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A Framework for Assessing the Quality and Effectiveness of A National Employment System: A Case Study of Saudi Arabia

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A FRAMEWORK FOR ASSESSING THE QUALITY AND EFFECTIVENESS OF A NATIONAL EMPLOYMENT SYSTEM: A CASE STUDY OF SAUDI ARABIA

by

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ABSTRACT

National employment systems have been established in several countries to tackle the unemployment dilemma between citizens while the labor market flooded by expatriates. Lack of performance measurement indices among these systems caused failure to provide jobs to citizens and caused a state of confusion and dissatisfaction among employing entities. In Saudi Arabia, unemployment rate has increased in the last few decades and have since become a very political issue for the Saudi government. Compared to other countries, the problem is different since many expatriates in Saudi Arabia are already employed in their markets while citizens are seeking jobs. In Saudi Arabia, there are 1.4 million unemployed citizens and 8 million expatriates working in the Saudi labor market. In 2011, the Saudi government established a new project for boosting citizen's employment in the private sector. This project has initiated an employment system that divides organizations into four categories (or rankings) based on their performance in employing Saudi citizens' job seekers. Organizations in the Saudi private sector are allocated services from Ministry of Labor depending on their ranking in the system. Consequently, there are mixed reactions from social and economic groups toward the system's significant impact on increasing the number of national (citizen) workers in the labor market.

This study develops a framework to assess the quality and effectiveness of this government employment system and how the private sector has been affected after its implementation. The framework proposes a national employment index to help government leaders manage the labor market and reduce the unemployment rate. In addition, the framework is proposing employers satisfaction index to assist in improving the cooperation between

government and private sector. Finally, the study demonstrates the various advantages and disadvantages of this concept and proposes solutions to improve the national employment system's quality and effectiveness.

I dedicate this effort to everyone has supported me on my PhD journey

To my greatest father who passed away before the end of my PhD journey

To my greatest mother who always supports and empowers me

My lovely wife who has been standing with me from the beginning of this journey

My lovely daughter Tala, who inspired me to work hard

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TABLE OF CONTENTS

LIST OF FIGURES

LIST OF TABLES

LIST OF ACRONYMS/ABBREVIATIONS

Expatriates: Foreign workers

GCC: Gulf Cooperation Council (Saudi Arabia, Kuwait, Bahrain, Qatar, Oman and United Arab of Emirates)

MoL: Ministry of Labor in Saudi Arabia

Saudization Program: Employing Saudi citizens in the private sector

Saudization Quotas: The percentage of Saudi workers compared to the total number in the workforce of each organization

The Nitaqat (Ranges): The new government-sponsored project for enhancing the localization of employment.

CHAPTER 1 INTRODUCTION

1.1 Introduction

Unemployment is critical problem facing most governments around the world. It is a complex issue related to political, social and economic factors. Unemployment impacts, both directly and indirectly, the community and its security in a negative way. Indeed, as those unemployed cannot afford the basic needs for themselves and their dependents, high unemployment generally results in an increase in crime and may reduce the everyday importance of ethical values. President Bill Clinton supported this belief, stating, "I do not believe we can repair the basic fabric of society until people who are willing to work have work. Work organizes life. It gives structure and discipline to life" (cited in Rasco, 1996, p.10). Generally, there are many factors that influence unemployment rate such as economic status of the country, qualifications of the workforce and level of education of the workforce. In countries like Saudi Arabia, where high unemployment exists and a huge number of expatriates are working in the private sector, the private sector plays a strong role in resolving unemployment dilemmas by cooperating with government agencies to create more jobs for local job seekers.

Because the unemployment rate has increased in Saudi Arabia in the last few decades, resolving this issue has become the most important matter for the Saudi Ministry of Labor (MoL). The unemployment problem in Saudi Arabia and members of the Gulf Countries Council (GCC) is distinct from that of other countries since, as mentioned above; many expatriates are working in their markets while their citizens are looking for a job. Compounding this problem is the fact that employers in the private sector prefer expatriates to local employees and those Saudi

job seekers prefer working in the government sector, which is already fully occupied (Aldosary, 2006). According to Adel Fakeih (2012), the current Minister of Labor in Saudi Arabia, there are 8 million expatriates working in the Saudi market versus 1.4 million citizens unemployed. Two thirds of the unemployed citizens are females (Fakeih, 2012). At the same time, according to the MoL Statistical Yearbook 2011, the total Saudi labor force in the private sector is 724,655. Gender-wise, the Saudi labor force is overwhelming male, consisting of 92% of the total labor force. Obviously, this indicates a lack of job opportunities for females in the Saudi labor market. Over the past decades, the MoL adopted several programs to tackle the unemployment dilemma and increase the Saudi labor force in the private sector. However, these programs did not achieve their goal due to several issues described in the second chapter of this research. As a result, in late 2011, the MoL launched a new project called Nitaqat to enhance the percentage of Saudi workers in the private sector. Nitaqat was implemented to replace the Saudization program, the main program used previously to boost the number of Saudi employees in the private sector. The percentage of Saudization - the percent of Saudi employees compared to the total number of organization employees- is used by Nitaqat to measure nationalization of employment in each organization. Nitaqat requires organizations working in the private sector to achieve specific quotas for employing Saudis workers based on the averages of Saudization percentage achievement in 2010 (Fakeih, 2012). The Nitaqat divided the organizations working in the private sector into fifty one industries, and each industry was divided into five workforce sizes: micro, small, medium, large and mega. The Nitaqat approach aims to compare each organization's achievement in workforce nationalization to the others in the same industry and with the same workforce size in order to be fair, unlike previous Saudization projects that required each organization to the have same Saudization percentage in the workforce, no matter

the industry or workforce size (Fakeih, 2012). This means that the Nitaqat project evaluates private sector entities (organizations) based on their localization of employment performance. Entities are segmented into one of four categories -- Platinum, Green, Yellow and Red -- according to their performance. Entities achieving exceptional nationalization performance in 2010 were coded platinum and those achieving above average were coded green. Organizations in the platinum and green ranges represent the top half of entities within the same work industry and with the same workforce size. On the other hand, a yellow range rating indicates below average performance in terms of jobs nationalization. Entities in the red range have achieved poor nationalization performance, and they represent the worst five percent of entities within the same industry and with the same workforce size (Fakeih 2012). Since the inception of the Nitaqat project, no attempt has been made to evaluate its impact on nationalization of employment in the Saudi private sector. Moreover, a review of the relevant literature reveals a lack of performance measurement models focusing on the effectiveness of programs created to encourage nationalization of employment in the private sector.

The purpose of this study is to develop a framework for assessing the quality and effectiveness of a national employment system in the private sector using the Saudi-government-sponsored project for nationalization of jobs as a case study. This study examines Nitaqat and assesses its impact on the organizations working in the private sector as well as how job nationalization percentages have been affected since the project's implementation. The framework proposes a national employment index to help government leaders manage the labor market and reduce the unemployment rate. The index also can assist young Saudi job seekers to

better understand job market needs and help the private sector effectively match their needs with the available resources.

1.2 Problem statement

Unemployment is a global issue. Because high unemployment threatens the well-being of the population and the national economy, governments around the world strive to keep unemployment under 10% (Al-Dosary, Rahman, & Aina, 2006). However, in Saudi Arabia the unemployment rate is 12.5 % (Saudi Statistical Year Book 2012). In addition, there are approximately eight million foreign workers in the private sector while there are 1.4 million citizens looking for jobs (Fakeih, 2012). Previous work related to employment performance measurements focuses mainly on assessing the unemployment rate and quality of work in general. Although labor market indicators can be found in the literature reviews, evaluation of the effectiveness of nationalization programs in the private sector and private sector organizations' perspective with respect to replacing expatriates with local workers has not been examined by previous studies using specific key performance indicators that stated their performance and views in a national employment index.

As mentioned above, this study uses the National Saudi Employment System (NSES)-Nitaqat as a case study. The Nitaqat project has fundamentally changed Saudi labor market regulations. Since 2011, this new project has been facing a strong resistance from the private sector. The private sector claims that the Nitaqat project is affecting the market negatively and may diminish small businesses. On the other hand, job seekers and a group of private sector leaders have demonstrated support for the Nitaqat approach as an effective way to tackle the

unemployment rate. However, until now, no scientific research has tested the project's impact on the private sector. After the implementation of the Nitaqat project many organizations were able to achieve the required percentage of workforce nationalization while other organizations could not reach the green and platinum ranges. This indicates the organizations working in the Saudi market were not affected equally by the new labor market reform. The Saudi market is suffering from lack of performance measurement indicators to evaluate and provide information to the decision makers, employers and job seekers that could help the policy to achieve more equity. Hence, this research investigates the quality and effectiveness of this policy and how it has affected the private sector. It assesses the project's success by pointing out its strengths and weaknesses, seeking to demonstrate ways it can be made more effective in achieving its goals: to reduce the unemployment rate and improve Saudi job seekers' chances at employment.

1.3 Research Objectives

The objective of this research is to develop a framework for assessing the impact of the NSES-Nitaqat project on the private sector and its ability to hire Saudi citizens to achieve the employment quotas set by the Saudi government. It also investigates the reluctance of the private sector to employing local workers to clarify how Nitaqat can tackle the issue effectively without having a negative impact on private sector profitability. The framework offers performance indicators to the Ministry of Labor that can be used to reduce the undesirable effects of Nitaqat on the private sector, resulting in a win-win situation for both the private sector and the MoL. It may also increase the government efficiency in reducing unemployment short and long term and

assist the organizations working in the private sector to contribute effectively to the community by recruiting local manpower. In short, the objectives of this research are:

- To develop a framework for assessing the quality (efficacy) and effectiveness of a national employment system
- To investigate the employers' perspectives (VoC) on obstacles to the implementation of a national employment system (Nitaqat).
- To evaluate the efficacy of Nitaqat in boosting citizen employment in the private sector

1.4 Research Questions

In order to build a framework that studies and assesses the effectiveness of the Nitaqat project on the organizations working in the Saudi private sector, this research aims to find the answers to the following questions:

- What are critical factors that impact the efficacy of Nitaqat? (Prioritize the most significant factors affecting the efficacy of the national employment system)
- What are employers' perspectives or concern on meeting government quotas (VoC)? (Explore and report advantages & shortcomings)
- What is the efficacy of Nitaqat? (Impact of national employment system on the private sector)

1.5 Contributions of this Research

This research contributes to existing knowledge by proposing a framework for assessing the quality and effectiveness of boosting citizen employment in the private sector using the Saudi government-sponsored project as a case study. The developed framework assesses the impact of the national employment system on the private sector and explores the different reactions of the organizations regarding the system requirements. The research investigates the root cause of the paradox of a high unemployment rate in the largest oil exporting country in the world. It identifies the obstacles and challenges to creating increases in the employment of nationals by businesses in the private sector after Nitaqat project implementation and provides recommendations to remove these obstacles. The research also provides recommendations to the MoL and the private sector on how to integrate their efforts to deal with unemployment issues. Indeed, the research proposes a new national employment system be used as a performance measurement for private sector reaction toward localization of jobs. The research provides a structure for a Saudi national employment index that can assist decision makers in managing, mentoring and controlling the labor market. The Saudi government can rely on the index to track changes in the needs of individual regions or industries over time; job seekers can use the index to learn market needs; and students can use the index to choose their education track based on a market analysis. The framework, with minor modifications, may also be used to evaluate other countries' national employment systems. It provides governments with a way to evaluate their policies and amend them to achieve better outcomes.

CHAPTER 2 LITERATURE REVIEW

2.1 Introduction

This chapter is a summary of the published material related to national employment systems and labor market indices. Since this research is using the Saudi labor market as a case study, the initiatives of the Saudi government in localization of jobs (Saudization) and workforce development are examined in depth. This chapter includes a review of the history of the Saudi workforce and Saudi unemployment issues, a discussion of how the Ministry of Labor has acted to reduce the unemployment rate by encouraging the private sector to employ Saudis, an investigation into the reasons behind the failure of these initiatives and a look at the impact of unemployment on the Saudi economy. In addition, it discusses other countries' steps toward national employment system and how their governments acted to ensure that their national laborers got "good jobs" and were more attractive to employers than foreign laborers.

2.2 Saudi Labor Market

According to the International Labor Organization (ILO), the labor market is the market where workers compete for jobs and employers compete for qualified workers under control of government policies and procedures (Alsarhani, 2010). The Ministry of Labor in Saudi Arabia classifies persons as unemployed if they do not have a job when they are willing to work (Fakeih, 2011). The Saudi labor market is segmented into public and private sectors, into nationals and non-nationals (Alsarhani, 2010). The segmentation of the labor market influences a number of factors. Conceivably most important among them is the differences in wage and non-wage benefits between the public and private sector, even for comparable skills, and between

nationals and non-nationals employed in the same sector. Nationals and non-nationals of similar qualifications typically follow different career ladders, and certain positions are reserved for nationals, even in the private sector (Sadi & Al-Buraey, 2009). Straight comparisons between private sector and public sector wages are difficult because of very dissimilar market structures between the two sectors and a lack of relevant data on the public sector (Lam, 2008). The government intends to achieve a fair relationship between private sector employers and workers by applying certain regulations. Besides that, the government develops rules to ensure that the labor market absorbs the local job seekers (Alsarhani, 2010).

In Saudi Arabia, the work force has a number of unique aspects. The clearest difference among Saudi Arabia's workers and that of most other nations is the relative size of the expatriate workforce. According to Adel Fakeih (2012), there are nearly two unemployed Saudi workers to every ten foreigners working in the private sector. In total, according to the MoL Statistical Yearbook (2012), 724,655 Saudis are working in the private sector, of which 2.06% are women. This is a fairly small number compared to the number of women in the workforce worldwide (MoL, Statistical Yearbook 2012).

2.3 Unemployment in Saudi Arabia

The unemployment rate has increased gradually in Saudi Arabia over the last two decades. According the Saudi Annual Statistical Yearbook (2012), the unemployment rate of the country that has more than a quarter of the world's oil reserves and is the largest exporting oil country in the world is 12.50 %. The root cause of this problem started when the country discovered the oil in 1940, which required well qualified workers to help in developing the

infrastructure. Throughout the early years of the country's growth, it was obvious that the Kingdom's inhabitants and the range of its nationwide workforce were inadequate to meet the complete manpower needs of the rapidly developing economy (Al-Shammari, 2009).

Recognizing this limitation, the development polices in the early stages called for importing as many foreign workers as were required to facilitate execution of the Kingdom's development objectives (Al-Shammari, 2009). At this time, the basics of the economic infrastructure development were established, such as house and building manufacture, roads, airports, petrochemical industries, energy production, communication networks, water desalination, schools, and hospitals (fifth development plan, Ministry of Planning 2001). After that, dependence on imported foreign labor increased noticeably every year. As a result, around eight million foreigners are now working in the Saudi market (Fakeih, 2011).

The Ministry of Labor has developed several strategies to reduce the unemployment rate, many of which include forcing the private sector to recruit Saudi workers (Baqadir, Patrick, & Burns, 2011). The MoL began by nationalizing specific careers such as administrator jobs, accountants and human resource specialists. Then the Ministry of Labor started another strategy called "The Saudization" (Sadi & Al-Buraey, 2009) . In this strategy, the MoL require all the companies that are working in the Saudi market to achieve 5% percent of Saudization every year to reach 30% after six years (Looney, 2004). Unfortunately, these initiatives could not achieve their goals as many organizations did not reach 30% due to the lack of skills, experience and willingness of local workers to take certain job offers (Al-Dosary & Rahman, 2005). Therefore, the MoL launched another Saudization strategy requiring the private sector to achieve specific quotas for different sectors (Sadi & Al-Buraey, 2009). Even though this strategy of different

quotas achieved better results than the previous one, organizations again could not reach the required Saudization percentages due to the high quotas required and lack of qualified local workers (Alsarhani, 2010). In brief, unemployment continues due to the reluctance of the private sector to recruiting local workers and preference of hiring foreigners as they will have better qualifications and are willing to accept lower wages as well as to work long hours.

2.4 Jobs Nationalization in the Gulf Cooperation Council

The Gulf Cooperation Council (GCC) is a long-standing regional organization comprising six countries located in the Arabian Gulf: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates. Over the past 30 years, Saudi Arabia, along with the rest of the GCC countries as a group, has recorded one of the highest rates of population increase in the world - averaging 5 percent a year from 1970-2000; this takes into account the high rate of increase in the original population as well as the large influx of immigrant workers (Baldwin-Edwards, 2011). The rapid economic growth in these countries encouraged the GCC countries to open their doors to service and manufacturing industries (Kapiszewski, 2006). This opportunity required many jobs in different sectors to be filled by foreign labor as the local manpower was unable or unwilling to meet these jobs' requirements. This further led to a prevalence of foreign labor (Kapiszewski, 2006). In fact, the majority of local workers declined to take on any kind of low wages occupations as administrative, specialized, and government jobs are considered more impressive (Mashood, Verhoeven, & Chansarkar, 2009). In the GCC countries, the overall female contribution rate remains low as well, despite the increasing number of educated and competent women, due to social restrictions (Bradley, 2003). Table 1 shows the changes in the

unemployment rates of the GCC countries in 1974, 2002 and 2012 (Al-Ali, 2008) (statistical book in each country, 2012).

Table 1 GCC unemployment rate

Country	Unemployment rate in 1974	Unemployment rate in 2002	Unemployment rate in 2012
Bahrain	3.9%	14%	15%
Kuwait	1.0%	5%	9%
Oman	13%	17%	15%
Qatar	-	3.9%	3%
Saudi Arabia	5.4%	9.7%	12.5%
United Arab of Emirates	1.9%	11.9%	10%

Saudi Arabia, and the rest of the GCC countries, has turned out to be a major exporter of natural resources and a capital and major importer of retail goods and labor (Kapiszewski, 2006). High oil prices in the 1970s and the early 1980s were linked with periods of quick economic development together with huge fiscal and outside current account surpluses (Delaney & Huselid, 1996). This permitted the GCC to get on board with well-defined investment programs to build up its corporal and social communications and expand its production base (Baldwin-Edwards, 2011). The service sector began to emerge as the main donor to non-oil financial activity and as the major source of new demand for labor (Calvert & Al-Shetaiwi, 2002). During the second half of the 1980s with the continued diminishing of oil prices, economic conditions

destabilized, and a large inner and outer financial inequity emerged, prompting the GCC governments to apply adjustment policies primarily involving considerable cuts in expenditure (Calvert & Al-Shetaiwi, 2002).

The United Arab Emirates (UAE), like other GCC members, is suffering from the unemployment of Emirati nationals while the labor market has been flooded by expatriates. The UAE labor market contains only nine percent local employees in the public sector and one percent in the private sector (Al-Ali, 2008). That means only around ten percent of Emirati labor contributes to the workforce. Like the Saudi MoL, the UAE government has established pro-national labor policies to enhance employing Emiratis called "Emiratisation". The UAE government has used the Emiratisation program to replace expatriates with nationals (Al-Ali, 2008). The Emiratisation is also using the quota system to control the number of non-national employees in the country and taxing employers of expatriates to provide training to local employees (Kapiszewski, 2006). Jasim Al-Ali (2008) argues that the Emiratisation faces a variety of challenges in their efforts to reduce the unemployment rate such as local job seekers lacking adequate qualifications and high wages given to Emirati employees compared to expatriates.

In Bahrain, which has the highest rate of unemployment among GCC countries, the government established a program called "Bahrainisation" to force the private sector to employ local workers. The program aims to increase the cost of hiring non-Bahrainis workers compared to local employees. Employers who want to hire foreign workers need to pay a high monthly fee for renewal work permits, around $316 for each non-local employee (Al-Ali, 2008). Like Saudization, the Bahrainisation policy implemented specific quotas for employing non-Bahrainis

to control the inflow of non-national workers in the private sector. Employers in the private sector need to meet the required percentage of Bahraini employees to be able to request working visas for non-Bahrainis (Fasano & Goyal, 2004). In the same way, the government planned to decrease the cost of hiring Bahrainis in the private sector (Al-Ali, 2008).

"Omanization" is another nationalization of jobs program, used in Oman to replace expatriate workers with qualified local labor. The Ministry of Manpower in Oman established a strategy of providing vocational training to national job seekers to improve their skills and qualifications (Swailes, Al Said, & Al Fahdi, 2012). Private sector employers hire local workers through an 'in-training' contract with the Ministry of Manpower for a specific period of time (Swailes et al., 2012) . However, a mismatch still exists between market needs and the output of these educational institutes (Kapiszewski, 2006).

Qatar has also developed a program to increase the number of local workers in the labor market and to replace the expatriates with well-qualified Qataries. However, Maryam Al-subaie argues that "Qatarization" has ignored external factors that affect the nationalization program such as the fact that, as in Oman, the education system is not aligned with labor market needs (Al-Subaiey, 2011). Indeed, Qatar's huge infrastructure projects still require use of foreign labor to substitute for the lack of qualified national workers (Alshorr, 2011). The Qatarization program focuses on providing technical and vocational education for local workers as well, in addition to encouraging employers to provide on-the-job training to provide workers with the market skills needed (Al-Subaiey, 2011).

In Kuwait, the government started a nationalization policy called "Kuwaitization" in the public sector, aiming to replace expatriates working in the government with Kuwaiti workers

(Salih, 2010). The replacement rate was set to be ten percent per year to localize public sector employees. Similarly, Kuwaitization set a goal to localize the private sector by increasing the percentage of Kuwaitis laborers by one percent every year (Salih, 2010). However, Salih (2010) argues that the data of the past ten years show a poor quality of services offered by the government due to workers' lack of qualifications and improper planning for replacement.

In brief, the nationalization programs of the GCC countries are now playing an important role in reorganizing the labor market. Most have introduced quotas for local workers that organizations in the private sector should achieve to make them eligible to get services from governments, including visa requests for foreign workers (Fasano & Goyal, 2004). However, the nationalization programs have failed to diminish the unemployment rate among the national workers (Al-Ali, 2008). Lack of qualifications of national workers and their refusing to take specific jobs for social and cultural reasons are the most important factors that have affected the nationalization of employment (Kapiszewski, 2006). As part of tacking the unemployment issue, Kapiszewski (2006) encourages supporting small and medium sized enterprises (SMEs) to empower local job seekers to start their own businesses and open opportunities for counterparts. The GCC is working toward nationalization of labor markets using such an approach, though using different regulations and ways of implementation in each individual country (Mashood et al., 2009). The main differences between the GCC countries' quota systems are the percentages of national employees in each organization or industry are not same because the divisions of the private sector are different.

