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Pepperdine University  
Graduate School of Education and Psychology

ENHANCING EMPLOYMENT OPPORTUNITIES IN THE SAUDI ARABIAN PRIVATE  
SECTOR

A dissertation submitted in partial satisfaction  
of the requirements for the degree of  
Doctor of Education in Organizational Leadership

by

Ahmad Alghamedi

December, 2016

Ronald Stephens, Ed.D. – Dissertation Chairperson

This dissertation, written by

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under the guidance of a Faculty Committee and approved by its members, has been submitted to and accepted by the Graduate Faculty in partial fulfillment of the requirements of the degree of

DOCTOR OF EDUCATION

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## DEDICATION

In the journey of achieving one's educational dreams, one cannot walk alone. First and foremost, this dissertation is dedicated to Allah and to his messenger Mohammed, peace be upon him. I dedicate this dissertation to my precious parents: Saleh Ali Alghamdi and Salha Ahmed Alrofaidi, as they went above and beyond what could be imagined in order to help me achieve my educational dreams. Without first, the will of Allah and then my parents endless support, I would not be where I am today. I truly thank you and May Allah reward you Al-Firdaws Al-A'la (The highest part of Paradise).

I dedicate this dissertation to my brother and best friend Ali and his lovely daughters; Leena, Layan and Reema. Additionally, to dearest and knight brothers and sister: Abdulghani and Abdulkarim and Mona, who gave me unconditional love and support. I want also to dedicate this dissertation to my grandfather Ali who passed away during my educational journey. Dedication as well to the senior of my family: Saleh Alabdulghani and Saeed Alabdulghani.

To my supportive Uncle Abdullah Alrofaidi, I am so honored to dedicate this dissertation to you. To my Aunt Jamilah Alghamdi and her sons and my brothers: Mohammed and Ahmed Alhamdan, I thank you. Without your prayers, love and caring, this dissertation would never have been accomplished.

To my soul mate and wife, Malak Almansoury, thank you for sharing this journey with me. Without your endless passion, support, and understanding, I would have never achieved all that I have achieved. Again, thank you so much.

To my best friend Hamad Almutawa, I truly thank you for your constant motivations and encouragements. To Ali Aljamaan, thank you for being the big brother. To Abdullah Aljameeli, I truthfully appreciate every effort you made to push me through this achievement. To Ahmed

Aljarba, indeed, without your unconditional support, this dissertation would never be accomplished. To Lisa Gulli and her family, thank you for being supportive to make this journey achievable. To James McCormick, your wisdom and guidance have helped me a great deal and I thank you. To Amr Almasri, thank you for being a positive influence on me. To my precious friend Ali Almabrok, your motivations helped me achieve my dreams, thank you.

## ACKNOWLEDGMENTS

This would not have happened without the Will of Allah.

A special acknowledgment and thanks to my Chair, Dr. Ronald Stephens, for having good faith in me and guiding me through the process of completing this dissertation. Without his genuine guidance and support, this dissertation would not have been accomplished. Also, I would like to express my gratitude to my amazing committee members: Dr. Lee Mallette and Mahmoud AlBawaneh, for their support, guidance and devotion of their valuable time and efforts to elevate the quality of this dissertation.

Thanks to my Irvine cohort (2012) for their endless support, motivation and for being helpful during this journey. To Dr. Abdulaziz Algabbaa, Abdullah Omeish, Ahmed Aljarba, Dr. Ahmmad Garatli, Dr. Clemens Kownatzki, Dr. Faisal Al Qahtani, and Dr. Firas Kotait, thank you for your help and support during this journey.

To my father, Saleh Alghamdi, my mother, Salha Alrofaidi, and to all my friends and family members who included me in their prayers and supported me during this time, I thank you.

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## ABSTRACT

The history of unemployment in Saudi Arabia has been a decades-long struggle, and is considered among the biggest challenges facing the Saudi Arabian government. The youth and women, unfortunately, have been the most affected groups of the high unemployment rate in Saudi Arabia. In an effort to decrease the number of unemployed, the government of Saudi Arabia introduced the Saudization program in an attempt to create jobs for Saudi job seekers. The Saudization policy was created by the government and implemented through the Ministry of Labor. The main objective of this program was to maximize efforts in decreasing labor opportunities for foreign workers, while increasing the number of opportunities for Saudis in the private sector. However, the Saudization policy was not as successful as had been anticipated. Therefore, new efforts to alter the policy were rolled out under the Nitaqat scheme in the year 2011. Despite the government's efforts to improve the employment situation in Saudi Arabia, research indicates that progress to reduce unemployment levels during the past 5 years since Nitaqat was implemented by the Ministry of Labor have been minimal. The main purpose of this research paper was to investigate and draw practical solutions to the unemployment challenges facing Saudi Arabia. This study was based on quantitative method using 2 online surveys: (a) Ministry of Labor employees, and (b) Saudi business owners. The most important findings for this study were a need of reforming the employment policy, changing the education system, and implement and/ or edit policy to create middle-class jobs. Additionally, the study found that there was a mismatch between the market needs and educational outcomes. The study also recommended the need for creating more jobs for women. Last, the study findings called for increasing the cooperation between the private sector and Ministry of Labor to create a more effective employment policy that will generate jobs for the Saudi job seekers.

## **Chapter 1: Introduction**

This quantitative dissertation seeks to find methods and recommendations on how to enhance employment opportunities and lessen unemployment for Saudi's in Saudi Arabia's private sector. Also, this dissertation deeply investigates the major factors behind the unemployment crisis in Saudi Arabia. In actuality, the history of unemployment in Saudi Arabia has been a decades-long problem and is considered as one of the biggest challenges for the Saudi Arabian government to deal with, especially when considering the rapid population growth and the high number of new graduates entering the market every year (Glum, 2015).

Saudi Arabia, in terms of age, is considered a young country. In 1932, King Abdulaziz Al-Saud established the Kingdom of Saudi Arabia (Rawls, 1987). The tribal people living in Saudi Arabia before the official establishment of the country had been struggling to get their basic needs and wants satisfied because of a lack of critical resources such as food and water. However, once oil was discovered in 1932 in Saudi Arabia, the country's outlook changed significantly (Almtairi, 1991; Maghrabi, 2007).

City development, government structures, an education system, and jobs existed, yet long-term infrastructure, social planning, and job creation could not keep pace with the country's rapid growth (Looney, 2004). Since the establishment of the kingdom to the present day, the country relies heavily on oil revenues, accounting for roughly 80% of the kingdom's income (Al Musehel, 2015). Since 2000, Saudi Arabia has enjoyed budget surpluses as a result of high oil prices as a main income source (Rowies, 2014). However, the high unemployment rate is a serious challenge for the Saudi government.

The problem is more complicated since roughly two thirds of the Saudi population is younger than the age of 30 (Murphy, 2011). The youth, especially those who are under the age of

30, and women in Saudi Arabia are concerned about the future and hope the government will solve this unemployment problem while the country still has a budget surplus.

Countries all over the world have high youth unemployment rates, which has remained a principal challenge to the governments of the Middle East, considering the youth demographics make up two thirds of those countries' populations (Hannah, 2015). According to the General Authority for Statistics, Kingdom of Saudi Arabia (GAS, 2016), in Saudi Arabia, the population growth rate is 2.1%. Thus, it is a must that the government of Saudi Arabia addresses the high unemployment issue considering the abnormal growth rate in terms of population. Throughout recent years, Saudi Arabia has experienced massive growth in population. According to the GAS, the current population growth rate is 2.1%. Therefore it is essential that the government of Saudi Arabia addresses the high unemployment rate, considering the abnormal population growth rate. While a growth rate of 2.1% may not appear excessive, it is critical that the population demographics of Saudi Arabia be taken into consideration as it affects unemployment.

The World Population Review (2015) states that the population in Saudi Arabia was 4.041 million in 1960. In 1980, the population increased to 9.801million and continued to climb, reaching 16.139 million in 1990. The number continued to rise in 2000 to reach 20.054 million. Additionally, the estimated population in Saudi Arabia for 2030 is 36.73 million. A study by McKinsey Global Institute (2015) suggests that Saudi Arabia should create 6 million jobs by 2030 to meet Saudi Arabia's population growth.

According to Alsayaary (2013), in his dissertation *Institutions, Natural Resources, and Economic Development in the Middle East and North Africa (MENA)*, there are 22 countries in MENA. MENA countries include Algeria, Bahrain, Comoros, Djibouti, Egypt, Iran, Iraq, Jordan, Kuwait,

Lebanon, Libya, Oman, Mauritania, Morocco, Oman, Qatar, Saudi Arabia, Sudan, Syria, Tunisia, the United Arab Emirates, and Yemen.

MENA countries have more than 60% of the world's oil reserves. In addition, 45% of the world's natural gas reserves are placed in some of the MENA countries (Alsayaary, 2013). The MENA region is wealthy from natural resources; however, the standard of living is not what it should be, considering these countries' wealth. According to the International Labor Organization (ILO, 2015), MENA areas listed the highest unemployment rates for youth under the category of emerging countries and unemployment averaged 28.2% in the Middle East and 30.5% in North Africa.

Additionally, research indicates that the MENA region has the highest population growth rate in the world, with a low employment-to-population ratio. Saudi Arabia, in particular, is considered to be the largest country in MENA, which has been growing at a high pace economically (Fleischhaker et al., 2013). Certainly, Saudi Arabia has created a great number of job opportunities, yet most of the jobs were given to foreign workers, leaving the rate of unemployment high among Saudis.

According to Alotaibi (2014), in his dissertation, *Opportunities and Barriers to Collaboration in Addressing Unemployment in Saudi Arabia*, a high number of foreign workers has exacerbated youth unemployment in Saudi Arabia's labor market. Most of the foreign workers are working in the private sector at a ratio of one Saudi national for every three foreign workers. Non-Saudi workers represent 47.26% of the total number of Saudi Arabia's workforce. In fact, according to the World Bank (2015), Saudi Arabia is ranked second after the United States as the highest expatriate destination country. The volume of remittances in Saudi Arabia



in 2014 recorded Saudi Riyal (SR) 153.4 billion, equaling U.S. dollars \$40.9 billion (“SR153bn: Remittances Jump to New Record,” 2015).

In 1975, Saudi Arabia’s Ministry of Labor (MOL) implemented a new program called Saudization (Al-Jufry, 1983). The main objective of this program was to maximize efforts in decreasing labor opportunities for foreign workers while increasing the number of opportunities for Saudis in the private sector. Although the MOL implemented the Saudization policy in 1975, Saudis (both those unemployed and in the private sector) did not know much about it until the early 1990s. In fact, the Saudization policy’s first enforcement on the private sector to increase Saudi worker employment was not implemented until 1995 (Alotaibi, 2014). The projected plan was to replace non-Saudi workers with qualified Saudi workers by 5% between 1995 and 1999.

Al-Shammari (2009), in his dissertation *Saudization and Skill Formation for Employment in the Private Sector*, claimed that the Saudization policy was ineffective for three main reasons. First, the Saudi workers did not have the needed skills to replace the foreign workers. Second, the wages were significantly higher for Saudi workers compared to foreign workers. Third, the majority of foreign workers had already been trained in their country of origin (Alogla, 1990). Thus, a Saudi company that recruits foreign workers would essentially save money by eliminating training programs, as opposed to hiring and training Saudi workers to do the same jobs. Moreover, companies can pay foreign workers lower wages than Saudi workers as a result of different wage standards (Alogla, 1990). To make matters worse, Saudi workers generally have negative attitudes toward entry-level jobs.

From 2000 to 2004, the Saudization policy shifted its focus from replacing foreign workers with Saudi workers to developing human capital by training locals and improving the education system (Alotaibi, 2014). From 2005 to 2009, two methods were added to the

Saudization policy to replace foreign workers with Saudi workers. First, private-sector companies were expected to raise the ratio of Saudi workers to foreign workers annually (Fakeeh, 2009). Second, the MOL mandated that only Saudis fill certain jobs and banned the issuance of visas for foreign workers to fill such jobs. Yet, it was not sufficient to reduce significantly the unemployment rate, which created a need for a new policy (Ahmed & Sami, 2014; Alotaibi, 2014).

According to Balcer (2014), in his thesis about the development and function of labor law in Saudi Arabia, the main reason the Saudization policy has failed is that Saudi workers do not have adequate training and knowledge to take the responsibility to do the jobs and to replace foreign workers.

In 2011, the MOL adopted a new program called Nitaqat to replace the Saudization policy, aiming to boost Saudi private sector jobs (Al-Hejailan, 2012). Under the new system of Nitaqat, the MOL is allowed to judge businesses as being compliant or noncompliant with the requirements of the MOL (Balcer, 2014). The MOL segmented private-sector companies into four bands: platinum, green, yellow, and red (Al-Hejailan, 2012).

Companies classified in the platinum and green bands are compliant with MOL requirements and receive certain benefits, such as the ability to change an employee's registered profession to a different one or the ability to recruit employees before meeting the full requirements for recruiting foreign workers (Al-Hejailan, 2012; Balcer, 2014). Companies that fall in the platinum band have an excellent hiring performance in terms of nationalizing their jobs and meeting MOL requirements (Hussain, 2014). Companies in the green band show good to very good performance in terms of compliance with MOL requirements; however, there is room for improvement.

Companies classified in the yellow and red bands are noncompliant with MOL requirements and can receive a variety of penalties. For instance, such companies may be disallowed to open a new company or new branch in Saudi Arabia for six years, or the foreign workers have the ability to leave the employer without any notification (Al-Hejailan, 2012; Balcer, 2014). Companies that fall in the yellow band are below average in performance in terms of complying with MOL requirements (Hussain, 2014). The MOL gives companies in the yellow band six months to improve their performance. Companies that fall in the red band have poor nationalization performance and are in the danger zone. The MOL gives companies in this band 6 months to elevate their status; otherwise, these companies are subject to closure (Hussain, 2014).

Companies in the private sector in Saudi Arabia are categorized based on the size and activity of each company, with the Saudization percentage applied based on these two factors (Peck, 2013). The size of each company in the private sector would be determined by the number of employees according to five categories (none of which exempt a company from hiring Saudi workers): very small (fewer than 10 employees), small (10 to 49 employees), medium (50 to 499 employees), large (500 to 2,999 employees), and giant (more than 3,000 employees; Al-Hejailan, 2012; Peck, 2013).

The MOL also takes each company's activity into consideration when assigning the required number of Saudi workers. The MOL breaks down private-sector company activities into 52 categories (e.g., banking, retail, transportation, construction, education; Massoud, 2013). The Nitaqat scheme distinguishes each activity by assigning a required number of Saudi workers based on the nature of the business (e.g., managerial, manual).

The Nitaqat program is very strict and gives rewards or penalties based on the Saudization percentages assigned by the MOL. Unfortunately, the program has become controversial, as the number of foreign workers continues to rise (Schuettler, 2015). Research indicates that Saudi Arabia has created an environment in which companies rely heavily on foreign workers to fill entry-level and menial jobs, and it is hard to change Saudi attitudes about filling these jobs (Balcer, 2014).

In the MENA region, not all countries are oil producing; however, six countries in the MENA region are listed among the 10 largest oil producers (Alsayaary, 2013). The largest verified oil reserves in the MENA region are in Saudi Arabia and account for 18% of the world's oil reserves. The oil-producing countries in the Middle East, Saudi Arabia in particular, have failed to provide job opportunities for their youth. Nonetheless, records indicate that nonoil-producing MENA countries have recorded higher unemployment rates, when compared to the oil-producing countries within the same region. However, it is important to note that Saudi Arabia recorded the highest unemployment rate for its citizens, in spite of being regarded as a high-income country within the Middle East (Dokoupil, 2013).

A tremendous amount of research indicates that the unemployment obstacle in Saudi Arabia is affected by multiple factors, such as education, social attitudes, environment, and leadership style. To address all of the these aspects, the Social, Political, Economic, Legal, Intercultural, and Technological (SPELIT) Power Matrix provides a detailed overview of the various drivers impacting, in this case, the unemployment challenge in Saudi Arabia (Schmieder-Ramirez & Mallette, 2007). The results of the SPELIT analysis will reveal the social, political, economic, legal, intercultural, and technological forces driving every aspect of Saudi Arabia. The

SPELIT Power Matrix analysis is useful for Saudi Arabia's labor market in determining the underlying factors behind the high unemployment rate in Saudi Arabia.

The SPELIT Power Matrix provides a clear picture of the situation in Saudi Arabia with regard to unemployment. In fact, it is a very helpful tool to assist the leaders in Saudi Arabia in making accurate decisions to improve the unemployment problem. In addition, it helps with effective strategic planning to deal with the high unemployment issue in a very timely manner.

This introductory chapter provides a comprehensive overview of the dissertation topic and discusses the background of the study. The researcher clearly describes the study's problem and purpose. The study's significance is explained and the five research questions that are designed to serve the dissertation's purpose are presented. The limitations and assumptions related to the dissertation are also presented. To aid the reader's comprehension, key terms used throughout the dissertation are defined.

### **Background of the Study**

Since the spread of the Islamic religion, mostly people in the Gulf countries have practiced it (Balcer, 2014). The Gulf countries include Bahrain, Kuwait, Qatar, Saudi Arabia, United Arab Emirates, and Oman. Saudi Arabia's justice system is called Sharia law, which is based on two sources: the Holy Quran and sunna (Algabbaa, 2015). The legal code of Sharia law in Saudi Arabia is based on the interpretation of Imam Ahmed bin Hanbil (Balcer, 2014). The official language of Saudi Arabia is Arabic, although English is commonly spoken in the business community and the private sector (Al-Enazi, 2002; Alshuaifan, 2009). Saudi Arabia's currency is the Riyal; 3.75 SR is equivalent to one U.S. dollar.

According to the GAS (2016), the country is made up of a population of about 30 million with a significant number being outsiders from surrounding nations who come to Saudi Arabia in

search of employment opportunities and much better living standards. The population of Saudi Arabia is 30,775,375, including 10,067,839 foreigners.

In fact, a large number of the Saudi citizens are unemployed, especially youth and women. According to the GAS (2016), Saudi Arabia's unemployment rate is 11.5%, which is high considering that the payroll to population ratio in Saudi Arabia is 35.6%. It must be taken into consideration that 52.9% of the population is either retired, does not have the ability to work, does not want to work by choice, or is students.

Saudi Arabia's economy is largely dependent on mineral and oil reserve (The Kingdom of Saudi Arabia, 2011). The minerals are bauxite, phosphate, and gold. The Kingdom's economy mainly depends on petrochemical and oil exports. According to the CIA World Factbook (as cited in Index Mundi, 2013), Saudi Arabia's industrial sector accounts for 62.5% of gross domestic products (GDP). The country's service sector accounts for 35.5%. Neither tourism nor agriculture makes up more than 2% of the country's total GDP. Since the 1970s, oil has continued to be the single source of wealth, making up about 80% of Saudi Arabia's GDP (AlMusehel, 2015).

According to Samman (2003), Saudi Arabia's history of reliance on foreign workers began in the 1970s and was initially important for Saudi Arabia's economic development, as there were not enough trained Saudi Arabian nationals at the time. According to Alogla (1990), before Saudi Arabia started experiencing high oil prices in the 1970s, Saudi workers handled all of basic and limited available employment such as farming, carpentry, animal herding, etc. However, the positive impact of the oil economy prompted Saudi Arabia to establish development, and this could not have been done without recruiting qualified skilled foreign workers. Thus, the Saudi Arabian government started recruiting foreign workers to do the jobs

that Saudi workers were not skilled to do. Since then, the number of foreign workers in Saudi Arabia has been dominating the labor market, especially in the private sector.

Foreign workers make up 56% of Saudi Arabia's labor market in all sectors of the economy (Al Omran & Jones, 2015). Foreign workers tend to send the equivalent of USD \$40 billion back to their countries of origin every year, which means the Saudi Arabian economy loses these funds. This amount increases every year. High rates of unemployment and the inability to depend on Saudi workers have continued to raise questions of how and when the unemployment issue will be solved (Vassiliev, 2013).

Saudi Arabia's growth in exports was dependent on a model that had been constructed on the basis of income generated from oil sales. The oil shocks of 1997-2002 put a further dent in the country's investment spending, altering the earlier beliefs they had that oil prices would continue to rise over time (Hamilton, 2008). Saudi Arabia presently is undergoing another oil shock; the price of oil dropped from \$115 per barrel in 2014, to the very low price of \$30 per barrel by the beginning of 2016 (Walker et al., 2015). Financial experts are also anticipating that the price of oil might continue to decline.

Considering that Saudi Arabia is deeply reliant on oil, the declining oil prices have negatively affected the Saudi Arabian budget, which has resulted in limited launching of new projects and/or discontinued funding for existing projects (Walker et al., 2015). By the end of 2015, Saudi Arabia announced a budget deficit, which has resulted in cutting allocations for a variety of projects by almost two thirds when compared to the previous year (Bouyamoun, 2015). Indeed, the oil shocks have weakened job creation for the youth, which creates more of a burden on the government to meet the employment needs for locals.

According to the International Monetary Fund (IMF) report (as cited in Krauss, 2016), Saudi Arabia and the Gulf countries might lose \$300 billion if the price of oil continues to decline. The possibility of this huge loss in revenue has led Saudi Arabia to consider imposing a Value Added Tax (VAT) tax for the first time, and water, electric, and gasoline subsidies have already been reduced (Bouyamourn, 2015; Tully, 2015).

In fact, since 2005, Saudi Arabia has witnessed a giant development in the education system (Glum, 2015). In 2014, Saudi Arabia assigned \$58 billion to education, with \$3 billion going to higher education. Yet, improving the education system and preparing Saudi Arabian workers to be qualified for jobs are not ultimate solutions for the high unemployment.

Sustained high rates of economic growth were initially believed to drive the country's efforts in moving toward full employment and restructuring the oil industry. However, Saudi Arabia's high population put immense pressure on the country's economy—a fact that was sufficiently hidden by the high prices of oil, allowing the government to spend on investments (Gylfason, 2001).

### **Problem Statement**

This quantitative study seeks to address the problems relating to Saudi Arabia's high unemployment rates as well as the effects of the stagnating Saudization policy. Since the beginning of 2000, Saudi Arabia has witnessed an increase in crime rates, corruption, poverty, and general dissent among its population (Sullivan, 2013). All these problems are attributed to high rates of unemployment in this wealthy, oil-producing nation. Because of the high unemployment rates in youth and women, which constitute two thirds of the population, the standards of living have contracted. This has led to general public concern over their youths' future (Glum, 2015).



The introduction of the Saudization policy and the subsequent improvements of Nitaqat have done little to drive significant change in the labor market (Peck, 2013). The general worry has shifted focus and is directed toward the government and whether it is capable of dealing with the situation. The unemployment issue has been ongoing and seems to be a major hurdle in improving the lives of Saudi Arabian citizens. Every year, the government has made promises to improve this dire situation; however, employment improvements have not been adequate (Fleischhaker et al., 2013).

Based on past literature on Saudi Arabia's unemployment (Ahmed & Sami, 2014; Al-Shammari, 2009; Alotaibi, 2014; Balcer, 2014; Fakeeh, 2009; Kattan, 2015; Looney, 2004), the Saudi Arabian government has spent a lot of money on the Saudization policy to bring down the unemployment numbers, yet the outcome of this investment has not met the initial expectations. In addition, Fakeeh (2009), in her dissertation on the Saudization policy, claims that the high wages required to hire Saudis and replace the foreign workers has limited the program's efficacy.

Ibrahimkhan (2007), in his dissertation, concludes that the education system in Saudi Arabia has not been sufficient to train Saudi nationals as skilled laborers, which has not helped in tackling the unemployment crisis.

## **Purpose**

The main purpose of this research paper is to investigate and draw practical solutions to the unemployment challenges facing Saudi Arabia. Many structures can be employed; nonetheless, they must consider the nature of the Saudi market and the effects of high economic rates as well as high oil prices.

Saudi Arabia is too reliant on the oil trade (Fleischhaker et al., 2013). It is and has been the main export for the country since the Second World War. However, the sector is seen as one

that is unable to create new jobs on a year-to-year basis (Hvidt, 2013). Using the SPELIT's environmental factors should shed some light on the major factors behind the unemployment issue. Gathering key information via an online survey helped to identify business owners' opinions with regard to Nitaqat's success or failure and how it can improve to elevate employment numbers in Saudi Arabia's private sector. An additional survey for the MOL ascertained their planned strategies to fight unemployment.

