

HOW THE LOCAL MARKET OPENNESS POLICY TOWARDS FOREIGN WORKERS EFFECTS TURNOVER INTENTION, AND JOB SATISFACTION: A SAUDI ARABIAN PRIVATE SECTOR CONTEXT

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Abstract

The Saudi Arabian private sector has increasingly shown openness towards foreigners by providing them with a larger fraction of opportunities than the nationals. The increase in the number of foreigners working in the private sector has led to significant change in the local market with much effect on the cost of labor and hiring trends. The tendency has resulted in unrest among the Saudis as they face higher unemployment rates as well as lack of security in the current positions. The entry of more academically qualified foreigners into the market worsens the level of job insecurity as more individuals lack satisfaction in their positions or intend to go for government positions. The current study will examine the effect of local policy openness to foreigners on the turnover intention and job satisfaction with reference to the Saudi Arabia private sector context. The lack of job security will mediate the effect of the local market policy openness to foreigners on the turnover intention and job satisfaction. On the other hand, the level of education will moderate the relationship between the local market openness to foreigners and the job security while the organizational justice will moderate the effect of job security on satisfaction and the turnover intention.

Keywords: Local market openness policy, foreign workers, job satisfaction, turnover intention, Saudi Arabia

Introduction

Saudi Arabia has a growing private sector despite its high dependence on government spending and oil production. The industry comprises mainly of construction firms, service providers, and real estate. There has also been the privatization of government entities such as health care, communication, education, power supply, and water. The increase in the Saudi Arabian oil and non-oil exports shows that there is an increase in production, which requires the input of more factors of production, especially labor (Bouyamourn, 2015). As a consequence of expansion and increased production, the industry is currently absorbing a higher number of employees than it did a few years ago. Despite the private sector being labor intensive, it also requires the touch of professional in the management and other white collar positions; it requires both skilled and unskilled employees.

Saudi Arabia has been one of the countries with strict foreign policies, especially when it comes to immigration due to the strong ties to cultural preservation. However, the change in the international business atmosphere has demanded the improvement of such policies where the country now welcomes a relatively large number of foreigners, commonly known as expatriates. The increase in the number of foreigners working in the country is, in fact, becoming a real problem for the nationals and the government. The Kingdom's openness to foreigners has led to the increase of their population to a third of the total population (around 30 million). According to Jones and Omran (2015), foreigners constitute up to 75 percent of the private sector workforce, which leaves the nationals with scarce employment opportunities. A larger percentage of the foreign workers in the private sector (85 percent) have low quality skills and, as a result, there has been a decline in the minimum wage offered by employers. Harper (2012) reported that there has been a sharp decline in the private sector wages as the supply of employees is higher than the demand.

The continued entry of foreigners in the local job market has contributed to the rise of competition among jobseekers. As a factor of production, employers have a taste of employees with the potential to work efficiently, which relies on the individual skills. Western Europeans and Indians expatriates in the country hold an advantage over the Saudis, especially due to their higher levels of educational achievement. Eloquent English speaking foreigners take up many teaching positions in the Kingdom's private schools due to their competitiveness in the language (Zuhur, 2011).

It is also important to note that Saudi Arabian expatriates must have an arrangement with a native sponsors before they move the country; the sponsor holds the worker's, and sometimes the family members' passports during the stay. Sometimes the sponsors use their position to their advantage

as the expatriate cannot leave without their permission. Consequently, the foreigners, especially the unskilled ones, have to live and work for as long as the sponsor needs them to, even when the conditions are poor (Chamberlain, 2013). Eventually many foreigners remain trapped in the Kingdom's job market, even as there are new arrivals that can lead to the inflation of labor and the decline of wages. Holding the passports also make the employees reliable and more productive due to the fear of losing their employment besides lacking the authority to question their employers (Zuhur, 2011). Therefore, the expatriates become a better source of labor than the Saudis.

