

Toward Empowering the Labor Saudization of Tourism Sector in Saudi Arabia

Professor Sultan N. Abu Tayeh

Faculty of Business Administration, Department of Management
Taibah University; P.O. Box 344 al-Madina al-Munawwarah
Saudi Arabia
E-mail: sultanabutayeh@yahoo.com

Dr. Mairna H. Mustafa

Queen Rania Institute of Tourism and Heritage, Department of Sustainable Tourism
The Hashemite University; P.O. Box 330127 Postal Code 13115 Zarqa
Jordan
E-mail: mairna@hu.edu.jo

Abstract

Saudi Arabia is one of the countries known for its high dependency on imported labor in many sectors including tourism. Although of the increasing imported leakage caused by expatriates and unemployment among Saudis, owners of tourism businesses tend more to hire non-locals since they are more willing to undertake physically demanding tasks with lower wages. This paper is analyzing tourism labor in Saudi Arabia, and discusses the potential of implementing Saudization in tourism sector.

Keywords: Saudization, Imported Leakage, Empowering Local Labor, Saudi Arabia Tourism

1. Introduction

Tourism is considered as significantly important to Arab countries' economies for balance-of-trade purposes and the development of infrastructure (e.g. in Jordan, tourism is considered as the main source of foreign exchange earnings after the remittances from overseas Jordanian workers). Tourism is also a crucial generator of employment to many of these countries (e.g. according to the Egyptian Tourism Authority, 10% of the Egyptian population is depending on tourism for earning their living, of which a significant proportion is of semi-skilled and unskilled employees; in Bahrain, 17-18% of Jobs are in tourism, either directly or indirectly; in Oman, hotels are required by law to have 50% of its employees from local national employees). Tourism also helps in reducing the dependence on other sources of economy (e.g. Gulf countries are giving a very good example here, these countries have started to recognize the importance of tourism to decrease their reliance on oil revenues in the long term, e.g. Dubai in UAE, Oman, Qatar and Bahrain); though, some other countries with big oil reserves are slow toward tourism development, that is due to the lack of need to diversify their economies (as Abu Dhabi in UAE, Kuwait and Saudi Arabia) (WTO 2003).

According to the information of WTO (2000-2003), some of the Arab countries were having a big share from the total number of tourists coming to the Middle East and North African countries; this was noticed in countries like Saudi Arabia depending on pilgrimage seasons, Egypt with the great number of ancient sites, coastal resorts and Nile tours, Morocco with its richness of historical sites and coastal resorts, UAE because of its huge investments and shopping events, Tunisia with its main attractions of coastal resorts and historical sites, Bahrain attracting tourists for its heritage houses and shopping, and Syria with its historical sites and different resorts. These countries then are followed by other countries that occupy a variety of attractions in their small areas as Jordan and Lebanon. In order to gain benefits of tourism, these countries took some actions as the improvement of access to these countries by the development of transportation and its infrastructure; the increase in investment incentives; improvement and diversification of tourism products; the enhancement of marketing activities (by quality and quantity); the institutional development; the public-private partnership taking place now in many countries; and the improvement of electronic technology (for getting the information and buying the trip) (WTO 2004).

Also, most of these countries have developed programs of study to improve the quality of human resources working in this industry (Koyuncu, Burke, Fiksenbaum, & Demirer 2008), they are making efforts to upgrade and enhance the education, training, skills and commitment of employees working in tourism and hospitality. These efforts involve education and training programs of various lengths offered at several levels of the educational system as vocational training courses and university-level programs (Koyuncu et al 2008). Though, there is a significant dependency on imported labor in different tourism facilities and services, this indicates the presence of problems as imported leakage and underemployment within local community, thus the loss of opportunity to fully benefit from tourism sector (Kraeg 2001).

2. Tourism in Saudi Arabia

For Saudi Arabia, the statistics given by Tourism Information and Research Center for the year 2009 shows that such sector has generated a total revenue of 62,520 mn SR (Saudi Riyal), the total number of arrivals has reached 46,844 thousand visitors, of which 13,318 thousand visitors are inbound tourists. There was also a significant increase in the number of tourism facilities and services that reached 43,505 in 2009; Table 1 shows this increase in the last six years.

