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Economics of the Labor Market

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Introduction

In this essay we will briefly discuss the definitions of the Economics, the concept of the Opportunity Cost , the Supply and Demand, and will focus on one of the most important issue in the Saudi Labor Market which is the Nationalization (Saudization).

Economics: - the study of the allocation and use of scarce resources to satisfy unlimited human wants.

The Opportunity Cost:- the forgone alternative of the choice made or what you would have done had you not done what you did.

Modeling Opportunity Cost using a Production Possibilities Frontier

before we go farther, there are some terms we need to define the meaning for them:

- **Production Possibilities Frontier:** - a graph which relates the amounts of different goods that can be produced in a fully employed society.
- **Model:-** a simplification of the real world that we can manipulate to explain the real world.
- **Simplifying Assumption:-** an assumption that may, on its face, be silly but allows for a clearer explanation.
- **Scarce:-** not freely available and infinite.
- **Resources:-** anything we either consume directly or use to make things that we will ultimately consume.

Increasing and Constant Opportunity Cost.

Increasing opportunity cost exists when the additional resources required to produce an additional unit grows as more output is produced. Likely to occur when people are different in their skills.

constant opportunity cost exists when the additional resources required to produce an additional unit remains the same as more output is produced. Likely to occur when people are identical in their skills.

Supply and Demand

The definition of the Demand and Supply:

Demand is the relationship between price and quantity demanded, ceteris paribus.

Supply is the relationship between price and quantity supplied, ceteris paribus.

The law of Demand is the relationship between price and quantity demanded is a negative or inverse one, but the law of Supply is the statement that there is a positive relationship between price and quantity supplied.

Determinants of Demand

- Taste
- Income
- Price of Other Goods
- Population of Potential Buyers
- Expected Price

The Determinants of Supply

- Price of Inputs
- Technology
- Price of other potential output
- Number of Sellers
- Expected Future Price

Description

- In this essay I will discuss the Nationalization or what we call it in Saudi Arabia the Saudization, why we need it? What is the effect of not have it and, where we can apply it?.

1. Strong Economy and productive Manpower :

The main topic of this essay is not only the employment of Saudis, but creating a strong and prosperous economy supported by appropriate productive elements, including labor. Such a vital economy is able to create jobs in accordance with market mechanisms that place the right person in the right place, and identify the most productive element for producing particular goods or service. There are people who find that employment of manpower instead of machines is the most suitable element according to market facts such as cost, revenues and profits. There are people who find it more appropriate to expand the use of machinery and equipment instead of manpower. Some other may find that it is more appropriate to intensify the use of technology or other elements of production and materials used in the production process.

We, as economists, believe that the relative advantages available to a country often determine the productive elements used in production, product quality, and the way the product is produced. India, for example, is a country that has tremendous surplus of manpower, and thus is expected to focus in the production of goods that depend on intensive production techniques to use manpower. This is cheaper in terms of cost which would enable them to sell their products at low prices and enter into competition with others. It is often said that India has comparative advantage in production of goods that rely on manpower element. A country like the United States or some European Union countries which have the capital but not enjoying the same degree of surplus of manpower available to India or some developing countries, their relative advantage is not in the production of goods of intensive techniques to use manpower but rather in those products, which depend on capital, machinery and equipment

The subject matter in this book is then: how can we build for a strong and productive Saudi economy, based on sound and solid foundation which grants that economy the ability to grow accumulatively in the context of its comparative advantages? and not according to provisional facts governed by conditions that may change at any moment, such as recruiting temporary manpower we suppose through its presence with us we can produce the same way that India, Bangladesh, Sri Lanka or other countries can produce by substantial surplus of labor, then wake up one day of a tragic fact that we were living on the production of others and imagining that we were the producers, and we invested in others who excelled us and returned to their countries with the experience they have acquired from us; while the doors been closed in the faces of our young men on pretext that they do not have expertise.

How such experience can be acquired while we open our doors to bring in cheaper labors from any labor market over the world that offers us "appropriate labor wages"? as if the fate of our young men is to compete with all the world's workers to secure jobs within our national economy.

How can our economy accrue experience and create local industrial traditions if the labor employed is immigrant and unstable and soon return to their countries even after a while?

The existence of cheaper foreign manpower distorts the market mechanisms and the production decisions would be away from local reality with its facts. Such manpower does not reflect the abundance, scarcity or distribution of productive resources of the country but rather creates false reality that has nothing to do with map of the local economy. Hence a distorted economy linked to foreign labor markets would emerge. We can realize through a fake caricature when imaging the social panic over looming on Saudi homes whenever Indonesia or the Philippines announce, for example, restrictions on our recruitment of drivers and domestic workers from these two countries. What happens to us if those countries which export labors decided suddenly for one reason or another, to stop sending their labor to work in our factories, farms, bakeries, markets and construction projects, etc.? Certainly our life will discontinue entirely if such event occurs.

The first step to establish a strong and healthy economy is to care of our national workforce. Even in the countries adopting methods of production of intensive capital, attention to labor force is becoming significant because large machinery and capital equipment do not operate if not heralded regardless of the number of manpower. For that reason, most countries pay significant attention to development of their manpower and raising worker's productivity as a way to create strong economy capable to produce with maximum efficiency, and thus creating a competitive economy outside the borders as well as capable to compete with imported goods in the areas in which the country has relative advantages.

For these reasons I repeat saying that the topic of this essay is not Saudization itself, but to discuss how to evaluate the Saudi economy on solid and sustainable bases derive its strength and durability of the nature of productive resources in our country first, and foremost of which is the National Manpower.

The idea which this book revolves around is that; since recruitment of foreign labor is widely open, our national economy will continue to suffer from structural imbalance and no hope of treatment but only to return to the root of the problem which is recruitment of foreign workforce. All other solutions are palliative solutions which deepen the problem than resolving it because it takes us eventually to a condition of addiction of these palliative solutions.

The strong economy is based only on a strong private sector. The private sector, not the government bureaucracy, is aware of the meaning of production and understands the market language. All countries which imagined one day that the public sector can not be a substitute for the private sector, have realized the devastating failure to meet the needs of consumers and ultimately forced disposal of the public sector projects through privatization, which shifted the ownership of these institutions to the private sector. On the other hand, private sector can't work but only in accordance

with the rules of economic competition determined by official regulations and such must be logical. We, for example, can't ask private companies to employ Saudis while can employ foreign labor for wages lower than those paid to Saudis. If any company has to employ Saudis the cost of its production and services would be higher than the costs of its competitors. Thus, its prices will be higher than their prices and it will not find consumers to buy its products and hence will eventually suffer from bankruptcy and failure.

Remedy of such imbalance does not come through blaming private enterprises often prefer foreign labor to local workers, but through structural reform of the Saudi market through limiting the foreign workforce inflow and upgrading Saudi workmen skills through training and rehabilitation which will allow our market interacts with the reality normally. Of course, Saudization will initially be painful after perpetuating foreign labor. It will be painful for the businessman who has been accustomed to the way foreign labor works and has built his economic calculations on the basis of such employment when first thought of launching his business. Saudization is also painful for Saudi consumers who may find that that labor had achieved some advantages including lower costs of service. But, the cost of living and consequently the rate of inflation in the economy might rise. However, all these will disappear or decrease in the medium and long runs because the economy will eventually familiarize as the case is always.

The call for Saudiization of Saudi market is a call to rationalize the Saudi economy and shift it from blurred reality, if I am not false, to reflect the true reality of our economic situation which could be an excellent, if proper actions were to be taken for the private sector to operate according to competition and transparency of this situation and customize its decisions and projects accordingly.

This call for the Saudiization is not against anyone. We appreciate the contributions of others, and fraternity brothers from the Arab and Islamic countries, because they came to us at the invitation and common desire in the exchange of benefits between us. When foreign manpower became unneeded and when unemployment amongst our young men has emerged with its negative destructive effects, therefore, it has become necessary to impose restrictions on recruitment from abroad bearing in mind that we are not the first country to invent resettlement of posts. Even our Arab and Muslim brothers have faced such circumstances, but have imposed laws protecting their local labor markets.

