



IDENTIFYING THE BARRIERS OF PRIVATE EMPLOYMENT CREATION FOR NATIONALS IN KUWAIT

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Abstract

This paper aims to identify the main determinants of private employment creation for citizens in Kuwait. The sample period of this empirical investigation covers 24 years, starts from 1995 until 2019 for the examined macroeconomic and the relevant regulatory variables. Augmented Dickey-Fuller unit root test is employed to detect the stationarity of the time series. Autoregressive-distributed lag (ARDL) bounds test for co-integration is used to check the existence of a long-run relationship among the variables. Error correction model (ECM) approach is used to estimate the long and short-run dynamic relationships for the model, where model's reliability is examined by diagnostic and stability tests. The results point out that the long-run relationships among the variables have existed within the model. At the same time, the outcomes of diagnostic and stability tests confirm the reliability of the models. The results indicate that macroeconomic and regulatory indicators are considered as the main influential determinants for the national employment system. The spillover role of FDI to increase employment for citizens is confirmed within the results as the major positive factor. The main concluding remarks suggest that Kuwait's policymakers should reform the market conditions and create an adaptive regulatory environment to achieve the proposed transformation.

Keywords: Employment, Job creation, Private sector, Foreign Direct Investment, Error Correction Model



INTRODUCTION

In light of the current financial dilemma in Kuwait, the expenditures on salaries, benefits and subsidies are formed 71% of the total state budget expenses, according to the Ministry of Finance (KUNA, 2020). This high public bill represents an imbalance situation in Kuwait's economy, where 81% of the national workforce are employed in the public sector and the private sector remains at the lowest rank in GCC in terms of its contribution to the economy, according to (CSB, 2019) and (TICG, 2020) respectively.

The reasons beyond the massive number of Kuwaiti workers in the public sector belongs to the wealth-redistribution policy that the reinter states follow such as in the case of Kuwait, where it creates common demand within the citizens to claim for welfare provisions, subsidies and permanent job security with multiple benefits (Oliver-Ellis, 2020). Moreover, the government since 2008 has increased public sector salaries and rewards for the citizens, which led to the tremendous demand for public jobs and lower the growth rate of the national employees in the private sector due to wage differentials (Oliver-Ellis, 2020). Although the government since 2000 has been tried to promote the national employment in the private sector through wage support and the enforcement of quotas, the nationals only represent 4.3% of the total private sector workforce because it's an outcome of the administrative intervention of forced localization on the companies, where they consider it a costly policy on them (Hertog, 2013).

Hence, the economy suffers fiscal challenges; the consultants (IMF, 2020) estimate that more than 100 thousand Kuwaiti job seekers are expected to enter the job market in the next five years. Therefore, they consider that the government has to narrow the wage gap between the public and private sectors. That would make public jobs less attractive over time and shift the national employments into the private sector, subsequently mitigating the massive public wage bill.

Over the above, (Burney et al., 2018) found that the private sector accounts for 29% of the total output between 2000 and 2013. This absent role of the private sector is interpreted by (KISR, 2018) into main factors. Firstly, the attractiveness of the economy by local and foreign investors has been reduced and that's attributed to the various economic inefficiencies. Secondly, the enormous size of the public sector in the economy even in the non-oil industries such as energy, international transport, and infrastructure. Therefore, corrective structural reforms are needed to rebalance the economy and build a productive large non-oil economy by the private sector that foster jobs creation and drive sustainable growth.

Therefore, this research attempts to identify the main determinants of boosting private employment creation for nationals as a strategic vision for the state to resolve its massive financial burdens. The investigation is covering a period of twenty-four years starts from 1995

until 2019. The main aim of the research is answer the substantial question about the barriers of shifting the national workforce to the private sector and the formations beyond attaining this objective.

Oil revenues have added to the the applied model to evaluate the oil rent implications on the proposed economic transformation. Additionally, the relevant policies and legislation of this matteris involved in the applied model to determine its extent and effectiveness. The empirical strategy of this analysis adopts ARDL bounds test approach and error correction model (ECM) to discover the long and short-run estimations and the significance for the variables among the examined model. Furthermore, diagnostic and stability tests were applied to detect the reliability of our model.

Long-run relationships of the variables among the model are confirmed by ARDL bounds test outcomes, where the results of diagnostic and stability tests have proved the accuracy of the applied model. The employed model follows the theoretical framework by (Farole et al., 2017) to detect the critical factors that determine nationals employees' growth within the private sector. In this context, the findings indicate that all the macroeconomic indicators and labour regulations significantly determine job creation for citizens in the private and their growth. Estimation outcomes display that population growth, gross fixed capital formation and FDI inwards positively impact the private job creation for nationals, where FDI has the most substantial positive effect. Meanwhile, oil rent and the rule of law play have positive implications as well. However, GDP growth, GDP per capita, openness, business freedom and localization policy have negative reflections.

