

**University of Stirling**

Saudization and Skill Formation for Employment in the Private Sector

A Thesis submitted for the degree of  
Doctor of Philosophy  
Division of Business and Organization  
School of Management

By  
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January 2009

## ACKNOWLEDGEMENTS

My gratitude first goes to the Almighty Allah, with His word: Qun Fa Yaqun (Qur'an 19: 35). I would like to express my sincere recognition to my principal supervisor Dr. Stewart Butts who provided me with quality and friendly supervision to finalize this work. Sincere regards also due to Dr. Gerry Hallier, my secondary advisor who provided efficient supervision and academic advises during the early phase of my work. My sincere thanking goes to my wife Foza for her suffering, encouragement, sacrifice whilst studying in the UK since 2002 and throughout until graduation. I would like to thank most sincerely the Institute of Banking of the Saudi Arabian Monetary Agency for granting me a scholarship to make my study possible here in the UK. I am also deeply grateful to my family and relatives in Saudi Arabia especially Dr. Eid Al-Shammary for the full support and encouragement to finish this work.

I extend special thanks to the interviewees for participating and providing me with valuable and practical data that were the core of this doctoral thesis.

## ABSTRACT

The development in the Kingdom of Saudi Arabia has been associated with its growing petroleum industry since late 1930s. This development has created a sudden wealth in the country that shaped its labour market as well as its skill formation systems in the years after. It has also, thanks to the government involvement, developed the country's world class economy and its evolving private sector. However, this involvement has also created a dual labour market in which Saudis expect employment in the government while expatriates are continuously employed in private organizations. Employment in the government was always available to Saudis regardless of their qualifications which are dominated by theoretical literary majors over scientific and technical degrees. In the early days of the country's development this did not produce major concerns to the government nor to Saudis. However, the country is producing one of the highest growth rates in the world with the majority of its citizens are under the age of 19. Government employment is always limited as the majority of employment opportunities are available in the country's private sector. Since the late 1980s, this has generated high rates of unemployment among Saudis as government employment reached its peak and as the private sector continues in recruiting millions of cheap expatriates to increase its profits and competitiveness. This is creating an unbalanced labour market structure as well as economic, political and social problems.

A number of government initiatives have been introduced to rectify such dilemma. One of which is Saudization to replace the country's 4.7 million of expatriates recruited mainly (95%) in the private sector with as many qualified Saudis as possible. However, such efforts has not yet produced fruitful results as the private

sector is still recruiting expatriates and as skill formation systems are still producing Saudis with incompatible skills, knowledge and attitudes with the private labour market needs. This research assumes that ineffective Saudization in the private sector is not the core problem of the employment process in Saudi Arabia. In fact it is the outcome of the government's heavy and unnecessary involvement and control over skill formation systems in the Kingdom especially over the General Organization for Technical Education and Vocational Training (GOTEVT) which is the main skill formation provider for the private labour market. This involvement imposes the government's rigid bureaucracy and limited funding on a very dynamic, flexible and self-sufficient economy like the private market in Saudi Arabia that is operating in a very competitive and changeable environment.

Investigation of such argument against empirical findings from interviews with a number of government, quasigovernment and private sector managers supports such conclusion. It even illustrates that government involvement and bureaucratization is hindering the implementation of Saudization strategy itself in private organizations. Recommendations are made about changing the role of GOTEVT to create industry-led training organizations to serve and link the outcomes of this skill formation organization to the employment needs of the labour market and to the needs of the economy in general.

## TABLE OF CONTENTS

	<u>Page</u>
<b>ACKNOWLEDGMENTS</b>	
<b>Abstract</b>	
<b>Table of Contents</b>	
<b>List of Tables</b>	
<b>List of Figures</b>	
<b>Chapter 1</b>	<b>INTRODUCTION</b>
1.1	Introduction 1
1.2	Research Assumptions 4
1.3	Research General Objectives 4
1.4	Research Specific Objectives 5
1.5	Research Layout 6
<b>Chapter 2</b>	<b>SAUDI PROFILE</b>
2.1	Introduction 11
2.2	Overview of the Country Profile 11
2.2.1	Location and History Overview 11
2.2.2	Political Profile 13
2.2.3	Population 15
2.3	The Economic Context 17
2.3.1	Introduction 17
2.3.2	Saudi Main Economic Sectors 18
2.3.3	The Saudi Development Plans 19
2.3.4	Overview of the Saudi Economy 23
2.3.5	Economic Strategies 25
2.3.6	Private Sector Role in Saudi Economy 26
2.4	Saudi Labour Market 29

	2.4.1	Size	30
	2.4.2	Labour Market by Economic Activity	32
	2.4.3	Occupational Classification	35
	2.4.4	Women in the Labour Market	36
	2.4.5	Unemployment	38
	2.4.6	Future Labour Force	40
	2.5	Conclusion	41
<b>Chapter 3</b>		<b>SAUDI HUMAN RESOURCES DEVELOPMENT AND THE LABOUR MARKET</b>	
	3.1	Introduction	42
	3.2	Government Expenditure on HRD	43
	3.3	The Strategic Objectives for Human Resource Development	44
	3.4	Government Dominance and Influence over Education and Skill Formation Systems	48
	3.5	Educational Structure and System	49
	3.6	General Education	52
	3.7	Outcomes of Government Dominance and Bureaucracy on General Education	56
	3.8	Higher Education	60
	3.9	Initiations of Vocational Education and Training in Saudi Arabia	64
	3.10	The Establishment of the General Organization for Technical Education and Vocational Training (GOTEVT)	67
	3.10.1	GOTEVT Overall Strategy and General Objectives	68
	3.10.2	The Structure of GOTEVT Activities'	70
	3.10.3	Vocational training	70
	3.10.4	Technical education	72
	3.10.5	Colleges of Technology	76

3.11	Private Technical and Vocational Training Institutes	80
3.12	Outcomes of Government Dominance and Bureaucracy on Higher and Vocational and Technical Education	81
3.13	The Saudi Labour Market	91
3.14	Saudi Attitudes toward Labour and Vocational Jobs in the Private Sector	99
3.15	Government Efforts and Remedies	102
3.16	Factors of Successful Saudization	105
3.17	Conclusion	112
<b>Chapter 4</b>	<b>TRAINING, EDUCATION AND HRD A REVIEW OF THE LITERATURE</b>	
4.1	Introduction	114
4.2	Training and Education	114
4.3	Human Capital Theory	116
4.5	Overview of the International Process of Skill Formation	124
4.6	Private Sector Organizations and the Development of Workforce Skills	127
4.7	Hendry's Model and the Saudi Context	141
4.8	Conclusion	144
<b>Chapter 5</b>	<b>RESEARCH METHODOLOGY</b>	
5.1	Introduction	145
5.2	Methodology Definition and Description	146
5.3	Qualitative versus Quantitative Research on This Topic: advantages, disadvantages and practical issues	149
5.4	Reliability and Validity in Qualitative Research	153
5.5	Reliability and Validity in This Research	154
5.6	The Research Sample	157

	5.6.1	Government Organizations	158
	5.6.2	Quasigovernment Organizations	159
	5.6.3	Private Organizations	163
	5.7	Data Collection Technique	165
	5.8	Overview of Data Collection Stage	167
	5.9	Data Reporting Technique	172
	5.10	Data Analysis Technique	174
	5.11	Conclusion	175
<b>Chapter 6</b>		<b>RESEARCH FINDINGS</b>	
	6.1	Introduction	177
	6.2	Theme 1: The challenges encountering the Saudization program in the private sector.	177
	6.3	Theme 2: The factors assisting the Saudization program in some private sector organizations.	189
	6.4	Theme 3: The factors influencing investment training decisions in Saudi employees in private organizations.	197
	6.5	Theme 4: Evaluation of GOTEVT's current role and its graduates' skills level in regard to the private sector manpower needs	210
	6.6	Theme 5: Evaluation of the proposed changes of the role of GOTEVT toward industry-led training organizations to fulfill immediate needs of the Saudi labour market for employable Saudis.	226
	6.7	Conclusion	236
<b>Chapter 7</b>		<b>ANALYSIS OF THE FINDINGS</b>	
	7.1	Introduction	242
	7.2	Government Bureaucratization and Skill Formation	243
	7.3	Saudization, Unemployment and Saudis Attitudes to Work	272
	7.4	Successful Saudization in Some Private Sector Firms	296



7.5	Hendry's Framework and Skill Formation by Saudi Private Organizations	305
	7.5.1 The Driving and Stabilizing Factors	306
	7.5.2 The Inhibiting Factors	319
	7.5.3 Hendry's Model According to the Saudi Context	327
7.6	Conclusion	336
<b>Chapter 8</b>	<b>CONCLUSION</b>	
8.1	Summary of the Main Issues	339
8.2	Reconsideration of the Research Objectives	342
8.3	Study Contribution to Knowledge	346
8.4	Research Limitations	366
8.5	A Proposal for Further Research	368
	<b>BIBLIOGRAPHY</b>	370

## List of Tables

<u>Table</u>	<u>Page</u>
2.1 Government Actual Expenditures in SR Billion by Development Agencies during the Eighth Development Plans (1970-2009)	22
2.2 Main Indicators of the Private Sector's Role in the Saudi Economy (1970-2004)	27
2.3 Civilian Employment during the Sixth Development Plan (Thousand)	33
2.4 Occupational Structure of Employment in the Seventh Development Plan (2000-2004)	36
3.1 Development in Education (Males & Females)	47
3.2 Graduates of General and Higher Education (Males & Females)	59
3.3 Saudi Government Universities	62
3.4 Development of Vocational Training Trainees and Graduates	72
3.5 Trainees and Graduates Development at Secondary Technical Institutes	76
3.6 Students Studying and Graduating from Colleges of Technology	80
3.7 Summary table of Al-Shammary <i>et al.</i> (2003) findings of the Average number of Graduates according to their majors from the four levels of education in Saudi Arabia for the years of 2000, 2001 and 2002	84
3.8 Females Participation Rates in Economic Activity (15 years and above) (2002)	86
5.1 Lists of interviewees Participants	170
7.1 GOTEVT's Annual Budgets (1979-2003)	258

## List of Figures

<u>Figure</u>		<u>Page</u>
2.1	Saudi Population Distributed By Age Group	16
3.1	Education System In Saudi Arabia	51
4.1	Economic Theory As A Foundation Of HRD Discipline	121
4.2	The Interaction of Factors Driving and Stabilizing Training and HRD	131
4.3	The General Model of Factors Driving and Stabilizing Training	132
7.1	The Interaction of Factors Driving and Stabilizing Training and HRD in the Saudi Context	331
7.2	The General Model of Factors Driving and Stabilizing Training in Saudi Arabia	332
7.3	Summary of the Major Driving, Stabilizing and Hindering factors to Human Resource Development in Saudi Arabia	333

## **CHAPTER ONE INTRODUCTION**

### **1.1 Introduction**

The growing petroleum industry in the Kingdom of Saudi Arabia has developed Riyadh, the modern capital of Saudi Arabia, in less than five decades from a village of few dusty square miles into an urban centre of hundreds of square miles with a modern skyline at its centre and a population of over 4 million. This development also included the roads where at a time there were less than 80 miles of paved roads, but now there are thousands of miles connecting almost all Saudi cities. The Saudi modernization was the reason behind establishing thousands of hospitals, health centres, and dispensaries, hundreds of schools in all public education levels including a number of government and private universities, where once there were almost no medical or educational facilities. The government laid railroad tracks and telecommunication lines and built one of the largest national airlines in the Middle East. Apartment buildings and multilevel modern concrete homes replaced the thatched roof houses that once were common. Present-day Saudi Arabia bears almost no resemblance to what it was even a decade ago; so rapid has been its ascent from one of the world's most underdeveloped regions to one of the most modernized.

The Modernization's genesis in Saudi Arabia can be dated back to the discovery of the country's massive oil resources in 1939 (Al-Jasser, 2002). From that date onward the country has invested in developing its huge infrastructure projects as well as the development of its human capital through establishing its skill formation systems and health services. Unfortunately, this young country was not prepared with available

qualified human resources to establish such massive projects generated from the sudden wealth and revenues of increasing oil prices. Alternatively, in the 1970s, in particular, oil prices were so high that they influenced decisions makers in the government to import and recruit a large number of expatriates to assist the government and its new private sector in building the country's infrastructure. At the same time, the government was employing its nationals in government jobs with reasonable salaries (Al-Humaid, 2005). More importantly, they are offered employment security for life and a promotion system based on employment longevity rather than performance. They are, in addition, provided with flexible housing loans, free health care, and free education.

On the other hand, the private sector continued and increased its recruitment of cheap expatriates in different industries. At the same time, it evades recruiting Saudis who are viewed by managers of the sector to be costly to recruit, retain and develop. They also consider them to be equipped with mismatched skills, knowledge and attitudes in comparison to the demands of the labour market. They are qualified for only office and administrative jobs which represent the minority of the sector's recruitment needs. As a result, and until this date, foreign workers dominate jobs in the private labour market to perform technical and labouring jobs while Saudis are either seeking employment in administrative and office government jobs or being unemployed.

The long-lasting employment practices and segregations in the labour market between government and private sector employment since the 1970s support Saudis' preference for employment in the government sector. It also encourages the private sector to continue in recruiting cheap expatriates to increase its profits and

competitiveness. However, government employment has reached its peak as it is unable to create more employment opportunities to Saudis to cope with the country's high population growth rates. Therefore, the government is focusing on creating such opportunities in the rapidly developing private sector that is recruiting more than 4.7 million expatriates by replacing expatriates with as many unemployed Saudis as possible.

However, a major obstacle remains in the country's efforts to replace expatriates with Saudis who are capable of demonstrating the professionalism or vocationalism of a Saudi working class. The country's skill formation systems are still ineffectual in responding to the private sector's demands of technical and vocational skills, knowledge and attitudes. In fact and historically speaking, incapability of such systems was at the core of the country's dilemma of excessive expatriates' recruitment which was initiated originally to bridge the country's vacuum of qualified human resources. However, the difference between now and then is that at that time the systems were underdeveloped like all services and facilities in the country. Whereas now, they are considered to be financially and managerially established yet only contributing by increasing the unemployment of Saudi graduates. Their strategic directions and curriculum development are created and executed with less coordination and cooperation with the private sector. The skill formation systems are dominated and influenced by government bureaucracies and practices that are hindering their responsiveness to the changing and increasing demands of the private labour market for an industry-focused technical and vocational training.

At the moment technical and vocational training and education is provided through private training institutes and a number of government ones. However, the major technical and vocational training provider is the General Organisation for Technical Education and Vocational Training known as GOTEVT. It is a government agency under the supervision of the Ministry of Labour. It provides commercial, agricultural and industrial vocational training and education to Saudi students.

## **1.2 Research Assumptions**

The research has two overall assumptions. First, the government's heavy involvement in controlling different aspects of skill formation systems is the core dilemma for their ineffective and slow responsiveness to the manpower needs and Saudization in the private labour market. This involvement imposes the government's rigid bureaucracy and limited funding on a very dynamic, flexible and self-sufficient economy like the private market in Saudi Arabia that is operating in a very competitive and changeable environment. Second, it appears that GOTEVT is unable to produce graduates with the skills required by the private sector and unable to reduce unemployment among Saudis.

## **1.3 Research General Objectives**

Although the main focus of this research is GOTEVT as the main government provider of the technical and vocational skills for the Saudi private sector, it looks at the totality of the country's skill formation systems. The former cannot be studied in isolation of the impact of the country's overall umbrella of skill formation systems.

The focus in doing so, however, will be on the influence of the government's involvement in such systems. To accomplish this, the research also examines and analyzes Saudization as an important national employment strategy dominating and affecting at the same time affected by both government Human Resource Development (HRD) efforts as well as private sectors recruitment strategies. The general objectives for this research include, first, exploring the missing link between Saudi technical and vocational training programs provided by GOTEVT and Saudization in the private sector; second, studying the factors behind some successful Saudization scenarios in some private sectors that have focused training centres/institutions; and third, investigating the possibilities and impact of changing the role of a government training institution i.e. GOTEVT to an industry-led training organizations as the prerequisite to the Saudization of the human resources in the private sector.

#### **1.4 Research Specific Objectives**

Therefore and to fulfil the research's general objectives, the study is expected to answer, in addition to others, the following questions:

- What are the consequences of government involvement in controlling skill formation systems and institutions?
- What are the obstacles in implementing Saudization strategy as seen by government agencies (Ministry of Labour, GOTEVT, and the Chamber of Commerce and Industries)?



- What are the obstacles in implementing Saudization strategy as seen by the private sector?
- What are the factors that led to high rates of Saudization in some private sectors (Banking, Saudi Telecommunication, etc.)?
- What are the reactions to changing the role of GOTEVT by both GOTEVT's top management and the private sector?

## **1.5 Research Layout**

This research is presented in eight chapters. The second chapter provides essential profile about Saudi Arabia that enables the reader to comprehend the interrelated issues that will be discussed subsequently in the rest of this thesis. That includes a historical, demographical, political and economical overview of the Kingdom. The latter, in particular, includes essential information about the Saudi labour market as it will be one of the pillars of this research. The other pillar for this research is the country's HRD systems which are the focus of chapter three. This chapter provides the reader with an overall profile of such systems' development, structure, and strategic objectives in relation to the needs of the labour market. The third chapter also examines the dilemma encountering linking HRD efforts to employment of nationals in Saudi private organizations.

Chapter four examines relevant literature to establish the research's theoretical background which is the backbone of this study. This chapter starts by briefly looking into the distinction between training and education. This includes looking into the Human Capital Theory to explore the linkages between education and training

systems and economic performance with an emphasis on the Saudi context. The chapter, finally, examines the relevance of some of the findings of Hendry's (1991) HRD model to the Saudi labour market. This assists in understanding the factors that drive or inhibit private sector firms to invest in training and to encourage them to train on a continuing basis.

The fifth chapter introduces the research methodology, data sampling and collection technique, and data reporting and analysis procedures. To achieve this research's objectives, the study implements the qualitative approach. Its exploratory nature can only be fulfilled through an inductive approach focusing on investigating the core objectives of this research.

Selected senior operational and HR managers participated in this study from government, quasi-government and private sector firms. The selection criterion of the government organizations is based on their immediate involvement with employment, Saudization supervision and HRD of Saudis. On the other hand, a number of large quasi-government organizations are also included due to their successful implementation of Saudization. Similarly, different private sector organizations from different industries such as banking, retail, automobile, services, leisure and food are chosen in accordance to their achievements in linking their training programs with their Saudization efforts. In addition, the selected sample also includes a number of managers from private training organizations investing in the HRD industry that are well recognized for their training achievements for Saudi human capital development.

Answering the core questions of this research are the criterion for choosing the most appropriate qualitative approach for this study. To fulfil this criterion and establish the fit between the research questions and the research approach, structured face-to-face interviews with a set of pre-determined open-ended questions to the selected top and HR managers are implemented. This technique also supports the study's search for in-depth and sensitive information about the realities and rhetorics of training and Saudization in the Saudi private sector context. Moreover, it is essential to prevent any possibility of misunderstanding of research questions that are asked as the interviewer can either repeat or explain such questions on the spot. Finally, face-to-face interview technique in this research allows interviewees to freely criticize government bodies such as GOTEVT and the Ministry of Labour which might not be achievable using other techniques like focus groups or surveys.

The chapter finally introduces the reporting and analysis techniques that are implemented in chapters six and seven of this thesis. It employs a technique called 'the Ad Hoc Meaning Generation' suggested by Kvale (1996). This technique generates general themes from the conducted interviews which are discussed in chapter seven. Finally, the chapter concludes by describing the experience that the researcher encountered during the process of primary data collection. Such experience is essential to highlight the degree of difficulty to conduct similar research in Saudi Arabia. In such a society, people are still reluctant to criticize government agencies especially if they are employed in government or quasigovernment organizations. These findings are believed to be important and should be investigated in further academic research as it is beyond the scope of the current research. The sixth chapter reports the findings of the face-to-face interviews conducted with

selected managers in Saudi Arabia. It reports the findings that evolve in five general themes according to the responses of the interviewees. These themes are

**Theme 1:** The challenges confronting the Saudization program in the private sector.

**Theme 2:** The factors assisting the Saudization program in some private sector organizations.

**Theme 3:** The factors influencing training investment decisions in Saudi employees in private organizations.

**Theme 4:** Evaluation of GOTEVT's current role and its graduates' skills level in regard to the private sector manpower needs.

**Theme 5:** Evaluation of the proposed changes of the role of GOTEVT toward industry-led training organizations to fulfil immediate needs of the Saudi labour market for employable Saudis.

Under each theme the interviewees' responses are reported and grouped according to their source. They include interviews with government managers, interviews with quasigovernment managers, and interviews with private managers.

Chapter seven of this thesis discusses the findings reported in chapter six. The analysis will be through discussions around direct quotations from interviewees (Kvale, 1996). This discussion will evolve around the central themes mentioned earlier excluding the fifth theme that will be discussed in the final chapter. The researcher will establish this discussion from interviewees' concepts by connecting their dialogues about each of the central themes using one or more of the tactics

suggested by Kvale's 'Ad Hoc Meaning Generation'. These tactics range from descriptive to explanatory and from concrete to more conceptual and abstract.

The final chapter of this thesis, chapter eight, presents the conclusion. It will also provide some practical recommendations for policy makers in the country. It suggests, based on empirical evidence obtained from the labour market, practical proposition to improve GOTEVT's performance and the Saudization in the country. This approach enhances the merit of the current research as it is extending beyond merely investigating a phenomenon affecting the Saudi private labour market to introducing a practical solution. Such a solution, we believe if introduced, will challenge the persistent paradigm of the government dominance over skill formation systems in a country like Saudi Arabia that is suffering from increasing unemployment for its citizens.

## **CHAPTER TWO SAUDI PROFILE**

### **2.1 Introduction**

This chapter provides the essential profile on the Kingdom of Saudi Arabia that will enable the reader to understand the context within which the rest of this thesis falls. At first, the chapter will start with an overview of the country's location and a snapshot on its history. Then the reader will be introduced to its political system with an overview of its legal system and a look at the country's population. Then the chapter will look at Saudi economic environment to provide a profile on its main economic sectors and the Saudi Development Plans. From there, the chapter will focus on studying the Saudi economy in depth by looking at its economic strategies and the important role the private sector plays in this economy. Lastly, we will examine in brief the Saudi labour market, its different labour classifications, the employment of women, the level of unemployment and some futuristic figures of Saudi labour market in the year 2020.

### **2.2 Overview of the Country Profile**

#### **2.2.1 Location and History Overview**

The Kingdom of Saudi Arabia is located at the furthestmost part of south-western Asia. It shares its borders with Jordan, Iraq, and Kuwait from the north, with the Arabian Gulf, Bahrain, Qatar and the United Arab Emirates from the East, with the Sultanate of Oman and the Yemen Republic from the South, and with the Red Sea from the West. The Kingdom occupies nearly four-fifths of the Arabian Peninsula with a total area of over 2,250,000 square kilometres (Ministry of Planning, 2002).

Historically, this Peninsula was the birthplace of Islam, which in the century following Prophet Muhammad's death in 632 A.D. spread west to Spain and east to India. Islam as a monotheistic religion has Saudi Arabia as its heartland which has the site of the two holy mosques in Makkah and Madinah and the focus of Islamic devotion and prayer of all Muslims around the world. Muslims believe in God -Allah- and that Muhammad is His Prophet. Today, the worldwide communities of Muslims are from many races and cultures and are well over one billion people.

Islam has profoundly affected the history and development of the Arabian Peninsula and the Kingdom of Saudi Arabia in particular. During the seventh and eighth centuries, Islam neutralized and unified conflicting loyalties and interests of not only Arabs in the peninsula but also Muslims from central Asia to Atlantic Ocean (Al-Farsy, 1986). Muslims ruled their vast empire implementing the Holy Qur'an as their constitution and the Shari'ah (Islamic law) as their basis of the legal system. So Islam guided not only the lives of the people, but also the policies and functions of their government.

The Saudi state, our main focus, began from Ad-Dir'iyah in central Arabian Peninsula in about 1744. A local ruler, Muhammad bin Saud, joined forces with an Islamic reformer, Muhammad bin Abdal-Wahhab, to create a new political entity. Together they conducted an agreement to get "the Arab of the peninsula back to the true faith of the Islamic religion" (Al-Farsy, 1986:40). Over the next 150 years, the fortunes of bin Saud family rose and fell several times as Saudi rulers contended with Egypt, the Ottoman Empire, and other Arabian tribes for control on the peninsula. The modern

Saudi state was founded by the late King Abdul Aziz Al-Saud. In 1902, Abdul Aziz recaptured Riyadh, the Al-Saud dynasty's ancestral capital, from the rival Al-Risheed family. Continuing his conquests, Abdul Aziz subdued Al-Hasa in the east, the rest of Nejd in the heart of Saudi Arabia, and the Hijaz in the south between 1913 and 1926. In 1932, these regions were unified as the Kingdom of Saudi Arabia.

### **2.2.2 Political Profile**

The central institution of Saudi Arabian Government is the monarchy. The Basic Law adopted in 1992 declared that Saudi Arabia is a monarchy ruled by the sons and grandsons of King Abdul Aziz Al-Saud and that the Holy Qur'an is the constitution of the country, which is governed on the basis of Islamic law (Shari'ah). Since 1953, the Council of Ministers, appointed by and responsible to the king, has the responsibilities of formulating and overseeing the implementation of internal, external, financial, economic, educational and defence policies, and general affairs of state (Al-Farsy, 1986). This council consists of a prime minister, the first and second deputy prime ministers, 27 ministers (of whom the minister of defence who is also the second deputy prime minister), five ministers of state, and a small number of advisers and heads of major autonomous organizations.

Continuing the reform process in the Kingdom, in 1992, King Fahd issued a royal decree for the establishment of a national Consultative Council, or Majlis Al-Shoura with appointed members having advisory powers to review and give advice on issues of public interest. In July 1997, the membership of the Consultative Council was expanded from 60 to 90 members, and again in May 2001 from 90 to 120 members.



Membership has changed significantly during expansions of the council as many members have not been reappointed. The role of the council is gradually expanding as it gains experience. Members of the Council are able to initiate proposal for new legislations and review the domestic and foreign policies of the government. Any government action not approved by the Council will have to be referred back to the King who remains the final arbiter of state affairs. The King also retains the power to appoint and dismiss both Ministers and Al-Shoura Council members and has the power to dissolve the Council, restructure it, and appoint a new one at any time.

Legislation in the Kingdom which must be compatible with the Shari'ah law, after being reviewed by Majlis Al-Shoura, is established by the Council of Ministers and ratified by royal decrees. Justice in the country is administered by a system of religious courts starting with expeditious courts and moving up the hierarchal system to the Shari'ah courts to reach the Commission on Judicial Supervision (Al-Farsy, 1986). Judges in this system are appointed by the king on the recommendation of the Supreme Judicial Council. The independence of the judiciary is protected by law. The king acts as the highest court of appeal and has the power to pardon.

For administrative purposes, the kingdom is divided into the following 13 regions governed by a Regional Governor appointed by the King with the rank of Minister who is responsible to the Minister of the Interior. These regions are:

- Riyadh
- Makkah
- Madinah

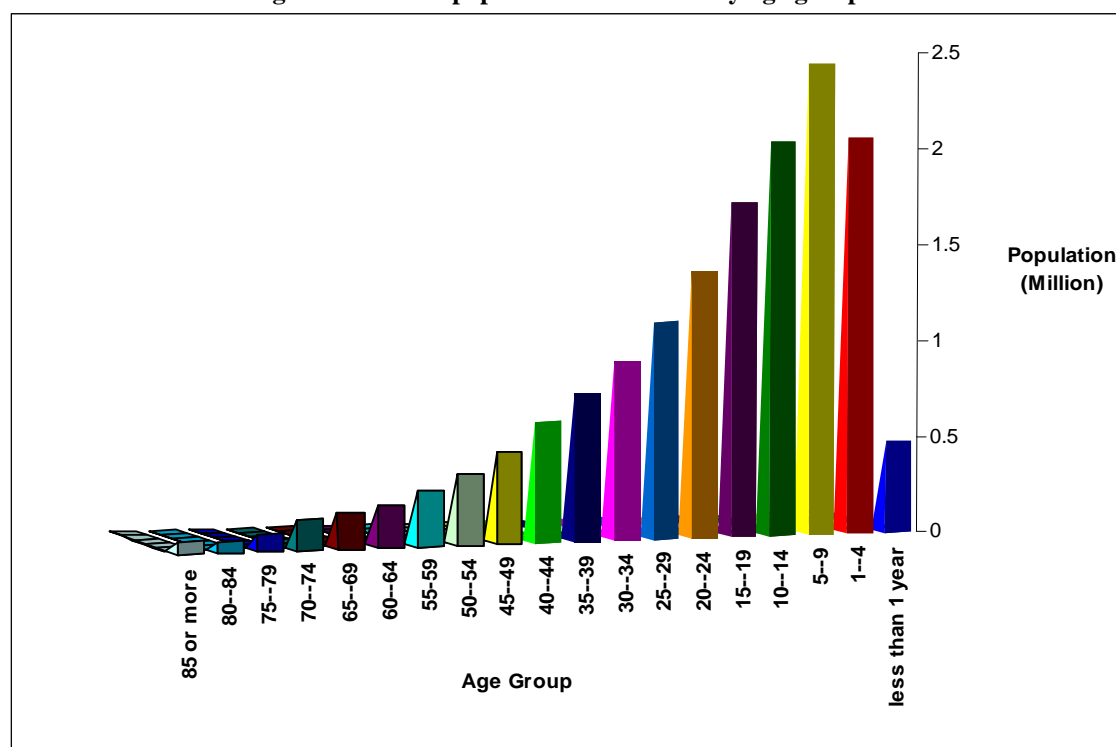
- Qasim
- Eastern
- Asir
- Tabouk
- Hail
- Northern Border
- Jizan
- Najran
- Al-Baha
- Al-Jouf

### **2.2.3 Population**

According to the 2000 Demographic Survey conducted by the Central Department of Statistics, Saudi Arabia has a population of 20,846,884. Saudi citizens were 15,588,508 while non-Saudi residents (including their families) were 5,258,079 which represented 74.8% and 25.2% respectively. Of the Saudi national population, 50.04% (7,800,051) were male citizens while 49.96% (7,788,754) were female (Ministry of Planning, 2002). These population figures increased according to the 2004 General Population Census by the Central Department of Statistics to 22,678,262 (Ministry of Planning, 2004). Saudi citizens represented 72.9% of the total population reaching 16,527,340 while expatriates increased to 6,150,922 representing 27.1%. It was estimated that more than half (56.4%) of the Saudi population was under the age of 19 years-old (Figure 2.1) with a rapid population growth of 3.8% (World Bank, 2002). Latest figures by The World Fact Book estimated that Saudi population reached

28,146,656 by July, 2008. The population youthfulness of the country accompanied by its high rapid growth will influence the Saudi labour forces' supply and demand for jobs as we will discuss in this and in coming chapters.

**Figure 2.1: Saudi population distributed by age group**



Age Group (years)	Population	Age Group (years)	Population
less than 1	417953	45 to 49	590851
1 to 4	1702582	50 to 54	421581
5 to 9	2239835	55 to 59	299273
10 to 14	2237612	60 to 64	260984
15 to 19	1887689	65 to 69	204458
20 to 24	1546656	70 to 74	162175
25 to 29	1426739	75 to 79	87227
30 to 34	1144278	80 to 84	55433
35 to 39	990713	85 and more	66430
40 to 44	784871		
<b>Total Saudi Population</b>			<b>16527340</b>

Source: The 2004 Population and Housing Census. Ministry of Planning (2004:47).

## **2.3. The Economic Context**

### **2.3.1 Introduction**

The Saudi economy has witnessed a considerable transformation in economic, social and urban aspects of life over the past three decades (1970-2000). This transformation was brought about by extensive government planning and investment within the framework of five-year development plans to lay down the social and physical infrastructure of the country. This included the construction of massive road networks, bridges, dams, airports, seaports and marine terminals, electricity, desalination plants and communication systems. Substantial funds were also spent on education, health and vocational training programs as well as on projects involving the building of schools, colleges, universities, and general and specialized hospitals for the civilian and military sectors. In the industrial sector, huge funds were invested in establishing industrial estates in major cities, including the two advanced industrial cities of Jubail and Yanbu. These were designed to accommodate heavy industries such as the basic petrochemical projects, the iron and steel plants and the giant oil refineries set-up by the government in partnership with international corporations and the Saudi private sector. An extensive pipeline network crossing the Kingdom's Eastern, Central and Western regions has been constructed to transfer crude oil and gas to the oil refineries and petrochemical plants in Jubail and Yanbu as well as to the marine terminals in the two industrial cities for exporting oil and gas products overseas.

### 2.3.2 Saudi Main Economic Sectors

According to the Ministry of Planning these sectors are divided and grouped depending on their activities as follow:

A. Crude Oil and Natural Gas

B. Non-Oil Sectors

a. Producing Sectors

i. Agriculture (including fishing and forestry)

ii. Non-Oil Mining and quarrying

iii. Industry

1. Oil refining

2. Petrochemicals

3. Other Manufacturing

iv. Electricity, Gas and Water

v. Construction

b. Service Sectors

i. Non-Government Services

1. Trade (Wholesale and Retail Trade)

2. Transport , Storage and Telecommunications

3. Finance and Real-Estate Services

a. Real-Estate Services

b. Banking, Finance and Business Services

4. Community and Personal Services

- ii. Government Services (administration, defence and other government services)

### **2.3.3 The Saudi Development Plans**

Through five-year Development Plans covering the period from 1970 to 2009, Saudi government has sought to allocate its petroleum income to transform its relatively undeveloped, oil-based economy into that of a modern industrial and diversified economy while maintaining the kingdom's traditional Islamic values and customs. The seven development plans represent the government investments in developing the infrastructure, human resources, social and health services, along with investments in other economic development projects (Ministry of Planning, 2001). Although economic planners have not achieved all their goals, the economy has progressed rapidly. Oil wealth has increased the standard of living of most Saudis. However, significant population growth has strained the government's ability to finance further improvements in the country's standard of living. Heavy dependence on petroleum revenue continues, but industry and agriculture now account for a larger share of economic activity. The mismatch between the job skills of Saudi graduates and the needs of the private job market at all levels remains the principal obstacle to economic diversification and development which will be discussed in greater details in the coming chapters of this thesis (Nufaiee, 1993; Ghaban *et al*, 2002)

Saudi Arabia's first two Development Plans, covering the period from 1970 to 1979, emphasized developing the infrastructure. For this purpose the government has invested 41.4% and 49.3% respectively of its expenditure (Ministry of Planning,

2001). As indicated in Table (2.1) the focus during the Third Development Plan, covering the period from 1980 to 1984 continued to be for establishing the country's basic infrastructure. Simultaneously, expenditure rose markedly on education, health and social services and other economic development projects. The latter in particular has received 30.7% of total government expenditure at this plan (Ministry of Planning, 2001). In the Fourth Development Plan from 1985 till 1989, the focus was on developing the country's human resources which received 33% of the total expenditures. During this plan period private enterprise were encouraged and foreign investment in the form of joint ventures with Saudi public and private companies was welcomed. The private sector became more important, rising to 73.8% of non-oil Gross Domestic Product (GDP) by 1988. The objective was for the private sector to have 70 to 80% ownership in most joint venture enterprises (Ministry of Planning, 2001).

The Fifth Development Plan, from 1990 till 1994, emphasized consolidation of the country's defences at the same time continued prioritizing HRD by allocating it with 48% of its expenditure. The plan also focused on improving the government's social and health services and, most importantly, creating greater private-sector employment opportunities for Saudis by reducing the number of non-Saudi workers (Ministry of Planning, 2001). The Sixth Development Plan started from 1995 till 1999. It focused also on lowering the cost of government services and sought expanding educational training programs and the Saudization efforts. The Plan called for reducing the kingdom's dependence on the petroleum sector by diversifying the country's economy through encouraging the involvement of the private sector. It emphasized also

practical steps toward privatizing state owned enterprises providing telecommunications services (Ministry of Planning, 2000).

The Seventh Development Plan from 2000 to 2004 continued on promoting economic diversification. During this Plan the government aimed at an average GDP growth rate of 3.16% each year, with projected growths of 5.04% for the private sector and 4.01% for the non-oil sector. The government also has set a target of creating 415,200 new jobs for Saudis (Ministry of Planning, 2000). Finally, The Eighth Development Plan covering the period from 2005 till 2009 assigns top priority to raising the citizens' standards of living and eradicating poverty. It also aims to achieve balanced development throughout all regions of the Kingdom and reduce the development gap between them. The Plan's general policies attain to the macro and structural imbalances of the labour market in terms of dependence on foreign labour and the unemployment among new Saudi graduates. It will also focus on accelerating the growth rates in the private sectors to ensure diversification of the economic base. Similarly, the Plan continues tackle the challenges that hamper or slow down the process of developing the existing domestic and foreign investment climate. In this respect, The Eighth Plan focuses on key challenges relating to institutional and administrative reforms. It also devotes great attention to the promotion of science and technology system as well as the support to scientific research towards promoting a knowledge-based economy. Finally, the Eighth Plan focuses on minimizing the adverse impact of social and cultural aspects of globalization as the Kingdom joins the WTO (Ministry of Planning, 2005).



**Table 2.1**

**Government Expenditures in SR Billion by Development Agencies  
During the Eight Development Plans  
(1970-2009)**

	1 <sup>st</sup> plan		2 <sup>nd</sup> Plan		3 <sup>rd</sup> Plan		4 <sup>th</sup> Plan		5 <sup>th</sup> Plan		6 <sup>th</sup> Plan		7 <sup>th</sup> Plan		8 <sup>th</sup> Plan*	
	SR	%	SR	%	SR	%	SR	%	SR	%	SR	%	SR	%	SR	%
<b>ECONOMIC RESOURCES Development</b>	9.5	27.7	97.3	28	192.2	30.7	71.2	20.4	34.1	10	41.6	10	41.7	8.5	71.0	11.5
<b>Human Resources Development</b>	7.0	20.6	51	14.7	115.0	18.4	115.1	33	164.6	48	222.2	53.8	276.9	56.7	347.6	56.6
<b>Social &amp; Health Development</b>	3.5	10.3	27.6	8	61.2	09.8	61.9	17.7	68	20	74.2	18	95.8	19.6	116.5	19.0
<b>Infrastructure Development</b>	14.1	41.4	171.3	49.3	256.8	41.1	100.7	28.9	74.2	22	75	18.2	73.8	15.2	79.5	12.9
<b>Total</b>	34.1	100	347.2	100	625.2	100	348.9	100	340.9	100	413	100	488.2	100	614.6	100

Source: The Seventh Development Plan, 2000:40 & 158, Ministry Planning.

\* The Eighth Development Plan, 2005:104, Ministry of Planning.

### **2.3.4 Overview of the Saudi Economy**

For the last three decades, Saudi Arabia was committed to establish a strong and growing economy. This is vivid in its development efforts to bring about remarkable changes in the structure of the Saudi economy. These changes included increasing the non-oil producing sectors' contribution to GDP; expanding the private sector's activities and participation in building the economy through the privatization program; establishing an efficiently functioning financial system; and preparing an adequate investment climate to firstly, enable the Saudi economy to integrate with the world economy, and to secondly attract foreign investments to the country. These changes stimulated the Saudi economy to achieve 3.2% average annual growth rate of the GDP during the period 1970 - 2000. During the same period, the oil sector registered an average annual growth rate of about 3.1%. Its average share in total GDP, however, declined to between 30.3 and 32.9% during the Sixth Development Plan against 46.3 and 57.2% in the First Development Plan. This fall signified an expansion in non-oil activity and further diversification of the economy. Non-oil GDP recorded a higher average annual growth rate of 5.2%. Its average share in total GDP has gone up from around 41.5% during the First Plan to around 67.6% during the Sixth Plan. Simultaneously, the private sector registered an average annual growth rate of about 6%, and its average share in non-oil GDP has risen to about 74% while the average share of the government sector was close to 27%. Therefore, the average Saudi per capita income has grown six and a half-fold over this period from about SR. 3,750 to about SR 24,150. The size of the Saudi labour force was estimated to have risen from 1.2 million in 1969 to 3.2 million in 1999, increasing by an average annual rate of about 3.3%. The number of expatriate manpower was estimated to

have risen from 0.5 million in 1975 to about 4.0 million in 1999, representing about 55.8% of the total labour force (Ministry of Planning, 2001).

During its development, the Kingdom's economy growth and steadiness was tested by many international incidents. For example, in the mid-1980s, there was a worldwide oil glut resulting from higher oil prices that led to development of more oil fields around the world and reduced global consumption. Saudi oil production, which had increased to 9.5 million barrels per day during 1979, dropped to 3.2 million barrels per day in 1985 (Ministry of Planning, 2001). With this heavy drop the government revenues dropped as well from SR. 368 billion in 1981 to SR. 104 billion in 1987 (Al-Jasser, 2002).

In late 1997, Saudi Arabia again faced the challenge of low oil prices. Due to a combination of factors--the East Asian economic crises, a warm winter in the West caused by El Nino, and an increase in non-OPEC oil production--demand for oil production was pulled down from 8.3 million barrels per day in 1992 to 7.56 million barrels per day (Ministry of Planning, 2001). The performance of the Saudi economy was also affected by the global economic slowdown especially in industrial countries, during 2001, which curtailed demand for oil and, in turn, reduced its prices by 14%. The average price of the Arabian Light crude went down from \$26.8 a barrel in 2000 to \$23.1 a barrel in 2001 (SAMA, 2003).

Although oil prices and production went down in 2001, the Saudi economy witnessed notable positive developments. These included the growth of non-oil private sector, more efficient performance of the banking sector in conformity with international

standards and continued structural and regulatory reforms and an enhanced privatization program. The Saudi economy continued to make notable progress during 2002. The GDP maintained its uptrend recording a growth rate of 2.8% to SR 698.5 billion in 2002. The non-oil sector GDP grew by 3.1% to SR 436.7 billion, constituting 62.5% of GDP. The non-oil private sector GDP went up by 4.0% to SR 286.1 billion while that of the government sector rose by 1.4% to SR 150.6 billion. The oil sector GDP increased by 2.5% in 2002 compared to a decrease of 11.6% in 2001 (Ministry of Planning, 2002).

The latest SAMA 44<sup>th</sup> Annual Report indicated that GDP recorded a growth rate of 7.1% to SR. 1,430.5 billion in 2007. The non-oil sector GDP grew by 4.5% to SR. 840.4 billion, constituting 45.6% of total GDP. The non-oil private sector GDP went up by 8.0% to SR. 403.8 billion and that of the government sector by 4.2% to SR. 228.9 billion. The oil sector GDP grew by 8.0% to SR. 778.4 billion, constituting 54.4% of GDP at current prices (SAMA, 2008).

### **2.3.5 Economic Strategies**

Oil prices, as mentioned earlier, are anything but stable, and the average price of a barrel of Saudi light crude oil went from \$18.80 in 1997 to \$12.24 in 1998, only to rise to \$17.40 in 1999, \$26.81 in 2000, \$24.70 in 2001 and reached \$130 by June, 2008 (OPEC, 2008). The broader economic impact of these changes illustrated the fact the Saudi per capita income fell from SR 27,423 in 1997 to SR 23,155 in 1998, reached SR 29,330 in 2000 (Bourland, 2001) and increased to SR. 74,250 in 2007 according to the *World Fact Book*.

This dilemma of oil price fluctuation escorted by the country's rapid population growth rates and the economy dependency on government expenditure, and stressed the Kingdom's need for a reform program. This program which included educational, political and economic reforms was to promote the country's economy and broader civic and political participation of Saudi citizens. According to Bourland (2002), it resulted in, for example, privatizing the Saudi Telecommunications Company in 1998, establishing the Supreme Economic Council (SEC) in 1999 and opening the stock market to foreign investment in mutual funds in 1999. The reform program also produced the Supreme Council for Petroleum and Mineral Affairs responsible of oil and Gas related policies in 2000. In the same year, the government passed the Foreign Investment Law and created the Saudi Arabian General Investment Authority (SAGIA). It also approved of the Real Estate Law allowing non-Saudis to own real estate, except in the two holly cities of Makkah and Madinah. Also in the year the government established the HRD Fund (HRDF) to train Saudis for jobs in the private sector. On November of the same year the government created the Supreme Tourist Authority for maximizing growth of tourism industry in Saudi Arabia. The government also in 2001 put guidelines for transparency of economic and fiscal data. The government also in the same year reduced tariffs from 12% to 5%.

### **2.3.6 Private Sector Role in Saudi Economy**

Since its early days, the private sector's role was reinforced and reemphasized by Saudi successive five-year Development Plans with the aim of becoming a major pillar of Saudi economic activity within the context of a free market. To accomplish this, Saudi Arabia has been strongly pushing ahead with the industry diversification policy to prepare for the depletion of petroleum resources and to transform the

economic structure which depends on the fluctuating international oil price. The government has been curtailing the oil business share of the nation's GDP by actively nurturing the non-oil sector which has increased remarkably since 1970 in both numbers and contributions to the GDP (Table 2.2). Therefore, the private sector grew at a real average annual rate of 4.3% during the Seventh Plan period, 2000-2004. Its percentage share of GDP increased from 52.4% in 1999 to 54.6% in 2004 compared to the plan target of 55.4%. During the same period, private investment grew at an average annual rate of 2.3% compared to the plan target of 8.3% (Ministry of Planning, 2005).

**Table 2.2**  
**Main Indicators of the Private Sector's Role in the Saudi Economy (1970-2004)**

Indicators	1970	1999	2004
<b>Number of Operating Factories</b>	<b>199</b>	<b>3,163</b>	<b>3,652</b>
<b>Number of Private Sector Companies</b>	<b>923</b>	<b>190,662</b>	<b>194,745</b>
<b>Contribution in GDP (%)</b>	<b>33.3</b>	<b>52.4</b>	<b>54.6</b>
<b>Employment in the Private Sector (million)</b>	<b>1.83</b>	<b>6,145</b>	<b>7,076</b>
<b>Saudi Employment (million)</b>	-	<b>1,819</b>	<b>2,512</b>
<b>Share of Saudi Employment of Total Private Sector Employment (%)</b>		<b>29.6</b>	<b>35.5</b>
<b>Private Sector Employment as (%) of Total Employment including the Government</b>	-	<b>85.0</b>	<b>85.4</b>

Source: The 7<sup>th</sup> Development Plan, 2000:188, and the 8<sup>th</sup> Development Plan, 2005:131, Ministry Planning

Beside improving and diversifying the country's economy, the government also aims at providing ongoing employment and training opportunities at this sector to its rapidly growing population which will replace the country's non-Saudi workers in the private sector (Ministry of Planning, 1997 and 2000). This process is called Saudization which will be discussed in further details later in this study. In brief, Saudization which was included in the Development Plans from 1985-1995 and ineffectively put into action since then, was enforced by the Council of Ministers'

Resolution No. 50 in 1995. According to this program private firms employing more than 20 workers are required “to reduce their non-Saudi labour force annually by at least 5%, and to increase their employment of Saudi workers accordingly; [it has also] identified some posts to be filled by Saudi nationals only” (Madhi and Barrientos, 2003: 75).

Towards these objectives, the government also embraced several measures and initiatives to support small-to-medium sized enterprises which represent 80% of the registered organizations in Chambers of Commerce and Industry (Ministry of Labour and Social Affairs, 2001). Among these measures are:

- Streamline procedures for establishing small and medium scale enterprises to eliminate associated routine constraints and enhance technical and administrative support for these firms.
- Study the possibility of establishing a special fund, with government and private sector participation, to facilitate access to loans by small and medium scale enterprises and develop Islamic financing instruments such as Musharaka, Murabah and Mudaraba (see **Appendix 1.**) to further broaden finance opportunities available to these enterprises.
- Expand the lending activities of the Saudi Credit Bank.

(Ministry of Planning, 2000:198)

## **2.4 Saudi Labour Market**

This country's profile will not be complete without looking at Saudi labour market a major pillar to this study. At this early stage of the study, we will consider the Saudi labour market to encompass all the Saudis, male or female, at 15 years of age and older who are jobseekers, either employed or not, who have the abilities, ambitions and willingness to work in private or civil government sectors (Ghaban and Others, 2002; Bourland, 2002). In their final report, the Institute of Research (2002) identifies the following major bodies that interact with the Saudi labour market:

1. Workers who are either employed or jobseekers who possess skills, experiences and qualifications.
2. Enterprises owners with their immediate and futuristic quantity and quality demands of workers.
3. Government sector who is not only a major employer of Saudi manpower, but also an influential regulator, investor, economic planner and social insurer.

To supervise such interaction, two government organizations were established i.e. the Ministry of Labour and the Ministry of Civil Services. The first ministry, including its related employment agencies, are responsible for manpower planning and development, labour relations, disputes, visas and the general monitoring of all matters relating to employment affairs in the private sector. Furthermore, and according to the Council of Ministers Resolution issued in 23<sup>rd</sup> of March 2004, the Minister of Labour acts as the chairperson of the General Organization for Social Insurance, General Organization for Technical Education and Vocational Training



(GOTEVT), and the HRD Fund (Alriyadh, 2004). The second ministry, on the other hand, plans for the civil manpower required in the government sector and ensures that the competence of civil servants matches the requirements of the Kingdom as it implements its various development programs (Al-Sheikh, 2001).

#### **2.4.1 Size**

In its early days the Saudi labour market was affected by Saudi economic changes. For example, the high economic growth in Saudi Arabia during the oil boom in the 1970s and early 1980s resulted in a shortage in the number of workers needed to support the growing economy (Looney, 1992). The swift transformation of the economy from an economy based on nomadic trade, fishing and agriculture to an economy based on petrochemical, construction and service industries using modern technological production processes, created labour vacuum and a need for skilled workers not available locally (Shaban *et al*, 1995). As a result, Saudi Arabia witnessed a major influx of foreign labour. Farjani (1994) reported that at least 25% of the 20 million migrant workers in the world in the 1980s were employed in the Gulf States including the Kingdom.

In the last year of the First Development Plan (1974), for instance, the total labour population was 1.6 million. Of which 1,286,000 workers (80.4 per cent) were Saudis while 314,000 workers (19.6%) were non-Saudis. During the same period of the Second Development Plan (1979) the total labour population reached 2,471,200 workers; however, Saudi workers were only 1,411,400 (57%) of this total while non-Saudis workers were 1,059,800 (43%). This scenario continued in the last year of the

Third Development Plan (1984) which witnessed an increase of the total labour population to 5,524,460 workers. Of which 1,786,000 (34.1%) were Saudi, whereas 3,458,600 workers were non-Saudis (65.9%). Similarly, in the last year of the Fourth Development Plan (1989) labour population grew to 5,671,800 workers, with Saudis representing 1,923,200 workers (33.3%) and non-Saudis representing 3,748,600 workers (66.7%) (Kallel, 1993).

However, toward the end of the Fifth Development Plan (1995), Saudi labour population increased to 39.2% (2,544,800 workers) of the total labour population 6,489,900 due to government emphasis on the Saudization program to recruit more Saudis in the private sector replacing the 3,945,100 non-Saudis (60.8%). In the Sixth Development Plan (1999) Saudization and vocational training grew to be a priority to the Kingdom which at this stage was encouraging more private sector participation in its economy. This resulted in increasing Saudi labour to 44.2% (3,172,900) of the total labour force (7,176,300 workers) despite the increase of non-Saudi labour to 4,003,400 (55.8%) (Ministry of Planning, 1995; 1999)

The Seventh Development Plan statistics point to an increase in the total labour force from 7.23 million workers in 2000 to about 8.27 million workers in 2003 at an annual growth rate of 3.4%. This resulted in 1.04 million new openings during the same period, 56.4% of which were filled by national manpower (Ministry of Planning, 2005).

The Eighth Development Plan from 2005-09 estimates the increase in the average annual growth rate of the Saudi workforce to be 5.13% to meet the objective of the

plan to raise the total Saudi nationals participation in the workforce from 36.9% in 2004 to about 39.2% in 2009. The size of the national workforce at the beginning of the Plan is estimated at 3.80 million citizens, of which 14% are women. This number is expected to reach 4.89 million citizens at the end the Plan, of which women will represent 18.2%. The plan will therefore focus on increasing women's participation in the Saudi workforce from 10.3% at the beginning of the plan to about 14.2% by the end of the Plan period. This will fulfil the Plan objective of increasing the women's participation in economic activities and reducing the gender gap in terms of employment. The Plan expects the total labour force to increase from 8.28 million workers at the beginning of the Plan 2004 to 9.22 million workers by the end of the Plan 2009. The national labour force participation ratio will increase from 42.7% to 51.5% of total workers during the same period (Ministry of Planning, 2005).

#### **2.4.2 Labour Market by Economic Activity**

Usually, major economic activities attract the majority of labour. This in particular is an important economic indicator to human resources policy makers and developers to understand the dynamics of any labour market (Al-Humaid, 2002). The Saudi government sector, for example, has witnessed a rapid expansion due to the inflow of the oil revenues in the 1970s and 1980s. As a result, it was able to offer well-paid employment to Saudis with generous reward packages and good quality of working life (Shaban *et al*, 1995). It has also led to a situation where wages in the government sector continue to exceed private sector's wages by many times (Al-Iktissad Wal-Aamal, 1997). Saudis employed in government jobs earned wages higher than both expatriates in the government sector, and Saudis in the private sector (Diwan and Girgis, 2002). Thereby, as Shaban *et al*. (1995) reported, the government sector

became the best option that new entrants to Saudi labour force would consider; a government job was and is perceived as a citizen's right.

However, the fall of oil revenues in the late 1980s and early 1990s forced the government to tighten employment in this sector, and increasingly compelled Saudis to look to the private sector for jobs (Azzam, 1997). Additionally, employment in the government is bound to reach its limits shortly as Saudis by the end of 1999 occupy nearly 88% (591,658 workers) of its total employment (674,554 workers). This is also due to government intention to steadily create new employment posts in this sector to 12.8%, if not less, of total employment for the coming years. Instead, the majority of new job opportunities will be either created or Saudized in the private sector (Ministry of Planning, 2000).

By the end of 1999, as indicated above in (Table 2.2), 85.2% (6,161,200 workers) of the total Saudi labour force were employed in the private sector while only 14.8% (916,200 workers) are working for the government. As Table (2.3) illustrates that of those working in the private sector by organizations employing 10 workers or more the services sectors, particularly personal and community services (which includes household maids and private drivers) and government and commercial services, contributed about two thirds of the total employment increase during the Sixth Development Plan, growing at an average annual rate of 2.3%. On the other hand, employment in the producing sectors came second with an annual rate of increase of 1.5% (Ministry of Planning, 2000).

**Table 2.3**  
**Civilian Employment during the Sixth Development Plan**  
**(Thousand)**

<b>Economic Sector</b>	<b>1994</b>	<b>1999</b>	<b>Cumulative change</b>	<b>Average annual growth rate %</b>
<b>1. Producing Sectors:</b>	<b>2107.0</b>	<b>2273.3</b>	<b>166.3</b>	<b>1.5</b>
• Agriculture	500.9	557.9	57.0	2.2
• Manufacturing	530.9	589.0	58.1	2.1
• Other producing sectors	1075.2	1126.4	51.2	0.9
<b>2. Services Sectors:</b>	<b>4289.8</b>	<b>4804.1</b>	<b>514.3</b>	<b>2.3</b>
• Private	3429.5	3887.9	458.4	2.5
• Government	860.3	916.2	55.9	1.3
<b>Total Non-oil sectors</b>	<b>6396.8</b>	<b>7077.4</b>	<b>680.6</b>	<b>2.0</b>
<b>3. Crude oil and gas</b>	<b>93.1</b>	<b>98.9</b>	<b>5.8</b>	<b>1.2</b>
<b>Total</b>	<b>6489.9</b>	<b>7176.3</b>	<b>686.4</b>	<b>2.0</b>
<b>Of which:</b>				
• Saudi	2544.8	3172.9	628.1	4.5
• Non-Saudi	3945.1	4003.4	58.3	0.3

Source: The 7<sup>th</sup> Development Plan, Ministry Planning (2000:60).

In the Seventh Development Plan, the employment in the private sector increased by 328,600 by the end of the plan 2004. The production sectors had 81,400 new jobs in construction, 72,000 in the manufacturing sector and 24,400 in agriculture occupying a total of 54% of new created jobs for this plan (Ministry of Planning, 2000).

The Plan also indicated that the private sector services increased and almost distributed equally among its various sectors, with the share of the total increase in employment amounting to 12.3% for the finance and real estate sector, 11.5% for the community and personal services, 10.5% for the trade sector, and about 3.3% for transport and communications (Ministry of Planning, 2000).

### **2.4.3 Occupational Classification**

Classifying labour market by occupation is a very essential indicator for understanding the occupational balances of the labour force in terms of the number of new entrants into occupational categories and their distribution according to sources of demand. This is also true to understand future labour market requirements of skills to be developed and implemented by training programs, a central theme of this research.

Saudi Development plans have classified the occupational structure of employment in the Saudi labour market according to following general classification for occupations:

- Professional and Technical
- Management and Administration
- Clerical
- Sales Personnel
- Services Personnel
- Agricultural and Related
- Production, Construction and Transportation

According to Table (2.4) which shows the employment structure according to the above occupations over the Seventh Development Plan period, it is clear that production, construction and transport occupations occupied the majority (31.2%) of the labour force employment at the end 2004. This is despite the slight decrease from 30.5% these occupations had at the beginning of the plan in 1999. On the other hand,

services personnel occupations come second with 29.3% for the same period; followed by professional and technical occupations which absorb 15.5% of the employment in the market. Sharing approximately the same level of employment, agricultural and related, clerical, and sales occupations occupy (7.7) (7.4) and (7.0%) respectively. Finally, management and administration occupations remain at similar employment rates of 1.9% as their base year levels of 1999 (Ministry of Planning, 2000).

**Table 2.4**  
**Occupational Structure of Employment in the Seventh Development Plan (2000-2004)**

Description	Employment Number (thousand)		Employment Distribution %		Change		
	1999	2004	1999	2004	Thousand	%	Average Annual Growth Rate %
Professional and Technical	1122.4	1159.9	15.6	15.5	37.5	11.4	0.7
Management and Administration	133.9	142.9	1.9	1.9	9.0	2.7	1.3
Clerical	534.4	558.4	7.4	7.4	24.0	7.3	0.9
Sales Personnel	507.6	528.2	7.1	7.0	20.6	6.3	0.8
Services Personnel	2138.1	2196.6	29.8	29.3	58.5	17.8	0.5
Agricultural and Related	551.0	575.1	7.7	7.7	24.1	7.3	0.9
Production, Construction and Transportation	2188.9	2343.8	30.5	31.2	154.9	47.1	1.4
<b>Total</b>	<b>7176.3</b>	<b>7504.9</b>	<b>100.0</b>	<b>100.0</b>	<b>328.6</b>	<b>100.0</b>	<b>0.9</b>

Source: The 7<sup>th</sup> Development Plan, The Ministry Planning (2000: 60).

#### 2.4.4 Women in the Labour Market

As a commonly agreed upon fact, Saudi females participation in the labor force is very low. According to Diwan and Girgis (2002) their participation barely reaches 13% for the 25-34 years old group and is below 5% over a women lifetime. Bourland (2002), in his report, puts this percentage of participation to 14.6%. Al-Humaid

(2002), on the other hand, gives a much lower participation rate of 10.7%. Of this participation, 62% are employed in the government sector while 38% are working in the private sector. Their employment in the government is concentrated in the education sector which employs 88%, followed by the health sector which absorb only 9%, while the remaining 1% works for the social service sector (Al-Sheikh, 2001). On the other hand, 35.7% of Saudi women employed in the private sector are working in the professional and technical occupations, while 30.4% are employed in the clerical occupations, whereas 21.8% are working in the productions (Al-Humaid, 2002).

Al-Sheikh (2001:124) reports on a number of obstacles and barriers that contribute to women low rates of participation in Saudi labour force. These are:

- a) The negative social attitude towards Saudi workingwomen, coupled with some social and cultural restrictions, which work to minimise women's opportunity for most jobs.
- b) Poorly trained women being accepted for some jobs offered in the Saudi Labour Market.
- c) The social, cultural and Islamic unsuitability of some jobs for Saudi women, such as those, which require women to stay overnight.
- d) The lack of technical, administration and business training courses for Saudi women make it difficult to compete within the Saudi Labour Force.
- e) The lack of co-ordination and clear vision for the role of women in the future labour force.
- f) Women in Saudi Arabia can only be utilised in specific areas of the Saudi labour force.
- g) Saudi employment laws require special Saudi women's working environments to be created by employers. Furthermore, they are also required to take extra security measures for the women's working sites.



- h) Saudi women cannot expect to work far away from their families

#### **2.4.5 Unemployment**

Unemployment rates in Saudi Arabia at the latest report for the Saudi Minister of Labour stood at approximately 9.6% (300,000 unemployed) of the total Saudi labour force at the working age of 15 years and more (Saudi Press Agency, 2004). Even though, a number of studies show different figures. Al-Sheikh (2001) and Ghaban *et al*, (2002) for example reported a rate of 27% unemployment due to private sector's evasion to recruit the increasing numbers of Saudi university graduates. Bourland (2002), on the other hand, calculated unemployment of male Saudis around 11.9% with 328,286 unemployed Saudis. The inclusion of female Saudis would make this average much higher. According to the same report unemployment among female Saudis between 20-24 years old was 33% and 18% for females 25-29 years. This has led Ghaban *et al*, 2002, to conclude that unemployment reports in Saudi Arabia lack accuracy in providing exactly the country's unemployment rates. This is mainly, as they describe, due to the lack of accurate and up-to-date statistics on demographic surveys of the population.

Historically speaking, unemployment in the Saudi labour market was not an issue for almost two decades during the period of high economic growth in the 1970s and 1980s when the government had been "acting as employers of first and last resort" (Fasano and Goyal, 2004:3). Since the late 1980s, Saudi Arabia has suffered a downward which directly affected job creation in the government. For example, in 1994 the government wage bills accounted for 53% of the government total budget;

this number jumped to reach 60% in 1999 (Diwan and Girgis, 2002). Add to this dilemma is the country's rapid population growth of 3.8% which has put enormous pressure on the Saudi economy to create employment at a rapid rate mainly in the private sector to cope with the increasing numbers of Saudi graduates every year (Al-Sheikh, 2001). In this respect, The Economist (2000) estimated that the Saudi economy should be growing by an average of 6% annually instead of its present 3.2% to generate enough jobs for young male Saudis entering the labour market. This disparity in economic growth and population growth has pushed the issue of unemployment to the forefront as more Saudis are now entering the labour market.

