

# Unemployment in Saudi Arabia: The Ethical and Economic Impact of Foreign Workers on the Middle East Market

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## Abstract

Despite its vast economic resources, Saudi Arabia has high unemployment among its citizens that is ironic given the large number of overseas foreign workers. Over the past decade, Saudi authorities have introduced a series of policies and programs aimed at addressing the situation and these plans deserve greater urgency in light of current realities of the global oil market. This manuscript thus aims to contribute to these efforts. It examines the unemployment scenario in Saudi Arabia primarily as it affects Saudi citizens, to better understand how foreign contract workers who have accumulated over the decades, have influenced the Saudi labor market. Employment patterns in both the private and public sectors, particularly as they affect citizens and non-citizens, are studied to better assess the recent efforts aimed at increasing domestic participation in the labor force.

**Key words:** Unemployment, Saudi Arabia, Foreign workers, employment

## Introduction

As a country on the global arena, Saudi Arabia is primarily known for two factors: the religion of Islam and the abundance of crude oil. According to De Bel Air (2014), "With Islam, the Kingdom has an ideological and political influence over 1.6 billion Muslims, or 23 percent of the world's population p. 3" In terms of crude oil, he explains "the Kingdom has the second largest proven reserves and is currently the biggest economy in the Arab world p. 3." Oil was originally discovered in the kingdom in the 1930's, but World War II interrupted activities, and production later ramped up right after the war and for the next two decades, oil revenues that accrued to the kingdom were largely based off contracts that awarded greater shares to the oil multinational corporation. As such, while the country produced and exported oil, much of the revenues were accruing to the major oil companies, then known as the "Seven Sisters," and the country remained largely agrarian and rural.

However, arising from the Arab-Israeli war of the early seventies, that prompted Oil Producing Exporting Countries, OPEC, members, led largely by the Saudis, to impose an oil embargo on the United States and a few other nations viewed as supporting the Israelis, the global crude oil market underwent significantly fundamental changes. With the crippling embargo resulting in the price of a barrel of oil quadrupling on the global market and acute shortages of gasoline across the United States, Saudi-led OPEC was able to, under nationalization programs renegotiate oil licensing contracts that resulted in the transfer of vast oil and gas holdings from the multinationals to State-owned enterprises. By 1976, virtually every other major producer in the mid-East, Africa, Asia, and Latin America had followed nationalizing at least some of its production garner a portion of participation or to completely control the entire industry and employ the international companies on a contractual basis (Kobrin, 1985).

With greater control, and skyrocketing prices, Saudi Arabia and its fellow OPEC members became awash with an abundance of oil revenue. This resulted in the Saudi's embarking on major development projects that would help modernize the kingdom. However, to achieve this, Saudi Arabia had, and has continued over the decades, to rely on and primarily utilize the abundant supply of low-wage South East Asians that are admitted into the kingdom as contract workers. While these workers are ordinarily not considered immigrants given the kingdom's labor laws that govern foreign workers, immigration rates increased from "800 thousand in 1974 to 4.1 million in 1992, and 6.1 million in 2004" representing "an increase of 80.5% and 52.1% respectively" (Al-Gabbani; 2009, p.8). As a consequence, the last forty years have seen a major transformation in the country based on its oil wealth. A transformation described by Reidel (2015) as from a poor desert to a rich, conservative monarchy with global power. Writing of the effects of the new found wealth in the kingdom, Sayigh (1973), wrote of abundance that has "permitted the inflow of a large volume of imports, both for the expanding consumption of the population and for the accelerated development of the environment." All this happened directly as a result of the ballooning of state coffers from the oil boom of the early seventies. From the 1972 oil income of about \$2.7 billion for the sale of 2.1 million barrels of oil, 1973 saw incomes of \$4.3 billion on sales of 2.7 million barrels and then the 1974 bonanza of close to \$28 billion for the sale of 3 million barrels of oil (Sayigh, 1973; p.144).

However, despite being considered a wealthy country based on its vast oil and gas production capacity, Saudi Arabia, like many other nations in the Middle East and North Africa region, faces enormous challenges resulting from high unemployment. With citizens who have, over the decades, become accustomed to the largesse that petrodollars allowed the State to dole out in various welfare schemes, an absence of work ethics was fostered resulting in the current situation where Saudi citizens make up less than half of the overall labor force.

Extending from the work ethic culture is the situation where there is a marked difference between private and public sectors within the economy. While the majority of the workers in the private sector are foreign contract workers, the majority in the public sector are native citizens. In the private sector where ownership is by predominantly Saudi businessmen, the overwhelming preference for employees is importing foreign labor over local citizens who they often cite with having bad work ethics. This becomes a convenient position of local businesses that certainly have an incentive in ensuring lower labor costs as they seek to maximize their profits. In some cases, private businesses are paid commissions by the State for importing workers to carry out tasks that are of considerable importance but have few Saudis willing to do them—such as trash collection. In the public sector, positions offer far more generous pay and benefits and typically have less demanding schedules than private sector jobs, which offer less pay and benefits, and still have longer hours and basically no labor law protections. As citizenship requirements exist for most public sector positions, the government has, over the decades, rewarded citizens with positions resulting in an over-padded civil service.

Generally, we can define employment as "the number of people who have a job," and unemployment as "the number of people who do not have a job but are looking for one" (Blanchard & Johnson, 2003; p. 25) or put differently, "unemployment refers to the share of the labor force that is without work but available for and seeking employment" (The World Bank, 2014). Unemployment rates not only vary among countries but also within individual countries and result from wide-ranging factors. The global economic crisis of 2008, for instance, that directly affected both the financial and housing industries, resulted in massive lay-offs that led to high unemployment across the globe.

This manuscript explores the unemployment situation in Saudi Arabia primarily as it affects citizens and non-citizens and argues that an overabundance of foreign contract workers, accumulated over the decades, has significantly negatively affected the Saudi labor force and responsible for the unemployment rate among Saudi citizens. Beginning with some background information into the kingdom of Saudi Arabia and establishing its current unemployment situation; it attempts to identify some of the contributing factors to the high rate of unemployment and discusses some of the consequences of the unemployment figures. Going further, it executes a comparative analysis of both the private and public sectors with an emphasis on the employment and unemployment patterns between citizens and non-citizens and examines some of the potential solutions to achieve lower unemployment levels.

### Literature Review

The issue of unemployment in Saudi Arabia can be described as being a relatively recent one given the country has been considered a wealthy nation with a high per capita income and citizens enjoy the benefits that come with wealth. In 1999, the kingdom began negotiations to join the World Trade Organization, WTO, and became a formal member in December 2011. This has somewhat unveiled the opaqueness that Saudi Arabia is notorious for and has created better insights into the unemployment and poverty situation in the kingdom (Sullivan, 2012). Much has been written about the development deficiencies in the Middle East and this was best captured in the landmark Arab Human Development Report released by the United Nations in 2002 and aptly titled "Creating Opportunities for Future Generations." This comprehensive document encompassing the Arab World found "deeply rooted shortcomings" embedded in these societies and that were adversely affecting human development. Specific recommendations made focused on three key areas: respect for human rights, female empowerment, and the pursuit of knowledge as a prerequisite for development. Also mentioned in the report was the high youth population rates in these countries and the attendant implications of that as the title of the report clearly suggests. Less than a decade later, much of the Arab world erupted in flames largely as a result of some of the shortcomings highlighted in the UN report.

While Saudi Arabia was spared much of the political upheavals that began in 2011, with minor skirmishes reported in certain parts of the Eastern Region, which is home to predominantly Shia minorities, it has not escaped the high unemployment rates plaguing the region—and considered one of the main un-

derlying causes of the revolutions (Al-Qudsi, 2005). Despite the huge oil wealth associated with the kingdom, there is a high unemployment rate among Saudi citizens (Fakeeh, 2009; Fayad et al., 2012; AlHamad, 2014). This rate becomes higher when examined by age and gender. Saudi youth in the 20-35 age brackets has an unemployment rate in the mid-thirties (Saudi CDSI, 2013; Al Omran, 2010; De Bel Air, 2014) while women are unemployed at about 25% (Al-Munajed, 2010; Eldemerdash, 2014).

Inextricably linked to the Saudi unemployment situation is the presence of millions of foreign workers in the kingdom (Alhamad, 2014; De Bel-Air, 2014) who began flowing in during the mid-1970s and have continued to do so over the last four decades resulting in the current situation where the country operates a two-tier economic structure with citizens dominating the private sector and foreign workers likewise in the public sector (Al-Sheikh & Erbas, 2012; Al-Qudsi, 2005; Hertog, 2013; Torofdar & Yunggar, 2012).

In 2005, concerted efforts began to address the issue of unemployment. Under the broad theme of Saudiization, which is aimed at addressing unemployment primarily by reducing the amount of foreign workers in the kingdom, the government has introduced certain policies and programs in this regard (Alshabri, Khalfan & Maqsood, 2014; Al-Omran, 2010; Alfawaz, Hilal & Alghannam, 2014; Fleischhaker et al, 2013). These efforts gained greater urgency following the protests in the region in 2011 that led to the toppling of a few governments as the Saudi royal family recognizes the implications of a restive unemployed youth population. Four main policy thrusts under the program are examined here based on much of the available studies carried out on Saudiization efforts, Nitaqat, Hafiz, KASP and Gender Issues, and how all these can ultimately affect Saudi private sector employment.

Given that most of these programs are relatively new, available literature on the subject is somewhat limited. However, in one study utilizing international mobility theory to assess the effectiveness of these policies on wage rates, Alhamad (2014) found that the deportations of foreign workers carried out under Saudiization enforcement led to wage increases for both Saudi and non-Saudi workers but cautioned that Saudi productivity rates could ultimately lead to further costs. Limiting foreign workers is also espoused by Al-Omran (2010) who, also, calls for a longer term view and reforms in immigrant and residency status in dealing with foreign workers who, in some cases are the second generation, with families having lived in the kingdom for decades but still legally considered as foreigners. In exploring the educational challenges facing the country, Alfawaz, Hilal & Alghanam, (2014) examine the KASP program and conclude that the best hope of not only solving the unemployment problem, but also helping to diversify the Saudi economy and evolve in the 21st century knowledge-based globalized economy, is the scholarship program which has over a hundred thousand students in undergraduate and graduate programs in universities and colleges across the globe.

