

# Exploring Recent Saudi Human Capital Development Initiatives: An Evaluation

Deepanjana Varshney

HRM department, King Abdulaziz University, Jeddah, Saudi Arabia

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**Abstract** One of the major challenges of Saudi Arabia is an acute shortage of skilled and unskilled domestic work force. However, the country has been making intense efforts to address the human capital development challenges to match the needs of the labor market. This gradual transition from an oil-based to a knowledge-based economy calls for a radical increase in the country's human capital at a short span of time. This paper aims to analyze the recent initiatives in the human capital development of the country. Herein the labor force pattern has been evaluated in terms of its deployment according to the different demographic parameters over the period of time. The results of the study reveals an over-reliance on expatriate workforce, and oil and consequently there are serious efforts towards developing a knowledge-based economy and competent local workforce. Select discussion of cases of latest HRD programs highlight the salient goals, eventual proposals with future implications.

**Keywords** Competency, Human Capital, Labor, Saudi Arabia, Skill

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## 1. Introduction

[1] describes human capital as the distinct or a talented group of employees who enjoy enhanced high-end knowledge and expertise that will enable them to renewed tender and transform the organization's resources to the possibilities of practical levels of advanced process capabilities. Additionally, [2] has rightly focused on the significance of building human capital requirements, which consists of the creation of suitable environment, blend, scientific research, ingraining the concept of knowledge and the creation of a knowledge base.

According to [3], in high -income countries human capital constitutes 80 per cent of the total wealth and this huge amount of capital takes a long time to gather. Human capital does not simply spring out of newly built schools and universities. It is the result of a society-wide long- term process in which not only the formal education system but also families and workplaces play a major role. Along with cognitive ability, intrinsic motivation for learning and working, initiative, thrift, and perseverance determine how fast human capital accumulates in society.

## 2. Background

A study of the Saudi human capital context reveals severe challenges. In year 2014, Saudi population growth rate was 2.10% and Saudi's unemployment rate (>15 years) was 11.70% [4].

Ironically, it has been also found that the job market cannot cater to the demands and the unemployment rates have been mostly stagnant for last 2-3 years. The youth and the females are the most affected by unemployment where 59.2% of Saudis between the ages of 25 and 39 years have been unemployed followed by 35% of Saudis aged between 20 to 24 years .Apart from this, Saudi's with Academic and over are among the most unemployed section with 47.2%. These figures indeed remain a critical source of concern for the policy-makers [4].

Despite these numbers, the Kingdom was reported as one of the top 10 countries in world spending the most on education [5]. The average Saudi student's performance was found to be below the standard global performance. It has been estimated that over two thirds of students do not conform to the international standards [6].

In discussing the human capital aspects from the Saudi Arabian perspective, we would also like to point out that the country still has heavy dependence on its abundant oil reserves. Nevertheless, the kingdom's survival in the long-term is subject to its capacity to break away from the shackles of oil-reliance and develop a diversified knowledge-based economy. We witness in recent times that the policy-makers are concentrating the movement towards a knowledge-based economy, especially in the Ninth development plan. The key aspects of the Tenth Development Plan also reveal two major thrusts:

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\* Corresponding author:

facultydv@gmail.com (Deepanjana Varshney)

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diversification from the oil economy and the creation of jobs for the Saudi citizens. Although Saudi Arabia presents a highly closed and conservative context, it is a rapidly developing nation.

“International competitiveness is likely to ... impact significantly and possibly irrevocably on Saudi cultural traditions and religion norms” [7]. Many researchers such as [8], [9], and [7] noted that the Saudi government’s primary aim is to lessen the dependence on its oil industry that is predicted to come to an end in less than 100 years. Building a knowledge-based economy demands the competencies of a domestic workforce to tackle the employment problem. In recent years the school and higher education have been subjected to new measures however, there is a clear gap between policy and practice of policy-makers due to the strong tendency toward conservatism ([10]; [11]; [12]; [13]; [14]). The higher education sector in Saudi Arabia is facing many challenges including shortages of well- trained professors, a rising cost of education, and limited higher education infrastructure.

### 3. Initiatives

According to the Ninth Development Plan, a huge budget of \$195 billion was allocated for the educational reforms for 2010-2014, which amounted 50.6% of the total allocations of the development sectors. Simultaneously, the progress in terms of infrastructure, content development and faculty training and development were stupendous and in a way became an uphill task to examine the quality of efforts used into the initiatives [15]. In a way all major institutes, colleges and universities have established regulatory bodies to set the standards, implement quality assurance policies and measure the quality. There has been the deep-rooted realization by the policy-makers about the urgent collaboration of the public and the private bodies to endure effective results in the higher education and the employment scenarios. This definitely ensures a faster way of tracking down the needs in terms of research, resource development, forms of education, and related support services. Such a strategy will minimize the management load and enable the management to concentrate on core educational aspects and by outsourcing non-core education activities to the private sector [16].

