

Financial Services SIG



Stephen Wagstaff, Deputy Chairman
Financial Services Special Interest Group.

The Financial Services Sub Group is scheduled to hold its next meeting on 29th October and whilst a report will follow in the next edition RGGB News, the summer months have been relatively quiet.

However, following the terrorist attacks on the World Trade Centre there is likely to be significant impact to all financial services companies and over the coming months we will try to summarise how each industry segment is affected and the steps being taken to bring about a recovery.

Purely in the insurance

industry, the overall loss is estimated at anywhere upwards of \$40bn, which is more than double the cost of Hurricane Andrew. Coming in the wake of a terrorist attack on the Sri Lankan airfleet, which cost \$500m, against a worldwide premium of \$40m, the issue has perspective, which is far reaching. As an immediate response we have seen insurers reacting by withdrawing War and Terrorism cover for aviation risks which has resulted in governments stepping in to provide temporary pool facilities so that planes can still fly. Locally, the size of this pool is something like \$2bn. In addition, the minimum rate for War and Strikes rates for marine shipments has been increased by over 80%. Similarly, hull rates have increased and we are now seeing forwarders imposing surcharges on a per container basis of something like SR350 per unit.

We have mentioned in previous issues, the proposed compulsory medical insurance for expatriates and the regulation of the Industry as a whole. No further information has been made available since our last article.

HR SIG Saudiisation- a blunt message.



Wes Harry
Deputy Chairman

Saudiisation is the main focus of government dealings with business within the kingdom.

The government is aware of the severe consequences of having high levels of unemployment among young Saudis at the same time as having large numbers of foreigners working in the country.

At recent BDC meetings and at the last HR SIG the consequences were debated at length. Employers of small numbers of staff feel particularly uncertain about the reasons, rules and expected results of Saudiisation. Complaints are heard about the rising costs due to Saudiisation and the adverse impact profits.

Let us be in no doubt that Saudiisation will be not be delayed because of its claimed negative impact on individual companies. The government seeks to find jobs for over 800,000 Saudis in its current five year plan. Over 600,000 Saudis are registered as unemployed. At the same time over 4.5 million expats are employed.

Companies which are unwilling to employ Saudis will find that they cannot get visas for non Saudis, they will find the Labour Department will demand to know what they plan to do to create employment opportunities for Saudis and will find that customers will be reluctant to use their services. Those companies which have depended upon using cheap labour, usually from south and south-east Asia, will have to

change their ways of working if they are to survive.

If the message above seems harsh and direct it is because it is intended to shake out some of the complacency and complaints we have heard. In the near future it is likely that more categories of jobs will be reserved for Saudis and the 30% Saudi employee targets will be more rigorously enforced and the percentage of Saudi employees further increased. The banks are already expected to have 70% Saudi employees. If we look at other parts of the GCC we see most countries restricting the employment of expatriates in banking, real estate, human resource jobs, transport, retail and other sectors.

In Riyadh it is now not unusual to find shop workers and security guards who are Saudis. Not many years ago this would have been unthinkable. Five years ago less than 5% of jobs in the private sector were held by Saudis now the figure is over 20% and the government is pushing for 25% within a year.

Saudi Arabia is certainly not unique in wanting to create employment for its own people and reduce its reliance on expatriates - one has only to look at European newspapers and television to see that others are much less tolerant of foreign workers seeking economic advancement.

The HR SIG plans to organize a special meeting to discuss Saudiisation. A brief questionnaire will be circulated to RGGB members to seek guidance on specific topics to be covered. We plan to invite representatives of relevant government departments to give us their views on the ways that British companies and organisations can help with the process of Saudiisation.