Furthermore, this view of the education and training imperative is explored by Fayad et al. (2012) who also advocate that over time, the steps being taken in the area of education and training will help "mitigate potential competitiveness pressure" between nationals and foreign workers. Echoing the imperative of education reform, (Alshabri, Khalfan & Maqsood, 2014), in a study carried out by HR managers in the private sector to measure the effectiveness of the Nitaqat program, found that while some managers showed concern with regards to the work ethic of Saudi citizens, the majority had no problem hiring Saudis but advocated for better education, and better work ethic from Saudi workers. Also important are issues raised by (Fleischhaker et al, 2013) with regards to both labor laws and gender issues as they both relate to the overall effort to reduce unemployment with calls for better-codified labor regulations that apply to all workers irrespective of nationality as well as dealing with the issue of females who have a much larger unemployment rate than males.

To focus on female employment in the kingdom, much of the available studies here focus on the low labor market participation rate among Saudi women, which contributes immensely to the high overall unemployment among Saudi citizens (Al-Jarf, 1999; Al-Qudsi, 2005; Al-Fakeeh, 2009; Al-Munajed, 2010). In a study on female Saudi translators, Al-Jarf (1999) found that as high as 90% of females educated as translators between 1990 and 1996 were not working in the field despite the availability of such positions. Much of the issues around female unemployment stem from deep cultural traditions and practices that impose strict conditions on the conduct of women in public that invariably affect their employability. Others like (AlMunajed, 2010; & Rajkhan, 2014), see the low female participation rate, under 20%, in the national labor force as an opportunity to be seized with females representing an untapped resource that can help catalyze further development of the private sector in long-term efforts aimed at diversification from oil.

While much of the studies carried out on the Saudiization programs have tended to agree broadly on the merits and achievable success of the individual programs, others have found disapproval with the overall thrust of Saudiization. Eldemerdash, (2014) cautions about the securitization of Saudiization and sees the Saudi government enforcement regime under the program, deportations of foreign workers and criminalization of Saudi private sector practices, as misplaced policies that could ultimately not yield the desired results. Similarly, De Bel-Air (2014) examined the enforcement procedures under Saudiization, and noted the selective deportations among different foreign nationals with the resultant effect being that India with the largest number of foreign workers in the kingdom saw relatively small numbers of them deported while other nations with fewer numbers like Yemen and Egypt experienced larger deportations in a manner that suggested other political considerations were also at play. Lastly, Al Fakeeh (2009) takes a rejectionist approach to Saudiization, arguing the focus on unemployment is misplaced and ought to actually be on employability that should take a longer term view with programs aimed at making the necessary cultural shifts needed to bolster the recognition of a sound education as a prerequisite for developing the human capital required

for the 21st century knowledge driven globalized world that Saudi Arabia operates in.

While much of these studies have focused on the Saudi unemployment situation from the assumption of high oil revenues, the current realities of oil prices makes it a more compelling case. For comparison, while a barrel of oil is selling for under \$30 a barrel in February 2016, February 2015 it sold for about \$50 and in February 2014, it was about \$100.

Given these new realities, which have led to some subsidy adjustments, the issue of unemployment in Saudi becomes even more important as the less revenue the kingdom makes, the more difficult it becomes for a welfare-oriented populace.

### Country Profile and Demographic Structure

A United Nations Development Program (2015) reports the population of Saudi Arabia at 30 million and with a Human Development Index, HDI, of 0.836 that places it 34th globally. According to Human Development Report 2015, "the HDI is a summary measure for assessing long-term progress in three basic dimensions of human development: a long and healthy life, access to knowledge and a decent standard of living". The kingdom enjoys a life expectancy of 75 years. Of the 30 million, roughly 10 million or 30% are foreigners, up from 11% in 1974, and the native Saudi population has grown steadily at roughly 2.3% per annum for the past two decades (Fayad, Raissi, Rasmussen & Westelius; 2012, p.21).

In examining these population figures, we find a general upward trend in population growth for both citizens and non-citizens. Saudi population has grown from 5 million in 1974

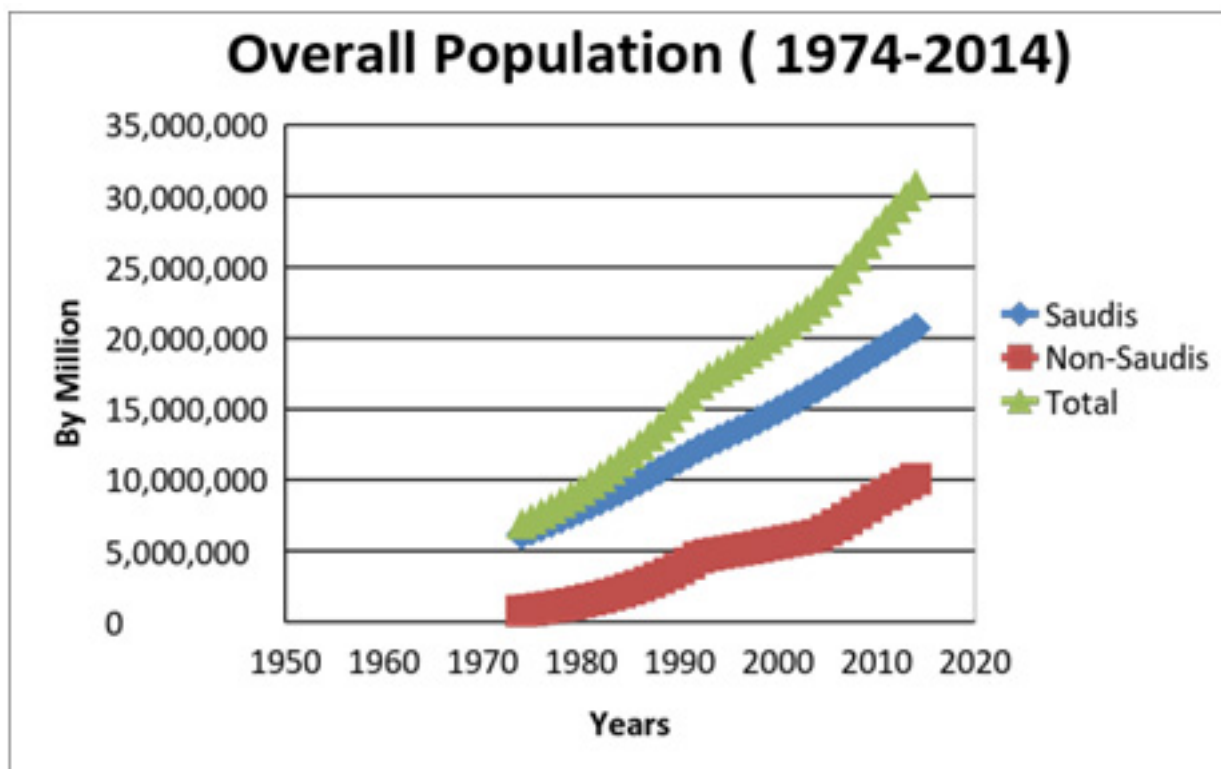
to roughly 20 million in 2014, a growth rate of 400% while on the other hand, the non-Saudi population grew from roughly 700,000 in 1974 to about 10 million in 2014 representing a growth of 1429%.

### Political System

Founded as a sovereign and independent nation in 1932, Saudi Arabia operates an absolute monarchy form of government in which all power resides in the hands of a king, aided by members of the royal family. There is an Allegiance Council, charged with selecting a new king. There is also a Council Of Ministers, drawn from princes and non-royals that constitute the roughly 30 cabinet office positions, as well as a 150 person Consultative Assembly or Shura Council appointed by the King and charged with making recommendations on laws but not quite having an actual law making powers. In 2005, the country introduced municipal elections to fill local seats across the country. Only male citizens who were twenty-one and older were allowed to participate; this sparked the movement for female suffrage.

The next elections scheduled for 2009 were indefinitely postponed and not held till 2011, also as an all-male affair and the ensuing female agitations prompted the then King Abdullah to give women the right to participate in the next elections scheduled for 2015. It is important to point out that in addition to decreeing the right of women to participate in politics, the King Abdullah also took the unprecedented step of appointing women into the Consultative Assembly. With the death of King Abdullah in January 2015, and the ascension of his brother King Salman, the 2015 election exercise began in August 2015, and women have been allowed to register to

Figure 1: Overall population increase (2004-2014) by gender and citizenship status



Source: Central Department of Statistics & Information

vote and to run and hold office, this will be discussed in the section on gender issues.

### Economic System

According to the kingdom's embassy in Washington D.C, Saudi Arabia is the world's largest producer of petroleum, and has about one-quarter of the world's oil reserves - over 260 billion barrels. A year after it was established in 1932, the Kingdom's founder, King Abdul Aziz Al Saud granted a prospecting license to an American oil company SOCAL, which later changed to Chevron. Oil exports, which began in 1939, were disrupted by the Second World War and resumed at its conclusion. During the 1970s and 1980s, the oil boom dramatically affected the country, and it became an economic giant as a consequence of both an increase in oil prices as well as the discoveries of vast quantities of reserves (Royal Embassy of Saudi Arabia, Washington DC; 2014). Based on these enormous discoveries, the country embarked upon a massive infrastructural expansion and modernization project that brought vast growth and development to the country.

This massive inflow of petrodollars made Saudi Arabia one of the fastest growing economies of the time. Indeed, Saudi Arabia sits atop approximately 25% of the world's petroleum reserves, and this accordingly makes it the largest exporter of oil with an average daily production of 10 million barrels and installed capacity that can allow it to ramp up to 14 million barrels. On the global competitiveness ranking, Saudi Arabia scored 5.06 out of 7, making it 24th out of 148 countries. GDP is \$748.4 billion allowing for a Per Capita Income of roughly \$26,000. The oil production levels, furthermore, have enabled Saudi Arabia, to be the dominant member of the Organization of the Petroleum Exporting Countries, OPEC, which critics describe as a cartel with dominant control over the global oil markets. This largely allowed the country to push its economic weight around the globe and it is considered to be a wealthy nation. Past statistical figures reflect that the oil sector contributes 45% of the country's budget and roughly 90% of export earnings, and this is most surprising due to the country's "unworkable desert territory; it consists of very few commercial ports; very low vegetation and fresh water resources, limited farming activity and very little individual activity beyond that which the production of oil demands" (Deaver, 2013, p.110).

