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THE FEASIBILITY OF SAUDIZATION:  
COSTS AND BENEFITS TO SAUDI ARABIA

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A Project  
Presented to the  
Faculty of  
California State University,  
San Bernardino

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In Partial Fulfillment  
of the Requirements for the Degree  
Master of Arts  
in  
Public Administration

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by  
Sulaiman Abdulrahman Al-Khuzaim

March 2003

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March 2003

Approved by:

  
Dr. David J. Bellis, Chair, Public  
Administration

3/17/03  
Date

  
Dr. Guenther G. Kress, Public Administration

  
Dr. David J. Bellis, Department Chair  
Public Administration

## ABSTRACT

Following the discovery of oil in Saudi Arabia, five year plans for economic development and modernization followed. Foreign workers were needed to provide the skills required for the projects designed by the plans. Although most of the major projects have been completed, a high percentage of foreign workers continue to be employed in the Kingdom.

Primarily due to the high birth rate in the Kingdom, increasing numbers of young people are entering the labor force. To create jobs for them, the government designed a plan to reduce foreign workers called Saudization and minimize the drain of funds being sent out of the country. The plan was to replace foreign workers with young Saudis and encourage them to enter the workforce.

Although the plan was set forth in the Fifth Five Year Development Plan, it has not successfully replaced all foreign workers as Saudis will not take their jobs. It is proposed that more Saudis be trained in the different jobs; the private sector pay same salaries as the public sector; and the government create programs to assist young men to start their own businesses in those areas where foreign workers are needed today.

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## CHAPTER ONE

### INTRODUCTION

Oil was discovered in Saudi Arabia in 1938. Slowed by World War II, production did not begin until the late 1940s. As more oil was produced and sold on the market, the government had sufficient revenues to modernize the Kingdom and improve the standard of living for the people. In the 1960s, plans began to take form that would direct modernization and the different projects needed such as schools, hospitals, health centers, government buildings and housing. Planning began with the First Five Year Development Plan which identified the work to be done between 1970 and 1975 (Ramkumar and Ash, 1).

Foreign workers were employed to support the Five Year Development Plans. At the time, the native population of the Kingdom was very small, around seven million, and unskilled. While foreign workers contributed to the development of the Kingdom at the time, the Saudi government policy now is to lessen dependency on foreign workers as nationals need to fill their positions since the Saudi labor supply has increased. In addition, the Saudi government's position relative to foreign nationals was that they needed to be replaced with Saudi workers and stop the \$20 billion a year sent out of the Kingdom by

foreign workers. The government believes the capital needs to be invested in Saudi Arabia for continued economic growth (Ramkumar and Ash, 1).

Saudization is not unique to Saudi Arabia. Arguments are raised in the United States about foreign immigration, especially undocumented workers mainly Mexican nationals. In the Middle East, all Gulf Cooperation Council (GCC) members are designing programs similar to Saudi Arabia. The members are: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates. Saudi Arabia is taking the lead with its Saudization drive. The reason, according to Ibrahim Queidar, head of the Arab Labor Organization, nearly 14 million people, or 15 percent of the 90 million Arab youths are unemployed. He added, "By 2010, the total unemployment rate in the GCC countries is estimated to reach 39.4 million people." About 533,000 jobs will have to be created annually to meet the ever rising demand. The goal is to provide 817,000 jobs for Saudis replacing Indians, Egyptians, Pakistanis, Yemenis, Filipinos, Bangladesh, Africans, Jordanians, Palestinians, Syrians, and Sri Lankans (Kola, 1).

This "domestication" drive is viewed as being vital to the future of these GCC countries as foreign workers represent 69 percent of the labor force in Saudi Arabia,



83 percent in Qatar, 61 percent in Oman, 60 percent in Bahrain, 91 percent in the United Arab Emirates, and 82 percent in Kuwait (Kola, 1). There is great dependency on foreign workers even though in GCC countries there is a high percentage of unemployment. The GCC encourages the governments of member nations to develop similar plans. Proposals are to create arrangements similar to those found in the European Union so workers are free to work in any of the member states where there is a shortage of labor. With the high percentage of foreign workers very few Arabs have opportunities for employment as well as finding meaningful jobs (Kola, 1).

