labour market in Saudi.

As mentioned earlier, unemployment among nationals reached 11 percent in 2007. The fact that 7 million expatriates work in the kingdom, while many nationals with similar skills remain unemployed but their jobs cannot be Saudized, demonstrates the scale of the problem.

The situation is compounded by:

1. Forty-five percent of the population being under the age of 18 yrs of age.
2. Projections of increasing numbers of future labour entrants graduating from high schools and universities yearly.
3. Specific problems in the labour market unique to Saudi Arabia such as the desire for new entrants to the labour market to seek an initial salary higher than is justified by his qualifications whilst at the same time wishing to remain geographically close to his dependents.

4. Poor outcomes of the measures taken so far by government organizations to deal with the root problem of present and future unemployment.
5. The absence of an efficient jobs database, and the poor reputation of the Civil Service Labour offices, making finding employment harder.
6. The fact that the majority of unemployed Saudis seem to put the blame primarily on elements like poor luck, favouritism and the fact that they cannot compete with their rival non-nationals. Only a small percentage of the unemployed are reported to mention reasons that indicate an insight into their real problems: i.e. unsuitable qualifications for the job/salary they want or else their personal attitude and work ethic(Champion,1999).
7. The large gap between government and private sector wages especially in the absence of a minimum wage regulation.

In the case of the kingdom, the importance of measuring the true size of the phenomenon of unemployment becomes ever more important as this has economic, social and even political ramifications especially at times of economic recession (the 'credit crunch') with the resulting possibility of social unrest. It is crucial here to clarify that Saudi Arabia's unique welfare system falls short to international standards regarding, as mentioned earlier, measuring unemployment and providing aid to the unemployed. The government provides free health, education/ higher education, reward salaries for university students, marriage loans and limited housing projects to the poor but has no compensation program to the unemployed in effect. Familial support effectively plays the full role of welfare to the unemployed.

However measuring unemployment in Saudi Arabia is difficult in the absence of reliable data sources. It is hard to come by data that measure unemployment in the kingdom even in its totality let alone broken down by gender, educational level, age group or geographical area. Moreover, most existing studies are either outdated, inaccurate or based on small samples, as data sources tend to be produced by private consultancies hired by the private sector: not by the state.

Data on Saudi Census in 1992 states that the number of unemployed in the kingdom has reached 306.6 thousand (283.6 thousand are males and 23 thousand are females). If that were true, the percentage of unemployed in the total labour force was about 13.4 per cent of the total population. The central Department of Statistics gathers information on the unemployed through labour offices, as Saudi Arabia has no unemployment compensation programme. Hence, figures supplied by the Ministry of Labour are at best close estimates subject to a large margin of error.

Other sources, such as the report for the Arab Human Development for the year 2002 which relied on some local reports, indicate that the ratio of unemployment in the kingdom in the year 1996 was about 15 per cent amongst Saudi males with a ratio of growth of unemployment by about 3.3 percent yearly. As for the Ministry of Labour, it indicates that the unemployment rate amongst Saudis is 9.66 per cent for the year 2004.

Below is a table calculating the ratio of unemployment in the kingdom depending on the (Central Department of Statistics) data and a fieldwork study by the Sajini consultancy.

Table 2:4 Ratio of Unemployment (1999-2001)

Saudi Unemployed as percent	Saudi Unemployed	Non Saudi Workers as Percent	Saudi Workers as Percent	Total Workers	Year
8.10 percent	228,625	43.6 per cent	46.4 percent	5,592,854	1999
8.15 percent	239,851	42.7 per cent	47.3 percent	5,713,345	2000
8.34 percent	252,699	42 per cent	48.0 percent	5,808,615	2001

Source: The Central Department of Statistics, GAP

The above table suggests a chronological increase in the ratio of unemployment amongst Saudi Nationals between the years 1999 and 2001 in spite of the increase of the Saudis involvement in the labour market (this could be caused by the policies and programmes of

Saudization). However, the percentage of unemployment amongst Saudis continued to grow in the Saudi labour market between 1999 and 2001.

In a nutshell, despite the increase in the number of Saudis joining the labour market between 1999 and 2000 by about 108.2 thousand workers, and between the years 2000 and 2001 by about 73.6 thousand workers, this did not help shrink the percentage of unemployment amongst Saudis. Unemployment actually increased from 8 percent in the year 1999 to about 8.34 percent in the year 2001. This happened in spite of the issue of 25 decrees and labour laws supporting Saudization before the year 1999 - which actually constitutes about 68 percent of the total decrees promoting the Nationalization of jobs issued until that date.

In reaction to these figures the government of Saudi Arabia has enacted several measures. The most effective methods in practice at present is Saudization, the provision of more training and funds, re-evaluation of the educational programme and better career planning, diversifying resources, promoting industries and privatization creating a more balanced economy and more jobs.

Other private initiatives and funds exist and offer affordable good-quality training, private on-the-job training programmes and loans for small businesses.

Skill And Human Capital

Contrary to popular belief, the educational level of the majority of expatriates is not significantly higher than that of their Saudi counterparts (see table 2:2). The table clearly illustrates that expatriates in the majority are not recruited because of superior educational qualification. If that were the case, numbers of expatriates ranging from (read and write) to under (bachelor degree). This begs the question, therefore, of why high school and university graduates of such a rich country struggle to find quality employment in their own country. Further more, it highlights the issue in discussion namely the expatriates' advantageous position of owning soft skills, the right work attitude and work ethic the majority of young nationals do not possess. Those qualities also make the expatriate indispensable to the employer when it comes to their replacement with the national worker the way Saudization works.

The answer to this question, yet again, lies in the specifics of Saudi economic history. Like all aspects of Saudi industrialization, Saudi human capital was built up in a phenomenally short period of time. Departing from traditional economic roles and adapting to structured education in a modern life context was challenging for policy makers as well as the people.

According to the UNDP, the definition of human development involves four components: Equality, productivity, sustainability and empowerment.

Those components are crucial for the peoples' wellbeing and betterment of life. Although evaluation of the importance of one component compared to another differ among nations, the basic principles apply to all.

Human capital, then, is a major focus for any developing nation. Providing health care, social care, and an effective education system is an investment inseparable from building the nation's infrastructure, industries and advanced transport and telecommunication systems.

“That is because they raise earnings, improve health, or add to a person's good habits over much of his lifetime. Therefore, economists' regard expenditures on education, training, medical care, and so on as investments in human capital. They are called human capital because people cannot be separated from their knowledge, skills, health, or values in the way they can be separated from their financial and physical assets” [Becker, 1992 n.p.]

Many studies in the field of human capital have concluded that education and training are the two most important investment areas. Research in the USA and hundreds of other industrial and developing countries concluded that education, training and on the job training are beneficial for employment, better performance on the job and higher income.

As soon as it was possible, the Saudi economy began rapidly to invest in education. It is the quality of this education and its suitability for the developing economy that we will now look at.

Education

Education in Saudi Arabia had a late start. Other than the Hijaz region, where formal education was reported in the late 1800's, most of the other region's education consisted of Quranic teaching and Islamic studies taught by religious scholars. It was estimated in 1965 that no more than 10 percent of the labour force, close to 1 million people, had completed primary education.

It was in the late 1940's and the 1950's that Saudi Arabia had the real funds to start building schools. Girls' schools followed nearly 20 years later. Saudi Arabia resorted to importing the curriculum from other neighbouring Muslim countries such as Egypt, Syria, and Lebanon together with teachers from those countries.

The educational system, except for minor changes and more Islamic additions, was not customized later to suit the local needs of the Saudi economy and labour market future demands.

Nevertheless, expansion in education continued and by the mid-70's, the number of schools for boys and girls had increased tremendously totalling 8,900 schools for boys, 4,417 schools for girls with approximately 2 million pupils in total (Al Khatani, 1991). In addition, in the 1970's, thousands of students were sent for higher education to Lebanon, Egypt, Europe and the USA. Allocations for education and geographical expansion of coverage throughout the Kingdom continued to grow with every fiscal year budget and five-year development plan.

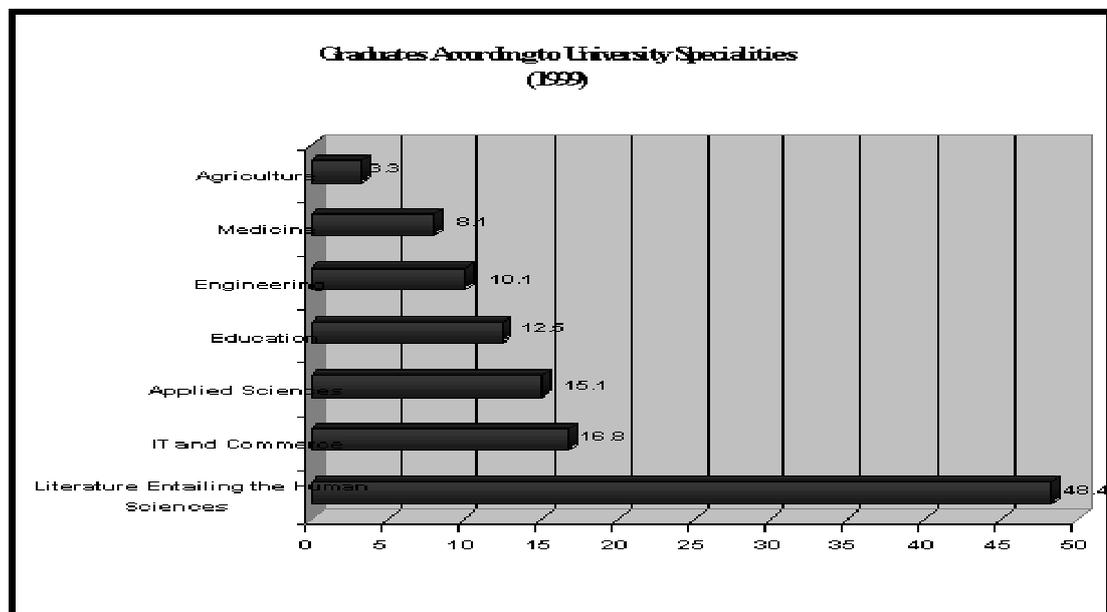
The rapid increase and growth in the educational system was an obvious response to the rapidly growing population and was reflected in the fiscal increase of the government's allocations for building schools and universities.

It is clear that Education in Saudi Arabia has always been a part of a general development plan of modernization. The government has also supplied rural areas with at least primary and secondary schools. However, universities were always built in the major cities which compounded the population shift from rural areas to the city.

Therefore the numbers of high school graduates and university graduates has increased. Unfortunately, so has the numbers of high school and university graduates who are unemployed.

This situation has prompted the government to take action: for example by introducing skills such as information technology and the English language into earlier years of schooling. Figure 2:8 below lists Saudi university graduates per specialty for the year 1999. Other efforts to direct youth towards the skill areas in demand in the labour market through career planning and directing youth to vocational and technical training are also significant.

Figure 2:8 NCB Report on Graduates According to University Specialties, 1999



Source: Ministry of Finance and National Economy

However, despite these efforts, ILO studies and the World Bank indicate that the Saudi educational system is still failing to produce enough well educated males and females for the modern Saudi labour market (Cordesman, 1997b). The Saudi Educational system has also been criticized for being deficient in vision and of being overly influenced by religion.

This criticism is based on the fact that the Saudi education system teaches 4-6 religious subjects per year throughout the formal educational years in all schools public and private. Saudi universities apply the same rule regardless of specialty sought. This is added to the

fact that the religious influence restricts female educational institutions from offering physical education and performing arts.

The Saudi educational system is further criticized because career planning is not an integral part of education. Realistically, this could be responsible for many Saudis graduating from high schools and universities unaware of what is available to them in terms of employment, and for lacking the practical knowledge that may be helpful in empowering them to meet the demands of the labour market. Fieldwork conducted for this thesis (see chapter six) suggests masses of university students graduate in specialties that are not in demand by the labour market and end up accepting jobs in other areas, frequently at a lower salary grade. Figure 2:8 above illustrates the imbalance between science and technology and the humanities

Finally, the Saudi Educational system is criticized for lack of realism in the way the government attempts to develop and promote an effective work ethic (Cordesman, 1997b).

In spite of the present expansion in schools, universities and vocational institutes, it is questionable whether the Kingdom can make a real, radical move towards a qualitative improvement in the Saudi education system given the current Saudi socio-political context (as described in chapter one) Such qualitative improvement of education is not as simple as the quantitative provision of schools and educational bodies especially in a traditional country. "Change as a process is neither straight forward nor simple"(The Emirates Centre for Strategic Studies and Research 1999, p.272-3).

Conclusion

This chapter was dedicated to the Saudi modern labour market. The chapter started with an overview of the Saudi economy. The roles of oil and its related industries as well as the other underdeveloped sectors of the economy such as agriculture and fishery were presented in relation to their contribution to Saudi GDP and employment rates. The chapter described the quantum leap the Saudi economy underwent due to the oil boom of the 1970's and the speed with which it has had to adapt to economic change. This rapid growth of the economy in the absence of other developed industries forced Saudi Arabia into becoming dependent on the oil exports as the main source of income. Saudi Arabia's high

birth rate and the increasing realization that a future had to be found for the increasingly youthful population obliged the government to invest in patriarchal trickle-down government structure that put no real pressure on young Saudis to participate in the economy. There was sufficient wealth to import cheap far eastern labour for menial and domestic work, much of what was needed to survive was subsidized and life was relatively easy. The building of the infrastructure, educational system, health care, ports and utilities needed expertise, professionals and non-skilled labour. Saudi Arabia as a country imported millions of expatriates to fill the gap in human resources.

Over the thirty years 1970's and 1990's the expatriate workforce measured to three fold its indigenous workforce. Meanwhile, the country experienced a long period of unexpected growth in population. By the late 1990's unemployment among Saudi nationals was as high as 13 per cent with a drastic drop of the country's GDP and a concomitant inability to extend welfare advantages as it did between 1975 and 1983.

It might be possible to summarise four basic reasons to explain the apparent contradiction of an immensely rich economy having high unemployment rates.

- 1: The Saudi Labour market never had the time needed for a gradual transformation in order to build the required skills and work ethic amongst its population.
- 2: The suddenness of oil revenues (highly technical but not labour intensive), led to near immediate reliance on imported labour on all skill levels as the indigenous population lacked key skills.
- 3: In addition, the Saudi educational system and development plans were not tuned to the changing needs of the labour market. Thus, graduates of different levels of education enter the market unprepared for the jobs available and struggled to perform at the same level as their expatriate counterparts.
- 4: Last, social and religious barriers face Saudis in making career choices that are different from the norm (i.e. non-traditional) limiting their options of finding jobs.

The Saudi Government's concern over the rising rates of unemployment has led to it taking several steps to re-evaluate some of its existing policies to reduce unemployment and create new jobs. Plans to diversify reliance away from oil developing other industries, privatizing of public companies and inviting foreign investments are some of the discussed efforts. However, the most prominent initiative to reduce unemployment among nationals has been since the late 1990's: Saudization. Chapter four will provide a full description of this process before moving to explain, supported by the fieldwork conducted for this thesis, why the policy makers engineered this concept and how they hope it will achieve its key goal of reducing unemployment among Saudis.

Chapter Three

Methodology

Introduction

The main aims of this thesis have changed over the course of research and evolved to best serve a wider perspective of the Saudi unemployment scene and what is being done to rectify the situation. The researcher started with the intent to study the Saudi unique unemployment situation with emphasis on the work ethic, or the lack of it, generally believed to be the cause of young Saudi's high unemployment figures. Additional interest intended to study the effects of the oil boom of the 1970's transforming the entire economy of Saudi Arabia in a relatively short period of time beyond the capacity of both the government institutions and the Saudi people to adapt sufficiently to the new demands of that new economy. That rapid socio economic leap is often blamed for disturbing an otherwise traditional transformation of work culture (over a much longer period of time) thus affecting Saudis work culture and economic expectations.

As the initial phase of research unravelled, the researcher became increasingly convinced that producing an academically thorough study of the Saudi labour market would not be complete without looking at the policy of Saudization designed by the government to solve the problem of rising unemployment figures. Further more, it became important for the study to look closely at not just the policy as intended for a primary solution but also to present a realistic and unbiased account of all the stakeholders involved in the execution of such a policy.

The main aims of this thesis, then evolved to investigate the complexities of the process of Saudization, and examine whether this approach has the potential to reduce levels of unemployment among the indigenous Saudi population. While it may be possible to increase the opportunities open to Saudi citizens by removing migrant labour through new visa restrictions, it is not clear that the indigenous population have the skills necessary to fill such vacancies, nor is it clear that an effective training infrastructure is in place. Moreover, employers may be reluctant to change their hiring practices and may respond to the new policy environment by trimming their business activities, while indigenous

workers may have little appetite to play a more active role in the labour market. This became even more essential for most existing literature on Saudization as a policy targeting unemployment tends to be heavily biased towards a government perspective and, generally speaking, praises government policies, even when they are obviously failing to deliver.

Methods and Scope

To provide the necessary supporting data for the argument defended in this research labour market statistics, unemployment records and related available material were collected from a variety of sources, including discussions with academics in relevant fields, searching in King Abdulaziz University library and JCCI database, the Manpower Council, and the archives of both the Ministry of Internal Affairs and the Ministry of Labour. All published materials on the subject of Saudization throughout the period 2004 - Dec 2008 were closely scrutinised, analysed and incorporated into the planning of this research and the path of empirical work. The preliminary literature review revealed the severe shortage of documentary research on Saudization. This is why we needed to rely heavily on reading through the relevant policy literature and designing a plan to acquire empirical data via fieldwork. The intent throughout was to be able to present both academic and practical research influenced neither by the policy makers nor the private sector. Instead, the intention was to analyse the high unemployment phenomenon among young Saudis and the views of all stakeholders on Saudization in a holistic manner.

The majority of the fieldwork was conducted in the city of Jeddah. The city of Jeddah was chosen to conduct this research for many reasons. First of all for being very accessible to the researcher, secondly, as it represents a rich mix of expatriates and Saudi nationals working across all industries, thirdly because of its open working culture. In fact Jeddah, being the most liberal city in the kingdom, allowed the researcher to move freely as a female in most male dominated work environments and organizations were more susceptible to accept granting her interviews. Furthermore, since Jeddah has already leaped into a more modern economic structure and had incorporated more of a female workforce than any other city in the kingdom, the researcher saw great benefit in studying Jeddah as a representation of the Saudi labour market in its most recent stage of development. Finally Jeddah was chosen because the researcher is a Board Member of a leading health

organization, a board member of the HR Committee at the JCCI, and serves as Deputy of the National High Council of Women Employment representing the National Chambers of Commerce at the Kingdom level, These factors made it possible to use personal connections and a network of contacts to best serve this research.

Sampling

To gather the data needed, a variety of qualitative research tools and procedures were utilized. The initial sampling was based on random selection of interviews with HR managers representing a wide range of industries available for interview and open discussion with the researcher. This Exploratory phase with HR managers was characterized by open discussions of aspects of employing young Saudis, departing with expatriates and the implications of “Saudization” as *the* proposed solution for the current national labour market’s problem on variable national private industries. This phase contributed pronouncedly in identifying the path for completing data collection and obtaining a 360-degree study. A follow up of evaluating the range of businesses covered led to further interviews with HR managers in areas that were crucial to complete the range of views on the existing work force in industries that affect the evaluation of young Saudis employment because of their specific nature such as education and high tech industries which were not covered in the first set of HR interviews. Therefore, although the initial selection of interviews was convenient in terms of accessibility and somewhat random, the follow up interviews were carefully placed to fill in any area of information and views missing that are essential to have a full picture of the labour market. The second phase of fieldwork consisted of semi structured interview survey of employers and private businesses. The target was to obtain a full representation of the private sector’s different industries views of the policy of Saudization at a larger and a more detailed level. The selection of industries at this phase served the purpose of how different businesses and specialities are being affected by the policy and to what level are they realistically abiding by the laws of Saudization and meeting its objectives. The fieldwork then examined the workers view of what and how they regard the policy of Saudization and how that affects their present and prospective employment. Here we covered a sample of chronically unemployed young Saudis, rejects of the job market fair and workers of different skill levels of both nationals and expatriates. The last phase of interviews targeted the policy makers. The attempt was to discuss the many aspects of the policy’s implications, its

targets, methods and how they evaluate the outcome thus far. The interviews sought were with government officials in government organizations where they are either part of the policy making process or in direct contact with the other stakeholders the employers and the employees personifying the day to day different aspects of the policy enforcement.

Interviews subjects and schedule

- Eight in depth interviews with HR professionals in private organizations varying in speciality and size (for an overview of the situation in practice). Those interviews were usually requested via a phone call to brief the HR manager on the nature of research and the type of information the researcher is aiming to obtain. This was followed by a formal written request through email or fax to the head of the organization for approval and an appointment. The interviews were carried out in each organization according to date and varied between 90 minutes to a little over two hours. Although the areas covered in the interview were mainly the points specified in the letter of request, the interviews took an informal path where in the interviewees spoke at liberty in the areas of their preference or specific concerns more than others. The researcher often asked permission to extend the interview to cover points that were not covered so far in the interview.

This was followed by another round of interviews with 18 representatives of the private sector in a variety of industries to further understand the implications of the policy for different industries. At this stage, the selection process was well studied to cover the different aspects of employment needed by the private sector. Considerations of type of business, the size of the organization and its Saudization records were an important aspect in the sampling process. These interviews covered areas such as: health care, heavy industry, hi-tech industry, retail and food produce, cosmetics and toiletries, hospitality, jewellery and gold, limousine and taxi services, and education. Although a structured interview was prepared, an unstructured approach was taken which meant that not all questions were addressed by each of the subjects. However, some subjects spoke at length on topics they were concerned about. In allowing them to speak freely, I was provided with a deep account of their point of views on the issue, as well as insights into their understanding of different socio-economic aspects of the labour market. In one third of those interviews the researcher needed to meet other personnel through the advice of

management because of their specific area of knowledge and experience either in dealing directly with new Saudi recruits or their experience in dealing with the Ministry of Labour and the application of the quota and visas restrictions aspects of the policy. Those interviews were lengthy, interrupted and required diplomacy and tact in extracting the information needed from the private business representative with candour unlike what they have adapted to with media representatives and government officials to appear compliant and politically correct. In many cases an informal approach replaced a formal/structured pre planned approach to insure collection of data and covering the areas needed for a satisfactory informative interview. In addition several phone interviews were carried out with private business representatives and friends in different industries whenever a face-to-face interview was not feasible to verify new points that emerged during transcribing the interviews and analyzing the data collected.

- To complete the 360 degrees data collection, in-depth interviews with 23 workers including both Saudis and expatriates were designed and conducted. The categories of manpower covered were to get a clear overview of how Saudis and expatriates of all skill levels regarded themselves, their counterpart, the policy (Saudization) implications, how the private sector is dealing with the policy on day to day basis and their general view of the workforce scene. The selection of Saudi and expatriate candidates at the same skill level was difficult because many areas of expertise were not available among nationals. The choice then was made according to a similar skill level in a close speciality/occupation. Some of the candidates were excluded for one of several reasons ranging from their reluctance to speak freely after consenting to take part in the research which ethically disqualified them or their inability to communicate properly in neither Arabic nor English (this was most common at the lowest of skill levels such as builders and genitors from the Far East) and other times because the researcher sensed a lack of honesty and an exaggerated fear of management.
- Eight additional in-depth interviews were conducted in collaboration with an HR private consultancy, as part of their Corporate Social Responsibility programme, with unemployed individuals at different levels of qualification. The candidates ages ranged between 23-28 years, university or high diploma certified and share a common state of an inability to find employment. The interviews were carefully

researched and designed to put the candidates at ease and to generate a casual atmosphere of trust so that they can express themselves with dignity and candour. The purpose of those interviews was gathering enough background information on the interviewees regarding their family upbringing, support system available to them, educational level, and their experience in search for employment as well as the duration and what they regard thus far as obstacles facing them in attaining successful and lasting employment. Only six out of those eight interviews were used as quotes and in analysis for reasons of absence of consistency and coherence with the two excluded. Those interviews lasted 60 minutes to two hours each and in two of the interviews the researcher accommodated the request of the CSR's social worker to attend because it was also the request of the interviewees and at their consent.

- The research also incorporates the views of a large number of applicants to the Job Market Fair conducted periodically at the JCCI. In addition, eight casual interviews at the Job Market Fair at JCCI in Jeddah were conducted. In this case, the researcher found herself shift from being a regular observer to the Job Market affair to a part in an informal conversation among rejects of the third day. The candidates, allowed me to participate in their conversation and as I informed them of my research causes and how it could benefit from their views, they were enthusiastic about continuing the discussion and competed on voicing their opinions about the Saudi labour market, the limitations they face and their view on the job market fairs. They were assured of their anonymity as they volunteered their contacts for future discussions if needed.
- Face-to-face interviews with five government officials at different levels in Jeddah and the capital Riyadh were requested via friends and personal connections, followed out by a written brief of the purpose of this research, what is expected of the interview, the time needed and a copy of the questions to be addressed. Interviews were then carried out according to pre-set schedule to assess the policy makers' views on the situation of unemployment and to help explain their intake on the issues raised by the private sector regarding the policy of Saudization. Although a formal and structured interview was planned, the researcher needed to follow an unstructured approach by changing the order of questions and going back several

times to points where the government representative cut short or eluded answering. For clarification, although permission was always sought coupled with a written sample of the questions to be asked, some government officials were hesitant to reply candidly because of the habitual and cultural norms in the Saudi Arabian context that discourage discussing or criticizing any government policy. Those interviews were generally no more than 90 minutes and were formal in nature. The researcher found it especially hard to keep the interview committed to answering all the questions either because they elaborated in areas of irrelevance or because the government official was trying to evade replying to a specific question. During the evaluation and analysis of data gathered, the need arise for some more answers from the policy makers (to answer to the points raised by the private sector representatives or complete missing public data on the policy). Therefore, five additional telephone interviews were made ranging between 5 to 10 minutes and in most cases the government official referred the researcher to a published data or eventually provided a table or the figures needed by fax. In a few cases, an official would continue to ignore the query and would not provide any help.

- Furthermore since the research fieldwork needed more information on the policymakers' response to some of the private sector and worker's views, we decided to verify those points through consultations with higher authorities in government. This entailed travelling to the capital city of Riyadh for a personal interview with the Deputy Minister of Labour and as a short interview was granted. The other four interviews were carried out in Jeddah with government officials including His Excellency the Mayor of Jeddah, The president of the Jeddah Chamber of commerce and Industry (JCCI), The representative of the Saudization committee of the JCCI, The HRDF representative in Jeddah. Another sixteen phone interviews and queries to different lower ranking government officials were needed to produce a comprehensive over view of the policy makers.

While there were inevitably some contradictions between the different perspectives, in general each of the perspectives reinforced the other, suggesting a high degree of reliability and validating the approaches taken.

Figure 3:1 Interviews Conducted for This Research Outline

Private Sector interviews	
	<ul style="list-style-type: none"> • 8 in-depth interviews with HR professionals varying in specialty and size of organization. <ul style="list-style-type: none"> - 2 in healthcare, - 3 represent industries, - 1 in education - 1 in Gold retail market - 1 marketing firm. • 18 Interviews with Private business representatives (face to face and phone interviews), in the areas of: <ul style="list-style-type: none"> - Health care - Heavy industry - Hi-tech industry - Retail - Food produce - Cosmetics and toiletries - Hospitality - jewellery and gold - Limousine taxi services - Education
Workers interviews (Saudi/ Non Saudi):	
	<ul style="list-style-type: none"> • 8 casual interviews with rejects in Job Market Fair at JCCI in Jeddah 2007. • 8 in-depth interviews with unemployed individuals. • Interviews with workers in 23 different categories representing both the Saudi and the expatriate's personnel at all skill levels.
Policy Makers Interviews:	
	<ul style="list-style-type: none"> • Personnel Interviews with: <ul style="list-style-type: none"> - The Deputy Minister of Labour - His Excellency the Mayor of Jeddah - The president of the Jeddah Chamber of commerce and Industry (JCCI) - The representative of the Saudization committee of the JCCI. - The HRDF representative in Jeddah. • Several (amounting to 16) phone interviews were carried out with governmental officials.

Analysis of Data:

This research relied on especially designed qualitative interviews and was not limited for time or financial constraints. Therefore, the analysis of the data arriving from three different groups of interviewees coupled with an extended review of all published literature on the subject was not a straightforward task. After consulting with several academics in King Abdul Aziz University and my supervisors, I was comfortable with my intended approach. All transcripts were studied carefully to highlight the areas crucial for the analysis. Sensitive and ethical grouping of views of all-important points were recorded and I re-evaluated the validity and accuracy of my findings. Analysis were then completed and double-checked with the list of initial grouping as a method of verification

Ethical Considerations

Approval and permission of the Glasgow University Ethics committee were sought and granted before any of the fieldwork process started and their guidelines were followed throughout the research process. A climate of respect to human dignity and right to privacy was guarded closely and the researcher made every participant aware of his right to privacy as well as ensuring that data was protected at all times. Furthermore, whenever questions broached an issue of cultural sensitivity, the researcher reminded interviewees of their rights and her ethical obligation towards them.

While recruiting participants, the researcher took the time to explain the purpose of the interview and informed each participant of his/her right to withdraw at anytime. In the case of a group discussion with part of the job market fair rejects, the researcher informed them after a long discussion of her background and the reasons for the research. They were enthusiastic and decided to consent provided their identities were not revealed. To further ensure confidentiality and accuracy, the researcher herself translated all the transcripts.