In attempting to understand this Saudi high unemployment effect, Fakeeh asserts, "Saudi benefited from a large influx of petrodollars during the last half of the twentieth century; there was no indigenous domestic social structure to provide the people with skills necessary for building a modern state" (p 20). Specifically, Fakkeh notes Saudi Arabia's wealth, unlike those of over wealthy economies like Taiwan and South Korea, which all grew because of the production and export of manufactured goods, Saudi's wealth relies on the export of oil as their only single natural resource, "which its exploration required imported expertise and few local workers" (p. 29). This would have the effect of further consolidating the powers of the state given how oil rents funded state operations and giving the little need for taxation revenues that could help engender public accountability if citizens feel they have a contributing stake in state affairs.

### Unemployment in the Saudi Labor Market

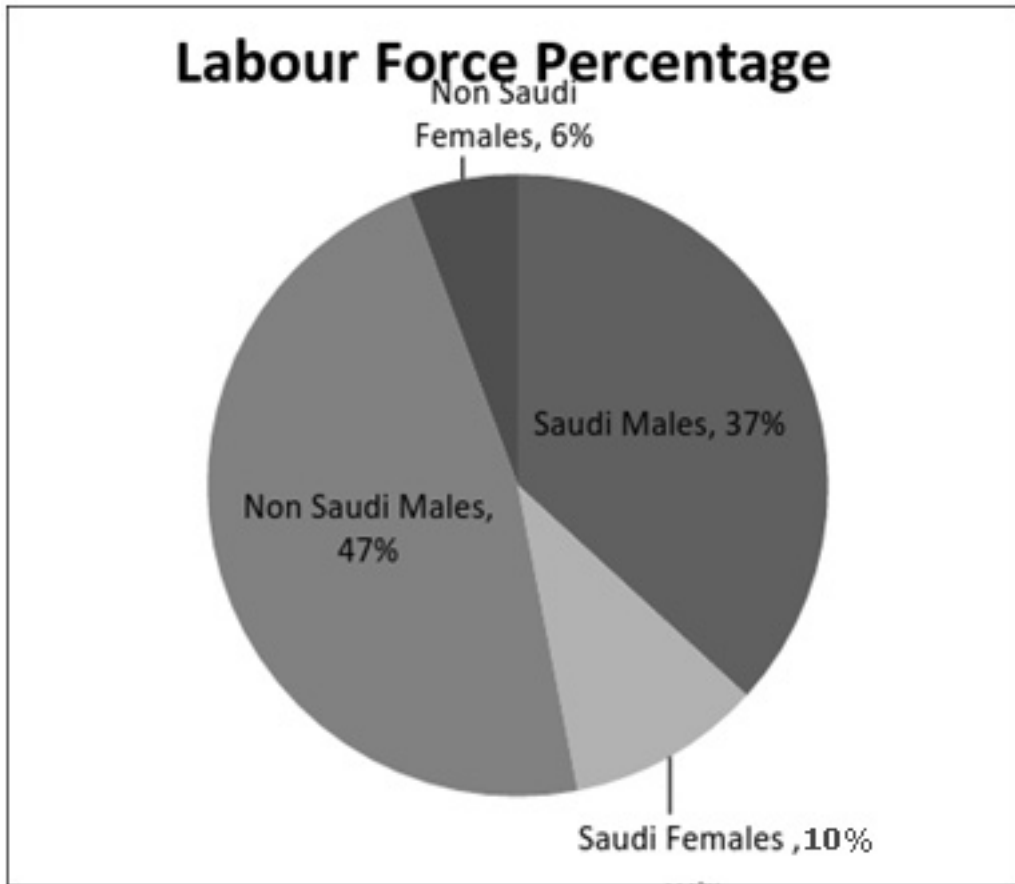
To better understand the Saudi economy, let us examine the labor force between private and public sectors of the country. This is also significant due to large numbers of immigrants in the country. The Saudi economy, to a large degree, is built on the availability of cheap, mainly foreign, immigrant workers. According to the 2014 Saudi Department of Statistics and Information figures, (CDSI), Saudi had an overall labor force of 11,912,209, the total number of employed persons in the country was 11,229,865 or 94%, and the remaining number of 682,344 or roughly 6% represented the unemployed. Further, broken down by gender, total male employed stood at about 87% while total female employed was roughly 13%. On the unemployment side, total male unemployed was about 40% while total female unemployed made up the large chunk of 60%.

Regarding overall Saudi and non-Saudi citizens in the labor force, of Saudi workers employed, male and female make up 4,944,709 while unemployed Saudi citizens, male and female, were 646,854. Figure 2 (following page) shows that while Saudi's make up about 47% of the labor force, immigrant workers make up the other 53%. In other words, there are more foreign immigrant workers employed than are Saudi citizens. In the next sections, we take a closer look at how this immigrant worker phenomenon affects the public and private sectors.

**Dual Figures-Saudi Unemployment v non-Saudi unemployment:** In examining figures relating to unemployment in Saudi Arabia, one often finds different numbers. One the one hand, most international organizations, such as the World Bank, IMF, UN, and others, indicate figures in the 5-6% range. However, looking at the economy from within, as well as making a distinction between Saudis and non-Saudis, which is the case with Saudi financial and economic institutions, Ministry of Labor, CDSI, the figure is different and always much higher amongst Saudis (11.7% in 2014) than non-Saudis (0.3% in 2014). Averaged out, it is close to 6%. This interesting dimension to the Saudi unemployment issue is as a result of the vast numbers of foreign workers who play an enormously substantial role in the Saudi economy and, as such, equally significantly impact unemployment figures. As earlier stated, foreign workers in the kingdom are not admitted as immigrants and all are contracted with fixed-term work permits. As a result of this, these foreign workers are essentially in the country based on a guarantee of employment, and this explains the extremely low unemployment rate among foreign workers in the kingdom, compared to actual citizens.

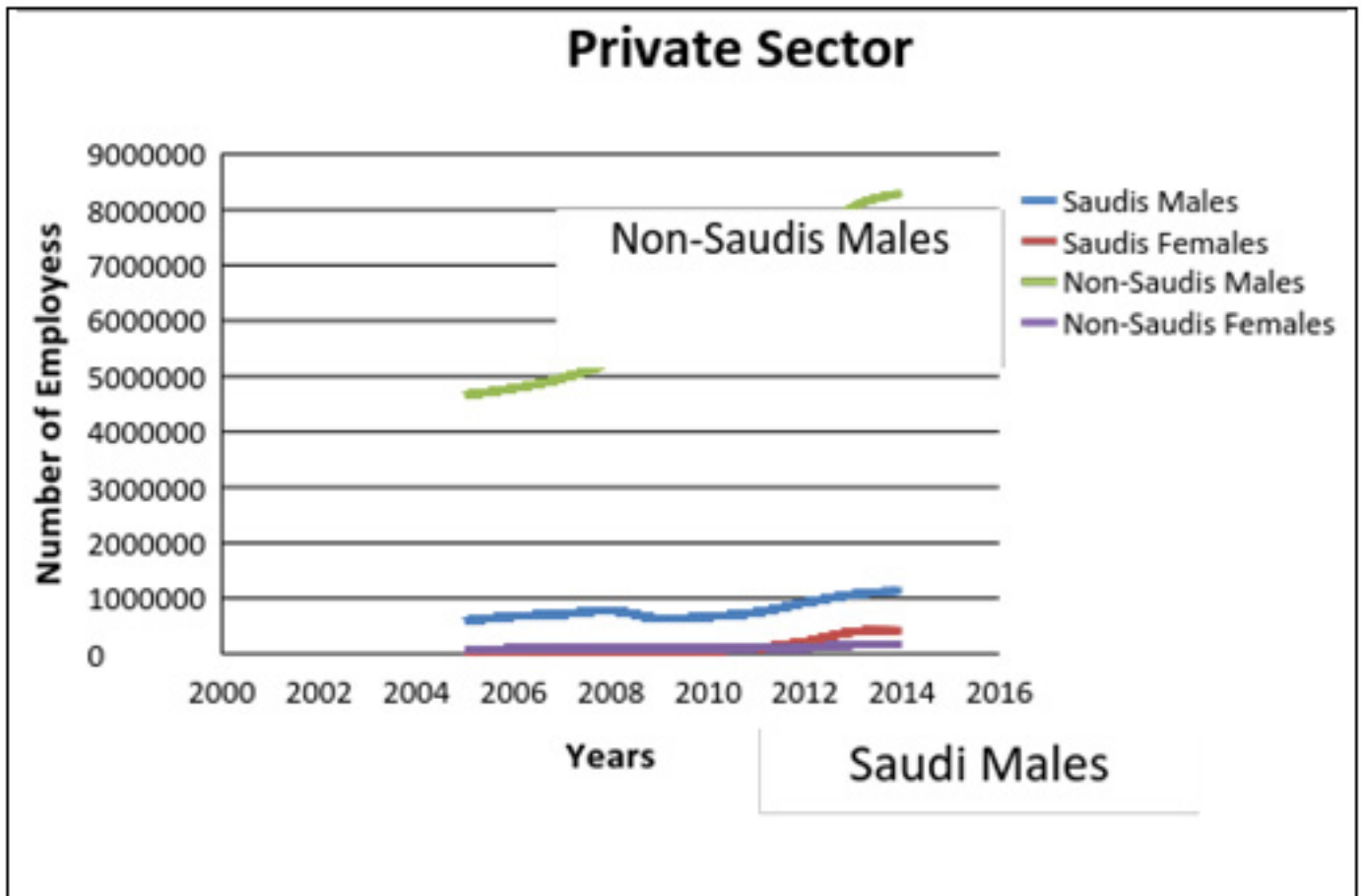
As figure 3 (following page) shows, in every year from 1999 to 2014, there are vastly significant differences in unemployment rates between Saudis and non-Saudis if we look at five-year intervals, we find that in 1999, while Saudis had a rate of 8.1%, non-Saudis had 0.84%; by 2004, Saudis had 11%, non-Saudis 0.8%; five years later in 2009, Saudis dropped to 10.5%, but non-Saudis also dropped to 0.3%; and in 2014, unemployment rose amongst Saudis to 11.7%, but remained at the 2009 level of 0.3% for non-Saudis.

