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# The Impact of the Saudization Policy on Recruitment and Retention: A Case Study of the Banking Sector in Saudi Arabia

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## ABSTRACT

To reduce unemployment and reliance on expatriate workers, the Saudi Arabian government has been implementing a Saudization programme to replace expatriates with Saudis. This has succeeded in the public sector, but not in the private sector, except in banking, which is perceived as a white-collar occupation and acceptable in Saudi society. As such, this study investigates the impact of Saudization on recruitment and retention in the banking sector to see what lessons have been learned and what action is required. A systematic literature review was conducted, followed by questionnaires with 48 branch managers, and interviews with 12 Human Resource managers of key banks.

The findings show that Saudization has an impact on several aspects of recruitment and retention in the banking sector, in particular, banks must provide specific training to Saudi recruits, revise working hours and promote the attractiveness of the post. Adopting such practices can benefit Saudi banking and contribute to the fulfillment of Saudization.

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## 1.0 Introduction

Saudi Arabia is the largest oil-producing country in the Middle East, but has long been experiencing a scarcity of skilled Saudi workers, particularly in the private sector (Al-Darwish *et al.*, 2015). For many years, the private sector has been dependent on expatriates, and an attempt is being made to reduce reliance on them (Sadi, 2015). According to the Saudi Central Department of Statistics (2014), in 2014, out of the total population of 30,770,375 in Saudi Arabia, almost one-third (10,067,839) were non-Saudi, while the unemployment rate for Saudi nationals stood at 11.8%.

The Saudi government, with the objective of providing employment for all its nationals has focused on expanding economic growth by diversifying economic activity, and hence employment opportunities, away from the petroleum industry, on which the economy has been heavily reliant (Moser *et al.*, 2015). The Saudi government has also been attempting to reduce reliance on foreign workers through a programme known as Saudization (Ramady, 2013).

However, Saudization represents a fundamental shift in the way the private sector will operate and its associated resource base and infrastructure. The aim of this paper is to investigate the impact of Saudization on recruitment and retention in the banking sector in Saudi Arabia from the perspective of branch managers and Human Resource (HR) managers of Saudi banks.

Recruitment is defined by the Chartered Institute of Personnel and Development (CIPD) (2015a, p.1) as “the process of having the right person, in the right place, at the right time”. Recruiting the right people is a challenge for every organization (CIPD, 2015a). Retention relates to “the extent to which an employer retains its employees and may be measured as the proportion of employees with a specified length of service (typically one year or more) expressed as a percentage of overall workforce numbers” (CIPD, 2015b, p.1).

Banks were chosen as the Saudi financial system is the largest in the Gulf region and the banking sector is a major source of employment in Saudi Arabia (SAMA, 2014).

## 2.0 Background

In this section, an overview of localization in Saudi Arabia, national culture, and the banking sector.

### 2.1 Localization in Saudi Arabia

Hines (2003, p. 4) defines localization as ‘a process which reverses the trend of globalization by discriminating in favour of the local’. Localization policies entail the governments’ implementation of programmes showing a positive bias towards the employment of locals and favouring firms that employ local workers to those that fill jobs with foreign workers (Forstenlechner, 2009). In Saudi Arabia, the localization policy is known as Saudization. Saudization is a development strategy that aims to replace non-Saudi employees with Saudis (Looney, 2004).

In the public sector, the Saudization policy has been successful quantitatively as a result of the low level of education, qualifications and experience required for recruits (Al-Ali, 2008). By 2014, 93.4% of public sector employees were Saudi nationals (Jadwa Investment, 2015). Moreover, compared to the majority of private sector employees, those in the public sector receive higher salaries, have greater job security and more generous holidays, work fewer hours, and, in general, the work is less demanding (Al-Ali, 2008). This has resulted in the creation of a privileged workforce of local nationals in the public sector and less desire for work in the more challenging private sector (Naithani and Jha, 2010). This is probably what led Al-Dosary and Rahman (2005, p. 500) to argue that the public sector of the Gulf Cooperation Council (GCC) countries, of which Saudi Arabia is one, had become ‘a vast social welfare system’. However, the public sector, although supported by oil revenues and subsidies, became saturated and could no longer generate a sufficient number of jobs for the local population (Fakeeh, 2009). Therefore, the Saudi government turned to the private sector to stimulate jobs for local people (Randeree, 2012) and thus meet the challenges of growth and deliver the policy of Saudization.

Indeed, according to Al-Dosary and Rahman (2011, p.107), “the success or failure of Saudisation mainly depends on the role of the private sector.” Apart from the provision of employment, one of the aims of successive development plans of Saudi Arabia has been that the private sector should play a major part in the diversification of the Saudi economy (Ramady, 2010). While salaries in the private sector have been generally considerably lower than in the public sector in the Saudi Arabia, in September, 2012, the government announced a move to make private companies pay Saudi workers as much as their state-employed counterparts with the aim of encouraging more Saudis to take up employment in the private sector (McDowell, 2012). However, the private sector in Saudi Arabia has shown resistance to the Saudization effort (Ramady, 2010). Mellahi and Wood (2010, p.147) suggest that one reason for this may be that “the highly interventionist nature of the Saudi economy has resulted in a large number of locals having fewer skills and work ethics and, possibly, productivity, than their relatively privileged status would suggest”.

