



*Localization of Jobs in the Saudi Labor Market
(Saudization) Strategies: Implementation Mechanisms
Through a Multiple Track Approach*

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Introduction: Demographic Growth in Saudi Arabia

- Unprecedented population growth over the past few decades
- Natural population growth rate is high per international standards
- Distinct progressive change in the Age and Sex Ratios of the demographic composition
- Growth in the unplanned reliance on foreign labor in production
- In 2000 the GCC leaders agreed to implement a set of policies that will gradually establish a balanced demographic composition and control foreign labor, and these policies include:
 - Establish a maximum allowable ceiling for each GCC state for its importation of foreign labor based on its population and national manpower structure
 - Increase the cost of the foreign labor to the level which makes it uneconomical to import
 - Control the importation of marginal and unskilled labor force, and emphasize the use of specialized and experienced workers needed in these GCC states

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GCC States: The Current Situation

- Alarming Rates of Expatriate Labor Percentage Increases

		Oman	Bahrain	Saudi Arabia	Kuwait	Qatar	UAE
1975	Nationals	63.3	61.0	57.0	30.0	18.0	15.0
	Expats	37.0	39.0	43.0	70.0	82.0	85.0
1985	Nationals	49.0	42.0	28.0	18.0	18.0	9.0
	Expats	51.0	58.0	72.0	82.0	82.0	91.0
1997	Nationals	45.0	38.0	36.0	16.0	18.0	10.0
	Expats	55.0	62.0	64.0	84.0	82.0	90.0

Kapiszewski 2001

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The Origins of the Foreign Labor Force problem

- Causes of the Problem
- Factors that made the situation worse
 - The Development Strategy Adopted by the Government
 - Social Factors
 - Economic Factors
 - Labor and Recruitment Laws and Regulations related Factors
 - Lack of Effective Planning and Coordination among ETS establishments
 - Lack of proper Pre-Planning and Preparation for the adopted Development Strategy Consequences

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The Origins of the Foreign Labor Force problem: Cont'd

- Gulf War I and II
- GATT , WTO and Globalization
- Joining GATT and its implications on Saudi Arabia
- ETS Establishments Organizational structures and lack of their Coordination
- ETS Programs lack of Comprehensive Systematic Planning
- ETS programs did not respond to labor market needs and admission was not linked to it!
- Lack of Research Centers to conduct studies , follow-up or Analysis of the labor market
- Easy access to the foreign labor alternative
- Lack of Religious and National Sentiments which lead to black market in Work Visas
- Illegal Immigration practices which allow foreign worker to keep working undercover after their work permit and visas have expired

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Negative Impact of Foreign Labor in Saudi Arabia

- *Security Concerns*
 - Ministry of Interior statistics confirm a rise in the number of reported crimes committed by foreigners including some unknown types
 - High cost incurred by the state to fight off foreign based crimes
 - Drug trafficking problems associated with foreigners
 - Currency Counterfeit
 - Bribes, theft, counterfeit, forgery and stamps fraud
- *Social Concerns*
 - Introducing Strange and unacceptable habits and practices to our society
 - The spread of non-Muslim new social practices and phenomenon
 - Families have developed high dependence on housemaid services with its damaging demoralizing work related ethics
 - Spread of exaggerated and unnecessary domestic servants among families with its damaging impact on the upbringing of children
 - Several published research studies by **Crime Research Center (Ministry of Interior)** and the **Arab Bureau of Education for Gulf States (ABEGS)** have warned against several social concerns by the foreign labor force.

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Foreign Labor Negative Impact: *Cont'd*

- *Economic Concerns*

- Progressive growth in Foreign Labor outgoing Remittances, where in 2001 the total remittances were SR.70 Billion. Which is about 1/3 the annual budget of Saudi Arabia. In 1980 it was 13.616 Billion.

Bahrain	Qatar	Oman	UAE	Kuwait	KSA	State
6,76	12,93	24,95	20,84	43,15	215	Income
8,25	15,79	22,15	23,22	64,54	215	Expenses

- This is equivalent to the total budget of Oman, UAE, Qatar and Bahrain combined, or Kuwait and Bahrain combined! These are SCARY and worrisome numbers in economic terms!!!
- Increased government spending in Education, Health, and Security sectors at the expense of Saudis and their families due to the competition over services with foreign labor, and their families in these sectors
- Increased foreign labor size requires more internal security forces to monitor and control safety and security (in 1994 53% of the prison inmates were foreigners!!)

