

Conclusively Addressing the Unemployment Dilemma

**High Level Initiative Proposal
(For Discussion Purposes Only)
DevSol Consultancy
Bahrain**

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3 Major Challenges

- ▶ While statistically speaking, the KSA private sector has the capacity to substitute Nationals in place of expatriates, i.e. in terms of numbers, it continues to have major qualitative issues to do with cost, skill sets, and productivity attitudes in employing Nationals
- ▶ The KSA's public education system up to the secondary school level (along with social mores, traditions, and KSA's recent socio-economic development path), produces a skill and attitude set that does not meet private sector needs
- ▶ Naturally, the ultimate solution is to redevelop the whole system, however, this requires a timescale that renders this solution, while necessary, definitely insufficient, to ensure implementation of the short term steps required to address the skill and productivity gaps that hinder employability
- ▶ Two current medium term initiatives that are along the above lines are the "Tatweer" project to overhaul school curricula, and possibly the National Youth Strategy that apparently is to serve as a Youth Development master plan, under the aegis of the Ministry of Planning

4 Major Challenges

- ▶ Other initiatives and strategies, that have been instigated, such as the HRD Fund programs, the vocational institute system, temporary and permanent public sector jobs, are helpful, but not of the scale or capacity necessary to absorb 100-200,000 high school graduates, and render them “employable” every year
- ▶ This is not to mention the primary, middle school, and even university graduates who are currently unemployed, and would need the support of the programs above
- ▶ Furthermore, the resource requirement to scale up the HRD Fund programs, and vocational school system, to absorb such a number every year, and render them “employable”, is likely to be prohibitive, not just financially, but also in terms of managerial capacity
- ▶ Finally, the actual effectiveness of the above programs needs to be continuously evaluated to determine how successful they have been in producing graduates that are employable, not only in terms of skill sets, but also in terms of attitude and the desired productivity traits demanded by private sector employers, to seriously consider wholesale displacement or substitution of expatriate skilled and semi-skilled manpower (i.e. in the substantial numbers required)

5 Proposal Outline

- ▶ The initiative proposed seeks to address the gaps highlighted in the preceding section when it comes to skills, productivity attitudes, and ultimately the private sector “employability” requirements, on a scale of up to 100-200,000 KSA secondary school graduates, *per year, every year*
- ▶ The program proposed is a one to two year “employment rehabilitation” program, however, it seeks to address a number of gaps not adequately covered by current initiatives, at the scale indicated. These include:
 1. Skill sets and productivity traits that meet the repertoire in demand by the private sector. In fact, as currently proposed, it would be a PPP (Public-Private Sector Partnership)
 2. National Affiliation/Loyalty to country
 3. Character Building, including discipline and perseverance
 4. Engendering sound work ethic and sense of self worth thru robust productivity attitudes

6 Proposal Outline

- ▶ The program is proposed to be an in house (on campus) in class, and on job training stint
- ▶ It is proposed that campuses are set up adjacent to all three major metropolises (Riyadh/Jeddah/Dammam), in the first phase (Pilot Phase)
- ▶ The length of the program would be in the range of 1-2 years depending on the desired competencies and skills of the participants upon graduation
- ▶ It would be implemented on a phased basis, over three phases (Pilot/Launch/Expansion), with incremental locations, vocation tracks, and capacity added in each phase
- ▶ Participants would be schooled in vocations that meet private sector skill requirements, both in class, and on job
- ▶ The range of vocations to consider would cover both “outside” and “inside” work environments, including multiple independent tracks such as, metal working, mechanics, carpentry, construction supervision, data input and administration, secretarial skills, etc.

7 Proposal Outline

- ▶ Participants would be expected to wake up on campus, at dawn or early morning, (5-6am), and go thru an intensive exercise drill for 1-2 hours
- ▶ Then depending on the season, and whether the job track is “outside” or “inside”, they would be sent off to work on government sponsored projects for the morning half day
- ▶ These projects could be infrastructure projects, public works projects, community service projects, or even purpose designed projects for this initiative
- ▶ In the afternoon half day session they would be expected to attend in class training. The morning and afternoon sessions can be reversed, i.e. in terms of in class or on job sessions in winter
- ▶ At 5pm they would be back at their campus, and engage in team building exercises, or activities, including various team sports, and learning games (television time would be restricted to one to two hours daily, other than weekends)
- ▶ Participants would be expected to retire by 9-9.30pm
- ▶ Weekends can be exploited to create opportunities for learning games, extra curricular hobbies, or other group activities