LITERATURE REVIEW

Employment has a crucial role in economic performance and the relevant aspects in general. The World Bank's report (World Bank, 2013) states that jobs enhance the development into three channels: increasing living standards, boost productivity, and promoting social unity. Meanwhile, the report argues that the private sector is the critical factor to generate jobs creation in the economy as the reported statistics show that it provides 90% of the total jobs in the world.

In their review (Cray et al., 2011) identify job creation terms as the net new job without displacing the other activities in the economy. Moreover, macroeconomic strategies and place-based job creation policies are important themes in the job creation pathway. Besides the private sector, the authors indicate that the government, directly and indirectly, fosters job creation through direct hiring and government purchasing activities. Alternatively, government employment is viewed by (Malley and Moutos, 1996) to displace private jobs and cause a fall in

private job creation and concave the demand for labour in the private sector. The authors have named this situation as a direct crowding-out effect by government employment, where (Bellante and Porter, 1998) have interpreted the growth of government economy size as a result of crisis period of war and depression when the private investments sunk and can't protect private employees during the difficult economic conditions.

The outcomes of (Farole et al., 2017) paper have analysis the determination of the private sector job creation in multiple countries from macroeconomic and labour market perspectives. The macroeconomic indicators in this paper measure the extent of the investment environment and economic stability, while labour market indicators were involved in labour regulations and the quality of the institutions. Their results illustrate that more private employment is associated with higher economic growth rates, development and FDI. Besides, the better structural institutions within the labour market have considerable effects on private employment. The most surprising results are that private sector investments and private sector access to credit haven't any significant implications on job creation. In the same context with these determinants, the IFC jobs study (IFC, 2013) concludes that labour demand in the private sector is influenced by job policies and the general macroeconomic conditions in terms of investment climate and fiscal stability.

Although (Basnett and Sen, 2013) found limited evidence of the impact of investment policies on employment, both of (Cray et al., 2011) and (DWG, 2011) argue that private investments are the major source for long-term job creation and the key driver for employment growth and general economic development through easing the costs of doing business. The report of the High-Level Development Working Group (DWG, 2011) highlights the contribution of private sector investments toward job creation, including domestic and foreign direct investment. The importance of private investments is explained that higher investment generates higher GDP growth. Any additional point of GDP growth will create further employment. The report concludes that the robust result is the growth for each of employment, GDP and investment are moving together in the positive line. Regarding FDI impacts, (Fu and Balasubramanyam, 2005) find from the Chinese experiment that the commercial sectors funded from FDI are creating annually 3 million job opportunities.

The conditions in the Middle East have different forms, according to (Baduel et al., 2019). The authors find that job creation in MENA firms is weakening due to the macroeconomic environment and structural constraints, where low GDP growth, lack of competition and finance and corruption are considered the significant factors to the lower employment growth in the private sector. The institutional determinants have its large dimensions on creating new jobs in Saudi Arabia, where the multiple regression analysis of (Alanezi, 2012) shows that these

determinants are strongly related to the success of the localisation programme to encourage Saudi nationals into private-sector jobs and replace the foreign workers since 1990s.

The Kuwaiti context

The challenge of employment in Kuwait has been unleashed since 1997, when the unemployment rate started to outgrow the public sector capacity to employ citizens graduates in government positions due to the high population growth between nationals (Salih, 2010).

