

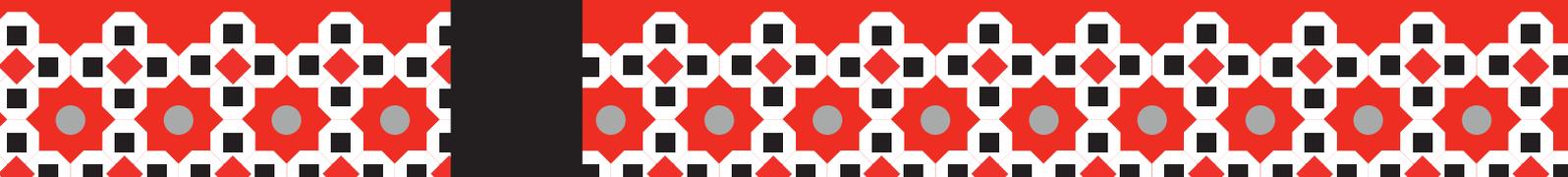


Building the talent

pipeline in

Saudi Arabia

السعودية



Building the talent pipeline in Saudi Arabia

A City & Guilds Group research project

Introduction	06
Executive summary	08
Survey findings:	
Workforce demographics	12
Abunayyan Holding <small>(CASE STUDY)</small>	14
Recruiting staff	18
Aon Hewitt <small>(CASE STUDY)</small>	22
Pepsi Cola Bugshan <small>(CASE STUDY)</small>	26
Developing the workforce	30
Saudi Telecom <small>(CASE STUDY)</small>	32
KAPSARC <small>(CASE STUDY)</small>	38
THIQAH <small>(CASE STUDY)</small>	42
Employment trends	44
Nesma & Partners <small>(CASE STUDY)</small>	46
Conclusion	50
About the survey	51

Foreword

Saudi Arabia's Vision 2030 outlines its Government's strategy for diversifying the economy to boost opportunities and productivity. Potentially transformational for businesses and individuals alike, there is one vital piece of the puzzle missing: skills.

When we spoke to Saudi employers about their views on skills development, what became clear is that employers recognise the importance of a highly-skilled workforce - yet over half (53%) struggle to recruit and retain staff. Technical and job-specific skills were the hardest to find (65%), followed by leadership skills (62%). And 80% of businesses recruit a mixture of national and expatriate workers, often relying on expats to fill such skills gaps.

It's no surprise then, that Vision 2030 has a commitment to developing the national workforce. In fact, 86% of the employers we spoke to expected to rely less on expat talent in the future. But for this to become a reality, the education and training system must meet employers' needs.

'Vocational education and training provides the skills employers desperately need'



So what does that mean in practice? First, it means bridging the gap between education and employment - encouraging employers to work with education providers to develop high-quality technical education, and curricula that is fit for purpose.

Second, it means challenging the perception of higher education as the best route to a career, and embracing alternatives - particularly as 82% identified a disconnect between what is taught in higher education, and what employers look for in new recruits.

Vocational education and training on the other hand, provides the work-ready skills employers desperately need. The focus on improving vocational education provision through the Colleges of Excellence - a programme the City & Guilds Group supports - is encouraging. Yet when asked how well they perceived it, employers scored it just 4.9 out of 10.

Finally, it means exploring global industry skills standards. We live in a global workplace, so Saudi Arabia needs to both attract and export top talent. In fact, 73% said that a global standard would help with recruitment. Governments and employers will need to work together to make it a reality, but if skills can be recognised and verified internationally, it gives employers confidence when recruiting, while supporting positive migration.

Vision 2030 is a brilliant opportunity for the Kingdom. But to be successful, it must be underpinned by an effective, outward-looking education and skills system.

Chris Jones, Chief Executive, City & Guilds Group
www.cityandguildsgroup.com

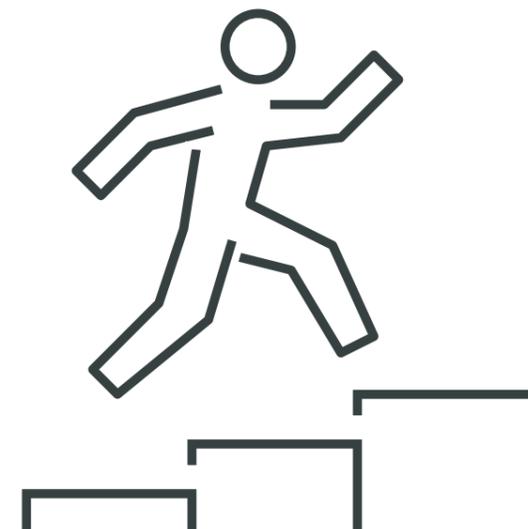
Building the talent pipeline in Saudi Arabia

‘Successful, sustainable economies require a consistent pipeline of productive workers, equipped with the right skills and capabilities’

The appetite for growth is huge

73%

of KSA employers expect their businesses to grow in the next 5 years



86% anticipate reducing expat employee numbers

But skills are challenging to find

The skills businesses believe are most difficult to find are:



65%

Technical skills



62%

Leadership skills



35%

Soft skills



29%

Strategic insight/ planning skills



24%

Communication skills



12%

Customer service skills



There is a mismatch between the outputs of higher education & the requirements of the job market, say **82% of respondents**

Employers want to know more about vocational and on the job training



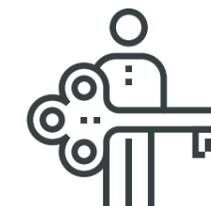
52%

employers offer dedicated career development programmes for all workers



83%

would consider implementing vocational training



49%

want to build relationships with vocational training providers



Introduction

In Vision 2030, the Kingdom of Saudi Arabia's (KSA) ambitious roadmap for economic and developmental action, Mohammad bin Salman, Deputy Crown Prince and Chairman of the Council of Economic Affairs, sets out commitments to enable KSA to become a 'global investment powerhouse' and a hub that connects Asia, Europe and Africa.

Plans to diversify the economy away from oil encompass multiple sectors and involve the significant improvement of digital infrastructure. To achieve its demanding goals, the Kingdom will need to develop an efficient and cost-effective workforce, across industries, addressing the current mismatch between demand and supply: successful, sustainable economies require a

consistent pipeline of productive workers, equipped with the right skills and capabilities. The strong emphasis on nationalisation under the vision and Nitaqat programme (increasing the number of Saudi nationals employed by the private sector), and the desire to invest in local people, means the skills and productivity of migrant workers are under review like never before. However, there is acknowledgement that skilled migrant labour will still be required to supplement the national workforce.

To this end, the Vision commits to supporting multi-faceted education to 'close the gap between the outputs of higher education and the requirements of the job market' and pledges to 'expand vocational training in order

What did we want to find out?

We surveyed Saudi employers, using both quantitative and qualitative methods, gaining insights from senior HR professionals in order to ascertain:

- current workforce demographics
- recruitment techniques and priorities
- skills required and skills gaps
- development and training methods
- trends affecting the employment landscape in KSA.

to drive forward economic development', while 'facilitating transition between different educational pathways'.

The opportunity is to equip nationals and potential migrant workers with the right skills and capabilities to fulfil required roles, via the most appropriate education and training methods, and to provide ongoing development.

As the Vision makes clear: 'A thriving economy provides opportunities for all by building an education system aligned with market needs and creating economic opportunities for the entrepreneur, the small enterprise as well as the large corporation.'

Executive summary

Launched in April 2016, Vision 2030 is the Kingdom of Saudi Arabia's (KSA) blueprint for a thriving economy, pledging to 'build a culture that rewards determination, provides opportunities for all and helps everyone acquire the necessary skills to achieve their personal goals'.

Through it, Deputy Crown Prince and Chairman of the Council of Economic Affairs, Mohammad bin Salman, sets out his far-reaching plan for diversifying the Kingdom's economy away from oil and creating 'an investment powerhouse and hub connecting three continents'.

Despite pressures on the public purse, the focus is on growth, opportunity and nationalisation, harnessing the potential of Saudi nationals: half of the Kingdom's

population is under the age of 25 and more than 50% of university graduates are female. There is also a desire to promote the growth of small and medium-sized enterprises.

Against this backdrop, organisations of all sizes in KSA are having to rethink the demographics of their workforce, and identify skills gaps undermining progress, factoring in disruptors in the form of globalisation, automation, digitisation and artificial intelligence. Inevitably, the skills and productivity of migrant workers are under increasing scrutiny, particularly in light of the new (mawzoon) balanced Nitaqat programme, which came into force on 11 December 2016, introducing revised labour quotas and incentives designed to reduce unemployment among nationals.

'Half of the Kingdom's population is under the age of 25 and more than 50% of university graduates are female'

Fuelling growth



To enable the fruition of Vision 2030, employers require a stable workforce, equipped with the right skills and capabilities, and a resilient talent pipeline: the findings of our survey of senior HR professionals in KSA reveal that just under three-quarters (73%) expect their business to grow over the next five years – 42% moderately and 30% significantly – while 18.8% expect it to stay the same. Participants came from a range of sectors and industries, and from organisations of varying sizes.

