

Saudi Workers Security Or Insecurity?
The Government Response & Policies to the Uncertain Future of Unemployment

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Abstract

This paper introduces and critically reviews the Saudi workers job security. It begins with an extended coverage of the Saudi economy, its main features, major performance indicators and demographic trends in Saudi Arabia. The paper then describes the Saudi labor market main characteristics, composition, and future forecast including the troublesome unemployment rates with relevant comparison to the Gulf Cooperative Council countries (GCC). Having established the benchmark, the paper then outlines the causes, the factors leading to it and the size of the escalating unwelcome Saudi workers unemployment problem, which threatens their own social security, ironically in these economic boom days. The paper then highlights its impact on the labor market and the local economy as well as the social security of the Saudi workers. The paper then outlines the main official policies adopted by the Saudi government to address the problem and deal with it. The author then critically examines these policies and highlights their main problems, especially their one sided approach towards the workers advantage ignoring- unfortunately leading to their failure- the private sector profit maximizing interests, as the main employer in the labor market. Finally, a set of policies to deal with the problem are proposed at the strategic, tactical and operational level.

Keywords: Saudi Economy, Labor Market, Unemployment, Saudi Arabia, Labor Policies

Introduction

Bearing in mind the socioeconomic consequences of high levels of unemployment, most countries work hard on reducing the level of unemployment in their national labor force. Most countries especially in the developed world tend to keep their unemployment levels below 10 percent with various ways of government intervention aimed at approaching full employment. In Saudi Arabia, the foreign labor has become a critical issue leading to many problems, like the phenomenon of long-term structural unemployment among the domestic Saudi workforce.

The prolonged dependence on foreign work force in Saudi Arabia over several Five Year National Development Plans, have created an ever-increasing feeling of discomfort among government officials. This feeling of discomfort has changed to severe distress and contempt, and even frustration among young graduates who could not find suitable jobs when they enter the labor market, because currently the estimated unemployment rate in Saudi Arabia is about 25-30% (Mellahi and Al-Hinai, 2000). Of course, there is always the option of buying in the needed work force skills but that option is not conducive to developing the national human resources. In fact there is no need for training or development of the national human resources as long as one is able to 'buy in' expertise at the right level, however that leaves the country and its development plans vulnerable to mistakes in the purchasing. External sourcing of work force is a global strategy and not unique to Saudi Arabia, but it has many drawbacks, the most damaging of which is the negative impact on developing the local expertise. It certainly is a very attractive option for short-term development plans, but on the long run, it will be very damaging to the national economy. The longevity or success of national development plans depends heavily on the national human resources development as a key element in the development planning process. Once established with these highly trained national professionals, the country will be able to sustain a long commitment to the national development planning efforts. The current practice of buying in foreign manpower at several skill levels have left the country in a very odd position of building a non national expert system, which leaves the country after acquiring a certain level of expertise without much benefit to the nation or to the national development plans. However, if the local human resources were developed into a core of highly skilled professional or experts, that expert

system will be a national asset, not a liability. It will also help build a new generation of experts therefore enlarging and enriching the national expert system.

Unfortunately, the reliance on foreign workers has developed into a crisis over the past few years, and some alarming security indicators have prompted the government to take action in favor of finding jobs for the nationals. Several measures have been suggested to control the large-scale foreign work force recruitment by the private sector in the labor market as a labor market policy measure in addition to the human resources development policies. The public sector was the first to see the change with very tight control on foreign workers hiring under strict employment requirements. The private sector, which is the largest employer in the market, remains largely unregulated. The situation have prompted academics and government officials to convene several meetings and conferences to address the issue of nationalizing the labor force, even though the development strategy of the country was based on the capital intensive development approach which assumes a certain level of foreign workforce. It is clear that there is a growing awareness among young people of a sound work ethic coupled with eagerness to learn and gain specialized knowledge and more focused skill profile in the fields of their choice, so they can be more competitive in the labor market. This is evident from the response to various training courses run by the Manpower Council in conjunction with the General Organization for Technical Education and Vocational Training and Council of Saudi Chambers of Commerce & Industry, as well as summer programs organized by different institutions, (Ramkumar:2002). This paper is attempting to address the issue of nationalizing the labor force which adopts a two track approach the first deals with developing the local human resources skill profiles, and the second deals with corrective recruitment policies, with implications that are applicable to all labor importing countries, as the problems and expected policies would be similar.