In support of this, Baqadir (2013) found that managers in the manufacturing industry in Saudi Arabia considered Saudi employees lazy.

The concept of building a pool of Saudi labour is not recent, although it did not become a priority until the late 1990s (Fakeeh, 2009). The Saudi government initiated a series of five-year development plans. In its first Five-Year Development Plan (1970-75) it decreed that 75% of workers should be Saudis and 51% of total salaries paid should be to Saudi workers in all businesses as a target to be met by the end of the plan (Fakeeh, 2009). However, the decree was not enforced at that time because almost all of the Saudis were interested in working only for the public sector, and for the next two decades, the public sector was able to absorb the national workforce (Alsheikh, 2015).

The Seventh Development Plan 2000-2005 set a more feasible quota of a 25 percent Saudization rate in the private sector by 2002, which was later increased to 30% in the Eighth Development Plan (2006-2010) (Alsheikh, 2015). However, these quotas were not achieved and Saudis' employment share in the private sector had reached only 10.4% by 2010 (Alsheikh, 2015).

In 2011, the government increased the emphasis on Saudization through the Nitaqat programme. The Nitaqat programme creates a market for Saudization where companies are judged against their peers and challenged to lead the field in a particular sector or else suffer disadvantages as a business (DLA Piper, 2012). The previous quota system had frequently been difficult to comply with due to skill shortages in the labour market. Hence, the idea behind the Nitaqat system is that the system creates a 'race' to Saudization that will drive the changes that are needed in that labour market over the long term (DLA Piper, 2012). Thus, the mandatory 30% requirement for Saudization applicable to most businesses under the previous system was abolished under the Nitaqat system, and new Saudization percentages were introduced based on the business's capability of employing Saudis, the availability of local talent for such industries, and the size of the business (Alshabari *et al.*, 2014).

Companies with fewer than 10 employees are currently exempt from the Nitaqat scheme but must still employ at least one Saudi national (Ramady, 2013). The number of Saudi employees is based on the number insured with the General Organization for Social Insurance (GOSI) in the previous three months (DLA Piper, 2012). The Nitaqat programme categorises private companies into red, yellow, green and platinum (exceptional) bands, according to their Saudization rate. Organizations graded as red are considered to be non-compliant, yellow signifies low compliance, and companies in the green band have a high level of compliance, with those in the platinum band deemed as having exceptional compliance (Ramady, 2013). For example, in companies that are labour intensive, such as construction companies, the percentage of Saudis for organizations classed as 'huge' is fixed at 4% for the red band and 14% for the platinum band, while in the financial sector for the same size of organization, it ranges from 49% in the red band to 90% in the platinum band (Saudi Ministry of Labour, 2014). Table 1 below shows Nitaqat bands and quotas for the financial sector, which includes banks.

**Table 1:** Guide to Nitaqat Bands for the financial sector (Saudi Ministry of Labour, 2014).

Business Size	Red	Yellow	Green	Platinum
Small (10 – 49)	0 – 9%	10 – 46%	47 – 79%	≥ 80%
Medium (50 – 499)	0 – 19%	20 – 62%	63 – 90%	≥ 90%
Large (500 – 2,999)	0 – 49%	50 – 72%	73 – 90%	≥ 90%
Huge (3,000+)	0 – 49%	50 – 72%	73 – 90%	≥ 90%

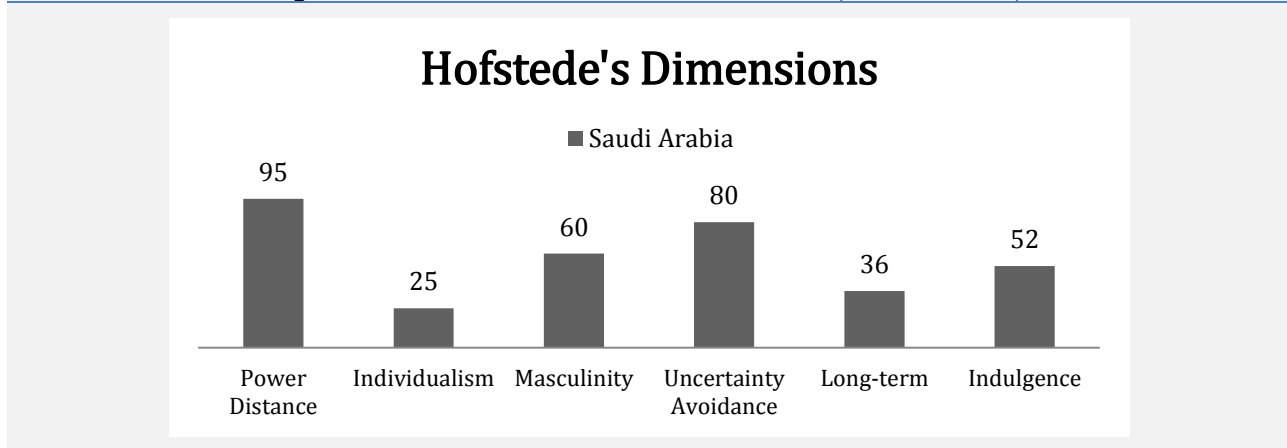
However, Alsheikh (2015) reports that the substitution of foreign workers for Saudi workers has not materialised to the extent envisaged; rather, more Saudis have been employed to fulfil the Nitaqat requirements but more foreign workers have been hired to do the work, particularly in sectors that depend heavily on foreign labour.