As mentioned, this study was submitted to, and approved by, the Ethics Committee of the University of Glasgow. Guidelines for recruiting subjects, storing of data and maintaining the confidentiality and right of the subject to withdraw at anytime were maintained. In particular, confidentiality of participants was a priority to assure them that there was no connection to any agency through which the interviews had been arranged or the possibility of commercial gain by a third party.

In conclusion, the subject of Saudization is a sensitive issue to all stakeholders: the policy makers, the private sector representatives and the workers themselves. Gathering the information required was never a straightforward process and it required tact and resourcefulness. Government officials are reluctant to discuss the policy especially in terms of its shortcomings or the possibility of its modification for better results. Staff in the private sector has learned not to express an honest opinion given the fact it is politically incorrect at present to criticize Saudization. Disclosure of their views and accurate numbers (regarding quotas enforced by the policy of Saudization) of Saudi workers, is a concern for realistically this puts them in a critical position with the labour Office, jeopardizes their future dealings with the Ministry of Labour when obtaining visas and

might even lead to hefty financial fines. The workers on the other hand have cultural and social inhibitions regarding their reality as unemployed. Saudis are not generally open to expressing personal views or trusting especially when discussing sensitive issues such as an inability to find employment, better qualify or criticizing government initiatives and policies. The process of this research certainly points out to the benefits expected from the Saudi government encouraging future research of the Saudi Labour market and disclosing findings to the public, academics and the society to promote insight and enhance honest participation of all stakeholders involved. Furthermore, this research process invites better transparency and accessibility to government statistics (via all media and government websites) to enable both economists and academics to contribute with their research to improve the current and future of the Saudi labour market. The field research was restricted by the reluctance of a few senior officials in the Ministry of Labour to grant an interview for this research. In Saudi Arabia, officials are often worried about being questioned since they may end up losing their positions if they reveal their personal views as opposed to that of policymakers. In many interviews with representatives of the government or policymakers, the interviewee was willing to share valuable information on policy application, its limitations and how it might be improved upon: however, only off the record. In other cases, they were happy to voice their opinion candidly provided their entire title and name was anonymised. Every participant was then consulted on the transcript of his interview and consented to the quotes intended for use in this thesis. Again, where requested and agreed, the researcher hence respected anonymity where names appear in this thesis, they do so with the agreement of the interviewee. Indeed, some interviewees were very keen to have their names listed as they wanted to make a public statement on a subject that concerned them. In such cases, it would be wrong to deny a respondent their 'voice'. Further limitations severely affected the gathering of accurate data about Saudi Arabia's population figures, unemployment figures, graphs and tables due to the relative inaccessibility of government websites and also due to the fact that, even when accessed, the contradictory nature of the data provided questioned their reliability.

A part of my research, which could have been made easier and more productive, was the way I approached my earlier parts of research as in terms of reading, writing, data collection and labelling. In my first stages of research I lacked the ability to record data for easier retrieval. I believe I would have benefited from learning some research methodology and applicable organizational skills prior to starting the DBA.

Another area that could have made my research easier perhaps would have been the way I went about translating all the interviews transcripts. In retrospect, being a native Arabic speaker it might have been better had I transcribed all the material in Arabic and translated it later, as it was needed; although translation did mean that my supervisors could assess interview quality

On the other hand the fact that I have come to this DBA from a Social Sciences background and having been involved throughout my career to working with people and managing human resources, came in very handy. I was alert to all the social and cultural aspects of my research as well as being prepared to deal with the wide variety of people and situations involved without real difficulty.

Chapter Four

Saudization as a Solution for Unemployment The Governmental Perspective

Introduction

For reasons alluded to in previous chapters the Saudi government needed a rapid and effective solution to the problem of high structural unemployment. The solution they came up with was 'Saudization'. Saudization is essentially the progressive replacement of expatriate labour in the kingdom, across all skill levels, with unemployed Saudis. Saudization has two main aims: first, to immediately reduce unemployment levels, and second to ensure that new indigenous arrivals to the Saudi job market have a coherent career/job path available to them.

The rationale of the Saudi government and its policy makers is clear. Saudization is desirable because there are nearly five million jobs currently occupied by expatriates in the Saudi workforce and those jobs could theoretically be vacated for unemployed Saudi nationals. This rationale is justified by reference the success of similar programmes in the Gulf area such as in Oman and the United Arab Emirates, described later in this chapter.

This chapter aims to describe the process of Saudization in order to better understand why the government's efforts in solving unemployment focuses primarily and aggressively on a single solution in the short term, even when this solution has been opposed by some in the private sector. Using the slogan *Let's Put the 'Saudi' in Saudization* the government has single-mindedly pursued this as the only realistic solution (Ahmed Al-Omran, Arab News - 22 August 2007). In the chapter I will describe the history of Saudization, the different methods applied by the government to enforce it and the barriers it faces despite of its being heavily supported and well funded by policy makers. Last and most importantly, through primary empirical evidence the chapter aims to shed light on how the Government and the policy makers evaluate Saudization. All aspects of the programme, its goals, methods, and the problems it faces, if any, will be examined in the context provided by fieldwork and data gathered for this thesis.

The chapter starts by defining Saudization, and goes on to provide background on Saudi Arabia's plan to build and maintain a labour force of nationals able to sustain the modern Saudi labour market. It goes on to describe the policy of Saudization's objectives and goals and the methods used to achieve them before offering a brief evaluation of similar programmes in neighbouring Gulf countries.

This chapter will focus on the Saudi government's perspective illustrated by fieldwork quotes collected via in-depth interviews with authorities in Government positions, up to date reviews of articles and decrees as well as information published in local and international journals and periodicals. The chapter ends with a short discussion what the Saudi government is doing to improve its labour market disequilibrium and a brief evaluation of how successful these efforts are likely to be.

Saudization

Saudization simply put, is the replacement of the expatriate work force in the Kingdom by Saudi nationals. Saudization translates in Arabic as 'nationalization (as in 'reclaiming ownership') of the Saudi labour market'. In fact, the case of cultural homogenization (Saudization) in the labour force of Saudi Arabia requires that the existing expatriate workforce be reduced and then removed thus creating vacancies for indigenous Saudis. It is the government's immediate means of ensuring that unemployment levels are reduced by this replacement and that the economy maintains a healthy cycle of a productive national workforce that is active and contributing to wealth generation, and that both the indigenous workforce and the Saudi economy profit from reducing the financial remittance by expatriates working in the kingdom.

Although the concept (of building a Saudi pool of qualified labour) is not new and was introduced in the first five year plan 1970-1975, it became a priority as of the late 1990s when the policy makers faced budget deficits, high rates of unemployment and realized that 56% of its rapidly growing population was under the age of 20 (Saudi Arabia Information Resources, 2008). Since five million jobs are currently occupied by expatriates, the policy makers decided they could and should be made available to nationals as an immediate remedy for unemployment.

In its first 5-year plan 1970-75 the Government decreed that 75% of workers should be Saudis and 51% of total salaries paid should be to Saudi workers in all businesses as a target to be met by the end of the plan (Ministry of Economy and Planning – Developments Plans). As the Saudi population grew, the government recognized that correcting this imbalance would be more difficult than they had first thought. In 1995, the Government of Saudi Arabia started an aggressive campaign to increase the number of Saudi nationals in both the public and private work forces but with much more emphasis, on the latter as the public sector has always achieved satisfactory national employment levels.

Consequently, the Sixth Development Plan (1995-2000) targeted the creation of nearly 319,500 jobs for Saudis through the replacement of expatriate workers (Looney, 2004). However, instead of a reduction in the foreign workforce, the number of expatriate workers in fact grew by 58,400 (Labour Force Survey 2000). The government, realizing that all previous five year plans had been ineffective, thus under took more measures such as restricting the recruitment of expatriates to some job categories, increasing fees for some types of work visas, and setting minimum wages for some job categories in order to increase the cost of employing non-Saudi labour. Appendix one contains a table of all jobs restricted to non-Saudis under the sixth development plan.

Six years after the Sixth Development Plan, in 2001, the Ministry of Labour and Social Affairs set a new, more realistic, goal of 25 percent Saudization in the private sector for the year 2002, a figure consistent with the target set in the seventh Five Year Development Plan of (2000-2005) (Looney, 2004). The Plan sought to provide 817,000 jobs for Saudis by both creating new job opportunities and by replacing expatriates with Saudi citizens. The move was also in line with a government policy which called for increasing Saudi manpower in the private sector by five percent annually.

In January of 2003 the *Shura* Council began to apply Saudization metrics to companies working in the kingdom that are directly owned by Saudi *Aramco*, as well as those implementing *Aramco* projects. This meant that wider ranges of government-supervised contracts are now serving further implementation of Saudization. While this may have increased the complexity of foreign competitive bids for oil and gas projects, from the Council's perspective, the measures have moved bid selection toward achieving the country's national labour force interests (Looney, 2004).

In the following year, 2003, the Saudi Labour Ministry ordered the accelerated Saudization of 9,771 banking Jobs held by expatriates. In July 2003, the government announced its decision to reduce the number of expatriate workers to 20 percent of the total population in a decade, in order to increase the availability of jobs for its nationals. This decision also stipulated a quota system for foreign nationalities in which any single nationality must not exceed 10 percent of the total number of expatriates. Such a system would particularly target Asians from India, Pakistan, Bangladesh, and the Philippines, in addition to Arabs from Egypt, Sudan and Syria, all of whose numbers exceed the required 10 percent (Looney, 2004). The table below illustrates the numbers of expatriates from different countries working in Saudi Arabia in comparison to neighbouring countries in 2006.

Table 4:1 Expatriate community in Saudi Arabia compared to other Gulf nations 2006.

<i>Expatriate Communities</i>	<i>Bahrain</i>	<i>Kuwait</i>	<i>Oman</i>	<i>Qatar</i>	<i>Saudi Arabia</i>	<i>UAE</i>
Indians	110	262	300	90	1,250	1,000
Egyptians		271	35	29	1,200	100
Pakistanis	70	100	70	60	800	400
Filipinos	25	60		40	500	100
Yemenis					500	
Sri Lankans		167	25	30	150	125
Jordanians/ Palestinians				40	270	100
Syrians		95			170	
Indonesians					250	
Sudanese					250	
Kuwaitis					120	
Turks					95	
Iranians		69		20		
Total Expatriate Population	242	1,409	614	365	6,000	2,038

Source: Ramady 2006

The targets of Saudization are clear. Saudization aims to reduce unemployment, increase the indigenous involvement in active economic roles and sustain the wealth of the country. Those aims are intended to revive the labour market and the economy by also reclaiming the funds being remitted by nearly 8 million expatriates of all skill levels living currently in the Kingdom (Ministry of Economy and Planning, Labour Force Survey, 2008).

Saudization in the view of the Saudi policy makers is an economic necessity. Unemployed Saudis cost the Saudi economy dearly in many ways. One, the economy loses by having invested in social capital without return. Two, the unemployed burden the Government welfare system. Three, the expatriate body of the Saudi work force deploys nearly 60 billion Saudi Riyals annually, which is considered a great loss to the national economy.

Saudization also represents a developmental necessity. In fact, all possible solutions to the Saudi high unemployment problem require short and long term planning for its human resources, restructuring of the educational and training product of responsible institutions, a change of society's views, and the creation of more jobs. In other words, it requires the Government to commit and demonstrate keenness in proving to its nationals that they are more deserving of government attention and action than their counterpart, the expatriates.

In addition, there is no doubt that the Government considers the cultural homogenization of its work force a top social and national security necessity. Social unrest and higher rates of crimes are real concerns for a Government dealing with a culture that has always taken for granted the notion that the government will provide well paid jobs for them. Providing unemployed Saudis with jobs is assumed to reduce the impact of short and long term consequences of high rates of unemployment: namely poverty and crime. Crime rates amongst the unemployed and social unrest are cause for increasing concern for Saudi Arabia internally and, internationally, after the September 11th bombing. In a study done by the Council for the Work and Labour in collaboration with the Ministry of Internal Affairs, it has been reported that 83.92 percent of offenders who were unemployed blamed unemployment for their crimes (The Ministry of Internal Affairs and Labour Council, 1999).

Saudization, as clearly stated in the seventh developmental (5 year) plan 2000-2004, is executed via seven different but complementary policies that vary in aim, time expectations and direction (Ministry of Economy and Planning – Seventh Development Plan). Below are the seven different strategies with a brief description of their intentions.

The first policy aims at the replacement of the expatriate labour body and increasing the national involvement in the work force. It is made up of a total of nine goals that aim to take effect in a specific time frame. The policy makers with regard to various activities and

sectors specify a percentage of required Saudi employment per size of organization, industries, sectors, indirect employment (sub-contracts) as well as long-term total replacement of certain activities in the work force.

The second policy aims at the restriction of certain jobs and economic activities with a time frame varies according to sectors but its general aims are evidently restricting the (high volume)retail sector in three years to Saudis only. The policy targets the private education sector to increase its present employment of Saudis by 10% and to block current and future employment to nationals. Technically oriented jobs like TV satellites and assembly, audio sales and office services, custom release of imports and transportation in King Khalid Airport in Riyadh were given a 6-month to a year grace period to terminate employment of expatriates. Other sectors ordered by this policy to close to expatriates were, religious tourism sales and services, sales of farm animals, real estate, air travel tourism and cargo industry, used furniture, taxis, transport and distribution, the fresh produce market, small sized inner Cartier grocery stores and street markets. Although the selection of this particular group of jobs may seem ad hoc, these sectors of the labour market were perceived as being the easiest to Saudize quickly.

The third and the fourth policies of Saudization, focus on human capital development and raising the efficiency of Saudis presently involved in the work force or approaching the labour market in the future. Both policies are linked to replacing the existing expatriate work force with nationals. To aid in the implementation of those policies, several programmes came to existence: the HRDF, the Co-organization for Training, the National Training and Employment Programme (championed by the late HRH prince Abdulmajeed bin Abdulaziz, the *Amir* of Mecca region), the Public Organization for Employment and several private employment firms.

The fifth policy is aimed at organizational improvement in all bodies involved with the labour market and the labour force, specifically by means of modernizing their management, unifying databases, simplifying the bureaucracy, and restructuring and harmonizing laws and regulations concerning the unemployed.

The sixth policy aims primarily at balancing the gap between the affordable cost of imported labour and that of national hire. This policy takes effect via two schemes. The

first reduces the gap in wages between the expatriate and national requirements by increasing the minimum wages in certain job groups and within certain sectors for nationals but, to date, nothing solid has come out of this attempt. The second scheme consists of increasing the imposed fees on expatriate labour imports.

The last policy of Saudization serves the objective of lessening, then completely eliminating, the presence of all illegal workers in the Kingdom. The researcher confirms that although this policy may appear to be unimportant because of the low calibre of jobs currently occupied by those illegal expatriates, it is in reality a matter of national security. A straightforward justification is the fact that nationals will not consider replacing those illegal workers who work mainly in menial jobs. Nationals do, not desire the range of economic activities occupied by illegal immigrants, as it is domestic and labouring in nature. Illegal labourers are paid modest wages and often mistreated or unpaid without rights or access to the law. Illegal immigrants are usually those that enter the Kingdom through a visa restricted to three months to perform religious duties but they remain in the kingdom past their entry visa expiry and tend to exist on low paid unregistered jobs for an unlimited time. Their existence (many with wives and children) without the ability to be registered with the government and the labour force allows them to engage in any mean to generate a living (if they fail to find work underground) living in unsanitary conditions and receiving no medical care or education. Those illegal unregistered expatriates do, however, threaten the kingdom's national security and find means to survive by all sorts of illegal activities that range from begging in the streets to drug trafficking. (The Protection Project, Human Rights Report – Saudi Arabia, 2009).

Overall, the Saudization plan is mainly enforced via three methods. The first is the quota system. The second is tightening or restricting issuing visas for certain jobs while increasing their cost (i.e. the cost to employers of employing expatriates), and finally the complete closure of listed occupations across sectors and the complete closure of certain sectors to expatriates.

The quota system is designed to ensure that employees in the private sector increase their percentages of Saudi Nationals yearly and retain the nationals on board.

The second method of Saudization enforcement is the scrutiny and ban of visas to expatriates. The philosophy behind this method is straightforward. The government assumes that if expatriates are less available and accessible to the private sector, it will be forced to depend on and train nationals to fill its labour needs.

As for the third method of enforcing Saudization, it can be summarized as applying strict laws of closure per occupation and sector. Occupations closed to expatriates have expanded over the years and continue to do so. They are embodied in the Council of Ministers' decree # 50 which sets an annual increase of 5% of Saudis (hired and retained) per any organization employing 20 persons or more adjustable according to availability and demand, and which also limits specific occupations to nationals. Those occupations named in decree 50 are personnel officers, receptionists, inter- Governmental affairs liaison officers *Muageb*, cashiers, security guards, operators, procurement officers, public relations officers, postmen, tourist guides and several retail jobs. (See Appendix I for detailed listing of jobs restricted to nationals). More information about the methods of application is detailed as part of the empirical part of this chapter, as well as in chapter five and six that represents the private sector and the worker's perspectives on Saudization.

Since the early 1990s, Saudization regulations have been enforced by high-level agencies. The Council of Ministers is involved in dealing with the issues of Saudization in presenting decrees and drawing up policies and is the highest authority in this process. The Ministry of Internal Affairs, in collaboration with the Workforce Council, is considered the most powerful entity dealing with the issue of Saudization, having issued more than half the decisions and decrees concerning Saudization over the past 13 years. The Ministry of Labour's role is supporting the plan through monitoring to verify compliance and modification of laws as of 2006. The Labour Office licenses career centres that receive requests for employment as well as monitoring performance quality. Among the Regional Governorships, the governors of Riyadh, Medina and Mecca are some of the most active in terms of Saudization programmes. In addition to these five agencies, other entities contribute to the process of Saudization, like the High Council for Nationalization of Jobs and Saudization committees in the Chambers of Commerce and Industry nationwide. It is worth mentioning the role of the Human Resources Fund for Development. The HRDF, founded in 2000, aims to grant subsidies for the rehabilitation and qualification of national manpower by sponsoring and bearing all costs for training in the private sector. It

represents the Government's answer to the private sector's complaints of poor qualifications and the lack of preparation of Saudi graduates for the labour market as well as the private sector's inability to carry the financial burden of training. The HRDF currently reimburses part of the wages paid to aid the private sector in dealing with this training cost: this is necessary given the high turnover among nationals even while training.

It should be noted that other countries in the region have commenced programmes similar to Saudization. These plans, however, would appear to have avoided many of the problems that Saudization has encountered. The motives behind these programmes varies from political/ national security concerns as in the UAE (United Arab Emirates) *Ibdaa* programme part of their Emartaization endeavour, to dealing with rising unemployment figures as in the Omani example.

Eighty per cent of the UAE's population are expatriates, according to the CIA World Fact Book, (2008). Considering a high foreign presence, yet acknowledging the economic need for their being there, the UAE has launched programmes that incorporates the efforts of the Ministry of Presidential Affairs, in cooperation with Abu Dhabi Chamber of Commerce and Industry and Higher Colleges of Technology (HCT) to design programmes that fill the knowledge gap suffered by their national graduates and to re-enter them in jobs in the private sector. The strength in this approach is that it is based on the market's needs and maintains an awareness of the areas of shortage in qualifications. The government takes full responsibility for the cost, guided by the private sector's needs, to re-qualify its nationals for the present labour market.

'Omanization' was commenced by the government of Oman in 1988 aimed at replacing expatriate workers with trained Omani staff. The example of Omanization is interesting given how it contrasts with the Saudi policy. Oman's population is 2,018,074, 73% of whom are national and the rest expatriates (Cordesman, 1997*b*). Oman started suffering from rising unemployment in the late 1980s. Faced with this imbalance in their workforce, the government drew a clear vision and a set of realistic objectives that were implemented almost immediately. In 1993, the time of the first Omani census, more than a quarter of those living in Oman were expatriates. Since then, however, through the efforts of Omanization, qualified nationals have replaced many expats. Omanization has similar

goals to those of Saudization but the design of the policy and methods of enforcement are different. The methods used mainly relate to their emphasis on education and training while setting realistic differential goals for each industrial sector and applying a system of incentives for the private sector. Moreover, the Sultanate encouraged several universities and vocational centres to train Omani workers in the numbers needed to fill the labour market's gap of qualified nationals. Lastly, the Omani experience seems different from Saudization in the aspects of issuing policy in tandem with a plan, the policy's acknowledgement of the requirements of the different industries and finally in the reward system (part of the policy) that acts as an incentive for the private sector to ensure maximum cooperation (Ministry of Information – Sultanate of Oman).

Table 4:2 shows the Omani targets for increasing the employment of its citizens in different occupational groups between 1995 and 2000, while Table 4:3 highlights the percentage achieved.

Table 4:2 Degree of Omanization achieved by labour market sector 1995-2000

Category	Percentage of Omanization	
	1995	2000
Specialists/University Graduates	30.6	36.5
Technicians	45.5	49
Skilled office Workers	64.8	64.7
Skilled manual workers	73.3	70.7
Semi skilled office workers	6.7	7.8
Semi skilled Manual workers	4.3	51.6
Other semi skilled and unskilled workers	30.5	51.6
Total	36	41.6

Source: (Cordesman, 1997a)

Table 4:3 Percentage of achieved per sector Omanization between (1995) and (2000)

Sector	Percentage Achieved
Finance, Insurance, and real estate	45%
Transport, Storage and Communication	60 %
Industrial	35 %
Hotels and Restaurants	30 %
Wholesale or Retail Trading	20 %
Contracting	15 %

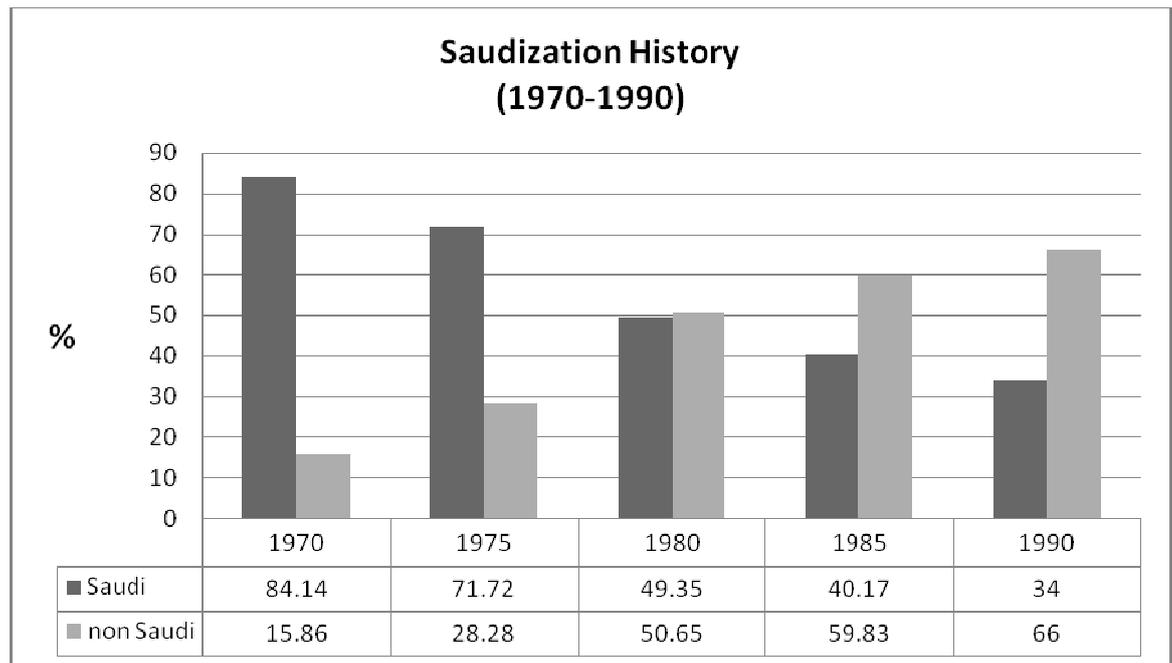
Source: www.gulfindustryonline.com, www.odci.gov/cia/publication/factbook/index.html

Note: Many of the government ministries have already reached 100% Omanization

The views of Policy Makers

The preliminary literature review led us to design the work for the empirical aspect of this chapter to reflect best Saudi policy makers' view on Saudization. An important aspect in the selection of materials used and interviews selected was to verify how the policy makers evaluated Saudization. The interviews targeted two levels of government officials, a high level to effectively represent an insight on the government's view and an intermediate level, selected because of their involvement in the day-to-day application of the process and because of their direct involvement with both the unemployed and the private sector's representatives.

Although the policy makers in Saudi Arabia have been actively pursuing plans to increase the representation of Saudis in the active workforce, it is evident from figure 4:1 that the proportion of non-Saudis in the workforce has continued to grow since the mid 1970's.

Figure 4:1 Saudization History (1970-1990)

Source: Saudi Arabia Central Department of Statistics 2002

The reality of the Saudi labour market therefore contradicts the Five Year Development Plans' objectives, which invites further probing into the rationale behind the policy. Theoretically, the policy makers acknowledge the sluggishness in the way the Saudization has been applied. Yet they see no defect in the way it was designed and insist that in the long run the programme will be a success. As one official put it,

As a matter of fact, the Saudization plan of three stages makes perfect sense. First, get rid of existing unemployment. Secondly, create an atmosphere most encouraging for Saudis to work. Thirdly, creating a national work force capable of leading the Saudi economy to the level of competitiveness and high productivity. [CEO of Jeddah Chamber of Commerce and Industries].

When asked about the actions that the government have taken to prepare its nationals to embark on this new active role in the Saudi labour force, the researcher failed to get one direct official statement in response from the various government authorities and was referred to the Development Plans. Meanwhile, a conversation with a formal high government official was enlightening in that it suggested a variety of possible policy makers' responses in relation to questions about the success or otherwise of this project.

Of course a government official will not admit that the government did not foresee the deficiency in its planning. Some high officials will confess they feel they did their best, others will blame limitations created by overly fast implementation of the policies and maybe a few will note that the plans were good but the follow up wasn't!

Year after year and development plan after development plan, despite the fact that the government put up the resources to build schools, universities and sponsor thousands of graduate and post graduate Saudis to study abroad, the gap between the supply and demand in the labour market has widened (MENAFN, 25 February 2009).

The reason for this becomes clearer with a closer look at the time line of the Saudi five-year plan objectives and their focus on social and human capital investment. This makes it clear that serious interest in quality human capital development particularly in reference to their role in the labour market has only become evident in the last decade.

It is only by the mid 1980's that the government realized, with the fourth development plan (1985-1990), the labour market's imbalance and the urgent need to improve delivery. The fourth development plan aimed at reducing the foreign labour force by 600,000 men by 1990. Unfortunately this target was not achieved and the foreign labour force increased by 200,000 within that period, even though large numbers of Saudis were hired (Cordesman, 2002). No concrete progress was achieved under the Saudi Fifth Development Plan (1991-1995) either, the number of foreign workers employed in Saudi Arabia actually increased at the rate of 8 – 10% per year during 1993 - 1994. It is evident here that the influx of expatriate labour continued despite efforts to secure a reduction. Two reasons may be responsible: one the growing industries were not properly monitoring labour imports in accordance with the development plans aims. Second, a gap still existed between supply and demand that could not be filled by national workers.

As a result, the Saudi Sixth Development Plan (1995-1999) called for accelerated Saudization. It aimed at replacing expatriates by national workers and creating more than 660,000 new jobs for the nationals in the private sector. Achievements made under this plan were again very limited according to all standards. The research here emphasises two points. The first point is that the Saudi economy was witnessing a revival period in which

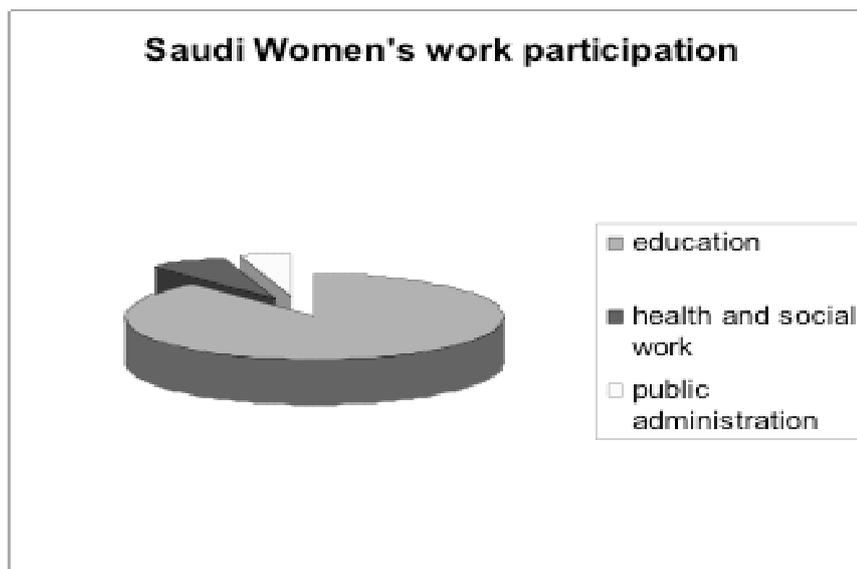
many infrastructure and expansion projects were implemented after the bust of the 1980s. During the expansion, the labour market again bounced back into the old habit of labour import. The second point is that, even by the six Development plan, the policy of Saudization was not coupled with clear plans or set in a logical framework.