### **Significance of the Study**

Past literature on high unemployment in Saudi Arabia and the Saudization policy (Alotaibi, 2014; Fakeeh, 2009; Ibrahimkhan, 2007; Kattan, 2015; Looney, 2004) argued that the unemployment remains high because of the education system and the human resources system in Saudi Arabia. Other scholars claim the problem lies in the government's structural system and the dependence on the MOL to deal with the unemployment issue.

The biggest challenge in improving employment in Saudi Arabia is in dealing with the education system (Alotaibi, 2014). The education system and the private sector must work together and invest in training and educating Saudi Arabia's workforce in the skills they need to compete with the foreign workers.

Fakeeh (2009), in her dissertation about Saudization, implied that replacing foreign workers with unskilled national workers would have a major negative impact on the society and the economy; thus, a long-term educational solution is required to provide the necessary skills and qualifications to be effective, starting at an early age.

The results and recommendations of this quantitative dissertation present insightful information about the reasons for and solutions to Saudi Arabia's high unemployment. It helps Saudi policymakers by providing important information to help end the private sector's

employment problems. Analyzing significant scholarly leadership theories, examining major factors through the SPEILT Power Matrix, and conducting online surveys help to create a comprehensive knowledgebase. This also helps the Saudi leadership to develop tactics to deal with the unemployment crisis for today and into the future.

### **Research Questions**

The study research questions are as follows:

1. What are MOL employee's perceptions about foreign workers expanding or damaging Saudi Arabia's economy and why?
2. What are MOL employee's perceptions about what employment and/or development strategies should Saudi Arabia implement to best benefit the country?
3. What are business owners' perceptions about what key factors drive the Saudi Arabian labor market?
4. What are business owners' perceptions about what evidence, if any, points to the failure or success of the Nitaqat and/or Saudization policy?
5. What are business owners' perceptions about what are the principal elements underlying high unemployment in Saudi Arabia?

### **Limitations**

This research focuses on one element of evolving the employment system in Saudi Arabia. This study faces a couple of limitations such as limited data, resources, and population size. According to Garatli (2014), presenting and identifying problems in Saudi Arabia in legal, political, and/or social systems can be sensitive. These limitations significantly hindered the findings and the results of this research.

## **Key Assumptions**

1. The government's diversification into sectors such as agriculture, tourism, and other nonoil sectors will reduce the rate of unemployment
2. The government's dismantling of monopolistic market structures, as well as the introduction of incentive-based models for young entrepreneurs, will reduce unemployment in the country
3. The government's focus on science-based curricula as well as an investment in human capital will benefit the country in the long run.

The prospects for Saudi Arabia's future will improve after the rate of unemployment is reduced. If the unemployment in Saudi Arabia continues to rise, it will cause anger among the population. It is an assumption of this study that the general situation in the country will be headed for better days when levels of unemployment are decreased. In addition, there are negative factors normally associated with unemployment, such as crime and corruption.

Another assumption made by this research is that failure to address the issues discussed herein will result in increased levels of social discontent, resulting in economic failure. It is an accepted assumption that Saudi Arabia is a financially stable country; therefore, a practical solution to the unemployment problem should not be so difficult; however, a good listener and understanding leader is needed if this issue is to be resolved.

## **Key Definitions**

*Saudization*: Ewain (1999), in his dissertation, *Perceptions of Employers and Job Seekers Toward Obstacles to Saudization of the Workforce in the Saudi Private Sector*, defines the Saudization policy as: "the process of replacing non-Saudi employees by Saudi nationals in Saudi Arabia" (p. 9).

Nitaqat: Massoud (2013), the Nitaqat Program Manager, defines Nitaqat as, a policy supported by large ICT investments and tools which addresses the growing of expatriate labor by encouraging employers to hire Saudi nationals in the private sector and increasing transparency in the labor market for policy makers through an easily accessible online interface. (p. 1)

The abbreviation ICT stands for Information and Communication Technologies (Algabbaa, 2015).

*Sharia Law:* Kendhammer (2010), in his dissertation, *Muslims Talking Politics: Framing Islam and Democracy in Northern Nigeria*, defines Sharia Law as:

The sharia is the law revealed by God to his Prophet Mohammed in the period between 610 and 632 C.E. The Quran—the word of God transmitted through Mohammed—is the primary source of this revelation. The *sunna*—the saying and doing of the Prophet, recorded collected and transmitted orally in the first generations after his death—are a secondary source of revelation. But the sharia is not transparently reported in the Quran and the *sunna*. Instead, it must be found approximated in the form of *fiqh*, the opinions of scholars who by their piety and learning have become qualified to interpret the scriptural sources and derive laws. (p. 10)

*Oil Shock:* Cologni and Manera (2009) define oil shock as:

Oil shocks are proxied by oil price changes, asymmetric transformations of oil price changes (i.e., positive oil price changes and net oil price increases), oil price volatility (that is, scaled oil price increases and standard deviation of oil prices), and oil supply conditions. (p. 2)

*Petrodollars:* Musa (2013), in his dissertation, *Constructing Global Amman*, states, “A petrodollar is a dollar’s worth of exchange obtained by foreign sales of petroleum” (p. 3).

*Private Sector:* The World Bank (as cited in Niblock & Malik, 2007) defines the private sector as, “The private sector is usually defined as the collection of enterprises that are owned by individuals or groups not representing the state, where the public sector comprises government agencies and state-owned enterprises” (p. 26).

## **Summary**

This research aims to address the issues surrounding the high levels of unemployment in Saudi Arabia. Saudi Arabia is endowed with natural resources such as oil and gas. Nonetheless, the country has been experiencing very high rates of unemployment. Part of the government’s efforts in addressing the problem involved introducing measures such as Saudization and Nitaqat in an attempt to reduce the high unemployment rates. However, foreign workers continue to work in Saudi Arabia in large numbers, something that the government has been unable to manage.

The Saudi Arabian labor market is characterized by high wage rates, continuous economic growth rates, and high prices for oil. As a result of the high unemployment rates, the country has witnessed an increase in corruption, crimes, and social unrest. This research paper aims to address the policies implemented by the government and why they are overly unsuccessful. It also intends on finding the appropriate strategies that the government can implement to address this issue.

## **Chapter 2: Literature Review**

The literature review chapter analyzes scholarly articles, studies, books, and other accredited sources, with an aim to review, evaluate, and critique research findings on problems relating to Saudi Arabia's high unemployment rates and the effects of the stagnating Saudization policy. The chapter explores Saudi Arabia's economic background, the driving forces behind its high unemployment rate, the negative impacts associated with the high unemployment, the Saudization policy, the Nitaqat scheme, and the calculation mechanism for the Nitaqat equation. The chapter discusses Saudi Arabia's generational unemployment and the effects that foreign workers have on Saudi Arabia's economy.

The literature review chapter explores Saudi Arabia's education system and its outcomes and the high entry barriers for small- and medium-sized businesses and how these barriers affect job creation. Using the SPELIT Power Matrix, I analyzed in depth the driving forces affecting Saudi Arabia's high unemployment rate.

### **Background of Saudi Arabia and Unemployment**

Before the establishment of Saudi Arabia, the land had been divided into many regions, towns, and tribes (Alotaibi, 2014; Khunaizi, 1993). Each region had a different system and set of rules based on the tribe's culture or leader's philosophy. In his dissertation on *Economic, Social, and Political Development in Saudi Arabia: A Historical Analysis*, Khunaizi (1993) describes the Arabian peninsula as being divided into four main regions: Central, Northern, Eastern, and Al-Hijaz.

The Al-Rashid family ruled the Central and Northern regions, which sustained power with the support of the Ottoman Turks. The Ottomans controlled the Eastern region and Sherif Husain governed Al-Hijaz region under the higher authority of the Ottoman Sultan—the highest

Muslim leader at the time (Khunaizi, 1993). During that period, the Turks had no interest in taking control over Najd (the central region of modern Saudi Arabia) primarily for two reasons: very limited economic resources and the dry desert climate.

This lack of resources made it very difficult for the people who lived in the Arabian Peninsula to attain their basic wants and needs. The main income sources were agricultural, maritime, commerce, and the service industry, which catered to Muslims who came every year for Hajj—the annual Islamic pilgrimage to Makkah (also known as Mecca.) This pilgrimage is required of all Muslims at least once in their lifetime, as long as they are financially capable (Alotaibi, 2014; Khan, 2012).

This describes the basic economic life of individuals living on Arabian Peninsula prior to the official establishment of the country of Saudi Arabia. Things changed dramatically after King Abdul-Aziz Al Saud united the region and established the Kingdom of Saudi Arabia on September 22, 1932 (Rawls, 1987).

This Kingdom of Saudi Arabia is mainly a desert terrain with more than half of its total landscape being desert. The country is roughly one quarter the size of the United States, with Riyadh as its capital city. Riyadh is located in the central part of the country (Algabbaa, 2015). Islam is the country's official religion and the two holiest Islamic cities, Makkah and Madinah, are located in the western region of the kingdom. Makkah is the Prophet Muhammad's birthplace and Madinah is where the Prophet lived and died after leaving Makkah (Alshammari, 2004).

After establishing the Kingdom of Saudi Arabia, King Abdul-Aziz Al Saud started to look for natural resources to finance funds for the development of the country. King Abdul-Aziz recruited an American company to look for natural resources—such as water, agricultural, and minerals so that he could fund the development of his new country. In 1933, Standard Oil



California signed a 50-year agreement with King Abdul-Aziz Al Saud to explore oil, thereby launching the kingdom's renowned prosperity (Rawls, 1987).

Since then, Saudi Arabia has seen improvements in oil production every year, which has led to greater revenue for the country. The Saudi Arabian government has engaged in numerous public policy initiatives to ensure the continued development of the country and to improve optimally the population's lifestyle in terms of social planning, health, education, transportation, and economic growth (Baakeel, 2013).

During the mid-1970s, Saudi Arabia began enjoying a flourishing economy, principally as a result of high-priced petroleum export revenue (Ewain, 1999). Thus, there was a need to initiate new policies to manage the rapid changes Saudi Arabia was experiencing, one of them being increased under-skilled manpower (Baakeel, 2013). In order for Saudi Arabia to achieve its development plan, the accessibility of essential tools and a skilled and qualified labor force were vital (Maghrabi, 2007). Yet, the case in Saudi Arabia is unique. Whereas the labor force usually drives up the economy in a developing nation, Saudi Arabia's discovery of natural resources, particularly oil, put the economic development in a very advanced place before the local labor force existed. The shortage in the local labor force was balanced by recruiting foreign workers to perform Saudi Arabia's development plan.

In his dissertation, *Obstacles to Saudization in the Private Sector of Saudi Arabia's Labor Force*, Alogla (1990) stated, "In the 1970s, the economic prosperity produced by the influx of petrodollars brought with it tremendous changes affecting all aspects of life in Saudi Arabia" (p. 6). This led the Saudi Arabian government to initiate a strategy to spur economic growth for Saudi Arabia and her citizens.

This strategy resulted in the first five-year plan beginning at the end of 1970 (Algabbaa, 2015). The agenda for the first five-year plan had very general objectives because of the lack of knowledge of the country and her citizens. The objectives principally focused on sustaining high religious values, improving the economy and standard of living, and providing a good security system for the country (Khuthaila, 1984). It could be argued that the goal of the first plan was to raise people's awareness and to start planning for the country to meet future economic objectives.

The second five-year plan from 1975 to 1980 was much more strategic than the previous one. One outcome of the first plan was the establishment of the Saudization policy in 1975 (Al-Jufry, 1983). Nevertheless, the decline in oil prices during that period offset the objectives to be achieved during this period (Khuthaila, 1984). This also led to the unemployment crisis, which began to be felt by both the Saudis and the government by the end of the 1970s.

The third national plan from 1980 to 1985 stressed the need to reduce foreign workers in both the government and private sectors in Saudi Arabia. Alogla (1990) stated, "The decrease in economic prosperity since the 1980s, however, has signaled a new trend in attitudes toward work. Young people are more eager to work" (p. 7). In this plan, the Saudization policy became effective in striking the high unemployment confronting the native Saudi population.

According to Ewain (1999), in the 1970s, the Saudi Arabian government relied heavily on foreign workers as a result of the lack of educated Saudi Arabian workers. At the time, the percentage of foreign workers in the public sector was 80% while the percentage of foreign workers in the private sector was 98%. The Saudi Arabian government invested a large amount of money in the education system in the 1970s with a primary goal of replacing the foreign workers with Saudi workers. By the early 1980s, this large investment helped the number of

foreign workers in the public sector to drop to 50%, with the number of foreign workers in the private sector dropping to 80%.

Saudi Arabia's high unemployment has lasted for more than three decades, with no tangible solid solution in spite of the government's seemingly promising five-year plans to find a strategic approach to do deal with the high unemployment. Some major factors that have kept the unemployment rate so high include:

- The low wages foreign workers were willing to accept versus the higher wages Saudi Arabian workers demanded.
- A lack of a skilled Saudi labor force available to replace foreign workers.
- A lack of training and technical support.
- The private sector's negative views of the Saudi workers.
- The poor education system in Saudi Arabia.

All factors presented potential unattractive outcomes for employers (Alotaibi, 2014; Al-Humaid, 2003; Balcer, 2014; Fakeeh, 2009; Ibrahimkhan, 2007). Since 2000, Saudi Arabia has enjoyed great economic growth as a result of the high return of fossil fuel sales as a main source of income. The boost in the economy created funds to needed improve the infrastructure, build new hospitals, open new universities, and develop economic and industrial cities; yet, the unemployment among the Saudi population has remained at a high rate.

Alotaibi (2014) stated:

The estimated unemployment rate was 8.11% in 1999 among Saudi nationals. The rate increased to reach 9.7% in 2002 and 12.0% in 2006. Unemployment decreased to 11.2% in 2007 and to 10% in 2008. The unemployment rate increased to 10.5% in 2009 among nationals. (p. 3)

The unemployment rate increased again in 2012 to 12.1% (Alotaibi, 2014).

In recent years, the kingdom has reformed its policies to help its citizens cope with the high unemployment. Considering the rapid growth in population at an average annual rate of 2.1%, with 60% of the population being under the age of 30, Saudi Arabia continues to pay more attention to the high unemployment and promote jobs opportunities for the young generation. In 2011, Saudi Arabia initiated a new program named Hafiz to pay unemployed Saudis a monthly 2,000 SR (equivalent to \$533). The Hafiz program pays an unemployed Saudi citizen for up to a year, and the individual is monitored by an official agent who evaluates his or her efforts in finding employment (McDowall, 2012).

Al Obaid (2014) pointed out that Saudi Arabia realizes the importance for formulating new policies, such as Hafiz, to help its citizens financially while they look for employment. The government also created a database to count accurately the number of unemployed with regard to gender, age, and educational background. These actions are a good first step to strategizing how to address the unemployment issue in the near future. However, it is also critical to understand a more precise definition of unemployment and how its various factors impact Saudi Arabian society and global stability.

### **Unemployment Definition**

Unemployment is broadly defined as the number of individuals who do not have jobs (Alotaibi, 2014). Similarly, Hunley (2011) defines unemployment as, “Unemployment is a disconnection from or lacking work engagement” (p. 15). Yet, these general definitions of unemployment can be misleading, as they do not distinguish the number of full-time students and retired people from nonemployees.

Based on varying objectives in different countries, the definition of unemployment may vary from one to another because differing economic activities, population size, and education level of the citizens. The ILO has offered a concise definition of the term to be used internationally to measure the ratio of unemployment. The ILO defines unemployment as individuals who are not self-employed or paid employees, presently accessible for self-employment or paid employment, or individuals who had recently taken significant steps in seeking self-employment or paid employment (Ajluni, 2015). There is no official standardized definition of unemployment in Saudi Arabia; thus, for the purpose of this analysis, unemployment will be defined as an individual who is available to begin work immediately.

### **Unemployment Impact**

Unemployment negatively impacts the lives of people and countries. Literature reviews on unemployment found that unemployment negatively impacts not only the unemployed individual, but it also affects the lives of the family members as well as the larger community (Hollis, 2011; Hunley, 2011). In contrast, employment serves multiple goals and agendas such as self-identity, status, income, health, and experience (Hunley, 2011). Obviously, unemployed people suffer in a variety of aspects as a result of being out of work.

The negative impacts of unemployment may vary by the duration of the unemployment period. As Clark (2012) points out, with regard to time, unemployment can be short term or long term. In his dissertation on unemployment, Clark defined long-term unemployment as “Persons unemployed for 27 weeks or longer” (p. 9). Thus, unemployment that lasts less than 27 weeks is considered short term. Clearly, the longer unemployment lasts, the more complicated the impact becomes. This impact can affect the lives of the person and family in a variety of ways.

Social status, financial stability, health, and overall confidence can impact the individual and his or her entire family (Hunley, 2011). These types of impact can be very profound, as those who do not have jobs lack the resources to live a comfortable life. On the part of the society, the community is required to experience increased health and income support, and the reduction in human capital as well as productivity (Fedeli, Forte & Ricchi, 2015). As DeLamatre (1996) points out, unemployment can possibly lead the unemployed to be drawn into and involved in illegal activities more than individuals who work, thereby impacting society.

With regard to financial impact, unemployment leads to significant economic loss for the individual as well as the family (Hu, 2005). In the short-term, unemployment quite obviously reduces an individual's income, while in the long term, it decreases the capability of that person to save for his or her retirement, as well for other goals (Fedeli et al., 2015). Hunley (2011) indicates in her research, individuals are considered to be less keen to continue regular spending habits if economic problems arise.

A broad range of proposals have revealed that extensive unemployment often has a greater impact on those people who have essential continuing financial obligations, such as house rent or loans, student education payments, and other expenses and commitments in regard to supporting dependents (Epstein, 2013; Fedeli et al., 2015).

Unemployment is also associated with psychological impacts on individuals. A long spell of unemployment can harshly affect the lives of not only unemployed individuals, but their families as well (Talbot, 2011). Specifically, the affected individuals are shown to have low self-esteem as well as a loss of identity (Hunley, 2011). Studies find that depression increases with the age of unemployed individuals, assuming the older the person gets, the more commitments

the person has (Epstein, 2013). The low self-esteem and loss of identity can result in physical problems as well.

Several studies reveal that a long spell of unemployment might increase the risk of a jobless person with low self-esteem to commit suicide (Hunley, 2011). Boseley (2015), in her study, *Unemployment Causes 45,000 Suicides a Year Worldwide, Study Finds*, states, “Unemployment was linked with 41,148 suicides in 2007 and 2009, suggesting that 4,983 excess suicides were associated with the economic crises in 2007” (p. 1). Her study finds that the suicide risk among the unemployed is greater compared to people who are employed.

Family trouble and breakdown are potential results of long-term unemployment. Sanz (2007), in his research, linked high unemployment with instances of divorce in the United States; the results show the higher the unemployment rate, the more likely divorce becomes as a result of the stress and significant loss of income. At the very least, unemployment reduces an individual’s sense of membership in and contribution to society (Hunley, 2011).

Unemployment has also been attributed to poor health. Because of a decrease in income, the ability to purchase health care as well as nutritious food is highly affected (Fedeli et al., 2015). Further, unemployment partially affects health as a result of reduced participation. Though there is less convincing evidence linking job loss to health status, it is widely agreed that unemployment is one of the contributing factors to poor health status (Strully, 2005).

The other potentially negative impact of unemployment is a significant loss of current job skills, especially in the long term (Lee, 2002). When job seekers remain unemployed for long periods, they often do not keep up their skills, which hurts them when seeking employment.

Although Saudi Arabia has dealt with the challenges of unemployment for a long time, there is not sufficient research about the negative impact on Saudi Arabia. Most of the research

and studies propose solutions to cure the employment mechanism rather than analyzing the psychological, financial, social, and health associated with high unemployment.

### **Types of Unemployment in Saudi Arabia**

Past literature reviews on the types of unemployment in Saudi Arabia revealed two types: disguised and open (Al-Dosary, Rahman & Aina, 2006). Disguised unemployment occurs when employees are employed but either do not actually work or are unproductive (Mundra, 2012). This type of unemployment is very common in the agricultural industry. For example, a family farm may claim that seven family members work on the farm, but really only four people do all of the work. Open unemployment can be classified as voluntary or involuntary. Additionally, involuntary is divided into three subcategories, which include frictional, seasonal, and technological unemployment (Al-Dosary et al., 2006).

Michaillat (2010) defined frictional unemployment as, “additional unemployment on top of rationing unemployment, caused by matching friction” (p. 17). Imperfection in the labor market leads to frictional unemployment and generally lasts a short period of time. Samman (2003) and Fakeeh (2009) discovered that the majority of Saudi graduates suffer from what it is described as frictional unemployment immediately after completing their studies.

Al-Dosary et al. (2006) attributed the absence of skills to the technological unemployment. As discussed earlier, many Saudi citizens often lack the necessary skills required as a result of the poor education system, which does not adequately prepare graduating students for the market demand (Al-Dosary et al. 2006; Fakeeh, 2009). Crowley (1984) indicated that seasonal unemployment is associated directly with businesses that operate or provide services during particular seasons. In Saudi Arabia, people who work during Al-Hajj season experience seasonal unemployment at other times of year.



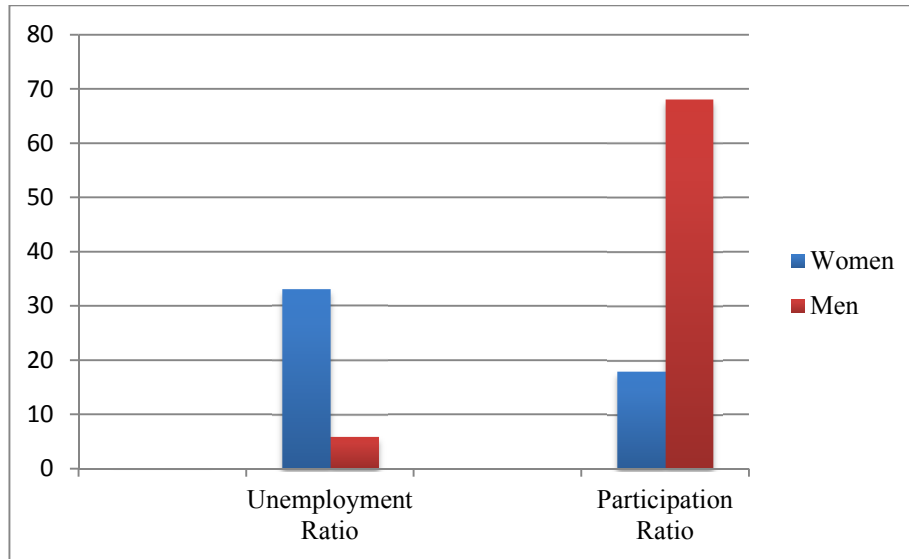
Al-Dosary et al. (2006) opined that voluntary unemployment is divided into two subcategories: psychologically oriented unemployment and traditionally oriented unemployment. Poor attitudes toward certain types of jobs lead to psychologically oriented unemployment. As Al Omran (2010) described, and as Alotaibi (2014) pointed out, many Saudis prefer not to take blue-collar jobs, as some Saudis consider their work as a source of status and prestige, rather than just a regular activity and instead prefer to be unemployed, rather than working in those professions.

Based on review of past literature and scholarly analysis, the researcher reveals major factors that influence unemployment to remain high in Saudi Arabia. The researcher presents and discusses each reason and, based on the survey responses, determined whether these influences are still prevalent.

### **Major Factors for High Unemployment in Saudi Arabia**

**Women in the workforce.** Saudi sociocultural norms are a major factor in unemployment remaining high. One of these sociocultural issues is Saudi women who work. Saudi women experience a higher unemployment rate than do men. According to the GAS (n.d.), in 2012, Saudi women represented 32% of the unemployed in Saudi Arabia, compared to 6.1% for men (Jiffry, 2014). Unemployment for women continued to rise in 2013, reaching 34%, compared to 6.1% for men.