This paper is divided into five main sections. The first section introduces historical development of Saudi economy. The second section describes the unemployment status in Saudi Arabia and Gulf countries as a whole. The third section emphasizes on the factors responsible for Saudi unemployment. The forth section focuses on foreign labor force and the related social and economical concerns. The fifth section shed light on the recommended governmental initiatives towards the solution of

unemployment problem and the consequences of it. Finally, this paper provides a set of recommendations to address the problem in a comprehensive approach.

Historical Review of Saudi Economy

To understand the problem fully, one needs to go back and analyze the historic reasons for the current state of affairs. To start with, we will have a brief look at the history of Saudi Arabia's economic development. One can divide the economic development of Saudi Arabia into two phases. The first phase coincides with the exploration and export of oil in the early 1970s. A sudden oil boom and the skyrocketing of oil prices resulted in the generation of huge revenues. The economic boom arising from the increased income from oil ultimately affected the whole structure of society.

Table 1: Saudi Arabia: Economic Indicators (2000-2005)

	1999	2000	2001	2002	2003	2004	2005 ^p
Gross Domestic Product-Nominal (SR billion)	603.6	706.7	686.3	707.1	804.6	939.6	1,152.5
<i>Growth in GDP-Nominal (%)</i>	10.4	17.1	-2.9	3.0	13.8	16.8	22.7
Real-GDP (1999 prices - SR billion)	603.6	633.0	636.4	637.2	686.0	721.9	767.8
<i>Growth in Real-GDP (%)</i>	-0.7	4.9	0.5	0.1	7.7	5.2	6.4
<i>Growth in Private Sector (%)</i>	3.8	4.3	3.7	3.8	4.4	5.6	6.3
<i>Growth in Government Sector (%)</i>	0.9	3.0	2.3	2.4	2.6	3.1	7.1
<i>Growth in Oil Sector (%)</i>	-8.6	7.3	-4.5	-8.5	18.6	5.9	6.1
Gross Fixed Capital Formation (1999 prices-SR billion)	118.2	123.8	126.2	130.0	141.1	148.1	160.0
<i>Growth in Gross Fixed Capital Formation (%)</i>	8.6	4.8	1.9	2.9	8.5	5.0	8.1
GDP/Capita Total Population (SR)	30,210	34,674	32,821	32,979	36,608	41,704	49,935
<i>GDP/Capita Saudi Population (SR)</i>	41,427	47,650	45,092	45,296	50,259	57,222	68,479
Total Population (Millions persons)	19.98	20.38	20.91	21.44	21.98	22.53	23.08
<i>Saudis</i>	14.57	14.83	15.22	15.61	16.01	16.42	16.83
<i>Non-Saudis</i>	5.41	5.55	5.69	5.83	5.97	6.11	6.25
Total Labour Force (Thousand persons)	7,230.3	7,155.6	7,582.7	8,244.7	8,278.1	8,281.8	8,294.3
<i>Saudis</i>	2,712.0	2,844.1	2,991.5	3,108.1	3,303.3	3,536.3	3,695.0
<i>Non-Saudis</i>	4,518.3	4,311.5	4,591.2	5,136.6	4,974.8	4,745.5	4,599.3
<i>Government Sector</i>	1,001.2	1,020.1	1,036.2	1,053.4	1,072.7	1,105.4	1,107.7
<i>Private Sector</i>	6,229.1	6,135.5	6,546.5	7,191.3	7,205.4	7,176.4	7,186.6
Unemployment Rate - Saudi Labour Force (%)	8.1	8.4	8.3	9.7	9.6	7.0	6.9
Government Budget Balance (SR billion)	-36.4	22.8	-26.9	-20.5	45.0	107.1	214.0
<i>Revenues</i>	147.4	258.1	228.2	213.0	295.0	392.3	555.0
<i>Expenditures</i>	183.8	235.3	255.1	233.5	250.0	285.2	341.0
<i>Balance as % Share of GDP-Nominal</i>	-6.0	3.2	-3.9	-2.9	5.6	11.4	18.6
Merchandise Exports (fob - SR billion)	190.1	290.6	254.9	271.7	349.7	472.5	657.0^f
<i>Oil (Crude & refined products)</i>	168.2	265.7	224.2	239.3	308.5	415.3	588.0
<i>Others (Non-oil)</i>	21.9	24.8	30.7	32.4	41.1	57.2	69.0
Merchandise Imports (CIF - SR billion)	105.0	113.2	116.9	121.1	138.4	167.8	216.0^f