The nationalising influence of Vision 2030 – and the Nitaqat programme – on recruitment strategies are clear: 81% of respondents would like to increase the number of nationals employed in their business.

However, 80% of employers are still recruiting a mix of national and migrant workers (Western and non-Western). 43% have taken on 75% national talent vs 25% expat talent in recent recruitment exercises; 23% have taken on 75% expats vs 25% nationals, while 15% have taken on expats and nationals equally. Only 13% of employers recruited nationals only, and just 8% expats only.

Although workers come from a broad range of countries, most migrant talent is recruited from India (68%), the UK/Europe (49%), Pakistan (34%) and the US (32%).

Despite its focus on Saudisation, Vision 2030 acknowledges that skilled expats will be needed to supplement national workers: 'Achieving our desired rate of economic growth will require an environment that attracts the necessary skills and capabilities both from within the Kingdom and beyond our national borders,' it states.

Recruitment challenges



When recruiting, employers assess candidates' skills via CV screening, competency-based interview and by considering qualifications. Most employers are confident that expats' certificates/methods of skills recognition gained outside the KSA are an accurate representation of their skills: a mere 3% believe them to be an inaccurate measure, while 18% 'don't know'.

With or without a supply of Western and non-Western migrant workers, it is challenging to recruit the right candidates for certain roles and areas. The skills most difficult to find right now are technical/job-specific skills (according to 65% of respondents); leadership skills (62%); soft skills (35%); strategic insight and planning (29%); communication skills (24%); IT skills (18%); and customer service skills (12%).

The 'importance of filling skills gaps when it comes to meeting the broader goals/ambitions of the business' is rated highly by employers in our survey. The absence of vital skills is impacting negatively on many businesses, making more than half of organisations less productive and forcing more than a third to rely heavily on expensive consultants and outsourcing. Perhaps most worryingly, the gap in leadership skills results in a lack of strong leadership within more than a third of businesses.

Most migrant talent is recruited from India

Vocational training



Given the specified need for technical/job-specific skills, leadership skills and soft skills, among others, and the mismatch between education and employers' needs, vocational training could be a significant tool in developing a workforce fit to implement Vision 2030.

Vocational education and training prepares individuals with practical, work-based skills, directed at a particular occupation (compared to academic, knowledge-based skills). It is typically delivered through colleges and training providers, or through training programmes offered by employers.

An overwhelming 83% of survey respondents say they would consider implementing vocational qualifications/training into their skills development plans. However, this figure might be higher with improved awareness: a fifth (21%) of respondents admit they are not aware of it, while its image could be improved. Almost half (49%) of employers would like to build stronger relationships with vocational training providers, as well as schools, universities and recruitment agencies.

While vocational training could equip both nationals and migrant workers with the practical skills required by employers, consistency would be enhanced by an international skills qualification/certification common to different nationalities, or a global standard for skills within industries. A significant 73% of employers said this would aid recruitment, while 15% admitted they 'didn't know', which suggests that they retain an open mind on this issue.

Our finding is that, to nurture that talent pipeline, and develop an efficient and cost-effective workforce, across industries and sectors, employers in KSA are open to using a blend of training and education to gain missing skills and develop a consistent pipeline of productive workers, equipped with the right capabilities for the challenges and opportunities of Vision 2030.

Matching skills to needs



The mismatch between 'the outputs of higher education and the requirements of the job market', is highlighted in Vision 2030 and perceived by 82% of our survey respondents. While employers broadly believe that nationals, Western expats and non-Western migrant workers are suitably prepared for the workplace, the acknowledged lack of skills means upskilling and career development is essential.

To this end, 52% of employers in KSA offer dedicated career development programmes for all members of their current workforce; 39% for nationals only; 86% believing that having specific career development opportunities/programmes helps employees to be more engaged.

Almost two-thirds (64%) of employers in KSA have the budget to upskill employees, while 18% do not, but would like to – with an inevitable focus on training nationals and young people, in particular. There is also a desire to upskill leaders/managers and women, but budget is also allocated to non-Western and Western expats. Employers indicate that there is room for improvement in terms of aligning learning and development to business, recruitment and talent strategies.

83%

say they would consider implementing vocational qualifications into their skills development plans

SURVEY FINDINGS

Workforce demographics

'Migrants make up 56% of the Saudi workforce'

Who are Saudi employers recruiting?

Figures from the IMF, published in 2013 showed that migrants made up 56% of the Saudi workforce. This compares with 17% migrant workers in the UK (according to Oxford University) and 17% in the USA (US Department of Labor). To gain a picture of the current make up of the workforce in KSA, we asked employers to state the ratio of national talent to expatriate talent, in terms of new recruits within their organisation. While there is a trend towards nationalisation, the workforce remains a blend of migrant and national workers, with the former coming from a range of different countries.

The vast majority of employers (80%) are recruiting a mix of nationals and migrant workers, 43% of whom have taken on 75% national talent vs 25% expat talent in recent recruitment exercises. The precise opposite is true of more than a fifth of respondents (23%), who recruited 75% expats to 25% nationals, while 15% have taken on expats and nationals equally. Only 13% of employers recruited nationals only, and just 8% expats only.

Saeed Al Mabrouk

Head of Strategic HR, Abunayyan Holding



At Abunayyan Holding, we made the decision a couple of years ago to stop using recruitment agencies. We only use social and employer branding in our recruitment strategies, with our main hiring channels being LinkedIn,

Facebook and our own careers website (Mostaqbaly.abunayyanholding.com). Cutting our use of agencies has saved us almost USD\$700,000 a year.

When I joined the company, we had just 500 followers on LinkedIn. Now, through a combination of customer engagement, employer branding and headhunting, we have more than 35,000 followers. This allows us to leverage our brand when looking for new recruits, which we do through posting jobs and allowing users to send CVs to us directly. We have even managed to headhunt a CEO (Abunayyan Holding has 14 CEOs throughout the group) for one of our companies through social media.

Using LinkedIn allows us to build our talent database, by continuously adding potential hires we find through their profiles. We also receive thousands of applications each month through Mostaqbaly, which is mobile friendly and offers a seamless applicant experience. The software that powers it automates the hiring process and tracks every applicant, providing us with reporting and data analysis. All this means we can be proactive rather than reactive when positions arise within our organisation.

The first thing we look for once we spot a good profile is attitude. The behaviour of a candidate is more important than his or her experience. You can teach someone, but it's very hard to change someone's attitude. So, after we screen CVs, the first thing we'll do is invite them for interview to check whether they'll fit our culture. If we like what we see, we'll invite them for a psychometric assessment, before sending successful applicants for a technical interview with a hiring manager.

CASE STUDY

Abunayyan Holding

5,000 employees across Saudi Arabia, the Middle East and North Africa

New recruitment strategies in Saudi Arabia

'We only use social and employer branding in our recruitment strategies'

Nationalisation

We treat everyone equally, so we have just one scheme, one policy and one salary grade, regardless of whether we hire a Saudi national or an expat. This goes for our expat recruitment too. My recruitment team and I travel to the destinations we're hiring from ourselves to place adverts and do interviews. We hire directly, even for expats.

Nevertheless, we would like to hire more Saudi nationals. However, the market is challenging and there is a war for talent. When I see the CVs of many Saudis, I often see that they don't stay for more than a year or two in a role, which makes them a risky hire for us. At the same time, the new generation is very demanding: they want a nice office, in a company with a good reputation and particular working hours. Those graduating from local universities generally prefer to work in government jobs, which offer a more relaxed environment but a slightly lower salary. We prefer to hire nationals who graduate from foreign universities, but even then, retention is an issue.

The future

Vision 2030 will be a huge issue for us. Most of our projects are with the Government, but funding cuts mean more opportunities are going to foreign investors. We're trying to take action now, such as restructuring the company and making new hires. Changes to the nitaqat system made in 2016 will also have an impact. Instead of just numbers, nitaqat is now based on:

- the overall Saudisation percentage
- the average salary of Saudi employees
- the percentage of Saudi female employees
- the length of service of Saudi employees
- the percentage of Saudi salaries.

This will make it harder to hire good nationals, as competition will grow. I think talent professionals in the region will need to focus more on long-term strategies and hire talented nationals for senior positions, not just blue-collar jobs. We must focus more on succession planning – it's something that is absolutely not present in Saudi Arabia. Finally, we must work together to improve the education system. Local schools offer very low-quality education, which makes it difficult to find graduates with both the right education and right mentality. We must improve our skills base.



From where?

When it comes to the nationalities of expatriate talent, 68% of employers said they recruited most of their staff from India; 49% from the UK/Europe, 34% from Pakistan, 32% from the US, 29% from Egypt, 20% from Jordan, 17% from the Philippines, 12% from Australasia and the same from Turkey.

In addition, 10% recruited from the Sudan, 7% from Bangladesh, 5% from Sri Lanka and the same number from both Syria and Palestine. A total of 2% of recruits came from Yemen and the same number from Indonesia, while 12% of employers mostly recruited from other countries.