**Table 1.** Labour Force and Employment Indicators

| Indicator              | 2004  | 2009  | 2014  | 2019   | 2024   | Average Annual Growth Rate (%) |
|------------------------|-------|-------|-------|--------|--------|--------------------------------|
| Total Labour Force *   | 7743  | 8588  | 9688  | 11446  | 13810  | 3                              |
| Saudi Labour Force*    | 3861  | 4329  | 5329  | 6486.2 | 7895.2 | 3.6                            |
| Total Employment*      | 7181  | 8173  | 9396  | 11221  | 13661  | 3.3                            |
| Expatriate Employment* | 3882  | 4259  | 4359  | 4959.5 | 5914.9 | 2.1                            |
| National Employment*   | 3298  | 3915  | 5037  | 6261.6 | 7745.8 | 4.4                            |
| Number of Unemployed*  | 562.6 | 414.4 | 291.6 | 224.6  | 149.5  | -6.4                           |
| Unemployment Rate (%)  | 14.6  | 9.6   | 5.5   | 3.5    | 1.9    |                                |
| Saudization Rate (%)   | 46.3  | 47.9  | 53.6  | 55.8   | 56.7   |                                |

\* Thousand workers, numbers and percentages are to the nearest decimal

Overall employment = Total labour force-Number of unemployed.

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

**Table 2.** Saudi Labour Force by Level of Education\*

| Description                  | Saudi Manpower (Thousand) |             |               |               |               | Average Annual Growth Rate (%) |
|------------------------------|---------------------------|-------------|---------------|---------------|---------------|--------------------------------|
|                              | 2004                      | 2009        | 2014          | 2019          | 2024          |                                |
| <b>National Labour Force</b> | <b>3860.8</b>             | <b>4329</b> | <b>5328.6</b> | <b>6486.2</b> | <b>7895.2</b> | <b>3.6</b>                     |
| Without Qualifications       | 426.3                     | 232.4       | 130.4         | 68            | 33.9          | -11.9                          |
| Primary Education            | 626.1                     | 459.5       | 340           | 233.6         | 153.6         | -6.8                           |
| Intermediate Education       | 699.7                     | 684.3       | 658           | 587.2         | 501.8         | -1.6                           |
| Secondary Education          | 851.9                     | 1296.9      | 2027          | 2940.6        | 4084.9        | 8.2                            |
| Sub- University Diploma      | 311.8                     | 408.1       | 479.2         | 522.4         | 545.3         | 2.8                            |
| University Education         | 945.1                     | 1247.8      | 1694          | 2134.5        | 2575.7        | 5.1                            |

\* Values and percentages are rounded to the nearest decimal.

Source: Ministry of Economy and planning.

**Table 3.** Indicators of the unemployed labor force

| Indicator Name                                | Value of the Index |             |             |             | Growth 2014 Vs 2013% |
|---|--------------------|-------------|-------------|-------------|----------------------|
|   | 2011               | 2012        | 2013        | 2014        |                      |
| <b>Unemployment of the labor force</b>        | <b>12.4</b>        | <b>12.1</b> | <b>11.8</b> | <b>11.8</b> | <b>-0.56</b>         |
| <b>Unemployment Rate for Citizens</b>         | <b>12.4</b>        | <b>12.1</b> | <b>11.8</b> | <b>11.8</b> | <b>-0.56</b>         |
| Male  | 7.4                | 6.5         | 6.2         | 5.9         | -4.48                |
| Female  | 33.4               | 34.8        | 34          | 33          | -2.89                |
| <b>Unemployed Saudis by educational level</b> |                    |             |             |             |                      |
| <b>Secondary</b>                              | <b>37.1</b>        | <b>30.1</b> | <b>33.9</b> | <b>35.2</b> | <b>3.81</b>          |
| Male  | 51.1               | 47.5        | 53.7        | 53.3        | -0.71                |
| Female  | 24                 | 17          | 19.5        | 23.3        | 19.16                |
| <b>Diploma</b>                                | <b>12.9</b>        | <b>11.3</b> | <b>9.5</b>  | <b>9.4</b>  | <b>-1.26</b>         |
| Male  | 15.9               | 16.3        | 14.3        | 13.3        | -7.19                |
| Female  | 10                 | 7.6         | 6.1         | 6.9         | 13.43                |
| <b>Academic and Over</b>                      | <b>37</b>          | <b>47.3</b> | <b>47.8</b> | <b>47.2</b> | <b>-1.23</b>         |
| Male  | 11                 | 13.6        | 15.2        | 18.6        | 21.88                |
| Female  | 61.4               | 72.9        | 71.5        | 66.1        | -7.52                |
| <b>Unemployed Saudis by Age</b>               |                    |             |             |             |                      |
| <b>20-24</b>                                  | <b>36</b>          | <b>35.5</b> | <b>37.2</b> | <b>35.1</b> | <b>-5.75</b>         |
| Male  | 44.3               | 45.2        | 38          | 44          | 15.83                |
| Female  | 28.2               | 28.2        | 39.1        | 29.2        | -25.31               |
| <b>25-39</b>                                  | <b>57</b>          | <b>60.1</b> | <b>57.9</b> | <b>59.2</b> | <b>2.19</b>          |
| Male  | 46.1               | 48.3        | 45.6        | 46.1        | 1.22                 |
| Female  | 67.2               | 69          | 66.8        | 67.8        | 1.4                  |
| <b>40-54</b>                                  | <b>1.4</b>         | <b>1.8</b>  | <b>1.5</b>  | <b>2.1</b>  | <b>37.42</b>         |
| Male  | 0.8                | 2.1         | 1.9         | 2.9         | 50.8                 |
| Female  | 2                  | 1.7         | 1.2         | 1.6         | 29.5                 |
| <b>55 Years and Over</b>                      | <b>0</b>           | <b>0</b>    | <b>0.1</b>  | <b>0.1</b>  | <b>93.55</b>         |
| Male  | 0                  | 0           | 0.1         | 0.2         | 143.94               |
| Female  | 0                  | 0           | 0.1         | 0           | -100                 |