2.5 Disproportionate Number of Youth in the Saudi Population

According to the Saudi Statistics Department in the last census 2010, the population of Saudi Arabia including expatriates is 27,136,977 while the number of Saudi citizens is 18,707,576. Saudi Arabia's age structure is: 59.5% of the population belongs to the 15–64 age group, 38% of the population is in the 0–14 age group and 2.4% of the population is aged 65 or over (Annual Statistical Yearbook, 2010). Therefore, the biggest challenge the government faces is that the average age for Saudis is 24.9 years, indicating that the majority of population is young people, people who will need a huge number of jobs in the future (Annual Statistical Yearbook, 2010).

2.6 Saudi Economy and Unemployment

The state of the world economy has continued to be uncertain, with an on-going financial crisis in Europe and America and regional political transitions in the Arab world. These realities will make labor policies and youth employment even more pertinent and pressing in coming years. Although Saudi Arabia has been opening up its economy for foreign investors in important sectors like telecom, power and aviation, unemployment continues to exist in the Saudi market. The country saw tremendous GDP growth until 2008, primarily driven by rising oil revenues (Annual Statistical Yearbook, 2008). However, according to the Saudi Arabian Monetary Agency (SAMA) 2010, growth slowed to 0.6% in 2009. Though Saudi Arabia has a quarter of the world's oil reserves and income from oil sales has increased the number of educational institutions and allowed the start of numerous infrastructure projects (Ramady, 2011), growing unemployment has remained a challenge for Saudi economy decision makers

(Al-Shammari, 2009). The country has made some decisions to improve the opportunities of Saudi youth and, especially for females, to help them find suitable jobs that maintain cultural restrictions (Fakeih, 2011). However, its educational policies still need improvement to be compatible with the technology revolution and the needs of the market. Perhaps the most worrying aspect of this problem, an issue in labor markets across the Gulf, is youth unemployment (Kapiszewski, 2006). With over 60% of Saudi inhabitants fewer than 25, according to the Saudi Statistical Department (2011), 88% of those unemployed are between ages 15 and 30, with 51% of these in between 21 and 25. The most adverse effect of the economy depending on expatriates rather than their counterpart local employees is the foreign remittances -- transferring money out-country -- which affects the country's economic cycle (Salah & Barrientos, 2003). According to the Ministry of Labor Statistical Yearbook (2010), the money recorded as transferred by expatriates has reached SR 1 billion a year, which represented 11% of GDP. This makes the Kingdom the second country after the USA in the amount of money transferred out of county by expatriates (Ramady, 2011). This amount of money may encourage the better training and education of the Saudi labor force to encourage private sector hiring of Saudi citizens.

Saudi Arabia has developed plans to ease the absorption of the large number of nationals likely to enter the labor force. The Sixth Development Plan (1995-2000) was aimed to create 319,500 jobs and reduce the number of non-Saudi workers by an average of 1.5 percent a year through a mixture of incentives and targets, including financial support to firms employing Saudi workers (Al-Shammari, 2009). For example, private sector organizations with more than 20 employees were required to increase their Saudi workforce by no less than 5 percent annually

and a ban was placed on hiring non-Saudis in certain job categories. Most prominently, labor market policies were formulated within a broader framework of government expenditure containment and structural reforms aimed at increasing the economy's resilience to adverse oil market development and enhancing efficiency by creating a more conducive environment for private sector activity (Alasmari, 2008). With the attitude that in the period ahead, the responsibility for economic growth and job formation primarily rest with the private sector, policies are being defined in Saudi Arabia to facilitate the service of nationals and increase labor market flexibility.

2.7 The Impact of the Saudi Economy on Jobs Creation

The Saudi Arabian economy has reported a huge budget surplus in recent years (Saudi Statistical Yearbook, 2012). The economy has maintained a healthy trade balance over the years largely because of its increasing revenue from exporting oil. High oil prices and increasing revenue from this source have led to a budget surplus that is among the highest in the world (Ramady, 2011).

Thus, the Saudi Arabian economy has grown because of its oil revenue. While the country's oil and petroleum sector has laid the foundation for economic growth, the country has not succeeded yet in developing its manufacturing and services sectors to a competitive level (Alsharhani, 2010). In fact, the country runs at a deficit in the services trade as it is dependent on other nations to meet many of its requirements (Salih, 2010). The large-scale presence of the expatriate labor force transfers the country's revenue to other nations (Alasmari, 2008).

As a result, the Saudi government has initiated several initiatives to support the financial infrastructure of the country, which should grant long-term sustainability to the economy. The government has liberalized licensing requirements for foreign investment in the financial services sector to open the door for more foreign investment in the Saudi market that can lead to the creation of more jobs and improve the economic sustainability (Ramady, 2011). In addition, the government has increased the limit on foreign equity in financial institutions from 40% to 60% to entice further foreign investment as a motivator policy to foreigner investors to transfer their money the Saudi market (SAMA, 2010). Greater privatization and the restructuring in the Saudi capital market are expected to boost stock exchange capitalization, all of which will be not only instrumental in increasing the role of foreign assets in the Saudi market, but also in improving the functions of its financial services sector and in creating more jobs to the Saudi job seekers (Alsarhani, 2010).

The Saudi Arabian government has also proposed large-scale investments in infrastructure. In 2010, the government established King Abdullah Economic City (KAEC) in the West region. The city, situated just north of Jeddah city, will spread across an area of 168 square kilometers and create as many as one million jobs. KAEC, with a total government investment of around SAR 27 billion, will be home to around 2 million people (knigabdullahcity.com retrieved on 12/2012). KAEC is one of six economic cities being built from scratch that are planned to boost employment, diversify the economy and attract more foreign direct investment into the country. One of the big draws of KAEC and the other economic cities, which are being planned in Jizan, Hail and Medina, is that they allow foreigners to own property, although details of exactly how this will work have not been released. There are

large-scale plans to be executed, in areas such as economic cities and industrial zones, transportation and utilities, which have been designed to leverage the country's comparative advantages of being a low-cost energy producer (knigabdullahcity.com retrieved on 12/2012). The government is also promoting public-private partnerships (PPP) that aim to increase the opportunities for the private sector to invest in government projects and enhance the collaboration between both sectors to create more jobs and improve quality of work (Sagia.gov.sa retrieved on 12/2012).

To further promote economic sustainability from 2010–2015, the Saudi Arabian government aims to build 2,000 primary health centers and 100 hospitals across the country (Ministry of Health, 2012). By 2015, Saudi Arabia plans to have 2,700 primary health clinics across the country. Furthermore, the Health Insurance law demands that all expatriates be covered by private healthcare, and in 2009 this was expanded to cover Saudi nationals working for private-sector companies and dependents (Ramady, 2010). The effect of this has been the growth and strengthening of the kingdom's network of private health providers. The MoH intends to spend the next five years focusing on infrastructure development, including the construction of the 2,000 primary health centers and 100 hospitals mentioned above (moh.gov.sa retrieved 12/2012).

In brief, Saudi Arabia has intensified its efforts to lessen its fiscal disparity and encourage private sector growth and employment creation. Changes in the pace and composition of economic activity are reflected in the inflow of foreign labor for the period of 1990-2011 so that now foreign workers comprise about 65 to 70 percent of the Saudi labor force (MoL, Statistical yearbook, 2011).

In short, these proposed projects will definitely help to reduce the unemployment rate. The link among economic growth and employment production is the most concern of the government to tackle unemployment in the last decades.

2.8 Ministry of Labor Initiatives to Tackle Unemployment

The Ministry of Labor (MoL) in Saudi Arabia has established many initiatives to tackle the unemployment dilemma. In 1985, the MoL started a program to localize certain sectors and professions such as the gold sector and bank sector, and human resources specialists and reception specialists professions, respectively (Fakeeh, 2009). However, the program did not achieve its goals to motivate the private sector employ Saudi job seekers due to a variety of reasons such as lack of local qualified workers, lack of training and long working hours in the private sector compared to government sector (Ewain, 2000). Then, the MoL started another initiative called "Saudization" to enhance the nationalization of employment in the private sector (Salah & Barrientos, 2003) . The term Saudization was first introduced in the late 1990s as a new financial term; it reflected the process of requiring foreign organizations working in the Saudi market to increase the indigenous labor force participation in the local productive market (Alasmari, 2008). As an example, the Arabian-American Oil Company (Aramco) was "Saudized" in the late 90s (Fakeeh, 2009). Since Saudization represents new potential for personal economic advancement, Saudi Arabia's economic planners have made it a catchphrase for the nation's human resource development (Alasmari, 2008). It is known as the government program to replace expatriates with Saudi workers (Al-Dosary & Rahman, 2005) . The Third Development Plan increased chances for Saudi participation by stating priority must be made in awarding contracts for projects to Saudi contractors. Another stipulation was that when contracts

are awarded to foreign contractors, some of the work must be sub-contracted to Saudi companies (Al-shammari, 2009). Furthermore, a change was effected in the policy of the Saudi government toward foreign banks. In the late 1990s, the government of Saudi Arabia started to localize foreign banks by buying their financial assets and increasing the number of Saudi employees in their operations (Fakeeh, 2009). The Development Plan (1985-1990) had recognized the huge shortage of human resources needed to implement development plans. Similarly, it was indicated at the beginning of the next Development Plan (1990-1995) that a great obstacle that might affect development in Saudi Arabia was the scarcity of Saudi human resources, in terms of both quantity and experience, and in both the public and private sectors (Al-shammari, 2009). During the period of 1970-1980, the main aim of the government was to encourage Saudi graduates to join the public sector to meet the requirements of the population for administration services, education and health care (Al-shammari, 2009). During that period, not only were graduates given jobs, but other incentives were also offered to all Saudis who participated in these jobs in the public sector (Sadi & Alburaey 2009). In early 2000s, the government found that the number of graduates exceeded the capability of the public sector to recruit all of them (Kapiszewski, 2006). Meanwhile, the private sector was occupied by a huge number of non-Saudis, as a result of the development situation of Saudi Arabia during the previous twenty years (Kapiszewski, 2006). Accordingly, new policies and regulations were developed to support and employ Saudis in the private sector by placing them in positions previously held by non-Saudis or by creating new vacancies in the private sector (Alasmari, 2008). The government established the Human Resources Development Fund (HDF) to lead the nationalization of jobs initiatives under the supervision of the Ministry of Labor. The main goal of HDF is to train and support Saudi human resources by cooperating with chambers of commerce and industry (Alsarhani, 2010).

However, the aim of Saudization was very difficult to achieve as a result of a number of factors. The wage and salary differential between Saudis and non-Saudis made employment of Saudis unappealing to private companies (Calvert, 2002). Therefore, to ensure the service of the expected number of Saudi employees, particularly those lacking professional skills, measures were needed to decrease the differences in salaries to the level at which private sector companies would prefer the Saudi employees. The private sector also preferred to hire non-Saudis as it was also easier to find specialized workers among foreigners (Calvert, 2002). Thus in spite of the financial incentives which were provided by the development plans for young Saudis to learn special skills, the private sector was still reluctant to take the initiative to recruit citizen instead of requesting new visas (Alshammari, 2009). To encourage employment of Saudis, the government introduced several new policies in the Fifth Development Plan , including: replacing the focus on quantity in education with emphasis on quality in education, establishing mechanisms for career guidance, and encouraging links with industry and commerce, in an effort to tailor educational programs to employers' needs (Alshammari, 2009). Other measures taken during the Fifth Development Plan were specifying the minimum number of Saudis who should be employed by the private sector based on company size. In the same manner, research efforts were also directed toward improving Saudization efforts. These studies highlighted different reasons for why foreigners are preferred hires over their Saudi counterparts. Such reasons include the fact that foreign workers can take the job directly, without need for any training programs, since the companies do not sign contracts with such employees unless they already have the required qualifications, experience and skills (Alasmari, 2008).

The government prioritized Saudization as a major strategic initiative for all development plans to increase employment rates among Saudi nationals across all sectors of the domestic economy (Aldosary et al 2005). The government intended to reduce the country's dependence on foreign workers and so recapture and reinvest income that would otherwise flow overseas as remittances. The MoL required that the number of expatriates and their families should not exceed 20% of the Saudi Arabia total population by 2013, and that the number of individuals from any other country should not exceed 10% of the total immigrant population (Sadi & Alburaey 2009).

2.9 Saudization Program

The Saudization program, as mentioned above, is n MoL initiative to increase the percentage of Saudi workers in the private sector jobs by 5% every year until it reaches 30% in all organizations working in the private sector, no matter their size or industry (Aldosary, 2006). In addition to the previous program conditions, the recruitment of foreign workers is restricted in many careers, and the hiring of expatriates in other fields is limited, with several restrictions in place (Achoui, 2009). In order to have more control, the government has put various types of fees on the recruitment and the retention of the foreign workers (Alsarhani, 2010). However, the Saudization program has not yet achieved its goals due to several obstacles, especially in the private sector (Fakeih, 2012). Clearly, a fixed 30% quota of Saudization for all industries is an unachievable goal due to Saudi job seekers' lack of work experience. Moreover, jobs such as those in the construction field are not preferred by Saudi workers due to their hard works and

low salaries (Achoui, 2009), making Saudization goals difficult to achieve in this industry. Unless the Saudi job seekers are able and willing to fill the gap that will be created with the exodus of the immigrants, the economy may face a severe challenge (Alasmari, 2008). And even if they are willing, it is known that foreign workers are more skillful and less costly than their local counterparts (Sadi & Henderson, 2005). First, with Saudi job seekers rarely found to be ready to start working, companies have to put them in a special training program (Alasmari, 2008). This in turn leads to extra costs being incurred if Saudis are employed. Furthermore, non-Saudi workers in general come from poor countries (Saudi Annual Statistical Yearbook, 2010); therefore, overseas workers' wages or salaries can be 25% to 50% of those which might be accepted by Saudi workers (Alasmari, 2008). Saudi employees can also be more difficult to employ as non-Saudis will work in any area within Saudi Arabia, according to the organization's needs, whereas Saudi employees typically tied by family commitments to one region (Ramady, 2011).

Some other factors also make Saudi workers less desirable than foreign workers. Working with a contract, the non-Saudi employees tend to stay with the same company since they feel that they will benefit from the success of their companies and they do not want their contract to work in Saudi Arabia to be terminated (Ramady, 2011). However, the Saudi workforce will easily leave a company to find better positions and higher salaries. Moreover, if organizations are dissatisfied with non-Saudi employees, they can simply terminate their contracts, but Saudi employees can only be dismissed after lengthy procedures under the umbrella of the Saudi labor law (Fakeeh, 2009). It is not a difficult process for companies to find expatriates employees in other countries that have surplus labor, but most Saudi employees do

not favor private sector work, with its moderately long working hours, two shifts of daily work, and only one day off each week (Aldosary, 2006), making it difficult for the private sector to find Saudis willing to work for them.

The labor market situation in Saudi Arabia is estimated to face many challenges in the approaching years, with a speedily increasing number of young, educated nationals flowing into the labor force (Alali, 1997). One budgetary consideration in Saudi Arabia is to focus more on small and medium businesses sector movements that will assist Saudi job seekers to establish their businesses and employ other job seekers as well as reduce the number of foreigners in the small and medium business (Alasmari, 2008). Certainly, these kinds of initiatives will help the Saudi market to create more jobs and improve the retail market if the Saudis employees take over from the expatriates, thereby reducing unemployment of nationals and decreasing the number of foreign workers. Consequently, the Saudi government and the other Gulf Cooperation Council (GCC) governments have already embarked on formulating labor market strategies to enable national entrepreneurs to start their businesses and employ their counterparts within a wider framework of economical consolidation and structural economic reforms (Kim, 1999).

In Saudi Arabia, certain positions are not preferred by Saudi workers due to cultural and social restrictions (Aldosary et al, 2005). Consequently, the unemployment continues because of the increase in Saudi population and the need of the expatriate workers to fulfill the country's demand of these jobs. The Saudi Arabian civilization has under gone a remarkable revolution from the time of oil discovery to the current modern times. This conversion has demanded manpower, strategy and regulations to help accomplish giant projects. Human resource managers in the private sector argue that Saudi workers are not preferred due to a huge doubt about the

suitability of their qualifications for the market needs (Achoui, 2009). The main reasons for low level of Saudis' employment rates in the Saudi private sector include lack of qualified Saudi workers, longer working hours comparing to government sector, and Saudi workers trust in government sector's stability and job security (Aldosary, 2006).The dependence on foreign manpower affected inversely training and education plans of the local manpower, which increased the unemployment rate rapidly until it reached an alarming figure (Alzu'be, 2012). Therefore, the MoL started cooperation with chamber of commerce and industries to offer training course for Saudi job seekers to be able to compete for private sector vacancies.

2.10 The Female Workforce in the Saudi Market

One of the major problems that need to be dealt with in the Saudi labor force is the low rate of participation of female labor in all fiscal sectors (Fakeeh, 2009). Although the Saudi Arabian government has encouraged various sectors to employ females, there are still a low percentage of females in the market. According to the MoL Statistical Yearbook 2010, the percentage of the Saudi females working in the private sector is only 2%. One of the Fifth Development policy (1990-1995) objectives was to increase Saudi participation in the private sector and particularly to increase the participation of women in the work force. Total Saudi employment was projected to increase by 4.2% per year, while non-Saudi employment was expected to decline at a 1.2% annual rate. Employment growth for Saudi women was targeted to be higher than before with the opening of new jobs that fit the Saudi Culture requirements (Calvert & Alshetaiwi, 2002). Although total employment was targeted to increase by 213,500, the Saudi labor force was projected to grow by 433,900 over the fifth plan period. In the eighth development plan (2005-2009), the government aimed to create more jobs for Saudis in different

sectors. In this plan, the government encouraged the private sector to open new job opportunities for women to let them participate in the country development.

In brief, the female labor force in Saudi Arabia contributes only about two percent in the private sector workforce (Saudi statistical year book, 2010). Accordingly, about one half of the Saudi citizens do not take participate in the economy growth. The bulk of working women at the present time works in the public sector, mostly for three particular organizations: the Ministry of Education, the Ministry of Health and the Ministry of Social Affairs (Fakeeh, 2009). Women's contribution in private sector organizations is too low. Employment of the female labor force is severely limited because of social and cultural restrictions that ban women from working in the same place with men (Achoui, 2009). In 2012, the Ministry of Labor restricted certain occupations in the retail sector to be for women only such as women clothes and beauty (Fakeih, 2012).

2.11 The Saudi Education System and Unemployment

One of the challenges of recruiting Saudi job seekers is the fact that they lack skills and training. This indicates that the educational system of Saudi Arabia still needs improvement to meet market requirements. The focus of early education was based on art and humanities principles, with little attention paid to teaching science and engineering (Sadi & Alburaey 2009). With this focus on traditional subjects, the students were not qualified to meet the needs of new technology industries. There were no centers for higher technical education until 1977 in Saudi

Arabia (Alshammary, 2009). A lack of technical education restricted the recruitment of Saudi students into technology-intensive industries.

Twenty three universities were founded in the period (2000-2008) to boost Saudi Arabia's higher education capabilities; the government has also set up the King Abdullah University for Science and Technology (2009) to encourage research in science, medicine, computer science, engineering and education, with a budget of over 10 billion US dollars to support its goal to be one of the leading universities in the world. In the technical training industry, the Saudi government also established seven new technical institutes for women and 16 vocational training centers in the period of 2000-2008 (Alshammari, 2009). The government is aggressively developing a higher education system that will supply the engineering and research talent needed to support advanced technology and medical industries (Alshammari, 2009).

The Saudi government also has a goal of raising investment in scientific studies and development to 3% of the GDP by 2020, up from 0.5% in 2009 (Sagia.gov.sa, retrieved in November, 2012). The Saudi Arabian government has initiated steps to encourage foreign investment in technology-intensive industries. The development of the four above-mentioned new economic cities, which are to be highly technology-intensive, is expected to attract close to $80 billion in investments (Sagia.gov.sa retrieved in November, 2012). For instance, the economic city in Rabigh will focus on promoting energy and transportation-related industries, while the economic city in Medinah will include a technology and knowledge-based industries zone, a campus for medical research and biosciences and an integrated medical services zone (Sagia.gov.sa, retrieved in November, 2012).

2.12 Importance of National Employment System

Since the topic of Saudization has gained greater significance, there has been pressure on the government, especially from the younger generation, to protect jobs. Numerous other countries, including the United States, Singapore, Oman, Kuwait, Canada and the United Arab of Emirates, have also started giving priority to local job seekers before foreigners (Alsarhani, 2010; Alshorr, 2011; Baldwin-Edwards, 2011). However, Manal Fakeeh (2009) argues that there is no specific program for nationalization in the industrial modern economies. Western countries grant residency to skilled labor that contributes to the economic growth, and consequently more jobs are created for local job seekers (Fakeeh, 2009). Indeed, developed countries focuses on job seekers skills development and training based on market needs (Achoui, 2009).

In Saudi Arabia, on the other hand, use of expatriate employees has often evoked controversy; with some claiming that hiring and employing them has a negative effect on the local workers (Al-Dosary & Rahman, 2005; Mashood et al., 2009). The employment of emigrant workers in many countries is based on renewable backing visas and work permits. Visas and job-specific work permits are issued once the sponsor demonstrates the need and guarantees employment for the period of the contract (Harbison, 2002). In the private sector, as mentioned earlier, the difficulty of dismissing a national increases the desirability of hiring emigrant workers on a fixed-term contract. However, there are strict work visa regulations, which make it difficult for foreign labor to enter many countries' labor market (Sadi & Alburaey, 2009). Furthermore, the government's move towards nationalization has mandated the private sector give preference to national job seekers in employment (Kapiszewski, 2006). Such regulations

have reduced the flexibility of firms and act as dampeners for foreign investment (Bourland, 2002).

2.12.1 Nationalization of Employment in the United States

The United States labor market is used by other countries as a benchmark due to its quick dynamics and speed of reaction to labor market issues (Campolieti, 2012).The United States has strong procedures for offering jobs to foreign workers under the H1B visa type. The limit of H1B visas is 65,000, meaning 65,000 foreign workers can work in U.S every year (Albin & Kocakula, 2006). The U.S Department of Labor (DOL) assures in its strategic plan (2011) that hiring foreigners will not impact the local workers negatively. Employers seeking to hire foreign labor must first search carefully for qualified American labor before applying for an H1B visa to obtain foreign workers, with some exceptions for certain jobs (Scheve & Slaughter, 2001) . If the employers do not find qualified Americans workers, they can hire foreign workers with an H1B visa (Broder, 2006). The H1Bs are limited to people in professional jobs that need a degree from a university (U.S Strategic Plan, 2011). In fact, an employer has to go through lengthy procedures set by the Department Of Labor to get permission to hire foreign workers with an H-1B (Albin & Kocakula, 2006). This recruitment and labor certification process aims to protect U.S. labor and the U.S. labor market (U.S Strategic Plan, 2011). Before the DOL processes the employer's request for foreign visas, an application should be submitted to the Employment and Training Department to ensure that there is no adequate American labor available to accept the job opportunity in the area the foreign worker will be employed. This process should not impact

the salaries and working conditions of similarly employed U.S. workers (Albin & Kocakula, 2006) .