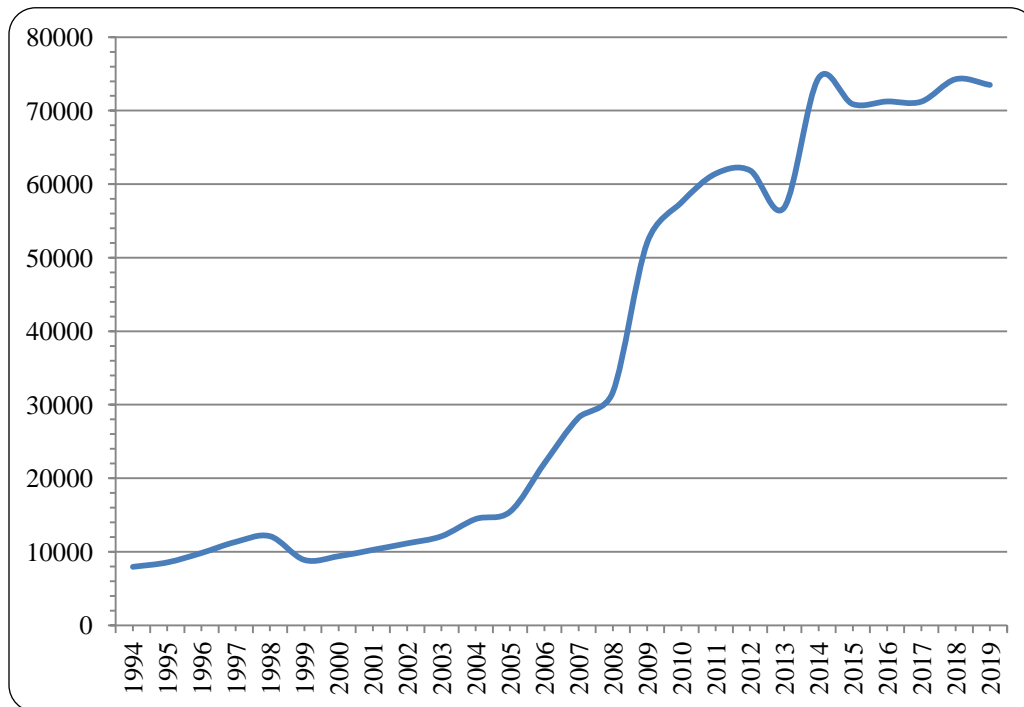


Figure 1 Number of Kuwaiti employees in the private sector (CSB, 2019)

In review of Kuwait employment policy, (Al-Enezi, 2002) describes this policy as national and moral commitments on the government to secure job opportunities for Kuwaiti nationals, and this manner has been used as a reflection of wealth redistribution policy among the nation. The author argues that, therefore the public sector acts as the principal employer for nationals and has been considered as the first and last resort for them, where this results into imbalance within the local labour market that leads to overcrowding and lower efficiency in the public sector productivity, and consequently financial deficit because of the massive wage bill.

Similarly, like its peers in GCC as illustrated by (Harry, 2007), Kuwait government tried in 2000 to shift job creation for nationals from the public sector to the private sector by utilizing quotas and localization policies and authorities to increase the national workforce by 1% yearly

to tackle the dilemma of private job creation and resolve the over-staffing of government institutions (Salih, 2010). Although Kuwait established Manpower and Government Restructuring Program (MGRP) to employ nationals in the private sector and introduced quotas to be used, (Salih, 2010) argues that these actions have been unsuccessful as it's unrealistic and haven't any assessment of MGRP's attitude and its achievements in the independent literature. Moreover, (Hertog, 2014) considers Law 19 of 2000 a remarkable step towards attracting nationals into the private sector, which it's extending social subsidies for privately employed citizens and it's known as da'm al-'amala (wage support).

(Olver, 2018) argues that the private sector has to facilitate nationals employment by offering educational and training programmes for the national workforce as it receives government subsidies. Meanwhile (Salih, 2010) refers the low percentage for the nationals in the private sector to social and cultural reasons (Figure 1). According to the author, the citizen believes that he has the right to obtain government job while the private sector is not secure and it has enormous work conditions in comparison with government institutions, such as longer working hours and more pressure.

Through the principal component method and varimax rotation, (Al-Rashidi, 2009) has found that the factors of the low tendency of employing citizens in the private sector are: the level of wages and benefits, appropriate experience, and job satisfaction. Where education isn't considered as a critical factor as the percentage of illiterate Kuwaiti labour has reduced to be below 0.65 in 2005. Likewise, (Al-Enezi, 2002) interprets the problem is resulting from the wage differential among the public and private sectors. That forms a crucial role in employing nationals in the private sector, which needs government intervention to re-structure wages in the private sector.

