The Future of Work and Education in Saudi Arabia in Light of the G20 Policy Debate

Lama Khaiyat
Makio Yamada

July 30, 2019

Special Report
The Future of Work and Education in Saudi Arabia in Light of the G20 Policy Debate
Introduction

With the latest technological changes such as the fourth Industrial Revolution and a new wave of automation, the “future of work and education” has been a major point of discussion around the world. It was also one of the key items on the agenda of the G20, which took place in Japan this year and will be hosted by Saudi Arabia in 2020. The T20 (Think20), an intellectual backbone of the G20, has been running a task force dedicated to this issue, where thinkers and researchers from its member states meet to discuss ways to address challenges posed to individuals, businesses, and governments in the digital age. This year, the task force made a set of recommendations calling for social protection of new types of independent workers (referred to as “gig” or “platform” workers) and for skilling of the workforce, both in school and lifelong.

Saudi Arabia is no exception to this cataclysmic global economic shift that is likely to impact the current reform initiatives the country has been carrying out following the end of the second oil boom (2004–14). In 2016, the Saudi government disclosed Vision 2030 that aims to alleviate the country’s heavy dependence on oil. With the majority of the country’s 21 million citizens (excluding foreigners) being under the age of 30 and over 7 million currently in education, job creation and the employability of young people outside the public sector are of vital importance to the future of the country.

One of the urgent policy challenges is to achieve inclusive growth through the empowered private sector. While the unemployment rate among Saudi citizens stands at 12.5% (2019 Q1), the private sector currently employs less than 2 million out of the total over 5 million working.

---


(2) Gig workers refer to workers earning income outside the traditional, long-term employer-employee contract. They are also often called platform workers since, in many cases, online platforms are used to match the supply of and demand for such jobs.


(4) To some degree, the decline of oil prices reduced the rate of Saudi Arabia’s dependence on oil: while oil revenues accounted for 72.5% of the total state revenues in 2015, the proportion declined to 66% in 2019 Q1 (Saudi Arabian Monetary Agency, 52nd Annual Report, 2016, p. 28; “SR27.8bn Budget Surplus”, Saudi Gazette, 24 April 2019).


Saudis. Female unemployment is particularly high at 31.7%, in comparison with 6.6% among men. With social changes, Saudi women began driving legally in June 2018 and have been enjoying greater access to work. Today over 30% of the Saudi private sector workers (over half million) are female. Nevertheless, more women seeking to join the workforce rather than staying home can also raise the number of females who are counted as unemployed if job creation does not catch up.

Regarding automation, which has been raising a concern around the world over its effect of crowding humans out of the workplace, there has so far been a relatively relaxed attitude in Saudi society. Jobs that are most prone to automation are those that are low-skilled and repetitive; in the Saudi labor market, such jobs are currently heavily occupied by low-wage foreign labor, while Saudis tend to take managerial or administrative positions. Thus, in comparison with foreign workers, the extent to which the new wave of automation will take jobs away from Saudi employees is not expected to be high.

Nevertheless, it also means that the scope of the Saudi government’s current labor strategy of replacing foreign workers who occupy over three quarters of the private sector jobs — 6.7 million out of 8.4 million (2019 Q1) — will inevitably shrink if automation reduces the number of total jobs to be localized. The future Saudi workforce is also likely to face harder competition as global online platforms break geographic barriers: if the competitiveness of service providers in the Kingdom lags behind global standards, potential job opportunities for Saudi citizens would be reduced. What this indicates is that the Saudi government would be pressed to help create new jobs that have less potential to be automated than those currently existing in the labor market and to build a productive and competitive workforce.

Doing so will require equipping citizens with futuristic skills. The digital transformation necessitates the learning of new technical skills such as coding and social media communication. With the progress of their division of labor with robots, humans are, however, also likely to be required to have new sets of skills such as creativity, emotional intelligence, and capabilities to

(7) Ibid.
handle complex human interactions. Digital skills are increasingly understood not as narrow technical skills, but as multidimensional “socio-technical” skills that are conducive to problem-solving in the digital age.

What will the future of work and education in Saudi Arabia be like? This report will explore this matter by highlighting three issues in particular — opportunities created by the gig/platform economy for young people and women, the need for new social protection policies, and the search for new models of skilling — connecting the global knowledge emanating from the G20 policy debate with the local Saudi context.