In 2011, the U.S Department of Labor launched a strategic plan for an ambitious vision, called “good jobs for everyone” (U.S. Department of Labor, 2011). The plan consists of five strategic goals. The first goal is preparing workers for good jobs and ensuring fair compensation. The DOL will be focused on giving the US workers the right skills they need to get the good jobs (DOL. Strategic Plan: Fiscal Years, 2011). The second goal is securing safe and healthy workplaces, particularly in high-risk industries. That means the DOL is implementing strict regulations to ensure that US workers have safe workplaces. The third goal is assuring fair and high quality work-life environments. The fourth goal is securing health benefits and providing income security for those who are not working. The fifth goal of the DOL in the new strategy is providing accurate data about the labor market.

Thus, the United States strategic plan for labor is strongly supporting and encouraging employing citizens by maintaining strict visa regulations and work permits that ensure expatriates will not take citizens opportunities in local jobs.

2.12.2 Nationalization of Employment in Canada

Canada has a well-educated and productive workforce. According to Canada Statistics, the national unemployment rate was 7.2% in July 2011, down from an average of 8% in 2010 and of 8.3% in 2009. The Canadian government has established strong regulations on the employment of foreigners in the Canadian labor market. The employment of trained Canadians is encouraged, especially in management positions, and is one of the criteria used by Industry

Canada for reviewing large foreign investments (Campolieti, 2012) . Skilled knowledgeable staff can stay in Canada for up to five years. Under the North American Free Trade Agreement (NAFTA), companies hiring temporary workers from the US or Mexico do not need to prove they are not replacing Canadian employees, a common requirement for workers coming from other countries (Campolieti, 2012). Foreign workers can enjoy a similarly streamlined process for those countries with which Canada has a free-trade deal in place, such as Peru and Chile. Employees from other industrial countries must present the Canadian employer's letter to a Canadian visa office abroad; permission usually takes less than ten days. Employment authorizations are specific, so a transferee may not move to another company in Canada. Permissions are renewable and are usually issued for one or two years but can cover up to five years. Foreign nationals who want to work in Canada must obtain permanent resident status, including those who have already secured a job in Canada for a desired skill set (Campolieti, 2012).

If Canadian companies want to hire a non-Canadian for a job, they must prove there is no available Canadian candidate and generally must obtain a labor-market opinion from Human Resources and Skills Development Canada (HRSDC), the government ministry responsible for job training and various aspects of the worker-employer relationship (Bowlby, 2005). This process can be time-consuming since it usually involves running newspaper advertisements and interviewing prospective workers. In general, employee spouses who relocate to Canada may not work in the country unless they qualify under a NAFTA exemption or the very few exemptions available to spouses from non-NAFTA countries. Similarly, dependent children may not work unless they qualify for an exemption, though they are customarily able to attend public school in

Canada (Bowlby, 2005). In January 2011 the federal government began a pilot project in Ontario called the Ontario Pilot Project for Spouses, Common-law Partners and Dependents of Returning Canadian Workers. This project allows the spouses and children of permanent Canadian residents to accept a job with any employer in the province without the usual immigration paperwork (Campolieti, 2012).

The number of men and women who entered Canada after having sought a labor-market opinion from HRSDC has dropped in recent years; this has primarily reflected the effects of the global financial crisis of 2008 and 2009. More than 175,000 immigrants were granted temporary-worker status in Canada in 2008, nearly double the figure of two years earlier. In the next 12-month period, however, the number of temporary-worker approvals fell by 40%, to less than 104,000 (Campolieti, 2012).

Canada has similarities with United States in nationalization of employment regulations as both implement work permits to foreign workers that force employers to look first for local labor.

2.12.3 Nationalization of Employment in Singapore

Singapore has strong programs of nationalization of employment. For example, in order to make employing national workers more attractive, Singapore implemented a policy of raising the cost of foreign workers by increasing work permit fees (Harry, 2007). Actually, Singapore is the first government to start the policy of requesting high fees for non-national work permits to encourage nationalization of employment (Al-Ali, 2008). In addition, Singapore is implementing

a fixed quota for foreign workers: according to the Ministry of Manpower Regulations, the number of expatriates should not exceed 20% of the company's total workforce in all industry sectors. Singapore also has specific quotas for expatriates from certain nationalities. For example, there are different sub-quotas for Chinese workers in the manufacturing and services industry. Moreover, there are sub-quotas for different sectors hiring foreign workers in order to further enhance the nationalization of employment (Ministry of Manpower, 2013).

2.13 Labor Market Indices

An index is a tool to measure a process or a project's performance in order to manage it and then improve it. A labor market index assesses levels of employment in the job market to help policy makers understand labor market performance, and it can also be used to increase the national labor force. A small number of papers have attempted to develop indices for employment. Most indices developed have been related to quality of employment, not nationalization of employment (Johri, 2005). Quality of employment is achieved when a "work organization adapted to the needs of both businesses and individuals" (van Bastelaer, 2002). It includes objective characteristics of employment related to one job specifically and to the labor market in general, characteristics of workers, and the match between workers and job requirements (Johri, 2005). Quality of employment or quality of work is becoming one of the most important performance measurements in the global labor market as it covers multi dimensions for the labor market and reflects the labor market performance (van Bastelaer, 2002).

2.13.1 Measuring Quality of Employment

Measuring quality of employment is difficult as quality of employment is multidimensional (Johri, 2005). It has been measured using key performance indicators such as income, job satisfaction and employment relationships (Johri, 2005). Other researchers have suggested using a range of indicators since it is unrealistic to measure the quality of employment using a single measure. Therefore, they compare statistics on a range of characteristics of employment. This approach uses weights for each characteristic in a step to combine multiple characteristics into an index. Thus using a range of indicators is the most comprehensive and least subjective method because it includes the widest range of indicators, and does not imply that any characteristic or state is better than another (Johri, 2005).

2.13.2 Measurement Approaches in the Labor Market

Indicators measure the extent to which a certain goal or output has been completed (Ghai, 2003). Indicators assess performance, test options hypotheses and create comparisons across time and space (Johri, 2005). Paoli and Merllie (2001) argue that using indicators to make a comparison across countries is difficult because of different data collection methods, measures, legal and culture differences. Another issue with indicators is that there is seldom just one measure of the outcome; therefore, accuracy requires combining several indicators into an index (Ghai, 2003). In the process of developing an index, then, it is important to consider the weight given to the different indicators and to create an effective formula for combing qualitative and quantitative indicators. Consequently, indicators and indices can provide an approximate, not necessarily accurate, picture of quality of employment (Johri, 2005). Previously, economists

used salaries to measure the quality of employment since this information was easy to collect (Bourne, Neely, Mills, & Platts, 2003). Jackson & Kumar (1998) argue that using income as the only indicator of the quality of employment does not give an ideal measure of it as income is just a characteristic of the workers values. Actually, workers usually are willing to change jobs even if they will not be getting an increase in salary as there are many factors other than wages impacting quality of employment (Johri, 2005). Therefore, people do not highly value income nor are their expectations about wages the same (Clark, 1998).

In fact, job satisfaction has gradually become the best indicator of quality of employment. Researchers prefer to collect information on employee satisfaction as an indicator of the quality of employment (Vecernik, 2006). It is a great approach to collect data characteristics of a job and then combine them into an index to measure the quality of work (Clark, 1998). Job satisfaction data provides subjective aspects of the employment relationship and workers' personal values in addition to expectations (Johri, 2005). Subjective assessment of job satisfaction is captured by using survey tools. However, subjective assessment varies from person to person based on education, gender, age and culture, which may not generally reflect an accurate index for quality of employment (Johri, 2005).

Another measurement approach is to use a range of indicators. Researchers argue that measuring the quality of employment using a single index such as income or job satisfaction is not accurate performance measurement of work quality since it does not reflect the whole environment. Accordingly, researchers prefer the approach of collecting and comparing statistics on a range of characteristics of employment (Johri, 2005). This approach depends on weighting characteristics prior to combining all of them in one index (van Bastelaer, 2002). Although

collecting a range of indicators is very long and complex process, it is a useful approach to assisting policy makers to focus on areas that need more attention.

2.13.3 The European Quality of Employment Model

The European Foundation for the Improvement of Living and Working Conditions has developed an analytical framework for quality of work that contains a range of indicators for measuring the quality of employment (Johri, 2005). Shown in Figure 1 below, it is a comprehensive monitoring model that has been used to compare data on a range of job quality indicators for 15 European countries. The European Foundation developed a survey that aims to provide an overview of working conditions in Europe based on which changes and trends affecting work can be measured (European Foundation, 2002). The survey contains more than 80 questions; thus it provides a comprehensive look at various dimensions of job quality from the model. Measures to assess job quality included exposure to physical hazards at work; intensity of jobs; working time; the pace of work; work-life balance; violence at work; and participation and consultation at work (Johri, 2005).

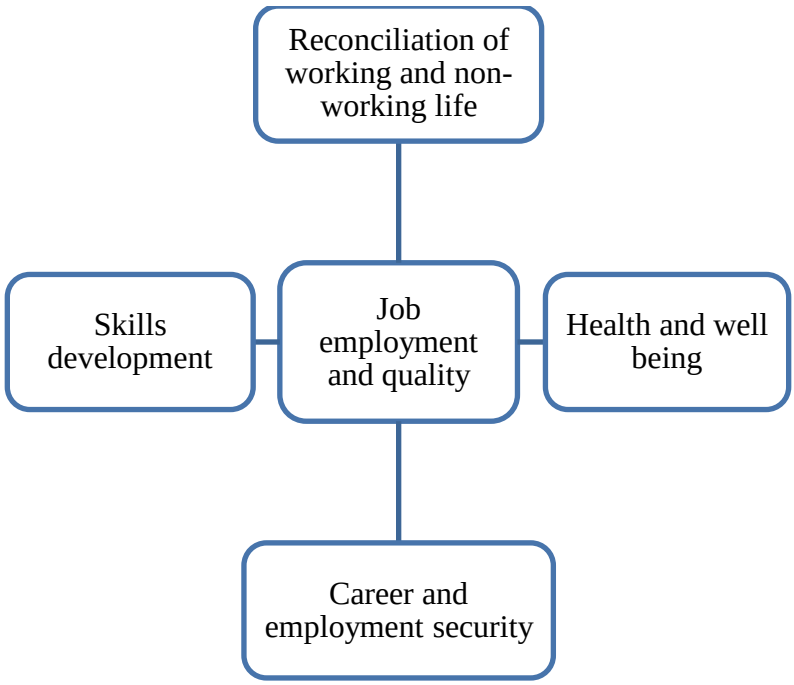


Figure 1 Europe Quality of Employment Model

The survey is expected to provide a general picture of working conditions in Europe, depending on which changes and trends affecting work can be assessed (Johri, 2005). By applying this model, the European Foundation is able to monitor the quality of job and working conditions. In addition, the European Foundation uses this model as a framework through which to examine relevant regulations developed in European countries every year (Weiler, 2006)

To measure quality of employment in an easy and effective way, researchers use a method of incorporating multiple characteristics of employment in one index (Johri, 2005). Three indices based on multiple characteristics are discussed by Johri (2005): one developed to attain an overall picture of the Chile labor market; another developed to measure former women welfare recipients' transition from bad to good jobs in the United States and the third (developed

by McGrovern (2004)) to analyze the correlation between non-standard employment and bad characteristics based on economic criteria goals.

2.13.4 An Index Using the Capability Approach in Chile

Sehnbruch (2004) developed an index to measure the quality of employment in Chile using the capability approach. The index was developed to be used as a policy making tool to capture the competencies and working associated with employment, which is more useful information than unemployment rate only (Sehnbruch, 2004). The index uses the following five characteristics of employment: income, social security coverage, contractual status, employment stability and professional training received (Johri, 2005). The index depends on a survey questionnaire to obtain data on the five characteristics (Johri, 2005). The index weights all the characteristics equally in order to make it simple and useful for labor market analysis (Sehnbruch, 2004). The ultimate goal of the index is to focus on a labor market analysis in general rather than on unemployment only (Johri, 2005).

2.13.5 The Correlation between Skills and Job Transitions Index

Johnson and Corcoran (2003) developed an index to analyze the correlation between skill content of work experience and job transitions from bad job to good job with quality of employment of less-skilled females in the United States who had been receiving welfare. The index characteristics include health benefits, wages and hours of work. A job was defined as "good" in the index if it was full time, at least 35 hours per week, and paid at least US $ 7 per hour and offered health benefits or a full time and offered US $ 8.5 per hour without health benefits (Johri, 2005). To analyze the skills and experience that allow the transition between bad

and good jobs, the index depends on a model that examines the following characteristics: qualifications, work experience, job demographic variables, health benefits and salaries. The index uses survey data from employers and longitudinal data from former and current welfare recipients for the period 1997 to early 2002 (Johnson & Corcoran, 2003). The results showed that there was an improvement in the quality of employment based on the salaries, work hours and health benefits statistics (Johnson & Corcoran, 2003).

2.13.6 Job Economic Criteria Index

To examine the hypothesis that non-standard employment (part-time, temporary and fixed term) increases laborers' exposure to bad job characteristics, an index was developed to assess data from Britain (Johri, 2005). It was developed using four objective economic criteria that focused on the job more than the worker (McGovern, Smeaton, & Hill, 2004). Specifically, the index defined bad jobs as those offering low pay, no sick pay, no pension and no clear career path (Johri, 2005). The index characteristics were all equally weighted. The results showed that non-standard employment was significantly correlated with bad characteristics (McGovern et al., 2004).

2.15 Structural Equation Modeling

Structural Equation Modeling (SEM) is a powerful statistical tool that allows the building of complex relationships between dependent or independent variables (Christopher Westland, 2010b). The SEM allows a convenient framework for statistical analysis which may present

variety multivariate procedures such as correlation, regression analysis and factor analysis (Hox & Bechger, 1998). General SEM structure contains unobservable exogenous or endogenous variables (Fox, 2002). The primary goal of SEM is to validate a model and its causal process (Hox & Bechger, 1998). This means SEM is a confirmatory approach that tests hypothesis involving direct or indirect observation between dependent and independent variables. Indeed, SEM calculates the reliability of every measured variable, and it examines the model fit using several methods (Hooper, Coughlan, & Mullen, 2008). The SEM assists in identifying the critical factors that affect a process and how strongly they are correlated. One of the most popular models using SEM is the American customer satisfaction index (ACSI), which measures the customer's satisfaction level in the United States of America (Sohn & Moon, 2003).

2.16 American Customer Satisfaction Index

The American Customer Satisfaction Index (ACSI) is an indicator that measures the customer satisfaction level on the different products across the United States of American market (Terblanche, Schneider, Macey, Lee, & Young, 2009). The ACSI was developed by Claes Fornell- a professor of Business Administration at the University of Michigan- in 1994 as a cooperative effort between the business college at University of Michigan and the American society of Quality (ASQ) (Sun, 2011). The ACSI is based on customer's assessment of the quality of services or products provided or produced by American organizations (Sohn & Moon, 2003). The ACSI score depends on a survey questionnaire that contains three manifest variables, each rated on scale of 1 to 10. The ACSI has a unique model that can measure customer

satisfaction with government agencies (van Ryzin, Muzzio, Immerwahr, Gulick, & Martinez, 2004). This ACSI model for government agencies is a useful approach to assess government agency customer services to citizens. ACSI methodology is different from other assessment indices for the following characteristics (ACSI.org retrieved on March, 2014):

- It has a uniform, customer based definition of the quality: "Customer satisfaction with the quality of goods and services purchased and used"
- ACSI deal with satisfaction as quality of cumulative experience of consumers with the product or services.
- ACSI uses a cause-and-effect model which assesses consumers satisfaction using a survey questionnaire with Likert scale
- The model of the ACSI connects satisfaction quantitatively with consumers-survey-measured outcomes.

2.17 Summary of Literature Review

A significant amount of studies have been done on employment with regards to national employment systems, strategic planning and quality of employment. A few research efforts have focused on nationalization of employment performance measurements, and these mainly focus on unemployment rate and quality of work. Assessing the impact of national employment systems on private sector employers remains a secondary issue, and the inputs of employers on the nationalization of employment is neglected by the policy makers, despite the vital role the private sector plays in creating jobs and attracting local labor. The literature reviews shows no specific programs for national employment in the modern industrial economies. Indeed, Western

countries have granted residency to skilled labor that contributes to the economic growth, and consequently more jobs were created to local job seekers (Fakeeh, 2009). Developed countries focuses on job seekers skill development and training based on market needs (Achoui, 2009). Furthermore, many studies in the literature review criticize the Saudization programs, but since Nitaqat was just established at the end of 2011, no research was found that criticizes this new Saudi program. However, in the Saudi local media a big debate is taking place between employers and policy makers regarding its effectiveness. The debate is occurring for several reasons. First, most of the Saudi labor market performance measurements focus only on the unemployment rate and this indicator value varies from one agency to another (ex. Ministry of Labor and Ministry of Planning and Economics produced different percentages of unemployment rate on 2011). Additionally, the labor indices found in the literature reviews depends mainly on the survey questionnaire, which may affect its accuracy as the survey uses the subjective opinion of people who differ from one another based on their individual culture, education and background. Indeed, labor market characteristics are different from country to country, based on multi-dimensional factors that each country or citizen may value differently. For example, job seekers in rich countries like the GCC countries are not interested in any job with low wages, even if they must stay dependent on their parents and relatives.

Labor market indices found in the previous work generally concentrate on the quality of employment. These indices measure the current employee and job satisfaction and needs. Paoli and Merllie (2001) argue that using indicators to make comparisons across countries is difficult because of different data collection methods, measures, legal and culture differences. Another issue with indicators is that there is seldom just one measure of the outcome; therefore, accuracy

requires combining several indicators into an index (Ghai, 2003). In the process of developing an index, then, it is important to consider the weight given to the different indicators and to create an effective formula for combing qualitative and quantitative indicators. Although unemployment still remains the point of focus in the literature review, only limited research measures the impact of national employment system on the private sector or on getting the employers perspectives in replacing expatriates with local labor.

CHAPTER 3 RESEARCH METHODOLOGY

3.1 Research Design

This research was designed to develop a framework for assessing the quality and effectiveness of boosting the number of citizen workers in the private sector. To solve unemployment issues, the government, specifically the Ministry of Labor (MoL), has set regulations to motivate or sometimes force the private sector to employ local workers instead of importing expatriates from other nations. However, these regulations need cooperation from the private sector as they are the source of creating jobs. Hence, this framework intends to evaluate the quality of job regulations from the employer perspective as well as their satisfaction on the implementation of these regulations. Based on the literature review remarks, the following phases were set up and took place to build the framework:

- To assess the quality of the national employment system and employer's satisfaction, the conceptual framework is derived from the stock market model and the American Customer Satisfaction Index (ACSI) for government trust model using the structural equation model.
- To build this framework, critical success factors were identified for assessing the quality of nationalization of employment and employer satisfaction. These factors are: employer attitude toward national employment system requirements, customer services, quality of information, motivation, employer satisfaction, recruitment of local job seekers and agency trust.

- Based on the above dimensions, a survey questionnaire was developed to be directed to employers.
- The content of the survey questionnaire was validated.
- The data analysis approaches were determined to comply with the study objectives.
- The reliability of the developed survey questionnaire and validity of the usability of the developed national of employment framework was tested using Saudi Arabia as a case study.

3.2 Questionnaire Design

The survey questionnaire uses a scaling technique. The approach of using sets of variables without scaling makes the interpretation of data very complicated, whereas scaling is a useful tool for combining many related measurements to denote one concept (De Vaus, 2002). The complexity of data measurements leads to developing scales in order to get a valuable analysis (De Vaus, 2002). The Likert scale uses a scale to evaluate the level of responded agreement or disagreement based on the following choices: strongly agree, agree, neutral, disagree and strongly disagree (Weijters, Geuens, & Baumgartner, 2013). Moreover, the Likert scale can be more than five levels: some researchers use seven, nine or ten categories to assess the level of responded agreement. Therefore, the study survey questions has been developed using the Likert scales, a good scale which has been used widely (De Vaus, 2002). This study did not use weights with scaling as all are supposed to be equally significant.

The wording of the survey questions was chosen carefully to make meaning obvious to the readers. As stated in chapter 1, the survey is directed at employers in the private sector to get

their perspective on the quality of the national of employment system. Additionally, the survey measures the satisfaction level of employers and how they are satisfied with such a regulation that enforces them to employ local job seekers. It also seeks to identify the impact of replacing expatriates with local workers in their business and how the government can help to reduce the bad effects of these regulations on the labor market.

3.3 Questionnaire Dimensions

The survey was divided into five dimensions derived from the American customer satisfaction index (ACSI) to reflect the private sector employer's satisfaction level with Nitaqat and its perceived usefulness in assisting to achieve its stated objectives. The survey also assesses the quality of the Nitaqat from the employer's perspectives. Demographic information was collected, such as industry, location, size and percentage of Saudi citizens in the organization labor force.

The second dimension involves seeking information regarding the labor regulations that aim to enhance citizen employment and the extent to which these regulations are:

- Achievable
- Strictly implemented, with no exceptions for anyone
- Affecting wage costs
- Followed by the employers

In the third dimension, the survey questionnaire seeks to evaluate the quality of information provided by MoL regarding the nationalization of employment programs. This can be measured by asking the employer to rate their level of agreement on the quality of:

- The clear vision of nationalization of employment programs and how it is understandable by private sector
- The awareness provided by the MoL to organization's before and after implementation
- The availability of information regarding the jobs nationalization on the MoL website

The next dimension concerns the motivation the government is providing to the private sector to depend on the local workforce instead of importing foreign workers. In this dimension, the employers are asked to rate:

- Current incentives to employ local job seekers
- The need for more motivation to recruit local job seekers
- The penalties for not hiring local workers and depending only on the expatriate workforce

The customer service provided by MoL to employers is an important dimension that plays a vital role in the nationalization of employment programs implementation. This dimension can be assessed by examining the employers' opinions on the following:

- The quality of customer service provided by MoL
- The consultation provided by the MoL to help private sector implement nationalization of employment programs requirements
- The MoL's response to private sector feedback

The next dimension seeks to identify the level of employer satisfaction regarding the regulations enforcing the employment of local job seekers in the private sector. This dimension can be measured by asking the employers to rate their level of satisfaction on the nationalization of employment programs and how it's affecting their businesses. It also examines their opinion on the fairness and justice of the program implementation and how it treats all organizations evenly.