Other studies attribute unemployment to the following core factors some of which will be explained in further details in the coming chapters:

- The massive presence of roughly 4 million non-Saudi workers in Saudi labour market (55.8%) reduces employment opportunities for Saudis.
- The reductions in the country's annual economic growth accompanied with the country's high birth rates.
- The government sector's declined role as the major employer to Saudis.
- The negative cultural inferiority attitude toward certain occupations in the labour market.
- The mismatch between training and education outcome and labour market skills demand.
- The lack of accurate and up-to-date information and statistics on the labour market.

- The inconsistency of government bodies regulating and supervising the labour market.
- The low wages level paid to Saudis entering the private sector.

(Ghaban *et al*, 2002; Al-Sheikh, 2001; Al Nufaiee, 1993; Ministry of Interior 1996; and Al Gaith and Al Ma'ashoug, 1997)

#### **2.4.6 Future Labour Force**

According to Al-Humaid's (2002) study which is based on the national Demographic Survey of 1992 and the forecasts of the Secretariat General of Manpower Council, Saudi Arabia population in the year 2020 will be 33.7 million (50.5% male and 49.5% female). This prediction is based on the permanence of the population annual growth on 3.8%. Of this population, 20.1 million Saudis will be at the employment age yet only 6.6 million are employed. Saudi male labour force population will be 59.6% of the total Saudi male population. On the other hand, female labour force population will represent 59.7% of the total Saudi female population.

In contrast, the Seventh Development Plan anticipates that the total population of Saudi Arabia will be 29.7 million based on an annual average growth of 3.2% with 89.2% increase of 2000 total population. It also predicts that the total population of employed Saudis in the year 2020 will be 8.3 million, based on an average annual growth of 4.69% (Al-Humaid, 2002). His study also predicts that Saudization with effective training programs for Saudis will reduce the dependency on non-Saudi labour force demand by an average of 2.25 % annually until 2020. The majority of employment to new entrants, as he describes, will be in the private sector with further

decline of government role in employment as more state-owned enterprises are privatized.

## **2.5 Conclusion**

This chapter gives the essential information about Saudi Arabia's history, legal system, demographic details, economic environment and labour market background. Such information is important to establish the ground to understand the rest of the chapters and the arguments to come.

Throughout this chapter, it is clear that the Saudi government is keen to developing the country's economy through its serious efforts in implementing comprehensive development strategies through its successive development plans. The vision of these strategies focus on introducing structural changes in the national economy, diversifying its base, allowing a larger role for the private sector to undertake economic and social activities, and providing support needed to encourage the private sector to achieve the development plan's objectives.

Finally, the chapter covered at the Saudi labour market to understand its structure and its different classifications as well as unemployment and women participation. This will assist the current study in examining issues of training and recruiting the increasing Saudi manpower.

## **CHAPTER THREE**

### **SAUDI HUMAN RESOURCES DEVELOPMENT AND THE LABOUR MARKET**

#### **3.1 Introduction**

This chapter contributes to the in-depth understanding of Saudi Human Resources Development structure, system and performance. It also explores the factors that influence its labour market. On other words, the chapter examines the relationships between the country's supply and demand systems. For this, the chapter explores, firstly, the government's expenditures throughout its Development Plans on Human Resource Development. Then, it looks at the strategic objectives governing Saudi HRD activities. At the same time, it investigates the role of the government's dominance and influence over education and skill formation systems. This is followed by a brief look into the Saudi education structure and system. Afterwards, the chapter focuses on each stage in the education system with further discussion including the outcomes of the government's dominance and bureaucracy on each of stage of skill formation systems.

The chapter then examines the Saudi labour market in relation to the outcomes of the country's skill formation systems. The focus is on the mismatched outcomes of such systems in fulfilling the Saudization strategy requirements by providing the demanded technical and scientific skills and knowledge to the labour market. The chapter also looks at an important element that is shaping the private labour market i.e. Saudi attitudes towards accepting and working in the country's private organizations. Finally, the chapter concludes by studying some successful Saudization scenarios in a

number of the private organizations to highlight the factors that assisted their efforts while many others have failed.

It is worth mentioning that throughout this chapter and due to similar usage of the terminologies in the available literature in Saudi Arabia, HRD (HRD) and education will be used interchangeably to refer to the same entity. This is also due to the fact that researchers in the country who have engaged in discussing Saudization and unemployment issues in conjunction with HRD and education are from various academic backgrounds not exclusively HRD or educational specialists.

### **3.2 Government Expenditure on HRD**

The Saudi government has been always placing a very high priority on the development of its human resources through its various educational and technical programs. A measure of the government's substantial commitment to this sector is seen in its expenditure allocations throughout the successive Development Plans. For example, in the First Development Plan (1970-1974) HRD enjoyed substantial attention as its allocations stood at SR. 7 billion or 20.6% of the plan's total expenditures. This expenditure increased to SR 51 billion representing 14.7% of the government's total expenditures for the Second Development Plan (1975-1979). During the Third Development Plan (1980-1984), this percentage increased to reach 18.4% with more than a two fold increase in comparison with the previous Plan, to reach SR 115 billion. In the Fourth Development Plan (1985-1989), HRD allocations remained at higher levels despite the heavy drop in the government revenues in the mid-1980s. The HRD share was SR 115.1 billion representing 33% of the total

expenditure for that Plan. In the Fifth Development Plan (1990-1994), allocations rose significantly to SR 164.6 billion or 48% of the plan's total investment expenditure. This increasing trend was followed by further support during the Sixth (1995-1999) and the Seventh Development Plans (2000-2004) as human resource allocations reached 216.6 billion and 276.9 billion, representing 53.5% and 56.7%, respectively, of both Plans' total expenditures (Ministry of Planning, 2003).

As a result and as Table (3.1.) illustrates, the number of students (male and female) enrolled in the country's educational institutions increased from 547,000 students to more than 5,104,000 million with an average annual growth ranging between 6.5% to 7.3% for the period from 1970 to 2002. Similarly the number of schools for both sexes in all educational stages has increased from 3,283 in 1970 to 24,748 in 2002. For the same period, the number of teachers in all education levels has increased from 23,118 to 503,243 (Ministry of Planning, 2001; Ministry of Planning, 2003).

### **3.3 The Strategic Objectives for Human Resource Development**

The core Saudi HRD philosophy places especial emphasis on religion so that Islamic values and teachings permeate all aspects of student life. It also focuses on helping them to acquire knowledge, skills and attitudes to meet the religious, economic and social needs of the country and to eradicate illiteracy among Saudi adults (Al-Hogail, 1998; Sinbull *et al.*, 1998). These philosophies are affirmed through the Saudi education objectives issued in the Saudi Education Policy Document of 1968 which are categorized to include the following:

1. Islamic objectives.

They include strengthening Islamic faith; reinforcing respectfulness of general properties of others granted and protected by Islam; acquiring individuals with essential concepts, affections and capabilities to carry out the message of Islam; and creating a systematic perceiving approach in individuals to appreciate and understand the world, human being and knowledge from an Islamic perspective.

2. Knowledge objectives.

They involve studying the universe and its undisclosed secrets to emphasize Gods' omnipotence and broaden individuals' knowledge and appreciate their environment; providing individuals with career-oriented skills and experiences to benefit them and their society; and finally developing their linguistic skills of at least one foreign language beside their native language to establish communication channels with other cultures and civilizations. This language is English.

3. Skills-acquisition objectives.

They include developing scientific and research-base thinking and capabilities of articulating oneself; enhancing physical skills to provide individuals with healthy physiques; and finally, identifying individual differences among students to assist talented as well as special needs students.

4. Interest-oriented objectives.

These objectives assist youth in fulfilling their appropriate majoring and occupational interests; correcting their behavior; encouraging constructive



hobbies; and ensuring equilibrium among youths' physical, mental, social, psychological and spiritual development needs.

5. Attitudinal and value-related objectives.

They involve enlightening students about their Islamic civilization accomplishments and history; developing their awareness toward understanding Saudi society problems, respecting work and supporting social solidarity among individuals; and finally, enhancing their sense of altruism of public interest over individual's.

(Mitwally, 1998)

**Table 3.1: Development in Education (Males & Females)**

Number of Students (Thousand)												Number of teachers	Number of schools /2
Year	Pre-school	Elementary Education	Intermediate Education	Secondary Education	University	Training Abroad	Teacher Training	Technical Education	Adult Literacy	Other /1	Total		
1970	4	397	61	16	7	2	11	1	43	5	547	23,118	3,283
1975	14	634	137	42	19	5	15	4	100	14	984	43,777	5,634
1980	24	862	245	93	48	10	22	7	142	9	1,462	78,309	11,070
1985	55	1,242	373	158	94	10	17	11	159	30	2,149	137,225	15,079
1986	68	1,317	388	172	104	8	19	12	160	32	2,280	150,649	15,093
1986	60	1,460	432	199	113	10	23	14	151	25	2,487	154,414	15,353
1987	60	1,579	466	218	116	3	23	16	156	20	2,657	171,492	16,295
1988	67	1,694	494	243	117	3	26	17	146	15	2,822	184,030	16,584
1989	69	1,762	514	252	122	3	27	18	152	15	2,934	199,487	16,609
1990	72	1,876	574	291	134	3	28	20	107	30	3,135	208,718	17,038
1991	72	1,909	613	313	142	3	31	21	114	29	3,247	221,848	18,027
1992	76	1,980	685	347	152	4	41	25	112	31	3,453	243,002	19,621
1993	85	2,111	769	384	163	3	63	28	114	38	3,758	270,423	20,799
1994	84	2,154	815	447	170	3	76	29	116	40	3,934	271,511	21,284
1995	84	2,204	842	452	185	4	87	29	122	35	4,044	280,595	21,854
1996	84	2,281	929	534	222	4	84	29	114	44	4,325	300,831	22,153
1997	87	2,285	960	608	272	4	74	28	110	39	4,467	325,776	22,301
1998*	91	2,242	982	642	273	5	77	31	107	42	4,492	355,733	22,678
1999*	94	2,259	1,036	705	363	7	82	37	110	45	4,738	354,357	22,770
2000*	94	2,285	1,073	756	404	7	86	43	108	48	4,904	356,546	22,435
2001*	104	2,308	1,083	794	422	-	92	49	106	55	5,013	380,756	-
2002*	93	2,316	1,132	842	444	7	93	59	118	-	5,104	503,243	24,748

Note: 1/ Includes special education and specialized training programs organized by different agencies.

2/ In the case of higher education, faculties are counted as schools

Sources: Achievements of the Development Plans 1970-2001: Facts and Figures, Ministry of Planning (2001:297)

And (\*) Statistical Yearbook 2002, Ministry of Planning (2002: 86-118).

### **3.4 Government Dominance and Influence over Education and Skill Formation Systems**

One major factor that shaped the skill formation systems in the country and affected their performances until today is the government dominance and influence. Since the establishment of these systems in the Kingdom, they are supervised, planned for, regulated, and controlled entirely by the state. This is through the Higher Council of Education which was established in 1963 to oversee education in the Kingdom of Saudi Arabia and determine the educational policies and objectives. This council is lead by the King who is Prime Minister with membership of Ministers from Education, Higher Education, Interior, Labour and Social Affairs, and Information (Sinbull, 1998). According to Mitwally (1998), Higher Council of Education is responsible for:

- Planning the country's education policies;
- Approving these policies and their regulations;
- Approving long, medium and short-term educational development plans in accordance with the country's overall Development Plans;
- Coordinating between the different educational supervising bodies and the different educational stages to ensure the best educational outcome;
- Approving the policies of adult literacy education;
- Approving the steps adopted by educational organizations to develop educational plans and curricula to accomplish their immediate objectives and the overall educational objectives;

- Approving admission policies for different education stages recommended by different educational institutions;
- Distributing educational services throughout the different administrative regions in the Kingdom; and
- Approving exam regulations prepared by educational institutions in the country.

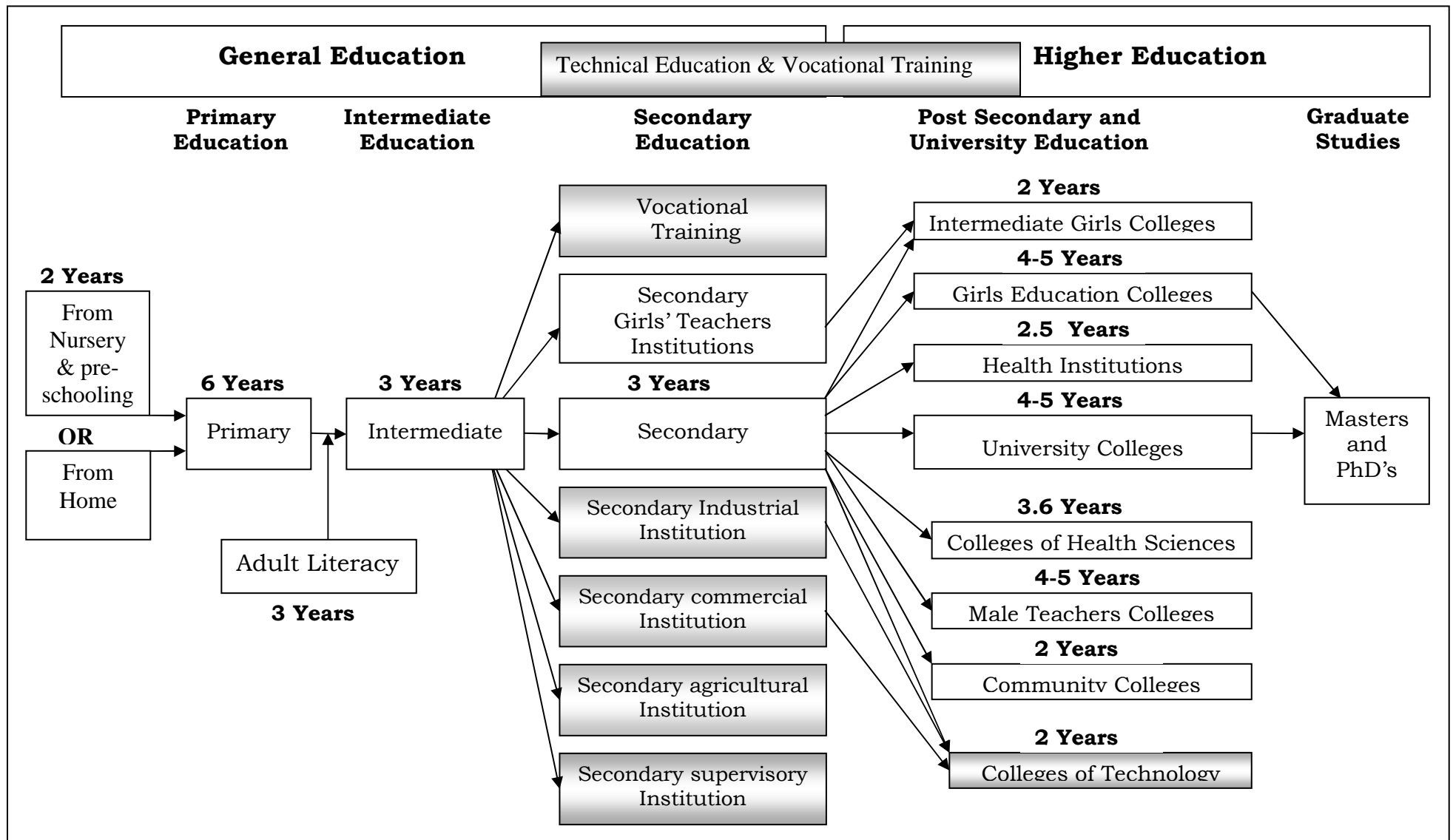
The Higher Council of Education policies, plans and regulations are implemented by a number of government agencies. For example, the Ministry of Education is responsible for male and female general education up to the pre-university level, in addition to adult literacy, special education for disabled students, intermediate colleges and teachers' colleges (Al-Dhuwain *et al.*, 2000). Although more recently the latter's supervision and administration were reassigned to The Ministry of Higher Education in 22<sup>nd</sup> of June, 2004 (Alriyadh, 2004). The Ministry of Higher Education supervises the country's eleven universities that have increased from eight in the 9<sup>th</sup> of June, 2004 (Alriyadh, 2004). Finally, GOTEVT is responsible for technical education and vocational training (Sinbull, 1998) under the supervision of the Ministry of Labour and Social Affairs.

### **3.5 Educational Structure and System**

As Figure (3.1.) illustrates, the education system, which will be explained in further details in the next section, follows the 6-3-3 scheme, involving six years for primary education and three years for each of intermediate and secondary education known as the general education. This system, according to Sinbull (1998), is the common and most implemented system among many Arab countries like Egypt, Qatar, Yemen,

Bahrain, Syria, Iraq, Libya, Mauritania, United Arab Emirates, and Oman. Special Education for students with disabilities follows the same order as general education but is conducted in specialized schools. General education is followed by the higher education which consists of post secondary level, university level and postgraduate level. Overlapped with both general and higher educations is technical education and vocational training (Sinbull *et al.*, 1998; Al-Hogail, 1998).

**Figure (3.1)**  
**Education System in Saudi Arabia**



Sources: Education System in the Kingdom of Saudi Arabia, Sinbull *et al.* (1998:91) and Education System and policy in the Kingdom of Saudi Arabia. Al-Hogail, (1998:24)

### **3.6 General Education**

As Figure (3.1) shows, general education in the Kingdom consists of optional nursery and kindergarten preschool, primary, intermediate and secondary school. Following this scheme, students joining general education have the option to start at the age of four spending two years in the nursery and kindergarten preschools or register directly for the primary school at the age of six years. In other words, the former is not a prerequisite for the student to proceed to the latter. On the contrary, graduating from a primary school is required to be admitted to the three years intermediate school. Similarly, after achieving the intermediate qualification the student joins the secondary school for three years (Al-Hogail, 1998).

The nursery and kindergarten stage, to begin with, aims at preparing the children from their early years in an Islamic family-like environment to develop their religious orientation based on monotheism, Islamic moralities and virtuous social trends. This stage is also designed to introduce children gradually, and via a scientific and psychological approach, to primary school by providing them with information in accordance with their intellectual development to enhance their creativity. In addition, the nursery and kindergarten stage trains children on physical skills, healthy and proper habits, and the utilization of their different senses (Al-Khateeb, 1998).

According to the last figures of the Central Department of Statistics, students, of both government and private nurseries and kindergartens, have reached 92,826 in 2002. They are studying in 1,075 schools, of which 582 state-owned schools while 493 are private investment schools. The number of teachers in these schools has reached

8,131 teachers, of which 7,294 are Saudis while 837 are non-Saudis (Ministry of Planning, 2002).

As for the primary stage, it aims at establishing the Islamic creed into the students' soul, simultaneously nurturing their moralities, intellect, linguistic abilities and loyalty to the Islamic nation. It also aims at training the students at performing the prayers and endowing them with decencies. Similarly, this stage is designed to develop the students' basic linguistic, numeric and physical skills; at the same time provide them with suitable information in different subjects to enlighten them of their God's grace. This stage also will nurture students' rhetorical tastes and their creative activities whilst at the same time develop their admiration for vocational and manual work. Finally, primary stage aims at enhancing students' awareness, within their ages and growth phases, of their responsibilities and their rights toward their country and government. Accordingly this stage curriculum covers subjects like Arabic, art education, geography, history, home economics (for girls), mathematics, physical education (for boys), Islamic studies and science (Abduljawad, 1998).

At the end of 2002, the number of students in both private and government primary schools stood at 2,316,166 pupils registered in 12,815 schools. Of the latter 12005 schools were government schools while 810 were private ones. The total number of teachers in these schools has reached 213,511 with 192,469 Saudis and 21,042 non-Saudis (Ministry of Planning, 2002).

Moving up the Saudi education system, the intermediate stage aims at strengthening students' Islamic belief by establishing Islamic criterion against which they can



measure their behaviours. Furthermore, it will focus on bringing up students according to Islamic social life which is dominated by brotherhood, collaboration and responsibility, appreciation and assumption. In addition, this stage will provide students with suitable experiences and knowledge of different cultural and scientific principles, simultaneously encouraging them to research and explore their surroundings utilizing the scientific reasoning approach. This stage also aims at developing and guiding students' intellectual aptitudes to benefit their skills. It will train students of this stage to be of service to their community and be loyal and sincere to their country. Finally, it will develop in students the habit of utilizing their free time constructively and beneficially. Based on these objectives, this stage teaches Arabic, art education, English, geography, history, home economics (for girls), mathematics, physical education (for boys), religious studies and science (Mitwally, 1998).

The total number of students registered in intermediate stage till the end of 2002 reached 1,132,115. They were studying in 6,566 schools; of which 6,012 were government owned while 554 were private schools. The number of teachers for this stage totaled 144,220 consisting of 131,709 Saudis and 12,511 non-Saudis (Ministry of Planning, 2002).

Similarly, the general objectives for the secondary stage has included most of the above three stages' objectives with more emphasis on caring for youth studying at this stage and preparing them for work life. More specifically, this stage pursues the continuing theme of establishing Islamic core values and loyalty to Islam and Saudi Arabia's Islamic status. It aims at developing students' aptitudes, attitudes, and

experiences during their critical adolescent age in accordance with general Islamic education as individuals as well as groups. This stage also will enhance their scientific and research skills of conducting a scientific investigation and experimentation. It will prepare students for entering the labour market to supply the country's needs of workers. Similarly, it aims at preparing those students wishing to pursue their higher studies in universities and higher institutions. More importantly, it will provide students with the necessary awareness to form their future families based on Islamic principles (Mitwally, 1998).

To accomplish these objectives secondary curriculum includes compulsory subjects taught during the first year of this stage consisting of Arabic, biology, chemistry, English, geography, history, home economics (for girls), mathematics, physical education (for boys) and religious studies. However, in the final two years, students choose to specialize into scientific or literary majors according to their preference and consented by their performance in the first secondary year. At the end of the second semester of the last third-year, students take a comprehensive exam, i.e. General Secondary Examination, supervised by the Ministry of Education to measure their educational achievements which will determine their future. According to their exam results and majors, students will pursue their higher education, vocational education or directly join the labour market (Mitwally, 1998).

According to the Ministry of Planning (2003), the total number of students in 2002 was 842,000 studying in 3,640 schools; the government owned 3,235 of them while private sector owned the rest of 405 schools. The total number of teacher involved in

teaching this stage was 93,598, of these 83,444 were Saudis and 10,154 were non-Saudis.

### **3.7 Outcomes of Government Dominance and Bureaucracy on General Education**

According to a study by the Institute of Research of King Fahd University of Petroleum and Minerals (KFUPM) in 2003, Saudi pre-university level or general education is encountering major challenges in fulfilling its objectives. The challenges include, first, the burden of the country's annual 3.8% rapid population growth. This is fuelled by the fact that more than half of the population, 56.4% to be exact, are under the age of 19 years-old which is the age of the general education (World Bank, 2002). Second, this pressure escalates by the country's unbalanced distributions of population in different geographical areas. The government is encountering difficulties of providing educational services to all Kingdoms' rural areas as a result of the population movement between Bedouin and less developed areas to towns and villages.

According to the same study, this is imposing a great pressure on educational services provided by and controlled by the government for this stage of education especially with the government dependency on the unpredictable oil revenues. The result is a high cost for the general education reaching 9% of the country's total GDP. This is considered high in comparison with 5% of the Industrial countries and 4% of the Developing countries. Nevertheless, high percentage of general schools in the Kingdom occupies leased buildings of houses that are built originally for residency

purposes (Ministry of Planning, 2000). These buildings do not meet basic requirements of educational standards and specifications which affect the educational environment and disturb learning. Schools of this stage in general suffer shortages of laboratories required to fulfill different subjects' requirements such as physics, chemistry, biology and English to mention a few. As a result, this forces teachers to implement a single teaching method i.e. lecturing instead of satisfying the practical objectives of these subjects.

Another challenge encountering such systems results from the slowness in developing general education curricula by government controlled general education systems. Government bureaucracies of supervising and developing bodies complicate and delay developing and updating this stage's curricula and text books to keep pace with new scientific and technical advancements. According to the Seventh Development Plan, these curricula need further reviewing efforts to ensure that they conform to development needs and ultimately help pupils obtain knowledge through comprehension, analysis, and reasoning skills (Ministry of Planning, 2000). Such essential skills are neither taught nor assessed in the Saudi educational systems as teachers and pupils are merely utilizing memorization and recalling skills of students for the in-class taught knowledge. This usually reinforces student passiveness towards a self-learning approach overlooking the importance of off-class learning experiences which are too absent from schools.

To add to this dilemma, teachers of this stage are inefficiently trained. Their training in higher education is excessively unpractical and expected at the same time to teach practical curricula. Such training suffers from the unavailability of up-to-date training

technologies and logistics as higher education institutions receive limited government budgets from the Ministry of Higher Education. Such budgets are always influenced by the country's overall revenues mainly from oil. Finally, these training programs are only for teachers in major cities and are voluntary for enrolment.

As a result, the study concludes that Saudi secondary education outcomes are inconsistent with labour market demands despite the fact that it is the first gate toward joining the labour market and that its graduates represent the majority among other educational stages (Table 3.2.). This gap is due to the rapid development in private sector's needs of skilled and trained workers of new technologies in manufacturing and services sectors which is absent from secondary education curricula. Moreover the former requires certain analytical, practical, and innovative skills in addition to a satisfactory level of English competency that may not have been achieved at this stage. Moreover, Al-Shammary *et al.* (2003) and many others confirm that the secondary education system limits students' further scientific and technical education through compelling them to major in scientific, literary, or religious studies early in secondary education which determines their future majors in higher or postsecondary education.

**Table 3.2: Graduates of General and Higher Education (Males & Females)**

Year	General Education Graduates					Higher Education Graduates			
	Elementary/1	Intermediate	Secondary	Special education	TOTAL	Teachers' Training	Local Universities	Abroad /2	TOTAL
1970	29,133	12,538	2,806	61	44,538	2,122	808	-	2930
1975	59,567	21,838	7,246	182	88,833	4,951	1,909	202	7,062
1980	93,875	40,094	15,568	131	149,668	6,791	4,621	503	11,915
1985	-	69,803	30,493	90	100,386	5,114	11,145	1,667	17,926
1986	-	80,753	37,117	118	118,048	4,945	12,501	1,928	19,374
1986	-	93,631	45,445	118	139,194	6,994	14,095	1,500	22,589
1987	-	102,297	49,253	130	151,680	7,050	14,074	1,158	22,282
1988	-	108,678	50,223	145	159,046	8,796	15,013	1,200	25,009
1989	-	116,719	56,762	135	173,616	8,324	15,389	950	24,663
1990	-	132,481	63,497	159	196,137	9,162	17,721	760	27,643
1991	-	138,121	67,301	660	206,082	8,980	17,376	800	27,156
1992	-	148,380	72,425	694	230,961	9,462	19,798	800	30,060
1993	-	171,077	86,236	396	257,709	14,780	21,729	800	37,309
1994	-	178,294	86,643	450	265,387	20,256	21,889	650	42,795
1995	-	197,759	93,886	1,103	292,748	16,234	24,250	850	41,334
1996	-	227,189	112,238	1,376	340,803	15,946	30,263	915	47,124
1997	-	245,316	135,281	1,045	381,642	8,924	31,908	1,100	41,932
1998	-	255,700	145,008	1,541	372,249	12,700	41,450	1,500	55,650
1999	-	267,102	164,629	1,079	432,810	14,950	39,903	1,031	55,884

Note: 1/ Ministry of Education replaced the system with internal examination since 1982.

2/ Includes bachelor, higher diploma, master, doctorate and fellowship.

Sources: Achievements of the Development Plans 1970-2001: Facts and Figures, Ministry of Planning (2001:306)

### **3.8 Higher Education**

Entering a new era of rapid development of the country's infrastructure and economy in the early 1970s, Saudi Arabia devoted special attention to fostering higher education. This is due to the strong relationship between higher education and the development plans of the country (Abduljawad, 1998). In the same study, Abduljawad describes higher education as all education levels following secondary or secondary-equivalent education conducted by vocational training centres, higher institutions, and university colleges.

Higher education in the Kingdom of Saudi Arabia is conducted by a number of educational institutions according to the level of qualification awarded. For example, for the level of bachelor degree and above there are 21 universities<sup>1</sup>, more than 50 girls' colleges of education and 18 male teachers' colleges which are all administered by the Ministry of Higher Education in addition to one technical college supervised by GOTEVT. On the other hand, for the level of postsecondary education, there are a number of higher institutions awarding diplomas below the level of bachelor degrees including 37 colleges and institutions for the health-related professions supervised by the Ministry of Health, 19 intermediate girls' colleges administered by the Ministry of Education, 3 community colleges overseen by the universities, 16 technical colleges under GOTEVT, 2 industrial colleges of the Royal Commission for Jubail and Yanbu, and the Institute of Public Administration under the Ministry of Civil Services. There are also a number of military and security colleges and institutions awarding military bachelor degrees and postsecondary diplomas. Among these are 3 military colleges

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<sup>1</sup> <http://www.mohe.gov.sa/Arabic/Universities/Pages/default2.aspx>. Sited on 1/12/2008 at 8:00 PM.

supervised by the Ministry of Defence, King Khaled Military College of the National Guard, and King Fahad Security College administered by the Ministry of Interior (Manpower Council, 2003; Ministry of Planning, 2002; Al-Shammary *et al.* 2003, Al-Dhuwain *et al.*, 2000).

The Kingdom's universities include 11 old universities in addition to 14 recently established ones. Some of their available information is included in Table (3.3). These universities are Umm Al-Qura University in Makkah, Imam Muhammad bin Saud Islamic University in Riyadh, King Saud University also in Riyadh, Islamic University of Madinah, King Fahd University of Petroleum and Minerals in Dhahran, King Abdul Aziz University in Jeddah, and King Faisal University in Dammam and Hofuf. Other recent universities include King Khaled University in Abha, University of Ha'il, University of Qasseem, University of Ta'if and University of Taiba. They also include universities that are established between 2004 and 2007 such as Jazan University, AlJouf University, Baha University, University of Tabouk, University of Najran, Northern Borders University, Girls University in Riyadh, King Saud bin Abdul Aziz University for Health Sciences, and King Abdullah University of Science and Technology

To coordinate the work of most of these higher institutions, the government has established the Higher Education Council and the University System in 1993. In addition, it works on improving the efficiency of Saudi universities by offering programs in new fields, encouraging greater cooperation among Saudi institutes of higher learning and increasing involvement of the teaching staff in the operations of faculties (Al-Dhuwain *et al.*, 2000).



**Table 3.3**  
**Saudi Government Universities**

<b>University Name</b>	<b>Date of Establishment</b>	<b>Number of Students</b>	<b>Number of Students in Dates Available</b>	<b>Reference</b>
Umm Al-Qura University	1950	950 in 1970	31290 in 2006	<a href="http://www.uqu.edu.sa/">http://www.uqu.edu.sa/</a> and (Ministry of Planning, 1970)
Imam Muhammad Bin Saud Islamic University	1954	2,009 in 1970	27,613 in 2003	(Ministry of Planning, 2005)
King Saud University	1957	21 when established	61329 in 2008	<a href="http://www.ksu.edu.sa/Pages/default.aspx">http://www.ksu.edu.sa/Pages/default.aspx</a>
Islamic University of Madinah	1961	591 when established	25,849 in 2003	(Ministry of Planning, 2005)
King Fahd University of Petroleum and Minerals	1963	67 when established	10000 in 2008	<a href="http://www.kfupm.edu.sa">www.kfupm.edu.sa</a>
King Abdul Aziz University	1968	68 male and 30 female students when established	82152 in 2008	<a href="http://www.kau.edu.sa">www.kau.edu.sa</a>
King Faisal University	1975	9 in 1979	60000 in 2008	<a href="http://www.kfu.edu.sa/About/history-2.asp">http://www.kfu.edu.sa/About/history-2.asp</a>
King Khalid University	Different existing colleges merged in 1998	11,740 in 1999	9,942 in 2003	(Ministry of Planning, 2005)
University of Ha'il	1998	NA	16,000 in 2008	<a href="http://www.uoh.edu.sa">http://www.uoh.edu.sa</a>
University of Qasseem	Different existing colleges merged in 2004	NA	40,000 in 2008	<a href="http://www.qu.edu.sa/qsm/init">http://www.qu.edu.sa/qsm/init</a>
University of Ta'if	Different existing colleges merged in 2004	6000 in 1999	NA	<a href="http://www.tu.edu.sa/taef/init">http://www.tu.edu.sa/taef/init</a>

One of the first objectives of higher education in the Kingdom is to strengthen students' faithfulness in Almighty God and provide them with Islamic education to develop their sense of responsibility toward the Lord, their country and their work. It is also designed to prepare well educated and qualified citizens to carrying out their duties in serving the Kingdom's development in accordance with Islamic principles. In addition, higher education aims at opening the opportunities for talented students wishing to pursue their higher and postgraduate studies in different fields of knowledge. Higher education will also fulfill a positive role in research which will develop the fields of Literature, Arts, and Sciences as well as new inventions and practical solutions to community needs and technical requirements of Saudi Arabia. Finally, it aims at enhancing the knowledge and Islamic related publications which will present and clarify the Islamic notion at the same time fulfill the Kingdom's role of spreading the message of Islam (Abduljawad, 1998).

As a result, in 2002 there were more than 596,000 students at Saudi universities, teachers' colleges, and technical and vocational postsecondary education, a dramatic improvement over the 19,000 students enrolled in 1970 (see Table 3.1). Of that number, the majority of students are registered in the Saudi universities and teachers' colleges as the former stood at 444,000 students and the latter reached 93,000 students in 2002. A total of more than 14,671 teachers are employed at Saudi universities and teachers' colleges (Ministry of Planning, 2002). As for the number of graduates, Table (3.2.) illustrates that in 1999 the number of graduates from universities has increased to reach 39,903 which was only 808 in 1970. For the same period, teachers' training has increased from 2,122 graduates to 14,950 (Ministry of Planning, 2001).

To complement their studies in universities in the Kingdom, Saudi students have the opportunity to pursue, pre-university, graduate and postgraduate degrees in specialized fields abroad. Supported by government scholarships, thousands of Saudi students are enrolled in universities outside the Kingdom in some Arab, North American, European and Asian countries. For example, in 2002, there were 1,047 Saudi students studying in Arab universities, 3,506 in the U.S.A., 581 in Canada, 1,281 in the United Kingdom, 102 in other European countries, and 228 in Pakistan (Ministry of Planning, 2002).

### **3.9 Initiations of Vocational Education and Training in Saudi Arabia**

The discovery of oil in Saudi Arabia in 1939 encouraged the settlement of Saudi Bedouin societies who were attracted to begin their industrial, commercial, and agricultural activities subsidized by the government. In addition, the government itself was in urgent need for trained and vocationally educated manpower that would undertake and support the country's economic and social development.

To fulfil this need, industrial vocational education in the course of its development started in 1949 under the Directorate of Education by the establishment of the first intermediate industrial school in Jeddah admitting 30 elementary graduate students in its first year. This early – perhaps too little - effort was an indication of the beginning of vocational education in the Kingdom. Later in 1963 the Ministry of Education increased the number of industrial schools to eight in addition to King Saud Industrial Institute and Riyadh College of Industrials. In 1965, the Ministry replaced intermediate industrial schools with secondary industrial institute increasing the entry

requirement of this vocational education to the intermediate diploma instead of the elementary. These institutes were equipped with better equipments and new curricula to train students on mechanical, electrical, engine, and technological studies. In 1967, the Royal Technical Institute was established in Riyadh on high standards and with a total budget of SR 20 million containing a secondary vocational institute, a technical industrial institute, a specialized studies department for technical supervisors, and a higher teachers' training institute. Similarly, in Jeddah another standardized Technical Institute was established with a total budget of SR 35 million in coordination with the French government. The number of students registered in industrial education has reached 2,727 at the end of the First Development Plan in 1974 (Al-Khateeb, 1998).

As for commercial vocational education, it started in 1960 with the establishment of the first intermediate commercial school to prepare manpower in commerce, financial management, accounting and other administrative sciences. However, in 1967 and due to the declining level of graduates' competencies of intermediate commercial schools, the Ministry of Education decided to replace these schools with secondary commercial institutes accepting intermediate diploma graduates for three years. At the end of the First Development Plan period in 1974, there were eight institutes conducting morning and afternoon classes and enrolling 1,170 students taught by 93 teachers (Al-Khateeb, 1998).

Agricultural vocational education, on the other hand, started earlier. In 1955 the government established the first agricultural school in Al-Kharj in the Riyadh region to prepare agricultural technicians to support the country's development objectives.

This school was initially overseen by the Ministry of Agriculture before being transferred in 1959 to the Ministry of Education which became the supervising body of vocational education in the country. Later in 1961, the Ministry established five intermediate agricultural schools in five different cities: Hafuf, Majma'a, Buraidah, Baljourashi, and Jizan training 844 elementary graduates' students. These schools, later in 1964, were replaced by secondary agricultural institutes. However, in 1977, they were reduced to one standardized agricultural institute in Buraidah city enrolling intermediate education graduates for three more years. This reduction was due to shortages of enrollments in this kind of vocational education in the country which stopped the initial plans of the First Development Plan to establish three similar institutes in the Kingdom for that period (Al-Khateeb, 1998).

Vocational training was first initiated by King Faisal who envisioned the urgency to open vocational training centres for both adults aged 18 to 30 and youths aged 13 to 18. This vision was translated into reality in 1962 by the establishment of Riyadh vocational training centre costing SR 5.3 million followed by the opening of other centres in different cities around the country. These government centres were overseen by the Ministry of Labour and Social Affairs. They were created to fulfil the following objectives:

1. Providing and expanding vocational training programs in the light of national Development Plans.
2. Providing professional training to fulfil the increasing demands on skilled and semiskilled workers for both government and private sectors.

3. Providing on-the-job professional training in private organizations to enhance workers technical skills.
4. Establishing more centres and increasing the existing ones.
5. Producing a standardized accreditation system to all training levels.
6. Ensuring that training programs accord capabilities and requirements of manpower with the industry needs.
7. Providing youths with suitable vocational counselling and guidance.

In addition to government vocational training centres of the Ministry of Labour and Social Affairs, there was a centre preparing assistant technicians supervised by the Ministry of Interior. Furthermore, there were 12 private evening vocational training centres regulated by the Ministry of Labour and Social Affairs teaching typing skills and calligraphy (Al-Khateeb, 1998).

### **3.10 The Establishment of the General Organization for Technical Education and Vocational Training (GOTEVT)**

After thorough studies of Saudi manpower development needs in conjunction with the country's rapid economic development, the government issued in the 23<sup>rd</sup> of June 1980, the royal decree No. M/30 establishing the General Organization for Technical Education and Vocational Training (GOTEVT). According to this decree, training and vocational education affairs controlled by different ministries and government bodies will be integrate under this government establishment. GOTEVT, as stated by Article 16 of its bylaws, is an autonomous organization controlled from its headquarter in Riyadh and enjoys financial and administrative independency under a

direct supervision of the Minister of Labour and Social Affairs. Furthermore, GOTEVT's mission will be to undertake the implementation of vocational and technical education programs in various fields of industry, agriculture and commerce in addition to various levels of vocational training such as adult vocational training, on-the-job training in all fields as well as dropout rehabilitation. It will also be responsible for vocational studies and research aimed at developing the performance and productivity of national manpower (Al-Khateeb, 1998; Al-Dhuwain *et al.*, 2000; Ministry of Education, 2004; Ghaban *et al.*, 2002).

### **3.10.1 GOTEVT Overall Strategy and General Objectives**

According to its bylaws, GOTEVT is committed to achieve the following strategies within the framework policies and plans of the Ministry of Labour and Social Affairs.

1. To prepare and train Saudis to perform vocational and technical works at different sectors (industrial, agricultural, commercial and public services) and be qualified to work in government or private sectors, in addition to updating in-service technicians with the latest scientific and technological knowledge locally and abroad.
2. To help the young and illiterate Saudis who did not get or pursue further academic education via training them in morning and evening programs suitable to their age and interest.
3. To prepare technical Saudi cadres such as teachers, instructors and lecturers.
4. To direct education investments towards developing skills and expansion of vocational careers in the Kingdom.

5. To create a unified educational system to support technical manpower through coordination with other HRD departments and the manpower ministerial committee.
6. To support vocational guidance programs through stimulation of technical and vocational awareness.
7. To conduct researches and studies to solve manpower technical problems in order to meet the evolving needs of labour market.

(Al-Khateeb, 1998)

To achieve these strategies and establish a framework governing its activities, GOTEVT formulated the following general objectives:

1. To train individuals to undertake the required industrial, commercial, agricultural and services activities that contribute to the development of the national economy whether in government or private sectors.
2. To provide individuals with Islamic values and general knowledge that contribute to building a higher morality level and rational thinking, in addition to the ability to adapt to different environments.
3. To create a scientific base for technical manpower to enable it to interact with the rapid developments in technology.
4. To provide opportunities for individuals wishing to learn a certain vocation or pursue their training to the highest educational and vocational degree possible.
5. To develop the skills of technicians and update their professional information on a continuing base.



6. To emphasize the value of manual labour and vocational work and their role in the prosperity of the society.
7. To contribute in halting domestic migration of citizens to major cities by distributing vocational training centres throughout the Kingdom's regions.
8. To emphasize the importance of research and fieldwork studies which deal with technical manpower problems in the light of the labour market needs.

(Al-Khateeb, 1998; Ministry of Education, 2004)

### **3.10.2 The Structure of GOTEVT's Activities**

GOTEVT implements the Kingdom's strategy of labour force development through a system composed basically of three levels: vocational training, technical education and higher technical education (Al-Dhuwain *et al.*, 2000; Ministry of Education, 2004). In addition and more recently, GOTEVT is involved in different new training and development initiatives as part of its efforts to fulfil the increasing skills' demands of the labour market and Saudization of jobs, especially in the private sector which will be discussed in the coming chapter. These initiatives include the National System for Joint Training, Military Vocational Training, and on-the Job Training (Ministry of Education, 2004).

### **3.10.3 Vocational Training**

The vocational training program includes morning and evening sessions conducted in 32 GOTEVT vocational training centres around the Kingdom to fulfil the skills requirements of the labour market. This program aims at preparing, training and

qualifying Saudis aged between 17 and 45 years who are at the entry level to join the labour force; likewise, it transfers unskilled workers who are already employed to technicians in their areas of specialties. This training, in both its morning and evening sessions, involves a variety of short-term intensive courses ranging from 6 months for the evening sessions and 12 to 18 months for the morning courses (GOTEVT, 2002). In general, evening sessions are usually attended by government employees who cannot join the morning classes or by individuals who do not meet the admission requirements of the morning sessions. The evening classes do not require specific level of education for admission; unlike the morning ones which require a primary or intermediate certificate for admission. However, both sessions provide vocational training for Air-Conditioning and Refrigeration, Electrician, Welding, Carpentry, Plumbing, Printing, General and Mechanics, Photography, Tailoring and various other occupations. Students enrolled in vocational training receive their training free of cost. On the contrary, they are provided with following incentives:

- Stipend ranging between SR. 600 and 800 after completing half of the course and passing the exam.
- SR. 260 once during their course to cover their training uniform expenses.
- A reward of SR 1,000 for outstanding achievement.
- Housing and food services for those coming from outside the city.
- Medical and social care. (GOTEVT, 2002)

Over the period from 1982 till 2002 as Table (3.4.) illustrates, the number of trainees enrolled in these programs reached 200,988 trainees while the number of graduates stood at 122,117 trainees (Al-Khateeb, 1998; Al-Dhuwain *et al.*, 2000; GOTEVT,

2002; Ministry of Education, 2004). In addition in 2002, the number of teachers in these programs reached 1,398 while the number of administrators and technical supporting staff is 336 (GOTEVT, 2002).

**Table 3.4: Development of Vocational Training Trainees and Graduates**

Year	Trainees of Vocational Training Programs			Graduates		
	Morning	Evening	Total	Morning	Evening	Total
1982	3917	5628	<b>9545</b>	2455	4509	<b>6964</b>
1983	3751	4866	<b>8617</b>	2808	3948	<b>6756</b>
1984	3967	4422	<b>8119</b>	2970	3487	<b>6457</b>
1985	4515	4779	<b>9294</b>	2579	8315	<b>6394</b>
1986	4991	4950	<b>9941</b>	3012	3979	<b>6991</b>
1987	5531	2847	<b>8378</b>	3266	2279	<b>5545</b>
1988	6443	2799	<b>9242</b>	3483	2251	<b>5734</b>
1989	6601	2923	<b>9534</b>	4718	2371	<b>7089</b>
1990	6460	2971	<b>9431</b>	4491	2306	<b>6797</b>
1991	6658	2406	<b>9064</b>	4578	1564	<b>6142</b>
1992	6115	2727	<b>8842</b>	3942	1969	<b>5911</b>
1993	6550	2962	<b>9512</b>	4151	2204	<b>6355</b>
1994	6496	2374	<b>8870</b>	4477	1722	<b>6199</b>
1995	6571	2270	<b>8841</b>	4333	1727	<b>6060</b>
1996	7088	1194	<b>8282</b>	4302	949	<b>5251</b>
1997	5985	1473	<b>7458</b>	4387	1157	<b>5544</b>
1998	7795	1778	<b>9537</b>	3256	1493	<b>4749</b>
1999	10122	2265	<b>12387</b>	3866	2128	<b>5994</b>
2000	9626	1485	<b>11111</b>	4453	1214	<b>5667</b>
2001	10436	1215	<b>11651</b>	4366	1152	<b>5518</b>
2002	11673	1659	<b>13332</b>	-	-	-
<b>TOTAL</b>	<b>141291</b>	<b>59993</b>	<b>200988</b>	<b>75893</b>	<b>50724</b>	<b>122117</b>

Sources:

- Annual Statistical Report for 1422/1423 A.H., GOTEVT (2002: 61, 83, 98).
- Technical Education and Vocational Training Progress, GOTEVT (1999: 28, 32, 35).

### 3.10.4 Technical Education

Technical education, on the other hand, provides education via its secondary industrial, commercial, agricultural and supervisors' institutes. These institutes qualify their students to either join the labour market; or proceed for postsecondary

technical education by joining the technical colleges, particularly those graduating from secondary industrial and commercial institutes; or alternatively enrol in universities for further specialization in their field of study (Al-Dhuwain *et al.*, 2000). According to Al-Khateeb (1998), technical education aims at preparing and qualifying Saudi human resources to be industrial, commercial, and agricultural technicians and professionals through providing them with skills and knowledge related to such areas.

- **Secondary Industrial Education**

This technical education is conducted in GOTEVT's ten secondary industrial institutes located in Riyadh, Jeddah, Dammam, Abha, Ta'if, Hofuf, Madinah, Onaizah, and Zulfi cities. They admit those who have completed intermediate school to be trained in a number of specialties like computer, communications, medical equipment, electronics, mechanics, electric installations and metal construction. Students are required to spend three years before being awarded the Secondary Industrial Institute Diploma (GOTEVT, 2002; Al-Dhuwain *et al.*, 2000).

- **Secondary Commercial Education**

Secondary commercial education in Saudi Arabia is considered to be, according to Al-Dhuwain *et al.*(2000), one of the significant educational channels in preparing the highly demanded national manpower to manage commercial, administrative and financial occupations. For this and to meet the “needs of modern life and the development of the labour market, [GOTEVT has] made the necessary changes in [this education's] curricula in order to graduate qualified youths.” These changes which were applied in 1997 include providing first-year students with basic

commercial sciences followed in the second year by more specialized courses in accounting, book keeping, marketing, public relations, office and material management. Finally, students specialize in one of these areas during their first semester of the third year, while spending their second semester in a cooperative training in either government or private organization (GOTEVT 2002: 67).

There are 16 secondary commercial institutes in the Kingdom that admit intermediate schools graduates. These institutes provide morning and evening sessions awarding their graduates the Secondary Commercial Institute Diploma (GOTEVT, 2002).

- **Secondary Agricultural Education**

It aims at preparing national manpower to work in agricultural sectors to contribute to the Kingdom's agricultural development plans. The four secondary agricultural institutes in Buraidah, Wadi Dawassir, Kharj, and Jazan train Saudi intermediate school graduates in three main areas i.e. animal and plant production as well as agricultural mechanization. Courses offered include land reform, bee breeding, horticulture, irrigation, animal breeding and feeding, poultry, dairy production in addition to training courses on operation and maintenance of agricultural machines like pumps, reaping machines and greenhouse technology. Graduates of the agricultural institutes are awarded the Secondary Agricultural Institute Diploma (GOTEVT, 2002; Al-Dhuwain *et. al.*, 2000).

- **Secondary Supervising Education**

This technical education started by the establishment of a secondary supervisors

institute in 1965 in Riyadh which was followed by four similar institutes in Abha, Tabouk, Ta'if and Onaizah cities. They were established to fulfil the Kingdom needs of qualified Saudis in areas like survey, architectural constructions, architectural drawing, civil construction works, and health supervision. Students in these institutes study for three years after finishing their intermediate education to be awarded the Technical Supervisors Secondary Institute Diploma.

Students of technical institutions of industrial, commercial, agricultural and supervisors education are provided with the following incentives:

- Monthly stipends ranging between SR. 450 and 675.
- Work uniform and educational materials and tools.
- Opportunity for graduates to continue their education in the colleges of technology.
- Housing and food services for those coming from outside the city.

(GOTEVT, 2002)

Overall, as Table (3.5) illustrates, technical institutions of industrial, commercial, agricultural and supervisors education in the Kingdom have had 354,368 students enrolled in their different programs for the period from 1981 to 2002. Of those, 81,348 students (22.9%) have graduated with their Technical Secondary Institute Diploma for the same period. In 2002, the number of teachers in these institutes is 2,182 while the number of administrators and technical staff is 784 (GOTEVT, 2002).

**Table 3.5: Trainees and Graduates Development at  
Secondary Technical Institutes**

Year	Trainees At Secondary Technical Institutes					Graduates				
	Industrial	Commercial	Agricultural	Supervisors	Total	Industrial	Commercial	Agricultural	Supervisors	Total
1981	1819	4468	246	428	<b>6961</b>	321	1074	95	177	<b>1667</b>
1982	2654	4936	190	485	<b>8265</b>	375	1206	67	176	<b>1824</b>
1983	3163	5828	148	486	<b>9625</b>	534	1305	47	239	<b>2125</b>
1984	3698	6479	145	398	<b>10720</b>	739	1520	39	167	<b>2465</b>
1985	4027	6352	153	333	<b>10865</b>	1112	1647	34	133	<b>2926</b>
1986	3960	6548	169	346	<b>11023</b>	852	1683	46	112	<b>2693</b>
1987	4653	7383	266	480	<b>12782</b>	1051	1474	29	120	<b>2674</b>
1988	5362	7755	422	682	<b>14221</b>	916	1735	42	*	<b>2693</b>
1989	6243	7980	370	930	<b>15523</b>	1138	1930	64	174	<b>3306</b>
1990	6815	7198	399	989	<b>15401</b>	1489	1856	133	259	<b>3737</b>
1991	7375	7025	408	1050	<b>15858</b>	1735	1949	79	302	<b>4065</b>
1992	7929	7351	506	1131	<b>16917</b>	1960	1797	90	297	<b>4144</b>
1993	8245	8501	702	1498	<b>18946</b>	1834	1553	133	278	<b>3798</b>
1994	8672	10335	774	1660	<b>21441</b>	1954	1895	150	336	<b>4335</b>
1995	8558	10995	737	1738	<b>22028</b>	2069	2425	119	478	<b>5091</b>
1996	8045	10916	821	1956	<b>21738</b>	2060	2556	205	519	<b>5340</b>
1997	7816	9554	839	2073	<b>20282</b>	1819	2649	195	487	<b>5150</b>
1998	7766	8228	670	2178	<b>18842</b>	1635	2862	194	561	<b>5252</b>
1999	9561	7294	639	2308	<b>19802</b>	1420	1971	203	576	<b>4170</b>
2000	9470	6906	449	2430	<b>19255</b>	1734	1730	116	646	<b>4226</b>
2001	11006	7179	321	2693	<b>21199</b>	2301	1775	124	659	<b>4859</b>
2002	11590	7794	303	2987	<b>22674</b>	2243	1780	74	711	<b>4808</b>
<b>TOTAL</b>	<b>148427</b>	<b>167005</b>	<b>9677</b>	<b>29259</b>	<b>354368</b>	<b>31291</b>	<b>40372</b>	<b>2278</b>	<b>7407</b>	<b>81348</b>

\* There were no graduates for this year due to changing study period from 2 to 3 years.

**Sources:**

- Annual Statistical Report for 1422/1423 A.H., GOTEVT (2002: 61, 83, 98, 113).
- Annual Report on the Conditions of Technical Education and Training in the Kingdom of Saudi Arabia 1422/1423 A.H., Manpower Council (2003: 10, 17, 20, 25, 28).
- Technical Education and Vocational Training Progress, GOTEVT (1999: 28, 32, 35, 40).

### 3.10.5 Colleges of Technology

There are 20 colleges of technology spread in different regions in the Kingdom (GOTEVT, 2003). They were established based on the needs of developmental sectors in the Kingdom to be a basic source for training and qualifying young Saudis

in various technical fields to ensure their participation in Saudi development (Ministry of Education, 2004). The first college was established in Riyadh in 23<sup>rd</sup> of December, 1983 by the Royal Decree No. 7/H5267. According to Al-Dhuwain *et al.*, (2000), the main objectives for establishing these colleges are:

1. To expand the Saudi manpower base in the different technical fields and provide various sectors with qualified national manpower who will undertake the country's development plans.
2. To open new channels of higher technical education that meet the country's needs, at the same time create more enrolment opportunities for the increasing secondary schools and technical institutes' graduates beside the limited capacity of universities.
3. To expand this sort of higher technical education in the Kingdom's different regions which will eventually develop these regions educationally, socially, and economically.
4. To provide continuing education and training for workers at the technical and vocational fields.

Colleges of technology admit the graduates of secondary schools and secondary technical institutes who are awarded upon graduation the Technical College Diploma qualifications. These colleges operate on the two-semester system, each semester consisting of 15 weeks. Students study 64 to 75 units including college and department mandatory and elective units ideally over four semesters; however, and due to failing and repeating some of these units, they usually spend five or even 7-8 semesters in addition to the mandatory cooperative training semester. According to



the colleges study plans, the units are divided into the following percentages: 20% general and humanities studies, 30% basic and specialized sciences, and 50% practical training (Al-Dhuwain *et. al.*, 2000). As for the bachelor's degree program conducted in Riyadh College of Technology, students study 75 units in addition to 12 units of English language training and graduate having similar privileges granted to the graduates of the engineering colleges at the Kingdom's universities.

In general, according to GOTEVT (2002) colleges of technology conduct the following training programs

- Electronic Technology:
  - Industrial Electronics and Control.
  - Communication.
- Computer Technology:
  - Computer.
  - Software Programming.
- Electrical Technology:
  - Electrical Machines.
  - Electrical Power.
- Mechanical Technology:
  - Production.
  - Vehicles.
  - Agriculture Machines.
  - Refrigeration and Air Conditioning.
  - Automatic Control.

- Chemical Technology:
  - Chemical Laboratory.
  - Chemical Production.
- Construction Technology.
- Management Technology:
  - Accounting.
  - Office Management.
  - Tourism and Hotel Management.
  - Marketing.
  - Bank Management.

Students enrolled in colleges of technology enjoy a number of incentives. They include a monthly stipend of SR 1,000 during their period of study in the college in addition to free medical treatments. They are also provided with all training materials and tools (GOTEVT, 2002).

According to GOTEVT (2002), there are 1,987 teachers in the colleges of technology in addition to 340 administrative and technical support staff in 2002. As Table (3.6.) shows, the number of students enrolling in the colleges of technology has increased from 91 students when establishing the first college to 30,060 students in 2002. However, the increase in number of graduates did not follow this increase in enrolment reaching only 21,659 students (15.1%).

**Table 3.6: Students Studying and Graduating from Colleges of Technology**

<b>Year</b>	<b>Students</b>	<b>Graduates</b>
1984	91	-
1985	254	62
1986	241	71
1987	332	73
1988	887	100
1989	1403	447
1990	2247	479
1991	3379	590
1992	4119	1248
1993	5703	1354
1994	6648	1706
1995	7214	1967
1996	6999	1909
1997	7629	1916
1998	8880	1890
1999	13998	1760
2000	19635	2242
2001	23672	3845
2002	30060	4639*
<b>TOTAL</b>	<b>143391</b>	<b>21659</b>

\* Not including BSc. graduates from Riyadh College of Technology.

**Sources:**

- Annual Statistical Report for 1422/1423 A.H., GOTEVT (2002: 37).
- Annual Report on the Conditions of Technical Education and Training in the Kingdom of Saudi Arabia 1422/1423 A.H., Manpower Council (2003:07).
- Technical Education and Vocational Training Progress, GOTEVT (1999: 23).

### **3.11 Private Technical and Vocational Training Institutes**

GOTEVT also plays a major role in the private technical and vocational training in the Kingdom. This emerges from its regulatory and supervisory position over private technical and vocational training institutes. According to Manpower Council decision No. 5/m16/1404H, GOTEVT has the country's authority to issue licenses for the establishment of private technical institutes and vocational centres. In addition in the 26<sup>th</sup> of August 2000, the decision No. 13326 was issued including the executive rules and regulations overseen by GOTEVT controlling private technical institutes and vocational centres. These regulations include licences, authorization, conditions,

specifications of buildings, training instructions, and rules of examinations (GOTEVT, 2002).

There are 392 private technical institutes and vocational centres in the Kingdom offering two levels of training including secondary technical institutes and vocational training centres similar to GOTEVT ones. These institutes and centres conduct one-month short programs, three-month medium programs, or long two-year diploma programs. These programs cover specializations like computer and communication sciences, electronics, automobile mechanics and electronics, safety and security, aviation, industrial technical education, commercial technical education, supervisors technical education, and other postsecondary programs. In 2002, the total number of students enrolled in these programs reached 31,382 students while the number of graduates stood at 15,115 students (Al-Dhuwain *et al.*, 2000; GOTEVT, 2002).

### **3.12 Outcomes of Government Dominance and Bureaucracy on Higher and Vocational and Technical Education**

Higher education in the country is not in a better position than the general one. According to the same study of the Institute of Research of KFUPM (2003), Saudi higher education is coping with a number of obstacles in fulfilling its core objectives. It suffers, for example, from shortages in absorptive capacity. During the Sixth Development Plan, the total male and female enrolments in universities and girls' colleges increased from 165,000 students in 1995 to more than 263,000 students in 1999, at an average annual growth rate of 12.4%. The number of new entrants increased from 46,800 male and female students to 78,000 students, and the number

of graduates from 22,000 male and female graduates to 41,000 during the same period, at an average annual growth rate of 13.6% and 16.8% respectively. This problem escalated even further during the Seventh Development Plan as a huge influx of secondary schools students (266,000) graduated by the end of 2004 to face the limited absorptive capacity in higher education institutions (Ministry of Planning, 2000).

The Kingdom's eleven universities which are designed to absorb 30% of secondary school graduates with a total capacity of 218,000 students, are forced to increase their intakes beyond their capacity due to the increased demand resulting from high population growth and the preference for university education over vocational and technical education (Al-Sheikh 2001; World Bank, 2002; Madhi and Barrientos, 2003). However, this expansion in university intake was not based on the actual market demand for specialisation and, therefore, the trend of expansion in higher education has shifted towards social, arts, and literary studies because they are much easier to understand and therefore graduate from. This has created a shortage of graduates in scientific and technical areas (Ministry of Planning, 1997). In their study Madhi and Barrientos, (2003) state

Available statistics for 1995 show that 80% of all graduates of local universities studied in the humanities, including arts, literature, education, sociology, and religious studies. The remaining 20% is distributed among all technical and scientific subjects. The combined number of graduates in computer science, pharmacy, meteorology, environmental studies, geology, and marine sciences, accounted for just 2% of all graduates in 1995.

(P: 73)

Al-Shammary *et al.*, (2003), on the other hand, indicates minor improvement in their statistics of students graduating from universities and girls colleges for three consecutive years 1999, 2000, and 2001. In these statistics the average number of graduates from scientific and technical majors represents only 25%; on the other hand, the majority or 75% of those graduates are still graduating from literary majors. In their study Al-Shammary found that that higher education and training government institutions included a total of 1,000 departments and majors at the university level for both genders. Of those, 422 were scientific departments and majors and 578 were humanity and literary ones. Despite this relative proximity between these two numbers, the average number of graduates for the mentioned three years of the former, according to the study, was 12,586 students while the latter witnessed an average of 37,152 students representing 75% of the average number of graduates for that period. Similarly, the study found that 525 departments and majors for the postsecondary two years diploma level for both genders; 283 of them were scientific departments and majors while 242 were humanity and literary ones. The average number of graduates of the former for the three years was 4,650 students while that of the latter was 8,517. On the other hand, a different scenario existed in the vocational and technical secondary education. In this level, the study found that 281 departments and majors in the Kingdom consisting of 143 scientific and technical departments and majors and 138 humanity and literary ones. The average number of graduates of the scientific and technical departments and majors reached 14,409 students while humanity and literary majors' graduates were only 5,055 which according to their conclusion is 'to some extent' consistent with market demands and requires 'further reinforcement'. Finally, in the pre-secondary vocational and technical levels there were 740 departments and majors around the Kingdom. Of which, the majority, 702, were scientific and

technical departments and majors while only 38 were humanity and literary ones conducting short courses of English. However, the average of graduates from the former was only 6,576 which, according to their study, was quite low standing at an average of only 9 graduates per scientific department. According to Al-Shammary *et al.* (2003) these figures illustrates an imbalanced outcome of humanity and literary study majors over scientific and technical fields in government educational and training institutions (Table 3.7).

More alarming, Al-Shammary *et al.* (2003) argued that Saudi education and training outcomes were creating an upside-down pyramid. The majority of graduates were from higher education's universities amounting to 49,738 representing 56% of the average total number of graduates 88,954 for the years 2000, 2001, and 2002. Whereas average number of graduates from the rest of the three levels of the general education altogether amounted to 39,219 which represented only 44%.

