MIDDLE EASTERN STUDIES

Volume 27 Number 4 October 1991

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Patterns of Human Resource Development in Saudi Arabia

Robert E. Looney

Demographic change in Saudi Arabia may be one of the main determinants not only of political stability, but economic as well. In particular, the ability of the country to develop its human assets will, in the long run, determine the kingdom's ultimate success in diversifying its economy away from oil.

The purpose of this paper is to survey recent demographic trends in the Kingdom, especially as they affect the development of the nation's human resources. Based on this assessment several future scenarios are outlined.

MAJOR DEMOGRAPHIC PATTERNS

Saudi Arabia has by far the largest percentage of nationals in its labor force. Demographic trends in the Kingdom indicate that more than 720,000 Saudi Arabians, representing almost 9 per cent of the population, will reach the age of 20 during the period 1988 to 1992 (Table 1). In the same period, the total number of Saudis in the labor force is projected to rise by just over 220,000. The shortfall is of course, due to the fact that only 120,000 women or about 6 per cent of Saudi women aged 15–60 are projected to be working in 1992 (Table 2).

As a result of these demographic trends and the country's anticipated manpower requirements as its productive structure becomes more sophisticated, the foreign workforce will be increasingly crucial in filling certain specific occupations. The country now employs about 100,000 Europeans and North Americans in managerial and technical jobs.[1] However, this source may be endangered by the social trends taking place in advanced economies. In the early 1990s the number of young people entering the West European labor market will fall by 25 per cent. The result will be a growing shortage of appropriately qualified people, particularly information technology specialists and service company managers. The net effect will be that Arabian companies will find it increasingly hard to hire European managerial and senior technical staff.[2]

> Analysts anticipate expatriate pay levels will increase in real terms over the next several years as western skilled labor supply shrinks. The trend will be compounded by the weakness of Gulf currencies on foreign exchange markets.[3]

What is certain is that the private sector will have to step up efforts to develop the pool of nationals capable of running large, modern enterprises as employees, rather than proprietors.

TABLE 1
SAUDI ARABIA: NATIONAL POPULATION BY AGE, 1987 AND 1992

	1987		1992	
Age	*Number*	*Per cent*	*Number*	*Per cent*
0–4	1,386,300	20.1	1,673,400	20.5
5–9	1,077,100	15.6	1,300,500	15.9
10–14	868,200	12.6	1,027,600	12.6
15–19	722,600	10.5	854,700	10.5
20–24	614,300	8.9	721,100	8.8
25–29	500,000	7.2	589,200	7.2
30–34	391,600	5.7	456,300	5.6
35–39	317,000	4.6	366,500	4.5
40–44	251,200	3.6	288,600	3.5
45–49	200,300	2.9	231,000	2.8
50–54	158,300	2.3	182,500	2.2
55–59	138,600	2.0	160,900	2.0
60–64	115,000	1.7	136,400	1.7
65+	164,100	2.4	192,700	2.4
Total	6,905,000	100.0	8,181,400	100.0

Source: J.S. Birks and C.A. Sinclair, *Saudi Arabia into the 90s* (University of Durham: Mountjoy Research Centre, 1988).

TABLE 2
SAUDI ARABIA: NATIONAL WORKFORCE, 1978–1992

	Males		Females		Total	
	Number	*Increase(%)*	*Number*	*Increase(%)*	*Number*	*Increase(%)*
1987	1,343,100	–	101,600	–	1,444,700	–
1988	1,384,000	3.0	105,200	3.6	1,489,200	3.1
1989	1,424,500	2.9	108,700	3.4	1,533,200	3.0
1990	1,464,600	2.8	112,300	3.2	1,576,900	2.8
1991	1,505,400	2.8	115,900	3.3	1,621,300	2.8
1992	1,548,600	2.9	120,000	3.5	1,668,600	2.9

Source: J.S. Birks and C.A. Sinclair, *Saudi Arabia into the 90s* (University of Durham: Mountjoy Research Centre, 1988).

MANPOWER PROBLEMS

Statistics on population and the labor force clearly reveal the degree of dependency on foreign labor. The number of economically active nationals is fewer than might be expected for several reasons:

(1) The population is very youthful.
(2) Widespread expansion of secondary and university education has taken place in the past decade.
(3) The labor force participation has been reduced because only a small proportion of women are engaged in wage employment.

The large importation of foreign workers has raised a number of issues related to the country's manpower strategy.