RESEARCH METHODOLOGY

The Model and Hypotheses

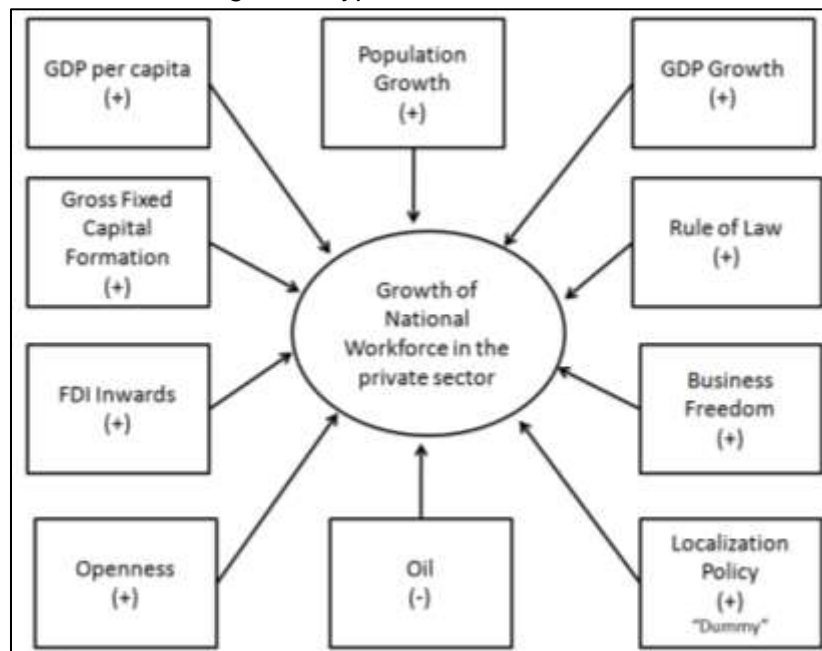
The model of investigating the determinants of job creation for citizens in the private sector is following the theoretical framework by (Farole et al., 2017). The model has modified by adding oil rent as this factor represents an influential variable in Kuwait's economy. Law of 2000 for the wage support has added as a dummy variable to capture the effectiveness of government localization policy in the private sector. Following these modifications, the model is formulated as the following expression:

$$\begin{aligned} & \text{Nationalemloymentgrowthintheprivatesector} = \\ & f(\text{Populationgrowth, GDPgrowth, GDPpercapita, Grossfixedcapitalformation,} \\ & \text{IFDI, Openness, Oil, Ruleoflaws, BusinessFreedom, Localization}) \end{aligned} \quad (1)$$

The growth of national employment in the private sector is considered as a response variable in the model. While the macroeconomic and investment explanatory variables are: “Population growth”, “GDP growth”, “GDP per capita”, “Gross fixed capital formation”, “IFDI”, “Openness” and “Oil”. The other explanatory variables represent the relevant indicators of the regulatory environment of the nationals labour in Kuwait, which are: “Rule of laws”, “Business Freedom” and “Localization”.

The hypothesis of this model (Figure 2) is predicted that the macroeconomic and labour regulations indicators are positively related to the growth of nationals in the private sector, with the expectation of oil rent which is expected to be negatively related with this matter as oil dependency is hindering economic diversification and the reduction of public sector burdens.

Figure 2 Hypotheses of the model



Therefore, the linear model is expressed by the following estimated equation:

$$NLABOR_t = B_0 + B_1POPg_t + B_2GDPg_t + B_3GDPpc_t + B_4GFCF_t + B_5IFDI_t + B_6OPN_t + B_7OIL_t + B_8LAW_t + B_9BFREE_t + B_{10}LOCAL_t + \varepsilon_t \quad (2)$$

Where, B_0 is the intercept; the coefficients of B_1 , B_2 , B_3 , B_4 , B_5 , B_6 , B_7 , B_8 , B_9 and B_{10} are the slope of the model coefficients. The error term is denoted by ε_t .

Data

The datasets of this research are annual time series data were obtained from several reliable and official sources depend on the type and hypothesis for each model has examined in

this paper. The annual dataset used for this model is from the period 1995 to 2019. It's obtained from official international databases and local authorities in Kuwait. The dummy variable in this model refers to Law 2000 of wage support for nationals workers in the private sector; it takes value 1 in the implementation years and 0 otherwise. The reason behind selecting this period is to evaluate the government's attitudes since the 1990s towards employing nationals in the private sector. At the same time, the local statistical authorities didn't have accurate data for the number of the national workforce in the private sector before 1995, as they have been started to count their number since the establishment of localization policy in 2000.

Descriptive data

Descriptive data indicates that each variable has 25 observations and they have illustrated multiple features according to Table 2. The dependent variable of the model "NLABOR" shows that the lowest growth rate for the national workforce in the private sector by -26.6% was in 1999 at the beginnings of the concerns about the future capacity of the public sector to employ citizens. At the same time, the highest growth rate for nationals within the private sector was recorded after ten years of implementing Law 2000 of wage support, in 2009 by 64%.