In brief, the call for Saudiization is a call for the advancement of Saudi economy based on the national potentials that were not given the opportunity to interact naturally with its surrounding as the case is in any other country.

2. A dilemma Called Foreign Labor

Germany, which opened its doors after the Second World War to receive migrant workers from Turkey, Greece and the Balkan countries and provided them with material incentives for stability, including granting of German nationality, and offered encouraging aids to increase the incentive to have children who later will become part of the labor force, is the same Germany which is now trying to get rid of foreigners. Moreover, there are German organizations, parties and trends who openly call for expulsion of foreigners and get rid of them. The reason is not only the cultural and social factors, but also economic. Germany, like many countries of the world, suffers from high unemployment. Many Germans think that the presence of foreign migrants in their country is one of the main reasons for this unemployment. Not only do America and the countries of Western Europe, even third world countries suffer from the presence of foreign labor and immigrant citizens compete for jobs. Some of these countries are labor-exporting countries, but they themselves are not spared the advent of immigrant labor. In Egypt, for example, arose some time ago controversy in the Egyptian press on foreign labor, which compete Egyptians in some areas of work. This issue was taken up by a member of the Egyptian People's Assembly, Attorney **Haidar Baghdadi**, who stated that the number of foreign labor in Egypt amounted to about 2 million workers, are mostly from African and Asian countries, and also with other nationalities from the Balkans, Eastern Europe and elsewhere. One Egyptian writer has commented on the discussions in the Commission of Manpower in the Egyptian People's Assembly, saying that "discussions have shown that the unlawful foreign employment that has taken Egypt as almshouse and shelter has been fiercely competing Egyptian workers. They benefit from our country but chase us in their countries, and raise their heads as experts while our young men run away from pursuing police force in their streets, they in our country receive thousands of dollars and depriving our children of the few employment opportunities with the limited salary.

In Jordan, there is also talk about the competition of foreign labor for Jordanian labor, and the need to address the foreign workers, denying Jordanian citizen the opportunity to obtain work within his country. Mahmoud Khatib, a member of the Executive Office of the General Federation of Jordanian Trade Unions, spoke on the Jordanian experience with foreign labor in Jordan says "government intervention in the local labor market was to stop the discrepancy in the equation of supply and demand as it acts for foreign labor favor, resulting in a growing and persistent unemployment rates in the local manpower. Foreign labor influx in the light of the slowdown in economic growth has become the main factor in the persistence of unemployment among local labor rows, the existence of 250-300 thousand workers in the local labor market, and offset almost the same number of local manpower are looking for jobs is a significant issue deserves but requires government intervention. Such duplication in the local labor market should be corrected in the interest of national labor first.

3. When Foreign Manpower becomes the origin and the notional is the exception

Through the history of the Arab Peninsula, there were many migrations towards the outside searching for a better life. Even to the immediate past, the sons of the Arabian Peninsula used to travel by ships to India and Abyssinia in search of a living. The "camel riders" in their turn were shaking Backpacker to Palestine and the Levant, Egypt and acting trade between these regions.

The only exception is in such small numbers that come for one reason or another to the land of the Arabian Peninsula and work in professions and trades that the island's people do not accept to work in, or those who come for pilgrimage and then prefer to stay near the Two Holy Mosques and become with the passage of time as other citizens.

With the formation of the modern Saudi State (third) and the stability of the political and social conditions, the country is witnessing the advent of limited numbers of entrants who have contributed to laying the foundations of the governmental bodies. The view of King Abdul-Aziz, God's mercy be upon him, that the country needed competencies and expertise in management, education, politics and engineering, medicine and other areas whereas he attracted some famous names that have become significant in the development of the first building blocks in certain areas of the nascent State.

After the discovery of oil in 1938 the country witnessed more foreign manpower, but, nevertheless, remained limited in a narrow range of activities associated with the exploration of oil fields and extraction of oil and the services associated with it. When oil production increased and financial revenues have risen from oil exportation, and the country had a budget with semi-stable financial income and organized expenditure, the State sought to establish modern economy side by side with provision of health, educational and social services for its citizens. To achieve this, the State had to bring in foreign labor to manage the governmental facilities and institutions to meet the gross deficit of national cadres, which were still at the beginning of its formation.

The state brought teachers, doctors, engineers, administrators and government officials from Egypt, Syria and other Arab and Muslim countries. Thus foreign labor began to record increasing presence in both government and private sectors. The presence of foreign manpower was not limited to cities only, but also extended to the villages, countryside and rural areas which changed the features of the economic, cultural and social life in the country generally after many centuries of almost complete isolation.

Nevertheless, the real increase of foreign man force in the country has started since the 1970s of the last century, when the State began the development plans

and realized the need for foreign manpower to fill incoming gap between supply and demand in the labor market. In 1970 the non-Saudi labor force was representing 15.86% of the total work force, while Saudis constitute 84.14%. But by 1975 with end of the first five-year plan, the proportion of foreign labor has reached 28.28% of the total labor force in the Saudi economy. This percentage increased to reach 50.65% by the end of the second development plan in 1980 after then leapt to 59.83% in 1985. By 1995 the proportion of foreign labor has reached 66% of the total labor force in the Kingdom. At present (2005) the number of foreign labor is estimated more than six million workers in addition to about 2 million of their families members. Estimates by the General Secretariat of the Manpower Council, according to some scenarios, that expatriate workers will reach 17 million after 10 years from now, if the rate continued to increase like the previous historic pace.

The country was bringing foreign labor at the outset because of the deficit in the local employment. At present the unemployment rate hit 9.66%, according to the estimates of the General Statistics Department in 2002. Therefore, the situation seems strange. If things continue in this way would lead the country to real disaster because unemployment itself and in the Normal circumstances, is considered as one of the most social ills that threatens the stability of societies. How would be the situation when this unemployment is accompanied by millions of people of foreign labor competing citizens for job opportunities?

The experience of some GCC countries tell us that the expansion in bringing in foreign labor may lead to change the population structure of the country in a way makes citizens are a minority in their homeland. Reports indicate that foreign labor in the United Arab Emirates, for example, amounted to 90% of the total manpower in the country, and 75% of the State's population are foreigners and were representing only 38% of the labor force in the United Arab Emirates in 1968. Meanwhile, Emirate citizens becoming only 7.5%, according to **Mr. Matar Jumaa**, Head of Statistics Unit of the Department of Planning in Dubai. Mohammed Al-Mazrouee, Secretary General of Federal National Council believes that the situation requires a solution to the problem before proportion of Emirate citizens becomes 1% of the State's population.

This picture is repeated in more than one Gulf State, in Kuwait, Qatar and Bahrain there are enormous numbers of foreign workers which affected the population structure of those countries. It may not be the situation in the Kingdom as we see in some other GCC countries with less population density. However, the increasing of foreign manpower, especially during the past three decades, has left its effects on the population structure in the Kingdom. It is noted that some quarters and some markets in our Saudi cities have become dominated by non-Saudi because of the intensity of foreign labor presence. For example, the markets deployed in the "Batha'a" in the heart of Saudi capital are almost exclusively limited to foreigners, which was once one of the most important markets in Saudi Arabia. It is no exaggeration to describe Batha'a markets as apiece of Bombay or Karachi or Manila, especially on the weekends where labor accrue massively, and is very rare to find one Saudi among them.

The GCC countries realized the disorder which struck the population structure in the region, and have initiated a population strategy for the GCC countries to restore balance in population. However, this strategy is still ink on paper and has not been implemented so far in spite of the perception of the officials of the GCC that the situation population has reached a critical stage requiring practical steps to reduce the rate of deterioration of the local population rate to the number of foreigners.

It is difficult to accept that turning the local population into a minority in their countries because that threatens to change the identity of the country, besides the economic and security effects. The penetration of the foreign elements in regions societies is evidenced by the emergence of circulated foreign dialects mixing the vocabularies of Arabic, English, Persian and Urdu and other vocabularies used in the languages spoken by the foreign laborers. Indeed, in some work environments in the region you do not find any one who speaks Arabic. English language has become a requirement that some employers insist on that those who want to work with them should know and speak such a language though the nature of the job may not need to know English language, and the service is provided to citizens who mostly do not speak English language. In some cases English language has become necessary, since most or all employees are non-Arab, because, so English is the language in which to write the transactions, accounts and the language of understanding by the staff who hold various nationalities. Thus, the employer is keen that any Saudi applies for work with his company should know English in order to be able to communicate with the rest of the staff, rather than the foreigner staffs learn the Arabic language which is the language of the country and its people.