The Saudi Seventh Development Plan (2001-2005) placed a special emphasis on the development of human resources and the provision of adequate job opportunities. It focused on strengthening the Saudi economy to confront the challenges of the next phase of the development process. Thus, it adopted a set of economic policies that fitted into a long-term perspective, designed to develop human resources, raise the efficiency of manpower, and increase employment through the generation of new jobs and replacement of non-Saudi manpower by Saudis. The long-term perspective also involved qualitative improvements in state-provided services such as education, health, social, and municipal services, as well as expansion in the provision of water, electricity, transportation, and telecommunication services with a view to keeping pace with increasing demand. This plan placed special emphasis on the privatization programme as the kingdom's strategic option for increasing the private sector's participation in the socio-economic development process. By the early 2000s the research confirms a real change as it is in this development plan that the government sets clear targets coupled with logistics and assigned responsibilities to designated government entities, and introduces measures to apply and evaluate outcomes.

The focus on Saudization and social capital building peaked with the Eighth Development Plan (2005 – 2009) which aimed at improving the standards of living and job opportunities for Saudis, continuing development in the areas of education and training, and expanding the applied sciences and technology sector. In this plan the most important difference from all others proceeding is that it identifies the need for education and employment as the pivotal link and sets superior goals towards increasing Saudi women's participation in the work force. Indeed, women's participation in the labour market increased from 5.5% in 1990 to 10.3% in 2003 (Al Humeid, Saiidah Khadija Bint Khwailed Economic Forum, 2008). Still, this remains one of the lowest rates in the world, even in comparison to that of other Arab and Islamic countries. Figure 4:1, below shows the allocation of female workers among the various sectors. The Eight Development Plan targets regarding women were also supported by the Royal Decrees 120 and 187 that were issued to permit and

empower Saudi women to enter more areas of employment, ordering all ministries involved to facilitate this and introduce legislation to increase participation. Although this ambitious plan could contribute greatly to female Saudization it still falls short of setting a concrete plan and lacks delegation to specific entities. Most importantly, these plans are facing opposition and some private entities are facing religious, social, and grave logistical barriers that are prohibiting better female participation or least postponing their participation in the labour force. Approaching the end of the Eighth Development plan, the research confirms that different measures have been put in place to modify and monitor the application of Saudization. In addition, serious efforts have gone towards areas related to improving the economic cycle, job creation, open forum and most importantly economic and social reform. All of the above measures have contributed positively to a more objective understanding of the labour market's situation and are hoped to render longer lasting effective results towards more employable nationals.

Figure 4:2 Saudi Female Labour market Participation by Industrial Sector



Source: (17/3/5) Expanding Women's Economic Participation and Diversifying It

Governmental Perspectives on outcomes

The second area explored in the interviews related to methods of enforcing Saudization. The Government, despite its many agents involved in Saudization, has had difficulty maintaining and increasing the quota system of minimum number of national employees steadily. The quota percentages have been subject to many interjections and complaints in

the private sector, and the Ministry of Labour has responded by repeatedly lowering or postponing quota enforcement. In August 1998, the Government announced that citizens had to constitute at least 5 percent of the work force in private sector companies by October 1998, a number that, according to a 1995 ministerial decree, should have been 15 percent. Despite a crackdown on illegal workers and citizens who employ or house them, the programme has continued to fall short of its goal of increasing the Saudi percentage of the work force by 5 percent each year (BBC News, 2004).

The quota system also specifies a minimum number of nationals required per sector and profession. In other words, it assumes that certain job categories or sectors are easier to Saudize because the skills they require are available among Saudi nationals (because the relevant skills are so easy to acquire); for example in the gold industry, fresh produce markets and taxis. The quota system, although intended for record keeping and to facilitate supervision over how the private sector abides by the laws of Saudization, is the aspect of the policy most strongly criticised by the private sector. The Ministry of Labour is constantly bombarded by requests for quota reduction and constantly receives complaints from the private sector that it is an unrealistic and unjust method of measuring intentions to participate in Saudization. When asked repeatedly about the wisdom behind this action and the constantly increasing quotas, the Ministry of Labour answered thus:

We never assumed 100 percent Saudization! I think if we reach 75%, we will have succeeded. [Minister of Labour, Al-Riyadh newspaper 2006]

When the present Minister of Labour, Dr. Gazi Al Quaisbi came to office, Saudization laws were tightened and visas to import labour became almost impossible to secure. This was not a popular move. As he is serving his second four-year term at present he has gained more insight on the reality of the labour market needs and perhaps a better understanding of the suffering of the private sector trying to comply with the now even tighter laws of Saudization. As a consequence he has altered some of the quotas, given more time to struggling sectors and publicly commended private initiatives to Saudize.

The present Minister, Dr. Al Qusaibi, has added a serious dimension to the process of Saudization. Throughout the 1990's, the process remained on paper and was subject to abuse. I think he isn't actually a believer in the quota

system; he kept it but adjusted it and created the shared programme and the HRDF. [Jeddah's CEO of JCCI, March 2008].⁵

The Minister in turn has made several adjustments, to the quota system between 2006 and the present (2009).

Saudization was reduced in his time and don't forget he tied it up with a plan. Companies that produced decent figures of Saudization coupled with a five-year plan to further their contribution to Saudization through training and better use of human resources departments were granted cooperation from the ministry. [Jeddah's CEO of JCCI, March 2008].

The policy makers tend to view the quota system as a tool to compel the private sector to participate in Saudization; it is used to ration work visas pending proof of compliance and bars the renewal of existing contracts. Failure to abide by the percentage of Saudization implemented per profession or sector at present is punished with heavy fines, a ban of renewal of working permits, and/or closure.

As far as the second method is concerned, namely the scrutiny and ban of visas to recruit expatriates, it is worth mentioning that the government is aware that the private sector will face difficulty replacing and hiring qualified Saudis if they are prevented from recruiting from abroad. It is also aware that the cost of hiring nationals is higher than the cost of their rivals, the expatriates. However, the government apparently believes that HRDF will deal with the hiring cost issue and would also appear to believe that in the future Saudis will be better qualified and more prepared to meet the labour market's demands than they have been in the past. The argument the government posits is valid insofar as it acknowledges the shortage of skilled Saudis. However the Saudi government is very clear in stating their belief that the real cause of unemployment is the expatriate community. As one official put it:

⁵ Although in many countries the CEO of a Chamber of Commerce would be considered to be a representative of employers rather than government, in SA the Chamber of Commerce can be regarded as a QUANGO

If recruitment of foreign workers were put on hold for six months, not a single Saudi would remain jobless/ [Minister of Labour Al-Qusaibi's 7th National Dialogue in Buraidah April 2008 on Saudization].

The Minister of Labour has consistently referred to the expatriate work force as "...the flood that is behind the increasing unemployment among Saudis". Moreover the government has gone on to argue:

In the 1970's the foreign work force constituted 15 % of the work force, but within a decade, the Saudi labour market received millions of expatriate workers causing this abnormal and significantly imbalanced work force. In the last four years 2002-2006, Saudi Arabia has imported nearly a million workers annually. Our statistics show that today, Saudis constitute only 15 % of the work force in organizations of 30 employees and only 3% in organizations of 20 employees and less. [The Alyoum Newspaper, 09/01/2006 issue # 11896].

The intentions of the Ministry of Labour are clear on the matter of depriving the private sector of expatriate recruitment by making it unaffordable. The policy makers see no reason to justify their decision. They believe that Saudization is, as a policy, failing because there is unfair competition to the nationals from expatriates and that restricting, then banning visas to expatriate labour is the logical thing to do. Meanwhile, the present Minister of Labour repeatedly promised that this would happen gradually so it would not affect the economy, and that given enough warning, the private sector would be able to 'take up the slack' in terms of employment for Saudi nationals. The ministry also acknowledges that the policy of reducing and tightening foreign labour recruitment goes hand in hand with real and effective training for Saudis to increase their skills and standards to promote growth and create new jobs for newcomers to the labour market each year. In depth interviews conducted in 2008 with Government officials echo a deeper understanding on their part of the need to employ, qualify and hire nationals to raise their efficiency and better their qualifications instead of just hiring nationals by replacing expatriates.

I don't like the term 'Saudization'. I need to think of it as the necessity to create jobs for Saudis on one hand and the need to not allow expatriates from

all over the world, to compete with Saudis in their own land indefinitely and without restrictions. Saudis are governed by many social circumstances, and for me to expect the nationals to qualify on a global level, produce the best quality of work at the lowest cost, compete with those who come from India, Bangladesh, Thailand... and give me the same output or else!!! This is his country; do you see this happening anywhere in the world? Nobody in the UK or the United States is subject to that! [His Excellency, Mayor of Jeddah, July 2007 personal interview]

The third method, which is embodied in the law issued on closure in occupations and industries, has experienced the same problems in reaching full compliance as the other two methods. In the years that followed the issuance of this law, the Ministry of Labour witnessed endless actions from the private sector to elude compliance. Even the simplest of jobs restricted to nationals, such as security guards, cashiers and receptionists, took nearly a decade to Saudize and even then the private sector kept the expatriates as a backup for national employees and 'hid' them when the labour office came for inspection. It is only in the last five years, 2003-2008, that the private sector truly came to accept this limitation on their choice of labour pool. The policy makers state that this is due to the fact that the private sector had improved at recruiting, and offering better benefits thus retaining the quality of nationals required to fulfil its requirement of employment in areas for which they are not able to recruit expatriates.

Think of it this way, if you treat him right and pay him what he can fairly live a decent life on, as a Saudi national, he will eventually come through. I don't accept the logic of the businessmen when they claim they can't find quality employees among nationals. [Deputy Minister of Labour personal interview 2008]

Complete closure of specific industries to expatriates is the other method used to drastically reduce unemployment among Saudis: closing sectors that seem to present fewer barriers to transition. Al Riyadh newspaper article issue 14165 referred to this total closure of the three sectors by colour. It designated the three main sectors' closures to expats as green Saudization (for the fresh produce market), white Saudization (for the white limousine cars for hire) and yellow Saudization (for the Gold retail market).

In 2002 the Ministry of Labour issued a law dictating that within the year, the Gold market, which is estimated to contribute 15 billion SR to the GDP according to Arab News, 22/2/2004, would be 100% Saudized. Privately owned jewellery and gold shops are expected to rid themselves of all expatriate workers, mainly Yemenis and Indians, without any exceptions, leaving the way open to nationals. The law was postponed for a year to take effect on February 1st, 2004. It is worth mentioning that not only did the plan to fully Saudize the jewellery and gold market did not include provision for training inexperienced Saudi newcomers to the field, but it also ignored the fact that gold and jewellery represent two different sectors with different characteristics and needs.

The Saudization process unjustly combines both the gold and the jewellery sectors thus assuming these sectors have the ability to Saudize 25,000 jobs.
[Leading national gold and jewellery retail and manufacturing business owner].

Critique in the press about how this decision would lead to negative results and would encourage the black market to flourish were countered by the Deputy General of the Manpower Counsel, Abdulwahed Al-Humeid:

These are merely fears, speculation, bearing in mind that no country is unaffected by the black market. [Arab News Sunday February 22, 2004].

Saudization enforcement is a mere reflection of the Saudi government's keenness to expedite employing jobless Saudi nationals. Those factors responsible for impeding Saudization from the Government side, this research fieldwork confirms, are related to the strategy, speed and cost related to the process of Saudization being enforced since its commencement. Policy makers do not necessarily take responsibility for much of what hinders the progress of Saudization, at least publicly. However, off the record, many government officials are prepared to share their concerns. There are five major points worth discussing here.

Firstly, it is possible to argue that a project of cultural homogenization of the labour force across all sectors of such magnitude ought to have been planned decades ago. The mere fact that more than half of the work force (more than four million) are currently expatriates

is a clear indication that there was little planning concerning the influx of foreign labour in the past decades.

The second impeding factor is related to the seriousness of the programmes' image and how it has been regarded since the early 1980s by the private sector. When the Saudization programme started, few national organizations acknowledged its necessity or envisioned it as a future reality. The Government launched a few programmes but did not see them through or allowed them to die out.

Yes, there were some early attempts in terms of Saudization. For example the Royal Commission and the Ministry of Communication are two early examples of positive image setting for Saudization. The latter was successful and contributed positively to an achievable Saudization programme. Both had funds, and the Ministry of Communication did excellent work in recruiting, hiring, training and retaining nationals. However, eventually, both programmes were cancelled. [CEO of JCCI 2008]

The government is criticized evidently for not demonstrating the seriousness of the programme. Government organizations such as the Ministry of Labour, the Ministry of Education and the Ministry of Higher Education have not been effective in paving the way for Saudization. Efforts of the Ministry of Planning have also been severely criticized for not having coordinated with the other ministries in anticipation of the future labour market needs, especially in the light of current population growth projections. The Ministry of Labour represented by the Minister Dr. Al Qusaibi and his Deputy Dr. Al Humaied, rarely ever speak of this point in the media and was reluctant to grant interviews to answer to these particular questions.

There is also the role of the media. Governed and censored by the Saudi Government, the media could have followed a plan of action in order to change Saudi youth's views about work, and even promoted a sense of entrepreneurship and a better work culture. Yet there are a couple of privately funded campaigns at present to promote good ethics and practical Islamic applications in everyday life. If the government intended the programme to be taken seriously in the decade between 1980 and the 1990, massive public awareness programmes should have been monitored, closely integrated in all aspects of the school

curriculum to bring the public and the private sector closer in order to provide for the programme's implementation.

The third barrier impeding Saudization is the forcefulness in implementing it, especially in the mid 1990's. By this the researcher refers to all the shortcuts that have been taken by the ministry and the HRDF to promote and subsidize mediocre training programmes for the more rapidly employable Saudis.

No, we can't say we're happy with the standards or the outcome of many of the programmes we sponsored to train the unemployed. It pains me at times the limitation we face with local available training institutions and the time it takes to approve new better ones. But we approve of the best of what is available and continue to support and advise for improvement of standards. [Head of HRDF Jeddah]

The government, in an effort to expedite young unemployed Saudi's employment, accepted and acknowledged low standards of private educational and training facilities that might have not been accepted if it hadn't been for the perceived urgent necessity of employing large numbers of jobless Saudis. When asked about the need to place unemployed Saudi females onto available private courses in Jeddah and whether or not they crossed checked the private sector's need for these qualifications, the head of the programme answered:

No, but this is what is readily available and it'll have to do. [Head of the Health Care Development Committee, Jeddah, 2006]

Although the Centre of Vocational and Technical Training is notorious for being slow and inefficient in approving new programmes and training proposals, the Ministry of Labour and the HRDF felt obliged to sponsor the placement of young unemployed Saudis to earn the most basic IT skills and English business technology at standards that will not fulfill the private sector's needs and requirements. This jeopardizes the credibility of the HRDF because it is perceived to still carry out training that is below the standards required by the private sector.

It is up to the public organization for Education to ensure quality. [Deputy General to Ministry of Labour when asked to comment on the HRDF funded training]

Due to all the above, especially the shortcoming of the Planning Ministry and the media role, Saudization has stalled for social reasons. The Saudization programme's fourth barrier is society's readiness. The need of young Saudis to gain employment is not coupled with a realistic view of the labour market demands of today. The Government's efforts to open more doors to the unemployed are met with the reluctance of some sectors of society to accept them. According to Okaz Newspaper, Dr. Al Qusaibi has reduced the quota of Saudization enforcement from 30% to 10% in a list of occupations. Those occupations, which are all manual and technical in nature, include bakeries, tailoring, ironmongery, mechanics, carpentry, farming, poultry, heavy transport, Laundromats, carhops, optical shops and pharmacies. When asked the reason for the reduction in quota, the Minister of Labour replied: "there is not enough appeal for those jobs among unemployed Saudis".

Society's lack of readiness and inability to modify its expectations and mobilize its youth in directions other than what has been the norm for the past forty years is preventing many unskilled Saudis from achieving employment in new areas of the job market.

It puzzles me that I must work hard to persuade a young unqualified Saudi to earn a really good living by learning fishery and receiving all he needs to start from me, for example, instead of a minimum-paying job of a security guard or a driver. [Government official Jeddah]

Although policy makers are aware that young Saudis are in favour of working for the government as opposed to private enterprise, they rarely address the root cause of this problem. Instead of addressing the deep-rooted problem of work culture, policy makers expect the private sector not only to tolerate and adjust to low standards of performance and productivity, but also to become more appealing to newcomers and make more attractive offers to them.

It is a fact, Saudis still insist on working for the government. [Dr. Al Humaied, Deputy General of the Ministry of Labour]

This same attitude of the government leads them to ignore the different priorities and sense of obligation towards the unemployed that government organizations have, as opposed to private businesses.

The Government is like this old man father of all the tribe. Sometimes he's obliged to shelter all and carries the burden of feeding the strong and the weak. [Saudi HR consultant describing disguised unemployment in Governmental Organizations]

Another societal barrier to Saudization is that many in Saudi society look down upon manual jobs and think of vocational training as a rank below a diploma or a university qualification. Furthermore, tradition and social ties hinder the social mobility of many young Saudis whose skills may be in demand in distant locations. Family obligations (in the sense that young new entrants are expected to remain close to their families specially their parents and look after them) frequently prevent mobility.

Young men today, although suffering unemployment, are reluctant to seek good earnings via means that were quite acceptable a generation or two before. This is the effect of the boom. [Government official Jeddah]

When pressed to answer the inevitable question: so what are the policy makers doing regarding this point? How are they changing society's beliefs that hinder mobility and development? Some Government officials tend to provide sensible well thought out solutions:

What we need are role models. The media and civil societies should diligently and purposefully identify role models, people with role model qualities in their area of expertise. We should catch role models doing the right things, point them out and celebrate them. [His Excellency the mayor of Jeddah]

The last barrier to the Government's efforts to Saudize is the vast gap between the public and the private sector's work conditions and pay. Dr Al Qusaibi acknowledges repeatedly the element of cost to Saudization which burdens the private sector and hinders even the good intentions of a few. In his struggle to monitor, and increase the cost of importing an

expatriate work force, he is trying to lessen the gap in expenses between the (expensive) Saudi labour and the imported (less expensive) work force as an impediment to Saudization with regard to the private sector. He states:

The average cost of hiring a Saudi monthly is 3495 RS, while his counterpart the expatriate's average wage is only 1133 RS. Which businessman in his right mind will want to pay the higher salary? (Dr Al Qusaibi)

The gap in working conditions in the public sector and the private sector, especially small to medium sized organizations, undoubtedly works to the advantage of the public sector. The private sector presents a lifelong career with benefits and retirement pensions that are structured and clear. Government officials are well aware of this and continue to support all efforts that promise to bridge this gap.

We can't continue relying on the government or the large few private organizations to absorb the unemployed and create new jobs. It is the middle sized and small organizations that are able to do so. This is why, we at the JCCI, and in the absence of a supervising entity on small organizations, are reaching out to fill this gap. We established logistics that can help provide employees of small organizations benefits and a type of insurance policy as well providing support to those organizations. [CEO of JCCI]

Saudi youth in the main still prefer working the shorter hours of the Government. Many experts in the area of Human Resource Development expressed their opinion that the Government hides a de facto unemployment problem. A newcomer to the labour market views the private sector as a difficult, demanding and unrewarding option.

A summary of why job seekers shy away from the private sector include reasons such as not wanting to work two shifts, low pay, going after clerical and security positions and never technical and manual positions and last, constantly comparing working conditions to the public sector's. [Head of the Labour Office, Jeddah February 2007]

It is worth noting that the sluggish advancement of Saudization in has persuaded the

government, to consider other solutions. The policy makers seem to agree on the fact that Saudization alone will not suffice as a key solution to unemployment and more long term plans need to be developed to generate more jobs and provide better qualification for Saudi jobseekers. At this stage, the government's main focus is to diversify the economy and resources away from oil, enhance economic competitiveness by focusing on strategic labour intensive industries, especially energy bi-products, and by building new industrial cities. In addition the Government is trying to eliminate obstacles to foreign direct investments and promoting privatization.

Privatization, although slow, is also a part of the Saudi Government's new trend to involve the private sector's initiatives and investments to improve services (previously owned and run by the government) and create more jobs. King Fahd's cabinet called for increased privatization to aid in this process (Cordesman, 1997*b*). Privatization and attracting foreign direct investment are both pivotal to the strategy of creating a better market and more jobs.

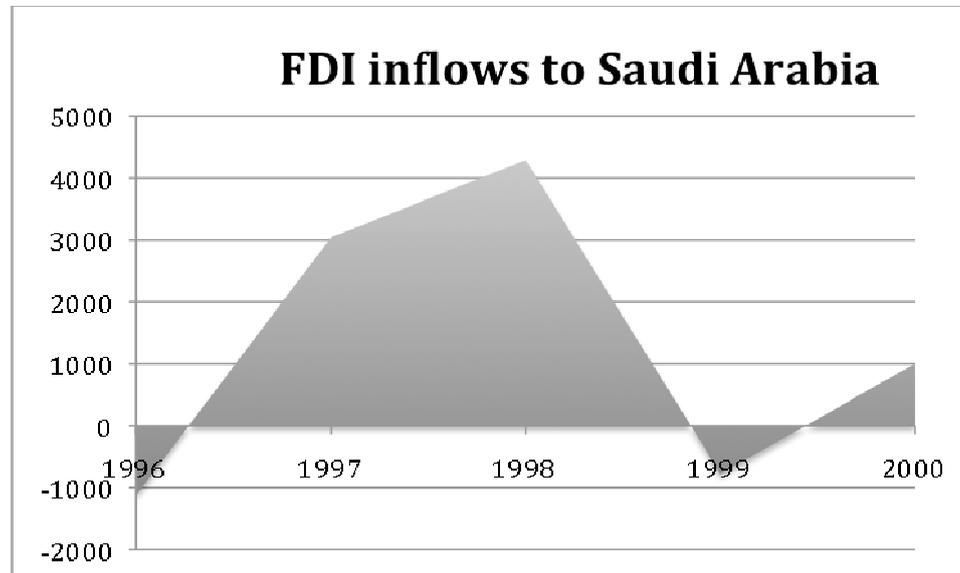
It was the sale of 30% of the state telecommunications operator Saudi Telecom at the end of 2002 that represented the first big step in the Government's ambitious plans in which some 20 major economic sectors will be opened up for private sector participation. To date, privatization in the kingdom has remained an ambitious plan with very few steps having been taken towards becoming a tangible reality. Several structural points are impeding the transparency, logistics and speed needed to see real progress via privatization and foreign investment.

Furthermore, the Saudi government realizes that achieving its ambitious economic goals requires a steady flow of technology and expertise into the country. Therefore, its policy is to welcome foreign capital and invite it to participate in economic development projects in cooperation with Saudi business' (The Saudi Network, Foreign Investment Policy).

From a macro point of view, Saudization is seen by many in the private sector as not only obstructing their freedom to operate according to the international trend of free markets and globalization, but as a policy that is hurting the economy of the kingdom by discouraging national investors and by deterring foreign investment's trust in the system. The following graph 4:3 highlights the major inflows of foreign direct investment

throughout the years 1995-2000 into the kingdom reflecting the drop around the time Saudization enforcement became more serious.

Figure 4:3: Foreign Direct Investment Inflows to Saudi Arabia (1995-2000)



Source: (Ramady, 2005)

The process of Saudization is not denting the high rate of unemployment in Saudi Arabia for economic and social reasons. After all, it is not painless to “nationally purify/cleanse the market” of several millions hard-working expatriates on whose shoulders the economy has been built over the last four decades. In addition, the process takes more than the government intention and force as well as cooperation on the part of the Saudi jobseekers. In other words, young nationals’ interest in taking on new lines and perhaps lower paying jobs, than what they expect when they initially approach the labour market, could be kindled by more rewarding and future promising packages of employment designed to retain those new comers and compensate for the long hours and low paying options. Perhaps small shares, bonuses and a clear career path as some large national organizations offer is the best example to how nationals could cope with today’s labour market best.

The private sector, (the prime subject for the full achievement of Saudization), is the second stakeholder of the equation and it is the party that must accept, embrace and support a big part of this daunting process.

Despite considerable reluctance from the private sector, policy makers continue to tighten the laws to promote the process of Saudization and are convinced that it is both achievable

and able to solve the problem of high unemployment rates. The government argues that Saudization is a key tool and believes that it is an economic solution for unemployment, for the present and immediate future (Problems of Saudization Waheeb Soofi Al-Watan, Arab News, 18 December 2005).

Conclusion

In this chapter we have explored the implications of the policy of Saudization and, through interviews with policy makers, have examined the ways in which they hope this policy will prove to be an effective solution to high unemployment rates among the indigenous population and looked at the various difficulties they predict.

The process of culturally homogenizing the work culture, Saudization, is not new to the Saudi legislators. It had been mentioned (as a goal) as part of the five-year development plans in the 1970's as a national priority. Somehow, amidst the flow of petrol money, that objective was deferred. A similar process has been successfully applied in other Gulf countries. However, the Gulf States differ from Saudi Arabia in the density of indigenous population, rates of unemployment and, most importantly, their non-restrictive laws regarding restructuring education, foreign ownership status and investment. The chapter pointed out the areas of strength in two programmes, Omanization and Emiratization.

The Saudization programme is meant to ensure the reduction of national unemployment. Saudi Arabia, contrary to what is perceived by the outside world, has gone through a difficult economic time in the mid eighties followed by the costly Gulf War in 1990. Coupled with unanticipated population growth, the nation suddenly faced a real economic crisis consisting of a large yearly trade deficit and record levels of unemployment. Saudization then, as the Saudi government saw it, had to be introduced and put into action, if anything, to convince the hundreds of thousands of new graduates who could no longer be absorbed into governmental organizations, that they are a priority.

The process has been enforced via three methods, the quota system, the closure of certain occupations and markets to foreign workers, and the restriction of recruitment visas, is struggling and proving to be flawed. The policy makers continue to tighten the grip over

the private sector insisting that time, patience, readily funded training and some sacrifice from the private sector will surely achieve success.

The chapter also explored the various barriers to Saudization in an attempt to understand why such a richly funded and highly supported programme is not fulfilling its goals efficiently. One of the most important reasons is the fact that, the policymakers seem to be unable to appreciate the severe qualification-and-readiness gap young Saudis must bridge to satisfy the private sector labour needs.

And the Saudi educational system continues to produce hundreds of thousands of nationals entering into the labour market whilst lacking the skills and the work culture necessary for employment in the private sector.

Saudi society, closed, immobile and afraid of change, is an added barrier to a youthful work force learning to change familiar ways and adapt to a new lower level of expectation. Add to that the wide gap in pay and in work conditions, it is little wonder that youthful Saudis, like the generation that preceded them, hang on to the safety net of government employment. As long as most government's jobs still demand less work, give better pensions, offer fuller health insurance, and, most importantly, pay more than the equivalent posts in the private sector, many young Saudis will remain unemployed, waiting for a job and a salary that the private sector is unwilling to offer.

Chapter Five

Saudization as a Solution for Unemployment: the Private Sector Perspective

Introduction

Having looked at Saudization from the perspective of policy makers, in this chapter we examine the process from the employer's point of view, with an emphasis on the private sector. Considered the main target for the process of solving the increasing numbers of unemployed nationals, the private sector has found itself in a dilemma. Absorbing large numbers of Saudis meant not only leaving behind a way of operating that had worked well over the last three decades, it also meant facing grave economic and logistical problems.

The chapter will begin by describing the way the programme was initially received by employers, the stages different private economies had to go through to Saudize their work force and where they find themselves today. The private sector's issues regarding Saudization and how they deal with them (in different sectors and levels of personnel) are an essential part of this chapter. Furthermore, a description of the barriers different representatives of the private sector face while trying to meet the government's demands are listed and supported by fieldwork findings designed to show what is at stake. The chapter also highlights successful stories of Saudization and where and why it was achieved. Finally, the chapter ends with a few suggestions from the private sector on how to improve the process and its outcome based on their experience with Saudization so far.

In general, the private sector claims to be victimized by the enforcement of Saudization, but it is evidently the government's only solution to the employment problem. Given the fact that Saudization currently stands at 30% in government organization and only 8% across the many industries of the private sector (Saudi Government Electronic portal, 2009) it is clear that further radical adjustments are necessary.

This chapter also aims to demonstrate the complexity of applying the Saudization laws from the viewpoint of employers. Unlike similar experiences and programmes in neighbouring countries such as Oman and the UAE which encourage increasing national

participation in the workforce, keeping the level of expatriate population below set limits and encouraging better economic roles for its nationals, Saudi Arabia is attempting to achieve something even more difficult; to decrease unemployment per se. This is why, to the private sector, replacing the bulk of the expatriate work force with young, inexperienced, and at times more expensive national workers who are forced upon them in a relatively short period of time by the policy makers is a daunting and complex task. The fieldwork shall elaborate on this argument using material gathered through interviews with entrepreneurs, businessmen, industrialists and small shop owners across many sectors of the Saudi private economy. It shows how employers view Saudization and how they manage to abide by its laws in spite of constant complaints and demands for its laws to be eased or lifted.

How is Saudization Viewed by the Private Sector?

Back in the 1990's, when the media spoke of Saudization as inevitable and that we had to face deporting our expatriates, we joked comparing ourselves to Tarik Bin Ziad burning his ships to stop his army running away from fighting the Spaniards. [Saudi HR consultant and businessman]

At present the Saudi private sector is commencing a new era of a mixed work force that includes higher numbers of nationals than it did five years ago. And although there are no cross sector figures that represent Saudization accomplishment per industry, in depth interviews with business owners and HR revealed better adjustment to both the concept of Saudization and the numbers of Saudis employed in many areas of private businesses than used to be the case

Initially, the private sector was hit hard by Saudization in the late 1990's. Interviews with businessmen conducted for this thesis revealed that they did not see eye to eye with the Government on how Saudization could solve the problem of unemployment. Many said that, in their view, policy makers should take into consideration the interests of the private sector and not jeopardizing their performance with the creation of seemingly arbitrary employment targets for nationals.