The questionnaire tests the employers' trust in the MoL's ability to let the private sector depend on the local force rather than going to expatriates. In addition, employers are expressing their agreement if the MoL is going to solve the unemployment issue by implementing such a program for boosting citizen job seekers employment in the private sector. This can be measured by asking employers if the nationalization of employment has increased the local labor force in their organizations and how its affect in increasing the labor force salaries. It also seek answers if the local force is capable to take a leadership positions in the private sector as well as if the national employment system has created new jobs to attract local jobseekers that usually occupied by foreign workers.

In the last section, the questionnaire asks employers to rank the greatest obstacles and challenges facing the national of employment systems. It also allows the employers to provide their opinion on how to remove these obstacles and improve the process of enhancing the localization of employment.

3.4 Validity of the survey instrument

The validity of the survey can be defined as the extent to which the questionnaire assesses exactly the intended goal (Groves, 2004). There are a variety of methods to evaluate the validity of a survey instrument and no agreement that one is more accurate than the others (De Vaus, 2002). The methods used to evaluate the developed survey's validity are:

- Discrimination Validity
- Criterion validity
- Convergent Validity
- Content validity

The content validity method was used to measure the validity of the questions used. The content validity method depends on the assessment of experts to judge the measures the variety aspects of the underlying concept (De Vaus, 2002). The dimensions of the survey were developed based on the characteristics of measurements of quality of employment and the satisfaction index found in the literature reviews. In this case, the researcher discussed the survey questionnaire with a panel of experts to evaluate the structure of the questions and how they are clear to interviewers. The expert panel contained professionals from different areas such as a statistician, an academic, and officials in labor market and employers in the private sector. The panel includes the following:

- Advisor to the Minister of Labor
- Assistant to the Vice Minister of Labor
- Statisticians

- An expert in Quality management
- Private sector employers
- Human resources committee chairs at chambers of commerce

The survey questions were revised and the questionnaire restructured several times based on the experts' judgments. Then the survey questionnaire was approved by the committee chair and department chair before getting the final approval from the Institutional Review Board at the University of Central Florida, which can be seen in appendix B.

3.5 Population and Sample

The questionnaire was given to employers at various organizations in the Saudi private sector using the Nitaqat portal in MoL website. Also, announcement letter from chamber of commerce and industry sent to subscribed organizations. The study used structural equation modeling (SEM) to analyze the employers' responses. The sample size calculator for SEM Software was used to calculate the sample size (Soper, 2013). The following formula was used to calculate the lower bound sample size for a structural equation model (Christopher Westland, 2010a) (Soper, 2013) as shown below:

$$n = \max(n_1, n_2) \quad (1)$$

Where:

$$n1 = [\,50\left(\frac{j}{k}\right)^2 - 450\left(\frac{j}{k}\right) + 1100] \quad (2)$$

$$n2 = [\frac{1}{2H}(A\left(\frac{\pi}{6} - B + D\right) + H + \sqrt{\mathrm{A}\left(\frac{\pi}{6} - \mathrm{B} + \mathrm{D}\right) + \mathrm{H})^2 + 4\mathrm{AH}(\frac{\pi}{6} + \sqrt{A} + 2B - C - 2D))}] \quad (3)$$

$$A = 1 - \rho^2 \quad (4)$$

$$B = \rho \arcsin(\frac{\rho}{2}) \quad (5)$$

$$C = \rho \arcsin(\rho) \quad (6)$$

$$D = \frac{A}{\sqrt{3-A}} \quad (7)$$

$$H = (\frac{\delta}{z_{1-\frac{\alpha}{2}} - z_{1-\beta}})^2 \quad (8)$$

Where j is the number of observed variables, k is the number of latent variables, ρ is the estimated Gini correlation for a bivariate normal random vector, δ is the anticipated effect size, α is the Sidak-corrected Type I error rate, β is the Type II error rate, and z is standard normal score.

The error function is:

$$Error(x) = \frac{2}{\sqrt{\pi}} \int_0^x e^{-t^2} dt \quad (9)$$

Using this method, the required sample size was computed depending on the observed and latent variables in the model. By substituting the latent observed variables in the above equations, the required sample size to detect the effect is 400 participants while the researcher was able to collect 1686 responses to the survey questionnaire.

3.6 Survey Administration

The survey was developed using the capability of Google Drive for administering an online survey. The employers were given the link to fill out the survey and their answers were submitted online. Then, the answers were saved on a data sheet that contained all the responses. The researcher used both traditional ways and newer methods of social media to reach as many participants as possible, including:

- A message containing the survey link opened in a window that appeared to all the employers who signed in to the MoL services webpage
- Emails were sent to all of the organizations registered in the MoL database asking them to participate in the survey
- Emails containing the survey link were sent to all members of chambers of commerce and industry
- The survey link was posted on the official Facebook page of the MoL
- The survey link was tweeted from the official MoL Twitter account to all its followers

This variety of methods allowed the researcher to reach the largest number of employers, giving concerned individuals the chance to assess the nationalization of employment. The collection of data took a little more than three months. During this time, several methods were used to remind the employers to complete the survey online in order to collect as many responses to the survey questionnaire as possible, including reminder emails, retweets from the Twitter account and reminders on Facebook as well as phone calls.

3.7 Response Rate

The study collected a total of around 1700 responses, far above the size of the 400 responses sample size required by the Structural Equation Modeling to obtain good results for the analysis. All participants in the survey fully completed the survey as this was mandatory in order to submit the completed form online.

3.8 Data Screening

The first step taken after the data collection was data screening. The data screening followed three steps: find missing data, find unengaged responses and identify outliers, as illustrated in the below sections.

3.8.1 Missing data

This procedure explored if the responders missed answering any questions in the survey. We used the Excel function that counts each blank in a dataset. The results showed that there was no missing data in any of the questionnaire sections, which allow us to proceed with next step for data screening.

3.8.2 Unengaged Responses

This part of the screening involved identifying responders who answered all survey questions with a single value answer, which indicates he/she did not engaged carefully with the survey questions. To find those who did not engage, the standard deviations for each responder were calculated. If the standard deviation was equal zero it indicated that only one value was used to answer all of the questions. Using Excel software, we found that around 20 responses have zero standard deviation. Therefore, we deleted these responses and we did not consider

them in the study. Other research has stated that if the standard deviation is less than 0.5, it may be removed from the data set (Gaskin, 2012). Thus, we also removed around 30 responses from surveys where the responses had a less than 0.5 standard deviation.

3.8.3 Outliers

This part of the screening involved determining outliers in the data. We used the Box plot technique to pinpoint outliers. Using the SPSS software, we did not find any outliers.

3.9 Reliability of the survey Instrument

The reliability of the survey questionnaire was determined using Cronbach's alpha (α) coefficient of internal consistency. Cronbach's Alphas are widely used to test if the measuring factors of each construct have internal consistency (Park, Kang, & Son, 2012). The SPSS software was used to calculate the Cronbach's alphas and the results are shown in table 2 below:

Table 2 Cronbach's alpha

Component Name	Cronbach's Alpha for each dimension	Cronbach's Alpha for the Assessment tools
Employers attitude toward Nitaqat (LR)	0.701	0.900
Reward System (RS)	0.72	
Quality of information (QI)	0.734	
Customer service (CS)	0.797	
Employer Satisfaction (ES)	0.772	
Agency Trust (AT)	0.711	
Nationalization of Employment (NoE)	0.723	

As shown in table 2, since all of the Cronbach's alpha values are greater than 0.70 and above, we concluded that the developed factors and these components are highly reliable.

3.10 Data Analysis Techniques

The data collected in this study was obtained in three ways: from a survey questionnaire, from direct interviews, and from the Ministry of Labor database. The survey questionnaire investigated employers' opinions about the factors affecting the quality and effectiveness of the national employment system. The survey is using Likert scale (1-5) to measure the employer's opinions on five dimensions of the survey (Weijters, Geuens, & Baumgartner, 2013) as illustrated in the survey design section. This part of the data has been obtained by inviting employers to fill the online survey questionnaire and express their level of agreement on the assessment tools. The survey questionnaire data was analyzed using Structural Equation Modeling (SEM) to discover the relationships between the factors affecting the national employment system. The SPSS and AMOS software were also used to analyze the data, results of which will be explained in the next chapter. The data of employers' thoughts was obtained through direct interviews in addition to the survey questionnaire's open-ended questions. Employers expressed their thoughts on the national employment system and how it is affecting their businesses. It also investigates the obstacles and challenges that are facing private sector to accommodate Nitaqat requirements and recommendations to resolve these obstacles. In addition, it seeking their opinions to improve the current version of the system to better achieves the desire goals to recurrent young job seekers. The real data from MoL database was used to

evaluate the performance of the project every six months after project implementation. From the real data, a national employment index was developed to assess Nitaqat's progress in the past two years. In addition, the performance measurement was used to analyze private sector reactions to Nitaqat requirements based on the four ranges used to assess organization performance in employing citizen workers. In the other words, private sector performance in boosting citizen workers will be benchmarked with the required quotas of citizen workers in each sector.

CHAPTER 4 RESULTS

4.1 Introduction

This chapter presents the framework for assessing the quality and effectiveness of a Nitaqat. It explains the development iterations of the framework and discusses the implementation of the framework on the Saudi private sector as a case study. The framework provides several indices to measure the quality and effectiveness of the Saudi national employment system. It also uses the Structural Equation Modeling (SEM) to test the hypotheses about the factors that are most affecting the national employment system. The model validity and reliability are demonstrated based on the survey distributed to the organizations working in the Saudi private sector. This research used the Saudi national employment system as a case study for the following reasons:

- The presence of top management support, especially from the Minister of Labor, to assess the impact of the new national employment system on the private sector
- Availability of data through MoL support by providing the researcher with permission to collect data from the interested parties in the national employment system.
- Flexibility in collecting data using the MoL website to invite employers to take part in the survey questionnaire.
- The presence of a need for such a performance measurement framework since the Saudi government has implemented several initiatives to enhance the Saudization that resulted in failure.

4.2 Framework Description

This section describes the framework components and provides details on how each item is calculated. As shown in figure 2, the main driver of the framework is assessing the quality and effectiveness of a national employment system to enhance citizen job seeker employment. The framework is intended help to manage and control the national employment system, ultimately resulting in a reduction in the unemployment rate. The critical assessment factors used in the framework are quality and effectiveness. To measure quality, the framework assesses the national regulations system, information system, rewards system and customer services. To measure effectiveness, the framework assesses the employment rate and benchmarks private sector versus national employment system requirements. The framework assessment input includes both qualitative and quantitative data. The qualitative data includes demographic information, labor regulations, quality of information, quality of motivation and employer satisfaction. On the other hand, the quantitative data includes citizen employee data, expatriate information, information on organizations working in the Saudi market and national employment system information.

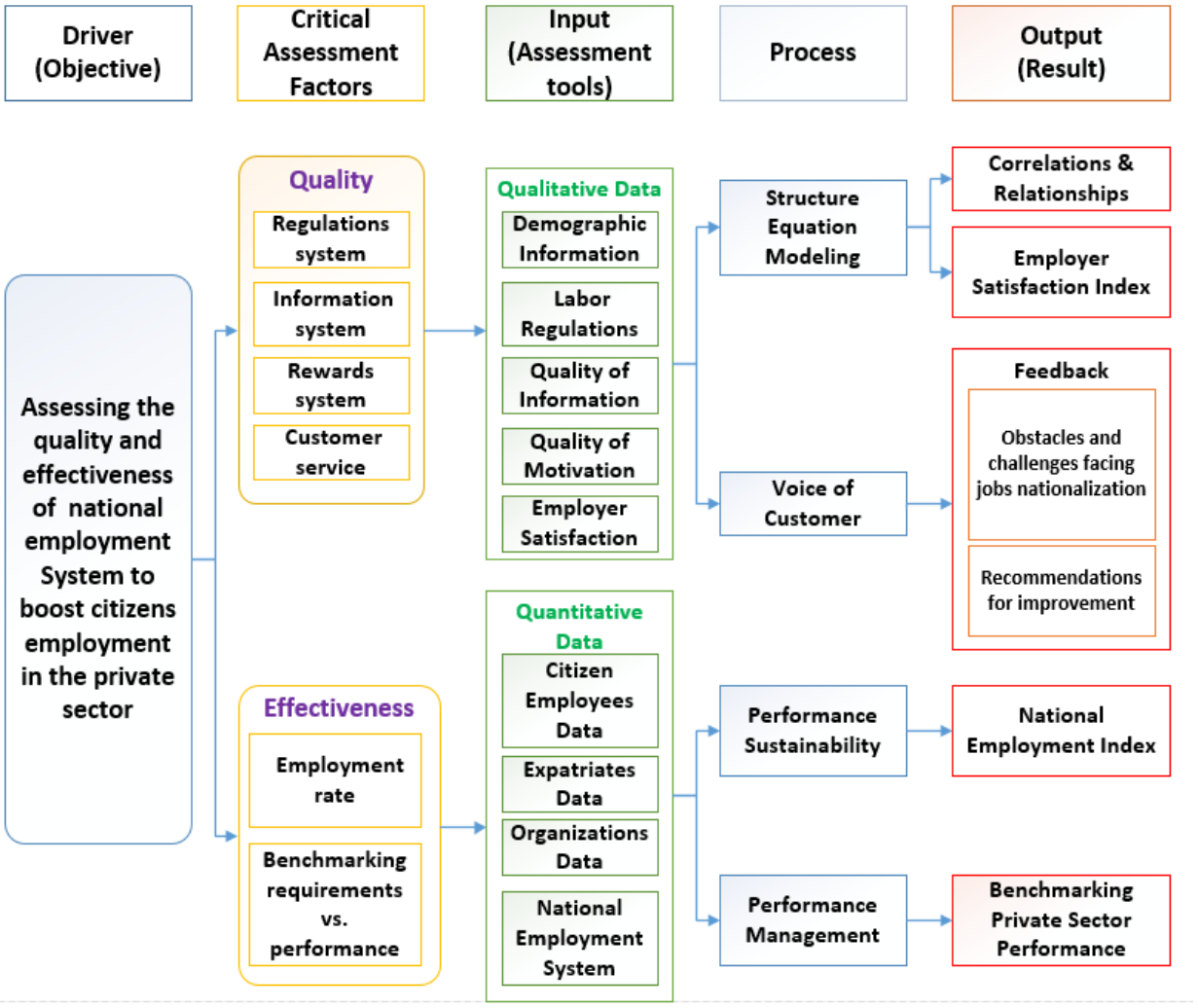


Figure 2. The framework for assessing the national employment system

The framework uses two powerful methods to assess the national employment quality system with respect to its process of nationalization: Structural equation modeling (SEM) and voice of customer (VOC). Both SEM and VOC are used on the results from the survey questionnaire directed to employers in the private sector. With regards to the process of assessing the national employment system effectiveness, the framework uses performance sustainability and performance management techniques. The SEM results enabled us to define the correlations

and relationships between model factors, which will be explained in the following section. Also, the employer satisfaction index was determined from SEM using an approach similar to ACSI. This index will assist the Ministry of Labor to measure its customer services and employer satisfaction on their national employment system. The output of the performance sustainability is a national employment index which measures the national employment system's performance recruiting citizen job seekers in the private sector. The performance management process produces indicators on how organizations in the private sector are reacting to the national employment system requirements. It shows the movement of the organizations with respect to Nitaqat ranges for the period six months after the project started. The goal is to benchmark private sector progress in enhancing percentages of citizen employees versus the national employment system requirements quotas to employ citizens in each industry or sector.

4.3 Quality Model Using Structural Equation Modeling

Structural equation modeling (SEM) is a statistical tool to examine the relationships among multiple variables (Chin, Peterson, & Brown, 2008). This section explains the development of the model for assessing the quality of a national employment system, inspired by the ACSI for government sector. The model in figure 3 shows the four factors affecting the perceived quality of the Saudi national employment system (Nitaqat): employer's attitude toward the employment system, system information, rewards system and customer services. To determine employer attitude, the model examines how the system regulations are achievable by the private sector and how is it effective to boost the citizen employment in the private sector. With respect to quality of information the model investigates employer perspectives on the clarity of the national employment system information. In addition, it investigates the

accessibility of information on Nitaqat. For the rewards system, the model explores employers' level of agreement about how sufficient the Nitaqat system rewards are and how attractive to the private sector they are, moving from red and yellow ranges to green and excellent ranges,. For customer services, the model explores private sector satisfaction with the courteousness and professionalism of MoL representatives in responding and handling private sector inquiries and services.

As shown in the literature review in the second chapter, all four of the above factors affect the perceived quality of a national employment system. The study further tests how the perceived quality affects employer satisfaction. It also tests whether employer satisfaction is affecting the private sector's level of trust of the MoL. Additionally, the study tests the relationship between employer satisfaction and the national employment system.

The three hypotheses of the study are:

H_1: Perceived Quality has a significant impact on employer satisfaction

H_2: Employer Satisfaction has a significant effect on their recruiting citizen job seekers

H_3: Employer satisfaction has strong impact on the level of trust accorded the Ministry of Labor

Figure 3. The quality model for a national employment system

4.3.1 Confirmatory Factor Analysis

Confirmatory factor analysis (CFA) is used before testing hypotheses to test whether the model is consistent with observed data (Singh & Smith, 2004). Indeed, CFA is used to measure the construct reliability and validity of an assessment tool (Alegre, Lapiedra, & Chiva, 2006).We used the SPSS AMOS, a powerful software package, to apply the confirmatory factor analysis on the developed model (Babin, Hair, & Boles, 2008). Figure 4 shows the AMOS CFA construct where:

LR: represents employer attitude toward the employment system

QI: represents the quality of information

RE: represents the rewards system

CS: represents customer service

ES: represents employer satisfaction

AG: represents agency trust

NOE: represents nationalization employment system

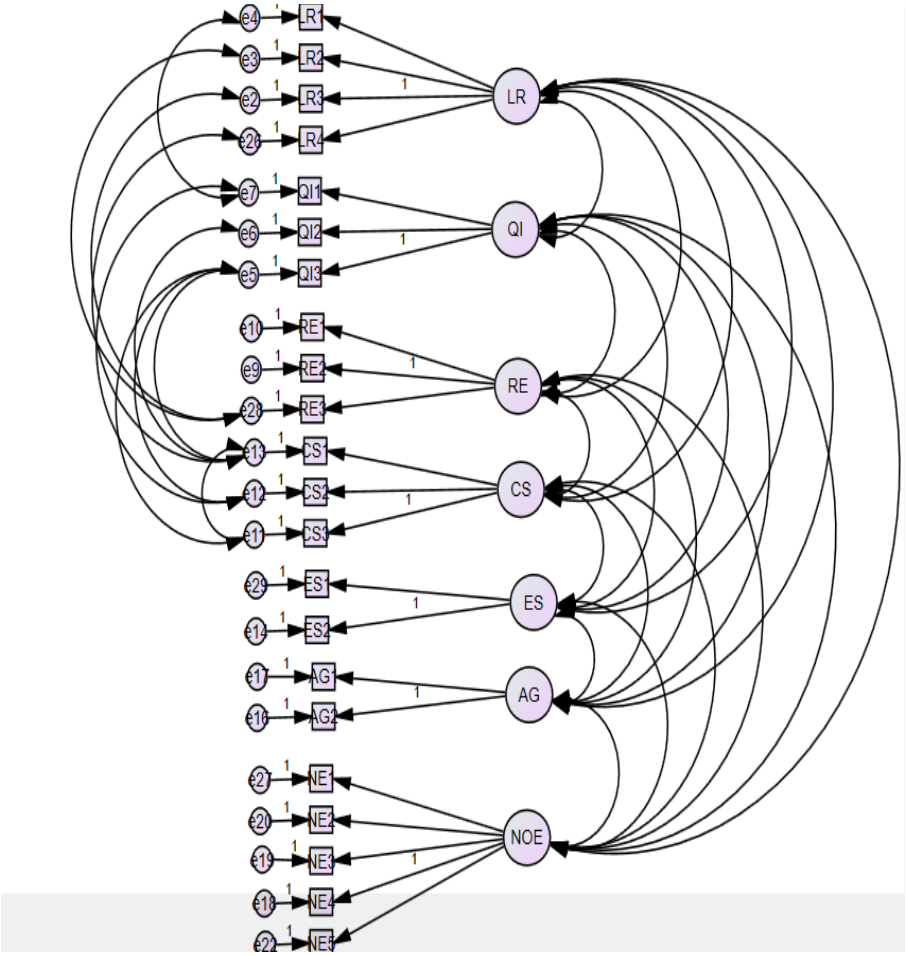


Figure 4 Confirmatory Factor Analysis construct

CFA helps to examine whether the data fit a hypothesized measurement model by providing set of model fit criteria and acceptable level (Bosnjak, Galesic, & Tuten, 2007;

Hooper et al., 2008; Hox & Bechger, 1998; Park et al., 2012; Weijters et al., 2013). This set of criteria is shown in Table 3.

Table 3 Model fit criteria

Model fit criterion	**Acceptable level**	**Interpretation**
Goodness - of – fit (GFI)	0(no fit) to 1 (perfect fit)	Value close to 0.95 reflects a good fit
Adjusted Goodness-of-fit (AGFI)	0(no fit) to 1 (perfect fit)	Value adjusted for df, with 0.9 a good model fit
Normed fit Index (CMIN)	1.0 – 5.0	Less than 1.0 is a poor model fit; more than 5.0 reflects a need for improvement
Root-mean-square residual (RMSER)	0.05	Values less than 0.05 indicates a good model fit
Bentler-Bonett Index or Normed Fit Index (NFI)	0(no fit) to 1 (perfect fit)	Value close to 0.95 reflects a good fit
Tucker Lewis Index or Non-normed Fit Index (NNFI)	0(no fit) to 1 (perfect fit)	Value close to 0.95 reflects a good fit
Comparative Fit Index (CFI)	0(no fit) to 1 (perfect fit)	Value close to 0.95 reflects a good fit

After running the model using the SPSS AMOS, we obtained the fit indices results shown in Table 4.

