

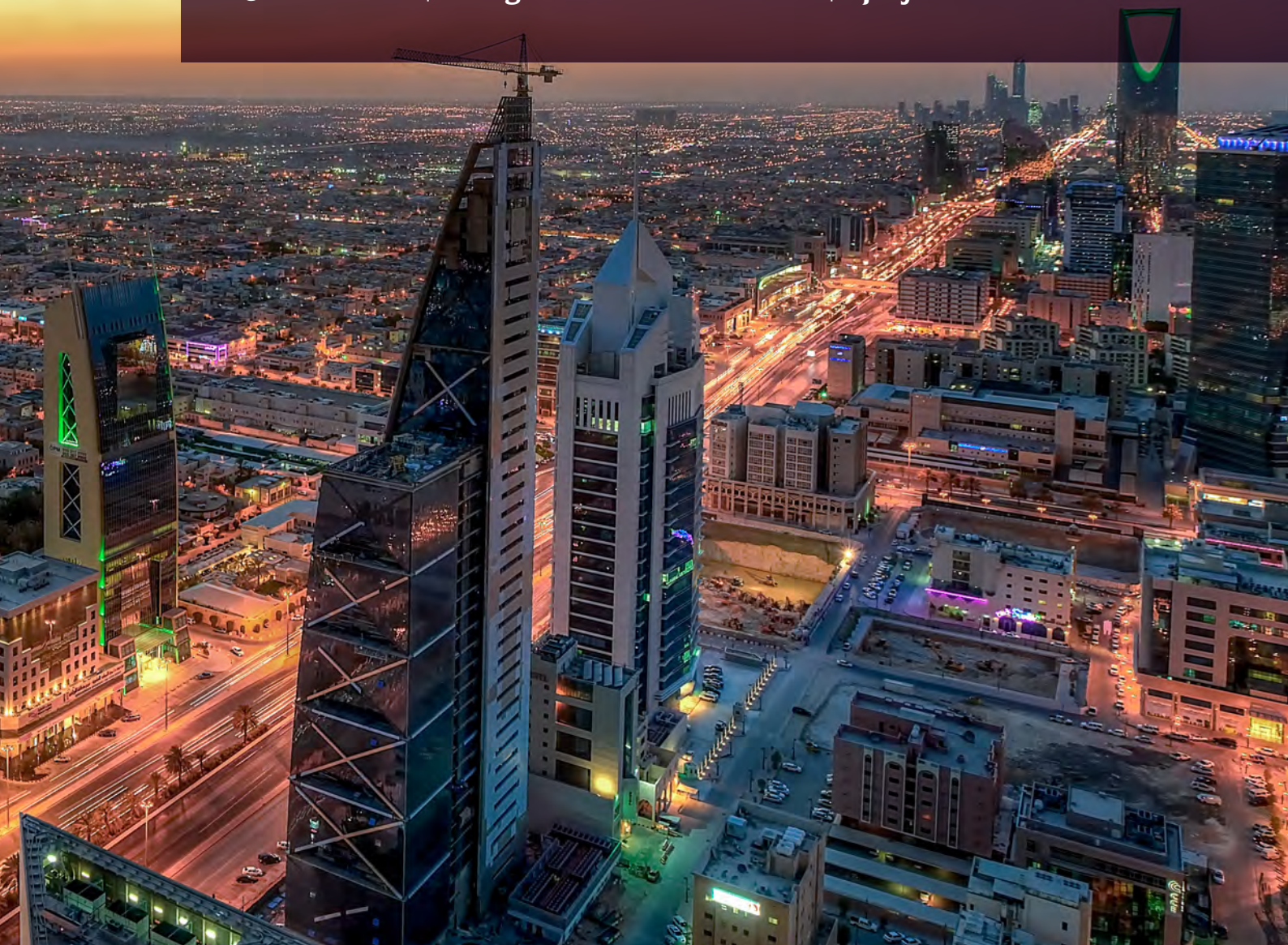


Ministry of Labor
and Social Development
Kingdom of Saudi Arabia

رؤية
VISION
2030
المملكة العربية السعودية
KINGDOM OF SAUDI ARABIA

Saudi Arabia Labor Market Report 2016

3rd edition | Kingdom of Saudi Arabia | July 2016







**“In the Name of Allah
The Most Gracious
The Most Merciful”**



Custodian of the Two Holy Mosques
King Salman bin Abdulaziz Al Saud



His Royal Highness
Prince Muhammad bin Naif bin Abdulaziz Al Saud
Crown Prince, First Deputy Prime Minister and
Minister of the Interior



His Royal Highness
Prince Mohammad bin Salman Al Saud
Deputy Crown Prince, Second Deputy Prime Minister
and Minister of Defense

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A Message from the Minister



IT IS AN HONOR to introduce this third annual report on Saudi Arabia's labor market.

This year, we are particularly excited by the goals set out in the Saudi Vision 2030, announced in April by HRH Deputy Crown Prince Mohamed bin Salman. The Vision will change the face of our nation, building an economy that is more sustainable, and a society that creates more opportunities for all its citizens.

Vision 2030 is a comprehensive plan to transform Saudi Arabia, build our nation's investment capacity and position our country as a strategic business hub. Vision 2030, embraces three main themes: an ambitious nation, a vibrant society and a thriving economy.

The Saudi Arabian government is committed to both job generation and protection, and to social protection programs that promote these agendas. This report allows us to share best practices and engage in a dialogue about many issues we are working on. The labor market plays a key role in these discussions. While unemployment across our country's demographic groups, regions and industry sectors continues to affect progress in Saudi Arabia, we are taking a number of specific actions to address this issue and fulfill the Vision 2030.

To better address these evolving needs, the government has merged the Ministries of Labor and Social Affairs to become the Ministry of Labor and Social Development, with a view toward strengthening civil society. By combining these entities, we can more effectively support the largest possible number of workers, job seekers and other citizens who are dependent on social services for their well-being. The new structure also enables us to better coordinate benefits as workers move between social protection and the labor market. We will empower them through incentives to enter the workforce and we will close gaps in the social protection framework to ensure everyone who is able plays a productive role in society.

This report shows how the themes of Vision 2030 will transform the Saudi nation, and promote a stronger Saudi economy. It also addresses the challenges of that transformation, such as Saudi Arabia's reliance on foreign labor and high youth unemployment. We will highlight the strategy we are undertaking to tackle these challenges and address concerns such as the underutilization of women in the workforce and the need for a more inclusive labor market.

Dr. Mofarrej Al-Hoqubani

Minister of Labor and Social Development, Kingdom of Saudi Arabia

Executive Summary

SAUDI ARABIA'S BRISK RATE of economic development in recent years has allowed the country to secure its standing as a key G20 member state. The country and its labor market are undergoing a large-scale transformation that will enhance its economic growth even more over the coming years.

Year-on-year, there have been improvements in the labor market within the country, both in total working population and among specific groups, such as female workers. In 2015, the unemployment rate was 5.6 percent¹ and the labor force participation rate was approximately 54 percent. These rates are comparable with other G20 nations, but there is still more potential for the economy to grow and improve.

While Saudi Arabia has benefitted substantially throughout this transformation, it has also encountered many obstacles on this path. The newly formed Ministry of Labor and Social Development (MLSD) has prioritized five of the nation's main challenges:

- /// A lack of competitive and fulfilling private sector jobs attractive to Saudi nationals
- /// A disproportionate reliance on foreign labor within the private sector
- /// Youth unemployment is higher than the Saudi national average for unemployment as a whole
- /// Demand for labor is not being efficiently matched with the supply of labor
- /// Women's labor force participation continues to be significantly lower than that of men

In response to these concerns, the newly formed ministry, which was created from the merger of the ministries of labor and social affairs, has built a defining strategy that will aid in advancing the labor market. Through significant investment and lessons learned from other countries, MLSD will serve its beneficiaries so that Saudis who are presently employed, those who are searching for work and those who are in need of services and support because they are unable to work have access to support at every stage of life.

MLSD has identified eight strategic pillars that will drive the country's Labor Market Strategy:

- /// Supporting the creation of sustainable jobs in the private sector and among non-profit organizations
- /// Developing the skills of the Saudi workforce
- /// Managing the Saudi-expatriate worker balance

¹GAStat

- /// Ensuring a rapid entrance or return to the labor market while supporting decent work
- /// Providing fundamental mechanisms for an efficient labor market as well as social development
- /// Preventing and reducing social issues affecting the most vulnerable groups of people while encouraging active participation in society
- /// Protecting and supporting citizens through social welfare
- /// Improving society through social development

Successful implementation of this strategy cannot be accomplished over night. The country continues to rely heavily on technology to create programs delivered and administred online, and to keep the population up to date with labor-market information. In addition, policies require commitment from the private sector, which will play a key role in creating jobs and absorbing an increasing number of Saudis into the labor force in the coming years. Finally, and most importantly, this strategy will require the participation of Saudi citizens to move the country forward.

With Vision 2030, the Kingdom's plan for building a sustainable and expanding economy for the future, MLSD is developing initiatives to improve workforce skills, encourage greater workplace inclusion, support private sector growth, diversify the economy and increase productivity.

The government has invested heavily in researching and applying the best practices to enhance the country's labor market, but is aware there remains much to be learned from the experience of other countries, international organizations, and economic experts. We invite you to examine our strategy and share your feedback on our future plans. ■





Ministry of Labor
and Social Development
Kingdom of Saudi Arabia

³ Saudi Arabia today and tomorrow: challenges and vision



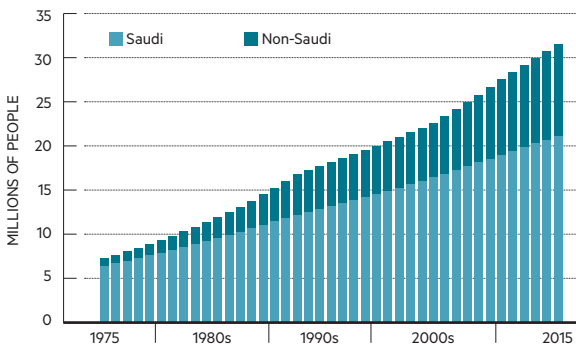


3.1

Saudi Arabia's demographics and labor market challenges²

Exhibit 1

Population growth in Saudi Arabia (1975-2015)



Population estimates in the middle of the year
Source: Saudi Arabia Monetary Agency (SAMA) annual statistics

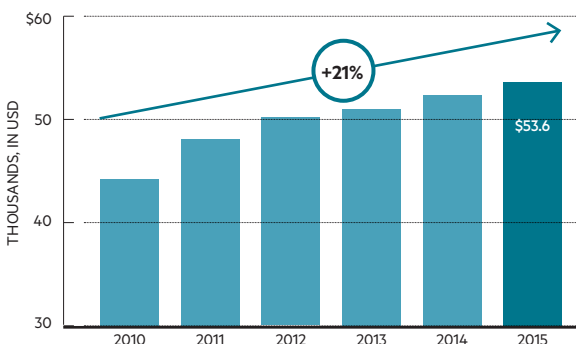
SAUDI ARABIA'S POPULATION IS more than 31 million people, compared with just 7 million in 1975 and 20 million in 2000, as shown in **Exhibit 1**. The population is not only growing rapidly, it is also young, with more than half of the people under the age of 44.

The population has increased at an average of 3 percent annually since 2000, largely because of the growth in the expatriate population. The number of expatriates has grown 4 percent annually since 2000, outpacing the 2 percent growth in the number of Saudi nationals.

As a result, expatriates have become a crucial element of Saudi Arabia's economy, accounting for 53 percent of the total labor force of 11.9 million. They have helped build the nation's economy over the decades and alleviated work force and skills shortages. Their growing number reflects the ongoing strength and attractiveness of the Saudi economy.