It is the view of many that Saudis need to have direct control over their future. This means taking over key roles within the economy which have been occupied by foreign guests. Over and above this important aim, Saudization will have the effect of saving a large part of \$20 billion a year sent out of the kingdom by foreign workers. The King has missed no opportunity to promote the policy of Saudization (Ramkumar & Ash, 1).

#### Purpose of the Study

The purpose of this study is to examine the factors involved with the employment of foreign workers and those that serve as barriers to their departure. The objective

of the study is to identify the advantages and disadvantages (costs and benefits) of reducing and/or eliminating foreign workers as it relates directly to the economic growth and future of the Saudi Kingdom.

#### Method

The method selected for this study was a review of secondary literature, articles published in various magazines, newspapers, and various reports. Some sources were in Arabic. A review has also been conducted of previous research studies on Saudization.

Saudization is not unique in using foreign workers as similar situations can be found in other developing countries. The literature available presents both negative and positive aspects of Saudization. The major negatives reflect the view that many Saudis do not want work in some fields of labor. The positive aspect is that Saudization is vital to the future of the Kingdom because with the rapid population growth more jobs are needed so there will be less dependency on the government and oil as the major source of revenues. It is also the desire of the government to provide a good standard of living for all citizens. However, they recognize the need for the people to contribute to the welfare of the Kingdom itself. This means that all citizens need to participate in the

economic growth and modernization of the nation. Self-sufficiency is the key. At the same time, economic growth demands entrance of the private sector into the global marketplace to sell more than oil as it is a depleting resource.

#### Scope of the Study

This study is limited to the Kingdom of Saudi Arabia and the issue of Saudization, advantages and disadvantages, costs and benefits, as currently exist in the Kingdom.

#### Significance of the Project

Following the discovery of oil, Saudi Arabia had the revenues to transform the country from a Third World nation to a modern state. To achieve this, the government established Five Year Plans with specific goals and objectives. At the time, the labor force of the Kingdom was small and without needed skills such as construction, mechanical, manufacturing, accounting, etc. This required the acquisition of labor from other countries. Thousands of foreign workers contracted with the government and companies to provide services for a specific period. As each Five Year Plan was to be completed, a new Plan was created with important tasks to be completed. Schools and

hospitals needed to be built, roads constructed, and the total infrastructure required modernization. This included highways, sanitation, carpenters, buildings, housing, and utilities. As a result, thousands of foreign workers were employed. Today, the Kingdom is working within the Seventh Five Year Plan (2000-2005).

With many of the major infrastructural projects completed, Saudi Arabia is on a new path to diversify the economy to lessen dependency on oil revenues. This requires the private sector to play a larger role in providing for the needs of the country and marketing products in the international marketplace.

#### Limitations

This study is limited in the following areas: data available on the subject, its interpretation, and time. The data collected include facts which have been published in the last five years. The data are drawn from published articles, texts, and studies. These are supplemented by personal knowledge of the researcher who is Manager of Scholarship and Training in the Ministry of Education in Saudi Arabia.

## Definition of Terms

For the purpose of this study, the following terms are defined as follows:

Foreign Workers: Non-Saudis working in Saudi Arabia under contract with a particular organization in the private or public sector. Contracts normally run for two years, after which time the foreign workers return to their home country. Contracts are renewed if workers continue to be needed. Such workers usually do not bring families so they like to return home at the end of the contract. Foreign women are not employed.

Private Sector: Relates to privately owned companies in Saudi Arabia, primarily those businesses outside of the petroleum industry, and those not dependent on the government for subsidies.

Saudization: The Plan to replace foreign workers with Saudi nationals within both the public and private sectors. Saudization was first proposed in the Fifth Five Year Saudi Plan to lessen dependence on foreign labor, and provide more jobs for nationals and reduce the amount of capital leaving the country via salaries for foreign workers.

## Organization of the Study

Chapter One: Introduction - includes the purpose of the study, method, scope, significance, limitations, and definition of terms.

Chapter Two: Review of literature - population, planning, Sixth Development Plan, Labor market, Seventh Development Plan, Saudization, and the Private Sector.

Chapter Three: Obstacles to Saudization, and vocational training.

Chapter Four: Challenges Facing the Kingdom, and solving the problem.

Chapter Five: Summary, Conclusion and Recommendations.