Unsurprisingly, given the strong emphasis on Saudisation in government policy and related incentives and penalties, 81% of respondents

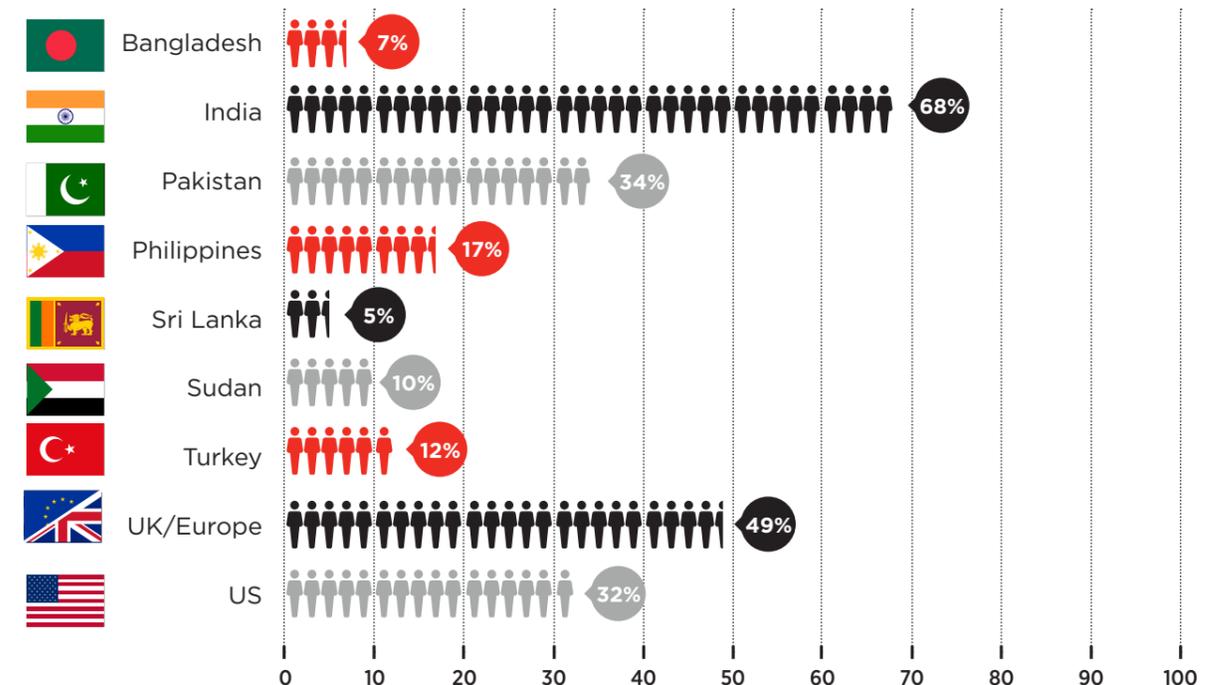
would like to increase the number of nationals employed in their business.

Why do people currently leave jobs?

The most common reason for staff to leave is that they are 'moving elsewhere' (58%), followed by 'contracts ending' and 'lack of career opportunities' (both 10%); 'insufficient pay/rewards' (8%); and 'lack of job security' (3%). Other reasons were cited by 13% of survey participants. Additional comments highlighted 'high competition' as a contributory factor.

Benefits mentioned that help retain (and attract) staff include reward and recognition schemes, cultural and wellbeing programmes (some involving flexible working) and positive use of social media.

Nationalities of expat talent in Saudi Arabia



SURVEY FINDINGS

Recruiting staff

‘People have the skills, the challenge is convincing nationals to work in sectors which are not traditional to our culture’

Assessing candidates’ skills

The majority (83%) of employers assess the skills of potential employees before hiring them, while 8% do not, but would like to. Methods used to assess applicants’ skills involve CV screening for 77% of Western expats and the same percentage of nationals, and 76% of non-Western expats. A competency-based interview is conducted with 91% of Western expats, 89% of national workers and 67% of non-Western expats. Qualifications are looked at for 63% of Western expat candidates, 69% of nationals and 64% of non-Western expats.

Where expat recruits have received skills training in their country, their certificates/ methods of skills recognition are considered an accurate representation of their skills by 79% of employers, but a fifth (21%) are less certain: 3% of employees feel they are an inaccurate measure, while 18% ‘don’t know’.

Current skills gaps

More than half (53%) of Saudi employers admit there are roles/areas of business in which they have difficulty recruiting and retaining staff. Skills most difficult to find right now are technical/job-specific skills (65%); leadership skills (62%); soft skills (35%); strategic insight and planning (29%); communication skills (24%); IT skills (18%); and customer service skills (12%).

However, one respondent commented that the issue for many national workers revolves around attitude rather than skills: 'People have the skills, the challenge is convincing the nationals to work in the service sector which is not part of their culture or how they have been brought up,' they said. 'It is a different mindset.'

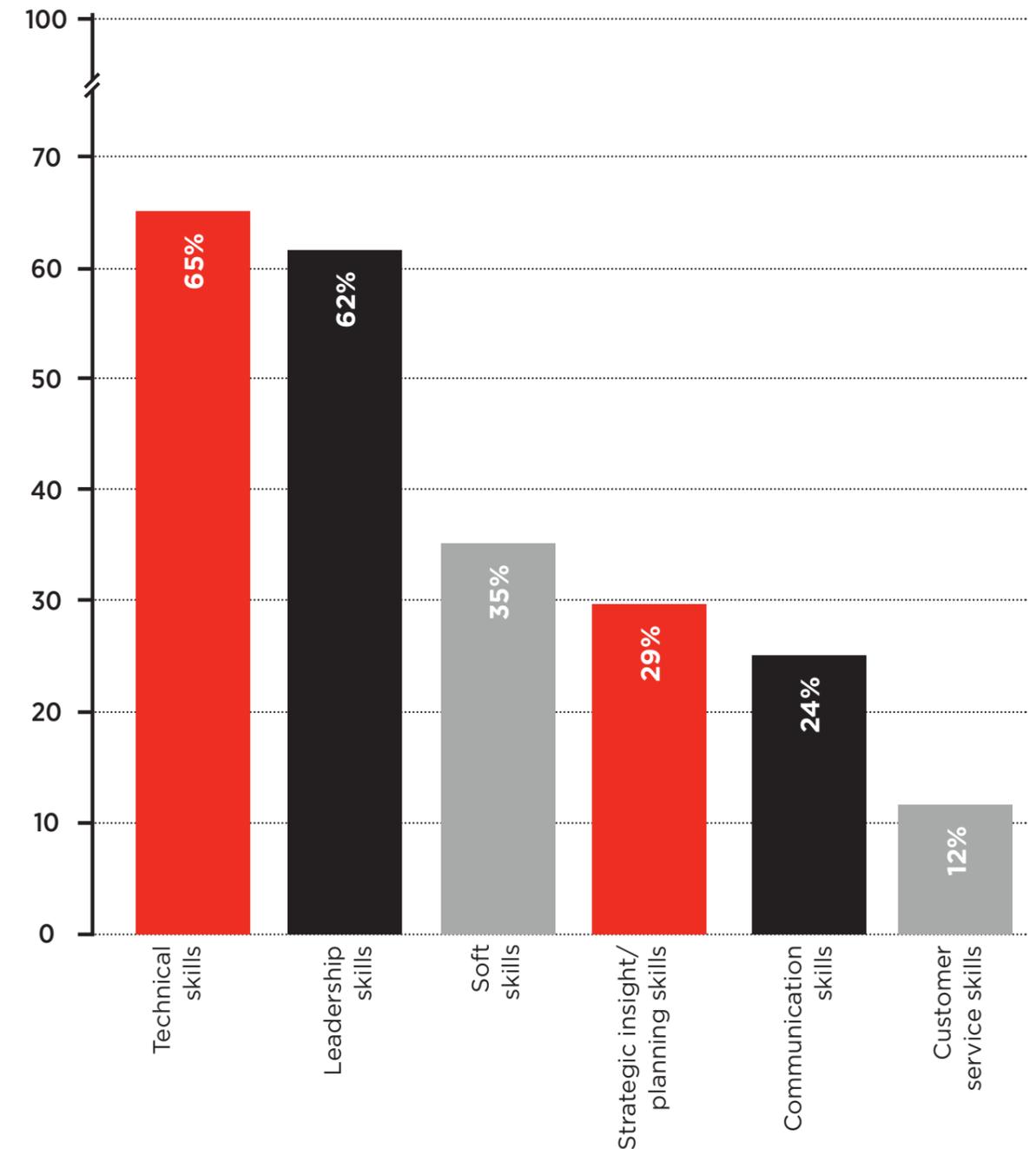
The negative impact of skills gaps on businesses is significant for the majority: more than half of respondents (56%) say their organisation is less productive as a result and more than a third (36%) rely more on consultants/outsourcing – rarely the most cost-effective option; 15% of respondents say they waste money due to skills gaps. The gap in leadership skills results in a lack of strong leadership within more than a third (36%) of businesses.