1. Opportunities Created by the Gig/Platform Economy for Young People and Women

The emergence of “gigs” — work outside the traditional, long-term employer-employee contract — challenges us to re-imagine the idea of employment and future jobs in terms of how they would look and whether it is realistic and logical to set future jobs forecasts based on the default eight-hour work day, five days a week. The platform economy, an economy in which short-term labor demand and supply are matched through online platforms, provides new choices to both employers and employees. It poses the question to employers: “What tasks and jobs do not require an in-house presence and are more efficient to outsource as a ‘gig’?” It also poses the question to service providers and employees: “Do I need to commit to a full-time job? Am I better off working in a full-time job or a non-standard format?”

Certainly, non-standard work such as part-time, temporary, or self-employment is not a new phenomenon itself. However, new digital technologies and applications are allowing more freedom in where and when work is carried out. In many industrialized economies, the growth of the platform economy is resulting in a shift from formal employment to “gig work.” This results in expertise becoming accessible on a global scale and employers can seek the most competitive service provider through an online platform to perform a task. Such transactions can be a one-time transaction or turn into multiple ones as per employers’ needs and employees’ availability.

Who are, and will be, the main participants of the emerging gig/platform economy? Primarily, young people appear to be the main players. In G20 countries, the relationship between formality and age indicates a U-shaped profile: the informality rate is high at the beginning of the working life standing at 70.9%, decreases with age to reach a minimum of 33.2% among workers aged 35–54 years old, and then starts to increase again after 65, reaching rates as high as those of young people.\(^{11}\) Evidence suggests that young people tend to take gig work and non-standard formats of jobs as a way to gain skills while searching for optimal longer-term professions —

---

the process sometimes referred to as “job hopping.” Some of them start doing so while they are in education, making use of the flexibility in these jobs.

In Saudi Arabia, while most of their parents were employed in the public sector financed by oil income, the population growth has made it inevitable for today’s young citizens to seek jobs in the private sector. Nevertheless, the long segmentation of the labor market, where Saudis are absorbed into the public sector while the private sector is dominated by foreign workers, has resulted in Saudi citizens’ strong preference for government jobs, as surveys indicate that 64–80% of Saudis still prefer working in the public sector today.\(^{12}\) The availability of family support has also been enabling many young job-seekers to queue for public-sector jobs.

With the declining relative distributive capacity of the state and the need to nudge young citizens to settle on private sector jobs, the Saudi government has been in search for ways to make the private sector more attractive for young citizens, such as the provision of wage support for up to two years which was announced in January 2019.\(^{13}\) Gig/platform jobs, where one can work more flexibly and try out different work experiences without committing to a single profession, may help invite more young Saudis to, and allow them to develop a career in, the private sector. In fact, many young Saudis are already engaging in gig jobs: for instance, by August 2018, more than 200,000 Saudis had signed up to drive on Uber.\(^{14}\)

Women are also likely to be major players in the gig/platform economy. Most workers in the US participating in the platform economy are doing so in order to supplement income from other paid work and to balance family responsibilities which are still predominantly undertaken by women.\(^{15}\) Part-time work and platform jobs can be a suitable option for women who require flexibility such as new mothers. In the Saudi context, such jobs may also enable currently male-

---

\(^{12}\) "80% Saudis Prefer Govt Jobs", Arab News, 31 May 2016; “64% of Saudis Prefer to Work in Govt Sector”, Arab News, 2 August 2016.


dominated private firms to employ women more easily, without immediately worrying about the cost to develop parallel facilities for new female employees in their gender-separated office. Although the majority of the private firms in Saudi Arabia employ women today, integration costs are still posing barriers to greater female employment.16

2. The Need for New Social Protection Policies

As the number of gig/platform workers grows, providing them with sufficient social protection is looming as a new policy challenge.17 Governments need to update the existing policy and legal frameworks to include non-standard forms of employment. In the Saudi context, the issue of social protection also links with the attractiveness of these new private sector jobs to young citizens. In January 2016, the Saudi Ministry of Labor and Social Development took a step in formalizing these jobs by launching the Telework program which covers workers providing their services to employers “from a physical distance.” The new regulation under this program stipulates that teleworkers in the Saudi labor market are registered for social security programs administered by the General Organization for Social Insurance (GOSI).18 By the end of 2018, 5,469 Saudis had registered for the program: 98% of them were women.19

Such regulatory frameworks for non-standard workers will also help the government collect data on informal economic activities which have not always been captured through the previous survey methods.20 These data will serve as a basis for more informed labor and welfare policies. The regulatory frameworks need to be continuously updated through cooperation with communities of gig/platform workers. To correctly grasp these workers’ collective needs and concerns and reflect them in policy-making in an effective manner, some form of intermediary organizations representing the interests of these workers should be created,21 either within

---

19 “Distance Work Program: 64.5% Increase in Registered Saudis”, Saudi Gazette, 15 July 2019.
chambers of commerce or outside them as separate entities (similar to the General Authority for SMEs/Monsha’at for SMEs, for instance).