It is so interesting what one hears for example of dialects and vocabularies spoken by taxi drivers that roamed the streets of Saudi cities. Those are mostly of Indian, Pakistani or Bangladesh nationality or other Asian nationalities. Saudi citizen is used to talk with them with a blend tone of "broken" Arabic and foreign vocabularies. As such, also restaurants, hotels, workshops, shopkeepers and various shops workers.

This massive human creep may lead to deflation of Saudis rate to foreigners. That is why Saudization has become an urgent national need to spare society major disaster if the growth in foreign labor ratios continued according to the previous historical ratios while some Saudi citizens suffer form unemployment.

4. Policies and Strategies

The increase of foreign labor, as we have observed, as well as the emergence of the phenomenon of unemployment among Saudis does not mean that the agencies concerned have not realized the planning of these aspects. It does not also mean that the executive bodies had not exercised an important role in the implementation of these plans. However, the painful truth is that the efforts were not enough to cope with the influx of foreign labor suffered by the country, for objective reasons.

Strategies have been set forth for the growth and development of the national workforce and Saudization of functions and activities either through the Manpower Council or the Ministry of Planning. The executive agencies such as the Ministry of Labor and Social Affairs and the Ministry of Civil Service and relevant ministries and educational and training institutions have significant efforts in this area, but simply were not enough. The real solution to the dilemma we are suffering from is to reduce effectively the introduction of foreign labor, under firm and unhesitant administration, and to rehabilitate and train Saudi young men. Anything but that is merely enabling solutions might help for some time but did not reach the roots of the problem.

At the level of policies and strategies it is enough to review some of those included in the "strategy of development of human manpower" set out by the Secretariat of Manpower Council and approved by the Manpower Council, in order to realize the interest of planning institutions and policy-making bodies in this problem. These strategies cover a period of twenty five years (2000-2025) and included some of the objectives such as:

- Reducing foreign labor and rationalize the same.
- Achieve harmonization between the outputs of educational and training institutions and the needs of the labor market.
- Integration in the area of manpower planning and development.
- Creation of integrated rules for labor market information
- Improve the level of productivity of the national workforce and configure the same to cope with technical changes.
- To reach full use level of the national workforce
- Appropriate exploitation of national human resources
- Planting and devoting concepts of affiliation and citizenship and work values in Saudi society

Mechanisms and mentors have been developed for work such as:-

- Directing admission policies in universities and rationalize the same in conformity with the requirements of development and labor market variables, and development of programs, curricula and university educational systems accordingly.
Preparing programs for the training and rehabilitation of graduates whose qualifications do not commensurate with the job opportunities.
Establishment of unified network for manpower information to cover all regions of the Kingdom.
- Review work organization laws and those related to recruitment regulations and procedures and other relevant regulations.
- Development of labor market mechanisms, particularly employment offices and employment civil offices and reinforce the same to be more effective in the process of recruiting Saudis and replacing them in foreign labor positions.
- Exert efforts to increase contribution of women in the labor market, in a way fitting her nature and does not contradict with the Islamic Sharia.
- Exert efforts to increase training opportunities for the disabled.
- Deepening the religious, social and psychological concept of work and citizens' trends and their expectations for the work.
- Unification of bodies responsible for issuing work visas.
- Convergence between social insurance system and civil retirement system.
- Feasibility study and consider way to establish a fund for rehabilitation and training of national labor in collaboration between the public and civil sectors.
- Compulsory of primary education for boys and girls.
- Encourage investments in the productive sectors and to build feasibility of new projects based on the cost of national labor recruitment and the use of production methods leading to increase their employment.

The five-year development plans set by the Ministry of Planning included many of the policies on the development of national workforce and Saudization of posts, especially since the fourth Five-Year plan (1986-1990), which highlighted the issue of Saudization specifically, and set out targets sought to achieve during the plan years.

As for the decisions related to Saudization directly, the Cabinet Council approved the decision taken by the Manpower Council to replace national labor in foreign labor positions in the private sector enterprises, and cabinet passed decision No. 50 dated 9/27/1994 , which states " each organization using more than twenty people is required to increase employment of Saudis of not less than 5% of the total employment annually". In to contrary to the rumors that this resolution lacks flexibility, and that it has treated all enterprises the same way regardless of their size or type of activity or location, the resolution stipulates that "the above referred to ratio will be amended according to the availability of national manpower and depending on the nature and conditions of work and ratio of Saudi labor for any organization or activity or region". The resolution included also the formation of a committee to examine all aspects of implementation of the resolution and in particular "considering amendment of the ratio of Saudi labor which increases annually, and to recommend their proposed ratio; and such amendment to be issued by the Minister of Labor," as well as "evaluate the results of the implementation of this resolution every two years," and so on.

Several resolutions were issued to Saudize some activities, professions and occupations and made them entirely limited to Saudis or by gradual replacement of Saudi labor instead of foreign labor; those activities include:

- Real-estate offices
 - Cement companies
 - Civil private security guards
 - Gold and jewelry shops
 - Shops selling vegetables and fruit
 - Small groceries
 - Transport of students and teachers
 - Electricity companies
 - Private Education
 - Hotel activity
 - Hospitals and private clinics
 - Airlines and their agents and tourism agencies, travel and freight.
 - Appliances and household utensils
 - Public taxis (Limousine)
 - Transport and distribution trucks
 - Customs clearance offices
 - Hajj and Umrah offices
- Used furniture selling

And other activities in addition to the many occupations.

The Minister of Labor and Social Affairs issued on 07/02/2002 a decision to Saudize a number of functional categories, which included 167 career indefinitely. The Minister of Labor and Social Affairs then passed another resolution dated 09/24/2003 to Saudize Twenty-five commercial activities including clothes selling shops, women's and men's cloth selling shops, upholstery shops, telephones and mobile selling shops, car spare parts shops, and others from January 2004. The decision stipulated that one Saudi seller should work in these activities in the first year if the business store has one worker, or, if there is more than one foreign worker, one Saudi worker should be among them. In the second year 50% of the total number of employees should be Saudized in commercial shops which employ more than one seller; and to implement Saudization by 75% in the third year.

In addition to Saudization direct resolutions, other decisions were issued supporting Saudization such as establishment of Human Resources Development Fund and the National Organization for Joint Training. The country also witnessed establishment of more schools, colleges, universities and diverse training centers graduating hundreds of thousands of Saudis in various disciplines.

What has been accomplished, whether at the level of planning or execution, have contributed to the Saudization process but this achievement is not enough given the growing number of foreign labor and the emergence of the phenomenon of unemployment among Saudis.

It can be argued that the main reason is that there is a gap between the "planning and execution". Many of the Saudization decisions have not been implemented; not because they were not realistic, but owing to the insistence of some people that there is foreign labor with low wages. The existence of such labor aborts any efforts towards Saudiization. We can not put the blame on the private sector alone. As long as cheap labor is available it is difficult for a businessman to recruit costly national labor, because private economic activity based on the principle of profitability. Even if a businessman has the enthusiasm and employed national labor, he will lose the competition with colleagues unless everyone complies to hiring Saudis, because production costs would be higher for that businessman and will be obliged to get out from economic activity and leaves his rivals.

Therefore, the real solution is to reduce foreign recruitment significantly, which is stipulated in the manpower development strategy in its first short-term goals, which provided for "reduction of foreign labor, rationalize recruitment process and limit work in some sectors and occupations to national labor only."

The Manpower Council passed its decision at the end of 2002, to put a ceiling for bringing in foreign manpower and their dependents, and not to exceed 20% of the Saudis population in a maximum period 2011. It is hoped that this decision, which has some mechanisms, will contribute to reducing the growth of foreign labor.

