# Chapter 7: Implications for Policy

# Implications for Government

## Preamble

It is notable that despite of having a well formulated program of Nitaqat, there is still limited representation of Saudi nationals in wholesale-retail and construction industries of Saudi Arabia. The underlying research has highlighted multiple factors which can explain the variation in successful implementation of Saudization program. The findings of this research have implications for multiple state based institutions that are dealing with localization programs and are aiming to increase Saudi workforce representation in private sectors, such as wholesale-retail and construction industries. The results of underlying research about the factors that are affecting the employment of Saudi nationals in wholesale-retail and construction industries can help the Government to make adjustments in current policy. The changes might direct more favorable employment environment for Saudis to encourage them for seeking employment in these sectors. Additionally, the findings can assist to educate youth of Saudi Arabia to understand recognize the employment opportunities in these economic sectors.

## Suggestions for Government

The current measures imposed by the government to force Saudization implementation, such as the sponsorship system, limited work permission and quota systems did not achieve the desirable goals. Thus, the government should change the policy from just quantitative approach to more qualitative measures that show attitudinal and motivational dimensions. Government has to direct the nationalisation policies to concentrate more on motivating Saudis to view the private sector as a viable career option. It is necessary for human resource departments in the government who deal with Saudization policy to work differently when designing employment procedures and employment policies.

The study emphasized the findings that working conditions in wholesale-retail and construction sector are considered unfavorable, whereby working hours are longer accompanied by inability of organization to offer fair pay raises. Lack of career development opportunities and limited focus on employees’ wellbeing are also significant prevailing factors. These gaps with regard to working conditions call for the attention of Government of Saudi Arabia to review and revisit its existing labor laws. It should be compulsory for all organizations, including those in wholesale-retail and construction sector, to follow fair and equitable working procedures for employees. There should be strict check on compliance with maximum working hours and if employees are compelled to working the stated hours, then there should be defined procedures to pay for the extra work. The policies regard unfair exploitation of workforce is key to ensure fairness of employees in all sectors. The local employees are highly concerned about their wellbeing and this is the reason of their inclination towards public sector. In case of poor working conditions, employees should have enough discretion to raise voice for availing their deserved wellbeing. The policy makers need to devise appropriate mechanism for establishment of worker’s powers within economy. For instance, industry wide workers’ boards can be established whereby workforce from each industry can coordinate their voice against any unfavorable working conditions and can demand for their rightful benefits. The existing power distance values in organizations make it harder for employees to speak up for their rights, therefore reformation of this power culture is highly needed with support of Government. These reforms will significantly contribute in improving the wellbeing of workers in wholesale-retail and construction sector and thus Saudi nationals will willingly join this sector.

An important implication for policy makers pertains to the change in existing wages/benefits of these sectors. It is notable that public sector employment is very secure and well-paid because the wages in the public sector are set by the government and are subject to more political interferences than they are to the market dynamics. The human capital theory assures the importance of salaries and wages for any worker to be productive and effective. In the light of these findings, policy makers needs to take steps for reducing the amount of disparity in employment practices and policies prevailing within public and private sectors of Saudi Arabia. For instance, there should be comparable procedures with regard to wages and level of job security in all economic sectors. This can be done by assisting the private sector, specifically wholesale-retail and construction sectors to achieve the desired level of stability. The more stability will allow wholesale-retail and construction sectors to offer better wages to workforce and thus more local employees will be willing to join these sectors. There is greater need to align employment benefits across all economic sectors, specifically across public and private sectors. For instance, Government should take measures to ensure that all Saudi nationals receive same retirement plans and other benefits, regardless of the differences in economic sectors. When wages/benefits in wholesale-retail and construction sectors will match public sectors, then implementation of Saudization will become effective and local Saudis will show willingness to work in these sectors.