In 2014, Saudis made up 22.1% of the private sector workforce (Jadwa Investment, 2015). The continued reluctance of Saudis to engage in private sector work has been attributed in part to the national culture (Alromi, 2001). Similarly, Alshathry *et al.*'s (2014) findings suggest that culture has a considerable influence on Saudis' perceptions of employer attractiveness. Hence, the following sub-section examines national culture and its potential influence on HRM policies and practices in Saudi Arabia.

## 2.2 National culture

According to Gerhart and Fang (2005), many researchers have emphasized the importance of the effect of national culture on a country's human resource management (HRM) policies. Du Plessis (2007) observes that national culture is a concept that includes traditions, values, beliefs, attitudes, and behaviour and that these are usually reflected in national HRM practices. Hofstede (1984) originally proposed four dimensions as the basis on which a national culture could be characterised: Power Distance, Individualism vs. Collectivism, Masculinity vs. Femininity, and Uncertainty Avoidance. A further two dimensions – Long-term vs. Short-term Orientation and Indulgence vs. Restraint – were added later (Hofstede *et al.*, 2010). Countries are given scores depending on the extent of their propensity towards a particular characteristic, with 1 as the lowest and 120 as the highest (Hofstede, 1984). The scores for Saudi Arabia on Hofstede's six dimensions are illustrated in Figure 1.

The term power distance refers to the way in which cultures regard disparities in status. In countries where there is a high power distance, such as Saudi Arabia, which has a score of 95 on this dimension, it is acceptable for there to be a rigid hierarchy (Hofstede and Hofstede, 2005).

**Figure 1: Hofstede's Dimensions for Saudi Arabia (Hofstede, 2015)**

Regarding the dimension of individualism vs. collectivism, Saudi Arabia is a highly collectivist culture, scoring 25 on this dimension (Hofstede, 2015). In individualistic cultures such as the USA, Australia and most Western European countries, people tend to prefer to act as individuals, whereas in collectivist cultures, there is more emphasis on the groups to which individuals belong (Whiteoak *et al.*, 2006). Further, people in collectivist societies such as Saudi Arabia have greater concern for others' opinions than there is in individualistic societies, such as those in Western countries (Günsoy *et al.*, 2015).

The dimension of masculinity vs. femininity reflects the extent to which societies emphasize competition and assertiveness (masculinity) rather than concern for interpersonal relationships (femininity) (Schmerhorn *et al.*, 2004). According to Hofstede's masculinity/femininity dimension, Saudi Arabia has a predominantly masculine culture, scoring 60 (Hofstede, 2015).

Uncertainty avoidance refers to the rejection of ambiguity or uncertainty in order to avoid anxiety (Kumar and Uz Kurt, 2010). Thus, the extent to which the members of a society feel threatened by ambiguous or unknown situations and have developed beliefs and regulations that attempt to avoid these is reflected in the score on the uncertainty avoidance dimension. Saudi Arabia is a high uncertainty avoidance society, as shown by its score of 80 on this dimension.

According to Hofstede *et al.*, (2010), people in short-term oriented societies show great respect for traditions, a relatively small inclination to save for the future, and a focus on achieving rapid results. In contrast, long-term oriented societies encourage thrift and education as means of preparing for the future. The short-term orientation of society in Saudi Arabia is shown in its low score of 36 on this dimension (Hofstede, 2015). In support of this, there a strong emphasis is placed on tradition in Saudi Arabia (Cassell and Blake, 2012).

Regarding the indulgence vs. restraint dimension, people in indulgent societies believe themselves to be in control of their own life and emotions, while those in restrained societies feel that their lives and motions are dictated by external factors (Hofstede *et al.*, 2010). An intermediate score of 52 for Saudi Arabia does not indicate a clear preference on this dimension (Hofstede, 2015). Therefore, this dimension will not be used in the discussion in this present study.

Hofstede's work has been criticized on several grounds. For example, McSweeney (2002) argues that it is irrational to generalize about an entire national population on the basis of a very small number of questionnaire responses - in some countries, fewer than 100. In addition, the participants in Hofstede's research were all drawn from a single organization (IBM) and cannot therefore be considered representative of an entire nation, thus compromising the generalizability of the research findings. However, Hofstede (2002) countered these criticisms by pointing out that he has never made the claim that culture is the only factor that should be considered, and that economic, political or institutional factors should also be taken into account. Further, Jones (2007) argues that the research framework used by Hofstede is based on rigorous design with systematic data collection and coherent theory (Jones 2007). According to Jones (2007), Hofstede's work remains a valuable piece of work on culture for both scholars and practitioners. In addition, Hofstede's is the most widely used framework for investigating national culture (Bearden *et al.*, 2006; Soares *et al.*, 2007). Hence, Hofstede's framework is used in this paper to examine national culture. The next sub-section explores the nature of the banking sector in Saudi Arabia.