Other consequences reported by the local market policy openness to foreigners include to the increase in unemployment among the nationals and decline in job security. According to Harper (2012) there has been pressure on the government to create job specifically for the nationals by initiating new projects or developing and implementing policies to control the number of expatriates. For example, the quota system demands that the private sector employs a certain number of nationals where firms that fail to comply with the requirement pay fines. McDowall (2015) reported that there is a general decline in the optimism towards the private sector among young Saudis as it fails to assure them of job security, better pay, and benefits. Consequently, many Saudis have a preference for government jobs. On the downside, employers in the private sector argue that it is difficult to find qualified Saudis to replace the foreigners at different employment positions.

Significance and scope of the study

The proposed study seeks to identify the effect of the local market openness to foreigners on the turnover effect and job satisfaction of Saudis. The results of the study will form a good reflection point in the formulation of foreign policies involving immigration and expatriate employment. The study will also lead to the development of additional significant knowledge in the particular subject besides providing practical recommendations on the same. Saudi Arabia is one of the countries experiencing internal employment challenges due to the augmented numbers of foreigners in the Kingdom. Consequently, the Kingdom's private sector will offer an excellent platform to study the implications of local market policy openness to foreigners. There lacks a significant number of studies related to the proposed research with relation to subject and context.

The study will touch on various aspects of human resource management (HRM) as well as organizational culture with job satisfaction, organizational justice, and turnover intention being of paramount significance. It is the duty of an organization's HRM to ensure that its employees have satisfaction in their jobs, especially when it comes to remuneration, job security, and promotion. The concept entails the level by

which employees feel contented in their jobs; it is a measure of the perception towards the job. Job satisfaction is a principal determinant of the turnover intention, which provides information concerning the desire of employees to leave their current employment positions. When employees lack satisfaction in their employment, they tend to be more willing to leave the positions for others that offer better conditions. The organizational justice pertains the employee's judgment concerning the organizational behavior with regard to ethics, equity, fairness, and business regulation.

The proposed conceptual model

As noted earlier, the local policy openness to foreigners is a significant determinant of job security in the light of competition for a limited number of job vacancies. The supply of labor to the Saudi Arabian private sector surpasses the demand, which is a consequence of a very favorable local market policy towards foreigners. Implicatively, the increase in supply results in unrest among the Saudi nationals as they increasingly feel that the foreigners will take up their jobs. Secondly, job security is a factor of employability with reference to the employee's educational achievement. As noted by McDowall (2015), employers in the Kingdom's private sector find it challenging to find Saudis with the educational capacity to replace expatriates despite government efforts to provide scholarships and other high education initiatives. Even when the nationals lack high educational attainments, some labor intensive industries, especially construction, does not require academic competence. As a result, the 85 percent of the expatriates that lack skills offer employment to such industries, which results to a decline in job security among the nationals.

Job security and organizational justice have a direct implication on job satisfaction and turnover intention among the nationals. Organizational justice, in this study, may imply the tendency of the private sector to favor foreigners in employment. The Saudi private sector offers more employment opportunities to foreigners than to nationals (only a quarter of the jobs), which amounts to organizational injustice. Such injustices combined with job insecurity lead to the lack of satisfaction in the current positions, and the intention to leave. The desire by Saudi youths to seek government jobs shows the lack of satisfaction and job insecurity in the Kingdom's private sector. The following figure demonstrates the proposed conceptual model:

