

Unemployment and Saudisation



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There are excellent economic, social and political reasons why the Saudi Government is serious about the unemployment problem and the push towards greater Saudisation. Unemployment means less output, a lower standard of living and high and worrying dependency rates. There are over 490 dependants for every 100 Saudi workers at present - 2.4 times the World average. Any major decline in income per worker could have a dangerous effect upon living standards. Unemployment is put at 14% even by the Manpower Council; Saudi American Bank estimates unemployment at 15%, but some estimates go as high as 27%. With population growth at around 3%/annum, assuming the average GDP growth rate over 1980-2000, GDP/capita will drop to less than SR10,000/year by 2020 unless action is taken.

It is not that the Saudi Government have not recognised the mounting problems over the last decade. So why is Saudisation not happening at the rate required? Why are only an estimated 30-40,000 Saudi nationals finding jobs each year out of a new entrant level to the workforce of up to 130,000/year.

The Seventh Development Plan offers two main reasons: The relatively high cost of Saudi manpower compared to foreign manpower and the continuous inflow of foreign workers (whose numbers increased by 1.5% over the Sixth Development Plan period despite government policy which attempted to reduce this dependency).

The Manpower Council goes further by also identifying:

- Inadequate qualifications of Saudi nationals, particularly a lack of good English, the language often required in the private sector.
- reluctance of Saudi nationals to work in the private sector, not just because of lower pay but longer working hours than the public sector, shift working and shorter weekends and vacations.
- Difficulty of 'sacking' Saudi workers compared to foreign workers.
- Lower mobility of Saudi workers compared to foreign workers, i.e. reluctance of Saudi workers to change job locations.

The solution to this problem is in part driven by market forces. Over time there will be a need for Saudi nationals to be more realistic in their wage demands and in their conditions of employment. Over the last two decades they have been 'spoilt' by the availability of relatively high paid public sector employment, with good working conditions, long vacation periods et al. The public sector cannot afford to absorb more Saudi workers on the existing wage, salary and benefit levels. The private sector is expected to offer a solution.

Policy has been introduced by the government, largely focussing upon the 'negative' aspect of preventing employment of expatriates - which is not necessarily the only solution at this stage given a relative lack of skills in the Saudi workforce.

The key policy areas have been:

1. Enterprises with more than 20 workers should increase their proportion of Saudi workers by 5% each year; failure to do so could result in loss of licence and rejection of applications to utilise foreign workers.
2. Tying the employment of Saudi nationals to soft loans, contract awards and prizes for meeting Saudisation targets.
3. Elimination of employment of foreign workers in public sector and the switch of jobs to Saudi nationals.
4. Career days organised around the Kingdom for the private sector to advertise job vacancies.
5. Establishment of recruitment offices 54 of these exist around the Kingdom.
6. Provision of summer jobs for students organised by local labour offices.
7. Short-courses in technical subjects via GOVTEVOT in summer vacations.
8. Policies designed to restrict employment of foreign workers, eg, increased visa costs, restricting some job categories to Saudi nationals only, returning illegal immigrants to their own countries.

All these are general policies aimed at preventing the employment of foreign workers and trying to make Saudi labour more attractive to the private sector. They have not been totally successful because of the failure of full implementation of policies in most cases and because the underlying causes of the problem have not been fully addressed as yet.

The Seventh Development Plan puts forward commendable objectives, but there are no hard and fast policies laid down in the Plan.

Two overriding problems exist and these must be addressed more forcibly:

- Failure in the education and training systems to meet the needs of the economy; half of the Kingdom's eight universities focus upon religious studies; only 8.8% of Saudi students graduate in engineering, 42.2% graduate in social studies or religious education. The Technical institutes are grossly undersubscribed and their links with the private sector still need to be developed further.

As the figures indicate, much of the existing employment is in certain sectors, as is the forecast future employment in the Seventh Development Plan. The Kingdom needs to make employment policy much more sector specific and less general. In 1999 private non-oil sector employment stood at 6.2 million; this represented 86% of total employment in the Kingdom. Of this 14.2% was in construction, 8.2% in manufacturing, 14.4% related to trade services and 30.9% to Community and Personal Services; crude and natural gas provided only 1.4% of total employment. Policies must reflect the structure of employment, the needs in individual sectors and the skills required for new and expanding sectors.

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The view and interpretation of data reflect the opinion of the editor and not necessarily those of the Saudi British Bank.