Table 4 CFA fit indices

Model fit criterion	**Acceptable level**	**Interpretation**
Goodness - of – fit (GFI)	**.**957	Within the acceptable level
Adjusted Goodness-of-fit (AGFI)	.938	Within the acceptable level
Normed fit Index (CMIN)	4.187	Within the acceptable level
Root-mean-square residual (RMSER)	.046	Within the acceptable level
Bentler-Bonett Index or Normed Fit Index (NFI)	.947	Within the acceptable level
Tucker Lewis Index or Non-normed Fit Index (NNFI)	.947	Within the acceptable level
Comparative Fit Index (CFI)	.959	Within the acceptable level

The model fit indices show a good fit of the CFA model, which allowed us to start test the Structural equation model using the same software SPSS AMOS, as shown in figure 5.

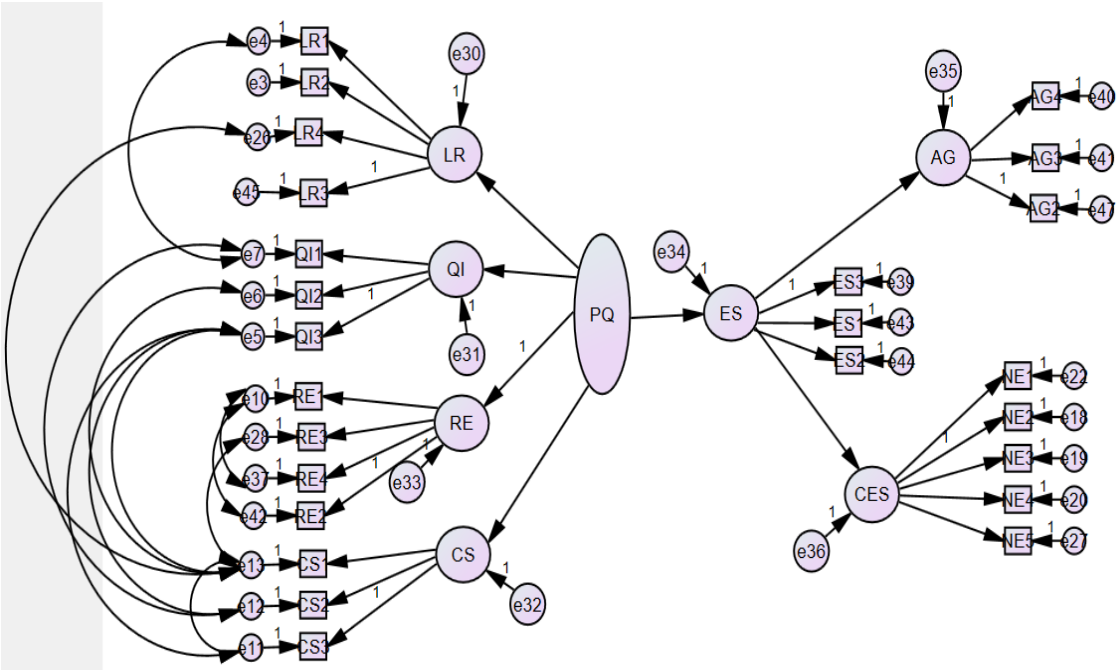


Figure 5 Quality model using SEM

Next, we ran the model to calculate the relationships between variables and test the hypothesis, as shown in Figure 6.

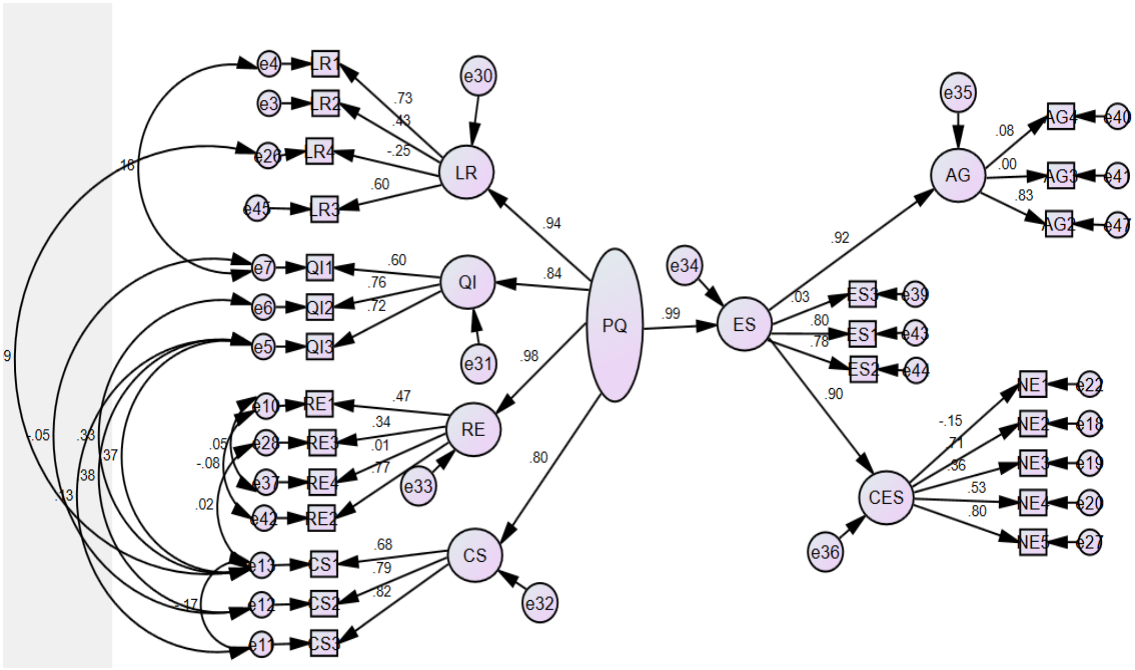


Figure 6 Quality model with SPSS AMOS results

Before we analyzed the relationships, we had to test the model goodness of fit, shown in table 5.

Table 5 Model fit indices

Model fit criterion	Acceptable level	Interpretation
Goodness - of – fit (GFI)	.942	Within the acceptable level
Adjusted Goodness-of-fit (AGFI)	.927	Within the acceptable level
Normed fit Index (CMIN)	4.279	Within the acceptable level
Root-mean-square residual (RMSER)	.045	Within the acceptable level
Bentler-Bonett Index or Normed Fit Index (NFI)	.916	Within the acceptable level
Tucker Lewis Index or Non-normed Fit Index (NNFI)	.923	Within the acceptable level
Comparative Fit Index (CFI)	.934	Within the acceptable level

The model fit indices shows that the model has good fit. The model results show that perceived quality strongly affects employer satisfaction, which supports the first hypothesis. For the second hypothesis, the results show that employer satisfaction has a significant effect on the national employment system. In addition, a strong relationship is shown between employer satisfaction and employers' trust in MoL, which supports the third hypothesis. Since there is a positive correlation between understanding employer requirements and boosting citizen

employment we can conclude that measuring employer satisfaction helps improve localization of employment initiatives.

4.4 Employer Satisfaction Index

From the Structural equation model, we can see that employer satisfaction strongly affects the national employment system. Therefore, in this study we use the SEM and apply the ACSI technique and concepts to measure the employer satisfaction index, using the data collected from the survey questionnaire. ACSI is used to measure quality of services based on the consumers' perspectives and opinions (Sohn & Moon, 2003). ACSI is a market-based performance assessment for quality of organization services. The ACSI uses Likert scale to measure consumer's experience on their services with the assessed organization or government agency. The ACSI covers three essential dimensions that influence the customer satisfaction. These three dimensions which included in the ACSI equation are satisfaction, expectation and performance. For the employer satisfaction index, we used the same equation as that used by ACSI (Rai, 2012) as shown displayed in Equation 10:

$$CS = \frac{[(S-1)\ 0.3885+(E-1)0.3190+(P-1)0.2925]}{9}\ x\ 100 \qquad (10)$$

Where:

CS = Customer Satisfaction

S = Satisfaction

E = Expectancy

P = Performance

The employer satisfaction index scores range from 0 (unsatisfied) to 100 (very satisfied). Our results show that the current employer satisfaction index is 48 % as shown in figure 7:

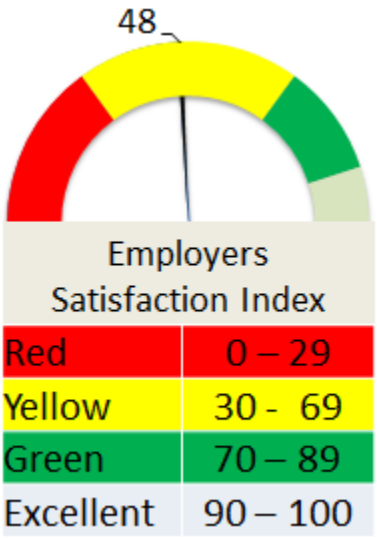


Figure 7 Employers Satisfaction Index

The proposed employer satisfaction index uses the same Nitaqat ranges to provide the MoL with a clear indication of how they are doing with employer satisfaction. The current index value, 48%, falls in the yellow range, which indicates that the MoL needs to increase its quality of services to satisfy their customers, which should eventually assist with boosting localization of employment.

4.5 National Employment Index

As stated in chapter one, the current national employment system in Saudi Arabia does not have a measurement performance index that is accessible to everyone. In this section, the study derived a national employment index inspired by the stock market index. The index uses the MoL's equation to evaluate company performance with respect to job localization. The MoL classifies the private market into 51 industries, while the index uses the Saudi stock market classification, which divides the private sector into 15 industries. In addition, we add the education industry to make the total number of industries for this index equal to 16 industries. The data used in the index were taken from the Nitaqat database with a period of six months between the data, as shown in figure 8.

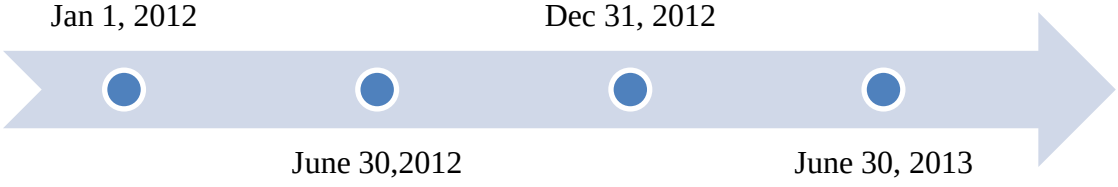


Figure 8 Data collection time line

Since Nitaqat started in late 2011, the index analyzed the data collected from the Ministry of Labor in Saudi Arabia to measure the performance of the current national employment system, Nitaqat. The data were extracted for four different dates, January 1st, 2012. June 30th 2012, December 31st 2012 and June 30th 2013; the same variables were used for each date to

assess nationalization of employment performance and its impact on the organizations working in the private sector. This approach helps to measure the progress of Nitaqat over the time and how it affects the national employment every six months. The data includes six variables:

- Organization ID: This ID number is given by the Ministry of Commerce to each organization working in the Saudi labor market as an identification number for this entity
- Office ID: This is a unique number for each branch of the Ministry of Labor in the Saudi Arabia Provinces. There are 38 branches (offices) of the Ministry of Labor, shown in table 6.

Table 6 Ministry of Labor Branches in Saudi Arabia regions

Province	City	Office ID
Riyadh	Riyadh	1
	Kharj	2
	Majmaah	28
	Doadmi	29
	Shagra	31
	Zulfy	32
	Wadi Dwaser	34
	Aflaj	38
Qassim	Borida	3
	Rass	26
	Oniza	27
Makkah	Jeddah	9
	Taif	12
	Makkah	13
	Qunfitha	35
Madina	Madina	10
	Yonbu	14
	Ola	33
Jouf	Jouf	25
	Quriat	30
Tabuk	Tabuk	16
	Wajh	36
Northern Border	Arar	24
	Turif	37
Hael	Hael	17
Baha	Albaha	20
	Bisha	21
Jazan	Jazan	22
Najran	Najran	18
Asir	Abha	11

Eastern province	Dammam	4
	Ras Tanora	5
	Jubail	6
	Begaig	7
	Ehssa	8
	Khobar	15
	Hafer Baten	19
	Khafjy	23

- Province of Saudi Arabia: There are thirteen provinces in Saudi Arabia as shown in figure 9

Figure 9 Saudi Arabia Map with provinces

- Sector ID: This labor market sector ID number as classified by MoL which illustrated in Table 7.

Table 7 Labor market sectors

Labor market sectors	Sector ID
Retail sector	
Wholesale and retail trade	12
Gold and jewelry	13
Bread bakery	43
Pharmacies	14
Nutrition Services	15
Multi-Investment sector	
Business & consultant services	27
Social services	28
Public services offices (follow up)	29
Private recruitment agents	30
Personal services	31
Laboratory	34
Healthcare services	35
Security	40
Private employment offices	41
Banks & Financial Services sector	
Financial institutions	25
Petrochemical Industries sector	
Petrochemical, coal, rubber	7
Cement sector	
Cement industry	8
Real Estate Development	
Collection offices and Real Estate Services	26
Industrial Investment sector	
Manufacturing	6
Stone, granite and brick	50
Hotel & Tourism sector	
Tourism	16

Energy & Utilities sector	
Electricity, gas and water	9
Oil and gas extraction	4
Mining and quarrying	5
Maintenance shops	32
Construction and maintenance and cleaning operation	11
Gas stations	49
Government projects hygiene contracts (Part III)	48

Labor market sectors	Sector ID
Transportation sector	
Transport of passengers and goods outside the cities	17
Road transport of passengers within cities	18
Road transport of goods within cities	19
Transport of goods outside the cities	51
Storage	21
Air transport	22
Sea transport	20
Agriculture & Food Industries sector	
Agriculture, fishing and grazing horses	1
Farmers, fishermen and shepherds (private)	2
Agricultural and livestock production	3
Media and Publishing sector	
Printing, Media and Publishing	33
Building & Construction sector	
Construction	10
Ready-mixed concrete	44
Insurance sector	
Insurance	24
Telecommunication & Information Technology sector	
Information Technology	45
Communications	23
Education sector	
Institutes and colleges	36
Government and private schools Girls	37
Public schools and civil Boys	38
Foreign schools	39
Kindergartens	42

- Range of performance: Nitaqat classify organization into four ranges based on their performance in nationalization of employment (Excellent 4, Green 3, yellow 2, and red 1).

Table 8 Nitaqat Ranges Definition

Ranges color	Code	definition
Excellent	4	Organization achieving exceptional nationalization performance
Green	3	Organization achieving good nationalization performance
Yellow	2	Organization achieving below average performance in terms of jobs nationalization.
Red	1	Organization achieving poor nationalization performance

- Number of Saudi workers employed
- Number of expatriates employed

The index uses the same equation used by the MoL to calculate the nationalization performance of each organization as shown as displayed in Equation 11:

$$\text{NOEI} = \frac{LW}{LW+FW} \qquad (11)$$

Where

LW= Local workers in the private sector

FW= Foreign workers in the private sector

The index is calculated for each sector instead of for each company. Also, the index shows the change in the localization of employment over the time. Our results are shown figure 10.

	Index Jan-12	Index Jun-12	change	Index Dec-12	Change	Index Jun-13	Change
Nationl Employment Index NEI	13.98%	14.43%	↑0.46%	16.25%	↑1.82%	17.01%	↑0.76%

Figure 10 National Employment Index

From the National Employment Index (NEI), we can see that the index increased every six months, indicating that the Saudi national employment system is progressing with boosting localization of employment. The index also provides more details of how each industry in the private sector is progressing with the national employment system requirements, as shown in figure 11.

Sectors	Index Jan-12	Index Jun-12	change	Index Dec-12	change	Index Jun-13	change
Retail	16.5%	17.4%	0.8%	19.9%	2.6%	21.0%	1.1%
Multi-Investment	25.3%	26.3%	1.0%	28.0%	1.7%	28.9%	0.8%
Banks & Financial Services	84.3%	84.7%	0.4%	84.8%	0.1%	86.0%	1.2%
Petrochemical Industries	53.4%	57.7%	4.2%	61.7%	4.1%	59.7%	-2.0%
Cement	30.7%	36.4%	5.8%	36.5%	0.1%	37.2%	0.7%
Real Estate Development	19.9%	23.7%	3.8%	27.7%	4.0%	32.8%	5.1%
Industrial Investment	20.1%	20.7%	0.6%	23.0%	2.2%	24.2%	1.2%
Hotel & Tourism	16.9%	18.2%	1.3%	21.9%	3.7%	22.2%	0.3%
Energy & Utilities	20.8%	21.3%	0.5%	22.9%	1.6%	23.1%	0.2%
Transportation	13.9%	13.8%	-0.1%	15.2%	1.4%	16.0%	0.8%
Agriculture & Food Industries	4.1%	5.2%	1.0%	6.0%	0.8%	7.3%	1.3%
Media and Publishing	24.1%	24.9%	0.8%	26.0%	1.1%	28.5%	2.5%
Building & Construction	7.6%	8.4%	0.7%	9.9%	1.6%	10.3%	0.3%
Insurance	31.4%	30.8%	-0.6%	33.4%	2.6%	34.3%	0.9%
Telecommunication & Information Technology	37.5%	53.5%	16.0%	64.3%	10.8%	55.1%	-9.2%
Education	43.9%	40.0%	-3.8%	46.1%	6.1%	48.6%	2.5%

Figure 11 NEI for Saudi private sectors

The observed data shows that the private sector is implementing Nitaqat requirements. The observed increase in the NEI indicates that Nitqat has contributed in reducing the unemployment rate and encouraging the private sector to increase citizens in their workforce. The NEI can provide more details for each sector to help decision makers see which specific industries are contributing to the national employment system. If we choose to examine the retail sector progress in localization of employment, we can easily click on the retail sector and another window will show the performance of all industries under the retail sector, as shown in figure 12

Retail Sectors	Total Saudis	Total Exp.	Total Workfore	Index Jan-12	Total Saudis	Total Exp.	Total Workfore	Index Jun-12	change
Wholesale and retail trade	153077	697392	850469	18.0%	162268	691242	853510	19.01%	1.01%
Gold and jewelery	390	2221	2611	14.9%	441	2001	2442	18.06%	3.12%
Bakery	2878	22995	25873	11.1%	3575	28408	31983	11.18%	0.05%
Pharmacies	2263	10627	12890	17.6%	2386	11643	14029	17.01%	-0.55%
Nutrition Services	11872	126688	138560	8.6%	15449	141838	157287	9.82%	1.25%

Figure 12 Retail sector industries' performance

Moreover, using a Pareto diagram, we can show which industry is the highest contributor to the red range by just analyzing the organizations located in the red range only.

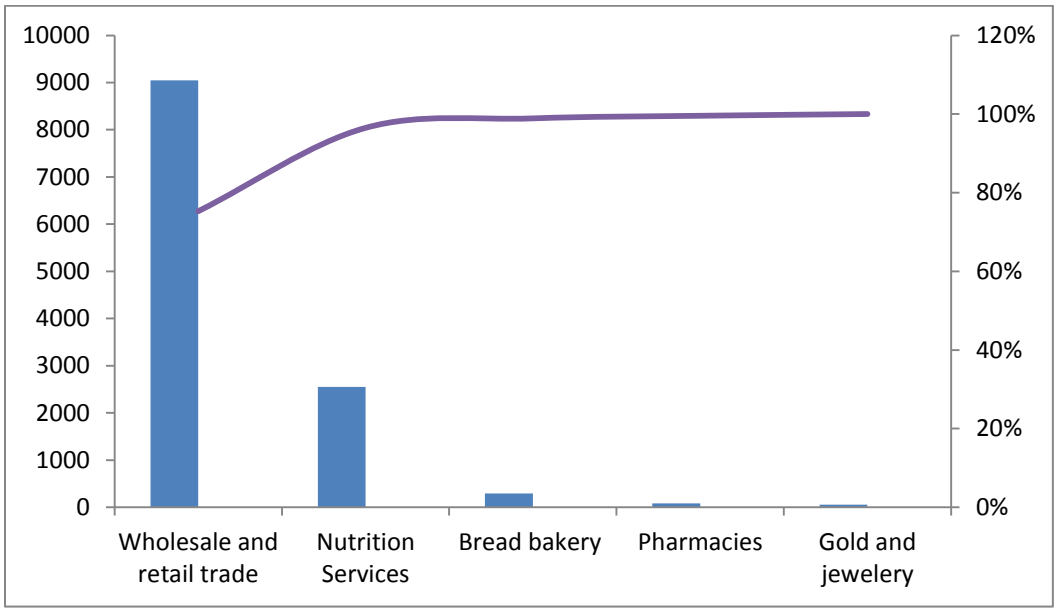


Figure 13 Pareto diagram of entities in the red range

The findings show the wholesale and retail trade is the industry that fall most into the red range.

The performance for specific industries in another sector, the energy and utilities sector, is shown in figure 14.

Energy & Utilities Sectors	Total Saudi	Total Exp.	tal Workfo	NOE Jan-12	Total Saudi	Total Exp.	tal Workfo	NOE Jun-12	Index
Electricity, gas and water	13621	8856	22477	60.6%	28598	10267	38865	73.6%	13.0%
Oil and gas extraction	59319	12204	71523	82.9%	58732	12671	71403	82.3%	-0.7%
Mining and quarrying	5557	6835	12392	44.8%	5631	6715	12346	45.6%	0.8%
Maintenance shops	5347	121588	126935	4.2%	8335	127937	136272	6.1%	1.9%
Maintenance and cleaning operation	25059	264423	289482	8.7%	32668	337564	370232	8.8%	0.2%

Figure 14 Energy and utilities industries' performance

The National Employment System Index has different features that can be summarized as:

- Assesses different sectors reactions to localization of employment requirements
- Identifies the potential sectors to focus on increasing local workforce or maintaining the current performance
- Assists the government in providing intensive training for industries that have lack of citizen workers
- Helps decision makers to take action & mentor program performance
- Uses a localization of employment to pinpoint industries which lack citizen employees
- Acts as a useful tool for students to choose their career based on market needs

4.6 Private Sector Companies Performance

In addition to the national employment index, we analyzed the private sector reaction to Nitaqat requirements As explained in the previous sections, this performance management

measure looks at how companies in the each sector are moving between Nitaqat ranges . First, we analyzed where companies falls in the Nitaqat ranges as of January 2012.