**Table 3.7.**  
**Summary table of Al-Shammary *et al.* (2003) findings of the Average number of Graduates according to their majors from the four levels of education in Saudi Arabia for the years of 2000, 2001 and 2002**

Level of Education	No. of Departments in Saudi Arabia			Humanity & Literary Majors Graduates (H&L)	Scientific & Technical Majors Graduates (S&T)	% of (S&T) to (H&L) Graduates	TOTAL
	H&L*	S&T**	% of S&T				
University	578	422	42.2	37152	12586	25.3	49738
Two-years Post Secondary Diploma	242	283	53.9	8517	4650	35.3	13167
Secondary Vocational and Technical	138	143	50.9	5055	14409	74	19464
Pre-secondary Vocational and Technical	38	702	94.8	9	6576	99.8	6585
<b>TOTAL</b>	<b>996</b>	<b>1550</b>	<b>60.9</b>	<b>50733</b>	<b>38221</b>	<b>42.9</b>	<b>88954</b>

\*Humanity and Literary, \*\* Scientific and Technical

This argument led Al-Shammary *et al.*, and many others to assert the present limitations of the capabilities and qualities in these institutions altogether to fulfill current market demands of qualified human resources not to mention the future needs. They also confirm incompatibilities of these government institutions' outcomes with market demands due to the concentrations on literary studies rather than scientific and technical skills, knowledge and attitudes that are mostly demanded in the labour market (see also Al-Sultan, 1998; Al-Humaid, 2002; Riyadh Chamber of Commerce and Industry, 1999; Ghaban *et al.*, 2002; Al-Anssary, 2001; Madhi and Barrientos, 2003; Hammad, 2006; Madah, 2001; Al Ajaji, 1995; and Al-Shimaimry, and Al-Dikheelallah, 2000).

Another outcome of such a focus on literary studies rather than scientific and technical majors is the excessive utilization of a lecturing method in teaching instead of hands-on and learn-by-doing approaches. Higher education institutions use ineffective lecturing teaching method providing merely theories and abstract learning experiences to students. In addition, these institutions, then, evaluate their students' abilities to memorize and recall such experiences with less emphasis on measuring what they have acquired. Therefore, this has shifted the students' focus from learning skills and attitudes essential for their future professions to merely passing their exams.

The other side of the coin of higher education is vocational training that is provided by vast commercial training centres and government institutions. However, technical education and vocational training is mainly available through a government agency i.e. GOTEVT. It covers commercial, agricultural and industrial and technical training and education and it is available only to Saudi students, mainly male ones. On the



other hand, Saudi female students who according to Al-Sheikh (2001) represent more than half of the total numbers of students in Saudi Arabia, have limited technical education and vocational training opportunities with few exceptions in areas like teaching, health care and social work, and clothes design and production (Madhi and Barrientos, 2003). As a result, Saudi females' employment is strongly concentrated in the education sector (educational and administrative jobs) where they constitute 85.8% of the total number of all employed females. The health and social work sectors, followed by public administration make up 6.1% and 4.4% respectively (Ministry of Planning, 2005). According to the same reference, their total participation in the labour force represents only 14% of the total labour force in the Kingdom. This participation rate is limited especially when compared with a number of Arab and Islamic countries as in Table (3.8.).

**Table 3.8:  
Females Participation Rates in Economic Activity  
(15 years and above) (2002)**

Country/Region	Participation Rate (%)
<b>Egypt</b>	<b>35.7</b>
<b>Lebanon</b>	<b>30.3</b>
<b>Syria</b>	<b>58.5</b>
<b>Tunisia</b>	<b>37.5</b>
<b>Morocco</b>	<b>41.8</b>
<b>Turkey</b>	<b>50.8</b>
<b>Pakistan</b>	<b>36.3</b>
<b>Indonesia</b>	<b>56.0</b>
<b>Arab Countries</b>	<b>33.0</b>
<b>Developing Countries</b>	<b>55.8</b>
<b>Latin American and the Caribbean</b>	<b>42.5</b>
<b>South Asia</b>	<b>43.7</b>

Source: The 8<sup>th</sup> Development Plan, Ministry of Planning (2005:366).

However, it should be mentioned here that as of the 13<sup>th</sup> of April, 2005, GOTEVT was assigned to the responsible government body of technical education and vocational training activities for Saudi females (GOTEVT, 2006). According to the same report, GOTEVT conduct 23 technical training programs for them covering the following areas:

- Computer technologies.
- Electronic technologies.
- Administration techniques.
- Female beautician techniques.
- Food processing and manufacturing techniques.
- Jewellery design and manufacturing techniques.

However despite the government's high expenditure on vocational training, there is a general shortage of technical skills to meet the demand in the labour market in particular in the private sector (Al-Sheikh, 2001). Madhi and Barrientos (2003: 72) confirm similar conclusion that "education and training systems [in Saudi Arabia] are not fully able to supply the economy with the range and quantity of skilled workers it requires". Similar opinions come from the Saudi labour market by the president of Al-Zamil Steel and the Director of H. Al-Zamil Companies who states that his organization

[...] have many young Saudi graduates from both the universities and technical colleges that are looking for employment. In most cases, they are not able to find jobs because their education and training are not compatible with the demand.

(Haider, 2003)

At the same report, Al-Humaidan, managing director of the Al-Youm Publishing Group, agrees that “[Saudi] education policy has to match the market requirements” (Haider, 2003)

According to the study by the Institute of Research of KFUPM (2003), GOTEVT secondary and higher technical education encounter similar challenges of general and higher education in addition to some more. These challenges include, first, ambiguity in admission policies for secondary technical education graduates wishing to proceed for postsecondary education in GOTEVT’s technical colleges or public universities. Unlike, secondary school graduates from general education, they are expected to join the labour market after finishing their diploma and not to go for further education. Second, technical education according to the same study encounters the public’s inferior view of enrolment in secondary or higher technical education as a result of insufficient general education curricula to inculcate the importance and respect of vocational work. Third, this education lacks the essential regular revision and updating of technical education curricula to support developments of new technologies in the labour market. Therefore, it suffers of weakness of the technical education curricula accompanied by costly private vocational training. Finally, technical education and vocational training by GOTEVT have insufficient faculty staff that possess technical competencies as well as social and technical guidance abilities especially with GOTEVT’s limited financial resources to provide them with regular and up-to-date development training in their fields.

In a more general perspective, the findings of Al-Shammmary *et al.* (2003) echo the conclusions of a number of other studies and illustrate major problems of government

skill formation institutions in conjunction with the Saudi labour market demands (see also Al-Sultan, 1998; Al-Humaid, 2002; Riyadh Chamber of Commerce and Industry, 1999; Ghaban *et al.*, 2002; Al-Anssary, 2001; Madhi and Barrientos, 2003; Hammad, 2006; Madah, 2001; Al Ajaji, 1995; and Al-Shimaimry, and Al-Dikheelallah, 2000). Among such problems is that these skill formation institutions are largely controlled and dominated by government resulting in less attractiveness for the private sector investment in Human Resource Development. In fact the government through GOTEVT and other government institutions is competing with private sector businesses that are willing to risk investing in the HRD fields. At the same time the latter are dominated by GOTEVT's government bureaucratic supervision and regulations that in many cases discourage such investments. Ironically, the country lacks an autonomous government or private academic and vocational assessment and recognition body. It even lacks national vocational qualification standards that could direct and determine any HRD initiatives. More alarmingly, it also lacks unification of essential human resources related information due to its dispersal among different government organizations such as the Ministry of Labour, the Ministry of Interior, the Ministry of Civil Services, the Council of Chambers of Commerce and Industry, and the Ministry of Planning just to mention few. Therefore, the country lacks a futuristic economic vision that enables long-term skill formation planning for its human resources. This has resulted in, for example, government education and training institutions failing to recognize and fulfil small-to-medium size organizations' requirements for Saudi trained human resources despite the fact that they employ more than 71% of the workforce.

The discussions of the aforementioned studies, confirm that dilemmas dominating education and skill formation systems are attributable to the lack of coordination between higher education institutions and private and government sectors. The lack of coordination is the direct result of the centralization and control of the country's educational and vocational training systems by various government bodies. It is producing and creating bureaucratic fragmentation resulting in an unsynchronized overall vision for the country's education and economy. Therefore, the government educational and training institutions pay less attention to practical skills mostly needed in the labour market when either establishing new or developing old training programs. Due to their rigid government bureaucracies, these institutions experience lengthy processes to incorporate and modify their education and training programs to meet new market demands and Saudization plans. As a result, Saudization policies are persistently evaded by the private sector due to their limited participation in planning and providing Saudis with the education and training compatible to its labour market needs. Therefore, it is safe to conclude that the mismatch and unbalanced skill formation programs including GOTEVT's are not adequately fulfilling labour market demands for Saudi human resources and this is arguably creating the unemployment dilemma among Saudis. In addition, government systems and policies are increasingly becoming obstacles to private organizations rapid development as the government is imposing its bureaucratic performance instead of assisting this economic sector in a businesslike approach.

### **3.13 The Saudi Labour Market**

The most important Saudi labour market dilemma arises as a result of high unemployment rates among Saudis while, ironically, employing massive numbers of foreign workforce. This dilemma started to be evident during the country's high economic performance at some stage in the 1970's and early 1980's (Madhi and Barrientos, 2003). In the country, as mentioned earlier, there was little need for a Saudi working class throughout most of the two decades. In fact, the high oil prices were so high that they convinced the government to bring and pay a large number of foreign workers recruited mainly in the private sector to help in building the country's infrastructure, while simultaneously employing most Saudis in government jobs (Al-Humaid, 2005). It was nation building without getting the citizens' fingernails dirty. The government jobs' salaries were not always enough, but government subsidized this with flexible housing loans, free health care, and free education which gave most citizens a comfortable middle-class lifestyle. These government jobs were always limited and have finally reached their peak of absorbance for Saudi manpower forcing the government to look for more employment in the country's private sector. This sector was already establishing, during the years of building the country's infrastructure, a labour environment that is exclusively dependant on utilizing cheap foreign labour, which in turn created a dual labour market of Saudis employed in government jobs and cheap foreign labour in the private sector.

This dilemma of an unbalanced growing foreign labour force is associated with the country's rapid population growth, mentioned earlier, of 3.8% and with more than 50% of the total population under the age of 19. This has put enormous pressure on

the government to create employment at a rapid rate mainly in the private sector to cope with the increasing numbers of Saudi graduating every year from government educational and vocational institutions. According to Al-Sheikh (2001)

At the time when a lot of the private sector organisations in the Kingdom continued to evade recruiting Saudi nationals the number of university graduates kept increasing and the unemployment rate rising until it reached 27%. This had negative effects on the national economy and the security of the Saudi society.

(P: 123)

The dependency on the foreign labour force in the Saudi private sectors continued despite the sharp decline in the government revenues in the 1980's from 368 billion Saudi Riyals in 1981 to 104 billion Saudi Riyals in 1987, and despite the Gulf war in the 1990's (Al-Jasser, 2002). Figures indicated that there was an increasing trend of recruiting foreign labour as the applications for employment visas have been increasing annually by 24% between 1990 and 1995. According to latest figures by the Minister of Labour himself, the number of work visas for expatriates issued by his Ministry in 2008 reached 1.7 million with an increase of 34% from 1.265 million in 2007 (Al-Watan, 2008).

According to the 8<sup>th</sup> Development Plan, the total number of the work force in the Kingdom in both government and private sectors grew from 7.23 million in 1999 to 8.27 million in 2003 at an annual growth rate of 3.4%. Of the total size of the labour force, 3.54 million (42.7%) were Saudis and 4.74 million (57.2%) are expatriates. Most of these expatriates (95%) were employed by the private sector and the remaining 5% were employed by the government sector. The participation rate of the

Saudi work force in the government sector amounted to some 85.2%, while the share of Saudi employment in the private sector was only 14.8% in 2004 (Ministry of Planning, 2005). In 2005, figures by the Ministry of Labour's 2005 Annual Statistical Report indicate that Saudis in the private sector reached 623,465 employees representing 11.63% of its total employment while foreign workers amounted for 4,738,823 representing 88.37% (Ministry of Labour, 2005). The same reference illustrates that the majority (85.67%) of the total workforce (Saudis and none) in the private sector were recruited in four major industries. In the construction industry, the workforce represented 36.24% of the total employment in the private sector while 26.34% are in recruited in wholesale and retail trade. Moreover, 11.67% of the total workforce is performing the community and personal services while 11.42% are working in the transportation related industries. The remaining 14.33% of the total workforce in the private sector is recruited in the agriculture industries including fishing and forestry by 7.09%; and 2.33% are in transportation, storage and Telecommunications. The remaining 4.91% are divided between finance and real-estate services, electricity, gas and water industries and non-oil mining and quarrying.

The direct result of this low employment of Saudis in the private sector was an unemployment rate reaching approximately 9.6% according to the official report by the Saudi Minister of Labour (Saudi Press Agency, 2004). This percentage increased to 12% at the end of 2007 (Al-Watan, 2008). The Kingdom's unemployment according to the findings of the 8<sup>th</sup> Development Plan is described as 'structural unemployment' which, according to its field survey, relates to a fundamental mismatch between demand and supply of national manpower in terms of quality and quantity. That is to say, unemployment is not merely a result of a lack of vacant jobs



due to a downturn in the economy. The mismatch between supply and demand in the labour market and lack of attractiveness to work in the private sector is due partly to the relatively low wages and more importantly to a "skills imbalance". Many Saudis looking for jobs do not have the skills sought by the private sector (Ministry of Planning, 2005).

Al-Shammary *et al.* (2003) have examined this mismatch between supply and demand in the labour market for three consecutive years of 2000, 2001, and 2002. They conducted comparisons between the number of graduates of government educational and training institutions, their major of studies, and the number of foreign workforce employed in classified occupations in the labour market. They find four main categories of supply and demand to these occupations according to the time required for their full Saudization provided that graduate numbers or their supply remains at its average for the three above mentioned years. The first category includes occupations in the Saudi labour market that have a surplus of Saudi graduates over market demand especially from literary and teaching study fields. Second is the category of occupations that require 5 to 20 years of Saudi graduates current supply just to fulfil the current demands. These include medical doctors, engineers, technicians in all technical areas in addition to computer and electronic specialists just to mention a few examples. Third are occupations that require more than 20 years of current graduates supply to fulfill current market demands. These demands include, for example, laboratories and medical supporting technicians, automobile mechanics and electricians, veterinary doctors, salespeople, and construction technicians. Fourth are occupations that require only short focus training courses or merely on-the-job training to be filled with Saudis due to unavailability of majors in government educational and

training institutions covering skills for these occupations. They include, for example, managerial skills for different industrial sectors, aviation specialists, pilots, human resource and insurance specialists. (For complete and detailed specializations see Al-Shammary *et al.*, 2003: 31-45)

A number of studies by Ghaban *et al.* (2002), Al-Saiegh (1995), Ministry of Interior (1996), Al-Gaith and Al-Ma'ashoug (1997), Al-Sultan (1998), Al-Nowaiser (2001), Ba Ishen (2002) and Al-Shammary *et al.* (2003) have discussed unemployment in Saudi Arabia and have reached the following outcomes of this dilemma. These include that:

- Unemployment in Saudi Arabia differs from the rest of the Arab countries as Saudi labour market is changeable according to the fluctuation of oil prices which are the main economic source of the country.
- Unemployment rates are high among uneducated as well as educated Saudis irrespective of their education fields which are seen to be unfulfilling to labour market demands for skills.
- Unemployment rates are prevailing in the Kingdom's both cities and villages and among both Saudi males and females although the latter rates are much higher reaching in Bourland (2002) study to 33% of those between 20-24 years old and 18% for females 25-29 years.
- Unemployment rates are higher among university graduates literary majors in comparison to those graduating from scientific majors. Despite this more are still graduating from the former. For example, according to Al-Shammary *et al.* (2003) for the years 2000, 2001 and 2002 the average number of university

students graduating of the former fields of study amounts for 37,152 while scientific graduates is only 12,586 for the same period.

- Foreign labour force is rigorously and continuously competing with Saudi labour force on available employment in the labour market to the extent it is exceeding its demands in some occupations.
- 60% of the foreign labour force is unskilled workers who are the major source of unemployment to their Saudis counterparts.
- Unemployment stems mainly from private sector organizations' dependence and preference to recruit foreign labour force instead of nationals for a number of reasons as will be explained subsequently.
- Business ownership concealment and exploitation of the sponsorship system are increasing unemployment rates. The Sixth Development Plan period has witnessed the growing phenomenon of concealing the true ownership of businesses, to conceal the identity of foreigners through illegal practices to enable them undertake some commercial activities and limit Saudi nationals employment opportunities in the private sector (Ministry of Planning, 2000).
- Unemployment in the country is a direct consequence of the mismatch of education outcomes and labour market demands in both secondary and university levels.
- There are substantial differences among government and private jobs descriptions with less incorporation to most recent changes to these jobs in labour market.
- Doors for foreign unskilled and semiskilled labour recruitment are still wide open in the Kingdom as a cheaper and more profitable venue for the private sector instead of recruiting Saudis who might require short focused or on-the-job training.

- Lack of job security, long working hours, few vacations, unclear promotion systems, no formal retirement plan (especially for small enterprises employing 10 or less employees), and non-existence of minimum wage system create important unbalanced employment differences among government and private recruitment affecting Saudis' attractiveness for employment in the latter.
- Non-existence of any government social security system in the country to support and ensure minimum life requirements for Saudis who suffer unemployment despite their ability and willingness for employment.

This unemployment as illustrated by Al-Sheikh (2001) is associated with a number of negative economic, social and security outcomes that are the consequences, as seen by the study, of the presence of foreign work force in the Kingdom, which also have effects on the labour market. These include the following:

1. A lot of the foreign workers are working in jobs different from the one specified in their work permit,
2. There are transfers of sponsorships for some of the groups not needed in the labour market. Such processes enable foreign workers to stay legally in the Kingdom to search for alternative jobs,
3. Family reunion arrangements, which place a lot of burden on services such as education and health,
4. 8% annual rate increase in remits by the foreign workers to their home countries from \$3.63 billion in 1980 to \$15.24 billion in 1994. In another study of Abdel-Rahman (2003), this percentage has exceeded this, reaching 10.37% during the period of 1975-2001 achieving \$18 billion which constituted 11.79% of the country's GDP over the last decade 1990-1999.
5. The foreign labour force represents a high proportion of the Saudi population (46%).

(P: 109)

On the other hand, Al-Sheikh (2001) echoes the findings of a number of writers (Al-Ewain, 1999; Al-Nimir, 1993; Yamany, 1997) on the main reasons for private sector employers in preferring the recruitment of non-Saudis over Saudis. Employers, first, believe that available Saudi qualifications do not fulfil private sector skill requirements that search for qualified and highly trained labour at low costs. Second, employers argue that Saudi higher education is not in a position to provide graduates with the specialisation needed by the private sector. They believe that graduates of arts, humanities and other theoretical disciplines exceed graduates from scientific and technical disciplines. This argument in particular is widely supported in the Saudi literature. In addition, employers believe that the financial boom of the early seventies has contributed in establishing a culture of recklessness and dependence among Saudi youth. This culture accompanied with absence of work discipline education has led to the Saudi employees' lack of respect to employment regulations of the private sector with its challenging working conditions. Moreover, employers according to Al-Sheikh's study believe that Saudi job seekers lack the experience and aspiration for the high productivity working environment essential to this sector. The majority of them are believed to lack communicative skills especially in English which is seen as essential requirement by employers despite the argument that some of these jobs are of the contrary (Ghaban *et al.*, 2002). Employers also claim that Saudi nationals search for employment in managerial and administrative positions and are not flexible or willing for job relocation from one city to another. Finally, employers are facing the dilemma which is a result of unbalanced labour regulations in the Kingdom. On one hand, Saudis are difficult to dismiss; while on the other, they are not stable in their private sector jobs due to competitors head hunting (Al Ajaji, 1995; Tejarat Al-Riyadh, 2001; Alzalabani, 2003).

According to these reasons, it is clear that the highest priority is given to incompatibility of training and education outcomes of Saudi nationals with market skills demand, which is, arguably, the causes for the rest of the other reasons and agrees with the widely accepted perspective of evading Saudi employment in the private sector.

### **3.14 Saudi Attitudes toward Labour and Vocational Jobs in the Private Sector**

The dilemma of unemployment among Saudis discussed to this point has another contributor factor stemming from the Saudi culture itself and accumulating the complexity of the dilemma under consideration. That is the negative view generally held among Saudis to labour and manual jobs available in the labour market (Mellahi, 2000; Wiseman and Alromi, 2003; Alromi, 2001; Madhi and Barrientos, 2003; Hammad, 2005). This negative view evolved as a result of socio-economic changes the country has witnessed since the growth of oil revenues in the 1970's. This negative perception if continues in the Saudi culture will, beyond doubt, affect negatively the status and attractiveness to vocational education and training of young citizens in the country for generations to come.

As a number of studies (Mellahi, 2000; Wiseman and Alromi, 2003; Alromi, 2001; Madhi and Barrientos, 2003; Hammad, 2005) note, these manual jobs are usually associated with expatriate workers employed in the private sector for blue-collar careers with low social status in comparison to the government administrative or managerial jobs most preferable by Saudis. This is despite the Islamic principle which extensively believed on among Saudis that prohibits distinguishing among

people based on their social status. These blue-collar jobs were filled by expatriates at times when the country was in a rapid need for cheap skilled and semi-skilled labour forces unavailable locally to establish its infrastructure when oil prices were at their peak in late 1970's and early 1980's. This need for a prompt establishment of the country's infrastructure has, however, lead to the establishment of a negative cultural attitude toward private sector manual jobs that offer less salaries, less vacations, longer working hours, less job security, and less social status. Simultaneously, this negative cultural attitude was promoted by the government role of being the major employer for Saudis in white-collar jobs with higher salaries, longer vacations, less working hours, more employment security, and more importantly higher social status. Ironically, in spite of what one would think, Alromi (2001) states that for most Saudis "low income in a white-collar job would be preferable to high income in a labouring job" (p: 54). This is despite the fact that manual jobs were culturally accepted and performed by Saudis in generations prior to oil discovery (Al-Faqi and Shamsaldeen, 1995; Hammad, 2005). Concurrent with the same findings, Madhi and Barrientos (2003) echo a field study by Al-Obaid and Ateiah who found that 80% of Saudis refused manual work, 74% preferred high status occupations, 64% selected jobs with good social reputation over those with higher wages, and about the same percentage favoured working for the government. Interestingly, the former British ambassador draws upon his experience in the country and describes this cultural view by stating that

In the Kingdom, there is a disdain for any work which is not noble. Most people shy away from work they consider ignoble; Englishmen, for example, are reluctant to be waiters or dustmen. But the Saudi classification of jobs is extraordinarily strict. Not only they reject all manual and menial work; they are also reluctant to undertake anything

which is tedious or humdrum. Plumbing is manual and road sweeping is menial; for these tasks they employ foreigners.

(Alromi, 2001: 54-55)

Looking at the Saudi culture as a “traditional culture” Alromi (2001), one would find that Saudi parents, according to Wiseman and Alromi, assume and perform the guidance and support responsibilities for their children since they enter school till beyond their employment because unlike the independence view held by Western societies, “the patriarchal family hierarchy is a lifelong and life permeating relationship in most Islamic Arab nations [including Saudi Arabia]” (2003:10). The Saudi family, who usually maintains greater control and influence on their children’s education and career choices, prefers university education and government employment over vocational and technical education and private sector employment to ensure higher social status for not only their children but the family as a whole (Wiseman and Alromi, 2003; Al-Faqi and Shamsaldeen, 1995). This is in part due to the same negative view of manual and menial jobs in addition to the unpredictability of employment opportunities before the graduates of vocational and technical education in the country (Hammad, 2005) due to incompatibility between skill demand and education and training system. These reasons affect negatively not only the attractiveness toward this type of education but also the continuation of students already involved in vocational and technical education. For example, in the same study 52.5% of secondary school students surveyed showed that they are unaware of different vocational and technical programs available in GOTEVT training colleges and institutions due to their eagerness and focus to enter university education instead. Aldaoud (2000) has also found that only 62.6% (513) graduated from GOTEVT



secondary vocational institutions for the year 1991/92 while 37.4% (306) dropped out for the same above reasons.

Supporting the notion of incompatibility between skill demand and education and training system, Alromi (2001) argues that the Saudi general secondary school educational system as seen by both its students and employers does not adequately provide its graduates with personal, social, and capacity skills mostly needed in the labour market. The study concludes that the system's curriculum and skills provided do not "appear to have any influence on student's inclination to look for a job after graduating from high school" (2001: 127) leading the family and the student to pursue higher education for further self-investment with the expectation of acquiring employable skills for employment preferably in the government.

### **3.15 Government Efforts and Remedies**

To rectify the situation, the Saudi government enforced the Saudization policy in 1990's, which was included in the development plans since 1985 with limited effectiveness since then (Alzalabani, 2003). Saudization, in its short-term objective, aims at solving the dilemma of high unemployment rates among Saudis. While its long-term strategy aims at replacing the country's 4.74 million foreign workers recruited mainly (95%) in the private sector with as many qualified Saudis as possible. These foreign workers are doing everything from managing large companies, staffing hospitals with doctors and nurses, and providing every kind of professional service, to labouring in the oil fields, cooking in restaurants, changing hotel beds, and sweeping the country's immaculate streets. The Saudization policy

was published under the Council of Ministers Decree No. 50 on the 27th of September 1994 requiring private firms employing more than 20 workers “to reduce their non-Saudi labour force annually by at least 5%, and to increase their employment of Saudi workers accordingly; [it has also] identified some posts to be filled by Saudi nationals only” (Madhi and Barrientos, 2003: 75). To ensure a proper and effective compliance with Saudization policy the government established a range of incentives and penalties to encourage its implementation by employers. Non-complying firms can be subject to:

- a freeze on applications to import new foreign workers;
- a freeze on applications to renew residence cards for existing workers;
- exclusion from government tenders and financial support; and
- exclusion from access to government subsidies and facilities.

(Madhi and Barrientos, 2003: 75)

Moreover, according to Alzalabani (2003), the government has restricted government loans, contracts and benefits to achieving Saudization rates requirements. It has also introduced yearly prizes to organizations showing high percentages of Saudization. It also encouraged the annual conduct of a Career Day through which the private sector display their vacancies and promote their potential career development plans to Saudi candidates. The government also has established 54 private recruitment offices to perform as employment agencies between employer and job seekers. It is also arranging through its 37 Labour Offices in different cities for summer recruitment of students in local companies to equip them with skills and work attitudes. Finally, the government is increasing administrative expenses of recruiting expatriates from

SR351 to SR1, 600 which all goes to the budget of the Human Resource Development Fund (HRDF).

HRDF was established in Riyadh under Council of Ministers Decree No. R/18 dated 5/8/2000. According to this Decree, the Fund will be financially and administratively independent government organization “to realize the intended objectives set by the Saudi leadership to qualify young Saudis for employment in the private sector” (HRDF, 2004: 18). The Board of its Directors is chaired by the Minister of Interior with three representative businessmen from the private sector in addition to a number of government representatives (Tejarat Al-Riyadh, 2001). In order to achieve its general objective, the Fund provides 75% of training costs and 50% of the salary of new employee in the private sector for a maximum of two years (Alzalabani, 2003). The Fund also, according to its annual report, subsidizes field programs and projects to study Saudi employment in the private sector. It also supports private organizations involved in developing and employing Saudi human resources. Finally, the Fund conducts research as well as annual symposiums to serve its main objective of Saudizing HR in the private sector.

Since its establishment and up to 2004, HRDF has financed 43,774 employment opportunities through its different programs--employment-oriented training program, the direct employment program, and joint-training programs (HRDF, 2004). In 2006, the fund has financed 51,059 employment opportunities in the private sector (HRDF, 2006). Although HRDF is producing increasing results and positive improvement, both figures do not match the increasing ratio of unemployed Saudis that have been registered and that are increasing every graduation year. In its ‘Saudi Employment

Campaign' run by the Ministry of Labour and GOTEVT around the Kingdom, 155,000 unemployed Saudis were registered till the end of 2005 (Al-Watan, 2005).

So it is safe to conclude that until this date and despite increasing and persistent efforts by the government to Saudize the private sector -- the major potential recruiting market -- most indicators show the preference of this sector for recruiting foreigners the evading the recruitment of Saudi nationals (Al-Sheikh 2001) with some few exceptions of organizations achieving high percentages of Saudization.

### **3.16 Factors of Successful Saudization**

The ineffectual Saudization in the private sector we have been discussing so far has some successful scenarios in a number of quasi-government as well as private organizations. These successful Saudization examples, although generally overlooked by Saudi HR literature, should be explored to understand the reasons for satisfactory training and employment efforts behind their Saudization. These organizations are very active in providing their existing employees with an in-house and on the job training as well as reorientation training programs for their newly hired employees. Organizations such as the Saudi Arabian Basic Industries Corporation (SABIC) and Saudi Electric Company (SEC) are two examples of quasi-government organizations that operate their own training centers. The Saudi government owns 70% and 72% of their shares consecutively while the rest are owned by the private Saudi citizens and other Gulf nationals (Ministry of Planning, 2003; Almineef, 1994, Al-Salamah and Wilson 2001). In Addition, there are a number of private organizations, especially banks and Saudi Telecommunication Company (STC) and a number of smaller

private organizations that have made remarkable strides in their Saudization drive with some of them achieving more than 70% target (Bahthelah, 2005; Al-Jasser, 2002; Economy World, 2004, SABIC, 2004). These smaller organizations have been awarded the Minister of Interior Award for achieving high Saudization figures (see Alyaum, 2003)

After reviewing the limited available literature on these organizations' experiences with Saudization, it appears their achievements of relatively high Saudization are the result of three main factors. First there is a mutual belief and recognition among top management of these organizations that Saudization is an achievable national strategic long-term goal of investment in Saudi human capital. This belief, although encountering poor qualification of Saudi graduates of government educational and training institutions is, nevertheless, achieved through redeveloping those graduates on the businesses' actual skills needs. Second, to put it differently, they have integrated policies to redevelop newly employed human resources and continuously develop existing ones through in-house and on-the-job training or customized programs through coordination with local or international training bodies. The third factor is illustrated through their incorporation and implementation of human resource management initiatives that attract and retain Saudi manpower such as the implementation of a gradual Saudization plan, attracting and assessing potential employees, linking employee progression plan to his/her career training plan, relating salary and promotion system to employee performance, providing employees with clear retirement plans just to mention a few (Alyaum, 2003; Alriyadh, 2003, Bahthelah, 2005; SAMA, 2005; Al-Ghaith, 1996; SABIC, 2004; Economy World, 2003)

As an example of an industry achieving high percentages of Saudization and implementing the above three factors, the attention will be drawn to the banking industry which has exceeded 79% Saudization of its HR (SAMA, 2005). Their experience as a sector of achieving such high figures of Saudization represents, arguably, the effectiveness and achievability of the Saudization program. It was clearly a government policy driven by the Saudi Arabian Monetary Agency (SAMA) the main supervisory and regulatory government body controlling the banking and financial sector (Al-Ghaith, 1996). SAMA's implementation of such a policy was under a balanced process of maintaining the strength and soundness of the sector while gradually replacing its foreign HR by qualified Saudis. This Saudization was balanced not to overlook the local banks needs for international expertise to assure their global competition (Al-Ghaith, 1996; Al-Jasser, 2002).

To accomplish Saudization, according to Al-Ghaith (1996), SAMA has established a Saudization unit to supervise and study the banking sector progress on

- Gradually replacing its foreign staff by Saudis following the government annual quota of 5%.
- Saudizing their top management and leading positions.
- Establishing and implementing training and development programs to redevelop Saudi staff to ensure their efficiency and effectiveness.
- Reporting their Saudization progress to the unit in SAMA to assist them in their Saudization efforts.

It could be argued that SAMA's regulatory and close supervisory role to Saudize HR in local banks has put the spin on the wheel of Saudization of the banking industry. The gradual and constant process of Saudization has created the culture and belief in the banks' top management to Saudize and invest in developing its HR. This was supported and accompanied by rapid growth of the banking industry which is an essential factor of their ability to invest in their HR development and retention.

Saudi banks were not absent from the economy booming in Saudi Arabia since the discovery of oil. For example, the 1970's "was a period of rapid growth for the banking system; banks' assets grew from 3 billion Saudi Riyals to 93 billion Saudi Riyals, and deposits from 2 billion Saudi Riyals to 68 billion Saudi Riyals" (Al-Jasser, 2002: 7). Three decades later, Saudi banks are still maintaining their growth momentum and profitability despite the consequences of the tumbling oil prices in the 1980's and after the Gulf crisis in the 1990's, and the difficult international conditions including 1994 Mexican crisis, the 1997 South East Asian crisis and recent crises in Russia, Brazil, Argentina, and Turkey. These crises as Al-Jasser explains produced "heavy withdrawal of deposits for precautionary cash holding and transfer of funds abroad [which] created a severe liquidity problem for [Saudi] banks" (2002: 8). Internally, on the other hand, the Saudi banking sector is confronting competitive trends among each other and with foreign investors coming to the country after the new Foreign Investment Law 2000. This competition includes consolidation through mergers and acquisitions, diversification of asset composition, offering conventional and Islamic investment products to a diversified investor base and emphasizing shareholder value as opposed to growth in balance sheet (Al-Sayari, 2003). Moreover, Saudi banks have to face the Saudi rapidly annual growing population of

3.8 percent with their increasing consumer awareness and sophistication of not only the banking services provided but also the quality in providing such services (World Bank, 2002).

Despite all the above conditions and competitions, Saudi banks continued their rapid growth in their assets by about 113%, deposits by 104%, and capital and reserves by 169% during the period of 1990 to June 2002. They have also exceeded 18.7% on their average risk-weighted capital to asset ratio, “which is considerably higher than the minimum of 8% recommended by the Basel Committee on Banking Supervision of the Bank for International Settlements (BIS)” (Al-Jasser, 2002: 9)

Furthermore, Saudi banks have invested heavily in new technologies in order to cope with the instantly and secrecy demands of their customers. They introduced a number of sophisticated payment and settlement systems.

[These systems] include Automated Cheque Clearing Houses; Saudi Payments Network (SPAN) which supports ATM's and Point of Sale Terminals and Tadawul the Electronic Share Trading System, with T+O settlement features. These state-of-the-art systems have been linked together with the Saudi Arabian Riyal Inter-bank System (SARIE), an electronic fund transfer system with Real Time Gross Settlement (RTGS) features. The payment systems not only meet but also exceed BIS standards.

(Al-Sayari, 2003: 2)

Very importantly and despite this advancement in technology, Saudi banks' rapid growth throughout its history was accompanied with similar growth in its human resources management practices. Al-Sheikh (2001) found “basic elements of the HRM models are quite visible in [...] the banking sector”, which are according to his



study, “relatively advanced” due to banks “competition awareness.” Results of such practices are clear in their recruitment and development programs that contribute to the increase of their employees from 11,000 employees in 1980’s to 25,000 employees in the first half of 2002. In his report, Al-Jasser (2002: 9) states that

Saudi banks have invested heavily in the training of Saudis by instituting their own training programmes and also by benefiting from the Institute of Banking in Riyadh run by SAMA. As a result, the Saudi banking system is now 72% Saudized.

Riyad Bank , for example, has even based its training and management development ‘philosophy’ on that “employees are the most valuable resources in the Bank and they shall be treated as such” for the same bank “ the ratio of training budget of the Saudi staff payroll is equal to 18.5% which exceed that of most major local and international company.” (Ashshowwaf 1995:2)

According to Al-Ghaith (1996), Saudi banks have implemented a number of procedures to accelerate their Saudization programs. These include attracting young Saudis holding either Banking Studies diplomas from the Institute of Public Administration or Bachelors from local universities regardless of their majors. The banks then develop training programs and progression plans according to their future job description. The training and reorientation programs usually are executed through in-house training centers in the banks or through training contracts with local or international training centers to provide customized training that entails on-the-job training modules (Al-Ghaith, 1996). For example, during the researcher interview with Mr. Al-Najran the General Manager of HR Group at the Arab National Bank (ANB) in 2004, he argued that the bank has a

Training Centre staffed with ANB trainers who provide our employees with ANB-specific training as well as some general banking training. For areas not covered by the Training Centre, we are pleased to have and always explore the resources of the Institute of Banking. ANB staff attends many type of general management and banking programs delivered by the Institute of Banking. In addition, at times we contract with the Institute of Banking to provide a tailored program for ANB.

It is important to mention that the Saudi banks experience of Saudization is a promising example like a number of other successful examples in the Saudi labour market that should not be overlooked just because the majority of Saudi HR literature focuses on the contrary. Quite the opposite, lessons should be learnt from those few examples of successful Saudization in the market. This is despite the considerable argument in the literature suggesting that quasi-government, banks and other few mentioned above organizations are financially and resourcefully capable of implementing and sacrificing time, money and efforts to saudize their HR. Supporting such an argument is the availability and illegibility of hiring cheap foreign labour which beyond doubt increase organizations' profitability yet exploit the whole Saudi nations' economy.

To Sum up, this final section of this chapter examined the situation in the Saudi labour market as discussed in the literature. The focus was on the different factors affecting supply and demand and leading to unemployment of Saudis in the private labour market. The section also included another important factor contributing to unemployment among nationals that is Saudis' attitudes of rejecting employment in the private sector and preferring employment in the government. The section

analyzed government strategies for reducing unemployment in the labour market i.e. Saudization in addition to different government initiatives to increase employment of Saudis in private organizations simultaneously decrease expatriates employment. Finally, the section examined some successful cases of private organizations achieving high rates of Saudization to understand the contributing reasons for their success which many others could not achieve yet.

Moreover, this final section will assist our discussion and analysis of the findings of this research collected from Saudi government, quasigovernment and private organizations. The findings will provide current and from the field information regarding the situation of the labour market on some of the above discussed matters. That discussion will include the Saudization strategy and the dominance of expatriates in the labour market. It will examine different obstacles encountering the implementation of such strategy in the private labour market. Furthermore, the discussion will examine the factors that are leading to some private organizations to accomplish Saudization as viewed by Saudi government, quasigovernment and private organizations.

### **3.17 Conclusion**

This chapter sheds light upon HRD and education in the Kingdom of Saudi Arabia. It looks on the Saudi educational structure and system. It also examines each educational stage's objectives, development, and achievements as well as the challenges facing such stages. From these challenges, it is clear that despite the

government's ample expenditure and extensive planning for HRD and education there are still major problems encountering Saudis development in all levels.

This chapter aims to broaden the reader's understanding to the upcoming chapters that will analyze and discuss in further details GOTEVT vocational and training programs in conjunction with private sectors demands for qualified Saudi manpower as well as the proposed privatization of such essential HRD organization.

## **CHAPTER FOUR TRAINING, EDUCATION AND HRD A REVIEW OF THE LITERATURE**

### **4.1 Introduction:**

This chapter starts with a brief yet essential terminological distinction between training and education. This is followed by examining the essential assumptions and implications of the human capital theory in Saudi Arabia. Then a brief look at two examples for skill formation developments in Germany and Malaysia. The chapter then focuses on Hendry's framework that studies the interaction of factors that drive or hinder firms' support for training and encourages them to practice it on a continuing basis. The examination and discussion of Hendry's model supports this research in studying such factors in the Saudi private organizations. It might also lead to the modification of this model to identify the forces driving, stabilizing, and/or inhibiting HRD in the context of Saudization in the Saudi organizations.

### **4.2 Training and Education**

Prior to reviewing the literature in this chapter, it is essential to establish a common understanding of the related concepts of training and education. This will produce a concrete foundation for the issues that will be discussed in this study since it will be looking at the development of workforce skills and Saudization in Saudi Arabia. Such development will, inevitably, include overlapping issues related to both training and/or education. Apparently, both terminologies are employed interchangeably in substantial literature in Saudi Arabia to indicate skill development provided by different educational bodies in Saudi Arabia for the labour market. Therefore, although, the main focus throughout this study will be on GOTEVT, the Saudi

education role cannot be excluded from such discussion as it is, too, an essential source of the development of workforce skills. In fact GOTEVT's outcomes of skills are dependant on the level and quality of the other educational entities especially from the basic education stages --primary, intermediate and secondary. However, this section will not be involved in the conceptual distinction among these concepts since it is thoroughly discussed in the literature and it is beyond the scope of this research. An excellent overview of this distinction can be found in the work of Buckley and Caple (1990).

In reviewing the literature on training and education, training according to Nadler and Wiggs (1986) is an activity that focuses on “learning the skills, knowledge, and attitudes required to initially perform a job or task or improve upon the performance of current job or task” (p.4). Similarly, Buckley and Caple (1990) define training as “a planned and systematic effort to modify or develop knowledge/skills/attitude through learning experience, to achieve effective performance in an activity or range of activities” (p.13). To Al-Khayyat and Elgamal (1997) training is a “planned learning system aimed at attitude and/or behavioural change by equipping individuals with desired knowledge and skills in order to maximize his/her potential performance and, therefore, increase organization productivity” (p. 89). Armstrong (2001) adopts similar definition for training with an emphasis on changing behaviors through “learning [that] occurs as a result of education, instruction, development and planned experience” (p. 36).

Education, on the other hand, is a “long-term oriented undertaking, which focuses on learning new skills, knowledge and attitudes that will equip an individual to assume a

new job or to do a different task at some predetermined future time” (Al-Khayyat and Elgamal, 1997: 89). Buckley and Caple (1990) in their definition of education assume an organic process and general effect. They define education as a “process and a series of activities which aim at enabling an individual to assimilate and develop knowledge, skills, values and understanding that are not simply related to a narrow field of activity but allowed a broad range of problems to be defined, analyzed and solved” (1990: 14).

Therefore, it is clear that the concepts are the means that aim at an end of establishing a change in the person’s knowledge, skills and attitude to maximize his/her potential performance and, therefore, increase organizational productivity (Buckley and Caple, 1990; Al-Khayyat and Elgamal, 1997; Harrison, 1990; Armstrong, 2001). Similarly, the integration of the two concepts through vocational education and training achieves similar development to the individual’s knowledge, skills and attitude in relation to his/her job requirements. In other words, vocational education and training are defined as “the process and activities for acquiring the range of knowledge and skills that are related to current or future work requirements by formal, structured, or guided means” (Hendry *et. al.*, 1991: 57).

### **4.3 Human Capital Theory**

This part of the chapter examines Human Capital Theory in relation to the Saudi context. It looks at its implications and utilizations by both Saudi students and Saudi government planning for investing in developing its citizens. The discussion examines studies that look into Saudis perspectives for investing in personal development to obtain better employment and therefore better income. It also

examines government investment in developing its human capital as a venue for increasing their employability and productivity in the workplace.

Human Capital Theory origins can be traced back to the work of economists such as Adam Smith, Gary Becker and Theodore Schultz, just to mention few, on establishing techniques and theoretical framework to study the importance of education in promoting economic development (Ashton and Green, 1996; Thompson and Gray, 1995). The analysis of training and development as investments in human capital was pioneered in the late 1950s and early 1960s through works of leading economics scholars (Solow, 1956; Schultz, 1961; Denison, 1962; Mincer, 1962; Becker, 1993). In the United States after World War II, Human Capital Theory was associating knowledge levels of American workers primarily with their levels of formal schooling. Associating educational levels with productivity and economic growth, led to the inference that more schooling would lead to increased productivity.

According to Livingstone

Throughout the post-1945 expansionary era, the simultaneous increase of school participation rates and earned incomes in advanced industrial market economies [which] lent apparent support to both the individual and aggregate dimensions of this perspective and encouraged the popular view that more schooling would inevitably lead to greater economic success.

(1997: 9)

In the 1950s, the main factors of production consisted of the four traditional factors namely: physical capital, labour, land and management. In the early 1960s, economic growth accounting studies, explained the growth of the United States of America's economy in terms of the four traditional factors of production (Denison, 1962).



However, the income growth accounting equations never balanced due to a gap existed which was referred to later as the residual factor (Shultz, 1961). It was the Nobel price winner, Theodore Shultz who identified this residual factor as human capital. This was the origin of this important term ‘capital’ that has now become very important in the 21<sup>st</sup> century. Consequently, instead of confining the term capital to physical meaning, it has now acquired additional meanings such as: intellectual capital, human capital, structural capital, relational capital, consumer capital, social capital, financial capital, organizational capital, innovation capital, and process capital (Edvinsson and Malone, 1997). The fundamental principle that underpins human capital theory, our primary focus here, is the belief that peoples' learning capacities are comparable to other resources involved in the production of goods and services and when the resource is effectively utilized, the results are profitable both for the individual and the society at large (Shultz, 1961). Becker (1993) while explaining the unique nature of human capital noted:

I am going to talk about a different kind of capital. Schooling, a computer training course, expenditures on medical care, lectures on the virtues of punctuality and honesty are capital too, in the sense that they improve health, raise earnings, or add to a person's appreciation of literature over much of his or her lifetime. Consequently, it is fully in keeping with the capital concept as traditionally defined to say that expenditures on education, training, medical care etc., are investments in capital.

(P. 15-16)

Much has been written about the benefits of investing in human capital as a precondition to a country's development. Countries not endowed with natural resources such as Korea and Japan argue that the main resource is the people hence the need to invest in them. Their strategy of investing in their human resources is

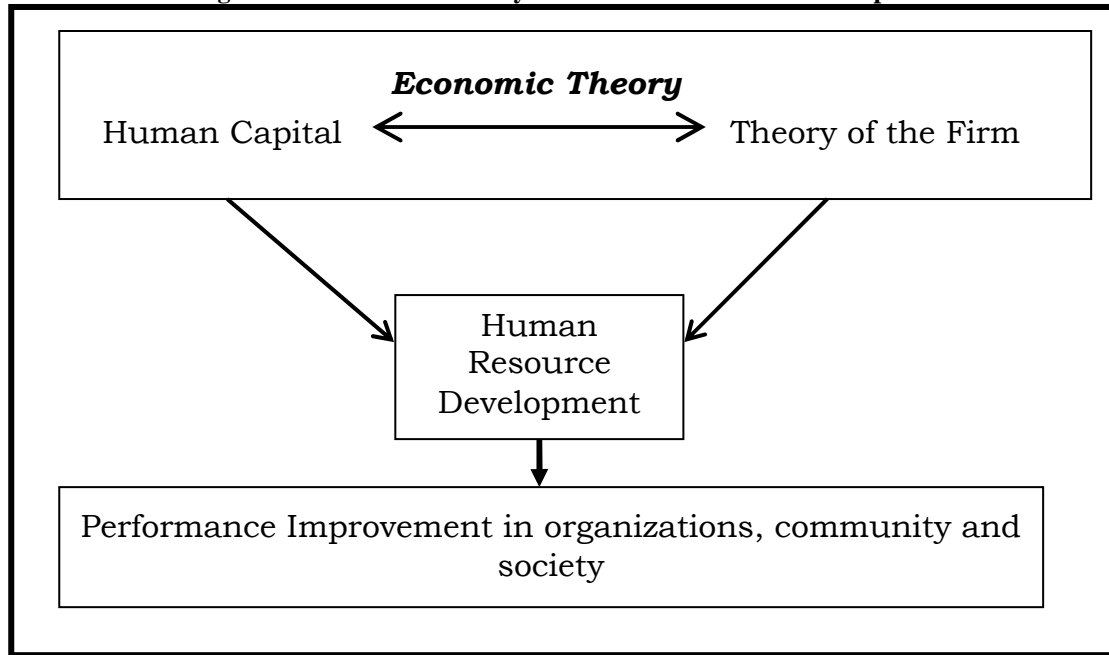
consistent with views of economists such as Romer (1990, 1994) who regards human capital in terms of the contribution of ideas as the primary source of economic growth and development of any society. Similarly, Aliaga (2001) asserts that the theory of human capital is one theory that “better explains the gains of education and training” (p: 442) as a form of investment in human resources. The theory also, according to the same study, considers as its main proposition that “human capital [including skills and knowledge] is a form of capital [which] is in substantial part a product of investment” (2001: 443). In other words, education and training are processes of human capital formation of people resulting from deliberate investments.

Another consequence or outcome of this investment in human capital is the improvement in the person’s income due to his/her gain of new skills and knowledge. Becker (1993:17) asserts that, “high school and college education in the United States greatly raise a person’s income”, and that “many workers increase their productivity by learning new skills and perfecting old ones while on the job” (p: 31). Education and schooling are seen as activities that prepare the labour force and account for the “otherwise unexplained rise in earnings” (Aliaga, 2001:443; Shultz, 1961). Therefore, human capital theory is an economic theory that addresses the macroeconomics of production and economic development. Zidan (2001: 437) observed that “human capital theory views human capabilities – their knowledge, skills, health and efforts – as integral parts of the capital of a country, along with financial and natural resources.” This is concurrent with Hogendorn (1996) who explains that the premise of the Human Capital Theory is that investments made in educating the workforce and developing their skills among other services such as providing them with nourishment

and maintaining their health would pay economic dividends for a country or organization.

A Number of scholars including Becker (1993), Shultz (1961), Mincer (1962), and Dennison (1962) present their theories to explain the impact of education and training on an individual's performance, lifetime wages, and earnings. Education and training are the most tangible concepts in the Human Capital Theory which have direct linkage with HRD (Aliaga, 2001). In the same study, Aliaga attempts to explain the relationship between Human Capital Theory, HRD, and performance as illustrated in Figure 4.1. Human Capital Theory has its foundation in the economic theory of the firm which "explains the use of inputs to produce output" (2001: 443). A firm as an economic unit employs several resources, including human resources or human capital with the main objective of profit maximization. Thus, through HRD, human resources are developed and employed by the firm in order to achieve its objectives. The theory of human capital states that education and training equips workers with competent skills, knowledge and attitude that make them more productive. It equips people with durable traits and makes them good performers in organizations, communities and in society at large. Therefore, the only way to improve individual performance is to increase their productivity through education and training. Human Resource Development, beyond its effect on individuals and organizations, also carries with it the potential for economic benefits (Zidan, 2001).

**Figure 4.1: Economic Theory as a Foundation of HRD Discipline**



Source: Aliaga, O. (2001) *Human Capital, HRD and the Knowledge Organization*. In O. A. Aliaga (eds.): *Academy of HRD 2001 Conference Proceedings* (pp: 441-448), Baton Rouge, LA., Academy of Human Resource Development.

A Similar belief of investing in human resources as human capital has been adopted by both individual Saudis and their families as well as the Saudi government throughout its successive development plans. For example according to Wiseman and Alromi (2003: 11) “human capital rationale predominate school to work transition investment and implementation decisions among Saudi students and families”. On the other hand, the state has also established most of its HRD strategies on investing in Saudis as its human capital. According to the 7<sup>th</sup> Development Plan for example

International experience in the field of socio-economic development clearly demonstrates that the ultimate source of a nation's wealth increasingly lies in its human resources and the productive skills of its labour force, or in its “human capital”. Recognizing this trend from the onset of development planning, the Kingdom's successive plans have given greater attention to human resources development through continuous support of primary,

intermediate, secondary and higher education, as well as of technical education, vocational training, and pre-service and in-service training.

(Ministry of Planning, 2000: 44)

This investment in fact was translated into considerable quantitative development of both graduates and schools of all education and training levels starting from general education --primary, intermediate and secondary-- and universities to technical education and vocational training colleges and centres (Ministry of Planning, 2000). However, despite all these developments an essential question of quality of these developments and their outcomes remains unclear or unaccounted for which might challenge some of the principles of Human Capital Theory when applied in a country like the Kingdom (Alromi, 2001) and add to the criticism of such a theory already existing in the literature.

In Alromi's (2001) study, the attempt was to examine the conditions and abilities, as seen by students and potential employers, of the general secondary school system and curriculum to provide its students with personal, social and capacity employable skills. The study concluded that "spending time in a general high school system such as Saudi Arabia's without acquiring multiple skills --personal, social and capacity-- does not ensure employment for general high school graduates" (2001: 129). This finding, as argued by Alromi, 'challenges' one of the propositions of Human Capital Theory which proposes that acquiring more knowledge and basic vocational skills by spending more time in schooling would assist graduates in their future employment in (Becker, 1993). Accordingly, Alromi asserts that Human Capital Theory overlooks the diversification of skills provided to students instead of just focusing on knowledge and skills as an approach toward better productivity especially in the case studied in

the Saudi context. Alromi's argument advocates a better understanding of labour market needs for skills and knowledge to be incorporated into the school system and curriculum for best return on human capital investment. However, it is essential to mention that the Human Capital Theory advocates its propositions in societies that do not use excessive foreign labour in their labour markets. In other words, Alromi's arguments, although still valid, it should not overlook the unique variables of the Saudi offer and demands systems that were not accounted for in the Human Capital Theory.

Livingstone (1997), on the other hand, argues that blaming learning systems for shortages in Human Capital Theory is just an approach applied by human capital advocates to overcome its failure in accounting for the 'education-jobs gap' in the Canadian system. His critique of the theory argues that "investments in education and training programs [...] are unlikely to close the education-jobs gap in light of the surplus of human capital already widely available" (1997:12). This surplus, according to Livingstone, has created underemployment resulting in people's years of investment through the formal and further education which has produced "the credential gap" and "the performance gap". Both gaps represent a discrepancy in employment between what people are qualified and knowledgeable of, and the entrants' and performance requirements for the jobs. Livingstone asserts that economic reforms are the key to these gaps between what education produces of skills and knowledge and what the labour market demands. Ashton and Green, (1996) consider similar view in that economists perceive, through Human Capital Theory, that education systems as a "black box" to produce skills regardless of what goes on inside "as if it were a form of physical capital" (p:18). This 'black box' will be the

one to receive the blame if the employment market suffers high rates of unemployment.

In conclusion, to be fair, although the argument of quality in the Saudi education and training system would stand resulting in a skills gap, the employment market, especially in the private sector, is not entirely innocent. In fact the private sector is seeking cheap foreign labour to maximize its revenues, and practice more employment control on recruitment, promotion, salaries, relocation, and dismissal. On the one hand, this dilemma has been supported by the government 'open door policy to foreign workers' implemented to this date accumulating the challenge of growing unemployment rates in the Kingdom. While on the other hand, it has been encouraged by the Saudi cultural avoidance and reluctance to gain employment in the manual and menial vocational jobs in the private sector. It has been also stimulated by mismatched workforce development programs that are not yet developed according to industry needs to support the country's efforts to Saudize the private labour market. In other words, even if the Saudi individual wishes to invest in developing him/herself to be employable, the current skill formation systems do not support such ambition. Graduates of such systems lack the specialization skills, knowledge and attitudes that can increase their employment opportunities as well as their longevity in the more challenging and performance demanding environments of the private sector.

#### **4.5 Overview of the International Process of Skill Formation**

Two examples on the process of skill formation in Germany and Malaysia are examined briefly. Although there are many other alternatives, the selection of these

two particular countries was based on their industrialization and skill formation developments which have impacted on the Saudi's skill formation development. Their skill formation processes frequently influence the Saudi ones during government strategic planning and policy development. In addition, these two countries have major consultative cooperation projects with the Saudi's systems that, beyond doubt, affect the latter with the accumulative experiences from these countries.

Germany, after the war time and the end of the Nazi era, was divided into 16 regional states (*Landers*) (Al-Dhuwain *et al.*, 2000). This supported the country's new approach of pluralism and replace Hitler years of totalitarian principles (Ashton and Green, 1996). Regional policies concerning skill formation became the responsibility of the regional states leaving the central government with limited role of setting broad legal boundaries and a regulatory framework as well as supervising vocational training and certification (Shackleton *et al.*, 1995; Gibbons-Wood and Lange, 2000). This process according to Al-Dhuwain *et al.* (2000) guarantees more flexibility to the regional states to pursue educational and skill formation policies that fulfill their regional market needs.

On the other hand, Germany's central government role has achieved a high degree of success in resolving conflict between capital and labour. This structure has the strength of regulation and enforcement by the state with coordination with professional unions or 'Guilds' and the German Commercial and Industrial Chambers (Al-Dhuwain *et al.*, 2000). Therefore, it produced the country's apprenticeship qualifications systems in addition to a financial system encouraging long-term investment in developing the country's human resources. It also established a market



strategy of high-value-added production systems interdependent on technology leadership and a highly skilled work-force (Ashton and Green, 1996). However, this heavily structured system which is characterized by its high levels of skill formation, according to Buectmann *et al.* (1994) and Ashton and Green (1996), is inflexible and limits workers' movement between occupations or even progression to higher skills professions.

Unlike Germany, the Malaysian central government is the main controller on skill formation systems. The creation of a Malaysian skill formation system has been a gradual process following the economic developments in the country. According to Tzannatos and Johnes "the primary goal of educational policy [in Malaysia] has been to foster national unity." (1997: 436). The government has made significant efforts to increase investment in education and training and linking them to research and development (Obaid, 2004). But only where such efforts were well coordinated and linked among government, private actors and academia have they been successful (Al-Mutawa, 2005).

The bureaucracy responsible for skill formation in Malaysia was highly fragmented. The country's skill formation system was divided between different Ministries, quasigovernment agencies, research institutes, corporations and the Economic Planning Unit in the Prime Minister's office (Malaysian Ministry of Finance, 2002). There was very little coordination within the bureaucracy or among these entities (Tan and Gill, 2000). The patterns of bureaucratic fragmentation at the line ministry level were increasingly put together with an increasing amount of bureaucratic decision-

making centralization in the office of the Prime Minister (Research Institute for Asia and Pacific, 2001). According to the same study, bureaucratic fragmentation prioritized investment into the public rather than private sector. Therefore, instead of creating firm-focused training institutes, the government chose to expand the public system of education and training.

To overcome such obstacles, Malaysia attempted to create linkages of consultative mechanisms with the private actors to extract information regarding their HRD needs and the venues of meeting such needs (Tan and Gill, 2000). But these mechanisms, according to Ritchie, (2001b) and Ritchie, (2001a) assume that once government has acquired the necessary information, it can respond to these needs of the private sector on its own. While this was perhaps true when private actors needed roads and telephone lines, it is decreasingly true when the needed goods are skills, knowledge, innovation, and so forth. Especially that the government training efforts focused on pre-employment training rather than in-service training (Tan and Gill, 2000). According to their study, they found that graduates of the skill formation system were “tested for competencies in basic skills, not in the intermediate or advanced skills that are needed after entering employment” (2000: 234) which may not reflect the country’s transition toward their Vision 2020.

#### **4.6 Private Sector Organizations and the Development of Workforce Skills**

As indicated earlier in this chapter, the inclusion of Hendry’s model in this study assists our understanding and analysis of the factors that affect investing in training Saudis on the level of the organization. The examination of Hendry’s work in this

chapter establishes the theoretical background for the examination of the findings in the Analysis Chapter later. In this respect, it assists examining the current factors that drive, stabilize and/or hinder Saudi private organizations to invest in training to accomplish Saudization or for retaining qualified employees after achieving high rates of Saudization. The latter, we believe, is more crucial from an HRD perspective than the former as it ensures long-term investment in developing Saudi employees that is not merely conditioned to Saudization requirements. Accordingly, this approach is an investment approach that views Saudi employees as a real human capital asset for private organizations' which is a belief and an approach that government policy makers and skill formation systems should not overlook.

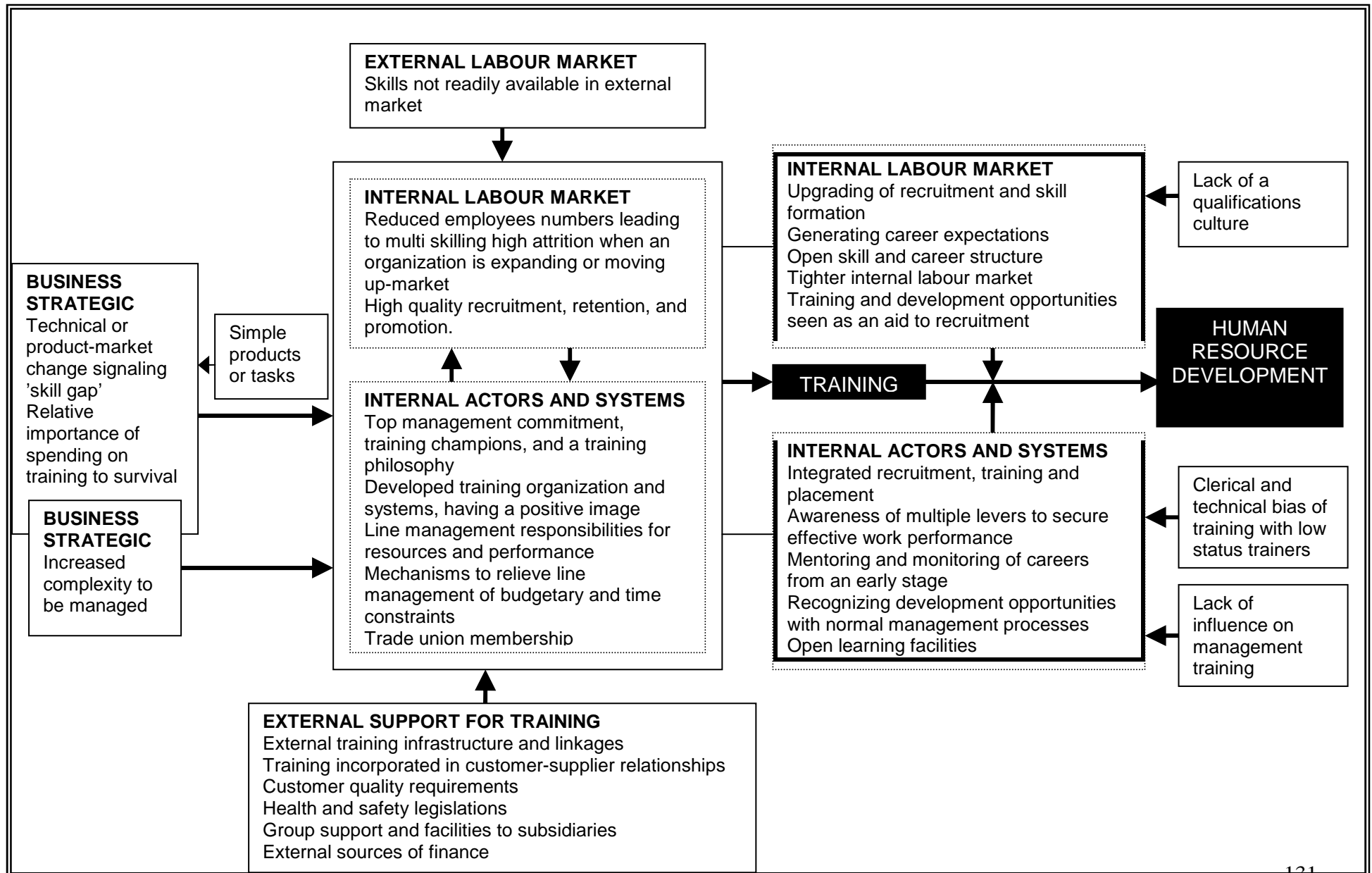
Hendry (1991) employed in his study a model originally developed from a research with Pettigrew and others in 1989 to assist in understanding the factors that interact with each other to either drive or stop firms to train and to encourage them to train on a continuing basis. The study of the Centre for Corporate Strategy and Change at Warwick University was used to understand the HRD practices in small-to-medium enterprises. Over a period of years, the two studies examined over 40 detailed case studies of organizations employing between 25 and 500 employees, covering a range of sectors and regions to study the relationship between corporate strategy and training-as one means towards securing skill supply- and how the latter "has been driven by strategic responses to heightened competition" (Hendry, 1991:79). This relationship, as Hendry concludes, is "not simple and direct" and involves "a wide variety of human resource practices" to meet its long-term needs of skill supply. More importantly, it is affected by a variety of 'driving', 'stabilizing', and/or 'inhibiting' factors (1991:79).