## CHAPTER TWO

### REVIEW OF LITERATURE

#### Population

Saudi Arabia has one of the highest annual population growth rates in the world. It is expected to increase to 49.5 million over the next 20 years. More than 80 percent of Saudis are under the age of 40; half are under 15. In addition, more than half of all state school and university graduates are female. Finding jobs for this section of the growing population is a challenging task. Women are restricted to certain occupations, almost all in the public sector (Ramkumar & Ash, 3).

#### Planning

Many of Saudi Arabia's achievements in a short span of time are attributed to good planning and effective implementation of development programs. The Kingdom's first challenge before embarking on a long term development campaign was to find a mechanism that could bring together the resources and energies of the public and private sectors in a collective effort to work on progress and growth in a wide range of areas. Such a mechanism would have to provide a clear outline of short and long term objectives and include the methods to be

taken to achieve each of those goals and "incorporate a resilience that would allow the country to realize the desired results despite the increase in regional and international economies bound to occur"(Fine Tuning, 2).

The tool that Saudi Arabia employed to weave together the various aspects and elements of development in a national drive toward growth and prosperity was the concept of the development plans. Beginning in 1970, the Kingdom launched a succession of such plans. Each had a set of objectives that would have to be achieved before the succeeding plans could be implemented. In essence they are a series of building blocks, each resting on the achievements of previous accomplishments and expanding on past accomplishments in new directions (Fine Tuning, 2).

The first plans focused on building a sound infrastructure. Roads, airports, seaports and telecommunications facilities were constructed throughout the Kingdom including the most remote parts of the country. Without such an infrastructure, industrial and commercial growth would not have been possible. Factories and commercial companies multiplied, using the new facilities to expand their operations in the Kingdom and abroad. A first-rate health care and social service system was established to serve citizens. Modern universities,



colleges and schools were built in major urban centers, towns and villages to educate young Saudis, enabling them to actively participate in their country's development. Dams and irrigation networks were built to expand agricultural output to help feed the growing population. "The availability of greater numbers of educated Saudis made possible continued expansion of industrial, commercial and agricultural activity, which in turn required more roads, ports, telecommunications, banks and other services to support the exponential growth of the economy" (Fine Tuning, 2).

The rate of growth has reached the stage of exerting considerable influence on many aspects of economic and social policy. The increase in the numbers of young men in the labor force requires more jobs that are meaningful and constructive. One of the priorities of the Fifth Development Plan for the 1990-1995 period was to accelerate the Saudization process through strengthening the capabilities of the domestic labor force and the improvement of health, education, and a wide variety of other social services (Fifth Development Plan, 40).

Overall, during the first five development plans, between 1970 and the beginning of 1995, the government invested a total of \$1,032 billion in various aspects of

the country's social and economic development (Fine Tuning, 3).

#### Sixth Development Plan, 1995-2000

This Plan encourages Saudis to work at all levels of the job market, including the service industries. Private companies have been asked to take greater responsibilities providing training to young Saudis and give them a chance to better qualify themselves.

King Fahd encourages companies, factories and private institutions in the Kingdom to open their doors to young Saudi citizens to provide them with the training and qualifications to enable them to enter into the work carried out by such establishments. This will benefit the institution, the citizens, and the nation as well (The Private Sector, 2).

According to the Sixth Five Year Development Plan (1995-2000), the labor market issues increased due to the increase in population. The population census of 1990 indicated a total population of 12.3 million persons, of whom 7.4 million were in the working age group. The participation rate of this group determines the size of the labor force. At the beginning of the Sixth Plan, this rate was at the low level of only 30.2 percent per 100. Three factors behind this low rate are:

- the young age structure of the Saudi population, with about 50 percent aged under 15 years;
- the large number of young people enrolled in education and training programs; and
- the participation of Saudi females in the labor market (under 5.5 percent) during the Fourth and Fifth Plan periods (Sixth Development Plan, 170).

#### Labor Market

The labor market in the Kingdom has been characterized by its inflexible response to prevailing economic circumstances. Following the downturn in the economy in the 1980s, for example, the total number of non-Saudi workers decreased by only 100,000 between 1985 and 1990, or three years later. Since then, the number of foreign workers has continued to grow at relatively high rates, regardless of calls in the Fifth Development Plan for a reduction in non-Saudi worker numbers in line with the actual needs of the economy (Sixth Plan, 171). This indicates a failure of public policy to achieve its goals.