Table 1: The Increase in the Numbers of Tourism Establishments in the last 6 years in Saudi Arabia (Tourism Information and Research Center 2010)

Item	% Change 2008-09	2009	2008	2007	2006	2005	2004
Tourism Value Added (TVA) Billion SR							
Accommodation	6.8	12.6	11.8	9.2	8.6	8.7	6.5
Food Services	6.7	19.2	18.0	16.1	12.8	14.2	16.7
Recreation	7.7	2.8	2.6	2.7	0.9	0.9	-
Travel Agencies	9.1	1.2	1.1	1.0	1.4	1.5	1.4
Transportation	6.6	19.3	18.1	16.5	11.7	11.0	9.7
Number of Tourism Establishments							
Number of Tourism Establishments	4.4	43,505	41,653	38,791	30,410	28,934	29,196
Hotels	7.2	1,140	1,063	1,165	1,070	1,049	953
Number of Rooms	0.01-	102,305	102,319	124,662	108,428	104,093	96,144
Number of Furnished Apartments	1.9	4,423	4,342	2,806	2,437	2,204	2,204
Number of Apartments	3.4	101,536	98,242	67,988	58,238	51,766	51,766
Number of Youth Hostels	5.0	21	20	20	20	20	20
Number of Students Hostels	0.0	21	21	21	21	21	21
Travel Agencies	20.4	1,792	1,488	1,320	1,045	816	1,174
Tourist Restaurants	4.0	27,317	26,266	25,584	24,600	23,654	23,654
Rent a Car Company	4.0	513	493	480	462	444	444
Transport Company	4.0	1,015	976	687	309	297	297
Recreation Services	4.0	7,263	6,984	6,708	446	429	429

Moreover, tourism had a total number of employees that reached 478,979, of which only 25.7% are Saudis, the total tourism employment in Saudi Arabia forms 6% of total employment. Table 2 shows the increase in tourism employment in the last few years and its contribution to total employment in the kingdom, as well as some important tourism growth indicators. Despite the great economic benefit gained by tourism, a great leakage can be indicated from the overdependence on imported labor as only a small portion of jobs opportunities is occupied by Saudis.

Table 2: The Increase in the Numbers of Tourism Employment in the last 6 years in Saudi Arabia (Tourism Information and Research Center 2010)

Item	% Change 2008-09	2009	2008	2007	2006	2005	2004
Hotel Occupancy Rate (%)							
Rooms Occupancy Rates	2.8	54.6	51.8	50.8	51.2	51.0	50.6
Beds Occupancy Rates	0.2	50.4	50.2	43.7	43.8	46	50.5
Direct Tourism Employment							
Total Employees	2.7	478,979	466,523	426,561	355,555	332,275	333,521
Percentage of Saudis	5.5	25.7	20.2	22.0	22.0	19.5	20.0
Tourism Employment/ Total Employment in KSA	0.6-	6.0	6.6	6.4	5.6	5.4	6.2
Tourism Employment/ Total Employment in Private Sector	0.5-	7.0	7.5	7.3	6.4	6.2	7.2
Tourism Value Added (TVA) %							
TVA-Bn SR	6.8	55.1	51.6	45.4	35.5	36.5	36.4
Share/GDP (%)	1.0	3.9	2.9	3.2	2.7	3.1	3.9
Share/Non-Oil Sector	0.1	7.6	7.5	7.1	5.9	6.6	7.2
Share/ Private Sector	0.4	12.1	11.7	11.2	9.5	10.5	11.3
Gross Domestic Product							
GDP- Bn SR	21.2-	1,396	1,771	1,431	1,325	1,172	930
Indicators of Tourism Supply Side Bn SR							
Total Tourism Output	6.9	90.3	84.5	75.5	60.0	59.1	57.3
Employees Remuneration	6.8	14.1	13.2	11.8	10.7	10.1	9.9
Gross Operating Surplus	6.8	41.0	38.4	33.6	24.8	26.3	26.5

Tourism and Hospitality sectors in Saudi Arabia have been depending heavily on imported workers at both management and line levels. Some efforts were done by the Saudi government in the past years by mandating a reduction of expatriates in all industries, which comes as a policy known as **Saudization**; this was the result of the increasing rates of unemployment among Saudis. This article aims at exploring the current status of tourism labor in Saudi Arabia, and to discuss the potential of implementing Saudization policy in this sector.