### 2.3 Banking sector in Saudi Arabia

Currently, 12 Saudi-owned or part-Saudi-owned commercial banks operate in Saudi Arabia. These are Alinma Bank; AlRajhi Bank; AlBilad Bank; AlJazira Bank; Arab National Bank; Banque Saudi Fransi; National Commercial Bank; Riyadh Bank; Samba Financial Group; Saudi British Bank; Saudi Hollandi Bank; and Saudi Investment Bank (SAMA, 2015a).

The Saudi financial system is the largest in the Gulf region (SAMA, 2014). In 2000, the financial regulator of Saudi Arabia, the Saudi Arabian Monetary Agency (SAMA), began to liberalize the banking sector and licensed a number of foreign banks to establish their presence in the Saudi market (Global Investment House, 2006).

The banking sector, which is the largest segment of the Saudi financial system, has remained profitable despite the global financial crisis of recent years (SAMA, 2015b). Saudi Arabian banks had 1,243 branches at the end of 2006 (Al-Muharrami, 2009) and 1,952 by the end of October, 2015 (SAMA, 2015c).

In 2006, banking employees' working hours were changed from a split shift (8 am to 12pm and 5pm to 8pm), to a straight shift (9.30 am to 4.30 pm) (Oxford Business Group, 2007). This change led to a surge in Saudi candidates for banking jobs. Thus, although the Saudization policy has been faced with many challenges in the private sector in general, in the banking sector, by the end of 2014, of the total number of 47,588 bank employees, 42,380 (89.1%) were Saudis in 2014 (SAMA, 2015a).

According to Randeree (2009), there is a tendency to evaluate the success of localization policies in quantitative terms alone, which is reflected in the quota systems for the employment of locals. However, in Potter's (1989) view, the effectiveness of the localization process refers to the extent to which jobs originally held by expatriates are not just filled by local employees, but, more specifically, by local employees who are competent to undertake the job. The implication of this definition is that any measurement of the success of a localization policy is not only quantitative, but also qualitative.

That is to say, the success of the localization policies should be measured not only by the number of nationals who have replaced expatriates in jobs, but also in terms of their qualifications, skills, reliability, work ethic and so forth (Potter 1989). The implication of this measurement for recruitment and retention is that, if Saudis are being recruited and retained only to meet the Nitaqat requirements as Alsheikh (2015) suggests, then the Saudization programme arguably cannot be considered successful.

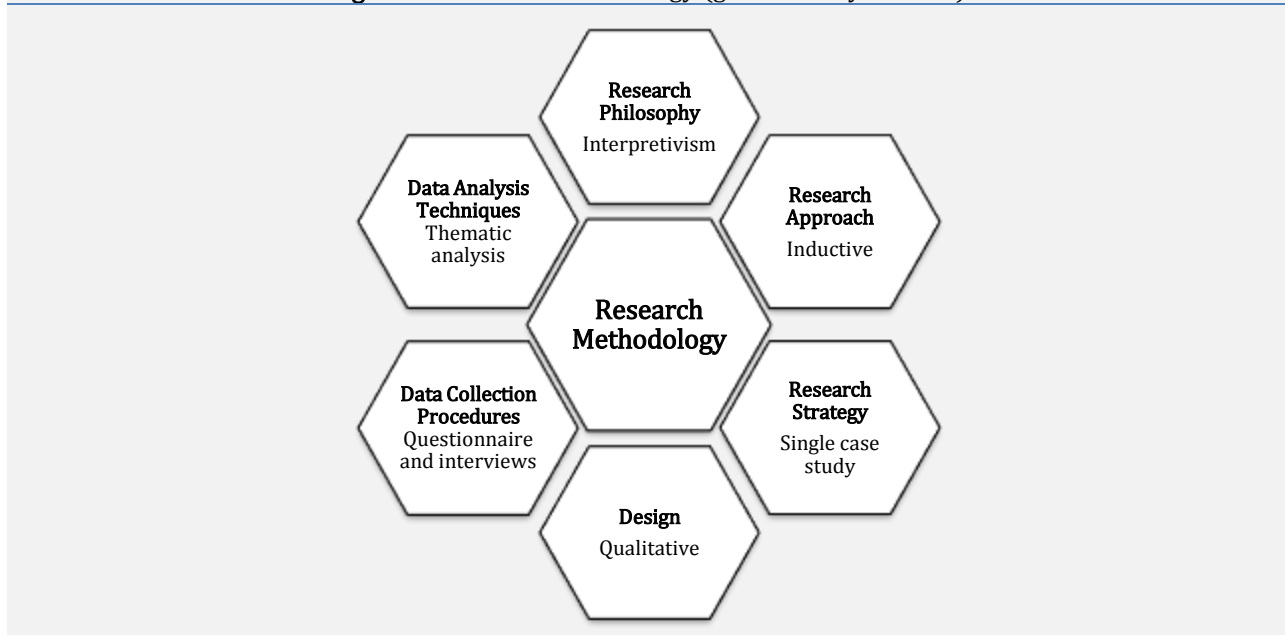
### 2.4 Research gap

Although there has been a good deal of research on the effects of the Saudization policy (there has not been a study specifically on the impact of this policy on recruitment and retention in the banking sector. Although the Saudization policy has been considered successful in quantitative terms in the banking sector, issues involved in the recruitment and retention of Saudis from the perspective of branch managers and HR managers have not been specifically examined in the literature. It is only by exploring such issues that steps can be taken to understanding them with a view to enhancing the successful implementation of Saudization in this sector. This study will contribute to the literature by taking the first steps in filling this research gap and paving the way for more extensive studies in the future.