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Economic Concerns: Continued

- Diminishing Marginal Consuming Propensity of the foreign labor denies the domestic consumer market of potential
- Foreign labor competition for jobs with nationals, given the higher standard of living of the nationals puts the advantage with foreign labor. This means unemployment of Nationals, which leads to:
 - Great loss to the GNP, since the Wages and Benefits Bill tops SR. 100 Billion annually and the nationals share of it is small.
 - Increased crime rates cost the state money to fight it. The unemployed crime offenders rate was 3.1% in 1986, but it was 13.3% in 1996!
 - Unemployed parents inability to support and educate their children the proper education produces a weak generation, unable to protect the national agenda and achievements (third generation Social Security syndrome)

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Economic Concerns: Continued

- Potential Political and Social unrest due to improper ideological and moral ideas prevailing among the unemployed
- High dropout rates among the unemployed children to support their families, accentuates the potential for crimes, moral, ideological disorder, poverty, and further unemployment.
- Working undercover, unplanned and unstudied investments lead to failures of several small projects
- Heavy reliance on foreign labor is dangerous to the development process, as these may not have the loyalty to the host country needed in crisis times, as demonstrated during the invasion of Kuwait.
- In case of economic or security emergency, and an immediate deportation of foreign workers is needed many economic activities will be out of business due to sudden decline in consumers population size

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Saudi Labor Market Main Features

- Non Saudi residents are 37% of the total population of Saudi Arabia (ministry of planning 2001 Estimates). There are 6.2 M expatriates , 60.19% of them are in the labor force. 51% of the Expatriates are from India, Pakistan and Egypt. (16.8 M Saudis, total is 23 M)
- 48.29% of the labor force in 2000 were Saudis.
- 94% of the Expatriates work in the Private sector.
- 85% of the Expatriate workforce is simple unskilled labor force. The rest (15%)are the Skilled and specialized (Technical and Professional Occupations)
- Expatriate force concentrate in large Cities, where 2/3 of the Expatriate force is located in the cities of Riyadh, Jeddah, Dammam, Makkah, and Madinah.
- A larger number of New Saudi job seekers are entering the labor market every year (686,000 in 1999) and expected to be (813,000 in 20004). This means an annual influx of 160,000 entrants, while there are 100,00 jobs available annually, and the rest must be created by replacement or nationalization of jobs (Saudization) or creating more jobs through job creating investments

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Saudi Labor Market Main Features: *Cont'd*

- The Private Sector is the Main employer in the Labor Market, accounting for 90% of the labor force, and 84% of the Expatriate labor force. Public (Government) Sector is almost at equilibrium except for usual replacements for retirement, death or other special cases of replacement.
- The foreign workers recruitment process did not slow down until several strict measures were introduced by the governments authorities.
- In 12/4.1415 Ah Royal Decree #50 was issued which states that a set percentage of the total workforce of establishments whose manpower is over 20 is to be nationalized on annual basis. This set percentage stands now at 30%, and it is fixed for the next two years to be revised by the Minister of Labor and Social Affairs.
- On 20/8/1417 AH, the Manpower Council Approved the national Human Resources Development Strategy. It set the basic broad guidelines for activating many policies and regulations to nationalize (Saudize) the local labor market.

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Foreign Labor problem in Saudi Arabia: Solution Methodology

- The Manpower Related Strategy in the Seventh Development Plan has 4 Main Tracks:
 - 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**
- Theoretical Framework for the Labor Market and its Key Players:
 - **Before** Gulf War I+II, **Public Sector was** the **Main Employer** in the Market
 - **Now**, Private Sector **is** the main Labor Market Employer
 - **Yet, Public Sector Institutions Still Plan** the National Labor Market Policies, **Without** consulting **Private Sector** for its Intake Requirements and Skill profile specifications!!

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Solutions to Improve Labor market Saudization

- Increasing Labor Market Saudization Rates can be done through two Different Sets of Solution Approaches :
 - **Economic** Approach Solutions
 - **Administrative** Policies and Regulations Approach, Solutions
- **First:** Economic Approach Solutions
 - Minimum Wage Policy, Currently under review I the Advisory Council
 - Increase Foreign Labor Visa Fees, which is currently applied
 - Foreign labor wages and benefits, taxation
 - Saudi Labor Wages Subsidy, which is currently tested by Human Resources Development Fund (**HRDF**), Funded through policy # 2 above!
 - Fixed Nationals Subsidy, currently implemented in Kuwait only.
 - Subsidize Saudi Labor Produced goods and services
 - Combine or mix any of the above policies as per Economy and Labor Market conditions

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***Second:** Administrative Policies and Regulations Approach, Solutions*

- These address the **Four Main Tracks of Policies** Outlined Earlier; The Details of which are as follows:
- **Nationalization of the labor force (Saudization) and increasing the Local Labor Force Participation Rate**
 - Encourage the private sector to absorb more Saudis and create more jobs for them, and continue to nationalize the workforce in government organizations
 - Identify proper mechanisms for Saudization plans implementation follow up in sectors and occupations in the private sector according to their relative importance as established by a priority system.
 - Limit labor importation to skilled labor by establishing strict recruitment guidelines for labor importation .
 - Continue the large scale crackdown on immigration and labor laws violators.
 - Expand support for small projects investments, especially through the government owned Saudi Loans Bank
 - Implement and Follow up Manpower Council by Government Organizations
 - .

