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Attitudes of Private Firms in GCC Countries Towards Employing Indian Nationals: A Case Study

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Abstract

This paper tries to find out how private firms engaged in different economic activities in GCC countries differ in terms of their preference ratings of various attributes of Indian employees.

Keywords

Attitudes, Private, Firms, GCC, Countries, Towards, Employing, Indian, Nationals, Case, Study

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Attitudes of Private Firms in GCC Countries Towards Employing Indian Nationals: A Case Study

M.M. Metwally

ABSTRACT

This paper tries to find out how private firms engaged in different economic activities in GCC countries differ in terms of their preference ratings of various attributes of Indian employees.

A survey was conducted during the three months: April-June 2004 to collect information on variables that affect the demand for Indian employees by firms operating in the private sector in the Emirate of Dubai in the State of UAE.

Multiple discriminant analysis was used to find out whether there are any significant differences in the employees' attributes that affect their opportunities of employment in companies operating in various economic activities in the Emirate of Dubai in UAE.

The standardized discriminant function coefficients and group centroids suggest that that labor cost and labor behavior are the main factors that motivate companies engaged in construction, domestic services, as well as trade shops, restaurants and hotels to employ a relatively high percentage of Indian nationals. On the other hand, need for special qualifications and experience would seem to be the main factors responsible for employing a relatively small percentage of Indian nationals in companies engaged in educational, medical, financial and managerial services.

Introduction

Members of the Gulf Cooperation Council (GCC), namely Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates depend heavily on imported labor. Less than 20 per cent of total labor force is nationals. The relative small size of the states is a major reason for this. Another important reason is the low participation rate of national women in the labor force (Aly, H.Y. and I.Al-Quisi, 1996). A third reason is the reluctance of GCC citizens to accept certain types of jobs. The bulk of GCC labor force works on the category of clerks and

professionals (Al-Qudsi, S. and J. Hosney, 1986). Expatriates cluster in production operation and service sectors.

A second major feature of employment in GCC countries is that the government sector acts as the main provider of jobs for GCC citizens. More than three-quarters of GCC citizens are employed in the public sector, whereas expatriate labor force represents over 90 per cent of the private sector labor force for the last decade. Wage differential has been a major obstacle in expanding the rate of employment of nationals in the private sectors of the GCC countries.

A third feature of the labor market in the GCC countries is that very few unemployed GCC citizens accept offers for jobs in the private sector. One of the toughest motivational challenges a private enterprise manager faces is how to achieve and keep high performance levels among low-skilled GCC citizens who are motivated mainly by money (Kelleys, 2003 and Brooks, 1994).

A fourth feature of employment in the GCC countries is that future requirements of both the public and private sector are mainly for skilled and highly qualified personnel. This is making it more and more difficult for uneducated and unskilled GCC citizens to secure jobs.

A fifth feature of the labor market in GCC countries is the apparent wage differential offered by both the public and private sectors and the wage differential offered by the same industry to national and expatriate employees (Metwally, 1997). There is considerable evidence that employees compare their job inputs and outcomes relative to others and that inequalities influence the degree of effort that employees exert (Ronen, 1986, Kulik and Ambrose, 1992 and Robbins, et al, 2003).

Well over 90 percent of Dubai firms employ Indian citizens. The percentage of Indian employees to total employees exceeds 36 per cent in some of these firms and is less than 5 per cent in other firms. This paper tries to cast some light on firms' preferences for Indian workers and to identify the attributes that are important for distinguishing among firms that operate in different economic activities. The study is based on a survey conducted during the three months of April-June 2004. The survey covers 139 private firms operating in various activities in the city of Dubai. The sample size was determined using 95 percent confidence level; 0.05 level of precision and 0.9 population proportion. The respondents were selected at random using the table of random numbers and the telephone directory. The respondents were interviewed personally to give their views on employing Indian nationals.

The paper is divided into three sections. Section one represents the main characteristics of the sample. The results of multiple discriminant analysis are given in section two while the main conclusions of the paper are summarized in section three.