There are many people who attribute the failure of Saudization efforts to the government decisions in this regard which adopted a policy of "imposing and obligation" to the private sector rather than "stimulation and persuasion." There are people who see that imposing 5% annually on organizations using twenty workers or more, did not succeed in achieving Saudization, because it ignored market mechanisms, and adopted the mandatory instead of providing incentives.

5. Economic growth is part of the solution, not all the solution

Some people believe that employment of Saudi nationals must be done through economic growth as the growth is leading to the creation of more jobs, which Saudis will work in. They believe that the replacement policy, i.e. replacement of Saudi in the non-Saudi's Place, is not feasible because we need non-Saudis expertise, and therefore replacement policy will hamper economic activities and create a lot of problems and difficulties to the civil sector.

In principle, a person can observe the relationship between economic growth and employment increase. Economic growth, which reflects the increase in GDP, is linked to production increasing elements or increasing the productivity of such elements in the context of artistic composition which economists call "production function". Among the production elements which achieve growth in the economy is the work element side by side with equipment, machinery and capital various replies, as well as technology and natural resources of land, forests, and others. All these elements combine to produce goods and services and thus it is subject to certain laws known by economists, engineers and professionals from different disciplines associated with the production process.

On the other hand, economic growth often leaves a positive impact in the increasing demand for goods and services within the national economy, and economic growth leads to increased purchasing power of many of the categories whom their income increase, and thus paid to buy more goods and services, which in turn leads economic installations to expansion its work and activities in order to meet the growing demand for the production of goods and services. In order for the installations to expand, it may mean the need to recruit more manpower to produce these goods and services. Thus a series of action and reaction continue between economic growth and increasing employment of labor.

This perception, as I indicated earlier, is the initial perception, as the increase in production of goods and services can be achieved through increasing the manpower equipment, machinery and technology with retention of the manpower or a mix of labor and capital elements. And often happens to increase production and growth achieved without an increase in employment, but increasing capital and technical, which is, as called by the economists, the increase of productivity of work element, because the same previous number of manpower will have a larger number of machines, machines and modern technology at its disposal, and thus the worker can produce a greater amount than was previously. The economists call this situation "the economic growth unaccompanied by creating new jobs" or (Jobless Growth). We shall give some realistic examples of the experiences of the countries faced this kind of growth. Before all of this, we must point out a fundamental issue concerning the reality of the Saudi economy. In the Saudi economy there is a remarkable phenomenon to the attention of the economic and non-economic observer, is the massive presence of foreign labor numbering up to millions of people at a time when growing segments of the Saudi people are complaining of unemployment.

Therefore, one can not but asks: How can we talk about the need for economic growth to create new jobs for Saudis, while the jobs are available but filled by foreign workers? In other words, the question that arises is: what ensures that the new posts that the economic growth would open will not go to additional foreign labor? ALSO, What ensures that the new posts would not lead to bringing more foreign labor? Our economic history shows that, as I indicated in earlier sections of this book, that economic growth has contributed to an increase in labor instead of increasing the participation of the Saudis.

Some people see that some Saudi organizations are not enthusiastic to recruit Saudis because of the low productivity of individual Saudi, and the way to increase recruitment and training of Saudis is to teach them new skills and encourage them to and learn familiarized to positive and productive work values. By imposition of acceptance of this generality; the problem may exist either economic growth or not, because what is required is raising the level of Saudis in the two cases even if economic growth has been achieved or if new jobs were created Saudis will not be able to benefit from the available career opportunities because their productivity is low according to the previous generalized outlook.

In many cases judgments are hasty; when decision of Saudization of gold and jewelry shops was implemented in the beginning of 2004, the number of these stores decreased, for example, in Medina from 311 shops to 127 shops because of their inability to implement the decisions of Saudization, and some considered that Saudization hampers growth of the private sector thus depriving the Saudis of career opportunities. This is not the truth, as we will see in the next chapter that the number of Saudis working in gold and jewelry shops at Madinah increased from 17 to 804 workers. The reason, of course, is that the gold and jewelry sector, which was growing rapidly, did not focus, in the past on employing Saudis, and the sectors' growth translated into bringing more foreign labor. After Saudization, the number of foreign workers has dropped from 2005 factor (from 21 nations) to zero.

As to the economic growth accompanied by presence of new jobs, this has been proved by the experiences of those countries recruiting foreign labor' as well as the countries importing of such labor, for example, what has happened in Australia, India, Malaysia and the United States, the Philippines and some other countries.

In Australia significant economic growth happened during the 1990s of the last century, but the rate of unemployment remained high. Australia has been among the countries that have achieved above average rates of economic growth, among the Group of the OECD during that decade, but it was lower than average

in creating new jobs. According to economists, the growth in Australia was in productivity area and in jobs.

India also has achieved significant economic growth during the 1990s, however, the unemployment rate was high. The Indian economy grew by 6.7% during the period from 1993 to 2000 compared with 5.2% in the last ten years preceding that period, while the employment rate fell from 2.7% to 1.7% between the two periods. According to economists, the reason behind that is the focus of the Indian development strategies to achieve a high rate of economic growth through the intensification of the use of technology and capital at the expense of labor recruitment, which led to the recovery of modern sectors of the economy despite their failure to provide great career opportunities for staff. In the view of some economists that the deregulation of Indian economy and its openness to the world economy has made the essential obsession is to improve competitiveness and increase productivity of the Indian labor more than creating jobs for the unemployed.

In Malaysia, the focus during the 1990s of last century, was primarily on economic development, resulting in a higher rate of economic growth, but did not give enough attention to creating job opportunities. Unemployment rate rose from 6% in 1962 to 6.8% in 1968, and reached 7.3% in 1970. Malaysia has recognized the need to review the development strategy and focused during the second development plan period between 1971 to 1975 on creating job opportunities for its citizens and achieving fairness in the distribution of posts.

In the United States, the American economy has been in recession for 2001, and then recovered after that. However, the recovery did not yield the creation of more jobs for the American people. Until August 2003 the American economy has lost 2.7 million jobs compared to the economy in February 2001. In August alone, American economy lost 93000 jobs after more than twenty months of the end of deflation. Although the United States has exceeded the problem of deflation in the American economy and achieved a growth rate of 8.2% during the third quarter of 2003, the unemployment rate in December 2003 was 5.7% and the economy did not provide during that month only thousand jobs, while the number of unemployed in the United States in December 2004 was 8.4 million people. These figures show that growth in the United States has not been translated in the form of new jobs for the millions of unemployed. The reason is that the American economy has been adopted to intensify technology and capital raising productivity and offset the need for more workers. The American companies often favored expand across branches abroad in search of cheap labor instead of hiring Americans with high wages compared with those prevailing in many developing countries, China, India and countries of Eastern Europe.

In the Philippines, Dr. Leonardo Lanzuna, professor of economics at the University de Manila, Philippines, noted that the annual rate of GDP growth of the Philippine economy has increased from 3.3% in 1999 to 3.9% in 2000 while the unemployment rate during the same period increased from 9% to 9.5% and then to 11.5% in 2001.

Dr. Lanzuna wondered how the economic growth resulting in the high unemployment rate? Found that the reason for this growth was the accompanying increase in employment is the opening of the Philippine economy to foreign capital by globalization which led to the use of machinery and equipment and modern techniques instead of hiring workers, and considered that evidence that the growth in GDP does not necessarily mean that recruit more hands workforce.

Even when we look at the picture of inclusiveness global perspective, we find that the reports of the International Labor Organization had proved the phenomenon of economic growth-associated increase in jobs. The ILO issued at the end of 2003 report on trends in labor and employment expected in the world during the year 2004, the organization has noted that the Middle East and North Africa has been the worst records in the world in the area of unemployment in 2003, where the unemployment rate was 12.2% This is the highest in the world .. It also noted that this has not been accompanied by growth in employment. For this organization urged decision makers in the world to face a number of challenges including addressing the problem of economic growth - the accompanying job growth Jobless Growth and stressed that any country can not bear the increasing rate of unemployment in the long run because it will lead to lower demand for goods and services and therefore limiting the prospects for economic growth.