According to Hendry (1991), the training driving and stabilizing or 'positive' factors which are shown in Figure (4.2) include business strategy, competitive pressure, the external labour market, the internal labour market, internal actors and systems, and external support for training. On the contrary, there are a number of 'specific circumstances' that inhibit or have a 'negative' impact on training in organizations such as the simple products or tasks, lack of qualifications culture, clerical and technical bias of training with low status trainers, and lack of influence of management training. The study argues that for training activities to produce an 'effective change', organizations must 'mobilize' a large number of the positive factors and 'neutralize' the negative ones. In addition and for the same purpose, training activities must be incorporated with the broader HRD and HRM process since they will be affecting organizations' recruitment, grading, pay, and appraisal.

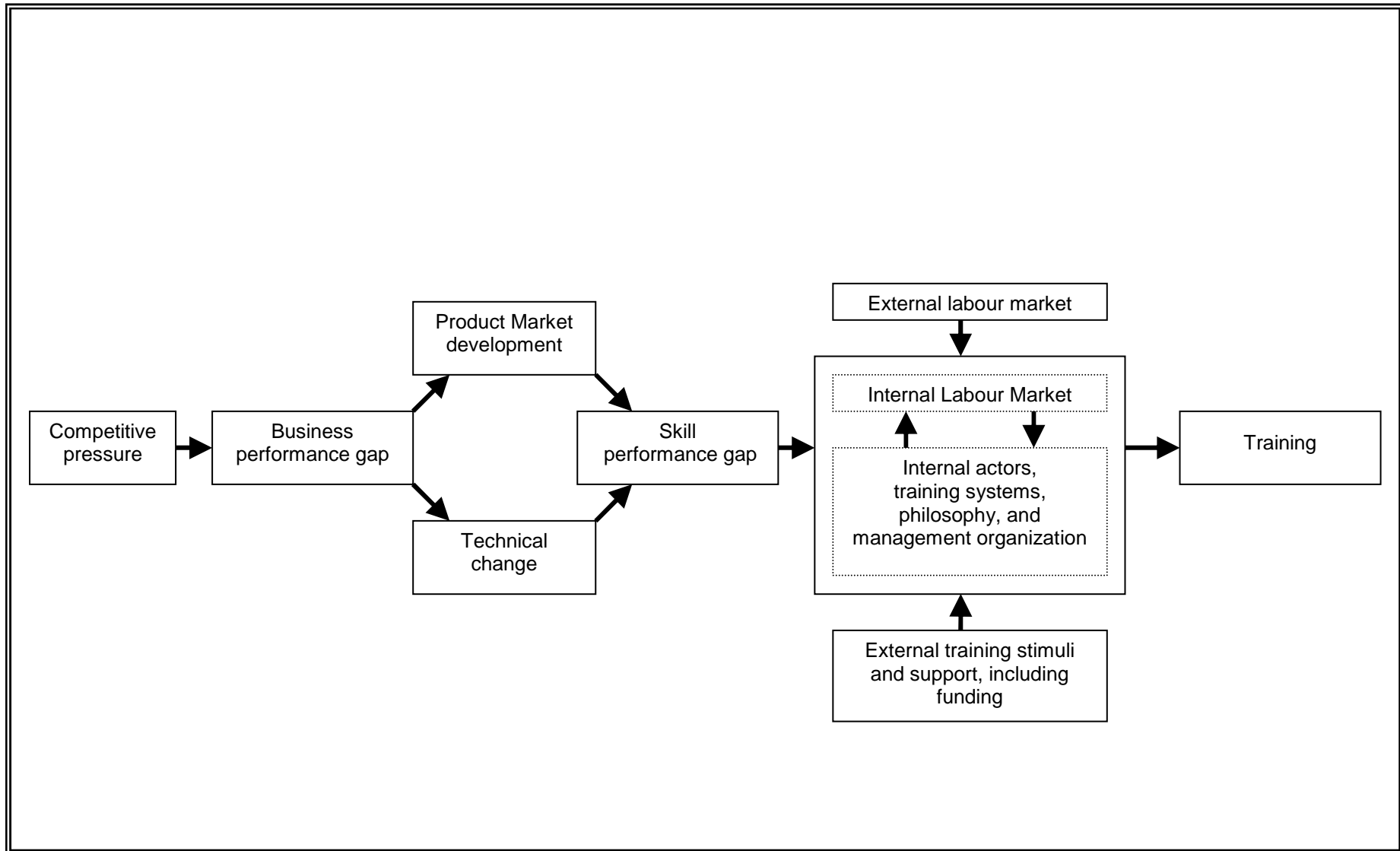
Hendry (1991) argued that individual organizations decide their training in response to competitive pressure which, in his conclusion, will not serve the country's or individual's interests. This pressure might be the result of technical change, product market development or even management change, just to mention a few examples, which all in all trigger an urgent business strategy to fulfill the performance gap created by such changes. On a broader level, the pressure might even extend to include changes resulting from internationalization or globalization of markets exposing national industries to be "...vulnerable to the superior products, costs, or quality of goods produced elsewhere" (Robert *et. al.*, 1993: 10). Paradoxically, Hendry *et al.*, (1991) found that growth in organizations, also, impacts training needs and practices. While it tends to increase training needs, if only through the

recruitment of new staff, growth tends to put pressure on the necessary managerial and financial resources. This training decision usually is associated with the importance of spending versus not spending on training and, therefore, investing on high performance instead of high spending on training. The latter in particular, according Hendry, “has often seemed to stem from a failure of imagination, planning, and of systematic thinking” (1991:85).

**Figure (4.2): The Interaction of Factors Driving and Stabilizing Training and HRD**



**Figure (4.3): THE GENERAL MODEL OF FACTORS DRIVING AND STABILIZING TRAINING**



Adopted from Hendry, C. (1991) "Corporate Strategy and Training", in Stevens, J. and Mackay, R. (edit.) Training and Competitiveness, Page 81

The other factor affecting training decision in organizations, according to the same study, is the consideration of the external labour market to determine the availability of skills readily to be recruited as a cheaper alternative to conducting training. The external labour market for firms, as indicated by Hendry *et al* (1991) “may well ...have local, national, and sectoral components” (p: 37). The study has found that firms look at the economics of this decision “by taking into account non-monetary factors” such as the impact of the decision “on the motivation and retention of existing employees” (Hendry, 1991:85). It has also found that, as a broad framework, firms normally adopt short term adaptive responses to their manpower and skills supply strategies which resemble their way of developing their business strategies of solving specific problems step by step. Interestingly, the study observed that mature sectors such as retail and banking were able to “anticipate changing skills requirements quite adequately from watching competitors, by cooperation and communication at inter-firm level and by adopting generally held assumptions about how that industry would evolve” (1991:86). However, in the case of new sector and smaller firms, predictions for the future skill needs depended on watching the ‘lead’ firms via participating in trade fairs and exhibitions which also assist them in identifying technological opportunities.

Decisions driving training in organizations are also influenced by a number of internal labour market factors interacting with the external ones. First, organizations tend to decide to train or retrain existing employees as a result of its reduction of the number of staff to improve productivity, cut their employment costs, and/or drive down responsibilities to lower level by for example restructuring production operatives, redundancy and/or stripping out middle management. These operative decisions lead



to an expansion in tasks and skill demands of individuals requiring 'composite skills' and a 'multi-' and 'cross-skilling' retraining. Organizations' objectives of skill development are seen "to be curtailed by loyalty to the existing workforce, minimize industrial relations frictions following redundancies, and by the desire to keep retraining costs to a minimum" (Hendry, 1991:87). Second, as a result of firms' expansion and moving upmarket which causes, as described by Hendry (1991:87), "high levels of attrition", firms tend to employ a 'positive approach' to training through recruiting and retaining its high quality staff in order to cut the alternative of head hunting process resulting in pay competition. Third, training people with higher levels of skills working under the traditions of high quality recruitment, retention and promotion is a practical option in an organization planning for or experiencing a change. This option, as the above study reveals, is critical in influencing those higher levels of skills to direct the change as planned and not to resist its long-term impact on recruitment, training, and industrial relations.

Looking at the other side of the coin, internal labour market driving factors for training may encounter a number of negative or detractive elements from training toward recruitment. First, firms tend to fall back to a recruitment option instead of long training periods, to overcome an introduction of a heavy investment in its production which requires non-existing high skills from its current staff. Second, organizations tend to consider the option of temporary recruitment, such as contract employees, extracting themselves from the immediate training onus of the surplus pool of people and focusing on providing training to their small permanent group (Hendry, 1991).

At this stage of our discussion, it is important to quote Hendry's conclusion that

These observations about external and internal labour markets need qualifying in relations to firms' size, their respective abilities to resource recruitment versus training solutions and, indeed, by lack of clarity about skill requirements.

(1991:89)

Moving from the 'driving' forces to train in organizations, the discussion next focuses on the 'stabilizing', 'enabling', or 'nice to have' factors. They are concerned with internal actors, systems, philosophy, and organization that are grouped according to Hendry (1991) as the 'internal actors and systems'. These factors include, first, top management commitment and company values toward supporting training. This was confirmed in Hendry's study which found "the belief of the chief executive in the value of training was a prime mover in constant effort devoted to it [and that] top management endorsement and support was a major asset" (1991: 98). This support is demonstrated through considering long-term training versus the short-term one, the influence of financial values in controlling attitudes to training, and the willingness to invest in training despite the pressure for short-term profit criteria imposing concerns with short-run performance of the company. Although in the case of the latter, evidence from Hendry's study of organizations ranging from 25 to 500 employees, suggests that "production problems underlie much of the training effort and that concern with short-run performance drives this effort" (Hendry *et al*, 1991: 90). So, in this case, companies concern with production efficiency became a driving force to training.

The second stabilizing training factor is the company's training infrastructure including planning. According to Hendry (1991), an effective training philosophy requires structures and mechanisms to "carry it down and see it shared [which] in turn create upward pressure for training" (p: 91). The absence of such structures and mechanisms creates a planning gap between organizations' practices and their good intentions. This can be overcome by creating mechanisms for top-down planning for skill development involving training departments at an earlier stage of the larger strategic planning for the organization to specify training plans instead of late involvement as problems arise (Hendry, 1991; Nadler and Wiggs, 1986). This top-down planning can encounter bottom-up demands for an on-going training based on individual, departmental and process needs which might endanger the stability of training process since they are not set in any general framework or strategy for training. This as concluded by Hendry is what "makes training vulnerable to cuts" (1991:92).

The Third factor assisting in stabilizing skill development in organizations is their ability to overcome budgetary and time constraints of training. This can impose a problem especially for the limited number of staff in small-to-medium organizations to release some of their employees for training which will also have a cost factor associated to it. This cost amounts to 75% of the true training costs; according to Hendry (1991), this is due to firms' effort "to reduce headcount, continuing pressure to reduce costs and raise productivity, and little surplus resources to cover for absences and overtime" (p: 94). The cost and absenteeism constraints can be bridged with a number of training methodologies such as distance learning, video

conferencing, computer-based training, and on-the-job training through training managers to be trainers in their sites (Hendry, 1991).

The fourth factor to stabilize training is through more engagement of line managers in budgeting responsibilities for the development of their staff. Those managers are the key 'gatekeepers', according to Hendry (1991) who are the most knowledgeable persons in their organizations of their employees' training needs and who are held accountable of improving productivity and profit through improving their employees' performance. Similar arguments opened the door to decentralization concepts and practices in the 1980s to devolve more responsibilities of productivity, management, and profit down the organization structure. In the light of these themes, organizations decentralize a number of their central operational activities in order to achieve an effective and efficient performance and to be closer to their customers. Among such activities are training and personnel functions which serve Hendry's argument of the essentiality of line managers' involvement in the different aspects of employees' development.

Trade union membership is the final stabilizing factor of training in this set of 'internal actors and systems'. Trade union representation in organizations is supposed to act as a 'watchdog' pressurizing and controlling organizations' training. This, according to Hendry (1991), was not the case in companies they have studied. They have found that the trade union role has been "limited to health and safety matters and to performance by shop stewards of their representative functions" (1991:95). However in his conclusion, Hendry indicates that trade union membership makes a positive impact through agreements or high level representation to ensure companies'

commitment to training, in addition to their cooperation with companies' who have undergone changes which have created skill gaps leading these companies to train.

Lastly are the external support factors for training which stimulate organizations to train. These factors include health and safety legislations, customer requirements for quality, external training provision, training grants, and shaming comparisons (Hendry, 1991).

First, health and safety legislations have been, according to Hendry, influencing training activity positively. It has survived the period of recession in the UK to become second in importance to 'sharpen up competitiveness' in some companies investigated in his study as a result of the public policies implementation (Hendry, 1991).

The customer requirement for quality is the second important factor stimulating training. As we all know and as illustrated by Hendry's study that quality is a cornerstone in the competitiveness process which creates "measurable criteria that training can fix" (1991:97). Examples of such criteria in UK business are BS5750 and AQAP-1 (see Hendry, 1991:96). These quality standards expose training efforts of companies adopting such measures to external auditing bodies to gain accreditation to their product or service.

The third external factor is the availability and suitability of external training provisions which are affected, in the UK, by the effectiveness of the mechanisms adopted by Training Agency-grants and the public training infrastructure. Hendry in

his study suggests that these infrastructures are 'enabling factors' for most companies who are looking for modifiable training programs to fulfill their specific requirements. He discriminates in this instance between small to medium firms and larger firms which have the resources for formal off-the-job training. In general, he includes the report of Deloitte/IFF which shows that "only one fifth of employers' training is carried out by external providers, public and private" (1991:97). Indeed, the Johnson and Gubbins study confirms this in their findings. They have found that training in small to medium enterprises is firm-specific through merely showing recruits 'how things are done here'. For these enterprises formal, structured courses are the exceptions rather than the rule. In fact, informal on-the-job methods are superior to more formal training due to lack of resource to develop their own formal programs. In addition they consider that external providers are too costly and often too general in nature (1993).

The fourth factor is the external sources to finance training costs through training grants. Again deciding to train in accordance to available grants awarding process appears to be influenced by firms' size. In smaller firms, as illustrated by Hendry (1991), a training decision is preceded by a consideration of grant availability, while in larger ones such decisions to train are taken first followed by a search of ways of defraying the cost if available. For the latter, according to the same study, business changes are more important in driving training regardless of the availability of grants which "do not induce them to train" (1991: 98).

The final external support factor to training is the firms' considerations of embarrassing comparisons. Instances of such comparisons can be found in reports of

training performances known to training professionals and line managers internationally and locally which are according to Hendry (1991) occasionally expressing concerns unfavorable to UK own firms' performance. Another venue of such information comes from mergers between companies highlighting training performance deficiencies of new partners. This information as Hendry believes, despite the absence of supporting evidence of such a conclusion, that "information about training by firms in the same sector could be effective ... [even though it is] commercially sensitive" (1991: 99).

Finally, Hendry's model, although adapted and implemented on Western industrialized countries, can determine the broad framework of driving, stabilizing, and/or inhibiting training factors influencing training activities in Saudi organizations. The factors discussed earlier, are implemented in Western contexts with an underlying philosophy of adopting and implementing the investment habits of continuous training in private organizations. If adopted by Saudi private sector organizations, this philosophy of continuous development or 'Human Resource Development' would assist Saudi private firms in establishing long-term skill formation and development objectives. It would also provide a "conscious strategy, rather than being a responsive to external forces" such as Saudization which if satisfied at some stage of organizational development, could impact on training to fade out (Hendry, 1991: 101).

It could be argued that Hendry's work, in general, is of relevance to the Saudi context. This relevance is expected to affect our understanding of the driving, stabilizing and/or hindering factors determining private organizations' decisions to invest in

training Saudis. In other words, it will serve the immediate purpose of this research by diagnosing the existing factors that affect viewing training as a long-term and continuous investment in Saudi human resources by Saudi private sector organizations. However, to achieve the ultimate benefit of such relevance the model requires essential adaptation to business practices and approaches of the Saudi private labour market. The eventual outcome of such modification to the model is expected to generate new driving, stabilizing and/or hindering factors that could be incorporated in Hendry's framework to fit the Saudi context.

#### **4.7 Hendry's Model and the Saudi Context**

Hendry's model although adapted and implemented on Western industrialized countries, it can determine the broad framework of driving, stabilizing, and/or inhibiting training factors influencing training activities in Saudi organizations. The factors discussed earlier, are implemented in Western contexts with underlying philosophy of adopting and implementing the investment habits of continuous training in private organizations. If adopted by Saudi private organizations, this philosophy of continuous development or HRD would assist Saudi private firms in establishing long-term skill formation and development objectives. It would also provide a "conscious strategy, rather than being a responsive to external forces" such as Saudization which if satisfied at some stage of organizational development, could impact training to fade out (Hendry, 1991: 101).

Deriving from theoretical terms which will be verified against empirical findings of this research in the analysis chapter, it can be argued Hendry's work, in general, is of



relevance to the Saudi context. This relevance is expected to affect our understanding of the driving, stabilizing and/or hindering factors determining private organizations' decisions to invest in training Saudis. On other words, it will serve the immediate purpose of this research by diagnosing the existing factors that affect viewing training as a long-term and continues investment in Saudi human resources by Saudi private organizations. However, to achieve the ultimate benefit of such relevance the model requires essential adaptation to business practices and approaches of the Saudi private labour market. The eventual outcome of such modification to the model is expected to generate new driving, stabilizing and/or hindering factors that are incorporated in Hendry's frame work to fit the Saudi context.

It is expected that the driving and stabilizing factors would include Saudization policies and requirements as a major external driving and stabilizing factor. This policy is encouraging organizations to invest in training and employing Saudis on an annual basis to avoid government penalties and receive its incentives. The factors would also include private organizations' interests in utilizing available government funds from the government Human Resource Development Fund. These funds, as will be discussed later in this chapter, are designed to assist private organizations to train their potential Saudi employees for employment. This is mainly on-the-job training. It is anticipated that Saudi private organizations initiate their decisions to invest in training their employees to bridge their skill gap to improve their competitive advantages in their markets. Such competition, as evident in Saudi market, is not merely on physical products but on human capital as private organizations are headhunted for their competent employees. Therefore, they invest in training such employees to ensure their stability and retention. However, this

driving factor in some organizations is merely a top management belief in developing Saudis as a part of their public commitment toward their Saudi fellow citizens. The skill gaps, on the other hand, evolve as a result of unfocused skill formation provided by government controlled skill formation agencies including GOTEVT. The gaps also increase due to the introduction of new products and technologies as well as new employment regulations and requirements in the labour market by the Ministry of Labour.

The modified model of Hendry will emphasize, additionally, the hindering factors of this investment approach of training that are discouraging private organizations of such investment. In this regard, the model will also highlight, as government training is expected to lead to Saudization, that such expectation is imprecise as it is encountered by skill formation systems that are producing unfocused and non-industry related skills, knowledge and attitudes. Accordingly, investment initiatives in training Saudis are geared toward retraining the systems' graduates to fit private organizations' needs instead of investing in providing them with advanced industry related skills, knowledge and attitudes. Such investment is developing into costly efforts which can be a hindering factor for the long-term and continuous HRD philosophies. Another hindering factor is the fact that these systems have not yet created recognized Saudi training vocational qualification standards. They, if available, can assist both skill formation systems in determining their training programs as well as employment market in measuring skills and knowledge of persons, Saudi or non, against job requirements in private organizations. This is fueled by the evident Saudi labour market dilemma i.e. private sector long-lasting dependency on the cheap and easy to retain expatriates dominating the market and

creating high rates of unemployment among nationals. The dilemma is intensified by Saudis' attitudes for rejecting employment in the private labour and performance demanding jobs. These attitudes resulted in Saudis becoming instable and unreliable for employment in the private sector as they are preferring employment in the government sector like the old days of the Saudi labour market.

#### **4.8 Conclusion**

This chapter establishes the conceptual framework for the study. It examines the essential literature on training, education and HRD including Hendry's model. These three elements represent the theoretical backbone for this study as they support its examination of the Saudi skill formation systems. The analysis of these theoretical areas and Hendry, in particular, will assist our understanding of the driving and inhibiting factors to view training as a HRD approach for long-term investment in Saudi employees by private organizations. It will also assist the analysis in chapter seven as it will highlight the consequence of the availability of cheap and well trained expatriates on adopting such a model. This is in addition to other influential factors that are unique to the Saudi context such as the government influence, organizations' size and systems, and unavailability of industry-led training programs.

## **CHAPTER FIVE RESEARCH METHODOLOGY**

### **5.1 Introduction**

This chapter will explain and identify the research methodology employed to achieve its overall objectives including definitions and descriptions of the methodology, research sampling, as well as procedures of data collection and analysis.

As mentioned earlier, this research focuses on three central objectives. First, it investigates the missing link between employment in the private sector and skill formation systems with the emphasis on the vocational training provided by GOTEVT. Second, it explores successful Saudization practices in a number of private industries to highlight the factors that led to their high rates of employing Saudis. Finally, it evaluates practical suggestion of the possibilities and impact of transforming the role of a government training institution i.e. GOTEVT to industry-led training organizations as the prerequisite to the Saudization in the private sector. Saudization means replacing the country's 4.7 million foreign workers recruited mainly (95%) in the private sector with as many qualified Saudis as possible. Young Saudi graduates are increasingly unable to find employment despite the existence of 4.7 million jobs. This is creating an unbalanced labour market structure as well as economic, political and social problems. This research assumes that ineffective Saudization in the private sector is not the core problem of the employment process in Saudi Arabia. In fact, it is the outcome of the government's heavy and unnecessary involvement and control of vocational and training system in the Kingdom. This involvement imposes the government's rigid bureaucracy and limited funding on a

very dynamic, flexible and self-sufficient economy like the private market in Saudi Arabia that is operating in a very competitive and changeable environment.

## **5.2 Methodology Definition and Description**

To achieve the above objectives, this study implements a qualitative approach. Its exploratory nature can only be fulfilled through an inductive approach of an in-depth investigation of the present Saudi skill formation systems and Saudization in the private sector. This approach assists the research attempts for profoundly investigating the possibilities, requirements, and impact of changing the present role of GOTEVT to an industry led training organization as explained by a selected sample of experts in Saudi Arabia. In addition, this qualitative approach allows the employment of Hendry's framework to understand the forces driving, stabilizing, and/or inhibiting HRD in the private sector. However, the location of the research in Saudi Arabia with the process of Saudization adds another level of complexity. Hence, the utilization of Hendry's model will not be of "theory-testing" strategy in this research, rather it will be to assist our understanding of the interacting factors that drive or stop Saudi private sector organizations viewing HRD as a continuous investment in Saudi manpower even after their achievement of high rates of Saudization.

Quantitative research, in general, allows the researcher to familiarize him/herself with the problem or concept to be studied, and perhaps generate hypotheses to be tested. In this paradigm: (1) the emphasis is on facts and causes of behaviour (Bogdan and Biklen, 1998), (2) the information is in the form of numbers that can be quantified and

summarized, (3) the mathematical process is the norm for analysing the numeric data and (4) the final result is expressed in statistical terminologies (Charles, 1995).

Generally, quantitative research “[...] supported by the positivist or scientific paradigm, leads us to regard the world as made up of observable, measurable facts” (Glesne and Peshkin, 1992: 6) though their assumption that “social facts have an objective reality” and “variables can...be identified and relationships measured” (p: 7) which can be problematic. The notion of ‘measuring’ means to understand educational issues by performing an operation called ‘measurement’ on the physical world by the observer (Crocker and Algina, 1986). Therefore, one may perceive measurement as necessarily objective, quantitative and statistically relevant. Simply put, measurement can be about numbers, objective hard data which does not fulfil our primary purpose of the research in hand. Our attempt through this research is not to fragment and delimit phenomena into measurable or common categories that can be applied to all of the subjects or wider and similar situations (Winter, 2000). Nor is the attempt to involve the "use of standardised measures so that the varying perspectives and experiences of people can be fitted into a limited number of predetermined response categories to which numbers are assigned" (Patton, 2002: 14).

Qualitative research, on the other hand, uses a naturalistic approach that seeks to understand phenomena in context-specific settings, such as "real world setting [where] the researcher does not attempt to manipulate the phenomenon of interest" (Patton, 2002: 39). Broadly defined, qualitative research means "any kind of research that produces findings not arrived at by means of statistical procedures or other means of quantification" (Strauss and Corbin, 1990: 17) and instead, the kind of research that

produces findings arrived from real-world settings where the "phenomenon of interest unfold naturally" (Patton, 2002: 39). Campbell (1997: 122), argues that qualitative research "assumes that reality is socially constructed and that variables are complex, interwoven, and difficult to measure [and that] researcher seeks the insider's point of view and is personally involved in the process". Generally, these types of studies end with hypotheses (assertions, themes, or patterns) or grounded theory. Unlike quantitative researchers who seek causal determination, prediction, and generalization of findings, qualitative researchers seek, instead, illumination, understanding, and extrapolation to similar situations (Hoepfl, 1997).

Qualitative analysis results in a different type of knowledge than does quantitative inquiry because one party argues from the underlying philosophical nature of each paradigm, enjoying detailed interviewing and the other focuses on the apparent compatibility of the research methods, "enjoying the rewards of both numbers and words" (Glesne and Peshkin, 1992: 8). This means such methods like interviews and observations are dominant in the naturalist (interpretive) paradigm and supplementary in the positive paradigm, where the use of survey is paramount. Although it has been claimed (Winter, 2000) that quantitative researchers attempt to disassociate themselves as much as possible from the research process, qualitative researchers have come to embrace their involvement and role within the research. Patton (2002) supports the notion of researcher's involvement and immersion into the research by proposing that the real world is subject to change and therefore, a qualitative researcher should be present during the changes to record an event after and before the change occurs. However, both qualitative and quantitative researchers need to test and demonstrate that their studies are credible. While the credibility in quantitative

research depends on instrument construction, in qualitative research, “the researcher is the instrument” (Patton, 2002: 14). Thus, it seems when quantitative researchers speak of research validity and reliability, they are usually referring to a research that is credible while the credibility of a qualitative research depends on the ability and effort of the researcher (Merriam, 1998; Cohen *et al.*, 2000). Although reliability and validity are treated separately in quantitative studies, these terms are not viewed separately in qualitative research. Instead, terminology that encompasses both, such as credibility, transferability, and trustworthiness is used.

### **5.3 Qualitative versus Quantitative Research on This Topic: advantages, disadvantages and practical issues**

Both research methods have their own individual strengths and weaknesses. These need to be recognised so that the most suitable method can be applied to this research project.

Qualitative research usually achieves a greater level of depth and detail than quantitative techniques due to its inductive, investigatory and exploratory nature. It is preferred when researching sensitive subjects. Rather than being constrained by pre-set answers, qualitative methods allow sensitive subjects to be approached in a open way by allowing the researcher to employ personal skills to help lessen the difficulties of the subject matter. These methods create openness between all parties and can help generate new theories or new problem solving techniques. Participating subjects can discuss issues that are important to them, rather than responding to closed questionnaires’ questions that dominate qualitative approaches. Subjects can also



clarify ambiguities or confusion over concepts. Additionally, observation can take place allowing attitudes to be revealed, and observed. “It certainly seems reasonable to suggest that one may have a better understanding of a community members situation by reading a descriptive passage than just looking at demographic statistics”, (Kruger, 2003:18). .

However this openness and greater interaction with the researcher can in some cases be counter-productive. Some subjects can feel uncomfortable in the presence of an interviewer and give answers under duress; additionally influences like gender and ethnicity of the researcher can impact on some of the answers given by the participating subject. Moreover, qualitative results are more difficult to aggregate and therefore make systematic comparisons. It can also be difficult to replicate research due to the lack of structured design or standardised procedures (Cohen *et al.*, 2000).

In contrast, the use of standardised methods in quantitative research allows for greater objectivity and accuracy of results. Generally, quantitative methods are designed to provide summaries of data that support generalisations about the phenomenon under study. In order to accomplish this, quantitative research usually involves few variables and many cases, and employs prescribed procedures to ensure validity and reliability. Using standards means that the research can be replicated, and then analysed and compared with similar studies. Kruger (2003: 19) confirms that “quantitative methods allow us to summarize vast sources of information and facilitate comparisons across categories and over time”. However the research is often carried out in an unnatural, artificial environment so that a level of control can be applied to the exercise. This level of control might not normally be in place in the

real world yielding laboratory results as opposed to real world results (Cohen *et al.*, 2000). In addition preset answers will not necessarily reflect how people really feel about a subject and in some cases might just be the closest match (Merriam, 1998).

The development of standard questions by researchers can lead to 'structural' bias and false representation, where the data actually reflects the view of them instead of the participating subject. However, personal bias can be avoided by researchers keeping a 'distance' from participating subjects and employing subjects unknown to them (Cohen *et al.*, 2000).

Quantitative methods allow for a broader study, involving a greater number of subjects, and enhancing the generalisation of the results. Unfortunately, in comparison to qualitative methods, quantitative methods collect a much narrower and sometimes superficial dataset. Results are limited as they provide numerical descriptions rather than detailed narrative and generally provide less elaborate accounts of human perception. Additionally, these statistics can be humely insignificant, therefore yielding insignificant results (Cohen *et al.*, 2000).

Quantitative methods are ideally suited for finding out who, what, when, and where (Day, 1998). However they are inappropriate for the collection of behavioural and humanitarian aspects of data (Cohen *et al.*, 2000). Questions of quantitative methods have to be direct and easily quantified, and made available to a large sample of participants to permit reliable statistical analysis. These questions can be “quite complex and require considerable investment for proper understanding and use” (Kruger, 2003: 19).

To conclude, in this section advantages and disadvantages of qualitative and quantitative research methods have been described and explained. Qualitative research is an unconstrained method of phenomena study. Although data collection standards exist (Bogdan and Biklen, 1992), qualitative research is highly reliant upon the researcher carrying out the study. The researcher has total control over the type of data collected and the methods used for analysis. Contrastingly, the benefits of quantitative research lie in the researcher's ability to summarise results in statistically meaningful ways, allowing findings to be generalised to other populations.

Employing the above advantages and disadvantages of both methods as the criteria for selecting the appropriate method, the researcher chooses not to implement a quantitative approach in this study due to the in-depth, realistic and exploratory nature of this study. In addition intimate information will be gathered from a sample of several sectors of the economy in Saudi Arabia requiring interactions that can only be achieved through a qualitative approach. Moreover, the research deals with sensitive issues and information on Saudization that are only publicized to authorized government representatives through official government correspondence. This information can only be obtained through face-to-face interviews with a number of executives and training managers to establish an environment to overcome the sensitivity of issues discussed. In other words, this research is not concerned with a large quantity of participating subjects; instead it is looking for quality and insightfulness of a few experts and managers from both the government and private sectors who are encountering and dealing with training and Saudization issues in the country. Finally, this research will be trying to answer why and how questions rather

than who, what, when, and where ones which also support selecting a qualitative method for this research.

#### **5.4 Reliability and Validity in Qualitative Research**

The discussion of quality in qualitative research was initiated from concerns about validity and reliability in the quantitative tradition which “involved substituting new term for words such as validity and reliability to reflect interpretivist [qualitative] conceptions” (Seale, 1999: 465).

Validity and reliability for Patton (2002) are two factors which any qualitative researcher should be concerned about while designing a study, analyzing results and judging the quality of the study. This corresponds to the question that “how can an inquirer persuade his or her audiences that the research findings of an inquiry are worth paying attention to” (Lincoln and Guba, 1985:290). To answer, Healy and Perry (2000) assert that the quality of a study in each paradigm should be judged by its own paradigm’s terms. For example, while the terms Reliability and Validity are essential criterion for quality in quantitative and qualitative paradigms, the terms Credibility, Neutrality or Confirmability, Consistency or Dependability and Applicability or Transferability are to be the essential criteria for quality (Lincoln and Guba, 1985). To be more specific with the term of reliability in qualitative research, Lincoln and Guba (1985: 300) use “dependability”, in qualitative research which closely corresponds to the notion of “reliability” in quantitative research. They further emphasize “inquiry audit” (p: 317) as one measure which might enhance the dependability of qualitative research. This can be used to examine both the process

and the product of the research for consistency (Hoepfl, 1997). In the same vein, Clont (1992) and Seale (1999) endorse the concept of dependability with the concept of consistency or reliability in qualitative research. The consistency of data will be achieved when the steps of the research are verified through examination of such items as raw data, data reduction products, and process notes (Campbell, 1997).

To ensure reliability and validity in qualitative research, the examination of trustworthiness is crucial. Seale (1999), while establishing good quality studies through reliability and validity in qualitative research, states that the “trustworthiness of a research report lies at the heart of issues conventionally discussed as validity and reliability” (p: 266). This was also supported by Lincoln and Guba (1985) who indicated that the idea of discovering truth through measures of reliability and validity is replaced by the idea of trustworthiness, which is “defensible” (Johnson 1997, p: 282) and establishing confidence in the findings. When judging qualitative work, Strauss and Corbin (1990) suggest that the “usual canons of ‘good science’...require redefinition in order to fit the realities of qualitative research” (p: 250). Lincoln and Guba (1985) argued that sustaining the trustworthiness of a research report depends on the issues, quantitatively, discussed as validity and reliability.

## **5.5 Reliability and Validity in This Research**

The above brief debates of validity and reliability demonstrates the divergence among scholars of developing a consensus as to the appropriate quality criteria for qualitative research based on validity and reliability measures. However, it is essential for this research like any other research to establish to its audience in the field the

trustworthiness of its research results in order to enrich the empirical literature and make a difference in people's lives. To establish such trustworthiness, this research will be seeking understanding of the constructed realities as interpreted by selected managers from Saudi private, quasigovernment and government organizations who are dealing with Saudization and training issues on a daily basis. Their inputs and interpretations evolving from the field regarding these two issues which are the core of this study are essential to provide trustworthy, valid and practical results from the Saudi environment. This dependency on human subjects' interpretations demonstrates the fact that validity of qualitative research depends on reality that is based on multiple sets of mental constructions of the human beings (Merriam, 1998). This is, according to the same study, "because human beings are the primary instruments of data collection and analysis in qualitative research, [and that their] interpretations of reality are accessed directly through their [...] interviews" (1998: 203).

The other side of the coin of trustworthiness in qualitative research increases from its reliability which is concerned traditionally with consistency and replicability of research findings in order to minimize errors and biases. Reliability is considered problematic especially when dealing with social sciences due to the dynamic nature of human behaviours (Merriam, 1998; Cohen *et al.*, 2000). However, it is not the intension of this research to isolate the laws of human behaviours in order to achieve the reliability; yet it is to explore to understand realities and experiences of Saudi managers of linking training of Saudis to Saudization. On the other hand, the researcher considers that when dealing with issues studied in this research concerning Saudization and the HRD of Saudis, minimizing errors and biases can be achieved to

a degree to ensure this research reliability via corroborating documents and other evidences from Saudi organizations included in the sample.

Moreover, this research will implement the ‘Triangulation’ strategy advocated by a number of scholars such as Merriam (1998), Patton (2001), Mathison (1988), Johnson (1997) and many others to ensure its reliability, validity and trustworthiness. In any qualitative research, the aim is to “engage in research that probes for deeper understanding rather than examining surface features” (Johnson, 1993, p. 4) and constructivism incorporates such an aim. The constructivist notion, that reality is changing whether the observer wishes it or not (Hipps, 1993), is an indication of multiple or possibly diverse constructions of reality. Constructivism values multiple realities that people have in their minds. Therefore, to acquire valid and reliable multiple and diverse realities, multiple methods of searching or gathering data are required. If this calls for the use of triangulation in the constructivism paradigm, then the use of investigators, method and data triangulations to record the construction of reality is appropriate (Johnson, 1997).

Triangulation is defined as “a validity procedure where researchers search for convergence among multiple and different sources of information to form themes or categories in a study” (Creswell and Miller, 2000, p: 126). It includes incorporating “multiple methods to confirm the emerging findings” (Merriam, 1998, p: 204). Triangulation is typically a strategy (test) for improving the validity and reliability of the research or evaluation of findings which “strengthens a study by combining methods” (Patton, 2001, p: 247). Mathison (1988) elaborates on this by stating that:

Triangulation has raised an important methodological issue in naturalistic and qualitative approaches to evaluation [in order to] control bias and establishing valid propositions because traditional scientific techniques are incompatible with this alternate epistemology. (P: 13)

Accordingly, multiple methods, such as, interviews, tape recordings, as well as the collection of Saudization documentation from the field will be utilized in this research to ensure the achievement of more valid, reliable and diverse construction of realities. The focus will be on successful Saudization experiences as they are linked to industry led training efforts in Saudi Arabia by quasigovernment and some private sector organizations. In addition, and to improve the analysis and understanding of the construction of realities of the selected sample, another step will be taken by the researcher to involve a peer researcher's examiner to comment on the data collected, the interview questions and findings of the research as they emerge. According to Johnson (1997, p: 284) a qualitative researcher can "use investigator triangulation and consider the ideas and explanations generated by additional researchers studying the research participants" (Johnson, 1997, p. 284). This peer examiner will be a knowledgeable Saudization-field specialist researcher who has wide range experiences of vocational and training issues in Saudi Arabia.

## **5.6 The Research Sample**

Selected sampling was incorporated in this study from government, quasigovernment and private sector. Since this study investigated a strategic aim of changing the role of GOTEVT to an industry led training organization in addition to examining a national strategic objective, i.e. Saudization, the sampling pool consisted of top



management in the selected sectors. The selection criterion of the government organizations in this study was based on their immediate involvement with employment, Saudization supervision and HRD of Saudis. On the other hand, a number of large quasigovernment organizations were also included due to their successful implementation of Saudization among their human capital. Similarly, different private sector organizations from different industries such as banking, retail, automobile, services, leisure and food were chosen in accordance with their achievements in linking their training programs to their Saudization efforts. In addition, the selected sample included also a number of managers from private training organizations investing in the HRD industry that had been well recognized for their training achievements of Saudi human capital. Finally, two managers of recruitment companies were also included to incorporate their perspectives on training and Saudization in the private sector.

### **5.6.1 Government Organizations**

Government organizations under consideration in the study included the Ministry of Labour, GOTEVT and the HRDF. The Ministry is the supervisory and regulatory government body directly responsible for Saudization while GOTEVT is the HRD organization responsible for providing vocational training and technical education for Saudis wishing to be employed in the private sector. HRDF, on the other hand, plays an important role as the government body chaired by the Minister of Labour responsible for recruiting, funding training and encouraging the Saudi nationals to take up private sector jobs.

The research sample will include the following representatives from the above mentioned government organizations:

The Deputy Minister for Planning and Development from the Ministry of Labour who is also the Acting Manager of the HRD Fund to identify obstacles they are encountering in executing the Saudization strategy and their view of the research proposed changes to GOTEVT as a solution in linking training to recruitment in the private sector.

GOTEVT top managers to investigate their perspectives and reactions to the research proposal of changing GOTEVT to an industry led training organization as the prerequisite for Saudization in Saudi Arabia.

### **5.6.2 Quasigovernment Organizations**

The sample also included a number of human resources or training managers in quasigovernment organizations conducting focused and leading to employment training programs of Saudis. The reason for this selection was to verify their training prerequisites, philosophy, and strategies that assist them in linking their training to recruitment and achievement of high rates of Saudization in their industries. This was aimed to assist our understanding of the factors and conditions to achieve the connection between training and employment in order to achieve high rates of Saudization. These quasigovernment organizations consist of the following:

- **Saudi Basic Industries Corporation (SABIC).**

According to its annual report of 2004, SABIC was created in 1976 by the Saudi government to be the Middle East's largest non-oil company to use natural gas associated with the production of crude oil for petrochemical productions. It has achieved a record production volume in 2004 ranking SABIC as one of the world's largest exporters of granular urea; second largest producer of ethylene glycol, methanol and MTBE; third largest producer of polyethylene; sixth largest producer of polypropylene; and overall the fourth largest producer of polymers.

SABIC is headquartered in Riyadh and has two large industrial sites in Saudi Arabia (Al-Jubail on the Arabian Gulf coast and Yanbu on the Red Sea coast) with 19 manufacturing affiliates. SABIC also has interests in three regional ventures based in Bahrain. In addition, SABIC Euro-Petrochemicals has two petrochemical production sites, in Geleen (Netherlands) and Gelsenkirchen (Germany), for the production, marketing and sale of polypropylene, polyethylene and hydrocarbons (SABIC, 2004; Economy World, 2003).

According to the same report, SABIC has a strong commitment to investing in its human resources through its training programs and other human resource practices with a broad array of market-competitive benefits, salaries and other financial and non-financial incentives that are geared toward creating an attractive and "learning organization" corporate culture. As a result, 82% of SABIC's workforce in the Kingdom of Saudi Arabia are Saudi nationals. Moreover, Saudization has exceeded 93% especially in technical fields in some of the companies affiliated with SABIC (Economy World, 2003).

- **Saudi Electricity Company.**

The Saudi Electricity Company (SEC) was established by Royal Decree mandating the restructuring of the electricity sector and started its operations in 5 April 2000. The SEC was formed through the merger between the ten electricity companies working in the kingdom, which were the major suppliers of electricity power and geographically covered the kingdom (SABB, 2003).

The Saudi government owns 74.15% of the SEC's share capital, while the government-owned oil company of Aramco owns 6.89% and the private sector owns 18.96%. As of end of July 2003, the company accounted for 13% of the Saudi stock market capitalization - ranking the 3rd largest publicly listed Saudi corporation by market value (SABB, 2003).

In 2002, the Company divided its activities according to specialization instead of the previous geographic division. The new SEC divisions are generation, transmission, and distribution to subscribers. Under the new division system, four geographic works departments were formed, which include the Central, Eastern, Western and Southern works areas. In addition, separate departments were formed to include the following activities: finance and accounting, general services, human resources and shareholders' affairs, planning and programs, and legal and internal audit affairs (SABB, 2003).

According to SEC Annual Report (2004), the company has achieved 80.9% Saudization among its 29,047 employees. This high rate of Saudization according to

the Report is due to focused and continuous HRD programs implemented in the company's training centres.

- **Saudi Telecommunication Company.**

Saudi Telecommunications Co. (STC), the largest telecom operator in the Middle Eastern region, started as Saudi Arabia's sole telecommunications operator in 1998, when it was established as a Joint Stock Company by the Saudi Government. It was operating under the umbrella of the Ministry of Post, Telephone and Telegraph, to achieve the government's objectives of telecommunication services and was not intended to make a profit. This establishment was financed entirely by Government capital and it had a separate budget. Operating through four subsidiaries, the company provides a wide range of telecommunications services including fixed line, mobile, data and internet.

In 2005, the Saudi Government decided to partially privatize STC, selling 30% of the equity to Saudi nationals while controlling 61% of the company shares. The rest 10% are also owned to two government funds of the General Organization for Social Insurance and the Public Pension Fund each owning 5% of the company<sup>2</sup>.

According to its Annual Report of (2005), since its inception, STC has witnessed a rapid subscriber growth catering to 600,000 customers by the end of its very first year of existence; at the end of 2005, it boasted a subscriber base of over 15 million. As of now, STC is primarily a domestic operator servicing only the Saudi Arabian market. It covers 95% of the country's geographic landscape with a penetration rate of

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<sup>2</sup> Cited from the STC internet website (<http://www.stc.com.sa>) on 10<sup>th</sup> of August, 2006 at 5:00 P.M.

57.14% (as of the end of 2005). The company enjoys a monopoly in the fixed line, data and internet segments and is the leading provider of mobile services. At the end of 2005, STC controlled over 80% of Saudi's mobile telecommunications market.

Currently, STC is employing 20,804 employees of which 88% are Saudis (STC, 2005). The company is providing its human capital with focused training programs and systemized evaluation procedures linking performance to pay and promotion which exceeds market standards to retain its high performing employees (STC, 2004).

### **5.6.3 Private Organizations**

Twenty general, human resources or training managers from a number of private organizations were selected to participate in this study. In addition, the sample included two managers from the Riyadh Chamber of Commerce and Industry who were responsible for training and recruitment affairs. These two managers in particular were selected for their important roles of providing focused and industry led training programs for Saudis either employed or wishing to be employed in the private sector. The rest of the private organizations are selected to represent a wide variety of industrial activities including banking, manufacturing, retail, construction, leisure and travel, farming and food industries. The selection is also based on their continuous cooperation and utilization of training and recruitment contracts with the government HRDF. These organizations are medium-to-large organizations that provide their own focused training programs for their existing as well as newly hired employees in their training centres. Studying their focused and leading to employment training programs will assist our understanding of the training

prerequisites, philosophy, and processes of linking training to recruitment and, therefore, achieving high rates of Saudization. The sample also includes two managers from private training industry to identify obstacles of investments encountering such industry in Saudi Arabia. This will allow an in-depth understanding of Saudi private training environment that will impact the proposed changes to GOTEVT to be an industry led training organization. The selection of these organizations is based on their outstanding HRD programs recognized by both labour market and by GOTEVT as the supervising body on private training institutions in Saudi Arabia. Finally, the sample includes two managers of private recruitment agencies who are dealing on a daily basis with Saudization related matters. These organizations are:

1. The National Commercial Bank.
2. Riyadh Bank.
3. Arab National Bank.
4. The Savola Group.
5. M. Al Hokair and Sons Group
6. Zamil Industrial Investment Company
7. Almarai Company
8. The National Agricultural Development Company
9. Al-Safi-Danone Company
10. Saudi Research & Marketing Group
11. Alshaya International Trading Co.
12. Advanced Electronics Company
13. Mobily Telecommunication Company

14. Saudi Real Estate Company
15. Federal Express Corporation
16. Riyadh Chamber of Commerce & Industry
17. Saudi Japanese Automobile High Institute
18. Al Yamamah College
19. InterSearch Saudi Arabia
20. Tawteen Training and Recruitment Company

### **5.7 Data Collection Technique**

Answering the core question of this research will be the criterion to choose the most appropriate qualitative approach for this study. To fulfil this criterion and establish the fit between the research question and the research approach, structured face-to-face interviews with a set of pre-determined questions to a selected sample in the natural setting in Saudi Arabia were carried out implemented. This technique provides “uniform information, which assures the comparability of data ... [at the same time], will require fewer interviewing skills than does unstructured interviewing” (Kumar, 1999:109).

The interviewing technique is employed in this research because it serves the exploratory nature of the study. It seeks in-depth information about skill formation outcomes and Saudization in the Saudi labour market. The latter issue and the information to be obtained are very sensitive to interviewees in this study. Therefore, interviewing is the most appropriate approach. This can be achieved through a small sample of representatives from selected sectors rather than focusing on a large scale



population. Interviewing will, also, enable the “interviewer to supplement information obtained from responses with those gained from observation of non-verbal reactions” (Kumar, 1999:115). Moreover, this qualitative research falls within the context of discovering possible barriers and challenges encountering Saudization and HRD in Saudi Arabia. Therefore, it is essential to prevent any possibility of misunderstanding of research questions that will be asked as the interviewer can either repeat or explain such questions in the spot which can only be accomplished through face-to-face interviewing.

However, as a flexible approach to this research, it is important to mention that as a result of using the interview technique and the information gathered from the interviews, new assumptions may evolve according to the findings which may open other doors for further investigations. It may also involve complete redirection, or modification of, or additions to, existing ideas suggested by the research.

In this regard, it must be, also, noted that interviewing technique is “time-consuming and expensive [to conduct]” (Kumar, 1999:115), especially when it involves the travelling of the researcher and the valuable time-off of those selected sample to participate in the interviews. Another disadvantage of this technique comes from the fact that “quality of data [obtained] depends upon the quality of the interaction between interviewer and interviewees [and the skills of the interviewer in conducting face-to-face interview]”. More dangerously, the interviewing technique is vulnerable to the researcher’s “bias in forming questions and the interpretation of responses” (1999:115).

For this research, interviews were conducted to collect data, as the interview allowed the researcher to obtain and analyze large amounts of contextual and important data, even though the data are subject to misunderstandings, which might lead to misinterpretations. These misunderstandings are due to the cultural background and uniqueness of Saudi culture; yet the researcher being a member of this culture and of Saudi HRD environment will reduce the risk of such misconceptions. The interpretive analysis that was used in this research provides explanations and helps to create some generalizations of the actual missing linkages, if they exist, between HRD in Saudi Arabia and the promising strategic objective of Saudization.

In fact, this research did not utilize any other data gathering techniques like focus groups or surveys due to the confidentiality of information provided by the interviewees and to explore in-depth and descriptive data.

## **5.8 Overview of Data Collection Stage**

The trip for data collection to Saudi Arabia started on late December 2006 and continued until late April, 2007. Twenty-Nine interviews were conducted exceeding the Twenty-three initial target number of interviews expected before this trip. Interviews were conducted with a number of General Managers, Human Resource Managers, and/or HRD Managers of some private and quasi-government organizations. In addition, interviews with government top management officials were carried out including one with the Deputy Minister of Labour for Planning and Development who is also the Acting General Manager of the HRD Fund. The

Governor and his Deputy of GOTEVT were essential parts of this interviewing process as they represent the immediate focus of this research.

The selection of the Human Resource and other top managers in this interviewing process represented and achieved the diversity intended for this research. In other words, the sample interviewed included different Saudi economic activities to ensure diversity in human resource practices and perspectives to deepen the understanding of the collected data for this research. The interviewed managers represented different industries such as manufacturing, services, telecommunication, journalism and distribution, banking, training, education and recruitment industries, retail, leisure and food.

The majority of the interviews (27) were face-to-face taped interviews while only two interviewees preferred answering and submitting their interviews on paper and on their own time. One of which was from a quasi-government organization while the other was from a private one. The conducted interviews required on average between 45 minutes to an hour of taped open-ended questions which were then transcribed verbatim to paper format. Ten of the interviews were in Arabic which were then translated into English by a recognized translation services agency. The interviews took place in three different cities in the Kingdom i.e. Riyadh, Jeddah and Dammam.

The researcher/interviewer has encountered some challenges and constraints in the process of data collection for this research as well as some opportunities. Among these challenges are the unexpected hesitations of a number of interviewees to provide views and/or critiques of GOTEVT. Such hesitations came from government and

quasi-government organizations which, prior to conducting the field study, were expected to occur from private sector organizations. The latter were noticeably open and transparent in providing such information and perspectives. Some participants from government and quasi-government organizations questioned the qualitative research methodology implemented and the interviewing techniques used as they are used to deal with questionnaires implemented by quantitative methodology studies. This in particular is viewed by the researcher as an opportunity rather than a constraint to educate the participants of the qualitative methodology as a parallel research approach. Another byproduct of this data collection trip was the establishment of the researcher's networking with human resource professionals in Saudi Arabia for future research projects and practical insightfulness.

The interviewees participated in this study are listed in the following (5.1) table.

**Table 5.1: Lists of interviewees Participants**

<b>Name of Interviewee</b>	<b>Position</b>	<b>Organization</b>	<b>Sector</b>
1. Dr. Abdulwahed Al-Humaid	Deputy Minister for Planning & Development and Acting Manager of Human Resources Development Fund	Ministry of Labor	Government
		Human Resources Development Fund	
2. Dr. Naser Al-Ghafees	Governor	GOTEVT	Government
3. Dr. Hamad Alogla	Vice Governor for Education & Training		
4. Jamman AlWagdani	General Manager	The Institute of Banking	Government
5. Dr. Hamad Al-Shagawi	Manager of Training Department	Saudi Electricity Company-Central Region Branch	Quasi-Government
6. Saleh Al-Zamel	Vice President of Human Resources and Training	Saudi Telecommunication Company	Quasi-Government
7. Mohammad Al-Bat'hi	Vice President of Human Resources	Saudi Basic Industries Corporation	Quasi-Government
8. Bleihid Alblehid	Human Resources Director	Saudi Research & Marketing Group	Private
9. Haitham Al Shaya	General Manager	Alshaya International Trading Co.	Private
10. Hisham Al-Khaldi	Human Resources Services Manager in Saudi Arabia		
11. Khalid Al-Khwaiter Abdullah AlSaad	Chief Financial Officer	Advanced Electronics Company	Private
	Training Operation Supervisor		
12. Dr. Fahad AlZahrani	Vice President of Human Resources	Mobily Telecommunication Company	Private
13. Hamoud Al-Malki	Training & Recruitment Manager	The National Agricultural Development Company	Private
14. Dr. Abdulrahman Al Turaigi	General Manager of Human Resources	Almarai Company	Private

15. Khalid Al Thumairi	Director of Human Resources	Al-Safi-Danone Company	Private
16. Abdullah AlSai	Human Resources Department Manager	M. Al Hokair & Sons Group	Private
17. Abdul Mohsin Al-Ghamdi	Director of Corporate Administration & Human Resources	Zamil Industrial Investment Company	Private
18. Dr. Sameer Hussain	Director of Human Resources	The Savola Group	Private
19. Dr. Muafiq Al-Rwaily	Human Resources Development Manager	Riyad Bank	Private
20. Khalid Al-Koblan	Assistant General Manager Personnel Manager	Arab National Bank	Private
21. Saud Sabban	Assistant General Manager and Head of Human Resources	The National Commercial Bank	Private
22. Salim Al-Asmari	Director	Saudi Japanese Automobile High Institute	Private
23. Sultan Al Ammash	Managing Director	InterSearch Saudi Arabia	Private
24. Abdullah Al-Zehairi	General Manager	Tawteen Training and Recruitment Company	Private
25. Khaled Al-Qahtani	Head of Recruitment Center	Riyadh Chamber of Commerce & Industry	Private
26. Mohammad AlSwailim	Head of Human Resources Development Centre		
27. Eng. Ali Al-Zaid	Chairman of Human Resources Committee and Chairman of Saudi Real Estate Company	Riyadh Chamber of Commerce & Industry Saudi Real Estate Company	Private
28. Dr. Abdullatif Ghaith	Managing Director	Federal Express Corporation	Private
29. Dr. Ahmed Al-Eisa	College President	Al-Yamamah College	Private

The three sets of open-ended question forms (**see Appendix 2.**) exploring similar data were used in the interviews representing different private sector and government organizations. In addition at the end of each interview, a proposed change to role of the General Organization for Technical Education and Vocational Training (GOTEVT) is introduced to stimulate further discussion and insight from each interviewee (**see Appendix 2.**).

## **5.9 Data Reporting Technique**

The researcher employed ‘the Ad Hoc Meaning Generation’ technique suggested by Kvale (1990). Such a technique advocates the implementation of individual and/or a combination of different reporting and analysis tactics. These tactics range from descriptive to explanatory and from concrete to more conceptual and abstract. They are

(1) Noting patterns or themes, (2) seeing plausibility, (3) clustering of “what goes with what”, (4) making metaphors to achieve more integration among diverse pieces of data, (5) counting the number of agreements or disagreements, (6) making contrasts/comparisons to sharpen the understanding of interviewees’ responds, (7) partitioning variables to differentiate between responses, (8) subsuming particulars under the general to seeing responses and their relationships more abstractly, (9) factoring to establish an analogue to a familiar quantitative technique, (10) noting relations between variables, (11) finding intervening variables, (12) building logical chain of evidence to systematically assemble a coherent understandable data, and (13) making conceptual/theoretical coherence.

(1990: 204)

The selection of Kvale's model for this study was due the freedom it provided in selecting from its alternative tactics that allowed establishing coherent relationships between the huge qualitative data obtained in this research. These tactics, for example, allowed the researcher to establish common themes from direct quotations that involved similar and intervening responses from participants which this research is aiming for. They also allowed counting the number of agreements and/or disagreements of participants within each theme to indicate different variables that could be discussed in a clearer manner in the coming analysis chapter.

Reporting the data using Kvale's model included re-reading the interview transcripts several times to become familiar with the data, and then attempting to identify the key concepts and the relations between them. The next stage involved cataloguing occurrences of these concepts in the data, noting the sources, how often they occur, and what level of confidence they provide.

The findings of this research which will be reported in the next chapter were developed from direct quotations of the interviewees who were categorized according to the sector they work for i.e. government, quasigovernment and private sector. According to Kvale's tactics this reporting evolved around a number of themes that were generated from connecting the dialogues of the interviewees' direct quotations on human resource issues including Saudization. In doing so, the researcher examined the responses looking for similar concepts, words and/even expressions that could fit together to generate a general theme. For example, the researcher looked for phrases such as 'problems encountering Saudization', 'lack of Saudization', 'ineffective Saudization' and so forth to fit within a theme that would be discussing



the obstacles encountering Saudization in the private sector. Within this theme, the researcher also counted the agreement and disagreement among the responses on the major insightfulfulness and perspectives provided.

This data reporting included the last name of each interviewee when quoting their views as it appeared in the above table. Their quotations were minimally intervened with by the researcher unless proven necessary for grammatical purposes to convey the correct views expressed by interviewees.

### **5.10 Data Analysis Technique**

The interviews were analysed using a technique called ‘the Ad Hoc Meaning Generation’ suggested by also Kvale (1996). This technique uses “a free interplay of different approaches and techniques for meaning generation during the analysis” (p: 203). For instance it allows the researcher to

Read the interviews and get an overall impression, then go back to specific passages, perhaps make some quantifications like counting statements indicating different attitudes to a phenomenon, make deeper interpretations of specific statements, cast parts of the interview into a narrative, work out metaphors to capture the material, attempt a visualization of the findings in flow diagrams, and so on

(1996: 204)

This analysis technique gave the possibility for the researcher to look at the data on a more abstract level and from different point of views, since it is giving the possibility to look into the interview material as a whole. There is a more free interplay of

different techniques during process of analysis. When analyzing the themes, the researcher could use counting and in others comparisons between variables. This meaning generation technique gives a good possibility to find out the real and deeper meaning of the data since no structure is harming the freedom of analysis. (Kvale, 1996)

The analysis of the current findings, once grouped into themes, was interpretively analyzed with connection to the issues discussed in chapter three and four. The emphasis at this stage was on evaluating the empirical data with established literature to fulfill the research objectives and to extract the real meaning from the interviews. The analysis attempted further and deeper interpretation for the findings to explore and understand the discussed issues related to Saudization and skill formation as viewed and practiced by the different managers from the field. It also included linking dialogues from different participants' views to generate new meanings, modify existing ones and/or develop new conceptual framework.

## **5.11 Conclusion**

To sum up, this chapter reviewed the qualitative research strategy chosen which will enable the researcher to fulfil the core objectives of this research. It also described the research sample and the criteria of selecting participants for this study and the intended data gathering technique. It also provided a descriptive insight for the experience of data gathering in Saudi Arabia to benefit future academic efforts to overcome some of the obstacles experienced in this research. The chapter also presented the data reporting technique that will be implemented in the following

chapter. Finally, it gave an introduction to the technique to be used in the analysis chapter of this thesis to analyse the findings of the interviews conducted in Saudi Arabia.

## **CHAPTER SIX RESEARCH FINDINGS**

### **6.1 Introduction**

This chapter reports the research findings collected through the interviews in Saudi Arabia. These findings are grouped into the following five major themes to illustrate the insights of the different interviewees. As anticipated, the evolving themes from the interviews are echoing the questions that stimulated them in the first place.

**Theme 1:** The challenges encountering the Saudization program in the private sector.

**Theme 2:** The factors assisting the Saudization program in some private sector organizations.

**Theme 3:** The factors influencing training investment decisions in Saudi employees in private organizations.

**Theme 4:** Evaluation of GOTEVT's current role and its graduates' skills level in regard to the private sector manpower needs.

**Theme 5:** Evaluation of the proposed changes of the role of GOTEVT toward industry-led training organizations to fulfil immediate needs of the Saudi labour market for employable Saudis.

### **6.2 Theme 1: The challenges encountering the Saudization program in the private sector.**

This theme mainly focuses on exploring the challenges encountered by the Saudization program in different private and quasigovernment organizations that were

included in this study. It also investigates government perspectives on such challenges as they are the regulators, the supervisory and human resource providers for such a strategy. The theme itself evolved as a direct result of answering the first and second question from the interview questions (see **APPENDIX 2**). The number of respondents varied as a few managers did not answer the questions directly. However, the majority of interviewees responded and gave supporting empirical examples. Three major challenges evolved that are low salaries provided by the private sector organizations, government's influence and role in addition to Saudis' attitudes to work in the private sector.

- **Low Salaries**

The four government interviewees asserted that the major challenge encountering Saudization stems from low salaries provided by small-to-medium size private organizations. These organizations as AlWagdani from the Institute of Banking explained "have the potential to recruit a huge number of Saudis [...yet are] depending greatly in their strategies on reducing expenses" to maximize their profit. Al-Humaid from the Ministry of Labour for example stated that

The imbalance in [the labour market] occupational structure leads to decrease in salaries as our standards of salaries are set by cheap foreign labour forces from Bangladesh and Sir Lanka. [...] low salaries don't attract Saudis to exert efforts and specialize in such occupations. Saudi workers will not continue performing these jobs as they will work for one week or two and then leave because salaries usually don't exceed the SR 1,500 level. This level will be too low to meet Saudi living expense standards for even the necessities.