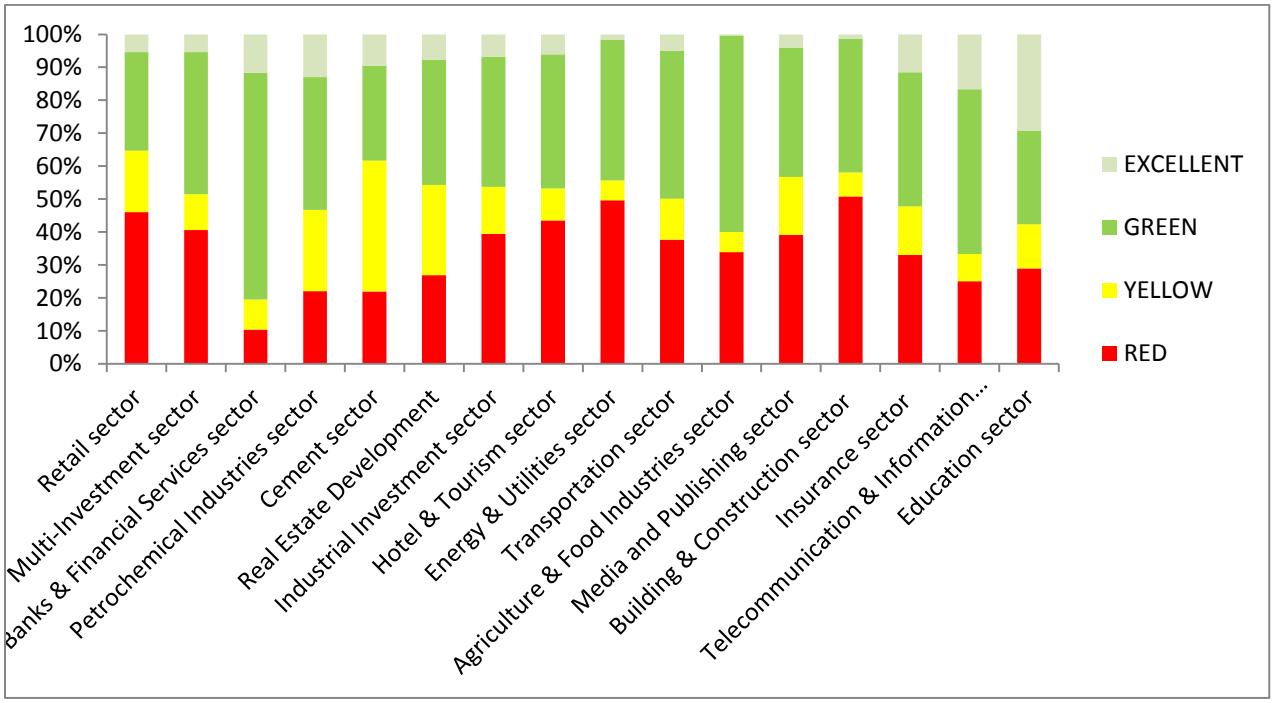


Figure 15 Private Sector Performance in January 2012

The finding shows numerous companies in the red and yellow ranges as well as a large number of companies in the green range. In June 2012 the number of countries in the red and yellow ranges becomes smaller compared to those in the green ranges while the number in the excellent range is still small, as shown in figure 16.

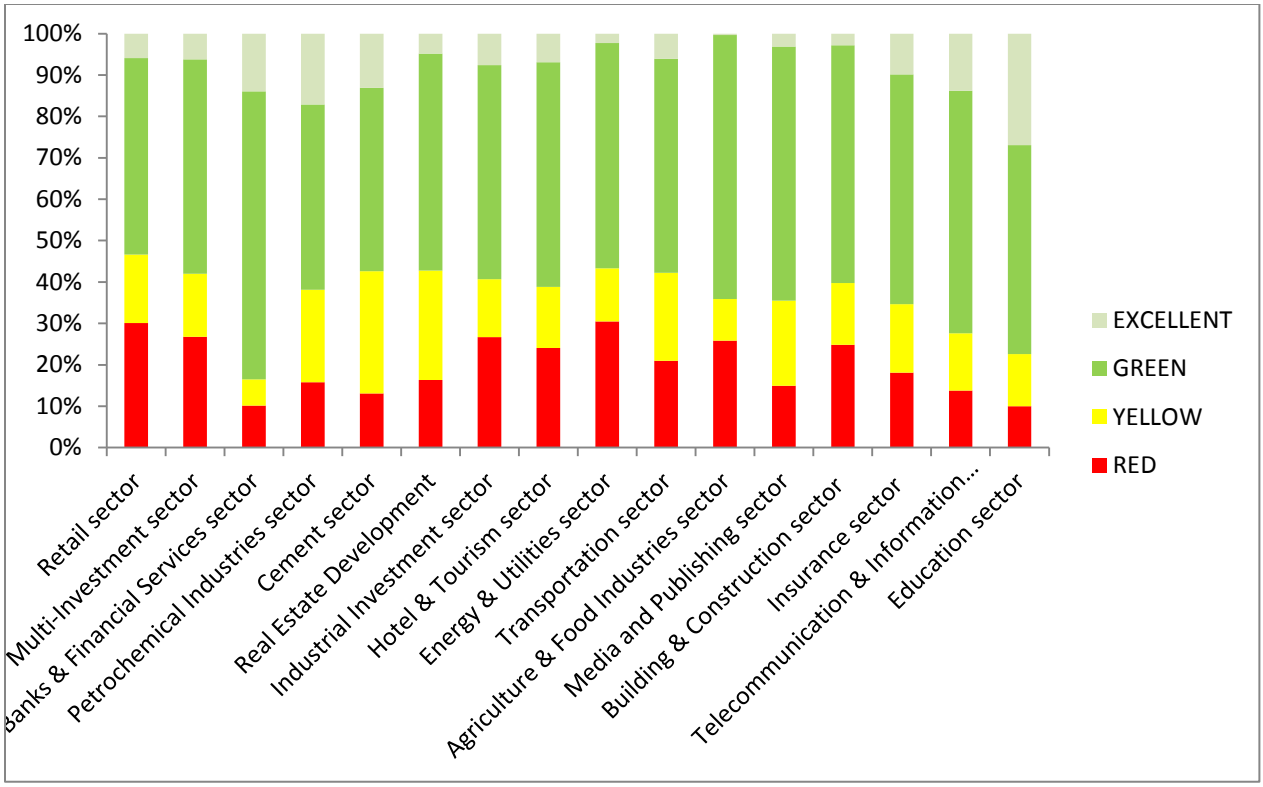


Figure 16 Private Sector Performance in June 2012

In December 2012, the private sector attitudes are still progressing well, with continued movement from the red and yellow ranges to the green and excellent ranges, which indicates that these companies are recruiting more citizen workers.

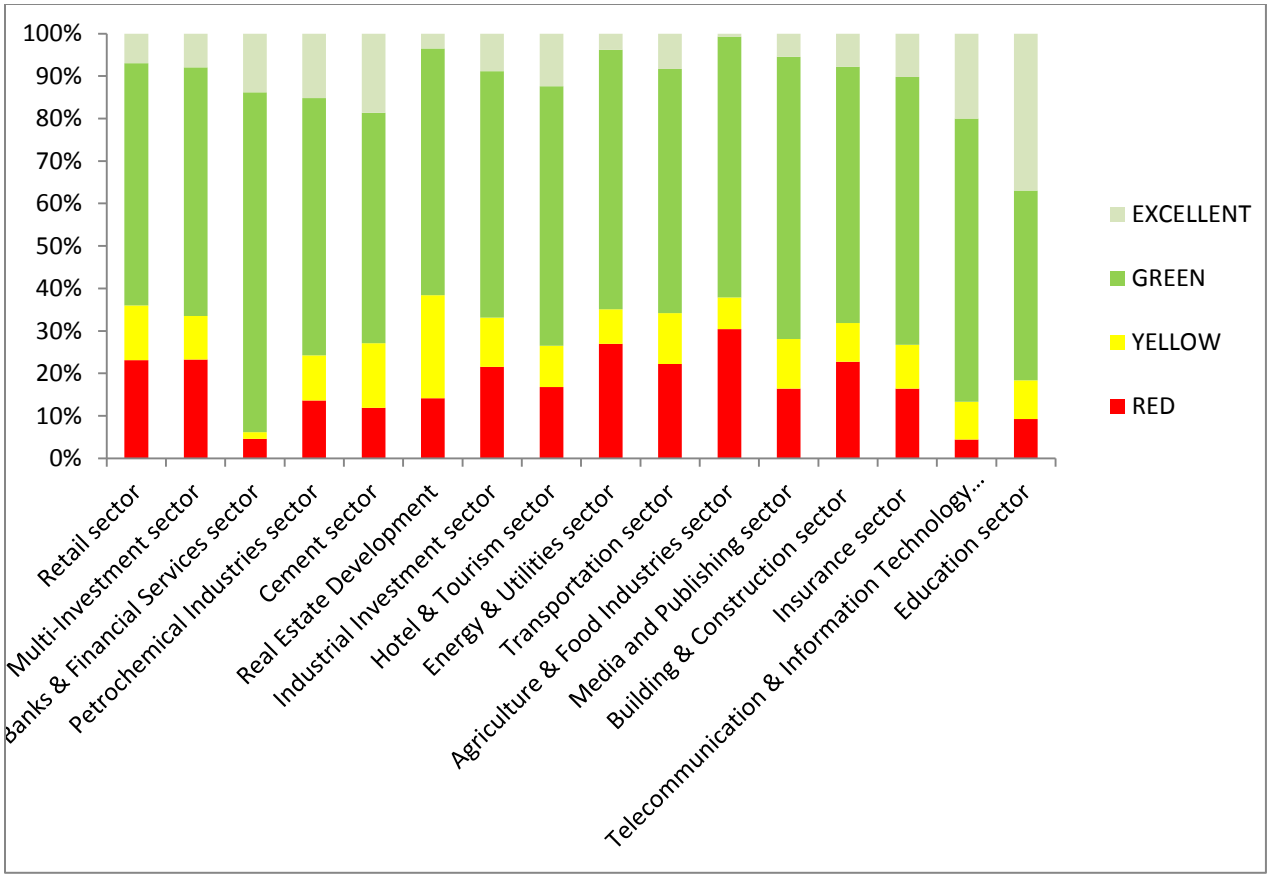


Figure 17 Private Sector Performance in December 2012

In June 2013, the results of companies' reactions to Nitaqat show that most of the organizations fall in the green range, as shown in figure 18. This finding shows that private sector organizations are adapting to the national employment system requirements and increasing the percentages of the citizens in the private sector workforce, which is the ultimate goal of Nitaqat.

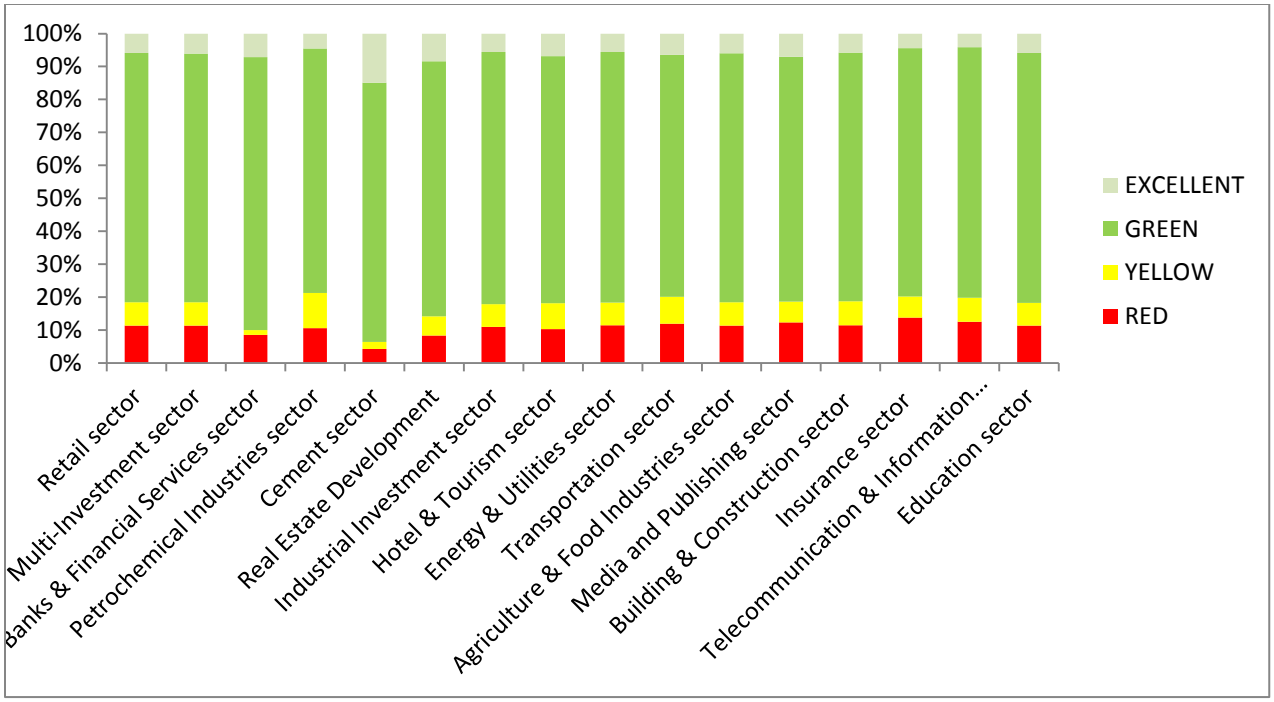


Figure 18 Private Sector Performance in June 2013

Indeed, the above analysis produced results which corroborate the findings of the national employment index, that most of the private sector is increasing the Saudi workforce.

4.7 Nitaqat performance measurement by province

In this section, we evaluate private sector companies' movement between Nitaqat ranges looking at province. In January 2012, most companies in all thirteen provinces fell into the red range as illustrated in figure 19.

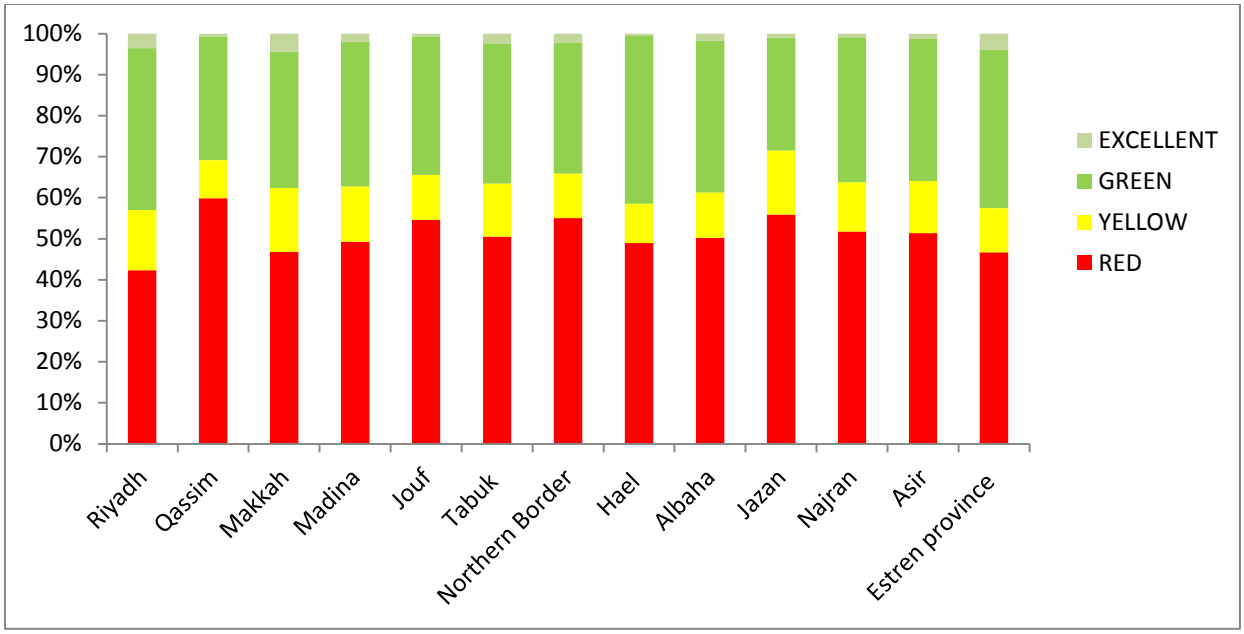


Figure 19 Provinces Performance in January 2012

In June 2012, the number of companies in the green range increased while the number of the companies in the red range decreased.

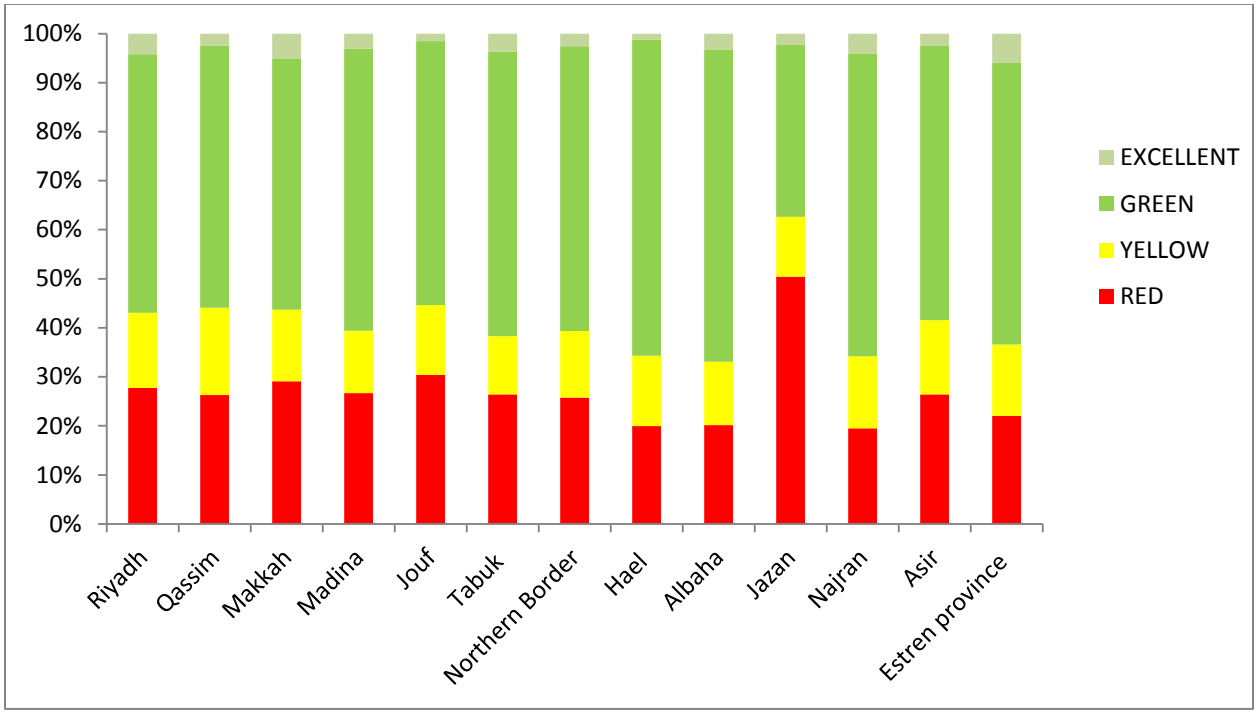


Figure 20 Provinces Performance in June 2012

In December 2012, the organization in all Saudi provinces was progressing well, with an increasing number of companies in the green range and a decreasing number of companies in the red range, as illustrated in figure 21.

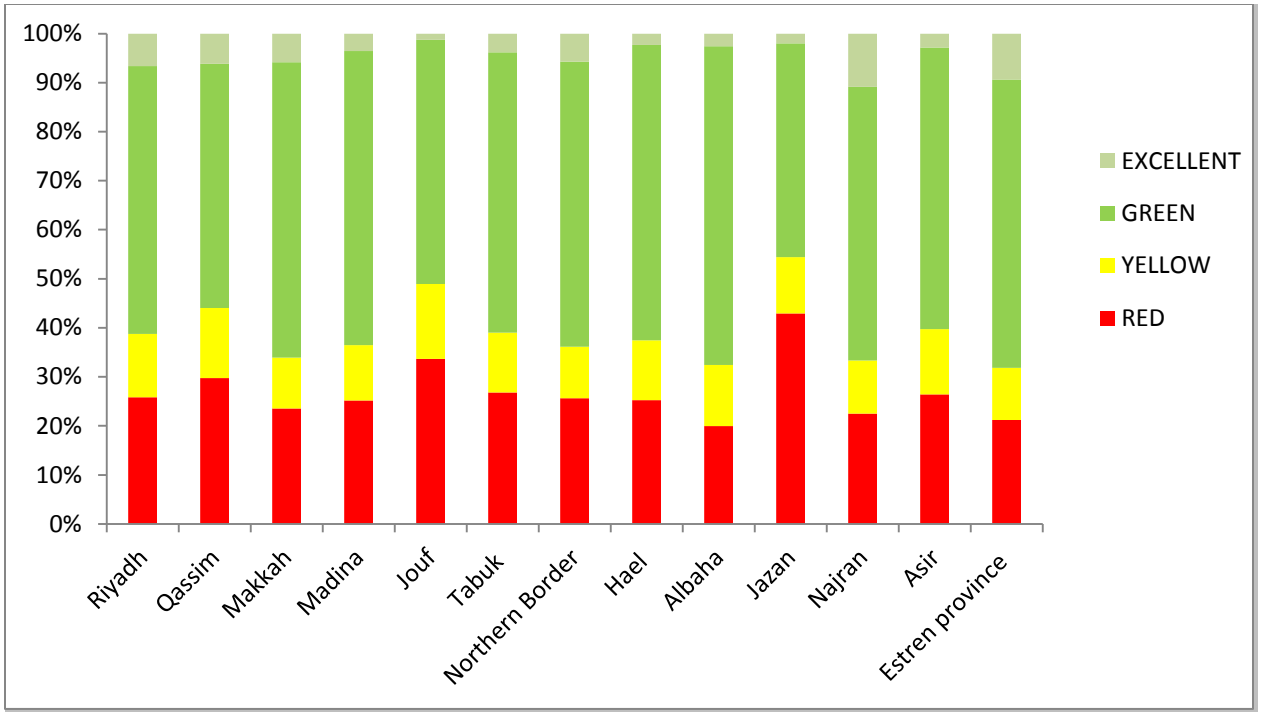


Figure 21 Provinces Performance in December 2012

In June 2013, the results show that more than 70% of the organizations in all Saudi Arabia provinces in the private sector are following the national employment system, as shown in figure 22.