(1) *Unemployment of Productive Nationals*. A major issue is whether such a level of immigration is actually causing unemployment amongst the national population. It is possible that the large numbers of cheaply and easily available expatriates are slowing down the transfer of nationals from the traditional to the modern sector. Furthermore, Saudis are becoming less inclined toward production and related occupations. This development implies a continued heavy dependence on foreigners to fill such jobs.
(2) *Underdevelopment of Human Resources*. A more profound aspect of the importation of so much labor has been the stunted development of their indigenous human resources. The widespread use of migrant labor combined with the high level of wealth, has led to a proliferation of luxury employment for Saudis, which amounts to their withdrawal from the productive workforce. In fact, the educational system has become geared towards preparing nationals for this luxury employment rather than for productive employment. Thus migration has distorted the development of human capital in the Kingdom. Labor migration has led to native dependency on foreign manpower not only in quantitative, but also qualitative terms.

The relatively open employment policy of the government, coupled with a civil service system that minimizes competition and ignores an objective system of evaluation, has in all likelihood produced this low level of job commitment and low productivity. Continued dependency on imported labor may intensify this trend. More government efforts towards the localization of the labor force have, in general, brought about a clear mismatch between the job requirements, and the nationals available to fill them. Such a trend has resulted in the low productivity of the Saudis who make up the labor force.

LABOR MARKET DISTORTIONS

The above patterns have arisen in large part from the presence of labor

market distortions in at least three areas:[4]

(1) Rural/urban population distribution.
(2) Distortions between the tradeable and non-tradeable sectors, and
(3) Skill mismatches in the labor force.

Rapid rural-urban migration has characterized most developing countries, particularly the Gulf states. However it appears to have occurred to a much larger scale in the Kingdom. While the higher urban percentage in it may be the result of geography, the higher growth in urban populations experienced over the last decade is more likely to be due to other factors.

The negative effects on development of a too rapid rural-urban migration are well documented. It can lead to shortages of labor in the agricultural sector, large-scale urban unemployment/under-employment, urban bias in the government's economic policy, large external dis-economies in urban areas and so on.

The government expenditure patterns explain much of the additional migration observed in the Kingdom. In fact the Kingdom has experienced rapid growth in government employment (predominantly in the urban areas). Apparently the heads of government bureaux seek to maximize the size of their ministries by maximizing budget allocations and hence employment. Oil revenues accruing to the government increase the ability of all bureaux to maximize their size. In addition, government employment is often used as an unemployment benefit substitute. Increased employment by the government would explain the faster migration either in terms of increasing the rural wage differential or by increasing the probability of urban unemployment.

The second area of distortion is that too high a proportion of the labor force moves into sectors that do not face international competition. Damage to development arises as the move away from tradeables undermines the resource base to produce directly productive activities. The net result is a relatively high proportion of the labor force in services in the oil producing countries, and a relatively low proportion in manufacturing.

Several factors probably contribute to this employment pattern:

(1) Government programs to reduce unemployment through public sector hiring.
(2) A cultural preference for white collar jobs which tend to be more common in non-tradeables.
(3) Dutch Disease factors whereby the relative profitability of services improves *vis-à-vis* manufacturing.

The final area of labor market distortion is that of skill mismatches. This is essentially the problem of too many PhDs and two few mechanics. The symptom of this would be relatively high levels of disguised unemployment among the highly educated coupled with a shortage of artisans. The damage arising from these skill mismatches lies in the way the various economic sectors are likely to expand while faced by labor constraints.

Two elements of the change in government behavior may provide a

transmission mechanism for skill mismatches.

(1) There has been very rapid decision-making involving education. This is part of the general problem of the pressure on governments to spend quickly. This has resulted in a very rapid expansion in the tertiary education sector (including sending students abroad) with only limited consideration for the implications of this on the primary and secondary sectors, together with a neglect of technical education. In effect, education policy has developed as a by-product of spending decisions rather than as the result of any carefully laid out education policy.
(2) Once the mismatches have begun to appear the government has been willing (via its revenue access) to absorb these mismatches by its employment policies – over development of bureaucracy to provide employment for nationals returning from education abroad who would otherwise be employed below their desired status. The willingness to absorb the skill mismatches thus tends to disguise the appearance of signals warning against the development of even greater mismatches.

HUMAN RECOURCE DEVELOPMENT STRATEGIES

As noted above, in order to deal with its labor problems, the Saudi Government is attempting to develop and implement a human resource development strategy. This involves not only upgrading the skills of the local workforce, but also entail the opening up of positions for women in the labor force.