### 3.0 Methodology

The aim of our paper is to investigate the impact of Saudization on recruitment and retention in the banking sector in Saudi Arabia from the perspective of bank managers and HR managers, to make sense of how the banking sector has done so well to succeed with the policy and share learning for further private sector organizations. The research methodology used is illustrated in Figure 2, which shows that the research philosophy adopted is interpretivism. Given the limited available literature specific to the field and context, an inductive approach was taken to build an understanding of the issues and make sense of respondent experiences. This reflects exploration and explanation rather than hypothesis testing (Merriam, 1988).

Further, a single case study of the banking sector was developed as the strategy to explore a detailed contextual view of the phenomenon (Yin, 2009). The research uses a qualitative research design. For the data collection, a questionnaire and unstructured interviews were used in an attempt to explore respondents' lived experiences and perceptions. The data were analysed using the technique of thematic analysis.

**Figure 2:** Research methodology (generated by authors)

The research instruments are discussed in greater depth in the following sub-sections.

### 3.1 Questionnaire

In this paper, for the questionnaire, the population is all the branch managers in all twelve Saudi Arabian banks in Jeddah. Jeddah falls into the Mecca administrative region, in which there are 412 bank branches (SAMA, 2015d). This means there is a population of over 400 managers, and therefore, due to considerations of time, it would have been impractical to administer the questionnaire to them all. Hence, a sample was selected, using a purposive sampling strategy. Purposive sampling is a strategy used to sample individuals who have experience of the phenomenon under study; participants are selected if they are considered to be knowledgeable about the phenomenon under investigation (De Vaus, 2002). Branch managers were selected on the premise that they would have knowledge about recruitment and retention and their relation to the Saudization programme. In addition, purposive sampling is recommended when collecting qualitative data from a relatively small sample (Saunders and Lewis, 2012), as this the case in this paper.

Thus, the sample is illustrative and considered representative. A questionnaire with ten open-ended questions was administered to 48 branch managers of twelve different banks in the Jeddah area; that is, four from each of the twelve commercial banks active in Saudi Arabia. By administering the questionnaire to four branch managers, the researcher judged that even accounting for non-responses, it was likely that there would be at least one response from a representative of each of the twelve banks and thus all twelve would be represented. The Jeddah area was chosen for practicality, as one of the authors was based in this area and limitations of time and expense precluded the study being extended to other parts of Saudi Arabia. The questionnaire was distributed manually. Sekaran and Bougie (2010) state that personally administered questionnaires are useful in situations where there is a limited sample and the approach aligned better to the cultural context of the work, and in Saudi Arabia e-mail is not yet as widely used as it is in the UK. Thirty-eight usable questionnaires were returned, giving a response rate of 79%.

The questionnaire questions were based on the literature. The questionnaire was originally written in English, and then translated by one of the authors into Arabic. A linguistic expert was asked to translate the Arabic translation into English in a process known as back-translation (Harkness and Schoua-Glusberg 1998). The original English version was then compared to the back-translation and it was confirmed that the Arabic translation accurately reflected the English original.

### 3.2 Interviews

Unstructured interviews were carried out with 12 assistant HR managers in the head offices of each of twelve banks (i.e., one from each bank). They were initially contacted by phone at their workplaces and appointments for the interviews made. The purpose of the interviews was theory development rather than theory testing (Zhang and Wildemuth, 2009). Saunders and Lewis (2012) assert that the unstructured interview allows the

participants to talk openly and widely about the topic, although the interviewer has a clear idea of the topics he or she wishes to explore. The interviews were therefore conducted to help make sense of the questionnaire findings and to provide richer data. Eight were conducted face-to-face and four were conducted by phone; each lasted around thirty minutes.