With the completion of the physical infrastructure (roads, sewers, sanitation, utilities, etc.), concentration shifted toward the operation and maintenance

of the existing facilities using skilled and semi-skilled non-Saudi workers. At the same time there was a rising demand for unskilled non-Saudi workers in the community and personal services sector. Continuous recruitment of non-Saudi workers will increase the difficulties in finding jobs for Saudi workers who make up a high proportion of new entrants into the labor market (Ramkumar and Ash, 2).

#### Seventh Development Plan

King Fahd stated that the creation of more jobs for Saudis was among the priorities of the Seventh Five Year Development Plan (2000-5). It was projected that the government would create 817,300 new jobs for Saudis. At the same time, the number of college graduates of both sexes is set to increase from 3.16 million 1999 to an estimated 4.53 million, while graduates from technical colleges are set to increase from 27,000 to 50,000 during the same period (Ramkumar & Ash, 3).

The 2000-2005 Plan calls for the replacement of 488,600 foreign workers. The aim is to increase the percentage of Saudis in the country's total workforce from 44.2 percent to 53.2 percent. To achieve this goal, more projects are being implemented to provide educational, social and health services, and to train Saudis. The

current Five-Year Development Plan encourages Saudis to work at all levels of the job market, including service industries. Private companies have been asked to take greater responsibilities for providing training to young Saudis and give them a chance to enhance their employment qualifications. The question is: "Will it work?"

With an annual increase of 5 percent, the Development Plans targeted an achievement of 25 percent of Saudization of jobs in the private sector. This is not easy to accomplish, as many Saudis lack the proper skills, and commitment among Saudis is often lacking. Most are more interested in different fields of work. Many of their decisions are based on cultural values that have been part of Arab tribal culture for centuries. To address these problems, Chambers of Commerce in important Saudi cities are operating training programs. Efforts are under way to reorient the education system to equip Saudi youths to meet the challenges of the employment market (Kola, 2).

#### Saudization

The Saudization plan covers many sectors. According to the rules, private companies that win contracts from government agencies must have a minimum Saudi manpower of 5 percent. This must be increased to 50 percent Saudi Staff within nine years. Government agencies are

determining the jobs to be Saudized in the sector in coordination within the ministries of labor and civil service. In the contracts for cleaning cities, the government agencies will have the necessary flexibility to apply the percentage of Saudization in accordance with the availability of Saudi manpower. The Labor and Social Affairs Ministry follows up on its implementation (Ramkumar & Ash, 3).

Although the best of plans have been made, there continues to be a wide gap in achievement of the Saudization plan goals in both the public and private sectors. In spite of the best of intentions, Saudization has had some serious difficulties. It is not meeting the targets. The Kingdom remains excessively dependent on foreign labor. Statistics show that while the foreign worker labor force fell by 100,000 between 1980 and 1985, it has continued to grow ever since. As a result, annual unemployment among Saudis is running at between 15 and 20 percent. For the private sector, there are four key impediments: 1) the cost of Saudization, 2) the lack of trained Saudis, particularly those with vocational skills, 3) the problem in matching people to available jobs, and 4) a reluctance of Saudis to take certain jobs, reflecting attitudinal and cultural issues (Ramkumar and Cousins, 1).

One may ask why there are so few Saudi plumbers, so few Saudi electricians? These are well paid professions in the U.S. and the U.K. Most young men prefer to be in the government because it is a stable job. So they graduate from Saudi universities, or obtain degrees in the West, and return in the hope of finding lucrative positions. According to Abdullah Zainal, Chairman of the Jeddah Chamber of Commerce, many young men see being a mere plumber or an electrician as being "beneath" them. They do not want to get their hands dirty. One manager stated, "Until young Saudis change their attitudes, the country is going to remain over-dependent on foreign labor." There is also work for Saudi carpenters, electricians, mechanics, and plumbers, but there are few Saudis trained for these vocations (Ramkumar and Cousins, 2).

#### The Private Sector

King Fahd, speaking before the Industrial Chamber of Commerce in Jeddah, said the private sector had an important role to play in achieving development by improving levels of economic efficiency in its various forms; making greater use of the Saudi Arabian work force rather than the foreign work force; creating new work opportunities for Saudi citizens; diversifying the Kingdom's economic base; providing joint funding for

development projects; raising the technical and management skills of the workforce and improving their levels of production (The Private Sector, 1).