Figure 2: Saudi Labor force - Saudi and non-Saudis



Source: Central Department of Statistics & Information

Figure 3: Private sector employment figures (2005-2014) by gender and citizenship status



Source: Ministry of Labor

## Understanding the Foreign Worker Impact on Saudi Unemployment

### The Saudi Public Sector

Like in most developing economies, employment with the government agencies in Saudi Arabia comes as a result of various factors centered primarily on citizenship rights and then secondarily on professional or technical expertise. Essentially, only native Saudis are generally employed by the government into the civil service and foreigners with advanced skill sets like engineers, doctors, and other professionals can be employed by the government based on the unavailability of citizens to fill such jobs. It is also important to note that the work ethics of Saudis play a contributing role to the overall unemployment figures in the nation. Seghayer (2013) explains that younger Saudis typically lack a true commitment to their jobs and do not seem to demonstrate professional habits, in addition to being often absent from work. Moreover, these Saudis prefer to work in the public sector, largely based on a combination of the generous compensation received lax work requirements and a guarantee of employment given the cumbersome process of firing a citizen from the civil service. Given the country's resource endowment, the state can use the civil service as the main conduit to channel oil income to the citizens, and this has helped create a 'huge welfare state' (Al-Sheikh & Nuri-Erbas, 2012; p.7). This has, over the decades resulted in "over-manning and disguised unemployment" as a result of "the expansion of employment in the public sector to absorb Saudi employees" (Mahdi & Barrientos, 2003; p.75).

In 2005, of the roughly 800,000 employed in the public sector, including health, education, judiciary, and other civil service positions, 91% were Saudi citizens and ten years later in 2014, of the total figure of about 1.2 million, 94% were Saudi citizens. This shows a consistent pattern in which mainly citizens are employed by the state and can be expected to remain so as efforts continue to open up the private sector to citizens and reduce foreign workers. Additionally, we also find an interesting pattern with regards to gender in the public sector employment market. With Saudi citizens employed in the public sector over the ten-year period, Saudi males were generally double the Saudi female population every single year while amongst non-Saudis on the other hand; the male-female ratio was more generally balanced over the decade and with some years having more females than males. This can be understood within the context of 'gender issues' discussed above in section 2, and the total population of women working in Saudi is 95 percent in the public sector (AlMunajed, 2010). By being allowed to work in government agencies that can be well regulated to ensure no gender mingling, the state can thus provide strong arguments for increased female labor force participation and push back against ultra-conservative teachings that preach against women working.

### The Saudi Private Sector

The private sector, known as Saudi business owners, generally prefer to employ foreigners than citizens for a variety of reasons (Alhamad, 2014; Al Omran, 2010; Hertog, 2013). In the first instance, as a result of its exceptional oil productions, making it a petrostate with large budgetary expenditures, Saudi Arabia attracts millions of largely cheap South East Asian labor, a phenomenon that began during the oil boom days of the 1970's that saw Saudi Arabia embarking on massive development projects that helped to modernize the kingdom. This availability of cheap labor over the decades has created a system in which private Saudi businesses resist employing Saudis primarily because of the easy access to cheap foreign labor (Al Omran, 2010). In other words, over the decades, a private sector business culture has evolved based on an ever increasing number of available cheap laborers. Coming from South East Asian nations like India, Pakistan, Bangladesh, Thailand, The Philippines, Indonesia, as well as Arab nations like Egypt, Sudan, Lebanon, Yemen and others, these workers make up an overwhelming majority of workers employed by private enterprise in the country (Al Omran, 2010; Summerville & Sumption, 2010; Edo, 2015).

Based on government policies originally designed to ensure that shortages were filled in cases when non-citizens were unavailable, these have, over the decades, been broadened and now, through the use of third party agencies and other recruiters, private businesses can import foreign workers on fixed-term contracts based on renewable short-term visas. Over the decades, private Saudi businesses have generated a market in trading in sponsorship visas, a practice that has made many middlemen dealers significant benefits in profits, and the business community has resisted different attempts by the government to curb down on excesses.

When between 2004 and 2005, the government enacted a 30% reduction in sponsorship visas issued, the business community responded by lobbying regulators, threatening to close businesses and move to neighboring countries, and media campaigns aimed at getting the government to back down which eventually occurred largely as a result of the global food crisis of 2007, where Saudi business interests were able to use the crisis to justify the continued need for sponsored foreign labor (AlOmran, 2010). This sponsorship or *khafeel* system essentially means that a foreign worker "needs to be sponsored by a specific employer and is only allowed into the country if he has a sponsor" (Al Omran, 2010; p.22). Such a worker, upon arrival in the Kingdom, is allowed to work only for the sponsor unless permission is given by the sponsor to transfer the worker's services to another sponsor. In other words, workers can be freely traded among sponsors, and these foreign laborers are essentially at the mercy of their bosses and can be fired and deported anytime. Also, these workers often "suffer from social abuse and unfair legal protection" (Alfawaz, Hilal, & Alghanam, 2014; p.2). Based on the nature of their contracts and how much controlling power the sponsors have over them, foreign workers are not "entitled to social and political rights" (De Bel-Air, 2014; p. 3).

### International Labor Conference, 92ND Session, Geneva, Switzerland. 2004

While much has been written about the plight of foreign laborers in the Gulf and Saudi Arabia with regards to lack of labor unions and the attendant rights derived from unionization, especially collective bargaining and wage protections, Al-Rasheed (2014) points out that the Saudis lack that right. The country, therefore, has no associations and no trade unions. In other words, the country has no organized labor movements and workers' rights are essentially not recognized in any formalized manner.

In 2005, out of a total number of 5,400,000 employed in the Saudi private sector, 4,740,000 or 87.7% were foreign workers while Saudi citizens accounted for only 620,000 or 11.4%. Continuing with the trend, we find a decade later in 2014, of a total number of 10,021,339 in the private sector, foreigners accounted for 8,471,364 or 84.5% while Saudi citizens accounted for 1,549,975 or 15.4%. One has also to consider some of the social factors hindering Saudi nationals from seeking employment in the private sector. This is important given that according to Alfawaz, Hilal, & Alghanam, (2014), the Saudi social perception of work in the private sector is struggling due to lower social status, little job security, and demand for productivity compared with the private sector.

In examining private sector employment from a gender perspective, we find that non-Saudi males are the most represented in this sector, and female Saudi citizens are the least represented. For example, in 2005, out of an overall private sector workforce of 5,400,000, Saudi females accounted for only 0.5% while non-Saudi males accounted for 86.2%. That same year, Saudi males accounted for 10.9% while non-Saudi females were 1.5%. Close to a decade later, in 2014, and with various intervention mechanisms in place, we find that of the total private sector labor force of 10,021,339, Saudi females accounted for 4.1%, marking an improvement in the demographic. Saudi males, on the other hand, failed to change much at just about 11.3%. Non-Saudi females also failed to make much of a change at 1.6%. The leading category of non-Saudi males at 82.8% experienced a slight decline. Here we see that while most categories experienced slight changes, the greatest movement was on the part of Saudi females employed in the private sector which saw a jump from 0.5% in 2005 to 4.1% in 2014. In the same period, non-Saudi male figures fell from 86.2% in 2005 to 82.8% in 2014 suggesting programs designed to encourage female employment may be yielding desired results. It is important to note that the majority of non-Saudi female workers in the private sector are employed as domestic workers.

A significant factor impacting the private sector employment has to do with wages. In comparison to the public sector, and unlike other economies, the public sector not only pays higher wages, but also guarantees much desired retirement and other related benefit packages. Also, both daily and hourly requirements in both sectors are different with public sector workers clocking in, on average, less hours a week than their private sector counterparts. While the average salary for Saudi

nationals in the private sector is about SR3000 (\$800), expatriates earn an average of SR1000 (\$270) (Hertog, 2013).

This information allows us to take a closer look at the educational levels of Saudis and non-Saudis in the workforce, and from this analysis, a few pertinent issues are raised. On all the four levels of - illiterate, read & write, primary, and intermediate (which collectively make up roughly 40% of the labor force) - foreign workers significantly outnumber native Saudis. In the illiterate category of employed workers, for example, with a total of 154,082, Saudis make up 32,574 or 21% while foreign illiterates make up 121,508 or roughly 79%. In the read and write category, Saudis comprise of about 11% while foreigners make up the remaining 89%. Amongst workers with only primary education, Saudis are 22%, while foreigners are 78%. With those at the intermediate level, Saudis account for 29% while foreigners are 71%. What we find here is that in the category of the lowest educated workers with a total of 4,515,278 out of the overall total of 11,229,865 workers in the labor force, Saudis make up only 1,012,812 or 22% essentially meaning there are four times as many low educated foreign workers in the country doing jobs that Saudi's could be doing.

In the next three education levels, secondary, diploma, and bachelors which account for 57% of the labor force, we see a reverse situation in which Saudi citizens outnumber foreign workers. When comparing workers with secondary degrees, 61% are Saudi and 39% are foreign worker; and while Saudi diploma holders make up 60%, foreign workers with diplomas hold 40%; and lastly with bachelor's degree holders, Saudis account for 58% and foreigners 42% of those jobs.

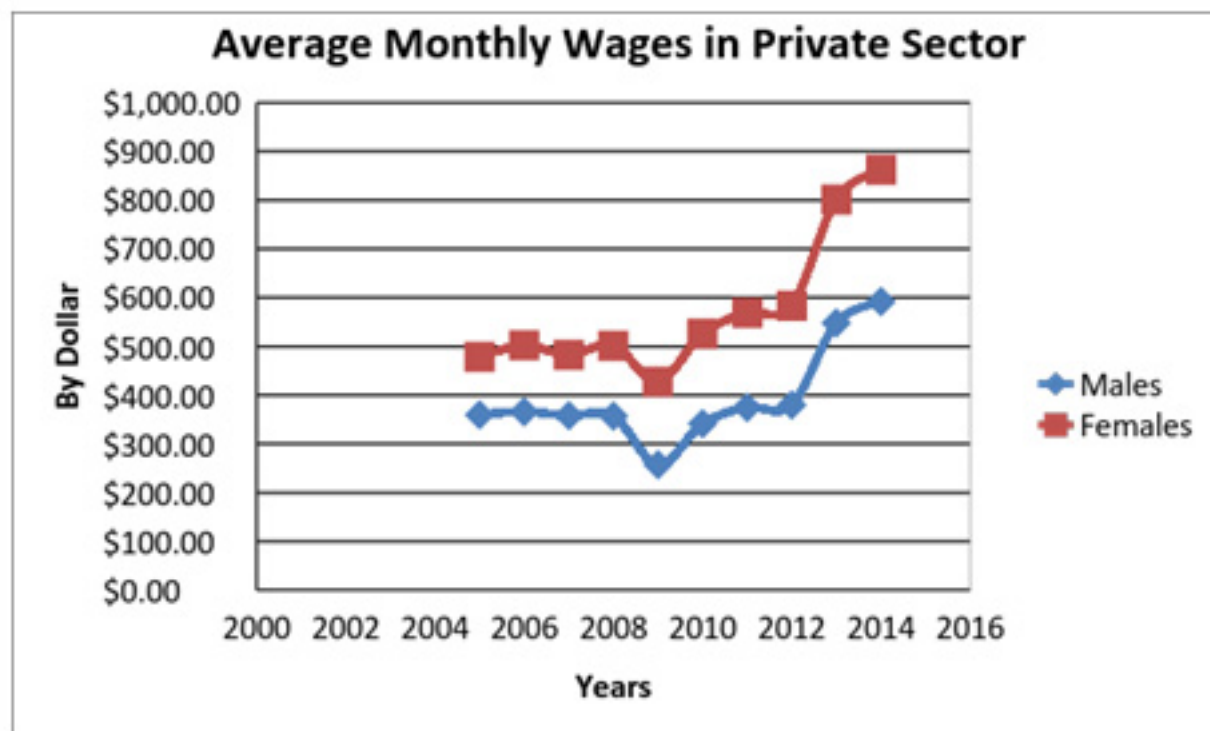
This trend becomes reversed again with foreign workers dominating in the final two categories of workers with master's and doctorate degrees that account for only about 2.7% of jobs in the entire labor force. Saudis fare better in employment with master's degrees with 45% of master's degree jobs held by Saudis but with doctorates, foreign workers holding 75% of those positions.