Table 1 Variables description

Code	Meaning	Units	Source	Period
NLABOR	Growth rate of the national employment in the private sector	%	The Public Authority for Civil Information	1995-2019
POPg	Population growth rate	%	The World Bank	1995-2019
GDPg	GDP growth rate	%	IMF	1995-2019
GDPpc	GDP per capita	US \$	The World Bank	1995-2019
GFCF	Gross Fixed Capital Formation as percentage of GDP	%	The World Bank	1995-2019
IFDI	Net FDI inflows as percentage of GDP	%	UNCTAD	1995-2019
OPN	Trade-to-GDP ratio for the Openness	%	The World Bank	1995-2019
OIL	Oil rent (%GDP)	%	The World Bank	1995-2019
LAW	Percentile rank of the rule of law	(0-100)	The World Bank	1995-2019
BFREE	Business freedom score	(0-100)	The Heritage Foundation	1995-2019
LOCAL	Localization laws and regulations on private companies	Dummy	Public Authority for Manpower	1995-2019

Table 2 Descriptive data

	Mean	Median	Maximum	Minimum	Jarque-Bera	Probability	Observations
NLABOR	10.53	7.52	64.1	-26.6	11.55	0.003	25
POPG	3.62	4.35	6.6	-3.3	7.654	0.021	25
GDPG	3.11	2.5	17.3	-7.1	2.282	0.319	25
GDPPC	31553	29869	55494	14166	1.812	0.404	25
GFCF	18.04	16.63	29.95	10.66	4.105	0.128	25
IFDI	0.12	0.04	1.1	-0.31	45.64	0.000	25
OPN	93.23	92.68	101.01	81.22	1.237	0.538	25
OIL	44.58	42.45	61.23	28.69	1.753	0.416	25
LAW	64.96	66.82	70.50	55.28	3.234	0.198	25
BFREE	68.77	68.80	85.00	57.20	2.272	0.321	25

Analytical Approach

This research adopts the Autoregressive Distributed Lag (ARDL) bounds test for co-integration to determine the long-run relationship within the variables. Johansen co-integration test is used when all the variables have the same level/order of integration. In order to conduct the bounds test of co-integration for the examined model in this research, the general ARDL (p,q) model is specified as the following:

$$Y_t = \gamma_{0i} + \sum_{i=1}^p \delta_i Y_{t-i} + \sum_{i=0}^q \beta_i' X_{t-i} + \varepsilon_{it}$$

Where, p refers to the dependent variable lags, and q is for independent variables lags. While the long-run co-integration is confirmed for all the variables in the examined model. Error Correction Model (ECM) is used to obtain the short-run dynamic coefficients. Moreover, the estimation of ECM(t-1) is required and used to illustrate the speed of adjustment from short-run to long-run equilibrium, according to (Pesaran et al., 2001). Furthermore, the reliability of the model's outcomes is investigated by performing diagnostic tests: serial correlation, normal distribution, and heteroscedasticity. Additionally, the stability of the model will be evaluated by cumulative sum of recursive residuals (CUSUM) and cumulative sum of squares of recursive residuals (CUSUMSQ). These methodological approaches are conducted by Eviews11 statistical software.

RESULTS

Unit Root Test

The results of Augment Dicked Fuller test (ADF) unit root tests are shown in Table 3. The indicated table provides the detailed results for ADF test in level I (0) and first difference I (1) in constant and constant and trend. The number of the used lags are chosen on Schwarz information criterion. The signs on the brackets imply the significance level as the following: ***significant at 1%, **significant at 5% and *significant at 10%, respectively. The findings of ADF test show that all the variables were generally stationary at different orders at I (0) and I (1),

Table Error! No text of specified style in document. ADF results

Series	Level Constant	Level Constant and trend	1 st difference constant	1 st difference Constant and trend
<i>NLABOR</i>	-4.172598 [0.003]***	-4.090267 [0.019]**	-5.754850 [0.000]***	-5.619265 [0.000]***
<i>POPG</i>	-0.881951 [0.773]	-0.078873 [0.991]	-10.23932 [0.000]***	-12.15674 [0.000]***
<i>GDPG</i>	-3.015966 [0.047]**	-3.088656 [0.131]	-5.643757 [0.000]***	-4.668476 [0.006]***
<i>GDPPC</i>	-1.501339 [0.515]	-1.253248 [0.875]	-4.035386 [0.005]***	-4.025688 [0.022]**
<i>GFCF</i>	-1.261578 [0.6390]	-2.586463 [0.288]	-4.223751 [0.003]***	-4.174550 [0.016]**
<i>IFDI</i>	-3.820204 [0.008]***	-3.890500 [0.028]**	-6.800434 [0.000]***	-6.676663 [0.000]***
<i>OPN</i>	-1.548829 [0.492]	-2.930081 [0.171]	-6.194297 [0.000]***	-6.120688 [0.000]***
<i>OIL</i>	-2.236529 [0.199]	-2.049989 [0.545]	-4.526627 [0.001]***	-4.494322 [0.008]***
<i>LAW</i>	-0.810518 [0.798]	-2.784157 [0.216]	-3.707121 [0.011]	-3.624614 [0.497]
<i>BFREE</i>	-1.607223 [0.463]	-2.009854 [0.566]	-4.461450 [0.002]	-4.546285 [0.007]

ARDL Bounds Test

ARDL bounds test results for the examined model are reported in Table 4 & 5. The results point out that the model has long-run relationship among its variables as their F-statistics and t-statistics results were higher than the bound critical values at 1 per cent significance level. The significance at 1% implies the rejection of the null hypothesis of no level relationships among the variables.