This low salaries dilemma for Al-Ghafees from GOTEVT is the result of foreign labour controlling and managing “all small size organizations [in the country]. Foreign labour forces amount for 94% in small size organizations”. They evade recruiting Saudis as they usually recruit their fellow citizens. Al-Ghafees generally believes that “private sector is always searching for profits through reducing salaries and searching for cheap foreign labour forces”. Alogla also from GOTEVT indicated that Saudization is affected by “organizational structure” or organizational maturity which provides Saudis with better employment security than small-to-medium sized private organizations.

As for the private sector interviewees, they generally perceived the obstacles encountering Saudization in their sector differently than the government interviewees. The majority of private sector interviewees (20 managers) asserted that skill formation systems including GOTEVT are not linking their programs and outcomes toward the labour market needs and Saudization requirements. They did not view low salaries as the major obstacle for Saudization implementation. They considered the level of salaries to be reasonable especially with the non-industry-led qualifications provided by skill formation systems in the Kingdom. Ableihid, for example, from Saudi Research and Marketing Group argued that the country has serious shortages of skilled Saudis who can take over expatriates’ positions in different industrial fields. Ableihid stated that “for some industries we don’t have the qualified skills within the local market”. One of which is the media industry which his companies specialize in. He explains that

The country does not have enough qualified people in the media specialization such as journalism, in illustration, in design, in all of that; so we have to take the long run to

make our own talents [as a company]. [King Saud University] teaches public relations only and marketing but not journalism. They also provide Bachelor degree in fine art but those graduates are not developed in a way [to be] able to design for lay-out and illustration of magazines and so forth.

He believed that skill formation systems do not provide the “minimum required training” that industries of the private sector can build on through their on-job-training afterward. For example, Al-Khaldi from Alshaya International Trading Corporation argued that “English and work ethics are very important and are both absent in Saudi employees”. Both English and work ethics were indicated by the majority of respondents (16 private managers) to be unavailable in Saudis who are seeking employment in the private sector. On the other hand, the government interviewee, Al-Ghafees from GOTEVT argued the contrary. He claimed that the private organizations are seeking any tactics to evade employing Saudis including requesting English communication skills even though the majority of their jobs do not require English. He affirmed that

Employers in the private sector insist in using English as a mean for teaching in GOTEVT and blame our graduates just for the sake of blaming that they are not qualified because of their English communication skills. At the same time, you find that the foreign labour force does not speak Arabic or English and they are attractive for employment in the private sector.

In addition, Al-Malki from NADC stated that “the most prevailing feature in the Saudi labour market is its scarcity of qualified human resources”. This necessitates organizations in the private sector recruiting the well qualified and easy to retain foreign labour instead of Saudis. These industries cannot depend on the slow and

bureaucratic responsiveness of the government skill formation systems to fulfill their needs of skills in their very dynamic and competitive market. For example Al Turaigi from Almarai Company asserted that

Saudi universities are producing 70% social oriented graduates. The need for the private sectors does not exceed 5 to 6% [of such outcome] but the need is for medicine, engineering, IT, food related majors, science, math, finance, marketing and business majors; [yet] only 15% of the output is geared towards that.

AlSwailim from Riyadh Chamber of Commerce and Industry also confirmed that

Graduates of certain majors exceed market demands such as social and religious studies that represent 42.2% of universities' graduates; while graduates of engineering, medical sciences and agricultural sciences represent only 8.8%, 13% and 2.9% respectively. At the same time, our studies of the labour market show that GOTEVT's technical high school graduates entering the labour market represent only 13% while 81.8% are coming from general high schools.

Al-Zehairi from Tawteen Training and Recruitment and Al Ammash from InterSearch two recruitment companies both confirmed that low quality and non-industry focused skill formation programs are the main obstacles for Saudization. Al-Zehairi stated that "the first challenge that faces Saudization is the poor and weak training system that is not capable of qualifying youth to available jobs in the labour market". Al Ammash also asserted that "universities' students do not have the mechanism through their current curriculum whereby they can improve and really have the smooth transition from higher education to the labour market". More alarming, Al-Zehairi confirmed that



Saudis know that their skills are not up to the working standards in the private sector, so they look for employment in the government knowing that they will not be dismissed whether they perform or not. They look for employment for life until they retire regardless of the amount of salary they will be receiving.

Al-Zehairi asserted that private sector organizations are offering introductory salaries higher than the ones offered by the government starting over “SR. 2,800 for graduates of elementary, intermediate and high school. The salaries of these jobs will be raised to SR. 3,500 and 4,000 within one year of recruitment”. Gaith from Federal Express Corporation (FedEx) confirms that

The pay scale for higher middle management and higher management in Saudi companies for qualified Saudis is actually sky rocketing. Now a human resource manager with limited experience would bring about SR. 40,000 total pay and that is considered in the middle of the pay range.

In other words, “what is absent are the Saudi people with skills to be employed as there are no [shortages] of jobs [in the labour market]” as Gaith explained. Al-Koblan from the Arab National Bank (ANB) supported Gaith’s views and stated that

ANB sometimes pay 70% increase to a Saudi who decides to leave us if the bank feels that he is worth it. [...] We will even triple his pay to keep him as the labour market is suffering from shortages of skilled workers [especially] as new businesses are eager to attract well trained human resources. I can challenge anyone saying that pay is the source of the problem of Saudization.

- **Government's Influence and Role**

Three government managers, Al-Ghafees from GOTEVT, AlWagdani from the Institute of Banking in addition to Al-Humaid from the Ministry of Labour believed that Saudis are not attracted to employment in private organizations due to lack of job security and unavailability of clear career development plans. On the other hand, job security has been always available in government jobs through their employment for life for Saudis since the discovery of the country's oil. AlWagdani for example emphasized that

Saudi youth still fear the risk of moving from one organization to another due to long lasting recruitment culture founded by government recruitment in our society and by the quasigovernment organizations such as SABIC and others.

Al-Humaid also stated that

Among [the obstacles that hinder Saudization] are the low salaries, long working hours, working on Thursdays and evenings whereas government jobs provide great stability. I believe that some Saudis are spoiled to the extent that they don't want to work anyway. They have cars and servants at their homes and they are not accustomed to work and follow work values.

In contrast, Al-Ghafees believed that the government institutions are achieving their objectives and fulfilling their duties in assisting Saudization efforts. He asserted that

The training process in the Kingdom is not the problem of Saudization. The real problem doesn't lie in training or GOTEVT, but in the private sector which doesn't want to

achieve Saudization and puts the blame on GOTEVT. [...] The private sector is always searching for profits through reducing salaries and searching for cheap labour forces.

In addition, the quasigovernment interviewee, Al-Zamel from STC illustrated the problem of overlooking the graduates' quality in order to achieve the quantitative requirements of Saudization which contradicts with organizations' competitiveness. He argued that the country is in a serious problem and whilst it is important to achieve Saudization it is even more important that there is the right selection of workforce. He explained that

I [as a private organization] cannot just seek any Saudi who might not fit in my organization just to fill positions and show that my organization is accomplishing Saudization percentages. I cannot survive the competition.

Private sector interviewees in general (18 private managers) affirmed that government interventions overlook and sometimes hinder their efforts to achieve Saudization. As discussed earlier they believed that the government skill formation systems were not responding nor fulfilling the needs of qualified and industry-led human resources. Moreover, according to Gaith from FedEx, the government through its economy booming years developed in the minds of Saudis the view that providing employment is "a right and privilege but not only as a payment for results an employee delivers". Private sector interviewees confirmed that the government is not "synchronizing" nor unifying its economic vision with strategic planning for human resources especially regarding Saudization and skill formation. For example, Al Zaid from Saudi Real Estate Company stated that

The major challenge [for Saudization] is that there is no unified and clear vision towards the economy and without having such vision one cannot plan for human resources. There is no coordination between various human resource bodies in the country such as private sector, education, the Ministry of Labour and the Ministry of Commerce.

Gaith from FedEx also supported such a view and commented that “the educational system and the needs of the economy are not being synchronized”. More alarming, 5 managers of this sector confirmed that the government through the Ministry of Labour was “not listening” nor “consulting with” the private sector regarding government regulations for Saudization. In fact, the government was “forcing” the strategy on the sector according to the majority of interviewees (17 private managers). Alblehid for example explained that

The Ministry [of Labour] needs to listen to us as the private sector who is the subject for their pre-existing regulations for the last 30 years. The labour office of the Ministry is deciding on its own government bureaucracies that are unable to address the [Saudization] issue properly. What they are doing now is forcing Saudization. The private sector is forced to take the quality [of graduates] that is not up to their standards and pay more money. This will result in hindering our competitive advantage because of the cost and inefficiency that we will have.

Al-Eisa from Al-Yamamah College also confirmed that

The real defect lies in the regulations and policies for Saudization because some of them are issued according to reactions or may be issued from bodies and entities that are not related directly to Saudization. For example, these regulations force Saudization on certain private sectors and industries [like the Gold retail market and Taxis market]. I am against Saudization forced on a complete sector.

On the other hand, the Ministry of Labour restricted and tightened companies' abilities to dismiss any Saudi if unable to produce or fit into private organizations. Such an attempt was establishing a practice and a culture of avoiding Saudis by private employers who fear employing already unqualified Saudis and being unable to dismiss them if do not achieve profitability. Gaith for example from FedEx confirmed that such regulations although an attempt by the government to protect these employees from arbitrary dismissal, cause other problems. He explained that

The government is protecting them so much that it is affecting their ability to perform. [...] This was an extension to the employment culture the government has created in the minds of Saudis whom if cannot be utilized, they can be put aside and just rely on the people that can be relied on [the expatriates].

Al-Asmari from the Saudi Japanese Automobile High Institute supported the view that the government is not providing the labour market with quality Saudis for Saudization to be achieved. He stated that

The government should prepare Saudi workers with the knowledge, skills, attitudes and work ethics to be ready to work and compete in the private sector. The government cannot just say to the private sector take those young Saudis because they are unemployed then train, prepare and recruit them as this will be a heavy load on the private sector.

- **Saudis' Attitudes to Work in the Private Sector**

Three government interviewees, Al-Humaid from the Ministry of Labour and Alogla from GOTEVT in addition to AlWagdani from the Institute of Banking, suggested

that Saudis are still looking for employment in the government or large organizations. Saudis are not accepting nor realizing the fact that those employers are unable to create job opportunities like small-to-medium private organizations. These organizations like other private businesses require high performance and provide low introductory salaries. AlWagdani emphasized that “the real employing organizations at the moment are the small-to-medium ones that compete to reduce their employees’ wages who are usually foreign workers”.

Developing this issue, Al-Humaid also confirmed that

Saudi youth prefer government jobs for they have good salaries in comparison to the effort an employee may exert. Saudis should accept the low salaries at the beginning of their careers as they will get better as they progress in the private labour market.

Similarly Alogla also supported such an argument by illustrating that “[the Saudi] society has developed a culture of seeking employment in the government or large organizations not in the private sector.

Two quasigovernment interviewees, Al-Zamel from STC and Al-Bat’hi from SABIC, agreed with Alogla that the challenges encountering Saudization are the result of Saudis not being prepared for employment in the competitive work environment of the private organizations. Therefore, Saudis prefer employment in the government in office and non-technical jobs. Al-Bat’hi stated that

In the Kingdom of Saudi Arabia there were some ideas prevalent in society, which did not value the technical work and work in private sector. Therefore, the demand for such works was below the expected level.

Five private sector managers commented on the Saudis' attitudes towards working in the private sector. Similar to Al-Bat'hi's views, Al-Zhairi from Tawteen Training and Recruitment stated

Saudi society does not respect Saudis who are employed in lower jobs that represent the majority of all available jobs in the private sector such as sales, cashiers and customer service jobs. This view stems from the person employed in the private sector viewing himself with less self-respect than other Saudis in the government sector

Al Turaigi from Almarai confirmed that as well

The majority of Saudis especially in the entry level including the dropouts of high schools have problems with work attitudes, discipline, coming to work on time, respecting their colleagues and their employers as well as respecting and honoring their employment contracts. When we ask them to join us on a two years contract and demand that they give us one month notice before leaving; the majority of them leave without seeing them.

Al-Khaldi from Alshaya International Trading Corporation also indicated another attitudinal obstacle for Saudization of the service oriented careers. He explained that

Saudis from the central and northern regions in the Kingdom do not accept working as sales advisors for fashion or to serve coffee to customers in our Star Bucks as Saudis

come from tribal backgrounds and are not used to service oriented careers. The perception of these jobs was a low status.

This for Al Ammash from InterSearch is the direct result of the country's sudden wealth from the discovery of oil. He stated that

The country has passed to another state where it experienced immense growth in its wealth which has caused people to really come from a very tough environment to a very spoiled one that has created the problem to new generation. Young people do not have the common sense to realize the importance of work and of being successful.

Such argument is supported by AlZahrani from Mobily Telecommunication Company who asserted that young Saudis lack the initiative and eagerness to invest in their development with employable skills. AlZahrani explained that

Most of the students do not realize the importance of investing in developing themselves [...] which is a big problem for the Saudi people. [A Saudi] has to invest extra effort in developing himself with basic skills in computer, English and also in knowing how to present and market himself to other people.

### **6.3 Theme 2: The factors assisting the Saudization program in some private sector organizations.**

This theme focuses on exploring the factors that led to the successful implementation of Saudization in some private organizations. This theme assists the research to examine those successful scenarios to support the research's findings and recommendations. The theme evolved from answers of interviewees on questions



number 3 and 4 from Question Form#1 in addition to question 3 from Question Form#2 (see **APPENDIX 2**). The number of respondents varied as few managers did not respond to the questions directly. However, the majority of interviewees responded and gave supporting empirical examples. The main factor for the majority of managers was top management belief in Saudization especially in large private and quasigovernment organizations.

- **Top Management Belief in Saudization in Large Organizations**

The government managers, Al-Humaid from the Ministry of Labour, Al-Ghafees and Alogla from GOTEVT in addition to AlWagdani from the Institute of Banking, agreed that the key successful factors that led some private organizations to high percentages in Saudization are high salaries and clear and attractive career development path. Both factors as indicated by all the government managers are associated with large private or quasigovernment organizations in which top management view Saudization as a strategic organizational objective. Al-Humaid confirmed such an argument by stating that

We notice that high salary jobs are more attractive to Saudis. There are certain graduates who are better qualified than others. For example, graduates of King Fahad University for Petroleum and Minerals, Al-Jubail and Yanbu colleges of SABIC are greatly wanted in the market and businessmen are competing to attract them. Some companies have flexible working hours, no evenings or Thursdays which all attract Saudis.

Al-Ghafees also added that successful Saudization is evident in organizations that provide “their employees [with] clear professional and career development [plans] including on-the-job training”. For Alogla the key factor for such success was that

SABIC and other large organizations such as banks, Telecommunications and Energy companies [have] well defined organizational structure and apply successful organizational practices. They have clearer career paths than even the government’s ones. They are able to implement [Saudization] regulations and rules at the same time act as major players in the economy and development.

AlWagdani, from a training institute that serves the banking sector, indicated that Saudization success in the banking sector “ranges between 80 to 90%”. This is due to a number of factors that are evident in the sector. These included according to AlWagdani

1. There is a government supervising body namely the Saudi Arabian Monetary Agency (SAMA) that considers Saudization a very important national program since the 1980s. It put standards and established execution that necessitated and monitored achieving the sector’s high ratios of Saudizations.
2. SAMA also established the Institute of Banking (IOB) and linked its activities to the sector to be responsive and flexible to its customers’ needs of industry focused Human Resource Development.
3. This sector has the financial and organizational abilities to attract Saudi employees, invest in their development as well as retain them with attractive incentives and competitive pay and compensation schemes.

Similar to the views of AlWagdani and Alogla, Quasigovernment interviewees, Al-Shagawi from the Saudi Electricity Company (SEC), Al-Zamel from the Saudi

Telecommunication Company (STC) and Al-Bat'hi from SABIC all agreed on the essentiality of top management beliefs in Saudization and the availability of organizational support systems. Al-Shagawi for example argued that their successes in Saudization required their

Leaders' belief as well as focused and compatible HRD programs. Our training focuses on what the company needs of skills and competencies. [SEC] also provided its employees with a number of [human resource management] elements to ensure occupational satisfaction [such as] the right work environment, a career development system, a promotion system as well as incentive and rewards systems that are linked to performance. [Therefore] Saudization in SEC is reaching 88% among 27,000 to 29,000 employees.

The experience of the Saudi Telecommunication Company, as explained by Al-Zamel, was different than other private and quasigovernment organizations in the labour market. The company did not encounter a scarcity of qualified Saudi employees when it joined the private sector market after its partial privatization from state ownership. Their success in Saudization (90% Saudization out of 20,000 employees), as reported by Al-Zamel, required

The right selection from its already recruited Saudi manpower through the assessment center, a lot of training and repositioning as well as providing attractive early retirement program to reorganize and relocate the company's Saudi manpower.

SABIC, on the other hand, achieved 87% Saudization "during a relatively short period of time" as Al-Bat'hi indicated. He explained that

[SABIC's top management] made the utilization of the nation's human resources its first strategic objective to achieve its other strategic objective which is the development of the country's natural hydrocarbon and mineral resources.

Therefore, SABIC invested in establishing two industrial colleges in Jubail and Yanbu to provide industry-led training programs. In addition, Al-Bat'hi confirmed that

[SABIC worked on] attracting nationals by offering Saudi technicians future career opportunities. It [also] succeeded in preparing national trained and qualified competencies [...] through a series of training, rehabilitation and development courses of action.

The above argument by government and quasigovernment managers was supported by the majority of private sector managers (16 managers). They confirmed that top management belief in Saudization and the availability of advanced and attractive human resource practices were the major contributors for the successful implementation of Saudization. For example, Al Shaya from Alshaya International Trading Corporation suggested that

Top management in Alshaya is supporting all departments on achieving high Saudization percentages. Alshaya have very good training facilities to change Saudi employees' long-lasting culture to accept service jobs in our stores. [We provide] career development and high salaries. For example, Hisham Al-Khalidi started with us as a receptionist and he is now the Human Resource Manager after less than 8 years.

In the same way, Al-Ghamdi from Zamil Industrial Investment Company supported such an argument by indicating that his company "started by believing in Saudization

because if we do not believe in it we cannot achieve it”. Similarly, Al-Thumairi from Al-Safi-Danone confirmed that Saudization is an objective that his company “believes in”. He agreed with Al-Humaid from the Ministry of Labour that King Fahad University for Petroleum and Minerals in particular is assisting their Saudization as it provides them with graduates that are “literate in English and great in computers. Likewise, Al-Khwaiter from Advanced Electronics Company (AEC) confirmed that top management in their company was the instigator for their 73 to 80% Saudization. Al-Khwaiter stated that “it was a belief at AEC from the top management as we were ahead of the national initiatives for Saudization”. This belief directed other organizational practices in AEC. For example, as confirmed by AL-Khwaiter,

One of our objectives is to have more Saudization in our technical production. As a result we have 80% Saudization in these jobs. We train Saudis and then give them the trust by immediately working on meeting their KPIs (Key Performance Indicators). We create a good working environment by giving them the right and fair compensation, the trust and the motivation. We also have a pipe line of new comers that we train [to cover the attrition rates].

From Al-Yamamah College, Al-Eisa also believed that Saudization success was linked to companies’ abilities to create an attractive occupational environment. He asserted that “for example in the banking sector, one can find great incentives to qualified youth and a great competition to attract outstanding persons”. Al Zaid from Saudi Real Estate Company supported other private, quasigovernment and government managers’ views that Saudization success required “a solid work environment, clear future and good pay”. Such elements for Al Zaid were evident, for example, in the banking sector

Due to their financial success and their [organizational] capabilities, they are able to spend as much as possible on training and the working environment. [They have] joint ventures with international banks who imported their business cultures and environment that created employment attractiveness to Saudis. This successful scenario also happened in SABIC with joint ventures.

Al Ammash from InterSearch and Al-Zehairi from Tawteen Training and Recruitment both agreed that companies that invested in developing their internal human resource practices were more successful in achieving Saudization. For Al Ammash this could be accomplished through

Putting a benefit package whether monetary or non to attract the most qualified Saudis. Once attracted the hardest job is to retain them. [This is through] long-term training and career growth opportunities. Once the company has done all this, Saudis will come to them.

In addition, Al-Zehairi also commented on some of the successful Saudization implementation experiences he encountered when providing employment services in the labour market. He gave evidence from Lazordi Gold Manufacturing Company, which according to him “is one of the successful companies in applying Saudization”. He explained that

They provided and executed well planned orientation programs which focus on their salaries and their potential increase according to planned performance and evaluation. They provided them with career path development at the time of employment. They also receive training either in-house or outside the Kingdom. They receive bonuses at the end of each year linked to the profit of their plant.

The three managers interviewed from the banking sector, Al-Rwaily from Riyadh Bank, Al-Koblan from Arab National Bank and Sabban from the National Commercial Bank supported the importance of top management belief and the essentiality of attractive human resource practices. Al-Rwaily, for example, confirmed that his bank achieved 92% Saudization. He explained that

Riyadh Bank's Board Directors and top management took the lead and responsibility to implement and monitor Saudization plans throughout the Bank. The Bank developed an intensive training program for the selected Saudi universities' graduates. It revised its salary structure to be competitive with 75% of the market's salary benchmark. It also adopted detailed exit plan for non-Saudi staff in which only the CEO has the authority to change any pre-set dates.

Arab National Bank, on the other hand, achieved 90% Saudization as confirmed by Al-Koblan. The Bank was directed by "the belief and support of the Board of Directors to increase Saudization in different ANB Divisions".

Like all other banks in the sector, ANB provides good salaries, more compensation and benefits such as housing allowances, housing schemes, and share options for the bank's top fliers. [ANB] invests big money on training and developing the human resources. The Institute of Banking of SAMA develops tailor made courses that serves the bank's needs of skills and qualifications. All Banks [in general] have more a mature organizational atmosphere in their businesses compared to other sectors in Saudi Arabia.

Finally, Sabban from the National Commercial Bank asserted that the Bank achieved 87% Saudization through their careful selection and recruitment and training of

Saudis. He explained that their criteria for selection were “based on English, computer skills and creative thinking”. The Bank then invested profoundly in developing Saudis to fit the employment demands of the Bank’s divisions and departments.

We select people, we put them through a training program of 6 months, and once the training is finished our divisions or departments could see the value of replacing non-Saudis with Saudis who have English language and computer skills [as well as] 6-8 months of training.

#### **6.4 Theme 3: The factors influencing training investment decisions in Saudi employees in private organizations.**

This theme explores the factors that influence the Saudi private organizations’ decisions to invest in training Saudis as a long-term development approach. The views of interviewed managers assist the examination of Hendry’s framework in an international context like Saudi Arabia. It assists understanding the forces that drive, stabilize and/or inhibit HRD in the Saudi private organizations. The theme evolved from the answers of interviewees on questions number 6 and 7 from Question Form#1, questions 4 and 5 from Question Form#2, in addition to questions 3 and 4 from Question Form#3 (see **APPENDIX 2**). The majority of interviewees responded and gave supporting empirical examples on this theme. Some of their response overlapped with other responses from the previous theme as both themes in reality focused on achieving factors of successful Saudization. The factors that influenced investing in training and development for the majority of managers included Saudization and government grants for training and recruitment, in addition to



organization size. They also included the availability of the expatriate work force and Saudis' high employment turnover, in addition to the unavailability of industry-led skill formation systems to graduate what the labour market is requiring.

- **Saudization and Government Grants for Training and Recruitment**

Al-Humaid from the Ministry of Labour argued that availability of government grants for training from the HRD Fund (HRDF) was an essential factor that was driving and stabilizing the investments by private organizations in national manpower. He also indicted that Saudization was an important influential factor in driving such investments. Al-Humaid, for example, explained that

The HRD Fund grants Saudi youth financial support and force them to join a recognized private training institutions such as Al-Romaizan Institute for Gold. This profession must be Saudized completely as the Ministry of Labour is forcing 100% Saudization on this industry.

A quasigovernment manger, Al-Bat'hi from SABIC, confirmed that their development investment in their Saudi human resources was driven by Saudization.

He stated that

SABIC managed to attract a large number of young Saudis who underwent a series of training and intensive developmental programs, inside and outside the Kingdom. With this investment, SABIC has accomplished its organized Saudization process.

On the other hand, a number of private sector managers (15 interviewees) agreed that their organizations have considered investing in training as a long-term development approach due to Saudization regulations and to use available grants from HRDF. They argued that the government's push for Saudization and its rigorous follow-ups and supervision on achieving the annual quota of Saudization on different industrial sectors is driving and stabilizing their Saudization implementation. They also believed that the government's HRDF supported the development and recruitment of Saudis in the private sector. For example, Al-Thumairi from Al-Safi-Danone commented that

The government is doing a good job by putting Saudization as a strategic objective for the whole industry and by asking for a set of quotas that decrease every year. It obliged companies to Saudize [at the same time] Saudis feel helped by the government.

AlZahrani from Mobily Telecommunication Company illustrated that his company, an international investor in the country, had an agreement with the government to Saudize its manpower. He asserted that "we have to realize that Saudization was an element that we cannot ignore and have to commit ourselves to because we signed this with the government".

In the same context, both Al-Rwaily from the Riyadh Bank and Al-Koblan from the Arab National Bank supported the view that Saudization regulations are playing a major role in their training as a long-term investment in the Saudi human resources. Al-Rwaily, for instance, confirmed that "their investment in HRD is [to meet] the always changing business requirements including [Saudization] job regulations and requirements." Al-Koblan also reinforced such a view by stating that "ANB trains for

new products [...] or for [employment] regulations required by the regulator SAMA.” These regulations for Al Ammash from InterSearch were composed by the government “so that companies have to really comply with if they are to survive and sustain growth”.

Similarly, Al-Asmari from the Saudi Japanese Automobile High Institute supported other interviewees’ view on this argument. He explained that

Satisfying the Saudization percentages requirements needed by the government in an annual basis is the major driver for private sector companies to invest in training. At the same time, they want to have qualified Saudis who have high commitment and good work ethics.

In the same way, Al-Qahtani from Riyadh Chamber of Commerce and Industry confirmed that

The pressure and effective follow-up by the Ministry of Labour is increasing Saudization in the [private] organizations. The government has also supported the private sector in its efforts to attract Saudis through HRDF as it subsidizes training cost and salaries of newly recruited Saudis for two years until they gain experience and the trust of the private sector.

AlSwailim also from Riyadh Chamber of Commerce and Industry asserted that “the government’s financial and administrative support through HRDF has encouraged many private organizations to invest in developing and recruiting Saudi employees.”

In fact AlSai from M. Al Hokair and Sons Group and Hussain from Savola Group both supported Al-Qahtani's and AlSwailim's views that their Saudization processes were encouraged by the HRDF. AlSai confirmed that

[Our organization] depends greatly (90%) on the support from HRDF in their recruitment and training of Saudis. HRDF supports training that is leading to recruitment by paying half of the salary of our newly recruited Saudis for the first two years until they fit our business.

Similarly Hussain stated that "Savola had the experience with HRDF and we are among the first companies to have great cooperation with the Fund as we invested more for the Saudization program."

This is true for Al-Zhairi from Tawteen Training and Recruitment who believed that

90% of the [family businesses] do not invest in training their human resources and have only started training because the HRDF has presented financial support to these organizations.

- **Organization Size**

Interviewees from government, quasigovernment and the private sector agreed that investment in a long-term HRD and therefore successful Saudization implementation were associated with organization size. Al-Ghafees from GOTEVT stated that

Large organizations in the private sector such as Al-Zamil, Al-Salam for Plans and Advanced Electronics Company have no problem investing in training and developing

their human resources. Small-to-medium sized organizations, on the other hand, depend on a foreign labour force and they do not consider training as their main priority.

Linked to his previous perspective earlier in Theme 1 in this chapter, Al-Ghafees also added an alarming argument that the majority of small-to-medium sized organizations are

Taken over illegally by foreign labour forces who pay salaries of SR. 5,000 to the Saudi owners for their businesses. These organizations operate and obtain work licenses under the Saudi owners' names yet are controlled and managed by expatriates who evade recruiting Saudis [and do not invest in their training].

However, for the lawful small-to-medium organizations that are run by Saudis, AlWagdani from the Institute of Banking believed that they lack the management and leadership abilities to view training from a long-term investment perspectives. He argued that

Those who are managing such organizations are still developing as they do not yet have the time to manage their operations in a market oriented approach or manage the training and development process. [...] The persons responsible for training decisions may not know the return on investment or how to measure it which negatively affects such decisions and investments.

The three managers interviewed from the large quasigovernment organizations agreed on the importance of organizations size and developed internal management systems for training to be viewed and practiced as a long-term investment in Saudis' development. For example Al-Shagawi from SEC indicated that

The Saudi Electricity Company does not view this investment as an excessive cost. Training, as we view it, should be spent generously and according to planned strategies based on the determined needs of various departments by their managers. We develop the occupational loyalty to the company through our continuous development and training courses for Saudis and through attractive working environment.

Al-Zamel from STC, similarly, confirmed that training prior to their privatization from the government ownership was viewed as a “requirement for promotion”. He believed that such a philosophy changed as their company entered the private sector and as “people are promoted when they are competent not because they got training”. He added that

Our decisions for investing in training stem from the fact that we believe in training our people as we cannot really move further in our business without it. It is not the cost or the percentage of retention that drives our decisions. If training is justifiable and the return on investment is clear, we go ahead with the training and development.

Al-Zamel’s argument supported Alogla’s perspectives from GOTEVT who stated that “when [STC] joined the labour market with its offer and demand processes, its standards changed completely which affected the whole [telecommunication] sector.”

For SABIC’s interviewee, Al-Bat’hi the driving force behind their investment in training and developing Saudis emerged from

The belief that the real investment is to invest in the national human resources, which was the key element in the success of SABIC. [Therefore,] SABIC pursued the approach of intensive utilization of capital, energy and economy as much as possible in manpower.

A number of private managers (8 interviewees) supported the above argument of government and quasigovernment managers. They too linked the organization's size, its internal management systems and top management beliefs-discussed earlier-with viewing and investing in Saudis as a long-term development approach. Two of them, Al-Ghamdi from Zamil Industrial Investment Company and AlSai from M Al Hokair and Sons Group, went even further by stating that they invest in training to fulfill their organizations' "social responsibilities" towards their fellow Saudi citizens. Therefore, Al-Ghamdi asserted that the Zamil Company, as a large organization with top management believing in Saudization, established

A training center which will be open and contributing to other industries to support quality Saudization of machine operators, welders, air-conditioning technicians, maintenance specialists and mechanics.

Al-Rwaily from Riyadh Bank and Al-Koblan from Arab National Bank both agreed that "the cost of training is not an issue" when investing in the long-term development of Saudis. For Riyadh Bank, Al-Rwaily confirmed that

We usually have a very well developed training plan for a whole year based on individual training requirements. The managers decide the training for their employees including where to go and what type of courses they are looking for.

For Al-Sabban from the National Commercial Bank, the largest commercial bank in the country, “quality of training comes first. We are ready to pay; banks and financial institutions have the capacity to develop people and profoundly invest in their training. The question is what are we paying for?”

On the other hand, Al Asmari from the Saudi Japanese Automobile High Institute supported the government managers, Al-Ghafees and AlWagdani, in that small-to-medium sized organizations in the private sector are not investing in the long-term development for Saudis. He stated that

Small-to-medium sized organizations depend on on-the-job training which is not guaranteed to be successful because the people who are providing the training for Saudis are non-Saudi workers. They know that these Saudis will be replacing them which create problems. Any small mistake [by a Saudi] is magnified so they do not get hired.

More alarmingly, Al Zaid from Saudi Real Estate Company argued that small-to-medium sized organizations

Lack the long-term planning by their owners causing the majority of them to become short sighted and opportunists. They want to jump on any opportunity to make the maximum possible financial return.

Agreeing with earlier argument by Al-Ghafees from GOTEVT, Al-Eisa believed that

Some small-to-medium sized organizations do not consider training as their responsibility and they consider it to be a loss not an investment. Therefore, 90% of the foreign labour



force is recruited in these organizations and, to the present time, the government is unable to help them even through its HRDF in planning to recruit and develop Saudis.

- **Availability of Expatriate Work Force and Saudis' High Employment Turnover**

Al-Ghafees from GOTEVT argued that the availability of cheap expatriates in the private labour market is a major inhibitor for any Saudization efforts including investing in developing and recruiting Saudis. He blamed the private sector by asserting that “the private sector is always searching for profits through reducing salaries and searching for cheap foreign labour force.” However, such availability and demands for expatriates in the Saudi labour market emerged to be inevitable “fact” for Al-Humaid from the Ministry of Labour. He stated that

If we employ all qualified Saudis in certain vocations, this will never balance the shortages of manpower we have in these vocations. In the Kingdom at the moment we have 470,000 unemployed Saudi. If we employ all of them, foreign labour forces will still be needed and will not be stopped as we have 6,400,000 job opportunities held by expatriates.

These expatriates are more retainable than Saudis who are as confirmed by a number of private managers (11), hard to retain as they move between private organizations in the labour market looking for a slight increase in pay. This was supported by Al-Malki from NADC who confirmed that investing in recruiting, retraining and developing fresh graduate Saudis is becoming a risky approach for private businesses. He explained that

There are no clear laws and regulations by the labour office of the Ministry of Labour to maintain company's rights and guarantee [Saudi employees] continuity in our company. [On the other hand] the foreign workers' passports and resident licenses are in the hands of the company and they cannot leave us.

One government interviewee, AlWagdani from the Institute of Banking, supported Al-Malki's views and acknowledged that

There should be guarantees and assurances for employees' stability in his or her organization in order for management to invest in their development. These assurances are totally missing from the Saudi labour market.

Al-Ghamdi from Zamil Industrial Investment Company also emphasized that "high turnover of Saudis is becoming a major challenge for Saudization". Al Thumairi from Al-Safi-Danone Company supported Al-Ghamdi's view and stated that investing in Saudis through "Saudization is very difficult especially with the very high turnover in certain jobs. These are basically field and labour demanding jobs. Saudis eventually leave us for SR. 500 or SR. 1,000 difference somewhere else". AlSai from M. Al Hokair and Sons Group also confirmed that

Their group suffers a lot from Saudi employees' turnover. It is becoming a problem for all Personnel and Recruitment Managers. It is an important factor that is influencing their decisions to invest in training Saudi employees.

Al Turaigi also corroborated other private interviewees' views and affirmed that

Almarai's employee turnover in 2006 was 25% for Saudis, which means that if I employed 100 during 2006, 25 of them have already left me within 2006. This is costing us from 150-200% direct and indirect actual cost without their annual salaries.

Two managers from the banking sector, Al-Rwaily from Riyadh Bank and Al-Koblan from the Arab National Bank (ANB), commented that high turnover is a major obstacle for the Saudi banks to invest in Saudi long-term development. Al-Rwaily for example argued that

High employee turnover is usually in the entry level and is a problem for the whole industry. Usually we have to take a little bit of time [3 months] to see if the person is going to continue with us or will be seeking an employment opportunity in other places. We provide training despite these concerns. After training, we make recommendations if he/she is okay for the jobs according to his/her commitment, discipline, communication skills, and customer services skills

For Al-Koblan, "ANB invests by budgeting for the career development programs to retain top players and high potential Saudi employees in the bank [...] as their bank get headhunted" for their qualified people.

In the same way, Al-Zehairi from Tawteen Training and Recruitment supported other private managers on the perception that Saudis are unstable in their employment which prevents private companies from investing in their development. He explained that

The most important factor that hinders private organizations from investing in training Saudis is the lack of awareness of the newly recruited of the importance of continuity and

stability in their jobs. There is no refunding system that guarantees the return of training expenses to companies if a Saudi terminates his/her employment contract.

- **Unavailability of Industry-Led Skill Formation Systems**

A number of private sector managers including Al Ammash from InterSearch, Al-Zehairi from Tawteen Training and Recruitment, Gaith from FedEx and Al-Asmari from the Saudi Japanese Automobile High Institute all agreed that the unavailability of industry-led skill formation systems was a hindering factor for investing in developing Saudis. Al Ammash for example explained that

A young Saudi does not really understand the value of work or how to work not because he is bad but because the society is not giving him all the chances to learn. Even though it is an extra cost, it is the private sector's job to bridge that gap to take the person from the current stage to the desired one. Yes sometimes it is not the job of the private sector to do so as it is the role of the higher education and the society, but if they are not performing it well then it is the private sector's job.

For Al-Zehairi, such a gap especially in the private family businesses which represent “75% of the private sector companies” was not bridged through

Providing their new employees with formal training to establish the basic knowledge needed for the job, instead they only provide on-the-job training. On-the-job training is considered the most beneficial approach in training but only if combined with the formal one which is absent from most of these companies.

These organizations even required its employees, according to Al-Asmari, to “have afternoon courses in computer and English skills as they are mostly depending on on-the-job training.”

Gaith also believed that investing in Saudi's development was always conditioned to their “readiness to do the job they are assigned for. If we find a Saudi who is qualified and fit and have eagerness to stay with us we have no problem investing in him.”

#### **6.5 Theme 4: Evaluation of GOTEVT’s current role and its graduates’ skills level in regard to the private sector manpower needs.**

This theme examines the current role of GOTEVT and the level of skills, knowledge and attitude of its graduates as seen by different managers from government, quasigovernment and the private sector. Interviewees commented on GOTEVT as the main government provider of HRD programs for the private sector. The responses of interviewees which generated this theme evolved from answering the question numbers 8, 9 and 10 from Question Form#1, questions 6, 7 and 10 from Question Form#2, in addition to questions 7, 8 and 12 from Question Form#3 (see **APPENDIX 2**). The majority of interviewees responded to these questions and provided supporting empirical examples. Some of the responses focused on evaluating GOTEVT’s operational and strategic role while others provided critical empirical data on the level and employability of GOTEVT’s graduates.

- **GOTEVT's Operational and Strategic Role**

Al-Humaid from the Ministry of Labour believed that

GOTEVT is doing a great job and graduating thousands of Saudis. In the last years, GOTEVT has changed its curriculum according to a new philosophy which will take more time to be apparent.

For Alogla from GOTEVT this change in the curriculum supported GOTEVT's

Quality [focus which] now begins to evolve greatly. GOTEVT have a great role in developing human resources through satisfying all market needs. [GOTEVT's] annual reports and statistics [show] extraordinary jumps in graduates' numbers in the recent times.

On the other hand, the government manager, AlWagdani from the Institute of Banking, criticized its performance and role by stating that

Different private industrial sectors suffer from GOTEVT's generalization and mass training in meeting specific needs of individual economic sectors. There are no flexibilities in their training programs. It has become the government body that determines training standards for the [private] training sector and supervises its activities in addition to conducting training and evaluating its own

Only one quasigovernment manager, Al-Zamel from the Saudi Telecommunication Company, admired GOTEVT's role and management approaches. He agreed with Al-Humaid that

GOTEVT has changed during the last 5 years. It is really improving and moving into the right direction. Its management is asking the private sector to be involved in committees to develop their programs. They are very successful in linking with the private businesses.

The other quasigovernment manager from the Saudi Electricity Company, Al-Shagawi actually criticized GOTEVT by stating that

[GOTEVT is conducting] theoretical [training] which is incompatible with the applied nature of our company. Technical colleges' curricula and teaching methods differ from our applied and practical approach of our business.

A number of private managers (16) commented on GOTEVT's operational approaches and strategic role in serving the private labour market with Saudi manpower. Only one private manager, Al Khwaiter from Advanced Electronics Company supported some of the above views of Al-Humaid and Al-Zamel. He explained that

GOTEVT were trying to re-write their materials through talking to everybody in the private sector as some of our colleagues [in the company] got invited. So we can actually see improvements in [GOTEVT] in the recent years. [However] personally, I do not expect GOTEVT to go at the same speed as the private sector especially with the government bureaucracy.

Other private managers like Hussain from Savola Group and AlZahrani from Mobily Telecommunication Company both confirmed a contrary argument to the views of Al-Humaid and Al-Zamel. Hussain, for example, explained

I participated in some committees for GOTEVT's technical college here in Jeddah to develop their curriculum. Honestly, it did not last. [On the other hand], SABIC's two industrial colleges have a big department called Curriculum Development whose aim is to meet the demands of the private sector. They visited us many times to investigate and realize our training and development needs to include them in their curriculum.

Moreover, AlZahrani also confirmed that "the curricula designed [in GOTEVT] do not take the market consideration into account". Al-Thumairi from Al-Safi-Danone also added that he never had "any serious relationship with GOTEVT" despite being in his HR position for more than 10 years. He explained that

I should be the prime customer of an organization like GOTEVT. It is sad to say that as we have relationships and work with much smaller government entities than GOTEVT but not with GOTEVT.

Similarly, Al-Qahtani and AlSwailim from Riyadh Chamber of Commerce and Industry suggested that private sector managers are complaining of GOTEVT's curriculum overlooking the training needs of their industries for Saudi manpower. Al-Qahtani explained that

GOTEVT is not fully coordinating with the private sector organizations to determine their present and future skills' demands. The leaders of private organizations are not given the opportunities to participate and be included in GOTEVT's training and



education process. GOTEVT is not concentrating on providing the required attitudes and dedication to performance and work disciplines of the private work environment. It is still following the lecturing techniques in transferring knowledge to their students.

In fact, GOTEVT is not even encouraging participation of professionals and practitioners from different industries to present in their programs. Al-Koblan from the Arab National Bank stated that

GOTEVT do not welcome people from the Industry to participate in providing knowledge and experiences from the field. I have never been asked nor my colleagues in the banking sector to go and talk about the banking sector to GOTEVT's students.

For Gaith from FedEx and Al-Eisa from Al-Yamamah GOTEVT's curricula are not preparing its graduates with intellectual abilities to broaden their perspectives. Gaith argued that

GOTEVT is not taking care of the other facets of thinking development such as reading, writing, social science, critique and a bit of literature. What they are creating is a person who cannot take other directions and grow to higher positions. He is not a person who has learnt to think and see the broader perspective.

Al-Eisa also explained that

GOTEVT is not preparing its graduates with intellectual and mental thinking as well as behavioral training. Ignoring these areas led to the decrease in scientific subject in their programs which provide their students with the skills and abilities to analyze and learn continuously.

In fact, Gaith, Al-Eisa and Al Ammash and a number other private sector managers (7) criticized skill formation systems in general including GOTEVT for providing Saudi students with excessive “memorization” and the “receiving of information” while overlooking essential experimental and practical learning. Such systems for AlZahrani from Mobily are “knowledge providers” which focus on theoretical learning.

Furthermore, Al-Turaigi from Almarai, Al-Malki from NADC, Al-Thumairi from Al-Safi-Danone and all confirmed that GOTEVT is not considering the dairy production needs of their industries of trained and specialized Saudis. For example, Al-Turaigi confirmed that GOTEVT “do not have any major covering the core of our business that is dairy production”. Al-Malki also argued that

During the seven years I have been working in the private sector, no one from GOTEVT asked us about our human resources needs. They are not realizing our real needs of dairy specializations forcing us to recruit foreign labour forces [...] There is no Saudi graduate who is specialized in this field despite the existence of many dairy production companies in the country.

In the same way, Al Shaya from Alshaya International Trading Corporation asserted that

There is no one in the market that has a retail academy or a training program to prepare Saudis to work in a retail business. They graduate in any major and come to us for retraining.

This overlooking of different market demands for qualified and specialized Saudis in different industrial sectors was associated in GOTEVT with “extremely poor trainers” as confirmed by Al-Ghamdi from Zamil Industrial Investment Company, Al-Asmari from the Saudi Japanese Automobile High Institute and Al-Zehairi from Tawteen Training and Recruitment Company. Al-Ghamdi asserted that

Their trainers are hopeless and do not have drive and incentive factor [to perform and develop themselves]. [They are] protected by the government employment system. Government salaries are not attractive to have good professional trainers. [So GOTEVT] have to have the full authority to dismiss and recruit as well as having a different pay scale [that is] linked to trainers’ performance.

Al-Asmari supported this argument by stating that

The problem is their trainers. GOTEVT do not have the flexibility to recruit trainers from different nationalities. Their trainers are Saudis who do not have the skills yet they are training their trainees to graduate and work in a very skill demanding environment like the private sector.

In fact, even Alogla from GOTEVT substantiated such a view by stating

[Our trainers] come to GOTEVT from other education systems in the Kingdom and it is not an easy process to involve them in the training industry. For example, industrial countries utilize their skillful workers who have practical experiences in the industry. As for GOTEVT, its role as a training provider is interfered with by different government bodies and we became the victim of Saudization.

On the strategic level, for some of the interviewees (8), GOTEVT as a government organization is expanding with less effectiveness in developing industry-led skills, knowledge and attitudes. Alogla from GOTEVT acknowledged that GOTEVT is getting larger as it is “dealing with the vast area of the Kingdom with its growing demography.” Al Ammash from InterSearch recruitment organization believed that

GOTEVT was brought on to help drop-outs in finding good jobs. [Now] it is a huge organization in which its management always trying to fix the problems within the organization structure. They are wasting money on how to manage their institutes not on helping Saudis to get jobs by preparing them to the labour market. It is also trying to plan for others [private training industry].

Similarly, Gaith from FedEx and Al-Eisa from Al-Yamamah College both argued that GOTEVT is increasing its dominance and control over other industries to become the government body for any vocational training initiative in the country. Gaith for example explained that

GOTEVT seem to have a direction of expanding its control rather than actually concentrating on developing standards for the technical and vocational training by bringing industry consultants groups to be accreditors for other training organizations and institutes.

Al-Eisa also argued that

GOTEVT’s main problem lies in the lack of clarity in its mission and its overall objectives as they do not know what they want. GOTEVT is providing the joint training program, female and military training, in addition to establishing and running technical

institutes. People in GOTEVT are just trying to look for a mission to redefine themselves.

In fact, they are even competing unfairly with the private training industry as illustrated by Al-Zehairi from Tawteen.

They are the one licensing my training business as they are the supervising body on private training industry. At the same time, they are competing unfairly with my center by providing free training to the public. They will win such competition due to the strong support they receive from the government.

Furthermore, Gaith criticized GOTEVT for intervening into the micro management of such industry. He stated that

With their [GOTEVT] recent regulations, they are not only deciding what the curriculum should be, they are actually interfering with the day to day management of the private training industry. They say to them you do not hire unless we interview your future staff. They say a diploma has to be two years. They are putting rigid rules that will actually jeopardize initiative for the whole industry of private training.

Al Zaid from the Saudi Real Estate Company emphasized that

Vocational training, if not linked directly to the industry on very tight bounds, would not achieve its basic objectives. It is becoming evident that it is very difficult for GOTEVT to train people and put them in the market.

Two private managers Al Zaid and AlSwailim from Riyadh Chamber of Commerce and Industry criticized GOTEVT and other skill formation systems of not considering

or attaining to the future vision of the Saudi economy. For example, Al Zaid stated that

Our government leaders have decided that the Kingdom will be world major player in three main competitive advantage sectors i.e. energy, transportation and information communication technology. We have not built yet the entire human resource infrastructure to develop and run these sectors. In these sectors, we have to deepen the knowledge to create the knowledge work base instead of training on low skills.

- **Evaluation of GOTEVT's Graduates**

Al-Ghafees from GOTEVT affirmed that their graduates are attractive for employment in different organizations in the labour market as they provided them with quality and specialized vocational and technical training. He explained that

Aramco, Saudi Electricity Company, Water and Sanitation Agency in addition to the General Organization for Water Desalination signed training agreements with GOTEVT to obtain our graduates. These agreements are evidences that our graduates are needed and attractive to the labour market.

He also argued that those graduates are needed despite their development in GOTEVT in Arabic. He added that

If Aramco is convinced of the level of GOTEVT's graduates, this is a clear indication that there is no problem in our training programs and qualifications despite our usage of Arabic in training. These big organizations are saying give us your graduates with their technical skills and we will train them in English for our own needs.

On the other hand, AlWagdani from the Institute of Banking contradicted Al-Ghafees's views and stated that "GOTEVT's graduates do not meet the needs of the labour market."

Two of the quasigovernment managers, Al-Shagawi from the Saudi Electricity Company (SEC) and Al-Bat'hi from SABIC both agreed with some of Al-Ghafees's views. Al-Shagawi, for example, asserted that "the outcomes of GOTEVT are good" yet they require "more emphasis on the practical side of their technical training". His company for example recruits them after implementing "rigorous screening and selection techniques to ensure that we only recruit the best". He added that SEC then "retrains them according to the nature of our work that is completely different from their study in GOTEVT's Colleges."

Similarly, Al-Bat'hi recognized that

GOTEVT has been instrumental in the side of SABIC and has aided in the implementation of a series of training programs which yielded good numbers of graduates who represent important groups in the operation and maintenance of SABIC's industrial complexes which apply the latest world-class cutting-edge technologies.

At the same time, he also believed that

The challenges facing the outcomes of GOTEVT are concentrated in meeting the demands of the labour market of the private sector. In this area, SABIC has established advanced [training] centers within all plants to avoid the shortage of required capacities and skills.

Private sector managers, on the other hand, unanimously (23) agreed that GOTEVT's graduates are not fulfilling their employment demands of specialized skill, knowledge and attitudes for different industries. The same managers also believed that these graduates lack interpersonal communication skills especially in English in addition to basic computer skills and work ethics. Al Shaya from Alshaya International Trading Corporation asserted that "a fresh graduate from GOTEVT's technical college needs retraining for one year. They do not have English [skills] as our business deals with international brands and market." Al-Khwaiter and Al Saad from the Advanced Electronics Company also confirmed that a technical college graduate who has studied for three has "less knowledge depth in his area". Al-Malki from NADC also asserted that

The outcomes of the technical colleges do not meet the required skills and attitudes level in the private sector. GOTEVT's graduates [also] have problems communicating in English which has become the basic media for communication in the work field.

Al Thumairi from Al-Safi-Danone supported other private managers' arguments and stated that

GOTEVT graduates' quality is not up to our multinational organization's standards. They do not have the English proficiency, and lack logical thinking and critical reasoning skill, so their chances of being promoted on their jobs are slimmer than other graduates from the Institute of Public Administration for example.



Similarly, Al Zaid from Saudi Real Estate Company, Al-Qahtani and AlSwailim from Riyadh Chamber of Commerce and Industry all agreed that GOTEVT's outcome is not matching the skills and attitudes demanded by the private sector. Al-Qahtani emphasized that "GOTEVT graduates lack English language and computer skills that are essential for the majority of private sector organizations and the new era in Saudi Arabia."

Alblehid from the Saudi Research and Marketing Group also argued that

[GOTEVT's graduates] lack English which is very important in our business and I think in all businesses across the country. We are now part of the World Trade Organization and we cannot only speak Arabic as we need to sell our products [internationally].

He added that

If I hired qualified graduates for our needs from GOTEVT who only require two months orientation on-the-job, I would not invest in creating this institute (Prince Ahmad Applied Media Institute). I would use the money of this investment to develop my business and create more jobs and Saudize better.

Al-Ghamdi also described graduates from GOTEVT's technical colleges as "big disaster and big failure". He added that

We are big recipients of technical colleges' graduates. We have to redo [or retrain them]. They do not have the general skills such as English, computer and communication [skills]. It is not in the curriculum of GOTEVT. Their specialty skills are very bad. GOTEVT wastes government budget money.

Hussain from the Savola Group indicated that

GOTEVT's graduates are totally out of line. They need a lot of off and on-the-job training compared to graduates from SABIC's Yanbu and Jubail Industrial Colleges who are far away better. They are business driven and oriented.

Two of the managers from the banking sector agreed with other private managers that GOTEVT's outcome do not match their employment requirements. Al-Rwaily from Riyadh Bank asserted that

GOTEVT's graduates do not pass the profiling [stages] to be admitted to the interviews. Other graduates from the Institute of Public Administration, Community Colleges and universities pass as they have high grade in profiling. [GOTEVT's graduates] have minimal knowledge, skills and attitudes toward work. Their writing and reading are miserable.

On the other hand, Al-Koblan from the Arab National Bank (ANB) although at the start acknowledged that GOTEVT's graduates are "excellent caliber", he confirmed that

ANB Invest in retraining them off and on-the-job. GOTEVT train their students with old books from the 50s and 60s. Their manuals and training materials are outdated and all in Arabic. GOTEVT's graduates have a major weakness in English.

Sabban from the National Commercial Bank stated that "I do not have any experience with GOTEVT so I cannot comment on them."

Both managers from the two recruitment companies interviewed, Al Ammash from InterSearch and Al-Zehairi from Tawteen are hesitant to recommend the recruitment of GOTEVT's graduates to their clients in the private sector. Al-Zehairi, for example, explained that

Until recently, my recruitment company has not recruited any GOTEVT's applicant in the private sector because I believe that their levels are not suitable for my clients. GOTEVT's graduates have a poor qualification with which they cannot compete with the Institute of Public Administration graduates or with graduates who studied for 6 or 7 months in [the training centers of] the Chamber of Commerce and Industry.

In fact, Gaith from FedEx, AlZahrani from Mobily Telecommunication Company, and Al-Eisa from Al-Yamamah College all agreed that graduates of GOTEVT are only seeking diplomas in any major just to get jobs which in most cases are not in their majors. Gaith for example explained that

What GOTEVT offer their students is not up to the expectations of the students [themselves]. So many of their graduates are just there to take a degree but when they leave they find that it is not really something that everybody is running after.

Therefore, according to Al-Eisa, many of these “graduates can work as administrative employees but cannot perform what they have been specialized in as electricians or mechanics [for example]”. In this respect, AlZahrani disagreed with some of the earlier views of Alogla from GOTEVT. Even though he agreed with him that GOTEVT is “graduating so many people every year”, he argued that

The point here is not how many people GOTEVT is pushing to the labour market, but how many of those are succeeding in getting decent jobs related to their majors which they spent studying for three years. Most of those graduates are not looking for work to practice their majors, but to compete on jobs mostly in the military or the government. [Therefore], GOTEVT's students come to class with no motivation.

Similarly, Al Turaigi confirmed that

GOTEVT's graduates lack motivation and clarity of occupational vision. A graduate has a degree from GOTEVT in a major but he never thought about having a job.

Finally, three managers Al-Zehairi from Tawteen, Al-Rwaily from Riyadh Bank in addition to a quasigovernment manager Al-Zamel from the Saudi Telecommunication Company all argued that GOTEVT's inadequate final product is linked to its admission of low grade students graduating from general high schools. Al-Zehairi supported this argument by stating that

GOTEVT, throughout its history, was never the first choice of youth. High school graduates go to GOTEVT because it is their last chance after all other distinguished graduates are admitted somewhere else. Thus, technical colleges have a bad reputation in the labour market and their graduates are not desired by the private sector.

Similarly, Al-Rwaily stated that

GOTEVT admit low grade high school graduates. Usually other high school graduates with good or average grades go to top colleges while the rest go to GOTEVT. I think GOTEVT have also a stigma associated with their practical training.

**6.6 Theme 5: Evaluation of the proposed changes of the role of GOTEVT toward industry-led training organizations to fulfil the immediate needs of the Saudi labour market for employable Saudis.**

This theme mainly focuses on evaluating the possibilities and requirements of changing GOTEVT to industry-led training organizations that are affiliated to different economic sectors as explained in **APPENDIX 2**. The aim for GOTEVT is to remain a government body that is only regulating, supervising and financing these training organizations without its involvement in the actual implantation of the training itself. It is, accordingly, the responsibility of these different economic sectors to plan to develop and conduct their own training that is serving each sector's needs of skills, knowledge and attitudes. The theme itself evolved as a direct result of answering the questions after the introduction of the study's proposed changes to GOTEVT. These questions were 1, 2 and 3 from both Question Form#1 and #3, in addition to questions 1, 2, 3 and 4 from Question Form#2 (see **APPENDIX 2**). A few managers did not answer the questions directly. However, the majority of interviewees responded and gave supporting empirical examples. The managers' perspectives were either fully supporting the proposal or supporting its essence yet are sceptical of its practicality and acceptance by the government or even the private sector itself especially by small-to-medium sized private organizations.

For the government interviewee, Al-Humaid from the Ministry of Labour, changing GOTEVT was recommended by a prior study. In fact, Al-Humaid argued that

The idea of privatizing GOTEVT is not a new one. King Fahad University for Petroleum and Minerals conducted a study and prepared a proposal for the former Manpower

Council that suggested dividing economic sectors into clusters each one is responsible for its own training in coordination with the government. Now GOTEVT's strategy includes more details that consider participation of different sectors in GOTEVT's work.

He also added that "privatization of training in the Kingdom is theoretical and may not be successful. If the private sector took over with its training institutes, would your proposal guarantee having better outcomes than GOTEVT's?"

Al-Ghafees and Alogla from GOTEVT, similarly, were not opposed to transferring the training conduction role of GOTEVT to the private sector itself. Alogla argued that "if the private sector has the desire to get involved in training [as the study proposes], we are the first supporters of such a desire. But the problem is who will adopt this? This is an expensive and difficult process." In fact, both managers claimed that their new strategy and practices were to establish strategic partnerships with a number of private organizations to conduct their own specialized training for their industry. Al-Ghafees confirmed that

GOTEVT have no problem accepting the privatization. However, the important question is that how many companies would be able to accept this? They only represent 20% of the Saudi private market while 80% are not eager to provide training to their human resources.

Al-Ghafees also provided some examples of their new partnership strategies with some private organizations.

The strategic partnerships with the Saudi Japanese Automobile High Institute (SJAHI), the intended establishment of the Institute for Plastic with Sharq Company, a Vocational

Institute for Cars with Al-Jafari and Al-Eisa, and a partnership with the Ministry of Petroleum to establish a joint institute for petroleum services.

On the government level, Al-Ghafees and Alogla both agreed that in order for such a new direction to be implemented it “requires flexibility in the government systems to operate these institutes and colleges by allowing international cooperation programs with some participating countries under the supervision of GOTEVT.”

AlWagdani from the Institute of Banking also supported the proposed changes to the current role of GOTEVT to be an industry-led training organization as “mass training does not serve the market”. Furthermore, he suggested that

Training should be the responsibility of the market and the people who work in each industrial sector as they will conduct training programs when and how they need them. GOTEVT, [at the same time], can conduct training for individual professions that are not included in any cluster of industries in the private sector. It can establish standards and examinations for different professions.

Quasigovernment managers, on the other hand, were less enthusiastic or supportive to changing the role of GOTEVT. Al-Bat’hi from SABIC and Al-Shagawi from the Saudi Electricity Company both focused on the importance of participation and coordination between GOTEVT and the private sector. Al-Bat’hi for example argued that

The focus is on the outputs of GOTEVT to meet private sector needs. The challenges require cooperation between GOTEVT and the economic sectors. The focus is also on

the English language as the language of business and technology. The focus is on work behaviors and the technical skills required by businesses.

Al-Shagawi also explained that

GOTEVT meets the needs of the labour market and wants to develop its outcomes. It lacks developing English skills in its graduates. It needs periodical examination to its curricula and accepting ideas from others in the labour market. Participation between GOTEVT and all private organizations benefiting from their products is the only means for their development and success.

Similarly, Al-Zamel from the Saudi Telecommunication Company was uncertain of the effectiveness and practicality of giving the private sector the training and development role of GOTEVT. He argued that

Training cannot be left to private industry itself as it will not work. Different organizations including GOTEVT might have certain agendas that cannot be completely transferred. In addition many private organizations in Saudi Arabia are family owned which might affect the outcome and decisions of their training.

On the other hand, the majority (15) of the interviewed managers from the private sector supported the proposed changes to the current role of GOTEVT. The few others agreed with the essentiality of changing the role of GOTEVT to industry-led training organization to be more responsive to each industry's training needs yet they were skeptical of its applicability. Ableihid from the Saudi Research and Marketing Group confirmed that



We [as the private sector] are crippled not to move because of heavy governmental involvement in the economy. I think GOTEVT should be restructured totally. GOTEVT should not be affiliated to the Ministry of Labour. I think having it as regulatory, supervisory and financial supportive to industry-led training institutions is very important. I do not think they should carry out the training themselves; this is a huge bill on the government plus they cannot add value.

Both managers from Alshaya International Trading Corporation, Al Shaya and Al-Khaldi supported Albleihid's views. Al Shaya in particular believed that GOTEVT should "get the right people even from outside the country who have more international experiences to teach Saudis". Both managers illustrated that their company considered establishing its own "retail training academy to serve Alshaya as well as the industry" as explained by Al-Khaldi. Al Shaya also added that his company was forced to consider such an expensive investment as they were not provided with the needed skills, knowledge and attitudes by GOTEVT. He explained that

Unfortunately we are thinking about this kind of investment. It is unfortunately because we are considering the financial burdens of such a project. In addition there are a lot of challenges that we are facing from the government's ministries.

Similarly, the three managers from dairy and poultry industries, Al-Malki from NADC, Al Thumairi from Al-Safi-Danone Company and Al Turaigi from Almarai all supported the proposed changes to GOTEVT to be an industry-led training organization. The three managers similar to Al Shaya and Al-Khaldi were considering establishing a joint training academy to serve their industry needs for qualified Saudis. Al-Malki explained that

GOTEVT with its huge training staff and various training programs must accept the idea of participating with the private sector to open private institutes under its supervision to conduct industry-led training for each economic sector. Our strategic committee in NADC suggested setting up an academy to attract, train and develop and recruit Saudis to serve companies that are working in agricultural and dairy production.

Al Thumairi also confirmed that “changing GOTEVT to industry-led training organizations is a brilliant idea.” He added that

We in Al-Safi-Danone and the dairy companies have a dairy board where all general managers in dairy industry thought about something exactly related to this proposal. They thought about developing a centralized training institute to generate talents for the dairy industry.

Al Turaigi also supported the earlier views of other private sector managers and believed that “changing GOTEVT to industry-led training organizations is absolutely the right approach”. He explained that

The graduates of those organizations will be very competent and can seek job opportunities anywhere in the world as all companies will be competing to get them from day one as the selection and training criteria are right.

Simultaneously, Al Turaigi expressed his concerns that

The government sector [especially GOTEVT] is not thinking in the direction of the study’s proposal. There are some people’s interests that might be in danger. They have about 8,000 government jobs which I am not sure what would they do about them if they

decided to privatize GOTEVT. They need to have different set of skills to run these institutes or colleges. Will those people come and work in the private sector's environment?

AlSai from M Al Hokair and Sons Group similarly confirmed that "there is no government training institute in Tourism and Leisure fields". Therefore,

Their Group was considering establishing an integrated training institute to benefit the whole sector from their 35 years of experience in the both field to graduate qualified and specialists Saudis.