In addition, 30% of employers acknowledge they waste time due to missing skills within their workforce; 18% are less engaged in their work and the same percentage say they generate less revenue; 15% are unable to adapt to customer requirements; 12% lose out to competitors; and 9% fail to maintain client relationships. Only 15% of employers feel there is no impact on their organisation.

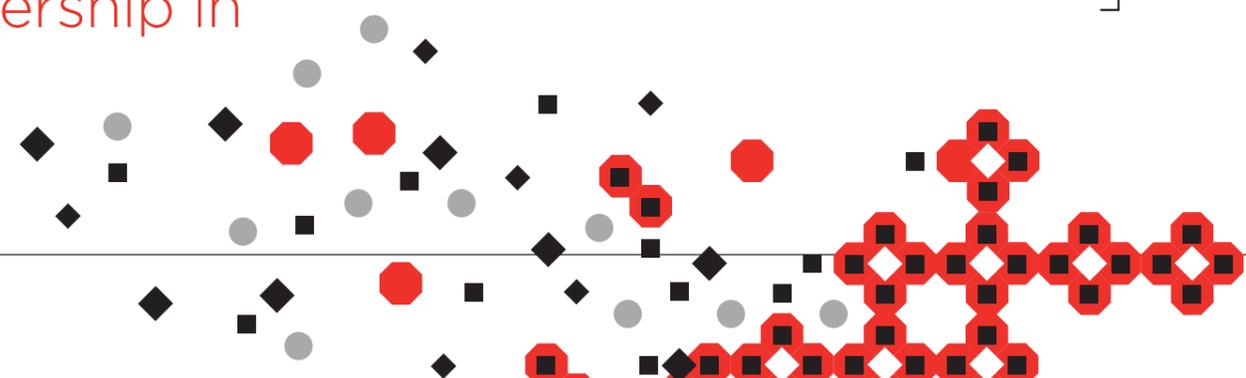
The 'importance of filling skills gaps when it comes to meeting the broader goals/ambitions of the business' attracted a mean score of 6.94 (where 10 is extremely important) from survey respondents, suggesting it sits fairly high on the list of priorities for HR.

Currently, expat workers are important in plugging skills gaps within organisations: the mean score given for this was 7.1. Meanwhile, employers are currently addressing skills gaps by providing 'on the job' training and mentoring and encouraging staff to undertake professional certification and to use elearning.

The skills businesses believe are most difficult to find:



'36% of businesses say a lack of skills results in poor leadership in their organisation'



Saleh Alharthi

CEO, Aon Hewitt Saudi Arabia



While every business may feel the skills they require are hard to find, there are some generally accepted views on skills shortages in KSA. Top of the list

is a deficiency in the discipline and attitude of some Saudi nationals, while many feel that blue collar expats often lack the necessary technical skills. In terms of job roles, qualified HR and financial specialists are rare in Saudi Arabia.

Part of the reason for this is a belief that the quality of the output of education providers in the Kingdom does not match the quality level required by business. Consequently, most successful businesses have accepted that they need to invest in training and developing nationals, particularly with the coming focus on Vision 2030. We see businesses using coaching and on-the-job training for technical skills, while 360 assessment is preferred for soft skills.

A problem arises in that many business leaders believe that academic qualifications are better than vocational training. In my opinion, this view is not good for either business or the public sector. Things are slowly changing, but more needs to be done to improve the perception of vocational training. Perhaps standardised global qualifications could be useful in helping this view, but they would need to be integrated by an appropriate governmental body, such as the Ministry of Labor and Social Development.

Another issue is that not enough training is provided to expatriates. Some business owners may think they are cutting costs this way, but they are losing out by not developing their entire workforce.

Vision 2030 - the 'game changer'

Vision 2030 is a game changer. More pressure will arrive from the Government to prioritise national recruitment, with the aim of changing the 'culture' of Saudi youth and encouraging more women into work.

CASE STUDY

Aon Hewitt Saudi Arabia

300 employees across the Middle East

The changing nature of skills and qualifications

‘Many businesses believe that academic qualifications are better than vocational training. I believe they are wrong’

However, it is important to note that this doesn't necessarily mean a reduction in numbers for the expatriate workforce. While we expect an increase in the number of nationals in top-level management and niche technological areas, there are certain types of jobs that are unlikely to be taken by Saudis in the foreseeable future, such as domestic work and field labour. Given the predicted increase in population, these segments of the expatriate workforce are likely to grow too.

Furthermore, the amount of foreign investment and number of large projects forecast by Vision 2030 may require recruiting a large number of expatriates. This means there are two opposing forces determining the size of the expatriate workforce in the coming years, and it is hard to predict how they will play out. My own personal view is that they will balance out and no major reduction or increase will occur in the size of Saudi Arabia's foreign workforce.

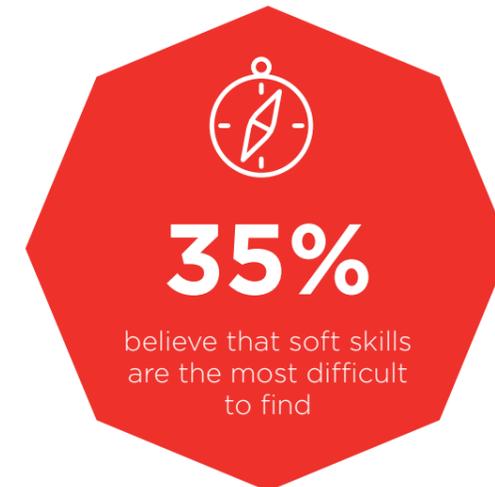
I believe that Vision 2030 will improve the future of work in the Kingdom in two key ways: first, I expect the vision to standardise work performance, improving our productivity as a nation. Second, I think we will build our regulations around workers' rights, improving the relationship between employers and employees.

Talent strategies in Saudi Arabia

There are many trends affecting talent strategies in the Kingdom, but a dominant one is the use of technology, both from a training perspective and a need to hire talent with technology knowledge. The ability to work remotely is also a new trend in the region, which is affecting investment strategies and is expected to become more important.

Talent retention can often be an issue in Saudi Arabia, but my advice is to adopt an integrated approach. Not all employees are motivated by the same thing and it's important to realise that money is not the only motivator. Nationals tend to care more about training and career-path clarity, while expatriates often focus on financial compensation.

Best practice would suggest segmenting employees and conducting formal engagement surveys to find out the issues that each segment cares about, then implementing recommendations. Above all, it's important to provide a learning environment with clear indicators of performance expectations and growth opportunities - both for nationals and expatriates.



The education/skills mismatch

When asked how far they would agree that new recruits are prepared for the workplace, our survey respondents were broadly positive about the preparedness of national workers, Western expats and non-Western migrant workers: 90% of respondents believe that national workers are prepared for the workplace, with 62% stating they agreed and 28% strongly agreed.

The results were similar for both Western and non-Western expats, with 87% agreeing or strongly agreeing that they were 'prepared for the workplace' in each case. However, 55% agreed and 32% strongly

agreed that new non-Western recruits were prepared, compared to 47% agreeing for Western expats, and 39% strongly agreeing.

Although employers believe that most recruits are prepared for the workplace, there is a concern that they are not being prepared with sufficient skills by the education system. A key contributing factor to the skills gaps impacting businesses in KSA is the current gap between 'the outputs of higher education and the requirements of the job market', as acknowledged in Vision 2030. A significant 82% of our survey respondents agree this is the case.

Khaled Sayoti

Chief Human Resources Officer,
Pepsi Cola Bugshan



Pepsi Cola Bugshan (formerly SIPCO) is the bottler and distributor for Pepsi Cola in Saudi Arabia's western region and Yemen. We have around 60 people in our HR department and my remit also covers legal and corporate services. My main challenge is finding

Saudi talent willing to work in the fast-moving consumer goods (FMCG) sector. This is compounded by the fact we opened one of the world's largest Pepsi factories near Jeddah at the end of 2016 at a cost of £2.1m, which needed an additional 500 employees with the technical skills to operate modern machinery.

To fulfil this, we've started hiring people from all over the world. We bring in people from Kenya, Poland and other areas of the world where they operate the same bottling machinery. We also partner with institutes in these regions, which deliver technical qualifications to potential expat employees, although the qualifications differ slightly between countries.

In Saudi Arabia, we've built a specific two-year diploma programme, in partnership with Yanbu Technical Institute, which provides students with the skills needed to work in FMCG companies. We pay the costs of the Institute, plus a monthly allowance for students, who are registered as our employees and guaranteed a job if they pass. They join us for training in the summer holidays, and we also provide a clear development path for graduates.

CASE STUDY

Pepsi Cola Bugshan

2,000 employees in the west of Saudi Arabia

Attracting the next generation of talent

‘What you spend on Saudisation today, you won’t get back for 5-10 years’



The future of Saudi talent

The most important thing for Saudis isn't salary; they want security and a career path. So, if someone joins as a machine operator, we provide guidance on how they can become a senior operator, then a supervisor, then a shift supervisor, then a production manager. We make it a clear part of their key performance indicators (KPI)s.