Some may believe that this phenomenon is linked to the extent short time. But books and literature economic development replete with examples of the extent to which short, but outpaced the longer term. As we observe the evolution of the annual rates of change in real GDP in some major industrial countries for the period 1978-1997 as well as the evolution of the growth rates of employment, economic growth did not result in any event to further recruitment. The economy grew industrialized countries during the period at an average rate of 2.7%, while employment grew in those countries at an average rate of 1.1%. The United States economic growth rate of 2.7% compared with 2% for recruitment. Japan's economy grew at a 3.7% rate compared to the employment capacity of 1%, and Germany's economy grew by 1.8%, while employment has grown by only 0.4%. While the French economy grew during the period by 2.1%, the employment growth rate was negative -0.1% capacity, either Italy, where the economy grew at an average rate of 2.7% growth, the employment rate was 0.4%, the economy grew Britain at 2.3% while the growth rate did not exceed 0.1% of employment and the Canadian economy grew at a rate of 3.2% compared with 2.2% of those employed during the period from 1978 until 1997.

He notes that many countries of the world during the era tended 1960s to pursue a policy of development based on manufacturing, which led to the growth of industrial production rates impressive. However, the growth rate of employment in the industrial sectors in these countries was low as evidenced by the statistics Between 193-1969. In Ethiopia, the growth rate of production of the industrial sector 12.8% compared with a growth rate of 6.4% employment, and in Nigeria compared to a rate of 14.1% 5.3%, 11.2% and in Egypt compared to a 0.7% in Kenya 6.4% compared to a rate of 4.3%. In Asia, we find that the growth rate of production of the industrial sector in Pakistan during that period was 12.3% while the rate of growth of employment in the industrial sector 2.6%, and Thailand 10.7% compared to a negative rate of -12%. In the Latin American continent production grew by 6.5% while employment 1.1%, and in Colombia by 5.9% compared with 2.8% in Costa Rica at 8.9% compared to 2.8%. The other rates that show the difference between the rate of growth of production and the growth rate of employment in the industrial sector, which was suspended by the developing countries during the period of high hopes 1960s of the last century.

In earlier times was the services sector is the sector which reliable to absorb surplus manpower which washed industry and the growing proportion of the contribution remain the services sector in world economies over the past inaction. This belief was based on the premise that the services sector is one of the activities that used techniques productive labor intensive element unlike industry using production techniques of intensive capital and machines. However, signs industrial transformation predicts the contrary. Says researcher Jeremy Rivkin author of the book "end of the reign of function" (The decline of the global labor force and the emergence of the post-slavery "for the time being which exclude workers in the industrial sector of the economic process, is still among many economists and selected officials hope to be able the services sector and the administrative sector jobs to absorb the millions of unemployed persons who are seeking career opportunity, but more likely to shatter their hopes. Valaatmmeh (intensify the use of machinery) and the restructuring already SOLVE replace human labor force. That aide machines able to perform many tasks mental handled by humans now, but at a faster rate is Andersen Consulting, one of the great institutions of corporate restructuring, believes that the restructuring in the industry and one of the industries of the service sector (banks) means the loss of 30% to 40% of jobs over the past the next seven, and this translates to 700 thousand numbers and function are irreplaceable. these radical transformations that prompted the French Socialist minister Jacques Attali said, "The machinery is working class-proletariat-new.

These examples show that economic growth may not lead to increased recruitment of manpower, because production can be achieved through a work, but also through other productive elements such as machinery and technical and others. Hence, the bet that economic growth alone was able to recruit Saudis and stop the policy of bringing Saudis replace arrivals may not achieve the desired result. This does not mean to minimize the importance of economic growth, to create more employment opportunities for the increasing numbers of Saudi job seekers. It means that we have to take advantage of the career opportunities available at the present time, and filled by imported labor rather than waiting for job opportunities, has achieved has not achieved economic growth, or it may already be gone but, as usual, to non-Saudis arguing that the low productivity of the Saudis and they non-qualified to fill these posts.

Of course, that does not contradict with each work consistently and diligently to push forward the development process forward, and take all actions that create an environment suitable for local action to encourage domestic investment and attract foreign capital. Saudi Arabia, as well as funds held abroad to invest in the Kingdom according to the comparative advantages of the country and which opens wide to recruit Saudis. Because economic activity will then be based on logical grounds as economic concept right.

6. Between the necessary conditions and sufficient conditions

The recurring idea in this book is that excessive recruitment of foreign labor has contributed substantially to a significant imbalance in the labor Saudi market. We have many reasons to some very logical, which made this recruitment absolute necessity, especially in the early times of the experience of foreign recruitment in spite of all the negatives that accompanied the experiment. We also mentioned that the reform of this deep imbalance in the Saudi labor market will not be achieved without diving into the roots of the problem: Foreign Recruitment.

This does not mean in any way that rationalization of recruitment only will end the imbalance in the labor market. What we are saying here, is like what mathematics people are saying when differentiating between "sufficient condition" and the "necessary but not sufficient condition" to reach mathematical result. The necessary condition can not be reached without any result achieved. However, if such a condition has been achieved this does not mean that we get to the desired result because other governing conditions may be absent, but the existence of the sufficient condition is enough to reach a result.

- Recruitment rationalization is then necessary but not sufficient to eliminate the imbalance in the Saudi labor market. All other solutions proposed in symposia, conferences, meetings and studies to overcome the problems of the labor market will not be sufficient in the absence of the necessary condition which is recruitment rationalization.

Some of the proposed solutions in most occasions

- Discussing unemployment, Saudization, and labor market concerns, are as follows:
 - Matching the outputs of educational and training institutions and the needs of the labor market, including reform of the educational and training system.
 - Reform of work regulation, especially as regards the capability of employers to terminate employee who the employer finds as not competent.

- Devote ethics of productive work in the part of producer Saudi employee, most importantly the ethics of discipline and respect for time.
- Create a minimum wage scale.
- Determine working hours for private enterprises.
- Stimulate private enterprises to recruit Saudis through financial support and granting of preferences to the organizations that achieve high proportions of Saudization.
- Creating new opportunities for employment of women.

Any of these solutions can be detailed to endless partial solutions. If we take for example the solution considered under the title of "matching between the output of educational and training institutions and the needs of the labor market", we will find that there are hundreds of detailed solutions, but all of these detailed solutions will be unbeneficial in the absence of a policy rationalizing foreign recruitment. Then, what is the feasibility of the training and education of a Saudi citizen who finds a lookout foreign competitor, where the citizen could not accept the second in the low pay that does not meet his living needs in a community that differs radically from the society which the foreign worker came from? The foreign worker who comes from a State of the Third World countries to work as a driver in a public transport institution "limousine", is often not suited to lead some types of existing modern cars and does not know neither the geography of the town, streets, roads nor the language of the country folks. I.e. he lacks any kind of experience or training, while the Saudi citizen knows all these things and does not need to be trained. Moreover, if the citizen needs something from this training it would be much less than that needed by the foreign worker. However, most of these institutions prefer to employ foreign worker for reasons unrelated to training and experience. When we turn to the other professional levels, we find that this is repeated with the holders of bachelors and diplomas in application scientific areas such as engineering, computer and others.

In any event, some of the same previous solutions are the subject of vast controversy between those who see such solutions correct and the opposites. For example, there is also controversy about the importance of establishment of minimum wage scale, which is received by the Saudi national. In the moment such a wage is imposed, the Saudi citizen will be less attractive than foreign worker, in the case of equality between the Saudi and the foreign worker to obtain this benefit, when we know that the foreign worker drops many things that the Saudi would not accept to drop as explained previously. Further, we could imagine, in that case, the volume of remittances by foreign workers because of their inflated wages after granting them the minimum wage advantage. If minimum wage had been decided in favor of the Saudi citizen only, and not the foreign worker, this decision would put us in a quagmire with international organizations because in this case we will be accused of discrimination between people according to their nationalities. This is the last thing we need. Therefore, we may be obliged to decide the sectors, activities and professions limited for the Saudis as the only sectors to grant its workers the minimum wage advantage. Here we place ourselves in long mazes with the institutions which will be more exposed to such limitation; and thus to the high wage bill comparable with other institutions, which will benefit from two advantages of not limiting work to the Saudis and not to impose a minimum wage for workers.