This information gives a clearer picture of the concentrations of citizens and noncitizens in specific industry sectors within the overall economy. This way, interventions designed to address unemployment can be better tailored to specific industries.

Of the ten industrial sectors examined, which include manufacturing, mining & quarrying, construction, wholesale & retail, accommodation & food services, financial & insurance, professional & scientific, public demonstration & defense, education, and domestic workers, only three are dominated by Saudi citizens while the remaining seven have more foreign workers.

Understandably, the industry with the highest Saudi penetration is public demonstration and defense, positions including the armed forces as well as civil security institutions, which are reserved for only citizens. Here, of a total labor force of 1,762,125, Saudis make up 98%. Conversely, the industry with the least Saudi's employed is domestic workers as out of a total of 966,918 workers, Saudi citizens make up only 7386 or 0.76%.

Figure 4: Average Monthly Wages of Manpower in the Private Sector in Dollars



Source: Ministry of Labor.

Table 1: Overall employment figures (15 Year and Above) by education citizenship status

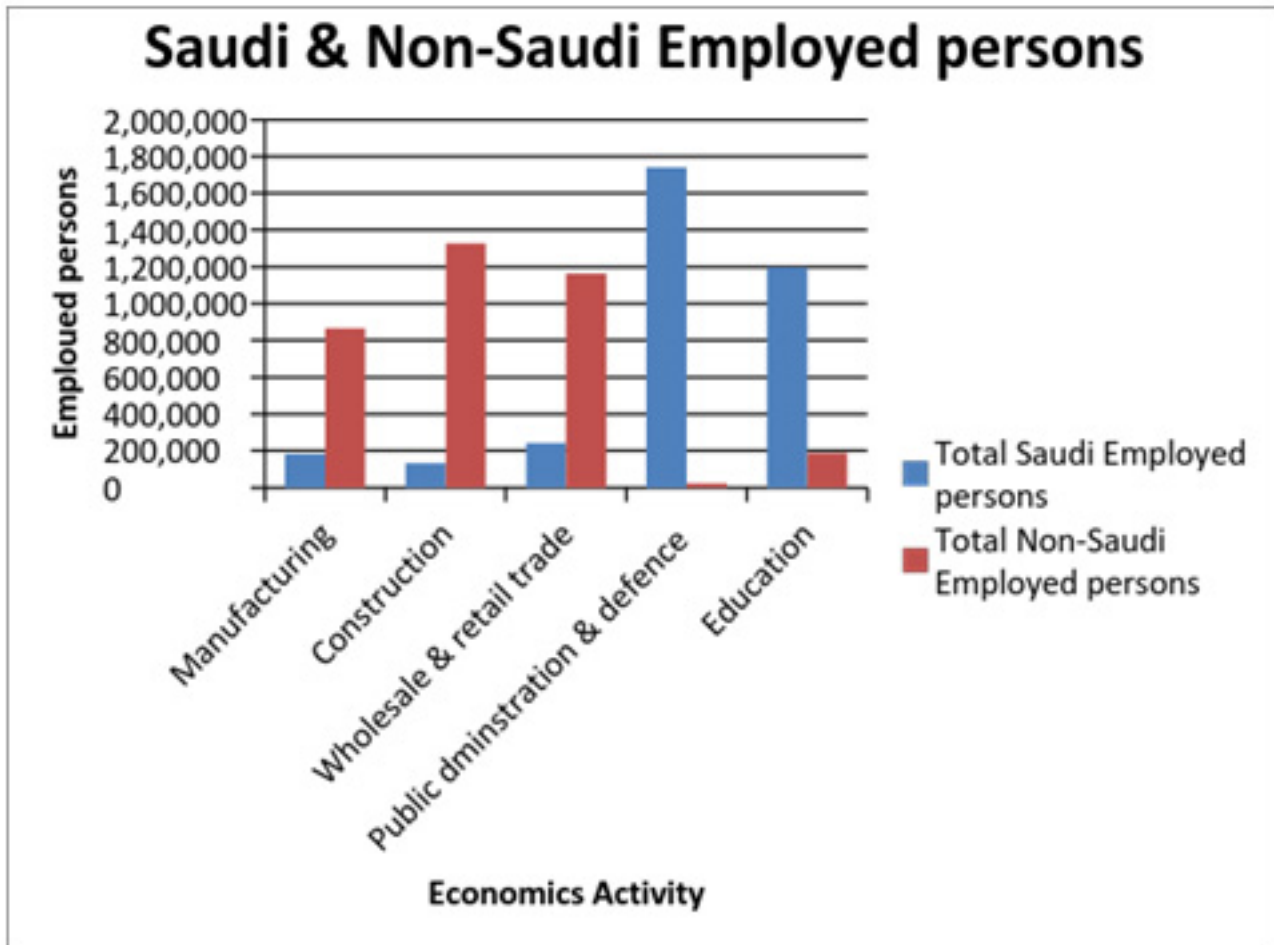
Education Status	Total Saudi Employed persons	Total Non-Saudi Employed persons	Total
Illiterate	32,574	121,508	154,082
Read & Write	110,376	875,270	985,646
Primary	319,236	1,159,435	1,478,671
Intermediate	550,626	1,346,253	1,896,879
Secondary or Equivalent	1,789,955	1,138,890	2,928,845
Diploma	488,690	327,398	816,088
Bachelor Degree	1,542,463	1,118,763	2,661,226
Higher Diploma/ Master Degree	74,491	90,445	164,936
Doctorate	36,298	107,194	143,492
Total	4,944,709	6,285,156	11,229,865

In manufacturing, Saudis make up just 17.2%; in construction, 9%; in wholesale & retail, 17%; in accommodation & food services, 13%; and in professional/scientific jobs requiring advanced degrees and specialization, 19%.

The key take-away from this section is the stark bifurcation of the Saudi labor force between the private and public sectors. The system operates an over-bloated public sector that employed 94% of citizens in 2014 and a private sector dependent on cheap foreign labor with overseas contract workers

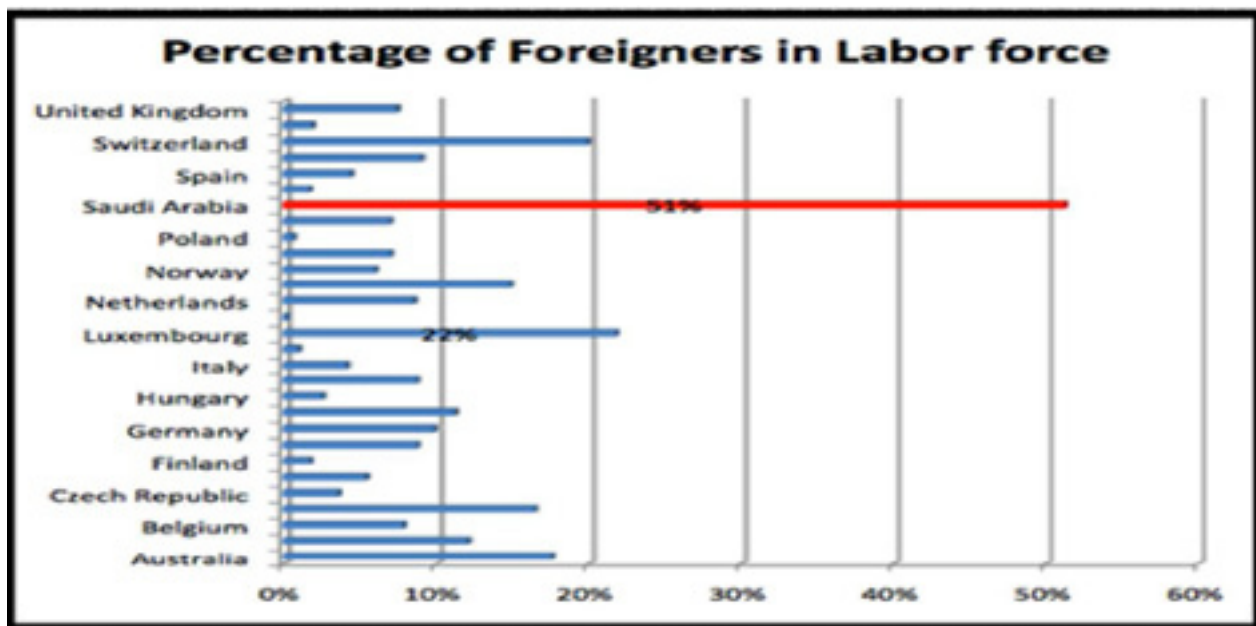
accounting for 85% of its workforce also in 2014. Saudi authorities need to seriously tackle issues aimed at boosting private sector employment among citizens and this is further explored in section five which discusses some of the remedies aimed at reducing unemployment in the kingdom.

Figure 5: Overall Employed persons (15 Years and Above) By Economic Activity and citizenship status



Source: Central Department of Statistics & Information

Figure 6 below shows how Saudi Arabia compares with other Organization for Economic Cooperation and Development, OECD, countries regarding foreigners in the labor force.



Source: Alshabri, N., Khalfan, M., & Maqsood, T. (2014).