3. What is Saudization?

According to Sadi & Henderson (2005), Saudization means: “finding local workers to perform specific jobs that only immigrants have been willing to handle, particularly at the prevailing wage rates. It also means training citizens for top-level management jobs”. The authors state that the implications for the hotel and tourism industry are reflecting two aspects; one of these is that immigrant workers were occupying many jobs for which the pay is too low for local residents or jobs that nationals would prefer not to do. Also, the hotel industry always depended on expatriate managers for technical expertise, which now must be replaced by Saudi citizens. Referring to a report by Tourism Information and Research Center for the year 2008, the total number of employees in tourism and hospitality sectors reached 466,523. Table 3 shows the distribution of these employees on different tourism facilities; it can be seen that food and accommodation services, as well as land transportation had the majority of workers.

Table 3: The Total Number of Employees for Tourism and Hospitality Sectors in Saudi Arabia (Tourism Information and Research Center 2009)

Tourism Establishment	Total Number of Employees	Total Number of Establishments
Accommodation	82,502	5,566
Food Services	245,224	25,584
Railway Transportation	1,149	1
Land/ Road Transportation	56,017	621
Sea Transportation	8,402	64
Air Transportation	23,421	1
Rent a Car Companies	1,914	480
Travel Agencies and Tour Operators	10,126	1,788
Sport and Recreation Facilities	37,768	806,7
Total	466,523	3140,8

Of the 466,523, 94,407 only (20%) are Saudis, while 372,116 (80%) are from other nationalities, the distribution of different tourism jobs between these two groups is clarified in Table 4. It can be clearly seen that non-Saudi employees are forming the majority in most of tourism establishments. They form 77% of employees in accommodation facilities, 90% in food services, 71% in land transportation, 93% in sea transportation, 63% in rent a car companies, 71% in travel agencies and tour operating offices, and 76% in sport and recreation facilities.

Table 4: The Total Number of Saudi and Other Nationalities Employees for Tourism and Hospitality Sectors in Saudi Arabia (Tourism Information and Research Center 2009)

Tourism Establishment	Total Number of Saudi Employees	Total Number of Employees from Other Nationalities	Total
Accommodation	19,237	63,265	82,502
Food Services	25,399	219,825	245,224
Railway Transportation	1,006	143	1,149
Land/ Road Transportation	16,365	39,652	56,017
Sea Transportation	566	7,836	8,402
Air Transportation	19,269	4,152	23,421
Rent a Car Companies	711	1,203	1,914
Travel Agencies and Tour Operators	2,964	7,162	10,126
Sport and Recreation Facilities	8,890	28,878	37,768
Total	94,407	372,116	466,523

Moreover, imported labor is taking a significant portion of wages paid to workers in these establishments, which reached 66% in 2008 as shown in Table 5. Usually, imported workers are preferred since they are willing to work for lower wages and because of a belief that such individuals are more willing to undertake physically demanding tasks. In many cases, those of senior rank may also possess valuable expertise need by the establishment and that is not so available in local markets. In accommodation sector for example, most of Saudi workers are mostly employed as department managers and in clerical jobs, while other positions as professionals (those whose work involve accounting, consulting, information technology and legal issues), supervisors, clerks, service staff (as waiters, bell boys, chefs, housekeepers...etc), these are usually undertaken by non-Saudis. Table 6 shows the distribution of different employees in accommodation sectors.