Exhibit 2

Real GDP per capita (PPP, 2010 prices)



Source: IMF WEO

Saudi Arabia is the world's twentieth-largest economy based on gross domestic product (GDP), representing 1.2 percent of the global economy. Its GDP per capita, in terms of purchasing power parity, was about \$53,600, as shown in **Exhibit 2**. The country's economy grew 3.4 percent in real terms, slightly slower than the previous year.

The oil industry remains the largest and most productive segment of the economy, generating 43 percent of real GDP. However, the Kingdom recognizes the importance of diversifying its economy away from its historic reliance on oil.

The private sector outside of the oil business accounted

²Unless otherwise noted, all data in this section refers to 2015 numbers and comes from GaStat (CDSI) 2015, SAMA, IMF WEO, or the World Bank.

for 39.5 percent of real GDP in 2015, as shown in [Exhibit 3](#). This growth has led to an increase in the expatriate labor force because they often supply skills that are unavailable locally.

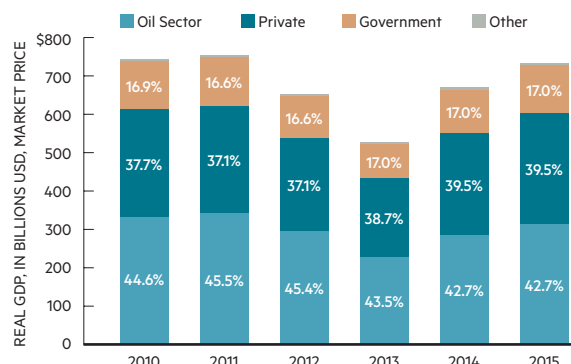
Today's labor market

Saudi Arabia is undergoing a major economic transformation, creating prosperity and the increased demand for labor that comes with it. The country has satisfied this demand by welcoming an influx of expatriate workers, whose participation in the labor force rose to 6.3 million in 2015 from 6.1 million a year earlier, exceeding the number of Saudis in the labor force.

The country's overall labor force participation rate is 53.6 percent compared with a 53.8 percent average among G20 nations, while interestingly there is no correlation between output and participation rate.

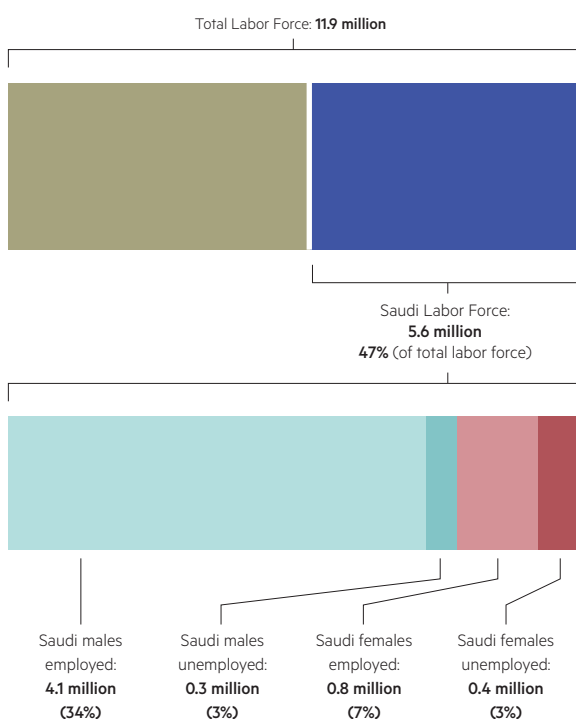
One of the reasons that Saudi Arabia lags other nations in this category is that only 1.9 million of its 13.1 million women participate in the work force — a labor participation rate of 20.2 percent — compared with 77.8 percent for men, which is high by international standards. [Exhibit 4](#) gives an overview of Saudi Arabia's labor market.

Exhibit 3
% of Real GDP by sector
(2010-2015)



Source: IMF WEO, World Bank

Exhibit 4
Labor Market at a glance



Source: GaStat (CDSI) 2015

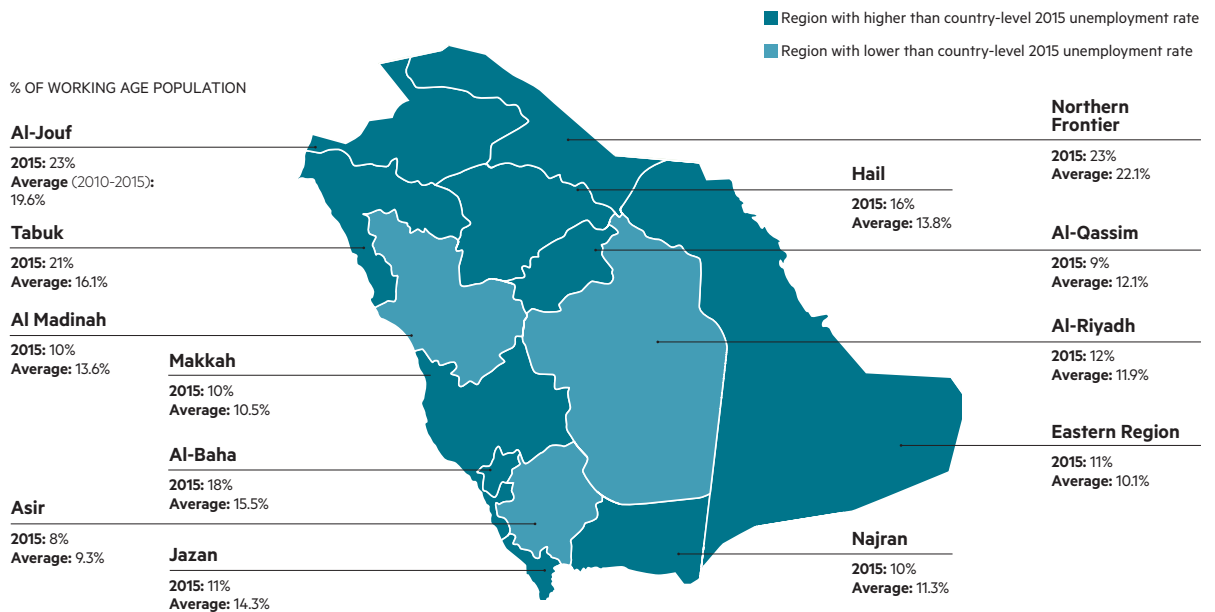
Saudi Arabia's overall unemployment rate is 5.6 percent including expatriates, but among Saudi nationals it is 11.5 percent, indicating that the country's low overall unemployment figure is the result of non-Saudi labor. This is relatively high by international standards, and the government is addressing the issue with programs such as *Nitaqat*, which aims to increase the number of Saudi nationals working in the private sector.

Despite the growth of the private sector, unemployment remains high among young people at more than 39 percent in 2015, although it declined slightly from the previous year. The unemployment rate among women is 21.8 percent for all women, and 32.8 percent for Saudi nationals. While this trend is found in other G20 nations, the Saudi government is committed to creating attractive and rewarding jobs. Inspiring and training youth and increasing female participation are essential for a young and rapidly growing nation to achieve sustainable economic success.

Saudi Arabia's 13 regions are distinct, and they are at different stages of job market maturity.

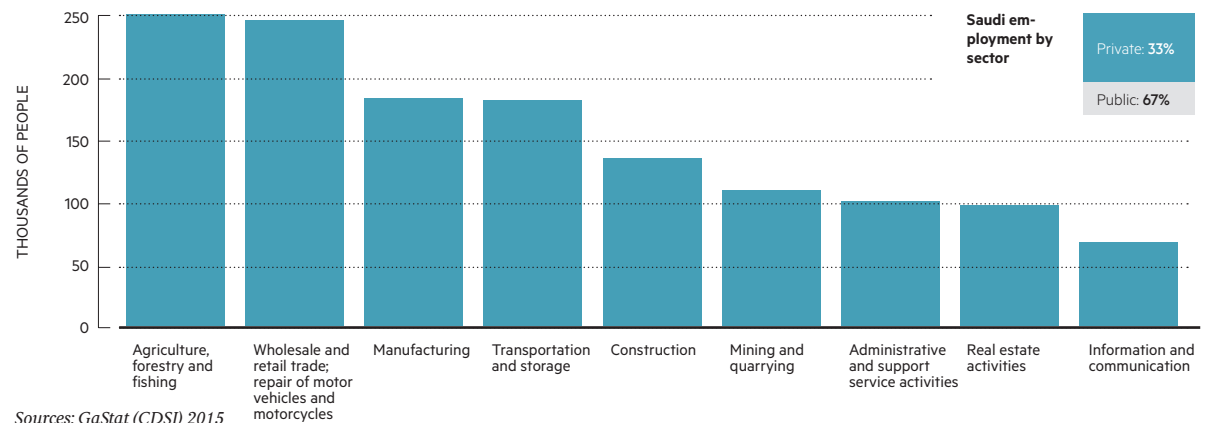


Exhibit 5 Saudi Unemployment Rates by region (2015)



Source: GaStat (CDSI) 2015

Exhibit 6: Private Sector Saudi employment by economic activity (2015)



Sources: GaStat (CDSI) 2015

As [Exhibit 5](#) shows, the unemployment rate varies from 8 percent to 23 percent across the country. Asir, in the southwestern part of the country, had the lowest rate, and the Northern Frontier and Al-Jouf, which is also in the north of the country, had the highest.

The government sectors – education, public administration, and defense – are major employers for Saudis. However, the public sector cannot grow indefinitely, meaning that most of the jobs needed to accommodate the expanding Saudi population must come from private companies, which currently employ a comparatively lower number of Saudi workers. Among Saudis who do work in the private sector, most are employed in agriculture, trade, and manufacturing, as shown in [Exhibit 6](#). By 2050, the private

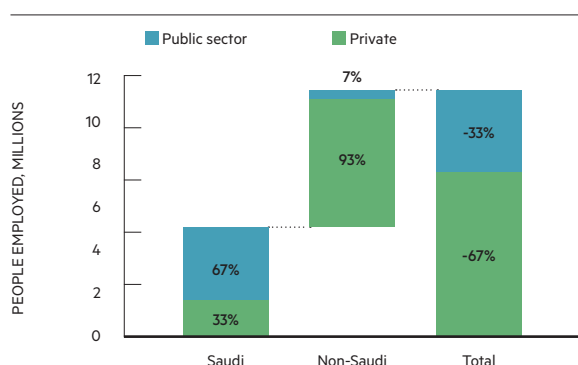
sector will create about six times more jobs, although the public sector will continue to generate more employment for Saudi nationals.

Labor market challenges

Saudi Arabia's rapid economic growth, cultural traditions, and young population create five specific challenges for the country's labor market as people born during the population boom of the 1980s and 1990s are entering the workforce in large numbers, a trend that will continue for years to come.

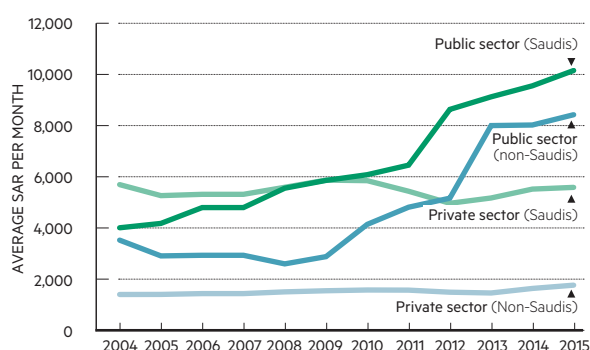
The government recognizes that these five challenges — the lack of competitive and fulfilling private sector jobs, the reliance on foreign labor, high youth unemployment, inefficient job matching, and the low rate of female participation in the workforce — also present a tremendous opportunity to diversify the economy and expand the private sector, boosting competitiveness and productivity and creating sustainable economic growth.