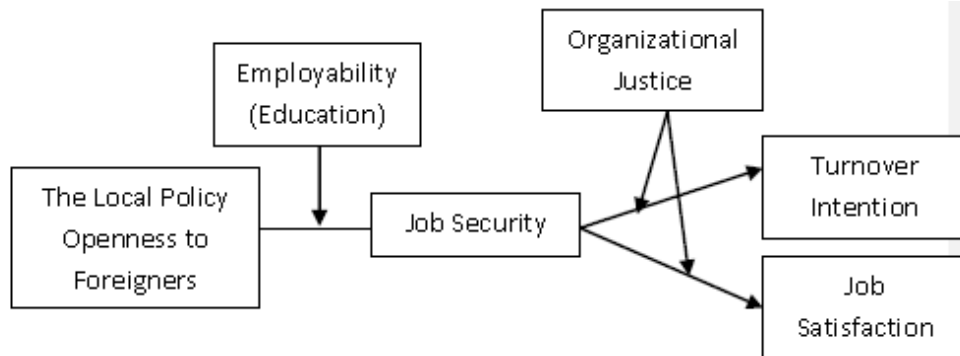


Figure 1: Conceptual Model

The local market openness policy towards foreign workers and related outcomes

The relationship between local policy openness to foreigners and the turnover intention (TI) and job satisfaction (JS) is the most important for this study. While TI entails the desire of the employee to shift from the current position to another, job satisfaction concerns the employee's contentment in his/her current position. The local policy openness to foreigners may either have positive or negative impacts on TI and JS. Open policies generally allow more foreigners to acquire employment opportunities in the local market, which changes the perception and attitude of the nationals concerning the job market. A competitive labor market with lower unemployment rates leads to the increase in the turnover intention of employees as they seek to change jobs depending on their ambition and satisfaction in the current positions. According to the World Bank (2015), the employment rate in Malaysia was 3.2 percent in 2013, which is significantly low compared to Saudi Arabia's 5.7 percent. Nonetheless, the turnover intention in Saudi Arabia is higher than it is in Malaysia based on the differences between the two nations. In Malaysia, the employees intend to change positions due to competition for excellence between firms. Unlike Malaysia, Saudi employees intend to change their current positions in the private sector in favor of government jobs due to increased competition among individuals and higher unemployment rates. Open local market policies are a direct contributor to the two principal determinants of the turnover intention.

One of the models that can explain the relationship between the local policy openness to foreigners and the turnover intention is the Belief, Attitude, Intention and Behavior Theory. The theory, developed by Hill, Fishbein and Ajzen (1975), relates the individual's perception and attitude towards the intention and execution of the intended behavior. To explain the relationship, the local market policy openness to foreigners will be a source

of competition, which has an effect on the turnover intention of employees in the Saudi private sector employees. The influx of foreign employees in the private sector, as indicated by the percentage of opportunities they hold, creates the perception that there is unfavorable competition (which is true). The perception of competition leads to the development of a negative attitude among the nationals that does not favor the sector. Under such circumstances, the employees may consider other options to their current opportunities, especially due to fear of replacement (Gim, Desa & Ramayah, 2015). The decision to consider other employment options, which is the turnover intention, contributes to the actual shift of employees from the private to public sector.

Besides the contribution of competition, which is a consequence of the local market policy market openness to foreigners, towards the increase in turnover intention, poor working conditions in the country may also be a significant contributor. The increase in competition between the locals and expatriates lead to the decline of wages, which places the foreigners in a compromising position as they have to endure the poor pay. While the foreigners can work in poor conditions, Saudis find it difficult to work, especially because they have no ties with the employers and can leave at their volition. Further deterioration of working wages and other working conditions, which come with advanced submission by the foreigners, lead to the increase in the in the willingness by the natives to leave their current employment for other valuable opportunities. Conclusively, the local market policy openness to foreigners results in the inclining turnover intention index in Saudi Arabia.

Proposition 1: *The turnover intention of Saudi employees is dependent upon the local market openness policy to foreign workers.*

As noted earlier, the local policy openness to foreigners results in the increase of competition between the expatriates and nationals for a limited number of opportunities. On the other hand, lack of job satisfaction pertain the discontentment in the current job, which can be a product of competition. One of the factors of job satisfaction is the employee's competitive advantage where the employee feels more satisfied in their current job when there is not much competition for the positions. The fact that there is the factor of unfavorable competition for opportunities in the Saudi private sector, the nationals tend to perceive that their competitiveness declines as more foreigners enter the job market. The tendency of the local market policy to encourage foreign employees and firms in the private sectors to offer employment to the specific class leads to the growth of dissatisfaction. A higher number of competitors present an equivalent number of replacements for the natives, which leads to uncertainties in the current job positions.