The private sector in Saudi Arabia differs from the private sector in other developing countries. Some companies are owned jointly by the private and public sectors. This is due to the fact that many capital-intensive enterprises such as electricity, transportation, and large industrial organizations require large investments which the private sector alone is unable to sponsor.

Another differing aspect of the private sector is that most of the companies are relatively small and family owned. A large percentage of businesses have been in families for a number of decades. Although these enterprises may employ those from the general population, the majority of employees are members of the family itself. Those outside of the family view such jobs as having very little, if any potential.

Another factor affecting employment is the fact that approximately three quarters of the industrial companies are joint ventures with international companies in areas such as chemicals, plastics, building materials and fabricated metals. Industrial companies such as United



Sugar, Saudi Arabic Basic Industries Corporation (SABIC), Savola Al Azizia and Saudi Aramco, are successfully competing in the regional and international marketplaces (Stratte-McClure, 1). Most, however, have their own employees, most of which are foreign workers.

"Fine Tuning Development Planning" states that early in the modernization, Saudi Arabia introduced an incentive system to encourage private sector participation in industrial, commercial and agricultural ventures. Generous long-term interest-free loans were offered to individuals and companies investing in new factories and commercial ventures or for the expansion of existing ones. The various government agencies provided \$14.82 billion in loans for industrial projects and another \$14.88 billion in commercial ventures. Government ministries also provided a range of support services, including feasibility studies and technical consulting for entrepreneurs (Fine Tuning, 5).

According to "Fine Tuning Development Planning," the private sector now accounts for more than half the Gross Domestic Product (GDP), while the non-oil sector's share is approaching two-thirds of the GDP. Last year, 2,303 factories were producing goods for sale on the domestic market and for export to more than 70 countries.

A similar success story was also being realized in the agricultural sector. Soft loans totaling \$7.49 billion, 6.42 million acres of land grants, a variety of free government services and the construction of modern dams and irrigation systems, agricultural production skyrocketed. Once almost totally reliant on imports of food and agricultural products, Saudi Arabia is now self-sufficient in many areas, such as wheat, vegetables and poultry, and is a net exporter of some products (Fine Tuning, 5-6).

The private sector continues to be very dynamic, and its psychology is very positive. Entrepreneurs are constantly adjusting their businesses to reflect the changing marketplace. As an example, a joint venture has been set up to create the Kingdom's first computer factory, and dozens of local companies have begun operating as Internet service providers since the beginning of 2002. The Internet is producing a domino effect throughout the economy. It is being used to trace and track shipments and maintain contracts with customers. The universities are producing quality software engineers as well as electrical and industrial engineers. Many other companies, however, still face problems created by a

shortage of trained staff, a lack of marketing skills, low productivity or poor management (Stratte-McClure, 2).

The government continues its plan to provide loans to entrepreneurs and encourage citizens to invest in their country, and diversify the private sector so that the Kingdom becomes increasingly self sufficient and at the same time plays a larger role in the global marketplace (Saudi Private Sector 1-4).

## CHAPTER THREE

### OBSTACLES TO SAUDIZATION

There has been some progress reducing the number of foreign workers in Saudi Arabia. The government continues to push Saudization to replace foreigners with Saudis in all but the most specialized or unattractive jobs. At Saudi Arabian Airlines, most pilots and male flight attendants are now Saudis. Still, there is only one Saudi nurse among dozens of foreign nurses. Everyone has been critical of the fact that Saudis will not take some of the jobs that need to be done because such jobs are not attractive to them (Martin, 3).

Young Saudis, especially those with families, do not want to take certain jobs because of the low pay offered. Some Saudi owned companies prefer to hire foreign workers especially from poor countries because they are willing to work for less. In addition, they do not have to pray five times a day as all Muslims are required to do (two of which come during business hours). The noon prayer is sometimes followed by a leisurely lunch. And, the fact that Saudi women are not allowed to drive cars requires that husbands leave their jobs and take them where they need to go. Novotnak, a Tampa nurse who has spent several months working with a hospital in Khobar said, "Every time

she has an appointment he gets to leave work and drive her." Despite the perceptions, Saudis are not eager to toil manually and competition for well paying jobs is fierce. Some 10,000 men applied for 300 positions in the National Guard Academy (Martin, 3-4). Saudis prefer to work in the public sector because the wage levels are higher, jobs are seen as being secure and prestigious. The result is that while an estimated 95 percent of non-Saudi labor works in the private sector, some 80 percent of the working Saudi population is employed in the public and mixed sectors (government owned enterprises). A mere 13 percent of the Saudi workforce is employed in private businesses with 10 or more people (Ramkumar & Cousins, 3).