## Underlying Causes of Saudi Unemployment

### Government Policies on Overseas Contract Workers

As an absolute monarchy that controls all aspects of the country, the government has been directly responsible for the principles and policies that have resulted in the country's labor laws and regulations. The oil increase of the 1970s and 1980s forced the government to find foreign labor to help grow its booming oil industry because of the severe shortages of local expertise. With new wealth came the demand for schools, hospitals, and other institutions, and since the locals were not skilled enough to build and run these establishments, it became necessary to find foreign workers. Employers in Saudi found it easier and less expensive to import both blue-collar workers and professionals like teachers, doctors, accountants, and engineers than to employ locals who would cost more to train (Lippman, 2012). This policy of imported labor has resulted in making Saudi Arabia "one of the world's major destinations for international migrants, and ranks 5th among the world's top ten countries with the largest foreign population" (Al-Gabbani, 2009; p.3).

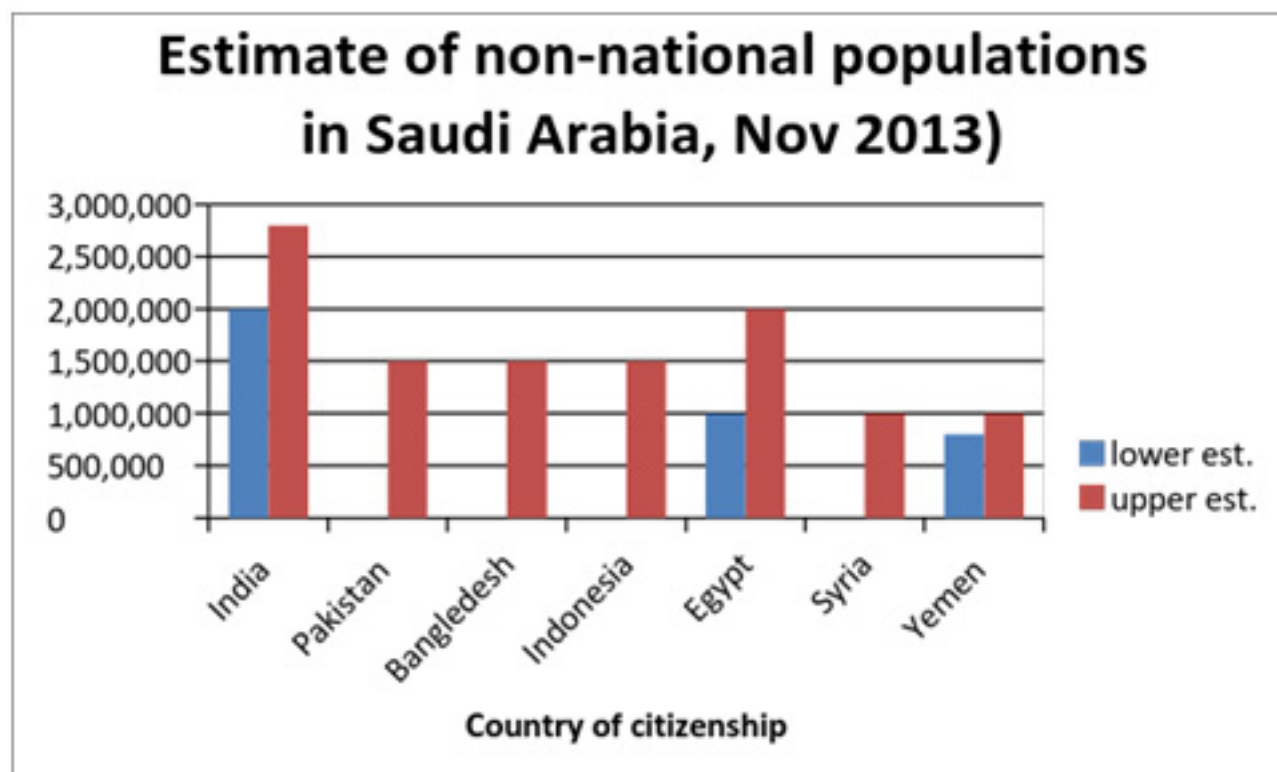
In addition to this policy of importing labor, Saudi government policies also affected the employment of its citizens as "prior to 1984, Saudi graduates were forbidden to be employed in the private sector and had to work for the government sector, as they were financed and sponsored by the government" (Torofdar&Yunggar 2012). The most critical challenge of the unemployment situation is the presence of large numbers of foreign workers in the kingdom which began decades ago. As with other countries which suddenly become awash with

minerals and other precious commodities, "Saudi Arabia suffered from the Dutch disease, which means an increase in the value of the country's currency with an increasing dependency on the natural resources and large inflow of foreign assistance" (Alfawaz, Hilal, &Alghannam, 2014). This practice of importing labor lasted until around the early 2000s when the Saudi government began to institute new policies based on the concept of 'Saudiasation', which aimed to replace the multinational workforce with a Saudi workforce in all workplaces" (Alfawaz, Hilal, &Alghannam, 2014). As part of efforts to reduce unemployment among citizens, the government began a policy aimed at deporting illegal foreign workers, and a 2013 amnesty program allowed 4.7 million foreign workers to regularize their status while another roughly 1 million workers left the kingdom (De Bel-Air, 2014; p.3).

### Education Disconnection

The mismatch between the skills required for economic development and those actually acquired by students created a unique problem for the Saudi employment efforts. Essentially, Saudi students were not studying the types of majors required to operate the critical sectors for national development. Rather than a focus on science and technology, there was a concentration in arts, education and religious studies. Ramadi (2005) explained that " a very small percentage of Saudi students that graduate possess the necessary scientific and/or technical training skills needed to meet private-sector requirements" and as a result, this impacted "labor nationalization which has become extremely difficult to replace skilled foreign workers with Saudi nationals." Compounding the situation, the Saudi government launched a large-scale scholar-

Figure 7: Estimate of non-national populations in Saudi Arabia, selected nationalities (Nov 2013)



Source: Demography, Migration and Labour Markets in Saudi Arabia, Gulf Labour Markets and Migration, Gulf Research Center, GLMM - EN - No. 1/2014

ship program designed to help in the professional training of Saudi citizens. With regards to technical and vocational training, while the kingdom is home to many institutions, both privately and publicly funded, demand still exceeds supply. Al-Omran (2010) notes the case of the government-owned Technical & Vocational Training Corporation, TVTC, where in 2007, "more than 167 thousand candidates applied for seats at TVTC, but only 58% were accepted" (p. 26).

With regards to female education in trying to understand the Saudi labor market gender segmentation, AlMunajed (2010) aptly contends that the "Saudi educational system simply is not providing girls with the skills and background they need to compete successfully in the labor market" and that the current system does not "sufficiently promote analysis, skills development, problem solving, communication, and creativity" (p.11).

### Culture, Tradition & Gender Issues

Another underlying factor impacting high unemployment figures in Saudi Arabia deals with the societal and cultural traditions in the Kingdom. AlMunajed (2010) reminds us that cultural traditions and local customs play a "major role in a nation's economic development, creating a unique set of opportunities and challenges that both inform and constrain labor policy" (p.10). Here, Saudi nationals have generally looked down on low paying jobs and have instead sought to bring in low-skilled workers from other nations. Other traditional and social customs, such as males having to act as guardians for females, affect the employment situation, and this affects both sexes. Saudi Arabia's unique guardianship system ensures that females are required to have a legal male guardian and also have to obtain permission for practically everything they do given that male guardians are practically in control of most facets of a woman's life. As a result, female employment, as with practically all other endeavors, is conditioned on being permitted to seek employment.

In Saudi Arabia, the entire society is segregated based on gender, and this also affects employment. As a result, just as schools and other institutions are gender separated, so is the workplace in Saudi Arabia; it is only recently things are beginning to change. In the most conservative quarters of the society, there are some who don't believe women ought to be employed at all and should focus solely on domestic affairs. This gender factor is a critically important issue in understanding unemployment in Saudi Arabia. In examining the 2011 overall unemployment rate of 12.4 %, we find that amongst females it was 35% compared to 7.4% for males (Alhamad, 2014).

Beginning in 2005, with the ascent to the throne by the late King Abdullah, several significant changes were made over the course of the King's reign, which ended in January 2015, that were aimed directly at giving women greater rights and freedoms in the kingdom. These changes over the years are noteworthy, as AlMunajed (2010) asserts that since 1992, women's participation rate almost tripled from 5.4 percent to 14.4 percent in 2009. Also in 2009, the Kingdom recorded a first with the appointment of a woman as the deputy educa-

tion minister, being the first time a woman would hold a cabinet position. The government also adopted policies related to vacation time, maternity leave, and provision of nurseries all aimed at encouraging female participation in the labor force (Lippman, 2012; Eldemerdash, 2014). In 2012, a royal decree by the late king granted rights to women to be appointed to the National Consultative Assembly or Shura Council, an upper-level advisory council appointed by the king that can propose but not pass or enforce laws, as well as to actually run as candidates in municipal elections, and based on this, women joined, for the first time in the Kingdoms history, the Consultative Council. It is important to note that following the introduction of women in the Council, the following laws all relating to women's affairs have been passed by the council and introduced into governance: Criminalize Domestic Abuse, passed in 2013; Granting a law license to first Saudi female lawyer, January 2014; and the Council's acceptance to consider a petition in favor of female driving (Rajkhan, 2014). The crowning glory for Abdullah's efforts came on December 12, 2015 when Saudi women both stood for and voted in municipal elections for the first time in the kingdom's history.

However, despite these improvements, there is still much to be achieved in improving the employment situation for Saudi women. Being the most conservative of the Gulf Arab States, Saudi still considerably lags behind other Gulf Cooperation Council, GCC countries. In 2009, Bahrain had a national female participation rate of 34 percent; Qatar had 36 percent; Kuwait had 43 percent; and the United Arab Emirates, UAE had 60 percent (AlMunajed, 2010). Al-Jarf (1999) found that "90% of female Saudi translators who graduated between 1990 and 1996 are not working as translators" and that many graduates found the available jobs for women to be "unsuitable because of working conditions, stringent qualifications, staff policies, salaries and benefits" (p. 391). Al-Jarf goes on to note that based on the strong influence of culture and traditions, particularly as they play out within the family dynamic, many graduates are faced with meeting requirements meant to conform to tradition and culture. Some respondents in the study responded that "their families forbade them to work as translators" while some stated that their families "did not allow them to work in the private sector, at hospitals, embassies and corporations because of concerns about contact with men and working hours that might interfere with family obligations" (p.394).