Of course I want to see Saudis rule their national market. What is not right is to

poke their eyes with it (the private sector), bankrupt them and then live with the consequences of a more disastrous jam than unemployment, a failed economy. [Saudi HR, technology retail, Jeddah]

A number of representatives from the private sector across all industries initially attempted to elude the requirements of this newly enforced law. The notion of deporting their reliable expatriate work force, and becoming dependant on “inexperienced and spoiled Saudis” was a novelty. The private economy of Saudi Arabia struggled for nearly a decade (1990-2000) before it accepted the idea of having to culturally homogenize their workforce (depending primarily on Saudi nationals) but not necessarily applying it. Business owners hoped that the Government would not push for Saudization and each sector hoped to be the one exempted.

None of us took it seriously at first. Which Saudi is going to stay on his PC until the wee hour of the morning of inventory, the Indian will! [Saudi Pharmaceutical chain GM Jeddah]

Initial reactions to Saudization, then, were simply to ignore it. As growing demand from the government continued to build, resistance came and objections were made before the private sector finally realized that Saudization was here to stay.

Many businessmen attempted to evade compliance by means of being connected to some higher authority “most often a high Government official or royalty” and by continuously presenting proof either that there was no demand for their available positions by nationals or else that nationals who applied for positions were under qualified and lacked the expertise or the work experience required. Others expressed anger and stated that they could not cope with the new reality of Saudization.

I refuse to go beg his Excellency for visas to recruit skilled people from abroad [by] showing documentation of my advertising constantly in local papers for Saudi nationals in areas where he is well aware [they] don't even exist! We're dealing with lives here I need my Filipina nurses. [Saudi Private health care facility owner]

Many leading individuals considered, and still do, Saudization a curse, a kind of pay back for the golden days of the 1970's, the days of free education and health care and that Saudization, would eventually, have negative economic consequences for the private sector. Although relatively few expressed this view, it was a significant indicator as to how the private sector regarded Saudization as something that impacted negatively on their performance and profitability, and thus, their competitiveness. Those who provide products or services to governmental, semi governmental, multi-national corporations or joint ventures especially expressed this sentiment. The reason for this was that being fully governmental, semi governmental or a large profitable international organization, automatically meant that these organisations could afford the cost of Saudization, as will be demonstrated later on in this chapter.

Every time King Faisal's Hospital is in financial trouble, the Government steps in and generously funds it, they can obviously pay better on all levels and tempt the few good Saudis with much higher pay than any private hospital can.
[Saudi CEO Private Hospital Jeddah]

Many in the private sector claim that they don't have the capacity to deal with the poorly qualified products of the Saudi educational system. Fieldwork interviews conducted with managers and HR in different industries especially in the service industries portrayed their struggle with the new Saudi employees who are lacking many hard and soft skills. They went on to elaborate on their daily efforts in trying to help them acquire those skills to better their performance which costs time, money and can lead to friction between management and new Saudi recruits.

Assuming I could train them on policy and procedure as well as how to use the computer, how am I supposed to teach them how to behave with patients and lend themselves to think and communicate appropriately for the work place. Manners, oh talk about manners! [Lebanese medical director, private hospital, Jeddah]

Leading private sector organizations and individuals are divided over their ability to train and rehabilitate more nationals from a cost, knowledge and feasibility point of view. They say that, although it is a situation that requires a sense of civic duty, they feel they are

unable to sacrifice profitability. They add that the transitional period of training and high turnover of the newly employed Saudis certainly constitutes a loss of effectiveness, productivity and their competitive edge in an already very competitive market.

So often in a private organization you're paying two salaries for one position. The Government competitor can afford to pay better. They are subsidized. If you are talking about a private health organization there's a provider and a recipient. You have to run it like a business. Or else I'll put my money in a bank and get the interest, headache free. [Saudi consultant surgeon]

Different representatives of the private sector echoed their struggle trying to abide by the laws of Saudization and serving its objectives of hiring nationals while they are trying to adjust to this situation that they describe as structurally difficult, subject to trial and error, costly and time consuming. The Ministry of labour adds insult to injury by tightening the process of acquiring visas to recruit for positions they are unable to Saudize. The latter category includes nurses, skilled technicians, and janitors for example. They go on to give details on how this hurts their performance at a time when they are already stressed as an economy to deal with the new hire of inexperienced nationals who are making the adjustment of upgrading their skills, modifying the work environment to better suit them and the extra pay needed to satisfy them.

It is complicated, if the Ministry of Labour bans the private healthcare providers from getting visas, they will get their Filipina and Bengali nurses to work extra long hours. Consequently, the quality of service will deteriorate. [Saudi physician expressing the view of the private health sector]

Many of the leading businessmen interviewed displayed a better regard for Saudization today than they did a few years ago. This is possibly because of the time factor that has allowed them to adjust to the idea, negotiate better with the Ministry of Labour on more realistic quotas, get training reimbursement from the HRDF and improve their ability to recruit and deal with the increasing Saudi body in their organization.

We have changed but young Saudis have too during the past 10 years. Because so many are unemployed, they know they had better perform well or else!

[Saudi HR, marketing organization]

Another factor contributing to the private sector's better adaptation to Saudization, is the evident improvement of the image of some young Saudis who persisted in spite of low starting wages, and proved their worth. It is evidently a case of trial and error by many private organizations before they could achieve a successful formula for recruiting, particularly since, until recently, Human Resources Departments were relatively uncommon.

At first, we recruited bachelor degree holders aiming at getting better quality employees to start with. Time taught us, we needed to seek high school graduates and invest in training them. Their level of expectation is more manageable and they can feel the progress in their career better. [Jordanian Furniture chain store HR, manager]

However, at present, the Saudi private sector still views Saudization with great scepticism.

I believe eventually Saudis must take their right place in their own country but you can't imagine the time and patience it took us to get to the better ones and get better at it. [Saudi HR, major chain of health care facilities]

Based on logic and information from a 2004 published book by Dr. Al-Humeid, the present Secretary General of Ministry of Labour, research was carried out, through qualitative, informal face-to-face and tele-communication interviews, to explore the difficulties claimed by many representatives of different industries in adapting their specific sector's needs to Saudization. The medical sector repeatedly insists that medical technology and a hospital environment are too critical to oblige any needs other than the lives of patients they care for.

Our core business is unlike any other. We deal with human lives! Nursing and technical work, long shifts, dealing with cranky patients and delicate high-tech equipment. These are qualities not available in Saudis. My patient comes first. [Saudi Hospital manager]

Hotel and restaurant industries had their share of wanting exemption. Their field demands courtesy and service-oriented staff, not qualities Saudis are famous for. In a discussion with a five star hotel food and beverage manageress from the Lebanon I suggested that Saudis are hospitable by nature and asked her if this taken as a given when hiring Saudis? Her reply was:

Actually, Saudis are hospitable when you visit them at home. This is a generalization that doesn't apply so easily when speaking of them as part of your manpower. I'm usually looking at high school graduates who struggle with doing extra hours, have difficulty being there on time and can't speak much English. Not only that, they sometimes come with an attitude problem and make training them just that much more unpleasant. My guests are mainly businessmen who need quick, efficient service and an ability to communicate. I can't find that readily among Saudis I've hired (Lebanese manageress)

These complaints are said to deter this industry from hiring nationals. Interviews with HR and hotel chain owners alike proved the difficulty they encounter to not only design programmes to train for this particular aspect of service but to retain the Saudi trainee after such an investment.

Our last attempt to increase Saudization in our hotel allowed us to fully train 10 young men and 20 young women. We managed to retain only 12 of the girls and 3 of the boys. I don't think that is a satisfactory result. [Saudi HR, four-star hotel, Jeddah]

The list goes on: Saudi youth can't put up with long working hours, are only suited to sit in air-conditioned offices, can only handle prestigious jobs and last, but not least, Saudis can't perform jobs that entail menial labour such as lifting and standing long hours. (Al-Humeid, 2004)

Merchants of various commodities claim that their area requires tastefulness and tact in dealing with customers, qualities unavailable in Saudi youth, unexposed to this type of service. This type of criticism was more evident and vocalized by private businesses, not just those affected by the quota system and the restriction of visas to recruits from abroad,

but also in areas that felt increased pressure to hire nationals such as most retail salesmen. Many in this predicament described themselves as feeling “squeezed” or even “strangled” to the point where they consider shutting down businesses which have been their source of pride and income for generations.

I’ve resorted to the unusual harder path. After trying endlessly to recruit and hire young Saudis to sell and deal with the elites buying what I offer, I ended up recruiting a small army of females because they are more tasteful and can acquire skills dealing with luxury commodities better than men. Never mind that I had to restructure my working hours and allow part time, special considerations and higher pay for this calibre of females. Some of the other small businesses simply shut down. [Saudi Large jewellery business owner].

The private sector view of Saudization is that it represents a handicap to their freedom to practice their choice of employees both in quality, number and gender. The latter is evident in the quote above. However, although the eighth development plan and Royal decrees in 2006/8 supported female higher participation in the national workforce, private business owners in areas encouraged to hire females still struggle with the religious authorities and express dismay that this move is not coupled with enough protective laws for workers nor businessmen.

I can’t afford to do what he did; do you know how many times he had to go to Mecca’s Governor to ask for immunity from the *mutawaa*? All he got was verbal assurance! Have you heard about *Gazzaz* (perfumery, toiletries and home accessories chain)? They dragged his female staff off, nearly 24 of them because they didn’t look modest enough. [Saudi owner of female necessities retail Jeddah]

Private Sector’s view on Saudization Objectives

Interviews with businessmen and industrialists for our research portrayed a strong lack of belief in the objective of Saudization as a solution for unemployment. A list of issues and concerns were and still are vocalized by the private sector in regard to Saudization objectives. They feel that the responsibility government is expecting them to take in

solving unemployment conflicts with the laws of free market, with their profitability and also affects their competitive edge in the rapidly globalizing business world.

It is simply not enough! The laws are merely one part of the equation. Since when do governments tell the business world whom to employ? Soon the WTO laws will be all over the kingdom, then what? How will they stop international organizations from importing higher calibre labour? It is such a scam! [Saudi HR consultant Jeddah]

This logic is fortified with the argument that Saudis who really wish to attain certain types of jobs can still achieve this by getting qualified and demonstrating excellence. Another underlying argument is the fact that their labour needs tend to be filled with expatriates not only for reasons of cost (an expatriate employee is much cheaper than a national) but also in terms of the quality they bring to the job.

These Saudization laws are blind! Even before the boom, carpenters, fishermen, builders and domestic staff to those who can afford them were expatriates: Indians, Yemenis and Egyptians. How come we now assume that we can get Saudis to do those jobs?[Saudi owner of a grocery store]

The private sector seems to understand the economic need to involve Saudis in their economy and put a lid on remittance by foreigners to their countries, but they raise concerns that this objective of Saudization will not necessarily produce large economic benefits for two reasons. One, in a situation where the Saudi is to be employed instead of an efficient expatriate where he may need to be supported by another Saudi to do the same job, that is an economic loss. Two, although the expatriates transfer most of their earnings abroad, the fact is that their presence in the country enriches Saudi standards of performance and helps the Saudi economy.

It's simple, we benefit from them. Actually we benefit from their need. I don't have enough nurses? Well, I go and get Filipina nurses. And I'm talking here about maintaining international standards. In teaching, the foreigner is better than the Saudi. The Saudi is lazy and she doesn't even do the legwork before she teaches. However, Egyptians and Lebanese are very good teachers. She, as an expatriate

teacher, is talented, instigates, pushes us to learn more and go to the library. A Saudi teacher will not do that. Why would I not benefit from someone who is better at whatever? [Saudi executive administrator, Jeddah]

Last, the private sector objects to the objective of forcing Saudis into the private sector at the same ratio, disregarding the different needs of the varied industries and services involved.

The research findings show that the private business's opinion of Saudization's objectives is generally negative, and this is supported by discussions with business owners and managers in high positions in the private sector. The research also shows that although a good percentage of private businesses have accepted some of the Saudization objectives, because of the initial reaction to Saudization and a sense of insecurity in relying on nationals expatriates continue to be recruited as a safety net "in case the Saudi doesn't deliver". Furthermore, the fact that both the expatriate and the national are aware of this point weakens the core objective of Saudization; relying on Saudis instead of expats.

You see, sometimes I think the Ministry of Labour knows very little. Ask me, I established the HR department here thirteen years ago. The day many Saudis come on time, accept taking orders from superiors and get the job done right, is still a decade away. The private sector will fight for expatriates hard and long). [Egyptian HR manager, private hospital, Jeddah]

The most important reason for this stand is that the private sector still doubts young Saudi's abilities to replace the expatriate worker and deliver the same quality performance because of the way he is under qualified (skills wise) and because of his lack of a work ethic.

I'm offering the same course for all my staff to learn about expensive automation software due to be used fully in the next 6months. Why is it that none of my expatriates (who are more technologically savvy in the first place) never miss a session and some of my Saudis never even attended once? [Head of IT high-tech Industrial Organization]

Although most businessmen in the private sector, as mentioned above, admit that Saudization is a necessity and a civic duty, they all argue that it is their particular sector that should be exempted from the application of the process. All speak in praise of the value and importance of Saudization. All speak of national responsibility to employ Saudi youth and state that, one day, Saudization will be achieved. Yet, each sector fiercely contends that their field is the one and only which should be exempt from Saudization as it will suffer more than any other sector from Saudization enforcement. You can Saudize the banking industry at almost all levels, for example, but what about other businesses of services, medical care, and technical fields, do we have enough Saudis qualified to replace expats at the same level? [CEO Holding Company Jeddah]

Their argument is mainly based on the rationale that the Saudis do not seem to be an efficient replacement for expatriates. They blame this inability to meet expat standards on the educational standards of the Saudi system and on young Saudis' poor readiness for work and lack of a work ethic.

In my organization, I take the time to prepare my new Saudi staff on what is expected, I offer courses and go as far as modifying the work hours to accommodate them. My records show they are more absent from work, they come late and they escape any task that may delay their day even for five minutes! How frustrating is that? [Saudi HR recruitment agency].

They argue that Saudis seem unready and unable to make work their priority over other social matters and that there are many social factors that prevent them from fulfilling work obligations.

Although his colleagues the Egyptian and the Palestinian have families too, it seems that the Saudi is somehow strangely helpless, always wanting to pick the daughters and the wife from school and work himself. I believe he can't handle the idea of a limousine(taxi) driver being alone with his women even briefly. [Jordanian HR, furniture retail].

None of the human resources managers and business owners argued against the value of Saudization in principle, but expressed concerns regarding Saudization as being a long

term and difficult process, the fact that they lack the knowledge to deal with it and the fear that it is bound to affect their businesses negatively. Basically, they fully understand the objectives of Saudization but they tend to reject it in favour of freedom of selection, and their own business needs.

Why doesn't the Government train them and qualify them well whichever way and allow "survival of the fittest" to rule? It shouldn't be my problem as a businessman to search for the good ones among hundreds of thousands. [Saudi heavy machinery retail Jeddah]

Fieldwork for this thesis also confirmed that the private sector suffered because Saudization laws were enforced suddenly and did not allow them to develop the expertise to select, hire and retain nationals on the job.

At the beginning, we honestly didn't know what to do with it [referring to Saudization]. We just hired them as they came along and we made lots of mistakes. We didn't even know how to get them so we just accepted those who applied by walking in. It was chaotic! [Egyptian HR, private health care]

As the private sector slowly comes to accept Saudization and comes to believe in its objectives, they are becoming aware that they must now deal with their new national recruits and accept the new expenses and time factors needed to employ them.

On Saudization's Methods

Many in the private sector argue against the methods being used to enforce and apply Saudization. Theoretically, none of the private sector representatives is against the concept of culturally homogenizing the work force. However they question the methods by which Saudization is being implemented.

This is a vicious circle, even if they solve the persisting problem of unemployed figures, at present, by force, what will they do with the millions to come. [Saudi HR manager, multinational joint venture]

They go on to criticize the generalized, sweeping way, in which it was being applied with little or no regard to the differing needs of individual types of business. This research is able to show how the various representatives of the private sector suffered from the inflexibility of Saudization methods. Fieldwork findings demonstrate that, although many in the private sector complain about the methods by which Saudization is implemented, it is those in specialized and technical fields that had more objections. The reason behind this is straightforward. Young Saudis lack specialized skills, and training them is a complex process. The private sector specializing in the provision of technical high-order skills cannot function if its existing professional expatriate experts are deported by the implementation of progressive Saudization laws, let alone banned from recruiting foreigners.

Many business owners complain when interviewed that the quota system of Saudization is neither dependable nor efficient and cannot be applied to the entire private sector in the same manner.

Serving this country, setting a good patriotic example on unconditionally helping young Saudis to better qualify, training and sponsoring many to study abroad at my cost for many years, I deserve more respect from the Government than to tell me I'm still below quota of Saudization and I can't renew work permits for my other Arab employees who've been with me for 30 years and they're 10 times more reliable. [Saudi General Trade company owner]

The quota method was severely criticized for its generalized view of the many different sectors' ability to Saudize. The private sector representatives expressed anger at the Ministry of Labour for assuming that a quota system should suffice in fulfilling higher percentages of Saudization across all specialties and needs. They express frustration at having to deal with a system that is not "realistic" when it demands Saudi hires for construction work or cleaners for example when it has never been the norm for Saudis to take these jobs especially given that most Saudis believe that those occupations are beneath them. This view on the quota method was most noticed in interviews with the private construction /contracting and services in general.

This is Saudi culture! Some jobs the Saudis aren't qualified for or interested in

engaging. The quota system is stupid! Go read how many times your Minister backed up on decisions regarding the quota then come speak to me. At least have the wit to admit it. Some jobs they want, so grill me over the quota there, others they simply hate or will take only on a temporary basis [Saudi older generation manager, medium size Retail Company].

A few nationals in businesses that are technical in nature who have relied on imported professional expatriates “who deliver”, were more vocal describing the Governments stern laws of Saudization, which are represented in the Ministry of Labour’s actions, “as unfair”, “done wrongly” and at times hurting both parties the private sector and the Saudis forced upon their businesses. Their point of objection is the visa restriction on new recruitment and the way the Ministry of labour forbids the renewal of present expatriate specialists.

You see, I’m not their parent! It isn’t my job to hold those unemployed by the hand, kick my Indian IT guy who has served me hand and foot for 15 years, put the Saudi in instead, and keep paying part timers to cover up for his shortcomings. [Saudi medium size, maintenance company owner]

The ban of visas to recruit seems to be on top of the list of objections on Saudization methods particularly in the private medical and high tech industries. Interviews for this research, with representatives of those two areas more than any other, uncovered a genuine struggle due to their inability to meet a part of their labour demands locally. Every time the contract of a specialized expatriate personnel ends, a new threatening reality is born; they are simply not allowed to get a replacement and even if they present all the facts it is a time consuming task, and chances are they will not be granted the full number of required recruits.

Of course I am for Saudization. All I ask of the ministry of Labour is to acknowledge that my business relies on technical people. In my hospital 50% of staff are doctors and nurses, 25% are laboratory and high tech medical operators and the rest are different types of admin and non-skilled workers. I put a huge investment into establishing and running a nursing college which is the most difficult aspect to Saudize, when I ask for visas for janitors, a category, the Ministry is well aware, Saudis won’t fill these positions, I should

get it without any hassle or delays. [Saudi CEO and owner of a private hospital]

The private sector also objects to the various decisions made about which occupations and markets are to be completely closed to expatriates. Female necessities sales, many retail businesses the gold market, the fresh produce market and the limousine (taxi) businesses, come on top of the list of industries complained about.

Most of those who applied for a sales position were high school graduates who come from the suburbs. To them, dealing with fine Swiss cotton and different shades of lilac was like speaking Chinese! [Saudi female owner of fine linen and accessories boutique]

The private sector understands the needs of specialized businesses and is accustomed to choosing their work force from cultures known for these qualities before the ban of visas to recruit as part of Saudization methods. The closure of a certain field to Saudis puts them in a hard position where they are forced to select and train for qualities that aren't easily trained for.

Please don't be offended! Your people think they are better than anybody and every one. In sales, you need sweet, open-minded folks who are willing to please the client whether male or female, that is our business. [Lebanese chocolatier Jeddah]

They argue that better assessment of available qualification and qualities among Saudis, should be applied by the Ministry of Labour before issuing those bans and assuming that the private sector will manage allocating them.

There are only three female Saudi opticians that I know of. At least let me be until there are enough young men and women specialized and I will saudize. [Saudi female Optical business owner]

Another example of this point is the Gold market closure, forcing many private businesses in this field attempt to find ways around this law. Their dilemma as they describe it is that

yes there may be many unemployed willing to work in this field instead of expatriates but are they qualified for it?

Best described as the sector that requires fineness, taste, social manners and alertness to details, we in the gold markets were forced to hire villagers below high school certification who did more damage to the image of the trade than good. [Leading National Gold and jewellery retail and manufacturing business owner].

In-depth interviews conducted with decision makers in private corporations have confirmed that even those who aren't nationals and who might directly suffer from the process of the replacement of expatriates, agreed in principle to the fact that the rule of Saudization is just and necessary to some extent. The reason behind this may be explained as a pure representation of the interviewees' sentiment, but at times, it could also just have been what was felt to be the 'right' political statement. At present, it is politically incorrect for all, especially an expatriate, to criticize, let alone denounce, the process of Saudization publicly. Fieldwork interviews confirmed that personnel at management level in areas not restricted to Saudis expressed better understanding of the value of Saudization, and were consistently more objective in pointing out young Saudis' areas of deficiency than those directly threatened by Saudization.

You ask me, would I like a foreigner to take up my place in my country while I can't lift up my head from the shame of being unemployed? Of course my answer is NO! [Egyptian, Procurement officer, Pharmaceuticals Jeddah]

Our company is pro Saudization all the way. I for one know for a fact that it is only a matter of time before I leave my position to a national. It is just a matter of time. [Lebanese GM retail business]

The majority of successful wealthy nationals who own sizeable successful businesses demonstrated a visible sense of civic duty towards Saudization. Although they share the view of others complaining of the methods, quota, restrictions, speed of implementation and wish for a better way of dealing with the shortcomings of the national labour market, they still see the general benefits of the programme. They repeatedly stated in interviews

that the private sector must continue to try to assist in dealing with the indigenous unemployment problem and must carry its share of the burden for the good of the society.

They are our children, they prosper, they open homes and feed more Saudi mouths we can't stand back and claim it's got nothing to do with us! Who's it to do with then? [Saudi third generation CEO, merchant, large family business]

Barriers to Saudization

The private sector has a long list of what it views as barriers to the government's expectations on Saudization. These five key barriers being the image of Saudization in the private sector and the society's eyes, the lack of work ethics, lack of strategic planning and vision, the lack of human resources development awareness, the cost factor and, lastly, social considerations.

Although the private sector it is coy about the reasons it took a decade to acknowledge Saudization, fieldwork and interviews with representatives of the private sector reveal that the image of Saudization, as they have been introduced to it by the Government, is to blame. The private sector, it is safe to state, did not have a clear understanding of the objectives of Saudization, was sceptical about the long-term future of the policy and not well prepared for it when it became inescapable.

The initial response of the private sector was certainly disbelief: if, how and when Saudization was to be applied. Rejection then followed, coupled with efforts to change those givens. Eventually, the seriousness of the government's intentions to prosecute non-compliance became apparent. It was at this point that the private sector accepted and began to deal with Saudization systematically.

Saudization is a national programme. It deals with humans, the economy, and the whole society. Yes, we knew it was coming, but it was like a rumour or the flu that comes and goes seasonally. [An elderly national businessman in electric appliances retail]

Months after decisions regarding Saudization which affected the private sector had been

made, reports in local publications quoted businessmen, merchants and salesmen confessing they had no clue that a new law affecting their particular trade or occupation had been passed.

It was shocking and demeaning to see lady inspectors for the ministry of labour barge in questioning my beauticians about their visa status and nationalities asking me to sign a report accepting to pay 4000 SR per each illegal employee! I had no knowledge that I could no longer employ expatriates in my business before then. Shouldn't I have been made aware first, warned, and then fined?
[Saudi beauty salon owner, in Jeddah for 15 years]

The second barrier to Saudization, as the private sector confirms, is the issue of Saudi's work ethic and work culture. The private sector readily expresses their negative regard for Saudi nationals' work culture. In evident contrast to expatriate's work characteristics, the Saudi employee stands out as lacking in key skills and knowledge. The private sector is adamant about the negative effects of the 1970's oil boom and riches on the Saudi culture and how it is responsible for producing a generation with a disappointing attitude towards work. Saudis, according to many in the private sector, still feel they are above work.

You would rarely ever hear of a young Saudi, for example someone in his mid twenties, who was thrown in the street by his family for not earning his income. Instead, he has a roof on his head, food and, on top, pocket money to pay for cigarettes and mobile phone bills. [Saudi CEO Retail organization Jeddah]

Disrespect for an organization's laws, lack of discipline and unreliability are all a set of characteristics that the private sector complains are innate in the Saudi's nature.

Ok, I totally accept and approve of the necessity of getting only Saudi females to sell female undergarments and nightwear, but it is close to impossible to fully saudize large retail clothing outlets like mine. How many young Saudis will work the long hours say around *Eid* "religious national feast break", sacrificing family and festivities and still serve the buyer with an accommodating smile? [Clothing retail manager, Children's wear]

They also complain of the national's negative attitudes towards written or verbal orders from superiors.

I'd say lack of humility. If you don't have that, you have no respect and don't have what it takes to better yourself. [Saudi CEO, major Industrial Corporation]

Managers and high administrators sometimes give an explanation as to why they face this problem with their Saudi staff. They associate it with the way the Saudis, being sheltered by his family and enjoying welfare status, are prevented from developing the right work attitude.

Maybe, but I believe the effect of the boom is still responsible for this lousy attitude we face every day with Saudis. He never was told to get working or get out! [Saudi Family business chain of electrical appliances]

The lack of a work ethic in the private sector's view is the strongest reason for their reluctance to hire Saudis.

Give me IT skilled Saudis who will deliver and give me my 9-5 at a quality and price that won't bankrupt me and I'll hire them. [IT and telecommunication chain owner].

Saudi's work ethics and attitude to the private sector is responsible for many of their shortcomings, such as the ability to commit to attendance and meet deadlines.

I need that God-fearing Jordanian as a backup for my storeroom of medical supply. How many times did the Saudi guy fail to come to his shift on time? What do I do? Not dispense medications until His Highness shows up and to hell with my patients? [CEO Private health care facility]

A few representatives of the private sector mentioned the lack of exposure to more experienced staff as one of the plights that ail young Saudis. It is the kind of exposure that

could have made Saudis learn the appropriate work ethic by being exposed to professionals serving in the kingdom for the last three decades.

Provided you have the right attitude, you could simply learn by rubbing shoulders with others who know better than yourself. [Saudi CEO industrial and retail Organization]

Lack of exposure is how the researcher opted to analyze the following comment by the CEO of the JCCI

His parents have brought him up like that, that's all he knows. As a society, we have immediately moved from the tent to big towns. The societies generally begin from the tent, to a small village then to the town. In Saudi Arabia, we have not gone through those stages of development and exposure step by step. We have jumped. As you have questioned earlier, the quality of education is poor and does not encourage taking the initiative and possessing the right attitude. [CEO of the JCCI]

The third barrier to Saudization on the list of the private sector is related to strategy and planning both from the government's side and the private sector alike. The private sector complains that the laws of Saudization and methods seem as if they were invented on an ad hoc basis as the programme progressed. Described at times as a trial and error process, many in the private sector feel that the laws of Saudization came before the infrastructure for implementing them had been established. Generalized quotas that are unrealistic, bans of visas for occupations where there are currently no qualified Saudis or restrictions of sectors that Saudis aren't interested in either because of unfavourable work conditions or for social reasons, are all expressed as proof of how haphazardly the programme of Saudization started.

The Ministry says I have to have Saudi limousine drivers, when I placed ads in the papers I only had two applicants. It is partly the society, mind you, they still prefer riding with a polite and quiet Indian who doesn't understand their conversation. [Saudi private taxi business owner]

The private sector admits that up until early 2000 they were simply hoping the government

would find other ways to employ the jobless without executing the Saudization plan at least not rapidly and, with any luck, not on them. In contrast, those that succeeded, as will be described later in this chapter, are private organizations that had the vision and strategy to see Saudization as the future of the labour market.

Because it is the sort of thing that needs management skills, that's our forte. The others you mentioned may be strong in procurement or re-sourcing. Our general management training and development of human resources has evolved many years prior to Saudization, we could mobilize faster and at one point we would lobby for more Saudization instead of lobbying for stalling and lenient rule of application. [CEO of a major national industrial and retail holding organization]

The lack of Human Resources development and awareness represent another serious barrier to Saudization. Interviews with private business owners (especially small to medium sized) demonstrated that organizations which in the past simply relied on personnel offices and admin clerks to handle their human resources, have only recently perceived the importance of specialized HR departments. Many of the private sector businesses in Saudi Arabia today still run their operations as a 'household affair'. Only in the last five years has the private sector become completely aware of the importance of organizational charts, detailed job descriptions and personnel assessment methods. The majority admit that human resources expertise is severely deficient in the private sector. Even those organizations that focused on building an HR department complain that some of the most capable HR managers in the private sector are not qualified to design training programmes that will render successful lasting Saudization results.

What new Saudi recruits need is rehabilitation rather than training. There is only so much that you can train for. [HR in national industrial organization]

Additionally, the interviewees touched on the frustration of the private sector with this "lack of know how". Their inability to remedy the scarcity of required skills in newly imposed areas and train Saudis, in spite of indisputable efforts to improve their performance and retention on the job, is a common finding.