Main Sample Characteristics

Table 1 gives information about the main sample characteristics of the companies covered by the sample. The companies were divided into four groups:

Group 1: Firms operating in the fields of *construction and domestic Services*. The sample covers 39 of these firms. Employment of Indian nationals as a percentage of total employment in this group of firms is much higher than in any other group (an average of approximately 36%).

Group 2: *Trade shops, restaurants and hotels* 47 of these firms were included in the sample. Average employment of Indian nationals as a percentage of total employment is approximately 22 percent.

Group 3: This group consists of firms operating in *manufacturing, transport, Communication, and Storage*. 31 of these firms are included in the sample. Average employment of Indian nationals as a percentage of total employment in this category is approximately 15 percent.

Group 4: This group covers firms operating in *Education, Finance, Medical and Managerial Services*. The sample covers 22 of these firms. Average employment of Indian nationals as a percentage of total employment in this line of economic activity is the lowest (approximately 4 percent).

Table 1 : Characteristics of the Sample

Group	Number of Companies in the sample	Type of Economic Activity	Average percentage of Indian Employees
1.	39	Construction and Domestic Services	36.4%
2.	47	Trade Shops, Restaurants and Hotels	21.9%
3.	31	Manufacturing, Transport, Communication and Storage	15.3%
4.	22	Education, Finance, Medical and Managerial Services	3.9%

The respondents were asked to indicate their degree of agreement with 13 statements relating to their attitudes towards employing Indian nationals using a 10-point scale:

- V1 : Indian employees are obedient
- V2 : Indian employees accept low wages
- V3 : Indian employees are committed to work
- V4 : Indian employees are hard-workers
- V5 : Indian employees accept any type of job
- V6 : Indian employees do not criticize anybody and do not complain

- V7 : Indian employees are highly qualified
- V8 : Indian employees accept work at anytime
- V9 : Indian employees are easy to train
- V10 : Indian employees do not ask for too much fringe benefits
- V11 : Most Indian employees speak English
- V12 : Most Indian employees are highly productive
- V13 : Indian employees are highly experienced

Results of Multiple Discriminant Analysis

Multiple discriminant analysis was used to find out whether there are any significant differences in the employees' attributes that affect their percentage of employment in companies operating in various economic activities in the Emirate of Dubai in UAE.

Since we have four groups and 13 predictors, we can estimate *three* discriminant functions (Klecka, 1980). Table 2 presents the results of estimating four-group discriminant analysis. The following comments can be made about these results:

1. The significance attached to the univariate F ratios indicates that when the predictors are considered individually, all predictors are significant in discriminating between the four groups (Metwally, 2000 and Lachenbruch, 1975),
2. The eigenvalues are 5.320, 2.081 and 1.153 for functions 1, 2 and 3 respectively. The first function has the largest between-groups variability (as is usually the case). This function accounts for 57.7 of the variability while functions 2 and 3 account for 27.6 per cent and 12.7 per cent respectively of the between-groups variability.
3. The Wilks' lambda associated with function 1 is .045. This transforms to a chi-square value of 402.867 which is statistically significant at .000 level. The Wilks' lambda of function 2 after function 1 has been removed is 0.168. This transforms to a chi-square value of 164.115 which is also statistically significant at .000 level. The Wilks' lambda of function 3 after functions 1 and 2 have been removed is 0.375. This transforms to a chi-square value of 118.231 which is also statistically significant at .000 level. These results indicate that the three functions do contribute significantly to group differences (Morrison, 1969). The three estimations suggest a simultaneous Wilks' lambda = .002835.
4. Since the value of Chi-square of each function is statistically significant beyond the 5 per cent level, we reject the null hypothesis that the means of the three functions are equal. Hence, all functions contribute to group separation.