Trade Balance - Merchandise (job - SR billion)	93.8	186.7	147.6	160.7	222.7	318.6	462.0
As % Share of GDP-Nominal	15.5	26.4	21.5	22.7	27.7	33.9	40.1
Current Account Balance (SR billion)	1.5	53.7	35.1	44.5	105.2	194.7	326.5
As % Share of GDP-Nominal	0.3	7.6	5.1	6.3	13.1	20.7	28.3
Crude Oil Production (Million barrels/day)	7.6	8.1	7.9	7.1	8.4	8.9	9.4
Average Price-Arabian Light (US\$/barrel)	17.45	26.81	23.06	24.32	27.11	34.53	49.67
Official Foreign Assets (SR billion)	255.6	301.1	309.2	291.3	367.3	479.7	725.5
SAMA Official Foreign Assets	141.8	178.3	181.3	157.1	223.2	324.1	563.6
Govt. Institutions & Independent Organizations	113.8	122.8	127.9	134.2	144.1	155.6	161.9
Exchange Rate (SR/US\$)	3.75	3.75	3.75	3.75	3.75	3.75	3.75
Money Supply M3 Growth (% change)	6.8	4.5	5.0	15.2	8.2	19.1	11.4
Cost of Living (1999=100) % change		-1.10	-1.10	0.20	0.60	0.30	1.10
Saudi Share Price Index (1985=1000)**	2,028.5	2,258.3	2,430.1	2,518.1	4,437.6	8,206.2	16,712.6

Notes: p :Preliminary estimates, f Forecasts. **at year-end

Source: (SAMA, 2005 & 2006)

The government went on executing the most ambitious development plans, which included investing in infrastructure, universities, hospitals, schools, housing projects, ports, airports and other projects. Huge infrastructure projects required an extensive labor force. But, the local population lacked the administrative and professional cadres in both the public and private sectors. They also lacked the technical and basic skills to implement and run such large projects. This initiated a massive inflow of workers from abroad. This migration of foreign labor was enhanced especially for the execution of construction projects, the running of the expanding private sector activities and the staffing of the enlarged government machinery. This rapid development was the main justification for the huge influx of foreign labor.

The second phase started in the early 1990s expedited by the gulf crisis of 1990/1991, which led to the draining of huge financial resources and consequent budgetary constraints. It was during this phase that the unemployment of educated youth started to take on the shape of a major future crisis. Hundreds of thousands of high school and university graduates faced the prospect of unemployment.

While their preference to work in government agencies was always a well-known fact, the government initiated plans to downsize its staff. Wage levels and competition from foreign labor forced thousands of nationals out of the labor market. Due to various social reasons, domestic workers also did not accept many of the jobs in the private sector. With high population and labor force, growth rates, the unemployment

of the national workforce is worsening ever since. The current situation is expected to continue, although, the government has taken some measures to regulate this crisis.

The Saudi Ministry of Planning provides detailed historical data on the growth of the Saudi GDP. These data indicated that the Saudi economy grew in real terms between 1969 and 1984. There was virtually no real growth between 1985 and 1989. The sudden rise in Saudi oil revenues caused by the Gulf War reversed the trend in GDP growth in 1990/1991. However, the economic impact of the rise in oil revenues on the economy was largely offset by expenditures caused by the war (Cordesman, 2002). Table 1 provides insights about the recent history of Saudi Economy.

Unemployment Status

During the mid-to-late 1980s in the wake of high oil prices, the oil-producing countries of the Middle East experienced rapid development, which contributed to economic growth, infrastructure development and the expansion of public goods provision, and finally created excess labor demand that could not be met by domestic labor resources. Foreign workers were “imported” to fill the gaps in order to resolve this problem (Ruppert, 1998). Many of the GCC (Gulf Cooperation Council) countries became highly centralized economies dominated by the public sector, partially due to the presence of large publicly owned oil-related industries. Twisted employment and wage policies in this region result in considerable segmentation along public/private lines (World Bank, 1996). Although there is a clear distinction, separation and discrimination between native and foreign workers, the number of foreign workers has outgrown the native workers as shown in Figure 1.