From Savola Group, Hussain asserted that "GOTEVT should not be involved in conducting training. They should invest in shaping the training criteria and audit the training in the country". Furthermore, He suggested that

Through plastic conversion in Saudi Arabia we can capture 25% of the market share worldwide as we already trying producing 25% of the petrochemical share in the world. Therefore, we need to have a training institution only for plastic production and industry as well as retailing. This proposal of yours applies to every industry in the private sector.

Both managers Al-Koblan from the Arab National Bank and Al-Asmari from the Saudi Japanese Automobile High Institute supported earlier views by Al Shaya. Al-Koblan suggested that "GOTEVT should get international experiences into the country to educate and train their students." Al-Asmari also supported Albleihid's perspectives of altering and restructuring GOTEVT's current affiliation to the Ministry of Labour. He explained

The only thing that will make GOTEVT successful is autonomy from the restrictions of government rules. They need to be autonomous to work as a private sector to get the freedom to recruit trainers from different countries to transfer the skills and knowledge to Saudis and not to be the victim of Saudization themselves.

He also added that the private sector if GOTEVT's role was changed to industry-led training organization might not accept GOTEVT's government manpower as "they might not have the skills yet have very high salaries". Al-Asmari argued that

This proposal can be accepted to the private companies if GOTEVT evaluated and rehabilitated its manpower who even after that might not fit to the private sector training requirements. Private companies would prefer bringing their own instructors from their workshops to conduct their training.

Correspondingly, Al Ammash from InterSearch, Al Zaid from Saudi Real Estate and Al-Eisa from Al-Yamamah College approved of changing GOTEVT to industry-led training organizations. Al Ammash confirmed that

GOTEVT have to be broken down to smaller units that have their own strategies, goals and measures of performance. The role of GOTEVT is not really to do the education itself as this is not its specialization. Its specialization is to regulate, supervise and finance the people who do it the best, the private sector. GOTEVT will be a very influential entity if it became industry-led training organizations.

Al-Zaid, likewise, supported that "GOTEVT should give its budget to private industry and let the industry be the trainer to itself". He then provided specific evaluation to the proposed changes. He argued that

Clusters of the industry that claim a single product or complementary products should have their own training. Those people are the most capable ones to develop their own training. [Nevertheless,] the focus of this process should be on building the business work environment in companies and bringing the culture of training to the industry that can understand and link such culture to its overall business objectives.

In the same way Al-Eisa stated that

I support changing GOTEVT to industry-led training organizations provided that the Ministry of Education rectifies the problem of dropouts from public education for whom GOTEVT was established initially to rehabilitate and become useful members in our society. This is not the responsibility of the private sector. It cannot recruit them directly in its labour market as they have behavioral problems and learning difficulties.

On the other hand, a few of the private managers (6) were doubtful of the success and acceptance of the proposed changes to the current role of GOTEVT by government entities in the country. AlZahrani from Mobily Telecommunication Company and Al Khwaiter from Advanced Electronics Company both agreed that “changing GOTEVT to industry-led organization theoretically is very good but practically is impossible” as explained by AlZahrani. Similar to Al Turaigi’s earlier views, Al Khwaiter stated that

GOTEVT as a government agency is paying salaries, paying expenses according to government rules and budgeting and spending methodologies. This proposal might not see the light because of the practicality of it as it is attempting to change and may be privatize a government body. My concern also is for small-to-medium sized companies which do not consider training as their major concern. We cannot let training depends on their interests which is always based on reducing expenses.

Al-Asmari agreed with Al Khwaiter by stating that

Business people want to stay in the business and do not want to spend their money outside the business. Spending it on training institutions can be tolerated by large organizations but it is a cost especially for small-to-medium companies.

AlZahrani even suggested alternative proposal for GOTEVT to be more responsive to the needs of the labour market. He recommended that

Instead of establishing something from scratch, I would propose co-partnership between private industries and GOTEVT by which it is not put aside. For example Banks approach GOTEVT to support certain number of students in a special training program. GOTEVT will train them on the basics and banks will select the elite to deviate from the curriculum to sponsor them and teach them banking courses. Then, the best 75% will be signed up to guarantee them jobs in banks.

Finally, Al-Zehairi from Tawteen Training and Recruitment Company also agreed with the earlier views of Al Turaigi that

Changing the role of GOTEVT to industry-led training entities will be rejected as its implementation requires not only economic or administrative decisions but a political one. All persons in charge of GOTEVT will fight this in all their strength.

## **6.7 Conclusion**

This chapter presented the core of this research as it reports the findings of its face-to-face interviews with selected managers in Saudi Arabia. The interviews with the managers provided the wider viewpoint about Saudization and HRD practices in the country. Their practices and views regarding these two matters, which will be discussed in depth in the following chapter, clearly illustrate the correlation between the ineffective Saudization resulting from unfocused vocational and technical training provided by skill formation systems and GOTEVT, in particular.

The interviews revealed and confirmed the fact that the Saudization dilemma in Saudi Arabia is a multidimensional national problem that requires multilevel solutions. It is not and will never be the responsibility of a government body or the accountability of the private sector alone. However, if training and education as well as recruitment strategies persist, this dilemma will worsen as the country is witnessing massive and rapid economic development that will indeed require enormous supplies of skillful human resources. In worst cases these high demands on human resources will only be covered from the ready to work expatriates taking the country back to square one of the 1980s when this entire dilemma of high rates of unemployment among Saudis emerged. Yet this time it is going to be even worse as Saudi Arabia already have more than 4 million foreign labour that are flooding the country's labour market.

The findings can be grouped under the following main points:

- **Government Involvement in Skill formation Systems and the Labour Market**

Answers of the interviewees tend to follow similar patterns depending on whether they are from the private, the government or the quasi-government organizations. There is a general agreement among interviewees of private organizations that GOTEVT and the Ministry of Labour are not listening nor fulfilling their needs and demands for skilful human resources. Not only that but also they are imposing outdated and restrictive recruitment regulations and procedures on their businesses that are affecting their economic activities. They believe that government organizations in general in Saudi Arabia are not capable of coping with the rapid changes in the business environment and are pulling them back and discouraging their competitive advantage in Saudi Arabia as well as in international markets.

There is unanimous agreement among interviewees from different private organizations that the quality of GOTEVT's graduates is not up to their work requirements and recruitment standards. Their communication, work ethics and even technical skills are undoubtedly weak and 'unemployable' compared to the time they spend in GOTEVT's institutes and colleges. Therefore, further investment in retraining in the private sectors' training centres, or on the job, are required resulting in money, time and effort wastefulness. In addition to this expensive investment in their reorientation, there are no employment laws that guarantee GOTEVT's graduates and Saudi employees in general continuation with their employers as they tend to move from one private organization to another following the slightest increase in their salaries.



On the other hand, foreign employees are skilful, hard working and easy to maintain as employers hold their passports and their work sponsorship. Interviewees in the private sector agree that if a Saudi worker performs and competes as a foreign worker they will be content to keep him/her. Not only that but also they are willing to pay him/her higher salaries according to their performance and the skills he/she has. They believe, in general, that their labour market employment practices are spoiled by the employment and work environment implemented in government organizations as Saudi employees are granted lifelong employment regardless of their performance or discipline.

Interviewed private sector managers consider the Saudization program as a noble national effort that has to be implemented provided that they have the well trained and committed Saudis as well as the supportive government employment mechanisms. To achieve the former, a number of private sectors are acting constructively and considering establishing their own training institutions to invest in retraining young Saudis and bridge the skills' gap to fulfil their immediate line of businesses' needs and to support their industry as a whole.

The government and quasi-government interviewees, on the other hand, view the private sector as not paying enough salaries to Saudis to keep them and increase their Saudization percentages. They believe that private sector organizations are attempting any possible tactic to evade employing Saudis as they aim to increase their profits. They consider GOTEVT as not part of the obstacle of Saudization and that their graduates are well trained and up to the employment requirements of the labour market. GOTEVT officials support the idea that employment is not their number one

responsibility as they are only acting as a government training and education body responsible for graduating what the labour market needs. These needs are well advised by different private industries' representatives and accordingly included in their training and education programs. In addition, they claim that they are attempting to establish strategic training program partnerships with different industries to equip industries to train for themselves. However, the large industries that are capable and willing to accept this approach appeared to be few in numbers. Most Saudi industries are small-to-medium size organizations that, according to GOTEVT's top management, regard training and skill providing as the responsibility of the government.

Quasi-government organizations, in particular, although they retrain GOTEVT's graduates in their own well equipped training centres, believe that they are well qualified for their employment requirements. These organizations were recently privatised or partially government owned. They are well established financially, managerially and organizationally and obliged nationally to participate in increasing Saudis' employment. They have some concerns, however, about GOTEVT's graduates' English communication competencies as they are trained in GOTEVT only in Arabic. This weakness in fact seems to receive unanimous agreement also by all interviewed managers from different private sector organizations which was not seen as problematic for GOTEVT's officials.

In brief, Saudization strategy is seen as a national vision and priority among all interviewed managers. However, it seems to lack coherent practical mechanisms and cooperation between shareholders for its implementation and evaluation especially

among responsible human resource government bodies i.e. Ministry of Labour, GOTEVT, HRD Fund and other skill formation systems in the Kingdom. In the absence of those mechanisms and cooperation, the private sector cannot interrupt its production and competition waiting for the government bodies to sort themselves out in such a challenging and seriously competitive markets that Saudi Arabia and the region as a whole are witnessing. So, the easiest choice for private sector organizations is to look for foreign labour recruitment to run their production while slowly implementing Saudization, a long lasting ineffective national strategy.

- **Successful Saudization**

All managers interviewed agree that the success of Saudization implementation depends mainly on the organization size. Large organizations are more successful in achieving its requirements as it is supported by their top management belief on its urgency and priority. Therefore, they invest in implementing advanced and attractive Human Resource Management systems and invest heavily in retraining Saudis to fit their employment needs. They establish their industry-led training institutions that allow linking their HRD programs to their industry needs. A number of the private managers as well as government managers believe that government interventions through HRDF grants accompanied by rigorous government monitoring are assisting Saudization success in the private sector.

- **Saudi Negative Attitudes to Jobs in the Private Sector**

Private sector managers agree that their human resource practices are spoiled by employment practices in the government sector as the latter overlooks linking its pay

to employee performance with the majority of its employment for office and administrative jobs. They also confirm that Saudis preferred employment in the government and quasigovernment organizations influenced by the long-lasting negative social view that private sector employment is for expatriates. This created less attraction to such jobs as they are viewed to represent lower social status for Saudis. Therefore, Saudi employees recruited in the private organizations are hard to retain as they move between private sector organizations following the slightest increase in their pay. Government managers agree that Saudis are still not valuing jobs in the private sector as they were spoiled by the years of economic booming the country has witnessed.

- **Investing in Saudi HRD as a Long-term Approach.**

Government, quasigovernment and private managers as well agree that decisions to invest in a long-term development of Saudis in private organizations are determined by the organization size, top management belief and advanced and attractive human resource management practices. They are also supported by available funds from the HRDF. A number of managers believe that Saudization monitoring by the Ministry of Labour is a major driving factor for investing in HRD in the private sector. On the other hand, such an investment is inhibited by organization size being small-to-medium, unavailability of industry-led trained Saudis who has, at the same time, high labour turn over, in addition to availability of ready to work, cheap to employ and highly retainable expatriates.

## **CHAPTER SEVEN ANALYSIS OF THE FINDINGS**

### **7.1 Introduction**

This chapter discusses the findings reported in chapter six in the framework of the research's objectives. The findings are also analyzed in relation to the relevant literature in previous chapters with special emphasis on Hendry's model.

At the beginning of the discussion, though, the focus is on examining the role and influence of the state involvement in dominating skill formation systems in the country including GOTEVT as the main vocational and technical skill provider for the private labour market. The analysis then focuses on evaluating specific issues related to GOTEVT's strategic and operational outcomes in relation to the manpower needs of the private labour market. Second, the discussion explores the obstacles in implementing the Saudization strategy as seen by managers from government, quasigovernment and the private sector. The analysis examines unemployment and Saudis attitudes toward employment in private organizations. Third, the chapter looks into the factors that led to high rates of Saudization in some private sectors. It explores the reasons behind some successful Saudization scenarios in private organizations that have industry-led training initiatives. The discussion will facilitate proposals to be introduced in the next chapter to the Human Resources Development practices to bridge the missing link between skill formation programs provided mainly by GOTEVT and the Saudization requirements in the private sector.

At the end of this chapter, the analysis examines Hendry's interaction factors in a different labour market environment such as the Saudi with its employment and

training complexities. It attempts to understand the driving, stabilising and/or inhibiting factors that influence Saudi private organizations to invest in training Saudis as a long-term investment approach. Hendry's model was originally developed and implemented in the UK to investigate the HRD practices in relation to corporate strategies in small-to-medium sized organizations. The study developed a model (see Figure 4.2) to highlight the interactions of factors that drive, stabilize and/or inhibit training as a strategic long-term investment approach in organizations. The driving factors according to Hendry (1991) include changes in business strategies and competitive pressure in addition to available skills' supplies by external and internal (within the organization) labour markets. The driving and stabilizing factors also include internal actors and systems as well as external support for training such as government grants. The inhibiting factors, on the other hand, hinder the process of investing in training from a long-term HRD perspective. They include simple products or tasks, lack of a qualification culture, clerical and technical bias of training with low status trainers, and lack of influence of management training. Hendry argued that in order for organizations to pursue training as an investment approach and have effective training practices, they must decrease or even eliminate the negative effect of the inhibiting factors and reinforce the driving and stabilizing ones.

## **7.2 Government Bureaucratization and Skill Formation**

As mentioned earlier in the introduction and the third chapter, the state is dominating HRD activities in Saudi Arabia. Their efforts include regulating, planning for, financing and executing all aspects of its activities. The outcomes of this heavy governmental involvement are affecting the Saudi private labour market and Saudization strategy in particular which are examined in this chapter. The emphasis

of this examination, however, is on government bureaucratization that is primarily influencing GOTEVT's role. Other general education stages and higher education institutes such as universities are examined briefly in this analysis as they are not the core focus of this study and as they require further and extensive research and investigation and may add to the complexity of the current research. These systems including GOTEVT, nevertheless, share many similarities as they are all controlled, run and influenced by the government's systems and operations.

The findings of this research are consistent with the majority of the literature discussed in this thesis. They, especially the ones illustrated by the private sector and quasigovernment interviewees, confirm that rigid government bureaucracies are delaying the responsiveness of skill formation institutes including GOTEVT to the private sector's rapidly changing needs for skills, knowledge and attitudes. They are, therefore, hindering the efforts of implementing the crucial government Saudization strategy to reduce expatriates employment by increasing qualified Saudis' recruitment in the private sector organizations. This, if achieved, could reduce the annually increasing unemployment rates among Saudis. Moreover, these government bureaucratic approaches are delaying the achievement of the country's overall economic vision as they are not synchronizing such vision into the country's skill formation strategies.

Currently, the private sector is emerging to be among the main contributors to the Saudi economy beside the country's natural oil and minerals resources. The government is increasingly encouraging the sector's participation in establishing and running its developmental and industrial projects. Accordingly, the private sector is

becoming the major employer in the country as opposed to the government which has reached over the years its ultimate employment capacity of Saudis. Naturally, the private sector's business and work environment are competition driven and profitable oriented. These eventually are directing its human resource management practices in general and employment criteria in particular. Therefore, the sector is currently demanding from the country's skill formation systems more technical skills, knowledge and attitudes as well as scientific specializations that are trained toward its specific employment and production needs.

In a more futuristic perspective, AlSwailim from Riyadh Chamber of Commerce and Industry and Al Zaid from the Saudi Real Estate Company anticipate huge demands on skills and qualifications in three industrial areas i.e. advanced information technologies, energy related industries and transportation. These three industries and services represent the Kingdom's strategic vision of its leaders for its future economic competitive advantage. They are even included in the country's Development Plans in order to establish the Kingdom's industrial competitiveness. Nevertheless, a major challenge for such a vision stems from the absence of a clear unified as well as a long-term economic strategy for the country that can direct its HRD and recruitment strategies. The constraint for such long-term planning is the country's dependency on oil production and prices that can change dramatically depending on fluctuations of the market, political and economical circumstances. Such constraints had forced the country's long-term strategic planning to be overshadowed by shorter-term five years Development Plans. These plans, of course, are successive plans complementing each other; nevertheless, they do not fulfill the requirements of the long-term planning for



the human resources development and recruitment as they require more stable and achievable plans that are longer than five years.

Furthermore, the implementation of such a vision is yet encountering challenges by government executors and planners for government skill formation systems. It is still hindered by the government's rigid bureaucracies to establish skill formation systems that are capable of preparing the country's human resources for the new economic development era. This promising vision requires new and innovative approaches that are not yet practiced or planned for by the different ministries responsible for planning the country's overall skill formation strategies. They require, according to Al Zaid from Saudi Real Estate Company and Gaith from FedEx, new government practices, a culture and a skill formation system that is knowledge-work base. They involve training for advanced skills, knowledge and attitudes that are still absent from curriculums and plans of the country's skill formation systems.

The skill formation systems are still graduating the majority of their students from majors that the labour market is not requiring such as social, arts, and literary studies while the real need is for scientific and technical areas. Al-Qahtani and AlSwailim from Riyadh Chamber of Commerce and Industry comment that there is a scarcity of technical and scientific majors that can graduate enough quality and quantity manpower as the private sector is developing and progressing quicker than the present production of the government skill formation bodies. Private businesses are evolving with new technologies and new industries and practices that the government skill formation systems are unable to keep pace with due to their bureaucratic nature dominating their practices, decision making processes and long-term planning. Al

Turaigi from Almarai also supports the fact that Saudi universities are not graduating its students with labour market interests in mind. According to him 70% of their programs' outcomes are studying majors that the private labour market is not demanding anymore while only 30% are focusing on market needs. This, eventually, will delay the implementation of Saudization and burden the government and the private sector as well with extra cost to retrain the incompatible skill formation's outcomes with new employable skills and behaviors. In other words, skill formation systems are not linked to the country's employment needs or to the country's strategic economic vision.

On the same prospect, Al Ammash from InterSearch Recruitment Company confirms that university curriculums are focusing on academia and theoretical teaching and learning approaches. They are not producing a well rounded employable graduate that is equipped with essential practical knowledge and skills that can guarantee his/her school-to-work transition. In addition, Saudi universities and GOTEVT as well do not prepare Saudi graduates for the country's private labour market by building their essential interpersonal and communication skills such as English and necessary IT skills prior to providing them with subject matter skills. In fact, in the case of GOTEVT, Gaith asserts that it is not broadening their trainees' prospects with essential learning and development cognitive skills such as general reading, creative writing and critical thinking. These skills, according to many interviewed private managers, are the necessary tools that, if provided by GOTEVT and other skill formation systems, would enhance their graduates' employability and increase their career promotion opportunities afterwards. Ideally, private sector industries expect

them to have the specializations' skills, knowledge and attitudes as well as abilities and potentials to compete in a businesslike manner in a competitive environment.

Yet, in fact, skill formation systems including GOTEVT consider themselves to be only knowledge providers without the need for integration or consultation with private managers about their market demands for skills as described by AlZahrani from Mobily. This tactic is appropriate for the bureaucratic planning and developing approach of any government system and process. It ensures lengthy decision-making processes and intensive planning and budgeting procedures for developing any new or existing HRD initiative. In other words, it imposes more bureaucratic control over expenditures from their limited government budgets which is inconsistent with the rapidly changing skill demands of the private sector they are serving. In addition, it reinforces and encourages less involvement, coordination and consultation from the private organizations to discuss their employment needs. The latter cannot jeopardize and interrupt the immediate business requirements of its experienced managers to participate in such time-consuming processes of the government. As a result, those managers discard involving in the prolonged skill formation development projects proposed by GOTEVT and other skill formation systems. Therefore, private sector's managers, according to Al-Qahtani and AlSwailim, are neither directing nor participating in the educational and vocational training curriculum development. They are not able to influence such programs to produce what their industry needs. In addition, managers from the private sector are criticizing skill formation systems for not utilizing their work experiences and willingness to participate in presenting workshops, lectures and studies in their programs. Therefore, they blame skill formation systems of being merely theoretical knowledge providers with less

concentration on the most demanded practical learning that increases the graduates' employability in the labour market.

In fact, skill formation systems, as indicated by Gaith from FedEx and Al-Eisa from Al Yamamah College, are still operating to enforce receiving and memorizing information. They are not attempting any experiential learning and hands on learning approaches that encourage creative, analytical and critical thinking which are essential to create the knowledge society. They are also crucial requirements for current employment demands of the country's evolving private sector. Such demands are yet mostly unaccounted for by the majority of skill formation systems which focus on graduating literary majors as opposed to technical and scientific majors as explained by AlZahrani. More alarming, essential coordination and consultation with the private organizations on their skill, knowledge and attitudes requirements are hardly implemented by such systems.

- **GOTEVT's Role Under the Government Influence**

Interviews confirm the literature that GOTEVT's current role is not fulfilling the private sector's requirements that the country's overall economic vision demands. Such argument, as expected, does not correspond with perspectives of the top government managers from both GOTEVT and the Ministry of Labour. They defend its existence and achievements, and deny the private sector argument that government bureaucratic and heavy involvement is hindering GOTEVT's responsiveness to the employment needs of their labour market. In fact, the two GOTEVT's top managers Al-Ghafees and his Vice Governor Alogla, in addition to Al-Humaid from the Ministry of Labour, believe that their organization is doing a great job. It is

developing and flourishing and more than that fulfilling the private sector's needs for qualified Saudis. Their graduates are, according to their perspectives, annually increasing and are trained according to the private industry needs. Al-Ghafees, in particular, indicates that their graduates are becoming attractive for employment in Aramco and the Saudi Electricity Company among others which only seek the most qualified human resources. This, for Al-Ghafees, is empirical evidence that such graduates are well preferred over other skill formation bodies including universities. However, Al-Ghafees tends to overlook the fact that the organizations referred to are, on one hand, either government organizations like Aramco or quasigovernment ones that are obliged to Saudize their manpower as they are partially state-owned organizations. On the other hand, they have their own state-of-the art industry-led training institutions that are financially and organizationally well equipped to retrain GOTEVT's graduates to their specific needs. This advantage, in fact, is not available to the majority of private organizations that are currently struggling with GOTEVT's outcomes in their employment and Saudization efforts.

Substantial general pattern evolves from interviews with the managers from quasigovernment organizations. They demonstrate conservativeness in criticizing GOTEVT's programs and the government role in fulfilling their demands for qualified national skills. Those managers including Al-Shagawi from the Saudi Electricity Company, Al-Zamel from Saudi Telecommunication Company, and Al-Bat'hi from SABIC are, on one hand, still inclined to support government entities since the government is a significant shareholder of their organizations. On the other hand, they are capable of retraining and rehabilitating GOTEVT's graduates in their advanced industry-focused training facilities. For example, they consider GOTEVT's

new approaches to involve private managers in their programs development to be a positive approach towards the right direction. Yet they confirm the conclusive fact, illustrated by other private managers, that such procedures are lagging behind the expected and required time and quality for professionals and specializations to serve the private sector of national human capital. For them, GOTEVT's vocational training programs are still utilizing an incongruous theoretical teaching approach instead of a practical training approach that is mostly required by private industries including quasigovernment. To overcome this slow responsiveness and theoretical teaching approach of GOTEVT's, quasigovernment organizations are investing substantially in implementing advanced selection and recruitment procedures that are followed by considerable retraining of GOTEVT's graduates to fit their needs. For example, Al-Shagawi asserts that they first implement rigorous selection and recruitment practices to ensure the recruitment of the best graduates including GOTEVT's. Second, they retrain those newly hired employees on the practical work environment which is absent from the theoretical curriculums of GOTEVT's technical colleges. SABIC, on the other hand, as Al-Bat'hi confirms, is utilizing its financial capabilities to establish its own training facilities in all of its plants to fulfill its industrial demands for skills. They have even established two industrial colleges in Yanbu and Jubail to serve their immediate needs as well as the needs of similar private organizations in petrochemical industries. In all their industry-focused training facilities, they retrain GOTEVT's graduated students to suit SABIC's industrial technologies and production requirements.

For the private sector current employment needs and for the country's ambitious economic vision, unfortunately, GOTEVT's efforts are currently overshadowed by its

government role and inclination to extend its government authority. At present, GOTEVT is implementing an unclear mission that is affecting its strategies, operations and outcomes. On the strategic level, GOTEVT, as described by Al Zaid and Gaith, is trying to expand its responsibilities to include any vocational training initiatives in the country while overlooking its core mission. In fact Al-Eisa substantiates that GOTEVT is decreasing some of its existing vocational training operations in order to seize the new vocational training opportunities. Such new initiatives will increase its allocations of the government budgets as well as its domains of authority and control over different industries as well as its private training industry and military training. In addition, these new responsibilities will enhance its strategic status in the government and the general public domains as an organization of multidimensional roles to assist achieving the state's overall strategic objectives of HRD and recruitment. Accordingly, GOTEVT has moved from its original role of providing the private industries with employable Saudis. It is now interfering in micro activities of the private training industry such as deciding their curriculums, the length of their programs and even the selection and recruitment procedures for their training faculty. Not only that but also it is attempting to develop vocational curriculums and accreditation standards for other well established and developed industries such as the banking and investment sectors. Gaith believes that these sectors' training programs and accreditation standards can only be determined and approved by the industry itself with less interference by GOTEVT. Such interference will only impose its government bureaucratic procedures and business approaches on very dynamic sectors that are leading the country for years in business achievements as well as in advanced human resource management practices.

Moreover, on the operational level, this unclear mission of GOTEVT is hindered by heavy government control over its activities resulting in a bureaucratic and slow to respond system that has been focusing on quantity of graduates instead of quality. Such an argument is supported by Alogla the Vice Governor of GOTEVT himself. Alogla asserts that GOTEVT's focus on quality in graduating skills and qualifications has just been introduced. Unfortunately, GOTEVT's presence as the country's main vocational training provider for the private sector has evolved for more than a quarter of a century. Since its establishment the focus was on the quantity of Saudi graduates rather than their quality of technical and vocational skills, knowledge and attitudes that are mostly needed by the private sector. AlZahrani asserts that the success of GOTEVT in fulfilling the market needs of vocational skills should be measured by their graduates taking over vocational jobs in their specializations not merely by graduating large numbers of graduates every year. In other words, GOTEVT should be focusing on its qualitative measures more than its quantitative ones which basically requires establishing their programs according to the labour market needs. Such measured will guarantee GOTEVT's ability to attract private companies to recruit their graduates in their specializations with shorter on-the-job orientation periods. However, AlZahrani argues that the present situation of GOTEVT is of the contrary where quality of vocational training is being marginalized and overlooked by GOTEVT. As a result, this is costing private organizations important and risky investment especially that Saudis are hard to retain and mainly look for office employment preferably in the government.

Therefore, GOTEVT, according to AlWagdani from the Institute of Banking, is still focusing on the mass production of skill, knowledge and attitudes for different private



industries via theoretical teaching and learning methods while overlooking the needs of specific industries. At the same time, as indicated by the majority of interviewed private managers, very few and slow efforts are being implemented to involve their inputs in the development of GOTEVT's programs to suit their employment needs. Such a slow process is becoming inevitable due to GOTEVT's slow government bureaucracy system and to the fact that it is covering vast geographical areas of the Kingdom as Alogla indicates. Consequently, these industries cannot jeopardize their business plans and competitive advantages to wait for GOTEVT's slow development and overdue quality implementation on its programs. Therefore, the sector, despite extensive government efforts, is increasingly recruiting the ready and, in most cases, qualified expatriates especially that GOTEVT is continuously claiming its unaccountability for employment responsibilities in the country. In fairness to GOTEVT, they have less control over the decisions to reduce or discontinue foreign labour force recruitment in the fields that they are training Saudis to take over. However, in the absence of industry-focused qualifications and standards as well as required work ethics in GOTEVT's graduates, as expressed by interviewees from the private sector, Saudization is even harder to accomplish. Not only that but also achieving the country's ambitious economic vision of creating knowledge-base society and industries are unfeasible.

In contrast, other examples of skill formation systems have succeeded in fulfilling their industry's demands such as SABIC's Al-Jubail and Yanbu industrial colleges, training by the banking sector and training by the Saudi Electricity Company just to mention a few examples. These organizations are admitting and training students graduating from the same general education system as GOTEVT. As evident from

the interviews, these sectors have achieved high rates of quality Saudization and benefited other industrial sectors with qualified, skillful and business oriented human resources better than GOTEVT. The significant difference is that they are providing industry focused vocational training while GOTEVT is not. For example, Hussain compares GOTEVT's outcomes with SABIC's Yanbu and Jubail industrial colleges that are establishing and developing their curriculums according to the private sector's needs. Unlike GOTEVT that is conducting mass training programs for different industries, SABIC's colleges focus on petrochemical industries. Their graduates receive industry-led training programs which supply the needs of Savola and other similar industries. According to Hussain, the two SABIC's industrial colleges conduct regular training needs assessment to Savola and other private organizations which is then incorporated in their training programs. Their graduates demonstrate industry focused technical competencies and knowledge as well as employable English and computer skills that are geared toward labour market needs.

Other empirical evidence emerges from the interviews to confirm GOTEVT's lack of responsiveness to the employment and development needs of the labour market. Al-Malki from NADC, Al Turaigi from Almarai and Al Thumairi from Al-Safi-Danone represent the dairy and poultry production industry in this study. They all agree with other private managers that GOTEVT's graduates are not matching their business needs. In fact they criticize GOTEVT for not having a major specialized in the dairy and poultry production industry although they have been in the Kingdom's market since its early days. All three managers believe that GOTEVT's graduates lack the necessary employable skills including English, logical and reasoning thinking. They also lack the general preparation for personal effectiveness including clarity of self

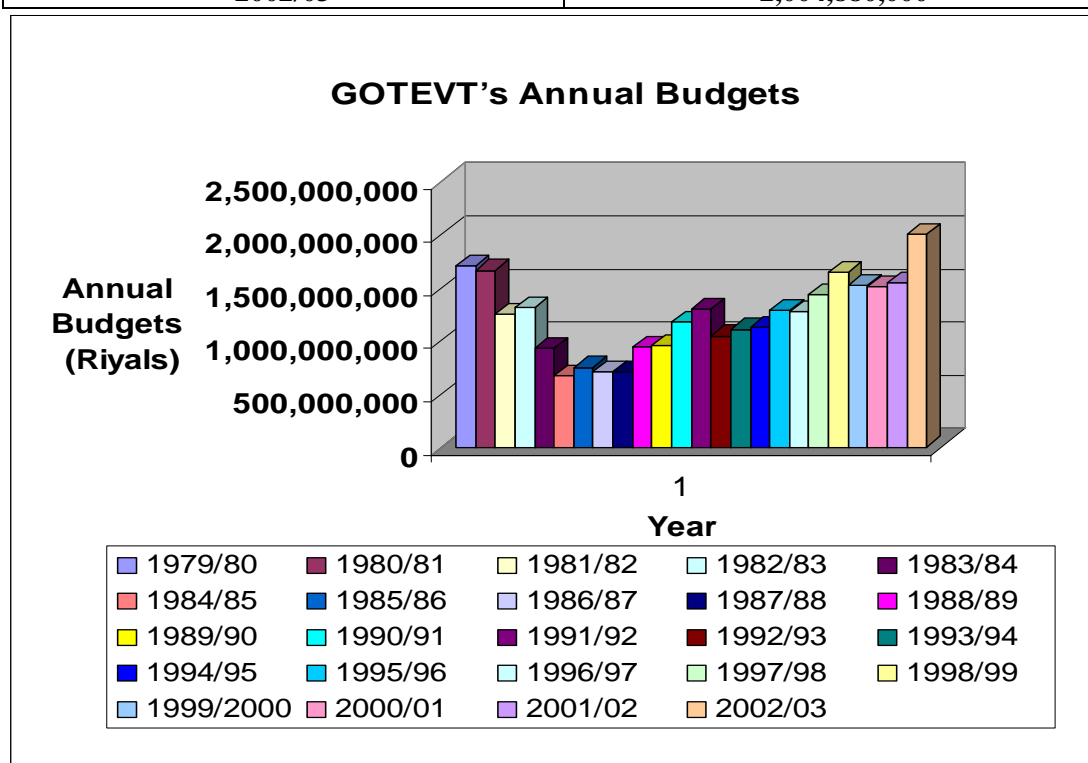
and employment vision, motivation for employment in the private sector, ability to market one's self, and essential employment disciplines. They confirm that GOTEVT never approached them to participate and consult in its curriculum development processes despite the fact that they are among the largest companies in their industry in the local market. Therefore, similar to other industries, these companies train GOTEVT's graduates for their production needs of skills, attitudes and knowledge in either their training centers or through private training providers. In both cases these companies are wasting their time, effort and money on the HRD that has been the core mission for GOTEVT in the first place.

Similar criticism comes from Al Shaya and Al Khaldi from Alshaya International Trading Company who illustrate that GOTEVT do not have a vocational training program specialized in retail. Alshaya which has been in the Kingdom since the 80s, attracts graduates from unrelated fields of study from universities and GOTEVT and retrain them for at least one year to fit their needs. These graduates have already spent at least two years of vocational training in GOTEVT's technical colleges or training institutes in any major just to obtain a vocational diploma which become almost obsolete if deciding to be recruited in a retail industry like Alshaya. The industry start from square one in providing essential and lengthy retraining which consume Alshaya's valuable time, effort and money to rectify the qualification gaps of the country's educational and vocational training bodies. This retraining will also provide them with basic English communication skills that seem to be an immediate need for most organizations included in this study.

On the operational level too, GOTEVT's organizational structure has become so large that it is incapable of managing itself to produce the planned and desirable outcomes for the Saudi private labour market. Al Ammash from InterSearch views GOTEVT as too large an organization that its management is fully occupied in its day-to-day contingency management for its operations and resources rather than planning for its strategic organizational issues. These issues include directing its resources toward synchronizing its outcomes with the labour market needs and achieving the country's overall strategy of Saudization and its futuristic economic vision. However, since GOTEVT is a government organization, its organizational system and outcomes are influenced by its affiliation and identity as a government system. In fact, Al Khwaiter, from Advanced Electronics Company, acknowledges that this system has been always challenged by the private sector's rapid development, changes and demands despite the efforts to cope with such challenges. GOTEVT is actually hindered by its own bureaucratic practices of organizational management in addition to its limited government financial resources. Its financial incomes and budgets are constantly susceptible to the country's overall revenues that are affected by oil prices fluctuations as demonstrated by Table (7.1) and its following illustrative chart. These resources since depending on the country's oil revenue is consistently unpredictable and will always be as such for GOTEVT. They eventually restrain performing its basic role as well as implementing any future development plans in developing the country's human resources according to the labour market employment needs. They will also affect its adaptability to changes to demands in the market it is serving.

**Table (7.1): GOTEVT's Annual Budgets (1979-2003)**

Year	Annual Budget (Riyals)
1979/80	1,701,195,000
1980/81	1,662,970,000
1981/82	1,253,670,000
1982/83	1,310,243,000
1983/84	925,766,000
1984/85	670,305,000
1985/86	751,062,000
1986/87	708,955,000
1987/88	713,019,000
1988/89	944,736,000
1989/90	950,724,000
1990/91	1,174,799,000
1991/92	1,299,298,000
1992/93	1,046,198,000
1993/94	1,108,625,000
1994/95	1,128,071,625
1995/96	1,283,892,000
1996/97	1,278,091,000
1997/98	1,437,974,000
1998/99	1,644,831,000
1999/2000	1,526,443,000
2000/01	1,508,900,000
2001/02	1,542,184,000
2002/03	2,004,880,000



Acquired from official documentations from the Budgetary Division in GOTEVT's General Department for Planning and Budgeting in 2005

The following simple example can illustrate the burden of the government bureaucracies and limited financial resources on already congested organizational structure. For GOTEVT to incorporate, for example, a new program in one of its technical colleges or change an existing one according to a new evolving training demand from a private industry, approvals from its top management have to be in place prior to any further procedures. The top management has to consent on such program or changes according to available government budgets provided to GOTEVT at the beginning of its fiscal year. Otherwise, GOTEVT has to either reallocate some of its finances assigned for other projects to support the new demand which sequentially obstructs another already planned for project. Alternatively, GOTEVT requests further financial support from the Ministry of Finance, another government organization implementing its own bureaucratic approval procedures. Both cases can delay the introduction and changes of such demanded program to the point it becomes obsolete to the private industry.

Therefore, if this industry which demanded the program is financially strong, it will eventually establish its own training facility instead of depending on or waiting for GOTEVT. Examples of such institutions are increasingly emerging in the market to overcome such bureaucracies to produce Saudis equipped with industry-led skill, knowledge and attitudes. Some of the examples from the interviews include the Institution of Zamil Industrial Investment Company, the Prince Ahmed Applied Media Institution, SABIC's two industrial colleges, and the Saudi Japanese Automobile High Institute.

However, the rest of small-to-medium industries are equipped with neither huge financial assets nor the advanced human resource management practices like other quasigovernment and large private organizations. Therefore, they are either dependant on recruiting GOTEVT's graduates with their mass training approaches and invest in retraining them on-the-job with the hope that they will retain their employment contracts afterwards. Alternatively, they have to recruit expatriates to fill their skill gaps and production requirements which is making Saudis redundant and unemployed in their own country.

To add to this dilemma, GOTEVT's system is overloaded with its supervisory and regulatory roles on the huge private training industry of the country which, according to AlWagdani, is resulting in an unfocused and ineffective organizational management. For example, GOTEVT has to establish the standards for training, examinations for different vocations and accreditations for different private training programs available in the country. This has become too vast a task for such a government organization with limited resources which is only exacerbated by its bureaucracies to manage and accomplish its main role of HRD. More alarmingly and consistent with the findings of Al-Shammary *et al.* (2003) and other national scholars, Al-Zehairi, from Tawteen Training and Recruitment Company, confirms that GOTEVT is unjustly competing with its clients i.e. the private training industry. GOTEVT is supplied with large governmental annual budgets and have massive human resources as well as considerable training facilities. It provides free vocational training programs that are similar to what the private training industry is conducting. Its training certificates are more recognized for employment in both the government and the private sector. Private training institute's certifications, on the other hand,

have to be accredited and approved by GOTEVT in order to be recognized for employment for both sectors. At the same time, GOTEVT is imposing its bureaucratic and rigorous regulatory and supervisory procedures on the private training industry which is delaying its development and competitiveness. As a result, investing in such industry becomes risky which will in the long run depreciate such valuable national economical resource.

On the same operational level, another major obstacle encountering GOTEVT, as a government organization, emerges from its training faculty and their employment practices as trainers. Their trainers, according to evidence from Al-Asmari from the Saudi Japanese Automobile High Institute (SAJHI) and Al-Ghamdi from Zamil Industrial Investment Company, have exceptionally weak training skills which eventually produce poor outcomes to the labour market. Those trainers are mainly the product of GOTEVT as it recruits its graduates from its different technical colleges in addition to some from the national universities. They usually join GOTEVT as they could not find better recruitment opportunities in other government, quasigovernment or larger private organizations. On the other hand, the other well qualified technical Saudis graduating from these universities are few in the labour market and the private sector and quasigovernment organizations are inflating their salaries to attract them. Limited by the government employment system with its low salaries, GOTEVT cannot stand such competition with private and quasigovernment organizations. Therefore, it depends on recruiting from its own graduates. These trainers become government employees as GOTEVT also is obliged to Saudize its employment regardless of trainers' competencies or performance. Once employed in the government civil system, GOTEVT will have less authority to terminate their



employment if they are incompetent in achieving desirable outcomes. On the other hand, those trainers will be receiving government salaries which are not always attractive but will fulfill their eagerness and ambition for a lifetime employment in a government agency. In fact, Alogla from GOTEVT confirms this view as he states that GOTEVT's abilities of recruiting professional trainers for different specializations are hindered by their obligations towards Saudizing GOTEVT's positions. In other words, GOTEVT, itself, becomes restricted by rigid government regulations to recruit from different industrialized countries in order to enhance its outcomes with advanced technical practices and knowledge. It is also limited by the government employment system that predetermines employment salaries and compensation benefits that are not always attractive for employing distinguished performers. Not only that but also GOTEVT's trainers, according to Al-Asmari and Al-Ghamdi during their employment receive less professional development to enhance their skills and update their knowledge in their fields to match new advancements as GOTEVT is always subject to its government limited expenditures and budgets.

- **Evaluation of GOTEVT's Current Outcomes**

Numerous examples from the interviews illustrate that, on the outcomes' level, skills provided by GOTEVT are incompatible with and not supporting the private sector's efforts of employing nationals. Interviewees especially from the private sector corroborate that state bureaucratization hinders incorporating and benefiting from coordinating and including the private sector's inputs in GOTEVT's planning and performing HRD strategies. Factual evidence from the field advocates that the dominance of government bureaucracies on its practices and role accompanied by its

unclear mission are yet resulting in graduating Saudis unemployable to the private sector. Al Zaid, Gaith and Eisa among other private interviewees support this argument and believe that GOTEVT is struggling in achieving its main mission of providing the labour market with employable Saudis. For the majority of the interviewees, GOTEVT as a government organization will never be able to fulfill the different demands of skills, knowledge and attitudes of different industries in the Kingdom. As indicated earlier, GOTEVT is executing and administering training programs in vast geographical areas in the Kingdom in addition to exercising its governmental regulatory and supervisory role on the private training industry. It is also being limited by government expenditures and systems. Therefore many of the interviewees believe that vocational training must be the role of the private industries themselves as they are more capable of determining their manpower training and employment needs.

Unanimously, all private and some of the quasigovernment managers confirm that GOTEVT's graduates lack English competencies, basic computer skills and, more importantly, essential work ethics. Some private manager interviewees consider them even to lack subject area and technical specialization knowledge and skills. However, Al-Ghafees from GOTEVT claims that organizations in the labour market are after their graduates' specializations regardless of their lack of English competencies and basic computer skills. Yet Al-Ghafees insists that their graduates are highly attractive for employment despite training them in Arabic. Companies, according to his perspective, are willing to provide English and basic computer training for their graduates as long as they can obtain them with their technical skills. It is evident from such argument that GOTEVT's training priorities are different from those of

their clients especially when it comes to English, computer skills and work ethics. GOTEVT views such skills, knowledge and attitudes to be the responsibility of the general education system (elementary, intermediate and secondary); therefore, they are reluctant to incorporate them in their curriculums as they will prolong the study period for their trainees. They also consider their responsibility is to provide work related vocational training which, in their view, does not include rectifying failures and deficiencies in the previous educational stages. Rightly argued, these stages of general education have not been capable of establishing the solid foundation for English and basic computer skills in addition to essential work ethics that establish accepting as well as respecting vocational and labour work concept among Saudi graduates.

This previous insight by Al-Ghafees, in fact, represents a long-lasting trend of GOTEVT's management approach which justifies disregarding their clients' essential requirements. This argument is supported by AlZahrani from Mobily who used to be a Vice Dean for one of GOTEVT's technical colleges before being employed by the private sector. From his experience as an ex-GOTEVT official and later as a employer of their graduates, he confirms that GOTEVT overlooks the labour market needs and do not utilize and incorporate their training needs assessments in its curriculums. The market needs, for example, graduates with English, computer and interpersonal skills that are essential for employment and advancements in private sector jobs. They are, according to AlZahrani, absent from GOTEVT's curriculums and are persistently claimed to be unessential by GOTEVT's officials. Consequently, GOTEVT's graduates who demonstrate employable potentials due to their individual

achievements usually work in different professions than they are trained for in GOTEVT.

Therefore a graduate, for example, from the Electrical Technology Department of the Technical College will perform better in administrative or retail jobs after being retrained in the private sector. This is the result of poor qualification by GOTEVT accompanied by lack of willingness and motivation by its graduates to takeover technical careers. This illustrates that their students initially joined their programs just to acquire a diploma knowing beforehand that the private sector will retrain them again. Such belief and practice, in fact, demoralizes their students' eagerness to learn as confirmed by AlZahrani. They usually prefer employment in the government or at least change their profession to work in offices to avoid technical and labour jobs for which they have studied for three years. As a result, these jobs will only be filled by expatriates who are either well trained or easily retainable after investing in their orientation by the private sector organizations.

Another argument cannot be overlooked in this scenario. It evolves from the insights of two private managers, Al-Rwaily from Riyadh Bank and Al-Zehairi from Tawteen, in addition to Al-Zamel from STC quasigovernment. They all tend to agree that GOTEVT insufficient outcomes to the private sector are the result of their admission criteria in the first place. They confirm that such poor outcomes of GOTEVT are the result of admitting poor performers graduating from the country's secondary schools. In other words, GOTEVT is becoming the last alternative for those who cannot enroll in other competitive higher skill formation systems. In fact throughout its years, GOTEVT has been known among Saudis as being the last resort for those graduates

who could not get admission elsewhere because of their low grades. They enter GOTEVT looking for diplomas that allow them employment preferably in the government sector or quasigovernment organizations not hoping to peruse employment in technical vocations in the private sector. They will, of course, be looking for office employment which does not fulfill private sector's available jobs that are mainly technical and in-the-field. This avoidance of technical jobs is reinforced by the poor preparation of GOTEVT's institutes of its graduates which, according to many interviewed managers, focus on theoretical learning approach instead of the mostly required practical one by the labour market.

The results of either scenario are graduates who are neither assisting the achievement of Saudization nor fulfilling the quality employment requirements of the private sector which if both achieved would reduce unemployment among Saudis. They can also facilitate achieving the country's future economic vision and establish a knowledge-base society. However, in reality, Al-Qahtani and AlSwailim from Riyadh Chamber of Commerce and Industry confirm that their clients i.e. employers from private organizations are complaining of GOTEVT's inefficiency in providing them with knowledgeable, skillful and disciplined national manpower. GOTEVT's graduates are in fact described to be immense failure by Al-Ghamdi, for example, from Zamil Industrial Investment Company. They do not have the basic employable skills such as English, computer and interpersonal communication as they are not part of their curriculums. More alarmingly, those graduates, according to Al-Ghamdi, lack the specialization skills which they have studied for at least two and a half years. Al-Ghamdi's insights regarding GOTEVT, in particular, contradict the claims by Al-Ghafees that considers Zamil Industrial Investment Company to be empirical

evidence of GOTEVT's success in matching the labour market needs of qualified Saudis. Al-Ghamdi confirms the contrary as his company has to retrain what GOTEVT has produced which consumes large portion of their effort, time, and money.

Similarly, both managers of the private recruiting companies, Al Ammash from InterSearch and Al-Zehairi from Tawteen, believe that GOTEVT is not fulfilling the needs of their recruitment businesses. Therefore, they have not recommended or recruited GOTEVT's graduates to their clients in the private sector. Al-Koblan also blames GOTEVT for never involving or inviting available practitioners from private organizations to enrich their curriculums and graduates' prospectives by practical experiences from the field. These curriculums depend on outdated text books in comparison to the advanced applied knowledge and technology of the private sector. Al-Zehairi, in particular, asserts that GOTEVT's graduates lack not only basic English and computer skills but also technical skills and knowledge in their specializations. Therefore, GOTEVT's graduates cannot compete for employment even in administrative specializations like office management, accounting or marketing with other institutes in the Kingdom. These include, for example, King Fahad University for Petroleum and Minerals (KFUPM), Al-Jubail and Yanbu as well as the Institute of Public Administration. Their graduates, as many interviewees confirm, are vocationally trained and prepared for employment in the private sector and not just attending skill formation institutes for academic qualifications like GOTEVT's. The latter's graduates require further retraining to fit private sector's needs. This necessitates further unnecessary spending by the private sector.

Therefore both the government and the private sector are wasting valuable financial and organizational resources to develop the country's human resources.

Therefore, the Savola Group, according to Hussain, is not finding the ready to employ Saudis who only require a brief on-the-job orientation either from local universities or from GOTEVT's technical colleges. They require a year of retraining investment to take over their jobs in Savola which is considered in the private sector standards a long time and a massive investment. Such time and financial investment in HRD is, theoretically, the mission of the government through GOTEVT and universities who supposedly plan for, finance and train for the private sector's needs. Yet in reality such presumption is unattained for by the majority of Saudi skill formation institutes. Although Saudi private organizations are to invest in developing their human resources, such investment should be geared toward specific job requirements' skills not toward basic skills behavioral attitudes that GOTEVT and other skill formation institutes are receiving their budgets to produce. The government, according to Al-Asmari, should not expect the private sector to be held accountable for conducting the basic technical and vocational training for the unemployed Saudis as this is merely the GOTEVT's mission.

Al Khwaiter and Al Saad from Advanced Electronics Company (AEC) consider GOTEVT's graduates to lack the depth in electronic knowledge that is essential for the company's production. They are only trained on simple electronic sets while the company deals with advanced and expensive electronic boards. In other words, GOTEVT's simulation training equipments are outdated in comparison to the labour market's advanced production equipments which also delay these graduates'

transformation period to the working environment. They require intensive retraining which, according to Al Khwaiter, undermines their study period in the GOTEVT's institutes. Such period, as Al Khwaiter supports a number of interviewees, is even worsened by imposing the less beneficiary theoretical training approach instead of the needed practical training by the labour market.

Finally, two of the managers from the banking sector interviewed in this study, Al-Rwaily from Riyadh Bank and Al-Koblan from Arab National Bank, assert that they prefer employing graduates from other institutes and universities rather than from GOTEVT. Sabban from the National Commercial Bank, on the other hand, never employed from GOTEVT or had any business of any sort with them. So he prefers not to comment on them. The former managers, on the other hand, confirm that their banks employ GOTEVT's graduates after rigorous screenings and selection processes and invest in their retraining. Therefore, the two managers support earlier views by other private managers that GOTEVT's graduates lack English competencies, computer skills and work ethics.

In conclusion, this section examines the impact of the extensive involvement of the Saudi state in skill formation systems. In this context, the attempt is to satisfy an essential research specific objective that examines the consequences of the government involvement in controlling skill formation systems in Saudi Arabia. The emphasis of such examination is mainly on GOTEVT as the main government body responsible for providing Saudis with technical and vocational training for employment, essentially, in the private labour market. The discussion highlights the present position of skill formation systems in general and GOTEVT in particular



considering the state dominance on their strategies and performance. Their evaluation concentrates on their responsiveness to current employment requirements of the private sector including Saudization along with their achievement of the country's overall economic vision.

For both requirements, the analysis of empirical data confirms that such systems are not fulfilling their role in providing the labour market with concurrent knowledge, skills and attitudes. They are also unable, yet, to synchronize, incorporate and satisfy future human capital demands for developing the country's planned for competitive advantage industries i.e. advanced information technologies, energy related industries and transportation. These systems are still saturating the employment market with the majority of their graduates from literary and social sciences majors instead of scientific and technical majors. The latter, as the literature and interviews assert, represent the core demand for employment in both the employment market and economic plans. Accordingly, skill formation systems are still utilizing the unproductive theoretical teaching approaches which stimulate merely memorization learning technique and undermine developing and practicing higher learning abilities in their graduates. These unaccounted for abilities as demonstrated by interviewees would develop employable individuals who could fulfill current job requirements and would be potentially promotable across any private organization structure.

Nevertheless in reality, these systems become the victims of the rigid government bureaucracies that are hindering their prompt responsiveness to rapid HRD demands of the private sector. These bureaucracies, as viewed by interviewees, are producing the contrary consequences of their intended objectives. Initially, they are introduced

to systematize and regulate skill formation strategic planning, performance and expenditures. Nonetheless, they convert into hindering and obstructing mechanisms to the development and responsiveness of such systems toward achieving its core clients' (the private sector) needs for a national manpower trained according to industry employment requirements. Consequentially, graduates from these systems become either unemployed or have to accept initial employment with low salaries as they require further development providing that they would retain their employment as the majority of businesses interviewed struggle with Saudis employees' high turnover.

In the case of GOTEVT, in particular, their plans and performance evolve around increasing their government dominance and authority over other industries in the market and therefore increase their government financial allocations. They are, until recently, focusing on the quantity of graduates rather than their quality. They, as confirmed by their top management, claim less responsibility for ensuring recruitment of their graduates as this is merely the task of other government organizations. The role of their organization is entirely to qualify the national human resources with knowledge and skills, which GOTEVT presumes is required by the labour market as it implements minimal consultation or participation with different private industries. Therefore, GOTEVT produces mass theoretical training for different industries which, judging by its results, serves only its bureaucratic government performance and interests not necessarily its clients' or even its country's. Likewise, it is overlooking the basic development and employment needs of qualifying its graduates with English, computer skills and work ethics. In fact, GOTEVT's outcomes are unsatisfactory for the private managers who demonstrate that providing mass

vocational training for all industries will never serve the core purpose of providing quality and specialized national manpower to the labour market. Therefore, Saudization program implementation and the future will be jeopardized as the labour market is expecting specialized and competent national human resource products from any vocational training program and GOTEVT will never be an exception.

In general, the government, if indeed it wants to encourage the private sector to involve in developing its economy will have to synchronize all of its requirements, procedures and regulations including skill formation systems with the private sector's business nature and environment. In other words, it has to change its existing bureaucratic practices and performances, especially the ones serving the private sector, to fit its business nature and needs rather than forcing the latter to adapt to government bureaucracies. This can only be through changing the current role and practices of the country's skill formation systems especially GOTEVT to be responsive to existing and future production and development needs of the labour market.

### **7.3 Saudization, Unemployment and Saudis Attitudes to Work**

This section focuses on Saudization and unemployment in Saudi Arabia especially in the private labour market through examining employment obstacles and Saudi attitudes to work in private organizations. It investigates such obstacles according to perspectives of interviewed managers in relation to discussed literature to diagnose such a national dilemma that is affecting the country's economy despite the government's efforts to force Saudization.

- **Saudization versus Unemployment: reasons and obstacles.**

Saudization strategy when created was aiming at a long-term investment in the Saudi human resources through a steady and progressive HRD and replacement of expatriates by qualified Saudis. Interviews with top managers from different government, quasigovernment and private sectors confirm that the strategy and its practices are not yet effective as the country's unemployment rates are still high and increasing to 12% in 2008 from 9% in 2004. Interviewees unanimously support that the Saudi labour market is, indeed, generating massive employment opportunities and absorbing the millions of foreign labour that are annually increasing. In other word, the Saudi economy even at its recession times when oil prices were at their lowest or during the two Gulf Wars was capable of creating job opportunities at a rapid rate. However, such opportunities were constantly occupied by ready to work, cheap and easy to retain expatriates leaving Saudis to suffer from unemployment in their own country. At the moment, the country is developing and its massive infrastructure or development projects are increasing thanks to the record high oil prices. Equally, employment opportunities are increasingly evolving especially in the country's private sector as the government increases its pressure to reduce unemployment by Saudizing the sector's manpower.

Despite all these facts, the Saudi labour market is increasingly recruiting expatriates instead of Saudis who are unable, or according to a number of interviewees, unwilling to seek employment in the private sector, the country's main employer. This sector, according to mostly government managers, is evading Saudis' employment to achieve

higher financial profits as nationals are more expensive for employment than expatriates. On the contrary, potential Saudi employees, according to the majority of private managers, are not qualified nor trained by the country's skill formation systems to their employment requirements. At the same time, they request high salaries and require expensive development investment. Nevertheless, they are unstable in their employment and this does not compensate for their high salaries and achieve the return on their development investment. In fact, they are striving for employment in government organizations as they offer stable lifelong working opportunities that do not demand high performance and provide reasonable salaries in comparison to work requirements. It is vivid that each party -- government, quasigovernment and/or private -- recognizes the obstacles encountering Saudization according to their interests' perceptions. This diagnostic diversion to an important national dilemma is resulting in further complications to an already multidimensional dilemma i.e. Saudization. Hence, this section of the discussion focuses on analyzing these obstacles as viewed by interviewees in relation to the literature discussed in earlier chapters.

The core problem encountering Saudization stems from low salaries offered by mainly small-to-medium private sector organizations as illustrated by some of the government interviewees as well as by a number of private managers. Those salaries, according to government officials Al-Humaid from the Ministry of Labour and Al-Ghafees from GOTEVT are determined according to expatriates' living standards and requirements in the majority of jobs in the labour market. In fact, the private sector is establishing its benchmark level of salaries accordingly while overlooking differences between essential living expenses and family responsibilities of Saudis and

expatriates. For example, Al-Asmari illustrates that private organizations are recruiting an expatriate car technician for less than SR. 2000 while a Saudi cannot live on any pay under SR. 3000 to 4000 depending on the size of the city a person lives in. For the private organizations, the difference between the two salaries represents a cost that could be spared to even recruit another expatriate to double the profit. In the same prospect, Al-Ghafees, similarly, insists that low pay schemes in the private sector are the main contributor to ineffective Saudization implementation in the market. Expatriates are dominating and managing 80% of small-to-medium sized organizations which are the major source for job opportunities in the country. Evidently, these foreign labour forces are evading and fighting the recruitment of Saudis as they will take over their jobs.

Quasigovernment managers, in particular, view Saudization as hindered by ineffective selection and recruitment methods. Lack of utilizations of scientific selection and recruitment procedures result in recruiting and investing in developing Saudis who may not continue in the private labour market. They are always looking for government or quasigovernment employment. This is very much related to the negative social attitudes adopted by society about vocational and manual profession play which is a major obstacle for Saudization in the private sector as explained by quasigovernment managers.

However, it could be argued that this low salary dilemma is, in fact, the direct result of organization size which empirically can determine the achievement of Saudization. The existence of small-to-medium organizations depends on reducing expenses as both AlWagdani and Al-Eisa illustrate. Such expenses result mainly from recruiting

Saudis who are hard to attract, demand high wages and search for long-term career development plans in comparison to the cheap, ready to work and easy to retain expatriates. These organizations usually are after short-term business operations and strategies that generally achieve their objectives for short-term and yet consistent profitability. The private managers, AlZahrani, Al-Ghamdi and Al Ammash are conclusive that such strategies do not complement the Saudization's long-term HRD investment approach. In fact these organizations, as illustrated by a number of private managers, lack the competent management and leadership personnel who have the aspiration or the time to invest, plan for and manage its human resources development practices. In other words, they lack the capabilities for the long-term planning in regard to their Saudization programs.

This latter fact of long-term Saudization requirement contradicts with the core principle of small-to-medium organizations' existence that is making quick profits with less expenditure. Therefore, their recruitment do not usually start with high salaries and office employment as Saudi employees would prefer as indicated by Al-Zehairi, Al Shaya and many other private managers. Of course their first preference is to recruit cheap expatriates; however, if they recruit a Saudi, these companies prefer to start with low salaries then increase their pay gradually as the employee's performance enhances and employment longevity increases. This practice is widely accepted and implemented for employment even for some of the government jobs as employees start by provisional employment with low salaries that increase after they become permanent employees. However, in the private sector, Saudi candidates especially in the outdoors jobs, which represent the majority of available jobs, expect

higher salaries than these jobs actually offer, especially that when they only hold lower than secondary school diplomas.

On the other hand, Saudization is successfully accomplished by big organizations in the country such as SABIC, ARAMCO, banks, STC and the Saudi Electricity Company to mention few examples. These organizations are accomplishing high rates in Saudization as they have well established and clear human resource systems as well as advanced management practices and strong financial positions making them the second if not the first employment choice for Saudis after the government. Most of these organizations pay high salaries, have high retention rates and invest considerably in their employees' development as almost all of them have their own training institutions. These organizations, as evident from empirical data, can cope with the slow implementation prerequisites of the Saudization strategy. They are capable, for example, of establishing and practicing efficient human resource management systems to attract, develop, and retain Saudis. These systems attract either new graduates or experienced human resources and provide them with career development and promotion plans and attractive pay and compensation schemes.

For example, the three interviewees from the banking sector did not view low salaries to be among the Saudization obstacles at least for their sector. Quite the opposite, Al-Koblan confirms that banks are capable of paying high salaries and attractive compensation schemes to skillful Saudis. Banks strive to retain them especially after they are headhunted for their well trained and experienced staff by new operating banks or bigger investing organizations. Banks just need Saudis with the basic skills and attitudes who demonstrate high performance and eagerness for development.



They usually invest in their development and even retraining through customized training in off and on-the-job setting to fit their needs.

Al-Rwaily, echoing Al-Ghamdi perspectives, also considers gaining top and middle management belief and support afterwards are the core challenges and the keys for the success of implementing Saudization. The other challenging factor which is supported by Al-Koblan also is replacing already recruited highly skilled and experienced foreign staff with inexperienced fresh Saudi graduates available in the labour market from skill formation systems including GOTEVT. The size of this market suffers from no shortages of Saudi graduates as they are unemployed in high rates, yet it suffers from qualities of their skills, knowledge, work attitudes and behaviors toward working environment requiring banks to invest heavily in their employment and retraining. For example, these graduates are not capable of speaking English, using computers, thinking creatively, and processing mathematical operations. These basic skills actually are included as early as public education in students' curriculum but executed poorly. They are not geared toward employment requirements.

In fact, the majority of interviewees support the view that the skill formation systems including GOTEVT outcomes are not related to their employment and production needs and therefore affect their efforts of Saudization. Al Thumairi, for example, illustrates that Saudi university and vocational graduates with the exception of King Fahad University for Petroleum and Minerals and the Institute of Public Administration lack English and basic computer skills. Al-Khaldi and Al Shaya also agree with Alblehid that Saudi graduates from GOTEVT and other skill formation

systems lack English skills and work ethics that are both essential for their businesses. These behavioral and work ethic problems are not included in educational, vocational and training programs run by GOTEVT or any other skill formation institutions. They are even neglected in pre-employment public schooling due to the misconception that such behavioral implantation is the responsibility of postsecondary education and prior employment vocational training. This disregard of work ethics from both parties is affecting the employment future of Saudis in the private sector. Al-Asmari supports the general consensus of private sector interviewees that the poor outcomes and incompatibility of knowledge, skills and attitudes provided by skill formation systems is the major obstacle encountering Saudization. He believes that business owners and private organizations will continue employing expatriates to overcome the shortages in knowledge, skills and attitudes of Saudi graduates as they are operating in a free market.