Foreigners are barred from staffing the offices which serve pilgrims making the Hajj, the trip to Makkah that all Muslims make at least once during their lives. Last year, foreigners, fewer than 40, were banned from working in jeweler shops, the first step to what the government said it hoped would be full Saudization within two years. Another initiative barred corner shops from employing outsiders. Businesses with more than a staff of 20 must make sure that at least 30 percent are Saudis (Saudi clamps down, 1).

The native Saudi unemployment problem continues to exist as more than 150,000 young people are eligible to join the workforce each year. Nearly half cannot find jobs. In a published circular, social affairs and labor minister Ali Al-Namlah told labor offices up and down the country that 22 sectors were to be reserved for Saudi nationals. The list of jobs covered by the ruling includes administrative and procurement managers, secretaries, car salesmen, and public relations staffs.

The most important aspect of Saudization is the willingness of local investors to be prepared to use their capital to back business initiatives within the Kingdom. From this investment flows the range of new opportunities (Ramkumar & Ash, 1).

#### Vocational Training

One of the primary reasons often given as a barrier to Saudization has been the lack of trained Saudis, cost of trained people, particularly those with vocational skills, the problem in matching people to available jobs, and a reluctance to take certain jobs, the attitudinal issue (Ramkumar & Cousins, 1).

To provide young people with the opportunity to be trained in a particular occupation, a variety of training programs have been implemented. The training programs are

designed to meet the demands of the private sector including the use modern technology in all sectors (Ramkumar & Ash, 2).

The Sixth Plan incorporated programs to facilitate the development of Saudi manpower and its employment. These include greater emphasis on the quality of technical training and university education and focusing on education and training in specializations which coincide with the requirements of the private sector. This is a required expansion of the capacity of universities and technical training centers to enroll a larger number of students in fields which are in greater demand in the private sector.

To achieve this objective, the education system will continue to grow quantitatively and qualitatively. The number of students increased from 3.3 million in 1994 to 4.0 million in 1999. The number of Saudi students in universities rose from 171,000 to 247,000 over the same period. These steps facilitated the training of Saudi citizens to fill the new jobs expected to be established during the five-year plan (Fine Tuning, 5). The training programs are designed to employ better use of modern technology in all sectors to minimize manual labor.

Working with technology also has a degree of prestige and higher pay.



CHAPTER FOUR  
CHALLENGES FACING THE KINGDOM

Population Growth

Population growth in the Kingdom is considered to be one of the highest in the world. Today, 60 percent of the population are under the age of 21. Educational statistics show that 86,250 graduated from general secondary school in 1999-2000 but estimates show that at the current birth rate, this will increase to 103,323 by 2006-2007, period of only six years. The impact of this growth shows the need to train more students to acquire skills to join the labor market (Al-Dekhayyel and Abdulgabar, 2).

Ask any Saudi businessman or official, "Why Saudization?" and the same answer comes back: The 150,000 young Saudis graduating from schools and universities each year, all of them with expectations of a job and a reasonable standard of living. Some add another reason, to reduce the billions of riyals leaving the country every year. The anticipated loss this year is expected to amount to SR34 billion. This is a heavy burden on the balance of payments and the GDP.

Some university graduates go abroad to continue their studies and even acquire specialized skills which allow them to find suitable employment on return. For all the

newcomers to the job market, the Kingdom takes seriously its duty to find and provide employment opportunities. It is a duty to find and provide employment opportunities. It is a duty which they too expect the authorities to fulfill (Ramkumar and Cousins, 1).

### Solving the Problem

#### Technical and Vocational Training

Many see the answer as being education and training. Investment in training is a commitment that management in both the private and public sectors is making a commitment to the future. The current Seventh Five Year plan (2000-2005) lists a number of initiatives, including the development of private employment offices providing labor market information, the expansion of specialized and on-the-job training, and a cutback in foreign recruitment, permitting only "qualified" or necessary personnel to be brought in from abroad (Ramkumar and Cousins, 3).