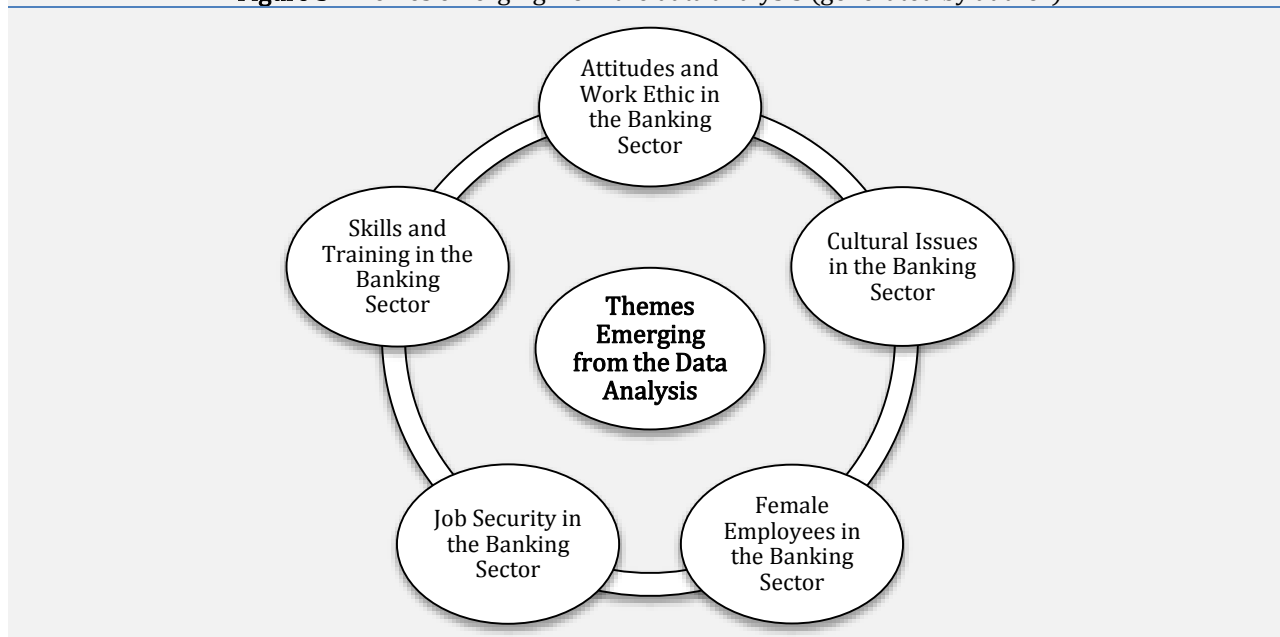
As none of the interviewees permitted the researcher to audio-record the interviews; instead, the interviewer made notes, which she transcribed immediately after the conclusion of each interview. The interviewees' responses cannot, therefore be reported verbatim. However, as the branch managers wrote their answers to the questionnaires, they are quoted verbatim. The themes are discussed in alphabetical order.

The open-ended data obtained from the methods were analysed qualitatively, using thematic analysis, and explore the most significant themes to emerge (Howitt and Cramer, 2007). According to Braun and Clarke (2006), a theme refers to a specific pattern of interest found in the data. An instance of a theme might be expressed in a single word, a phrase, a sentence, or a paragraph (Zhang and Wildemuth, 2009). Thematic analysis permits the study to be enlarged beyond an individual's experience (Guest *et al.*, 2011), and can be useful for producing qualitative analyses suited to informing policy development (Braun and Clarke, 2006).

#### 4.0 Findings and discussion

This section presents the findings of the study; these were used to draw the conclusion and make recommendations, which appear in the next section. Five themes emerged from the analysis of the questionnaire and interview data; namely, attitudes and work ethic in the banking sector, cultural issues in the banking sector, female employees in the banking sector, job security in the banking sector, and skills and training in the banking sector. These are illustrated in Figure 3, below.

**Figure 3:** Themes emerging from the data analysis (generated by author)



##### 4.1 Attitude and work ethic in the banking sector

The theme of the attitude and work ethic of Saudi candidates was found to feature prominently in the responses of both questionnaire respondents and interviewees. Eight questionnaire respondents (21%) and one interviewee expressed no criticism of Saudi employees in terms of work ethic or attitude. Further, sixteen (44%) questionnaire respondents took the view that Saudi bank workers could be as good as any expatriates if offered the appropriate training and the opportunity to gain experience.

However, there was still a relatively widespread perception that in general, Saudis' work ethic was not as strong as that of the majority of non-Saudis. Poor time-keeping, lack of knowledge and laziness were mentioned as common defects of Saudi employees by ten (27%) of the questionnaire respondents. This finding supports the argument of Al-Dosary and Rahman (2005) that many Saudi private sector employers are still in favour of hiring expatriate workers instead of Saudis.



Further, Branch Manager 10, mentioned that

Some Saudi employees just take jobs with the banks while they wait for a public sector job and so they are not really committed to their work at the bank.

Thus, the banks are also presented with the problem of retaining Saudi staff. Indeed, Achoui and Mansour (2007) report that employee turnover in Saudi organizations is high, particularly in the private sector.

#### 4.2 Cultural issues in the banking sector

Fifteen (39%) questionnaire respondents felt that in terms of recruitment and retention, Saudization in banks could be improved if Saudis were more committed to their work and did not take a job in a bank as a stopgap while waiting for a public sector job. However, the banking sector attracts Saudi candidates due to its being 'white collar' employment and hence considered respectable. One interviewee pointed out that Saudis are very conscious of the status of their job and indeed, to many it was even more important than the salary. Five (13%) of questionnaire respondents also mentioned this point. For instance, Branch Manager 5 stated that

Banks can employ more Saudis than other private sector industries, as it is high status work and Saudis are interested because of this.

These responses support the assertion of Alromi (2001) that most Saudis would prefer to earn a low salary in a white-collar job than a high salary in a blue-collar job. According to Ramady (2010), Saudis are reluctant to do manual work and social status is very important for young Saudis in particular as it has an effect on social relations and marriage prospects. Saudization has been a greater success quantitatively in the banking sector than in any other branch of the private sector.

Hence, in terms of meeting the Saudization quota, recruitment and selection in banking does not pose any of the problems found in certain other private sector industries, such as the manufacturing industry, where there is great difficulty in attracting Saudi recruits (Baqadir *et al.*, 2011).