8 Proposal Outline

- ▶ Incentives would include room and board, and a monthly salary of SAR 1000, priority in HRD Fund on job training placements, and arrangements may be made with participating employers to guarantee the top 20% of program graduates private sector jobs, on a probation basis
- ▶ The program would be run by a Board, and an executive team
- ▶ The Board would be comprised of private sector and public sector potential employers, as well as Ministry of Labor representatives
- ▶ Employers participating in support of the program, financially or otherwise, would have to be granted incentives, such as tax or Zakat subsidies/waivers (or others, as appropriate)
- ▶ Discipline, work values, and responsiveness to superiors would be imperative traits to equip participants with in the program
- ▶ It is proposed that in the initial two phases of the program, a specialist firm or highly qualified international advisors be employed to transfer skills and key success factors from other similar programs implemented internationally in countries such as South Africa, the USA, and Malaysia
- ▶ In these countries, similar, although not identical, civilian service programs exist that are called National Youth Service programs, National Service programs or in the USA; Job Corps, AmeriCorps (nationalservice.gov), etc..
- ▶ Their objectives tend to vary, ranging from character building to community service, to employability skills, to Nation building, or various combinations thereof, etc.
- ▶ It is proposed that this program is named “Muntij” or “Al-Muwatten Al-Muntij”

9 Key Success Factors

- ▶ It is essential that the program be benchmarked against a number of Key Success Factors and Key Performance Indicators:
 1. The paramount yardstick of all decisions and performance metrics is the program's ability to graduate private sector "employable" graduates, hence the critical requirement for it to be a PPP (Private Public Partnership)
 2. In the initial phases it would be essential for the Board to include two to three external experts in such programs, with international proven experience in executive or policy making roles
 3. The private sector "employer" participants are expected to assist and guide the program in terms of vocation tracks, quantity, and attributes of graduates. These attributes must be practically measurable to allow design of performance metrics
 4. It is essential that an appraisal be performed a priori to assess, which if any, current initiatives, such as the HRD Fund and vocational institutes, can be integrated into, or support the program, subject to the vocational institutes being independently assessed as having the qualification to do so, in terms of quality and quantity of throughput, and vocation tracks required by the private sector, as well as generate graduates with the required work ethic, and productivity attitude to render them "employable"
 5. It is essential that the HRD Fund provide priority and or other incentives to program graduates to ensure its success, with a survey conducted annually of potential participants, as to incentives adequacy
 6. It would be essential to conduct an annual private sector vocation and skills requirement survey, and to assess any deficiencies observed by employers of program graduates employed by them, in terms of productivity mind set, by an independent qualified survey firm
 7. At a certain point (probably around Phase 2), a promotion, community outreach and awareness campaign would need to be part and parcel of the program

10 Performance Metrics

- ▶ Performance assessment of participants would be essential, on a monthly basis, in the form of a simple scorecard being filled out by professional technically qualified appraisers for on job, in class, and on campus performance separately.
- ▶ It is essential for performance metrics to continue after employment at program private sector (and possibly public sector) employers to determine quality of output, and obtain feedback to improve the program if weaknesses are detected, or opportunities for improvement highlighted
- ▶ It would be of paramount importance that an initial screening be performed of candidates joining the program to determine natural inclinations and competencies for various tracks, be they technical or administrative, “inside” or “outside” tracks, etc.. factoring in candidate preferences, as well as measured inclinations, assessed competencies, and available openings
- ▶ It would be important to conduct a review of performance metrics employed at other similar successful programs internationally to assess viability of incorporation
- ▶ It is essential that the staffing of the program be carried out based upon competency and qualification, even if expatriate supervisory staff, with relevant experience are hired. Their performance will need to be periodically assessed as well (possibly quarterly), based on a measurable score card

1 1 Summary and Conclusions

- ▶ Saudi Arabia is at a critical juncture of its socio-economic development
- ▶ A cornerstone challenge in this phase is fundamentally tackling the youth employment challenge. This is both a national, regional, and international vulnerability in the current socio-economic climate
- ▶ What is at stake is not only economic performance, but also socio-political stability, as witnessed in the current regional scene
- ▶ The likely cost of a program of this nature (“Muntij”), is initially estimated to be no more than SAR 5-10 billion per annum, which is less than, or the same as, the budget for one medium to large sized Saudi University, probably with a smaller student body
- ▶ The social and economic rate of return (cost-benefit) of the program can be measured in terms of National unemployment reduction, the incremental economic growth consequent to that; and, against the opportunity costs of not reducing such unemployment, in terms of security spending related to social instability