Table 5: The Total Wages (in thousands SR) of Saudi and Other Nationalities Employees for Tourism and Hospitality in Saudi Arabia (Tourism Information and Research Center 2009)

Tourism Establishment	Total Wages of Saudi Employees	Total Wages of Employees from Other Nationalities	Total Wages
Accommodation	642,519	1,492,627	2,135,146
Food Services	162,555	5,174,378	5,336,933
Railway Transportation	102,867	6,811	116,489
Land/ Road Transportation	120,819	353,518	474,337
Sea Transportation	24,253	3,34,258	358,511
Air Transportation	3,247,944	441,315	3,689,259
Rent a Car Companies	9,870	30,375	40,245
Travel Agencies and Tour Operators	6,6364	239,256	305,620
Sport and Recreation Facilities	160,993	614,337	775,330
Total	4,538,124	8,686,865	13,224,989

Table 6: The Total Number of Saudi and Other Nationalities Employees for Accommodation sector in Saudi Arabia (Tourism Information and Research Center 2009)

Type of Job in Accommodation Establishment	Total Number of Saudi Employees	Total Number of Employees from Other Nationalities	Total
Owners	4400	8	4408
Managers	2,527	1,995	4,522
Supervisors	3,301	6,763	10,064
Clerks	5,250	8,436	13,686
Professionals	671	2,864	3,535
Service Staff	3,088	43,199	46,287
Total	19,237 (23.3%)	63,265 (76.7%)	82,502 (100%)

4. The Need for Job Localization (Saudization)

All the indicators listed above initiate then the need to have more efforts on replacing this imported labor with a local one, i.e. more implicating of Saudization policy, such policy (also termed as job localization) is getting the attention of countries that have been using expatriate labor, such as those of the Gulf Cooperation Council (GCC), in which Saudi Arabia is a member. These countries were affected by declining oil prices in the 1980's; another damaging factor is the remittance of billions of dollars by foreign workers to their home countries. The lack of diversification in these countries' economies was also a problem that contributed to the high unemployment of local young generations; all of these factors made GCC governments take attempts to replace expatriate workers with locals, often imposing financial penalties on the recruitment and retention of overseas staff. Though, a problem is characterized by the fear of some tourism business owners that employing locals instead of expatriates will cause a decline in efficiency and productivity (Sadi & Henderson 2005). Another problem causing the high dependency on imported labor is the non-consonance between the expectations of tourism employers and the educational outcomes of universities teaching the professions of tourism and hospitality.

In addition to the weakness in tourism educational programs, the perceived low status of tourism as an academic discipline caused many institutes and universities to perceive the introduction of new tourism training programs and education courses as a means of increasing student enrolment and enhancing capitation without considering the quality of outcomes for these programs (Mayaka & Akama 2009). Although tourism and hospitality fields are applied subject areas that require the situation where: academics, students and curricula development all need to have close links with tourism industry, strategies for industry engagement in many education institutions are often haphazard and lack focus, commitment and resources, consequently, the graduated of these programs are in most cases not ready to work in tourism establishments if compared to foreign workers. On the other hand, tourism industry is often seeking cheap labor, while the educational institution is seeking a structured training experience for the student. These situations makes partnerships founded on these outcomes lack strategic direction and do not fully reconcile the interests of the educator, the industry and the trainees (Solnet, Robinson, & Cooper 2007).

5. The Potential of Making Saudization in Tourism a Reality

It was stated in a report by the Economic Program (2001) that immigration by locals within the Saudi Kingdom reached 1.9 mn in 1999 (i.e. 12.5%), such immigration is mostly to Riyadh and other major cities from rural areas. This indicates then a continuous degradation in living standards since many economic sectors as agriculture will deteriorate, the numbers of those seeking jobs in the big urban centers will exceed the number of offered opportunities, and more pressure on public services.

Considering the distribution of tourism attractions all over the country's regions, there is a need to develop tourism in these regions in a way that will increase the number of job opportunities and enhance the level of services in them, consequently decreasing immigration rates. The great fluctuations in oil prices makes concentration on tourism sector in Saudi Arabia of a great importance, this comes from being a vital source of income and jobs for Saudis; though, gaining the benefits out of this sector requires minimizing all possible leakages, especially those caused by hiring foreign workers (imported leakage). In a study conducted by Tourism and Society Program of Saudi Commission of Tourism and Antiquities (2001), the perceptions of 200 Saudi employees about working in tourism were measured; most of the respondents have shown a high pride of and satisfaction in their jobs, they also have a great willingness to receive and serve tourists from outside (particularly Arab tourists), the respondents see a great potential in domestic tourism to contribute to country's economy, and find it necessary to create new tourism programs and activities to make this tourism market prosper, moreover, most of them believe that Saudi Arabia has very distinguished mountainous, desert, coastal and archaeological types of attractions to create a unique destination. Such results indicate the great possibility to implement the policy of Saudization. Though, most of the respondents were concerned about lack of job security, and the negative attitude of Saudi community toward workers in tourism.