#### 4.3 Female employees in the banking sector

The theme of the recruitment and retention of female employees emerged from the data analysis. With the increasing number of female-only branches, banks require to recruit and retain more female employees, particularly at management level. In terms of recruitment, nine (24%) of the questionnaire respondents and five of the interviewees mentioned that it is not difficult to find Saudi women willing to work in banks, as it is a gender-segregated environment, unlike certain workplaces such as hospitals and hotels. This supports Leeth's (2014) assertion that many Saudi women are not prepared to take a job which would involve them having direct contact with men.

Regarding retention, three (8%) questionnaire respondents raised the point that many Saudi women give up their jobs in banks because of the difficulties of reconciling work and family responsibilities. One of these respondents, Branch Manager 27, suggested

If part-time and flexible working was to be made available to female employees, this would help banks to recruit and to retain female employees who were married with children.

Two interviewees pointed out that an increase in female bank staff can assist in furthering the Saudization programme.

This reflects Oxford Strategic Consulting's (2013) contention that Saudi women face difficulties in achieving a balance between work and family, as no part-time or flexible work options are available in Saudi Arabia.

#### 4.4 Job security in the banking sector

The banking sector has been able to attract more Saudis than any other private sector industry. In 2014, 89.1% of bank employees were Saudi (SAMA, 2015a). According to the analysis of the questionnaire and interview data in this study, it appears that one factor which may contribute to the quantitative success of Saudization in the banking sector is the perception that the banking sector offers greater job security in comparison to other private sector industries. This point was raised by twenty (52%) of the questionnaire respondents and three of the interviewees. One questionnaire respondent, Branch Manager 14, stated

I feel secure in this position. I have a good career path and I don't feel that the bank is going to dismiss me at any time, as can happen in other private sector jobs.

One of the interviewees stated that he felt secure in his banking job because as well as a good salary, the bank offered a housing allowance, a transport allowance and medical insurance for him and his family.

One reason for Saudis' preference for public sector employment is that employees are perceived to have greater job security than in the private sector (Al-Ali, 2008). Indeed, Budhwar and Mellahi (2006) report that it is very difficult to dismiss any Saudi employee from a public sector job. However, this perception of lack of job security in the private sector may be erroneous as there are strict regulations in Saudi Arabia concerning the dismissal of locals (DLA Piper, 2012).

#### 4.5 Skills and training in the banking sector

It was reiterated by eighteen (47%) of the questionnaire respondents that the Saudi candidates were, in general, inadequately trained for the work they were expected to do, particularly in terms of soft skills such as English language and customer service, but also in terms of hard skills such as information technology. Stephenson *et al.* (2010) note that soft skills are necessary drivers for employability, while Patrick (2014) asserts that the neither the education system nor the prevailing culture in Saudi Arabia emphasises the development of soft skills. In this respect, Al-Fawzan (2005) reports that in Saudi Arabia, bank customers perceive bank employees as generally lacking the knowledge to answer customers' questions adequately, indicating a lack of appropriate training. This means that banks are obliged to spend money on training employees. In this respect, twenty-six (68%) of the questionnaire participants and seven of the interviewees referred to the fact that Saudis required considerably more training than expatriates.

However, Branch Manager 16 expressed the opinion that this training can often be a good investment for banks:  
Banks look for recent graduates and then they can train them to suit the precise requirements of the bank. In this way, they are increasing not only the quantity of Saudi employees, but also the quality.

In contrast, one interviewee stated that training Saudi employees was not always an investment, as often the bank spent money training employees only to have them move to a rival bank. This view was echoed by five (13%) questionnaire respondents, one of whom, Branch Manager 17, stated

It costs a fortune to train Saudis in the skills that are needed in the bank, such as for teller and customer service agent jobs. However, sometimes we have wasted our money, as after training they often just leave to work for another bank.

However, while eighteen (47%) of the questionnaire respondents and four of the interviewees viewed the investment in training and development for their Saudi employees as a negative point, fifteen (39%) of the questionnaire respondents and three of the interviewees saw it as a positive one, as it meant that banks could train employees to precise specifications.

McEnhill *et al.* (2007) note that the development of human resources through training plays a key role in promoting the economic development of Saudi Arabia towards a knowledge-based economy. In this regard, Al-Dosary and Rahman (2011, p.495) suggest that 'Saudization should place importance on skills development among Saudi nationals by strengthening educational and vocational training, and providing time-specific incentives rather than relying only on a quota system.'

Despite the comparatively small sample size, the findings present a wide variety of perceptions concerning the factors influencing the recruitment and retention of Saudi workers under the Saudization policy.

#### 5.0 Conclusions

It is clear from the literature review and from the findings of the data analysis that the Saudization policy has had a profound impact on recruitment and retention in private banks in Saudi Arabia. While the Saudization policy has been a resounding success in the public sector in quantitative terms, this has not been the case in the private sector. That said, the branch of the private sector in which the Saudization policy has been most successful is banking, where government-imposed quotas have not only been met, but exceeded. However, this is not to imply that the Saudization process has been entirely smooth within this sector.

The theme of the attitude and work ethic of Saudi candidates was found to feature prominently in the responses of both questionnaire respondents and interviewees. Just over one-fifth of the questionnaire respondents and one interviewee expressed no criticism of Saudi employees in terms of work ethic or attitude. Further, sixteen (44%) questionnaire respondents took the view that Saudi bank workers could be as good as any expatriates if offered the appropriate training and the opportunity to gain experience. However, just over a quarter of the

questionnaire respondents perceived that in general, Saudis' work ethic was not as strong as that of the majority of non-Saudis.