In Conclusion, all of these solutions, although some controversial, will not help much away from "the necessary solution," which is rationalization of foreign recruitment. However, rationalization of foreign recruitment may not need us to take some of the previous resolutions because market mechanisms would create logical solutions to us through the interaction of supply and demand and the resulting individual initiatives on the supply side and demand side. The role of government is to regulate the labor market as prohibiting practices that reduce the transparency of the economic process or the practices that impede competitiveness amongst different economic units on the sides of the supply curve and demand curve in the labor market map; as well as training of Saudis in various ways, whether through training institutions or governmental training institutions in the private sector.

7. The effect of not applying the Nationalization (Saudization)

Unemployment rate rose in the Kingdom during recent years from 8.1% in 1999 to 8.14% in 2000, then to 8.34% in 2001, up to 9.66% in 2002, according to official estimates of General Statistics Department, the latest statistics is 15% as of 2007. There is no doubt that the presence of low-cost foreign labor has heightened unemployment rate meanwhile population growth rates are increasing in the Kingdom, where growth in Saudis population who are able to work is estimated of 4.69% per annum during the period of the seventh development plan from 1999 to 2004.

Unemployment is one of the worst social ills that faces any society. Unemployment does not mean only that the unemployed does not have a source of income to feed himself and his family, but also a feeling that the unemployed person is marginal and has no value in his society. Unemployment inherits a deep sense of non-feasibility, insult and lack of dignity. When an unemployed individual finds that those who are around him are working and adding value to their community while he hangs about at home or wandering in the streets and cafes, he will feel of spiritual and moral vacuum and his confidence in himself and his society would shaken.

At the beginning the unemployed person will feel angry, and then this anger turns, by the passage of time, into such a negative attitude mixed with frustration and aggressiveness towards others. Thus, the problems of the unemployed person would increase with his family members, the near surroundings, and then with his community in general. The unemployed person would then deviate into destructive behaviors.

Many studies have shown correlation between unemployment and psychological diseases. social scientist Dr. William Avison Says that the loss of a job leads to a sense of moral decline by the unemployed person and the inability to control his feelings, which casts him in the midst of psychological diseases. To be sure, some psychiatric disorders destroy the patient if causes have not been cured. In the case of long unemployment, the destruction sometimes may be constant and so would be difficult for a person to restore his vitality. Hence, offering a job to this person becomes almost impossible because his ability to cope with the work requirements diminishes with the passage of time.

The interruption source of income for the unemployed person, and the psychological his suffering because of the social pressures and personal embarrassment he faces continuously, may push some people to fall deeper in crime. In the study conducted by the Manpower Council in conjunction with the Interior Ministry, it has been shown that 83.92% of crime committers are unemployed persons in the study sample; given that unemployment is the main reason for their commission of the crime. The study attributed this result to the negative effects of the phenomenon of unemployment on the individuals economically, socially which increases their frustration and in the accumulation of dislike and hatred feelings in themselves, which may push them to the delinquency towards crime.

The study found that the previous crimes committed by the unemployed persons had increased during the previous period covered by the study (1989-1995) by 319.53% at an annual average rate of 15.42%. The study showed that the majority of the unemployed persons who committed crimes have made efforts to get to work but were unable to do so.

Also, the study had found that the age of the perpetrators of unemployed are concentrated in the slot, ranging from 20-30 years old. The study indicated that in this phase of age the person is often bear the stamp of bullish and physical strength, away from wisdom and deliberation, eager to achieve ambitions in the shortest and easiest ways, and eager for appropriate work opportunity that achieves his aspirations and secures him stable life.

Unemployment estimates issued by the General Statistics Department in 2001, showed that unemployment rates are concentrated in different age groups as follows:

- ❖ 15 to less than 20 years, equal to 48.51%
- ❖ 20 to less than 25 years equal to 29.07%
- ❖ 25 to less than 30 years, equal to 10.77%
- ❖ Unemployment rate in the rest ages is equivalent to 11.02%.

Another study conducted in 2002H on the social characteristics of unemployed persons of the crime committers, showed that those under the age of 30 of the study sample constitute 64.07% of the volume of that category. The study found also that 46.08% of the surveyed unemployed persons, had committed crimes because of the need of money, 21.5% had committed crime because of vacuum.

It is clear from the foregoing that the small age groups or lesser ages are critical categories that could be spoiled significantly of unemployment and threaten the society. Jeremy Rivkin, author of the book "end of the reign of the career" observed horrible images of violence of unemployed youth and adolescents in the European and American cities. In New York City, Washington and Los Angeles and some European cities there are gangs of unemployed adolescents sowing terror in residential areas that were safe in the past. Incidents like robberies, break into houses, shooting from moving vehicles, drug trafficking and riots increased as a result of unemployment. However, the other age groups are also threatened by unemployment and loss of jobs they used to handle. Mr. Jeremy conveys of Dr. Thomas Cottle, researcher specialized in psychology and clinical sociology, that some of those who lose their jobs are exposed to sick symptoms similar to symptoms that appear on people who are dying because work has been linked in their minds over life. The researcher gives an example for the purposes of his research, where he conducted interview with 47 years old man named George Wilkinson who lost his job as a manager of small company. Wilkinson says, "there are only two worlds, either to work every day in normal working conditions and obtain vacation, or die, and that there is no compromise solution". Working is just like breathing, a thing you don't think of but you practice it only to keep you alive, and when you quit it you die. After a year of this interview George Wilkinson committed suicide by shooting himself.

Available literatures on the social and economic impacts of unemployment indicate that, unemployment leads to many devastating effects including:

- Waste of deactivated human resources.
- Feelings of alienation and weak sense of belonging and loyalty to the community.
- Psychiatric disorders
- Suicide
- Abuse of alcohol and drugs
- Prevalence extremist ideas.
- Divorce and family disintegration
- Theft and assault on others properties.
- Killing and Sexual assaulting
- Insecurity

Unemployment among Saudis is only a part of the many negatives of the consequences of the presence of foreign labor overly exceeds the needs of the economy and society in Saudi Arabia. Unemployment despite its gravity as an economic and stressing social problem comes in the context of larger number of negatives and numerous problems created by the phenomenon of the surplus foreign labor.

The negative effects of the foreign labor on Saudi individual begin since his birth and childhood. He arises under the confines of foreign maid who often becomes nurturer and not just working at home for cooking and washing service. The Saudi child spends long hours with the foreign maid far from his mother who works outside the home or devoted to her own affairs even if she were not working. Saudi houses are full of large numbers of workers beyond the family's needs in some cases, because some consider the existence of more than one maid from the perspective of social relevance. Saudi families have become dependent almost entirely on the maid servants where a reprehensible type of severe dependency has resulted to the extent that the Saudi child is not doing any role in serving himself even in the simplest things. Even if he needs a cup of water he asks the maid to bring it for him. Because of this a feeling of relying "unconsciously" on others has been created with Saudi citizen as to performance of any act, and this partly explains the reluctance of some young Saudis to do many works and their inability cope with the work requirements in the private

sector because he used to see another person doing the work on his behalf since he was a young child.

Some people are surprised by the behavior of some Saudi young people and teenagers at the present time and that many of them lack the minimum of seriousness and weak dependence on them for the performance of any act, and tyranny of selfish.

But what can we expect from a person who has emerged since was a small child seeing that there is someone who performs on his behalf all his personal affairs, and not having any role in the home and is dependent on the maid and driver, and that no one asks him to perform any useful action even for training and familiarity.

Some of the negative impacts that face Saudi individual since childhood, are the cultural influences where he picks up the daily speech vocabularies from the foreign maid perhaps before he picks it up from his father and mother. He also picks up from the maid a lot values that form his psychological personality and leave their marks on his behaviors over life. In many cases the child is affected by the maid to the extent that when she travels to her country after completing her work, leaves deep psychological crisis in the part of the child.