Herzberg's motivation-hygiene theory can explain the relationship between working conditions and job satisfaction in Saudi Arabia. According to Herzberg, hygiene issues are essential in the motivation of employees towards work. The theory holds that satisfaction and dissatisfaction follow the patterns of hygiene factors and motivation. Herzberg classifies issues such as company policies, working conditions, and pay as some of the common hygiene factors; it is inevitable that the employer gets the quality of work defined by the salary they pay (Smith & Shields, 2013). When the employer insists on getting more work done under poor pay, the employees become discontented in their employment, thus the increase of job satisfaction. Based on the fact that the decline in pay and working conditions has a connection to the increase in the number of expatriates, it is possible to conclude that the local market policy openness to foreigners results in the increase in job dissatisfaction in Saudi Arabia.

Proposition 2: *The local market openness policy towards foreign workers leads to the lack of satisfaction among Saudi employees.*

Job security

Lack of employment opportunities in other countries in the Middle and Far-East as well as Africa, especially among persons with low and medium educational achievement leads to the perception that a country like Saudi Arabia will offer 'greener pastures'. Influx of such employment candidates topples the balance between demand and supply in a way that the private sector employers have the ultimate control over their remuneration and employment. Foreign employees often find themselves with no option other than accepting any available opportunities regardless of the salary and their academic achievements. Such trends culminate in the dynamism of the labor market where low level opportunities demand higher educational attainment but, with lower salaries. When the new market structure does not suit the desires and qualifications of the nationals, especially in consideration of educational achievement (as in the case of Saudi Arabia), there gradually arises a sense of insecurity of employees. A market with a high number of potential employees means that the competition goes higher; the less qualified Saudi nationals are at a higher risk of lacking opportunities or even losing their current positions to the larger number and more qualified foreigners.

As argued by the Belief, Attitude, Intention and Behavior Theory, the perception and belief that there is an unfavorable competition result in the development of an unfavorable attitude towards the job market. Lack of job security is the unfavorable attitude towards employment that develops from the local market policy openness to foreigners. On the other hand, job insecurity (attitude) leads to the development of the intention to quit the

current job positions (turnover intention). Similarly, lack of job security can lead to the lack of employee satisfaction in their current opportunities. In conclusion, job security mediates the relationship between the local market policy openness to foreigners and the turnover intention and job satisfaction.

Proposition 3: *Job security mediates the relationship between the local market policy openness to foreigners and the turnover intention.*

Proposition 4: *Job security mediates the relationship between the local market policy openness to foreigners and the employee's job satisfaction.*

Situational factors

a. Employability (education)

The local policy openness to foreigners result into the identifiable variation or change in dependent variables related to domestic labor. The openness of policy to foreigners involves the regulation of laws that encourage the entry of more foreigners in the job market by easing the relevant requirements for employment. A job market that requires higher academic achievement from employees in a population with less qualified individuals results in the outsourcing of labor. Outsourcing labor helps in settling the pressing manpower demands in the job market; increase in the demand leads to subsequent entry of more expatriates into the market. Consequently, the increase in demand for foreign labor results to the increase in the mix of foreigners with relation to education, which is a chief determinant of employability. The entry of more academically competitive individuals in the market results in lack of job security, which contributes to job dissatisfaction as that comes from the fear of losing the held opportunities.

The Saudi private sector provides employment to a high number of expatriates, despite the largest percentage lacking skill requirements. Such an employment approach may make the nationals perceive that the sector lacks appreciation for their academic achievements and as a result, the demand for their services may not last for long. While the lack of job security results in the increase in turnover intention, consideration of the educational situational factors may lead to further augmentation of the turnover intention function among the Saudi employees. On the contrary, Saudi employees with high levels of education and have the relevant skill requirements may not feel the urge to change their jobs as they feel secure in their current employment. Conclusively, the employability can either positively or negatively affect the relationship between the local market openness to foreigners and the job security (mediating factor)