## Consequences of Unemployment in Saudi Arabia

### Potentially Lost Revenues

Based on the huge amount of foreign workers in the country, in addition to the unemployment among nationals, the Kingdom also faces the outflow of funds that are sent back home by the foreign workers. As millions of these workers leave their homes, and in some cases families, behind, in search of better economic opportunities, they often become responsible for families and relatives back home based on the wages they earn in the kingdom. Many of these workers are in the kingdom doing jobs that a lot of Saudi's based on some of the cultural norms discussed above believe socially beneath them. In 2009, it was estimated that the labor force stands at 7.337

million, of which 80% are non-nationals (Cordesman, 2002). It is estimated that over a ten-year period between 1998 and 2008 some 524 billion (SAR) equaling \$139 billion left Saudi Arabia due to foreign workers sending money to their home countries, for example, Bangladesh, Egypt, Pakistan, and the Philippines, which are major labor exporting countries (Torofdar&Jobbar;2012).

Given the current fiscal environment, the kingdom finds itself with oil prices continuing to slide, ensuring that all loopholes are pegged become a matter of necessity and the government may want to explore measures aimed at limiting the wage outflows of foreign workers.

### Social Costs

Besides the obvious economic effects of high unemployment as well as the political consequences of periods of high unemployment on ruling governments, there are also social costs that need to be mentioned. Regarding the political consequences, much has been debated about the impact of high youth unemployment as a catalyst for the Arab Spring uprisings across parts of the Middle East and North Africa (Hertog, 2013; Behar & Mok, 2013). With many nations in the region up in flames, the late King Abdullah "circumvented protest in Saudi by announcing a massive \$130 billion subsidy package to fund new housing programmes, raise the minimum wage of public servants, (mostly Saudi's) and create more employment opportunities in the government sector" (De Bel-Air, 2014; p.4).

In addition to the potential for high crime rates and also as a result of the high youth population in the Kingdom, Saudi Arabia has to be especially careful to ensure the idleness of unemployment does not help foster larger societal ills. Al Omran (2010), cautions of the effects of unemployment on the "psychological state of the unemployed" such as "low self-esteem, depression, which lead to weak family ties and isolation from the community" (p.16). Substance abuse is one such area that

causes concern based on how easy unemployment affects personal esteem and can lead one to substances. Although not widely known, drug abuse is also a major problem for authorities. In October 2015, it was widely reported globally that a Saudi prince was arrested with "2 tons of captagon amphetamine pills" on his private plane in Beirut Lebanon in an attempt to fly on to Saudi Arabia (Qiblawi & Cullinane, 2015).

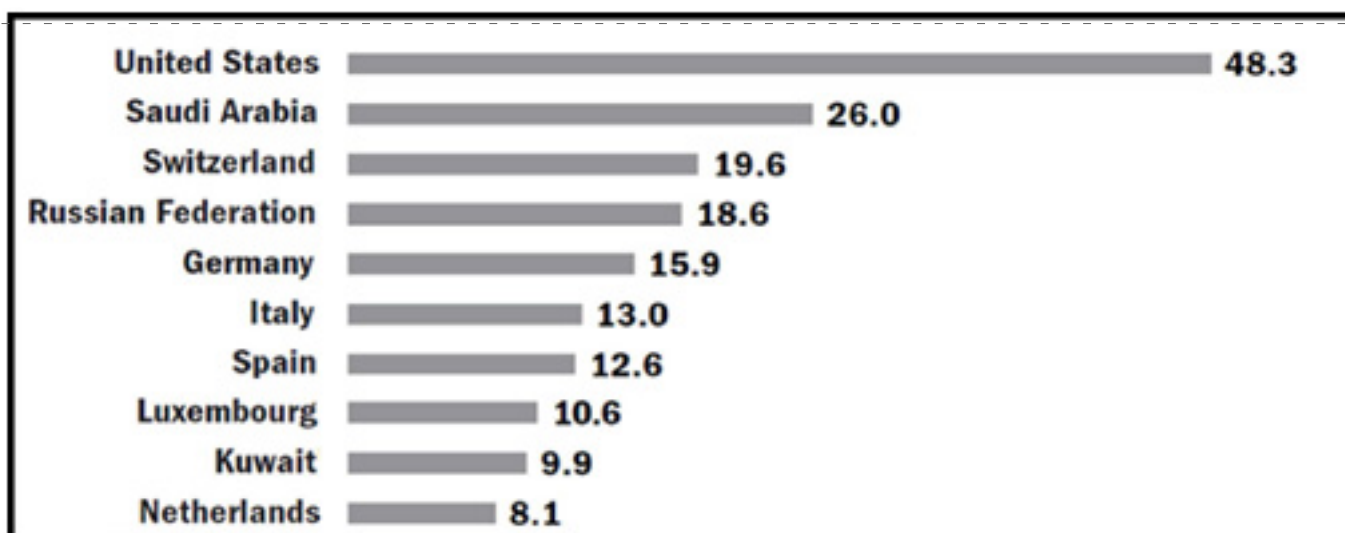
Another area of concern arising from unemployment has to do with the effects of the resulting discontent that comes with an inability to find a means of sustenance through employment. Either as a result of becoming unemployed via layoffs or not being able to secure employment upon graduation from formal training, inability to find work, particularly in a country like Saudi Arabia with its vast energy resources, can lead the unemployed to begin questioning the systems with political agitation for better policies, which in turn, if sustained, can lead to social unrest. Also of great importance is the potential for radicalization among the disillusioned, who in some cases are victims of unemployment and its general attendant despair. It is well understood that radical elements prey on the indigent and entice them into radicalization based to a large extent on their economic conditions with the promises of providing for them.

### Current Options for Saudi Unemployment

#### Saudiization Program

To help remedy the high unemployment situation in the Kingdom, the government has been instituting some policies and programs aimed primarily at creating employment opportunities for millions of its youth. Most of these programs, launched in the early 2000s, are centered around training and positioning the youth to enable them to take over from the foreign workers in the country. At its core, Saudiization seeks three primary objectives: to increase employment among citizens; to reduce the reliance on foreign workers; and to reduce the amount of remittances foreign workers send out of the kingdom (Alsharbri, Khalfan & Maqsood, 2014; Alfawaz, Hilal, & Alghannam, 2014). Specifically, the government enacted poli-

Figure 8 below shows the top 10 sources of global remittance payments (\$billion) in 2009



Source: Alsharbri, N., Khalfan, M., & Maqsood, T. (2014).

cies that restricted the numbers of foreign workers employed, limited certain occupations for Saudis only, and required the private sector to reduce foreign workers (Eldemerdash, 2014).

Additionally, and in recognition of the importance of education as the foundation to building a productive citizenry, twenty-three universities were founded in the period (2000-2008) to boost Saudi Arabia's higher education capabilities. In 2009, the government set up the King Abdullah University of Science and Technology to encourage research in science, medicine, computer science, engineering, and education, with a budget of over 10 billion US dollars to support its goal to be one of the leading universities in the world. In the technical training industry, the Saudi government also established seven new technical institutes for women and 16 vocational training centers in the period of 2000-2008 (Alshammari, 2009). The government is aggressively developing a higher education system that will supply the engineering and research talent needed to support advanced technology and medical industries (Alshammari, 2009). Following the Arab Spring revolts of January 2011, Saudiization gained further urgency and the then Saudi King Abdullah responded with the Royal Decrees of 2011 (February 23 and March 18) that created "unemployment benefits" as well as "more aggressive guidelines for Saudiization" (Al-Sheikh & Nuri-Erbas, 2012).

#### **King Abdullah Scholarship Program, KASP**

The flagship of the Abdullah Saudiization efforts is the KASP "which is considered to be the largest fully endowed government scholarship program ever supported by a nation-state" since launched in 2005/2006, and the program sponsors "qualified Saudi students to gain a bachelor, master, or Ph.D. degree as well as medical fellowships to the world's best universities" (Alzabani, 2004). From 2006 to 2012, an estimation of about "140,000 students have been sponsored" by the program, and the Saudi Arabian government has spent about "\$5.3 billion to date to cover tuition fees; life expenses; the students' spouses and children who live overseas with the students, and cover the annual ticket to Saudi Arabia" (Alfawaz, Hilal, & Alghannam, 2014). This is an excellent program that is well suited to help to solve some of the long-term unemployment issues as well as other general issues that need tackling in the Kingdom to help build a 21st century nation. With such large numbers of college level citizens scattered around different institutions across the globe in pursuit of education, the kingdom is poised to benefit from the skills and expertise the scholarship recipients, who are bound by scholarship contract terms, to return to the country upon completion of studies. Additionally, and equally importantly, these students serve as cultural ambassadors for their country both in exporting their culture, as well as in bringing other cultures back home.

#### **The Human Resources Development Fund, HRDF**

The HRDF is a government agency designed to help address unemployment and it provide grants for qualifying, training, and recruiting Saudis in the private sector. Program incentives for employers to recruit, train, and employ Saudis include "75% of the salary of employees while in training (up to a maximum of 1,500 per month) for three months, and 50% of the salary for

the first two years (up to 2,000 per month)" and in addition, the HRDF pays "75% of the training costs of a Saudi employee in the private sector for two years" (Alzabani, 2004).

#### **Hafiz Program**

Launched as part of the Royal Decrees of 2011, and administered by the HRDF, Hafiz essentially provides unemployment benefits to young Saudis who qualify. It provides "unemployed young Saudis with a monthly allowance of SAR 2000 (\$533) for one year only as well as conditional on their participation in job search and training activities" (Fleischhaker et. al 2013). In 2014 Al-Obaid completed a study to measure the effects of Hafiz on beneficiaries' consumption and ultimately economic growth. His results found that this program helped to support and motivate Saudis who are unemployed and to assist in building their career skills and also boost the Saudi Economy by creating a powerful multiplier effect taking advantage of the beneficiaries high consumption tendency" (p.1). The response to the program has been overwhelming, and out of the roughly 2 million that applied for the program in 2012, about 1.3 million qualified, of which 70% of these were women (Al Obaid, 2014). Based on the roughly 1.3 million eligible applicants, Hafiz would be depositing roughly SR 2.7 billion (\$720 million) monthly in beneficiaries accounts (Al Obaid, 2014). It is important to note that in addition to being a remedy for high unemployment, Hafiz also allows for more up-to-date demographic data management in terms of the overall labor trends in the kingdom. A major critique of the program is the extent to which the unemployment benefits help stimulate economic growth and this is a topic that remains controversial. Following the passage, by the U.S Congress in 2013, of a law that ended unemployment benefits at the end of that year, (Hagedorn, Manovskii, and Mitman, 2015) found that "a 1% drop in benefit duration leads to a statistically significant increase in employment by 0.0161 log points" and that "1.8 million additional jobs were created in 2014 due to the benefit cut". Another area of concern has been the effect of unemployment benefits on inflationary trends.

