

The institutional logics of localization programs in GCC developing countries

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Abstract

This study explains the sociopolitical impacts of localization programs by focusing on some Gulf Cooperation Council (GCC) countries, such as Saudi Arabia, Qatar and UAE. This study is based on secondary data collected from the review of previous relevant studies and data available on the Internet. Despite contributing to achieving some political and social goals, these programs have serious impacts concerning the quality of work to be done in the labor and the business (economic) environment. This study alerts the international society to the various perspectives of the locally-taken decisions or implemented programs.

Keywords: Nationalization, GCC, economic, political, social

1. Introduction

Localization, as used in this study, means increasing the number of nationals in the key positions of the various sectors of the economy, rather than depending on foreign employees (Potter 1998; Forstenlechner and Rutledge, 2011; Swailes et al., 2012; Elbanna, 2022). The positive impacts of these localization policies, such as reducing the level of unemployment among nationals, are documented in the literature (Al-Dosary and Rahman, 2005). Yapa (2000) noted that localization policies are considered important for producing competent employers who can contribute effectively to the nation's development process. This positive perspective stems from the idea that it is crucial to recognize the needs of the country, resource availability and socioeconomic planning when designing local programs such as education and training systems. Otherwise, these programs would not achieve the national objectives for which they were initially launched (Wijewardena and Yapa, 1998).

However, the positive effects of localization policies should not be taken for granted. This is

because, in other instances, especially in sociopolitical settings such as Gulf Cooperation Council (GCC) countries, the localization policies might have serious (social and political) consequences. The literature has perceived the concept of localization from various angles. This is due to focusing on different contexts where each context has its unique localities and specificities. For instance, by examining the field of accounting education in Sri Lanka, Yapa (2000) noted that the system of accounting education and training in Sri Lanka is based almost upon that of the British chartered accountant. This system was inadequate for the country's needs, requiring the presence of much more flexible and relevant systems (Wijewardena and Yapa, 1998). In the UK context, Ferry and Ahrens (2017) explained how localism of policymaking and performance measurement in a local authority enabled governance and controls which helped in pursuing public interest.

Hence, the rationale behind localization programs is not primarily economic or technical. As this study argues, these programs could also have

some underlying social and political agendas that worth special investigation (Sadi and Henderson, 2010). We discuss these ideas by focusing on some GCC countries that currently seek to diversify their economy away from oil-related sources, and achieve economic sustainability, and in doing so, they are moving seriously toward applying nationalization programs in different industries in the public and private sectors. We also stress the value of the institutional context and local culture in understanding the process of jobs localization in these countries.

2. A background of localization programs in the GCC region

GCC countries, such as Bahrain, Kuwait, Oman, Qatar, Kingdom of Saudi Arabia (KSA), and the United Arab Emirates (UAE), have a history of reliance upon imported labor. These countries have accumulated great wealth as a result of their hydrocarbon reserves, but dramatic fluctuations in oil prices and an appreciation that resources are finite have led to concerns about overdependence and calls for diversification (Sadi and Henderson 2010). This has motivated these countries to move toward employment of nationals or nationalization of workforce. Nationalization of workforce in the GCC countries is one of the most critical challenges all GCC countries have been facing over the last two decades (Elbanna, 2022). For example, in Qatar, nationals comprise less than 15% of the total population.

For example, in KSA, the Saudization policy for private sectors were promulgated through a ministerial decree in 1995 declaring that private companies with more than 20 employees should reduce the number of non-Saudis by 5% annually (Al-Asfour and Khan, 2013). Then, the progress of the Saudization policies was reviewed and revised for the period 2000–2004, when targets were set to 25 percent of private sector jobs (Al-Dosary and Rahman 2005). In Qatar, the first “Qatarization” system was formulated in 1962, requiring vacant positions to be offered first to Qatari nationals (Elbanna, 2022). In 2001, Qatari government launched a comprehensive Qatarization plan to recruit 50% of national

workforce in Qatar’s Oil and Gas sector by 2005. Recently, they launched a platform to support national employment in various sectors known as ‘Kawader’. In UAE, the government initiated its localization program (Emiratisation) in the 1990s. However, despite being in place for several decades, localization policies in the UAE have had little success in practice (Forstenlechner, 2010).

3. A proposed theoretical framework

To explain the various rationales behind localization schemes in GCC countries, we recommend the use of an institutional perspective, especially the institutional logics perspective initiated by Friedland and Alford (1991) and developed later on by Thornton and colleagues (see Thornton et al., 2012). These perspectives can better explain the various forces that shape the behaviors and norms of individuals and organizations. The institutional theory is based on the idea that institutions either enable or impose limitations on the scope of humans and companies (human agents) “by creating legal, moral and cultural boundaries” (Delbridge and Edwards 2007: 192). According to the institutional theory, organizations exist in a social context which defines and delimits social reality. That is, this perspective highlights the value of the symbolic aspects of organizations and their environments (DiMaggio & Powell, 1983).

Institutional logics can be defined as the “broader cultural rules and beliefs that structure cognition and guide decision making in a field” (Lounsbury, 2007: 289). According to this perspective, events and policies, such as localization schemes in the present work, can be fully understood by relating the dynamics at the lower (micro) levels to wider processes at the institutional (macro and environmental) levels (Friedland and Alford, 1991; Thornton et al., 2012).