Another significant barrier to Saudization is related to cost. Economically the private sector has to pay a hefty price for Saudization. The complaint of the ineffectiveness of nationals, namely the lack of appropriate work ethics, IT and language skills, has forced many in the private sector to employ larger numbers of unskilled Saudis to fill the quota. The private sector's reluctance to get rid of hard working experienced cheap labour and replace them by inexperienced often under qualified Saudis who lack the appropriate work ethic, has deep negative economic ramifications. To start with, Saudi manpower is more costly to hire compared to expatriate manpower, in spite of the government's attempts to increase the cost of expatriate labour by means of imposing higher fees for visas and residency permits, intensive labour businesses, more than others, risk an enormous built-in extra cost when Saudizing.

An important and direct part of 'cost as a barrier' is the transitional phase most private organizations had to go through, especially at the beginning of the Saudization period. Transitionally, some of the private sector entities resorted to employing two nationals for the job of one to deal with low productivity, non-attendance, and the high turnover Saudi employees are known for.

Must I go through the expense and the headache of hiring two for the job of one just for the inspectors of the ministry to give me their blessings and not treat me like I'm running a disrespectful business? This is insulting. [Private health care clinic].

A small percentage of businessmen relocated their businesses to other countries in the gulf region where Saudization obviously does not apply. Those in the private sector who did not do this were compelled to deal with the imposed rising quotas in what seemed to be a relatively short period of time.

Why should I go through the expense of hiring three times as many Saudis as I need, just because I know that by the time my numbers are checked I would have lost at least two thirds of those Saudis I hired? You and I know the high turnover when you're dealing with Saudis. [Retail business owner, medium sized chain].

The cost issue is also obvious in terms of training newcomers as it is often unavailable and is rarely to the effectiveness required.

I did my bit. I've sponsored and sent on my expense thirty young men to study abroad so that in a few years they'll be all over my businesses in key positions. Now you can't blame me if they all left when I retired and new management took over. Ok, I agree it is good for the community, but who will pay me for my lost investment over eight years? [Holding organization owner and ex CEO].

The cost issue additionally affects the private sector dearly in producing the budgets needed to train the applicants in basic skills like IT and English business terminology. When asked why they don't seek the financial help of the HRDF, the majority explained that one, they weren't aware of how to use its help and two, once they had figured out how to use its help, they realized that it must be preceded with the preparation of a training plan, too sophisticated a task for their personnel officer to produce. Furthermore, there was always the obstacle of Saudi employees dropping out of the training programme, subjecting the private sector to grave financial losses.

Some of us can afford to shelter the financial loss every time the Saudi trainee stops showing up! The rest can't. Yes, the HRDF will reimburse me but only for those who completed the programme. [CEO medical facility Jeddah]

On-the-job training isn't something many of the interviewed organizations had the means to handle either. The lack of knowhow, shortage of quality private training programmes and good trainers all constitute an additional built in cost they could not afford. What adds to this cost factor is trying to adjust to those new laws, new employees and limited access to expert trainers whilst at the same time maintaining their competitive edge in today's market.

Initially, we kind of attempted training in-house to avoid the excessive cost of hiring professionals. They demanded astronomical charges per head and required classrooms and large meeting areas that we would've had to pay even more to rent. To be honest with you, we could neither afford it nor did we feel

it necessary, for they kept coming and going like in a bus station. [CEO Pharmaceutical and cosmetic medium size chain].

Last, comes the social barrier to Saudization as the private sector defines it. The fact that young Saudis now are in a position where they need to better themselves, lower their expectations and “stoop” to fill the expatriate jobs is something the private sector sees as a great barrier. The economic need that is now obliging Saudis to accept employment they would not have accepted ten years ago is further obstructed by the stereotyping of certain professions and an inability to adjust to changing times. Many parents of young unemployed Saudis would stop them from enrolling in the technology industry or accepting a career in services especially in those professions occupied by expatriates for decades. An example of that would be how some private organizations have to alter their job titles, hours and uniforms to better suit nationals.

They refuse to wear short sleeved shirts “like waiters” they want a different job title “that sounds better” and we altered their schedules so that they can come at 9 instead of 8 because that was the only way to keep them. [Egyptian HR trainer in retail]

Many unqualified young Saudis shy away from driving a limousine car as a profession not just because it isn’t prestigious enough but also because customers (the majority are females) are reluctant to use their services because they are nationals and still prefer riding with a far eastern driver.

Riding with any non-family male, let alone a fellow national, gives me the creeps. I know he is listening and understands every word I say. I can’t trust him! [Saudi elderly woman Jeddah]

I will stop as many limousines as it takes until I get one with a Pakistani or Bengali chauffeur. They are very polite, respect women and keep to themselves. [An expatriate female, private teacher]

When this research probed into this area further to verify the point the private sector is making about social barriers, it was confirmed that in many cases the private sector’s

efforts to Saudize are certainly obstructed in this form.

Of course he understands Arabic (referring to the far eastern driver), probably even sings it too, (laughter), but he is clever enough to nod and pretends he understands nothing. Even my father and brother prefer that I never ride with a Saudi, especially a young one. [Saudi female administrative assistant commuting 45 minutes to work daily]

Successful Saudization

The level of planning and strategizing necessary to succeed in implementing the programme was only shared by a few large national private organizations that were equipped with human resources departments, budgets and a plan to meet the ministry's Saudization targets.

We had a wonderful go at Saudization. We established our own academy and since we were in need of thousands of Saudis, we had the opportunity to plan, recruit expertise and invest towards the goal of Saudization, knowing that it would give us an edge over all other retail business as an image and in dealing with the Ministry of Labour. [Leading national industrial and retail CEO].

It appears that although Saudization is achievable the profile of private businesses that can attain a good level of Saudization is not common. Here we discuss some of the reasons behind successful Saudization using examples from the fieldwork.

Large organizations score a higher success rate in Saudization. 'Large', in this sense should not be measured purely via the number of employees. Instead, a more important factor is having a well-developed human resources department. This factor cuts part of the cost related to initial and transitional Saudization. Those businesses are better able to recruit, retain and design programmes suited for their labour needs and the nature of young Saudi new entrants. Those organizations can pay better salaries for their staff and can absorb the transitional phase and cost better than smaller organizations. More often than not, large organizations adopt modern means of policy design, training, On the Job Training OJT and retention of staff. Therefore, they can deal better with some of the Saudi

employers' most common problems and achieve higher rates of success. Another important characteristic shared by organizations that succeed at Saudization is a corporate structure. Due to the unique profile of unemployed Saudis that will be discussed in the next chapter, a corporate type of organization offers an added social aspect and cultural considerations to national employees.

It is easier for a Saudi to follow rules that apply to all in a structured and preset manner than to be told off and reprimanded by the boss who happens to be the owner or the owner's son. [HR private health care organization].

The expatriates and their collective individual work cultures shaped most of the Saudi business world expectations. This is part of the reason why a large, structured, multi national organization can afford to write realistic job descriptions catered to Saudis weakness' and strengths as a work force guide them to better employment rather than try to fit them in the expatriate shoes.

We listened to them, understood their problems and issues and restructured some of our policies accordingly. They can't carry this title [referring to social and familial reasons], we change the title. They feel humiliated to put on a uniform with short sleeves; we let them help us design the kind of uniform they're proud to put on every day. [HR academic consultant to successful national organization]

Private organizations that Saudize successfully are larger, richer (mostly subsidized) or have a high profit margin and thus are able to dedicate substantial funds toward designing training programmes for the Saudi new hire according to assessment results designed and conducted via experts usually from a foreign specialized HR organization. Furthermore, organizations in this category are better able to bridge the pay difference between them and the public sector through alternative means such as a share in profit, a clear career path and easy loans.

We may not be able to raise the pay to their needs and expectations. But being a rich organization we designed a programme of interest free loans on homes for our executives. We have an amazing policy to promote retention, better still, to thrill our employees. [Leading national retail and food industry, Saudi

senior manager]

Conclusion

In this chapter we have reflected on the Saudi private sector's relation to the process of Saudization. To an extent, the private sector, the main target of placement for millions of unemployed young Saudis, is in a state of confusion and shock. The private sector expressed a mixture of views to Saudization over time. At first, in the 1990's, the private sector ignored the process and decided it was never coming (and that even if it did come, it would not affect their particular sector). When the Government tightened its grip and passed stern laws affecting work permits and renewal of visas to recruit as well as pressing for quotas to employ Saudis, the private sector decided it was an unwelcome but inevitable reality. The reasons behind the private sector's reluctance to employ Saudis are several. One: in most cases the private sector is obliged to lose its expatriates, bid farewell to their hard earned visas (that closes the door to their recruiting expatriates for the same jobs in the future) and adapt to the standards and quality of the Saudi worker. The latter, they state, is neither ready nor willing to perform the job to the standards they have become used to. They complain that the Saudi young newcomer lacks the dedication, the perseverance, and the skills the expatriate has. If they oblige the Government policy, they fear losing competitiveness and productivity, which will eventually affect their profitability.

There are reasons why the private sector doesn't welcome the process' package of help by the government and the HRDF. The private sector is fearful of changing its ways and leaving their comfort zone. It is not for lack of patriotism or civic duty. They acknowledge Saudi youths' need and wish for work and are willing to help so long as it doesn't hurt the private economy. They express their inability to accept the policy maker's quality of training funded by the HRDF. They also express their own inability to train Saudis because of the time and cost this entails. Each sector paints a vivid picture of the qualities unavailable in the Saudi employee ranging from lacking tact and finesse as a salesman to lacking the technical ability of an IT professional. In addition the concerns are always coupled with the rationale that they have a right to run their business and HR freely as the market dictates. Last, the issue of social readiness and expectations lingers as the young

Saudis adjust to the work place and this new era continues to be obstructed by social expectations on their side and reluctance from society.

It is mostly women who need to use us. In my experience, she's frightened to ride alone with a Saudi driver. She doesn't feel as threatened with a Far Eastern. [Receptionist of hired chauffeured cars for hotels Jeddah]

Time, know-how and cost are all areas of concern the private sector refers to when discussing Saudization and its methods. This argument was shared among all the sectors' representatives detailing how those factors affect their standards of performance and the limited pool of national workforce available to them. They agree that they have been introduced to the idea of Saudization nearly a decade ago but that it only became a reality recently. For decades, Saudi businesses recruited their needs of labour of all skill levels from abroad. The expatriates generally came ready with their expertise and ability to work hard. This is obviously not the case with the Saudi new employee. The private sector is expected by the policy maker to assess, filter and train young Saudis to fit them with the needed hard and soft skills they lack. This adjustment, they confess, is time consuming, challenging, requires know how and is very costly.

The chapter also covered how successful Saudization is partially achieved by the private sector and why. It is usually a case of a large structured organization that can absorb the added cost of hiring Saudis and training them. More often than not, those larger organizations have well established human resources departments and are equipped with the means to train and retain the Saudi new hire whether by paying better wages or offering overall better packages and compensations. Furthermore, Saudization is better met at such organizations because they are able to study and modify work environment for the national worker to accommodate his/ her special social and cultural needs.

Chapter Six

Saudization, Workers' Perspective

Introduction

Saudization is a complex process intended to eradicate unemployment among the indigenous population. It involves bringing together many of the Kingdom's institutions, funds and manpower and involves long term planning and execution. It assumes both the commitment and the capacity of the government to achieve its targets as well as the willingness of the private industry to break with its heavy reliance on imported labour.

As we have seen, the private sector, the main arena of employment for those young Saudis, is reluctant to accept the logic behind the process and contends that the Saudi workers are neither ready nor willing to take on the challenge of working in the private sector. Furthermore, forced in this manner to employ a great number of young Saudi workers unfit for the job market, it will bring grave financial losses upon them. The way the private sector defends this argument is by drawing a bleak picture of the Saudi worker's ability, qualifications and work ethic. The government, represented by the Ministry of Labour, counters with the argument that with some patriotism, sacrifice and a lot of training, the Saudi work force should be prepared sufficiently for the labour market's needs.

Most of the research carried out on the subject of Saudization praises the Government's initiative in identifying the benefits of replacing expatriates with nationals to create jobs. Another area of research covered in relation to Saudization is the private sector's reactions to it, their compliance or reluctance to conform to it, and discussions and arguments about structural and financial concerns regarding its implementation. This chapter is intended to portray the viewpoint of the third dimension of Saudization, the work force.

This chapter aims at exploring employed and unemployed workers' perspectives of Saudization, the way they perceive it, how they see its objectives, the difficulties they encounter, how they view themselves and their expatriate counterparts, how the process affects them and what kind of change might bring hope to them as workers and citizens of Saudi Arabia.

It also aims to show how nationals of different skill levels regard Saudization's objectives as workers and potential workers, and what impedes their attainment of those objectives. It will also review their opinions on the methods used to implement Saudization. Finally, the chapter aims at showing the aspects of Saudization that help workers achieve their goals.

According to many employers, the Saudi work force is young, inexperienced and lacking in many skills needed for the labour market of today. This image of Saudis has persistently hindered the entry of young Saudis into the job market. The government insists that to solve the problem of youth unemployment, the private sector must accept reducing the extent of the expatriate work force and employ young Saudis instead. The private sector is unwilling to carry what they see as "inexperienced, arrogant" Saudis. The Government continues to raise the quotas of young Saudis, requiring the private sector to engage and also increase budgets to train and qualify new entrants from the fast-growing population.

Even if they solve the persisting problem of unemployed figures, at present, by force, what will they do with the millions of us to come? [Saudi clerk Private healthcare facility]

From the perspective of young Saudis expected to replace skilled expatriates who have long been employed in local companies, their high expectations of (their ideal job), are tempered by the prospect of taking over jobs that have been occupied by expatriates for decades. It is a great challenge and, at times, an unwelcome prospect. Often, in the midst of all these complaints and arguments, the worker's voice is unheard.

This chapter aims at looking at both Saudis and expatriate workers' points of view, the way they both feel about each other as rivals and how they regard Saudization in the light of their knowledge of their counterparts. Finally the chapter aims at introducing the reader to the reality of the professional and social scene of today's labour market.

Worker's View on Saudization

Through the fieldwork conducted for this research, the researcher was faced with a range of reactions from the workers interviewed depending on the individual's sense of confidence and security regarding their career opportunities. Overall, the workers' view on

Saudization was simplistic and the researcher found a distinct lack of awareness among workers of the objectives, methods and impact of Saudization. Most of the young Saudis interviewed were not sure of the percentages of Saudization in the business or the sector they worked for.

Yes I know! All companies must replace all its foreigners and employ Saudis. I also know that this puts them in trouble. [Saudi job applicant JCCI]

The opinions of Saudis interviewed on the definition of Saudization were variable, depending also on their level of skill and future prospects. To the unemployed (typically unskilled) Saudis, their view of Saudization was one of helplessness, frustration and disbelief. The possibility of self-improvement seemed like an unattainable dream.

Those up there (the policy makers) make the laws sitting in their offices; down here in real life, it's very different. It is all talk. Look at me with all these laws for Saudization, should I still be searching and not finding a job? [Saudi 24 year-old, unemployed, Jeddah].

Some argue that it can be too tough a journey, requiring much more than is being done by the government. Their understanding of the process is that it is the wish of the policy makers at a governmental level for it to happen. Nevertheless, they say that the government's intention is not enough to sway the private sector to willingly accept it, nor is it sufficient to truly change the work environment to better suit them as nationals.

In spite of their expressed despair, many are reluctant to accept simple jobs with poor wages currently occupied by unskilled expatriates. Experts in the unemployment field, including fellow nationals, acknowledge the workers' despair but link it to the unemployed Saudi's reluctance to take on menial jobs and the private sector's demand for hard-working employees.

Of course I'll find a job as a cleaner! But is that it? Am I being punished for something that I don't know? I'll live worse than a rat on 1000 RS! [Saudi unskilled unemployed]

Distrust among the unemployed is a common reaction to Saudization as a mean to promote employment. Interviews consistently recorded statements that revealed scepticism and bitter helplessness among jobless Saudis. Their rationale rarely puts the blame on their own shortcomings, whether it is their inability or disinclination to work long hours, or to accept a low wage. Instead, they always feel victimized and persecuted and they view the private sector as greedy, intolerant and spoilt by having been able to employ voiceless (and therefore compliant) expatriates for decades.

It is just a big joke. This is my third *Masar* (job market). The private companies come, interview, sign and employ us for the trial period. Less than three months later, we're terminated! We are being used as bait for them to fish visas. [Job fair applicant JCCI 2007]

The less skilled workers believed in the generalized notion that Saudization is chiefly about the deportation of all expatriates from all sectors of the economy. The true definition of Saudization, its objectives and logistics, was rarely, if ever, detected in interviews with nationals, with the exception of those involved in HR or dealing with the ministry of labour.

I hear Saudization, Saudization. I think it is just about numbers. [Saudi Lab technician private health care facility]

To some, mostly the semi skilled Saudis seeking employment, it seems that there is an expectation that Saudization gives them a right of passage, a green card and a clear edge over their counterpart expatriates.

Saudization means Saudi Arabia is for the Saudis. At least in theory it is. [Saudi Security guard Jeddah]

The same category of workers were well aware of the advantages Saudization gave them over an expatriate when applying for a position, and they knew how and where to use this advantage to maintain their position. Many in this group admit that they are being supported technically or otherwise by an expatriate while apparently working in their appointed positions. The expatriate, who may hold a better qualification and more experience, is banned by the Saudization laws from assuming his rightful status, and

almost always covers holidays, absenteeism and hours not worked by the Saudi employee. In some cases Saudization laws are used to benefit a few who learned how to use them as a bargaining card. Often, a worker of this calibre would even challenge the management of the private organization because he is aware that his qualification is in demand and that Saudization inspection will check his position and fine the organization if it is filled by a non-Saudi.

At this point, it is they who need me. I'm the only Saudi CPA certified accountant in the organization and as you know, they can't dismiss me easily.
[Saudi accountant in a medium-sized marketing Organization]

The semi-skilled can sometimes seem expert in knowing how to land a job for a few months in a new position. A small percentage have developed a technique in which they can capitalize on their inability to cope with the job requirements in an unspoken threat to their private employer of how the ministry of labour could be their ally and win them back the job, at least for a while longer.

Try correcting her, the first thing she'll do is insinuate that she has a relative who has a relative who knows someone in the ministry. She knows we're not up to quota; it is a hateful threat. [Saudi HR assistant, private health care]

I hate to say it but they don't have a choice, I know that if I blow the whistle on them with the Ministry of Labour, their work place will be flooded with inspectors! I'll even tell them about the back door policy and how many sponsorships have they taken this year of expats. [Saudi personnel department private health care]

The fieldwork conducted for this research among the expatriates showed similar view on Saudization to those of Saudi workers with reactions varied according to their skills level. Those aware of the concept of Saudization frequently realize it might have a direct effect on their future career in the country.

To highly skilled expatriates, Saudization is a non-issue. It doesn't affect them for they are usually confident of their expertise and feel secure about finding employment elsewhere.

Many work in the kingdom because the pay is good, tax-free and they are able to exit for home visits and travel around the Middle East, which compensates for the loss of freedom and a limited social life in Saudi Arabia. This group is familiar with the objectives of Saudization, but knows little about its practice and implementation, and they are restricted to dealing with other skilled expatriates and skilled nationals. In other words, unless their area of specialty is HR and training, they are not involved in the local labour market issues.

My dealing with the young Saudi labour force is limited to greeting them as I get in and out of my clinic. When they're absent, and that happens a lot, I call management for an immediate replacement and that's that. [Egyptian Consultant physician, Jeddah]

A few Saudi workers view the fact that the highly skilled expatriates lack interest in the issue of Saudization as a great loss to the skill development of the national workforce. They believe that if expats, especially those who are able to contribute at a high level were to set a good example by transferring knowledge this could have a positive influence on some nationals who work closely with them.

They don't care, yes they know plenty and can work well but they are here just for the money and they live in a tower far away from us with others like them. [Saudi nurse Jeddah].

Other expatriates, especially those in supervisory positions and those who have worked in Saudi Arabia for a long time, seem to know much more about the concept, whom it affects and to what degree. As with the Saudi worker, their interest and understanding of Saudization varies with their level of skill but mostly to the length of time they have worked in the kingdom. Semi-skilled expatriates who have spent a long time working in the kingdom are reliant on the experience they have and the way they have adapted to fulfil the job's requirements rather than their qualifications or talents. Their *forte* is learning the job requirements and applying discipline and work ethics to their performance.

Eventually, the time will come when I have to leave. For now, I bend backward to prove to him (the owner of the business) that I'm indispensable. [Egyptian sales manager, clothing retail]

Perhaps it is the fact that Saudization is a direct and inevitable threat to their livelihood and income that they are motivated to follow news of Saudization and its effects on the labour market closely.

Yes I am very aware of the concept. I read about it and I am watching what's happening with Saudization every day. I see it as a very chaotic process; people come and go all the time. [Sudanese security officer, Jeddah]

Hence, it is in their best interests that Saudization progresses slowly. It means that they can hang on to their jobs longer and avoid having to knock on other doors that have been rapidly closed to them by the employment of Saudi nationals.

If only they knew how easy they have it, the Saudis, they'd be thankful and feel blessed. [Jordanian head of IT marketing Organization]

The relationship between the expatriate and the employing companies in Jeddah today, this research has found, is obscure and has little structure. It is comparable to someone waiting for sentencing.

Three months now I've been waiting for the Saudi supervisor (my potential replacement) to stay on the job. My kids' school term started last week and I still haven't registered them neither here nor back home. The wife is nagging me and I feel angry and helpless. [Egyptian food and beverage supervisor Jeddah]

Those who have worked for a long time in the kingdom and who have established a good rapport with higher management are at an advantage and are somewhat more secure in their jobs. They are able to estimate their value to the organization and when that will expire. This is reflected in their view of Saudization.

You can't blame them if they have so many unemployed. It is theoretically fair. [Expatriate chief accountant, industrial enterprise, Jeddah]

In most cases, semi skilled and skilled expatriates are also armed with a survival instinct. They certainly feel threatened by the process and are aware of the consequences of its success. However, their knowledge of their counterpart, the national worker and his ability and attitude towards work, gives them hope that Saudization, although happening and eventually succeeding to some extent, is still a long way away from affecting them.

I've been with my employer for eight years now. If you read his facial expression and frustration every time the Saudi leaves, loses the company's car keys or misses a deadline, you'll know! It'll be quite a while before we're not needed. [Lebanese executive secretary industrial organization]

Worker's View on Saudization Objectives

The empirical work for this study produced a variety of views from workers on the objectives of Saudization. Nationals, who are for Saudization and are operating successfully in the labour market, express their belief in the nation's ability to fulfil the goals of Saudization. They argue that if you are both patient and just with nationals, progress will result. They describe Saudis as "worth investing in", "here to last" and "more transparent". These qualities, they opine, are traits not found in the expatriate work force.

He is honest and outspoken, which could actually put him in a lot of trouble.
[Saudi chief housekeeper, private hospital, Jeddah]

Saudis believe that the Saudi worker has the interest of the organization at heart because he is a national and cares for his country.

Trustworthy in guarding the place he works in. Let's put it in another way, I think the Saudi is keen on what he is responsible for. He worries in that sense.
[Saudi medical secretary, Jeddah]

They argue against the idea that the national is arrogant or 'has it easy' and instead compliment his ability to better represent the work place because he/ she has pride in his/her appearance.

He looks good. He is keen on his appearance. The expatriate doesn't care for his appearance or maybe he cares less. I guess an expatriate has less to worry about in terms of his image and prestige. [Saudi receptionist, IT organization, Jeddah]

Fieldwork for this thesis, especially in-depth interviews with Saudi workers, pointed out that Saudis need to feel the support and the trust of the organization and that this would be an ideal way of getting optimum results from Saudi hire.

Well, just try, giving them enough support, and there you have it. [Saudi administrator assistant, Jeddah]

Saudi workers at all levels are, in general, supportive of Saudization. There are two main opinions: "for it all the way" and "for it with caution".

It is important here to make the difference clear between the two standpoints. The group that is "all for" Saudization shares a sense of high patriotism and great deal of sympathy for nationals struggling to find employment in their home country. They are concerned about the immediate economic needs of fellow Saudis and regard Saudization objectives concordant with the government's view. They might acknowledge that fellow Saudis lack skills and ethics at work and that they sometimes constitute a burden on the private sector. However, they regard the gap in qualifications to be insignificant. Furthermore, they insist that Saudis are more deserving because they are nationals, regardless of the structural difficulties or the economic consequences to the private sector.

I don't think it is exactly true what they say; the Saudis are inferior to the expatriates in ability. Of course, if you learn more and you have more practical experience, your performance will be better. But doesn't the expatriate also require training and fine-tuning to the work place and the culture? [Saudi Lab technician, Jeddah]

This group of Saudi workers that is "for Saudization all the way", believes that all government and private efforts should go to enforcing the Saudization laws, further policing it and deporting expatriates aggressively. "The market will adjust" is their answer

when asked about the labour vacuum forecast if all expatriates and their necessary expertise were to be deported. Again, this group uses the economic argument, emphasizing the benefit of retaining the billions of Saudi Riyals remitted by expatriates to their countries which, by its leaving the kingdom, has a negative impact on the Saudi economy, its businesses and its people.

I'm sure that those who claim that Saudization is not successful have their agenda. They are so used to the foreigners' subservience and enjoy the power that they have over their destiny. They know darn well a Saudi will never take that kind of nonsense! Just ask the Ministry of Labour; they know well the tricks of the private sector. [Saudi clerk, electronics retail, Jeddah]

Nationals who are "for Saudization with some caution", have deeper concerns for the national economy and the dynamics of the social structure in Saudi Arabia. They are more informed about the rules of the free market, the effect of the government's interference and the possible social threat of limiting any sector of Saudi labour market, especially at present, to Saudi nationals.

Economically, they are realistic about what specialties and values the nationals still lack both in quantity and quality. They say that Saudis must qualify first before being able to assume an economic role without the help of the expert counterpart.

We see few Saudi doctors, and fewer Saudi nurses simply because there are not enough available. I see a lot of the girls from the nursing college. Some clerks "in management" but I feel we are doing it to fill the quota and they are not hired on merit. Actually, someone else is doing the work for them. [Saudi consultant surgeon, Jeddah]

It will come to a stop, water desalination plant, the graveyard shifts, electricity; it is all non-Saudis who work, Egyptians, Filipinos. The social structure never encourages this in our people. No marriage, no prestige...big problem in middle class, leave CEO's and physicians aside...middle level jobs. Youth in the US pump gas, which is respectful. Can I put my son to sell in "Sawari Supermarket" or pump gas during the summer holiday? It may simply ruin his

reputation and I would be condemned. All these social structures must be dealt with and addressed before we're ready for the shift. [Saudi physician, Jeddah]

Their economic rationale presented for cautious Saudization says that it is counter-productive in the long run to jeopardize the private sector through implementing the current laws of Saudization. They are convinced it is healthier to let the private sector be without the pressure of Saudization and wish for better policies that guarantee the genuine and sustainable cooperation of the private sector for the good of all.

I don't want them to be on my side temporarily and it is rather insulting to be in a private organization by force, as a number. I'd rather be there as a part of a common benefit, an incentive, a win-win deal for both. [Saudi assistant director, private hospital, Jeddah]

When discussing the social effects of Saudization with caution, the researcher noted different levels of awareness and concerns among different levels of education and exposure among Saudi workers. The majority of well-educated, moderate Saudis agreed that it was never in the benefit of the society to rid itself of all expatriates.

Oh, it will be apocalypse! To get rid of all expats, that is. I see Arab workers in foreign countries in huge numbers. No! Every country has some expatriate workers, even the United States of America. [Saudi head secretary, Jeddah]

This mixture of a workforce is not only needed to fulfil the market's need, in my view, it is crucial for the society to remain open minded and tolerant, especially nowadays. [HR admen, Jeddah]

Saudi youth at work, especially those who enjoy mixing with expatriates and sharing their open life style and *joie de vivre*, argue that the presence of expatriates adds moderation and colour to everyday Saudi work life.

No on the contrary I should benefit from this openness, My God, we'll go back to pre-historic ages. [Saudi HR trainer, industrial organization, Jeddah]

This group sees the mutual benefit to the nationals, the expatriates and the economy in maintaining this healthy mix in the workforce. They also point out to the different positive qualities that other cultures bring to the Saudi different industries.

It's simple; we benefit from them. Actually we benefit from their need. I don't have enough nurses? Well, I go and bring Filipina nurses? And I'm talking here about maintaining international standards. In teaching, the foreigner is better than the Saudi. The Saudi is lazy and she doesn't even do the legwork before she teaches. However, Egyptians are very good teachers. She, as an expatriate teacher, is talented, instigates, pushes us to learn more and go to the library. A Saudi teacher will not do that. Why would I not benefit from someone who is better at whatever? [Saudi executive secretary, Jeddah]

Many young Saudis, especially those secure in their jobs, point out that Saudis are not ready to stand completely on their own to meet the demands of the national labour market. They feel strongly the importance of experience, expertise and ethics of their co-worker, and trainer the expat.

Having many people from other countries certainly will teach you, expose you, and enlighten you to a different way of life. Imagine putting a girl from Riyadh next to a girl from Jeddah at work; eventually, they will both learn something from each other, won't they? [Saudi accountant, marketing, Jeddah]

They add that the expatriate adds the element of competitiveness and represents a source of valuable information. The expat, they say, contributes to the work place in many positive ways professionally, as a motivator and socially, as a teacher, with his tolerance, and ability to cope with Saudi daily life.