We still struggle to get the right people on board. The people who join the Institute are those who didn't get into university, and of the 50 we brought onto the programme last year, only 30 remained after the first semester. Of those 30, some didn't pass and some didn't like the work. When they see that they work in a factory and not an office, it's a problem.

For me, our youth lacks the right mentality for work. For example, another problem we have is that we are a shift work based company. We operate 24 hours a day and expect our employees to work a six day week. This is a shock to young Saudis, who don't want to work nights or at weekends. Yes, it is a big commitment, but what you get in rewards here are better than if you were in a government job. We pay more and you get better experience. If you're young, you should work hard for the first ten years of your career and relax later.

That is why we hire for behaviours, not qualifications. A new employee must have the right personality and drive to work in our culture. I don't have an issue with skills or qualifications, as I can train people in these.

Nationalisation and Vision 2030

Another important quality for our new recruits is emotional maturity. We're a meritocracy, but some Saudis struggle if they find out that their supervisor is an expat, particularly if the manager is Asian or Indian. This mentality needs to change.

This is why it's so important to invest in the right people. Business leaders often ask why they should invest in a national when they can get an expat who is ready straightaway. My answer is that people are your capital. You can't grow without them and the companies of the future will need good nationals.

If you invest now, you'll get your return in the future. Saudis will not leave you if you give a good salary and development opportunities, whereas expats could leave at any time. From a strategy point of view, you have to make it clear to the business that it is a long-term investment. What you spend on Saudisation today, you won't get back for 5-10 years.

The importance of vocational training

Vocational training could be very important in helping Saudis understand the working world better. This is why we ensure our technical trainees join us in the summer to understand how we work, and why the technical level of our expat hires is the most important quality when hiring from abroad. They understand the equipment and what is expected of them in the working environment.

This is where the HR function can play a big part in the development of Saudi talent. Now is the right time for HR professionals to be character builders. For example, some people think it's cheaper to bring migrant workers from India than hire Saudis. Actually, the right technical talent from India is very expensive now. Business leaders don't know what's going on in the market, but HR understands this. We must be strategically important, not just supporters of business.



SURVEY FINDINGS

Developing the workforce

Career development programmes

Just over half of employers (52%) currently offer dedicated career development programmes for all members of their current workforce; 39% for nationals only. Only 8% offer no such programmes for staff. However, 86% believe that having specific career development opportunities/programmes helps employees to be more engaged, with only 8% disagreeing with this statement, suggesting that there is appetite to develop further schemes of this kind. 'Our engagement strategy has seen unprecedented improvement in our retention and employee wellbeing,' stated one survey respondent.

'86% believe that having specific career development programmes help employees be more engaged'



Ahmad Al Ghamdi

Vice President of HR, Saudi Telecom Company



Saudi Telecom has 16,000 full-time employees, but with subsidiaries and sub-contractors, our employee base is around 40,000. One of the key aspects of Vision 2030 is the move towards a digitised economy, and Saudi Telecom will be at the forefront of this.

The Ministry of Communication and Information Technology recently published a paper that said that, by 2020, we will need 56,000 more information and communications technology (ICT) professionals in Saudi Arabia. That means that Saudi Telecom alone will need to hire 6-7,000 new professionals over the next three years. It's a challenge.

Being in the telecommunications industry is volatile. We need young people to drive the business forward from a technical perspective, but a trait of Saudi employees is that they prefer to work in office jobs rather than technical roles. Only young people want to work in cloud computing or telecoms, so it makes sense to inject them into the business.

We started by focusing on the top two universities in Saudi Arabia and built a direct relationship, by creating our own programmes in partnership with them, to ensure students received the right skills training. We selected students from the senior year based on potential, inviting them to an assessment centre. Those who were successful were able to sign a contract with us, including a salary, conditional on them graduating.

During their senior year, we send them technical projects to work on and help them with writing papers. This year, our target is to hire 150 graduates through this scheme. We also target final-year students and make them offers two-to-three months prior to graduation.

CASE STUDY

Saudi Telecom Company

16,000 full-time employees across Saudi Arabia, 400 people in the HR department

Gaining future talent buy-in in a competitive market

Preparing the company

A big part of targeting fresh graduates was building an awareness programme for our employees, as previously we hadn't recruited many young people. We had to explain the behaviour of graduates to them, such as not expecting them to know what to do, to understand terminologies, or even be punctual for meetings.

Key to this was explaining the return on investment (ROI) to our managers. Research suggests that graduates won't provide ROI until after two years. Our management team needed to understand that they had to babysit these new starters initially, their priority being ensuring they didn't leave. During these two years, we can train graduates in the skills and technology they need, shaping them into the specialists of the future. We can also plan for succession by identifying high-potential graduates, through a series of assessments. In general, one of out every 60 graduates qualifies as a high-potential recruit, which shows the problems we have finding the right talent.

Saudisation vs the right candidate

Having had problems sourcing Saudis for our senior leadership positions, we decided to allow ourselves to hire expats for difficult-to-fill positions; consequently, we have one senior vice president who is an expat, plus a couple of vice presidents. We have a succession plan to place Saudis in the top three levels of our business. We have vice presidents who are non-Saudi and we know exactly when the next Saudi VP will be ready to take over and how we can keep them. The non-Saudi employee knows he's there to help develop the Saudi - it's part of his contract. So, we have no problems at senior level.

At a lower level, our Saudisation is just below 90%, so we're doing fine. We suffer from insourcing versus outsourcing. Saudi companies normally outsource non-strategic operational work to companies that hire expats. However, in telecommunications businesses, the operational side is the tech side - the very area where we're trying to hire more Saudi graduates. This means we need to bring more work in-house, but that costs more. However, if you want to improve your country, you've got to do it.

The role of HR

In Saudi Arabia, the HR function is the most critical position after the CEO. Saudis think of HR as the mother of the company - it's there if they need someone to talk to. Close relationships are important here, which is why HR, as a human capital element, is essential.

Most companies here want to move from traditional HR - employee relations activity - to having an advanced human capital company which can operate strategically. That's our challenge now: to make sure our policies and ideas support the business and are central to organisational design. We must show that we want to help the business, not control it. Data analytics will help enormously, allowing us to build processes on behaviours and trends, rather than anecdotal evidence.

Finally, I feel that female workers are a huge opportunity to businesses in Saudi Arabia. We're underestimating the value of female staff, many of whom have high potential for leadership and management. Employing more female workers will help with closing skills gap in Saudi Arabia, particularly in the IT, HR, accounting and marketing sectors.



Priorities for upskilling

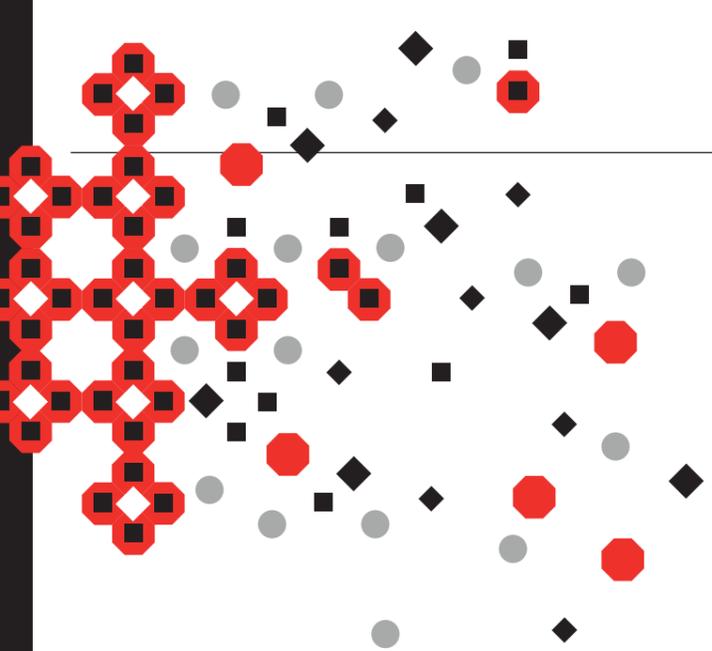
Almost two-thirds (64%) of employers in KSA have the budget to upskill employees, while 18% do not, but would like to. So how are they choosing to invest this money?

Our research shows that priority candidates are nationals (with a mean score of 8.06 out of 10); people under 30 (7.8); leaders/managers (7.4); non-Western expatriates (5.7); women (5.3); and Western expats (5.2).

This is broadly in line with the Government's emphasis on Saudisation and reflects the fact that more than half of the

Saudi population is under 25. More than 50% of university graduates in the Kingdom are women and one core commitment expressed in Vision 2030 is to increase women's participation in the workforce from 22% to 30%. 'We will continue to develop their talents, invest in their productive capabilities and enable them to strengthen their future and contribute to the development of our society and economy,' the Vision pledges. This is an area of opportunity for employers.