On the same prospect, Al-Eisa confirms that Saudization is hindered by the fact that skill formation organizations are still graduating uncompetitive and incompetent Saudis who are unattractive for employment in the private sector. The graduates are poorly equipped with technical skills and interpersonal communication competencies like English and require reorientation on work behaviors and disciplines. The skill formation organizations, as Al Zaid and Gaith confirm, lack the proactive strategic planning approach that synchronizes their products with the Kingdom's future aspiration and development plans such as encouraging international investments and the establishment of the country's Economic Cities to mention a few examples. The latter are projected to create massive employment opportunities for Saudis who are supposedly are already being prepared in different skill formation organizations to

take over such projects when launched. However, Al-Eisa confirms that such preparation is not yet attained or realized by such systems.

As a result of the government poor strategic planning, Saudization is not yet supporting the country's long-term planning and vision. In an ideal scenario, they should be focusing on specifying the Kingdom's competitive advantage which should determine its long-term HRD planning and practices i.e. Saudization. At the moment, such vision and practices are not yet put into full effect to assist the country to focus on major economic products that will put the Kingdom among the industrial countries. Therefore, in the absence of this prerequisite synchronization between economic planning and HRD and recruitment requirements, skill formation systems, undoubtedly, are planning their objectives and programs outside the interests of the labour market. As a result, they are focusing on skills that are not needed in the labour market like memorization while overlooking some essential higher cognitive skills like analysis, creativity and relating knowledge to real life cases that are mostly required for employment in the private sector. These systems, in the same way, are ignoring educating and training their graduates on interpersonal communication skills and attitudes as well as work ethics which, according to Gaith, are as important for employment retention in the private sector as having other technical skills and knowledge.

Similarly, Al-Qahtani and AlSwailim agree with private sector interviewees that implementing Saudization is hindered by a lack of skills, knowledge and attitude provided by GOTEVT and other government skill formation bodies. They are not fulfilling the sector's human resources' needs. In addition, AlSwailim explains that

education and vocational systems lack accredited vocational standards which are essential to measuring and training for competencies required for each profession in the labour market. In the absence of such measures, supply and demand mechanisms are disrupted and inoperative resulting in an unsynchronized determination between available jobs and their required skills, knowledge and attitudes. The undeniable result will be skill formation systems that are training outside the demand boundaries of the market.

Al-Humaid and Al-Ghafees argue that the employment of Saudis in general including GOTEVT's graduates is affected by the ineffective skill mechanisms for supply and demand dominating the Saudi labour market. Private companies are more attracted to available, cheap and easy to retain expatriates in different technical areas. Simultaneously, they evade Saudi graduates who if recruited would decrease their profit advantages as they are more expensive and harder to retain. They assert that GOTEVT's training is in fact qualifying its graduates according to the needs of the market. They would actually fulfill its employment demands if expatriates employment discontinued at least for occupations requiring unskilled and semiskilled workers. Such jobs require less vocational training and low educational qualification and could be filled with the majority of the unemployed Saudis of schools' dropouts.

Needless to say, this whole dilemma was the result of the government's poor vision in the first place as discussed in previous chapters. They took during the late 1970s the easiest alternative by opening the doors for foreign labour importation instead of investing in training nationals to build up the country's infrastructure. More alarmingly, such practices are still continuing as foreign labour force import on the

Saudi labour market follows similar decisions by the Ministry of Labour which is supervising and protecting the efforts of GOTEVT. For example, Al-Humaid confirms that training produced by GOTEVT is satisfactory to labour market demands and that the private sector is looking for cheap foreign labour to maximize their profit with less consideration to the country's economic and social interests. This argument of blaming the private sector has been the general theme by government officials since the beginning of this dilemma through different means of the media. On one hand, the government is trying to implement the free economy concept to attract and maintain a healthy and competitive private sector; while on the other, they are forcing old and rigid employment regulations and policies on the private sector to ease the pressure on them from the public who are increasingly unable to find good employment opportunities despite graduating from local universities or GOTEVT's institutions.

As a result GOTEVT and government officials strongly believe that GOTEVT's training programs are not part of the obstacles that are encountering Saudization in the private sector. In fact Al-Ghafees argues the contrary: GOTEVT's graduates are not finding jobs in the service sector because they are equipped with poor vocational skills but rather because of expatriates' control over its occupations. However, if this claim is accurate, the argument here is that GOTEVT is not studying the market needs to establish their training strategies accordingly. In fact GOTEVT officials are claiming that employment is not part of their responsibilities. GOTEVT is an organization responsible for HRD not recruitment which is true according to their mission. Recruitment mission is the responsibility of the labour offices of the Ministry of Labour, the Chamber of Commerce and Industry as well as the private

sector itself. However, GOTEVT's courses and programs are not designed according to the labour market demand of skills, which was shown conclusively by empirical data in this study. For this reason, GOTEVT is not even achieving its core mission of coordinating with the sector it is serving to fulfill the needs and requirements for qualified Saudi human resources that could Saudize their labour forces. Instead, they are continuing in graduating skills that are already overloaded with cheap foreign labour that a Saudi cannot even compete with.

Earlier arguments regarding ineffective skill supply and demand in the labour market by government officials, Al-Humaid and Al-Ghafees, is valid as one of the dilemmas affecting the employment market and Saudization. However, Al-Humaid and Al-Ghafees give less significance to the established empirical evidence by the private sector interviewees of GOTEVT's incompatible vocational training with the private sectors' demands of skills, knowledge and attitudes. In other words, such mechanisms even if rectified would not guarantee quality GOTEVT graduates that are trained according to each industry's needs and employment standards. GOTEVT with its massive resources, according to private managers interviewed, will never be able to fulfill different, increasing and changing demands of different industries in the private sector. Their views confirm that GOTEVT's existing programs are not developing intellectual abilities and behaviors that motivate continuous learning and development. GOTEVT, as indicated by Al-Eisa and others, is unable to provide well rounded professional individuals who can interact and learn from the surrounding business practices. This could be a direct result of GOTEVT's admission standards, as indicated by a number of managers. It is accepting lower secondary school performers and dropouts who have already learning and interacting problems.

GOTEVT was never the Saudis' first choice for postsecondary degree education unless they cannot enroll in universities.

Empirical data provided by the private managers in this study illustrates that Saudization is also hindered by bureaucratic practices and lack of coordination between different government bodies. Saudization according to Al Zaid is challenged by lack of constructive coordination between different human resources management, development and recruitment bodies in the country including the private sector. Al-Eisa also illustrates that the government decisions and regulations for this strategy are sometimes based on reactions from government officials to related issues or statistics raised in the media. They are also sometimes issued by entities that are not related directly to Saudization such as the Ministry of Labour, the Ministry of Interior, the Ministry of Civil Services, the Ministry of Planning, the Ministry of Trade, GOTEVT, and the Chambers of Commerce and Industry just to mention few. Both approaches have failed to achieve Saudization. Examples of the former are evident in the government approach to Saudize complete sectors which is considered a reaction for public and government pressure that has failed in the vegetable and gold market as well as in the taxicab industry. These decisions have created a counter reaction of illegal practices that created an illegal labour market where people working in different professions than what their employment contracts and work permits stipulate. The decisions of those government bodies, undoubtedly stem from the country's core belief that Saudization is an indispensable national strategy that will benefit its people although they are not complementing each other as coordination among these entities is not yet proven to be accomplished. As one would expect the

results are unsynchronized interpretations, interventions and solutions for an already multidimensional complex dilemma like Saudization.

For example, Saudization for Gaith is challenged by the strategy itself overburdening managers of private organizations' abilities to dismiss a Saudi employee with ease. The Ministry of Labour through the Saudization implementation mechanisms is overprotecting Saudi employees from dismissal if any employee is found unfit for private organizations' needs. This overprotection is viewed by managers of the private organizations as a hurdle affecting their human resource management practices and their struggle for productivity and profitability. On the other hand, it is viewed by the government as an indispensable procedure to limit the unjustified dismissal of Saudis by private organizations as unemployment rates disrupt the country's economy, social structure, and even security just to mention a few. This is based on the general perception of government officials, interviewed in this study, that private organizations seek alternatives approaches or justification to evade recruiting Saudis. Therefore, the government is playing the 'big brother' role to retain the employment order in the labour market through toughening dismissing Saudi employees even if not supporting the organization's production and performance.

Consequently, the Ministry of Labour, for example, is considered by a number of private interviewees to not be sustaining the side it is supposed to serve i.e. the private sector. On the contrary, the general belief is that it is standing against the interests of the Saudi private market through its unproductive long-standing bureaucratic practices that does not match the modernity of the private sector. Alblehid also confirms that the Ministry is not listening to private sector's Saudization side of the



story. To be precise, he believes that Saudization is hindered by the Ministry's old registration policy for Saudization quotas imposed over different industries with less realization of each industry's needs of skills. These quota are disrupting organizations' performance as the Ministry is known for its regular quotas' changing in response to pressure from private organizations' leaders who complain of shortages of skilful Saudis to Saudize their jobs. Such procedures convey an uncertainty by the Ministry of the seriousness in implementing Saudization in different industries. Clear examples of such practices were well documented in the media when the Ministry kept changing deadlines and percentages for Saudizing construction companies, taxicab industries as well as travel agencies, which until the date of this research, are not complying with their Saudization percentages.

Moreover, private manager interviewees blame the Ministry for not imposing clear laws and regulation to ensure the retaining of Saudi employees after private organizations invest in their development and recruitment. Such a dilemma is becoming the general practice dominating employment in the labour market as organizations suffer from headhunting of their experienced and invested in Saudis. Such practice is influencing Saudization efforts of private organizations. For example, Al Khwaiter agrees with Alblehid that private companies suffer from head hunting practices by other newly formed or even existing organizations that are willing to double or even triple their employees' salaries. These organizations are looking for already trained and experienced employees because of their scarcity in the labour market. This employment mechanism creates, on one hand, an unbalanced labour market as organizations compete on a small pool of skilful Saudis who are willing to move from one organization to another with less regard to their contracts

and with less assurance to some employers who are willing to invest in their career development. On the other hand, it stimulates and reinforces undesirable instable employment habits in the Saudi workforce. It discourages employers from recruiting Saudis in the first place and look to employ more stable expatriates. Along these lines, employment contracts do not guarantee continuation of Saudi employees in the private sector which signifies shortcomings in the employment laws and regulations practiced by the Ministry of Labour. Al-Malki supports similar conclusion which is affecting companies' return on investment from developing the hard to retain Saudis. On the contrary, expatriates are obliged to continue with their present employers as they hold their passports and work residence licenses known as *Iqama*. If for any reason they decide to resign or their contract were terminated, they will have to leave the country.

- **Saudi Attitudes to Work in the Private Sector**

As illustrated by the literature and confirmed by empirical data, Saudization is also hindered by Saudis' attitudes to work in the private sector especially in small-to-medium size organizations. Saudis, in general, prefer working in government, quasigovernment or large private organizations. They also expect office employment with high salaries rather than manual and service careers which are the majority of available jobs in the labour market according to Al-Zehairi. These jobs score low on the preferred employment scale for Saudis unless in the government, quasigovernment or big private organizations which all have limitations in their employment capacities. Since the early development days of the private labour market in the country, these jobs are looked at as expatriates' jobs. This created

segregations in the labour market that was reinforced by the rapid wealth and economic growth the country witnessed suddenly after the discovery of its oil.

Saudi expectations of high salaries and office employment are encouraged, first, by comparing government employment to the private one and, second, by the misleading Saudization strategy creating the view that Saudi employment is a national right for every citizen. The latter in particular should be true but is not on the basis of equitable competition on skills, knowledge and attitude among employment candidates to employ the most competent for jobs' requirements. This competency and behavioral based employment was rarely the standard for employment in the government since the beginning. For Saudis, government jobs guarantee life-long employment with less performance demanding environment. This employment provides progressive annual salary increase and career promotion that are hypothetically linked to performance and discipline. More importantly, it provides the individual with the respected social status and self-worthiness even with low salaries as concluded by Al-Zehairi.

As a result, throughout these years Saudis were employed by government while expatriates mostly from less wealthy and underdeveloped countries were employed in private jobs. This snowball-like dilemma of employment segregation creates unbalanced employment and dual labour markets. It was not an issue and was rarely discussed in the literature at times when the country's economy was booming because of high oil prices and when government employment was widely available for Saudis in the 1970s and late 1980s. Accordingly, it also produced a new generation, as indicated by Al Ammash, who do not value nor realize the importance of work as the

country is served by cheap expatriates from less prosperous countries. In addition, there have not been serious attempts by skill formation curriculums to change this paradigm and implant important work values and ethics. The society was slow to realize the importance of work in the private sector especially with oil prices fluctuating to affect the country's economy. Economic growth became relatively unpredictable depending on the oil market supply and demand. Government employment has reached its peak since early 90's. Not only that but also population growth rates have escalated to be among the highest in the world crating massive demands for employment in the country's unbalanced labour market in which Saudis still unrealistically believe that they should be government employees. Therefore, lack of Saudization for Al-Humaid who also supports the conclusions of the 8<sup>th</sup> Development Plan is the result of the imbalance in occupational structure. Saudis insist on employment in already overstaffed government jobs and resist employment in the main employer in the market i.e. the private sector.

Al-Zehairi confirms that Saudis prefer employment in the government because they cannot fulfill the private sector performance requirements. They do not have the needed skills, knowledge and attitude essentials for competitiveness and job security in the sector. Indisputably, this is associated with poor employment and human resource practices by small-to-medium organizations. This, in fact, is enforcing the widely held views in the society that private sector employment provides less job security and uncertain career development and promotion plans for Saudis than the government. Employment in the latter might provide a job security for life, as an employee cannot be dismissed unless committing a criminal act or being absent for more than 15 successive days in one year. Yet more importantly it is more attractive

for employment than a private sector because it is not as performance demanding as the private work environment. The latter requires skills, knowledge and attitudes as well as the self-motivation and commitment to work which Saudi graduates of different skill formation systems have not yet proven to acquire and seize.

For example, Al Turaigi argues that even though his company's management and shareholders believe in Saudization and recruit Saudis on a large scale, they are struggling with their attitude toward work and the workplace. Saudis especially in the entry level have no work disciplines such as punctuality to working hours, respectfulness of coworkers and superiors, as well as respectfulness and compliance with their employment contracts. The latter in particular is producing a major behavioral employment dilemma of high turn over rates among Saudis which is discouraging Saudization as viewed by the majority of interviewed private managers.

Al-Qahtani and AlSwailim confirm that Saudis' high turnovers and negative attitudes to work in private organizations are affecting the recruitment and development of Saudis and therefore damaging the Saudization strategy as a whole. Empirical evidence by Al Thumairi illustrates similar conclusion that the private sector are evading Saudization because of Saudis attitudes for certain jobs in the private sector resulting in their high turnover. These jobs include labour and field professions which require dealing with heavy equipments and demand changing ones' social pattern to work early morning shifts and long hours. He explains that his company cannot provide attractive career development plans for such low level Saudi job holders as they do not have the progressive potential for middle or higher positions in his organization. Moreover, employees of such levels will eventually leave the

organization for any slight increase in their pay which in the short-term benefits these job holders yet in the long-term damages the Saudization strategy. Therefore, private organizations will be hesitant to recruit Saudis as they have developed the reputation and attitudes for being unstable in their jobs that are encouraged by the ineffective Ministry of Labour employment laws and regulations. Instead and to maintain their competitive advantage and to keep their businesses running, these organizations will never depend on such unreliable manpower and will seek expatriates' employment as they are easily controlled, cheaper and skillful.

AlSai also agrees that Saudi employees' turnover is the biggest challenge they are facing in the course of implementing Saudization. Similar to Al-Khaldi view, AlSai considers Saudis to be still influenced by the long-lasting wealthy lifestyles. Therefore, they are reluctant to accept initial employment salaries of SR. 3000 or SR. 4000 which is considered reasonable for someone with only secondary diploma qualification or a school dropout. Ironically, such a salary will be accepted if it was offered by for any government employment yet it is considered low if offered by a private organization. Understandably, the latter will have longer working hours, fewer vacations, and more importantly challenging and performance demanding working environment; at the same time, arguably, it will also have more development opportunities and pay schemes linked to performance as well as hands-on experiences.

In brief, the negative attitudes resulting in high turnover dilemma is negatively affecting the employee-employer relationships and overshadowing their employment practices. The employer in this case cannot trust employing a Saudi and investing in

his development and promotion as he will not maintain his employment contract. On the other case, the Saudi employee cannot work with the same financial rewards and salaries as the expatriates, especially with the living expenses in the country are hitting the roof. Saudis' false expectations of salary benchmarks are based on government salaries' while salary norms in the private sector, especially in small-to-medium organizations, are set by cheap expatriates. This creates huge deviation between what is expected by Saudi employees and what is actually offered by employers. However, if skill formation systems were to align their outcomes with the needs of the labour market, this would cut the cost of retraining graduates from these systems. This in the long run will eventually increase the employment attractiveness and vocationalism of the Saudi labour force in the private sector.

To sum up, this section of discussion attempts to fulfill one of the research specific objectives regarding the obstacles encountering Saudization as viewed by different interviewed managers. Findings of the empirical data reveal and confirm the fact that the Saudization dilemma in Saudi Arabia is a multidimensional national problem that requires multilevel solutions. It is not and will never be the responsibility of a single government body or the accountability of the private sector alone. However, if skill formation systems as well as recruitment strategies persist, this dilemma will worsen as the country is witnessing massive and rapid economic development that will indeed require enormous supplies of skillful human resources. In the worst case, these high demands on human resources will only be covered from the ready to work expatriates from different Asian and Arab countries taking the country back to square one of the late 1970s when high rates of unemployment among Saudis emerged. However, this time it is going to be even worse as Saudi Arabia already has high rates of

unemployment that are increasing every year and millions of expatriates that are flooding the country's labour market annually.

Answers of the interviewees tend to follow similar patterns depending on whether they are from the government, the quasigovernment or the private organizations. The government and quasigovernment interviewees see the private sector as not paying enough salaries to Saudis to keep them and therefore increase their Saudization percentages. They believe that private sector organizations mainly small-to-medium ones are attempting any possible tactic to evade employing Saudis as they aim to increase their profits with less regard to the interests of the country. GOTEVT's officials, in particular, consider GOTEVT as not part of the obstacles for Saudization and that their graduates are well trained and up to the employment requirements of the labour market. They claim that the responsibility of employment is not among their missions as they are only responsible for the HRD.

Quasigovernment managers, in particular, view that Saudization is hindered by ineffective selection for recruitment methods implemented in Saudi Arabia. In addition, they think that the Saudi negative social attitudes associated with vocational and manual profession in the private labour market is a hindering Saudization.

On the other hand, there is a general agreement among interviewees from the private organizations that skill formation organizations including GOTEVT as well as the Ministry of Labour are not listening nor fulfilling their needs and demands for qualified human resources. The former are producing unemployable skills and attitudes as they are still focusing on humanitarian majors and overlooking the most



needed technical and scientific studies. Simultaneously, the latter is imposing outdated and restrictive recruitment regulations and procedures for Saudization that are affecting the private sector economic activities. Private managers interviewed confirm that Saudi government organizations in general are not capable of coping with the rapid changes in the private business environment and are pulling them back and discouraging their competitive advantage in Saudi as well as in the international markets.

There is unanimous agreement among interviewees from different private organizations that graduates of Saudi skill formation systems including GOTEVT are not up to their work requirements and recruitment standards. Their interpersonal communication, work ethics and even technical skills are undoubtedly weak and unemployable compared to the efforts and money spent on them by different skill formation institutes. Therefore, further retraining on and off-the-job is required resulting in money, time and effort wastefulness for private organizations. In addition to this expensive reorientation investment, there are no employment laws that guarantee Saudi graduates continuation with their employers as they tend to move from one private organization to another following the slightest increase in their salaries with less considerations of their employment contracts. On the other hand, foreign employees are skilful, hard working and easy to retain as employers hold their passports and their work sponsorship. Unlike the government managers' claim, interviewees from the private sector confirm that they are willing to pay higher salaries to Saudis who are able to perform and compete with the expatriates.

Private sector interviewees conclude that Saudis prefer employment in the government as they have less emphasis on performance and guaranteed employment for life even if their salaries are not as high as some of the private organizations. Some interviewees relate such a preference to society's negative view resulting from the country's intensive employment of Saudis in the government while expatriates in the private sector creating dual employment markets following the transitory economic growth the country witnessed in the 1970s. They believe, in general, that their labour market employment practices are spoiled by the employment practices and work environment culture implemented in government organizations as Saudi employees are granted lifelong employment regardless of their performance or disciplines. This accordingly created negative perceptions and attitudes to work in the private labour market.

Interviewed private sector managers consider the Saudization program as a noble national effort that has to be implemented provided that they have the well trained and committed Saudis as well as the supportive government employment mechanisms. To achieve the former, a number of private sectors are acting constructively and considering establishing their own training institutions to retrain young Saudis and bridge the skills' gap to fulfil their immediate line of businesses' needs and to support their industry as a whole.

Saudization is seen as a national vision and priority among all interviewed managers. However, it seems to lack coherent practical mechanisms and cooperation for its effective implementation and evaluation especially among responsible human resource government bodies i.e. Ministry of Labour, GOTEVT, HRDF and other skill

formation systems. In the absence of those mechanisms and cooperation, the private sector cannot interrupt its production and competition for the government bodies to sort themselves out in such a challenging and seriously competitive markets that Saudi Arabia and the region as a whole are witnessing. So, the easiest choice for private sector organizations is to look for foreign labour recruitment to run their production while slowly implementing Saudization, a long-lasting and ineffective national strategy.

#### **7.4 Successful Saudization in Some Private Sector Firms**

This part of the discussion focuses on successful Saudization implementations in some private organizations. Interviews with managers in relation with relevant literature assist in understanding the factors that led to their successes while many others have failed. The importance of studying such factors enhances the understanding of their effective visions and managerial practices that are developed in the Saudi context to solve a Saudi labour market dilemma. These visions and practices could assist the ineffective Saudization implementations in other private organizations by adopting similar approaches. To put it differently, these successful practices can establish long-term remedies for a national problem that is uniquely persistent in the Saudi labour market.

Empirical data confirm that successful implementation of Saudization requires top management belief and supporting human resource management systems. Undoubtedly, both requirements are consistent with organization size. They are available in large organizations while ineffectual in small-to-medium ones which are,

as mentioned earlier, looking for short-term profit that can be achieved via recruiting expatriates not Saudis. Nevertheless, regardless of organization size or management belief, skill formation systems in the country are not supporting neither especially with their incompatible outcomes of skills, knowledge and attitudes.

Managers interviewed confirm the earlier discussion in the literature that quasigovernment and large private organizations are more capable of achieving Saudization. In these organizations, top management belief is, usually, the key behind the successful implementing of Saudization. Top management, as confirmed by the private manager interviewees, cascades and translates such belief into immense investments in Saudis' HRD and recruitment in their organizations. They invest in attracting and developing Saudis according to their industry needs to overcome the poor qualification of skill formation systems including GOTEVT. They also establish attractive retention and compensation systems to retain their high performing Saudis who usually get headhunted by other large organizations in the labour market.

These proper human resource management practices for both recruitment companies' managers, Al Ammash and Al-Zehairi, are the key to successful Saudization. This is achieved through establishing attractive recruitment promotions where candidates are clear about their compensation benefits, career development plans as well as their employment future. Al-Zehairi in particular illustrates examples from companies he provided recruitment services to in which Saudis become ambitious and distinguished performers. They even become managers receiving more than triple their starting salaries within five years. Al Ammash believes such proper practices guarantee

employment attractiveness to private companies even if they provide low salaries at the start of their employment.

Supporting this argument, Al Zaid also believes that Saudization success in the banking sector, and other quasigovernment organizations are the result of their advanced work environments, attractive salaries and clear employment futures. These sectors due to their huge revenues are, as he confirms, capable of providing focused training and invest in developing their employees. Therefore, they become the primary preference for employment among Saudis over even government employment. Moreover, these industries are also benefiting from their joint ventures with international businesses. These ventures provide them with the latest management experiences that may not be available to other non-international joint businesses in the Kingdom.

Examples for successful Saudization in some quasigovernment organizations such as the Saudi Electricity Company (SEC) and SABIC confirm the importance of top management belief in Saudization to support investing in its implementation. Al-Shagawi from the SEC supports that their Saudization starts from the belief of their organizations' leaders. Therefore, they established a human resource management system that attracts potential Saudis with adequate salaries and compensation schemes that are linked to individual's performance and development plans. Then they invest in retraining the selected Saudi employees in the company's training center which provides focused development programs linked to their production and performance needs. Similarly SABIC, as confirmed by Al-Bat'hi, has accomplished its Saudization through considering the Saudization strategy to be their strategic

objective. The company attracts potential Saudi employees from different regions in the Kingdom by offering them good future employment opportunities. These include excellent salaries and compensation systems as well as clear career development plans. The latter entails HRD programs customized to SABIC's industrial and production needs in the company's Jubail and Yanbu Industrial Colleges. These colleges are established to bridge the shortages in quality and quantity of qualified Saudis to support employment in SABIC and other similar private industries. Both colleges, as indicated by a number of interviewees, produce distinguished technical graduates equipped with good English, interpersonal communication and computer skills. They are highly competed in the labour market as Al-Humaid from the Minister of Labour indicates.

Implementing a similar approach, Al Khwaiter from Advanced Electronics Company (AEC) asserts that their Saudization started before the government's initiatives in the 1990s as it represented their top management belief. As a result, they are 73% to 80% Saudized especially in their technical jobs where the majority of private industries in the Kingdom lack Saudization. According to Al Khwaiter, the company has accomplished these high percentages through their intensive job related training to preset performance standards. AEC also provides its employees with an attractive working environment via attractive compensation and highly motivating work conditions regardless whether they are Saudis or expatriates. They also have succession plans to retain their employees although they suffer from continuous headhunting from other industries for their well disciplined and high performing employees.

Al-Ghafees from GOTEVT also supports the view that private organizations that provide clear career development plans are more likely to be successful in their Saudization. These development plans in order to be effective should include on-the-job training in their area of specializations.

For the three managers interviewed from the banking sector Saudization is becoming among the main objectives for their Board of Directors which they believe to be the reason for banks' high rates of Saudization. Al-Rwaily, for example, asserts that the Board of Riyadh Bank is impelling the accomplishment of Saudization by implementing different supportive mechanisms. These include attracting university graduates and enrolling them into the bank's intensive training program that integrates formal class training with on-the-job training. The bank also revises its salary scale and compensation schemes in accordance with similar organizations in the market and makes all necessary adjustments to ensure its competitiveness and attractiveness. In addition, Riyadh Bank implements a periodical follow-up on the achievement of Saudization plans.

The supportive mechanisms for Al-Koblan from Arab National Bank also include establishing achievable Saudization percentages every year. They also offer competitive salaries, career development programs, and attractive compensation and benefits allowances including low-interest housing loans and financial participation for their employees. They also run a very challenging work environment that contributes to individual's learning and excelling. Al-Koblan also asserts that the banking sector is benefiting from the government Institute of Banking programs as it

is capable of adapting to the rapid changes in the banking business through providing cutting-edge courses and tailor-made programs.

Similarly, Saudization in the National Commercial Bank as Sabban asserts has become more effective because of their advanced human resource practices. Their human resource department, for example, is acting as a business unit to serve other business units in the bank with human resources products. Therefore, it attracts and filters potential candidates according to their English and computer skills then enrolls them into a six months focused training programs to promote them to other divisions in the bank. These businesslike practices compel the HR Department to ensure that the process of attracting, selecting, training and promoting potential Saudi employees has to be precise from the start.

The banking industry in Saudi Arabia, in particular, has been shaped to implement the most advanced human resource management practices among all other industries. Interviewees in this study as well as the available literature on management practices in the country especially on human resource management support this conclusion. This can be attributed to the sector's financial strength that enables them to attract and invest in developing their human capital in all banking and business areas including human resource management. Simultaneously, the sector was capable of establishing very advanced human resource supporting systems that enabled them to utilize their human assets to generate financial and managerial success including leading other sectors in implementing Saudization. Accordingly, Al-Eisa and Al Zaid banks are producing attractive organizational environments accompanied with advanced human resource management practices that are resulting in high Saudization percentages.



Also, they are becoming the source that provides other new competitor in the labour market with qualified and well disciplined Saudi employees as they are frequently headhunted.

Although one might expect that the strong headhunting practices over the banking sector would eventually harm the sector's business operations the sector, according to AlWagdani, is capable of recovering from employee turnover. Banks are financially and managerially capable of retraining and re-qualifying Saudis with needed skills, knowledge and attitudes for jobs in private organizations and therefore increasing their Saudization. They are, as Gaith indicates, playing a major role in attracting and retraining graduates of skill formation systems to produce quality and employable nationals as they invest heavily in developing their employees. Therefore, banks are becoming the primary preference for employment among Saudis who are seeking further career development and attractive human resource management practices. The banks' employment and development approaches, in fact, are becoming employment attractive tools that distinguish management philosophy and organization maturity in the labour market. This maturity looks beyond merely satisfying the Saudization requirement to investing in developing a quality national manpower that is capable of understanding and practicing competitive employment.

Empirical data also introduce other government interventions that assist private organizations to achieve Saudization. Al Thumairi confirms that Saudization in the private sector has progressed as a strategy, partially, because of the government's quota for Saudization. This obliges each industry to achieve gradual and steady Saudization percentages among their human resources. Al-Qahtani also asserts that

Saudization has proven to be successful in some private organization due to government pressures and rigorous follow-ups by different government agencies including the Ministry of Labour and SAMA for the banking sector. Accordingly, Al Zaid supports AlWagdani's view that the government represented by SAMA is contributing to the success of Saudization in the banking sector.

The government also provides training that leads to employment through the HRD Fund to encourage private organizations to Saudize their manpower. This Fund has assisted, for example, M. Al Hokair and Son Group's efforts in Saudizing their human resources, as AlSai indicates. It provides them with Saudi trainees/recruits to receive on-the-job training for two years that leads to their recruitment in the Group. The Fund during this period pays half of their salaries as well as the cost of their formal class training if required.

In conclusion and satisfying one of the study's specific objectives, interviewees agree on some factors that have lead to success in implementing Saudization in some private and quasigovernment organizations. Some even went further to consider generalizing such factors on other organizations in the labour market to enhance the Saudization implementation which, till the date of collecting this data, has proven to be a struggle for the majority of private organizations. In general, interviewees' responses tend to agree on the priority of top management belief in the importance and urgency of Saudization strategy for its success. This priority as the interviews revealed is the core for the success of other factors. These factors include the investment in establishing proper human resource management practices that start with the right employment promotions, scientific selection and recruitment

approaches, attractive career development plans and appealing compensation and benefit schemes. The emphasis among the interviewees, however, is on providing clear career development plans as well as focused and job related HRD programs for Saudis. A number of interviewees believe that the success of a number of organizations in achieving Saudization can be attributed to their managerial advancements and stability as well as their financial strength.

A number of the interviewed managers in this study emphasize the role of the government in encouraging Saudization by its rigorous monitoring and by providing financial support for training that leads to employment programs through the HRD Fund. A Few managers, on the other hand, criticize the government's efforts and consider their bureaucratic contributions toward the achievement of Saudization to negatively affect its successful implementation. They believe that the success of Saudization is in fact the result of individual organization's efforts of believing in Saudization and therefore investing profoundly in developing their human resource management systems as well as retraining new Saudi recruits. They believe that the government labour regulations accompanied by mismatched outcomes of skill formation systems with the market demands are not assisting their Saudization efforts. Therefore, the quality of Saudization is and will continue to be in jeopardy as long as the country's skill formation systems persist in overlooking the labour market's employment needs in their curriculums.

The present picture of skill formation outcomes in the country, according to empirical data, is not very promising as the pool for skilful Saudi workers is still small and shrinking rapidly. Companies are competing through headhunting the few skilful

workers and therefore escalating their salaries and employment demands. Such headhunting practices are, in fact, stimulating and reinforcing a culture of employees' lack of stability in the labour market which is negatively affecting organizations' long-term business planning and investments as well as Saudization. The moment a skillful Saudi worker becomes well developed and experienced in any industrial sector, other companies start their competitive headhunting for his employment especially for middle and top management positions. Employee rotation inside the labour market is an established practice in any business environment. However, such a practice in Saudi Arabia is distinctive as the skill formation systems are not yet capable of supporting the employment shortages resulting from rapid movement of skillful workers to larger private and quasigovernment organizations. As a result, small-to-medium sized organizations are becoming less attractive for the employment of skilful Saudis who expect high salaries and attractive employment benefits that are not always available to the less profitable segment of Saudi industry in comparison to the larger organizations.

## **7.5 Hendry's Framework and Skill Formation by Saudi Private Organizations**

This part of the Chapter focuses on Hendry's (1991) framework to understand the forces that drive, stabilize, and/or inhibit HRD in the Saudi private organizations. This discussion incorporates assessing the relevance of such forces to a different labour market such as the Saudi with its unique employment practices. The study utilizes the framework to examine the Saudi private organizations' perceptions and practices regarding HRD as a continuous investment in Saudi manpower even after

achieving high rates in Saudization. The desirable conclusion of this discussion is to reinforce the driving and stabilizing factors that assist Saudization and long-term investment in developing Saudis. At the same time, the discussion aims at understanding the inhibiting factors of viewing training from a HRD investment perspective in Saudi employees.

By assessing Hendry's factors against the empirical findings of this study, some practices and approaches in Saudi private organizations tend to be congruent with Hendry's factors while others are unaccounted for by the Model. Such variation is expected and consequential of evaluating such a model in a different labour market like the Saudi with its complex structure, internal and external employment factors, and its culture.

### **7.5.1 The Driving and Stabilizing Factors in Saudi Private Organizations**

The driving and stabilizing factors in Saudi private organizations as evolved from the empirical data include Saudization, organization size, top management commitment and belief in addition to government grants for training leading to employment. These factors stimulate and support the efforts of Saudi private organizations to invest in training as a long-term HRD organizational approach even after achieving Saudization.

- **Saudization**

The Saudization strategy is a new element to Hendry's model to reflect the Saudi context. As illustrated earlier in the literature chapter, Saudization is becoming a major underlying driving and stabilizing force for investing in training in Saudi private organizations. In fact in this context, it is as urgent and important as the model's original core driving and stabilizing factors which stimulate investing in training as a response to competitive pressure and evolving business needs. In other words, long-term investment in developing and employing Saudis to replace expatriates have become a national objective that is dominating private industry training and employment strategies and practices in Saudi Arabia. This government strategy enforced by the Ministry of Labour is becoming the country's most urgent strategy as unemployment among Saudi graduates is increasing annually while private organizations are employing millions of expatriates. Therefore, the government is imposing annual quotas for Saudization to be achieved by private organizations that are reinforced by strict follow-ups and government penalties on private organizations evading its implementation. At the same time, it is providing private industries with government funds to encourage their efforts to train for Saudization.

In the banking sector, for example, Saudization strategy as a driving and stabilizing factor facilitates viewing and practicing training as a long-term investment in the Saudi human resources. Saudization has been an organizational strategic priority to plan for and implement. Consequently, the sector has achieved high Saudization rates reaching 80% to 90% while continuing to invest in the development of the national human resources. The Saudi Arabian Monetary Agency (SAMA), the supervising

and regulatory government body for the banking sector, was determined since the 1980s to increase Saudization in the banking sector in a progressive approach to maintain the country's financial stability. AlWagdani from the Institute of Banking confirms that SAMA implements rigorous mechanisms to ensure achieving Saudization in the banking sector.

AlWagdani's argument is supported by an official Report obtained from SAMA's Banking Inspection Department on 23<sup>rd</sup> of May, 2004 describing SAMA's efforts in achieving Saudization in the sector. The Report illustrates that SAMA conveyed to all banks in the country its intention and vision to gradually Saudize their supervisory, technical as well as administrative jobs. To do so, SAMA first established the Banking Inspection Department to closely supervise and evaluate Saudization efforts in each bank. The Department examines their employment strategies, HRD programs, compensation and benefit programs as well as their job rotations. For this reason, SAMA also established the Institute of Banking to closely assist banks in their HRD and Saudization implementation by providing industry-led HRD programs. The Institute, according to AlWagdani, provides customized development and training programs that are devoted to the needs of the Saudi banking industry. Therefore, the institute, although it is affiliated to a government body i.e. SAMA, is not hindered by the government bureaucracies and is responsive and flexible to the needs of the banking industry to invest in the development of Saudis.

According to the same Report, the Banking Inspection Department, on the operational level, conducts regular filed inspections including scrutiny of the bank's human resources management documentations. In addition, on the strategic level, the

Department dictates the different banks to regularly include Saudization issues in the agendas of their board of directors meetings. SAMA also imposes terms and conditions on agreements with some of the Saudi banks which have partnerships with foreign franchises to ensure transferring the knowledge and expertise to Saudis. Furthermore, SAMA through the Banking Inspection Department closely inspects banks' outsourcing activities for certain technical or administrative jobs to ensure the recruitment of Saudi human resources. SAMA usually encourages banks wishing to outsource some of their services to contract companies providing mainly a Saudi workforce. For example, every six months the Department requests from banks their outsourced jobs information including employees' names, nationalities, and dates of recruitment to ensure that banks are not manipulating their Saudization implementation.

Therefore, interviewed private managers from the banking sector confirm that training cost is not an issue when investing in developing and employing qualified Saudis to achieve quality Saudization. This HRD philosophy is very much expected from this financially growing industry. In fact, Al-Rwaily and Al-Koblan from Riyadh and Arab National Banks respectively, support some of the factors from Hendry's model. They confirm that evolving business requirements, changes in technology and job regulations including Saudization requirements are the main drivers to invest in developing their national human resources. These investments for the National Commercial Bank, as Sabban indicates, are usually stabilized and supported by the availability of industry-led training programs nationally or internationally. In reality, such investments, like any other investment, are always conditioned by their return on the overall corporate capital. In the case of Riyadh Bank such investment, besides



developing potential human resources, assesses employment suitability of new Saudi entrants to the Bank. Their conservative employment approach recruits Saudis for a trial period of three to six months to measure their skills, knowledge and attitudes on-the-job in accordance to the Bank's needs and employment standards. The Bank adopted such an approach to overcome the high employee turnover inhibiting factor that is evolving as an employment concern in the Saudi private labour market which will be discussed below. Similarly, in the Arab National Bank investing in developing Saudi human resource supports the banks' strategy of developing and retaining the Bank's high potential and future business leaders.

Both cases illustrate that banks like all large organizations are utilizing the long-term investment in HRD accompanied by clear career development plans and compensation benefits to retain the most talented and experienced Saudis. In doing so, they also plan to attract new Saudi talents as these private organizations endure aggressive headhunting by other large organizations for their high achieving Saudi employees. This is becoming the general practice as other large organizations realize that banks invest in developing their staffs to the highest standards and implement the best human resource practices in their working environment compared to other industries in the Kingdom. Banks produce high achieving personnel that are attractive for other big organizations compelling banks to even triple their employees' salaries and invest heavily in their development to retain them.

In fact, such investments are reflecting a stabilizing factor according to Hendry's long-term investment in HRD approach. Banks' efforts are congruent with Hendry's findings which advocate that organizations invest in training as a strategic

organizational approach to improve their internal labour market recruitment, retention and promotion plans. Such an approach drives and stabilizes investing in training as HRD organizational objective to Saudize and retain its Saudi employees who seek clear career development plans more than salaries and bonuses. The latter rewards can always be surpassed by competitors who are eager to have the most qualified and industry-trained Saudis especially with the poor outcomes of the governments' skill formation systems.

Similar to the banking experience, large quasigovernment organizations included in this study view investing in training their Saudi employees as a long-term HRD investment. On one hand, these organizations are required by the government, since they are partially state-owned, to invest in training and developing Saudis as part of their Saudization obligations. Internally, on the other hand, they are financially growing, managerially advanced and organizationally well structured. All this has supported their awareness and development of their internal actors and systems -- as named by Hendry -- to practice HRD of Saudis from an investment approach. Moreover, since they were state-owned, these companies have a wider range of internal labour markets that provide them with a wider pool to select the most qualified employees from. They are also, culturally, becoming the most preferred employment places for Saudis which increases their external labour market potentials and, therefore, provide them with better opportunities to select the best Saudi candidates. All these factors are assisting and stabilizing their training efforts which support Hendry's findings that suggest that top management commitment is essential for driving and stabilizing investing in HRD. In this respect, their commitment stems from government obligations and is supported by their belief of the importance and

urgency to Saudize their jobs with the most qualified Saudis from their internal or external market. Therefore, these large organizations are proven to be successful through their willingness to invest in developing their internal actors and systems as well as their training practices while defraying their costs to achieve long-term investments in their human resources. They are increasingly achieving high rates of Saudization and are considered, by the all interviewed managers, to provide the best HRD programs. These programs are closely linked to their industrial needs to overcome the incompatible outcomes of the country's skill formation systems.

Al-Shagawi, for example, asserts that the Saudi Electricity Company (SEC) does not consider investing in training Saudis to be an extra financial cost but an essential organizational approach to achieve employees' loyalty. Investing in HRD at the SEC, according to Al-Shagawi, is part of their efforts to attract and retain qualified Saudis who are seeking careers with outstanding progression potential. The company provides focused training in its affiliated training institution for both newly recruited Saudis as well as existing employees. Their line managers, or the gatekeepers as Hendry describes them, determine their departments' needs for skills and expertise and then incorporate them into the company's in-house training programs. This industry-led training ensures efficient and effective utilization of the company's financial and human resources. In addition, line managers facilitate providing their employees with any essentials to enhance their work environment, productivity and satisfaction through financial and non-financial compensations and benefits. Considering Hendry's framework, SEC, generally, appears to utilize the driving and stabilizing factors to invest in training as a long-term approach for HRD. They are committed to Saudize their jobs with the most qualified Saudis through providing

them with their industry-focused training. What is helping such a philosophy to succeed is the company's financial growth that enables the expenditure on training and qualifying its employees first to increase its Saudization and second to maintain their loyalty and commitment. The only inhibiting factor for such a philosophy that the company has to deal with is the poor outcomes of the country's skill formation systems which seems to be overcome by incorporating a training institution to retrain such mismatched qualifications.

For a different quasigovernment organization i.e. the Saudi Telecommunication Company (STC) training is determined by business needs and justifiable return on investment in human resources. Al-Zamel from STC explains that the company when privatized had to work on changing the government's long-lasting philosophy for training. Government perceives training to be merely for promotion purposes which cannot serve the company's new business direction and the competition environment dominating its future in the private sector. The company was overloaded with ex-government Saudi employees who exceeded its employment needs and might conflict with its new competition approach. Therefore, they had to invest in selecting, retraining and retaining the most qualified ones at the same time offering attractive early retirement benefit programs for the rest. Since their privatization, STC considers training to be a value added process.

STC's experience in training as long-term HRD investment according to Hendry's framework is driven mainly by its privatization and its targets to compete in the private sector market. Saudization for the company was not an issue as it was privatized from a state-owned organization. However, for STC to invest in quality

Saudization through selecting, retraining and retaining the right Saudis was a business must and strategy in order to maintain its competitive advantage. Such competition could not be accomplished by maintaining the government approach for employment and training. It is now a company that is market and competition driven based on utilizing all its resources including its human capital efficiently and effectively. This was not to be accomplished without focusing on investing in the right training either on the individual employee level or as an organizational solution to ensure changing the company's governmental paradigm to operate as a private sector organization.

The last quasigovernment manager, Al-Bat'hi from SABIC asserts that Saudization was the key driving and stabilizing factor for investing in training Saudis to take over the company's technical as well as managerial employment positions. Believing in such strategy, top management provided all necessary investments to develop the country's national manpower in the technical areas that SABIC requires. Therefore, SABIC has developed its human resource expertise and systems i.e. Hendry's internal actors and systems to be in synchronization with this strategic belief and commitment.

For this reason, the company established two industrial colleges, Al-Jubail and Yanbu, and benefited from internal educational and vocational training bodies including GOTEVT and Saudi universities. They even sent their trainees for scholarships internationally. The two industrial colleges, in particular, are organizationally affiliated to SABIC yet not exclusively graduating for their factories which is part of their commitment toward serving the wider Saudi community. In fact, they graduate students for the whole Saudi industry as private organizations prefer them over GOTEVT's, as indicated by Hussain from Savola. Their training

standards and qualities are determined by SABIC which exceeds all other skill formation bodies in the Kingdom including GOTEVT. Unsurprisingly, SABIC has become among the preferred employment organizations for Saudis who seek attractive employment and development opportunities that are driven and stabilized by the company's continuous investment approach in training the national human resources.

Another driving and stabilizing factor is government funding and financial support for training leading to employment of Saudis by the HRD Fund (HRDF). This support is assisting in achieving Saudization, according to a number of interviewees. For example Hussain from Savola confirms that their business strategies including Saudization achievement are the main drivers for their investment in training their Saudi employees. Savola has been utilizing the fund's grants for six years which, according to Hussain, has assisted and stabilized their training and development strategies.

Similarly, AlSwailim from the Chamber of Commerce and Industry and Al-Humaid from the Ministry of Labour confirm a similar conclusion that the availability of government funds for training has assisted organizations' training decisions especially in small-to-medium sized organization. Larger organizations, on the other hand, have the financial and organizational resources to invest in Saudis' training as part of their HRD and retention programs as will be discussed subsequently. They, according to AlSwailim, utilize their industry-led training institutions to retrain their existing and new employees to fit their organizational needs for skills, knowledge and attitudes. Finally, AlSwailim's and Hussain's views support Hendry's external factors that

suggest that financing training costs through training grants is among the driving forces for investing in training in organizations.

- **Organization Size (large organizations)**

As evident from empirical findings, the effectiveness of Saudization implementation as a driving and stabilizing factor is interrelated to the organization's size. The size, as apparent from the interviews and the discussed literature, influences organizational views and practices of training as a long-term investment approach in human resources leading to Saudization. In other words, organization's size in Saudi Arabia can drive and stabilize a Saudization or inhibit its implementation. Large organizations are more capable of utilizing Saudization strategy as a driving and stabilizing force to invest in developing their national human resource despite its financial burdens. They have large financial capabilities, internal systems, long-term strategic planning and commitment to develop Saudi manpower. For example, Al-Ghafees from GOTEVT confirms that large organizations which, according to him, represent only 20% of the labour market are capable and willing to invest in training Saudis and providing them with clear career development plans to retain them afterwards. Al-Ghafees's views, in addition to other interviewees in this respect, confirm that an organization's size and availability of proper internal actors and systems including top management commitment as well as supportive training philosophies and mechanisms are among the driving forces to invest in training as a long-term HRD philosophy.

Similar to quasigovernment organizations and the banking sector, other large private industries in the country realize the same urgency and importance of investing in retraining Saudis to, first, accomplish Saudization and, second, to ensure having qualified national human resources. This realization is, indeed, costing the industry to adopt self-sufficient solutions by establishing their industry-led training institutions.

For a large company like Zamil Industrial Investment the driving and stabilizing factors to invest in the development of Saudis are partially derived from the company's social commitment and responsibility toward fellow Saudi countrymen. They are also according to Al-Ghamdi stimulated by the company's efforts to implement Saudization by recruiting qualified and dedicated Saudis. Supporting these strategic objectives, the company is also aiming to provide training to enhance the Saudis' employability in the private sector as a whole. In fact, Zamil is in the final stages of establishing their training institution that will serve the entire industry with industry-led qualified staff. They invested profoundly in this institution, according to Al-Ghamdi, to overcome the shortages of skillful Saudis who are poorly prepared in GOTEVT and other skill formation systems.

Zamil's perspective of investing in training from a social responsibility and a national commitment standpoint is included under the management belief in Hendry's internal actors and systems to drive investment in training. This investment reflects Hendry's so called top management commitment and organization's values toward supporting training and valuing training as a long-term investment in the Saudi human resources. It is, in fact, an 'enabling' factor that drives and stabilizes the training philosophy. However, such perspectives are not merely derived by the organization's business



strategies as indicated by Hendry's framework. In the Saudi context, they stem from top management belief as a social contribution by the big organizations in the private sector to enhance Saudi employability according to industry needs.

Interestingly, these social responsibilities and commitment to invest in training Saudis for employment for the private industries or training for the market is evolving as a trend by big organizations that enjoy financial strength and organizational stability. This trend in fact is not accounted for by Hendry's model which relates such investments to business strategies and organizational development needs. Examples of such trends include Al-Romaizan Institute for Gold, Prince Ahmed Applied Media Institute, and the training programs provided by Al Hokair Group just to mention a few. These efforts, arguably, could be viewed as indications of the private sector's adaptation of proactive strategies to redevelop and re-qualify the poor graduates of the country's skill formation institutions in order to achieve quality Saudization. They are also, undeniably, driven by increasing competition on the rare talents in the labour market from national as well as international organizations planning to invest in the Saudi market as a result of the country joining the World Trade Organization.

AlZahrani, for example, asserts that Mobily as a large company considers the investment in retraining Saudis to be as important as generating profits. This is to increase Saudization and retain its most qualified employees. Their efforts, in this respect, are initiated in essence by the government's obligations on new companies investing in the Kingdom to Saudize their manpower. At the same time, they are supported by Mobily's top management belief that Saudization and investing in training the national manpower is becoming an attractive cost-effective organizational

alternative over recruiting experienced expensive expatriates from international telecommunication industries. This strategic business alternative also supports the company's plans of retaining its Saudi employees as new telecommunication companies are investing in the market and will be headhunting available trained Saudis in the same industry. The plans also include attracting Saudis with clear career development and progression paths that are linked to both employment longevity and high quality performance.

Some of Mobily's practices, similar to many other large organizations in Saudi Arabia are accounted for by Hendry's Model. They are included under practices related to attracting and retaining skilful employees in the organization's internal labour market (see Figure 4.2). In general, Mobily and other organizations are headhunted for their high performing employees unless they develop strategic human resource management approaches to retain such employees. However, in Saudi Arabia headhunting is becoming an employment trend that could arguably inhibit organizations' willingness to invest in long-term development of Saudis even in large organizations as is evident from empirical findings.

### **7.5.2 The Inhibiting Factors**

On the contrary to the driving and stabilizing forces, empirical data illustrate a number of inhibiting factors that hinder viewing and practicing training from an investment approach by the Saudi sector private organizations. Among these are the organization size, unavailability of industry-led Saudi graduates together with availability of ready to work and cheap to employ expatriates, in addition to Saudis'

high levels of job turnover in private organizations. These inhibiting factors are new elements to Hendry's model which reflect the uniqueness of the country's labour market.

- **Organization Size (small-to-medium sized organizations)**

One facet of organizational size and investing in training as a long-term HRD philosophy is indicated by Al-Ghafees from GOTEVT. He confirms that some small organizations are controlled and run by a foreign labour force which, in his view, is inhibiting the investment in training Saudis. These organizations resist employing Saudis in the first place let alone invest in their training. This situation, in particular, is an uncommon organizational practice dominating some of the small organizations in the Saudi labour market which has not been accounted for in Hendry's Model. These organizations are run unlawfully by foreign labour forces that pay Saudi business owners a monthly agreed upon salary to take over their businesses franchises. Subsequently, they employ their relatives or fellow citizens to ensure their profitability and continuity in the market under the protection of Saudi business owners. This unique organizational behavior dynamic of small organizations in the Saudi labour market contradicts the essence of Hendry's framework that is established to study lawful and approved organizations dynamics. At the same time, it is obstructing and working against Saudization and any effort to develop the Saudi human resources as indicated by Al-Ghafees.

Another facet stems from small-to-medium organizations lawfully owned and run by Saudis who evade investing in training. Al-Eisa from Al Yamamah College agrees

with views of Al-Ghafees, Al-Asmari and Al-Zehairi that small-to-medium organizations do not consider training to be an investment but a cost to be evaded. These organizations are the major source for employment in the labour market yet 90% of their employment is of expatriates. They are after short-term profits with as little expenditures as possible from recruiting and training Saudis. Saudi business owners are affected by massive business opportunities available in the country to consider training as a long-term investment for their organizations. Coming from a long period of recession since the early 1990s, the country's economy is witnessing an immense economic boom due to record high oil prices. This has created massive demands and business opportunities in all industrial aspects to establish and maintain the country's increasing projects. It, sequentially, has created short-term business attitudes and practices that dominate business strategies of different small-to-medium organizations in Saudi Arabia. This is including their short-term commitment or even reluctance to provide training as an investment in developing the country's human resources and as an essential requirement to Saudize the labour market as indicated by Al Zaid from the Saudi Real Estate Company.

Simultaneously, these organizations are granted work visas by the Ministry of Labour to recruit cheap expatriates who do not require further development and are easy to retain. The Ministry, according to Al-Humaid, cannot risk obstructing the country's rapid development to enforce the long-term strategy of Saudization on a short-term business environment evolving in the country as oil prices can fluctuate at any time. Therefore, small-to-medium sized organizations rarely seek nationals who are considered not yet available, due to incapability of skill formation systems to fulfill the private sector's employment requirements. Such systems, as confirmed by Al-

Eisa, will never be able to fulfill all employment requirements for available jobs in the market. For him, this role should be fulfilled by the on-the-job training which small-to-medium organizations could provide yet try to avoid due to its cost and their focus on the urgent profit strategies. In reality, this dilemma is even made worse as some of these organizations attempt to decrease their expenses by providing on-the-job training by their existing expatriates who, certainly, attempt any viable effort to evade their replacements by Saudis. As a result, these organizations use any possible deception not to Saudize their manpower as this contradicts their core profit strategies to reduce costs including training.

So in brief, these short-term business strategies are becoming inhibiting forces for the long-term investment approach in national HRD and Saudization. Business owners are devoted to seize any business opportunity yet believe that they are hindered by the Saudization process due to the unavailable qualified and ready to work Saudi manpower. They consider Saudis to require further investment in developing due to mismatched qualification provided by the country's skill formation systems. They also require high salaries and career development plans to retain them that are unattainable by small-to-medium businesses. At the same time, available and skillful expatriates obstruct business owners' vision and practice to consider training as an investment in Saudis as expatriates require less training investment and provide higher profits due to their low salaries.

Hendry, in fact, has reached similar conclusion which stresses the fundamental correlation between competitive pressure and the driving force for training activities as discussed in the Literature Chapter. However, in the case of Saudi Arabia, the

essential elements for small-to-medium organizations to achieve competitive edge are seen by business owners through recruiting expatriates instead of Saudis. For them, expatriates are an easier and cheaper alternative even to train on any new technology or new production; they cost much less as they require lower salaries; and at the same time, they are easier to manage and retain. This unique practice has not been included in Hendry's framework as the Model was generated and evaluated in the UK context which unlike Saudi Arabia does not suffer from immense competition from foreign labour forces with nationals.

- **Unavailability of Industry-Led Saudi Graduates**

This practice of evading Saudi's employment, unfortunately, is stimulated by the scarcity of skillful and experienced Saudis and the availability of cheap and skillful expatriates. Saudi graduates, although, widely available are considered by the majority of interviewed managers to require further development in specialized as well as general skills. According to Al Ammash, Al-Zehairi, Gaith and Al-Asmari, just to mention a few examples, these graduates do not understand the value of work, are not yet ready to work and require extensive development in English and computer skills.

Therefore, small-to-medium sized organizations would never attempt to recruit nationals if it was not for government pressure to Saudize their manpower which has not yet proven effective despite government financial subsidies for training through the HRDF. These subsidies are still utilizing the country's poor skill formation systems that are overlooking, in their programs, the real business needs of the

country's labour market. In fact, this pressure to Saudize tends to overlook individualized circumstances and business needs of each industrial sector. One example that supports this argument is clear in the construction industry. This industry has engaged with expensive contracts to establish and develop the country's massive new projects and infrastructures like the three Economic Cities in three regions over the last two years. These projects are unable to be launched yet due to the unavailability of qualified Saudi manpower. Therefore, the industry is trapped between the business needs to fulfill their contracts and the unavailability of trained national manpower.

To make matters worse, interviewed managers confirm that small-to-medium sized organizations, due to their limited financial resources, do not have the advanced internal management systems that could facilitate the long-term investment approach to the country's human resources. This reinforces other inhibiting factors to invest in training in the majority of Saudi private organizations as they do not have the right systems or expertise to execute such expensive commitment. In fact, AlWagdani links viewing training as an investment in private organizations to the awareness of managers of the return on the investment from providing Saudi employees with training. Managers responsible for training decisions in small-to-medium sized organizations, in his view, are still unaware and untrained on the importance of investing in training and measuring its return on the investment by their employees. This argument supports Hendry's findings that require managers' commitment and understanding of the training philosophies accompanied by management systems to support viewing and practicing training from an investment approach in organizations. For Al-Zehairi this commitment and understanding is only practiced

by 10% of business owners of family organizations which according to him represent 75% of the volume of the labour market. Therefore, these small-to-medium organizations only practice training to utilize government grants from the HRD Fund to train for Saudization.

As a matter of fact this training for Saudization is already becoming an inevitable investment to rectify the incompatible outcomes of pre-employment skill formation systems with the needs of large or small-to-medium organization alike. These organizations are compelled to retrain Saudi graduates on subject matter skills, knowledge and attitudes in addition to providing them with essential linguistics, interpersonal and computer skills. This dilemma is, in fact, influencing the labour market entirely and slowing the speed of the development process as skill formation bodies controlled by government bureaucracy are incapable of adjusting to the private sectors' businesslike approach. It is making Saudi graduates expensive, time consuming and a risky alternative for small-to-medium organizations. They require longer training investment and are difficult to retain afterwards whereas expatriates may only need shorter on-the-job orientation and are retainable.

- **Saudi High Labour Turnover in Private Sector Organizations**

Private sector managers confirm that Saudis are expensive to invest in as they are unstable in their employment in the private sector organizations. This inhibiting factor opposes company philosophies regardless of their sizes to invest in training to achieve continuous HRD for Saudis. Typically, it adds to the cost of training and discourages training managers to pursue such an expensive and risky training investment decision.



For example, Al-Asmari confirms that owners of small-to-medium organizations consider training to be an added cost especially with Saudis high turnover that inhibits investing in their training and development. These owners are confounded between the government's pressures to Saudize their staff and their Saudi employees' unwillingness to retain their jobs. Al Turaigi from Almarai states similar conclusion. He believes that Saudi employees' retention is affecting their company's business and training investment as their turnover reaches 25% in 2006 alone. This turnover of Saudis is costing Almarai according to Al Turaigi great loses. This raises a very critical concern for private organizations that are seeking profit and cannot afford expensive and risky investments in unreliable national manpower.

In the same prospect, Al-Malki and Al-Zehairi blame the country's employment regulations and laws enforced by the labour offices of the Ministry of Labour. These regulations and laws do not guarantee the retention of Saudi employees after companies' investment in their employment and training. Saudi employees terminate their employment for any higher salary offer with less consideration to their contracts. Al-Malki believes such behavior is supported by the non-existence or ambiguity of employment regulations and laws which is resulting in companies' unwillingness to employ Saudis in the first place yet to invest in their training. On the contrary, expatriates require inexpensive short orientation program and they are utterly retainable as their employers hold their work permit and passports. They are also, generally, cheaper than Saudis especially in non-management positions and administrative jobs which represent the majority of their employment demands. Unlike Saudis, they are service oriented and flexible for job rotation and job reassignment.

Al-Malki's perspectives on the Saudi labour market when examined in accordance to Hendry's framework confirm that investing in training Saudis is not only becoming expensive yet also an uncalculated risk as Saudis are hard to retain due to unpracticed or lack of clear regulations in the country's employment law. This factor is not included in Hendry's Model due to the uniqueness of such practices for the Saudi context. They could be included as external labour market inhibiting factors to invest in training which is considered accordingly an expensive and risky investment by private organizations. Similarly, a new inhibiting factor to Hendry's framework representing the Saudi context is the availability of the reliable and cheap expatriates. They are hindering Saudi organizations' motivation and willingness to invest in recruiting and retraining Saudis.

### **7.5.3 Hendry's Model According to the Saudi Context**

Figures 7.1 and 7.2 illustrate Hendry's interaction factors that drive, stabilize and/or inhibit businesses in Saudi Arabia to practice training as a long-term investment approach to develop the national manpower. In these Figures, Hendry's framework has been modified to include the (discussed above) additional specific elements that are unique to the Saudi context as explained by interviewees in Chapter Six. Furthermore, Figure 7.3 has been developed to illustrate the major driving, stabilizing and hindering factors to the long-term investment approach of HRD in Saudi Arabia. The intention in creating Figure 7.3 is not to overlook, simplify or alter the essence and significance of Hendry's distinguished and widely respected work. In effect, this effort is to summarize and focus on the factors directly in relation to Hendry's final framework outcome i.e. viewing training as a long-term investment in the HRD. In

the same prospect, the aim is to understand general practices and factors affecting skill formation and employment in private organizations in the Saudi labour market which are better accomplished through such a helicopter perspective to the elements of the original model.

As Figure 7.1 illustrates, these additional elements are including two major government interventions i.e. Saudization and available government grants from the HRDF to encourage private organizations' efforts to invest in training and recruiting Saudis. The developed model from Hendry's also includes organization size which interacts with a number of factors affecting the organization's internal labour market and its internal actors and systems. The modified model also added some elements to the external labour market and external support for training which are unique to the Saudi context.

Saudization has been included in the modified model to equal the importance of the original Model's driving factors i.e. competitive pressure and evolving business needs. This national strategic program is affecting most business strategies in the private sector organizations as is apparent from empirical and literature findings. This policy is encouraging organizations to invest in training and employing Saudis on an annual basis to avoid government penalties and receive its incentives. The government's efforts and follow-ups to accomplish this strategy through the private sector, although perhaps not be as effective as the successive Development Plans aimed for, is forcing private businesses to consider it in their strategic employment planning. Although still concentrating on quantitative measures, Saudization is driving the private sector's human resources investments to develop a national work

force that might be able to replace the millions of expatriates in the foreseen future of the labour market.

Organization size was also included to illustrate the importance of such a factor in either driving or inhibiting investing in training Saudis as a long-term HRD approach. The size of the private organization has a direct relationship with investing in developing Saudis to achieve Saudization. Empirical data supports the view that Saudization increases with larger organizations which implement advanced and attractive human resource management practices, provide attractive working environments, and demonstrate organizational maturity that reflect better job security. Top management in these large organizations are usually supportive with profound investment in developing Saudis and dedicate all organizational internal actors and systems to achieve such direction as they are supported by strong financial resources. These organizations usually do not depend on government financial support or outcomes from its skill formation systems but invest in developing Saudis in their industry-led training institutions to serve their immediate shortages of qualified Saudis as well as serving their industry as a whole.