5. The canonical correlation for function 1 is .917; while for functions 2 and 3, the correlations are .822 and .764. Hence, the proportion of total variability explained by differences between groups is 84.1 per cent for function 1, 67.6 per cent for function 2 and 58.4 per cent for function 3.
6. The standardized canonical discriminant function coefficients indicate that in the first discriminant function, the two variables with the largest coefficients are qualifications (0.761) and experience (0.654). Hence, the first dimension is labeled "qualifications". In the second function, the two variables with the largest coefficients are low wages (and salaries) (-0.910) and low fringe benefits (-0.731). Hence this dimension is labeled "cost". In the third discriminant function, there are five variables with relatively high coefficients. These are commitment to work (0.574), working time (0.543), job acceptance (0.521), obedience (0.517) and no complins or criticisms (0.502). Because these five attributes represent attitudes towards employment, the third discriminant function is labeled "behaviour". A similar conclusion is reached by an examination of the structure matrix (Manly, 1994).
7. The canonical discriminant functions evaluated at group means (group centroids) suggest that groups 1 (representing construction and, domestic services companies) have a large negative value on function 2. This suggests that companies who rely heavily on Indian employees (i.e. Indian nationals make up over 36 per cent of total employees), are motivated mainly by the low wage rate and fringe benefits that these employees are prepared to obtain. These firms believe that Indian nationals accept much lower wages than natives and other expatriates. Hence, the UAE companies that employ a relatively high percentage of Indian nationals, are looking for cheap labour.
8. Group centroids suggest that groups 2 (representing Trade Shops, Restaurants and hotels) whose average Indian labor force is approximately 22 per cent, also have a large negative value on function 2 followed by a large positive value on function 3. This suggests that this group also gives special preference to labor cost as well as employees behavior.
9. The canonical discriminant functions evaluated at group means suggest that groups 3 (representing companies operating in Manufacturing, Transport, Communication and Storage with an average percentage of Indian employees of approximately 15 per cent) has a large positive value on function 3 followed by a negative value on function 1. This suggests that this group focuses on behavior of employees: commitment to work, acceptance of any tasks, readiness to work at any time, obedience and no complins or criticisms. However, this group seems to be reluctant to employ

a relatively larger percentage of Indian nationals on ground of lack of adequate qualifications and/or experience.

10. Group centroids suggest that groups 4 (representing firms engaged in Education, Finance, Medical and Managerial Services, where Indian nationals constitute a very small percentage of total employment (less than 5 percent)) has a large negative value on function 1 This suggests that this group pays more attention to qualifications and experience and believe that only a small percentage of Indian nationals in Dubai possess the needed attributes Most of these firms seem to prefer Western qualifications and long experience.
11. The classification results based on the analysis sample suggest a hit ratio equal to 83.5 per cent. This suggests that 83.5 per cent of the cases are correctly classified. Since we have four groups of different size, a chance hit ratio would be $[(39/139)^2 + (47/139)^2 + (31/139)^2 + (22/139)^2] = 28.1$ per cent. The improvement over chance is more than 25 per cent indicating at least satisfactory validity (Malhotra et al, 2004).

The *Press's Q* statistic is given by:

$$\text{Press's } Q = \{139 \cdot (116)(4)\}^2 / (139)(3) = 253.3$$

This value exceeds by far the critical value at a significance level of .01 which is 6.63, suggesting that the predictions are significantly better than chance.

**Table 2 : Results of Multiple Discriminant Analysis
Test of equality of Group Analysis**

	<i>Wilks' Lambda</i>	<i>F</i>	<i>df1</i>	<i>df2</i>	<i>Sig.</i>
Obedience	.736	16.170	3	135	.000
Committment to work	.722	17.320	3	135	.000
Hardworkers	.448	55.557	3	135	.000
Job acceptance	.653	23.934	3	135	.000
Qualifications	.142	271.542	3	135	.000
Experience	.160	236.216	3	135	.000
Low wages	.720	18.733	3	135	.000
Few fringe benefits	.662	22.17	3	135	.000
Working times	.404	66.370	3	135	.000
Easiness to train	.819	9.973	3	135	.000
Knowledge of English language	.683	20.846	3	135	.000
Productivity	.279	116.231	3	135	.000
Criticism or complains	.876	6.362	3	135	.000