'A core commitment of Vision 2030 is to increase women's participation in the workforce from 22% to 30%'



Training methods

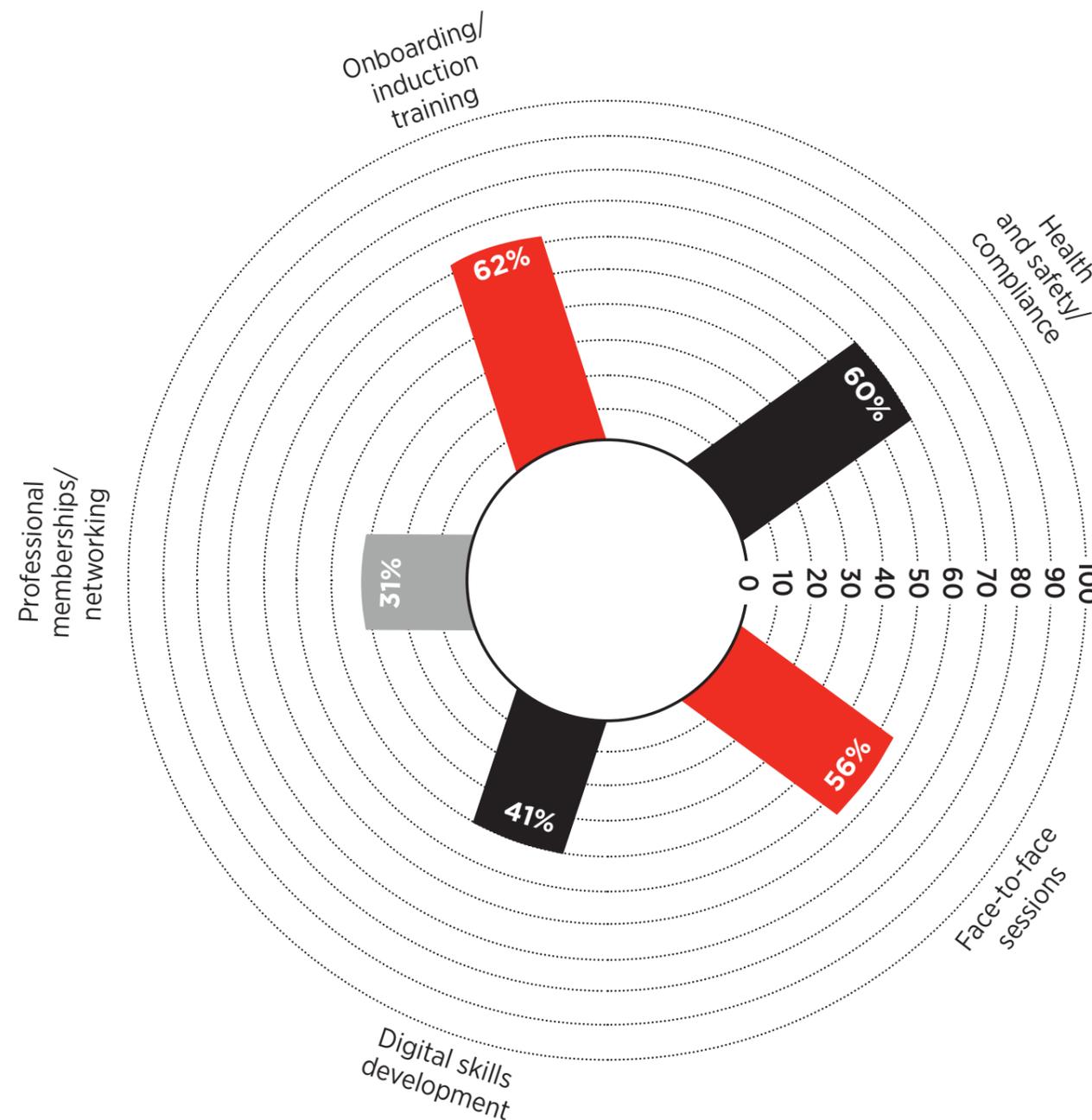
A broad range of training methods are currently used by organisations, with 62% of employers providing onboarding/induction training to staff; 60% training employees in compliance (health and safety/industry regulation); 56% offering face-to-face training sessions; 41% providing digital/IT skills development; and 31% providing access to professional memberships and networking. Half of employers also use other methods. Almost half (46%) would like to know more about professional memberships and networking for

staff, more than a quarter (28%) about digital/IT skills development, 23% about compliance and 17% about onboarding/induction.

There is room for improvement in terms of aligning learning and development (L&D) to business, recruitment and talent strategies: when asked about L&D alignment to business strategy, the mean score was 6.25 (where 1 equals not aligned and 10 equals very aligned); for recruitment strategy the mean score was 6.9; and for talent strategy it was 6.4.

‘There is an opportunity to better align learning and development to business, recruitment and talent strategies’

Training methods used by businesses



CASE STUDY

King Abdullah Petroleum Studies and Research Center (KAPSARC)

120 full-time employees based in Riyadh + 40 visiting researchers

Research and education development in Saudi Arabia

Mohammad Al Shehri

Head of HR, KAPSARC



junior Saudi researchers. We also set up the KAPSARC academy, which is a training programme for junior researchers looking at different disciplines, including research methods, microeconomics and energy. These programmes are developed by our senior research fellows and delivered once per week.

Conversely, our operations department is around 75% Saudi. We thought it would be easy to maintain Saudisation in this department. However, even these roles are becoming more competitive for the right talent, as the pool of nationals with the right skills and qualifications shrinks. For a recent IT security role, we assessed the technical capabilities of several Saudi applicants, and the majority failed our tests. We opened the application process to expats and found the right individual from abroad.

We have learned that it is difficult to find common ground when comparing people from different backgrounds. You have to look at a lot of aspects, including university, degree subject, professional qualifications, experience and personality. It's hard to have a single solid assessment across cultures to find a perfect candidate.

Learning at KAPSARC

Alongside our academy and mentoring programmes, we also encourage our employees to take part in continuing skills development. We encourage self-learning, with employees empowered to sign up to any learning course they like (within a certain budget). The course can be anything and doesn't have to be related to their subject. We want to embed a culture that encourages employees to take personal responsibility for their learning.

Of course, we also provide on-site training programmes, delivered by external teams, plus guest lectures by partner organisations or professors, but our focus is on encouraging our employees to control their own learning. You have a budget, you choose, and we'll pay for it.

KAPSARC is home to 120 full-time employees, with more than 40 visiting researchers and 22 different nationalities. Of our employees, around 70% are researchers, which is where the majority of our recruitment sits. Currently, we have a low percentage of Saudis working in research (around 20%). The research field is not very well established in Saudi Arabia, so it is a struggle to find suitable nationals.

One reason for this is that universities here don't have a solid curriculum that provides graduates with the right skills. We see many Saudi graduates lacking the very basic skills for conducting research - even those with Masters degrees. Consequently, most of our hires are from outside the Kingdom, even when recruiting Saudis.

This means we are increasingly adopting our own education programmes in partnership with external universities. For example, in August we sent seven Saudi students to LSE for a joint programme for

CASE STUDY



Engaging employees

Last year, our focus was on building management capabilities, as we believe you have to build this first before engaging the rest of your employees. This idea came out of an earlier engagement survey, which suggested that our people satisfaction regarding management was low. We invested in new assessment tools and introduced 360 feedback for senior leaders.

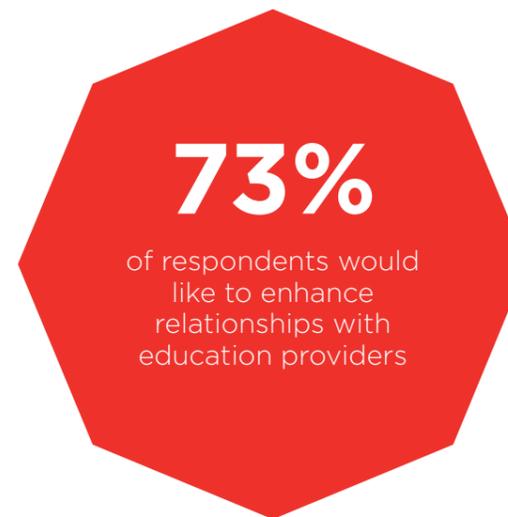
We also focus on engagement in our community. With 22 nationalities on one campus, it's important for people here to have activities for themselves and their families to keep them happy. Small things impact experience, such as employing a new supermarket vendor or bringing in a food market for Eid celebrations. We're a small community so everything is important.

Future of work in Saudi Arabia

For KAPSARC, the future is all about developing our own research capabilities and partnering further with the private sector. Greater collaboration will happen with business, and this will help us to make a stronger impact.

In a wider sense, business in Saudi Arabia is changing. Some of the things we used to think we needed in organisations no longer apply. An example is job descriptions. Nowadays, a job briefing is enough. Employees need the space to think about the way they want to work, the scope of their work and how they will be responsible for that.