According to the IMF (2015), in 2014 the unemployment rate for women was 33%, compared with less than 6% for men. Also, women's participation in the workforce was very low at 18%, whereas for men it was 67%. Figure 1 clearly shows a huge gap between unemployment for women and men as well the workforce participation for women compared to men.



*Figure 1.* Unemployment and participation rate by gender in Saudi Arabia for 2014. Adapted from *IMF Executive Board Concludes 2015 Article IV Consultation with Saudi Arabia* (p. 27), by the International Monetary Fund, 2015, retrieved from <https://www.imf.org/external/pubs/ft/scr/2015/cr15251.pdf>. Copyright 2015 by the author.

Several factors account for the high unemployment numbers of women in Saudi Arabia, including those of a religious, cultural, legal, and social nature (Alotaibi, 2014). Despite that the number of Saudi women graduating from college increases annually, the percentage of female representation in the workforce is increasing only at a snail’s pace.

Al-hazzaa (1993) stated, “The lack of women’s participation in public life is a result of traditional attitudes and social values” (p. 1). Similarly, Alogla (1990) pointed out that one of the major problems obstructing the Saudi labor force is the limited involvement of women in all economic areas.

The subject of female employment remains a controversial issue between religious leaders and the government of Saudi Arabia. Sharia law is the applied law in Saudi Arabia, which forbids women to interact with men in the workplace (Bankhar, 2015). To comply with Sharia law and allow women to work, the government has provided women a suitable work environment segregated from men, thus satisfying the religious and cultural traditions of both

Sharia law and Saudi culture. However, job opportunities for women remain very limited, which has created a need for the private sector to hire Saudi women. According to Alyahya (2005):

Saudi women seem to suffer from inequality of opportunity, particularly in employment status and gender-based occupation. Employment opportunities are limited to a few sectors, such as education and healthcare. They are also completely absent in important areas such as the Saudi Arabian Cabinet and all other higher management positions. (p. 120)

In the private sector, job opportunities are available for Saudi women to some extent. However, there is a significant number of firms and organizations in the private sector—such as bank headquarters, insurance firms, and hospitals—that do not segregate women from men in the workplace because of the financial costs associated with this segregation. Metcalfe (2008) stated, “There is reluctance by private sector institutions to employ women partly due to social norms and partly due to additional costs that may be incurred for maternity provisions” (p. 89).

Additionally, Alotaibi (2014) stated, “Most nationals do not prefer to allow women to work, except in a gender-separated work environment” (p. 156). Saudi people are considered conservative in terms of their beliefs and culture. Since most of the private sector does not follow the Saudi cultural laws and customs of segregating men and women, most private companies opt not to hire women, preferring to hire Saudi men over Saudi women, even when a man is less qualified.

Another factor in past decades that has accounted for the high unemployment among women in Saudi Arabia has been their choice to not work. Baakeel (2013) indicated that some Saudi women prefer not to be employed so that they can raise and take care of their children and take care of the household. Presently, Saudi culture is experiencing historic transformations with

the majority of Saudi women expressing a desire to join the labor force rather than stay at home to perform domestic work (G20 Turkey 2015, 2014).

**Negative attitudes toward entry-level jobs.** There are a couple of factors accounting for a negative attitude toward entry-level jobs, or blue-collar jobs in particular. It could be argued that these negative attitudes toward entry-level jobs began to have a consequence in the 1970s, when the country decided to work on developing Saudi Arabia's economy. At that time, the Saudi Arabian government recruited a massive number of foreign workers to participate in building up the country's infrastructure (Sheras, 1994). The dependence on foreign workers at that time was not an option, since the Saudis did not have the basic skills required to perform the tasks required in the swiftly developing country. If under-skilled Saudis indeed had been recruited to work, the pace of development would have been slowed tremendously.

A large investment in education in the 1970s resulted in prestigious, high-level managerial positions in the government sector for Saudi workers, leaving the entry-level jobs for foreign workers. The rights of employees in the public sector are highly protected and the jobs are very secure, whereas the rights of private sector employees are less protected with job security based on performance and production (Ibrahimkhan, 2007). In the private sector, employers preferred foreign workers especially for the entry-level jobs because they were willing to accept lower wages. Saudis began to view manual labor as unfavorable. As Ibrahimkhan (2007) pointed out, manual labor was viewed as being only for foreign workers.

In his dissertation, *Obstacles to Manpower Development in Saudi Arabia: Employee Perspectives*, Mackey (as cited in Sheras, 1994) describes how Saudis view employment norms:

A Saudi will accept a position but not a job. A Saudi will ring the cash register in his shop but he will not sweep the floor. A Saudi will drive a truck but he will not repair one.

A Saudi will be a bureaucrat but never a plumber. This is the great problem of the development in Saudi Arabia. (p. 25)

In recent years, Saudi Arabia has witnessed a lot of development throughout the entire country, such as the building of universities, hospitals, train stations, and economic cities, and this development resulted in the creation of a great deal of job opportunities (Hoetjes, 2013). Yet, most of these jobs were taken by foreign workers, as most of these jobs were classified as manual labor jobs involved in construction. Hoetjes (2013) affirmed, “According to figures from the International Monetary Fund (IMF) released in July 2013, 1.5 million of the 2 million new jobs created in the four years went to non-Saudis” (p. 1).

Fakeeh (2009) adds that, although there is a high demand for skilled and talented workers in Saudi Arabia, Saudi job hunters focus on white-collar jobs, regardless of the trade. Since Saudi Arabians enjoy a very strong relationship with their families and society, Saudis consider a job position to reflect status. Even for some of the youth in Saudi Arabia who do not have a proper education or skills for a white-collar job (for example, a managerial position), manual labor is still out of the question.

**Education system.** Yamamoto (2011) showed in his research, *Mapping Human Capital for Self-Employment: Education for Job Creation—an Alternative Approach to Youth Unemployment*, that there is a strong correlation between education and employment. Yamamoto (2011) stated, “Education is the first step towards decent work and productive and responsible lives for young people” (p. 38). A poor education system in any country, often, is behind high unemployment and limits the youth in being innovative or able to thrive even during a country’s economic growth. Also, Yamamoto (2011) points out in his research about the relationship

between education and unemployment that the poor quality of education is considered the major driving force for unemployment.

Several researchers who have studied high unemployment have found that modest education systems do not prepare young people to meet the requirements for the available jobs. Halaby (2006) stated, “Unemployment occurs when individuals in need of employment do not have the skills required by area employers” (p. 14).

A majority of studies have come to the conclusion that the poor education system is behind the high unemployment in Saudi Arabia. Fakeeh (2009) pointed out in her dissertation that the poor quality of the Saudi education system leads to high unemployment and labor inefficiency. Fakeeh (2009) stated, “The educational system, except for minor changes and more Islamic additions, was not customized later to suit the local needs of the Saudi economy and labour market future demands” (p. 61). In addition, Samman (2003) concluded in his dissertation that the low quality of education in Saudi Arabia is a major factor for the high unemployment.

To that end, education in Saudi Arabia has weakened graduate students, rendering them unproductive. Studies have shown that there are strong relationships among teachers’ skills, qualifications, experience, and student accomplishment (Lytton & Pyryt, 1998). The Saudi teaching style is based on memorization rather than critical thinking or problem solving (Samman, 2003). Saudi education allows the majority of Saudi students to favor irrelevant majors to today’s job demand, such as history, religion, linguistics, and social science.

Not surprisingly, many Saudi students in public and private universities and colleges continue to major in liberal arts in spite of these majors already having flooded the labor market (Sfakianakis, 2011). To confirm, the largest two majors chosen by Saudi students are humanities and arts, accounting for 41% of graduate students in Saudi Arabia.

The educational system in Saudi Arabia is divided into three stages: elementary, intermediate, and high school. Children enter elementary school at age six and stay there for a period of 6 years. Grades one through four are exempt from examinations and instead are regularly appraised by their teachers (Kingdom of Saudi Arabia Ministry of Higher Education, 2006). The academic year at this level consists of two 15-week semesters, each ending with a two-week examination period, except for grades one through four; those students do not take examinations.

Upon passing the elementary level, Saudi students begin the intermediate level and stay there for a period of three years. Passing these grades is mandatory before moving to the high school (Kingdom of Saudi Arabia Ministry of Higher Education, 2006). High school, which lasts for three years, is composed of academic and vocational-technical education. First-year students study a general curriculum. Based on the students' grade point averages in the 10th grade, students will be enrolled in two majors for the remaining 2 years: Sharia and Arabic studies or natural science.

The Ministry of Education designed classes to prepare young Saudis, male and female, to be skilled, talented, and ready for the workforce upon completing their studies. However, on deeper examination, it appears that the main focus of the curricula, especially at the first two levels, remains more geared toward liberal arts rather than the sciences. This does not prepare young Saudis to meet the actual demands of the labor workforce.

Tables 1 through 3 represent curricula for the first three education levels in Saudi Arabia, confirming a more liberal arts focus over science and technology.

Table 1

*Primary School, Number of Classes Per Semester for Each Course*

Subject	First Semester	Second Semester
Islamic Education	8	8
Arabic Language	6	6
Mathematics	4	4
Science	4	4
History	4	4
Geography	2	2
Civics	2	2
Sports	1	1
Arts	2	2

*Note.* Adapted from *World Data on Education: Saudi Arabia*, 2011, p. 9, by the United Nations Educational, Scientific, and Cultural Organization and the International Bureau of Education, retrieved from [http://www.ibe.unesco.org/fileadmin/user\\_upload/Publications/WDE/2010/pdf-versions/Saudi\\_Arabia.pdf](http://www.ibe.unesco.org/fileadmin/user_upload/Publications/WDE/2010/pdf-versions/Saudi_Arabia.pdf).

Table 2

*Secondary School, Number of Classes Per Semester for Each Course*

Subject	First Semester	Second Semester
Islamic Education	8	8
Arabic Language	6	6
English Language	4	4
Mathematics	4	4
Science	4	4
History	2	2
Geography	2	2
Civics	1	1
Sports	1	1
Arts	2	2

*Note.* Adapted from *World Data on Education: Saudi Arabia*, 2011, p. 10, by the United Nations Educational, Scientific, and Cultural Organization and the International Bureau of Education, retrieved from [http://www.ibe.unesco.org/fileadmin/user\\_upload/Publications/WDE/2010/pdf-versions/Saudi\\_Arabia.pdf](http://www.ibe.unesco.org/fileadmin/user_upload/Publications/WDE/2010/pdf-versions/Saudi_Arabia.pdf).



Table 3

*High School, Number of Classes Per Semester for Each Course*

Subject	<u>Social Sciences Major</u>		<u>Natural Sciences Major</u>	
	1st Semester	2nd Semester	1st Semester	2nd Semester
Arabic Language	12	12	5	5
History	9	9	3	3
Geography	1	1	0	0
Psychology	1	1	0	0
Sociology	1	0	0	0
Management	0	1	0	0
Economics	0	0	0	0
Accounting	0	0	0	0
Technical Sciences	0	0	0	0
Physics	0	0	4	4
Chemistry	0	0	4	4
Biology	0	0	4	4
Earth Science	0	0	1	1
Mathematics	0	0	4	4
English	4	4	4	4
Computer	2	2	2	2
Research	1	1	0	0
Civics	1	1	1	1
Sports	1	1	1	1
Activities	1	1	1	1

*Note.* Adapted from *World Data on Education: Saudi Arabia*, 2011, p. 12, by the United Nations Educational, Scientific, and Cultural Organization and the International Bureau of Education, retrieved from [http://www.ibe.unesco.org/fileadmin/user\\_upload/Publications/WDE/2010/pdf-versions/Saudi\\_Arabia.pdf](http://www.ibe.unesco.org/fileadmin/user_upload/Publications/WDE/2010/pdf-versions/Saudi_Arabia.pdf).

The limited exposure to science courses at the primary and secondary levels has left a large segment of Saudi youth behind the curve with regard to other nations that focus more on science and technology education at lower levels. In his dissertation, *Dependence on Foreign*

*Labor, Quality of Education and Unemployment in the GCC Countries: In Search of Solutions*, Samman (2003) stated:

As a result, the effect on education is likely to be negative for two reasons. First, the emphasis on religious studies, at the expense of math and sciences, means that students are less likely to enter the science and technology field after their first high school year examination, which determines their educational affiliation, i.e., literature or science. Second, such an emphasis may well bias the students' decision in favor of literature—even if they are analytically skilled—at a time when decisions made at such young age are irreversible. (p. 40)

The weak foundation in science education at the primary and secondary levels makes it difficult for students to learn sciences at the higher levels.

**Education outcome.** The Saudi Arabian education system is one of the primary factors contributing to unemployment in the country. Specifically, the education system has failed to equip effectively students with the kind of skills that are relevant in the job market (Samman, 2003). For example, the largest two majors chosen by Saudi students are humanities and arts, accounting for 41% of graduates in Saudi Arabia (Sfakianakis, 2011).

This has led to a huge mismatch in skills acquired by college graduates and what is required for one to secure a good job in Saudi Arabia (Fakeeh, 2009). Most private employers believe that most Saudi graduates are not equipped with the right skills required to fill the most demanding positions in their organizations (Ibrahimkhan, 2007).

Despite this longstanding disconnect making it difficult for Saudi graduates to secure jobs, the Ministry of Education has not done much to redefine or restructure this education system to emphasize the subjects that are in demand (Al Omran, 2010; Fakeeh, 2009; Samman,

2003). So, the lack of an appropriately designed education system has contributed and continues to contribute to higher percentages of unemployment for the younger Saudi generation.

Females tend to have a lower quality of education compared to men, although there is no difference in the curriculum and criteria of education with regard to gender (Fakeeh, 2009). There is a gap between the outcome of the education and industry demands for both genders; yet, women suffer this disparity more (Fakeeh, 2009; Samman, 2003). Presently, the percentage of Saudi women with a college degree is 51%; however, only 13% are employed in the private or public sectors (Bankhar, 2015).

Scholars have pointed out the need for education reform as one of the solutions to addressing the challenge of high unemployment (Alogla, 1990; Fakeeh, 2009; Ibrahimkhan, 2007; Kattan, 2015; Samman, 2003). Samman (2003) indicated that the low quality of education, combined with a lack of problem-solving skills, poor critical-thinking techniques, and weak technical analysis, has generated negative consequences that are affecting the productivity of the Saudis and hindering economic growth for Saudi Arabia. Thus, a good education system, a must in any country, allows Saudis to prosper.

**High-entry barriers.** Small- and medium-sized businesses do a great deal for a country's economy. Wesson (2012) stated, "The economy depends on small businesses for growth" (p. 32). Small- and medium-sized businesses are becoming a very significant, encouraging factor in the United States's economy. According to Noe (2014), "Currently small businesses create two-thirds of the net new jobs annually, comprise over 23 million firms, account for over half of all U.S. sales, employ more than half of the private-sector workforce" (p. iii). According to Ayyagari, Beck, and Demirguc-Kunt (2007), small- and medium-sized enterprises annually

contribute on average of 50% of the GDP in high-income countries. One of the greatest benefits of small- and medium-sized businesses is job creation.

Economists at the World Bank Group annually present a report ranking the ease of doing and starting businesses in each country. There are 189 countries around the globe that have been deeply evaluated in terms of setting up business-friendly environments and regulations to allow for new businesses to open and operate; 1 represents the easiest country to start and operate a business whereas 189 is the hardest. In 2013, Saudi Arabia ranked 26th in terms of the ease of operating a business, although the rank has dropped from the previous year's rank of 22nd (U.S Department of State, 2014). However, this shows great effort on the part of the Saudi government in easing the business climate, as it was ranked 67th out of 189 in 2005.

The obstacles for business start-ups in Saudi Arabia are great for Saudis and foreigners as well. As a result, many small- and medium-sized business owners start and then relocate and operate their businesses in a different country, notably in the United Arab Emirates (Al Maeena, 2014). The complicated governmental requirements and procedures for new businesses have cost young Saudis a significant number of jobs.

Many foreign companies wishing to start business in Saudi Arabia must overcome high entry barriers. For example, the majority of banking and insurance businesses are owned by the Saudis as a result of strict government regulations (Kjønigsen, 2011).

In fact, the Saudization policy makes it difficult for foreign companies to establish their businesses in Saudi Arabia. Depending on the availability of Saudi employees, condition of the workplace and the nature of the business, the percentage of Saudis to be employed in a company ranges from 5% to 75% (Kjønigsen, 2011). As argued by Alotaibi (2014), Fakeeh (2009), and Ibrahimkhan (2007), the private sector and foreign investors are afraid to employ Saudis who are

not equipped with the proper education and skills, as this will cost the market a significant loss to foreign investors.

Hvidt (2013) pointed out that Saudi Arabia started to implement liberal reform in the early 2000s to ease the business climate, aiming to attract foreign investors. Liberalizing the Saudi market means the country will be open for foreign investors, and the regulations will be less restricted in order to attract nonlocal investors to start their businesses in Saudi Arabia (U.S Department of State, 2014).

The Saudi market liberalization aims to diversify the economy and promote employment for Saudi Arabian citizens. Although the situation has improved, it still needs a lot of development. There are a good number of local small- and medium-sized businesses that closed in the last 10 years, as they fear that their businesses would not be able to compete with foreign investors once they enter the Saudi market (Hvidt, 2013).

Currently, the global political climate and culture war present obstacles that make foreign entrepreneurs reluctant to invest in Saudi Arabia or the Middle East in general, which further compounds the problem. At the beginning of 2015, Saudi Arabia launched airstrikes in Yemen to overthrow the Houthi rebels (Botelho & Ahmed, 2015). As a result of this, local and foreign investors are afraid to get involved in the Saudi market as a result of political unrest. As Mohapi (2001) pointed out, slow economic growth and decline are associated with political unrest. Indeed, job creation is affected by the unrest in the region.

**Nepotism.** Past literature reviews on unemployment in Saudi Arabia showed that nepotism has accounted for the unemployment rate remaining high (Abualjadail, 1991; Aldraehim, Edwards, Watson, & Chan, 2012; Al-Kheshaiban, 2002). Nepotism is a problem that affects many cultures all over the world, and Saudi Arabia is among the hardest hit with this

unprofessional conduct in the working culture (Renn, Karafyllis, Holt, & Taube, 2015). Various studies indicate that most Saudi Arabian organizations recruit employees on the basis of nepotism (Al-Khshaiban, 2002). This practice has continued to hamper the Saudi economy because, in most cases, the wrong people end up securing jobs that they do not deserve.

Jaskiewicz, Reay, Uhlenbruck, and Balkin (2013) defined nepotism as, “an owner’s or manager’s preference for hiring family members (nepots) rather than unrelated job applicants” (p. 122). It can be argued that the practice of nepotism in Saudi Arabia comes from the strong tribal culture and religion. Islam puts great emphasis on sustaining good relations with family members and relatives and offering help when there is a need (Aldraehim et al., 2012). Saudi Arabia’s society can be described as a collective society in which self-interests come second after family interests. Although a lot of research has been done on the topic of nepotism in Saudi Arabia, there are insufficient data to prove the practice, as the issue is considered a sensitive topic.

Among young Saudis, nepotism in Saudi Arabia is considered vital to some extent when considering applying for a job. Al-Wazir (as cited in Renn et al., 2015) stated, “Degrees mean next to nothing without nepotism” (p. 115). Therefore, some recruiters prefer some applicants over others on the basis of unprofessional and unethical reasons. It can be argued that the economy of Saudi Arabia would have reached much greater heights were it not for rampant cases of nepotism.

Seeking employment is based more on one’s connections and not what knowledge one can bring or contribution one can make to an organization (Aldraehim et al., 2012). For the less fortunate Saudis in Saudi Arabia with fewer connections, it is hard for them to find adequate employment opportunities.

Based on literature reviews, the researcher presents some of the major forces that drive high unemployment in Saudi Arabia. The researcher demonstrates there has been an effort made by the Saudi Arabian government and the MOL to reduce the unemployment ratio and nationalize the labor force. The researcher provides background about the MOL, objectives, tasks, and employee chart. The study analyzes in depth the Saudization policy and Nitaqat scheme that the MOL enforced in the Saudi Arabian private sector to enhance employment opportunities among the Saudis.

### **The MOL**

In 1961, the Saudi Arabia government established the MOL and Social Affairs (Ministry of Social Affairs, 2016). In 2004, the Saudi Arabian government decided to segregate the MOL from the Social Affairs. The MOL's main office is located in the capital of Saudi Arabia, Riyadh. The MOL also has branches throughout the country in major cities and small towns to serve the private sector and the labor force in Saudi Arabia.

The MOL's main objective is to regulate the workforce, plan and develop human capital, and settle labor disputes in the private sector. The MOL seeks to deal with the unemployment problem by following methodological approaches outlined in both the Saudization policy and the Nitaqat scheme and is constantly revising its initiatives based on current labor market needs (MOL, 2016b).

One of the major tasks for the MOL is to develop strategies to reform current employment policies to create more job opportunities for Saudis in the private sector. In 2004, the MOL created a database system to collect data on the number of Saudi workers and foreign workers in the private sector in order to help them develop key strategies to reduce

unemployment among the Saudis and to determine appropriate approaches to replace foreign workers (MOL, n.d.). Figure 2 shows the MOL employees' chart.

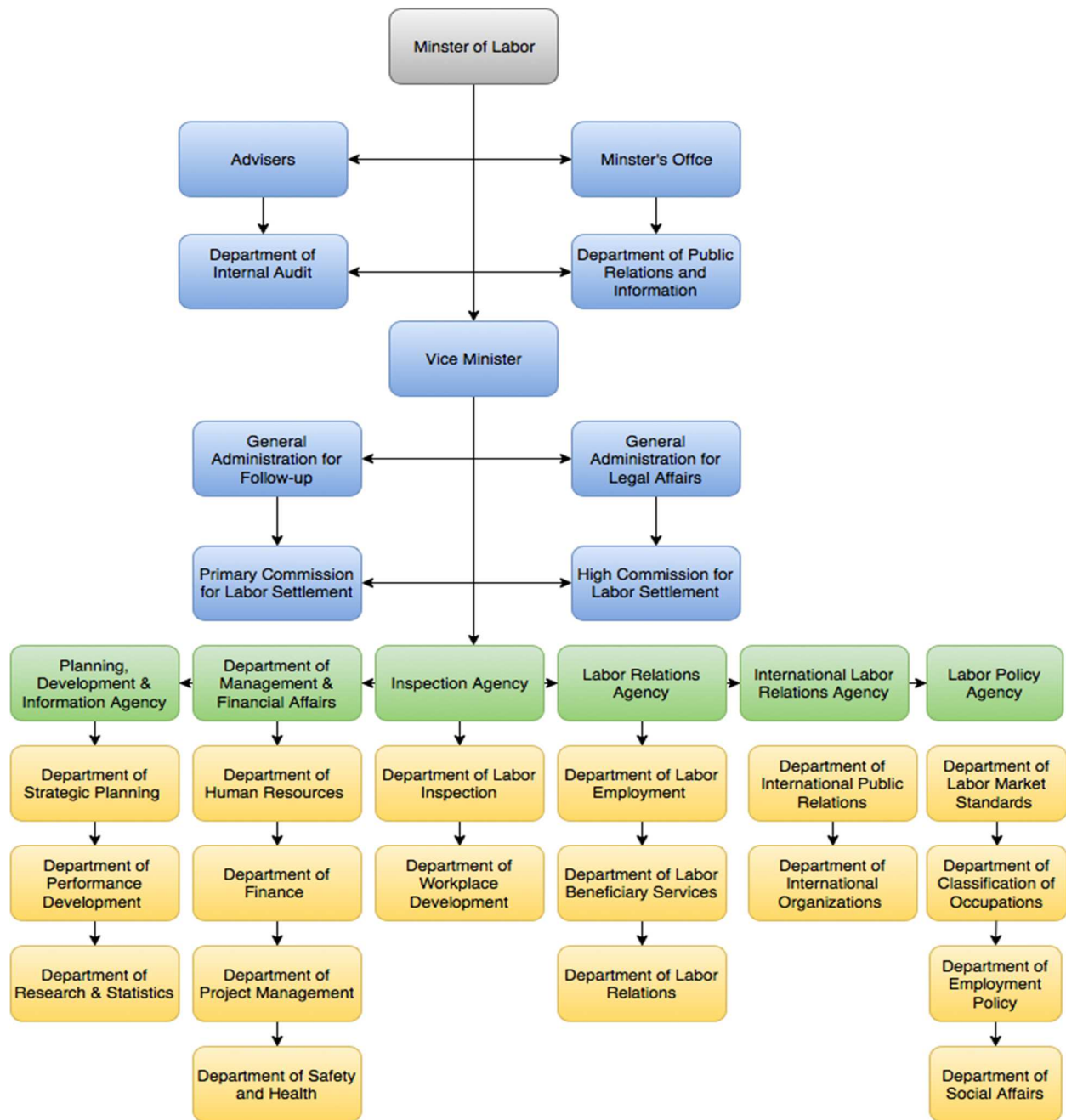


Figure 2. Ministry of Labor employees. Reprinted from *General Organizational Structure of the Ministry*, 2016, by the Ministry of Labor, retrieved from <https://portal.mol.gov.sa/ar/AboutMinistry/Structure>. Copyright 2016 by the authors. Reprinted with permission.