While it is true that the large number of expatriate construction workers brought in to implement the physical development of the Kingdom may no longer be needed, workers skilled in more sophisticated technology will be required to accomplish the Kingdom's new objectives. Moreover, even within the construction industry there are indications that suburban development, manufacturing construction, hospital construction and other projects to complete the country's economic base will continue to give rise to a large number of construction projects. Agricultural development plans also suggest new construction needs as does the new emphasis on the development of solar energy and the Kingdom's vast mineral resources.

Setting construction needs aside, however, the ten principal manpower implications of the current development strategy are:[5]

(1) Diversification of the Kingdom's revenue resources through the development of industry, mining, agriculture and solar energy potentials will be giving rise to new demands for technically skilled manpower. Many of these skills lie in areas in which Saudi nationals have yet to be trained.
(2) Saudization priorities by economic sector will have to be determined and then implemented if emphasis is to be placed on the employment of Saudis 'in important permanently productive sectors including those slated for predominance in the govern-

ment's investment and expenditure decisions', for example water, natural resources, petrochemical, and refined petroleum products.

(3) Operation and maintenance of the Kingdom's vast infrastructure will require a large force of Saudi nationals trained in maintenance, machine operation and other vocational skills, as well as those capable of operating capital-intensive, peak-technology modes of production.

(4) The private sector will be asked to play a major role in the education and training of Saudi nationals as part of this increased responsibility for the overall development of the Saudi economy. This will further decentralize the Kingdom's training efforts.

(5) The proposed 'dual standard' immigration criterion for Moslem expatriates versus non-Moslem expatriates will give rise to serious questions of ethnic control of specified job skills and or labor pools.

(6) Political instability in the Gulf region, together with the defense obligations incurred by the Kingdom as a member of the Gulf Cooperation Council, will result in increased pressure to Saudize the Kingdom's military forces. The introduction of compulsory military service will assist in this objective, but it will also drain the total labor pool and create new training needs.

(7) The new emphasis on human services and cultural enhancement programs will necessitate the development of Saudi manpower to manage programs for the handicapped: to deliver health service and health education to urban and rural patients, and to staff libraries and other cultural centers being proposed.

(8) A renewed emphasis on teacher education also will be required when elementary education is made compulsory, anti-illiteracy and adult programs are expanded, military education introduced at the secondary level and computer science is introduced into secondary and vocational training institutions for both girls and boys.

(9) The limitation of university positions to capable students and to those enrolled in fields of study relevant to the Kingdom's needs will necessitate a realignment of university resources, including teaching staff. Redundancy of humanities faculty may permit a reduction of expatriate staff as well as foster new career options for others.

(10) A reassessment of 'appropriate' jobs for Saudi women will need to be followed by specific government directives to assure the enactment of measures designed to facilitate entry of women into new sectors of the labor force.

It is unrealistic to believe that all ten areas can be 'Saudized' within the next decade. Saudization priorities will most likely be established and for

the immediate future all other manpower needs temporarily relegated to expatriate personnel. When compulsory primary education has gained a toehold and when military training has augmented the skills of Saudi males, Saudization efforts will be possible in a wider variety of fields.

For the present however Saudization will most likely focus on those segments of the labor force that only Saudis can serve best – national security and the preservation and enrichment of the Kingdom's cultural traditions. Specifically these would include the Saudization of all natural resource development, Saudization of the military, Saudization of all ministries (enhanced by the use of Saudi women as support staff) and the Saudization of certain human services and cultural enhancement programs. The latter might also be administered in large part by Saudi women and by 'redundant' Saudi academics currently teaching in university facilities unrelated to priority national development needs.

PROBLEMS IN SAUDI HUMAN RESOURCE DEVELOPMENT

In recent years Saudi educational programs have run into a number of difficulties:[6]

(1) Education even at the primary level has not been compulsory, leaving many of the government's educational goals devoid of the means of enforcement.
(2) Rural and agriculturally oriented families do not have a tradition which places high value on education beyond the study of religion and perhaps some basic literacy skills. They are unable to perceive the long-term economic value of pursuing an education.
(3) Students are dropping out of elementary and secondary education as soon as their literacy or basic skills are adequate to permit them immediate employment. Once out of school and without benefit of reinforced learning, even those rudimentary skills are often lost.
(4) Mobility, particularly from rural to urban areas, is fostering the student drop-out rate and encouraging young men to seek employment in factories, in the military, and in various vocational fields.
(5) There is an abundance of means by which young people can make money without high levels of education. The economic incentive to remain in school is therefore greatly weakened.
(6) Wealthy parents may destroy a student's motivation to pursue education by giving a youth all the economic privileges that regularly accrue to those who have worked to attain them.