This also applies to business agility. There is no need for HR to address everything through endless policies. It makes organisations too rigid and slow. Modern business in Saudi Arabia is all about speed, whether of thought, communication or impact. For example, my team communicates best through Slack and WhatsApp, rather than through email. The new generation prefers these channels and sees email as a formal communication platform. They work best when comfortable, so informality is more important than ever in business. Twenty years ago, it was all about shirts and ties. Now, jeans and t-shirts are fine. Things are changing.



Nurturing the talent pipeline

Almost half (49%) of employers would like to build stronger relationships with vocational training providers, in order to bolster the talent pipeline, while 73% would like to enhance relations with schools and universities and 64% with recruitment agencies (24% specifically want to strengthen links with agencies responsible for sourcing expat workers). More than a third (36%) would like stronger relationships with providers of elearning and the same number with other organisations. The majority (88%) of employers in KSA say they already work with other business leaders in their industry to ensure the talent pipeline is fit for purpose.



Vocational training

Vocational education and training prepares individuals with practical, work-based skills, directed at a particular occupation (compared to academic, knowledge-based skills). It is typically delivered through colleges and training providers, or through training programmes offered by employers.

Although more than three-quarters (77%) of survey respondents are very aware (21%) or somewhat aware (56%) of the term 'vocational education and training', a fifth (21%) say they are not aware of it. Its importance to respondents (scored out of 10) attracted a mean score of 5.88.

When asked how well vocational education and training is currently perceived by

employers across KSA, the mean score was lower, at 4.9 (where 1 equals 'poorly' and 10 equals 'extremely well'). However an overwhelming 83% of survey respondents say they would consider implementing vocational qualifications/training into their skills development plans.

There is also a strong appetite for an international skills qualification/certification common to different nationalities or a global standard for skills within industries: when asked whether this would aid recruitment, a resounding 73% of employers answered 'yes'. Only 12% said this would not help, while 15% admitted they 'didn't know'.

CASE STUDY

THIQAH Business Services

500 employees across Saudi Arabia

What future talent wants

'Lack of partnership between education and business is a global theme — many employers feel students lack the skill sets for the corporate environment'

Abdullah Alaudah

HR Manager, THIQAH and consultant at the Saudi Ministry of Commerce and Investment



In Saudi Arabia, we have a huge advantage in that 70% of our population is aged under 30. There's a huge opportunity for private sector companies to hire young Saudis and train them according to market needs. Instead of focusing on the skills we're lacking, we should try to be positive about the skills the upcoming generation has, and how this can impact on business.

Future generations are focused on developing and having a social mission. Our young people aren't solely focused on how much they get paid. The first question I frequently get asked by fresh graduates is 'what am I going to learn?' It's vital to think about young people in terms of development, as money can retain good people only for so long.

This is why THIQAH recruits for behaviours and potential, rather than experience and qualifications. We want people to be flexible and able to work in different roles. Our environment is dynamic, with projects coming and going. The business environment is different to the past, so we need entrepreneurial people with drive and ambition.

This all starts with training and recruitment, and having a sound learning and development strategy. You must give young people the right training, coaching and support systems. This is supported at a national level, with governmental support in free training and mentoring for young generations, with universities also encouraged to provide free professional training for their students. This lack of partnership between education and business is a theme around the world, as many employers feel students lack the skill sets for the corporate environment.

Social media and recruitment

Social media is a top tool for engagement with both current and potential employees. Saudi Arabia is one of the fastest-growing users of social media, particularly Twitter and YouTube. Recruitment is no longer about having an advertisement online or in a paper, as young people don't read these any more. It's about growing your brand and connecting with young people through their channels, with engaging content.

It's also about having a joined-up social media policy. Different channels work better for different things. For example, we're not going to speak to business professionals on Snapchat – we're much more likely to communicate with them via LinkedIn. However, for large audiences, we go to Twitter, or to YouTube for multimedia.

Corporate and social responsibility

Prioritising community and social responsibility is also a great way to engage with young people and build brands. At THIQAH, we run an event for IT students where we provide training and work shadowing, as well as inviting them in-house to show them how things work. It's an informal opportunity for students to see what we do and for us to then approach the most impressive candidates.

It's also important to make sure you offer training for the right reasons. I see some organisations putting out statistics about training 60% of their organisation, but I know the training quality is low. We make sure our training is relevant and high quality. We also offer employees the opportunity to find their own training programmes. If we think it's worthwhile, we'll pay for them to undertake the course. It's a great way of empowering our employers and encouraging them to take personal responsibility.



SURVEY FINDINGS

Employment trends

Impact of Vision 2030

Vision 2030 is the blueprint for economic and developmental action in KSA. Its emphasis on hiring national talent, rather than migrant workers, is referenced by survey respondents as impacting on their recruitment strategies.

'Our recruiting strategy will be aligned to Vision 2030 - we will hire more nationals,' commented one employer. 'We want to reduce our reliance on expatriate workers in the future, for leadership roles,' said another, while a third warned it was 'making it harder to recruit the right national talent, as the market has become more competitive.'

Another respondent highlighted their organisation's search 'for talent with experience in developing SMEs', echoing the vision's assertion that 'small and medium-sized enterprises are among the most important agents of economic growth.' The importance of aligning education to the skills required by employers was also acknowledged: 'We need to be prepared for the Vision 2030 goals set out by our government. It is to be a pioneering model of excellence and organisations need to work closely with the schools in our country to make sure we have the right talent for the country's goals.'

As a result of the 2030 Vision and new Nitaqat rules for private employers, a resounding 86% of employers anticipate that their company will reduce its reliance on expatriate talent in future, while 93% anticipate that other companies in KSA will do so.

'A resounding 86% of employers anticipate that their company will reduce its reliance on expatriate talent in the future'

CASE STUDY

Nesma
& Partners

22,560 employees, 4,000 recruits a year across Saudi Arabia

Trends affecting the Saudi Arabia
talent landscape

Yaser Al-Saeed

Vice-President and Chief Human
Resources Officer, Nesma & Partners



Nesma & Partners owns a diversified portfolio of interests covering the construction, manufacturing, engineering and finance sectors, among others. We hire some 4,000 recruits each year, the majority (around 75%) of whom are expatriates. Despite this, we have dedicated nationalisation programmes, including employing and training Saudis through our Nesma Training Center.

As an accredited body, we provide one-year diplomas and specialised technical courses. We also sponsor fast-track employees for higher education and postgraduate programmes, as well as providing on-the-job inductions and development plans for new starters.

While we value the vocational skills our training academy provides to new employees, I believe Saudi Arabia as a whole is yet to give the necessary importance to vocational skills training in workforce development. This is because local outcomes are often weak, with vocational training perceived as an add on, or extra cost, by employers, rather than a necessary part of skills development.

Addressing skills gaps

The main skills gaps we have in our workforce centre around qualification mismatches, with workforce maximisation meaning we sometimes have employees working in areas that do not match their qualifications. We also see discrepancies between expected and actual job performance. We address these gaps through extra training and by creating a job-grading and salary scale.

There are three trends affecting our talent strategies: first, the competition for talent in the current labour market is very high, so acquiring talent that fits our requirements is difficult. Second, this is exacerbated by economic instability in the region, which means that many organisations are implementing reductions in budgets. Third, compliance with nationalisation rules is a constant challenge, particularly when three-quarters of our employees are foreign workers.

Engaging employees

The main challenge we face in engaging with our workforce is its sheer size. With more than 20,000 employees, spread out across remote areas and building sites, regular and meaningful communication is challenging.

Add in that some of our employees cannot speak English, and we find that communication and engagement is often an issue, particular when it comes to career development. We find that a culture of recognition has been the best way to engage across nationalities, job sectors and wage levels. It allows us to bring the best out of our employees.

Vision 2030 and the future

Vision 2030 will definitely affect how we recruit. I believe it will increase national employment in two key areas: higher-paying roles and roles for women. We may also see a decrease in our reliance on expatriates in these areas and others in the coming years.

I think that our recruitment could be aided by an international skills standard, which could allow us to compare global talent competitively, using a fair scale. I also expect job roles in the region to continue to evolve, with adjustment to working hours to take into consideration remote working and shift patterns.



