



## **KINGDOM OF SAUDI ARABIA**

**Contribution to the  
2015 United Nations Economic and Social Council  
(ECOSOC)  
Integration Segment**

**2015: ECOSOC Integration Statement Questionnaire: Achieving sustainable development through employment creation and decent work for all.  
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***Kingdom of Saudi Arabia input to Integration Summit***

***How has your Government used labour market policies, including wage policies, to help reduce economic and social inequalities?***

The Ministry of Labor has introduced multiple labour market policies, including wage policies, to reduce inequalities. One of the major concerns for Saudi Arabia is to encourage the employment of Saudi Arabia nationals in the private sector since currently, a majority of Saudis work in the public sector. The Nitaqat program is in place to encourage companies to increase "Saudization". Each company is classified in bands depending on their compliance with nationalization requirements (e.g. the proportion of Saudis in the workforce): then companies classified in high bands are given privileges. In its 2nd Version, Nitaqat encourages companies to pay a minimum monthly salary of SR 3,000 to Saudis. New adjustments to the program are ongoing e.g. for disadvantaged groups.

Saudi Arabia has also introduced both a Wage Protection System (WPS) and a minimum wage in the public sector to reduce economic and social inequalities. The Wage Protection System (WPS) was introduced by the Ministry of Labor in 2013 to better regulate the labor practices of the private sector and prevent illegal practices. The system – currently covering companies who employ more than 300 workers – monitors the payment of wages to both Saudi and non-Saudi workers employed in the private sector, using bank-certified salary payment files verified through comparison with employee tax database. WPS is in the process of being rolled out, with the intention that it will eventually cover all companies in the private sector.

Saudi Arabia is also committed to minimum wages for workers in the private and public sector. The general minimum wage at the amount of 3000 SAR has already been introduced to the public sector in 2012. Furthermore, the social dialogue regarding "minimum wage in the private sector" started with participation from different social partners. Recent bi-lateral agreements have also established minimum wages for foreign workers in the private sector.

***How has your Government used monetary, fiscal and trade policies to create employment and promote decent work for all, while ensuring social inclusion and environmental protection? In particular, is the pursuing of full employment considered as a primary monetary policy objective by the Central Bank? Has your country experienced fiscal consolidation process in the recent years? If so, what has been the impact on employment and social protection in your country?***

The Ministry of Labor has calculated that 1.1 million job opportunities for Saudis are required to achieve significant progress in addressing the problem of unemployment which is now 11.74 per cent for 2014.

Saudi Arabia policies to increase employment are also directed at women to improve social inclusion and increase the low female participation rate. There are several programs running to address this. These programs range from analyzing individual sectors and engaging companies to identify appropriate jobs, through to providing practical assistance to women. One of the most important demand-side initiatives is the "Female employment in the retail sector" policy. Further measures include programs to provide or subsidize daycare facilities or transportation options. As a consequence of these and wider ministerial efforts in recent years, female participation has increased, but at a rate higher than the availability of jobs for females.

The Saudi Arabia Monetary Agency (SAMA) – the central bank, follows a regime of fixed exchange rate policy and free capital flows. Hence, SAMA doesn't conduct independent monetary policy and as such has no explicit employment mandate. However, SAMA has contributed to the labor transformation program in recent years through measures such as directing local banks to increase Saudization given its role regulating commercial banks and exchange dealers. The Human Resources Development Fund (HRDF), is the entity expressly set up to financially support the preparation of a national workforce. HRDF offers grants, shares in expenses of preparing and training the workforce, pays a percentage of salary of trainees hired by their firm, provides loans and conducts research related to the activities of preparing, training and employing the national workforce.

***What kind of trade-offs has your Government encountered in the promotion of full employment and decent work for all? What can be done to enhance synergies between respect to international labour standards and to environmental safeguards, productivity, competitiveness and economic growth?***

Full employment and decent work for all are key priorities for the government of Saudi Arabia. To achieve this goal Saudi Arabia has launched an ambitious labor market transformation program. One of the key trade-offs is the reliance on foreign workers; just over half of the labor force is foreign. Saudi Arabia is committed to build up the capacity of Saudi citizens and incentivize the private sector to recruit Saudis to shift more Saudis into the private sector and reduce reliance on foreign workers. A key part of this is to ensure that the jobs are attractive to Saudis, which includes investing in standards and safeguards, providing a good working environment that is more comparable to public sector work, and supporting workers with safety nets such as unemployment insurance. Decent work is considered a key enabler to achieve Saudization and increase productivity.

***Is youth employment a major issue in your country? What is the proportion of the youth labour force [aged between 15-24] that is unemployed in your country? Does your Government have specific programmes targeted at youth employment?***

Unemployment in Saudi Arabia is especially prevalent amongst youth and a significant proportion of young Saudis were classified as NEET (not in education, employment and training) in 2014. Consequently, addressing this challenge is a key focus of Saudi Arabia and a large number of programs are run to support the upskilling of the youth to better meet the needs of the private sector.

These programs include Colleges of Excellence, whose goal is to establishing 50 technical training institutes, over the next 10 years and On the job training, which promotes private sector employment as well as upskilling. The government is also developing career education programs that aims to provide a lifelong service and is already launched. In addition, Project Parallel offers online courses that teach and promote general employability skills.