## **Saudization Policy**

As Ewain (1999) indicated, the chief objective for the Saudization system is to nationalize the workforce in Saudi Arabia. In the late 1970s, the term Saudization was considered a new economic term (Alogla, 1990). Since the inception of Saudi Arabian development, the reliance on foreign workers has been heavy as a result of Saudis lacking the essential education and skills to build the infrastructure. The Saudi Arabian government started employing foreign workers to perform quickly the jobs needed to establish the development of the infrastructure in both the public and private sectors (Ewain, 1999).

The term Saudization comes from the second development plan from 1975 to 1980. Past literature reviews on the Saudization policy show that the first development from 1970 to 1975 had one goal: localizing occupations. The goal was set to replace some of the foreign workers in the workforce in order to spur a greater participation of Saudis (Ibrahimkhan, 2007). According to Alotaibi (2014), the Saudi Arabian government invested SR 7 billion in Human Resource Development (HRD) to enhance manpower among Saudis.

In the second development plan from 1975 to 1980, the government announced the need for accelerating the process of issuing work visas to foreign workers because of a need for skilled laborers to perform technical occupations (Ibrahimkhan, 2007). Thus, the government funded the HRD another SR 51 billion to develop the skills among Saudis, aiming to fill occupations with Saudi workers in the near future (Alotaibi, 2014).

The first clear objective to localize occupations and reduce the heavy dependence on foreign workers came during the third development plan from 1980 to 1985 (Ibrahimkhan, 2007). In addition, the Saudi Arabian government continued gradually to increase funding of HRD to SR 115 billion, aiming to boost employment opportunities for Saudis (Alotaibi, 2014).

During the fourth development plan from 1985 to 1989, the goal was to reduce the number of foreign workers in the Saudi workforce. The goal was to decrease the number of non-Saudi workers by 22.6% during this phase (Ibrahimkhan, 2007). The government of Saudi Arabia continued to fund the HRD with SR 115.1 billion to invest in Saudi human capital (Alotaibi, 2014).

During the 1980s, the drop in the oil prices negatively impacted Saudi Arabia's main source of income (Al-Dosary & Rahman, 2005; Ewain, 1999). As a result, Saudi Arabia found it difficult to ensure a job for each citizen in the public sector, knowing that Saudis filled most of the government sector jobs already (Al-Dosary & Rahman, 2005; Ewain, 1999). Thus, the Saudi government put a lot of pressure on the private sector to employ Saudi workers and to be less dependent on foreign workers.

During the fifth development plan from 1990 to 1994, the government recognized the imbalances in the workforce between Saudi workers and foreign workers, especially in the private sector. The goal during this phase was to increase the participation of Saudi workers in the private sector (Ibrahimkhan, 2007). Moreover, the Saudi Arabian government, during this phase, continued to fund the HRD with SR 216.6 billion (Alotaibi, 2014).

Although the Saudi Arabian government started to force the private sector to localize jobs in the 1980s, the private sector's efforts with regard to employing Saudi workers has been very low. Table 4 shows the percentage of Saudi workers compared to foreign workers working in the private sector in Saudi Arabia. The table clearly shows that the Saudization policy led to a decrease in the percentage of foreign workers in the private sector. The Saudization policy during the sixth development plan of Saudi Arabia from 1995 to 1999 mandated that foreign

workers would be incrementally substituted with qualified Saudi workers by 5%, annually (Al-Dosary & Rahman, 2009; Alotaibi, 2014).

Table 4

*Percentage of Foreign Workers Compared to Saudi Workers in Saudi Arabia's Private Sector from 1982 to 2000*

Year	Saudis	Foreigners	Total	Percentage
1982	223,187	982,612	1,205,799	81.49%
1983	210,171	1,005,439	1,215,610	82.71%
1984	230,421	1,160,962	1,391,383	83.44%
1985	264,804	1,389,371	1,654,174	83.99%
1986	284,188	1,335,072	1,619,260	82.45%
1987	289,411	1,215,879	1,505,290	80.77%
1995	448,713	1,759,566	2,208,279	79.68%
2000	647,784	2,163,117	2,180,901	76.95%

*Note.* Adapted from *The Role of the Private Sector towards Saudization (Localization; p. 5)*, by A. Al-Dosary and S. Rahman, 2009, retrieved from <http://www.ufhrd.co.uk/wordpress/wp-content/uploads/2009/07/1-24-working-paper.pdf>.

During this period, the Saudization policy focused on decreasing the growth of foreign workers in all professions. In addition, it motivated an increase in the creation of job opportunities in the private sector, not only for men but also for women, taking into consideration a suitable environment following the customs and traditions of Sharia law (Alotaibi, 2014). It also required that a specific number of skilled and qualified Saudis graduate college to meet the demands of the workforce requirements. Moreover, during this phase, a main objective was to adopt suitable means to accommodate the enlargement of the infrastructure in order to keep facilities in line with the increased demand of the growing population (Ewain, 1999).

During this phase, in creating the HRD, the Saudi government recognized the challenge of the high unemployment and used HRD funds (HRDF) to pay for vocational training and technical education to address high unemployment (Alotaibi, 2014). The HRDF was instituted to

pay for school-to-work programs, paying 75% of the training cost and 50% of the Saudi worker salary in the private sector for the first two years of the job contract (Al-Dosary & Rahman, 2005). Furthermore, the HRDF were allocated SR 276.9 billion to develop skills among the Saudi workers (Alotaibi, 2014).

The Saudization policy in the seventh development phase, from 2000 to 2004, continued to focus on boosting the private sector to create more job opportunities, while still requiring an annual 5% increase in the number of Saudi workers being hired (Alotaibi, 2014). Moreover, another main educational objective was added to this phase to reduce the number of unskilled and unqualified Saudis in the labor market before completing their education and training programs.

In an effort to increase the ratio of Saudi workers, companies in the private sector with more Saudi workers on their payroll would have the added benefit of bidding and proposing for enterprises, projects, and contracts in the public sector (Al-Dosary & Rahman, 2009). In addition, the government of Saudi Arabia continued to increase the HRDF and allocated SR 480 billion in this phase, almost doubling the fund compared to the previous phase (Alotaibi, 2014).

The main difference of this phase compared to the previous one was that small- and medium-sized companies were included in the Saudization policy, whereas the previous one focused on large organizations (Alotaibi, 2014). This phase also began to mandate that certain jobs be occupied only by Saudi workers. According to Fakeeh (2009), the policy focused on the private education segment increasing its efforts in localizing the jobs by 10% and to hold future opportunities for the locals. Some sectors and organizations were given six months to one year to

replace their foreign workers with Saudi workers, especially with technically oriented jobs, such as audio sales, television satellite dishes and souvenirs in airports.

Additionally, according to this phase of the policy, nontechnical sector jobs, such as in tourism, sales of farm animals, real estate, taxis, transportation, and travel, were considered by the MOL to be easy and were to be reserved for Saudi workers (Fakeeh, 2009). Throughout this phase, the Saudization policy generated about 693,000 jobs for Saudi workers, which resulted in an increase in private sector jobs by 35% for Saudis (Al-Dosary & Rahman, 2009).

According to the MOL (2004), the number of Saudi workers employed in the private sector in 2001 was 346,410. In 2002, the number of Saudi workers reached 418,674 at a rate of 17.2% growth. In 2003, there was another rise in the number of Saudi workers working in the private sector. The number of Saudi workers in 2003 reached 507,112, a 17.4% improvement compared to the previous year.

Unfortunately, because of a shortage of available data, the number of foreign workers is not found from the period of 2001 to 2003. Table 5 shows the percentage of Saudi workers compared to foreign workers working in the private sector in Saudi Arabia from 2004 to 2014.

The eighth phase of the Saudization policy, from 2004 to 2009, continued to require a decrease in the number of foreign workers working in the private sectors (Alotaibi, 2014). Unfortunately, the HRDF did not provide enough funds to train, educate, or help graduating Saudis transition from school to work, which resulted in the continuance of unskilled Saudis entering the workforce. At the end of this phase, it was clear that the Saudization policy did not achieve the goals of increasing the skilled-job opportunities for Saudis. As a result of the failure of the Saudization policy, the Nitaqat scheme was created.

Table 5

*Percentage of Foreign Workers Compared to Saudi Workers in Saudi Arabia's Private Sector**From 2004 to 2014*

Year	Saudis	Foreigners	Total	Percentage
2004	688,579	3,959,951	4,648,530	85.18%
2005	623,465	4,738,465	5,362,288	88.3%
2006	731,751	4,866,989	5,580,740	87.2%
2007	765,621	5,061,235	5,826,859	86.9%
2008	829,057	5,392,890	6,221,947	86.67%
2009	681,481	6,214,067	6,895,548	90.1%
2010	724,655	6,266,545	6,991,200	89.63%
2011	844,479	6,937,020	7,781,496	89.15%
2012	1,134,633	7,352,922	8,487,533	86.63%
2013	1,466,853	8,212,782	9,679,635	85.85%
2014	1,549,975	8,471,364	10,021,339	84.53%

*Note.* Adapted from *Ministry of Labor Statistics Documents*, n.d., by the Ministry of Labor, retrieved from <https://portal.mol.gov.sa/en/statistics>. Copyright 2016 by the author.

**Nitaqat Scheme**

According to Alshabri, Khalfan, and Maqsood (2015), the word Nitaqat is an Arabic term meaning limits or ranges. The fundamental objective of this program is to enhance the Saudization policy to accomplish its objective of absorbing more Saudis into the workforce. As Peck (2013) indicated, the Nitaqat program was legislated in Saudi Arabia in 2011 to ensure that the private sector meets specific employment quotas for Saudis.

Simply, the Nitaqat program was designed by the MOL to decrease the number of unemployed Saudi citizens. The Nitaqat scheme was intended to replace the previous program to nationalize private sector jobs (the Saudization policy). The Nitaqat program was founded as a long-term solution to deal with the challenges of high unemployment among the Saudi citizens (Al-Salloum & Zarah, 2012). Table 6 shows that the Nitaqat program divides all private firms into five groups on the basis of the number of employees (MOL, 2013).

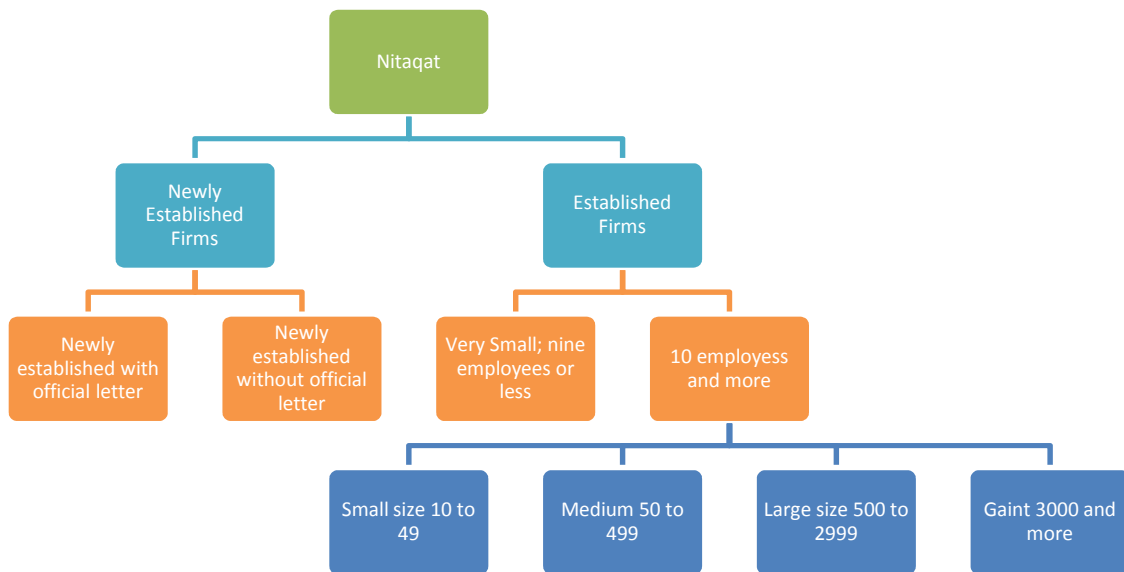
Table 6

*Firm Size in the Private Sector, Based on Number of Employees*

Firm Size	Very Small	Small	Medium	Large	Giant
Number of Employees	1–9	10–49	50–499	500–2,999	3,000 plus

*Note.* Adapted from *The Nitaqat Program* (p. 59), by A. Massoud, 2013, Riyadh, Saudi Arabia: The Ministry of Labor, Kingdom of Saudi Arabia. Copyright 2013 by the author.

Companies with fewer than 10 employees are exempt from the Nitaqat program; however, they must employ at least one Saudi worker, whereas larger companies are subject to following the rules placed by the Nitaqat scheme (Al-Hejailan, 2012). Additionally, Figure 3 shows that the Nitaqat system divides private-sector organizations into two categories: existing-established organizations and newly established organizations (MOL, 2013).



*Figure 3.* Nitaqat scheme. Adapted from *The Nitaqat Program* (p. 59), by A. Massoud, 2013, Riyadh, Saudi Arabia: The Ministry of Labor, Kingdom of Saudi Arabia. Copyright 2013 by the author.

In the newly established firm category, companies are given a grace period for 12 months to comply with the Nitaqat requirements (Al-Hejailan, 2012). In the existing-established organizations category, Nitaqat divides the organizations on the basis of the nature of the

business and its activities. According to Massoud (2013), who is the Nitaqat program manager, the MOL divides the activities for each business into 52 activities and five business sizes. Thus, under the Nitaqat system, there are 260 (52 x 5) categories within which an organization can be categorized (MOL, 2013). Moreover, the percentage of Saudi workers that each company is required to employ varies, based on company activities and number of employees. For example, banks are expected to hire more Saudis compared to construction businesses because of the business activities.

The Nitaqat program also takes into consideration that some organizations have multiple business activities; therefore, each activity is independently subject to the Nitaqat system (Alotaibi, 2014). For instance, if a company has 55 employees who perform construction activities and eight people who perform marketing activities, Nitaqat will issue employment quotes for each activity separately. This means the construction activity is categorized as a medium size, whereas the marketing activity is considered as a very small size (MOL, 2013).

The Nitaqat scheme has a system of rewards for compliant organizations and penalties for noncompliant organizations (Al-Hejailan, 2012; Alotaibi, 2014; Peck, 2013). Under the Nitaqat scheme, organizations are rewarded for their commitment to abide by the scheme requirements, as determined by the MOL (2013). The Nitaqat scheme divides the private sector into four bands: red, yellow, green, and platinum. The purpose of this splitting is to ensure Saudi workers have been absorbed in each band.

For example, the green band represents companies that have achieved considerable success in absorbing Saudi workers into the workforce (Alshanbri, Khalfan, & Maqsood, 2014). On the other hand, the yellow and red bands represent companies that have not yet met the



program's nationalizing standards, and they are given more time to comply so that they can be considered among the companies in the green zone.

The MOL's primary aim in using the Nitaqat program is to accomplish an evolution in job creation for Saudi workers in the private sector, and thus, to decrease the Saudi Arabia's unemployment rate (Alsharbri et al., 2014). Table 7 shows an example how the Nitaqat scheme classifies firms according to the number of their Saudi workers and how they comply with the MOL requirements. The activity chosen to display the localization percentage is Wholesale and Retail Trade. The very small size category is not included in this table, as the requirement is to employ one Saudi worker at least.

Table 7

*Nitaqat Classification*

Activity	Size	Red	Yellow	Green	Platinum
	Small	4 or less	5 to 9	10 to 26	27 +
Wholesale and Retail Trade	Medium	4 or less	5 to 16	10 to 33	34 +
	Large	9 or less	10 to 23	24 to 34	35 +
	Giant	9 or less	10 to 24	10 to 36	37 +

*Note.* Adapted from *The Nitaqat Program* (p. 1), by A. Massoud, 2013, Riyadh, Saudi Arabia: The Ministry of Labor, Kingdom of Saudi Arabia. Copyright 2013 by the author.

Penalties occur when the companies are classified as noncompliant, or in the red band. Rewards are given to companies considered as being the most compliant, or in the platinum band (Alotaibi, 2014). The companies that fall in the platinum and green bands are able to renew and obtain work permits for foreign workers through an accelerated online process, change the profession of foreign workers, and hire foreign workers from red and yellow firms without their permission (MOL, 2013).

On the other hand, companies that fall in the yellow band are only allowed to renew visas for current employees with less than six years of service in the country. Companies that fall in the red band are the most restricted firms; they do not have the authority to hire new foreign workers, renew the visas for the current foreign workers, or open a new branch in Saudi Arabia (MOL, 2013).

Alsharbri et al. (2015) reported comprehensively about the Nitaqat scheme in Saudi Arabia. Alsharbri et al. (2015) indicated that there are some disadvantages of the Nitaqat system because of the system's strictness. Some employers might need to maintain their Saudi employees, even when there is no need for them to keep in compliance with MOL requirements. Otherwise, the employers might fall into the danger zones (yellow or red band). As discussed earlier, the Nitaqat scheme was established based on a reward and punishment system. By falling into the yellow or red bands, a company might be punished.

El Badrawy (2014) pointed out that the Nitaqat scheme has helped to reduce the high unemployment in Saudi Arabia, stating that the number of jobs created for Saudi workers is 462,000 since the Nitaqat started in 2011. However, the Nitaqat has increased costs for certain industries, such as construction and transportation, as a result of hiring restrictions. In her thesis, *Essays in Oil, Conflict, and the Development of Resource-rich Countries*, Peck (2013) stated, "There were also significant costs, however, and the scheme caused approximately 11,000 firms to shut down, raising exit rates by nearly 50 percent" (p. 1).

Peck (2013) indicated that the Nitaqat is a great solution for the short run, as it has created a great deal of employment for Saudi workers. However, for the long run, it might create great costs for firms to exit the Saudi market. The rising costs come from employing Saudi workers at higher wages, which has negatively affected small- and medium-sized businesses.

The officials at the MOL are still adding and updating the roles to meet the demands for the market for both parties: employers and employees.

### **Calculating Nitaqat Equation**

One of the features that sets the Nitaqat scheme apart from the Saudization policy, besides creating job opportunities for locals, is the attention given to those who are physically and emotionally in need. The Nitaqat scheme gives a great incentive to employers to hire a special-needs men and women. That is, an employer who hires a special-needs employee, male or female, counts as hiring four Saudi workers in the Nitaqat equation (MOL, 2013).

Furthermore, hiring an individual who has been imprisoned and released counts as hiring up to two Saudi workers (it varies from one person to another, based on the MOL's evaluation) in the Nitaqat calculation system (Al-Hejailan, 2012). This means employing a special-needs person or ex-convict would improve an employer's ranking. It is such a great effort that the MOL has made to make sure these two segments are active in the Saudi society.

Additionally, the MOL uses a very sophisticated model to design the Nitaqat scheme to ensure that employment opportunities for Saudi workers are based on quality, not quantity. That is, the MOL is trying to generate middle-class job opportunities for Saudi workers. Therefore, the Nitaqat equation system counts an employee in the private sector as one full person if he or she meets all of the requirements of the MOL with regard to salary and working hours (i.e., full-time or part-time). Otherwise, a fraction represents an employee who does not meet the MOL two requirements (MOL, 2013).

Hiring a student, for example, for a part-time job (less than 20 hours per week) counts as hiring half a person in the Nitaqat equation (MOL, 2013). In order for the Nitaqat scheme to consider the student as one person, the student must meet two conditions: work full-time (40

hours per week) and receive a salary of SR 3,000 or more. The minimum salary in Saudi Arabia is SR 3,000 per month (equal to USD \$800). Thus, an employee who receives less than SR 3,000 is not counted as a full employee in the Nitaqat equation.

To clarify further the fractions used in the Nitaqat scheme, an employee who is paid SR 2,100 monthly is counted as 0.75 (MOL, 2013). If an individual gets paid less than SR 1,500, the Nitaqat system will not count this employee at all in the equation. Therefore, it is not surprising that the MOL assigns a private-sector firm as having six and a half Saudi workers. This means, six Saudi workers must be full-time and their salaries must equal SR 3,000 or more. The half a person in the company can be a part-time employee or an employee who receives SR 1,500.

Figure 4 summarizes the Nitaqat calculation mechanism and incentives.

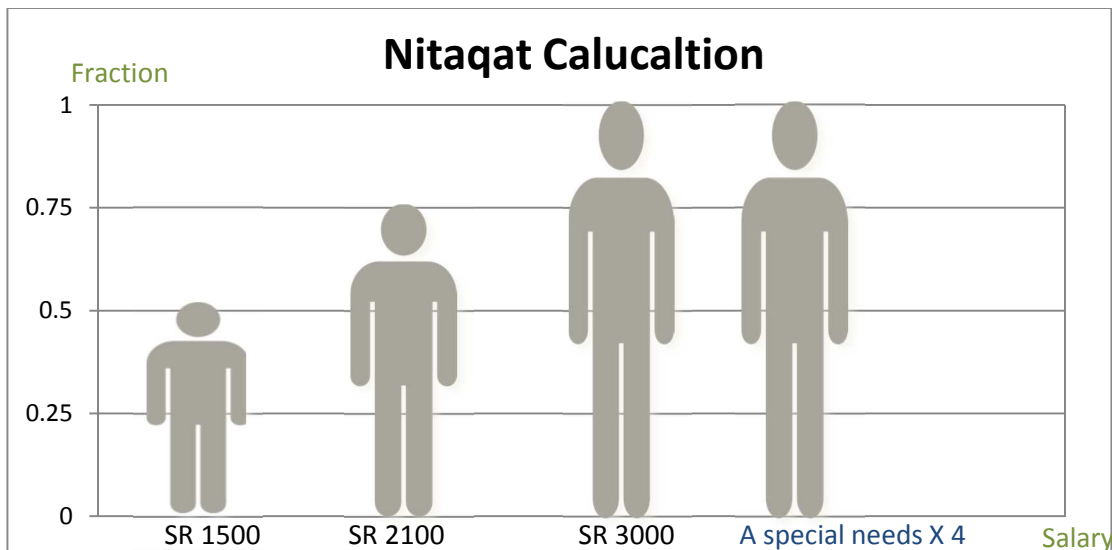


Figure 4. Nitaqat calculation summary. Note. A person who receives less than SR 3,000 or works part-time will be counted as a fraction of a person in the Nitaqat equation system. If an employee receives less than SR1, 500, he or she will not be counted at all in the Nitaqat equation. Note. Adapted from *The Nitaqat Program* (p. 1), by A. Massoud, 2013, Riyadh, Saudi Arabia: The Ministry of Labor, Kingdom of Saudi Arabia. Copyright 2013 by the author.

### SPELIT Power Matrix

As mentioned earlier, the SPELIT power matrix is used to understand the opportunities and difficulties facing Saudi Arabia with regard to the challenge of high unemployment. The

SPELIT power matrix provides a detailed overview of the various drivers impacting a country (Schmieder-Ramirez & Mallette, 2007). The results of the SPELIT analysis will reveal the social, political, economic, legal, intercultural, and technological forces driving every aspect of an organization, which will help to strengthen or adjust Saudi Arabia’s policies about employment in the private sector. Table 8 presents the Saudi Arabia SPELIT power matrix.