‘Despite skills challenges, 72% of HR leaders expect their business to grow over the next five years’

Global trends

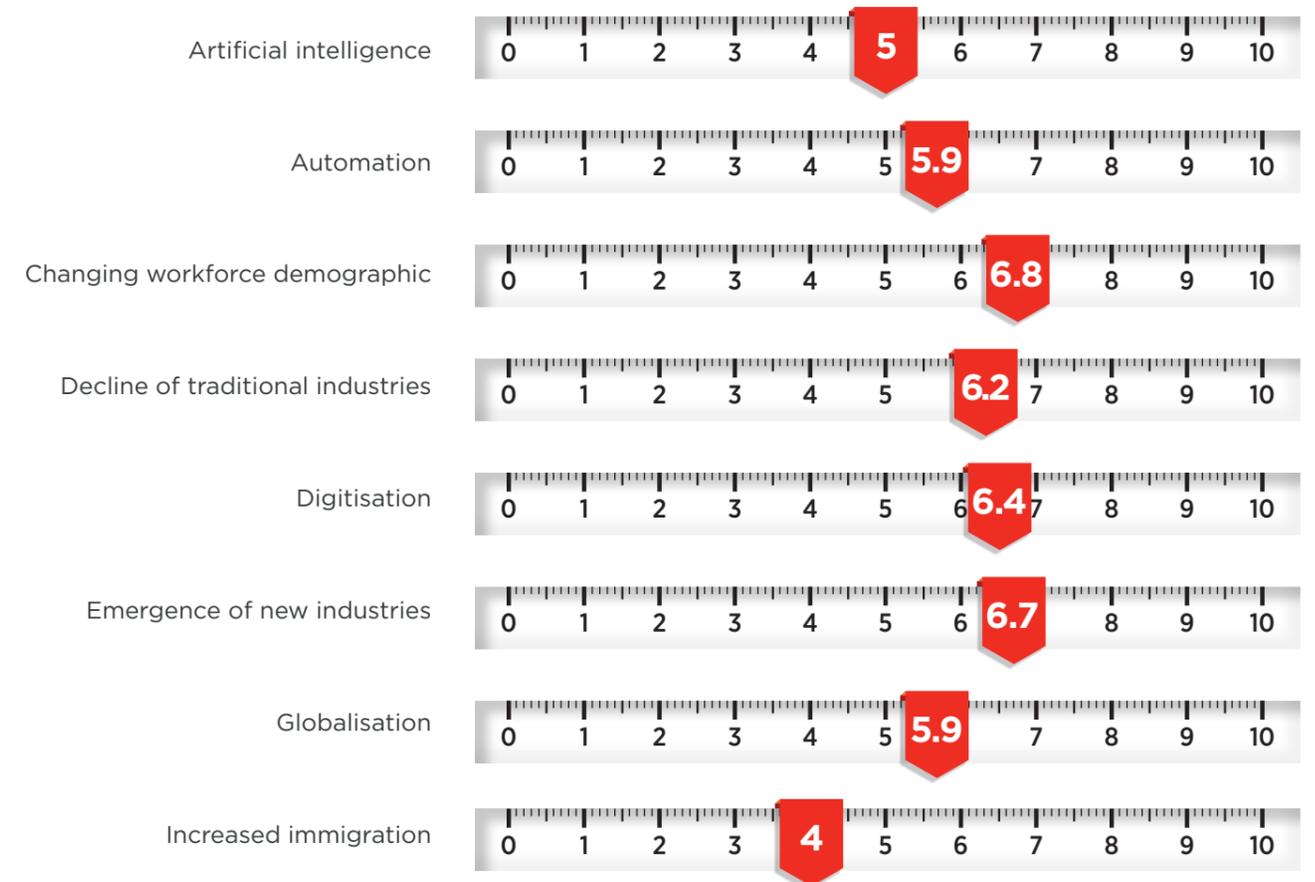
Employers were asked to score a range of disruptors out of 10 to indicate the extent to which they feel they are likely to change the nature of work in KSA (where 1 equals ‘not at all’ and 10 equals ‘a lot’).

Highest rated was the ‘changing workforce demographic’ with a mean score of 6.8, followed by ‘the emergence of new industries’ (6.7); digitisation (6.4); the decline of traditional industries (6.2); globalisation (5.9); automation (5.9); artificial intelligence (5); and increased immigration (4).

Despite all these challenges, just under three-quarters (72%) of respondents expect their business to grow over the next five years; 42% moderately and 30% significantly, while 19% expect it to stay the same, and only 10% predict a decline.

This supports the upbeat tone of Vision 2030 and the need to equip employers in KSA with a workforce – and talent pipeline – that meets current and future needs and enables growth.

Global disruptors



Conclusion

Saudi Arabia has launched an ambitious vision for economic development and diversification to create 'an investment powerhouse', and requires a workforce that is fit for purpose. Despite a strong emphasis on nationalism, and a reduced reliance on expatriate workers, there is likely to be a blend of national and migrant Western and non-Western workers for the foreseeable future.

With current skills gaps including technical/job-specific skills; leadership skills; soft skills; and strategic insight and planning, vocational

education could prepare or upskill workers for the practicalities of the workplace. Beyond this, development on the job is critical too – ensuring employees continue to be as effective as possible throughout their careers, particularly as they progress to leadership roles.

Our survey results show that there is an appetite among employers in KSA for vocational education and training, including strong potential for industry-specific/common international skills qualifications to simplify recruitment processes and provide consistency.

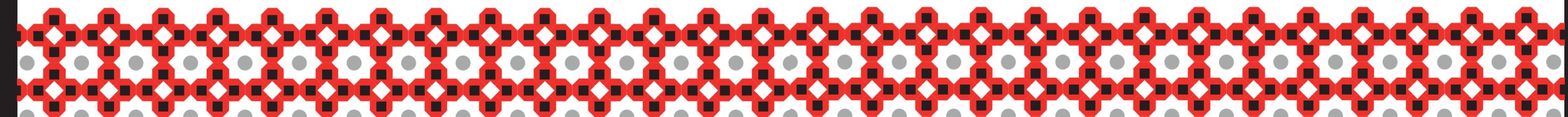
‘The commitment to developing skills means there is much reason to have great confidence in the future’

However it is important to look at skills development holistically – not just helping people develop the skills they need to get into a job, but supporting their ongoing career development too. Businesses have a clear role to play here in investing in the appropriate workforce development initiatives.

There is huge recognition of the importance of skills in achieving business objectives in line with Vision 2030 among Saudi employers. As such, the commitment to developing skills among nationals and potential migrant workers is clear, as well

as a keen interest in ensuring the education system is fit for purpose to realise the Kingdom's forthcoming ambitions. The enthusiasm for developing global standards is encouraging, and while it would require the collaboration of educators, governments and employers, it could go some way to supporting positive migration.

There is certainly great potential for this country in achieving its Vision 2030 goals, and the commitment to developing abundant skills among all workers means there is much reason to have great confidence in the future.



About the survey

An online survey, conducted by Changeboard on behalf of the City & Guilds Group, sought to ascertain the views of employers in KSA around changing workforce demographics, skills shortages and development, labour mobility, learning and development initiatives and current employment trends*.

It ran from September to November 2016 and draws on responses from 516 HR professionals in Saudi Arabia. A total of 58% of respondents have all their operations exclusively in KSA, while 42% have offices in KSA, but are not based there exclusively.

The majority of participants are at manager or director level (36% and 31% respectively), while 24% describe themselves as 'decision makers' and 9% 'associates'. Respondents include HR directors, heads of recruitment, CEOs and managing directors, representing organisations from industries including energy, manufacturing, construction, financial services, telecoms, healthcare, media, retail, pharmaceuticals and aerospace.

The highest response rate was from companies with 1-100 employees (29%), followed by those with 1,001-5,000 employees (28%); 101-1,000 employees (22%); 10,000 plus (20%) and 5,001-10,000 (2%).

**All figures are rounded to the nearest percentage*

City & Guilds Group

About City & Guilds Group

The City & Guilds Group's purpose is the same today as it has always been - to help people, organisations and economies develop their skills for growth. Today, the Group consists of City & Guilds, ILM, Kineo, The Oxford Group, Digitalme and e3Learning. Our businesses provide a broad and imaginative range of products and services that help people achieve their potential through work-based learning. Together, we set the standards for corporate learning, on-the-job development, and skills recognition. Everything we do - from the way we work, to our products and services, to our charitable investments - seeks to make a difference to individuals and communities around the world.



About Changeboard

Changeboard is a content publishing and content marketing specialist with a particular focus on the career lifecycle. We commission and curate leadership insights, talent insights and career insights for our global community of over 250,000 HR and business professionals, and distribute them in a range of convenient and digestible formats. In the Middle East we are committed to producing world class products for the development of the HR community, customised to the region.

Further information & acknowledgements

City & Guilds Group would like to thank everyone who took the time to participate in the quantitative and qualitative aspects of this research. If you would like any more information on this report, please contact us: info@cityandguildsgroup.com

We would also like to thank the Arabian Society of Human Resources Management (ASHRM) and Aon Hewitt for their help with the quantitative survey distribution.



The City and Guilds
of London Institute

Helping people achieve their potential through learning is core to what we do.

Our group of businesses provide a broad and imaginative range of products and services to employers and training providers. We set the standards for vocational education, corporate learning and development and skills recognition around the world.

We add value for our customers by:

- 1 Being a single supplier for award winning elearning, accreditation and leadership and management qualifications
- 2 Setting the standard for internationally recognised vocational qualifications
- 3 Delivering measurable business results through leadership training and coaching
- 4 Providing access to our global network of leadership training consultants
- 5 Conducting research and providing expert opinion on global skills development issues

City & Guilds Group

Helping people, organisations and economies develop their skills for growth



For more information on how we can help you and your organisation, see our website or contact us on info@cityandguildsgroup.com

cityandguildsgroup.com