Alhamad (2014) cautions that when examining inflation in Saudi Arabia, "we find that general index figures can be misleading and do not explain why people are complaining about higher prices" but when specific sectors like housing, water, electricity, and gas are examined closer, one finds them much higher than the general index. In a study for the International Monetary Fund, IMF, (Shbaikat, 2015) explains that "expatriates have helped dampen the inflationary impact of higher growth during oil cycles and helped limit real exchange rate appreciation" and, as such, "inflation has been low in Saudi Arabia despite strong growth, and has remained below that of trading partners" and this "has limited the appreciation of the real effective exchange rate".

#### **Nitaqat Program**

This particular program Launched in June 2011, Nitaqat, which means 'zones' or 'ranges' in Arabic, is a program unveiled by the Saudi Ministry of Labor as part of efforts aimed at addressing high unemployment (Alshanbri, Khalfan & Maqsood, 2014). Designed to build on previous efforts aimed at indigenizing

labor, Nitaqat focuses primarily on private sector employment of Saudis but also established a minimum wage of SR 3000 (\$800) for the Saudi public sector. Under the improved scheme, private companies are graded on the four categories of, Premier Green, Green, Yellow, Red, based upon their compliance with Nitaqat requirements. In each category, there are incentives and sanctions to help improve compliance. For example, companies with a majority of foreign workers are fined a fee of SR 200 (\$53) per worker per month, proceeds of which are funneled back into the Hafiz unemployment benefit scheme.

Regarding incentives, the policy also loosened some of the restrictions on foreign workers changing employers freely (Fleischhaker et al., 2013). Regarding the major provisions, (Crossley, Taylor, Wardrop & Morrison; 2012) explain that Nitaqat:

- Delineated 41 economic activities as operational in the private sector
- Abolished the mandatory 30% applicable to Saudiization under the old system
- Issued new percentages that factored in establishments' capabilities and citizen availability
- Allowed for firm size to become the basis for determining Saudiization percentage

Regarding firm size, companies were classified based on their number of employees in the following enumeration: Huge: 3000+; Large: 500+; Medium: 50-499; Small: 10-49; Very small: 9 or less. In its actual application, firms with 9 or fewer employees are generally exempt from the program but must employ at least one Saudi citizen.

In all, responses are mixed on the outcomes of the program. Alhamad (2014) argues that nitaqat has been successful in that since its introduction, most firms were in the red category, meaning they needed to hire more Saudi workers to remain operational, and this "caused both the wage rate and the Saudi labor force to increase, causing unemployment to drop" (p.4).

**Table 2: Unemployment rate from 2011 to 2014 by citizenship status:**

Year	Unemployment Rate %		
	Saudi**	Non-Saudi**	Total**
2011	12.40	0.39	5.80
2012	12.10	0.08	5.50
2013	11.70	0.20	5.60
2014	11.70	0.30	5.70

Source: Central Department of Statistics & Information, Ministry of Economy and Planning.

### Cultural shifts

It is also extremely important to address the cultural hindrances to gainful employment particularly with stereotypes associated with certain types of jobs. Norms, habits and assumptions about certain occupations, largely based on beliefs that Saudis shouldn't be engaged in jobs considered to be beneath them, need to be engaged through well-structured campaigns that promote the virtues of working hard for one's nation if efforts towards reducing unemployment, based on a 'Saudiization' policy, are to be successful. Accordingly, this is an area that the authorities pay a lot of attention to as they formulate and implement policies since Saudi Arabia has a special adherence to its inherited values. This unemployment situation, therefore, is a challenge for the government to provide solutions without altering or conflicting with the culture (Alfawaz, Hilal, & Alghannam, 2014).

While much has been said about the potential benefits of the Saudiization policies, (Fakeeh, 2009) argues that the policy falls short as it targets "the symptom (unemployment) instead of focusing on the problem employability" and the focus should be on evolving an "indigenous domestic social structure" that can create the right human capital required to operate in the 21st century knowledge-based globalized economy. However, one is encouraged particularly given the giant strides achieved regarding greater female rights in general and also specifically with current trends in female employment.

### Conclusion and Discussion

While Saudi Arabia continues to face challenges both regionally and internationally, arguably the greatest challenge the kingdom currently faces is the domestic reality of how to manage the issue of high unemployment among citizens, particularly given its high youth population.

When the Arab Spring uprisings, of which strong connections to unemployment and other socio-economic issues have been established, broke out in the region in 2011, the Kingdom was spared the upheaval largely in part to extremely generous welfare package rolled out to placate citizens. However, with greater costly regional and international engagement, namely, the wars in Yemen and Syria, financial and economic aid in the billions to countries like Egypt and Lebanon; the headquarters of a new global Islamic military coalition designed to address the issue of the Islamic State, all present substantial economic challenges to the kingdom which is reeling from the collapse of oil prices and further add pressure to employment initiatives designed to increase citizens in the labor force.

Given these urgent realities, this article examined the realities of the Saudi private and public sectors to help explain the concentration of foreign workers in the private sector and how this impacts the overall labor market. The study found that the Saudi economy operates a two-tier system with deep structural imbalances between the private and public sectors. While nationality requirements help ensure that citizens are employed in the public sector with its generous wages and benefits, they also ensure foreign workers are sought after for

the much lower wage and little or non-existent benefits and labor protections of the jobs in the private sector. Further examination revealed the concentration of foreign workers in the private sector is largely underpinned by a combination of economic and socio-cultural factors. Decades of cheap foreign labor freely flowing into the sector resulted in depressed wages in the sector in addition to social stigmas attached to the sector that essentially discourage citizens from seeking such jobs.

The Saudiization efforts embarked upon over the last decade have recorded significant progress with regards to increasing the Saudi participation in the labor force but deep institutional and cultural factors still act as impediments to both employability and employment and much work remains to be done. Programs like Hafiz, Nitaqat and the King Abdullah Scholarship program are well designed to address both the short and long-term unemployment issues. However, policies need to be structured such that they remain consistent with the overall objective of increasing citizenship participation in the labor force. For example, while we see major increases in female employment rates between 2004 and 2014 (pro-Nitaqat) the same period also sees increases in the number of foreign workers allowed into the kingdom on work visas (anti-Nitaqat).

Sectoral analysis of the labor force based on both industry activity and skills/education attainment reveal major unsustainable structural imbalances in the labor market that call for immediate reform if significant improvements are to be recorded in reducing unemployment among Saudi citizens. This paper makes the following four recommendations as a contribution towards these efforts.

### Private Sector Wage Increase

Given that any serious effort to address Saudi unemployment can only be made by addressing the private sector labor pattern and also given that the single most important impediment to Saudi private sector participation is as a result of low wages offered, this issue becomes a priority. It is essential to create some form of minimum wage parity in both sectors as this will certainly attract more Saudis to private sector jobs. Here, government subsidies can be utilized to ensure minimum wage parity and government can guarantee the difference for citizens who seek private sector jobs and so it would not make a difference where they work as they are guaranteed the same salaries as workers in the public sector—in essence a uniform Saudi minimum wage. Regarding the needed revenue for such a policy, some of the unemployment benefits paid out to citizens can be redirected here as those citizens will now be employed in the private sector. Additional revenue can be sourced from increased visa fees, work and residency permits, driver's license fees and all other related monies generated from foreign workers both as a deterrent measure but also more importantly to raise the much-needed resources.

### Foreign Worker Time Restrictions

While the kingdom realizes it is impossible to ship out all foreign workers it has made efforts at restriction. Immigration enforcement measures introduced in 2013 resulted in both forced and self-deportations of millions but with deep seated issues resulting from the length of stay of foreign workers. There are cases of multi-generational foreign workers in cases of those who came in the 1970s and 1980s and now have children or even grandchildren in the kingdom. As Saudi Arabia does not operate birthright citizenship policies, children, born in the kingdom to foreign worker parents are not automatically given citizenship rights and remain as foreigners. This essentially just further aids the growing of the cheap-labor foreign worker pool. Visas issued can be limited to a maximum of five years for new applicants. By introducing time-based restrictions, government can begin to address the issue of foreign workers.

### Gender Issues

Just as the issue of foreign workers is critically important to addressing unemployment, the issue of women in Saudi Arabia is also fundamental to this issue. The well-documented cultural impediments and other limitations that are the reality of Saudi women directly influences the Saudi labor force given the outright opposition to female employment that exists in quarters of a Saudi society that is traditional and slow to embrace change. As pointed out earlier, much progress has been made with regards to increases in female participation in the labor force, but a lot more still needs to be done. We see, for example, with the Hafiz program, which pays unemployment benefits conditional upon recipients actively looking for work but not being able to find one, that a majority of recipients are female. In addition to promoting social campaigns that highlight the importance of female labor participation, the Saudi government should also take specific, concrete steps to help address some of the difficulties and challenges females face with employment. Here, transportation issues present the paramount challenge. In a country where women do not have the right to drive, their mobility is thus based on the availability of a male to ferry them around. This clearly represents a huge challenge and ought to be addressed. If traditional Saudi customs still prevent female driving, at the very least the government ought to provide female-only work shuttle services, like Mexico, which introduced all-female train and metro services following increased reported cases of sexual harassment on the regular trains. The Saudi government can invest in train and bus shuttles that help ensure women have the means to get to and from work.

### King Abdullah Scholarship Program

This program has the potential to be the most successful of all the Saudiization efforts given how much the effects of educational investments can be beneficial for the long-term growth and development of a country. While unemployment benefits, deportations, and others can provide immediate relief, investments from education can provide generational benefits and act as the anchor for not only addressing unemployment but more broadly as the kingdom embarks on privatization, diversification and other necessities of a post-oil 21st-century

knowledge-based economy. With over a hundred thousand students scattered across the globe in bachelor's and master's degree programs, these scholarship recipients can act as the vanguard for a new and modern Saudi economy. Most importantly here are the educational and multicultural skills acquired as well as the much required work ethic culture.

In closing, as Saudi Arabia has issues regarding high unemployment among its citizens, recent efforts that address this have both a long and short-term component to them and ultimately the solution to this Saudi problem will be solved best by taking a long-term generational approach.

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