12 Summary and Conclusions

- ▶ To compare per head economics one can contrast the cost to graduate a vocational institute participant versus the per head estimated program cost of SAR 50-100,000 per annum. Having said that, one must also keep in mind the capacity limitations of vocational institutes (i.e. versus 100-200,000 participants), and the degree of “employability” of graduates, both in terms of quantity and quality (i.e. work ethic and productivity mindset)
- ▶ If the program is successful in the major cities it can be expanded to smaller cities and towns, and ultimately new tracks created for middle school, diploma graduates, and even possibly a parallel women’s program if culturally acceptable
- ▶ At a certain point, if “Muntij” is found to be successful, e.g. Phase 3, or Expansion Phase, it may even be conducive to consider making it mandatory for unemployed youth seeking unemployment benefits, or social security benefits unless they do not have the capacity for health or other valid reasons
- ▶ Also in subsequent phases it would be conducive to expand the program to segments beyond high school graduates to middle school graduates, vocational school graduates, and even university graduates prioritized based upon unemployment reduction impact
- ▶ In terms of next steps we recommend commissioning an exploratory study, based on the broad parameters above
- ▶ The subsequent four slides provide appendices containing a profile of DevSol, and the contextual considerations underlying this proposal

13 DevSol Profile

- ▶ Developed Solutions Consultancy (DevSol) was established by Riyadh Al-Dughaiter, an ex Saudi Bank Executive with regionally recognized expertise in Risk Strategy, and Strategic Risk Planning
- ▶ Mr Al-Dughaiter was EVP-Chief Risk Officer at Riyadh Bank, Riyadh, KSA, and Chief Credit & Risk Officer for the ABC banking group in Bahrain
- ▶ His experience spans two decades of executive and managerial positions, at two regional banks, in markets such as the KSA, USA, and Bahrain
- ▶ He was instrumental in setting up an award winning range of mutual funds at Riyadh Bank, arranging a series of multi-billion dollar loan syndications for Saudi industries, coordinating the team effort leading up to major upgrades of the Risk platform at Riyadh Bank, and ABC; and of significant upgrades in their external credit risk rating, by major international rating agencies, such as S&P, Moody's and Fitch Ratings
- ▶ He is a frequently invited speaker on regional risk issues at international conferences, and a former member of the Institute of International Finance (IIF) Steering Committee on Regulatory Capital (Washington, DC, USA)

14 Context

- ▶ KSA is at a crucial historic juncture in terms of its development trajectory
- ▶ The current 5 year Development Plan, and those preceding it, assign top strategic priority to Employment, and Job Creation, for Saudis
- ▶ The regional context, especially on the youth unemployment front, is patently at a very sensitive juncture
- ▶ Youth unemployment is now not only a matter of economic security, but also one of socio-political security/stability
- ▶ Youth unemployment levels at many MENA countries are estimated to be in the range of 20-30%, and unfortunately, the KSA appears to be no exception (not least when young females are included)
- ▶ This discussion paper proposes a strategic initiative, for consideration, intended to constitute a fundamental resource in the arsenal devoted to tackling this pressing, and alarming, conundrum

15 The Risks and The Prospects

- ▶ As can be seen, with recent regional developments, youth unemployment represents a strategic risk, and major opportunity, to be addressed, as a matter of priority, at all MENA countries
- ▶ While GCC states have more resources to fund a wider range of options targeting this issue, they also have idiosyncratic challenges of their own, in terms of skill sets, productivity attitudes, imbalanced labor markets, and work ethics, in relation to employing National youth
- ▶ The World Economic Forum in Davos this year, highlighted Economic Disparity as one of the **two** most pressing major Global Risk clusters
- ▶ The MENA region is obviously one of the most vulnerable, when it comes to this risk cluster, and unfortunately the GCC appears not to be spared, when one observes our reported GINI coefficients (income distribution indicator), and the unemployment levels mentioned above

16 The Risks and The Prospects

- ▶ The KSA is estimated to graduate at least 100-200,000 high school certificate holders (males), who are **not** accepted into universities and other educational institutions, annually
- ▶ The current job market can only absorb a small fraction of this large number, whether in the Private or the Public sectors
- ▶ These youth can be restless, are highly impressionable, and therefore represent a major potential security vulnerability
- ▶ The above is, of course, in addition to the economic loss that results from not productively employing them
- ▶ The only serious potential capacity for employment appears to be in the private sector, in skilled or semi-skilled jobs, that are likely to meet young Nationals' remuneration and job adaptability limitations
- ▶ However even this prospect requires bridging employer/employee skill and productivity gap expectations

Thank You

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