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Increasing the Local Labor Force Participation Rate Continued

- **JUST IN** : The Manpower Council 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.**
- Launch media campaigns about the importance of Work and its social and religious value
- Maximize Female Participation Rate , and introduce more jobs for females in accordance with the Islamic Regulations
- Review Labor Law Articles to ensure Compatibility with Development Requirements of Saudi Arabia, **AND** Maintain a coordination between the Social Security and Civil Retirements Systems for best integration.

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Second: Administrative Policies and Regulations Approach, Solutions: Continued

- Improving the local labor force **Productivity Rate**
 - Improve work productivity in both Private and Public sectors through studies and Appraisals of the performance and work productivity methods.
 - Reconsider the size of the government 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
 - Consider transferring surplus public sector employees to the private sector
- Develop National Labor Force **Skill Profiles** to meet the **Labor Market Requirements**
 - Increase the Absorptive capacity of the ETS in majors critical to the national economy, and direct admission in the ETS to respond to the needs of the Labor Market.
 - Involve the private sector in the continuous Review of Programs and suggest New Educational Tracks that meets the Labor Market Needs.
 - Improve Continuing Education Programs efficiency, and concentrate on the literacy programs, and solving dropout problems to increase the productivity and participation of the Saudi Labor force in the market.
 - Provide Professional Career counseling for students to allow them select educational or training tracks that are most appropriate to their abilities and talents
 - Develop a Comprehensive Training Strategy to be used to draft a Long Range Nation Wide Training Program that covers all levels and specialties.

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Administrative Policies and Regulations: Continued

- Encourage the private sector to Invest and contribute in Training both before and on the job .
- Design special training programs for the Saudi worker who did not go through the ETS to enter and compete in the labor market.
- -Support and fund more research in the field of Human Resources Development (HRD) in universities and other specialized research centers.
- Develop **Labor Market Services** and **INTEGRATE** all Labor and Labor Market related **Key Players**
 - Activate and support local and private Employment offices, especially their Career guidance and placements services .
 - Develop a Nation Wide Manpower Information System linking all ML offices in Saudi Arabia, giving them instant access to accurate up to date data, which is updated regularly, that covers, manpower, establishments, students, and ETS to guide the ML in their job assignments and selection
 - 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. **ML** have done that recently.
 - 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 manpower.
 - -Manpower Council 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. related

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Other Recommendations

- Publicize the Cooperative education Concept and try to promote it as a valid Higher Education System product
- Launch media campaigns about the danger facing the private sector for not seriously Saudizing its labor force
- Create robust and strict monitoring system to implement and follow up all regulations and policies related to Saudization. (The Ministry of Labor is doing that and **in 1421-1422 AH it carried 28,797 inspection visits covering over ONE Million workers with violation citations 194% over the previous year!!**)
- Limit certain occupations for Saudis ONLY, Ministry of Labor (**ML**) lately activated a new policy limiting 22 occupations strictly to Saudis ranging from Administrative Manager to Training Manager to Tourism Guide.
- Actively Implement the Comprehensive National Information System for the Labor Market Data Base. The **Minster of Labor effective March 2002** authorized suspension of all online services to establishments which did not update their data base on the ML main frame through its branches across Saudi Arabia (**These services include authorization for work permits, work visas, and Saudization Certificates!**)
- Bridge 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

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Concluding Remarks

- This problem took a long time to develop , therefore it is expected to take longer to fix. Thus, steady, firm and strong commitment in the implementation of policies is Essential for its solution success
- Steps and policies suggested earlier are too many, but will work with time
- Human Resources Development Fund was established to support and finance Saudi Human Resources development and Employment
- The General Investment Authority was established to support, accelerate and develop the planning and implementation of domestic and foreign investment which will provide more competitive advantage to the Saudi worker
- 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 manpower specialties available among graduates
- Support internal and external scholarship programs for Saudi students
- 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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Personal Advice to Businessmen and Decision Makers

- Our young boys and girls are your personal responsibility, and they are the ones , after Allah, who will protect the achievements of this country, and defend its borders when needed. They need to live a decent and honorable life that meets the minimum living standards, based on the religious beliefs and social values of this society, knowing that ones own fortune is given and determined by Allah , provided he works for it, and gives his best efforts.
- Your son or daughter may not be looking for a job today, but he or she will be looking for a job soon enough. Remember that life is a small world and it is a matter of give and take, and what you do to help the needy young generation now, may help your own children when they need it the most tomorrow!!

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الختامه

- وما من كاتب الا سيفنى
- ويبقى الدهر ما كتبت يداه
- فلا تكتب بكفك غير شي
- يسرك في القيامة ان تراه

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Thank You for Your

Kind Attention

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