The presence of foreigners will defuse some of our strict characteristics as Saudis. Come to think of it, maybe this is why we have a competitive environment in the lab! Yes they have more experience but look at me I lasted longer than anybody said I would last in this organization. As if I want to prove to my expatriate colleagues: I got better. I learnt. I persevered. Maybe I did not surpass the expatriate, but I certainly exist as a worker in the lab. [Saudi lab

technician, Jeddah]

Saudis who think Saudization must be approached with caution for social reasons, present their view in the light of much-needed exposure to the ways of the greater world outside their borders. Without exception, the group that brought up those concerns was the more educated, better employed and held a more global outlook on matters than other respondents. They voiced their anxieties about closing Saudi Arabia to non-Saudis because this would only lead the society to close, encourage reluctance to accept the other and enhance negative traits embedded in Saudi society such as tribalism, xenophobia, feelings of superiority and an inclination to religious prejudice.

We are already a more closed society than any other Arab Moslem country. Our women still can't drive! What benefits do we get when we're all like that: strict, rigid and feeling superior? [Saudi construction project manager, Jeddah]

If we're left to our own devices, we'll never get better. The expats represent colour, humility and alternative ways. It is more real like that. [Saudi medical technician Jeddah]

On the highest level of awareness, comes the argument that it is counterproductive to deport expatriates, at least in the foreseeable future. The issue of national security and fear of harbouring terrorism is at the centre of discussion here.

Dismissal of expats is not wise circumstantially. As a matter of fact, it is dangerous. We need them to defuse us, teach us acceptance of the other and maintain an example of an alternative way of life. [Saudi executive secretary, Jeddah]

Workers on Saudization Methods

Saudi workers' opinions on Saudization methods are a clear reflection of their level of

optimism regarding their careers. The majority are not concerned as to how Saudization is implemented, provided it gives them that extra edge on the expatriate rival in finding a much-needed job. Percentages of quotas, restriction on visas to recruit expatriates and the closure of specific occupations and markets to foreigners are all different faces of the same coin. To those skilled and expert in the labour market, better methods are often suggested. Many Saudi workers expressed doubt at the wisdom of some of the methods employed in Saudization. They say that they are inconsistent, and at times naïve. Among this group, the researcher recorded some criticisms of some of the methods of Saudization as being “unrealistic”.

To the unemployed and the unskilled, the tighter the methods of applying Saudization, the better regardless of the general outcome. They praise the Ministry of Labour’s inspections, ban of visas and cheer for closure of markets to nationals.

About time! The Government understands that the private sector is greedy and has no sense of responsibility for anything but profit. If it were up to them, they’d see us starve on charity but not employ us. [Saudi trainee gold market Jeddah]

The severity of methods used to enforce Saudization is cheered on, among the unskilled and semi skilled nationals.

I think it is wise and fair, in reference to closing the gold market to nationals. Maybe now we can claim some of those jobs to ourselves. [Saudi trainee in gold shop, Jeddah]

Another common reaction to the Saudization methods shared by all interviewed higher than the unskilled level was that Saudization methods are inconsistent and, at times, experimental.

One day teaching is banned for non-Saudis, the next day they say: no, you can import certain specialties. The third day I read they’re importing teachers from India to teach English! Those are rules of Saudization. It is like trial and error! [Saudi unemployed English major, Jeddah]

Our fieldwork regarding this point found variations in the reactions among Saudis depending on their hierarchy and status at work. Those who are well integrated into a private organization and are secure in their career path revealed that it is wiser in the long run if the Government doesn't push so hard. They fear that one it is only a matter of time before the private sector finds a way to get rid of them. And too strict enforcement of Saudization will encourage many Saudis to just take advantage of the situation and not better themselves.

I have great sympathy for all fellow Saudis who are unemployed. But if we continue to press on the private sector and demand nothing of those unemployed we'll just add to the problem if not now, in ten years time. [Saudi chief security guard Jeddah]

Saudi workers and those in high management responsible for performance, quality and cost are certainly disturbed by current methods of enforcing Saudization, and hope for a change.

They also argue that the harsher the methods, the more counterproductive the outcome. Extreme methods, they contend, harbour reluctance and encourage evasion by the private sector to avoid compliance.

I don't think it is helpful to tighten the lid so much on private businesses. One, they'll find other crooked ways to get the visas and two, from personal experience, the presence of expats is still crucial to most organizations. [Saudi retail business, Jeddah]

In summary, Saudis' reactions to Saudization methods are clear. On the one hand, those in higher management positions almost always agreed that strict methods may work temporarily but are damaging in the long term. Their day-to-day experience, managing the body of labour in an organization, gives them a clearer view of the needs that cannot be fulfilled solely by nationals. On the other end, unemployed and newly employed Saudis are in agreement that their odds in finding jobs are higher when expatriates are dismissed. Thus, regardless of the method, their attitude is that 'the government knows what is best for us and for the private businesses'. The expatriate's opinion on Saudization's methods is

rather one of despair, sadness and humiliation. Those that have come recently to the kingdom and are employed in menial jobs are simply happy to have been recruited and are willing to extend their stay in any way possible once their contract expires. Eventually, they will face deportation, they say, but until then, a few extra thousand Riyals would help.

To others, who have built a life for themselves and their families in Saudi Arabia for years and even decades, the kingdom is their only home. They are often at an age that prevents them beginning again elsewhere, including their home countries. To this group, Saudization laws are “unwise” and “unfair”. They express the view that most young Saudis are not willing to put up with the long hours and hardship they have experienced. They also point to a failure of judgment on the government’s side and the possible damage and loss to private businesses due to the absence of qualities such as dedication, hard work and a positive work ethic among the majority of Saudis.

I hate bringing this up, but it is true. Will the Saudi stand there and take all that arrogance and nonsense from the buyer and still serve him. [Egyptian sales and retail, Jeddah]

Sadness and feelings of betrayal are easy to detect as a reaction, especially to non-renewal of their status in the kingdom. Most of the expatriates couple their sentiment with the view that although their lives in Saudi Arabia were restrictive, isolated and hard, it was good for them and the future of their families. They argue that, although they are aware that Saudis need their place theoretically, it is too soon and some expatriates with an immaculate record of service and personal record must be exempted as a reward for their good and long service in the kingdom.

I’ve lived here since 1976. I always thought I’d leave when the youngest of my daughters had graduated from university and married. Yes, I’ll take my old woman then and we’ll retire back home. But this is too soon. I feel almost cheated yet I don’t like saying this. You probably think I’m a greedy fool!
[Expatriate food and beverage, Jeddah]

Barriers to Saudization

Many observers believe that the barriers facing Saudization are due to the inefficiency of its objectives, policies, timing and lack of groundwork. Others believe it is the private sectors' inability to oblige, sacrifice time and resources to invest in the Saudi national.

Saudi workers referred to their economic expectations, educational factors, and choices of career planning, work circumstances and social constraints as barriers to their success in playing their expected role in Saudization. Firstly, Saudi workers are under great economic pressure and expectation to perform. The high cost of living, ratio of dependency per person and lack of women's participation in the economy, adds to the pressure and conflict for the individual seeking a job. Young Saudis' expectations are high as a result of being brought up in a welfare society. Free education up to the level of university, plus a monthly stipend from the government, encourages many who are academically able to take advantage of the highest level of education available to them.

One of the disadvantages of this, many Saudi human resources managers say, is that graduates are suddenly faced with real-life economic needs and an inability to meet the labour market's requirements at the time of graduation. In addition, culturally, most young men are expected to get married, become the breadwinner of a new family as well as financially helping their aging parents and many siblings. This intense socio-economic pressure is an additional challenge to the new graduate and makes the adjustment to the work place, patience in building experience and climbing the employment ladder that much harder. This drives many young Saudis to change jobs often looking for an instant pay increase, depriving them of focus to learn and time to adjust to the work environment, let alone a chance enjoy what they are doing.

Really, you cannot blame me! Five hundred Riyals might be insignificant to you. To me, it is fewer instalments on my car and may get me closer to marrying. It is most definitely worth changing jobs. [Saudi receptionist, private hospital, Jeddah]

They try to outsmart me; I'll do the same. I'll get some experience here, and bye bye! I'll automatically get another 20 percent increase now that I have

them on my CV! [Saudi IT technician officer, Jeddah]

The second barrier relates to the lack of proper educational background. Fieldwork clearly indicates that most unemployed young Saudis struggling to find a job are High school graduates, followed by a small percentage of university graduates in specialties not in demand by the Saudi labour market. The reason high school graduates struggle with finding employment, considering the fact that millions of expatriates working in the kingdom are not much more qualified, is the quality of skills learned in the Saudi school system. The reference here is to basic soft skills, for example communication, problem-solving and professional conduct, as well as hard skills like a command of the English language and IT literacy.

They ask me how good my English is. I tell them, as good as they taught me in the school! You can't expect me to speak English like the Filipino or the Indian; it is fed to them since childhood. Ask anyone; we learn English ABC at 14 by a Saudi teacher who translates the lesson into Arabic! [Saudi errand messenger, industry and retail organization, Jeddah]

Another complex barrier to Saudization from the worker's perspective has to do with lack of career planning and awareness. As mentioned earlier, surprisingly many of the unemployed are university graduates. A closer look at their situation suggests that thousands of graduates yearly from Saudi universities hold a major that is simply not in demand by the labour market.

This was not the case fifteen years ago. Then the government was able to find employment for all. Now, however, certain subjects (for example Arabic language, Islamic law, libraries and archives) are taken mainly by young Saudis who did not achieve their high school academic expectations. Their chances of obtaining jobs that relate directly to these subjects are slim.

Right now, I'm employed with my high school diploma. I stayed nearly three years after university waiting for a job. Do you see this guy next to me? He is paid twice as much as me, and we're both university graduates! Don't four years of education count for anything? [Saudi receptionist, industrial

organization, Jeddah]

I'm still looking for a better job. If in another year or two I can't find one, I'll open a small business of my own. [26-year-old Saudi Islamic Law graduate, Jeddah]

Saudis who feel challenged because they landed a lower position than expected because they were not qualified enough, often realize this deficiency and are willing to compensate for it. Some even channel their disappointment into a genuine desire to better themselves. The luckier ones are those who land employment in an organization committed to training its employees and have a career path clearly set. The national newcomer, who is willing to put in the necessary work and develop their skills, will flourish in such an environment. However, the majority do not. They seek private courses, workshops and training programmes. With this, comes the cost issue, for most reliable courses offered by private educational and training institutes are completely unaffordable for the starting income of the young Saudi employee.

The company won't pay and I cannot sacrifice two thirds of my monthly pay for that long. Maybe I'll wait until one of those centres offers a good course for affordable instalments. [Saudi secretary, private hospital, Jeddah]

Although the private sector complains of Saudis' lack of motivation and low initiative as innate characteristics, the workers' present a causal rationale coupled with many heartfelt justifications.

Look, let's be fair, the Saudi is brought up in a certain way; protected and unexposed. He receives poor education and little guidance as to what his future requires of him. All his life, he is expected to attend university regardless of what and how. He ends up studying a different major to what he desires because his marks are low. He is not only poorly qualified and unready, but the private sector shuns him on arrival with impossible demands and a preconceived notion that he will fail. [Saudi personnel, retail business]

Additionally, for young Saudis approaching work and failing in a new job contribute to the

vicious circle of low self-esteem and de-motivation most feel.

The fact that Saudis feel that the work, pay structure, requirements and workplace ambience are more suitable for expatriates represents another barrier to Saudization from the worker's point of view. They state their refusal to work the same long hours without the appropriate financial compensation as their counterpart the expatriate does. The latter is forgiving when the private organization dismisses his right for overtime a manifestation of his keenness on retaining employment. They confirm that a significant part of the problem facing the process of Saudization, on their part, is their inability to sacrifice their identity in order to fit into the expatriate worker's stereotype, as created by the private sector.

According to the Saudi Press Agency, citing government data, a high percentage of Saudis are dissatisfied with the pay system in the light of inflation and having large families to support. Saudi Arabia's annual inflation rate rose to 10.6 percent in June 2008: the highest in 30 years. They say that most expatriates, whom they are to replace, have few expenses while living in the Kingdom and that their transferred monthly pay to their homeland is sufficient for a decent life and future for the standards of living there.

Be logical, he, the Filipino accountant clerk, can live as a rich man back in Manila on 700 dollars a month. He lives and eats in the company's compound for nothing. Translated in Riyals it is 2600, just a bit more than my rent and we haven't started with expenses, the wife's needs and the car instalments. Can we both live the same life on the same pay? [Saudi accountant trainee, marketing organization]

Complaints about the work environment by unemployed Saudis and new entrants describe the work ambience as governed by ways only the expatriate worker can be comfortable with. The kind of superiority supervisors' hold over employees in setting policies and communication is described as impossible and demeaning. This is made worse by the Saudi's exaggerated fear of how this could affect his image, being a national, and feeling that unlike the expatriate, "everybody around here knows me!"

They are so impatient and can get angry and yell at you like they are your father or uncle. One mistake and it is a public lecture on the do's and the don'ts all over again. [Saudi medical filer, Jeddah]

This old Egyptian head of our department, he calls every one *Ya walad* (Hey boy) when he's angry. The Indians and Filipinos laugh at being called so. Either they don't get it or they don't care. Me, I want to wring his neck! [Saudi salesman, retail, Jeddah]

The expatriates, submissive and under the threat of deportation, have set a record of obedience and cooperation beyond the young Saudis' ability to tolerate. Superiors have no respect for them, they protest, as a result of having their way and a tight grip on the expatriates' life while working in the kingdom.

They hold their passport and could stop them from returning to their countries, even if it is for a family member's death. They are ruined and spoiled from playing God to those poor people. [Saudi administrative assistant, Jeddah]

A statistically insignificant number of the unemployed Saudis interviewed blame personal attitude or lack of skills for their unemployment (only two out of ten interviewees for this research mention lack of ability or willingness to fulfil the job requirements). Some feel too intimidated to fill the shoes of their rival non-nationals. The ability to work long hours or have little time off for social matters and family obligations, they claim, is "something the foreigner can do"

He came here just for work. No family, wife or friends. I can't work late or during the national holiday because my family is in Mecca and I must be with them.

They also feel that their education and basic working skills are challenged in a modern work environment. As soon as the Saudi starts working in a private organization, he is confronted with the need to write reports competently, enter data in English and adjust to a much more technically sophisticated style of performance than he is prepared for. Saudis complain that neither their grasp of English nor their use of technology is of a similar standard to their expatriate counterparts, and feel frustrated that this is expected of them on commencement.

I honestly know I'll eventually learn all this and that. But it is unimaginably

hard the first few months to grab what everyone around me knows and does so easily. [Saudi storekeeper, Jeddah]

I spent nights educating myself on PowerPoint and Excel. It was part of everything that was asked of me. I was certain I'd be sacked if I didn't get it right. [Saudi social worker, Jeddah]

A last barrier to Saudization is represented by social constraints that Saudis feel do not allow them to fill many of the potential jobs made available by Saudization. Unemployed Saudis, and those who tend to move jobs frequently (mostly high school and below qualifications), complain that social considerations still prevent them from accepting certain categories and type of occupations. They confess their fear of society's stereotyping and low regard of manual labour and certain service-oriented job categories. A few have even mentioned claiming that they have different (and better) jobs than they in fact do to their family, spouse and future in-laws. Saudization, in their view, is creating jobs. However, they contend that the jobs created are in many cases not suitable because of low wages, social reasons or both.

Saudis who need a job frequently feel unable to break the norms of what is socially accepted. As a result of this, many young Saudis will not take up many available jobs because society still has a low regard for manual and technical occupations, considering them inferior to a lower paying office job that involves a desk in an air conditioned office.

Not yet. It is the society. Look at the west, England, France and the USA; plumbers, bakers and carpenters are locals. We must change that in our society. The whole nation can't possibly expect to work as bankers and real estate agents! [Saudi baker Jeddah]

Even if I went technical and I knew I'd have a job ready, what would I tell my in-laws? I am a carpenter? [Saudi unemployed 22-year-old, Jeddah]

Worker's Interrelations and Saudization

It is worth exploring the relationship between the Saudis and the expatriate in the national labour market. The way each regards the other is important, for although one is theoretically supposed to replace the other, they still work side by side and are very dependent on each other for getting the job done. It is also interesting to note what the Saudi employee thinks of the expatriate's strengths and weakness, and *vice versa*. After all, the Saudi labour market is built largely around one (the expatriate) and needs to be adjusted for the other (the Saudi national).

Fieldwork has uncovered a wide assortment of impressions and sentiments that Saudis and expatriates hold of each other and.

The following section will analyze the different opinions held by Saudis towards Expatriates, but also Expatriates' views on Saudis, as well as Saudi's views of other Arab nationals and their own fellow Saudi workers.

The balance of power in the workplace obviously plays an important role in shaping employment relations in the case of Saudi Arabia. Relations of power are built along the perceptions of the level of power that each party may have of the other and by assessing which party hold the advantage (Rose, 2008). The interviews conducted showed that Saudis' relations to expatriates differ according to their skill level. For instance, Saudis would feel threatened by highly skilled expatriates as they fear the expatriate's level of expertise and education; on the other hand they tend to take their frustration out on the less skilled expatriates to whom they feel superior in terms of cultural and social background.

For Saudis, stereotyping expatriates at the supervisor level, as well as their fellow expatriate workers, is evidently a means of expressing frustration. According to the theory of stereotyping in employment relations, this represents a common behaviour when two ethnic groups come into competition with one another for economic rewards (Rose, 2008). This feeling is aggravated by the Saudi's struggle to maintain employment as a national new-hire in many private sector organizations (especially medium to large in size). Stereotyping is defined as the process of thinking in terms of fixed and inflexible categories (Rose, 2008), and in this sense, race, nationality and behavioural characteristics

are all stereotypes that Saudis, young and old, use as an answer when asked about the characteristics of their counterparts.

Oh, it is like the United Nations here, the Arabs, Africans, Mediterranean and a few blonde ones that we rarely get to work with, countries should learn from us how to deal with other countries. I'll write for you a page of description on every nationality. [Saudi receptionist JCCI]

Fieldwork, however, has revealed divisions in the way the Saudis' opinions are split regarding negative and positive traits in the different nationalities with whom they share the work place. Generally, positive characteristics, the researcher realized, turn negative when talking about those expatriates directly in charge of Saudis or who have a say in dismissing them.

The worst is the Arab supervisor. He is mean, ignorant and foul mouthed. I think his only reason for being here is to enjoy authority over us. [Saudi trainee retail Jeddah]

A sense of superiority and judgment was noticeable when Saudi workers were assessing expatriates. Interestingly, the lower the skill level and social status of the Saudi worker, the harsher the verdict is of the expatriate. Scapegoating, or blaming people for things/events which are not their fault is a kind of stereotyping behaviour which was recognizable during some interviews carried out for this research among Saudis on their views towards expatriates. Superficial features such as appearance, body odour and accent were always mentioned and mimicked disapprovingly when referring to socio-economically less fortunate expatriates who had a submissive and non-confrontational cultural background, such as the Egyptians and the Indians. Sadly, among this group little was mentioned in regard to the expatriate's style of work, dedication or ethic.

He does not care at all about his hygiene. He might manage looking good on the outside but his personal hygiene, God he stinks. What else can I tell you about the Egyptian employee? He is ill tempered. He keeps saying, "I understand, I understand." I'm trying to picture some of the Egyptian employees here in the hospital that I work with and God he's a liar. He would

never take the information correctly to the superior. [Saudi security guard, industrial and retail organization.]

Other negative descriptions have flowed, usually toward the end of an interview, of more relevance to the core of Saudization. Saudis condemn expatriates with accusations of faking their qualifications and accusations that they are rarely serious about protecting the organization that employs them.

They say we aren't qualified, I assume they verify every diploma of Filipinos to check if it is original, don't give me that! [Saudi receptionist Jeddah]

They claim the expatriate work force is like a spider web in an organization. 'Threads' of relatives and friends are usually recruited to fill vacancies using dubious diplomas and fake degrees to prove eligibility. This also implies that the web of relatives will cover for each other and hide mistakes and discrepancies while doing exactly the opposite to the new inexperienced Saudi workforce; magnifying their shortcomings and reporting them to management.

Contrary to what is believed the expatriates also have some kind of support system. Say he's working here in Jeddah; he will work hard to bring his brother, then his wife, then his other brother, then and his friends. It's like a spider web. I notice them here in the hospital every day around me. They then cover for each other like family and make each look better individually. [Saudi IT personnel, private hospital, Jeddah]

Saudis feel isolated in an organization as they commence training and declare that their counterparts, the expatriates, are keen on keeping them in the dark. Saudis express their anger at expatriates, claiming that they are not sincere when it comes to training the Saudi newcomer, and that they intentionally withhold helpful information that might lead to Saudis acquiring the skills required faster and performing better sooner. Seniority, experience and the foreign language they share in an organizational subculture are all means of further alienating the National employee.

Yes, especially the group I am working with. Even the foreigners amongst us are highly educated and quite scientific but I must say there is something

secretive about them. [Saudi lab technician, private health care]

Saudi workers complain that as they enter an organization, part of their struggle in adjustment is that older expatriate workers are not keen on delivering all aspects of the requisite training. To them, this is an indication that the expatriate not only distrusts the Saudi newcomer's ability to learn but it is also a way to delay and interfere with his/ her training negatively.

For example, when I ask how are you going to charge this patient? What's the method? They would say later, later. Oh, it's okay. It's easy. We will tell you later. I would ask how do I channel this patient? Is there a special treatment for his being a VIP or an insurance patient? She would not give me the information I need. [Saudi administrative trainee, private health care, Jeddah]

Probing into how Saudis regard other nationalities at work proved Saudis have some positive remarks on some of the expatriate workers when asked questions out of the context of their own employment. In this context they would praise the expatriates' ability to apply himself to the job with dedication.

It is easy for me to say that they know better than the national and that they are able to accomplish things faster. [Saudi secretary, pharmaceutical company]

The majority of findings agreed on the many positive traits the Filipino worker has. Their discipline, personal hygiene and hard work were all commonly given answers when asked why they value the Filipino so highly.

I put Filipinos in first rank. They are very submissive and punctual. In fact he/she is made for work. His requirements are nearly always very limited. While Arabs, Oh my God the Arabs! [Sudanese Consultant physician, Jeddah]

Nationals also express their admiration for the way in which Filipinos manage years of exile from their homes and families working in Saudi Arabia, trying to make ends meet while still maintaining a positive outlook on life.

Filipinos have a great work ethic and they are being paid for that. I also respect the fact that they tend to find ways to enjoy themselves as well, so they live a bit better and contribute to the work place with their pleasant attitude. [Saudi Lab technician, private hospital, Jeddah]

Young Saudis and other nationalities credited the Filipino workers with qualities they regarded as ideal and impressive in an organization. The research confirms, however, that credit is not due to the Filipinos' effort to work hard, applying him/ herself to the job and being ethical alone. Instead, more simply, the Filipino has a greater economic motivation to work hard. Only the skilled and highly skilled Saudis were objective as to why the Filipino worker has admirable qualities. Fieldwork recorded fascinating rationales given by Saudis in this regard, varying from crediting the American influence on the islands of the Philippines, to superior Christian work values.

Although Saudis are critical about other religions and are rarely interested in other faiths, many of the Saudi workers interviewed revealed appreciation of the positive qualities in their counterpart "despite" his/her religious faith being different to theirs.

And you know how three quarters of them are Christians, they're not Muslims like us. But my God, they watch themselves and "they are conscientious". This is what I call work ethics. [Saudi Administrator, private hospital, Jeddah]

Some even acknowledged that some Far Eastern have the advantage of being judged as individuals and not because they are of a clan or a family of status as with Saudis.

Their importance and joy actually come from doing a good job; not like us - ours comes from saying I'm the son of so and so, I've got so and so. [Saudi Secretary, private hospital, Jeddah]

Those who regard the expatriates positively refer to characteristics of discipline, focus, and hard work and to a lesser degree, efficiency. Commonly, those positive traits are seen as a result of the expatriate's living condition, and his or her exile in a foreign country. In other words, the majority of Saudis struggling to land or keep employment believe that the expatriate is skilful at what he does because he has no choice but to perform well or else to

face repatriation and the loss of income.

He is focused, he is a hard worker, and there is no limit to what he can accomplish. Maybe because he came from his country for a specific target and he is also obedient. And they only will ask for the overtime when they're sure they've earned it. [Saudi medical secretary, private health care]

Well, the non-Saudi is somebody active, because this is his only source of income, nothing else. He comes to the work place on time and understands the tasks quickly. I think they are disciplined. [Saudi administrator, IT organization, Jeddah]

Stereotyping by Saudis is not limited to south East Asians; it includes Arabs from neighbouring countries. Again, the mixture of negative and positive traits appears vividly in Saudis' descriptions of their fellow workers. A harsher tone was detected in Saudis describing other Arabs, perhaps because Saudis feel that they could do the jobs of expatriate Arabs just as well, unlike the case of the unskilled menial labourers (who work with their hands all day) or the very technical Asians.

The Syrian and the Lebanese are different. The Lebanese works perfectly, even when he selects things, even the tasks he's about to do, usually elegant and sweet mouthed. The Syrian, goes *yella, yella Mitelhek* "as such". The Jordanian, is similar, but a little bit more efficient than the Syrian. [Saudi administration assistant, heavy machinery enterprise]

During the course of fieldwork conducted for this thesis, clear evidence emerged that the expatriates in the majority of businesses generally held Saudi workers in low regard. Exceptions were only made for a small percentage of Saudis who have acquired high levels of education and also for those who possessed skills of high international standards and language ability. Fieldwork showed that different nationalities working in the kingdom stereotype and mock other nationalities and use similar jibes as the Saudi work force. However careful and discrete about their opinion, when probed, they labelled, mocked and ethnically grouped Saudis and other expatriates in characteristics, attitude, accent and appearance.

The expatriates also had opinions about his new Saudi colleagues. He regards them mostly with envy and, in many interviews, disdain. The majority felt that Saudis had it easy; the government paves the way for them, offering free education, training and employment. The young Saudis, they claim, are arrogant, undisciplined, disrespectful and under no real pressure to perform. They have a well-formulated answer when asked why they think Saudis are not qualified for the labour market. They state reasons including upbringing, education, economic stature and lack of exposure. Upbringing and education among Saudis, they deduce, are deficient in building a personality that is realistic about the importance of work and the attitude to acquire the skills necessary for an ethical, skilful and hard-working individual. Their view of the Saudi family upbringing is that it harbours a sense of false importance and dependency.

When the Saudi is a little boy, I heard, he is always served. His mother is a home keeper, girls, his sisters, come second to boys and they do everything for him. [Filipina secretary, IT business, Jeddah]

As for the expatriate's view of the Saudi educational outcome, it is a guess rather than knowledge of the system that brings them to the conclusion that it is poor and inefficient. They express doubt as to the technical, practical and ethical value of the system. Their basis of comparison is their own educational background, bearing in mind that their countries are economically less fortunate and education is not free past a certain basic level, unlike in Saudi Arabia.

When I see how young Saudis are disrespectful of authority at the work place, I wonder if their school ever taught them to respect the school or the teacher. [Expatriate training instructor, Jeddah]

Things like singing the anthem and respecting school uniform are all in my view things that build character and respect of the organization. I doubt Saudi schools care for any of that. [Expatriate Administrator, private hospital, Jeddah]

Fieldwork further exposed the expatriates' low regard of the basic technical, linguistic and soft skills Saudi graduates bring to the labour market. Lacking sympathy, they complain that Saudis are neither fit to replace them nor easily trained to compensate for their

deficient practical skills.

I'm not saying that we, expats, are perfect but it is in our basic education curricular to acquire IT skills, learn whatever terminology needed for our discipline and we even have competition in surviving the challenges of another foreign work environment. [Filipino admen assistant industrial organization]

In addition to the wrap-around nature of family upbringing and education, expatriates consider that Saudis, born in relative wealth and in a state that subsidizes or offers free services that elsewhere have to be paid for, never feel the economic pressures to learn, earn or qualify for anything.

To most expatriates, especially at the medium level of skill, it is shocking and unusual how young Saudis pocket money and extras from their parents even into their late teens, and that they almost always depend on a relative to find them a job.

Back home, we wash cars after school, wait on tables to earn our pocket money and help our families. Later at college, we study by day and take a part-time job at night in a gas station or a restaurant to pay for our tuition and books. I don't think many Saudis learn to work before they hit the job market. [Indian communications officer, Jeddah]

Observers never fail to notice the cultural shock Saudis from different social strata suffer when introduced to a mixed work environment. Brought up in complete isolation from females, except immediate family members, young Saudis generally react negatively in one of two ways.

The first reaction is negative: rejecting the mere idea of working alongside a female fellow worker. Male Saudi workers are far less forgiving of Saudi women than expatriate women for allowing themselves to be among men; the latter is not required to abide by Islamic cultural and religious teachings especially if she is from another faith. The researcher concludes that, although the core of Islam encourages tolerance, respect of other faiths and kindness, young Saudis have a sterner, more prejudiced understanding of its practice. The lack of exposure to a mixed environment in this case comes also from an added solid

cultural common belief that a female's place is at home, nurturing children, being responsible for house chores and being looked after by a male.

Listen to me, well, actually not just me. The *Imam* in our mosque even speaks of this. It is the end of time when women stoop to work shoulder to shoulder [with men] in no *Mahrims* [male next of kin] presence. This is imported from the corrupted west. If their men were men, they wouldn't accept this shame [Saudi driver, pharmaceutical retail, Jeddah]

The second reaction is also negative and disruptive; the young Saudis become completely distracted by the unsupervised proximity of a female colleague. Flirtation and harassment are not uncommon in such situations; it is counter-productive for both sexes and extremely intimidating for the female work force.