Table 8

*SPELIT Power Matrix for Saudi Arabia*

SPELIT	FORCE 1	FORCE 2	FORCE 3	FORCE 4
Social	Collectivism	Male participation is high compared to female participation	Youth accounts for two thirds of the population	Women are not allowed to drive
Political	Monarchy	Centralized	Member of the World Trade Organization	Loyalty
Economic	Oil is the main income	Lack of diversification	High unemployment	Corruption, poverty
Legal	Islamic Sharia Law	Labor law	Women’s rights	Job creations and employment
Intercultural	Value and ethics based on Islam	English as a main language in the private sector	Highly diverse workforce	Preferred higher status jobs
Technological	IT infrastructure is growing	E-Government	Technologically advanced	Working from home

*Note.* Adapted from *The SPELIT Power Matrix: Untangling the Organizational Environment with the SPELIT Leadership Tool* (p. 151), by J. H. Schmieder-Ramirez and L. A. Mallette, 2007, North Charleston, SC: Booksurge. Copyright 2007 by the authors.

**Social environment.** Schmieder-Ramirez and Mallette (2007) state, “The social section of the SPELIT model emphasizes all the connectedness that makes up the social community of the organization” (p. 7). The Saudi Arabian culture is described as a collective, where people look after the interests of the in-group, rather than for self-interest (Jackson, 2012). Saudis tend

to have very strong family relationships and offer help when there is a need. The tribal culture has some influence in forming and maintaining a strong community where people help and support each other, socially and financially. This can be seen clearly in Saudi Arabia in terms of employment, where some jobseekers rely on nepotism when they consider applying for a job.

As discussed earlier, men dominate the Saudi workforce and women still suffer low participation in the labor market as a result of Saudi Arabia's complex culture. In fact, one of the Nitaqat program's challenges is how to improve women's employment participation in the private sector, while taking into consideration the Sharia law and the Saudi culture (MOL, 2013).

Transportation is an additional barrier to women seeking a job in Saudi Arabia (Alhabidi, 2013). Women in Saudi Arabia are not allowed to drive, as a result of the complex culture. Basically, if a woman needs to commute to work, a spouse or chauffeur needs to give her a ride. This can be costly, especially for those who cannot afford to hire a chauffeur. Thus, women must look for a job with a reasonable commute that does not conflict with her spouse's schedule if she does not have a chauffeur.

Saudi Arabia's demographics indicate that youth (younger than the age of 30) represents two thirds of the population, and 51% of the population is made up of those younger than the age of 25 (Murphy, 2011). This means that an estimated 1.9 million Saudis will seek employment in the next decade. This should be a driving force in encouraging the Saudi government to expand policies addressing job creation for young jobseekers.

**Political environment.** Schmieder-Ramirez and Mallette (2007) state, "The political environment highlights how an organization deals with competing interests, views, assumptions and values" (p. 7). According to Nolan (2011), the Al-Saud Royal Family's claims to legitimacy consist of three pillars: tribal, historical, and religious. The Al-Saud Royal Family rules the

Kingdom of Saudi Arabia strictly and governs most of the country's political system (Algabbaa, 2015).

Hvidt (2013) reported comprehensively on the political system and the unemployment in Saudi Arabia. Hvidt (2013) found that the government has a centralized, top-down structure. In fact, the centralization policy has slowed the economic expansion in Saudi Arabia, especially for foreign investors. Since the early of 2000s, Saudi Arabia has moved toward liberalizing its market, making it friendlier for foreign investors. In 2012, Saudi Arabia became a member of World Trade Organization—a key achievement with regard to easing up the business climate for foreign and Saudi business investors.

Since its establishment, the best interest of the country and its citizens has been a top priority for the Saudi government (Garatli, 2014). It is clear that a large percentage of Saudi Arabia's profits from the sale of their natural resources go toward the development of the cities, national security, and improving its citizens' standard of living and education. This has created a strong sense of loyalty between the local citizens and the government.

**Economic environment.** Saudi Arabia is the world's largest oil producer with a very good economic status and oil accounting for 85% of the total revenue (Hvidt, 2013). The Saudi government has made great efforts to diversify the sources of Saudi Arabia income since the first plan of 1970-1975, but so far such efforts have been unsuccessful (Albassam, 2015; Fadaak, 2010).

According to Albassam (2015), an economy highly dependent on one source of income is at risk because of instability or fluctuation in the source's price. Saudi Arabia's dependence on one commodity has, indeed, had a direct impact on the country's budget. If oil prices drop, this is reflected in the Saudi economy, which negatively impacts employment.

According to Alotaibi (2014), Saudi Arabia has dealt with high unemployment for more than a decade. The number of graduates entering the labor market gradually increases every year. As stated earlier, having two third of the population younger than the age of 30 puts great pressure on the government to deal with the rapid population growth and to maximize job-creation efforts, especially in the private sector.

Busse and Gröning (as cited in Albassam, 2015) found that there is a high correlation between corruption and country's dependence on income from natural resources; however, Saudi Arabia has done a lot recently to fight corruption. In 2011, King Abdullah announced a new commission called Nazaha to act as Saudi Arabia's anticorruption commission (Al Hamrani & Khattab, 2014). The corruption is most notable in infrastructure projects and administrative transactions (Algabbaa, 2015). For example, some companies falsely report employees on their payrolls who do not actually work for them. These companies do this to meet the MOL's Nitaqat requirements, which results in false statistics on the unemployment ratio among the population.

**Legal environment.** Schmieder-Ramirez and Mallette (2007) state, "A legal analysis of the organization is vital to understanding how procedures are governed and how policies are made" (p. 9). The legal system in Saudi Arabia is based on Islamic Sharia law. The two sources for Sharia law are The Holy Islamic Book Quran and sunna, which are the teachings or sayings by the Prophet Mohammed (Algabbaa, 2015).

Ansary (2008) provides an overview of the legal system in Saudi Arabia, which gives the king the highest governing authority over the country. In addition, new policies must align with Sharia law. The Saudi Arabian government is established on justice and equality, as obliged by Sharia law (Royal Embassy of Saudi Arabia, 1992). The social and political systems are both based on Islam.



Latham and Watkins, LLC (2010) provide a comprehensive report on labor law in Saudi Arabia. They indicate that the MOL designs labor laws in Saudi Arabia for both the public and private sectors. In addition, the MOL handles employment problems and sets up standards for labor-related matters, such as working hours, vacations, safety, and the termination process. The MOL also monitors the Saudi employment statistics for each organization to ensure the employment requirements are met.

As stated earlier in this chapter, women represent a large portion of the unemployed, compared with men, in Saudi Arabia. The Saudi government has been trying to deal with this problem and trying to give more rights to women. In 2011, King Abdullah granted women the right to vote in public elections and to run for office. In 2013, King Abdullah appointed 30 women to the Consultative Council to increase their participation in the government (Pearson, 2015). These have been promising changes for the future prosperity of women.

In October 2015, the Kingdom of Saudi Arabia announced a new commission for job creation. Its main function is to solve the unemployment problem for Saudi citizens (Naar, 2015).

**Intercultural environment.** Alsharif (2014) analyzed Saudi culture and society, noting that the culture is shaped from Islam and tribal traditions. The official language is Arabic and the national religion is Islam. The country's code of ethics is based on Islamic values from the Quran and Sunna.

As stated earlier, Saudi Arabia, since its establishment, recruited large numbers of foreign workers to participate in the development of the country (Alsharif, 2014). According to the GAS (2016), one third of the population is made up of non-nationals who are greatly involved in the workforce of Saudi Arabia, especially in the private sector. These people speak different

languages, practice different faiths, and have different cultures, and the Saudis have always respectfully and fully interacted with them.

Although the official language in Saudi Arabia is Arabic, English is commonly spoken, especially in the private sector (Abdallah & Albadri, 2011). When considering senior-level employment in Saudi Arabia, an applicant should have the ability to speak and write fluently in English. The education system in Saudi Arabia currently prepares young students to learn English at an early age to meet this demand for the job market.

According to Al Omran (2010), some young Saudis would prefer to be unemployed if they do not find prestigious employment. This driving force is negatively affecting the unemployment, especially for those who do not have the proper qualifications.

**Technological environment.** Schmieder-Ramirez and Mallette (2007) state, “Technology in this environment refers to the ability to improve surroundings” (p. 10). According to Algabbaa (2015), the technology infrastructure is experiencing great advancement in Saudi Arabia. The Saudi government’s Ministry of Communication and Information Technology has worked hard to move toward an e-government system, where people do not need to be present to perform certain transactions. According to Garatli (2014), the young are up to date and adept at using technology, which makes the transformation to e-government much easier.

Kruse (2012) provides a deeply insightful analysis of the advantages for organizations to allow personnel to work from home. Kruse believes this will allow for better work-life balance—that is, more time with the family and little or no commute times—which leads to more productivity and a less stressful environment. This will also allow women to have jobs and avoid

the culture's transportation requirements for women. Working from home in Saudi Arabia is still considered a new concept and has not been fully adopted.

As discussed, since the early 2000s, the Saudi Arabian government has been working toward freeing up the Saudi market to create a friendly business environment that attracts foreign investors. This, in turn, should create more jobs for Saudi workers (Hvidt, 2013). The reform policies to develop the Saudi Arabian economy align with Sharia law. The government of Saudi Arabia has taken population demographics into consideration, as two thirds of the population is younger than the age of 30, and thus, Saudi Arabia had to design its vision to provide economic growth and future opportunity. This added to the unemployment problem and prompted the government to create a new leadership division in October 2015 to combat this issue.

### **Summary**

This chapter presents an overview of Saudi Arabia's historical background as it relates to its complex unemployment problem. In addition, this chapter provides a detailed discussion of theories about the country's unemployment, including definitions, types of unemployment, and both the short- and long-term negative impacts unemployment has on society.

In addition, the chapter discusses the education system and its outcomes and negative attitudes toward entry-level jobs as being the driving forces behind the high unemployment in Saudi Arabia. The researcher gives deep insightful analysis of the Saudization policy and Nitaqat scheme. Finally, this chapter displays the SPELIT power matrix to analyze the driving forces affecting the unemployment in Saudi Arabia. The following chapter discusses the methodology for this dissertation.

### **Chapter 3: Research Methodology**

Bruns (as cited in Kumar, 2011) defined research as a systematic analysis, examination, and inquiry to find answers or solutions to solve a problem. Academic research is designed to find answers to research questions. Research methods help researchers to collect data and samples and to define and interpret information to find a solution for a problem.

The research methodology chapter describes the steps undertaken to conduct the study about unemployment in Saudi Arabia. It outlines the research design and methods used to gather data and conduct analysis to accomplish the study's objective. More specifically, this section presents ethical and legal considerations, research instruments, data collection procedures and analysis, validity and reliability of the data, and the limitations of the research. In this case, these methods are used to collect data on unemployment in Saudi Arabia.

In his book, *Dissertation Fundamentals for the Social Sciences*, Mallette (2014) indicated that the researcher should restate the problem statement as well as the research questions to remind the reader about the subject of the research.

#### **Restatement of the Problem Statement**

This quantitative study seeks to address the problems relating to Saudi Arabia's high unemployment rates as well as the effects of the stagnating Saudization policy. Since the beginning of 2000, Saudi Arabia has witnessed an increase in crime rates, corruption, poverty, and general dissent among its population (Sullivan, 2013). All these problems are attributed to high rates of unemployment in this wealthy, oil-producing nation. Because of the high unemployment rates in youth and women, which comprise two thirds of the population, the

standards of living have contracted. This has led to general public concern over their youths' future (Glum, 2015).

The introduction of the Saudization policy and the subsequent improvements of Nitaqat have done little to drive significant change in the labor market (Peck, 2013). The general worry has shifted focus and is directed toward the government and whether it is capable of dealing with the situation. The unemployment issue has been ongoing and seems to be a major hurdle in improving the lives of Saudi Arabian citizens. Every year, the government has made promises to improve this dire situation; however, employment improvements have not been adequate (Fleischhaker et al., 2013).

Based on past literature on Saudi Arabia's unemployment (Ahmed & Sami, 2014; Al-Shammari, 2009; Alotaibi, 2014; Balcer, 2014; Fakeeh, 2009; Kattan, 2015; Looney, 2004), the Saudi Arabian government has spent a lot of money on the Saudization policy to bring down the unemployment numbers, yet the outcome of this investment has not met the initial expectations. In addition, Fakeeh (2009), in her dissertation on the Saudization policy, claims that the high wages required to hire Saudis and replace the foreign workers has limited the program's efficacy.

Ibrahimkhan (2007), in his dissertation, concludes that the education system in Saudi Arabia has not been sufficient to train Saudi nationals as skilled laborers, which has not helped in tackling the unemployment crisis.

### **Restatement of the Research Questions**

The study research questions are as follows:

1. What are MOL employee's perceptions about foreign workers expanding or damaging Saudi Arabia's economy and why?

2. What are MOL employee's perceptions about what employment and/or development strategies should Saudi Arabia implement to best benefit the country?
3. What are business owners' perceptions about what key factors drive the Saudi Arabian labor market?
4. What are business owners' perceptions about what evidence, if any, points to the failure or success of the Nitaqat and/or Saudization policy?
5. What are business owners' perceptions about what are the principal elements underlying high unemployment in Saudi Arabia?

### **Research Methodology**

A quantitative methodology is used in this research to aggregate, compare, analyze, and summarize the data. The advantage of using this category of research methodology is the accessibility of using statistical analyses varying from simple average to complicated formulas and mathematical models (Babbie, 2010). The methodology for this study is based on a quantitative design to examine and evaluate data and to provide an inclusive analysis about the unemployment in Saudi Arabia. This study uses an online survey forum to examine the population sample and gather data.

One of the most important steps for a researcher to achieve accurate research results is to choose a suitable methodology (Garatli, 2014). For the purpose of this research, the quantitative design helps the researcher to collect numerical data to explain the problem with unemployment in Saudi Arabia (Muijs, 2004).

There are two classifications for the quantitative design: experimental and non-experimental (Muijs, 2004). The first type is known as the scientific method and is used in scientific research. In this type of a research, a test has to be done in a controlled environment to

test the validity of the research hypothesis. The non-experimental type is very commonly used in survey research, and is generally used in the social sciences. In this type of research, there are no controlled variables, and a researcher uses the variable as it appears in practice.

For the current research, the researcher selected the non-experimental type to test the relationships among the variables. This study conducts an online survey to answer the research questions. Survey items for the analysis are found on respondents' insights on the problem of unemployment in Saudi Arabia.

### **Research Ethics**

The researcher, as guided by Pepperdine University principles, highly considers the following: respect for persons, beneficence, and justice (Graduate School of Psychology Institutional Review Board Policy, 2009). The researcher will keep all of the information private and confidential to protect the participants' identities. The participants voluntarily participated in the study and have the right to withdraw from the study for any reason and at any time. The participants signed a consent form (see Appendix A and Appendix B) before beginning the study.

### **Protection of Human Subjects**

The main function of the IRB is to provide protection for the welfare and dignity of human subjects (GSP IRB Policy, 2009). During the research period, the IRB protects participants, whether minors or adults. A graduate student at Pepperdine University conducting research involving human subjects must go through the IRB process to safeguard the protection of the individuals' privacy and confidentiality.

Furthermore, according to the GSP IRB Policy (2009) Web site, research involving human subjects must be reviewed and approved by the IRB to ensure the researcher meets

ethical and professional standers. The IRB's goal is to support researchers in conducting ethical studies that meet the requirements of the Department of Health and Human Services. To comply with the IRB policy, the researcher successfully completed the Collaborative Institutional Training Initiative Web-based training course (see Appendix C).

As stated above and in compliance with the IRB, the researcher will keep all of the data very confidential. The researcher protected the identity of the participants and the name of their companies or organizations. The researcher used the data collected from the survey for the sole purpose of this study. The researcher will not share the data of those individuals who participate in the study for their protection.

### **Security**

One of the researcher's priorities is to protect the human subjects participating in this study. The researcher used an online survey method to collect data and did not rely on personal identification of subjects as data are collected or reported (Walther, 2002). The data collected concern the issue of unemployment in Saudi Arabia, with no personal information collected. The data were collected for the sole purpose of this study. Securing and storing the data is one of the biggest concerns when conducting a study involving human subjects. Therefore, the principal researcher is be in charge of storing the data safely and securely in a password-protected personal computer, and the data will be deleted after three years of completing the study.

In compliance with the IRB, the researcher did the following:

1. All study participants are voluntary.
2. All participants signed a consent form.
3. No participant names were identified.



4. All of the data were collected electronically and stored in a password-protected personal computer. If the researcher prints data for the purpose of this study, the researcher kept all printouts in a locked cabinet.
5. The data collected from individuals participating in this study were used for the sole purpose of this study.
6. Only the principal researcher viewed the data collected.
7. The data were not shared for any reason to protect the participants' privacy.
8. The data will be deleted after three years of completing this study.

### **Minimizing the Risk**

The researcher ensured that any probability of risk to human subjects was minimized in the study (GSP IRB Policy, 2009). The U.S. Department of Health and Human Services states that minimal risk (as cited in GSP IRB POLICY, 2009),

...means that the probability and magnitude of harm or discomfort anticipated in the research are not greater in and of themselves than those ordinarily encountered in daily life or during the performance of routine physical or psychological examinations or tests.  
(p. 11)

To comply with the GSP IRB Policy (2009) the researcher followed the following steps to minimize the risk to human subjects:

1. All participants signed a consent document.
2. No names of participants were identified in the study.
3. No company or organization was identified in the study.
4. All of the participants participated voluntarily.

5. The participants had the right to stop or withdraw from the study without giving any reasons.
6. The participants have the right to contact the research Chairperson as well as the IRB Chairperson.

### **Confidentiality**

The first mandatory step for each study participant is to sign the consent document (see Appendix B), which addresses the study's confidentiality. The researcher used very clear language in the consent document to make sure that the consent was readable and understandable by all the participants. The researcher made it clear that all of the study participants did so voluntarily and that the participants had the right to decline to answer any questions they did not wish to answer. Furthermore, the researcher made it very clear that all participants had the right to discontinue the survey at any point during the survey with no penalty.

Upon signing the consent document, the participants' identifications and responses to the questions were kept confidential. The researcher collected and gathered the data and stored it securely on a password-protected personal computer and did not share it with others. If the researcher decides to print data, all documents will be kept in a locked cabinet at the researcher's place of residence. The researcher will delete the data after three years of the study's end (GSP IRB Policy, 2009).

The researcher used a numerical system to refer to each participant (for example, 1, 2, or 3) in order for the researcher to ensure that identifying information of all participants is hidden and to protect the human subjects as much as possible. In addition, the researcher used only electronic files to generate the data and did not use any hard copies to minimize the risk as much

as possible. The researcher provided his contact information as well as that of the research chairperson and the IRB chairperson should participants have any question or need clarification.

### **Population Sample**

The researcher drew a conclusion about enhancing employment in the private sector in Saudi Arabia by observing a sample of the population (Singh, 2007). There are two categories of surveys: census survey and sample survey. The census survey is information and data gathered from each individual within a given population, while the sample survey is data gathered from a selected sample of the whole population.

For the purpose of this study, the researcher conducted a randomized sampling survey to identify 60 participants who are Saudi citizen business owners from different business sizes (very small, small, medium, large, and giant) in Saudi Arabia, with the condition their business is located in Saudi Arabia. The researcher decided to survey the business owners in Saudi Arabia to evaluate how the Nitaqat scheme affects employment in Saudi Arabia and their businesses. Also, the researcher wanted to learn Saudi business owners' opinions about the factors that affect unemployment in Saudi Arabia.

Furthermore, the researcher, at the suggestion of the Chairperson, surveyed the staff at the MOL about strategies to defeat Saudi Arabia's high unemployment in the near future. The researcher targeted 20 employees from the MOL. The total sample population for this study was 80 participants. The researcher aimed to diversify the sample of the population, especially with regard to gender and age, to avoid any biases in the study.

### **Study Characteristics**

The researcher focused on two components in this study. The first component is related to the obstacles that business owners face with regard to hiring Saudi workers versus foreign

workers. Furthermore, the researcher aimed to hear the business owners' opinions about the Nitaqat scheme and to evaluate its effectiveness. The data collected from the business owners helped the researcher to answer the first, third, and fourth research questions. The second component is related to the MOL's strategies to deal with the unemployment problem. The data collected from the MOL helped the researcher to answer the second and fifth research questions.

### **Research Instrument**

There are two approaches to information gathering: primary and secondary sources (Kumar, 2011). Questionnaires, interviews, and observation are classified as primary sources for collecting data. The secondary sources include gathering documents, such as government publications or service records.

For the purpose of this study, the researcher used a primary source, specifically, an online survey. The online survey helped the researcher to collect data from the targeted sample quickly and inexpensively. As Kumar (2011) indicated, one of the great advantages of using the questionnaire is that there is no face-to-face interaction between the researcher and the respondents; thus, it helps the researcher to protect the human subjects.

The investigator used Qualtrics to administer the online survey. The investigator designed the questionnaire for the purpose of gathering data from participants who answered the five research questions. In compliance with GSP IRB Policy (2009), the researcher wrote the online survey questionnaire in clear language to make it understandable to avoid any confusion. Additionally, the researcher designed the questionnaire ethically, following professional standards with all of the questions aiming only to answer the research questions, with no personal information needed.

The researcher used English to conduct the online survey. The researcher used a 5-point Likert Scale to evaluate participants' survey responses. The 5-point Likert Scale ranges from 1 to 5 (5 = strongly agree, 4 = agree, 3 = neutral, 2 = disagree, 1 = strongly disagree). The online survey also included two open-ended questions. The first open-ended question targeted the business owners participating in this study to hear their opinions about the Nitaqat scheme and their recommendations about employment in the private sector. The second open-ended question asked the staff at the MOL about Saudi Arabia's development strategies for dealing with the unemployment problem.

The researcher did ask MOL staff the 12 survey questions. The 12 survey questions are designed to answer two dissertation research questions:

1. What are MOL employee's perceptions about foreign workers expanding or damaging Saudi Arabia's economy and why?
2. What are MOL employee's perceptions about what employment and/or development strategies should Saudi Arabia implement to best benefit the country?

Additionally, the researcher asked Saudi business owners 20 questions to ascertain their opinions about the Nitaqat scheme and about what factors they believed underlie unemployment in Saudi Arabia. The survey questions are designed to answer three dissertation research questions:

1. What are business owners' perceptions about what key factors drive the Saudi Arabian labor market?
2. What are business owners' perceptions about what evidence, if any, points to the failure or success of the Nitaqat and/or Saudization policy?

3. What are business owners' perceptions about what are the principal elements underlying high unemployment in Saudi Arabia?

The survey for the MOL staff and Saudi business owners included two parts.

Demographic questions (i.e., age, gender, level of education) were the first part of the survey.

The second part of the Saudi business owners survey used the 5-point Likert Scale ranges from 1 to 5 to learn Saudi business owners' opinions about the driving forces behind unemployment in Saudi Arabia and their opinions about the Nitaqat scheme. For the second part of the MOL staff survey, the researcher used the 5-point Likert Scale ranges from 1 to 5 to assess the participants' opinion of the strategies to defeat Saudi Arabia's high unemployment in the near future. Table 9 summarizes how survey questions are set to help answer research questions.

Table 9

*Survey Questions Intended to Answer Research Questions*

Survey Questions for the MOL and Business owners	→	Research Questions
The online survey for the MOL, which covers Q.1 through Q.11, is planned to answer the second research question	→	What are MOL employee's perceptions about foreign workers expanding or damaging Saudi Arabia's economy and why?
The online survey questions for the business owners in Saudi Arabia, which covers Q.1 through Q.8, are intended to answer the first research question	→	What are business owners' perceptions about what key factors drive the Saudi Arabian labor market?
The online survey questions for the business owners in Saudi Arabia, which covers Q.10 through Q. 21, are designed to answer the fourth research question	→	What are business owners' perceptions about what are the principal elements underlying high unemployment in Saudi Arabia?

To validate the instrument of the questionnaire, the researcher ran a pilot study (Mallette, 2014). The pilot study consisted of three study participants, which allowed the researcher to check that the survey questions could be easily understood and answered. After the pilot study,

the researcher determined whether there were any confusing questions and was then be able to modify them for clarity.