Another implication for policy reforms is associated with the results related to the effect of social status on employment inclination of Saudi nationals. The connection between social class and economic and labor activity shows that nationals prefer to work in the organizations that offer them high prestige within society. Wholesale-retail and construction sector jobs are although considered to have good social status, yet in contrast to public sector positions they are perceived to have low social status. It is notable that kingdom system of Saudi Arabia has created some social restrictions for members of royal families and these families prefer their children to pursue jobs in prestigious public sector organizations. The case is same for non-royal rich Saudi families. This is the reason of low representation of Saudi nationals in wholesale-retail and construction sectors and thus there is need to launch awareness campaigns which can change the mindset of people about these sectors. For instance, Government institutions responsible for implementation of Saudization should coordinate their efforts with educational institutes for launching awareness campaigns through which students can be made aware about the contribution of wholesale-retail and construction sectors in economic development of the country. Additionally, there is need to highlight the advancement and growth opportunities in wholesale-retail and construction sectors, such that level of perceived social status of these sectors can enhance and more locals show willingness to join these sectors.

## Implications for wholesale-retail and construction sectors

The findings of this study have many practical implications for wholesale-retail and construction sector, whereby organizations in these sectors can make some internal changes to encourage representation of Saudi nationals in their workforce. As highlighted in results, workplace commitment is one of the key motivation factors for Saudi employees to continue working in wholesale-retail and construction sector. The organizations in wholesale-retail and construction sector can retain the Saudi based workforce by offering prospects through which affective and normative commitment can increase. In order to enhance affective commitment, employers can focus on relationship building with local employees by focusing on the values of open communication, trust, integrity and empowerment. When employees have voice in the workplace, then they are likely to develop emotional attachment with the organization and are less likely to leave the specific organization. Moreover, in order to increase commitment of local workforce, employers in wholesale-retail and construction sectors can create a strong teamwork culture, maintain pro-ethical working environment, delegate tasks effectively, provide constructive feedback, improve working conditions and offer fair wages/benefits. All of these practices can not only enhance satisfaction of local workforce with the jobs in wholesale-retail and construction sectors, but their improved commitment will significantly lower their turnover. The organizations in turn will save substantially on the cost of hiring more national workforce for complying with conditions of Saudisation Program. Therefore, these efforts are likely to create win-win situation for both employers and local employees in wholesale-retail and construction sector.

Given the findings of this study regarding the satisfaction of employees with existing working conditions in wholesale-retail and construction sectors, the employers in these sectors need to focus on some reforms which can help creating better workplace. Employers are recommended to offer substantial voice to employees (including local Saudis) to offer their opinion in case of their dissatisfaction with any of organization’s policy. For instance, if workers feel the absence of fairness and equity in human resource management policies and procedures, then they should have right to speak against that. Moreover, employers are required to show greater compliance with the policies of employee wellbeing and protection. The compliance with maximum working hour policy and employee protection policy is crucial in this regard. Saudis are not willing to work for organizations that foster them to work for longer hours and the shifts that include weekends. Therefore, employers are recommended to devise working hour policy that gives fair amount of time off from the work. Moreover, employers in wholesale-retail and construction sectors are recommended to develop fair and effective career development and promotion related policies which allow fair chances of career progression to each employee. Moreover, working culture of high power distance should be transformed. Typical Saudi organizations are characterized by huge power gap between employers and workers, which add negatively in worker’s dissatisfaction. Transformation of such culture is needed to foster positive employer and workers relationship, through team building, effective leadership and open communication. Such changes can significantly improve perception of Saudi nationals about wholesale-retail and construction sectors and in addition to retaining existing local workforce, it will also assist the employers to attract talented and qualified locals in their workforce.

The results of the study has also highlighted that wages/benefits are important factors for encouraging local Saudis to work in wholesale-retail and construction sectors. The firms in these sectors of Saudi Arabia are recommended to establish high performance work system and to align performance management system with compensation and benefits procedures of the organizations. For instance, employees’ wages and benefits should be determined by their performance, whereby good performing employees deserve to get better wages/benefits and rewards. Such alignment of performance with compensation and rewards of employees will not only motivate employees to perform better at their jobs but it will also help in retaining well performing and qualified workforce. Additionally, the employers in wholesale-retail and construction sectors are also recommended to ensure equitable and fair procedures related to wages/benefits of employees. Any prevalence of unfairness can significantly lower the satisfaction of employees, and local employees are less likely to work in the organizations that lack fair procedures, as they have better prospects of moving to other organizations due to localization programs. Finally, employers can make the wages/benefits system better for employees by offering comparative wages/benefits to other players within industry. Employees usually compare their wages/benefits with relevant others and any significant difference in compensation and rewards are significant causes of employee dissatisfaction. Given this aspect, compensation plans should be aligned with competitors as well as other industries, such that incentive based motivation can be triggered and employees, specifically locals, can be retained in the organization.