At the global level, there is a call for new forums for international coordination around labor force issues, such as minimum standards and essential obligations. It may be unrealistic to have a strict, enforceable set of global standards due to the discrepancies in income levels and socio-economic conditions across countries. However, some researchers argue that alternative, softer compliance instruments may be considered, such as international rating systems against which firms will be assessed, incentivizing them toward fair and equitable practice.22

In addition, as gig/platform workers begin to design careers by themselves, financial planning will be a key element of their wellbeing. These workers will be in need of digital financial literacy which will make them smart consumers who can effectively make use of financial technology (fintech).23 In the Saudi context, the promotion of financial planning is increasingly becoming a key government initiative aimed at promoting self-help and reducing the level of citizens’ reliance on public resources for the post-oil era.24 Gig/platform workers who need to be responsible for their own asset management should be targeted as one of the audiences of such an initiative.

3. The Search for New Models of Skilling

Finally, skilling the workforce to prepare them for future jobs remains an essential policy challenge. Helping citizens equip themselves with the right skills in the digital age is required to boost the operational efficiencies gained from automation and to create new jobs through economic growth.25 As a first step toward building a new skilling policy, the future distribution of jobs and skills required for these jobs need to be mapped. The prediction of future jobs

---

(25) The Research by PwC indicates that GDP could be up to 14% higher in 2030 as a result of AI alone (Bhushan Sethi, Justine Brown, and Jenna Jackson, “Delivering Workforce Productivity Growth”, T20 Japan 2019 Policy Brief, p. 2).
and skills is a knowledge-intensive process, often requiring detailed, sector-specific technical knowledge. Therefore, policymakers need to find ways to engage closely with the private sector, including those providing digital platforms and other forms of non-standard employment, to identify the future labor market requirements. This is also why data collection through the regulation and intermediary organizations mentioned above will be indispensable.

The second step will be to link private sector inputs to educational institutions so as to embed private sector requirements in school curricula. Indeed, everywhere in the world, the problem of skills mismatch between education and industry is becoming worse with the rapid digital transformation.26 Policymakers will need to adopt tools that allow for a quick feed of private sector needs to education and/or promote an effective division of labor in training the workforce between education and industry. In addition, with labor markets becoming ever more dynamic and mobile, the focus of education also needs to be placed on transferable skills such as digital literacy and communication skills rather than on sector-specific skills.

One example of industry-education skilling cooperation in Saudi Arabia is “strategic partnership” technical and vocational schools, in which companies directly engage in the development of curricula and the employment of graduates. While large companies such as state-owned enterprises (such as Saudi Aramco and Saudi Electricity Company), established large businesses (such as Al Hokair Group and ACWA Power), and foreign firms (such as Toyota and Mitsubishi) are currently their main partners,27 these schools should also establish linkages with SMEs, which tend to find difficulty in providing training on their own because of financial constraint and the fear of the trained employee being poached by their competitors.

The government will also have a role in encouraging lifelong learning. Reskilling can take place through targeted short courses, both offline and online. Anecdotal evidence suggests that online courses provided by private companies have already been becoming popular among Saudis, especially young people who find formal education is not enough for them to prepare

---


for the world of work.\textsuperscript{28} These days, to enhance the employability of young citizens, a variety of organizations other than the Ministry of Education also engage in the skilling effort, such as the Human Resources Development Fund, chambers of commerce, and the MiSK Foundation through their direct partnerships with businesses.\textsuperscript{29}

However, existing post-secondary educational institutions such as universities and technical and vocational schools can also provide courses for future skills, especially specialized ones that commercial entities may not cover. While universities are increasingly facing competition with non-traditional education service providers, the digital transformation also provides them with opportunities to attract larger public audiences through so-called MOOCs (massive open online courses).\textsuperscript{30} It also creates chances for technical and vocational training, which is usually not as popular as general education — not only in Saudi Arabia, but across G20 countries and the world\textsuperscript{31} — to play a greater role in digital societies through partaking in reskilling.