Upon completing a significantly satisfactory level of reliability and validity of the pilot study, the researcher was able to finalize the questionnaire and send it to the target participants.

### **Validity and Reliability of the Data Collecting Instrument**

Mallette (2014) defines validity as, “Validity is a measure of how well your data collecting instrument answers your research questions” (p. 52). To validate the instrument of the questionnaire, the researcher ran a pilot study.

Mallette (2014) also defines reliability as, “Reliability is a measure of how well your instrument will return the same information” (p. 52). The researcher ensured the questionnaire developed for the survey aligned with the research questions. Additionally, the researcher used an online survey to target the sample selected confidentially and in a timely manner.

Conducting academic research well requires high creditability and reliability of the study methodology. A high code of ethics and professional standards are key to managing data reliability.

### **Data Collecting Procedures**

Based on a suggestion from a chairperson, the researcher targeted MOL staff to conduct a survey to determine best strategies for dealing with Saudi Arabia’s employment dilemma. The MOL’s permission (see Appendix D) was necessary to avoid any rejection during the study period.

To protect the human subjects who participate in the study, the study was completely anonymous, and participation in the study was on a voluntarily basis. The researcher sent an e-mail message to MOL personnel to conduct the survey. A reminder e-mail message was sent

after 10 days if no response was received. No in-person or telephone interviews were conducted, as all of the communication regarding the survey was via e-mail.

In addition, Saudi business owners of various sized companies (very small, small, medium, large, and giant) were included in the survey. The reason to include the business owners in the study was to evaluate how the Nitaqat scheme affects the nature of their business and how they employ people. The researcher targeted the business owners through the Saudi Arabian Chamber of Commerce & Industry. The researcher chose to distribute the business owners' survey this way because all business owners in Saudi Arabia must be a member, thus the Saudi Arabian Chamber of Commerce & Industry was the best channel to reach the business owners in Saudi Arabia.

The researcher sought permission via e-mail (see Appendix E) from the Saudi Arabian Chamber of Commerce & Industry to circulate the survey among the business owners to avoid any rejection during the study period. A reminder e-mail was sent after 10 days if no response was received. No in-person or telephone interviews were conducted, as all of the communication regarding the survey was via e-mail.

There were two conditions for the Saudi business owners to participate in the study. First, all of the participants must be Saudi citizens. Second, the participants must have their businesses located in Saudi Arabia. If one or both of these conditions were not met, the participant was disqualified from participating in the study. Under the demographic section of the business owners' survey, the researcher asked about their nationality (with the option of either yes or no to being a Saudi citizen) and also confirmed the geographical location of their business operation, to determine that the two conditions to participate in the study were met. The researcher targeted 60 business



owners to participate in this study. Also, the researcher anticipated that not all of the 60 targeted business owners would respond to the survey.

The researcher, as suggested by the chairperson, aimed to survey 20 staff members at the MOL to respond to the questions with regard to strategies on how to deal with unemployment in Saudi Arabia. The total number the researcher targeted in this study was 80 participants. For both segments, the researcher sent an Internet link to the survey (see Appendix F & Appendix G). The survey helped the researcher to find a solution or recommendations for enhancing employment in the private sector in Saudi Arabia.

### **Data Analysis**

The data collected by the researcher were to be processed and analyzed to help the researcher in answering the research questions (Kothari, 2004). Analyzing the data could be done manually or by computer (Kumar, 2011). The researcher used a computer program to analyze the data collected from the participants in this study. The SPSS program was used to analyze the data gathered from the business owners and the staff at the MOL. The SPSS program helped the researcher tremendously in terms of the descriptive analysis, as the program allowed the investigator to evaluate the mean, average, and frequency of each response to highlight the elements behind the unemployment issues in Saudi Arabia.

### **Limitations**

The researcher focused on how to enhance methods relating to unemployment in the Saudi Arabian private sector. The study began in the fall semester of 2015 and continued through the spring semester of 2016. All of the public and private organizations to be included in this study were located in Saudi Arabia. The researcher found that one of the study's limitations was that the data for unemployment in Saudi Arabia varied from one source to another one. Thus,

data from the IMF, the MOL, and the GAS were used to avoid confusion. This limitation has hindered the accuracy of the results of this research. The reason for this data complication was that there is no official definition by the MOL for unemployment. Another limitation of this study was that presenting a problem in Saudi Arabia with regard to economic, financial, or social issues can be a sensitive undertaking, based on the issues (Garatli, 2014).

### **Summary**

This chapter describes the research methodology for this study. The researcher used quantitative methods to collect the data and conducted an online survey of Saudi business owners and staff at the MOL to help the researcher answer the research questions. Additionally, this chapter gives details about the sample size, protection of the human subjects, research instrument, and validity and reliability of the data.

## Chapter 4: Findings

The purpose of this quantitative study was to examine the relationship between Saudi Arabia MOL employees' perceptions of the Saudi labor market and Saudi business owners' perceptions of the reasons behind the high unemployment in Saudi Arabia. The study involved 24 MOL employees and 47 business owners.

The design of the study was established on quantitative research methodology and collected primary data from the MOL personnel and Saudi business owners in Saudi Arabia through an online survey. The study was developed to answers to the following research questions:

1. What are MOL employee's perceptions about foreign workers expanding or damaging Saudi Arabia's economy and why?
2. What are MOL employee's perceptions about what employment and/or development strategies should Saudi Arabia implement to best benefit the country?
3. What are business owners' perceptions about what key factors drive the Saudi Arabian labor market?
4. What are business owners' perceptions about what evidence, if any, points to the failure or success of the Nitaqat and/or Saudization policy?
5. What are business owners' perceptions about what are the principal elements underlying high unemployment in Saudi Arabia?

Table 10 provides demographic statistics for the MOL employees polled in the study, while Table 11 provides demographic statistics for the business owners polled in the study. Table 12 displays the scores for the MOL employees' ratings of labor market economy items to answer Research Question 1. Table 13 provides the total number of quotes 13 aligned with respondents

in relation to that specific category to answer question 2. Table 14 displays the scores for the business owners' ratings of labor market economy items to answer Research Question 3. Table 15 provides the total number of quotes aligned with respondents in relation to that specific category to answer question 4. Table 16 displays the scores for the business owners' ratings of high unemployment items to answer Research Question 5.

### **Description of the Sample**

Table 10 displays the frequency counts for the demographic statistics of the 24 MOL employees in the study. Most employees were between 25 and 34 years old (70.8%). There were 15 males (62.5%) and nine females (37.5%). All 24 MOL employees were Saudi citizens: 12 had four-year college degrees (50.0%), seven had master's degrees (29.2%), and three had doctoral degrees (12.5%). Nine employees were single (37.5%), 13 were married (54.2%), and two were divorced (8.3%). Among the participants 65% had 3 or more years of experience working for the MOL.

Table 11 displays the frequency counts for the demographic statistics of the 47 business owners in the study. All business owners were Saudi citizens, and most were either 25 to 34 (40.4%) years old or 35 to 44 (42.6%) years old. Most were male (83.0%), had either a four-year college degree (36.2%) or a master's degree (46.8%). Among the participants, 79% were married. Twenty eight business owners had been in business for five or fewer years (59.6%). A diverse range of industries were represented by the businesses, with eight in marketing-advertising (17.0%), followed by transportation-utilities, engineering, and business services-consulting with five each (10.6%). The businesses were classified as small (10 to 49 employees; 31.9%) or very small (fewer than 10 employees; 29.8%) by their owners. Most business owners were aware (36.2%) or completely aware (34.0%) of Nitaqat.

Table 10

*Frequency Counts for MOL Employee Demographics (N = 24)*

Variable	Category	<i>n</i>	%
Age	25–34	17	70.8
	35–44	6	25.0
	55–64	1	4.2
Gender	Male	15	62.5
	Female	9	37.5
Saudi citizen	Yes	24	100.0
Education	High School-GED	1	4.2
	Some College	1	4.2
	Four-year College Degree	12	50.0
	Master's Degree	7	29.2
	Doctoral Degree	3	12.5
Marital Status	Single	9	37.5
	Married	13	54.2
	Divorced	2	8.3
Years of experience with MOL	Less than a year	2	8.3
	1 to 3 years	14	58.3
	3 to 5 years	2	8.3
	5 to 10 years	4	16.7
	10 to 15 years	2	8.3

Table 11

*Frequency Counts for Business Owner Demographics (N = 47)*

Variable	Category	<i>n</i>	%
Saudi Citizen	Yes	47	100.0
Age	18–24	1	2.1
	25–34	19	40.4
	35–44	20	42.6
	45–54	5	10.6
	55–64	1	2.1
	65 or older	1	2.1
Gender	Male	39	83.0
	Female	8	17.0

(continued)

Variable	Category	<i>n</i>	%
Education	High School-GED	3	6.4
	Some College	1	2.1
	2-year College Degree	2	4.3
	4-year College Degree	17	36.2
	Master's Degree	22	46.8
	Doctoral Degree	1	2.1
	Professional Degree (JD, MD)	1	2.1
Marital Status	Single	8	17.0
	Married	37	78.7
	Divorced	2	4.3
Time had business	Less than a year	7	14.9
	1 to 5 years	21	44.7
	6 to 10 years	9	19.1
	11 to 20 years	6	12.8
	20 years or more	4	8.5
Primary business activity	Manufacturing and Process Industries	4	8.5
	Communications Carrier	2	4.3
	Banking-Finance-Accounting	4	8.5
	Insurance-Real Estate-Legal	2	4.3
	Medical-Dental-Health Care	4	8.5
	Transportation-Utilities	5	10.6
	Construction-Architecture-Engineering	5	10.6
	Wholesale-Retail-Distribution	4	8.5
	Education	4	8.5
	Marketing-Advertising	8	17.0
	Business Services-Consultant	5	10.6
Business size	Very small (fewer than 10 employees)	14	29.8
	Small (10 to 49 employees)	15	31.9
	Medium (50 to 499 employees)	8	17.0
	Large (500 to 2,999 employees)	3	6.4
	Giant (More than 3,000 employees)	7	14.9
Awareness of Nitaqat	Not aware	5	10.6
	Somewhat aware	9	19.1
	Aware	17	36.2
	Completely Aware	16	34.0

## Details of Analysis and Results

**Research question 1.** Research question 1 asked: What are MOL employee's perceptions about foreign workers expanding or damaging Saudi Arabia's economy and why? To answer this, Table 12 displays the MOL employee ratings of labor market economy items sorted by

highest mean. These ratings were given using a 5-point metric: 1 = *Strongly Disagree* to 5 = *Strongly Agree*. The highest level of agreement was given to “The private sector environment is more demanding (e.g., work hours, fewer holidays) than the public sector” and “Saudis prefer to work in the public sector rather than the private sector.” The lowest level of agreement was given to “Some private sector companies are reluctant to hire women due to an additional financial burden.”

Table 12

*MOL Employee Ratings of Labor Market Economy Items Sorted by Highest Mean (N = 24)*

Item	M	SD
The private sector environment is more demanding (e.g., work hours, fewer holidays) than the public sector	4.08	1.06
Saudis prefer to work in the public sector rather than the private sector.	4.00	1.16
The private sector believes foreign workers are more economical and productive than Saudi workers.	3.93	1.25
The Nitaqat scheme is a solution to the unemployment issue rather than just a statistical improvement.	3.88	0.90
The mismatch between educational outcomes in Saudi Arabia and market demand is causing unemployment and the demand for foreign workers to remain high.	3.88	1.12
The high wages that citizens request to work in the private sector.	3.88	0.99
The lack of cooperation among related parties (i.e., MOL, government agencies, the private sector, job seekers) has negatively affected outcomes of the Nitaqat scheme.	3.83	0.87
The Nitaqat scheme is designed to be a long-term and valid solution for the employment dilemma in Saudi Arabia	3.83	0.96
Nitaqat decreases the severity of high unemployment among Saudi nationals.	3.71	1.12
Nitaqat is a sufficient model.	3.46	1.06
Some private sector companies are reluctant to hire women due to an additional financial burden.	3.29	1.16

*Note.* Ratings based on a 5-point metric: 1 = *Strongly Disagree* to 5 = *Strongly Agree*.

**Research question 2.** Research question 2 asked the MOL employees: What are MOL employee’s perceptions about what employment and/or development strategies should Saudi Arabia implement to best benefit the country? In this open-ended question for the MOL employees, the researcher used a theme breakdown to record the frequency of the participants’ responses and then categorized the answers by the highest frequency with the exception of the “I don’t know” answer, as it was listed at the bottom of the table.

For each category, there was a short quote from the participants' strategies and/or recommendations that the Saudi Arabian government should implement to best benefit the country. The 24 participants from the MOL provided 31 quotes. Table 13 provides the total number of quotes aligned with respondents in relation to that specific category.

Table 13

*MOL Employees' Quotes Aligned With Respondents in Relation to That Specific Category*

(*N* = 31)

Category	<i>n</i>	Quote
1. Change the current employment policies and/or implement new policies to reduce the unemployment among the Saudi nationals.	6	“Implement policies that will encourage the private sector to increase their participation in the development process.”
2. Change the education system (elementary school through university) to be geared toward employment and a better future.	5	“Focusing on educational outcome to be more aligned with market requirements.”
3. Investing and developing in the Saudi human capital.	4	“Training for the most demanding sector and increase the salaries and HRDF support”
4. Provide funds and/or promote a middle class income.	3	“Increase the salaries and HRDF support”
5. Fix and reform the employment quote on the private sector and raise the business ethics.	3	“Monitoring the companies from the fake Saudization hiring”
6. Increase women participations in the Saudi workforce.	2	“Create suitable jobs for women”
7. Other	2	“Support small and medium size businesses to create jobs to locals”
8. I do not know, N/A, or No response	6	“N/A”

*Note.* These are 31 individual quotes given by the 24 participants. Some gave responses that related to more than single theme. *n* = the number of participants who gave a similar response.

**Research question 3.** Research question 3 asked: What are business owners' perceptions about what key factors drive the Saudi Arabian labor market? To answer this, Table 14 displays the business owner ratings of labor market economy items sorted by highest mean. These ratings were given using a 5-point metric: 1 = *Strongly Disagree* to 5 = *Strongly Agree*. The highest level of agreement was given to “The nature of work (e.g., managerial, manual) affects the



employment choice” and “The role of the public education system in Saudi Arabia does not prepare young citizens to meet market demands.” The lowest level of agreement was given to “Government spending is positively correlated with employment in Saudi Arabia.”

Table 14

*Business Owner Ratings of Labor Market Economy Items Sorted by Highest Mean (N = 47)*

Item	<i>M</i>	<i>SD</i>
The nature of work (e.g., managerial, manual) affects the employment choice.	4.17	0.67
The role of the public education system in Saudi Arabia does not prepare young citizens to meet market demands.	4.15	0.98
The importance of being an English speaker affects your decision in hiring a new applicant.	4.11	0.91
The Saudi culture (e.g., pressure on women, work by choice) contributes to unemployment.	3.87	0.90
Gender plays a significant role in your recruitment decision.	3.66	1.03
In terms of hiring women, it is important that women accept being segregated from men in the workplace before accepting a job offer.	3.60	1.08
“Whom you know” is more important than “what you know.”	3.36	1.21
Government spending is positively correlated with employment in Saudi Arabia.	3.32	1.24

*Note.* Ratings based on a 5-point metric: 1 = Strongly Disagree to 5 = Strongly Agree.

**Research question 4.** Research question 4 asked: What are business owners’ perceptions about what evidence, if any, points to the failure or success of the Nitaqat and/or Saudization policy? In this open-ended question for the business owners, the researcher used a theme analysis to classify the frequency of the participants’ responses and then categorized the answers by the highest frequency with the exception of the “I don’t know” answer, as it was listed at the bottom of the table. For each category, there was a short quote from the participants’ about evidence of success or failure of the Nitaqat scheme or Saudization policy. The 47 business owners who participated in this study provided 31 quotes. Table 15 provides the total number of quotes aligned with respondents in relation to that specific category.

Table 15

*Business Owners' Quotes Aligned With Respondents in Relation to That Specific Category*

(N = 39)

Category	n	Quote
1. Change the current employment policies and/or implement new policies that would make the private sector create real jobs for the young Saudis.	6	“We would have to force ourselves to accept a person who might not have the experience needed, yet we would have to accept them because of their nationality.”
2. Change the education system (elementary school through university) to be geared toward employment and a better future. Additionally, change the teaching methods and mindset at the school system (from memorization to critical thinking.)”	5	“Individual’s development in terms of education, talents, and required skills for the jobs.”
3. Government fund and support the human capital “Training and vocational courses.”	4	“Saudis do not have the experience needed to do the job.”
4. Change and/or edit the Saudi employment policy to support the small and medium businesses.	3	“Nitaqat has increased the financial cost on the small businesses. The success of Nitaqat is clearly witnessed in the big companies where the Nitaqat has created jobs for the Saudi citizens.”
5. Implement a new policy that will create jobs for the local Saudis and at the same time, restrict the number of foreign workers entering the country every year.	3	“High employment rate for non-Saudis”
6. Boost the collaboration between the MOL and the private sector	2	“Policy enforcement, private sector companies acceptance of the policy and acting accordingly.”
7. Other	2	“Better than to think about the problem (and finding the evidence of the failure or success); we have to think of solutions.”
8. N/A, or No response	14	“N/A”

*Note.* These are 39 individual quotes given by the 47 participants. Some gave responses that related to more than single theme. *n* = is a number of participants who gave a similar response.

**Research question 5.** Research question 5 asked: What are business owners’ perceptions about what are the principal elements underlying high unemployment in Saudi Arabia? To answer this, Table 16 displays the business owner ratings of high unemployment items sorted by highest mean. These ratings were given using a 5-point metric: 1 = *Strongly Disagree* to 5 = *Strongly Agree*. The highest level of agreement was given to “There is a lack of current and

accurate data about unemployment in Saudi Arabia” and “The mismatch between educational outcomes and market demand is causing unemployment to remain high.” The lowest level of agreement was given to “Nitaqat is designed to create middle class jobs rather than lower-paid positions.”

Table 16

*Business Owners Ratings of High Unemployment Items Sorted by Highest Mean (N = 47)*

Item	<i>M</i>	<i>SD</i>
There is a lack of current and accurate data about unemployment in Saudi Arabia.	4.06	0.79
The mismatch between educational outcomes and market demand is causing unemployment to remain high.	4.06	1.05
Unwillingness of Saudis to accept manual work is keeping unemployment rates high.	3.70	1.02
The lack of flexibility of the Nitaqat scheme has a negative impact on the outcome of the Nitaqat scheme.	3.55	0.97
The Nitaqat scheme creates a significant burden on businesses.	3.51	1.02
In general, Saudis lack the necessary skills to meet the actual needs of the private sector.	3.32	1.22
Intensity of Saudis varies from one city to another, and the Nitaqat scheme could be implemented in the same manner in rural areas.	3.30	1.04
In the private sector, hiring non-Saudis is more beneficial to the employer in terms of productivity and cost.	3.28	1.44
Nitaqat is a sufficient model to create jobs for Saudi citizens.	3.09	1.04
Nitaqat takes into consideration the nature and the size of the business.	3.09	1.06
Nitaqat is designed to create middle class jobs rather than lower-paid positions.	3.04	1.06

*Note.* Ratings based on a 5-point metric: 1 = *Strongly Disagree* to 5 = *Strongly Agree*.

### **Additional Findings**

As an additional set of analyses, Spearman rank-ordered correlations were used to examine the relationships among the perceptions of the business owners and seven demographic characteristics (age, gender, education, marital status, years of business, size of business, and awareness of Nitaqat). Spearman correlations were used instead of the more common Pearson correlations because of the sample size ( $N = 47$ ). In addition, because of the exploratory nature of

this study, findings significant at the  $p < .10$  level were noted to suggest possible avenues for future research.

The eight ratings pertaining to the business owners' perceptions about what key factors drive the Saudi Arabian labor market were correlated with the seven demographic variables. For the resulting 56 correlations, six were significant at the  $p < .10$  level. Specifically, older respondents agreed more with "The nature of work affects the employment choice." Those that had been in business longer agreed less with "The Saudi culture contributes to unemployment." Respondents with larger businesses agreed less with "The importance of being an English speaker affects your decision in hiring a new applicant" and "Whom you know is more important than what you know," but they agreed more with "In terms of hiring women, it is important that women accept being segregated from men in the workplace before accepting a job offer." In addition, the more that the respondent was aware with the Nitaqat scheme, the more they agreed with "Government spending is positively correlated with employment in Saudi Arabia."

Spearman correlations were also used to compare the 11 perceptions of the business owners about what are the principle elements underlying high unemployment in Saudi Arabia with the seven demographic variables. For the resulting 77 correlations, four were significant at the  $p < .10$  level. Specifically, agreement was higher for "Intensity of Saudis varies from one city to another, and the Nitaqat scheme could be implemented in the same manner in the rural areas" by younger respondents and respondents with younger businesses. Respondents with larger businesses agreed more with "Nitaqat is a sufficient model to create jobs for Saudi citizens." In addition, those with a higher awareness of the Nitaqat scheme agreed more with "Nitaqat is designed to create middle class jobs rather than lower-paid positions."

## **Summary**

In summary, this study used responses from 24 MOL employees and 47 business owners to examine the relationship between their perceptions of the Saudi labor market economy. The most important findings for this study were a need of reforming the employment policy, changing the education system, and creating middle-class jobs for the young Saudis. In the final chapter, these findings will be compared to existing literature. From which, conclusions and implications will be drawn, and a series of recommendations will be suggested.

## **Chapter 5: Conclusions and Recommendations**

The purpose of this study was to investigate and draw practical solutions to the unemployment challenges facing Saudi Arabia and to enhance the employment opportunities in the Saudi Arabian private sector. Furthermore, the SPELIT Power Matrix provided a clear picture of the situation in Saudi Arabia with regard to unemployment. Using the SPELIT Power Matrix, the researcher was able to analyze in depth, the driving forces affecting Saudi Arabia's high unemployment rate.

The methodology for this study was based on a quantitative design to examine and evaluate data and to provide an inclusive analysis about the unemployment in Saudi Arabia. This study used primary data collection by conducting an online survey. There were two online surveys: (a) for the MOL employees to discuss their suggestions and recommendations to defeat Saudi Arabia's high unemployment in the near future, and (b) for the Saudi business owners to provide input on their opinions about the driving forces behind unemployment in Saudi Arabia.

The analysis of the study results in this chapter was structured according to the research questions. The research was established to answer the following research questions:

1. What are MOL employee's perceptions about foreign workers expanding or damaging Saudi Arabia's economy and why?
2. What are MOL employee's perceptions about what employment and/or development strategies should Saudi Arabia implement to best benefit the country?
3. What are business owners' perceptions about what key factors drive the Saudi Arabian labor market?
4. What are business owners' perceptions about what evidence, if any, points to the failure or success of the Nitaqat and/or Saudization policy?

5. What are business owners' perceptions about what are the principal elements underlying high unemployment in Saudi Arabia?

### **Discussion of Key Findings**

The key findings discussion was based on the literature review in this research study. The results of the primary data collection were compared to the literature review based on whether there was support for agreement or disagreement. This comprehensive analysis of the results and how findings relate to literature review helped the investigator to draw practical conclusions about the current situation of unemployment in Saudi Arabia and, more important, to recommend and propose possible solutions to reduce the unemployment in Saudi Arabia in the near future.

**Demographic sample.** In this study, the number of men responded to the online survey questions was larger than the number of women. In the MOL employees online survey questions, the women participation rate was only 37.5%. The women participation rate for the Saudi business owners was a mere 17%. This result of low women participation in the Saudi labor force was consistent with the analysis of what was pointed out in this research study's literature review. One of the driving forces under the SPELIT Power Matrix presented that the men in Saudi Arabia were highly dominating the job market in the country. In actuality, according to the IMF (2015), women's participation in the workforce was very low at 18%, whereas for men it was 67%. This factor could possibly be a key reason as to why there was the low women participation in the online survey compared to men's participation. Although the government of Saudi Arabia had emphasized to expand the women's participation in the workforce and to hammer out the reason for the high unemployment rate among women, there is still a lot of improvements that need to be addressed.