Exhibit 7
Private Sector jobs by Saudi or Expats
(2015)



Including others: self-employed workers, workers in the household sector, workers in non-profit organizations and others
Source: GaStat (CDSI) 2015, ILAD

Exhibit 8
Average Monthly Wages in Saudi Arabia by sector
(2004-2015)



Source: GOSI

Lack of competitive and fulfilling private sector jobs

The non-oil private sector has been a key driver of economic progress in Saudi Arabia in recent years, accounting for 49.3 percent of nominal GDP in 2015, compared with 37.7 percent in 2010. Despite this growth, state-owned enterprises still provide most of the jobs for Saudis entering the workforce, with about two-thirds of Saudis employed in the public sector. Expanded opportunities within the private sector have not changed perceptions of these jobs. Saudi nationals continue to view public-sector work as more prestigious than private employment.

In particular, many Saudis view small and medium-sized enterprises (SMEs) as unattractive because they view them as lacking professionalism in their working conditions and practices. The public sector, on the other hand, offers often better starting salaries, hours and working conditions than most private sector jobs.

As a result, private sector jobs are overwhelmingly held by expatriates, as shown in [Exhibit 7](#) while Saudis dominate the public sector job market. As [Exhibit 8](#) shows, the gap between private and public sector wages is widening, which reinforces many Saudis' employment perceptions.

In addition, many public sector jobs require a work week of 40 hours or less, while private sector jobs often demand six days and more than 50 hours each week. Only the most qualified applicants, usually college graduates, are likely to find better

entry-level pay and conditions in the private sector. The public sector also offers greater job security and more opportunities for personal development through training and mentoring.

The low participation rate of Saudis in the private sector is due to more reasons than just purely job-seeker preferences. Employers which are looking to fill positions do not actively seek out Saudi nationals, and they often claim that it's easier to find employees abroad because Saudis lack the proper preparation and job skills. Relying on a growing foreign workforce, rather than investing in the training and mentoring of Saudis, inhibits the creation of medium and highly skilled jobs for which these nationals would be suited.

Family and community role models also factor into public-versus-private career decisions. Family traditions of working in the public sector, the higher social prestige of government jobs, and a decided preference for white-collar employment all reinforce the preference. As a result, younger workers often prefer to stay jobless and wait for a public sector vacancy.

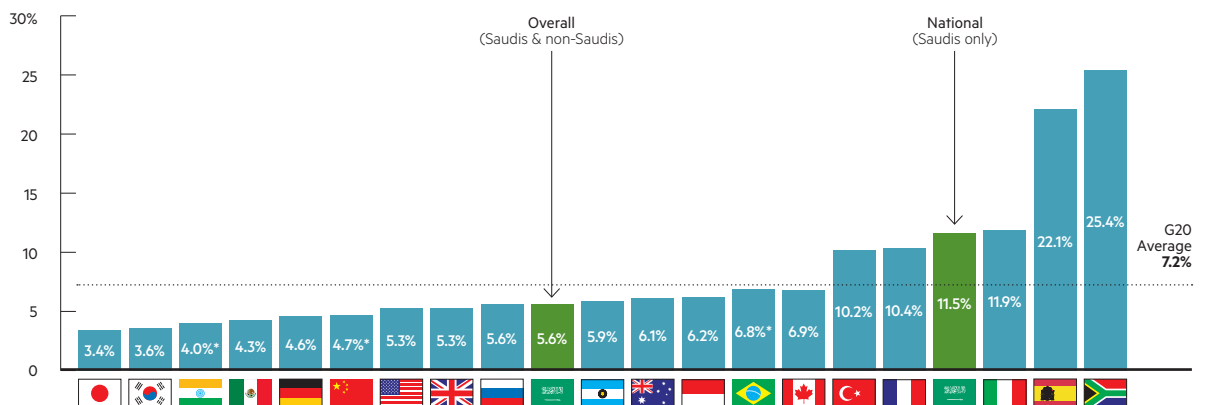
To reverse these trends, the private sector must be encouraged to enhance its reputation by improving job security and working conditions. Initiatives that create competitive and fulfilling jobs will result in higher wages and draw more people from the public sector into the private sector.

Reliance on foreign labor

In recent years, the private sector has relied heavily on foreign workers, who comprise 83 percent of the private sector workforce. Although the number of Saudis in the private sector has been increasing, a large gap between Saudis and expatriates remains. Expatriates come to Saudi Arabia to benefit from its economic growth and strong job prospects. Their skills and experience have enabled rapid economic development.

However, a closer study of unemployment data shows that it is primarily Saudis who are out of work. Saudi Arabia's 5.6 percent unemployment rate is below the average for most G20 countries, but for Saudis nationals, the unemployment rate is 11.5 percent, well in excess of the G20's 7.2 percent average, as [Exhibit 9](#) shows.

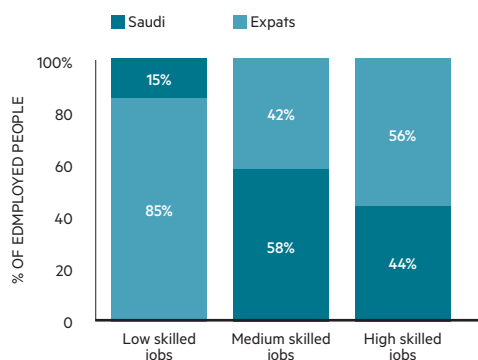
Exhibit 9
Benchmark of unemployment rates, G20 countries
(2015)



*2014 data, 2015 data unavailable

Sources: GaStat (CDSI) 2015, GaStat, International Labour Organization, Organisation for Economic Cooperation and Development

Exhibit 10
Saudi Expat-skills divide
(2015)



Source: GaStat (CDSI) 2015 Manpower Survey

Within the workforce, Saudis and expatriates differ on two key dimensions: skills and salaries. As seen in [Exhibit 10](#), Saudis outnumber expatriates only in medium-skill jobs. For low-skill jobs, expatriates receive lower salaries than Saudis, and in general, few Saudis are willing to work in these positions. However, in high-skill jobs, Saudis often lack suitable training, resulting in a reliance on skilled expatriates. Labor laws protecting Saudis and limited specialization in specific industries are among the reasons foreign labor has been more attractive for Saudi employers.

All of these factors mean that expatriates tend to be more competitive for most private sector jobs. As the private sector continues to grow, Saudi Arabia must augment the skills of its young people, which will, in turn, reduce the reliance on foreign workers.

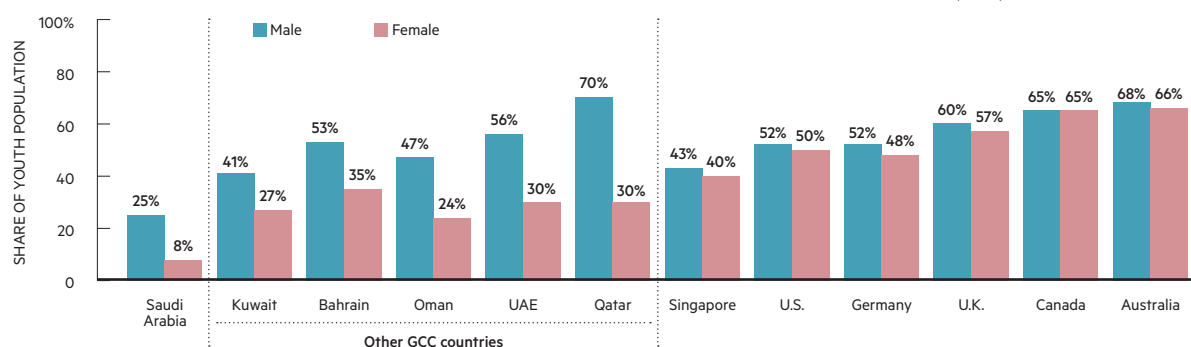
The Ministry of Labor and Social Development has declared employment of Saudi nationals in the private sector as a key objective, it intends to reach the goal by replacing primarily medium- and high-skilled foreign workers and creating new Saudi-specific jobs. Foreign workers play an important role in the Saudi Arabian economy, the government has made reducing the cost difference between recruiting Saudis and expatriates one of its key initiatives.

High youth unemployment

Saudi Arabia is a country blessed with an exceptionally young population. Seventeen million Saudi nationals — 55 percent of the population — are under age 29. Every year, approximately 400,000 Saudis enter the labor market, but these young people face a very high unemployment rate – more than 39 percent in 2015. Unemployment among Saudi Arabia's youngest residents is another persistent challenge.

About 29 percent of Saudi youth between the ages of 15 and 24 are unemployed, and 25 percent of men and 8 percent of women in the same age group are classified as NEET– Not in Education, Employment or Training. As [Exhibit 11](#) shows, this is among the lowest participation rate for G20 countries.

Exhibit 11
Youth* (15–24) labor force participation rate
(2015 tk)



*Saudi and non-Saudi
Source: World Bank, ILAD analysis,
GaStat (CDSI) 2015

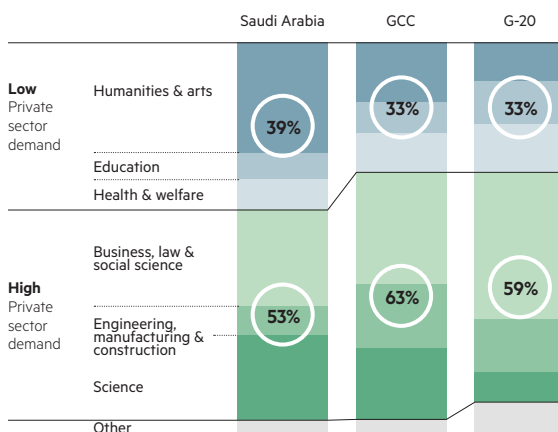
*Saudi and non-Saudi
Source: ILO, Labour force participation rate by sex and age (projections), Saudi Arabia General Authority for Statistics, ILAD analysis

Youth unemployment is in danger of growing without effective labor market and public education initiatives.

As [Exhibit 12](#) shows, Saudi students tend to select academic majors, such as humanities and the arts, that have fewer job prospects compared with their counterparts in G-20 nations. Conversely, fewer Saudi students tend to choose engineering and manufacturing majors compared with youth in other countries, limiting potential job prospects.

The lack of job-relevant skills is a common challenge even among those holding bachelor's or master's degrees, making the transition from school to work more difficult. In the 20- to 24-year-old group, almost one Saudi out of three is classified as NEET, highlighting the difficulty of entering the labor market and the school-to-work transition.

Exhibit 12
Student majors by private sector demand



Sources: World Development Indicators (World Bank), ILAD analysis

As described earlier, young Saudis have high expectations for employment, which makes them selective about their job choices and usually leads them to the public sector. In addition, many Saudi youths have reported that they do not have the right connections to get a job, suggesting that the Saudi labor market still relies on personal networks.

Developing youth skills and leveraging them effectively to meet the future needs of the labor market is a key focus of the Saudi Arabian government. This can be done in two steps, by providing appropriate support, such as training and guidance, and by managing expectations so young Saudis have realistic ambitions once they enter the job market. The various ministries of the Kingdom are in close collaboration with the private sector to coordinate education supply and better match it with private-sector demand.

Inefficient job placement and matching

Saudi GDP grew at a compounded average of 5.3 percent between 2010 and 2015. This means employers are constantly adding jobs and looking for candidates to fill them, both among Saudis and expatriates. However, new opportunities on one side and jobless, skilled Saudis on the other side are not enough to ensure all skilled workers find jobs. The mismatch between demand and supply — connecting Saudis to opportunities that most effectively match their skills — is yet another obstacle to sustainable economic growth.