Therefore, estimation of a long-run and short-run for the employed model can proceed as long as the presence of long-run co-integrating relationship is confirmed.

Table 4 ARDL Bounds test F-statistics results

F-statistics	AIC lag length criteria	Bound critical values		Decision
		I(0)	I(1)	
28.99*	(1, 1, 1, 1, 0, 1, 1, 1, 1, 0, 1)	2.54	3.86	Cointegrated

Table 5 ARDL Bounds test critical value results

t-statistics	AIC lag length criteria	Bound critical values		Decision
		I(0)	I(1)	
-13.78*	(1, 1, 1, 1, 0, 1, 1, 1, 1, 0, 1)	-3.43	-5.68	Cointegrated

Long-run Relationship Estimations

The outputs of the estimated model present the significance level of long-run relationships among the dependent variables and their independent variables at 1%, 5% and 10% level. The model is attributed by high robustness within the long-run estimation, as it's indicated through R^2 results.

ARDL model (1, 1, 1, 1, 0, 1, 1, 1, 1, 0, 1) has used to estimate the long-run coefficients for the variables among the model, where "NLABOR" is the dependent variable. Model's results indicate that most of the independent variables were statistically significant, except the following variables: "LAW(-1)", "OIL(-1)", "OPN", "IFDI(-1)" and "GDPG". The model indicates that population growth "POP" has a significant and positive relationship at 1% level, while the past value of this variable was statistically negative at 1%. While the current value of GDP growth "GDPG" was insignificant, the lagged value "GDPG(-1)" was significant at 5% with a negative effect on the dependent variable. GDP per capita variable "GDPPC" contrary results, as it was negatively associated at 5% significance level, while its past value positive at 1% level.

In terms of investment variables, both of gross fixed capital formation "GFCF" and inwards of FDI "IFDI" were positively significant at 5% level, whereas FDI inwards has the most significant positive impact on private job creation in the long-run. In the same context, business freedom "BFREE" has a negative sign at 5% level, where the past value of openness "OPN(-1)" points out that it was negatively associated at 5%. Oil rent in Kuwait "OIL" was representing a positive impact within the model in the long-run as it was significant at 5%.

One lagged period of the rule of law "LAW" has a significant positive relationship within the model. Localization policy through wage support act "LOCAL" as a dummy variable has a significant negative association with the growth of nationals employees in the private sector in

the current period at 5% significance level, wherein past period “LOCAL(-1)” was positively significant at 5%.

Table 6 Long-run coefficients

Dependent Variable: NLABOR (1, 1, 1, 1, 0, 1, 1, 1, 1, 0, 1)			
Variable	Coefficient	t-Statistic	Prob.
NLABOR(-1)	-0.99998	-6.89122	0.0023***
POPG	26.56441	5.592901	0.005***
POPG(-1)	-17.7445	-5.99462	0.0039***
GDPG	-0.53969	-1.06468	0.347
GDPG(-1)	-1.74469	-4.2839	0.0128**
GDPPC	-5.99E-05	-4.03482	0.0157**
GDPPC(-1)	2.10E-05	2.663771	0.0562*
GFCF	12.15132	3.560136	0.0236**
IFDI	39.8441	4.442427	0.0113**
IFDI(-1)	13.3211	1.280442	0.2696
OPN	-2.7079	-2.00724	0.1152
OPN(-1)	-3.37493	-4.11533	0.0147**
OIL	0.068146	3.557109	0.0236**
OIL(-1)	0.010491	1.95252	0.1226
LAW	0.017027	1.154139	0.3127
LAW(-1)	0.084746	3.795449	0.0192**
BFREE	-0.0711	-3.06609	0.0374**
LOCAL	-1.3633	-2.99278	0.0402**
LOCAL(-1)	0.484976	4.113176	0.0147**
C	0.003888	0.002161	0.9984
R-squared	0.983308	Adjusted R-squared	0.904
F-statistic	12.40181	Prob (F-statistic)	0.012642

Short-run Relationship Estimations

Table 7 provides the short-run dynamic coefficients from Error Correction Model (ECM) among the variables. The absolute values of ECM_{t-1} coefficients were negative and statistically significant at 1% level. This demonstrates that the model can return to long-run equilibrium speedily after a short-term shock. The value of ECM_{t-1} for the model is -1.99. This implies that

the model is corrected from the short-run into the long-run equilibrium by -199%. Thus, the short-run and ECM_{t-1} result reveals that the significant association has existed within the model. In the short-run, all the variables among the estimated model were statistically significant at 1%, 5% and 10% level. Population growth “POP” remained positively impacted on the growth of private nationals employees at 1% level of significance. The growth of GDP “GDPG” and per capita “GDPPC” were negatively significant within the model at the levels of 5% and 10%, respectively. The greatest positive effect on the private employment for nationals was reported for the inwards of FDI at 1% significance level. Openness degree “OPN” was negatively associated with the model at 1% significance level. Oil rent “OIL” was continued the positive changes on the dependent variable in the short-run as well at 1% significance level.