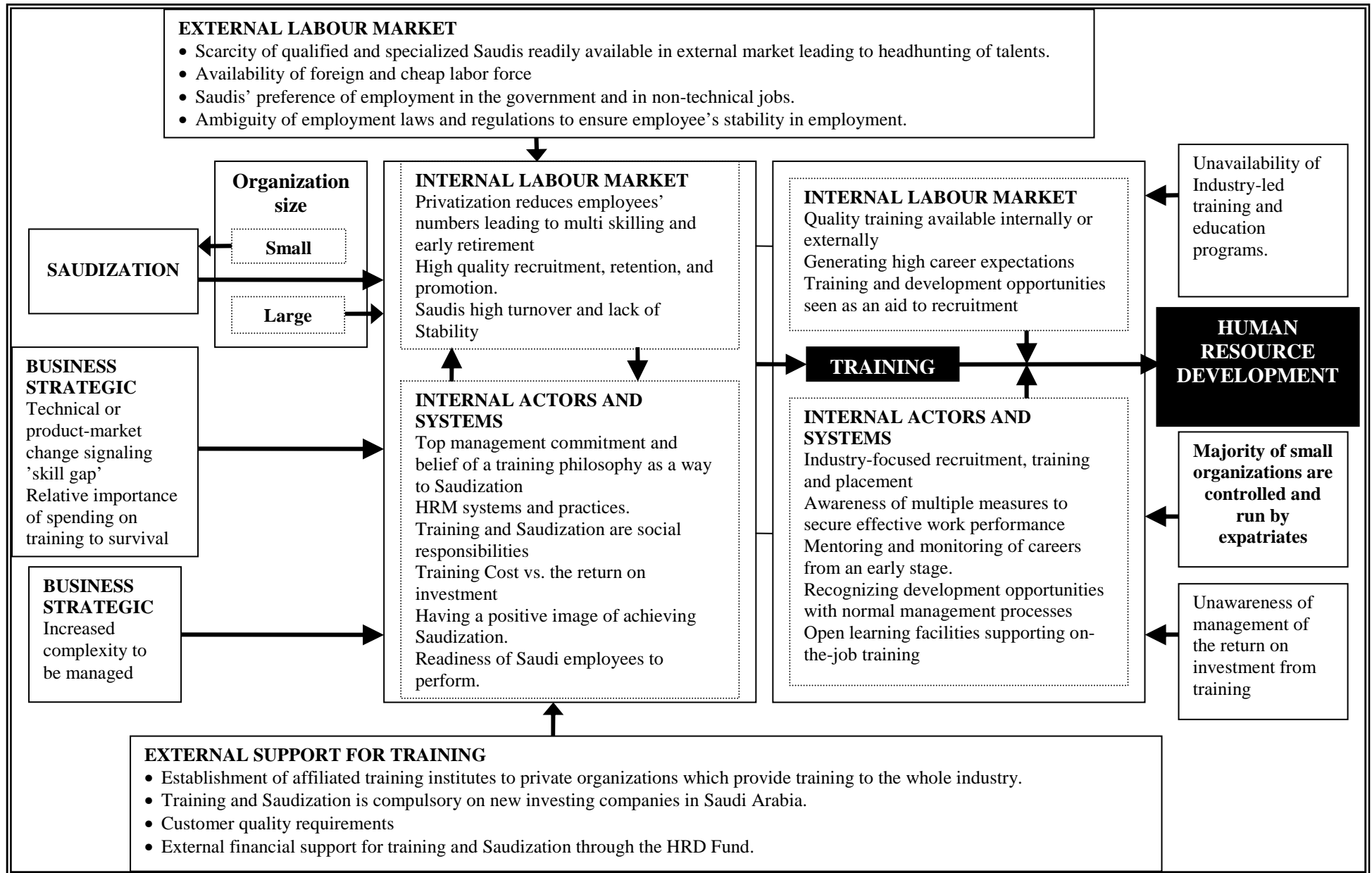
On the other hand, small-to-medium organizations are driven by reducing expenditures and relying on short-term profit strategies that are accomplished through recruiting expatriates. Since they have limited financial capabilities, they implement simpler internal managerial systems that might in some instances require only a manager and an accountant. They do not invest in training from a long-term perspective as they are mainly dependant on expatriates who are ready to work. They evade Saudi employment as they are expensive and unqualified to perform without

extensive retraining. Not only that but also, they are unlawfully, in some instances, controlled and run by expatriates. All in all, this goes against Saudization as indicated Figure 7.1.

The external labour market is also affected by a number of factors that are included in the modified model to represent the Saudi context. They include scarcity and poorly prepared Saudi graduates from skill formation systems that are mainly controlled by government bureaucracies. These graduates require further retraining that can only be accomplished in large organizations through the few available industry-led training institutions. However, even after such expensive investment, Saudis are hard to retain as labour laws are not guaranteeing employee retention. Saudis tend to move from one job in the private sector to another but generally they prefer employment in the government, quasigovernment and/or large organizations for office and non-technical jobs. On the other hand, the external labour market is also suffering from the wide influx of million of expatriates who compete with Saudis on available jobs that are mainly available in small-to-medium organizations which only invest in developing Saudis to acquire the government available funds for training.

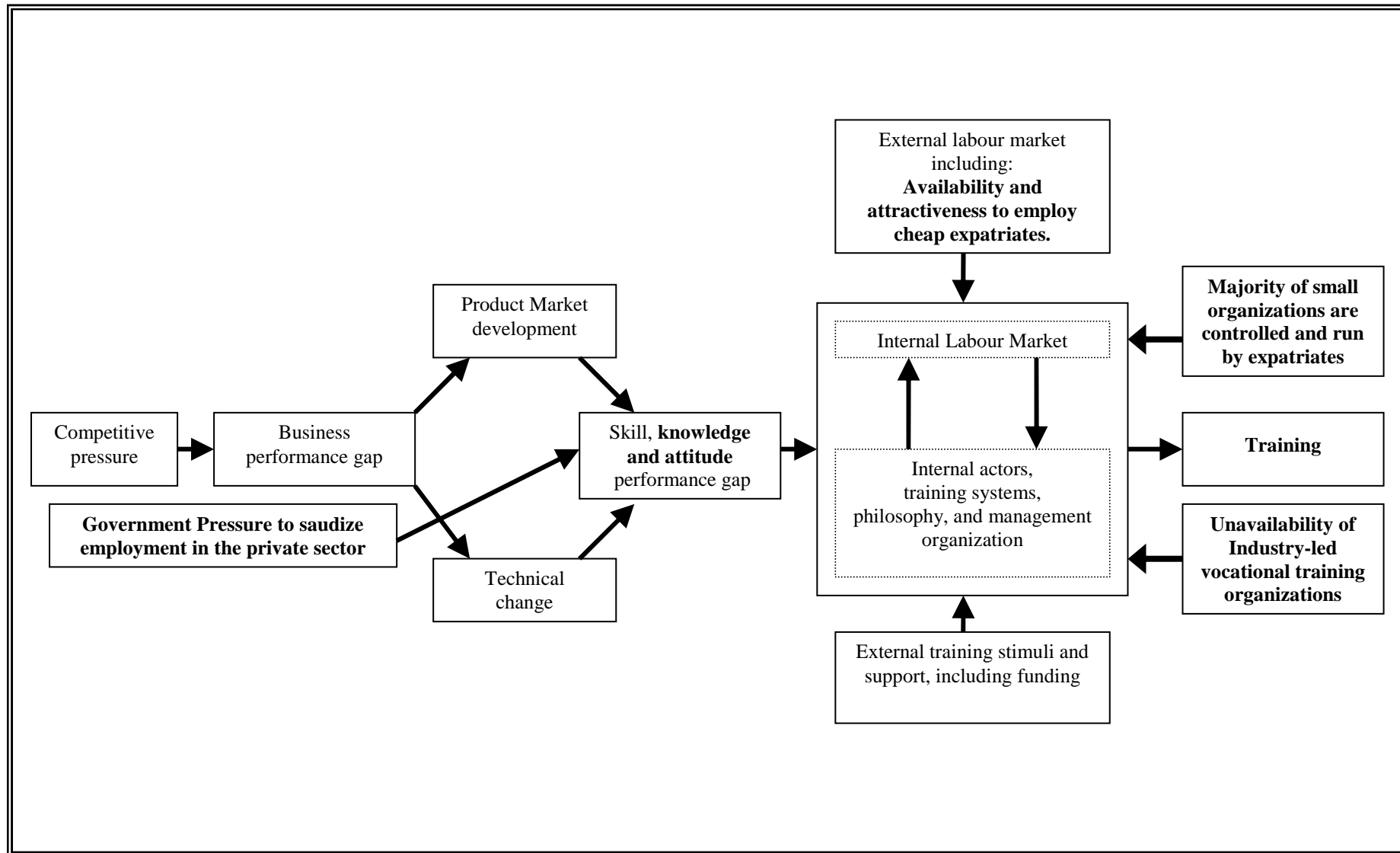
The modified model in Figure 7.1 also reflects empirical findings on the importance of available external government financial supports through the HRD Fund in assisting private organizations to invest in training. These funds are designed to support private organizations to train potential Saudi employees for employment. Some Saudi private organizations as, apparent from the interviews, initiate their decisions to invest in training their Saudi employees based on the availability of such funds.

**Figure (7.1): The Interaction of Factors Driving and Stabilizing Training and HRD in the Saudi Context**



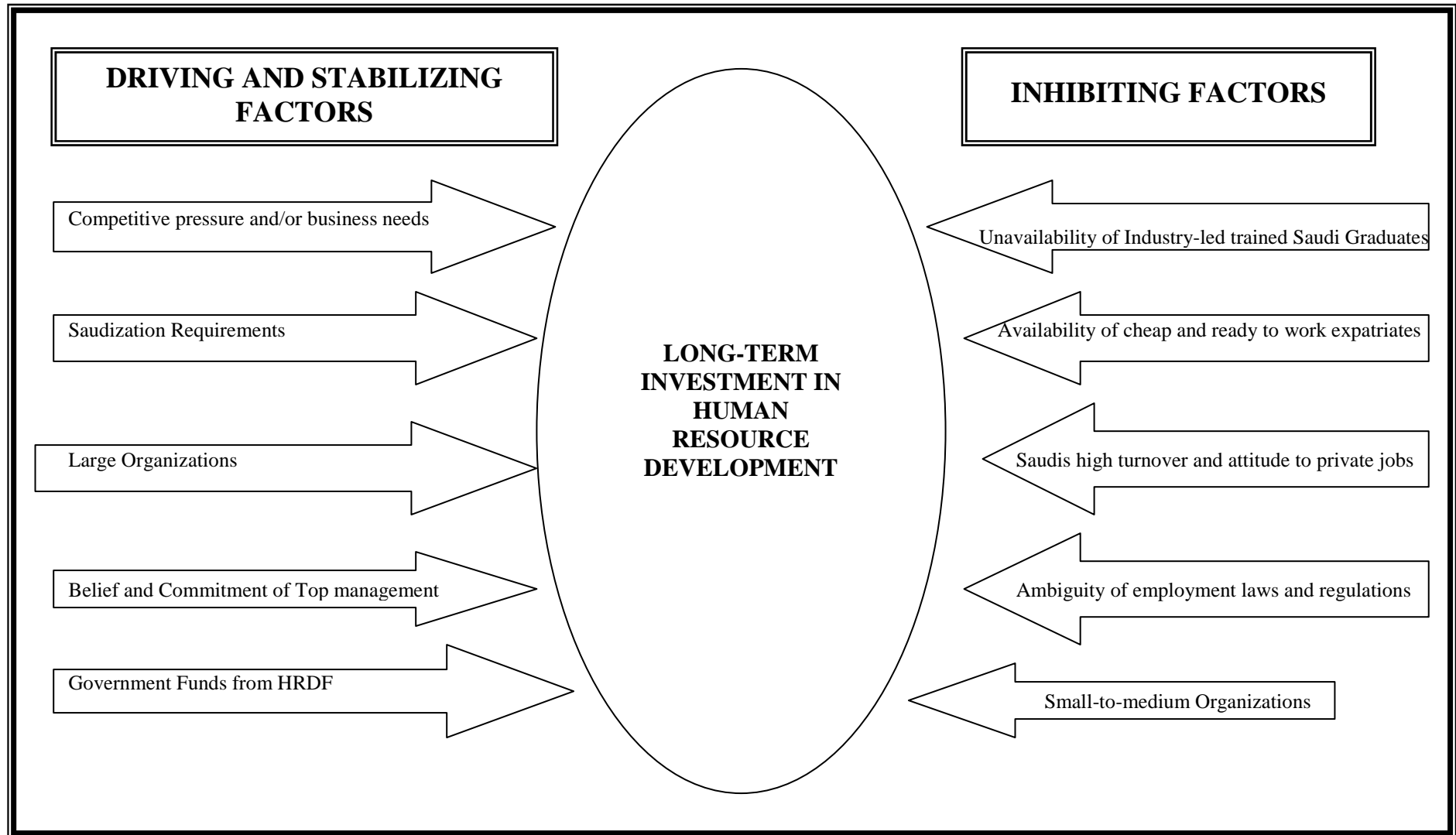
Adopted and modified from Hendry, C. (1991) "Corporate Strategy and Training", in Stevens, J. and Mackay, R. (edit.) Training and Competitiveness: Page 103

Figure (7.2): The General Model of Factors Driving and Stabilizing Training in Saudi Arabia



Adopted and modified from Hendry, C. (1991) "Corporate Strategy and Training", in Stevens, J. and Mackay, R. (edit.) Training and Competitiveness: 81

Figure (7.3): Summary of the Major Driving, Stabilizing and Hindering factors to HRD in Saudi Arabia





In Conclusion this section of the discussion attempts to study the driving, stabilizing and hindering factors of Hendry's work in accordance to practices and philosophies dominating Saudi private organizations. The discussion of the empirical data concludes that Saudization, organization size and top management commitment and belief toward continuous national HRD are the major driving and stabilizing forces in Saudi private organizations. These driving factors are playing a major role in organization's decisions to invest in an long-term training efforts. Government pressure for Saudization accompanied by financial support of HRDF are two major driving factors that have proven effective thus far in achieving Saudization especially in small organizations. Large organizations do not depend on or seek such funding as they are financially capable of investing in developing their employees. On the internal labour market level of organizations, most interviewed managers assert that their organizations provide training in response to business requirements, new technologies or new employment regulations in the market including Saudization. Some of the interviewed organizations tend to provide training as a managerial approach to attract new qualified Saudis and at the same time to retain their organizations' most qualified and experienced ones. Those Saudis are usually looking for an organization, preferably large, that can provide them with clear career development plans. Large organizations in Saudi Arabia are investing in HRD initiatives to fulfill their social commitment toward developing their fellow citizenship and as a constructive approach to bridge the shortcomings of the country's skill formation systems. In other words, at the moment the industry is carrying the load of providing basic training that should have been conducted by the established government institutions. This role, if it continues, will divert private

industries from their main business operations and eventually from being a major player in the country's economy.

On the other hand, the inhibiting factors for investing in training as an approach for long-term HRD include organization size, poor outcomes of the country's skill formation systems together with availability of ready to work and cheap expatriates, in addition to Saudis' high turnover of jobs in private organizations. Evidence from interviews confirms that small-to-medium sized private organizations are not investing in training nationals from an investment perspective. Small-to-medium organizations are either unlawfully controlled by expatriates who will never recruit Saudis nor train them or owned by Saudis who view training Saudis as a cost to be evaded. The former case, in fact, is a unique organizational practice to the Saudi market and will persist as a major hindering factor for any HRD and recruitment effort of Saudis unless the government intensifies its supervisory and inspection operations. In both scenarios, though, small-to-medium organizations seek the employment of cheap expatriates who are retainable and evade recruiting Saudis who are expensive and risky to train and recruit and who are inadequately prepared by the country's skill formation systems. Interviewed managers confirm that Saudis are hard to retain and expensive to retrain. They do not continue in their employment regardless of their employment contracts and of the companies' investment in their training. Such irresponsible practices were confirmed by some interviewed managers to be the result of ineffective and vague employment regulations that could guarantee employers rights. Managers also confirm that Saudi graduates lack the needed competencies and behaviors to work in a private business environment. Both factors are considered as inhibiting external labour

market factors affecting decisions to invest in employing and training Saudis by both small and large organizations.

## **7.6 Conclusion**

This chapter focuses its discussion on linking interviews with research objectives. It attempts to discuss the empirical data evolved from the previous chapter to understand interviewees' perspectives within the research framework. It looks into the state role that affects skill formation systems in relation to employment in the private labour market. The government rigid bureaucracy in planning for, regulating, financing and implementing skill formation especially in GOTEVT is hindering the development of private industry in the country. This bureaucracy is not supporting the labour market with industry-led training programs and results in incompatible skills, knowledge and attitudes with present employment needs. They are focusing on theoretical knowledge and literary studies instead of practical approaches and technical as well as scientific fields. These systems including GOTEVT are contributing to the unemployment of Saudis instead of the contrary. These systems are trying to protect and sustain their financial, organizational and even survival interests and resources. However, such interests should never contradict with the nation's interests or its economy. Accordingly, if current efforts of GOTEVT and other skill formation systems persist the private sector would attempt any tactic to evade employing their graduates which would increase unemployment rates in the country and put an end to Saudization. This will even diverge from the nations' interests of establishing a national workforce that will ensure a fruitful future for the Kingdom's generations.

Then the chapter investigates unemployment in Saudi Arabia and Saudi attitudes to work in private organizations. The focus is on the Saudization strategy as one essential factor affecting employment in the private sector and examines the core obstacles encountering this national strategy. These obstacles include low salaries offered by private organizations of Saudis that are usually determined according to cheap expatriates' salary level instead of consideration to Saudis' financial requirements. The obstacles also include incompatible and unemployable outcomes of skill formation systems with the private labour market needs. Finally, the discussion examines Saudi attitudes and employment instability in private organizations which managers consider to be hindering any Saudization effort.

Then the chapter examines successful Saudization implementations in a number of private industries in order to understand the factors that have led to their success while many others have failed. These factors include top management belief in the urgency and long-term benefits of Saudization. They also include implementing advanced human resource management practices that attract and retain Saudis who are seeking clear career development plans. Successful Saudization tends to be evident in organizations that provide industry-led HRD programs that link training to employment and future development of their employees.

Finally, the chapter also examines Hendry's framework in a different context namely Saudi Arabia. The discussion revealed many similarities to the framework regarding the factors that drive, stabilize and/or hinder investing in training as a long-term investment approach by Saudi private organizations. It also suggested

some additional factors that are specific to the Saudi context. Saudization has become a new major driving and stabilizing factor to investing in HRD. In addition, other factors including organization size, top management commitment and belief as well as government grants for training are playing an essential driving and stabilizing role. At the same time, the discussion reveals some new inhibiting factors to include in Hendry's model to reflect the uniqueness of the country's private labour market. These include the organization size (being large or small-to-medium), the unavailability of industry-led Saudi graduates, and the availability of cheap and ready to work expatriates, in addition to the high turnover of Saudis in jobs in private organizations. This has led to a modified model from Hendry's to represent these new driving, stabilizing and/or inhibiting factors affecting the Saudi context.

## CHAPTER EIGHT CONCLUSION

### 8.1 Summary of the Main Issues

Saudi Arabia has been enjoying massive development in all aspects since the discovery of its enormous oil reserves in the 1930s. Such a discovery took the country's strategic planners by surprise as they have to utilize the country's sudden wealth to establish its huge infrastructure projects as well as investing in developing human resource related services. The country was not ready with enough trained and qualified technical and educated human resources to take over such projects. Therefore, a critical decision was taken to import and recruit expatriates mainly in the private sector to build the country while recruiting Saudis in the government sector. Saudis at that time were mainly majoring in the relatively easy to graduate from literary and art majors to be employed for life in the government. The country continued in such practices as its population growth continued to increase until it became one of the highest in the world with the majority of its citizens under the age of 19. This population growth was associated with huge quantitative outcomes from the country's skill formation systems to satisfy the government's possible employment opportunities.

In the early 1990s, the country began to realize that there was continuing and increasing competition by expatriates for the country's available jobs especially in the private sector as unemployment among Saudis began to increase. So, the government introduced the Saudization strategy to reduce expatriates and at the same time increase the employment of Saudis in the private sector. This realization

and urgency, however, were not associated by essential changes to the structure and programs available by the government controlled skill formation systems including GOTEVT, the main technical and vocational manpower provider for the private sector. These systems continued to focus on quantitative measures overlooking establishing their academic and technical programs on the real needs of the labour market. In other words, they graduate Saudis who do not have employable skills, knowledge and attitudes to work in the private sector organizations which have already established the culture of dependency on expatriates to increase their competitiveness and revenues. All this led to unsuccessful implementation of Saudization as the country's recruitment of expatriates is increasing which in turn inflates the unemployment rates among Saudis only to be assisted by the incompatible outcomes from skill formation systems. Rates of unemployment among Saudis have reached (12%) in a labour market that is creating millions of job opportunities mainly to be filled with expatriates (95%) in the private sector. .

Therefore, this research investigated the persistent dilemma of unsuccessful Saudization in the labour market in relation to the incompatibility between the outcomes of the country's skill formation systems and the demands for labour by the private sector organizations. The research examined the factors contributing to such a dilemma as seen by interviewed managers from Saudi government, quasigovernment and private organizations. It also studied the obstacles encountering successful implementation of Saudization in the private sector despite the rigorous efforts by government.

The findings and their implications confirmed the research's assumption that Saudization is mainly hindered by the shortcomings of skill formation systems' outcomes due to heavy government involvement and control over their planning, regulating, financing and implementing. This government bureaucratic control is inhibiting and interrupting the responsiveness of these systems to the rapidly changing and demanding private sector. As a result, they graduate Saudis who require further and sometime extensive retraining in order to fit the employment and performance requirements of the private sector organizations. They require further investments on even developing the specialization skills which are, arguably, an indication of improper utilization of public budgets by these systems.

The findings also emphasize another obstacle to Saudization which also involves the government's unfocused planning and implementation as well as legislations for the Saudization strategy. These operational as well as legislative limitations are overlooking and undermining the effectiveness of the strategy itself. The government is still allowing the huge influx of cheap and easy to retain expatriates to fulfill the labour market jobs. Whereas, they are not providing nor implementing clear employment laws to protect private organizations from the long-lasting and heavy turnover practices by Saudis in whom the organizations are investing profoundly to develop.

Saudis, in fact, over the years of the country's labour market development have associated their socially negative views to technical blue-collared jobs in the private sector. In fact such negative social views have always been reinforced by the country's segmentation of its labour market where Saudis are employed in the



government sector while expatriates are expected in the private sector. Such practices, as confirmed by the findings, are continuously evident as Saudis always seek employment in the government, quasigovernment and large organizations which provide stable, secure and attractive employment opportunities. In other words, they evade employment in small-to-medium sized private organizations with their technically demanding jobs as they do not offer attractive salaries. These organizations employ the majority of expatriates in the country and resist Saudization in essence as it reduces their profitability and perhaps even their organizational survival.

The study realizes that for Saudization to be successful and establish a long-term solution to the Saudi existing dilemma, the focus must be on the first obstacle. The remaining obstacles, although cannot be overlooked as serious challenges for such strategy, they will be persistent as long as the government is dominating the outcomes of the country's skill formation systems especially GOTEVT and producing manpower incompatible to the labour market demands.

## **8.2 Reconsideration of the Research Objectives**

The research explores, as a general objective, the missing link between skill formation outcomes, especially provided by GOTEVT, and the requirements of Saudization. This also included in the three first specific objectives set in Chapter One. The study found that the heavy bureaucratic control of the government is producing unemployable outcomes to the labour market. This is through the excessive focus on conducting literary and social sciences' majors over the labour

market's demand for technical and scientific skills. These supply systems are unable to rapidly respond to the changing demands of the private organizations simply because they have been restricted by their government's bureaucratic systems. Such systems' performances were never evaluated against their immediate client's demands as their outcomes were always employable in the government sector before it become over-employed. However, the real evaluation is now evident as the country is encountering its high employment rates that can only be reduced through developing these systems' graduates to be employable in the private sector. This is through reducing the government influence on them and linking planning, performance and outcomes directly to the sector they are serving.

The study also examines successful Saudization implementation scenarios in some private and quasigovernment industries as it fulfills one of its general as well as a specific objective. This objective was achieved through investigating their effective visions and practices regarding Saudization and through obtained documentation when studying the Saudization success in the banking sector. These organizations, as confirmed by the findings, are driven by their financial strength as well as top management belief in the importance and urgency of implementing Saudization. These main elements generate profound investments in developing their organization's internal Human Resource Management systems and long-term investment in developing and retaining qualified Saudis. Unlike the government skill formation systems, they provide industry-led training in their training institutions to retrain the outcomes of the country's skill formation systems. Their programs are derived from the real industry needs and planned for by the industry itself and conducted in the factories like the two industrial colleges of SABIC in

Jubail and Yanbu. This investment, although adding extra cost on their annual expenditures, is viewed as inevitable because skill formation systems are not providing industry-focused graduates. Therefore, these organizations even view such investments to be part their social contribution to the country through providing free training to the public to develop the Saudis and assist Saudization in different industries.

The last general objective supported by one specific objective examined GOTEVT as a major skill formation provider in relation to the lack of Saudization in the labour market. The research evaluated the current role and outcomes of GOTEVT. This role, as evident from the research's findings and literature, has not yet achieved the private sector's demands of qualified and skilful Saudis that can replace expatriates. This government organization, as an example of other skill formation systems in the country, is dominated and influenced by its strategic affiliation and supervision by the government i.e. Ministry of Labour. This, evidently, is producing a government bureaucracy approach that is hindering GOTEVT's immediate responsiveness to serve a dynamic and continuously changing private sector.

The study has found that GOTEVT as seen by the majority of private managers is not assisting their efforts to Saudize their human resources. In fact it has burdened them retraining its outcomes to fit their employment needs. In other words, they recognize that government expenditures and investment on GOTEVT are economically and strategically unjustified. This investment if provided to private organizations to train and recruit for themselves it would achieve their interests of

qualifying Saudis to their employment standards and needs. In addition, it would also serve the interests of the country as it would reduce the unemployment among its citizens and establish a solid national workforce that is dependable and industrially and vocationally oriented. This perspective has been the general theme underlying most interviewed managers from the private sector and some of the quasigovernment organizations. Unsurprisingly, government managers do not support such an argument. On the contrary, they blame private organizations of evading the employment of Saudis on merely profitability grounds especially in small-to-medium organizations. In their view the sector will always seek employment of expatriates regardless of the quality of GOTEVT's graduates which, according to them, is fulfilling the employment needs of the private sector.

The government's managers reaction to concerns regarding their unsuccessful outcomes, especially relating to GOTEVT, is understandable but yet not credible. They are, undoubtedly, defending their organizational survival interests which may not benefit the interests of the country and its people in the long-term. Therefore, the research attempted to evaluate the possibilities, requirements, and impact of changing the current role of GOTEVT, as the grassroots and prerequisite to the Saudization of human resources in private sectors. The reactions *to* this attempt will be discussed in this chapter to provide practical recommendation to conclude this study with. This practical recommendation will encourage and stimulate future academic research as well as organizational changes to GOTEVT's vision and practices to bridge the existing gap in their performance. In addition, it will ensure a long-term professionalism or vocationalism of its graduates through which the

Saudization of the private sector's human resources will be an expected outcome of developing a competitive and reliable national manpower.

### **8.3 Study Contribution to Knowledge**

This study provides important theoretical and practical information on Saudi Arabia that can benefit knowledge in the related studied fields. First, on the theoretical contribution level, the study provided a review for a Western model i.e. Hendry's HRD interaction model for skills development in Saudi Arabia. This Model determines the interactions between the factors that are driving, stabilizing and/or inhibiting organizations from investing in training as a long-term HRD approach. Its incorporation to study private organizations perspectives and practices in Saudi Arabia resulted in its development to account for unique elements from the Saudi context. These new elements reflect the actual practices in the Saudi private sector organizations dominating decision-making for their investment in developing Saudi employees. The new driving, stabilizing and inhibiting factors from the Saudi context are expected to generate and initiate new theoretical studies about the Saudi labour market supply and demand interrelations.

Second, on the practical level, it studied a national dilemma, Saudization, a subject that is occasionally investigated in the international academia. This is due to its infrequent occurrences in the business world by which a country like Saudi Arabia is suffering from high unemployment among its nationals while employing more than 4.7 millions of expatriates. This national subject is mainly discussed in Saudi Arabia and/or in other oil producing Gulf States as they suffer from similar

employment and social dilemmas. The study, furthermore, translated many of the national and regional studies related to Saudization and skill formation in Saudi Arabia from Arabic to English to enrich the knowledge with theories and practices from the Arab world. Some of such studies included government reports and unpublished documents that are rarely obtained or included in academia studies.

Third, the study also had the privilege of conducting face-to-face lengthy interviews with a large number of government, quasigovernment and private strategic decision-makers and practitioners. Such opportunity provided strategic empirical data about Saudization and skill formation systems that enables the study to evaluate the strategic approaches regarding both issues in the country. This information could assist further academic research on strategic practices in the country in regard to employment and skill formation or even the strategic performance of some of the country's government bodies.

Fourth, the study also provided in-depth investigation about the success scenarios of Saudization in some of the private sector organizations. This approach allowed examining of their success factors and managerial practices to be studied against the failures of others in the market. These success factors and practices can contribute to further analysis and implications in the academia or by organizations that are wishing to accomplish long-term and steady investment in their HRD as means to employees' retention and loyalty.

Finally, the study investigated and provided practical recommendation to changing the current role of GOTEVT as viewed by some interviewed managers who

elaborated on its development and implementation potentials. The proposed change and comments from the managers establish a practical epilogue to this study to benefit from perspectives discussed and dilemmas analyzed regarding the Saudi labour market in relation to the role of skill formation systems.

During the primary data collection stage for this study, the researcher proposed strategic changes to GOTEVT's current role in order to be more responsive to the labour market needs and eventually to the Saudization program. The initial objectives of initiating and introducing such a proposal was to stimulate alternative approaches, as seen by the private industries, to the current dominant government role governing GOTEVT strategies and performance. This role, as evident from interviews with managers in this study, has not achieved their Saudization efforts nor provided them with a skilful, knowledgeable and disciplined national workforce. In other words, it has not accomplished GOTEVT's core organizational objectives of providing Saudi private organizations with a qualified and reliable national workforce that can in the long run replace the millions of expatriates who are overcrowding the labour market.

However, the current study realises that in order for any Saudization effort to be effective, a gradual decrease of expatriates' importation has to be implemented. This gradual effort will ensure a balanced and planned replacement of the expatriates in an undisruptive approach to the Saudi economy that has been dependent on such foreign workforce since its establishment. In other words, quick and unplanned Saudization could create an employment vacuum in the country that could evidently lead to economic recessions. Therefore, Saudi HRD plans

including the proposed changes to GOTEVT must be a long term solution to create a vocationalism and professionalism among its national workforce without jeopardizing the major and important economic sector such as private industries.

The proposed change involves modifying the present role of GOTEVT from planning, regulating, supervising, financing and practicing technical education and vocational training in the country. GOTEVT as a government body, according to the new proposed role, will only supervise, regulate and finance technical education and vocational training. The actual planning and training will be carried out by industry-led private training organizations who better know their training needs. Businesses in the kingdom will be grouped into major sectors with their own training institutes or colleges serving their line of businesses' needs for skills and qualifications. At the same time, these training institutions or colleges will be providing each line of business with continuous developmental training to their existing human capital. Another aspect that can be added to these industry-oriented training or colleges is assessment centres. The aim of these assessment centres is to save training and selection time, effort and money through scientifically selecting potential employees from the labour market according to employers' specific needs of skills and qualifications. Specific training and development programs will then be designed and implemented according to employers needs.

For example, hotels, travel agency services, tourism and leisure businesses will be a sector having a training institution or college that is financially supported and supervised by GOTEVT with marginal financial participation by private organizations of this sector depending on the number of each organizations'



trainees. This will ensure a positive participation of this sector on all levels including their participation in planning, designing, implementing and evaluating these training programs. It will eventually lead to more investment in training on their actual skills and knowledge needed for the success of their businesses. It will also encourage private sector organizations to establish more specialized vocational industry-led training organizations or programs. At the same time trainees will be motivated by the fact that their training and development will end in their employment in the sector.

The same scenario will be implemented in the car industry, construction and building industry, plastic and chemical industry, banking and financial industry, health industry and farming industry, just to mention few examples. These industry-oriented training institutions or colleges will take over GOTEVT's already established infrastructures, faculties, facilities and logistics that are available in every city in the Kingdom. They will also benefit from the funds already available to the HRDF which after implementing this proposal will be a financial support body to these industry-led training institutions or colleges.

Government managers are uncertain of the effectiveness of the proposed changes to GOTEVT's role. For example, Al-Humaid from the Ministry of Labour indicates that the Manpower Council which used to be a department of the Ministry has studied similar approach as the current study is proposing. This approach was suggested by a team from the Institute of Research in King Fahd University of Petroleum and Minerals in 2002 titled *Establishing the Comprehensive National Training Plan for Saudization*. The study's final report examines situations and

governing factors affecting Saudi labour market for the period from 1994 to 1998. Depending on statistical data on the labour market of the private sector, the report looks at two interrelated issues namely employment supply and Saudi employment demand for the period mentioned. Employment supply includes the growth of the Saudi population, employable human resources and training sources. On the other hand, employment demand focuses on Saudi economy growth rates through examining the fiscal years of 1994 through 1998 and their impact on the labour market. The study recommends, according to Al-Humaid and available literature, a reorganization of private industries to sectors with similar industrial and economic activities. Each sector will establish an affiliated training organization to serve such industry's needs by providing trained human resources for its specific industry.

That study despite distributing 700 questionnaires on private training institutions in the Kingdom and 1500 on private companies, received only 80 responses from the former and 31 from the latter representing only 11.43% of total responses. Moreover, according to the study, available information and statistics did not convey a clear and scientific analysis for the current situation in the labour market which includes its development and future expectations in addition to training capabilities and its obstacles (2002). Therefore, the study neglected its questionnaires responses as they did not represent scientific significance and instead established its conclusions and strategies on comparative analysis of international and national experiences available at that time. As a result, the conclusions and recommendations of that study never proposed changing GOTEVT's role. In contrast, the current study establishes its analysis based on findings obtained from strategic private, government and quasigovernment managers who are planning and

practicing Saudization and HRD affairs in almost daily basis. Therefore, such findings discusses the most current situations and dilemmas affecting Saudization in relation to unsuccessful role of the skill formation system in the country namely GOTEVT. It highlights the evident fact that in order for Saudization to be more effective and represent a long term employment strategy for Saudi Arabia an essential change for the government dominance on GOTEVT has to be in operation.

However, Al-Humaid believes that such change to GOTEVT will never guarantee better qualification nor recruitment for Saudis as the core of the dilemma, according to his perspective, is not training related. The findings of this research demonstrate that such claim is not necessarily accurate as private managers experience recruiting poor outcomes of GOTEVT that are not industry related or private jobs oriented. Al-Humaid prioritizes the reduction of expatriates' employment through restricting importation of foreign manpower and forcing Saudization on private organizations. Yet this study and available evidence from the interviews suggest primarily the establishment of a responsive HRD system by changing GOTEVT into an industry-led vocational training organization that is capable of providing what the labour market demands of skills, knowledge and attitudes. This will prepare the country's national workforce to Saudize employment in private organizations with a progressive decrease of employment of expatriates implemented by the Ministry of Labour. Nevertheless, Al-Humaid is concerned with the quality of training as he confirms that current private training industry is merely profit oriented rather than quality driven. This perspective, in fact, demonstrates that GOTEVT, the supervisory and regulatory government body on private training industry, is incapable of managing and directing this industry towards the latter. It also

illustrates that such an organization is incapable of executing one of its core roles as it is hindered by its government bureaucracies and its interests for extending its power as a strategy for its organizational survival.

Another similar perspective of Al-Humaid to justify the essentiality of the existence and persistence of GOTEVT's current role is demonstrated by Al-Ghafees the Governor of GOTEVT and his Deputy Alogla. Al-Ghafees and Alogla both agree in principle, with the study's recommended changes to GOTEVT. In fact, GOTEVT, according to Al-Ghafees, is attempting and has already initiated a number of strategic partnerships with large industries to establish industry-led training institutions. However, such new direction of GOTEVT is hindered by a lack of flexibility of some related government ministries and unavailability of national qualified human resources to run such projects. However, both GOTEVT officials are unconvinced of the private sector's motivation to take over GOTEVT's role in providing industry-led vocational training that is linked to the employment of Saudis. Their concerns are based on financial aspects as well as willingness of government to relinquish one of its main responsibilities of HRD. They believe that only a few private industries are willing and capable of investing in training which represents, according to Al-Ghafees, only 20% of the Saudi market.

Supporting government officials' perspectives, the inputs of the quasigovernment managers interviewed in this study regarding changing GOTEVT's role are less enthusiastic. Currently GOTEVT, according to Al-Shagawi from the Saudi Electricity Company, is meeting the needs of the labour market. It is also, according to Al-Bat'hi from SABIC, examining the needs of the labour market.

According to both managers, GOTEVT at this stage is only required to cooperate and participate with private industries when developing their curriculums. It also needs to reconsider and focus on providing its graduates with English and basic computer skills as well as developing their work ethics for employment in the private environment. These three requirements have been unanimously supported by interviewed managers from both private and quasigovernment organizations. However, private managers assert that even technical skills and specialized knowledge of GOTEVT's graduates are not industry driven due to the mass training approach that GOTEVT is implementing.

Quasigovernment managers assert that GOTEVT's periodical examination and development for its products are essential to be responsive to the labour market needs yet they consider that vocational training should not be handed over to the private industries. On the one hand, they think that the private sector is incapable of performing the role of GOTEVT in providing vocational training to each industry. According to Al-Zamel from Saudi Telecommunication Company, one reason for this is that many private organizations in the Kingdom are family owned businesses which might affect decisions of training investments governing the proposed industry-led training organizations. Decisions might be dominated by certain industrial organizations and, therefore, benefiting specific individual owners rather than the industry as a whole. Nevertheless, evidence from empirical data by family owned organizations illustrate their efforts in investing to establish training institutes to benefit their industry as a whole not merely their organizations. Other examples of nonprofit training institutes such as Al-Romaizan and Al-Othaim, just to mention few, illustrate a similar conclusion that private organizations' leaders in

the Kingdom are supporting efforts for HRD and Saudization. In fact they are providing free focus training for Saudis without any employment strings attached to their investments unless the trainee wishes to be employed after their training period. Therefore, this argument is empirically unsupported.

Al-Zamel, on the other hand, is doubtful of GOTEVT's willingness to transfer its training authorities, financial resources and infrastructures to the private sector. Such a perspective is expected and might be evident as GOTEVT is a government organization that is concerned for its survivor and growth. However, interviews with GOTEVT's officials demonstrate their willingness to accept a new role provided that the private sector is willing to take over its main role of planning and conducting vocational training under their supervision and regulations. Their views and concerns are credible and valuable since they are an organization mainly responsible for planning and conducting vocational training for the private sector for a long time. Therefore, their concerns of handing over their responsibilities must not be overlooked as they are based on their practical experiences in the field of vocational HRD. In addition, GOTEVT must be part of the proposed vocational training processes as such a task should not be the total responsibility of the private sector. In this respect, the sector will benefit from GOTEVT's long experiences and utilize selected qualified human resources from either its administration or training faculty. GOTEVT's participation will be to operate as the regulatory, supervisory and financing body not planning for nor performing the actual training.

On the other hand, AlWagdani from the government Institute of Banking supports changing GOTEVT to industry-led training organizations. He confirms that such

training will be based on focused industrial training and recruitment standards and benchmarks that are generated and accomplished by the industry itself. This will ensure an industry qualification system that will establish each industry's pay system for each career which will be recognized and implemented by the industry itself. Such an approach will limit the damaging headhunting that is dominating the labour market of the private industry and inflating salaries of the few qualified Saudis. Moreover, the establishment of industry-led vocational training institutions will liberate GOTEVT to conduct vocational training for unspecified professions that do not fall within any of the existing major industrial sectors. GOTEVT will also be released of performing the 'massive training' role to focus on developing and executing its supervisory and regulatory role effectively for the whole training industry.

The majority of interviewed private managers demonstrate their interests in and willingness to support training and qualifying their potential national employees provided that they are supported financially and logistically to do so. Private organizations realize that the current role and performance of GOTEVT is not accomplishing their employment strategies to Saudize their workforce with industry focused skills, knowledge or attitudes. Nonetheless, they are required to Saudize their workforce by the Ministry of Labour which is forcing the strategy on private sector with less realization of the poor outcomes of government skill formation systems including GOTEVT. Interestingly, a considerable number of these managers confirm that their organizations are considering establishing industry-led training organizations to serve their training needs and the needs of their industry. Some are performing such investment responsibility individually while others are

considering collective investments with organizations from the same industry. In other words, the industry itself is now adopting and executing what the current study is proposing as an approach to investing in developing the national human resources up to their employment standards. Such costly investment as performed or approached by a number of private organizations to establish industry-led training organizations has proven unavoidable especially that GOTEVT is not fulfilling their employment requirements.

As mentioned earlier in the study and to overcome the costly investment part of GOTEVT's financial resources and infrastructures can be reallocated for the benefit of the industry-led training organizations for each industrial sector. In this prospect, the beneficiary of such industry focused vocational training organizations will include large private organizations as well as small-to-medium companies. These companies represent, as indicated by available literature and interviews, the major potential employers in the labour market who are currently dominated by expatriates.

Alblehid from the Saudi Research and Marketing Group suggests restructuring GOTEVT to be an independent vocational training body. GOTEVT, according to his perspective, should be affiliated to the private sector rather than to the Ministry of Labour. In this regard it will perform in a private businesslike approach to reduce its government bureaucracies that are hindering its planning and performance. This will also reduce and properly manage the government expenditures on GOTEVT that are not currently adding value to their outcomes. These expenditures will be geared towards specific vocational industry-led training



objectives that will serve each industry with specific skills, knowledge and attitudes. It will result in providing different industries with qualified and specialized training faculty whose salaries and development will be linked to their performance. Unlike the government employment, promotion and development systems dominating GOTEVT now, the new proposed change will motivate trainers to be competitive and motivated to upgrade their industrial knowledge and skills as they are working under private employment systems. These systems will be able to employ high performing Saudi or international trainer.

Supporting this argument, Al Shaya from Alshaya International Trading Corporation illustrates that industry-led training institutes should benefit from international experiences. In other words, although Saudization of vocational training faculty is essential, it should not hinder transferring international knowledge and experience to Saudis at least until the country is well equipped with qualified and specialized Saudi trainers to take over.

Al Shaya and Al Khaldi from Alshaya mention that their organization has already started establishing a retail training academy similar to what the study is proposing. Yet from a business standpoint they have been concerned of its financial obligations as such investment will be difficult on a single organization. Nevertheless, such concerns must be considered and incorporated if GOTEVT's role changed according to the study's proposal as financial support will be largely provided from GOTEVT's budgets and other government bodies such as the HRD Fund. The fund after this change will perform as part of a larger umbrella responsible for developing Saudi human resources and employing them in each industry. In other words, their

role will be incorporated within each industry-led training organization to link the gap between training and employment for each industry. According to this change, the fund with industry-led training institutes will have larger budgets to work with unlike its current limited financial resources.

Similarly, the three managers from the dairy and poultry organizations, Al-Malki from NADC, Al Turaigi from Almarai and Al Thumairi from Al Safi-Danone, are supporting changing GOTEVT to an industry-led training organization. They all believe that such change for GOTEVT will benefit and provide their industry with qualified national workforce that will assist their Saudization efforts. In fact, they assert that their organizations are campaigning for establishing a similar industry-led training organization to fulfill their human resources needs. Such efforts are the result of them realizing that GOTEVT and the Ministry of Labour are not supporting their Saudization strategies with qualified and reliable Saudis. They are also recognizing that GOTEVT's efforts for improvement are, if not unattainable, slower than the desire of the labour market. Al Turaigi, in particular, believes that organizational interests of GOTEVT are becoming more invaluable than the interests of the country and the entire industry. This organization has been protected for a considerable period of time by its top management and by the Ministry of Labour with less consideration for its effectiveness and results in achieving its core strategic objectives. Therefore, the dairy and poultry organizations are willing to invest profoundly on generating Saudi talents according to their specific industry's employment and performance requirements.

Confirming a similar conclusion, AlSai states that “there is no governmental training institute for training and education in Tourism and Leisure fields”. Therefore, his organization Al Hokair and Sons Group, which has been in this industry for 35 years, is considering establishing one to serve the industry with qualified and employable Saudis. This organization represents an example of an industry that is thriving and ambitious to develop a competitive momentum yet hindered by the poor vocational qualification of GOTEVT’s outcomes. Such an industry will be expected to be one of the major pillars for the Saudi economy due to the huge tourism and leisure potentials the country has. It is, thus far, lagging behind as GOTEVT and the Ministry of Labour are not capable of providing them with industry driven qualified and specialized Saudis.

Another major contributor to the Saudi economy is petrochemical related productions that Savola is specialized at. Hussain from Savola indicates that for such industry to prosper and seize at least 25% of world share, huge investments in industry-led vocational training must be arranged. These investments, according to Hussain, require changing GOTEVT to a supervisory, regulatory and financing body for vocational training with less involvement in performing the training itself. The latter will be the responsibility of the industry itself which will need to cooperate to sustain the aggressive competitiveness after the country has recently joined the WTO. Hussain confirms that such competitiveness will affect all industries in the Kingdom which if not prepared with qualified and specialized human resources, will be eliminated from the competition and the market.

Al-Koblan from Arab National Bank and Al-Asmari from Saudi Japanese Automobile High Institute illustrate similar perspective regarding GOTEVT. They believe that it should benefit from advanced international experiences and should not be a victim of Saudization as the country is still in great need for specialized and qualified trainers. In other words, they believe that GOTEVT should be excluded from the Saudization requirements of its manpower especially in its training faculty. Al-Asmari echoes Alblehid conclusion that GOTEVT should function like the private sector it is serving and reduce its government bureaucracies in order to be more responsive to the labour market needs. Al-Asmari confirms that in order for the proposed change to GOTEVT to be effective and successful, industry-led training organizations need to have training faculty and administrators from the industry itself. Private industries prefer not to utilize GOTEVT's current training faculty who might not have the skills and have high salaries. Moreover, they, according to Al-Asmari, may not fit the private sector's training requirements as they have been accustomed to government environment and employment system for a long time.

Moreover, Al Ammash from InterSearch Recruitment Company believes that GOTEVT in its current structure has become too huge to manage its day-to-day operations yet to plan and perform strategically. It is not yet capable of measuring and evaluating its performance to achieve its organizational objectives. Supporting changing GOTEVT to industry-led training organizations, Al Ammash advocates its new role to be regulatory, supervisory and financing agency. He believes that developing and performing vocational training should be the responsibility of

private industries. They are more responsive and flexible of changing their curriculums according to their industry needs.

In the same way, Al Zaid from Saudi Real Estate Company believes that GOTEVT's budget should be given to the industry to train for itself. However, he recommends that private industries should be educated and prepared prior to reassigning the role of GOTEVT. Their preparation includes developing their business work environment and culture to be able to associate training to their organizational strategies. Such a link will be essential as managers in some of the private organizations are not educated to realize or measure the return on investment procedures required to invest in training their staff. In fact, AlWagdani from the Institute of Banking has raised such an issue earlier as many private sector managers are not equipped with the knowledge or the tools to assist them in selecting or measuring the return on investment from a training program for their staff. Thus, from a micromanagement prospective, it will be essential to conduct initial management training and development programs for all human resource managers, training managers and/or owners of organizations in each sector. Such programs will equip the managers with skills, knowledge and tools to measure the return on investment from the industry-led vocational training programs in accordance to their specific industrial needs.

Al-Eisa from Al Yamamah College supports the proposed change of GOTEVT to industry-led training organizations provided that the government ensures providing training and rehabilitation for the dropouts of its general education. Currently they are mainly the responsibility of GOTEVT for which it was initially established. Al-

Eisa, rightly, argues that such social responsibility cannot be transferred to the private sector with the proposed industry-led training organizations. Those dropouts, according to Al-Eisa, require further psychological rehabilitation as well as special vocational training and education to prepare them for the labour market.

Finally, a number of private managers interviewed in this study express their doubts of GOTEVT and the Ministry of Labour accepting the proposed change to GOTEVT. They, despite such doubts, generally support and compliment such change and think that it will be essential to improve GOTEVT's outcome to the required level of the labour market. Therefore, they have either recommended alterations to the study's proposal or proposed alternative approaches and changes to current practices of GOTEVT according to their experiences in the market. Their recommendations are invaluable for future research as well as for skill formation and Saudization policies development.

For example, AlZahrani from Mobily believes that changing GOTEVT is theoretical. This, in his view, is due to GOTEVT's long-lasting government bureaucracies, organizational financial interests and inflexibility of accepting change. He confirms as an ex-GOTEVT employee that top management officials are too rigid to realize the importance of the outcomes over the process. GOTEVT, as AlZahrani describes, cannot be put aside from the vocational training process. This, in fact, contradicts their interests and efforts to extend their dominance and authority over vocational training aspects in the Kingdom.

Therefore, AlZahrani suggests an alternative proposal through which different industries approach GOTEVT to establish joint vocational training programs or training partnerships. Accordingly, GOTEVT will conduct the basic general training. This is followed by industry focused training provided by each industry to the potential elite trainees. In other words, the program provided by GOTEVT will function initially as an assessment tool to assist industries to select the high achievers in training programs for further industry driven training. In this respect, all trainees will be highly motivated as they are competing for limited opportunities for employment. In addition, industries will participate in providing focused training which will allow them to gradually introduce their potential trainees to their work environment and employment requirements to facilitate their school-to-work transformation.

On the other hand, although AlZahrani's proposal sounds practical, it advocates maintaining GOTEVT's influence on planning for and conducting the training. This is supporting the current efforts of GOTEVT in establishing strategic partnerships with a number of large organizations with less financial commitments by GOTEVT. The key argument here is that the labour market consists of few large organizations, 20% according to Al-Ghafees, that are willing to invest in such partnerships. These organizations in essence do not require GOTEVT's partnership and expertise in training for their industries. In fact they are merely attempting such partnerships to overcome its bureaucratic licensing and approval to establish their training organizations and to accredit their training outcomes. In other words, they are financially investing in establishing such projects with less financial or logistic

responsibilities on GOTEVT. Substantial evidence to support such a conclusion is illustrated in the interviews with private managers in the two previous chapters.

Al Khwaiter from Advanced Electronics Company, Al-Zehairi from Tawteen Training and Recruitment Company and Al Turaigi from Almarai express similar uncertainty of GOTEVT's willingness to accept the study's proposed change. They believe that GOTEVT is too influenced by the government bureaucracies to accept such change. It will require eliminating bureaucracies to facilitate GOTEVT's jobs reassignment as well as careful reallocation of its financial and administrative commitments to each group of sectors of industries in the private sector. More importantly, such change, as illustrated by a number of private managers, requires political decisions that will certainly contradict with GOTEVT's top management organizational interests. Therefore, they conclude that such change will be theoretical and will never see the light of day despite its desirable approach and benefits for the private industry and the Kingdoms economy in general.

Al-Asmari and Al Khwaiter, on the other hand, express their doubts that owners of small-to-medium size organizations will accept such proposal as it may require financial participation from their side. These businesses, according to both managers, usually do not approach HRD as an investment in their employees but a cost to be evaded. Therefore Al Khwaiter and Al-Asmari are uncertain of their constructive involvement in the new proposed industry-led institutes. This assumption is correct as these organizations are currently utilizing the services of cheap expatriates that are providing them with more profit and competitiveness. However, it is important to realize that in order for this proposal to be effective and



for any attempt to increase nationals' employment, recruitment of expatriates in these organizations must be first gradually and decisively reduced by the Ministry of Labour. At the same time, these organizations must also be provided with qualified and knowledgeable Saudis to compensate for expatriates' repatriation.

Therefore, small-to-medium companies will be attracted and encouraged to participate in training and recruiting Saudis as they will be supported with huge financial resources resulting from changing GOTEVT's current role. In other words, they will be provided with qualified Saudis who are skillful, knowledgeable and disciplined to their industry needs with less expenses from their part. Alternatively, these companies will be obliged not to evade recruiting Saudis as they will be pressurized into gradual Saudization that is based on providing competitive and attractive for qualified Saudis who receive focused industry training. One approach of achieving this gradual replacement of expatriates with Saudis is to increase the formers' recruitment expenses to reduce their competitive advantage of being cheap labour. Such expenses will be incorporated into the budgets of the proposed industry-led training institutes. This will ensure extra financial income to these institutes to develop nationals' employable skills, knowledge and attitudes and eventually decrease the private sector's dependency on expatriates.

#### **8.4 Research Limitations**

One major limitation was the possibility and difficulty of executing all the interviews with all managers included in the study due to limited supporting

resources (only the researcher himself was conducting the interviews) and to the insufficient time available for such a PhD project. Another limitation evolved from the unavailability and unwillingness of some of those managers to participate in the interviews in the first place. The latter in particular was essential. According to Morse (2000) and Sobal (2001) the nature or sensitivity of the phenomena being studied may dictate the sample size. In our case, this study carried with it inherent limitations due to the fact that it examined and explored, in some of its parts, sensitive data on the link between Saudi HRD and the implementation of Saudization in the private sector. This issue established a culture of suspicion in private sector organizations to reveal any Saudization data to anyone due to the strict supervision and rigidly examination of the Saudi Ministry of Labour. The Ministry, usually, imposes penalties on private organizations that do not achieve the Saudization quota among their human resource affecting willingness of data declaration unless for government officials. According to Madhi and Barrientos (2003), non-complying firms with the Saudization quota can be subject to a freeze on applications to recruit new foreign workers or renew residence cards for existing ones; exclusion from government tenders and financial support; and exclusion from access to government subsidies and facilities.

On the other hand, and fortunately, the researcher himself is a Saudi equipped with the ability, experience and knowledge that affected positively the sample size. According to Morse (2000); Strauss and Corbin (1998), researchers with more experience and strong interviewing skills require fewer participants as they can guide and encourage the participant to reveal the data. Their skill, usually acquired through experience, puts the participant at ease and creates a more conversational

feeling that establishes an atmosphere of trust (Strauss and Corbin, 1998). In addition, the researcher being a member of such culture and of the Saudi HRD environment provided him with essential insight enabling him to bypass unnecessary data to formulate questions that guide the interview more efficiently. The researcher's knowledge of the subject in hand and interview experience were acquired from both the wide literature review on Saudization and training issues and from personal experience in conducting qualitative studies for his two previous Masters projects on Saudi Arabia.

The researcher, being a faculty member of the Institute of Banking of the Saudi Central Bank i.e. Saudi Arabian Monetary Agency (SAMA), maintains a well established professional network with the banking industry in Saudi Arabia through his close training and consultation profession to Saudi banks. This, in fact, provided the trust needed to obtain information and documentations essential to this research from such an industry.

## **8.5 A Proposal for Further Research**

The current study has opened other potentials for further academic researches. One of which is regarding the essentiality of the Saudization program itself. The strategy has been in the country since the 1990s and rarely reviewed or questioned. However, empirical data obtained confirm that the private sector view such strategy to be a burden on their performance and competitiveness especially that they are not consulted nor participating in its development even though they are the main party affected by its implementation. The current research raises the question of

providing other alternatives for such a strategy that is created by the private sector with the consultation and supervision from the government. Such a proposed alternative will ensure the private sector participation, inputs and, properly, belief in its implementation instead of the current government developed and forced upon Saudization.

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## Appendix 1.

### Glossary

- **Musharaka** (Partnership) is a contract in which partners are all capital owners pooling their financial capital in a joint venture and thus sharing the profits and losses at the end of the contract period according to their initial shares of capital investments (Metwally, 1997; Choudhury, 2001)
- **Murabah** (Resale contract) is a financing method in which one party requests a financing party to buy them a specific commodity on their behalf then resell it at a price which covers the purchase price plus the profit margin agreed on by both parties, which transforms traditional lending into a sale and purchase agreement (Metwally, 1997).
- **Mudaraba** (Lending with no participation in management) is sharing the resources for doing business in an enterprise in which one set of partners supplies capital and the other set of partners supplies expertise, management or work effort (Metwally, 1997; Choudhury, 2001).

## **Appendix 2.**

### **QUESTION FORM#1 Quasi-Government and Private Organizations**

For the record of this research would you please introduce yourself and your position in your organization

1. How do you evaluate the Saudization process in your organization?
2. What are some of the obstacles your organization has encountered in implementing Saudization program?
3. How did you overcome these obstacles? Would you illustrate with examples.
4. In your opinion what should be done to make the Saudization program more effective? Examples from your organization.
5. What are the challenges in linking training to Saudization requirement in your organization?
6. What are the factors that influence your decisions to invest in training your either existing or newly recruited employees?
7. What are some of the factors that stop or prevent you from investing in training your existing or newly hired employees?
8. In your opinion, how do you evaluate GOTEVT graduates in regard to your organization manpower needs? What are some of the examples you have experienced?
9. What are the changes you would recommend to GOTEVT programs to be more focused toward providing your organization with employable Saudis?
10. How do envision the future of the Saudi labour market in regards to skills mostly needed by Saudi private organizations?
11. What are the essential challenges in linking training outcomes to Saudization programs in the private sector?

**Introduce the proposed changes to GOTEVT to the interviewee then ask the following questions**

1. How would you evaluate this proposal in light of the challenges imposed on your organization by the Saudization program and lack of well trained Saudis available for employment in your organization?
2. What is your input to this proposal?
3. If you would change anything in this proposal what would it be and why?

## **QUESTION FORM#2**

### **Government Organizations**

For the record of this research would you please introduce yourself and your position in your organization

1. In your opinion what are the challenges encountering the Saudization program in the private sector in the Kingdom?
2. How does your organization respond to these challenges if accepted as genuine challenges?
3. What are the positive factors that assist the Saudization program in some of the private sector organizations?
4. In private organizations, what are the factors that influence decisions to invest in training either existing or newly recruited employees in these organizations?
5. What are some of the factors that stop or prevent them from investing in training their existing or newly hired employees?
6. In the view of the labour market needs, how do you evaluate GOTEVT graduates?
7. What are the changes you would recommend to GOTEVT programs to be more focused toward providing Saudi labour market with employable Saudis?
8. How do envision the future of the Saudi labour market in regards to skills mostly needed by Saudi private organizations?
9. In your opinion, what must be done to make the Saudization program more effective?
10. What are the essential challenges in linking training outcomes to Saudization programs in the private sector?

**Introduce the proposed changes to GOTEVT to the interviewee then ask the following questions**

1. How would you evaluate this proposal in light of the challenges imposed on your organization by the Saudization program and lack of well trained Saudis available for employment in the private organizations?
2. What is your input to this proposal?
3. If you would change anything in this proposal what would it be and why?
4. To what extent your organization will be willing to leave the planning and implementing of training programs to the industry-led training institutions or colleges? **(will be asked to GOTEVT and The Ministry of Labour Only)**

**QUESTION FORM#3**  
**Private Training and Recruitment Organizations**

For the record of this research would you please introduce yourself and your position in your organization

1. In your opinion what are the challenges encountering the Saudization program in the private sector in the Kingdom?
2. What are the positive factors that assist the Saudization program in some of the private sector organizations that have achieved relatively high rates of Saudization?
3. In private organizations, what are the factors that influence decisions to invest in training either existing or newly recruited employees in these organizations?
4. What are some of the factors that stop or prevent them from investing in training their existing or newly hired employees?
5. What are the challenges you have encountered as a private training investor in Saudi Arabia?
6. How did you overcome such challenges?
7. In your opinion, how do you evaluate GOTEVT graduates in regard to private sector needs? What are some of the examples you have encountered?
8. What are the changes you would recommend to GOTEVT programs to be more focused toward providing Saudi market with employable Saudis?
9. How do envision the future of the Saudi labour market in regards to skills mostly needed by Saudi private organizations?
11. In your opinion, what must be done to make the Saudization program more effective?
12. What are the essential challenges in linking training outcomes to Saudization programs in the private sector?

**Introduce the proposed changes to GOTEVT to the interviewee then ask the following questions**

1. How would you evaluate this proposal in light of the challenges imposed on your organization by the Saudization program and lack of well trained Saudis available for employment in your organization?
2. What is your input to this proposal?
3. If you would change anything in this proposal what would it be and why?

## **The Study's Proposed Changes to the Role of the General Organization for Technical Education and Vocational Training (GOTEVT)**

This study proposes a change in the present role of GOTEVT from planning, regulating, supervising, financing and practicing technical education and vocational training to be more responsive to labour market needs and eventually to Saudization program. In the new proposed role, GOTEVT as a government body will only supervise, regulate and finance technical education and vocational training. The actual planning and training will be carried out by industry-led private training organizations who better know their training needs. Businesses in the kingdom will be grouped into major sectors with their own training institutes or colleges serving their line of businesses' needs of skills and qualifications. At the same time, these training institutions or colleges will be providing each line of business with continuous developmental training to their existing human capital. Another aspect that can be added to these industry-oriented training or colleges is assessment centres. The aim of these assessment centres is to save training and selection time, effort and money through scientifically selecting potential employees from the labour market according to employers' specific needs of skills and qualifications. Specific training and development programs will then be designed and implemented according to employers needs.

For example, hotels, travel agency services, tourism and leisure businesses will be a sector having a training institution or college that is financially supported and supervised by GOTEVT with marginal financial participation by private organizations of this sector depending on the number of each organizations' trainees. This will ensure a positive participation of this sector on all levels including their participation in planning, designing, implementing and evaluating these training programs. It will eventually lead to more investment in training on their actual skills and knowledge needed for the success of their businesses. It will also encourage private sector organizations for latter establishment of more specialized vocational industry-led training organizations or programs. At the same time trainees will be motivated by the fact that their training and development will end in their employment in the sector.

The same scenario will be implemented to car industry, construction and building industry, plastic and chemical industry, banking and financial industry, health industry and farming industry, just to mention few examples. These industry-oriented training institutions or colleges will take over GOTEVT's already established infrastructures, faculties, facilities and logistics that are available in every city in the Kingdom. They will also benefit from the funds already available to the HRD Fund which after implementing this proposal will be a financial support body to these industry-led training institutions or colleges.