Source : Human Resource Indices (Central Department of Statistics & Information)

A brief discussion of some of the key initiatives will provide insights into the inherent seriousness of the dominant leadership: in 2009, the King Fahd University of Petroleum and Minerals (KFUPM) had launched the research initiative called Aafaq (Horizons). The initiative is responsible for setting a long-term (25 years) plan to improve the quality of higher education. This project will conduct studies in varied areas namely, admission and capacity, labor market, cost, finance and infrastructure. The key objective has been to stimulate universities to provide more resources for research and development encourage scientific research. There is also the King Abdullah Scholarship Programme (KASP) which had been launched in 2005. The program had begun with a 5-year limit had been extended to the year 2020. This program is the largest scholarship program of the country and funds 125,000 Saudi students for undergraduate and graduate programs abroad. Furthermore, to improve the educational system of the country, Tatweer (also known as King Abdullah bin Abdul Aziz Al Saud Project) has been recently launched. It is

mainly an educational project to improve the educational standards of the students and prepare Saudis for the nation-building processes. Among the goals of the project is improving the educational environment and preparing to utilize information and communication technology (ICT) in education to stimulate learning. This is in order to achieve a higher level of efficiency in acquiring information and training, as well as strengthening personal and creative capabilities, developing skills and hobbies, satisfying psychological needs of students, and strengthening ideas as well as national and social relations through extra-curricular activities of various kinds.

Future vision and challenges ahead: The long-term term vision of Saudi Arabia has been etched in the socio-economic development plan. In fact the Eight Development Plan had reflected the first part of the implementation of the long-term strategy up to the year 2024. The Ninth Plan had represented the second phase. We would like to point out that the vision is based on the satisfactory economical progress over the years, namely, 6.2%, with their

share in real GDP growing from 51.1% at the beginning of the First Development Plan to 77.1% at the end of the Eighth Plan [17]. The policy-makers had well-realized much before that the growth of the non-oil sectors would eventually foster development and economic prosperity of the kingdom. There has been continuous thrust on education, training and development and healthcare for the past two decades, but still there exists considerable inequity between demand and supply between the outputs of the education and training system and the demands of the labour market. Unfortunately, this has resulted in structural unemployment among the Saudi citizens. In terms of the labour force and employment, the total labour force is forecasted to grow at an average annual rate of 3% increasing from about 7.74 million workers in 2004 to about 13.81 million in 2024. Saudi labour force is projected to increase at an average annual rate of 4.4% from 3.29 to 7.74 million workers. The table below illustrates the manpower projection:

Additionally, from the educational perspective, the number of university graduates has been estimated to grow at an average annual rate of 5.1% with their share in the labour force increasing from 24.5% to 32.6%. Also the number of secondary school graduates is expected to grow at an average annual rate of 8.2%.

#### 4. Suggestions

As discussed above the Saudi human resources (especially, the youths) should be continuously trained in the requisite skills. The kingdom has a significant young population who can be trained in the technical and vocational areas, as past results show that this has adequately reduced skill imbalances in the labour market. A solid educational foundation would be a strong support for enforcing effective Saudization programs. [18] had stated that the policy implications should concentrate on education, training, quality systems, telecommunications systems to promote SME-based employment growth ([9]; [18]; [19]; [20]; [21]).

The focus should be to develop the Saudis for high-skilled jobs. In doing so the organizations have to oversee professional collaborations between Saudis and the expatriates in the organizations. Hence instead of radically removing expatriate employees from the system, sufficient time should be devoted to take their professional support to hone the Saudi employees' skills and then phase them off with a good note.

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