Indeed, the cultural influences of foreign labor are not caused by the foreign house workers only, but by most categories of foreign labor of all kinds, especially by those coming from the Arab countries. When one goes to buy supplies from the market, obtain service from a trade business, rents a car, go to the hospital or anywhere he hears a lot of languages and dialects.. There is no doubt that this leaves negative impact on the Arabic language, especially given that some work environments are becoming exclusively foreign and their work language is foreign and not Arabic. It is noticeable that some hybrid vocabularies marched to the Arabic and Saudi citizen have used such vocabularies even when talking with another Saudi citizen.

If the language is a key element in the equation of culture, culture is broadly defined to include many social and ethical elements. These cultural values certainly been significantly influenced by the excessive presence of the foreign labor. We do not say that all the components of our local culture are positive values but the sweeping of foreign values to our culture due to the imbalance of population which made the foreign labor rate up to a third of the population structure, poses a real threat to the cultural fabric of the Saudi society, especially that the majority of foreign labor is simple and illiteracy labor came from small rural villages.

The imbalance in the Kingdom's population structure by the presence of excessive foreign labor has left negative impact on the community through the proportion of crimes committed by the foreigners. The ratio of expatriates to the total population is 32%, while the proportion of crimes committed by the expatriates of 75.59% of the crimes of bribery, 75.05% of forgery crimes and 67.54% of swindling and fraud offenses, 48.28% of the thefts and 47.49% of ethical crimes, 43.6% of composed crimes and 40.72% of identity theft crimes and 31.66% of criminal offenses for cars, and 28.39% of the crimes of assault and beat, and 27.77% of intentional murder, and 26.55% of the alcohol crimes, and 26.29% of drug offenses.

Dr. Abdullah Bin Hussein Al Khalifa, found in a field study, that "foreigners commit crime, in pattern and size, to the extent and pattern of crime occurring in the communities they have come from, this means that the foreigners coming to Saudi society from communities infested of criminal behaviors are more inclined than others to be involved in the same behaviors, and vice versa. In his review of the literature on this subject in the Arab Gulf states, says Dr. Khalifa: "a number of studies discuss the impact of foreign labor in the volume of crime, and a number of these studies pointed out that foreign labor commit crimes in ratios greater than such lobar actual size in the society, some of those studies also revealed the emergence of new patterns of criminal behavior were not known locally before the advent of foreign labor.

It is known that communities generally subject to constant change, as social change is the basic recipe in any society as it may seem stagnant at first glance. We could imagine the impact of foreign labor in identifying the change aspects that will occur on our society and contribute to its structure over the upcoming stage. Back to the many literatures available on "social change", we could say that any immigration or foreign presence must leave their deep impacts on the community. Such effects may be negative or positive. Some of the positive effects left by the early foreign presence in the eastern region of Saudi Arabia in the early entry of oil companies are the behavior of discipline and respect for work values. But we note how different the impacts of foreign labor which came later to the region during the era of so-called "boom" and thereafter.

These negative effects have been exacerbated by the presence of surplus large numbers of foreign labor which often created a kind of friction between the citizen and foreign worker. The nature of the existing circumstances has isolated foreign labor community from the periphery of society in which they live, is the Saudi society. Hence, there is "another community" within Saudi society and only small numbers of Saudis know such society. Therefore, the daily deal between the Saudi citizen and foreign labor carries some pictures of friction because of the social and cultural gap that separates the two sides. The reasons for this friction is that the foreign worker believes sometimes that the relationship with the Saudi is unequal authoritarian relationship in favor of Saudi, which may create some feelings of hatred and perhaps revenge in any form. The Saudi sometimes looks at the foreign worker suspiciously because of the differences in customs and traditions and may misunderstand the foreign worker and imagines that he wants to use or even stolen him. Given that the majority of foreign labor with which Saudi citizens directly deal is simple labor, some Saudis look at such labor generally in a superstructure way wounding the feelings of the foreign labor in general. If we add to this the conflicts that occur on the financial benefits of foreign workers and quality of service provided to them, we understand the bitterness resulted from such bitterness, which may be translated into bad practices. Because of this, the Kingdom sometimes faces criticisms from foreign governments and global labor organizations and human rights associations. There is no doubt that such criticisms damage the country's reputation and the reputation of the Saudi citizen.

From an economic perspective we could see the positive contributions of the foreign labor. However, these positive effects must be compared to the negative effects of surplus foreign labor. Perhaps the most obvious negative effects are the creation of economic structure lacks in its ingredients the essential elements which ensure continuity of some businesses and economic organizations which had no real economic justification for its creation but cheaper foreign labor. This has led to distortion of market forces and mechanisms, where organizations of no real relative advantage have been created in the area of its work. Those institutions have devoted quick profit concept, and also became stumbling block in the saudization road because they cant saudize their posts then they will lose the most important element in equalized profitability which is the existence of cheaper foreign labor. Some existing institutions, which appear at first glance as they belong to Saudi individuals, are in fact, exclusively owned by foreign labor covered by Saudi persons who receive commission or lump sum for sponsoring such foreign labor and give them legal coverage. Of course, this cover has led to competing Saudis who have installations in the market, or who want to enter the market, especially in the area of small enterprises that could attract large numbers of small investors.

Due to the presence of such huge numbers of surplus foreign labor that exceed the real need, the abroad financial remittances by those workers have become constant drain on the Saudi payments balance. The total remittances were about sixty billion Riyals in 2002. A study, issued by the General Secretariat of GCC countries, estimates the volume of remittances of foreign labor from the Kingdom during the period from 1975 to 2002 of 260 billion dollars, i.e. about 975 billion Riyals. It is certain that these enormous funds would have revived the Saudi economy if stayed at home and invested to establish economic projects to provide income and employment for Saudi citizen.

As regards Saudi human resources, we can say that the presence of surplus foreign labor, but not the essential labor, had contributed to the reduction of Saudi human resources growth. As the presence of surplus foreign labor of specialties needed by the country in the field of medicine, nursing and university education and the like have contributed to the development of Saudi manpower; the surplus labor has created a cheaper ready alternative. Thus, some employers did not find motivation to train the Saudi and grant him the opportunity to learn and master the profession, but the employer always compares the Saudi worker with the foreigner although is not objective comparison.

From the foregoing it can be said that the intense of foreign labor surplus to requirements will be devastating if continues at its previous historic velocity. The issue is not a question of specific number of foreign labor working in the key areas that are difficult to provide national manpower to run, but beyond that to turn this foreign labor into in addiction, to the degree to which unemployment started to appear among foreign labor itself in addition to unemployment among Saudis.

Many countries have encouraged attracting foreign labor to meet their existing needs in certain historical and economic conditions. But the matter did not reach the degree to imbalance the local population structure, as is the case in the Kingdom and the rest of the GCC countries. The GCC Council General Secretariat estimated the expected number of foreign manpower of 17 million foreign worker by 2012 if recruitment continues in the same previous historical pace according to some scenarios.

For these reasons we say that our country, Saudi Arabia, is facing two options: either Saudization or Deluge. It is certainly true that the real option is the first option which maintains a productive community that keeps on with the rest communities in terms of export and import and benefit from others' technology and resources and meanwhile make others benefit from our products and munificence, and doesn't isolate itself from the exchange of globalization movement but also don't build upon fragile structure fully dependent on others, but on the sons of the homeland bearing in mind that should not prevent us benefit from the foreign experiences according to the real need of the country.

General Analysis

In the part of this essay I will cover the relation between the Economics and the Gender.

why Women make less then Men?

- Pregnancy
 - Loss of time in the field and intermittent absence can put women at a economic disadvantage. (Many times this difference in treatment is against the law.)
- Stay-at-home Moms
 - 98% of stay-at-home parents are women leaving them out of the job market for extended periods of time.
Time out of the labor market causes women to lose the period of rapid economic advancement.
- Different Professions
 - Teachers (83%) Nurses (93%) Social Workers (69%) Day Care workers (97%) Secretaries (99%) Vs Mechanics(4%), Construction Workers (2%), Truck Drivers(5%)
- Flexible Employment
 - Women, more than men, tend to choose jobs that allow them to deal with her children's activities and illnesses.