The net result has been a significant economic loss as well as a human resource loss for the Kingdom as a whole and for the individual. Were one to assess the situation from a purely economic viewpoint, it could be suggested that the government might concede all clerical, craft, trade and similar skills to expatriates, encouraging the Saudis either to remain in agricultural pursuits, or to pursue professional skills.

The main problem is that the large working middle class that stands as a backbone of most developed societies have yet to emerge in Saudi Arabia, and it is not likely to develop until education is made compulsory at both the elementary and secondary levels and truancy laws are enforced.

Current statistics indicate that male Saudis now require an average of 11.34 years to complete 6 years of primary education and female students require an average of 8.67 years to complete their primary education.

Until all sectors of society, public and private, progress beyond the current practices of putting an immediate need for Saudis in the labor market ahead of the long-term educational development of the population, the problem is likely to persist. While the opening of new schools and the enrollment of new students is important, retention of these students in those schools is of equal importance to the overall development of Saudi Arabia's middle level manpower needs.

To overcome the problems involving public education, a number of companies in Saudi Arabia and the other Gulf States have developed elaborate programs for technical education. The most notable and lavish is the Aramco training program, designed to produce Saudi technicians. This program has been used as a model for similar programs in the region. The big push to localize the technical workforce came around 1980 stemming from the enormous expansion of Aramco's operations after the oil price rises. At that time the annual training budget totalled $636 million. It is now down to around $150 million a year and 5,000 trainees, selected on leaving school, have been through the program.

Aramco admits to the limitations of its program. Although all operators are now Saudi, most technicians are still expatriates and their jobs are filled by Saudis only as part of a natural fall-out. Despite careful screening there is at least a 20 per cent drop-out rate. Inevitably, there is competition from other industries, especially Jubail, in searching for the right candidates. Instilling a sense of discipline remains the hardest part of the program.

Training of locals is part of most industrial joint venture schemes in the Gulf, either in-house or outside, often at overseas institutions.

PROBLEMS FACED BY SAUDI WOMEN

One cannot discuss the economic development of Saudi Arabia and the Kingdom's manpower needs without discussing the subject, however controversial, of the role of Saudi women.

Today, Saudi women comprise one-third of the Kingdom's present university enrollments. The cost effectiveness of education for women can be severely challenged if the end product is never to find its way into the marketplace. At present there are a number of constraints against the employment of Saudi Women.[7]

(1) Most job opportunities for them are restricted to fields perceived to be in keeping with the traditional role of women as wives and mothers.
(2) Freedom of movement is restricted by the ban on women driving

and their need for male drivers to accompany them for business purposes. Public transportation for women does not exist.

(3) The paucity of child-care centers restricts the activities of those women who cannot afford live-in servants.

(4) Business initiatives are hampered by the inability of women to register a business in their own name, or obtain home loans or government land grants which might provide the wherewithal to establish a private business.

(5) A woman is prohibited from working if such work is contrary to the wishes of the male members of her family, upon whom she is dependent both socially and economically.

(6) The religious interpretations of some sectors of the society deem it inappropriate for women to work outside the home.

(7) Fear of the social stigma which may be attached to the working woman and/or her family, when suggestions are made relative to the family's economic status or the woman's morality is a further constraint on women working.

(8) The lack of incentives created by the relatively comfortable circumstances of much of the Kingdom's citizenry reduces the incentive for women to work. The same applies to the Islamic tradition which stipulates that the men of the family are responsible for the family's income.

(9) The inability of most working Saudi women to penetrate the decision-making process in the workforce has stifled women's opportunities.

(10) Decades of Saudi tradition which 'conditions' Saudi women to accept rather than challenge their role in life has been a subtle, but powerful, deterrent to the advancement of women's role in society.

Another important constraint which is extremely important in any developing nation striving for the enhancement of its human resources is the lack of women's networks, professional organizations or other such associations which could serve as catalysts for concerted action on the restrictions inhibiting women from entering the workforce and at the same time providing career counseling, management training, and other professional development opportunities for young Saudi women.

In most Arab countries work that is considered 'respectable' includes teaching, secretarial work and medicine. Even in Saudi Arabia, where attitudes toward women are the most conservative in the Arab World, efforts are made to create acceptable surroundings to facilitate their working.

The main conservative objection then is not to women's work but to their involvement in the public sphere. The fact that Gulf women's participation in the workforce is low shows that 'need' at the popular level is an important condition to be met before women are fully integrated into the modern sector.