Our worst problem with Saudis when we started to build our Saudi work force was their inability to deal with the women around them. To most, this was a first! To see her, talk to her and watch her go about her day was like a miracle. I swear, we used to drag them like lambs back to their posts. Months would go by before the last few succeeded at controlling their impulses. [Jordanian HR admen, private hospital, Jeddah]

The Expatriate's criticism of the Saudi worker is not far different from this of nationals criticizing other nationals, except maybe harsher. The hard reality of the expatriate, whose job is at threat, is reflected in his/her judgment on the Saudi replacing them or acting as a management superior because that job is reserved for Saudis.

I mean the wealth falls from the sky on Saudi Arabia, and then it gets distributed to the individuals. What do they do? Just marry 2, 3, 4 ladies and sit spending all at wealth on their enjoyment and pleasure. What do they do for their nation? What's their contribution to the generations to come? The result is just big cars and large numbers of children. [Expatriate physician, Jeddah]

The Saudis who share this opinion of other Saudis are usually ones who have invested in education, skills and experience. They are haunted by the negative image of Saudis held by

the private sector, although they admit that many young Saudis are difficult to retain on the job. They say that some Saudis, lacking in skills and work ethics, continue to contribute to the bad image of the Saudi employee by reducing the private sector's efficiency and feeding its preconceived negative image of national manpower.

He does not accomplish (anything) quickly. He tends to procrastinate and if he can, he'd let someone else do it. He works, but it's almost like he's not really into it. He needs the money, yet he does not want to put in the effort. [Saudi administrator, private hospital, Jeddah]

The Saudis' negative opinion of other Saudis at work is purely for professional reasons. They say that it is hard enough for them to find a job, to train and to progress in it, whilst being burdened by the reputation of Saudis as being spoiled and lacking in work ethics. Being labelled, they claim, is a battle on its own, and that it takes extra effort and years of maintaining high standards on the part of the successful few because of this label.

When we started working here, they looked down at us, as Saudis. The kind of instructions they gave me is similar to the ones you give to a five year old. They had made up their minds that I wouldn't last, just like those that they had worked with before. I feel judged and scrutinized all the time. [Saudi medical supplies dispenser, private hospital]

Successful Stories

Success stories of workers and Saudization are many. There are, as fieldwork portrays, positive images of young men and women who set examples of genuine hard work, perseverance and dedication. It is imperative here to distinguish clearly elements that contribute to the success of Saudization from the perspective of workers; one is on an individual level, regardless of skills, and the other is on an organizational level.

On the individual level, Saudi workers who succeed are typically from a family background characterized by hard work, emphasis on academic excellence and a structured upbringing. According to many years of professional experience working in human resources and with establishing productive families programmes, this family's environment

is respectful of work as a concept; it harbours independence and encourages its children to plan for the future. They are generally exposed to other cultures and respectful of differences in others. Examples of this appear in how they regard co-workers from other nationalities and their moderation in accepting other cultures as represented at work, in the media and on satellite TV.

Regardless of the socio-economic status of the family, the mother's role is predictive of how able young family members are to be when they reach the labour market. An aware, educated and working mother is most often associated with professional and work-respecting children. This family environment is less reliant on domestic help; parents and children are involved in each other's wellness and care. Most workers who are a product of such a family background describe growing up in what seems to be a sub-culture protected from the general ways of Saudi living and the socio economic effects of the 1970's oil boom.

My God, I always felt I was brought up in a military camp. Compared to my cousins and my younger brothers, they are utterly spoiled. But I am proud because I made something out of myself. Neither of my brothers finished their high school. One of them went to Cairo to get a (nonsense) diploma of some sort and my parents just flew to Egypt yesterday to bring him back and put him through university. Problem is, they are still promising him a car if he does it, and a long holiday with his friends. I don't know what's gotten into them! [Saudi female executive secretary, private hospital, Jeddah]

It isn't like we couldn't afford hiring a chauffeur, but my parents made sure one of them picked us up from school and lunch time was all about who did what that day and which one of us scored high in school. [Saudi 23 yr old entrepreneur, Jeddah]

Commonly, the family background of successful individuals at work is connected with the home role in education, ethics and role modelling. Many examples of young Saudis at work referred to school religion as "theoretical" and described the possible influence of Islam taught to them as "do's and don'ts, "strict practices of rituals" and "in complete separation from real life".

The teacher himself has no clue about his mission. He comes, he blabbers and leaves without the slightest concern if the students got it or not! [Saudi nurse, government hospital, Jeddah]

Basically, a successful Saudi worker (diligent, and honest) is a product of a family that is structured, respectful of hard work and connected to their children's progress both at home and at school. It seems to be conclusive that the role of the family in the lives and performance of successful Saudis at work compensates for the difference in soft skills and ethics learned via the educational system. In other words, successful individuals involved in this research repeatedly mentioned the importance of home education and family role models contributing towards their high achievement (both academically and in attitude) rather than their education at school.

The second element that is evident in success stories of Saudization on the workers' level is related to their luck in joining the right organization early on in their career. Workers, then, are institutionalized into a structured work environment with clear guidelines and a good career path. They are integrated into the work culture and are automatically part of a life-long learning experience. Such organizations are able to "housetrain" the worker (as in *ARAMCO* or *Savola*), guide and improve his abilities by constant in-service training, courses and a chance to grow.

There are a lot of Saudis, Iraqis Egyptians, and Arabs generally who work and are successful in the West. Do you know why? They took their mother culture with them and modified their performance successfully according to that country's rules and ways of life; they excelled there in a foreign land. I believe you can do that locally in a strong organization. [Saudi consultant head, HR, national organization, Jeddah]

This stable and secure work environment compensates for what many young Saudis lack in their upbringing and education. It is, however, not available to the majority of new entrants because of the scarcity of such strongly-structured private organizations in the kingdom, compared with the huge numbers of newcomers to the labour market. Typically, these organizations have restrictive profiling and selection processes only a few Saudis can pass.

To work for *Savola* means you're good to start with. As you start, the organization

takes your hand, cares for you, and your education. It continues to promote you. The sky is your limit. I lucked out! [*Savola*, Saudi employee, Jeddah]

Aramco and other Government Organizations such as the National Guard Hospitals are also good examples of successful organizational Saudization. Other Private organizations such as *The Saudi American Bank* and *Savola* have 100% and 80% Saudization achieved. They all share a pattern of selectivity, career path and good wages. Additionally, those organizations have a strong work culture and a sense of professional pride. Other successful organizational profiles are seen in Government organizations. Their investment in hiring Saudis is older than the private sector. Although their experience cannot be generalized for matters of size and resources as they are subsidized, one can learn from their positive experience and factors that promote success in Saudization. To start with, having a large body of employees most often helps enabling the organization to absorb the initial loss of productivity when hiring Saudi entrants. Another factor would be that their resources, being a government organization, are unlimited: thus profitability and budgetary constraints are never a concern. Last, these organizations have already established successful human resources targets, management practices and policies. Therefore, their management of the labour force, multi-national and local, is well established, leading to success in Saudization.

Conclusion

Saudis exhibit a mixed set of opinions about the expatriate worker. They accept the expatriates' contributory skills, yet resent the skills they bring to the workplace. The lesser the skill and qualification of the national, the shallower the knowledge he has of the process of Saudization or what is required. Expatriates also differed in their views of Saudization. Again, the unskilled are often unaware of the concept. Their priority is to stay in the kingdom for as long as possible for fear of losing a much-needed source of income. The skilled expatriates were aware of the aims and process of Saudization, and ranged in their views from understanding the need for Saudis to culturally homogenize their labour market, to expressing doubts about the outcome. Their views are based on personal need and reflective of their need to secure and prolong the kingdom's need for their services. Highly skilled expatriates showed the least interest in what Saudization is about. Their expertise arms them with a confidence in their ability, unchallenged by the laws of one

particular troubled market economy.

The Saudi and the expatriate tend to regard each other negatively. The Saudi workers believe that the expatriates must leave in order for them to find their rightful place in the national labour market. They accused expatriates of crowding them, stalling and plotting to exacerbate the Saudis' negative image. The expatriates in turn demonstrated sympathy to the objectives of Saudization and the Saudi's need for jobs, yet the majority verbalized their doubts about the national's readiness.

In this chapter we have argued that Saudis are not very concerned as to how Saudization is applied; it is the advantage it gives them in replacing the jobs of expatriates that they applaud. The expatriates' response was also acknowledged regarding Saudization and its methods. Fieldwork reflected their real suffering at an uncertain and confusing part of their professional career in the kingdom. They are torn between their admission that Saudization is fair, and their own self-interest. Cooperation with Saudization jeopardizes their stay in the kingdom and the future of their families.

Saudi workers then took centre-stage, where they discussed barriers to Saudization as they saw it. They candidly presented the despair, frustration and helplessness felt when confronted with the expectations of their profession. Some addressed their lack of skills and the pressure of the private sectors' constant demand of them to simulate the expatriates' level of dedication and skills. The workers also described the difficulty they face professionally and socially at being challenged to replace the expatriate in a labour market that was built around expatriate abilities and the circumstances of working away from their home country. They echoed their anxiety and sense of loss at trying to train themselves to meet these demands, given their level of skill, education and training, while keeping their jobs. Through it all, they are haunted by the images of "lazy" "arrogant" and "inefficient" Saudis as pre-conceived by the private sector.

The chapter introduced the reader to the irony of Saudis and expatriates sharing the work place, which stipulates the responsibility of expatriates to assist in Saudization. This is fraught with conflicting interests, with so much at stake for both. In the light of this irony, the Saudis confessed some of their weaknesses but were happier to state the perceived weaknesses of the expatriate. The expatriates' viewpoint of the national work force was

also addressed.

Lastly, success stories looked at from an individual and an organizational level were covered to suggest which elements within a family and an organization tend to produce successful Saudization.

Chapter Seven

Conclusion: Managing The Transition

Introduction

Saudization is a process in transition. As it involves three stake-holders (the policy makers, the private sector and the workers), it has changed its dynamics since its introduction to better suit the parties involved. However, as we have seen in chapters four, five and six, Saudization *objectives* have not changed over the last decade. Neither has the viewpoint of the stakeholders regarding those objectives. Rather each of the three stakeholders has managed a transition of their own in terms of their dealing with Saudization. The policy makers still believe that the Saudi labour market must make way for unemployed nationals by removing as many expatriate labourers as possible, as soon as possible. They insist that training is the answer to the nationals' lack of skills and work ethic. The private sector still regards Saudization objectives as nationalistically important and agrees that Saudis have a right to fully participate in his/her economy. Nevertheless, they still struggle to implement the laws of Saudization and argue that it is too costly to replace their expatriates with Saudis. As for the workers, the nationals feel that the policy of Saudization works to their advantage and many have used this as a weapon against the private sector especially at the beginning of enforcement of Saudization. Today, many young Saudis still believe they have a right to the expatriate's jobs, but they have matured in their view of what this entails. They are becoming more educated about labour market needs and more vocal in stating what issues need to be addressed by both policy makers and employers.

To conclude this thesis, this chapter will discuss the transitions of Saudization by these three stakeholders with a view to showing what needs to be done to more effectively implement the policy, reducing unemployment but maintaining efficiency.

The Policy Maker's View

The Saudi Arabian Government is facing a major unemployment problem among young Saudis and newcomers to the labour market which requires urgent action. The economy of Saudi Arabia has flourished because of its oil wealth which was distributed to create state provision for education, health care and infrastructure. The government pursued a policy

that allowed labour to be recruited from out with Saudi Arabia. Government organizations and private businesses had no difficulty in recruiting labour from neighbouring countries, Europe, Africa and Asia to build the economy over a span of 30 years. This imported labour provided for an expanding economy which needed skilled and unskilled labour in a country that had to establish nearly all its ministries, organizations and policies from scratch.

This oil wealth continued to support Saudi Arabia's development of state-of-the-art airports, government buildings, roads, highways and educational institutions. At this time Saudi Arabia didn't have the expertise to go with that infrastructure, thus, it had to be purchased/imported. The state, lacking expertise in formal government, utilized its experience of tribal rule in developing a paternal system of governance. In this paternal system of government the oil wealth trickled from the top to the bottom creating a welfare state and a population that came to expect the state to provide the financial support for their affluent lifestyles. In addition to ruling the nation politically, Saudi Arabia produced millions of nationals who were followers of Wahhabism. Wahhabism is a strict and orthodox school of Islam and the young nation was quick to base its educational and legal system upon its tenets.

Meanwhile, as we have seen in chapter two, the population was growing at an explosive rate of 4.6 per cent, which only came down to 3.8 per cent in early 2000. An observer would note at least two problems with the population growth with regard to the labour market. First labour from the traditional agricultural areas had a tendency to migrate towards the centre of industry in search of easier ways to earn an income. A straightforward example is the near desertion of the local labour force of the agricultural lands in the south and north of the kingdom in search of easier ways to earn a living working for the many growing Governmental sectors in major cities. Today, Pakistani farmers herd sheep in the farmland in the centre and North of the Arabian Peninsula, instead of Saudis and their families, who own the land and the herds but live in nearby cities.

The highlands of the South, which receive enough rainfall per year and produce superior quality fruits and vegetables, still fail to produce quantities sufficient for local consumption. The expatriate farmers work in the complete absence of the landowners who inherited the land and, until one generation ago, the skill to look after the land was passed from father to son.

Secondly, population growth has severely jeopardized the countries' limited natural resources of food and water. In the golden years of the 1970's oil boom, the population explosion was not predicted and even if it had been, politicians would probably have assumed that oil wealth would enable a solution to be found.

Today, Saudi Arabia faces many social and economic problems: the most urgent being high unemployment, (estimated at 15 % excluding female unemployment). Unemployment of this magnitude is not unknown in other economies, however, the source of Saudi Arabia's unemployment is unique and the policies adopted by the Saudi Government to address it add to the uniqueness of the situation. The key point is that the Saudi indigenous population simply does not possess the appropriate qualifications to be actively employed. Young Saudis, who are not lucky enough to be working for the government, are struggling to meet the requirements of the private sector, the only source of employment available to them. The private sector has learned to import specialized and other not so specialized but hard working labour from abroad. To the private sector, the young Saudi (with some exceptions) is not nearly as qualified (as his Indian IT counterpart for example) nor as hard working (as his Filipino counterpart: another example).

Third, it is not an option for the private sector to hire, train and accept non-Saudi newcomers: instead, the government forces the private sector to do so through the process of Saudization. Fourth, the Saudi unemployment situation is unique because in order to employ all the jobless Saudis, the private sector will ultimately have to shed 4.7 million efficient expatriates and replace them with Saudis in the shortest time possible.

Through nearly a decade of enforcing Saudization via the methods discussed in chapter four, the government has not changed its view of the policy of Saudization as an economic and social necessity. It, however, realized through the reluctance of the private sector the difficulty the policy presents to the private sector. The policy has not changed in principle but it has been transformed through unwritten and a few written changes to its logistics and targets. The policymakers have certainly realized the ineffectiveness of the 'top down' approach and have become somewhat more responsive to the reality of what the labour market is. They now accept that without an open forum with all stakeholders the policy

will continue to fall below its expectations.

The Ministry of Labour and the Labour Offices have become more flexible about the methods of monitoring and imposing the process. The quotas have been reduced significantly with the realization that some jobs can be immediately Saudized and others are a long-term project that will require more effort on the part of education and human capital development over a generation or more. Construction labourers and other manual jobs, initially required to be 30 per cent Saudized, have been reduced to five per cent simply because young Saudis are not interested and the construction private sector will fall into paralysis if the quotas were not reduced. Visas to recruit expatriates for reputable organizations are granted provided the request is coupled with a five-year plan detailing how they plan to increase the numbers of Saudis they employ in the future. The complete restriction of certain sectors to Saudis (such as the taxi hire or the fresh produce markets) has eased.

In addition, the government is communicating better with the private sector and considering some of their issues and suggestions on two levels. On a national level, the policy makers have been actively engaging in national forums to discuss unemployment with representatives from the private sector, NGOs, the Ministry of Education, the Ministry of Higher Education and young Saudis approaching the labour market. The recommendations of those forums are published.

On the policy enforcement level, the policymakers have agreed to more realistic quotas per sector and are presently approving a memorandum of agreement by the JCCI to raise each sector's share of visas to facilitate recruitment of expatriates where Saudization is sluggish or not achievable in the short term. This approach is unprecedented and portrays flexibility; it is viewed by the private sector as a positive move towards mutual understanding by policy makers.

The Private Sector's View

The private sector in Saudi Arabia has been facing a difficult situation with the

enforcement of Saudization. For three decades, up until the commencement of the Saudization programme, the private sector was dependent on imported labour for all its needs. It had learned over the years what countries provided the expertise best suited for the variety of occupations available. Visas to recruit labour were never really an issue until the Saudization programme became a reality. Indeed, many well connected individuals and businessmen have built significant fortunes from using hundreds and thousands of expatriates working in the kingdom under their name for others in return for monthly/yearly fees. Provided the private sector knew how to recruit and paid the expenses, the Government did not interfere. Furthermore, the laws passed by policy makers regarding expatriates strengthened the private sector's grip over them as long as they worked and lived in the kingdom. The expatriate is totally under the control of his sponsor starting from needing his sponsor's permission to perform any mundane personal procedure to having his passport held by the sponsor and not being able to own anything under his own name. All of the above provided the private sector with an expectation of what conditions would make their employees work best. It is fair to say that the majority of expatriates had these qualities, adjusted to the sponsorship regulations, (which can be abused), and managed to adjust to the many social and religious restrictions.

To the private sector, loans to start or expand a business were made accessible. Reduced cost for utilities and free land encouraged the private sector to develop. Minimum taxation was imposed for religious purposes (*Zakat*), and although many businesses did not see the value of paying *Zakat* through the government, no objection was made for such a small sacrifice.

In the early 1990's Saudization was starting to be mentioned in the local press as the Government's immediate plan for the labour market. The majority of the private businesses simply ignored the idea of nationals ever replacing their dependable expatriate workers. Businesses considered this just a precaution from the policy makers after the Gulf War left its dent on the national GDP and the Government's grand plans, construction contracts and infrastructure expansions all came to a grinding halt.

At the time, the private sector and the rest of the, then, expanding population trusted that the world would never survive without Saudi oil and that the economy would bounce back. Reports of rising poverty and rates of unemployment were not alarming to the private

sector and it just wished Saudization away. As mentioned earlier, it was not until 1998, that the Government made its intentions about imminent Saudization very clear. The Saudization laws started to be passed, and to the private sector it seemed that, suddenly, it had to abide by the new startling reality of the Saudization programme.

Initially, many of the private sectors' representatives presented a case to the policy makers hoping to be the exception to the rule. They pleaded with the Ministry of Labour and the Manpower Counsel to postpone the compliance deadlines and continued to issue them with visas and renew old ones. The Government position however was unyielding. Soon after, by 1999, the Ministry of Labour was conducting random inspections of private business premises with inspectors to insure that the organizations started fulfilling the designated initial quotas of Saudi employees and covered the stated restricted job titles with nationals.

As a result of these inspections, a large percentage of national organizations responded with practices such as hiring Saudis as a front for businesses, hiring young unqualified Saudis just to have them on the payroll, and buying visas to recruit expatriates from a then flourishing black market. What made matters worse was that the Saudization formula then was primitive and the logistics of going through the replacement process were haphazardly carried out by policymakers. Even those representatives of the different private sectors who were willing to conform lacked the knowhow and thought it was insulting to have to deal with this new breed of labour; the Saudi worker.

The private sector, in an attempt to meet Saudization quotas, started hiring individuals recommended by the labour offices and others that felt encouraged to knock on the private sector's door. Their experiences in hiring varied depending on the field of specialty, level of qualification (of the employee) and the pay offered. The majority of employers began this process by delegating the Saudis to menial and simple clerical jobs visible yet insignificant to the flow of work. The expense of keeping those Saudi's on the record to present to the authorities was small compared to the benefit of appearing compliant to the Labour Ministry whilst at the same time continuing to renew and obtain visas to recruit expatriates from abroad. By the end of 1999 the Ministry of Labour recognized this was happening and applied tighter measures regarding job titles and wage percentages allocated to Saudi employees.

With this, a new era of added difficulty began for the private sector in which not only were they expected to hire increasingly larger numbers of nationals, but were also obliged to make them work. Moreover, the Saudization laws at this point began to widen the list of occupations restricted to Saudis. Inspections of businesses at this stage became more thorough to verify any organization's non-compliance with stated job role criteria mandated by the Government.

The logical thing for private organizations to do was to hire a Saudi professional for the job stated by the government whilst maintaining the expatriate as a subordinate to him to guarantee quality of performance and minimise the disruption caused by the Saudi's lack of expertise, experience and poor time-keeping. It wasn't uncommon at this time for private organizations to demote heads of essential departments and replace them with Saudis, whilst continuing to pay both staff members full salaries. Obviously in the long term this would constitute an unacceptable financial burden on any organization. Protestations to the Ministry of Labour to relax those job restrictions went unheeded. The circle of restrictions widened and was followed by the full closure of the banking sector, the gold market, the fresh produce market, and the limousine [taxi hire] business to expats. Only the banking sector survived those restrictions and, as detailed in chapter five, the gold market, fresh produce market and the limousine business are still struggling to meet these severe employment requirements.

As a result of this, many private businesses were bankrupted, or relocated in other Gulf countries. A few managed to keep their businesses struggling on despite being forced to hire unqualified, uninterested nationals instead of their usual hardworking and reliable expatriates. Here we will use the example of the closing of the gold and jewellery markets to further explain the shortcomings of Saudization laws and highlight that particular sector's difficulties through attempts to abide by the Ministry of Labour's laws. The decision to close the jewellery and gold market was postponed for nearly a year before it came into effect in 2004. In the first place jewellery and gold are different commodities. They require different skills, knowledge and training, and experts in the field object to combining them as one specialty in the first place. Fieldwork has highlighted the differences between the two professions. A gold salesman deals with accurately weighing gold and in pointing out the features of each piece. On the other hand a jeweller is someone who has preferably studied gemmology or had enough experience with gems and

other less precious stones. Examining clarity, type, weight and the colour of a precious stone is a highly skilled job and the expatriate's expertise in the field surpasses that of a local individual, let alone an unemployed national who migrated to the city in search of a job. The gold and jewellery business regarded this particular decision as harsh and unjustified; there were simply not enough Saudis qualified to fill the demand created by the vacuum of the expatriates' dismissal.

The private sector eventually managed to fulfil a part of the Labour Ministry's requirements, negotiated another part and settled to improvising via hiring extra Saudis and investing in training them. However, the private sector's attitude regarding Saudization has evolved out of a sense of survival and protectiveness of its own interests. Throughout the earlier phase of Saudization the private sector's attitude was one of rejection and panic. Today after some success in certain sectors and where they have fulfilled the quotas, they have come to take the initiative on two levels. See appendix three for a suggested gold and jewellery Saudization plan.

With the policy makers, the private sector has become vocal about its needs and issues with national hire. They present facts and data as to which areas and to what degree they can afford to replace their expatriates with minimum disturbance to their own performance and competitiveness. They demand to be heard with regard to areas that they believe to be currently lacking in training and higher education. In other words, the private sector learned to negotiate and has become more open about communicating the obstacles they face when hiring Saudis with policymakers.

On the other level, the private sector has developed a set of ways to deal with the Saudi employees. First, they are slowly changing their ways of dealing with their workers, becoming more civilized and mature in communicating with the workers and modifying the work environment to suite the Saudi worker's needs. Second, they are taking more responsibility in improving the skills of their new Saudi employees and becoming more resourceful when it comes to training on the job. Third, private organizations today understand the value of human resources management and seek the advice of qualified HR staff on matters of developing their staff's skills on all levels and achieving better manpower management. Fourth, many large private organizations (generally family owned), have taken the matter of contributing to their industry, young Saudis and the

economy into their own hands. This is particularly true in the areas of health care, nursing, medicine and some technical fields where Saudi staff are either unavailable, scarce or not up to the standards they accept. This group is earning great respect and generous funds from the government to encourage other private businesses to do the same.

The Worker's View

Judging by the principles of Saudization, one would assume that the Saudi workers would be happy because they are granted a higher position than the expatriate in their own homeland. Although some are, many still struggle with finding employment in the private sector and securing their position in the long-term. The private sector complains of a high turnover and with reference to their Saudi employees these complaints are valid, however, the national workers don't see the reason for these phenomena as being their fault alone. They realize how Saudization laws work to their advantage in the short term, yet they argue that it will not secure the interest of the private sector (in them) on the long term. They regard the laws of Saudization with mixed feelings. Those that are skilled and semi skilled find that it is to their advantage and make full use of it. The unskilled and unemployed regard the Saudization objectives with distrust and state that the laws, as such, are simply an incentive to the private sector. They understand that the position they are in is only a license to enter the private sector and that after that it is up to them to adjust and contribute to the workplace at the standard that has been set by the expatriate workforce for decades. Despite the fact that they estimate the job to be difficult and demanding, the majority of the unskilled believe that they bring to the workplace better qualities than their counterparts. They state that expatriates are not all that they appear to be – they don't care for the interests of the organization or its property, they lie about their qualifications and previous work experience, and make the Saudi newcomer feel isolated in the workplace. Held in such high regard by their employer for their service, the expatriate practices a variety of methods to belittle his Saudi colleague and magnify his shortcomings/weaknesses to management. The expatriate fieldwork has pointed out their disrespect for their Saudi rival claiming negative character traits such as a sense of superiority, being culturally unexposed, and lacking in hard and soft skills.

Expatriates state that working alongside Saudis is a challenging experience since the nationals regard themselves as superior which affects their dealings with 'the other'. Although many expatriates are economically disadvantaged, and are desperate for a job, they still believe that Saudi Arabia needs them. They view Saudi as a closed culture that has never

learned how to deal with anything or anybody outside the borders of their comfort zone. They give real life examples of how Saudis are unable to respect, appreciate or work with people from other faiths and cultures and other people by name, colour and race.

Another example of this point is how Saudi men find it difficult to deal with female colleagues in the workplace especially if they are fellow nationals, and react negatively to the idea that Saudi women too deserve an opportunity to earn for their families, just like men.

Saudization is facing many barriers on different levels. Those barriers relate to the Saudi worker's level of readiness as they enter the labour market, their economic expectations, adjustment to the work environment and many other social considerations. Saudis commence their careers after generally earning a four-year degree in one of the Saudi universities with no practical experience. Their economic expectations are high as they start their career in expecting to remain in the life style to which they are accustomed and start families. Many have to provide support to their parents and siblings since inflation rates in Saudi Arabia today are increasing year on year and the ratio of dependence is also very high with many young men supporting their families (being the only bread winner in a large family). A young Saudi employee on average would receive RS 2000 - 3000 per month, while car instalments to commute to the workplace and rent would consume two-thirds of his pay. Adding a young wife, children and food would set him back to a level of (comparative) poverty.

The second barrier is the state of awareness with which the Saudi employee arrives at the labour market. Career planning is not part of the Saudi curriculum and many young Saudis study in areas determined by their grades rather than according to their interests. Hence instead of diverting to a specialty needed by the labour market, they go on to study in a specialty not in demand at present.

The work environment is said to be the third main barrier to Saudization from the worker's perspective. Set to suit the expatriate workers limited expectations of space, hours, and ways of working, the Saudi national often complains that he cannot easily assimilate into the expatriate work environment. The expatriate is not unduly fussed over his working conditions and does not mind the limitations set upon him by his sponsor. The Saudi on the other hand has preset notions of how and where he needs to work and is very unforgiving when it comes to spending any extra time in the workplace. After all, the foreigner has no

family to go back to or social obligations to fulfil. He expects to be treated with tact, forgiven for his mistakes and be treated with patience whilst training. Nationals feel they have a right to be treated differently and therefore feel frustrated when faced with the reality of the labour market.

The last barrier to Saudization is the aspect of social considerations. That is the kind of elements that obstruct nationals having a smooth entry into the labour market whilst having to live up to society's traditional expectations. Saudi Arabia as a country did not develop a work culture in the traditional way. Saudis in the majority lived by subsistence farming or trade prior to the 1970s, yet since then Saudi nationals have come to regard some occupations as acceptable and others as unacceptable. For example, clerical jobs, the key professions, and of course, the civil service are considered acceptable. Practically all the rest, fall into the 'socially unacceptable' category. Saudis have dismissed the traditional artisanal roles and other manual jobs such as plumbing, carpentry and blacksmiths, considering them to be beneath them. The researcher has discovered that there are several on-going private efforts in the Western region to re-educate the population near the Red Sea coast [for example in the town of *Leith*] to revive the occupation of fishing among the locals. They offer small loans to purchase fishing boats which could earn a number of unemployed youths RS 7000 – 8000 instead of having to commute two hours to the nearest city for office work which would earn them less than RS 2000 per month, plus the cost of transportation.

In spite of all those barriers a considerable number of Saudi nationals have maintained jobs in the different industries of the private sector very successfully. What is important is to distinguish the elements that contributed positively to the success of those individuals and to highlight that those factors that cannot be easily replicated for the majority of unemployed Saudis.

The research has confirmed that nationals who succeed in fulfilling a career path with the private sector normally fall into one of two categories. They are either individuals with educational and familial characteristics that contribute positively in shaping their character, sense of professionalism and readiness. Or, they were lucky to start their careers at certain organizations that have specific elements that contribute, again positively, to their professional success. In a sense, those organizations act as a surrogate family to compensate for the lack of work related characteristics that the individual failed to acquire whilst

growing up.