Most of the MOL employees participating in the online survey were aged between 25 and 34 years old (70.8%). This finding was valid and consistent with the literature review of this study. The young generation in Saudi Arabia, as the researcher analyzed under the technological force in the SPELIT, was highly advanced, up-to-date, and adept at using technology (Garatli, 2014). Since the survey used technological methods to distribute the online survey, the participants to this survey were considered as young aged.

The respondents from the MOL employees' survey were highly educated: (50%) of the respondents earned bachelor degrees, (29%) earned master degrees, and (12%) earned doctoral degrees. Also, 58.3% of the MOL respondents had worked less than three years. As described in the literature review, the Nitaqat scheme was introduced in 2011. A large number of the employees were hired at the MOL after the implementation of the Saudi employment policy was created. This perhaps, explains why a large number of respondents had less than three years of working experience at the MOL.

In the second online survey, which targeted Saudi business owners, the scenario for women participants in the online survey was similar to the MOL in that women respondents were low compared with men. The women's participations rate in the online survey was only 17%. This finding of low women's participation rate was consistent with the literature review. The majority of the respondents' ages were either 25 to 34 years (40.4%) or 35 to 44 years (42.6%) and this finding was inconsistent with the literature review, as two thirds of the population was younger than the age of 30.

The respondents from the Saudi business owners' survey were highly educated; the majority had either a four-year college degree (36.2%) or a master's degree (46.8%). The random sample of industries and business sizes was very diverse. This was instrumental in



helping the researcher to get a variety of opinions in order to find the underlying factors behind the high unemployment in Saudi Arabia. The level of awareness of Nitaqat among the participants was high: (36.2%) business owners were somewhat aware of Nitaqat, and (34%) were fully aware, which helped the researcher to draw a good comprehensive conclusion of the data collected.

**Research question 1.** Research question 1 asked: What are MOL employees' perceptions about foreign workers expanding or damaging Saudi Arabia's economy and why? To answer this question, the researcher used descriptive statistics analysis to rank the relevant survey responses. These ratings were given using a 5-point Likert scale: 1 = Strongly Disagree to 5 = Strongly Agree. Table 11 in Chapter 4 displayed the MOL employee ratings of labor market economy items sorted by highest mean.

Answering question 1 by the MOL employees assisted the researcher in providing a decent conclusion about the Saudi labor market economy. Moreover, the perceptions of the MOL employees helped the researcher to provide recommendations for the Saudi government policy makers with regard to reducing the unemployment problem.

The study found that the highest level of agreement was given to “The private sector environment is more demanding (e.g., work hours, fewer holidays) than the public sector” and “Saudis prefer to work in the public sector rather than the private sector.” This finding was in agreement with the literature review of this research. As discussed in the literature review, Saudi workers preferred to work in the public sector, as the rights of employees were highly protected compared to the private sector (Ibrahimkhan, 2007). Also, working in the public sector normally reflected social status, which was a must in some cases to most of the Saudis, since social status was a matter of great importance (Al Omran, 2010; Fakeeh, 2009; Sheras, 1994). Contrary to the

public sector, the private sector was more demanding and based on performance and production (Ibrahimkhan, 2007).

It was not surprising that most of the respondents highly believed that the private sector believes foreign workers are more economical and productive than Saudi workers. As presented in the literature review, the private sector was in favor of foreign workers for three reasons: first, Saudi workers did not have the skills to replace the foreign workers (Alogla, 1990; Fakeeh, 2009). Second, for economic reasons, the salary for a Saudi worker was much higher than a foreign worker as a result of different wage standards (Alogla, 1990; Alotaibi, 2014, Fakeeh, 2009). Third, a Saudi company that recruited foreign workers would essentially save money by eliminating training programs, as opposed to hiring and training Saudi workers to do the same jobs (Alogla, 1990). The fact is, for the private sector, there was no valid argument to be made for a company to pay someone because of his or her citizenship a higher salary than another if they both can perform the same task. In addition, Table 5 in Chapter 2 confirmed the findings of this study. The number of foreign workers in the private sector increased annually with the expansion of the job creations in Saudi Arabia. The IMF (2013) report presented this clearly when it showed that Saudi Arabia had created a great number of job opportunities, yet most of the jobs were given to foreign workers, leaving the rate of unemployment high among Saudis.

The study found that there was not a high level of agreement given to “The Nitaqat scheme are a solution to the unemployment issue rather than just a statistical improvement” and “Nitaqat is a sufficient model.” As discussed in the literature review, although Nitaqat scheme had created a good number of jobs for the Saudi workers, Nitaqat had done little to drive significant change in the labor market (Peck, 2013). This might have explained the high rate (56%) of foreign workers still dominating the Saudi labor market (Al Omran & Jones, 2015).

Thus, there is still room for improvements for the Nitaqat scheme to reduce the unemployment among the Saudi job seekers. The word Nitaqat in Arabic means limit, which limits the number of foreign workers from increasing in the Saudi market. However, the scheme has become controversial, as the number of foreign workers continues to rise (Schuettler, 2015).

The study also found that the lowest agreed upon idea was given to, “Some private sector companies are reluctant to hire women due to an additional financial burden.” The literature review indicated that some of the private companies were hesitant to hire women and might perhaps, be more in favor of hiring men, even if less qualified compared to the women, in order to avoid culture barriers and extra financial costs associated with having a segregated section for females (Metcalf, 2008). The findings of the study with regard to women employment complied with the MOL Employment Plan (2014) to increase the Saudi women’s participation in the labor force by overcoming cultural and financial barriers.

In summary, the introduction of Nitaqat scheme to the Saudi labor market resulted in positive outcomes especially with respect to increase jobs for Saudis. Recognizably, the policy needs to be reformed to achieve the original agenda. The perceptions of the MOL employees’ regards to “Nitaqat is a sufficient model” clearly suggested that the Nitaqat scheme needed improvements. The number of foreign workers working in Saudi Arabia increased since the implementation of Nitaqat scheme; clear evidence there were flaws in the employment policy. Table 5 in Chapter 2 clearly displayed the number of foreign workers increasing year after year; policy makers in Saudi Arabia need to readjust the mechanism of the Nitaqat to assure job creations for the Saudi job seekers; thus, to reduce the unemployment among the Saudi population.

**Research question 2.** Research question 2 asked the MOL employees: What are the MOL employee's perceptions about what employment and/or development strategies Saudi Arabia should implement to best benefit the country? In this open-ended question for the MOL employees, the researcher used a theme breakdown to record the frequency of the participants' responses. The researcher then categorized the answers by the highest frequency with the exception of the "I don't know" answer, as it was listed at the bottom of the table. Table 12 displayed the responses in Chapter 4.

The study found the highest responses correlated with the theme "Change the current employment policies and/or implement new policies to reduce the unemployment among the Saudi nationals." A sample quote from the respondents from the MOL employees' survey aligned with this specific theme was, "Implement policies that will encourage the private sector to increase their participation in the development process."

As Kjørnigsen (2011) pointed out, Saudization policy and/or Nitaqat made it difficult for foreign companies to establish their businesses in Saudi Arabia. Additionally, Alotaibi (2014), Fakeeh (2009), and Ibrahimkhan (2007) argued the private sector and foreign investors were afraid to employ Saudis who were not equipped with the proper education and skills, as this would cost the market a significant loss to foreign investors. Indeed, the Saudi policymakers and the MOL needed to review the Nitaqat policy to lessen the obstacles in the private sector by reforming the Nitaqat policy and requirements. Thus, more jobs will be created by encouraging local Saudis to start their own business and attract foreign investors to invest in the country.

Not surprisingly, the second highest theme was that respondents made their recommendations on improving the education system in Saudi Arabia. The theme was, "Change the education system (elementary school through university) to be geared toward employment

and a better future.” A sample quote aligned with this specific theme was, “Focus on educational outcome to be more aligned with market requirements.” In the literature review, scholars directly related the high unemployment rate in Saudi Arabia with the poor education system. Fakeeh (2009) pointed out in her dissertation that the poor quality of the Saudi education system led to high unemployment. Fakeeh clearly stated, “The educational system, except for minor changes and more Islamic additions, was not customized to suit the long-term local needs of the Saudi economy and labour market future demands” (p. 61). Also, Samman (2003) concluded in his dissertation that the low quality of education in Saudi Arabia was a major factor for the high unemployment.

The third highest rated theme of the MOL employees’ survey was, “Investing and developing in the Saudi human capital.” A sample quote aligned with the specific theme was “Improve training for the most demanding sector and increase the salaries and HRDF support.” As presented in the literature review, the private sector industry had an abundance of job opportunities, yet foreign workers in Saudi Arabia were employed in most of those jobs. Table 5 in Chapter 2 compared the number of Saudi workers to foreign workers from 2004 to 2014. The Saudi workers represented no more than 16% of the private sector employees, which, by all accounts, was very low. The main purpose of establishing the Nitaqat scheme was to employ Saudi workers and to reduce the number of foreign workers. However, two reasons have not helped to smooth the efficiency of the Nitaqat. First, as Fakeeh (2009) implied, replacing the foreign workers with unskilled national workers would have a major negative impact on, not only society, but the economy as well. Therefore, a long-term educational solution is required to provide the necessary skills and qualifications to be effective. Second, Alotaibi (2014) suggested that the education system and the private sector must work together and invest in training and

educating Saudi Arabia's workforce in the skills its members need to compete with foreign workers. In order for the MOL to assure jobs for the Saudi job seekers, training and human development for Saudi youth at early age should be well developed.

The findings of this study also suggested to monitor strictly the Saudi employment system. Three respondents had emphasized that there were fake employment numbers in the Saudi labor market. Al-Hejailan (2012) described Nitaqat as a strict and precise quoting employment system; where a company might be subjected to losing its license if the company does not employ the exact assigned number of Saudi nationals required by the MOL. This resulted in a significant number of companies that depended on entry-level labor or blue-collar workers, which as discussed in the literature review were not the types of jobs favored by the Saudis. This resulted in companies enrolling Saudis on their payroll without them actually working the assigned job. This practice, perhaps, could be attributed to the fact that Saudi job seekers pay little attention to and have no ambition toward the blue-collar type of jobs, and that the quota system from the MOL was not based on full awareness of the Saudi labor market.

One of the results of this study recommended that supporting small- and medium-sized businesses in Saudi Arabia would help to create jobs. Part of the discussion in the literature review elaborated on this valuable point comprehensively. Kjøningsen (2011) pointed out that the high entry barriers for small- and medium-sized businesses had contributed to high unemployment in Saudi Arabia. Furthermore, Hvidt (2013) argued that because of the lack of diversification in the Saudi economy little attention was given to small- and medium-sized businesses in the past, which resulted in high unemployment. It can be concluded that the more entrepreneurs are encouraged in the Saudi market, the more jobs will be added to the market. It

goes to show that the Saudi policymakers should be more supportive and reduce the high entrance barriers to create more jobs for Saudis.

In summary, the results of this study found that there was a need to reform the employment policy in Saudi Arabia. The results also confirmed that there was a mismatch between the education outcomes and the market need. Another finding of this study suggested that investing in the Saudi human capital and training the local people to be qualified for jobs is a must in order to remedy the high unemployment rate in Saudi Arabia. If the Saudi government does not invest in and train local people, the foreign workers will continue to dominate the Saudi labor market. Negative attitudes toward entry-level jobs and a strict employment scheme resulted in a great number of private companies enrolling Saudis on their payroll just to comply with the MOL's requirements. The findings of this study, as a result of this practice, noted the quota employment system from the MOL was not based on full awareness of the Saudi labor market. Lack of diversification in the Saudi economy with the minimal attention given to the small- and medium-sized businesses resulted in high unemployment in Saudi Arabia.

**Research question 3.** Research question 3 asked: What are business owners' perceptions about what key factors drive the Saudi Arabian labor market? To answer this, Table 14 in Chapter 4 displayed the business owner ratings of labor market economy items sorted by highest mean. These ratings were given using a 5-point metric: 1 = *Strongly Disagree* to 5 = *Strongly Agree*. The highest level of agreement was given to "The nature of work (e.g., managerial, manual) affects the employment choice" and "The role of the public education system in Saudi Arabia does not prepare young citizens to meet market demands."

As discussed in the literature review, the Saudi culture had negative attitudes toward entry-level jobs. Balcer (2014) found companies relied heavily on foreign workers to fill entry-

level and menial jobs, because it was difficult to improve Saudi attitudes regarding filling these jobs. In fact, Al-Dosary et al. (2006) described this type of unemployment in Saudi Arabia as a psychologically oriented unemployment. Additionally, as Al Omran (2010) described and Alotaibi (2014) pointed out, many Saudis preferred not to take blue-collar jobs, as some Saudis considered their work as a source of status and prestige, rather than just a regular activity. These factors caused Saudis to prefer to be unemployed rather than working in those professions. Thus, the Saudi business owners often suffered in order to comply with the Saudi employment quotas, as they could not find Saudis who would accept low-level jobs. It, indeed, requires great efforts in the education system to change the attitudes toward entry-level jobs among the Saudi nationals, particularly for those who do not have the proper education to engage in managerial positions.

The study found that the Saudi business owners were also highly in agreement on, “The Saudi culture (e.g., pressure on women, work by choice) contributes to unemployment” and “Gender plays a significant role in your recruitment decision.” These results were consistent with the literature review. Business owners tended to want to avoid dealing with the cultural barriers with regard to employing women, and to reduce the financial costs by creating segregated sections at the workplace: one for men and the other for women to comply with the Islamic tradition and Saudi culture. For this reason, Saudi business owners were inclined to support and agree to employ men even if a female was more qualified.

The lowest level of agreement in the survey was given to, “Government spending is positively correlated with employment in Saudi Arabia.” This result was inconsistent with the literature review. The economy in Saudi Arabia is considered a closed economy. If there were a reduction in spending by the Saudi government, the Saudi business owners saw that the



government spending would not affect the unemployment rate in the country. A possible reason that could explain those who disagreed with these responses was that their type of businesses would not fluctuate based on the cycle or status of the economy.

In summary, according to the Saudi business owners' perceptions, it was not surprising to find the education system was considered as a major driving force behind the high unemployment. It was clear from the business owners' responses that education in Saudi Arabia does not prepare the young Saudis for the market demands. The study also found that for Saudis, work was looked upon as social status rather than work activity. Thus, Saudis are known for having negative attitudes towards blue-collar jobs, which was a major factor that led to having abnormal joblessness rate for decades in Saudi Arabia. The study also found that Saudi business owners tended to hire men rather than women, even if less qualified, for two reasons: cultural barriers, and to reduce financial costs by having two segregated sections for each gender. A surprising result of this study found the lowest level of agreement in the survey was given to, "Government spending is positively correlated with employment in Saudi Arabia." Perhaps, the majority of the nature of business for those who participated in this study would not vary based on the economy's performance.

**Research question 4.** Research question 4 asked: What are business owners' perceptions about what evidence, if any, points to the failure or success of the Nitaqat and/or Saudization policy? In this open-ended question for the business owners, the researcher used a themed analysis to classify the frequency of the participants' responses and then categorized the answers by the highest frequency with the exception of the "I don't know" answer, as it was listed at the bottom of the table. Table 14 displayed the responses in Chapter 4. The study found that the highest responses correlated with the theme "Change the current employment policies and/or

implement new policies that would make the private sector create real jobs for the young Saudis.” A sample quote from the respondents from the MOL owners’ survey aligned with this specific theme was “We would possibly have to force ourselves to accept a person who might not have the experience needed, just because of their nationality.” As discussed in the literature review, the MOL in Saudi Arabia tried to enforce policies that would help to reduce the high unemployment. As Peck (2013) found, the Saudization policy and the subsequent improvements of Nitaqat had done little to drive significant change in the labor market. It concluded that the employment policy in Saudi Arabia needed a better and stronger communication between the private sector and the MOL to create real jobs for the locals and foster the economy in Saudi Arabia.

The second highest theme respondents made their recommendations on improving the education system in Saudi Arabia. The theme was, “Change the education system (elementary school through university) to be geared toward employment and a better future. Additionally, change the teaching methods and mind-set at the school system (from memorization to critical thinking).” A sample quote aligned with this specific theme was, “Individual’s development in terms of education, talents, and required skills for the jobs.” This result was consistent with the literature review of this study. Samman (2003) found that the Saudi teaching style was based on memorization rather than critical thinking or problem solving. He found Saudi education allowed the majority of Saudi students to favor irrelevant majors to today’s job demand, such as history, religion, linguistics, and social science. It was reasonable to conclude that this is a factor in the high unemployment in Saudi Arabia contributed by the education system; thus, policy makers in Saudi Arabia need to pay greater attention in addressing the issue of focusing on relevant majors. In doing so, local young Saudis would be more attractive to employers.

As discussed in the literature review, one of the major functions of the implementation of Nitaqat was to reduce the number of foreign workers entering the Saudi workforce. There were a high number of respondents to the theme, “Implement a new policy that will create jobs for the local Saudis and at the same time, restrict the number of foreign workers entering the country every year.” A sample quote aligned with this specific theme was “Address the high employment rate for non-Saudis.” Table 5 in Chapter 2 compared the number of foreign workers to the Saudi workers in the private sector. It was undeniably apparent that the number of foreign workers kept rising even after the establishment of Nitaqat. Peck (2013), in her thesis about Nitaqat, argued that the scheme became controversial, as the number of foreign workers had increased whereas unemployment among the Saudis remained high. This required a careful review by the MOL officials to evaluate the employment policy to achieve the original plan by creating jobs for Saudis, while at the same time, to reduce the number of foreign workers especially if there were qualified Saudis to be employed.

In summary, in this open-ended question for the business owners, the study found that there was a need to alter the present Saudi employment policies to allow the private sector to produce real jobs for the young Saudis. Furthermore, the number of foreign workers in Saudi Arabia continued to increase after establishing Nitaqat by the MOL in 2011, as evidence of the Nitaqat scheme’s failure. Another result of this study was that there was a need to boost the communication between the MOL and the private sector to reach a better employment policy that would be more beneficial to the Saudi job seekers and the Saudi economy as well. A great number of suggestions came from the Saudi business owners to reform the education system in Saudi Arabia to counter the high unemployment rate. Otherwise, the problem will become more uncontrollable considering the rapid growth in population. The study found that an action must

be taken by the MOL officials to review carefully and reevaluate Nitaqat to accomplish the original plan by creating jobs for Saudis. In the meantime, it is also necessary to lessen the number of foreign workers entering the Saudi labor market each year.

**Research question 5.** Research question 5 asked: What are business owners' perceptions about the principal elements underlying high unemployment in Saudi Arabia? To answer this, Table 16 in Chapter 4 displayed the business owner ratings of high unemployment items sorted by highest mean. These ratings were given using a 5-point metric: 1 = *Strongly Disagree* to 5 = *Strongly Agree*.

The study found that the highest level of agreement was given to “There is a lack of current and accurate data about unemployment in Saudi Arabia” and “The mismatch between educational outcomes and market demand is causing unemployment to remain high.” As discussed in the literature review, there was not an official definition of unemployment in Saudi Arabia, thus creating a possible reason behind the different statistics of unemployment in Saudi Arabia. For example, the MOL rate of unemployment varied from the General Authority for Statistics Kingdom of Saudi Arabia and/or the IMF. Another possibility for the discrepancy in the numbers for a higher unemployment rate than what was published by the MOL was when the literature considered the type of unemployment, “disguised unemployment” (Mundra, 2012, p. 1), where employees are employed but either do not actually work or are unproductive.

The study found that the issue of education in Saudi Arabia was almost the most agreed on from the respondents from the business owners and the MOL employees. Fakeeh (2009) found in her dissertation about Saudization, a huge mismatch in skills acquired by college graduates and what was required for one to secure a good job in Saudi Arabia. Additionally, Fakeeh (2009) and Samman (2003) argued that there was a gap between the outcome of the

education and industry demands for both genders; yet, women suffered this disparity more. This clearly concluded that the system of education in Saudi Arabia needed be changed to meet the demands of the employers to reduce the high unemployment in Saudi Arabia.

The study found that the lowest level of agreement was given to “Nitaqat is designed to create middle class jobs rather than lower-paid positions.” This result was inconsistent with the literature review. The MOL claimed that the design of Nitaqat scheme was to ensure employment opportunities for Saudi workers based on quality, not quantity. That is, the MOL attempted to generate middle class job opportunities for Saudi workers. The respondents did not find this accurate, which led to capturing the attention of the MOL to redesign the employment curricula to create a middle class income.

In summary, according to Saudi business owners, the mismatch between the education system and the current market needs was a major factor underlying the high unemployment in Saudi Arabia. According to scholars and a great deal of research, the education system and curriculum in Saudi Arabia had been found to be a major factor for the severity of unemployment in Saudi Arabia. In light of these findings, Saudi policymakers should strongly change current policies in place in order to reduce the unemployment dilemma among the Saudi job seekers. Another finding of the study was that there was a lack of accurate data about the real unemployment rate in Saudi Arabia. The study additionally found that there was no official definition of unemployment by the MOL in Saudi. This brings about a possible explanation to why the data of unemployment rates differ from one source to another. Moreover, the study found Nitaqat had created a good number of employment opportunities for the Saudis; yet, there was a need to remodel the Nitaqat scheme to create middle class jobs for the Saudi citizens.

## **Conclusions and Implications**

The main purpose of this qualitative study was to investigate and draw practical solutions to the unemployment challenges facing Saudi Arabia. The analysis of this study reached numerous interesting conclusions regarding the main factors behind the high unemployment in Saudi Arabia.

In summary, the total number of male participants in the MOL employees was greater than female by (62.5%). The total number of male participants among the Saudi business owners was greater than female (83%). For the MOL employees' survey and the Saudi business owners' survey, the majority of the respondents were highly educated. In the survey of the MOL employees, 58.3% had worked for the MOL less than 3 years. For the survey of the Saudi business owners, 40.7% of the respondents had their business less than five years, and 40.3% had their business for more than 5 years. The level of awareness of Nitaqat among the respondents was high, 70.2% were either somewhat aware or completely aware.

The study concluded that, based on the MOL employees' perceptions, "The private sector is more demanding than the public sector," "Saudis prefer to work in the public sector rather than the private," and "The private sector believes foreign workers are more economical and productive than Saudi workers" were the highest rated reasons behind the low Saudis employment in the private sector.

Based on the Saudi business owners' perceptions, the study concluded, "The nature of work (e.g., managerial, manual) affects the employment choice," "The role of the public education system in Saudi Arabia does not prepare young citizens to meet market demands," and "The importance of being an English speaker affects your decision in hiring a new applicant"

were the highest rated reasons behind the high unemployment rate among the Saudi citizens in the private sector.

A vast majority of the participants strongly agreed that the education system was a major driving force for the high unemployment in Saudi Arabia. The study gave a comprehensive analysis about the education system and the result of the study confirmed the education system was one of the major driving forces behind the high unemployment in Saudi Arabia.

The MOL employees and the business owners viewed the Nitaqat scheme as a nonsufficient model to remedy the unemployment in Saudi Arabia. Table 7 in Chapter 2 displayed the number of foreign workers compared to the Saudi workers, and the number of foreign workers kept increasing even after the establishment of the Nitaqat scheme. However, the respondents agreed that the Nitaqat was successful at the large companies.

This study affirmed that small- and medium-sized businesses have significant impact on the Saudi Arabian economy. The key findings of this study should support Saudi Arabian officials in reforming the current policies. It would be highly beneficial for the Saudi Arabian government to assist small- and medium-sized businesses in order to create jobs and help the Saudi Arabia diversify its economy from a heavy reliance on oil. A diversification in the Saudi economy will assure stable economic performance and indeed, go a long way in promoting available jobs employed by Saudis.

### **Policy and Practitioner Recommendations**

The purpose of this study was to investigate and draw practical solutions to the unemployment challenges facing Saudi Arabia and to enhance the employment opportunities in the Saudi Arabian Private Sector. This chapter discussed the survey results from 24 MOL employees and 47 Saudi business owners who took an online survey. From the key findings

based on this survey studying relevant research regarding unemployment in Saudi Arabia, the study was able to provide recommendations for Saudi policymakers with regard to employment.