The link between Saudi job seekers and private employers is clearly not functioning effectively, as [Exhibit 13](#) shows. Part of the reason for the lack of publicly available information is that labor markets have traditionally relied on personal connections and networks. This has created an opaque marketplace with little between workers needed and workers hired.

Better career counseling in education is one potential remedy to this imbalance. Many employers continue to lack information about the skills of graduates, while job seekers may not be fully aware of organizations that might be interested in their skills.

Exhibit 13

Drivers to even out skills imbalances

Expanding vocational skills	Enhance self-presentation skills	Improve knowledge of education outcomes	Embrace new challenges	Increase work ethic/conscientiousness	Encourage public communication
Diversify tertiary education	Improve CV presentation and interviewing skills	Enhance the accuracy of labor market info provided to the education system	Expand the aspirations of the Saudi mindset	Encourage more Saudis to pursue certain professions	Increase the number of role models or mentors
Increase practical work offered to students	Increase understanding of networking techniques	Increase the number of career counselors in education	Increase interest in work or job search	Discourage underlying sense of entitlement among Saudis	Improve marketing of skills and career development opportunities
Improve vocational training		Improve communication of university curriculums	Encourage cultural focus on self-development through experience	Raise professionalism standards and work ethic	Increase communication of MLSD support for employers
Increase foreign language teaching for Saudis		Ensure youth have realistic job expectations	Encourage more risk-taking among youth		
Increase the number of leadership institutions					

Source: ILAD analysis

The private sector will play a bigger role in future growth in Saudi Arabia, and the labor market can now make greater use of new, recently implemented tools such as virtual marketplaces to increase productivity, reduce unemployment and eventually boost worker satisfaction.

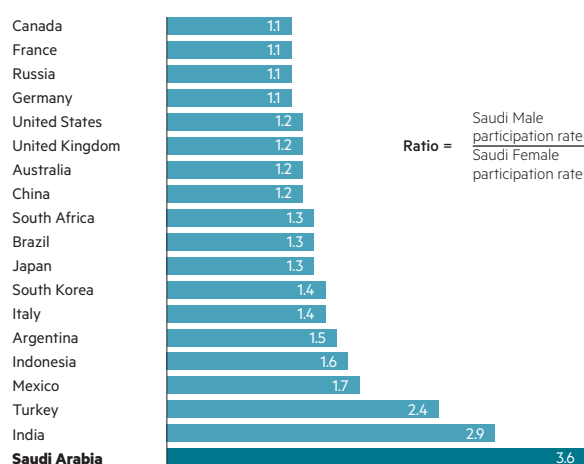
Low rate of female labor market participation

Saudi Arabia's women represent a wealth of untapped potential for the economy. Many of them have yet to join the labor force, despite being highly educated and motivated. Of the 13.5 million women in country, 9.1 million are of working age. Yet only 20.2 percent of them participated in the workforce in 2015, compared with 77.8 percent of men. Saudi Arabia has the largest gender imbalance in labor force participation among G-20 countries, as shown in [Exhibit 14](#).

In addition to low participation, females are challenged by high unemployment rates for those who actually seek employment. In 2015, female unemployment was 21.8 percent, and among Saudi women it was even higher — 32.8 percent — second only to youth unemployment.

Exhibit 14

Gender imbalance in labor force participation (15-64 year olds, 2015)



Source: World Development Indicators (World Bank), ILAD analysis

The rate of Saudi female unemployment is more than five times that of Saudi males, and showing that it is not the preferences of Saudi women driving low female employment. Many women are looking for work and are unable to find it.

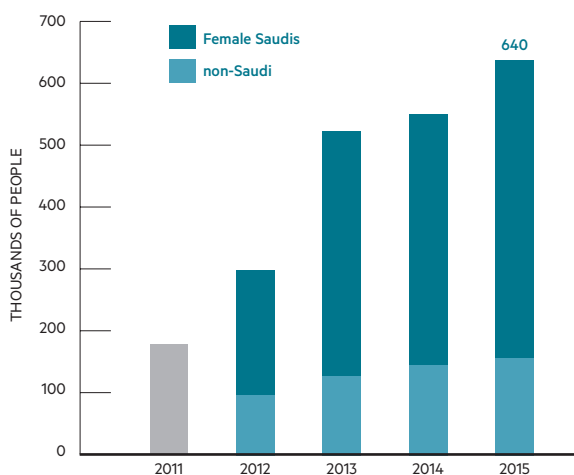
Low participation rates and high unemployment have two main causes. First, Saudi women are highly educated, but they tend to focus on skills that are not in high demand by private sector employers. Second, the higher investment in infrastructure, more flexible working hours, more woman-friendly environments — cause Saudi women to favor public sector employment.

Private sector employment for women is growing, but from a low base. As illustrated in [Exhibit 15](#), about 99,000 Saudi women were employed in the private sector as recently as 2012, but that number rose to more than 159,000 by 2015, exceeding the rate of employment growth for males.

Secondly, many traditional workplaces were not designed to accommodate women, which discourages them from applying for these roles. Available jobs are restricted to those in which direct interaction with men is not required. Therefore, companies must invest in separate spaces in which women can work, which not all companies can afford. Transportation is also a major issue for Saudi women, as well as daycare for children when they are at work. The government is working on a number of initiatives, including subsidies, to ease these investments in the private sector.

Raising female labor force participation to the 43 percent average of Gulf Cooperation Council (GCC) members would lead – at current unemployment levels – to the admission of an additional 1.7 million women into the Saudi workforce. ■

Exhibit 15
Women's employment in the private sector
(2005- 2014)



Sources: GOSI Yearly Reports 1432-1435

3.2 Tomorrow: Vision 2030 and the roadmap for the future

TO BUILD THE BEST future for Saudi Arabia, we have developed Vision 2030, a comprehensive blueprint for a vibrant society, a thriving economy and an ambitious nation for decades to come. The plan provides a methodology for economic and social development that lays the foundation for the Kingdom's future.

Protecting the nation's vital resources will help ensure that we meet these goals. Water use for agriculture, for instance, will receive a priority in areas with natural and renewable water sources. We also will expect businesses to ensure projects meet strategic priorities while engaging in good business behaviors and fiscal prudence.

The National Transformation Program 2020 (NTP) develops specific plans for meeting the goals of Vision 2030 and coordinates the work of participating entities. Among its aims, the NTP oversees the objectives of the participating entities in Vision 2030, translating those objectives into initiatives, boosting partnerships with the private sector, and investing in digital transformation. A description of the NTP's phases follows in the next section of this report.

Saudi Arabia's Vision for 2030 is anchored by three key themes. The first is our status as the heart of the Arab and Islamic worlds. Our Kingdom is the Land of the Two Holy Mosques, and the direction of the Kaaba (Qibla) to which more than a billion Muslims turn at prayer.

The second theme is Saudi Arabia's determination to become a global investment powerhouse. Our nation holds strong investment capabilities that can be tapped to harness and stimulate the economy and diversify our revenues.

The third theme involves an effort to transform our unique strategic location into a global hub connecting Africa, Asia and Europe. Our strategic position between key global waterways makes the Kingdom of Saudi Arabia an epicenter of trade and the gateway to the world.

Work has already begun to deliver on the plan. The Vision is sweeping, and we are bringing greater efficiency and responsibility to all levels so that the public, private and non-profit sectors can work together to face the nation's collective challenges.

A vibrant society at the heart of the Arab World

Because of its unique position as both the center of the Arab world and the birthplace of Islam, Saudi Arabia has become synonymous with the hospitality for Muslims, holding great meaning for faithful around the globe. The Kingdom has been given the privilege to serve the Two Holy Mosques, which bring millions of pilgrims to the country each year. In the last decade, for instance, the number of Umrah visitors entering the country from abroad has tripled, reaching 8 million people.

Through innovation, such as the expansion of the Two Holy Mosques, Saudi Arabia can further enhance the experience of those who visit the country. By increasing capacity and improving the quality of services offered to Umrah visitors, we expect that number to almost double, to more than 15 million, by the year 2020.

Vision 2030 also calls for Saudi Arabia to strengthen, preserve and highlight its national identity for the benefit of future generations by honoring national values and principles, encouraging social development and upholding the Arabic language.

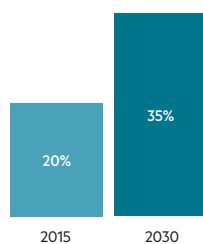
A critical part of our work to protect that heritage will include showcasing Saudi Arabian history. The government intends to build an Islamic museum equipped with the latest methods in collection, preservation, presentation and documentation that will be a major landmark for citizens and visitors to learn about the history of Islam, enjoy interactive experiences and participate in cultural events.

Becoming a global investment powerhouse

Saudi Arabian leaders recognize that a vibrant society also requires a well-prepared workforce equipped to meet the labor market's needs. We have launched the National Labor Gateway (TAQAT), and we plan to establish councils to determine the skills needed within each economic sector. We plan to expand vocational training and focus on innovation in advanced technologies and entrepreneurship.

We are placing special emphasis on small and medium-sized enterprises (SMEs) as part of our efforts to boost investment. SMEs are among the most important agents of economic growth— creating jobs, supporting innovation, and they will make an important contribution to GDP growth. Supporting the growth of these businesses will be essential for creating suitable job opportunities through entrepreneurship, privatization and investments in new industries. The newly established SME Authority will work to encourage young entrepreneurs through business-friendly regulations, easier access to funding, international partnerships and increased opportunities to participate in government bids.

Exhibit 16
**SME contribution
to GDP**



Source: Vision 2030 report

The SME Authority and related small business programs are designed to augment the role of small businesses in the economy and increase SMEs' contribution to GDP from 20 percent to 35 percent by 2030³, as shown in [Exhibit 16](#). By attracting and retaining the most qualified Saudi and foreign minds and providing them with the resources they need, SME can increase their contribution to economic development and attract additional foreign investment.

³Vision 2030, p. 39

Leveraging Saudi Arabia's unique location as a global hub

Saudi Arabia has the largest economy in the Middle East, and it enjoys close economic ties with the Gulf Cooperation Council and other Arab countries, as well as constructive relations with other Islamic and foreign countries. The third theme of Vision 2030 calls for the Kingdom to build on these relationships by becoming a regional logistical hub. The Kingdom is already immersed in infrastructure projects, including ports, railways, roads and airports. To build on these investments, the government plans to forge a new series of international partnerships to complete, improve and link that infrastructure internally and across borders.

As part of these efforts, the Saudi Arabian government is calling for innovation that can improve performance. Transport operators will be encouraged to cut waste, boost trade between existing hubs and open new routes. These efforts will help reinforce the nation's position as a gateway to Africa, Asia and Europe.

In addition, among the nation's top priorities is fortifying and extending our interconnectivity and economic integration with other GCC countries. The government plans to complete the process of implementing the GCC common market, unifying customs, economic and legal policies, and constructing shared road and railway networks. ■



3.3

Delivering on Vision 2030

THE GOVERNMENT WILL implement the goals of Vision 2030 through a number of executive programs, such as the restructuring of MLSD, which will be discussed later in the report. Another program vital to ensuring the Kingdom achieves the Vision is the National Transformation Program. Developed by the Council of Economic and Development Affairs and 24 participating government entities, the NTP identifies the challenges in fulfilling Vision 2030 that are faced by government agencies in the economic and development sectors. The program establishes strategic objectives based on the Vision and addresses its challenges through 2020 in accordance with specific targets. The program identifies, each year, the initiatives necessary for achieving such goals and devises detailed plans on the basis of interim indicators that measure and monitor performance.