Al-Dekhayyel and Abdulgabar led a task force to identify the challenges ahead for the Kingdom and the need to install a technical education and vocational training system that will support sustainable development and employment of Saudis. To succeed, the system has to take into consideration the Kingdom's cultural values and social conditions, the demands of the labor market, the

individual aspiration for recognition, occupational growth and mobility, and means of fostering private sector cooperation in the training process. The Task Force explored various training systems in the world and selected elements compatible with the social conditions in the Kingdom, developed the National System for Joint Training and the pilot program scheduled for implementation in the following school year. It is a flexible, cooperative training system that establishes, with the cooperation of the private sector, the Saudi Skill Standards based on an occupational framework comparable to other systems in the world (Al-Dekhayyel and Abdulgabar, 1).

The Technical and Vocational Education and Training (TVET) is under the auspices of the General Organization for Technical Education and Vocational Training (GOTEVOT). The system was formally established in 1980 when technical education and vocational training was separated from the general educational system to give it the autonomy and impetus needed in order to play a critical role in the development of the Kingdom's national workforce. GOTEVOT carries out the implementation of the Kingdom's strategy of workforce development through the TVET system composed of three sectors: technical colleges, secondary

institutes, and vocational training centers. There are now 12 technical colleges, 35 secondary institutes, and 30 vocational training centers located all over the kingdom, plus 375 private institutes accredited by GOTEVOT. The technical colleges prepare students for careers in technology, such as Chemical, Construction, Engine, Mechanical, Electrical, Electronics, and Computer and in Commerce, Management and other administrative sciences. A bachelor's degree qualifies them for a position as engineers (Al-Dekhayyel and Abdulgabar, 1).

According to the National Manpower Council, around 90 percent or more of the public sector jobs are held by Saudis, but less than 5 percent in the private sector are held by Saudis. It appears that the government has been both the provider and employer of TVET services, but now the new directions are being encouraged toward business and industry partnerships for the provision and upgrading of training services (Al-Dekhayyel and Abdulgabar, 4).

The challenge for the Kingdom is to motivate young men to view such training as giving them a meaningful profession. Consideration may be given to finding ways to motivate young men to look to these professions for employment. Examples perhaps could be: offer a monthly income to those who attend school full time; provide

services for those that do not live near the school by providing an automobile, or accommodations; and giving the student a degree that will be recognized by the private sector and which carries with it a degree of prestige.

## Foreign Workers

### Salaries

One of the most motivating factors to employ foreign workers has been salaries. Foreign workers will work for less than a Saudi would expect to be paid. This has been the primary incentive for employing foreign workers. The same holds true in many other nations (e.g., the U.S., U.K., Germany, etc.). The government could resolve this problem by requiring that companies pay foreign workers at the same wage rate that a Saudi would be paid. This should discourage companies from employing foreign workers as they would have to pay them the same rate as Saudis, as there would be no advantage in bringing them to the Kingdom.

### Jobs

It is recognized that there are jobs that Saudis will not accept, mainly based on cultural factors that have a long history of tradition. It has often been said that the most difficult thing to change in this world is culture. Change comes very slowly, if at all. This requires

recognition in every society, for to ignore cultural factors and force changes can lead to social unrest. It is proposed that important jobs and necessary jobs that Saudis will not fill that foreign workers can be brought in. This would require the government conduct a study to identify these jobs and legislate conditions for bringing such workers in from foreign countries. Unless the job is considered vital and necessary by the government, workers would not be permitted to enter the country.

#### Private Sector Incentives

Consideration can also be given to companies in the private sectors for employing a young person and training him to perform a certain task. Tax burdens may be reduced for companies that employ unskilled people, and the worker would serve as an intern for a specific period. Companies reducing the number of foreign workers, and those increasing job opportunities should be recognized by the government annually, preferably in the media.

#### The Public Sector

Traditionally, Saudis have preferred to work in the Public Sector. Not only are wage levels higher, the jobs are seen as secure and prestigious. As long as the private sector has to compete with the public sector for labor,

Saudization will not be successful. In most countries, salaries paid for jobs in the public sector are competitive with those paid in the private sector. It is true that working in the public sector does have more security than the private sector can offer, but this can be improved by providing unemployment insurance in the event that one working in the private sector is laid off for a period of time. He should also be supported by a retirement plan that he will not lose when changing jobs.