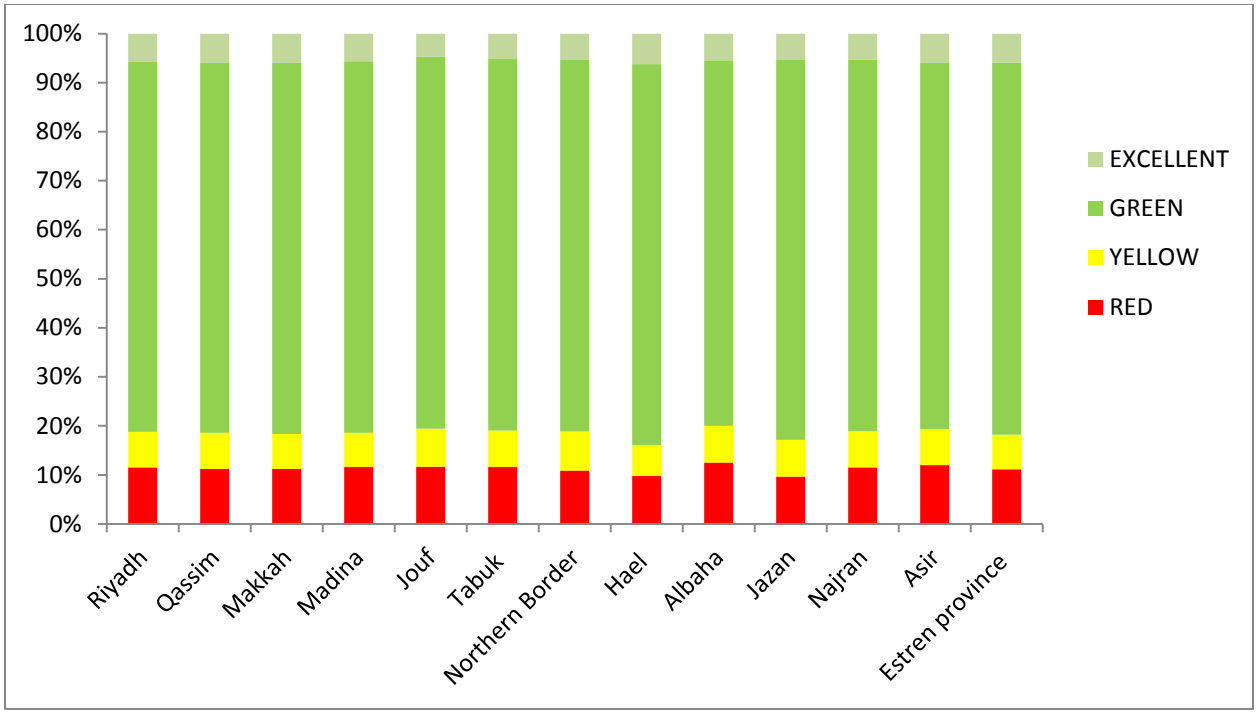


Figure 22 Provinces Performance in January 2013

4.8 National Employment Dashboard

This study also provides a conceptual dashboard for MoL decision makers to manage and control the national employment system. This dashboard depends on the same quotas released by MoL for every sector in order to adapt Nitaqat requirements. In this section, examples of two sectors are provided to illustrate the dashboard. The first example is the dashboard for banks and financial services, as shown in figure 23. It indicates that this sector is doing very well with localization of employment.

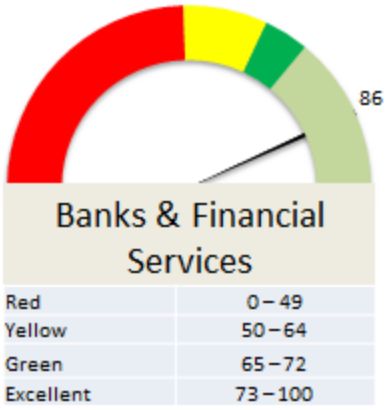


Figure 23 Bank and Financial services

The second example illustrates how the retail sector is doing with localization of employment based on the required quota by MoL as shown in figure 24.

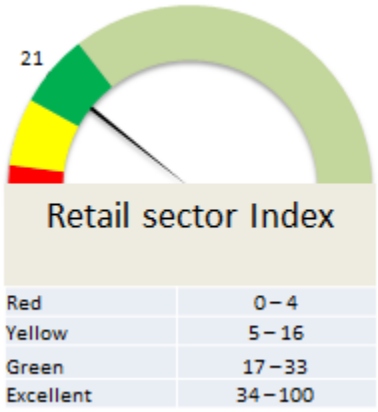


Figure 24 Retail sector index

4.9 Employer Satisfaction Index

The employer satisfaction index aims to gauge the level of the private sector's satisfaction with the national of employment system. Since unemployment cannot be resolved by

the MoL without a strong collaboration with the private sector to create more jobs for citizen job seekers, the index can be an important indicator for the MoL to see how the relationship with the private sector is progressing regarding the implementation of Nitaqat. The index depends on a survey questionnaire that uses the Likert scale to assess the satisfaction level of employers regarding Nitaqat implementation.

The index uses the same ranges used in Nitaqat to provide the MoL with an indication of how they are performing with respect to employer satisfaction level. Red indicates an index below 29 and means is the employer satisfaction level is very bad; yellow means the index fell between 30 to 69 and means that the MoL needs to improve its customer services; green indicates an employer satisfaction level between 70 – 89, meaning employer satisfaction is at an acceptable level; and a rating of "excellent" indicates a satisfaction level above 90.

The current satisfaction index shows that the employers are satisfied at 48%, which number falls into the yellow range, as shown in figure 25. This indicates that the MoL needs to work closely with the private sector and improve their services in order to increase the employers satisfaction level.

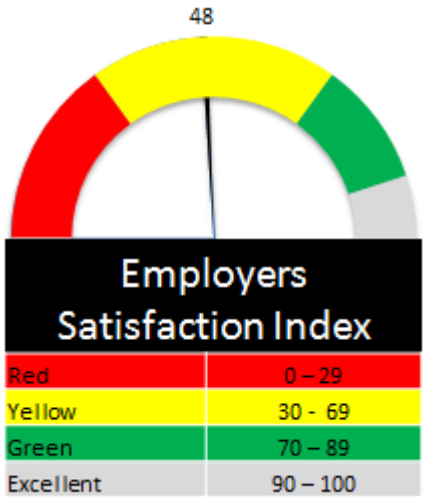


Figure 25 Employer Satisfaction Index

4.10 Analysis of Survey Questionnaire Results

This section presents an examination of the survey questionnaire results to investigate the impact of the new national employment system on the Saudi labor market. It also pinpoints the performance of the Nitaqat in the last two year based on employers' opinions and private sector adaptations to its requirements. The analysis of the results shows that 70% of the organizations working in the Saudi private sector are located in the green range while 13% are in the excellent range. It also shows only 8% in the yellow range and 9% in the red range, as illustrated in figure 26. These findings are an important indicator of how the private sector is adopting Nitaqat requirements. As mentioned in chapter one, Nitaqat started by dividing 50% of the private sector into the excellent and green ranges and the other 50% into the yellow and red ranges based on the archived average of Saudization quotas.

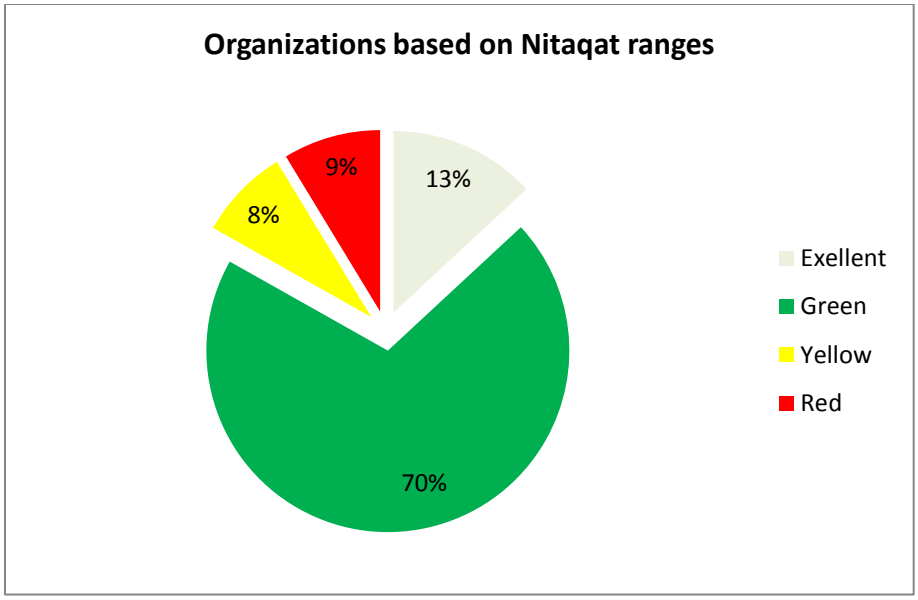


Figure 26 Organizations based on Nitaqat ranges

This finding indicates that organizations in the private sector are recruiting citizen job seekers in order for them to move from red and yellow ranges to green and excellent ranges. Indeed, organizations moved to green and excellent ranges to enjoy the reward systems and services created by the MoL to motivate the private sector to depend on local workers instead of requesting more visas for expatriates. To further investigate the private sector reaction to Nitaqat requirements, the study analyzes organizations movement between Nitaqat ranges based the Saudi stock market classification of the private sector shown in table 9.

Table 9 Saudi Stock Market Classification

i	Saudi Stock Market Sectors
1	Retail
2	Multi-Investment
3	Banks & Financial Services
4	Petrochemical Industries
5	Cement
6	Real Estate Development
7	Industrial Investment
8	Hotel & Tourism
9	Energy & Utilities
10	Transportation
11	Agriculture & Food Industries
12	Media and Publishing
13	Building & Construction
14	Insurance
15	Telecommunication & Information Technology
16	Education

These results shows that the banks and financial services sector is the sector that has most attracted citizen workers, with most of organization in this sector falling in the Green and Excellent ranges, as shown in figure 27.

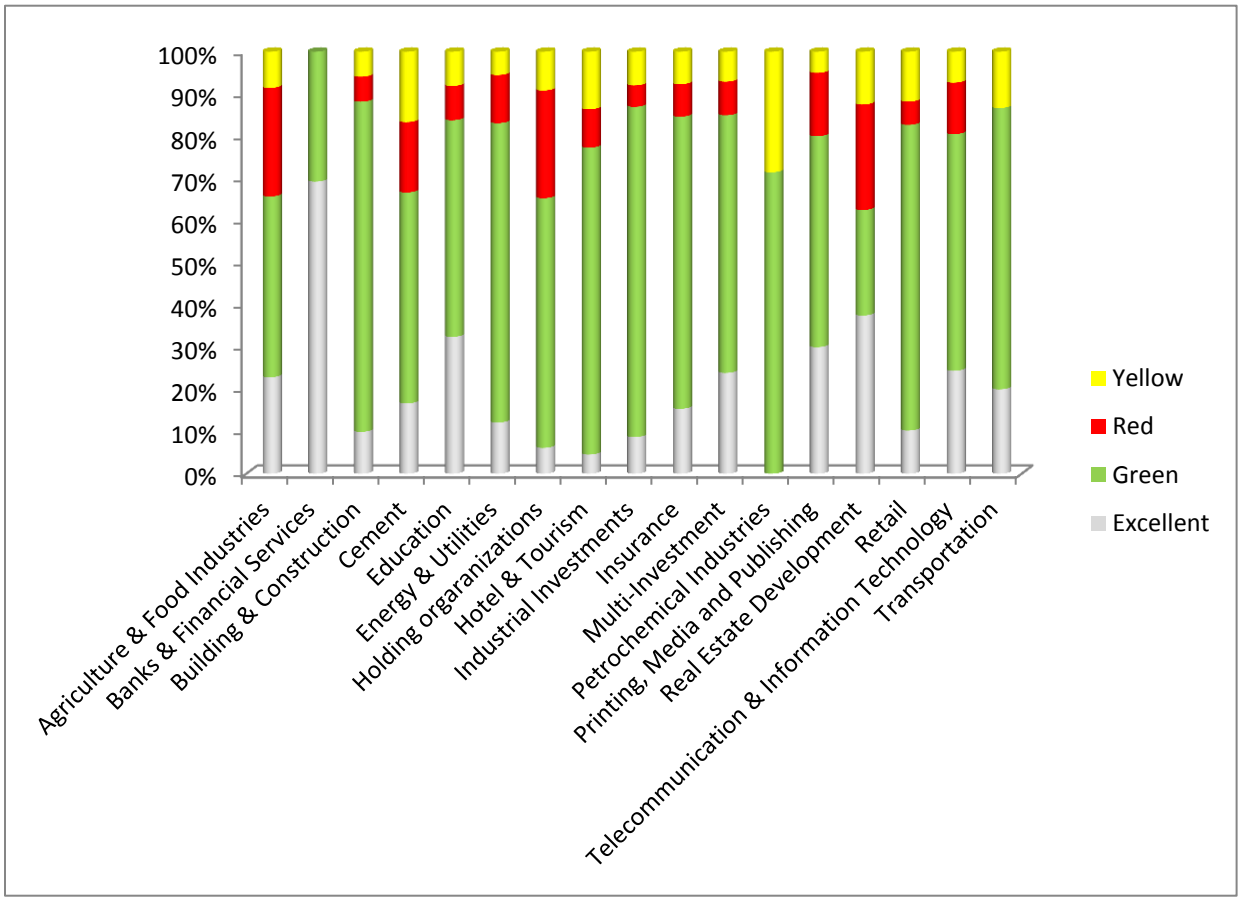


Figure 27 Private sector performance based on Nitaqat ranges

On the other hand, agriculture and real estate development are still not very attractive to local workers, which may be due the nature of the jobs provided in these sectors. However, the

findings provide a useful index to show how most of the organizations are located in the green range in each sector.

4.11 Obstacles and Challenges to Recruiting Local Job Seekers

The findings about the results from the employers' perspectives identifies several challenges in recruiting Saudi workers in the private sector as illustrated in figure 28 below:

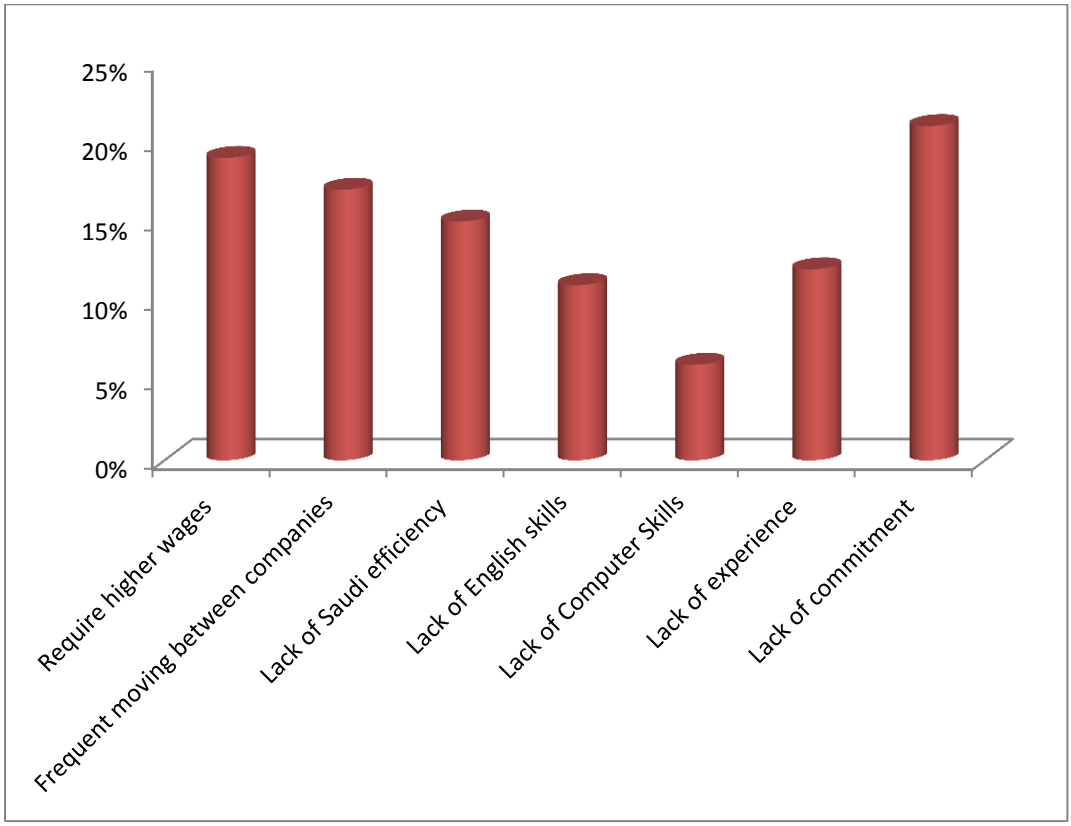


Figure 28 Obstacles and challenges to recruiting Saudi job seekrs

The result shows that the lack of commitment factor is the greatest obstacle to recruiting citizen workers, where local workers may not come on time to work or may leave early. Others

may not do the job as wells as expected of them. The second greatest obstacle to recruiting citizens is the high wages Saudi employees require compared to expatriate wages. Expatriates generally come from low income areas and so are willing to accept jobs with lower salaries compared to their Saudi counterpart. The third factor is the moving of Saudi workers from one organization to another as some local workers may leave an organization once they get good offer from other competitors. Private sector employers therefore prefer to recruit expatriates since they cannot work for other organizations while they are in the country according to Saudi labor market regulations. In addition, the lack of efficiency of local workers, and lack of English and computer skills are also factors that prevent Saudi workers from being able to compete with expatriates in private sector jobs.

Since females account for a high percentage of the unemployment rate, the study investigated the challenge and obstacles of recruiting women in the Saudi private sector based on the employers' perspectives. The results show that finding a suitable location for women to work in the private sector is the most challenging factor, as shown in figure 29. Saudi labor market regulations require organizations to provide a suitable location for working women that maintains the local culture.

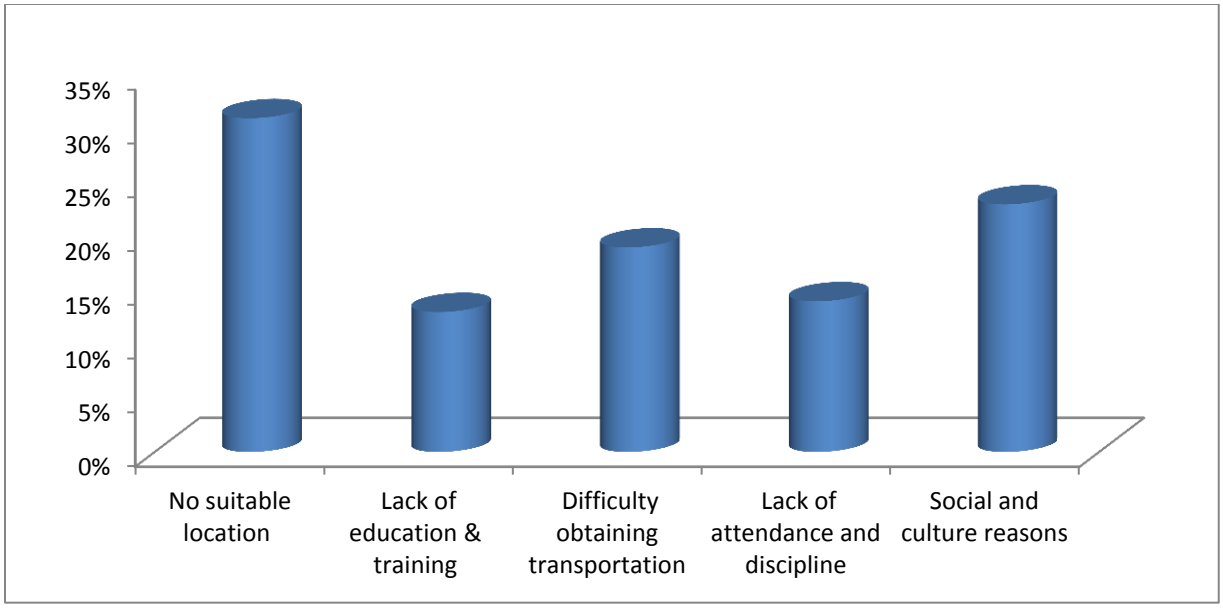


Figure 29 Challenges to recruiting women

The second largest factor that affects female employment in the private sector is the social and cultural issues that sometime restrict women in from working in certain jobs. The third obstacle is obtaining transportation for working women from home to work since women in Saudi Arabia are not allowed yet to drive a car and there is a lack of public transportation. These facts prevent Saudi women from working far from their homes unless they have their own driver or a family member that can take them to work. Some organizations have started to provide transportation to their women workers to help recruit women and overcome this obstacle.

In looking at how employers intend to meet Nitaqat requirements, the study shows that most organizations are adopting Nitaqat requirements by creating more jobs for Saudi men and women, which shows a movement towards the ultimate goal of Nitaqat to reduce unemployment by employing citizens in the private sector. Around 16% of organizations are looking to employ disabled persons as Nitaqat encourages the private sector to recruit disabled by counting each

disabled person as 4 Saudi workers. Other organizations expressed the intention to replace expatriates with citizen workers as shown in figure 30.

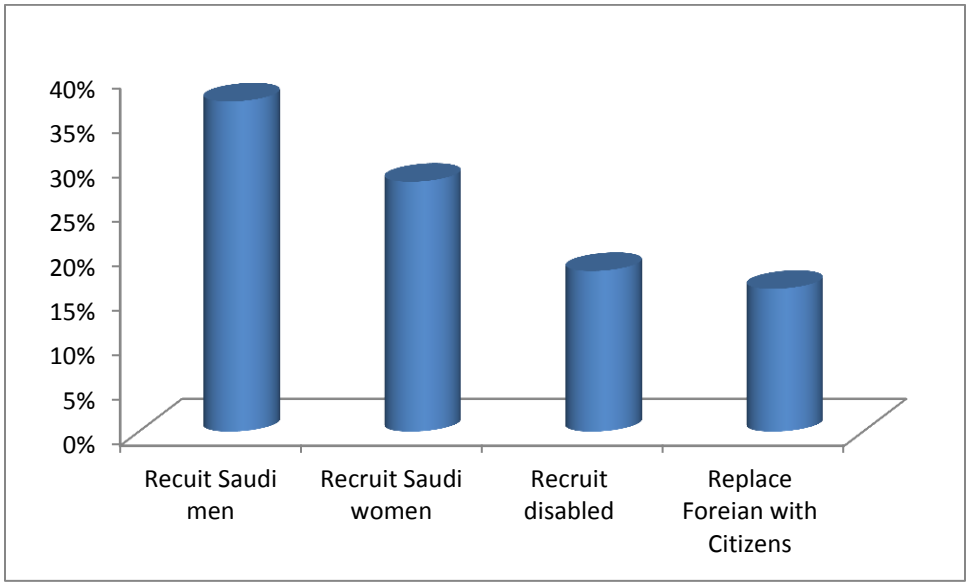


Figure 30 Private Sector intentions to achieve Nitaqat requirements

The results show that the private sector is willing to employ young Saudi men and women. Nitaqat seems to be successfully encouraging the private sector to depend on the citizen workforce instead of requesting visas to import foreign workers, which will eventually reduce unemployment rate. Figure 31 presents the number of citizen workers employed by the private sector in each organization that responded to the survey.