The recommendations of this study are as follow:

- Change the current employment policies and/or implement new policies that would make the private sector create real jobs for young Saudis.
- Change the education system (elementary school through university) to be geared toward employment and a better future. Additionally, change the teaching methods and mind-set at the school system from memorization to critical thinking.
- Increase the government fund and support the human capital training and vocational courses.
- Change and/or edit the Saudi employment policy to support small- and medium-sized businesses.
- Boost the collaboration between the MOL and the private sector to generate a more effective policy that will create jobs for the local Saudis.
- Increase job opportunities for women in the Saudi workforce that comply with the Islamic religious standards and follow the Saudi culture.
- The MOL officially defining what constitutes unemployment in Saudi Arabia.

### **Recommendations for Future Research**

This research was established on quantitative method. The key findings of this research were compared to the literature review as consistent or inconsistent. After discussing the key findings of this study, the researcher is offering recommendations for future research:



- Most of the respondents to the online survey in Saudi Arabia are considered young. For future studies, a researcher should apply a different methodology and conduct an interview to target senior levels.
- Although Saudi Arabia has dealt with the challenges of unemployment for a long time, there is not sufficient research about the negative impact on Saudi Arabia overall. For future research, this topic could be instrumental in achieving desired employment goals.
- For future research, the researcher encourages providing an Arabic online survey when conducting a study in Saudi Arabia.

### **Summary**

In summary, this quantitative study used responses from 24 MOL employees and 47 business owners to find the major factors that are contributing to the high unemployment rate in Saudi Arabia. This chapter presented the key discussion of the findings compared to the literature review. Employment policy, education system, the efficiency of the Nitaqat scheme, monitoring the labor market, and creating jobs to have a middle class income were some of the points discussed in this chapter. This chapter also offered the recommendations for the policymakers and practitioners as well as recommendations for future research.

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## APPENDIX A

Consent Form For The Ministry of Labor Employees

### **PEPPERDINE UNIVERISTY**

*Ahmad Alghamedi*

Enhancing Employment Opportunities in the Saudi Arabian Private Sector

You are invited to participate in a research study conducted by Ahmad Alghamedi at Pepperdine University, because you are an employee who works for the Ministry of Labor in Saudi Arabia. Your participation is voluntary. You should read the information below, and ask questions about anything that you do not understand, before deciding whether to participate. Please take as much time as you need to read this document. You may also decide to discuss participation with your family or friends.

#### **PURPOSE OF THE STUDY**

The purpose of this study is to investigate and draw practical solutions to the unemployment challenges facing Saudi Arabia and to enhance the employment opportunities in the Saudi Arabian Private Sector.

#### **PARTICIPANT INVOLVEMENT**

If you agree to voluntarily to take part in this study, you will be asked to complete an online survey, which is anticipated to take about 8 minutes. You do not have to answer any questions you do not want to or do not know.

#### **PARTICIPATION AND WITHDRAWAL**

Your participation is voluntary. Your refusal to participate will involve no penalty or loss of benefits to which you are otherwise entitled. You may withdraw your consent at any time and

discontinue participation without penalty. You are not waiving any legal claims, rights, or remedies because of your participation in this research study.

### **ALTERNATIVES TO FULL PARTICIPATION**

Your alternative is to not participate. Your relationship with your employer will not be affected whether you participate or not in this study.

### **CONFIDENTIALITY**

I will keep your records for this study confidential as far as permitted by law. However, if I am required to do so by law, I may be required to disclose information collected about you.

Examples of the types of issues that would require me to break confidentiality are if you tell me about instances of child abuse and elder abuse. Pepperdine's University's Human Subjects Protection Program (HSPP) may also access the data collected. The HSPP occasionally reviews and monitors research studies to protect the rights and welfare of research subjects.

There will be no identifiable information obtained in connection with this study. Your name, address or other identifiable information will not be collected. The data will be stored on a password protected flash drive in the principal investigators place of residence and the data will be stored for a minimum of three years after the study has been completed, and then the data will be destroyed.

### **INVESTIGATOR'S CONTACT INFORMATION**

I understand that the investigator is willing to answer any inquiries I may have concerning the research herein described. I understand that I may contact Ahmad Alghamedi by via e-mail at [ahmad.alghamedi@pepperdine.edu](mailto:ahmad.alghamedi@pepperdine.edu). You can also, contact the Dissertation Chairperson, Dr. Ronald Stephens via e-mail at [rstephen@pepperdine.edu](mailto:rstephen@pepperdine.edu), if I have any other questions or concerns about this research. If you have questions about your rights as a research participant,

contact Dr. Judy Ho, Chairperson of the Graduate & Professional Schools Institutional Review Board (GPS IRB) at Pepperdine University, via e-mail at [gpsirb@pepperdine.edu](mailto:gpsirb@pepperdine.edu) or at 310-568-5753.

### **RIGHTS OF RESEARCH PARTICIPANT – IRB CONTACT INFORMATION**

If you have questions, concerns or complaints about your rights as a research participant or research in general, please contact Dr. Judy Ho, Chairperson of the Graduate & Professional Schools Institutional Review Board at Pepperdine University 6100 Center Drive Suite 500 Los Angeles, CA 90045, 310-568-5753 or [gpsirb@pepperdine.edu](mailto:gpsirb@pepperdine.edu).

If you would like documentation of your participation in this research you may print a copy of this form.

**By clicking on agree to participate; you are acknowledging you have read the study information. You also understand that you may end your participation at anytime, for any reason without penalty.**

- You Agree to Participate
- You Do Not Wish to Participate



## APPENDIX B

### Consent Form for the Saudi Business Owners

## PEPPERDINE UNIVERSITY

*Ahmad Alghamedi*

### Enhancing Employment Opportunities In The Saudi Arabian Private Sector

You are invited to participate in a research study conducted by Ahmad Alghamedi at Pepperdine University, because you are a Saudi business owner in Saudi Arabia. Your participation is voluntary. You should read the information below, and ask questions about anything that you do not understand, before deciding whether to participate. Please take as much time as you need to read this document. You may also decide to discuss participation with your family or friends.

#### **PURPOSE OF THE STUDY**

The purpose of this study is to investigate and draw practical solutions to the unemployment challenges facing Saudi Arabia and to enhance the employment opportunities in the Saudi Arabian Private Sector.

#### **PARTICIPANT INVOLVEMENT**

If you agree to voluntarily to take part in this study, you will be asked to complete an online survey, which is anticipated to take about 10 minutes. You do not have to answer any questions you do not want to or do not know.

#### **PARTICIPATION AND WITHDRAWAL**

Your participation is voluntary. Your refusal to participate will involve no penalty or loss of benefits to which you are otherwise entitled. You may withdraw your consent at any time and discontinue participation without penalty.

You are not waiving any legal claims, rights, or remedies because of your participation in this research study.

### **ALTERNATIVES TO FULL PARTICIPATION**

Your alternative is to not participate. Your relationship with your employer will not be affected whether you participate or not in this study.

### **CONFIDENTIALITY**

I will keep your records for this study confidential as far as permitted by law. However, if I am required to do so by law, I may be required to disclose information collected about you. Examples of the types of issues that would require me to break confidentiality are if you tell me about instances of child abuse and elder abuse. Pepperdine's University's Human Subjects Protection Program (HSPP) may also access the data collected. The HSPP occasionally reviews and monitors research studies to protect the rights and welfare of research subjects.

There will be no identifiable information obtained in connection with this study. Your name, address or other identifiable information will not be collected. The data will be stored on a password protected flash drive in the principal investigators place of residence and the data will be stored for a minimum of three years after the study has been completed, and then the data will be destroyed.

### **INVESTIGATOR'S CONTACT INFORMATION**

I understand that the investigator is willing to answer any inquiries I may have concerning the research herein described. I understand that I may contact Ahmad Alghamedi via e-mail at [ahmad.alghamedi@pepperdine.edu](mailto:ahmad.alghamedi@pepperdine.edu). You can also, contact the Dissertation Chairperson, Dr. Ronald Stephens via e-mail at [rstephen@pepperdine.edu](mailto:rstephen@pepperdine.edu), if you have any other questions or concerns about this research. If you have questions about your rights as a research participant, contact Dr. Judy Ho, Chairperson of the Graduate & Professional Schools Institutional Review Board (GPS IRB) at Pepperdine University, via e-mail at [gpsirb@pepperdine.edu](mailto:gpsirb@pepperdine.edu) or at 310-568-5753.

### **RIGHTS OF RESEARCH PARTICIPANT – IRB CONTACT INFORMATION**

If you have questions, concerns or complaints about your rights as a research participant or research in general, please contact Dr. Judy Ho, Chairperson of the Graduate & Professional Schools Institutional Review Board at Pepperdine University 6100 Center Drive Suite 500

Los Angeles, CA 90045, 310-568-5753 or [gpsirb@pepperdine.edu](mailto:gpsirb@pepperdine.edu).

If you would like documentation of your participation in this research you may print a copy of this form.

**By clicking on agree to participate; you are acknowledging you have read the study information. You also understand that you may end your participation at anytime, for any reason without penalty.**

- You Agree to Participate.
- You Do Not Wish to Participate.

# APPENDIX C

## CITI Program Certificate of Completion

### COLLABORATIVE INSTITUTIONAL TRAINING INITIATIVE (CITI PROGRAM) COURSEWORK TRANSCRIPT REPORT\*\*

\*\* NOTE: Scores on this Transcript Report reflect the most current quiz completions, including quizzes on optional (supplemental) elements of the course. See list below for details. See separate Requirements Report for the reported scores at the time all requirements for the course were met.

- **Name:** Ahmad Alghamedi (ID: 5455560)
- **Email:** ahmad.alghamedi@pepperdine.edu
- **Institution Affiliation:** Pepperdine University (ID: 1729)
- **Institution Unit:** GESP
- **Phone:** 9377507890
  
- **Curriculum Group:** GSEP Education Division
- **Course Learner Group:** GSEP Education Division - Social-Behavioral-Educational (SBE)
- **Stage:** Stage 1 - Basic Course
  
- **Report ID:** 19031545
- **Report Date:** 03/14/2016
- **Current Score\*\*:** 82

REQUIRED, ELECTIVE, AND SUPPLEMENTAL MODULES	MOST RECENT	SCORE
History and Ethical Principles - SBE (ID: 490)	03/14/16	3/5 (60%)
Defining Research with Human Subjects - SBE (ID: 491)	03/14/16	2/5 (40%)
Belmont Report and CITI Course Introduction (ID: 1127)	03/14/16	3/3 (100%)
The Federal Regulations - SBE (ID: 502)	03/14/16	5/5 (100%)
Assessing Risk - SBE (ID: 503)	03/14/16	4/5 (80%)
Informed Consent - SBE (ID: 504)	03/14/16	5/5 (100%)
Privacy and Confidentiality - SBE (ID: 505)	03/14/16	5/5 (100%)

For this Report to be valid, the learner identified above must have had a valid affiliation with the CITI Program subscribing institution identified above or have been a paid Independent Learner.

**CITI Program**  
Email: [citisupport@miami.edu](mailto:citisupport@miami.edu)  
Phone: 305-243-7970  
Web: <https://www.citiprogram.org>

Collaborative Institutional  
Training Initiative  
at the University of Miami

APPENDIX D

Site Approval

ATI LanguageLine, L.L.C  
9778 Katella Ave, Suite # 211  
Anaheim, CA 92804



Cell: (714)362-1204  
Fax: (844)866-2598  
www.atilanguage.com

American Translators Association: 280616

**TRANSLATION**

Please, we need you to attach the following:

- Identification letter from the party that the student belongs to, or an official e-mail either from the beneficial party or the student's university
- The plan and methodology applied to the study, which will use the observatory information, with explaining the time frame.

Disclosure form and Disclaimer

Title of Search/Study:

"Enhancing Employment opportunities in the Saudi Arabian private sector".

Student: Ahmad Salh Alghamedi

The Party: Pepperdine University Dr. Ronald Stephens

Counselor/Head of Department/College Dean: Ronald D. Stephens Signature

Date: 6/6/1437 correspond to 03/15/2016 Gregorian

We assure that the required data for this search will be used only for scientific purposes; in the case of any violations, parties responsible will be penalized.

Signature.....Ahmad Alghamedi.....

Recommendation of the Academic Corporation Department:

The Academic Corporation Department:

To approve granting the researcher the data and distribution of the questioners

Not to approve granting the researcher the data and distribution of the questioners for the following reasons:

- 1-
- 2-
- 3-

Signature

Declaration of disclaimer: The Academic Corporation Department declares it is not responsible towards the resultants of the study and search. The resultants are representing only the opinion, or the vision of the researcher; and it is not expressing about the opinion, or the vision of the Ministry of Labor

Signature

End of Translation

Translated by: Raymond Abbas

Date: 04/22/2016



## APPENDIX E

### Site Approval



الغرفة التجارية الصناعية بالباحة  
CHAMBER OF COMMERCE  
AND INDUSTRY - AL BAHA  
الأمين العام SECRETARY GENERAL

8-3-2016

**Subject: Dissertation Survey- Enhancement Employment Opportunities  
in the Saudi Arabian Private Sector .**

**Dear /Ahmed Alghamdi ,**

Doctoral Student , Pepperdine University .


On behalf of Chamber of commerce & Industry in Al Baha , I am writing this letter to confirm our consent to your doctoral dissertation study survey : Dissertation Survey- Enhancement Employment Opportunities in the Saudi Arabian Private Sector .

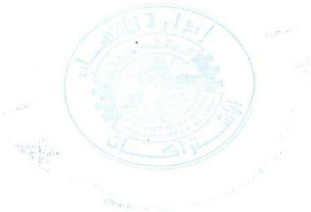
We are pleased to inform you that your request has been approved . Accordingly , Chamber of commerce & Industry in Al Baha will help you in circulating your online survey among the targeted audience .

We look forward to support you by all possible means and wish you success and prosper .

**Yours Sincerely ,**

**Ali Ahmed Al-Rofiaidi**

  
١٤٢٧ / ٥ / ٢٨



## APPENDIX F

### Survey Questions for the MOL Employees

#### Demographic Questions

**What is your age?**

**What is your gender?**

- Male
- Female

**Are you a Saudi citizen?**

- Yes
- No

**What is the highest level of education you have completed?**

- Less than High School
- High School / GED
- Some College
- 2-year College Degree
- 4-year College Degree
- Masters Degree
- Doctoral Degree
- Professional Degree (JD, MD)

**Please indicate your marital status:**

**How many years have you worked for the Ministry of Labor?**

- Less than a year
- One to 3 years
- 3 to 5 years
- 5 to 10 years
- 10 to 15 years
- More than 15 years

The following statements concern how foreign workers affect Saudi Arabia's economy. Please select the answer that best describes your opinion (Strongly agree, Agree, Neutral, Disagree, Strongly disagree)

**The private sector believes foreign workers are more economical and productive than Saudi workers.**

- Strongly agree
- Somewhat agree
- Neutral
- Somewhat disagree
- Strongly disagree

**Saudis prefer to work in the public sector rather than the private sector.**

- Strongly agree
- Somewhat agree



- Neutral
- Somewhat disagree
- Strongly disagree

**The high wages that citizens request to work in the private sector.**

- Strongly agree
- Somewhat agree
- Neutral
- Somewhat disagree
- Strongly disagree

**The private sector environment is more demanding (e.g., work hours, fewer holidays) than the public sector.**

- Strongly agree
- Somewhat agree
- Neutral
- Somewhat disagree
- Strongly disagree

**Some private sector companies are reluctant to hire women due to an additional financial burden.**

- Strongly agree

- Somewhat agree
- Neutral
- Somewhat disagree
- Strongly disagree

**Nitaqat is a sufficient model.**

- Strongly agree
- Somewhat agree
- Neutral
- Somewhat disagree
- Strongly disagree

**Nitaqat decreases the severity of high unemployment among Saudi nationals.**

- Strongly agree
- Somewhat agree
- Neutral
- Somewhat disagree
- Strongly disagree

**The Nitaqat scheme is designed to be a long-term and valid solution for the employment dilemma in Saudi Arabia.**

- Strongly agree

- Somewhat agree
- Neutral
- Somewhat disagree
- Strongly disagree

**The Nitaqat scheme is a solution to the unemployment issue rather than just a statistical improvement.**

- Strongly agree
- Somewhat agree
- Neutral
- Somewhat disagree
- Strongly disagree

**The mismatch between educational outcomes in Saudi Arabia and market demand is causing unemployment and the demand for foreign workers to remain high.**

- Strongly agree
- Somewhat agree
- Neutral
- Somewhat disagree
- Strongly disagree

**The lack of cooperation among related parties (i.e., Ministry of Labor, government agencies, the private sector, job seekers) has negatively affected outcomes of the Nitaqat scheme.**

- Extremely positive
- Somewhat positive
- Neutral
- Somewhat negative
- Extremely negative

**Please read and answer the following question. Feel free to express your thoughts in a paragraph.**

**What employment and/or development strategies should Saudi Arabia implement to best benefit the country?**

## APPENDIX G

### Survey Questions for Saudi Business Owners

#### Demographic Questions

##### Are you a Saudi citizen?

- Yes
- No

##### Is the business you own fully located in Saudi Arabia?

- Yes
- No

##### What is your age?

- 18 - 24
- 25 - 34
- 35 - 44
- 45 - 54
- 55 - 64
- 65 or older

##### What is your gender?

- Male
- Female

**What is the highest level of education you have completed?**

- Less than High School
- High School / GED
- Some College
- 2-year College Degree
- 4-year College Degree
- Masters Degree
- Doctoral Degree
- Professional Degree (JD, MD)

**Please indicate your marital status:**

**How long have you had your business?**

- Less than a year
- 1 to 5 years
- 6 to 10 years
- 11 to 20 years
- 20 years or more

**What is your organization's primary business activity?**

- Manufacturing and Process Industries
- Communications Carrier
- Banking/Finance/Accounting

- Insurance/Real Estate/Legal
- Medical/Dental/Healthcare
- Transportation/Utilities
- Construction/Architecture/Engineering
- Wholesale/Retail/Distribution
- Education
- Marketing/Advertising
- Research/Development Lab
- Business Services/Consultant
- Computer Manufacturer
- Computer Related Retailer/Wholesaler/Distributor

**What is the size of your business?**

- Very small (fewer than 10 employees)
- Small (10 to 49 employees)
- Medium (50 to 499 employees)
- Large (500 to 2,999 employees)
- Giant (More than 3,000 employees)

**What is your level of awareness of the Nitaqat scheme?**

- Completely aware
- Aware

- Somewhat aware
- Not aware

The following statements concern key factors that may or may not drive the Saudi Arabian labor market. Please select the answer that best describes your opinion (Strongly agree, Agree, Neutral, Disagree, Strongly disagree)

**Government spending is positively correlated with employment in Saudi Arabia.**

- Strongly agree
- Agree
- Neutral
- Somewhat disagree
- Strongly disagree

**The importance of being an English speaker affects your decision in hiring a new applicant.**

- Strongly agree
- Agree
- Neutral
- Disagree
- Strongly disagree

**Gender plays a significant role in your recruitment decision.**



- Strongly agree
- Agree
- Neutral
- Disagree
- Strongly disagree

**The nature of work (e.g., managerial, manual) affects the employment choice.**

- Strongly agree
- Agree
- Neutral
- Disagree
- Strongly disagree

**“Whom you know” is more important than “what you know.”**

- Strongly agree
- Agree
- Neutral
- Disagree
- Strongly disagree

**In terms of hiring women, it is important that women accept being segregated from men in the workplace before accepting a job offer.**

- Strongly agree
- Agree
- Neutral
- Disagree
- Strongly disagree

**The role of the public education system in Saudi Arabia does not prepare young citizens to meet market demands.**

- Strongly agree
- Agree
- Neutral
- Disagree
- Strongly disagree

**The Saudi culture (e.g., pressure on women, work by choice) contributes to unemployment.**

- Strongly agree
- Agree
- Neutral
- Disagree
- Strongly disagree

**Please read and answer the following question. Feel free to express your thoughts in a sentence or a paragraph.**

**What evidence, if any, points to the failure or success of the Nitaqat and/or Saudization policy?**

The following statements are considered to be principal elements that underlie Saudi Arabia's high unemployment. Please select the answer that best describes your opinion (Strongly agree, Agree, Neutral, Disagree, Strongly disagree)

**Nitaqat is a sufficient model to create jobs for Saudi citizens.**

- Strongly agree
- Agree
- Neutral
- Disagree
- Strongly disagree

**Nitaqat takes into consideration the nature and the size of the business.**

- Strongly agree
- Agree
- Neutral
- Disagree
- Strongly disagree

**Intensity of Saudis varies from one city to another, and the Nitaqat scheme could be implemented in the same manner in rural areas.**

- Strongly agree
- Agree
- Neutral
- Disagree
- Strongly disagree

**The lack of flexibility of the Nitaqat scheme has a negative impact on the outcome of the Nitaqat scheme.**

- Strongly agree
- Agree
- Neutral
- Disagree
- Strongly disagree

**Nitaqat is designed to create middle class jobs rather than lower-paid positions.**

- Strongly agree
- Agree
- Neutral
- Disagree
- Strongly disagree

**The Nitaqat scheme creates a significant burden on businesses.**

- Strongly agree
- Agree
- Neutral
- Disagree
- Strongly disagree

**The mismatch between educational outcomes and market demand is causing unemployment to remain high.**

- Strongly agree
- Agree
- Neutral
- Disagree
- Strongly disagree

**In general, Saudis lack the necessary skills to meet the actual needs of the private sector.**

- Strongly agree
- Agree
- Neutral
- Disagree
- Strongly disagree

**In the private sector, hiring non-Saudis is more beneficial to the employer in terms of productivity and cost.**

- Strongly agree
- Agree
- Neutral
- Disagree
- Strongly disagree

**Unwillingness of Saudis to accept manual work is keeping unemployment rates high.**

- Strongly agree
- Agree
- Neutral
- Disagree
- Strongly disagree

**There is less job security in the private sector compared to the public sector.**

- Strongly agree
- Agree
- Neutral
- Disagree
- Strongly disagree

**There is a lack of current and accurate data about unemployment in Saudi Arabia.**

- Strongly agree

- Agree
- Neutral
- Disagree
- Strongly disagree

# APPENDIX H

## IRB Approval



Pepperdine University  
24255 Pacific Coast Highway  
Malibu, CA 90263  
TEL: 310-506-4000

### NOTICE OF APPROVAL FOR HUMAN RESEARCH

Date: May 16, 2016

Protocol Investigator Name: Ahmad Alghamedi

Protocol #: 16-04-248

Project Title: ENHANCING EMPLOYMENT OPPORTUNITIES IN THE SAUDI ARABIAN PRIVATE SECTOR

School: Graduate School of Education and Psychology

Dear Ahmad Alghamedi:

Thank you for submitting your application for exempt review to Pepperdine University's Institutional Review Board (IRB). We appreciate the work you have done on your proposal. The IRB has reviewed your submitted IRB application and all ancillary materials. Upon review, the IRB has determined that the above entitled project meets the requirements for exemption under the federal regulations 45 CFR 46.101 that govern the protections of human subjects.

Your research must be conducted according to the proposal that was submitted to the IRB. If changes to the approved protocol occur, a revised protocol must be reviewed and approved by the IRB before implementation. For any proposed changes in your research protocol, please submit an amendment to the IRB. Since your study falls under exemption, there is no requirement for continuing IRB review of your project. Please be aware that changes to your protocol may prevent the research from qualifying for exemption from 45 CFR 46.101 and require submission of a new IRB application or other materials to the IRB.

A goal of the IRB is to prevent negative occurrences during any research study. However, despite the best intent, unforeseen circumstances or events may arise during the research. If an unexpected situation or adverse event happens during your investigation, please notify the IRB as soon as possible. We will ask for a complete written explanation of the event and your written response. Other actions also may be required depending on the nature of the event. Details regarding the timeframe in which adverse events must be reported to the IRB and documenting the adverse event can be found in the *Pepperdine University Protection of Human Participants in Research: Policies and Procedures Manual* at [community.pepperdine.edu/irb](http://community.pepperdine.edu/irb).

Please refer to the protocol number denoted above in all communication or correspondence related to your application and this approval. Should you have additional questions or require clarification of the contents of this letter, please contact the IRB Office. On behalf of the IRB, I wish you success in this scholarly pursuit.

Sincerely,

Judy Ho, Ph.D., IRB Chairperson

cc: Dr. Lee Kats, Vice Provost for Research and Strategic Initiatives

Page: 1