The program aims to identify challenges, seize opportunities, incorporate planning tools and evaluate the performance of the entities involved in the plan.

The work of the NTP will be carried out in five phases, which are:

Phase One

Identifying the biggest obstacles facing each government entity participating in the Vision 2030 plan and develop annual initiatives to fulfill the targets.

Phase Two

Developing annual initiatives needed to achieve the goal established in Phase One. Local authorities, international experts and private-sector representatives will contribute to these initiatives, and the participating entities will develop new funding methods to improve the efficiency of government spending and encourage private sector participation.

Phase Three

Creating detailed implementation plans, including a breakdown and schedule of the phases and steps, responsibilities, legislative resources, and other requirements for executing the plan.

Phase Four

Publishing the targets and results of government agencies, producing a public performance indicator dashboard that will be updated and subject to intense analysis.

Phase Five

Auditing and monitoring on a regular basis to ensure continuous improvement and progress toward the strategic objectives of the NTP.

Measuring success

The strategic objectives put forth by the participating agencies cover a range of economic and social affairs.

The Ministry of Labor and Social Development's objectives include empowering women to recognize their potential and contribute to the country's economic growth. Women currently make up 22 percent of the Saudi labor force, and our goal is to raise that participation to 28 percent by 2020. During that same time period, we plan to reduce the unemployment rate for Saudi nationals from the current 11.5 percent to 9 percent.

To achieve this, we will increase training through the use of technology. By 2020, our goal is to have had 1 million Saudis complete online or on-the-job training, compared with 36,000 today, and to encourage the increase of enrollment in technical or vocational training from about 104,000 to 950,000.

The increase in training and the expansion of the workforce is designed to boost the private sector, and by 2020, we hope to have 50 percent of Saudis in the workforce seeking private sector employment.

As we increase participation in the workforce, we will seek to lower dependence on social security among working-age, employable citizens, reducing the number of them who rely on social benefits by 150,000 by 2020.

We will use technology to improve our own programs as well. By 2020, MLSD plans to have 95 percent of its private sector services online, up from the current 74 percent.

Portions of the NTP have already been unveiled. In February 2016, Saudi officials, corporate executives and foreign consultants discussed the future of the nation's economy amid diminishing reliance on oil. Many of the discussions centered on partnerships and the prospect of future ventures as the government looks to overhaul the economy.⁴ ■

⁴MLSD Analysis





Ministry of Labor
and Social Development
Kingdom of Saudi Arabia

4 New initiatives for employment and social development



4.1

Achieving the goals of Vision 2030

IN THIS CHAPTER, we will focus on the economic provisions of Vision 2030 that are the most relevant for employment and social development. These provisions are designed to reduce unemployment to 9 percent by bringing 1.3 million Saudis into the workforce. We will adopt programs and initiatives that give citizens more opportunities to succeed in the private sector, build a network of non-profit organizations and complement the role of government with a strong civil society that is engaged, empowered and enabled. This will require greater collaboration across government agencies and ministries to ensure the seamless flow of information, development of new policies and programs and a comprehensive review of the needs of citizens and businesses.

We are committed to shaping a healthy labor market that supports the Kingdom's success by creating productive jobs, a skilled workforce, improved working conditions and reduced dependency on expatriates.

As part of Vision 2030's blueprint for a thriving economy, we are developing initiatives to reward opportunities, invest for the long-term, improve the business environment and leverage Saudi Arabia's unique position.

Rewarding opportunities

Education is the foundation for building a stronger labor market. We will work closely with the private sector to ensure higher education training aligns with the requirements of the job market, and we will develop job specifications for every educational discipline.

We want to help our students achieve results that exceed international averages in global education indicators. By the year 2030, we aim to have at least five Saudi universities among the top 200 institutions in international rankings.

To achieve this, we will prepare a modern curriculum focused on rigorous standards in literacy, numeracy, skills and character development. We will track educational progress and publish reports that document year-over-year improvements. This process will include creating a centralized database tracking students from early childhood through grade 12 and into higher or vocational education. This data will help us improve education planning, monitoring, evaluation, and outcomes.

We will guide our students toward making careful career decisions and provide them with training that prepares them for the job market. We will help students identify employment and apprenticeship opportunities through strategic partnerships with private industry that help them acquire new skills.

At the higher education level, we will increase the proportion of graduates who complete business and economics degrees. In 2014, only 27 percent of university graduates

⁵Unless otherwise noted, all data in this chapter comes from Vision 2030.

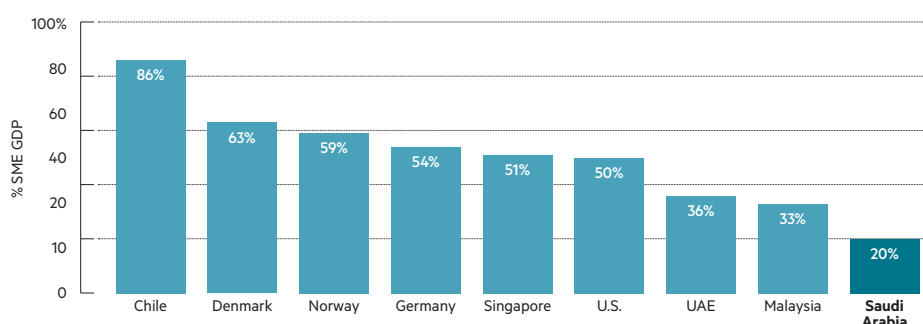
were enrolled in business-related studies. We will encourage the requirement of more internships and practical skills studies to better prepare students for the workforce.

To achieve our desired rate of economic growth, we are creating a labor market that attracts the necessary skills and capabilities from within the Kingdom and beyond our borders.

We also are supporting and encouraging the development of small and medium enterprises (SMEs) which are among the most important agents of economic growth. They create jobs, support innovation and boost exports. In most advanced economies, SMEs contribute as much as 70 percent to GDP. Saudi SMEs, however, are not yet major contributors, accounting for less than 20 percent of GDP in 2015, as [Exhibit 17](#) shows.

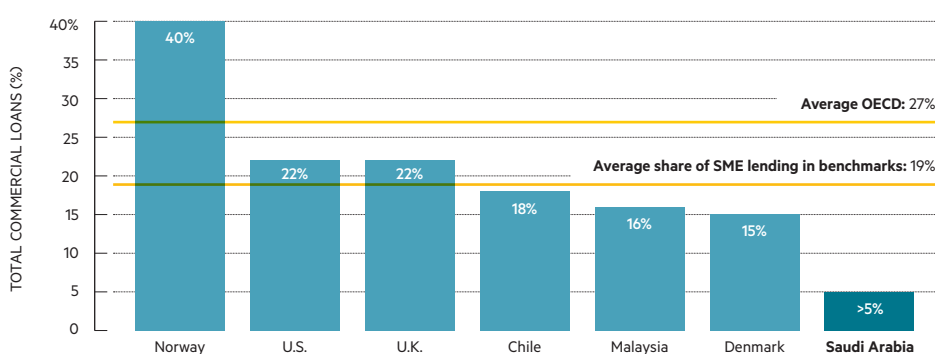
Despite efforts to improve the business environment in the Kingdom, SMEs often endure unnecessarily slow and complex legal and administrative procedures. They also struggle to attract the necessary skills, capabilities and funding. Financial institutions provide no more than 5 percent of their commercial loans to SMEs—a much lower percentage than the global average, as shown in [Exhibit 18](#).

Exhibit 17
SMEs' contribution to GDP
(2015)



Sources: OECD, EU SME Statistical Database 2015; ADB – SME Finance Monitor 2014; Individual SME Authority Websites; Press releases; Articles; Expert Interviews; ILAD analysis

Exhibit 18
Share of SMEs' lending of total commercial loans
(2015)



Sources: SAMA; OECD, Report on Financing SMEs and Entrepreneurs, 2015; ADB, Asia SME Finance Monitor, 2014



In addition, many entrepreneurs and investors believe that Saudi regulations and incorporation policies are inefficient and deter investment, while the legal framework does not provide enough support and transparency for resolving contract disputes and bankruptcies. Saudi Arabia ranks last among advanced countries in resolving insolvency issues.

Cultural attributes also can inhibit startup businesses because entrepreneurs have few examples to follow. The businesses most familiar to Saudi citizens are large government controlled enterprises. As a result, the youth who enter the workforce favor large businesses for their prestige, stability and promising career path.

To address these challenges, we will encourage enhanced access to funding and recommend our financial institutions allocate as much as 20 percent of their overall funding to SMEs by 2030.

The Ministry together with the SME Authority are supporting SME entrepreneurship, privatization and investments in new industries. The authority plans to review laws and regulations thoroughly, remove obstacles, facilitate access to funding and enable youth and entrepreneurs to market their ideas and products.

At the same time, we will establish new business incubators, specialized training institutions and venture capital funds. We will also ensure SMEs receive a greater share of national procurement and government bids.

These efforts will aid entrepreneurs in developing their skills and networks. We will also support SMEs in marketing and exporting their products and services through e-commerce and collaboration with international stakeholders.

Our most productive businesses enjoy vast marketing opportunities through social media and digital platforms. We will improve access to these channels, enable microfinance and motivate the non-profit sector to help fund their new business initiatives.

With the help of these programs, we will meet one of the key goals of Vision 2030—increasing SMEs' contribution to GDP to 35 percent.

Investing for the long term

Diversifying our economy is vital for its sustainability. Although oil and gas are the Kingdom's economic foundation, we have begun expanding our investments into other sectors. We are already among the 20 largest economies in the world, but by 2030 we want to have moved into the top 15.

We hope to achieve this despite the headwinds of the global economic slowdown and the expected impact of our structural economic reforms. This requires us to invest in diversifying the economy, unleashing the capabilities of our most promising economic sectors and privatizing some government services.

During the past 25 years, the Saudi economy has grown at an average annual rate of more than 4 percent, creating millions of new jobs, and much of that growth came from our oil and gas sector. Although oil and gas remain vital to the Saudi Arabian economy, we recognize the need to diversify and expand our economy. We will support the development of the private sector and foster successful businesses so they become essential contributors to our economy. In manufacturing, for example,

we will localize industrial equipment makers. We will create incentives in the mining industry for the exploration of the Kingdom's mineral resources, which we expect will create 90,000 new jobs by 2020.

Renewable energy, primarily solar power, also represents an opportunity for diversification. Solar power can help us decrease our domestic consumption of oil, enabling us to meet the future energy needs of Saudi citizens while maintaining our role as the world's largest oil producer. We have set an initial target of 9.5 gigawatts of renewable energy generation, and we will support research and development, manufacturing, and other aspects of the market that are essential for building a viable domestic solar power industry.

We also will boost our investment in technology, making Saudi Arabia a leader in the digital economy. In tourism and leisure, we will create attractions that meet the highest international standards, improve visa issuance procedures for visitors, and prepare and develop our historical and heritage sites.

The Kingdom is the world's third-largest military buyer, but only 2 percent of our purchases are domestic. Our defense industry is limited to seven companies and two research centers. By localizing more than half of our military equipment spending by 2030 we can create more job opportunities and stimulate other areas of the economy, such as industrial equipment, communications and information technology.

Despite our efforts to diversify our economy, we will not ignore the oil and gas industry. In fact, we will double our gas production, build a national gas distribution network and capitalize on our global leadership in petrochemicals by developing related businesses.

Meanwhile, the ongoing privatization of state-owned assets will generate new revenues for the Saudi government, enhancing our financial resources and economic stability, which we will reinvest for long-term impact. Our investment vehicles will become more sophisticated, particularly after we transfer ownership of Aramco to the Public Investment Fund, which will become the world's largest sovereign wealth fund with assets of more than SAR 7 trillion compared with SAR 600 billion today.