According to Hofstede (2015) Saudi Arabia is a high power distance culture; this is evident in Saudis' preference for managerial positions owing to the belief that non-managerial work is undignified and a cause of embarrassment (Idris, 2007). In addition, Saudi Arabia is a collectivist society in which the opinions of others are very important (Hofstede, 2015). Hence, Saudis are reluctant to enter low-skilled posts, as social status is a crucial issue for them. There is evidence in past research on job satisfaction in collectivist cultures to indicate that employees gain great satisfaction from the social perception and status of the job (Huang and Van de Vliert, 2004; Abu Elanain, 2009). This is clearly an issue in terms of recruitment and retention as, if there are few Saudi candidates for private sector jobs, this reduces the pool from which Saudi employees can be recruited. Conversely, it is a factor that has contributed to the attraction of Saudis to work in the banking sector, as banking is a white-collar job and hence considered acceptable in terms of social status (Alromi, 2001), unlike other private sector industries, such as manufacturing.

Regarding the recruitment of women employees, banks now require more female staff because of the increasing number of women-only branches (Eagle, 2011). Further, an increase in the number of women can assist in advancing Saudization (Sullivan, 2012). This point was made by two of the interviewees. In terms of retention, it was found that many female employees leave their jobs because of the difficulty in reconciling work and family responsibilities. It is suggested that flexible working policies be introduced to enhance the retention of female Saudi staff. According to Hofstede (2015), Saudi Arabia has a predominantly masculine culture, which indicates that the country is driven by 'masculine' values of achievement and success and there is less emphasis on quality of life. It is arguably for this reason that flexible working options which could help women balance work and family are very rare in Saudi Arabia (Oxford Strategic Consulting 2013).

It emerged from the data analysis that over half of the questionnaire respondents and three of the interviewees perceived there to be greater job security in the banking industry than in other private sector industries. (Alromi, 2001) reports that one reason for Saudis' general preference for working in the public sector is the perception that it offers greater job security than the private sector. The importance placed by Saudis on job security reflects Hofstede's (2015) characterisation of Saudi Arabia as a high uncertainty avoidance culture. Hence, it can be inferred that one of the factors drawing more Saudis to the banking sector than to other private sector industries may be the perception of greater job security.

It emerged from this research that there is a frequent lack of alignment of Saudis' skills and training with the requirements of the private sector. This implies that in order to recruit the requisite number of Saudis to comply with the Saudization quotas, banks may be obliged to recruit candidates who are not entirely competent for the job and hence must subsequently invest in training for them. It emerged that banks have had to invest more heavily in training and development for their Saudi employees than for expatriates, as the former tend to be deficient in both soft and hard skills. However, banks have to spend considerable sums on training employees, only, in many instances, to have them go to another bank after training.

In terms of Saudization, the short-term orientation of Saudi Arabia is reflected in Davis and Hayashi's (2007) contention that the populations of the Gulf countries such as Saudi Arabia are seeking rapid results to solve their unemployment problems. Indeed, it has been suggested that the Gulf state governments have not been realistic in the time scales they set for these quotas to be filled (Salih, 2010).

To sum up, this paper has achieved its aim of investigating the impact of Saudization on recruitment and retention in the banking sector in Saudi Arabia from the perspective of bank managers and HR managers and has contributed to theory, practice and policy.

## 6.0 Limitations of the study

One research limitation is that, due to time constraints, it was only possible to administer the questionnaire to a limited number of branch managers and to conduct only twelve interviews with HR managers; therefore, the extent to which the findings can be generalized is limited. Moreover, again due to the time limitation in this study, it was not possible to analyse the data according to variables such as length of experience. In addition, the research was undertaken only in Jeddah.

## 7.0 Recommendations for bank management

Several recommendations can be derived from the research findings as to ways to develop recruitment and retention activities in the banking sector. First, it is clear that banks should have coherent policies to retrain

newly-employed employees and develop existing ones on an ongoing basis through in-house and on-the-job training or training programmes in cooperation with local or international training bodies. Secondly, banks could implement HR initiatives to attract and retain Saudi workers, such as connecting career progression to their training plans, linking salary and promotion to work performance, and offering employees greater job security and shorter working hours than is often found in private sector organizations. Finally, part-time and flexible working should be introduced in order to improve recruitment and retention, particularly in the case of women.

## 8.0 Contributions of the study

Although this study is a single case study, and therefore the results are not easily generalizable to other cases, this authors contend that the findings of the paper may apply to other private sector industries, and not only banking. For instance, Saudis' work ethic is an issue affecting all types of private sector organization. Further, it is suggested that the provision of flexible working arrangements would enhance the recruitment and retention of female employees in any organization wishing to make greater use of the potential of female employees.

The theoretical contribution of this study consists of the identification of issues relating to recruitment and retention in the banking sector in Saudi Arabia from the perspective of branch managers and HR managers in this sector. It also makes a practical contribution in its recommendations for the enhancement of recruitment and retention in the banking sector, which, it is argued, may be extended to other private sector organizations. In this era of globalization, any country which does not develop its human capital and strive to become a knowledge economy is liable to be left behind in terms of economic and social growth.

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