Proposition 5: *Employability moderates the relationship between the local market policy openness to foreigners and job security.*

b. Organizational justice

The principal purpose of doing or owning business is the creation of profits, which is an outcome of the factors of production. Factors such as labor account for large fraction of production expenses and their reduction implies that firms can enjoy larger profit margins. The availability of limited opportunities for an un-proportioned number of employees provide the opportunity for firms to acquire the most qualified individuals for the cost they deem most appropriate. As an implication, the HRM and organizational culture change to suit the new condition; for example, the human resource may show preference for foreigners than the natives by offering them more opportunities or by finding expatriates to replace the nationals. Organizational justice entails the employee's perception concerning the industry's or firm's adherence to the ethical practices, as noted earlier. In the eye of the nationals, such actions amount to organizational injustice, especially due to the unequal distribution of opportunities; this may lead to an increase in the number of employees willing to change their jobs. Irrespective of the job security of the employee, which can be a factor of educational achievement, he/she will intend to change jobs if the employer does not show respect for labor laws. Therefore, the organizational justice can moderate the relationship between job security and the turnover intention in Saudi Arabia.

Proposition 6: *Organizational justice moderates the relationship between job security and the turnover intention.*

It is very important that an organization assumes the use of fair and just practice towards its employees. Mistreatment and discrimination of employees on the bases of their nationality, ethnicity, and religion contributes to the rise of organizational injustice. A myriad of sources show that Saudi Arabia has a history of poor working conditions, poor pay, and mistreatment of employees, especially expatriates (Ramady, 2010); (Chamberlain, 2013). Foreign employees are the most prone to mistreatment and poor working conditions; however, the natives sometimes find themselves in the same conditions (Abdullah, 2015). Such organizational injustices ripple throughout the entire labor market as employers adopt the unethical culture of mistreating their employees. According to the Herzberg's two-factor theory of job satisfaction, working conditions, organizational culture, and poor pay lead to dissatisfaction. On the contrary, an organizational culture that embraces equality and humane treatment of employees enjoys higher levels of employee satisfaction and productivity.

Even when an employee has the guarantee that he/she will retain an employment position in the long-term, which should supposedly result to an increase in satisfaction, a premature organizational culture of inequality can easily lead to the dissatisfaction of the individual. On the other hand, an

employee without much security in the current employment but works for an employer who respects and treats him/her right is most likely to have a higher level of job satisfaction. Conclusively, the organizational justice moderates the relationship between job security and satisfaction in Saudi Arabia.

Position 7: *Organizational justice moderates the relationship between job security and job satisfaction.*

Conclusion

The Saudi labor market demonstrates openness towards foreigners as indicated by the large number of expatriates working in the kingdom's private sector. The openness of the market has led to the increase in unemployment rates in the country as more foreigners take up the available job opportunities, especially due to academic achievement and low pay. The increase in competition between the Saudis and foreigners place the nationals at a losing position where they can easily lose their jobs, which leads to job insecurity. The tendency by private firms to employ foreigners and the insecurity that rises from competition results in discontentment in the current positions (job dissatisfaction) and the willingness to go for government jobs (turnover intention).

The proposed study aims at elucidating the effect of the local market policy openness to foreigners on the turnover intention and job satisfaction among Saudis. The local market policy openness to foreigners will be the independent variable while the turnover and job satisfaction will be the outcomes. The job security will mediate the relationship between the outcomes and independent variable while the employability (education) will moderate the relationship between the independent variable and mediator. On the other hand, the organizational justice will moderate the relationship between the mediator and the two outcomes.

The study will provide an excellent reference point for individuals intending to create market policies concerning the employment of expatriates by reflecting on its consequences on the job market. The study will also offer significant scholarly knowledge on the subject, which will guide the conduction of further studies on the subject. The current impact of local market openness to foreigners in the Saudi Arabian private sector will offer a reliable and better platform to understand its relationship to turnover intention and job satisfaction as the consequences in the Kingdom are vivid.

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