



## Battle against the Thawb Syndrome: Labor Nationalization, Industrial Diversification, and Education Reform in Saudi Arabia

*by Makio Yamada*

**T**he attitude of Saudi nationals towards private sector jobs was once termed the *Mudir Syndrome*. Coined by Daryl Champion in his paper “The Kingdom in Saudi Arabia: Elements of Instability in Stability” (1999), the term referred to Saudi nationals’ propensity to want only managerial positions in private firms—the Arabic word *mudir* means a “manager.” Saudi nationals considered that only managerial positions offered the authority, status, and respect equivalent to what they could gain from public sector employment.<sup>1</sup>

Now 16 years have passed since Champion’s paper, and the *Mudir Syndrome* has become an outdated concept. As a result of Saudi authorities’ continuous efforts to “Saudize” private sector jobs, especially through the *Nitaqat* policy introduced in 2011 which legally required private firms to employ national workers, around 1.5 million Saudi nationals work in the private sector today. This accounts for 15 percent of all private sector workers, many of whom hold non-managerial positions.<sup>2</sup>

Labor nationalization (called “Saudization,” or *sa’wada* in the Arabic language) in the Saudi private sector has witnessed a gradual but certain increase. However, what is salient today is the *unevenness* of the increase across types of jobs. For instance, no less than 97 percent of administrative jobs have already been filled by Saudi nationals.

While a handful of qualified national industrial workers find jobs at prestigious, well-paying, state-owned enterprises such as Saudi Aramco and SABIC, private industrial firms have had a hard time securing local human talent.

But the proportion of national workers among engineers is less than 10 percent.<sup>3</sup> For technical operations, Saudi private firms remain highly reliant on expatriate workers, and many of them are reportedly working under *tasattur*, or cover-up businesses (i.e. businesses which are registered with the names of Saudi nationals but in fact employ foreign workers).

According to one Saudi journalist: “more Saudis accept private sector jobs today, but they prefer jobs in which they wear *thawb* (a traditional Arab garment; called *dishdasha*, *kandura*, or *jalabiya* in other countries) and eschew those in which they have to wear uniforms—except for jobs in the security apparatus.”<sup>4</sup> Although the *Mudir Syndrome* is a thing of the past, the *Thawb Syndrome* continues to pose a challenge to the Saudi economy today, constraining its sustainable and inclusive development.

### Industrialization without industrial workers?

The *Thawb Syndrome* is especially problematic for industrial diversification, which Saudi authorities promote today to create job opportunities for young nationals. Based on the kingdom’s success in the development of the petrochemical industry in the past decades, the National Industrial Clusters Development Program (NICDP) is currently attempting to extend the production chain further downstream to labor-intensive manufacturing industries. The NICDP targets four sectors in particular: (1) automotive, (2) minerals and metals processing, (3) solar energy, and (4) plastics and packaging. The program aims to establish factories in these sectors by 2020 through attracting foreign investments.<sup>5</sup> Saudi authorities expect that private firms, especially small and medium-sized enterprises, will be the engines of this upcoming development.

Saudi Arabia today enjoys a demographic advantage for the development of these labor-intensive industries. The majority of the country’s 20.7 million national citizens (Central Department of Statistics and Information, 2013) are under the age of 30. However, the kingdom has so far failed in transforming this youth bulge into a pool of qualified industrial workers.

According to the World Bank, the kingdom has already achieved a 94 percent literacy rate.<sup>6</sup> It has also achieved an exceptionally high university enrolment rate—no less than 86 percent of high school graduates were enrolled in universities in 2013.<sup>7</sup> Nevertheless, the employability of young Saudi nationals for private sector jobs, especially technical and industrial ones, remains significantly compromised. As a result, over 35 percent of young nationals are reportedly unemployed, and the jobless rate among university graduates stands at 48 percent.<sup>8</sup>

While a handful of qualified national industrial workers find jobs at prestigious, well-paying, state-owned enterprises such as Saudi Aramco and SABIC, private industrial firms have had a hard time securing local human talent. For instance, one foreign-invested truck assembly plant in the kingdom has already achieved 30 percent Saudization, thus meeting the quota set by the *Nitaqat* labor nationalization policy. However, most national workers at the plant work in administration, leaving the production line largely to expatriate technicians from the Philippines.<sup>9</sup> Given that private firms are obliged by the *Nitaqat* policy to

meet certain Saudization quotas, the scarcity of qualified national industrial workers creates a structural constraint on increases in production.

This conundrum poses a barrier for the NICDP to attracting value-added foreign investment in the kingdom's emerging labor-intensive industries.