Unemployment assistance is also in place for unemployed youth- Hafiz 1 was set up to help jobless Saudis between the age of 20 and 35, aligning with the significant challenge of youth unemployment. The program pays each participant a monthly financial assistance of SAR 2,000 for a period up to 12 months, conditional on participating in training and demonstrating a seriousness in looking for work. The second unemployment assistance (Hafiz 2, February 2014) followed the success of Hafiz for 20-35 year olds and provides a similar level of financial assistance to job seekers aged 35-60. Another program under the Hafiz umbrella aims at up-skilling job seekers and increasing their chances for employment. A further financial incentive encourages job seekers to move faster to sustainable employment. This incentive is paid to individuals either as a cash amount equal to their remaining financial benefit under the Hafiz program for securing a job early, or offers individuals a training voucher worth more than cash option.

***How is your Government addressing the challenges of education/skills and jobs mismatch in your country, especially in the context of the transition to a sustainable development? Does your country have successful initiatives that link education and training to the world of work?***

The government is addressing the challenges of education/skills and jobs mismatch on multiple fronts, from ensuring that education is designed to meet employer needs to providing experiential opportunities to lead to work. Saudi Skill Standards was established to help regulate technical and vocational education and ensure skills developed meet employers' expectations and that technical education institutions adhere to specific performance quality standards.

The Ministry of Labor also supports the transition from University to Employment through a variety of measures. Once operational, the key support measures available whilst at University will be Career Education and Project Parallel (both are projects currently in development). These are complemented by job matching agencies and career fairs. Career education provides learning experiences about career opportunities and what is needed to achieve career goals. Project parallel is an employment readiness program for young Saudis. It is designed to provide online pre-tests, e-learning modules and e-coaching during work experience/on-the-job trainings. The main program parts are general employability skills and specialized skills for different types of jobs. A career

readiness certificate is issued by the program which gives employers the confidence that the respective person is employable and brings the right skills.

Apprenticeship programs are an increasingly important element in the transition from education to employment. Saudi Arabia currently operates two programs – On-the-job training and Joint Training. On-the-job training for youths and other new employees in the private sector occurs in the workplace under a contract between the employer and trainee. Instruction is provided by a professional trainer or experienced employee. After completion of the pilot, full scale roll out should begin in 2015. Joint training programs last from two month to two years, with trainees spending 75 per cent of the time in the workplace and the rest in class or theoretical training.

***How has your Government mitigated the trade-offs between the environmental, economic and social dimensions? What kinds of investments have generated the greatest job potential while maintaining environmental sustainability?***

Although the Saudi Arabian economy is still highly dependent on oil exports, diversification into less extractive industries is a key priority, with a long-term non-oil export development strategy. Saudi Arabia is focused on economic diversification, improvement of productivity and competitiveness, and moving towards a knowledge-based society. It is worth noting that the kingdom has already realized important achievement in this regard, since non-oil exports have been raised from (31) billion Riyal in 2001 (4.5% of GDP) to 240 billion Riyal in 2013 (9% of GDP). The average share of non-oil exports as % of GDP is estimated to be 6.2% during the period 2010-2014. The new policy depends on the following mechanisms of implementation: Establishment of export-oriented industrial zones, expansion of bilateral and plurilateral FTA's to enhance non-oil exports, Adoption of short- and medium-term programs to promote productivity in the government and private sectors, Improvement of ports capacity and streamline the procedures and substantial implementation of the trade facilitation agreement, and Promotion of the role of the Saudi Export Development Authority.

***What kind of policy initiatives and approaches your Government have to facilitate the transition from informal to formal employment and to formalize and increase sustainability of small and micro enterprises, taking into account the economic, social and environmental dimensions of sustainable development?***

SMEs play a critical role in job creation, particularly in the less populous of Saudi Arabia's 13 regions, where large companies may be hindered by smaller potential markets. Consequently, the Ministry of Labor provides various support programs to new businesses and entrepreneurs. The Entrepreneurship Development Program is an example of this and aims at up skilling entrepreneurs to support the development of SMEs in Saudi Arabia. It supports those intending to start their own business and to create employment in a three week program. The primary focus is on helping business owners develop key business management and planning skills before starting their new business. The core elements of the program are: Feasibility Study, Financials & Accounting, Marketing, Legislation, Franchising; and Business Planning as hard skills. In addition to this the development of a personal skill set is a key element. The Ministry of Labor supports training costs for 3 to 5 weeks, not exceeding SAR 3000.

***What kind of institutional framework arrangements are in place in your country for the successful integration of the economic, social and environmental dimensions of sustainable development to facilitate decent work?***

The facilitation of decent work occurs through many informal and formal networks but Saudi Arabia is taking more active role, for example organizing joint preparation discussions and training for tripartite representation in the International Labour conference, holding social dialogue forums e.g. tripartite representation social dialogue forums.

***How do the civil society, trade unions and the private sector engage in promoting an integrated approach to employment creation and decent work for all?***

As mentioned above, the International Labour Conference and Social Dialogue Conferences are the key forums. In addition to that, the Ma3an platform was established last year to engage all members of the public directly into policymaking. Anyone in the public, including expatriate workers, small business owner, policy makers and others in civil society can comment on and vote for or against different policies. All new labor policies are posted for comment for 30-60 days with newspaper and social media advertisement to encourage participation. Citizen and expat involvement ensures that all perspectives are taken into account for the formation of policy.

***What can the ECOSOC system do to help countries boost economic growth in a sustainable way that creates employment and decent work for all?***

ECOSOC can support Saudi Arabia and other countries by providing best practices in developing non-commodity led export for economy diversification into more sustainable industries. ECOSOC's work to engage the private and public sector is much appreciated and information sharing, conferences and workshops support sustainable economic growth.