The rule of law “LAW” was statistically significant at 5% with a positive influence. Unexpectedly, the dummy variable of localization policy “LOCAL” remained to has negative implications on the model during the short-run, at 1% level.

Table 7 Short-run results

Dependent Variable :Δ (NLABOR)			
Variable	Coefficient	t-Statistic	Prob.
C	0.003888	0.557893	0.6067
Δ (POPG)	26.56441	31.16550	0.0000***
Δ (GDPG)	-0.539692	-4.295923	0.0127**
Δ (GDPPC)	-5.99E-05	-21.86011	0.0000***
Δ (IFDI)	39.84410	19.71961	0.0000***
Δ (OPN)	-2.707901	-12.63723	0.0002***
Δ (OIL)	0.068146	23.68889	0.0000***
Δ (LAW)	0.017027	4.269520	0.0130**
Δ (LOCAL)	-1.363299	-19.80064	0.0000***
ECM(-1)	-1.999980	-33.40878	0.0000***
R-squared	0.990575	F-statistic	163.4945
Adjusted R-squared	0.984516	Prob(F-statistic)	0.000000

Diagnostic test

The result in Table 8 reveals that the accepted hypothesis of no serial correlation, no heteroscedasticity, and normal distribution. These results confirm the reliability of the utilized model in this research.