By increasing the fund's efficiency and management and improving its return on investment, we will diversify government resources and the overall economy. The Public Investment Fund will not compete with the private sector; it will provide capital to those companies that need it, creating new businesses and broadening the economy into new areas.

Improving the business environment

Opening Saudi Arabia's markets further will boost productivity and smooth our journey toward becoming one of the world's largest economies. We will improve our business environment, restructure our economic cities, create special development zones and deregulate the energy market to make it more competitive.

To finance this expanding business environment, we will encourage banks and other institutions to adapt their financial products and services to the needs of each sector, from large project funding to short-term working capital for small businesses. We will streamline licensing procedures and apply international legal and commercial regulations to attract more long-term investment.



Customs processes, too, will be more efficient, speeding the movement of people and goods at our ports.

As a result, we will create an environment attractive to both local and foreign investors, and earn their confidence in the resilience and potential of our national economy.

We will pay particular attention to areas of the economy that need improvement, such as retail. The Retail sector in the Kingdom has grown by more than 10 percent a year during the past decade, and while it employs 1.5 million workers, only 300,000 are Saudis. Our retail sector also suffers from limited penetration of modern trade and e-commerce, with traditional retail still accounting for half of the market, compared with 20 percent in several other GCC countries. We will boost the contribution of modern trade and e-commerce to 80 percent of the retail market by 2020 by attracting both regional and international retail investors and by easing restrictions on ownership and foreign investment. We also will create job opportunities for 1 million more Saudis. Finally, we will improve the flow of goods and increase financing of small retail enterprises to stimulate their growth and development.

A sophisticated digital infrastructure is integral to today's advanced industrial activities. It attracts investors and enhances the fundamental competitiveness of our economy. We will partner with the private sector to enhance our telecommunications and information technology (IT) infrastructure, especially high-speed broadband, expanding coverage, capacity and quality. We plan to connect more than 90 percent of homes in densely populated cities and 66 percent in other urban areas.

We will strengthen the governance of digital transformation through a national council, improve our regulations and establish an effective partnership with telecom operators while also supporting local telecom and IT investments.

When these initiatives are completed in 2030, we will take our place among the top 10 countries on the Global Competitiveness Index, and we will have increased foreign direct investment from 3.8 percent of GDP to the international average of 5.7 percent.

Taken as a whole, these efforts will help increase the private sector's contributions to the economy in 2030 to 65 percent of real GDP from the current 39.5 percent.

At the same time, we don't want our businesses focused solely on generating profits. We expect our companies to recognize their social responsibilities and contribute to creating a sustainable economy, which includes establishing opportunities for young men and women to build their professional careers. Our society holds deeply rooted values of giving, compassion, cooperation and empathy, and Saudi Arabia already plays an influential role in providing social aid locally, regionally and globally. In the future, we will formalize and strengthen our social and charitable work to ensure our efforts have maximum benefit.

Today, we have fewer than 1,000 non-profit foundations and associations, and they contribute 0.3 percent to our GDP — far less than the global average of 6 percent. Of those, only 7 percent of projects are focused on generating social impact or are aligned with the long-term national priorities, but by 2020, we expect that more than one third of our non-profit organizations' projects should have significant social impact.

To make this sector more resilient and effective, we will develop the regulations that empower non-profit organizations. At the same time, we will encourage endowments

for funding the sector while also urging corporations and high net worth families to establish non-profits.

Government support will be directed toward programs with highest social impact, and we will support training workers to encourage volunteering and careers in the non-profit sector. By enabling non-profits to attract the best management and talent, we will strengthen these institutions over the long-term. This will help the non-profit sector play a vital and more efficient role in critical sectors such as health care, education, housing, research and cultural and social programs.

We will accelerate this shift further by supporting projects and programs with high social impact, which will promote rapid growth of the non-profit sector. We will support this growth by creating a supportive and cooperate environment in which the sector's institutions and government agencies can collaborate.

At the same time, we will encourage the non-profit sector to apply proper governance standards, facilitate high quality training for staff and promote a culture of volunteering and full-time careers in the sector.

Our goal is to have 1 million volunteers working for non-profits by 2030, up from 11,000 today, which will boost the sector's contribution to GDP to 5 percent from the current 1 percent.

Leveraging our unique position

Finally, we will maximize the benefits of our exceptional and strategic geographic position. Saudi Arabia is at the crossroads of international trade routes for three continents: Asia, Europe and Africa. This geographic position will help us develop new strategic partnerships that expand our economy and create new export opportunities for Saudi companies. By 2030, non-oil exports will account for half of our GDP, up from just 16 percent today.

We have already invested heavily in the construction of ports, railways, roads and airports. To take full advantage of these investments, we plan to develop with the private sector a series of international partnerships that improve our domestic infrastructure and strengthen its international connections. Air, maritime, and other transport operators will be encouraged to make the most of their capacity, forging links between existing trade hubs and opening new trade routes. This will reinforce our position as a distinctive logistical gateway to the three continents.

With a GDP of SAR 2.4 trillion, the Saudi Arabian economy is already the largest in the Middle East. We have close economic ties with the Gulf Cooperation Council (GCC) and other Arab countries, as well as constructive relations with Islamic and foreign countries. We will seek to fortify and extend our connection with these countries and establish new business partnerships with others.

We also will strive to complete the process of implementing the GCC common market, unifying customs, economic and legal policies, and constructing shared road and railway networks.

We will seek to effectively link with other countries in the region, through enhanced logistics services and new cross-border infrastructure projects, including land transport projects with Africa through Egypt. Logistical and trade exchanges will be streamlined,



further cementing our pre-eminent position as a major trade hub.

We will focus on our comparative advantages, national strengths and the areas in which we can establish leadership status. Initially, we will support major national companies that have gained a leading market share by promoting their products and services regionally and globally, especially in the fields of oil, petrochemicals, banking, telecommunications, food, health care and retail. We will also seek to support Saudi companies with promising growth opportunities so they develop into new regional and global leaders. Finally, we will fully support our national industries, assisting them to market themselves abroad and to export their products.

Taken as a whole, these efforts will help increase the private sector's contributions to the economy in 2030 to 65 percent of GDP from the current 40 percent. ■

4.2 The new Ministry of Labor and Social Development: A joint strategy for the future

AS PART OF the effort for implementing the goals of Saudi Arabia's Vision 2030, some ministries, institutions and government entities needed realignment to ensure they were better positioned for implementing the plan. This restructuring will allow them to perform their tasks, expand their competencies and improve the level of services provided to beneficiaries.

As part of this effort, the government formed the Ministry of Labor and Social Development (MLSD) through the merger of the Ministry of Labor and the Ministry of Social Affairs. Under Vision 2030, we have 13 strategic objectives and 37 targets as part of our mission, which will be carried out in phases.

The merger has created a new ministry with the priority of providing a smooth beneficiary journey for all people in Saudi Arabia. This includes encouraging working-age citizens currently depending on social security to enter the labor market. We also are committed to creating open pathways for the disabled and the underprivileged to find fulfilling work. And we are dedicated to ensuring that women and youth have the skills and opportunities they need to participate in the Kingdom's economic expansion.

We are working to close holes in the social security safety net to ensure that all groups at every stage of life get the support they need by providing social protection floors for the most deserving while always protecting their pathway back to productive employment. At the same time, we will identify those who are collecting benefits but don't need them, ensuring that social protection resources are used efficiently.

This holistic approach to social support will ensure that everyone in Saudi Arabia has dignified living standards, receive the services they need, and has the incentives to become productive citizens.

Collaboration across all government entities is the key to Vision 2030's success. We will coordinate our efforts with other government agencies and ministries, including the Ministry of Education, the Ministry of Commerce and Investment and the Ministry of Economy and Planning, to allow for the free flow of data, coordination of policies and programs and forging a cohesive, comprehensive view of the needs of our citizens and businesses. ■

4.3 Strategy for economic and social development

TO ADDRESS THE INITIATIVES and objectives outlined in the previous section, the Ministry has adopted a strategy built on eight pillars, as shown in [Exhibit 19](#). Within each pillar, we have identified key issues that each is designed to address.



Pillar 1: Supporting the creation of sustainable jobs in the private sector and among non-profit organizations.

This pillar addresses the need for the private and non profit sectors to offer the types of jobs that Saudi nationals find attractive. To do this, we need to create appropriate and accessible workplaces by enforcing employee rights and establishing appropriate workplace standards. We also must ensure that people with disabilities have access to workplaces. To do this, we will create appropriate and accessible workplaces by enforcing employee rights and imposing occupational safety and health standards.

Exhibit 19

Three groups divide the pillars structure

Source: MLSD



SMEs account for half of all employment in Saudi Arabia, making them the largest creator of private sector jobs. If SMEs can professionalize and improve their working conditions, Saudis will become more inclined to work in this sector. To assist in this effort, the government can provide financing support, incentives, training and professional human resources services. Adopting more pro-business and pro-employment legislation would encourage more Saudi entrepreneurs to start businesses that will employ Saudi nationals and expand the private sector.

Developing flexible employment such as telework models and the use of flexible staffing and part-time work schedules also will encourage more Saudis to enter the workforce, expanding the labor market and reducing unemployment.

This pillar also addresses the important task of attracting women to the workplace by reducing barriers and changing the perceptions of prospective employees. For many employers, women are seen as costly hires because they must adapt their workplaces and allow maternity leave. At the same time, many women may be reluctant to enter the workforce because they know that some workplaces have not been adapted to their requirements. The high cost of getting to and from work and paying for day care also act as barriers to women's employment.

The government first must ensure that the cost of employing women is minimized as much as possible by making transportation more accessible, equalizing daycare costs across men and women, and assisting in making workplaces women-friendly. Second, the government must raise awareness among employers and change the bias against employing women.

The ministry already has programs in place to encourage more women to enter the workforce, such as the "female employment in the retail sector" initiative. As a consequence of these and other measures, female participation has increased, but at a rate higher than the availability of jobs for women.



Pillar 2: **Skills development for the Saudi work force**

This pillar is designed to help Saudi youth and women embrace their potential and to decrease the Kingdom's economic reliance on expatriates by raising the skills of Saudi nationals. Saudi young people must develop the skills and capabilities that meet the private sector requirements. Currently, many young Saudis are unaware of the career options they have, and often they fail to develop the skills that will make them attractive to private employers.

As a result, career education is an important element of this pillar. Saudi Arabia will strive to empower the youth by guiding them in making educated career decisions. Initiatives are underway at the primary, secondary and university levels to assist them in broadening their horizons and honing their skills for the careers they wish to pursue. Career education can involve networking with professionals, taking online courses and practicing interview techniques.

In addition, on-the-job training provided by private companies and non-profits can raise the skills of the Saudi workforce and improve access to the labor market. This will be achieved through subsidized training provided in sectors in which large numbers of expatriates are currently employed.

Vocational training, provided through partnerships with the education sector, can develop a pool of technical skills among young and vulnerable Saudis by delivering high quality training aligned to national priorities and market needs.

Job readiness can accelerate the development of essential job skills for the unemployed, or those who are getting ready to enter the labor market, by offering online courses that teach practical job skills such as information technology and language instruction.

This pillar also is focused on promoting continuous, lifelong learning among Saudis that will enhance their competitiveness, adaptability and entrepreneurial spirit and encourage a high-performance culture through motivational and aspirational events.



Pillar 3: Labor Market balance

This pillar seeks to alleviate the overreliance on foreign workers in the private sector. Expatriates are currently a more attractive proposition for private sector employers because they generally have more advanced skills and the cost of hiring them is less. Both parties, Saudis and expatriates, must therefore be considered in any policy made to reduce this gap and incentivize the employment of Saudi nationals.