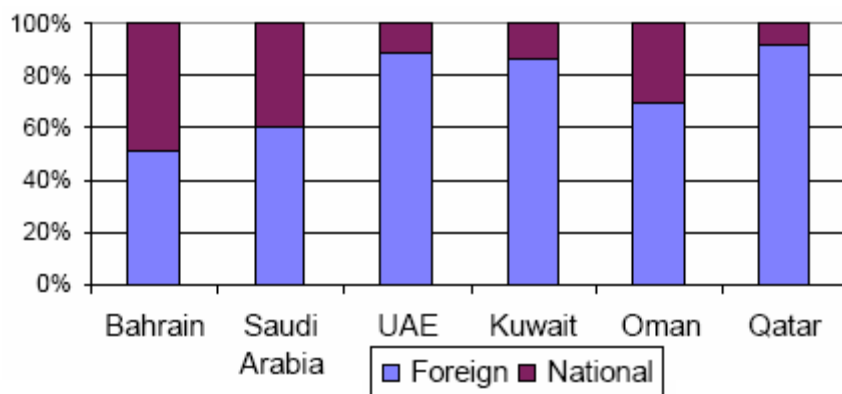


Figure: Foreign Labor in GCC Countries, 1990 % of Labor Force. Source: (Stakler, 1994)

In the last few years, budgetary constraints made it impossible for the Saudi government to provide enough jobs and benefits for all. It is estimated that, consequently, 20 to 30 percent of Saudi Arabia's university graduates fail to get employed (IP, 2005). Unemployment in Saudi Arabia has risen to more than 30 percent from about 12 percent over the past five years, as hundreds of thousands of young Saudis join the workforce each year (MN, 2005).

Table 1: Manpower demand and supply projections (1999-2020)

Description	Thousands			Average Annual Growth Rate %	
	1999	2004	2020	7th Plan (2000- 2004)	Long Term Perspective (2000 – 2020)
1. Demand					
Government Services	916.2	923.3	984.0	0.35	0.34
Crude Oil & Gas	98.9	100.4	127.0	0.30	1.20
Private Sector	6,161.2	6,472.2	9,635.0	0.99	2.15
Total Demand	7,176.3	7,504.9	10,746.0	0.90	1.94
2. Supply					
Saudi Population	15,658.4	18,520.3	29,717.0	3.41	3.10
Saudi Labor Force	3,172.9	3,990.2	8,263.0	4.69	4.66
3. Demand/Supply Balance					
Non-Saudi Labor Force	4,003.4	3,514.7	2,483.0	(2.57)	(2.25)

Source: *Ministry of Planning*, 2002. (Figures in brackets denote negative values)

In order to implement national development plans, the demand for qualified workers increased in both public and private sectors during the period of economic boom. Both the public and private sectors competed to attract Saudi university graduates. Before 1984, Saudi graduates were forbidden to work in the private sector and had to work for the government as it had sponsored their studies (Maimani, 1989). Even since then, the private sectors relied mostly on expatriates, regardless of calls in the Fourth and Fifth Development Plans for the Saudization of the private sector and the Labor and Manpower Law, which indicates that 75 percent of the total workforce of any company must be allocated to Saudis (Al-Ali, 1997; Lewis, 2003). The Saudi Arabia government embarked on Saudization of the work force as a strategic objective to re-nationalize the work force and tackle the problem of unemployment among Saudi graduates. The policy seeks to enforce the private sector to hire Saudis first. Companies with more nationals on their payroll would have an advantage in bidding for public sector projects. Local chambers of commerce are assisting the government in achieving the goal of Saudization by organizing internship projects that could result in employment for graduates. According to Ministry of Planning (2002),

the number of non-Saudi labor force was reduced significantly in recent years (Table 2).

During the 1980s, the government realized the inability of public sector to provide jobs indefinitely and it tried to direct young people to the private sector, but by that time, the private sector was saturated with low-paid expatriate workers. Unfortunately, the mass production of graduates fails to meet the required quality and specializations of the private sectors. These factors, and others, such as a high dropout rate from education and training systems and increases in the population, have created unemployment in Saudi Arabia (Alzalabani, 2004).