Eigenvalues

<i>Function</i>	<i>Eigenvalue</i>	<i>% of Variance</i>	<i>Cumulative %</i>	<i>Canonical Correlation</i>
1.	5.320 ^a	59.7	59.7	.917
2.	2.081 ^a	27.6	87.3	.822
3.	1.153 ^a	12.7	100.0	.764

a. First 3 canonical discriminant functions were used in the analysis.

Wilks' Lambda

<i>Test of Function(s)</i>	<i>Wilks' Lambda</i>	<i>Chi-square</i>	<i>df</i>	<i>Sig.</i>
1 through 3	.045	402.867	39	.000
2 through 3	.168	164.115	24	.000
3	.375	118.231	11	.000

Standardized Canonical Discriminant Function Coefficients

	<i>Function</i>		
	<i>1</i>	<i>2</i>	<i>3</i>
Obedience	.157	.246	.521
Commitment to work	.225	-.147	.574
Hardworkers	.263	-.512	.349
Job acceptance	-.143	.163	.552
Qualifications	.761	.245	-.215
Experience	.654	.113	-.242
Low wages	-.166	-.910	.188
Few fringe benefits	.019	-.731	.235
Working times	-.299	.257	.543
Easiness to train	-.069	-.123	.266
Knowledge of English language	.287	.219	.269
Productivity	.278	-.341	.149
No criticism or complains	.175	.076	.502

Functions at Group Centroids

<i>Group</i>	<i>Function</i>		
	<i>1</i>	<i>2</i>	<i>3</i>
1.00	1.246	-3.488	.130
2.00	.655	-2.069	1.375
3.00	-1.453	.372	2.609
4.00	-4.042	-1.796	.288

Unstandardized canonical discriminant functions evaluated at group means.

Classification Results^a

			<i>Predicted Group Membership</i>				
		<i>Degree of Employment</i>	<i>1.00</i>	<i>2.00</i>	<i>3.00</i>	<i>4.00</i>	<i>Total</i>
Original	Count	1.00	36	3	0	0	39
		2.00	4	35	8	0	47
		3.00	0	2	26	3	31
		4.00	0	0	3	19	22
	%	1.00	92.3	7.7	.0	.0	100.0
		2.00	8.5	74.5	17.0	.0	100.0
		3.00	.0	6.5	83.9	9.7	100.0
		4.00	.0	.0	13.6	86.4	100.0

a. 83.5 per cent of original grouped cases correctly classified.

Conclusions

The main conclusions of this paper may be summarized in the following:

1. There is a significant discrimination in the private firms' attitudes in towards employing Indian nationals.
2. The variables that have an effect on firms' preference to employ Indian nationals are clustered into three factors labeled: labor cost, behavior and qualifications.
3. The results of this analysis would seem to suggest that:
 - (a) Firms that employ a large percentage of Indian nationals (an average of 30% of total employees) are looking for cheap labour. These firms are engaged mainly in construction and domestic services. They prefer to employ Indians because they believe that the wages, salaries and fringe benefits paid to Indian employees are relatively much lower than those paid to natives and other expatriates.
 - (b) Firms that employ a medium percentage (an average of 22%) seem to be impressed by Indian culture and behavior as well as motivated by low labor cost. These firms are mainly trade shops, restaurants and hotels.
 - (c) Firms that employ a relatively small percentage (an average of 5-10%) are concerned about qualifications and experience but give preference to employees' behavior. These firms believe that Indian employees are obedient, committed to work, do not criticize or complain, accept any type of job at any time.
 - (d) Firms that employ very few of Indian nationals (less than 5%) are concerned mainly about their formal qualifications and experience. These firms seem to give preference to other expatriates who have Western qualifications and long experience.

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