Finally, there is also a growing consensus that the skilling effort should focus on the empowerment of vulnerable segments of society to “leave no one behind.”\textsuperscript{32} While the magnitude of inequality in Saudi Arabia may not be as high as in other countries owing to its distributional state-society relationship (public education in the country is free of charge at all levels), there have been some domestic discrepancies, such as the urban-rural divide — some regions in the Kingdom such as Al-Jouf and Jazan have an unemployment rate nearly or more than double the national average.\textsuperscript{33} There is also a discrepancy between citizens who are globally-connected and enjoy opportunities to directly access global knowledge using English and those who are not. To widely promote skilling within the country’s culture, it will be important to make skilling opportunities available across regions and in the local Arabic language.

\textsuperscript{28} Mark C. Thompson, “How Do Young Saudis View Skills for Future Jobs?”, King Faisal Center for Research and Islamic Studies, 2019, pp. 12-13.
\textsuperscript{33} Kingdom of Saudi Arabia General Authority for Statistics, Labour Market First Quarter 2019.
Conclusion

Around the world, educators, employees, and policymakers are constantly questioning the future of work and education as they are aware that the disruption to the labor market caused by digitalization is inevitable. This disruption provides opportunities for policymakers and private sector players to tap into the potential of increasing both productivity and living standards. However, without appropriate regulations and efforts to bridge education and industry for skilling the workforce, workers’ displacement will be widespread, social inequality will grow, and citizens’ wellbeing will be threatened.

The future of work and education is an issue highly relevant to the current reform initiatives in Saudi Arabia that aim to make its economy less dependent on oil and on the distribution of oil income. On many points, Saudi Arabia shares opportunities and challenges facing other emerging economies. Just like many countries in Asia and Africa, it has a young population which can turn into a dividend if its potential is harnessed. It also faces a dilemma of pursuing conventional development strategies and establishing new digital ecosystems at the same time.34 While new technologies offer the country some chances to “leapfrog” depending on the effectiveness of human capital strategies,35 it also has to pay attention to how new technologies affect the ways the existing industries operate,36 such as plastics where machine-controlled molding and 3D printers are changing the way products are manufactured.

However, in other fields, the consequences of emerging technologies as well as the possibilities around non-standard forms of employment in Saudi Arabia may qualitatively differ from those in other countries,37 given the specificities of the Saudi labor market, such as its private sector’s historical reliance on low-wage foreign workers, the need to nudge young citizens to attain private sector jobs, and the high rate of female unemployment as well as the current high growth rate of female labor force participation. Such local developments sometimes require inductive, rather than deductive, analysis.

(35) Ibid., p. 8.
(36) Ibid., p. 6.
In this regard, Saudi Arabia hosting the G20 in 2020 will provide a rare opportunity for the country to learn lessons from global experience and also provide insights to the international body of knowledge on how countries with different contexts can cope with the challenges in the digital age. The world certainly shares similar horizons—countries are all in need of a new “Blueprint for Skills”. The general direction of solutions may be similar too, such as involving multiple stakeholders for public-private (education-industry) cooperation for skilling and establishing harmonious policy-making procedures cross-cutting relevant public entities. However, how such solutions are designed and implemented may substantively differ between countries, reflecting their own economic, social, political, and cultural contexts. Thus, systematic comparative studies are required to formulate effective, down-to-earth policy recommendations, and they can be done through the T20 which is evolving as a “case studies bank” of policy research at the G20.

(38) Sethi et al. “Delivering Workforce Productivity Growth”, p. 3.
King Faisal Center for Research and Islamic Studies (KFCRIS)

The KFCRIS is an independent non-governmental institution based in Riyadh, the Kingdom of Saudi Arabia. The Center was founded in 1403/1983 by the King Faisal Foundation (KFF) to preserve the legacy of the late King Faisal and to continue his mission of transmitting knowledge between the Kingdom and the world. The Center serves as a platform for research and Islamic Studies, bringing together researchers and research institutions from the Kingdom and across the world through conferences, workshops, and lectures, and through the production and publication of scholarly works, as well as the preservation of Islamic manuscripts.

The Center’s Research Department is home to a group of established and promising researchers who endeavor to produce in-depth analyses in various fields, ranging from Contemporary Political Thought, Political Economy, and Arabic Language to Saudi Studies, Maghreb Studies, and Asian Studies. The Center also hosts the Library which preserves invaluable Islamic manuscripts, the Al-Faisal Museum for Arab Islamic Art, the Al-Faisal Institute for Human Resources Development, the Darat Al-Faisal, and the Al-Faisal Cultural Press, which issues the Al-Faisal magazine and other key intellectual periodicals. For more information, please visit the Center’s website: www.kfcris.com/en