The Saudi Central Department of Statistics issued its estimates of Saudi unemployment data in September 2002. At end of 1999 the native unemployment figure was 8.1 percent, with 6.8 percent for males and 15.8 percent for women. These figures are extremely suspect, however, and assume that only 19 percent of the population, and 35.3 percent of the population of working age, actually participates in the labor force (Cordesman, 2002). This 19 percent compares with 33 percent in the rest of the Middle East implies that lack of Saudi participation in labor force amounts to a socioeconomic disaster. It is worth noting that by the early 1990s, one quarter of all university students were enrolled in religious institutions (Okruhlik, 2002).

The *ulama*, the groups of Muslim clerics with authority to pronounce religious questions, resist changes regarding women's participation in the employment market. The strong influence of *ulama* is felt in women's education and the role of women in public life (Prokop, 2002). Nevertheless, the number of Saudi women graduating from university has grown at an average rate 2.5 times that of male graduates during the last decade (MP, 2000b). The increasing number of educated Saudi women is pressing for more employment opportunities and a wider range of occupational choice.

In the near future, the declining Saudi economy will have to take initiatives for Saudi women. Some observers concluded that the failure to create enough employment opportunities for male population forced the Government continuously emphasize on its gender segregation policies. Still, the Saudi Government is not much serious about female employment. In the sixth Jeddah Economic Forum, Labor Minister stated that

a large majority of families would not want their women to work in the private sector and that they prefer their women to work only in segregated places (TA, 2005). The following case study will reflect some specific and general reasons behind the insignificant participation of women in the total workforce. According to a study of Meta (1999) 90 percent of female Saudi translators who graduated between 1990 and 1996 are not working as translators instead of the availability of jobs for translators in hospitals, translation bureaus, and embassies. Many of them find the jobs unsuitable because of working conditions, stringent qualifications, staff policies, salaries and benefits. On the other hand, the remaining graduates disliked the nature of the work and cited insufficient information about employment opportunities, lack of motivation, and familial, social, and cultural factors as reasons for unemployment.

Table 2: Demographic trends: A comparison of Saudi Arabia and the world

<i>Description</i>	<i>Year (Period)</i>	<i>Saudi Arabia</i>	<i>Arab Count</i>	<i>Developing Countries</i>	<i>OECD</i>	<i>The World</i>
Total Population (Million)	1975	7.3	126.4	2,898.3	924.4	3,987.4
	1999	21.3	240.7	4,609.8	1,122.0	5,862.7
	2015	31.7	332.7	5,759.1	1,209.2	7,048.2
Annual Growth Rate of Population (%)	1975-1999	4.2	2.7	1.9	0.8	1.6
	1999-2000	3.0	2.0	1.4	0.5	1.2
Urban Population (Ratio to Total)	1975	58.4	40.4	25.9	70.4	37.8
	1999	85.1	54.0	38.9	77.2	46.5
	2015	89.7	61.9	47.6	81.3	53.1
Population below 15 years (Ratio to Total Population)	1999	40.8	40.8	33.1	20.6	30.2
	2015	28.1	28.1	28.1	17.3	25.8
Fertility Rate (Infants Per Woman)	1970-1975	7.3	6.5	5.4	2.5	4.5
	1995-2000	6.2	4.1	3.1	1.8	2.8
Life Expectancy (years)	1970-1975	53.9	51.9	55.5	70.4	59.9
	1995-2000	70.9	65.9	64.1	76.4	66.4

Source: *Central Department of Statistics, Ministry of Planning, 2003, and Human Resources Development Report of 2001, UN Development Program, 2002.*

Factors Responsible for Saudi Unemployment

Apart from the historical reasons, other factors can also be identified as being influential in determining supply and demand of skilled work force on the Saudi labor

market. These include a wide array of determinants, such as social, economic, political, educational, managerial, and externally influenced factors.

In general, it is agreed that “education will be the main inspiration for altering and solving the major problems of human resources development in Saudi Arabia” (Al-Abdulwahed, 1981). Nevertheless, the increasing levels of unemployment of Saudi nationals can be attributed primarily to the poor quality of the Saudi educational system.

Plarke (1998) contended that large numbers of young men are unemployed because they lack the skills needed in a modern economy. The Saudi’s graduating from renowned foreign universities and a few local universities are being easily absorbed, while most of the locally educated Saudis are finding it very difficult to obtain suitable jobs on competitive salaries. In fact, there is a sharp contrast between the system or orientation of education and market demands. The situation gets worsened with the spatial distributions of technical and vocational centers, which are mainly concentrated in big cities, reducing access to people of smaller regions. These institutes also suffer from lack of qualified teachers and trainers. The inadaptability of educational curricula and a chronic imbalance between supply and demand in the educational system slow down educational reforms.