Conservative attitudes are a factor, but not a primary one as some Gulf

analysts are aware. It has been pointed out[8] that the number of Saudi women in the workforce does not reflect their numerical weight in the country. This cannot be ascribed to the fact that most women went into fields like education, medicine, and social welfare, since the government still had to depend on many foreign women for these skills. The reasons for the low numbers are more related to the fact that most women did not face an economic need to work.

It is interesting in this respect that in the 'poorest' Gulf states in per capita terms, Bahrain and Oman, there is a more positive attitude towards women's work, both at the government and popular levels. In Oman in particular the government is active in sponsoring seminaries and strives to encourage women's integration into the work force. In these countries the people need to earn more than one income per family, and the state cannot afford to finance the vast manpower imports of their neighbors.

In general it appears that cultural attitudes are not the major obstacle to women's integration into the labor force. Other factors are also important. These include: (a) the country's manpower situation, (b) the need for income at the family and individual level, (c) the encouragement provided by the state, and (d) the skills that job-seekers possess. If the conditions of need, opportunity and ability are met at the state and the popular levels, then women will be fully integrated into the workforce.

FUTURE TRENDS

Two future scenarios concerning migration to the Gulf can be suggested at this stage:[9]

(1) Further declines in oil prices may result in a new surge of foreign worker departures together with a slump in new work permit issues and the retention of only the most essential expatriate workers. However, local entrepreneurs, merchants and businessmen, whose interests are served by the expatriate communities' demands for consumer goods and housing, would resist the policy changes implied by this scenario.

(2) The patterns of migration will follow recent trends – the gradual decline in the number of expatriate workers is likely to continue, and may even stabilize, with a relatively low level of net labor outflows and a high rate of foreign labor retention. This will be accompanied by heightened foreign labor mobility within individual Gulf states. Immigrant communities themselves will supply an increasing proportion of new non-national labor market entrants as their demographic profiles mature, thus further reducing the level of new labor inflows.

Effectively, the Kingdom would repeat the experience of Western Europe where immigrant labor also proved exceptionally resilient. This was particularly the case after the first oil price shocks of 1973–74. Despite the recession and the closure of labor markets to the new foreign labor inflows,

the number of Turkish *gastarbieter* in the Federal Republic of Germany increased from 590,000 (1974) to 623,900 (1980).

Regardless of which scenario holds, the government is likely to continue to favor arabization of the labor force. This is likely to be within the context of an overall reduction of the foreign population. This will be difficult to achieve, requiring considerable determination.

The private sector wishes to continue the option of mobilizing large numbers of cheap workers, usually of Asian origin. This approach tends to favor the arrival of non-national dependents, to bolster local consumption and trade. Increasing numbers of Saudi children will tend to stimulate short-term demand for foreign workers. Also, natural increase of the non-national communities will grow in importance.

The most likely scenario is one in which[10] Arabization will progress, especially of the public sector and professions, with the consequent tendency for dependent Arab populations to increase. Settlement of foreigners will be encouraged by the easing property market and landlords' desire for tenants. The process of arabization will occur in a labor market that contracts slightly for a few years, with some net re-exports of non-nationals, but which is then likely to grow again in the early 1990s, with a stable or increasing number of non-national workers.

Both the non-national and national populations will grow under these circumstances. While there is likely to be a significant increase in Saudi women in the labor force, there is unlikely to be a significant contraction of the foreign population. For a while, the shares of national and non-national populations are likely to remain constant. However, within the foreign population the share of Arabs will increase.

NOTES

1. Edmund O'Sullivan, 'Managing Gulf Economies', *Middle East Economic Digest* (27 January 1989), p.2.
2. Ibid.
3. Ibid., p.3.
4. Paul Stevens, 'The Impact of oil on the Role of the State in Economic Development', *Arab Affairs* (Summer 1986), pp.95–97.
5. Joy Winkie Viola, *Human Resources Development in Saudi Arabia: Multinationals and Saudization* (Boston: International Human Resources Development Corporation, 1986), pp.166–167.
6. Joy Winkie Viola, op.cit., pp.155–56.
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8. Nadia Hijab, 'Arab Women at Work: A Checklist that Puts Culture into Perspective', *Arab Affairs* (Summer/Autumn 1987), pp.48–9.
9. Ibid.
10. Following J.S. Birks, 'The Demographic Challenge in the Arab Gulf,' *Arab Affairs* (Summer, 1986), p.81.