It is further indicated from the results of this research that local Saudis are more inclined towards white collar jobs, based on perceived social status associated with it. There is need of changing the whole mindset for modifying the inclination of locals towards white collar jobs only. For instance, the notion of individualism should be encouraged, such that employees feel valued in the work they perform. Such changes can be brought by changing the organizational culture and by recognizing the contribution of workforce in each of their roles. These aspects are likely to trigger intrinsic motivation among national workforce and thus in turn their materialistic values might suppress. These efforts can lower the inclination of national workforce to perceive social status in wholesale-retail and construction sectors and thus local representation can be enhanced. Based on findings of this study, it is notable that service based jobs (such as in whole-sale retail sector) are mainly perceived to have low personal identity and prestige. Thus, the employers in this sector are facing huge pressure to align their recruitment system with requirements of Saudization program. The employers in whole-sale retail sector should focus on improvement of factors which can enhance job satisfaction of local employees with their jobs. The satisfaction of workers can enable them to continue working in this sector, and they can also become role model for other local workforce to accept jobs in this sector.

It is also noted that one key hindrance in effective implementation of Saudization program in wholesale-retail and construction sectors is lack of training and development for young talent to realize career in these sectors. The recommended measures to enhance training and development for Saudi workforces are to work closely with professional educational and vocational institutes. It can allow to offer training to local youngsters on early basis and they can develop their willingness to use their skills in professional organizations.

Likewise, gender is one of the key demographic factor for defining the satisfaction and commitment of Saudi workers with wholesale-retail and construction sectors. The employers are recommended to offer fair opportunities to women, such that their dual role of family and work can be acknowledged. The representation of women in workforce and availability of flexible working conditions for women can increase prestige and reputation of wholesale-retail and construction sectors as a whole. Such positive representation of wholesale-retail and construction sectors to go against typical gender stereotype of Saudi employment sectors, can enhance the positive impact of this sector. Thus, the overall impact will be in the form of willingness of locals to work in these sectors.

If the employers in wholesale-retail and construction sectors are serious about complying with Saudization program and they are willing to attract Saudi nationals in the workforce, then they need to understand aspirations of local workers. The most needed aspects in any job are the presence of trustworthiness, openness, respect, wellbeing, fairness and job security. The private employers in wholesale-retail and construction sectors need to coordinate their efforts with Government with an aim of improving the quality of jobs for Saudi employees. It can be done by following the Government standards of employment in the jobs with the purpose of matching the job related conditions as well as outcomes with the employment standards of public sector organizations. For instance, giving only one day off on weekend is the practice in wholesale-retail and construction sectors, which needs reconsideration to attract Saudi nationals in these sectors. Moreover, there is a greater need to realize the leadership potential of local workforce, by offering the managerial level positions in the organizations which can keep them engaged. However, the managerial and leadership positions should not only be based on the localization qualification, but the knowledge, skills and potential of local employees should form the basis of their hiring on higher levels. In short, employers in wholesale-retail and construction sectors are encouraged to work closely with human resource management departments of Government to bring mass improvement in internal human resource development policies and procedures, such that local employees can be attracted into workforce and can be encouraged to work for longer duration in the organizations.