Studies of International Labor Organization (ILO) and World Bank, in the late 1990s, indicated that the Saudi educational system was failing to adequately educate either male or female students for future jobs, and that it is steadily deteriorating in quality and economic relevance (Bourland, 2002). Furthermore, there were only 10,000 engineering graduates out of 114,000, compared with 48,000 in social sciences and literature (MEED, 2000).

The future economic prospect of the Kingdom can no longer replicate the past. The golden days of high oil prices are virtually over. With the slow down in the world demand for oil exports, the oil prices and revenues have gone down drastically, thus forcing the Kingdom to adjust to a very low growth rate. From an economic point of view, the future is likely to witness normal or moderate rates of growth.

The Kingdom is experiencing rapid population growth for many years now. While this has triggered a baby boom in the past, the same is adding a huge chunk to the working age of civilian population. Half of Saudi Arabia's 21 million populations are under the age of 18. It estimated that native Saudi population increased at an average annual rate of 3.5 percent from 1995 to 2000 and the fertility rate is 5.5 infants per women in 2000 (Cordesman, 2002). The life expectancy of average Saudis increased to 72 years (SCSF, 2004).

Although the government's approach so far has been enthusiastic but it lacks long-term planning and vision. It is concentrated more on recommendations and goal identification rather than effective steps for achieving it. The implemented policies have been found to lack back-up plans and leave much to be desired. Most of the activities of government agencies are fragmented. Data cannot be easily shared by different government agencies. This further complicates the inadequacy of data for planning. There is also a low level of cooperation and participation of the private sector. Government agencies do not adequately involve the private sector in their planning process. Policies are made without integrating the view of the private firms. Therefore, the firms assume that these programs are government programs not our programs. The lack of coordination in the implementation of programs and projects is also very prominent.

In an ever-increasing tight market situation, the ratio of the number of job opportunities to the market demands has been on the decline. An increasing number of younger university graduates enter the labor market each year. The number of students graduating annually from university rose from 808 in 1970 to 42,950 in 1999 (Ministry of Planning, 2002a). The annual number of graduates increased from 87,000 in 1994 to 167,000 in 1999 (Ministry of Planning, 2002a), while the public and private sectors combined generate only a limited number of jobs, around 50,000 new jobs each year. It is estimated that each year 25 to 30 percent of new graduates are left unemployed. According to a governmental estimation, the labor force will grow at an annual rate of at least 3.2 percent between 1998 and 2015 (Cordesman, 2002). According to the estimates of Saudi American Bank, 340,000 Saudi males enter the labor force each year, but that only 175,000 jobs are created (Bourland, 2002).

The expatriates compete for jobs with nationals and remain in advantageous position due to the higher standard of living of the nationals along with other reasons (Al-Dosary, 1991, 2003). It is estimated that 6.5 to 7 million foreign workers in the Kingdom are occupying a major chunk of labor market, mostly in the private sector. Only 10 to 15 percent of the total employees in the private sector are Saudi nationals. In addition, the foreign workforce is continually draining the country's financial resources, as their salaries and savings are largely, being sent overseas. The problems caused by the foreign workforce are aggravated by the fact that there are also a considerable number of illegal workers present in the country.

There is a lack of enthusiasm on part of country's youth for filling up of lower and middle level jobs positions. The main reasons are deceptive social concerns. This is a hindrance for the Saudi youth, as they do not wish to work in menial positions and work their way up into positions of responsibility. Rather they immediately expect to supervise people who are often more experienced than they are and hence end up feeling responsible and important. Even if they achieve it, they still end up very reliant on the expatriates underneath them. It is reported by the US State Department that the turnover or attrition rate for Saudi workers in the private sector is extremely high, estimated at 70 percent. Therefore, the private firms face the problem of hiring workers who will likely leave the business (ITWV, 2005).

