

## A STUDY OF HIGH ECONOMIC POTENTIAL OF HUMAN RESOURCE DEVELOPMENT AMONG GROWING SAUDI YOUTH POPULATION

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**Abstract:** Currently, Saudi Arabia is facing a very unique kind of demographic dividend phase. Around 51% of the population is under age of 25 years and if these figures include the ones under the age of 29 years then, two third of the kingdom constitutes the youth population. As the figures demonstrate, it is one of the most youthful regions in the world. Among the problems that Saudi youth face, one of the biggest and most crucial problem is education. Unemployment is another major issue of concern directly related to defective education system with around 30% rate of unemployment which is quite appalling and pathetic. Saudi Arabia's youth unemployment could become its biggest social challenge over the next decade amid sinking oil prices and the entry of millions of young people into its limited economy. Many blame the country's inept education system. Half of primary and secondary school students aren't learning at the levels they should be, according to a survey by the Boston Consulting Group. When they get to college, it gets worse – 63 percent of students get degrees that aren't useful for private-sector jobs. The potential of this youth bulge can only be harnessed through proper quality education and human resource development. This task is critical to ensure that this youth bulge turns into an asset and not a liability. As Saudi has been witnessing quite many loopholes in its education system, so, turning it around is an uphill task. The paper tries to focus upon the huge potential that Saudi Arabia's youth present and how crucial it is to harness this segment for country's overall development. The paper has been divided into four parts : The first part is introductory , the second part throws light upon the high economic potential of Saudi youth, the third part looks at the challenges that needs to be catered to and finally the last part gives concluding views alongwith some policy recommendations.

**Keywords:** Saudi youth, Human resource development, economy.

**I. Introduction:** Education is the most important component of human development particularly because it enhances an individual's opportunity not just in employment but also otherwise. But, the scenario where education fails to equip a person with the skills that are particularly needed for productive employment, its main purpose to advance human development is compromised to a larger extent. Usually, education is often suggested as a solution to unemployment as well as labor market gains , but in MENA countries the crucial problem is that the educated youth are often less likely to be employed than the less educated. There are many instances to prove this also like say in Egypt, those with the lowest education have the lowest unemployment (El Hamidi and Wahba 2006). If we look at the case of unemployment, it is usually highest among secondary school graduates and then among the tertiary graduates.

The scenario that education provides very low productivity in MENA is a well-recognized and accepted scenario, though there is disagreement regarding its source. Pritchett (1999) and Makdisi et al (2006) found that the growth of education in MENA does not seem to explain any part of the increase in output. Two major studies in the field of education as well as human development by AHDR (2003) and World Bank (2007), examine the reasons behind the weak performance of education systems

in MENA countries. Having a look at the World Bank study, it emphasizes the increase in output. Two major studies in the field of education by AHDR (2003) and World Bank (2007), examine the reasons behind the weak performance of education systems in MENA countries.

Having a look at the World Bank study, it emphasizes that role of incentives on the part of teachers and school administrators. It argues, as others have, that the strong role of the state in provision of education leads to distorted incentives, or lack of incentives to promote good education. The Arab Human Development Report 2004 views the problem of knowledge acquisition in the Arab countries in its broader social and political context, raising larger issues such as lack of democracy and inequality of wealth as barriers to efficient accumulation of human capital. There are several interesting observations that emerge from the observations of labor market and human resource development in Gulf countries. First, in general , the rate of unemployment falls with the level of education for high income countries and between secondary and tertiary for middle income countries, indicating that in these countries, on average, education is productive.

- Second, MENA countries have higher unemployment rates at all levels of education if we start comparing with the other countries.

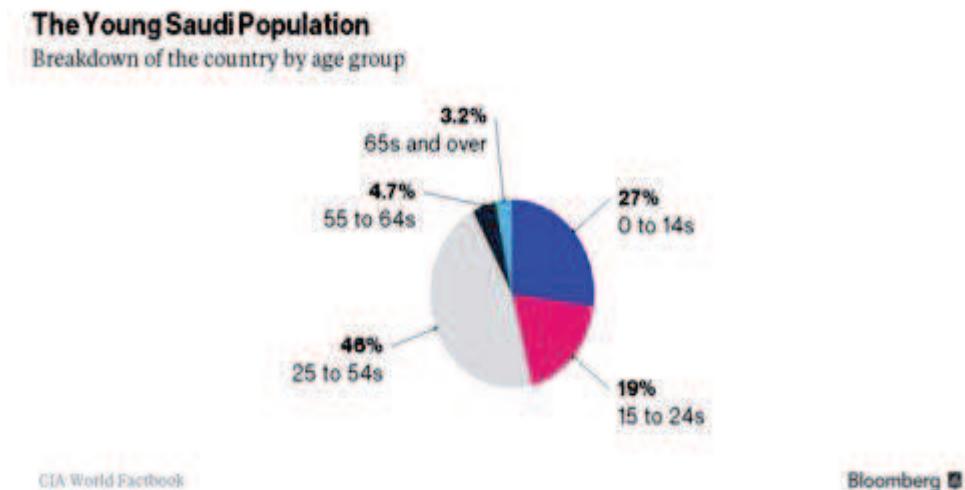
- Thirdly, in MENA countries secondary school graduates had the highest unemployment rate compared to other education levels.
- Fourth, the gap in the unemployment rate between MENA and other country groups was largest for tertiary workers, indicating the gap in productivity in this category between MENA and the rest of the world.