Saudi Arabia has already implemented a range of initiatives to increase the number of Saudi nationals in the private sector, a process known as Saudization. MLSD will attract a stable supply of talent to sustain the growth of both private sector and non-profit organizations.

We will manage the labor cost competitiveness and earnings quality by increasing the cost of hiring expatriates, subsidizing Saudi workers' wages, improving the national wage setting system and increasing the use of bargaining arrangements.

At the same time, we will promote fairness and equality by regulating and improving expatriates' working conditions, respecting their maximum working hours and protecting them from employers' exploitation.

Finally, we will improve foreign workers' treatment and living conditions by regulating their contracts and mobility and encouraging better relations with employers. At the same time, we will work to improve the government's relationship with countries that supply workers to Saudi Arabia.



Pillar 4: Expanding labor protection and inclusion

With this pillar, we will create a rapid pathway for workers to enter or return to the labor market, while at the same time creating protection for them in the workplace. This includes wage protection, which assures that minimum and equal wages are in place and that workers are paid the wages they are due on time. We also will protect workers against exploitation by verifying that employers comply with established hourly maximums and that they provide adequate periods for rest and recuperation, which includes weekly rest and paid annual leave.

We also will protect the rights of vulnerable groups, such as the disabled, by ensuring their right to work and encouraging their transition toward employment. Employers

must sustain job seekers' income and create the means for them to enter or return to the workforce by providing financial support and sustainable employment opportunities.

We must shield injured workers and volunteers from economic risk by providing health insurance and income protections while also guaranteeing long-term financial sustainability. We also will enforce the rights of private sector employees and impose safety and health standards.

Finally, we will develop measures to reduce the effects of an economic downturn on employment levels by protecting Saudi workers' income and suitable short-term subsidies to workers who lose their jobs.



Pillar 5: Provide fundamental mechanisms for an efficient labor market and social development

This pillar directly aims to match the supply of labor and the demand for jobs in the most efficient way possible. Once Saudis have acquired the appropriate skills for private employment, they must find the jobs that fit these skills. The Saudi Arabian government will create an efficient mechanism to match employers with potential workers. This will ensure that market participants find an efficient framework for employment to happen, resulting in increased growth for Saudi Arabia.

To assist in these placement services, we will use evidence-based policy making and develop tools that generate quantitative and qualitative insights on the labor market and social issues. These tools will help us identify and predict imbalances and evaluate the adequacy of current policies and programs.

Labor market efficiency and satisfaction can also be increased with dialogue from key stakeholders. Reaching out to key stakeholders during the policymaking process ensures that more ideas are generated and more people are involved in shaping the country's future. Saudi Arabia has built a framework where the government, workers, and employers can discuss labor market issues and policies.

For development to be sustainable, we must have policies that are balanced and fair in all regions of the country. Development in remote areas, for example, can be supported through partnerships that bring together the public and private sectors and other third parties.

In any workplace, disputes are inevitable. For our economy to grow, we must ensure that effective dispute prevention and resolution procedures are in place, and that legal and political mechanisms support sound and stable industrial and employment relations.



Pillar 6: Promote social harmony and cohesion

Our economy cannot thrive at the expense of the most vulnerable members of society. This pillar reflects the commitment to eliminate social issues that affect the vulnerable and encourage active participation in society. As part of these efforts, we must prevent domestic violence and guarantee that child protection laws are enforced, as well as protect gender equity.



The disabled may have physical or mental limitations, but they can still provide a valuable economic contribution. We will enable targeted beneficiaries to reach and maintain their optimal social functional levels and provide them with the tools they need to attain independence and self-determination.

Vulnerable groups must have the opportunity to be fully integrated into society, have access to the same opportunities as other citizens and be protected from discrimination.

Creating a more inclusive labor market requires proactive programs that discourage negative behaviors by improving safety measures and raising public awareness. We must prevent and eliminate social discrimination and any other form of exclusion or rejection by providing access to support services and counseling for victims of mistreatment.



Pillar 7: **Protect and support through social welfare**

This pillar is designed to provide protection and justice for families that form the foundation of a sustainable economy. Many families, for example, dream of owning a home. We will help families address their needs and support them through counseling, educational guidance and social financing in cooperation with other ministries.

The social welfare system must be modernized to make it more efficient, empowering and transparent in identifying people with disabilities, orphans, the elderly, women and the poor and matching them with the proper types of care. These disadvantaged people must be provided with benefits tailored to their needs that alleviate their economic circumstances and give them the ability to move from depending on government aid to becoming self-sufficient members of society.

As part of this effort, we will help raise the awareness of community members regarding human value and the right to live in a safe and healthy environment, especially for those who are more susceptible to violence, such as children and women. We will promote a rights-based culture for vulnerable groups, offer new programs to prevent domestic violence and work to strengthen families and their role in the community.

At the same time, we will reduce the government's role in social welfare by encouraging the private sector and non-profits to provide through public-private partnerships welfare services such as rehabilitation centers, daycare for children and home care for the elderly. Society at large also has a role to play. We must develop programs and initiatives that encourage a sense of social responsibility that focuses on helping the most vulnerable.



Pillar 8: **Improve society through social development**

A sustainable economy must provide the means for a sustainable society, which includes the development of family values, active citizenship and philanthropy. To achieve the goals of vision 2030, we will provide financial support to establish a network of non-profits that can provide a range of social services and support and assist them with their volunteer recruitment and community engagement.

We will fund diversification efforts to increase philanthropic activity so that these non-profits can fulfil their mission and we will encourage, preserve and manage endowments that ensure long-term sustainability.

Families are at the center of sustainable societies, and we will promote family values and cohesion by increasing the role and responsibilities of families, from child development to cultural contributions. As part of this effort, we will promote financial responsibility and a better awareness of financial needs.

We also will expand family advisor training services and raise awareness about the consequences of extramarital relations. In addition, we will establish protection centers for early intervention, community training and crisis management. Family affairs centers will provide families with psychological, social and economic support within a comprehensive family vision.

We want our citizens to participate actively in their society, and we will foster an environment that encourages volunteering and participation in local communities to build cohesiveness within neighborhoods.

A sustainable society is one that continues to grow and evolve, which means it must consider innovation. We will encourage the exchanging of ideas and values while at the same time integrating private capital with public and philanthropic support to develop novel solutions to social problems. ■



4.4 Delivering on our goals

SAUDI ARABIA HAS EMBRACED measures to raise expectations – and drive growth – within the country's labor market. Vision 2030 and the merging of the Ministry of Labor and Ministry of Social Affairs, described in earlier sections of this report, are just the first steps the country has taken to meet new global economic realities. Across regions, demographic groups and industries within the country, the task will now be focused on turning those plans into actions that will yield results. The following case studies provide detail on efforts to carry out the nation's labor market strategy. ■

4.4.1 Aligning labor market needs with education system

VISION 2030 FOCUSES on the need for collaboration among the Kingdom's ministries to align the labor market demands with the educational system. The first step in this process is to identify imbalances between workforce needs and the higher education degrees students receive.

To assess the employment demands of different professions, we drew statistics from the country's social services, training and education authorities. We then built a database that matches more than 1,000 occupations with about 60 core majors required for doing these jobs.

We found the number of students and graduates pursuing degrees in low-demand majors such as Islamic studies and translation far outnumber the available positions. On the other hand, the number of positions in technical and health-related fields such as nursing, exceed the number of students studying in these fields.

By identifying these imbalances, we can target professions most in need of trained workers and coordinate efforts to increase student enrollment in these degree programs.

For example, MLSD is working closely with the Ministry of Health to improve health care across the country while also increasing the attractiveness of nursing and medical support jobs among Saudi nationals.

Addressing the supply and demand imbalance in nursing requires meeting specific gender targets within the profession. The country must attract between 48,000 and 100,000 female and 11,000 to 22,000 male nurses by 2030. To replace half of the current female expatriate nurses with Saudis, the government must double the number of students in nursing programs. For male students, it would have to increase enrollment by 84 percent.

Currently, Saudi Arabia has about 70 nurses and related medical staff for every 100,000 people. The health ministry's goal is to increase that number to 150 by 2020.

In addition to addressing the imbalance in nursing, MLSD is working with other ministries to develop programs that eliminate similar imbalances in professions such as engineering, teaching, computer sciences, medicine, accounting and finance.

As part of these efforts, we are adjusting capacity, implementing common-core studies and supporting the expansion of private universities. By adding new training new training and boosting the attractiveness of certain professions we will create a more balanced labor market with greater participation by Saudis. ■



4.4.2 Creating a state-of-the-art occupational classification

THE ARAB STANDARD OCCUPATIONAL CLASSIFICATION (ASOC) is a single classification of occupations that covers both the public and private sectors in Saudi Arabia. The classification will help provide improved statistics on labor market activity for the government, employers and job seekers, as shown in [Exhibit 20](#).

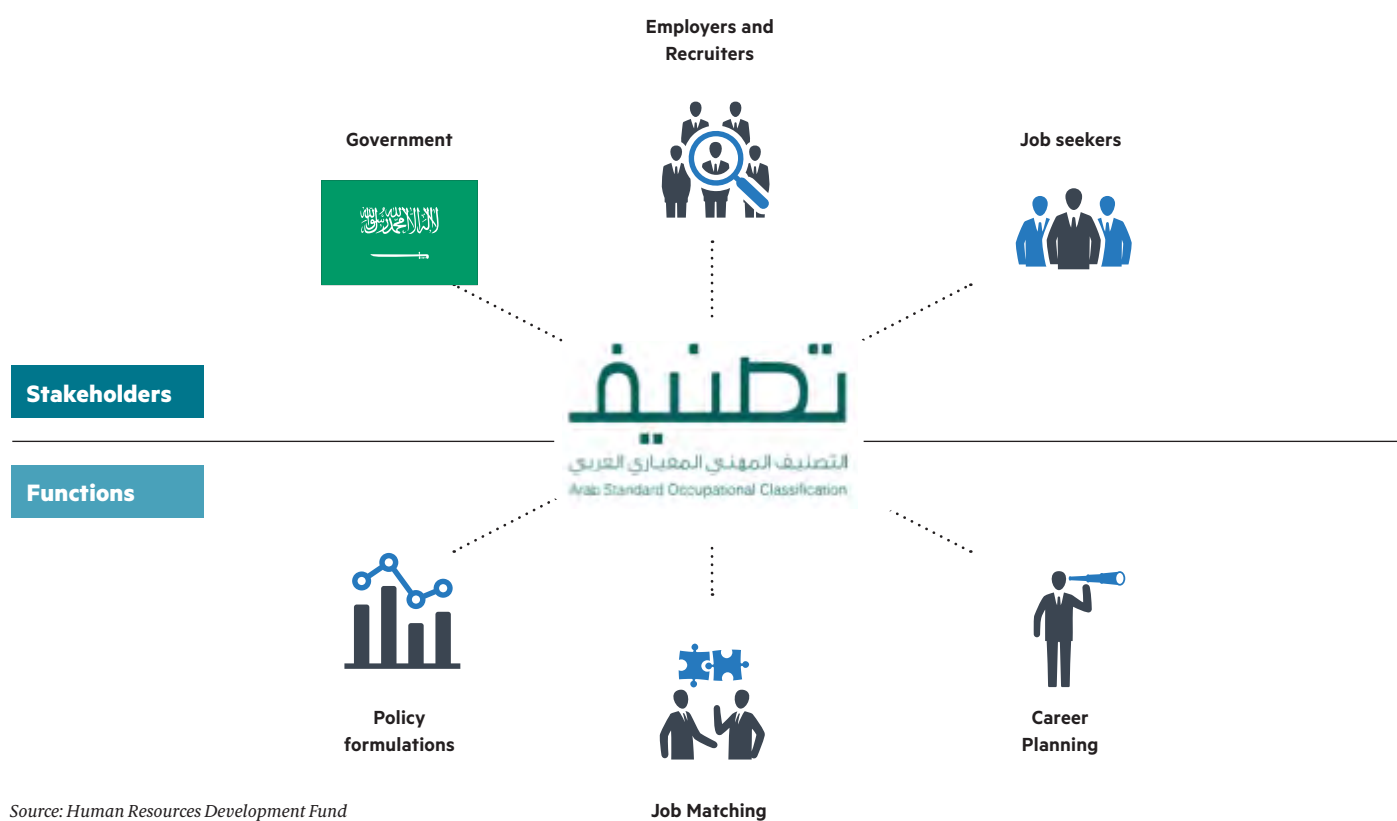
The origins of the classification date to 2014, with the announcement of plans to develop a classification in line with international standards and best practices. The classification will collect statistics on priority occupations and help mitigate imbalances in the labor market. For employers and recruiters, it will help improve matching and screening of job candidates and promote standardization of job descriptions. Meanwhile, job seekers will be able to switch more easily between the public and private sectors, and also discover additional job opportunities within an occupation.