Minimal concern and interest shown by the private sector for securing and development of national interests are also responsible for Saudi unemployment. Some reasons provided, in defense of their argument are better control on foreign workers, poor work ethics within the local workforce, and the refusal of local workers to be involved in intensive and rigorous labor. The private sector also blames the lack of experience in Saudi work force. In addition, a highly imbalanced distribution of the wealth is prevalent within the country, roughly 1 percent of the population with 90 percent of country's wealth (Raphaeli, 2003). The imbalance in the distribution of national resources is also reflected in the political structure of the country, and its distribution of power.

Foreign Labor Force and Concerns

There are several established facts about foreign workers and some problems associated with them as well, both in general (Lee, 1997), (Serageldin, 1983a, and Serageldin, 1983b), ILO (1997b), and specifically in Saudi Arabia (Al-Ghaith, 1996: pp.21-22). The problems are subdivided into four subcategories, which are as follows:

Economic Drawbacks

These are mainly related to their competition with the national Saudi Labor force in the market for jobs, wages, benefits etc. leading to national unemployment, and the large foreign exchange/transfer of funds overseas which is a severe hard currency drain, \$3.73 billion in 1993 only (not including indirect fund transfers) and \$8.81 billion in 1995 (first half) (Min. of Interior, 1995). There exists a progressive growth in the outgoing remittances of Foreign Labor, which were SR.70 Billion in 2001. The amount is about 1/3 the annual budget of Saudi Arabia. In 1980 it was 13.616 Billion. This is equivalent to the total budget of Oman, UAE, Qatar and Bahrain combined, or Kuwait and Bahrain combined.

Social Drawbacks

Which include several social problems including contradicting social, cultural and religion values between locals and foreign workers that lead to social tension and social disintegration in the social fabric, and also increased reliance on foreign worker to raise kids (Aljuwair, 1986), and new trends in work habits and practices (Alsultan, 1983; Alsufayyan, 1990).

Psychological Drawbacks

These drawbacks stem mainly from the temporary job relationships, language and cultural barriers of both nationals & their expatriates (Aljuwair, 1986).

Security Drawbacks

Strategically there are 4 main security concerns (Ministry of Interior, 1995), which are: Abruptly shutdown production through sudden out migration of foreign workers in crisis times, anti system support group in the host country undermining the security of the state. They also justify internal & external blackmail/or threat via minority

controlled businesses, and the internal psychological invasion to the native labor force potential for work, undermining their ability to perform. Finally and most importantly, the negative influences developing the local human resources. There is no reason to train or develop the local labor force or design human resources development programs if there is the option of buying in the required skill through foreign labor. Therefore, it is a fundamental security threat to the development of national human resources at the roots.

Recommended Government Initiatives

The Manpower Strategy has four main tracks, which are as follows:

- Nationalization of the labor force (Saudization) and increasing the local labor force participation rate
- Improving the local labor force productivity rate
- Develop national labor force skill profiles to meet the labor market requirements
- Develop labor market services and integrate all labor and labor market related key players

Increasing labor market Saudization rates can be done through two different sets of solution approaches such as economic approach, and administrative policies and regulations approach. Economic approach solutions introduce minimum wage policy; reduce foreign labor visa numbers through higher fees, foreign labor wages and benefits, taxation. This approach also provides subsidy to Saudi labor wages, which is currently tested by human resources development fund (HRDF). In Kuwait, fixed nationals family subsidy is currently introduced. The subsidy is also extended to Saudi labor produced goods and services.

Administrative policies and regulations approach addresses the four main tracks of policies outlined earlier which are as follows:

- Nationalization of the labor force (Saudization) and increasing the Local Labor Force Participation Rate
- Provide Incentives for the private sector to absorb more Saudis, create more jobs for them, and continue to nationalize the workforce in government organizations
- Limit labor importation to skilled labor by establishing strict recruitment guidelines for labor importation
- Expand support for small projects investments, especially through the government owned Saudi Bank

The Government Announced the Adoption of a new strategic long term policy to Establish a 20% upper Ceiling as a foreign Labor Force percentage of Saudi Labor Market by the Year 1433 Ah (10 years time frame). No single nationality is to compose more than 10% of the foreign labor force also. Policy is to be evaluated every 2 years. The government should launch media campaigns about the importance of Work and its social and religious value. The policies also include maximization of Female Participation Rate and introduce more jobs for females in accordance with the Islamic Regulations Review. Labor Law Articles should aim to ensure compatibility with development requirements of Saudi Arabia, and maintain coordination between the Social Security and Civil Retirements Systems for best integration.