6. Discussion & Conclusion

Unfortunately, not so much research was conducted to investigate the case of job localization in Saudi Arabia, nor the expectations usually held by tourism employers for labor working in their establishments. Saudi Arabia is known as one of the countries depending heavily on expatriate labor in tourism, it becomes then important to understand the current status of tourism labor, as well as finding implications required from different tourism stakeholders to empower the role of local human forces in Saudi tourism. This initiates the need to conduct different studies that target tourism employers and local community to understand their perceptions toward employing Saudis in tourism sector, as well as their awareness about different benefits of tourism gained by different stakeholders. Another important implication to focus on is improving the level of different tourism services and infrastructures, especially for domestic tourist market, which is in addition to developing programs for family tourism since it forms a significant group of such market, this will help in enhancing the image held by community about tourism and its impacts on their lives. Spreading awareness among community about working in tourism and its benefits, also its contribution to local economy through media and educational programs would help in increasing the willingness of Saudis to get enrolled in tourism careers, this should be enforced with improving wages and work conditions in different tourism establishments.

References

- Economic Program. 2001. The Economic Significance and Effect of Developing Tourism Sector: The Case of Saudi Arabia; a paper submitted to the seminar held by Saudi Commission of Tourism & Antiquities on 19-21/6/2001 in Abha: "The Economic Impact of Tourism with Applications on Kingdom of Saudi Arabia".
- Kregg, Gleen. (2001). The Impacts of Tourism, University of Minnesota, Minnesota Sea Grant Publications, Publication No T13: 1-20
- Mayaka, M. & Akama, J. (2007). Systems Approach to Tourism Training and Education: The Kenyan Case Study. *Tourism Management*, 28, 298-306.
- Sadi, M. & Henderson, J. (2005). Local versus Foreign Workers in the Hospitality and Tourism Industry: A Saudi Arabian Perspectives: Saudi Arabia, published in *Entrepreneur*, retrieved on: 25.11.2010, found at: <http://www.entrepreneur.com/tradejournals/article/print/132354505.html>.
- Solnet, D., Robinson, R., & Cooper, Ch. (2007). An Industry Partnerships Approach to Tourism Education. *Journal of Hospitality, Leisure, Sport and Tourism Education*, 6(1), 66-70.
- Tourism and Society Program .2001. Perceptions of Workers about Working in Tourism Sector; a report issued by of Saudi Commission of Tourism and Antiquities, found at: <http://www.mas.gov.sa>; retrieved on: 25/12/2010.
- WTO. 2003. Inbound Tourism to Middle East and North Africa, World Tourism Organization.
- WTO. 2004. Tourism 2020 Vision: The Challenges and Opportunities for Middle East Destinations, a presentation by A. Abdel-Ghaffar (a regional representative of WTO for the Middle East) in a seminar on E-Tourism: The Route to Competitive Success, Damascus, Syria (April 27th & 28th 2004).
- _____. 2009. Statistics of Tourism Establishments 2008, published by Tourism Information and Research Center (MAS), found at: <http://www.mas.gov.sa>; retrieved on: 26/11/2010.
- _____. 2010. Main Tourism Indicators (2004-2009), published by Tourism Information and Research Center (MAS), found at: <http://www.mas.gov.sa>; retrieved on: 26/11/2010.
- _____. 2010. Statistics of Accommodation Sector: the first half of 2010 (Jan-Jun), published by Tourism Information and Research Center (MAS), found at: <http://www.mas.gov.sa>; retrieved on: 26/11/2010.
- _____. 2010. Statistics of Accommodation Sector 2009, published by Tourism Information and Research Center (MAS), found at: <http://www.mas.gov.sa>; retrieved on: 25/12/2010.