Why do Saudis avoid uniform-wearing technical jobs? There are competing hypotheses about the historical development of the attitude. Some assume that the attitude originates in the Bedouin culture in which manual labor was seen as *'aib*, or dishonorable.<sup>10</sup> Others testify to the fact that Saudis had in fact been happy to take up manual labor before the oil boom in the 1970s.<sup>11</sup> Such differences in views perhaps reflect the country's regional diversity. Regardless of the differences in the past, national technical workers were widely replaced by lower wage foreign workers throughout the kingdom after the oil boom. Technical workers came to be seen as having lower social status in association with their foreign nationality. Today, Saudi nationals fear falling into disadvantaged positions in their social relations by taking up technical jobs.<sup>12</sup>

### **Reforming the rentier society through education**

In addition to oil, another factor responsible for the persistence of the *Thawb Syndrome* is a delay in education reform which has resulted in a large number of young nationals neither prepared for, nor willing to take up private technical jobs. The mismatch between the skills taught in schools and those required in industry remains significant. For instance, while 19 percent of university graduates in 2011 studied humanities, and 17 percent Islamic Studies, only 5 percent studied engineering, and 4 percent mathematics.<sup>13</sup>

In recent years Saudi education authorities have attempted to empower industry-related studies by investing in infrastructure. For instance, modeled after Silicon Valley, several major Saudi universities are currently developing "techno-valleys" to which private firms, both foreign and domestic, are invited for strategic collaborative partnerships in education, research and development, and entrepreneurship. Likewise, the Ministry of Labor has attempted to revamp the kingdom's technical training programs, to which currently only 9 percent of high school graduates are absorbed (the OECD average is 41 percent in comparison).<sup>14</sup> A new type of technical college called "Colleges of Excellence" was launched in 2013. These colleges are run by foreign operators and their classes are all conducted in English. By emphasizing their international character, and the (hopefully) high employability of their graduates, they attempt to improve the image of technical studies among young nationals.<sup>15</sup>

However, the low popularity of industry-related studies at the tertiary level suggests that primary and secondary education must be targeted in reforms too. For universities and technical colleges to carry out advanced education conducive to industry, more students must be prepared and willing to take it up at the time of graduation from high school. The Ministry of Education is attempting to improve the quality of mathematics and science education in primary and secondary schools through large-scale teacher training programs.<sup>16</sup> Nevertheless, those schools should offer some form of basic technical education as well. What students at early stages are in need of are opportunities to use their hands and engage themselves in the act of engineering, through which they discover the joy of production and ways to apply their mathematical and scientific knowledge for practical use. Such experience then prepares them for more advanced

## II. Analysis

---

technical learning at the tertiary level. In order to make labor nationalization and industrial diversification compatible in the coming decades, the kingdom has to create a pool of “little engineers” today that nurtures from childhood a love of knowledge, skills, and *ziy muwahhad* (uniform).

*Makio Yamada is a Visiting Fellow at King Faisal Center for Research and Islamic Studies.*

---

- <sup>1</sup> Daryl Champion, “The Kingdom of Saudi Arabia: Elements of Instability within Stability,” *Middle East Review of International Affairs* 3, no. 4, (1999): 53.
- <sup>2</sup> Sultan Al-Sughair, “1.5 Million Saudis Now Work in Private Sector,” *Arab News*, August 11, 2014.
- <sup>3</sup> Sharif Taha, “Expatriate Workers Hold 86% of Private Sector Jobs,” *Arab News*, September 9, 2013.
- <sup>4</sup> Sultan A. Al-Mahdi (Saudi journalist), in discussion with the author, January 2013.
- <sup>5</sup> National Industrial Clusters Development Program, <http://www.ic.gov.sa/> [accessed 14 March 2015].
- <sup>6</sup> World Bank, Data, <http://data.worldbank.org/> [accessed 2 April 2015].
- <sup>7</sup> “Most High School Grads Enrolled in Universities,” *Arab News*, September 20, 2013.
- <sup>8</sup> Mohannad Sharawi, “Long Work Hours, Low Salaries Keep Saudis Away from Private Sector Jobs,” *Arab News*, March 1, 2014.
- <sup>9</sup> Former president of a truck assembly plant in Saudi Arabia (anonymous), interview by author, June 2014.
- <sup>10</sup> Monte Palmer, Ibrahim Fahd Alghofaily, and Saud Mohammed Alnimir, “The Behavioral Correlates of Rentier Economies: A Case Study of Saudi Arabia,” in *The Arabian Peninsula: Zone of Ferment*, ed. Robert W. Stookey (Stanford: Hoover Institution Press, 1984), 20.
- <sup>11</sup> Abdulhady Taher, *Petroleum, Gas, and Development Strategies of Saudi Arabia* (London: Saqi Books, 2011), 164.
- <sup>12</sup> Mohamed A. Ramady, “Gulf Unemployment and Government Policies: Prospects for the Saudi Labour Quota or Nitaqat System,” *International Journal of Economics and Business Research* 5, no. 4 (2013): 476-498.
- <sup>13</sup> “Only 5 Percent Saudis Study Engineering,” *Arab News*, April 6, 2014.
- <sup>14</sup> John Sfakianakis, “Why Technical and Vocational Training is an Urgent Need for KSA’s Future,” *Arab News*, June 19, 2014.
- <sup>15</sup> Abdulaziz S. Al-Amr, General Manager, Directorate General for International Cooperation, Technical and Vocational Training Cooperation, interview by author, May 2014.
- <sup>16</sup> Galal Fakkar, “100,000 Math, Science Teachers to be Trained,” *Arab News*, November 29, 2014.