Work productivity should be improved in both Private and Public sectors through studies and appraisals of the performance and work productivity methods. Government should reconsider the size of its labor force through redistributing it to public sector establishments that need them the most, and try to resolve the issue of declining employment offers out of major urban centers. Improved Labor Force Skill Profiles can meet the labor market requirements through increased absorptive capacity of the ETS (Education & Training System) in majors critical to the national economy. The involvement of the private sector in the continuous review of programs can suggest new educational tracks that meet the labor market needs.

The increased efficiency of Continuing Education Programs, and the literacy programs, and the solutions of dropout problems can cause significant increase in the productivity and participation of the Saudi Labor force in the market. The provision of professional career counseling for students can allow them to select educational or training tracks that are most appropriate to their abilities and talents. A Comprehensive Training Strategy can contribute in preparing the draft of Long Range Nation Wide Training Program that covers all levels and specialties. The private sector should be encouraged to invest and contribute in training both before and on the job. Special training programs should be designed for the Saudi worker who did not go through the ETS to enter and compete in the labor market.

Ministry of labor should follow up and coordinate all efforts taken by organizations concerned with Saudi manpower planning, development, and employment, and should encourage the links and cooperation among them to better develop the Saudi labor force and solve any problems they may have in the future. A Nation Wide Manpower Information System should be developed to link all ML offices in Saudi Arabia, giving them instant access to accurate up to date data, which is updated regularly, that covers, work force, establishments, students, and ETS to guide the ML in their job assignments and selection. Recently ML finalize jobs descriptions, classifications, specifications, and requirements, at a national level access system to allow job seekers to find jobs available and their requirements and which ones they meet their specifications and conditions. Finally, Government should support and fund more research in the field of Human Resources Development (HRD) in universities and other specialized research centers. Moreover, it should promote Planning Education and emphasize the importance of Manpower Planning at the establishment or organization level at the partial or total scope, and unifying methods, techniques and definitions in work force.

Recommendations

One of the most important steps towards Saudization is to create robust and strict monitoring system to implement and follow up all regulations and policies related to Saudization. The Ministry of Labor carried 28,797 inspection visits covering over one

million workers with violation citations which is 194% of the previous year. The Saudis should be given priority by limiting certain occupations for them only. Ministry of Labor (ML) lately activated a new policy limiting 22 occupations strictly to Saudis ranging from administrative manager and training manager to tourism guide. There is a need to actively implement the Comprehensive National Information System for the Labor Market Data Base. The Minister of Labor effective March 2002 authorized suspension of all online services to establishments, which did not update their database on the ML main frame through its branches across Saudi Arabia. These services include authorization for work permits, work visas, and Saudization Certificates. There should have a harmony between private and public sectors through the bridge, which reduces the big gap between jobs in the private sector and those in the public sector in terms of salary, working hours, productivity and work ethics. Government should emphasize on efficient job creating authorities such as the Supreme Commission for Tourism, which promised 1.4 million jobs within 5-6 years. Moreover, efforts should be given to provide financial unemployment allowances up to 24 months to support the unemployed workers until their skill is improved through training. The above-mentioned recommendations require more serious and insightful studies to implement because of the uniqueness of Saudi culture and religion.

Conclusions

The unemployment problem took a long time to become dominant therefore; it is expected to take longer time to fix it. A steady, firm and strong commitment in the implementation of policies is essential for ensuring an efficient solution. Human Resources Development Fund was established to support and finance Saudi Human Resources development and Employment, support it and activate its programs. The Higher Commission for Tourism was established to train and prepare Saudis then employ them in the growing tourism sector, as a future absorption channel. Establish Labor Consultative Standing committees across Saudi Arabia to utilize their expertise and support Saudization efforts. Declare Short Range and Long Range Saudization targets with workable implementation mechanism and support the initiatives to implement them (Reduce Foreign Work force to 25% of the Labor Market). Constantly publicize successes in the Saudization efforts (16-19% increase in Saudization efforts were achieved by the Government 2001-2002). Establish

Cooperative Education and Training Programs to provide easy transition into the labor market of young Saudi graduates. Hosting and supporting Career Day events in Saudi Universities, because they provide excellent education about labor market jobs available and work force specialties available among graduates. Encourage Industrial Localization in the GCC. Encourage Chambers of Commerce, Charity and other NGO's to employ Saudis and train them.

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