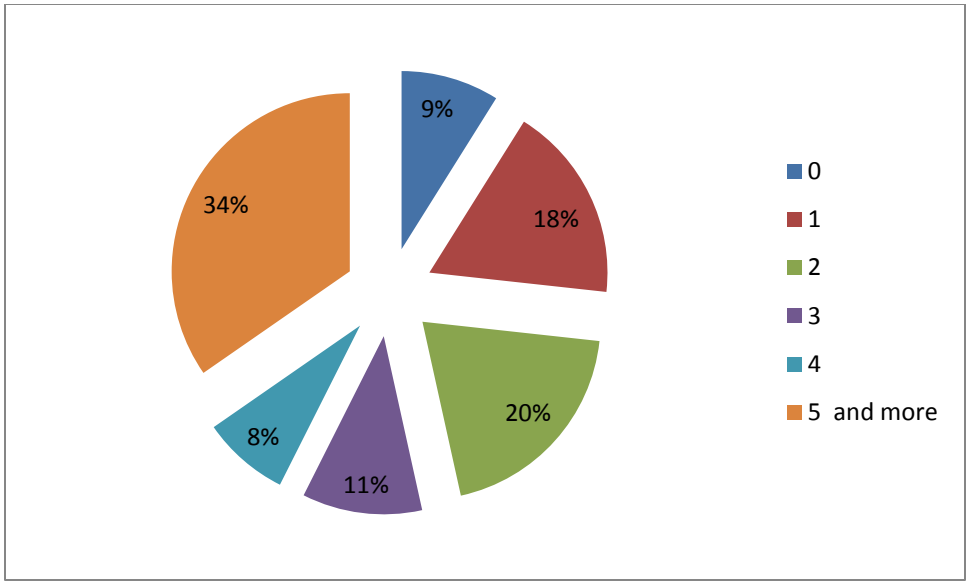


Figure 31 Number of Citizens Employees Recruited After Nitaqat

As the figure shows, around 34% of private sector organizations recruited more than 5 employees after Nitaqat implementation. In addition, 20% organizations recruited 4 citizen employees. Consequently, the study indicates that more than 50% of the organizations in the private sector have successfully recruited more than 4 employees in order to fulfil the national employment system requirements.

From the literature review, it appeared that the two-day weekend is one of the factors that lead Saudi workers to prefer to work in the public sector -- the private sector gives only one day for the weekend. Consequently, the study investigated employers' willingness to agree if there is a decision to extend the private sector weekend to two days. As shown in figure 32, more than 34 % employers responded by strongly agreeing and more than 20 % responded by agreeing while

15% of employers were neutral with the decision of extending the weekend to be two days in order to attract the Saudi labor force.

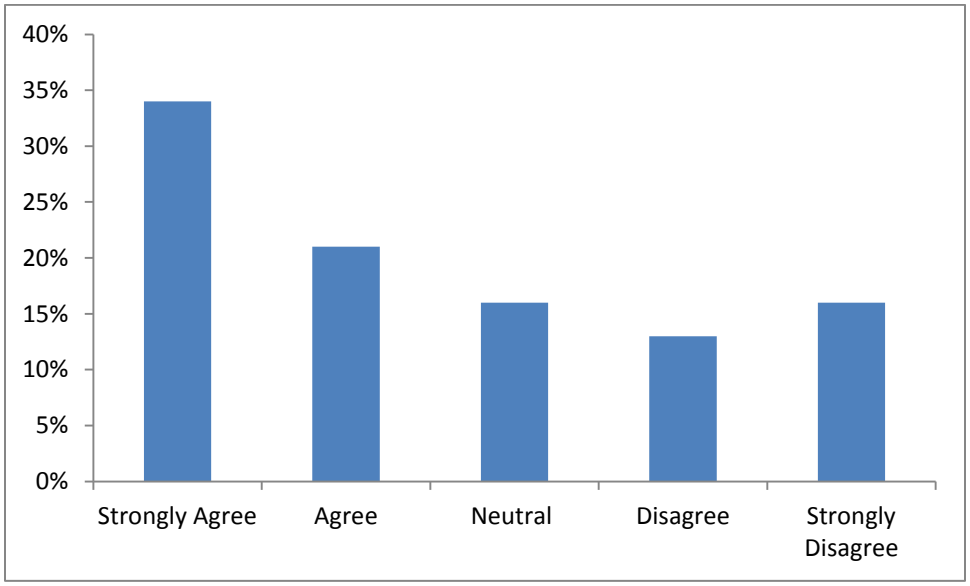


Figure 32 Employers agreement with two-day weekend

Given the employers' opinions regarding the two-day weekend and the opinions of job seekers, the Ministry of Labor should work with private sector leaders, especially chambers of commerce and industry, to implement the decision to extend the weekend in the private sector.

A fishbone diagram was used to investigate the low percentages of citizens workers in the private sector based on the data collection from the survey questionnaire and direct interviews as shown in figure 33:

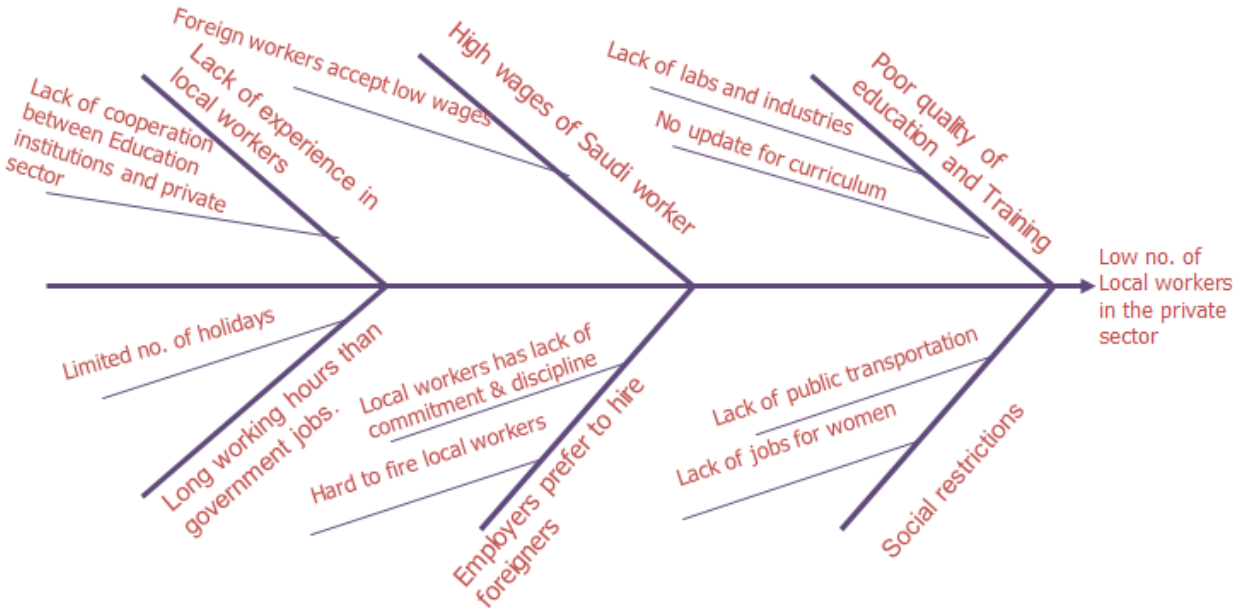


Figure 33 Fishbone diagram for low number of citizens in the private sector

The fishbone diagram illustrate that the poor quality of education and training is mainly affecting the employment of citizen job seekers in the private sector. Social restriction has an impact on recruiting Saudi women in the private sector. Also, the high wages of Saudi workers is affecting their chances in getting a job in the private sector when they are comparing with low wages of expatriates. Lack of experience of citizen workers and long working hours of private sector is significantly contributed to the low number of local workers in the private sector as indicated by interviewed employers.

4.12 Advantages and Disadvantages of Nitaqat

A list of the advantages and of Nitaqat based on employers' perspectives is presented in this chapter, which items were obtained either through an interview or a survey questionnaire. The reported advantages of the Nitaqat can be summarized as follows:

- Nitaqat benchmarks each company with its peers in the same field and of the same size.
- Nitaqat uses a web-based system to ensure the fairness among all organizations working in the Saudi labor market.
- Nitaqat has increased citizen workers' salaries.
- Nitaqat has organized the labor market by implementing certain rules to manage the employment system.
- The expatriate visa process has become clear with Nitaqat rules.
- It is easy to calculate Nitaqat-required quotas based on the sector and size.
- It has increased the number of disabled citizens employed as they count for four citizens in the Nitaqat quota.
- It has increased students employment in the private sector.
- Expatriates can move from organizations in red and yellow ranges to organizations in green and excellent without permission which provides an encouragement to organizations in red and yellow ranges to move to green and excellent ranges to avoid lose their workers.

- Nitaqat helps organizations to expand if they recruit citizen job seekers by giving them more incentives.
- Nitaqat has increased the percentage of Saudi workers in the private sector by comparing the percentages of citizen workers before and after Nitaqat implementation
- Nitaqat helps MoL to control the number of foreigners who can work in Saudi Arabia
- Nitaqat motivates companies to train local job seekers to increase their skill set to meet the requirement of this new era.
- The quality of education will improve in school and colleges. Saudi students will be inspired to choose science and technical subjects in future.

On the other hand, the disadvantages of Nitaqat can be summarized as follows:

- Private sector involvement in Nitaqat development and feedback is lacking.
- Nitaqat does not punish local workers who leave an organization after being trained by that organization.
- Continuous changes in Nitaqat regulations may impact private sector negatively if they did not communicate these regulations in advance with employers.
- Nitaqat rewards are not sufficient according on the private sector employers.
- Nitaqat may increase disguised unemployment between citizen workers which affects the private sector productivity and throughput

- Nitaqat information is not available for most companies with poor internal communications within MOL staff, especially for customer services representatives.
- Nitaqat does not distinguish between companies paying high salaries to citizens and companies paying low salaries.
- Nitaqat does not provide privileges for hiring citizen workers as top management as putting citizens in the leader positions will consequently increases number of local workers in the company.
- Group of employer's claims that the government is shifting the load of unemployment onto the private sector, which may affect the profitability and efficiency as a consequence.
- Small and medium size enterprises are the backbone for a successful economy, but Nitaqat's implementation may result in the closure of many SMEs if they depend totally in expatriates.
- There is a gap between the private, public and education sectors and a skill gap between expatriates and the Saudi nationals
- There is a scarcity of technical, engineering, science, computer science and medical graduates to fill the crucial jobs in the private sector. Therefore, Nitaqat makes it difficult to recruit the right employees for the right jobs.
- Companies may end up paying more wages for lower productivity just to satisfy the Nitaqat requirements.

- There is a threat that Saudi nationals will be hired just to increase employment of nationals in the Kingdom but they will not be doing any work.
- Foreign investors may lose confidence in the MoL regulations to force increase number of citizens and restrict visas for expatriates leading to a decline in foreign direct investment programs, which in turn will affect job creation in the country.

CHAPTER 5 CONCLUSION AND FUTURE RESEARCH

5.1 Conclusion

The Saudi Arabian economy has been faced with the challenge of unemployment for a long time, making the alignment between the education and market needs a major concern for governments. Despite its rapid economic growth, the country's education system is blamed for its failure to equip young Saudis with the right skills. The government has tried to solve the problem of unemployment using a policy known as Saudization, which pushes the private sector to hire more people from the Saudi population.

The present education infrastructure is incapable of meeting the needs of a rapidly growing population. The employment opportunities for citizens are also limited. Unless the needs of the growing population are met in terms of education and employment, there will be increasing pressure on the government's resources. The educational system of Saudi Arabia should be aligned to meet its technological development needs. Since the education laws are based on humanities and arts principles, little attention has been paid to teaching science. With this focus on traditional subjects, students are not yet prepared to meet the challenges of a growing information economy. A lack of technical education restricts the absorption of Saudi students into technology-intensive industries. Another factor that limits local job seeker opportunities is that fact that many firms operating in Saudi Arabia are currently relying on expatriates. The government should start looking to improve the education system and have a proper induction program for young Saudi to enable them to compete for private sector jobs.

The current national employment system lacks assessment models to assess its impact and effectiveness on achieving the government employment goal to increase the number of citizen employees in the private sector. This gap is due to a lack of models that can assess the quality and effectiveness of national employment system implementation in the private sector. To assess the changes and process improvement in the national employment regulations not only in Saudi Arabia but also in the GCC and other countries that have same issues, this research proposes a proper framework index that can coordinate and analyze data for the government regarding the Saudi labor market, including the private sector and the public at large, so that adopted policies can become honored and adopted by all stakeholders. The framework introduces several indices that support the MoL in evaluating the Saudi labor market. The MoL can rely on the indices to track changes in the needs of individual regions over time. In addition, job seekers can use the indices to identify market needs and which sectors might be most attractive to citizen employees. Students in high school or undergrads also can use the indices to choose their education track. The framework, with minor modifications, can be used to evaluate other countries' labor markets as well. The overall results of framework will broaden and stimulate the debate on national employment systems in a country like those in the GCC and direct attention from using a single indicator of unemployment to using a combination of indicators to assess the nationalization process more effectively.

The study conclude with following recommendations to improve the national employment system to achieve desired goals to hire local job seekers and consequently reduce the unemployment rate and manage the labor market:

- The MoL should collaborate with the Ministry of Education to improve education quality based on market needs
- The MoL should increase its number of inspectors to make sure private sector organizations are following Nitaqat requirements and there is no disguised unemployment
- Nitaqat should be connected with government incentives to hire new citizen employees. This will help encourage private sector to attract citizen job seekers instated of asking for visas for expatriates.
- Include salaries in Nitaqat calculations to improve the recruitment quality and increase citizen employees' salaries.
- Nitaqat should have more categories in private sectors to match the market diversity
- Provide online service to companies in the green range as an incentive
- Consider renting labor to new SME's instead of giving them new visas to hire expatriates especially to the first three years
- The MoL needs to collaborate with the private sector to create more jobs by providing them with more support such as funding to expand their factories.
- The MoL needs to invest in Saudi entrepreneurs to motivate them to start SME's, which will create more jobs in the Saudi market.
- Provide a special training on craft jobs for local job seekers

- Increase support services from the MoL to automate business set-ups.
- Reduce the minimum percentage of Nitaqat requirements according to the actual possibility of finding qualified citizen job seekers in the industry segments
- Support and motivate citizen workers to stay longer with their company.
- The government should take action to train citizens and provide them with the high quality of education needed by those working in the private sector.
- Develop a positive attitude among employers towards the nationalization of employment system.
- The MoL should provide more appreciation to, more incentives for, and more information to the private sector.
- The government should spread a new culture of discipline and commitment among citizen job seekers.
- The MoL should offer free advice and consultations on how to implement Nitagat requirements as many businessmen wish to comply with employment regulations but don't know how
- The MoL should collaborate with chambers of commerce and industry to establish centers to establish job training courses for fresh graduate job seekers
- The government should develop a campaign to resolve social and culture restrictions and encourage job seekers to accept any kind of jobs

In brief, Nitaqat cannot be the only solution for solving unemployment dilemma. The government needs to establish a vision for the country's economy. Changing the paradigm of labor market governance is a complex and difficult task. Although, the research results show the success of Nitaqat in boosting citizen employment, the MoL needs to resolve the obstacles and challenges to the private sector in employing citizen workers. Moreover, employment policies need to be aligned with market needs to provide coherent incentives and remain adaptive, responsive to feedback, dynamic, and fact-based.

5.2 Research Outcomes and Contribution

This research:

- Offers a performance measurement framework for assessing the impact of Nitaqat on the Saudi private sector that can help the government to take action
- Identifies critical factors that affect the national employment system
- Offers a national employment index that will enable policy-makers to better manage and control employment in the private sector
- Offers an employer satisfaction index that can be used to enhance the good relationship between private sector and government
- Provides numerous recommendations to improve Nitaqat performance

- Provides research results and recommendations that the government can use to lessen or remove job localization obstacles & challenges
- Offers research results and recommendations that the MoL can use to increase employers' satisfaction level
- Provides an index that the MoL can use to analyze the job market and discover which sectors are most attractive to local workers
- Proposes a framework that can be used in similar countries with minor modifications if needed

The Saudi Arabian government should use the proposed framework to analyze the current progress of the national employment system. This will aid in resolving the obstacles and challenges that are mentioned in this study and so enable the government to better achieve its goal of increasing the citizen workers in the private sector. In order for the existing tools of the government, mainly Nitaqat, to fight against local unemployment, it should be accompanied by skill development; social and economic reform; and fruitful female education and employment. At the same time, the importance of the national employment system needs to be understood by employers as it simply makes the economy more vibrant and stabilizes the government by transferring income from expatriates to Saudis. There is no doubt that the manpower situation is now being redressed and there are now more nationals than ever before playing productive roles in the private sector.

5.3 Future Research

Despite the efforts made in this study, there are several areas that still need to be studied more deeply to investigate the consequences of the national employment system on the private sector. The following points are examples of the research opportunities related to this topic:

- An Empirical study to improve the quality of local job seekers education.
- An Empirical Study to investigate market needs to come up with a plan to match the market needs with graduate skills.
- Research to study the impact of replacing local workers in expatriate positions and how is will affect an organization's performance. It also should assess the willingness of local job seekers to take over all positions or and whether some jobs are not acceptable for cultural and/or social reasons.
- An empirical study to examine the impact of the national employment system from job seekers perspectives.
- A study that develops indices for job seeker and current employee satisfaction.

APPENDIX A STUDY IRB APPROVAL

University of Central Florida Institutional Review Board
Office of Research & Commercialization
12201 Research Parkway, Suite 501
Orlando, Florida 32826-3246
Telephone: 407-823-2901 or 407-882-2276
www.research.ucf.edu/compliance/irb.html

Approval of Exempt Human Research

From: **UCF Institutional Review Board #1**
FWA00000351, IRB00001138

To: **Hemaid Alsulami**

Date: **March 12, 2013**

Dear Researcher:

On 3/12/2013, the IRB approved the following activity as human participant research that is exempt from regulation:

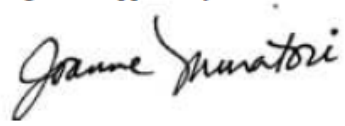
Type of Review:	Exempt Determination
Project Title:	A Model for Assessing the Effectiveness of Nationalization of Employment in the Saudi Private Sector
Investigator:	Hemaid Alsulami
IRB Number:	SBE-13-09193
Funding Agency:	
Grant Title:	
Research ID:	N/A

This determination applies only to the activities described in the IRB submission and does not apply should any changes be made. If changes are made and there are questions about whether these changes affect the exempt status of the human research, please contact the IRB. When you have completed your research, please submit a Study Closure request in iRIS so that IRB records will be accurate.

In the conduct of this research, you are responsible to follow the requirements of the Investigator Manual.

On behalf of Sophia Dziegielewski, Ph.D., L.C.S.W., UCF IRB Chair, this letter is signed by:

Signature applied by Joanne Muratori on 03/12/2013 12:04:35 PM EST



IRB Coordinator

APPENDIX B STUDY INFORMED CONSENT

EXPLANATION OF RESEARCH

Title of Project:

"A Model for Assessing the Effectiveness of National Employment Project in the Saudi Private Sector"

Principal Investigator:

Hemaid Alsulami

Faculty Supervisor:

Dr. Ahmad Elshennawy

You are being invited to take part in a research study. Whether you take part is up to you.

- The purpose of this research is explore and investigate the impact of Saudi National employment project (Nitaqat) on the Saudi private sector in order improve the new version of this project.

- Participant will be asked to answer the multiple-choice questions regarding their opinion on Nitaqat project implementation and how it's affecting their organizations. This questionnaire is directed to the private sector employers in Saudi Arabia.

- The time needed to complete questionnaire around 5 minutes.

You must be 18 years of age or older to take part in this research study.

Study contact for questions about the study or to report a problem:

If you have questions, concerns, or complaints, please contact Hemaid Alsulami, Graduate Student, Industrial Engineering Program, College of Engineering & Computer science, (813) 507-8123 or Dr. Ahmad Elshennawy, Faculty Supervisor, Department of Industrial Engineering & management systems at (407) 823-5742 or by email at Ahmad.Elshennawy@ucf.edu

A contact about your rights in the study or to report a complaint:

Research at the University of Central Florida involving human participants is carried out under the oversight of the Institutional Review Board (UCF IRB). This research has been reviewed and approved by the IRB. For information about the rights of people who take part in research, please contact: Institutional Review Board, University of Central Florida, Office of Research & Commercialization, 12201 Research Parkway, Suite 501, Orlando, FL 32826-3246 or by telephone at (407) 823-2901.

APPENDIX C MINISTRY OF LABOR APPROVAL LETTER

وزارة العمل
المملكة العربية السعودية

May 29 2013

To Whom it May Concern

The Ministry of Labor issues this authorization letter to Mr. Hemaid Alsulami to conduct his PhD dissertation titled "**A Framework for Assessing the Effectiveness of Nationalization of Employment on the Private Sector"** using the Saudi nationalization of employment project (Nitaqat) as a case study. Mr. Alsulami was permitted to collect data regarding Nitaqat project which includes row data from Nitaqat data base, survey questionnaire and interviews with the Ministry decision makers and private sector employers to achieve his research goals. This letter issued upon his request to present it to whom it may concern without any responsibility upon the Ministry of Labor.

Please do not hesitate to contact me if you need further information.

Sincerely,

Ateq A. Alghamdi, PhD

Advisor to the Minister of Labor for Academic Affairs

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