## Implications for Saudi employees and job seekers

Every Saudi national has the professional as well as social responsibility to coordinate with Government in the realization of goals of Saudization program. Although, Government and employers in wholesale-retail and construction sectors are suggested measures to improve representation of Saudis in workforce, however it is not possible without the coordination of Saudi nationals who are already in these sectors and who are willing to join these sectors. Firstly, there is greater need of Saudi nationals to realize the value of work in these sectors and to understand the greater economic contribution of these sectors in overall development of Saudi Arabia. This realization will enable them to develop greater commitment towards their work and thus their perception related to lower social status and prestige of jobs in wholesale-retail and construction sectors will also improve. Moreover, the Saudi locals are recommended to consider and appreciate all the opportunities of learning. For instance, extra hours at job might be hard for them but there is also an opportunity to learn more from that extra work. The knowledge transfer is the only way for Saudi nationals to contribute in the development of their own country and to lower dependence on expatriate workforce, who are going to leave the country sooner or later.

In addition to this, the level of higher economic expectations that are currently possessed by Saudi nationals from the jobs in wholesale-retail and construction sectors should be lowered. This is based on the fact that most of Saudi locals join the workforce in wholesale-retail and construction sectors followed by their graduation, when they have minimal level of practical insight and experience. If they expect to get managerial level job positions after just being graduated from colleges, then it is an unrealistic expectation of economic value from their jobs. There is greater need for them to understand the nature of competition in labor market. The labor market is full of motivated and experienced people who can easily replace the unmotivated workers who are fresh graduates and lack practical experience. If Saudi nationals are getting an opportunity of being hired immediately, due to Saudization program, then they should consider it as a prospect of learning. They should be motivated to work harder to develop their knowledge and skills and to transfer their knowledge in each economic sector, whether it is public or private. The private sector employees, such as those in wholesale-retail and construction sectors are more comfortable to hire local employees as it is less troublesome process to hire local workforce then to source expatriates. Therefore, the local workers should also proactively learn in these sectors with greater commitment.

Finally, the professional and educational familial background is of huge importance in shaping perceptions of young generation towards their career in any sector. The local youngsters who come from professionally mature families are more likely to take responsibility of their career and do not consider any job to have less social status than others. For instance, the difference in public and private jobs is less visible among such individuals. Therefore, it is of huge responsibility of local families to positively contribute in wellbeing of their children and to develop the sense of individualism in them. This way local individual can be encouraged to extend contribution in development of all economic sectors. Thus, overall change in societal and cultural values is also needed, whereby sense of individualism is needed to realize the importance in each work. These societal changes can substantially contribute in modification of job seeking behavior and thus employment of local Saudi can be increased in all economic sectors, including wholesale-retail and construction sectors.

## Suggestions to improve effectiveness of Saudisation Program

Finally, the study has highlighted reasons behind ineffectiveness of Saudisation program to accomplish its goal of increasing representation of Saudi nationals in workforce. The key findings highlight that quality of existing education system is the core impeding factor in success of Saudisation program. In the light of this finding, Government needs to take reforms in its existing education system, which fails to equip the organizations with skilled and qualified local workforce. Although, reforms have been taken to strengthen the school education system, yet there is limited motivation among nationals to pursue technical higher education, which leaves gap in knowledge and skills needed in current labor market. It is evident that return on education is lower, due to lower educational performance of local Saudis as compared to international standards of education. It is also claimed that relevant skills demanded by employers are missing among graduates, showing mismatch of skills learned in universities with skills set required in organizations. In order to create greater match among qualifications of Saudi national workforce and knowledge requirements of labor market, there is need to further strengthen the higher education system. More locals should be encouraged to pursue higher education and quality of education should be enhanced to strengthen human capital. In order to realize this goal, Government institutions responsible to implement Saudisation should coordinate with Ministry of Higher Education to unify efforts of increasing competence and qualification of nationals. Likewise, there is no formal mechanism of feedback from employers to Universities and higher education institutes. The ineffective feedback loop is the major cause of mismatch between demand and supply of skilled workforce and thus actions should be taken to overcome this issue by devising more effective mechanism of feedback. It is also noted that language skills of nationals are also acting as hurdle in enhancing their representation in sectors where soft skills are demanded. There is need to devise mechanism for making English as compulsory course in all educational disciplines along with offering courses of English language for all graduates. The ease of communication is likely to foster aspirations and confidence of locals to join the sectors that require direct interaction with people, such as wholesale-retail sector.