Why Competition would Eliminate Discriminatory pay

- Businesses that hired only men at the higher wage would have higher costs than businesses that did not discriminate.
- Businesses that did not discriminate could lower their prices and take the market share of those firms that did discriminate.
- As this happened firms would see that discrimination was not consistent with maximizing profits and would stop discriminating.

Why Competition Would Not Necessarily Eliminate Discrimination

- In industries where there is economic profit, firm owners may continue to discriminate and consider it a price they are willing to pay so as to not employ women.
- In industries in which the customer chooses which business to patronize based on gender, firms may be willing to discriminate because their profit maximizing interest and discrimination are consistent.

Actualization

Case Study: Implementing the Saudization in the Gold and Jewelry sector

As a matter of principle; no one is against Saudization, as I mentioned in the previous chapter, but the problem is always in the details. When going into details enthusiasm will fade out and another theoretical point of view appears filled with caution and hesitation. Not because of bad faith, but because businessmen of every economic activity believe that their activity represents "special case" and is non-Saudizable.

As an example, when the government wanted to Saudize gold and jewelry shops, the shop owners expressed fear of lack of preparedness of the sector for Saudization, and asked concerned bodies repeatedly, to postpone implementation of Saudization. Although the concerned departments have positively responded more than once to their requests for postponement, but the owners of gold and jewelry shops have returned again to ask for postponement whenever earlier postponement has expired.

Despite that, Saudization of gold and jewelry shops has succeeded at the first serious attempt.

The story of saudizing gold and jewelry shops begins with the decision of the Manpower Council in 1421, to limit seller posts in gold and jewelry exhibitions and shops to Saudis only and not allowing foreign labor to work in such posts. The owners of these shops were given a full year notice before the deadline for implementing Saudization in order to arrange their own affairs before the start of implementing the resolution. Coordination was also made with other training institutions in the public and civil sectors to provide training courses on the profession of selling gold and jewelry.

By the time of implementation in 1422, shop owners expressed their inability to Saudize the shops, and asked to postpone implementation of the resolution. HRH Prince Nayef bin Abdulaziz, Chairman of the Board of Manpower responded to their request and issued his decision in 1422 to gradually implement the resolution accounting for the circumstances of the owners of gold and jewelry shops, according to specific ratios, starting with 30% of the total employees, and would rise to 50% at the beginning of next year, and complete and reach 100% at the beginning of next year i.e. by 01-01-1424 date.

That was accompanied by coordination between the Secretariat General of Manpower Council and the civil and governmental training bodies. However, once again, by the specified time the shop owners requested another postponement of implementation.

In spite of everything, postponement was approved till the start of next year, i.e. to 01/01/1425, but _ believe it or not- voices have risen again asking for further postponement when implementation of resolution fell due.

The argument has always been given is that the gold and jewelry selling profession needs special skills and personal qualities that are available only in a few people, therefore, it is difficult to bring Saudi citizen to replace the foreigner in the short term. But the short term remains to passing endlessly as whenever a deadline expires and implementation date falls due, owners of gold and jewelry shops again called for postponement; although training courses held to train Saudis on such unexceptional profession with the support of the Human Resources Development Fund and the National Organization for joint training of the institution of technical education and vocational training and some other private institutions did not receive the popularity of the owners of gold and jewelry shops. The shop owners were expected to send to such training courses the people they want to attract to their shops through programs supported by the aforesaid Fund during the training and recruitment beginnings.

The experience of Saudizing gold and jewelry shops in Medina, shows us how the possibility of implementing Saudization despite fears expressed by the owners of such shops. This experiment shows also the great benefits that can be achieved by the process of Saudization despite the presence of the many obstacles and challenges in the face of Saudi citizens, such as long working hours and lack of incentives, and so on.

When the Saudization resolution was introduced the number of gold and jewelry shops in Medina was 331 shops and the number of sellers was 1426 persons belonging to 21 nationals, and there were 17 Saudi only among them; i.e. Saudization rate was only 1.19%.

After a year of implementation of the resolution, the number of the rehabilitated persons for the profession of selling gold and jewelry had reached more than 800 Saudi sellers. In the first month of 1424 Saudization rate accounted to 100%. As a result of the efforts of Saudization, the shops that practiced concealment have disappeared and thus decreased the total number of shops from 311 to 127 shops by the end of 1424, and the number of Saudis sellers settled at 625 person.

Discussions

The Saudization Executive Committee in the Principality of the Medina, conducted a field study in the eleventh month of 1424, before the introduction of comprehensive Saudization, and came with following results:

Most of the sellers came from outside Medina, this means that the Saudi citizen has the desire to move where his job exists.

Most sellers are between the ages of twenty and thirty, and then sellers of less than twenty years, then between forty and fifty years, which means that this work attracts all groups of age.

Most of the sellers have Intermediate Efficiency Qualification, then primary and secondary school certificates. This means that such a job does not require high qualifications and did not affect the ability of the individual to handle the profession.

95% of the sellers never had access to training courses in sale of gold and jewelry career and were trained in on the job. This indicates that despite the importance of training courses generally, training on work can be appropriate method.

62% of the sellers did not have previous experience in selling gold and jewelry. As for the 38% who had experience has gained it during the previous two years of the implementation during the gradual Saudization. This indicates that the tightening by some of the shop owners about experience requirement may be excessive in some cases.

There is high demand from Saudis to work in this profession, despite the obstacles. The study found that there are a number of constraints in this context such as:

- Long working hours and lack of weekly rest, 534 sellers serving morning and evening periods, the number of hours for some sellers reaches 16 hours a day. Also, some of them do not obtain leave weekly. There are 32 sellers serving one period only, but they are students who work in relatives' shops and some sellers with meager wages who wish to improve their conditions.
- Non-subscription in social insurance: all sellers, except for six of them, are not subscribers in the social insurance system although some expressed his desire to subscribe.
- Work without contracts: 74% of the Saudi sellers work without employment contracts, despite the fact that Article 83 of the labor law dictates for written employment contract.

Despite all these constraints, the demand for enrollment in the "gold and jewelry seller" profession was significant. It is noted that limiting this profession to the Saudis had launched market mechanisms to fine-tune the labor market with the new reality as is the nature of markets to adjust to changes according to supply and demand. For example, figures show that 24% of Saudi sellers in gold and jewelry shops in Medina, paid between 3000 to 5000 riyals, and there are higher wages than that despite the absence of minimum wage. This indicates, on the other hand, that the imbalance in the pay structure is due to the intensive presence of foreign labor that exceeds the local economy requirements.

The study of Medina ironically revealed, that the declining number of gold and jewelry shops from 311 to 127 shops was accompanied by a rise in the number of Saudi sellers from 17 to 804 persons. This confirms that many of the shops had practiced concealment, and that economy did not lose anything with such shops disappearance, all the issue is that the share of these shops in the total volume of sales has turned into shops that employ Saudis, which shops have continued in the market.

The experience of Medina has been repeated in more than one region in the kingdom, and has succeeded dramatically both in terms of attracting Saudi citizens to work in gold and jewelry shops, or in terms of elimination of concealment, or modification of the structure of wages according to market mechanism, without interference from the government for the purpose of minimum wage. These steps were accompanied by an increase in the sales of the shops which have initiated Saudization functions, as buyers have turned to these shops from those shops which have had to close down because of their failure to achieve Saudization.

Experiences in various regions of the Kingdom have proved the possibility of the success of Saudization whatever seemed at first glance as not promising process from the point of view of some people, especially the owners of the unsaudized activities; as market mechanisms and forces begin work and complete the adjustment process in order to achieve balance in the market.

General Recommendations

- With all had been mentioned above I'm suggesting the following:
 1. The Saudization became a most to avoid the negative impact on the society, family and the individual .
 2. The leaders and mangers become role models of passing knowledge to the young Saudi employees to make them better employees.
 3. HR Dept. should ensure the implementation of the Saudization .

Conclusion: A New Perspective

- As I am the Human Resources of my Company, I will establish a system that will focus on implementing the Saudization without impact the business.
- Moreover, the HR Dept. encourage the organization to invest in the young Saudi employees by developing strong training programs.
- HR Dept. should balance between implementing the Saudization and ethical issues.

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- More references had mentioned within this essay.