To carry out these activities, the product will include five key elements. We will produce a directory of approximately 1,100 public and private sector occupations with detailed descriptions, skills and duties required for the positions. There will also be an index of job titles across occupations, with the most common job titles in the market.

A web portal will maintain and publish updates, with links to the Ministry, the General Organization for Social Insurance (GOSI) and the National Information Center (NIC). A web-based prediction engine will match company and institution job titles to ASOC occupations, and will be integrated into MLSD, GOSI and National Labor Gateway (NLG) portals. Finally, we will develop updates in conjunction with experts, communicate with users, and ensure consistency and integrity, by continuously adding, removing and updating occupations as needed. ■

Exhibit 20

ASOC is a single classification of occupations that covers both the public and private sectors in Saudi Arabia



Source: Human Resources Development Fund



4.4.3 Protecting the wages of private sector workers⁶

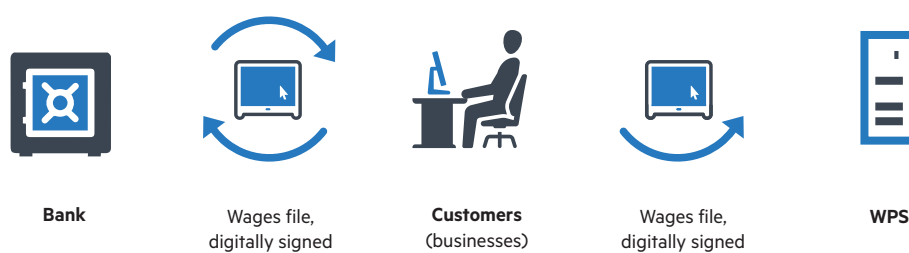
IN 2013, the Ministry of Labor and Social Development (MLSD) introduced a Wage Protection System (WPS) to increase transparency and enforcement of labor practices in the private sector. Among other functions, WPS tracks bank transfers of wages to ensure that transactions reported towards MLSD match actual figures transmitted to employees. An overview of WPS is shown in [Exhibit 21](#).

In essence, WPS ensures that all private sector workers, including foreign staff, receive the payment specified in their contracts. By enabling MLSD's inspection department to identify companies that do not honor their contractual obligations with employees or seek to evade these requirements through false contracts, the policy raises compliance with labor contracts and the national labor law. Furthermore, WPS allows the Ministry to build a comprehensive database of both Saudi and non-Saudi employee salary data for statistical analysis and thus allows for more targeted and efficient labor policies.

WPS was first rolled out for organizations employing more than 500 workers and will ultimately expand to cover the entire private sector. With the current threshold at 80 employees, approximately a quarter of all employees are enrolled in the system. Between July and December 2015, participation increased by 50 percent, bringing the number of employees benefiting from 2.7 million to 3.3 million. ■

⁶MLSD Analysis

Exhibit 21
Wage Protection System—process overview



Source: Ministry of Labor and Social Development



4.4.4 Unlocking the potential of remote work⁷

THE TELEWORK STRATEGY aims to create new opportunities for business process outsourcing (BPO) and workers who opt to telecommute. The BPO arrangements intend to create new job opportunities for qualified Saudis, while the flexibility of telecommuting options strives to generate opportunities for women and the disabled.

A focus on telework can increase new jobs in Saudi Arabia in a number of ways. A key objective is replacing jobs currently held by expats with Saudi employees working remotely. Achieving this will require training, market education and cultural fit. In addition, the focus on telework will provide new opportunities for job seekers who have restrictions preventing them from participating in the job market. Specifically, the telework program aims to increase female labor participation in the labor market, and generate opportunities in remote regions so they may enter the labor market. Telecommuting options can also create flexible working arrangements so workers can balance those duties with family responsibilities. Developing a telework market will also open new opportunities for disabled persons.

The government expects there will be about 380,000 Saudi graduates and unemployed job seekers who will be qualified for teleworking jobs by 2020. By that time, the government aims to have created 140,000 private-sector telecommuting jobs, both within BPO opportunities and telecommuting jobs. The goal is to assign 60 percent of those positions to women.

Assessments for “ideal candidate” requirements for BPO jobs will include computer skills, major and industry interest. While risks such as limited English proficiency and the costs required to train Saudis for mid- and high-level jobs pose risks to success within these initiatives, it is precisely in these areas that the Saudi government aims to create opportunity. Positions such as accounts payable, warehousing and data centers are among the complex operations requiring highly skilled talent in the BPO market. ■

⁷MLSD Analysis

4.4.5 Expanding employment opportunities with the Job Creation Employment Commission (JCEC)

IN RECENT YEARS, the Saudi Arabian government has identified sustainable, high-value job creation and productive participation of Saudi nationals as key goals for the country's labor market. Saudi Arabia's demographic changes add urgency to these aspirations. By 2020, we predict the country will need an additional 1.2 million jobs to meet the demand of new Saudi workers entering the market.

Amid these pressures, the government established the JCEC through Royal Decree to create jobs and combat unemployment among Saudi nationals. Among its tactics, the JCEC aims to address these problems through private sector employment, enhanced quality of positions and greater female participation. In addition, the JCEC's vision includes plans to spur youth employment and address regional unemployment disparities.

The JCEC intends to achieve its objectives through these four sets of activities:

- /// Assess the labor market to understand the job creation environment
- /// Lead initiatives for job creation
- /// Support the initiatives of other organizations and encourage the sharing of expert recommendations to business owners
- /// Operate with maximum efficiency to create value for stakeholders across ministries.

In the short term, the JCEC is focusing on telework and flexible work arrangements. These activities and others will allow the JCEC to fulfill its mandate by helping to define and shape labor market strategy and by maintaining important private-sector relationships. Through these areas of focus, the JCEC can help the Kingdom accelerate job creation, promote employment in diverse sectors and address regional unemployment disparities. ■



4.4.6 Raising the appeal of the private sector with the SME Authority

AS DESCRIBED EARLIER in the section on employment challenges, small and medium enterprises (SMEs) have not traditionally been a popular choice among Saudi workers. These enterprises currently make up only a fifth of all companies in Saudi Arabia, compared with about 50 percent for other developed markets. In addition, many investors and entrepreneurs have been deterred by the perception that regulations and incorporation policies are inefficient.

Seeing substantial opportunity for change, the government commissioned the SME Authority to monitor, support and advocate for SMEs. MLSD created the authority because we recognize that in a challenging economic environment, public sector companies cannot fully absorb expected labor influx of Saudi nationals. At the same time, we recognize that a robust SME sector has fueled many of the world's greatest economic success stories, creating examples around the world that Saudi Arabia can mirror.

The Authority has several key roles:

- /// Simplify processes by reviewing laws, regulations and processes and proposing amendments that make doing business easier
- /// Provide entrepreneurs access to education and training to increase their understanding of business practices and opportunities
- /// Support the creation, incubation and acceleration of SMEs
- /// Improve SMEs' access to capital and assist in attracting investment
- /// Spur SME growth by fostering the development of existing businesses
- /// Support SME innovation with incentives for new business practices and technology
- /// Provide access to government procurement by helping SMEs in bidding for government projects and tenders

In building the Saudi SME ecosystem, five building blocks must be evaluated: sector development, financing, capability and resources, the business environment, and

entrepreneurship culture. For youth in particular, culture has discouraged interest in the private sector. The relatively high pay and stable employment within the public sector has deterred many Saudis from entrepreneurial ventures, and the Kingdom has few role models or success stories to provide inspiration for others. In addition, interest in business education has been low — in 2014, only 27 percent of university graduates had enrolled in business-related studies.

The statistics demonstrate both the challenges and the opportunity to boost interest in entrepreneurship and elevate private-sector jobs to international standards. MLSA is collaborating with other government agencies and ministries to unlock the vast untapped potential within the private sector. ■





Ministry of Labor
and Social Development
Kingdom of Saudi Arabia

5 Outlook





Outlook

SAUDI ARABIA IS on the threshold of an economic transformation that will unlock the full potential of its competitive advantages. With the Vision 2030 plan, the country has a clear roadmap for fulfilling its goals and creating a sustainable future for the Kingdom.

The Ministry of Labor and Social Development has made significant investments in matching the demands of the workplace with the supply of skilled and educated workers. The full effect of these efforts will increase as additional programs are rolled out, expanded, and fine-tuned. In the future, when the goals of the labor policies are achieved, we will be able to trace them back to the eight pillars and the actions taken under the auspices of each one.

Looking to the future, Saudi Arabia is embracing a vision of a country in which young people are proficient in choosing their career paths and obtaining the relevant skills for competitive and fulfilling private sector jobs.

Our aim is to be a country in which women participate in the workforce at a much higher rate and the unemployment rate for women is lower. These efforts will be supported by legislation that champions women in the workplace, offers more overall encouragement for them to enter the job market, and provides the necessary skills.

With new policies that cause a shift in the skill level and mindset of Saudi nationals, we are committed to lowering the unemployment of Saudis and reducing the country's reliance on imported labor. We are also confident that, with the programs in place, the private sector will create more competitive and fulfilling jobs that will be attractive to Saudis.

The ministry's efforts will create a broader labor market, one that encourages participation not only of women and youth, but also of the disadvantaged. The efforts will be combined with public-private programs to expand and enhance the social safety net, creating an easier path into the work force and providing more efficient support for those who cannot work.

The success of MLSD's policies, of course, depend on their implementation. None of this will happen without sustained and concerted effort from the private sector, the Ministry and many other government entities, and the workers themselves. Much must be done in the short term to ensure these measures reach their full effect in the years to come.

We are confident that with sufficient engagement, continued energy and resolute focus, we can realize our goals of ensuring employment opportunities for Saudi labor, improve our social development initiatives and realize competitive advantages for the national economy. We relish the journey we are on and look forward to continued interaction, consultation, and collaboration with fellow G20 nations and international organizations.

Glossary of Terms

ASOC	Arab Standard Occupational Classification
BPO	Business process outsourcing
GaStat (CDSI)	Central Department of Statistics and Information
GAStat	General Authority for Statistics
GCC	Gulf Cooperation Council
GOSI	General Organization for Social Insurance
ILAD	International Labor Affairs Deputiship
IMF WEO	International Monetary Fund World Economic Outlook
JCEC	Job Creation and Employment Commission
MLSD	Ministry of Labor and Social Development
NEET	Not in education, employment or training
NLG	National Labor Gateway (TAQAT)
NTP	National Transformation Program
SAMA	Saudi Arabian Monetary Agency
SaudiNIC	National Information Center
SMEs	Small and medium-sized enterprises
WPS	Wage Protection System