Another important factor hindering the effectiveness of Saudisation is the missing element of workforce training, which makes it harder for educated and skilled Saudis to perform with excellence. It is notable that demand of Saudis in private sectors is affected by their inability to match their skills with requirements of the jobs. The coaching programs can be arranged for fresh graduates in different sectors, specifically in wholesale-retail and construction sectors, whereby focus should be maintained on enhancement of leadership, communication and decision making skills along with technical skills of fresh graduates. The reliance on coaching programs will enhance confidence of locals and they will develop willingness to practically use their knowledge and skills. This implication is well aligned with conceptualization of knowledge transfer, indicating the coaching and training can create greater chances of practical success. This way Saudization program can be implemented effectively and representation of locals can be increased in all economic sector, including wholesale-retail and construction sectors.

Moreover, another hindrance in the way of effective implementation of Nitaqat program is that Saudi national workforce are highly expensive for private organizations as compared to expatriate workforce. The threshold wages and benefits defined for Saudi nationals are much higher than those of expatriate workers. The local Saudi also demand more security at their job and Government policies of desired benefits for Saudis make them less attractive for private sector. This is the major cause of making Saudis the underrepresented employees segment in private sector. In order to effectively implement Saudization program such as Nitaqat, it is important for policy makers to redefine its human resource development policies for Saudi nationals. The widening gap in job related benefits required for national and expatriate employees is creating inequitable working conditions and thus overall organizational policies are largely influenced. It might also be the cause that Saudi nationals are associated social status with the nature of jobs. The change of culture among national employees can be triggered through Government policies, whereby efforts should be made to make Saudi workers more attractive and less expensive for private sectors. This way private organization will be willing to hire Saudi nationals and they will proactively coach them for enhancing their learning, such that they can be transformed into future leaders.

Additionally, one hurdle in implementation of Saudization is that local Saudis demand for more favorable working conditions and benefits that the private sector firms are willing to offer. In order to deal with this hurdle, the policies should come in hand that can influence the job seekers exposure of private sector and might somehow influence their beliefs about private sector. For instance, under Saudization program, Government should work closely and coordinately with private organizations to offer internship and apprenticeship programs to fresh graduates. This way any stereotypes related to private sectors can be lowered and employers can also get opportunity to evaluate the internees for permanent positions at their firms. Likewise, policy makers with collaboration of Saudization program should arrange career fairs to increase exposure of local candidates to meet professionals. These efforts can substantially contribute in changing any unrealistic job expectations among Saudis, which are ingrained in their mind even before starting a formal job.

Moreover, the policy changes are needed to create essential quotas for female Saudi nationals to become the part of private sector organizations. The national females are highly underrepresented segment of private sector employment population. This is because of the cost associated with offering flexible working conditions to female employees, such as part time jobs and child care facilities. Government needs to play role of subsidizing the private organizations to make workplaces more women friendly, whereby they can offer more relaxed working conditions for women. Saudization program should be well supplemented by plans to reduce barriers for female employment, through promotion of female competitiveness. It can be done by offering access to training portals and job placement centers that can enhance learning of women. Additionally, child care subsidy program should be supported by Government to ensure that women are better able to being the part of workforce. Nataqat program should be well supplemented with arrangement that can motivate private sector employees to make initial investment in hiring the Saudi national female in their workforce. Without Government support, the reluctance of women hiring cannot decline and thus women will remain the underrepresented segment of employment.

Lastly, based on the suggestions taken from the participants of the study it is recommended to ministry of human resource development of the state that it should coordinate efforts with public sector organizations to stop announcing jobs for locals in public sectors for some time. Although it seems an extreme measure but in order to speed up the process of Saudisation program it is important to divert the flow of employment of local individuals from public sector to private sector. For instance, lack of jobs in public sector will prompt the job seekers to look for options in private sectors and thus rate of local employees’ recruitment in private sectors can be improved. Additionally, the coordination with private sector organizations is also needed to ensure that they announce more jobs for local employees as compared to expatriates. It can allow the local individuals to pursue jobs in private sectors and thus job gap in private sector for local employees can be minimized. These steps will ensure proper planning on behalf of state and policy makers, as without effective planning the effective implementation of Nitaqat program is questionable.