Individuals who come from a family background that puts great emphasis on excellence, education and ethics constitute the first group. Their family is more involved in the children's wellbeing, overall performance at school and grades than the average Saudi family. The mother plays a more significant role in the lives of her children. Individuals who are the product of those families have learnt through their upbringing the importance of being responsible for their actions and of self-reliance. They feel more responsible for their own careers and they expect less from society or the Government in terms of guidance and opportunities. They have a true and realistic sense of the world as it is today and understand their need to better themselves. They relate and interact with expatriates with ease and respect. It is important here to emphasize the ethical make up of those individuals, because they do not manifest the typical religious expectations of the *Imam* of the Mosque or Islamic teachings at school.

The second group of individuals are those who succeed in taking their place in the labour market as a result of joining the right organization; these eventually reach the same status that the first group acquires through their education and family. They join an organization with the right work culture at the onset of their professional career and benefit from a pre-set organizational human resources structure, taking advantage of in house training, a clear career path and a proper working environment. Those organizations are generally large, well established and have a social corporate responsibility towards the development of the indigenous population whether they are national companies, international or joint ventures. An individual who is lucky enough to go through the screening and appointing process of such an organization will probably earn a certificate of excellence and a kind of work experience that makes him valuable to other organizations if he ever wanted to change careers.

Unfortunately both of these categories of nationals who have taken full advantage of Saudization cannot be applied to the mass of the unemployed, for in the first place if individuals were lucky to qualify because of their upbringing or by ending up in the right organization, unemployment in such magnitude would not exist in modern Saudi Arabia. The family type mentioned earlier is not a typical Saudi family and organizations of such characteristics exist only in small numbers. Human Resources as a concept is new to the

Arab business world and Saudi Arabia in particular.

In the table below, is a summary of all stakeholders stands on the policy. Again, the policy did not change in writing however all parties involved have adapted to more realistic and practical approaches to dealing with its application.

Table 7:1 Summary of all stakeholders stand on Saudization 2008

Impact of the policy on the economy	The policy's negative implications on the economy are valid. However, the private sector must endure and the market will eventually re-adjust.	The policy conflicts with economic growth, competitiveness and disturbs performance. Saudization's control over private sector's choice of labour is against free market rules.	Policy's impact on the economy is not an issue to Saudi workers.
How does the policy take action at present?	Continued set quota and restrictions on imported labour. Enforce policy rules on private sector, monitor and control. Fund the necessary training in existing training centres via HRDF.	Better recruitment from pool of available manpower of nationals. Seeking specialized human recourse's expertise. Adapting to a more responsible role in training the new Saudi recruits. Modifying the work environment to adjust to national's requirements becoming more aware to national worker's cultural needs.	The policy is only a licence to enter the private sector's employment. Policy's targets, quotas, visa restriction and closure do not address bridging skill level of nationals to private sector's requirements.
What impedes the policy	Policy is impeded by private sector's reluctance to co-operate. Nationals are not interested in occupying certain jobs i.e.: menial, labour and non-clerical in the majority. Existence of expatriate labour in abundance.	Policy makers do not differentiate labour needs across job families. Policy targets are not realistic. Available training fail to qualify nationals to competency standards. Nationals lack the work ethic the expatriate possesses.	Expatriates' competitive presence. Lack of readiness to meet private sector's specific skill and work ethic demands generally met by their counterpart the expatriate worker. High economic demands impossible to be met by the private sector pre set around expatriate profile. Unsuitability of the work environment (satisfactory to minimum needs of expatriate worker). High social expectations and a stereotypical view of what jobs are suited for nationals.

Can Saudization be achieved? To what extent	Saudization is achievable to a great extent.	Saudization is achievable over a longer span of time provided the targets are amended. Education, higher education and vocational training must be restructured and improved to meet future needs of labour.	Saudization is achievable to a great extent. Government should continue to monitor, and enforce private sector's compliance to policy's targets. New entrants qualifications must be improved to suite the market's present and future labour needs.
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Note: This table was prepared by the researcher to facilitate better assessment of the policy at the glance.

The policy makers believe that the policy of Saudization works, its targets are achievable to a great extent and that the economy will adjust in time. They maintain pressure on the private sector to cooperate and sacrifice time and profit. They are aware that young nationals are reluctant to occupy certain jobs and have obliged this point by reducing the quotas and eased the restriction on visas to recruit expatriates in those fields and attempting better communication with the private sector.

As for the private sector, fieldwork points out its continued struggle to satisfy the government's requirements voicing real economic, logistical and practical concerns. Issues of a free economy, choice of hiring according to specialized labour needs and quality of training funded by the policy makers, are in the heart of the private sector's argument. Efforts to communicate with the policy makers to further ease restrictions of the policy and to exclude more job families while better training and adjustment to the work place (to suite the national worker) take effect are on going. Furthermore, the private sector is adamant the policy of Saudization is achievable however not in the short term.

The workers vary in their views on the policy of Saudization according to their skill level and future prospects of employment. The lower the skill level, the less hope and understanding the worker has of what the policy entails, how does it take effect on the market and how does it work for him. The workers in all skill levels voice that the policy although may work to grant them an entry to the private sector, it fails to bridge the qualification gap in skills and readiness of the national workforce. They readily name work ethic and other qualities the expatriate has at work (which they do not have) and express social and economical reasons behind their high expectations of work difficult to be met by the private sector's present givens. Overall, Saudis, of all skill levels, believe in the policy's goals, methods and applaud the government's pressure on the private sector to remove more expatriate workers.

Is Saudization effective?

Saudization, as a process, is hampered by experiments, trial and error, and disappointments. The policy makers have come to the realization that Saudization is not the short-term solution for unemployment. The Minister of the Labour Market [Counsellor to the King at present] has declared on several occasions over the last few years that he does not expect to fully Saudize the labour market; moreover he has admitted that it is not feasible. The reality of the private sector, the quality of the Saudi educational experience and the nature of Saudi society are all reasons that lead us to conclude that full Saudization is not an option. Perhaps the last decade of trial and error with Saudization plus the advice of honest and loyal Saudi citizens representing the private sector, have swayed the government to consider options less short sighted than Saudization. After all Saudization would not be successful if it were to jeopardize the strength of the private sector, the only real hope of diversifying resources and securing careers for the millions of Saudis to come, not only for the currently unemployed. What the Saudi policy makers fail to admit is that the social and national security threat of complete Saudization. At the moment, Saudi Arabia is on the brink of a completely new era, not just economically but culturally in an increasingly globalized world where issues such as the World Trade Agreement, human rights and women's rights are becoming ever more pressing and Saudi Arabia needs to adjust and cope with a changing world from which it can no longer remain isolated. In addition there is the persistent threat of religious fundamentalism, which has proved to be a more pressing danger than unemployment since September 11, 2001. Saudi Arabia today surely understands the value of opening up its society and embracing the other. King Abdullah Ibn Abdul-Aziz's initiative towards Inter-faith dialogue, attempts at empowering women, and the national dialogue conferences, are all proof that the Kingdom is trying to reach out to the world and invite better acceptance of change and alternative ways of life via peaceful means. Those commendable attempts have a clear objective of making Saudi Arabia a more worldly country only if coupled with forceful logistics, continuous dialogue and follow up.

Saudization then, as a concept of replacing expatriate workforce by Saudi nationals regardless of the economic and social damage this would cause, goes against the objectives of the mode of change the Kingdom is heading towards. If Saudi Arabia were to get rid of seven million expatriates who educate, serve and teach the population, then the poor educational system and the country's strict Islamic ideology will further isolate the country. The expatriates contribute to balancing a society that suffers from xenophobia, rigidity and

chronic nepotism. Saudization laws have already hurt this balance when the government forced schools for example to get rid of expatriate teachers, replacing them with nationals who were not only insufficiently trained but had only entered the teaching profession because it was the only means of income available to them. Many educators and HR experts insist that the Saudi educational curriculum cannot be held solely responsible for poor educational outcomes and suggest more often than not it is the teacher that plays the most significant role in shaping his students' views and attitudes. The expatriate teacher brings to the classroom qualities of excellence and an international perspective to their pupils. They also personify the characteristics of hard work, a passion for what one does, and reasons to excel other than 'who you are', 'what your father does', and 'what your faith is'. This applies to many less crucial professions than teaching and affect Saudi life on many dimensions.

Unemployment in Saudi Arabia is merely a symptom of what ails Saudi society. Complaints of the Saudi worker as feeling superior, being unethical, lazy and under-qualified are only symptoms of a more general malaise. The Saudi society has a most unusual pattern of development. Fifty years of trying to make the population into one entity have failed to produce a solid culture and loyal population that is able to serve its country's economy and prosper.

The speed with which Saudi Arabia has reached its wealthy status goes only to emphasize the dilemma of having purchased development instead of building it. Education, in particular, is responsible for many of Saudi society's problems today. It is true that not enough planning has gone into the field of educating the population. Yet, education might have progressed in the right direction if it had not been placed under the strict control and censorship of the government and religious authorities. The ideology of Wahhabism has altered the growth of education [like many other institutions in Saudi Arabia] by controlling the curriculum and all other school activities usually responsible for building character, the ability to communicate, and problem solving. In the absence of a worthwhile educational system young Saudis really had no choice but to develop the persona the private sector complains of, as being unemployable and hopeless. The teachings of Islam on the value of work, diligence, precision and reward for hard work is at large absent from their understanding of what a good Muslim should be. Some even admitted that they were taught that in order for them to be good Muslims all they have to be is obedient and never miss their practice of rituals. The researcher sought confirmation when consulting religious experts that

the value of work in Islam far surpasses the value of rituals.

Judging by the results achieved by Saudization thus far, it is evident that the plan of Saudization has forced the private sector to employ Saudis, some to oblige the government's requirements, others because they feel it is the right thing to do. The numbers however do not indicate that the quota targets of Saudization have been met. A good Saudi worker was and still is a great asset to any organization regardless of whether the Government has forced the private sector to employ him or not. Allocation of labour ought to be based purely on personal merit and economic need. Instead of supplanting their expatriate population with nationals, the Saudis should be working hard to create new jobs and work opportunities by expanding their economy and expediting the country's growth (including its service and non-oil based sectors). That is the economically sound thing to do.

The researcher has come to conclude that Saudization is not an advisable solution (on its own or as part of a range of measures) for unemployment in Saudi Arabia. Saudization is a myopic solution and a short-term remedy for the country's unemployment problem. No such thing as nationalization of labour exists in industrial modern economies, even if unemployment is on the rise. Western countries pursue a policy of naturalization, granting residency (and eventually citizenship) to skilled-labourers and professionals whose trickling into the work force is essential for economic growth, and consequently the creation of more jobs and work opportunities for the unemployed among their indigenous populations. Other international solutions to unemployment place most focus on human skills and the deficiency in the supply and demand side of the labour market.

Limitations and suggestions for further research

This study was faced with several limitations due to one: shortage of reliable data and two: social and cultural restrictions. Obtaining the data necessary to formulate and write this research was an obstacle throughout. Available unbiased resources were limited and we constantly faced with the dilemma of verifying which of the conflicting data is more accurate and to which degree they represent a more recent application of the policy. Government website are unfriendly and fall short of supplying straightforward statistics and in many cases (such as more detailed and actual information regarding expatriates' distribution over sectors according to qualifications for example) do not exist. In most cases, government

representatives did not have all the recent data and were not aware of their duty in pointing out where or who can provide it. Available research on Saudization as mentioned in chapter three is limited to a one-stakeholder view and in the majority is biased to the government's favour. Comprehensive research on Saudization from all stakeholder's view and practice is unavailable and almost never backed up by fieldwork. As for the cultural and social limitations that faced this research, they were mostly reflected in some participants' lack of appreciation and willingness to give an open viewpoint on the policy of Saudization. Policy makers, the private sector and the workers representatives are subject to the Saudi cultural attitude of not criticizing those in power. Government employees fear echoing an opinion different than that of the decision makers because it is politically incorrect in Saudi Arabia to do so and may have more serious consequences. The private sector is not free to discuss their actual level of cooperation with the policy's rules to avoid penalties and upsetting the policy makers. As for the national workers who already face the '*shame*' of unemployment, they too will not object publically to the policy's shortcomings as a cultural norm and will channel their frustration into blaming the private sector's greed and lack of patriotism in continuing to favour hiring expatriates to Saudi nationals.

Suggestions for further research include:

The researcher recommends studies of different sectors of the economy's needs of labour. The Saudi labour's future will benefit from the outcome of research on the different sectors requirement of specialized labour and the outcome will certainly encourage the policy makers and private investors to respond in terms of providing youth with those educational needs.

This study also suggests that research be conducted to apply successful experiences of human capital development via open forum and rethinking educational programmes to the Saudi educational and vocational targets. The Singapore experience of government commitment engaging in forums with the private sector and how this contributed to the thriving of their social growth and economic performance is a good example. The Malaysians (another example), restructured and re-invented educational systems three times in two decades before reaching the results planned over two decades. Saudi Arabia's development of human capital could be guided by those examples and other successful experiences.

Another suggestion I would like to make is studies on how to better activate the media engines to serve the purposes of building a work ethic and an appreciation to the value of all types of occupation currently not in demand by young unemployed nationals.

Last, this research suggests improving the quality and accessibility of government websites for better research use and improved general public awareness of the labour situation.

Recommendations for the policy

This study examined the process of Saudization as a solution for high unemployment rate among Saudi nationals and a way to restructure the imbalances of the Saudi Labour Market. It is evident that the Saudi government has regarded Saudization as an immediate fix for high unemployment levels among Saudi youth. The emphasis the policy makers have put on this programme in the last decade to ensure that the private sector shelters large numbers of workers only goes to show the desperation of the policymakers. Methods used to enforce Saudization including unrealistic quotas of hiring nationals, the many attempts at restricting jobs to expatriates and the ban on visa issuing to recruit expatriate labour, all go to further prove how far the pressure is on the government to deal with unemployment. The HRDF is another means to highlight how far the policy makers are willing to invest to make Saudization a reality.

In order for Saudization to succeed in due time, all stakeholders: the policy makers, the private sector and the workers, must be encouraged to establish a channel of communication and open forum led by the Saudi government. The policy's targets must be re-evaluated in the light of the last ten year's outcome and re-set realistic goals to be met within a plausible time period.

All economic and political efforts have a direct impact on education, training policies and management. A review of the curriculum of Saudi schools, its relevance and correlation to the labour market demands has to be the centre of attention for the next two decades. The policy makers would benefit tremendously from re-structuring the education, higher education and vocational programmes in Saudi Arabia to set up adequate educational systems based on the needs of the labour market and away from centralism, bureaucracy and difficulties in licensing. Reputable international educational entities must be invited,

encouraged and licensed to contribute to the qualification of Saudi youth with restrictions only on quality and universal accreditation. Twinning programmes such as exist in Malaysia, another Muslim nation, should be an example to follow when aiming at tapping into the human capital of the country via quality training. For the outcome of the Saudi educational system to improve, the environment as a whole has to be taken into consideration.

Open forum among policy makers, representatives of business leaders on a national level and educators to rewrite and execute the targets of the policy. In addition, targets of human capital development and an increased awareness of the future labour market needs must be integrated into the public's life via trained teachers, religious figures and the media to serve a more holistic lasting outcome.

Furthermore, Saudi Arabia must put emphasis on the importance of re-evaluating the labour market policies in the light of a new education and vocational system inviting change.

Saudi Arabia is embarking on a critical new stage of economic and populace growth that would benefit greatly from an open channel of communication between the policy makers and youth. A planned change towards modernization, openness and the reality of today's world is a necessity to achieve visible and measurable effect over the next generation not just for young Saudis to become more involved in their national labour market, but also for an overall adjustment to the demands of a rapidly changing world.

Appendix I

List of Manpower Restricted to Saudis

1. Cashier
2. Storekeeper
3. Librarian
4. Home appliances salesman
5. Auto Decoration item salesman
6. Home ware seller
7. General home appliances and wares salesman
8. Video tape salesman
9. Textile salesman
10. Shoe salesman
11. Discounted goods salesman
12. Tent seller
13. Paint and dyes salesman
14. Cold chicken salesman
15. Flowers and Gifts seller
16. Watch seller
17. Children game seller
18. Women Abaya seller
19. Perfume seller
20. Aoud (perfume) seller
21. Stationary seller
22. Furniture seller
23. Telephone, mobiles and sets seller
24. Cafeteria and buffet Seller at the school and government bodies
25. Seller at Kiosks and commercial compounds
26. Ticket seller
27. Dates seller
28. Artificial jewels seller
29. Golden jeweller seller
30. Silver jewels seller
31. Vegetable and fruit seller
32. Spices and herbs seller
33. Seller at the events shops
34. Seller at auto used spare parts shops
35. Seller at the new auto spare parts
36. Book seller
37. Sewing item seller
38. Jewels seller
39. Auto exhibition seller
40. Children cloth seller
41. Men cloth seller
42. Women cloth seller
43. Plumbing and building item seller
44. Security guard
45. Guard
46. Lock guard
47. Military cloth sewer

48. Auto vehicle driver
49. Secretary
50. Secretary and short hand writer
51. Land and real estate broker
52. Cashier
53. Public relations officer
54. Telegram telecom clerk
55. Mail telecom clerk
56. Telephone telecom clerk
57. Charges clerk
58. Statistics clerk
59. Civil status clerk
60. General administration clerk
61. Literary clerk
62. Data entry clerk
63. Technical catalogue clerk
64. Tourist information clerk
65. Public information clerk
66. Hotel reception clerk
67. Patient reception clerk
68. Cargo receipt clerk
69. Debentures and share clerk
70. Production clerk
71. Trial and auditing clerk
72. Travel auto rent clerk
73. Insurance clerk
74. Social insurance clerk
75. File editing clerk
76. Material planning clerk
77. Customs clearance clerk
78. Auditing and signature verifier
79. Travel ticket clerk
80. Coding clerk
81. Land and real estate registration clerk
82. Student affair registration clerk
83. Birth registration clerk
84. Death registration clerk
85. Documentation verification clerk
86. Cost clerk
87. Telex clerk
88. Employment clerk
89. Customs clerk
90. Nationality clerk
91. Travel booking clerk
92. Charges booking clerk
93. Luggage service clerk
94. Stevedoring services clerk
95. Time keeping clerk
96. Senior and dialogue writer
97. Personnel affairs clerk
98. Legal affair clerk
99. Personnel clerk

100. Journalist
101. Notary clerk
102. Public relations clerk
103. Book keeping clerk
104. Financial clerk
105. Follow up clerk
106. Advocate clerk
107. Court clerk
108. Bank clerk
109. Library clerk
110. File clerk
111. Incoming and outgoing clerk
112. Personnel identification clerk
113. PABAX operation
114. Procurement office
115. Cashier
116. Debit collector
117. Arabic typist
118. Academic affairs manager
119. Credit manager
120. Research and study manager
121. Telecomm manager
122. Historic antiquities manager
123. Press department manager
124. Broadcast manager
125. Investment manager
126. Operation and public utilities manager
127. Media manager
128. Banking business manager
129. Insurance business manager
130. Admin manager research and development manager
131. Advertising and public relations manager
132. Production manager
133. Radio and TV. Production manager
134. Movie production manager
135. Theatre (stage) production manager
136. Mail manager
137. Hospitality Home Manager
138. Commercial manager
139. Editing manager
140. Planning manager
141. Marketing manager
142. Movie camera man
143. TV manager
144. University director
145. Society director
146. Accounts and budget manager
147. Social welfare manager
148. Sport and youth manager
149. Social affairs manager
150. Economic and commerce manager
151. Rural and Municipal affairs manager

152. Cultural and media affairs manager
153. Agricultural and irrigation affairs manager
154. Health affairs manager
155. Industrial affairs manager
156. Labour and workmen affairs manager
157. Court and justice affair manager
158. Financial and accounting affairs manager
159. Personnel affairs manager
160. Maintenance manager
161. Printing and publication manager
162. Personnel relations manger
163. Industrial relations manager
164. Public relation manager
165. Operations manager
166. Manager , chamber of commerce and industry
167. Hotel manager
168. Retail manager
169. Electrical manager
170. Sales manager
171. Follow up manager
172. Museum manager
173. Fast food store manager
174. Store manager
175. Test lab manager
176. Scholl manager
177. Industrial city manager
178. Farm manager
179. Animal breeding farm manager
180. Poultry farm manager
181. Hospital manager
182. Veterinary hospital manager
183. Polyclinic manager
184. Polyclinic manager
185. Theatre manager
186. Projects manager
187. Procurement manager
188. Telecom projects manager
189. Project manager, Business Services
190. Transport project manager
191. Factory manager
192. Airport manager
193. Restaurant manager
194. Restaurant or coffee shop manager
195. Institute manager
196. Laundry manager
197. Library manager
198. Water and sanitary drainage manager
199. Port manager
200. Club manager
201. Marine transport manager
202. Land transport manager
203. Air transport manager

- 204. Telephone manager
- 205. Industrial cooling workshops manager
- 206. Travel agency manager
- 207. Correspondent
- 208. TV antennae fixer
- 209. Admin assistant
- 210. Data recorder
- 211. Land transport manager
- 212. Housing (Camp) supervisor
- 213. Printing and copying operator
- 214. Expeditor
- 215. Land passenger transport service inspector
- 216. Receptionist
- 217. Sale and lease of land transport manager
- 218. Customs clearance agent
- 219. Land transport shipping broker

Appendix II

Useful web links

AMEinfo Middle East business and financial news, directory and current events.

www.ameinfo.com

Central Department of Statistics and Information is the principal agency in the Kingdom for the collection, analysis and distribution of statistical information.

www.cdsi.gov.sa

CIA, 'World Factbook' (Saudi Arabia) US government profiles of countries and territories around the *world*. Information on geography, people, government, transportation, economy, communications, etc..

[www.cia.gov.library/publications/the-world-factbook/geos/sa.html](http://www.cia.gov/library/publications/the-world-factbook/geos/sa.html)

IMF (International Monetary Fund). Material about Saudi Arabia and its activities with the *IMF*.

www.imf.org/external/country/sau/index.htm

Index Mundi the online most complete country profiles, detailed country statistics, charts, and maps compiled from multiple sources.

www.indexmundi.com

Library of Congress: Saudi Arabia Country Study. The Library of Congress is the USA oldest federal cultural institution and serves as the research arm of Congress. It is also the largest library in the world. In the Country Study Section it offers an overview of life, history, and culture of various countries.

<http://countrystudies.us/saudi-arabia/>

Library of Economy and Liberty is a free online library of economics books and articles. It supplies educational resources of economic thought. Econlib hosts several different resources including daily, weekly, and monthly articles, podcasts, and blog items, all by economists. Their archives include over 100 economics books and essays.

www.econlib.org/

Middle East and North Africa Financial Network. Middle East and North Africa - MENA - financial markets reports, company and legal data, daily stock and index prices information.

www.menafin.com

Migration Information Source. It is a list of country resource pages catalogues and analysis of migration experiences of many countries around the world.

www.migrationinformation.org

Ministry of Education – Saudi Arabia

www.moe.gov.sa

Ministry Of Higher Education – Saudi Arabia

www.mohe.gov.sa

NCB the National Commercial Bank is the most prominent of Saudi banks and was the first bank established in Saudi Arabia.

<http://www.alahli.com/index.asp>

The International Journal of Human Resources Management is a forum for HRM scholars

and professionals worldwide. It provides encourages focused articles on a wide range of issues including employee participation, human resource flow, reward systems and high commitment work systems. It is an essential publication examining all management decisions that affect the relationship between an organization and its employees

<http://www.informaworld.com/smpp/title~content=t713702518>

SAMA (Saudi Arabian Monetary Agency). The Agency acts as the central government bank. The website offers information on the development of the Kingdom's banking system. And the country management of foreign assets, inside and outside of the Kingdom.

<http://www.sama.gov.sa>

SAMIRAD the Saudi Arabia Market Information Resource and Directory is the gateway to comprehensive, up-to-date information on Saudi Arabia for those conducting business.

www.saudinf.com

SAGIA the Saudi Arabian General Investment Authority, created in 2000, is responsible for managing the investment environment in the Kingdom.

www.sagia.gov.sa

Saudi Arabia, Ministry of Economy and Planning. The website of the Ministry provides information and news on the development and economic planning of the country.

<http://www.mep.gov.sa/>

Saudi Government Electronic Portal. It is the Saudi E-Government Portal which provides full information about the government services, organization, agencies, regulation and bylaws, national plans and government initiatives.

www.saudi.gov.sa

UNDP United Nations Development Programme

www.undp.org

Appendix III

Suggested Saudization Plan of the Gold and Jewellery Market 2009 - 2018

Year	Programme	Outcome
2009	The labour market representatives meet with the private gold and jewellery sector / They meet with expert and trainers [authorities in the field]	<ul style="list-style-type: none"> • A detailed understanding of field's expertise requirement. • An educational training plan reflecting the above is drawn up • HRDF and designated committee funds plan in action within 8 months
2010	Government starts a public campaign via media, schools and among High School educators	<ul style="list-style-type: none"> • Boys and girls aged 16-18 are selected or invited, or channeled into starting their education in the gold and jewelry field 2 year and 4 year degrees are offered
2011	Government continues the public campaign via media, schools and among High School educators	<ul style="list-style-type: none"> • Policymakers, representatives of this specific sector and specialized trainers assess the progress and outcome of the programme. • Necessary adjustments are in place, if required
2012	Government continues the public campaign via media, schools and among High School educators	
2013	Government continues the public campaign via media, schools and among High School educators	<ul style="list-style-type: none"> • Graduation of the first wave 2-year diploma graduates commences working in the sector.
2014	Government continues the public campaign via media, schools and among High School educators	<ul style="list-style-type: none"> • Graduation of the second wave of 2-year diploma graduates commences working in the sector.
2015	Government continues a public campaign via media, schools and among High School educators portraying their success, lifestyle and income.	<ul style="list-style-type: none"> • 4-year degree graduates commence working in the sector. • A group of the 4 year graduates will gain practical experience for two years in the trade before they are invited or encouraged to pursue an additional certification to become trainers themselves
2018		<ul style="list-style-type: none"> • 90% Saudization is achieved in the gold and jewellery trade and education sector.

Glossary

Ba'thism The Arabic word *Ba'ath* means "renaissance" or "resurrection" as in the party's founder Michel Aflaq's published works "On The Way Of Resurrection" in the 1940s. Ba'athist beliefs combine Arab Socialism, nationalism, and Pan-Arabism. It functioned as a pan-Arab party with branches in different Arab countries, but was strongest in Syria and Iraq in the 1960s.

Bid'a In Arabic translates to "novelty". In religious puritan teachings it has the connotation of a heresy which applies to a wide range of practices and personal choice that goes outside the traditional religious norm.

Dutch Disease is an economic concept that tries to explain the apparent relationship between the exploitation of natural resources and a decline in the manufacturing sector combined. The theory is that an increase in revenues from natural resources will de-industrialise a nation's economy by raising the exchange rate, which makes the manufacturing sector less competitive and public services entangled with business interests.

Eid Is an Arabic word meaning "festivity" is a Muslim holiday that marks the end of Ramadan, the Islamic holy month of fasting and emend of the Pilgrimage (Hajj).

Hajj is one of the five pillars of Islam, a once in a lifetime pilgrimage to Mecca, to those who can afford it.

Hijaz In Arabic, Hejaz means literally "the barrier" as it separates the land of Najd in the east from the land of Tihamah in the west. Hijaz is a region in the west of present-day Saudi Arabia better known for the Islamic holy cities of Mecca and Medina.

Ibda' Innovation and creativity

Ikhwan "brothers" in Arabic, it was the tribal military force formed by the *muttawa* and dedicated to fighting in the name of Jihad.

Jihad In Arabic translates as Holy war, it is also one of the pillars of Islam, usually misinterpreted, it is actually an act of correction and self-defence.

Jizya Head poll tax that early Islamic rulers demanded from their non-Muslim subjects

Kaaba Also Ka'bah is a shrine located in the centre of the holy Mosque in Mecca. According Qur'an, the Kaaba was first built by Adam. Ibrahim and Ismail rebuilt the Kaaba on the old foundations. Moslems around the world face to Kaaba during prayers and pay pilgrimage once a life time if able. Pre Islam, Christian and pagan tribes from all around the Arabian Peninsula would converge on Mecca to perform pilgrimage.

Mahram/s Male next of kin

Majlis Court.

Masar Job Market Fair

Mua'ggeb In Arabic is a word for 'the person who follows up'; the word refers to the job of liaising between private companies and the government.

Muttawa Najdi religious specialist/volunteer

Rentierism A rentier state is a term in political science and international relations theory used to classify those states, which derive all, or a substantial portion of their national revenues from the rent of indigenous resources to external clients. The term is most frequently applied to states rich in highly valued natural resources such as petroleum.

Shari'a linguistically "way" or "path", in Islam it represent the body of religious law; *Shari'a* deals with many aspects of day-to-day life, including politics, economics, banking, business, contracts, family, sexuality, hygiene, and social issues.

Shi'a is the second largest denomination of Islam, after Sunni Islam. Shi'a Muslims further believe that Ali, Muhammad's cousin and son-in-law, was the first of these Imams and was

the rightful successor to Muhammad and thus reject the legitimacy of the first three Rashidun caliphs.

Al-Shu'ba al-Siyasiyya Political Committee

Shura Is the Arabic word for "consultation". It is believed to be the method by which pre-Islamic Arabian tribes selected leaders and made major decisions, and is a word often used to name political councils in Muslim-majority countries.

Ta'at woulaat al-amr the concept of obediently following the ruler.

Wahhabism Is a puritan form of Sunni Islam attributed to Muhammad Ibn Abd-al-Wahhab, an 18th century scholar from what is today known as Saudi Arabia.

Zakat "alms for the poor" is the Islamic principle of giving a percentage of one's income to charity

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