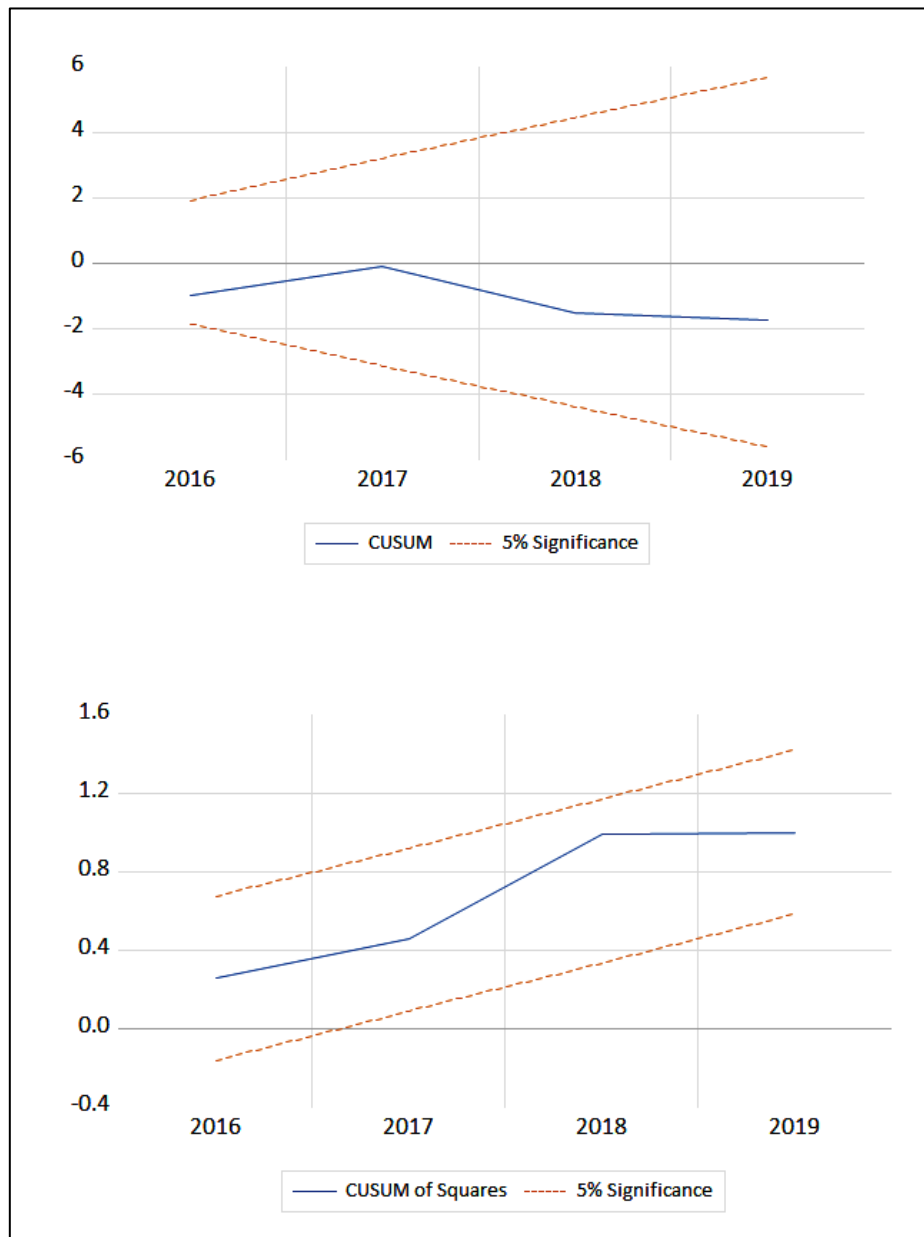
Table 8 Diagnostic tests results

Serial Correlation	Normality test	White
LM test	(Jarque-Bera test)	Heteroskedasticity
4.18 (0.13)	0.46 (0.79)	2.63 (0.17)

Model stability

The two plots (CUSUM) and (CUSUM sq) presents the stability of the model's parameters. The outcomes from Figure 3 confirm the stability of the parameters and ensure that the values of the coefficients lie inside the critical bound values.

Figure 3 Plot of CUSUM and CUSUM sq for Job creation model



Discussion of Results

The results of the estimation model have brought remarkable signals in this matter. The findings confirm that all the indicators of macroeconomic conditions and labour regulations are significant and considered main determinants for job creation in the private sector in Kuwait. The outcomes of the model show that population growth is positively linked with the growth of nationals employees in the private sector, which's consistent with the results of (Farole et al., 2017).

The economic growth and development variables through GDP growth and GDP per capita are considered negative factors on the growth of the national workforce in the private sector, where these findings against the outcomes of (Farole et al., 2017) paper. Each of FDI inwards and gross fixed capital formation is representing a critical element for increasing the private employment for citizens as they have positive implications in the case of Kuwait. These findings of the private sector investment are in line with (Farole et al., 2017), (Cray et al., 2011) and (DWG, 2011). However, our findings indicate that any change in the degrees of openness and business freedom in Kuwait would discourage the private job creation for nationals and their growth in this sector, as these findings have similarity with what recently found by (Baduel et al., 2019) in their paper about job creation in MENA countries.

The most unexpected outcome in this context is that Kuwait's oil factor has a significant positive relationship with the growth of nationals and job creation within the private sector. In terms of the structural institutions' labour regulations, the results suggest that any change in the rule of law leads to increase the private employment for nationals; this is in line with the framework (Farole et al., 2017). The most important result about the localization policy of the state is shown that the policy is not positively contributed to increasing in the number of nationals in the private sector. This result consists of the argument by (Salih, 2010) about the unsuccessful localization actions in Kuwait.

CONCLUSION

The macroeconomic indicators and labour regulations are considered significant determinants of job creation for nationals in the private sector in Kuwait. The results reveal that the changes in population growth and the rule of law play a positive role in increasing the rate of national employment in the private sector. Meanwhile, the results record remarkable signals about the investment climate in this context, that the positive and significant contribution of gross fixed capital formation and FDI inwards with its spillover within employment is evidenced, where FDI inwards have the strongest effect among the variables on the growth of nationals in

the private sector. The changes of openness degree lead to a decrease in the growth of the national workforce in the private sector, as indicated by the results.

In this context, the main macroeconomic conditions by GDP growth and GDP per capita show that their changes negatively impacted nationals employees' growth in the private sector. Contrary to the conventional view, oil rent in Kuwait was reflected positively on the growth of nationals in the private sector, where any change in oil rent increases private employment for citizens. The current changes of the localization policy of government in the private sector recorded a negative sign, implies that it's an ineffective policy at the recent and current period.

This empirical analysis provides certain evidence that the macroeconomic and regulatory components are essential determinants in forming the past and critical factors within the future transformation process towards narrowing the public financial burdens to achieve sustainability objectives in Kuwait.

FURTHER STUDIES

As long as this paper generally examines the macroeconomic and regulatory indicators of job creation, there some relevant gaps could be conducted for further research. The gaps of job creation analysis could be filled by investigating the social and cultural roots about the low number of national employees in the private sector. Additionally, wage differentials, recruitment policies and tendencies of the private firms towards the national workforce are considering to be crucial elements in this matter, which have to be under further academic and empirical investigation.

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