Thus, out of these observations it can be concluded that given the scenario that MENA workers with secondary and tertiary education suffer greater unemployment suggests that education in MENA countries and specially in Saudi Arabia is less productive than the other countries.

## II. Saudi youth and their economic potential :

More than fifty percent of Saudi Arabia's entire population is below 25 years and this is a very significant figure as this percentage is set to increase much more in future as well. As can be seen mentioned in various reports as "youth bulge", this topic is a hot discussion among debates as to whether this bulge will prove to be a burden or advantage to the country. Such a large percentage of youth in any country has within itself huge capabilities of economic growth by the generation of new ideas, innovations, startups and a larger force to support the practicability of those ideas.

**Figure 1.**



However, this rapidly growing youth bulge can increase the unemployment among the age group of 15-25 years old. Currently also the unemployment rate is not something to be at peace which is now at 30%. Thus, any sort of mismanagement on this front can be a great setback for Saudi Arabia. The IMF Saudi Arabia Country Report provided this threat in their report that a large number of young people will enter the local job market over the coming next decade and so on, and that creating a sufficient number of rewarding and promising jobs will be a huge challenge in front of authorities.

Another very interesting report by the International Monetary Fund (IMF) gave details that youth unemployment in Saudi Arabia can be lessened by reducing reliance on public sector jobs and by improving as well as enhancing the competitiveness of Saudi workers in the private sector.

**III. Challenges ahead Saudi Arabia:**  
Unemployment and generating newer jobs for the bulging youth is not the only difficulty the Saudi

government is facing right now, but there are other challenges as well. Another bigger challenge is thrown at by the expatriate workforce.

Approximately 2 million new positions were created in Saudi Arabia between the period of 2008 and 2012. However, what happened was that about three quarters of these jobs were filled by non-Saudis, suggesting another challenge that the local workforce needs to become more productive and competitive because of mounting competition from expatriate workers.

The Saudi Arabian Government has recognized this hurdle as well as the importance of harnessing the potential of its young people through education and HRD.

More than SR204 billion from the 2013 budget were being channeled into education and HRD, a staggering 25 percent of the Government's annual spending, and around 10 percent of its GDP which is quite commendable as well as encouraging to know too.

This is the reason that Saudi Arabia is now ranked as the world's highest spending nation on education. These initiatives had a positive impact on the educational outcomes of individuals in the country, with the literacy rate among adults currently standing at around 97 percent, according to the recent World Bank data, which is up from quite low 30 percent in 1970.

The number of individuals completing school and tertiary education is also rising day by day. Mark Andrews, Pearson's director of qualifications in the Middle East, says that these educational developments are instrumental in addressing the skills shortage Saudi Arabia is facing. Andrews says that providing young Saudi nationals with an education that will lead to placement in a rewarding job is not only important for the Kingdom's youth, but also to the Saudi economy. "Saudi Arabia's youth bulge offers enormous opportunities in both Saudi and wider region. It has the potential to increase economic growth and living standards, and help realize the government's goal of greater economic diversification," he said.

**IV. Concluding View:** Thus, having taken a view at the major problem areas and what needs to be done, it is evident now that the youth bulge needs to be transformed into asset so that they do not become a burden. And for this, equipping the youth with effective training and skill based education is critical that stop them from becoming a liability.

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6. Salehi-Isfahani, D. (2006), "Microeconomics of growth in MENA: the role of households", in A very important research by Pearson in the Gulf region indicates that many local employers believe that the education system does not always prepare school and university leavers with essential skills that are needed for the employability of youth. Pearson's 2009 global study into the links between education and employment, detailed in the Effective Education for Employment report found that skills gaps exist for both new employees and more experienced workers. To quote in exact words, it was reported that , "Employers tell us they want candidates with 21st century skills, such as communication, collaboration, responsibility and problem-solving." Gaps around leadership, teamwork, creativity and innovation continue to present employers with difficulties in training and development. This is one of the major problem in the merging times. Andrews believes that giving young Saudi nationals the right workplace skills will help this growing demographic group enter and succeed in employment and contribute to the long term prosperity as well as in combating the issues currently faced. This will also increase the economic growth as well the current standard of living of Saudis. Saudi Arabia's vast youth population has the potential to become an economic powerhouse in the region and outwards too, but it is a matter of proper channeling that potential into positive and productive outcomes.

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