#### Private Enterprise

Abdullah Zainal, chairman of the Jeddah Chamber of Commerce, states there is plenty of work for electricians, carpenters, and electricians. However, there are few men trained in these areas. Ziad Al-Bassam, head of the JCC's small and middle ranking business support group and a businessman himself, proposes that young Saudis launch their own plumbing, electrical, carpenter businesses. These businesses are highly profitable in other countries while serving many needs within the community itself. Similar businesses can also be encouraged for automobile mechanics, with the objective of showing that these businesses can be highly valued and those employed in such enterprises provide valuable services not only to the community but the country as well. The government could

assist young entrepreneurs by providing financial support to start the business, providing attractive business locations, and business management assistance.

#### Creating Jobs

It is only in the private sector that jobs can be created. Ramkumar and Cousins state that it is only through this sector that progress can be made with Saudization. A number of proposals have been offered from different organizations. Most agree that all that is needed is determination to achieve the goal for minimum foreign workers in the Kingdom. Proposals include only allowing Saudis to be taxi drivers, boosting jobs through tourism, extend the rail network, bus services especially to, from and within Makkah, and privatization of State Owned Enterprises (SOEs) that would get the government out of business, reduce subsidies, and open the industry to competition creating more jobs.



CHAPTER FIVE  
SUMMARY, CONCLUSION AND  
RECOMMENDATIONS

Summary

Thousands of foreign workers have contributed to the development and modernization of the Kingdom. With the majority of major projects completed, it is time that the Kingdom become more independent of outside assistance. This is important due to the rapid increase in the labor force due to a high birth rate. Every year the thousands entering the workforce need jobs that will give them a good standard of living, and lessen dependence on the government. King Fahd recognized the problem. He has ensured there will be more jobs for Saudis and that this has been given the highest priority in the Seventh Five Year Development Plan. It is said that the government will create 817,300 new jobs for Saudis. At the same time, increasing numbers of young men are graduating from high schools, technical colleges, and four year colleges, all needing jobs (Ramkumar and ash, 2).

A number of proposals have been offered that may result in providing jobs. The first has been the reduction in the number of foreign workers by limiting the jobs that they can be employed for, increased training, starting new

businesses, more government projects, and increased privatization.

The GOTEVT and Council of Saudi Chambers of Commerce and industry are working together to support Saudization. There is a growing awareness among young people of a need for a sound work ethic, coupled with an eagerness to learn and gain specialized knowledge in the fields of their choice, so they can contribute to the Kingdom's onward march.

#### Conclusion

Saudization will be slow to achieve as there continues to be dependence on foreign workers in many different areas of employment within the Kingdom. There are some jobs that Saudis will not take. In some cases it is the pay, in others it is the prestige the job does not offer, and most important, it is culturally not acceptable to the individual. These conditions made it very difficult for Saudi to become independent as far as labor is concerned. It is understandable that a young man will not want to accept a job that has low pay because he will not be able to support his family, and this is very important in the culture. Since women are not encouraged to work in the business sector, men are the primary provider for the family. In addition, he is faced with the need to have a

job in which he feels he is admired, meaning it has some prestige. Many of the jobs not acceptable are those that were not acceptable by his ancestors and tribal customs of the past. Changing cultural attitudes is one of the most difficult tasks for any society. King Fahd's ambitious goal of achieving total Saudization may never become a total reality. However, that which can be achieved will make a difference between dependence and independence, economic diversification and growth.

#### Recommendations

Progress will be achieved if the private and the public sectors work together to provide meaningful jobs for young people. It is important that the public sector not be competitive with the private sector which can be said to be perhaps the first step to take. As long as the public sector continues to pay higher wages and offers more security, benefits, etc., there is little reason for young people to look to the private sector for their career objectives. Salaries in the private sector should be made comparable.

At the same time, the private sector can offer many opportunities to young people. These opportunities need to be attractive, beneficial, financially viable, and provide the standard of living young people desire. Jobs created

within an organization can have prestige through the job itself, titles, and advancement potential.

For the benefit of labor as well as the country, the government should provide programs to assist young people to open their own businesses. These programs should include financial assistance as well as training and management assistance. This would increase the role of the private sector within the Kingdom and at the same time, provide young people with an incentive to be a businessman which will give them the desired prestige and at the same time, motivate them to contribute to the economic development of the Kingdom, its goals and objectives. Attractive programs can be designed for businesses that offer various services in which foreign labor is currently being employed.

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