4. The economic logics of nationalization programs

National policies such as localization programs in various countries are being precipitated by the different crises that these countries are facing (see Metwally et al., 2021). For instance, the financial crisis that broke out in 2008 has intensified political interest in the nationalization policy to safeguard the jobs of citizens. However, as this study argues, these policies could also have serious economic implications. These implications can manifest in a number of aspects as follows.

Firstly, it is noted that such localization policies, with the necessity to subsidize and financially support local employment, can significantly burden the government budget (Al-Dosary and Rahman, 2005). Focusing on the context of Qatar, Elbanna (2022) noted that these programs bear the government massive costs as they require the preparation of nationals to make them qualified for the professions. They require the country to offer many scholarships, effectively apply performance appraisal techniques, continuous training, and present numerous internship programs.

Secondly, these programs could deprive the local businesses from the expertise and skills possessed by foreigners. This issue is critical as the number of newly recruited foreigners in KSA, for instance, has dropped by more than 50 per cent during early 2000s (Al-Dosary and Rahman, 2005). In this regard, Potter (1989) noted that one of the main impediments facing countries in applying localization programs is to achieve balance between two goals: maintaining high quality workforce and continuing with the government plans for enhancing nationalized workforce. That is, nationals are not yet fully prepared to conduct various jobs especially those requiring technicalities (Al-Asfour and Khan, 2014). Hence, proceeding with these programs could discourage the ideal outcomes of institutional loyalty or top performance (Ahmed, 2016).

Thirdly, these programs can reduce competitiveness among regional businesses in terms of a business-friendly environment. This is because many employers prefer to employ foreigners due to their lower pay and higher expertise compared to nationals (see Toledo, 2013; Jabeen et al., 2018). This idea is supported by Ramady (2010) who referred to a lack of cooperation from the public sector in implementing Saudization as they prefer to employ expatriate workers. This imbalance has resulted in the situation that:

the perceptions of the employability of locals remains a difficult supply side problem and employers' preferences for foreign labour remains a difficult demand side problem (Swales et al., 2012).

Fourth, these policies could undermine foreign workers and employees' feeling with stability and job security. This could negatively affect their financial transfers to their home countries where migrant workers' monetary transfers are considered a significant source of income in these low-income countries. Finally, these programs could bring about irregularities and informalities in the labour market and the business environment if not properly applied. For instance, in KSA, in its efforts to reduce local unemployment by forcing businesses to apply localization-related rules, the government has forced the public sector to hire Saudis for non-existent jobs (Al-Dosary and Rahman, 2005; Sadi and Al Buraey, 2009). This has resulted in 65 per cent of the Saudi annual budget being earmarked for salaries only. However, we should not only perceive the rationale behind localization policies is primarily economic, as noted in this section, but there are also underlying social and political agendas, as explained in section 5 (see Sadi and Henderson 2010).

5. The sociopolitical logics of localizations programs

When applying localization and nationalization policies, policy makers are putting in mind social goals and political goals. For instance, Saudization was implemented in KSA with the ruling government's political motivation of eliminating any possible unrest, considering the high levels of political unrest in the whole region in the last decade or so (see Al-Dosary and Rahman, 2005).

Further, by placing local employees at the heart of the workforce, GCC countries' governments are contemplating some endogenous social and economic developments of their countries (Goby et al., 2015). This has appeared on significantly reducing the unemployment rate among nationals, especially in the last few years (Al-Asfour and Khan 2014). They are aiming of enhancing social stability in their countries:

You cannot have our youth going around without jobs. (A president of a local telecommunications company, as cited in *The Washington Times*, 2004)

In this context, localization policies such as Saudization and Qaratization have contributed positively to the employment of women GCC countries after long decades of marginalization in the labour market and the business environment (United Nations, 2020).

By contrast, these localization policies could have negative social by marginalizing foreign workers who are replaced by nationals (United Nations, 2020). As mentioned in section 4, this elimination of foreign workforce eradicates the money transfers from oil-rich countries of employers to poor developing countries of migrant workers, which represent a significant source of economic development in the latter countries.

These contrasting effects of localization in various settings ensures the importance of interpreting and understanding these policies and its implications concerning the context in which they are being applied and the constituents who

are being affected by them; rather than perceiving them as having universal and standard effects in all contexts and on the different constituents (Williams, Bhanugopan, and Fish, 2011).

6. Conclusion

This study discussed the sociopolitical impacts of localization programs by focusing on some GCC countries, such as Saudi Arabia, Qatar and UAE. We noted that despite contributing to achieving some political and social goals, these programs have serious impacts concerning the quality of work to be done in the labor and the business (economic) environment. This issue is crucial due to its serious economic and socio political implications on various constituents on the society, including nationals, employers, foreign workers and migrant workers' countries of origin.

By doing so, this study alerts the international society to the various perspectives of the locally-taken decisions or implemented programs. This study highlights the importance of skill development among nationals through supporting educational and professional training. Further, localization policies should be implemented more through market forces and incentives; rather than through enforcing strict quota systems. This requires the coordination between the government, the private and the public sectors to make these local policies acceptable and executable (Al-Dosary and Rahman, 2005). In short, there should be a framework that echoes the sociocultural and national aspects of workforce utilization and development (see Al-Asfour and Khan, 2014).

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