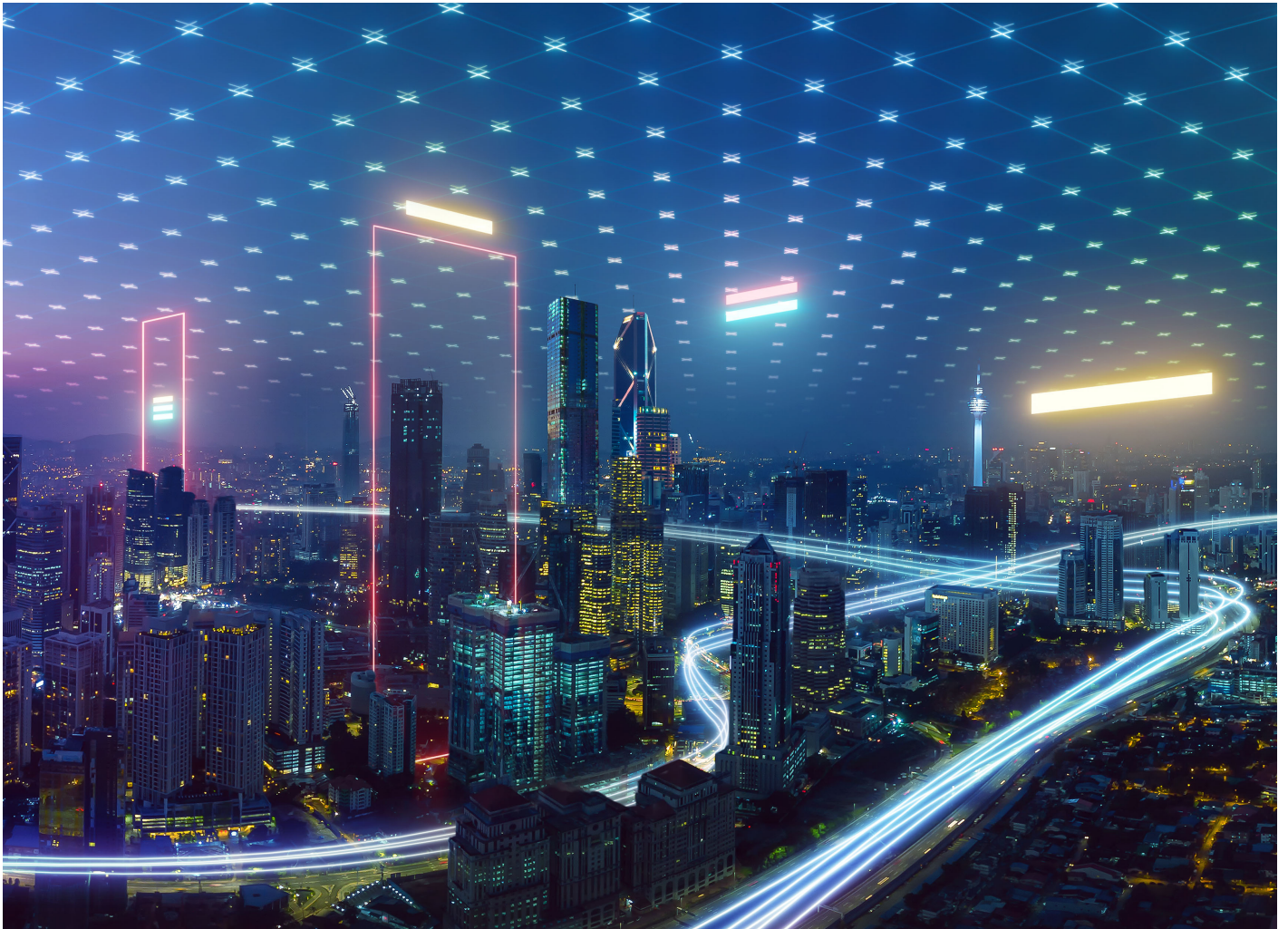


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With Tourism Set to Boom, Saudi Arabia Must Upskill its Workforce



Saudi Arabia is poised to benefit from a surge in tourism in the coming years as it opens its borders to foreign visitors eager to tour its planned smart cities and discover historical sites in its vast desert. The Kingdom's budding tourism industry depends in large part on whether authorities can expand and train the labor force to keep up with its giga- and mega-projects' ambitious goals. The government has made notable progress expanding the workforce, particularly by increasing female participation. The development of well-designed technical and vocational training programs can help Saudi Arabia launch its economy into the future, underpinned by burgeoning tourism.

The Kingdom has announced mega- and giga-projects worth at least \$950 billion since launching its Vision

2030 economic diversification plan in 2016. The primary objective of the projects, with around \$60 billion already disbursed, is to increase Saudi's competitiveness in tourism, construction, infrastructure, and other non-oil sectors. Run by the Public Investment Fund (PIF), the Vision 2030 program also aims to enhance the Kingdom's economic resilience through investments in local strategic sectors and the diversification of the fund's global assets.

Another key ambition is to transform PIF, whose assets are expected to reach \$1.86 trillion by 2030, into one of the largest sovereign wealth funds in the world and consolidate its position in shaping the global economy. The mega- and giga-projects play a major role in achieving that goal. In 2022, Saudi witnessed significant progress in the launch and implementation of giga-projects, with a particular focus on the tourism sector. These investments are expected to boost non-oil economic activities and generate job opportunities for the Kingdom's growing labor force.

Giga-projects drive Saudi's budding tourism sector

Tourism plays an important role in Saudi's transformation plans through Vision 2030. Prior to its launch, tourism in Saudi Arabia was limited to religious visits and pilgrimages. Figure One below demonstrates just how critical tourism is with regard to job creation and GDP contribution. Saudi Arabia's goal is to triple tourism sector employment to 1.6 million people and triple its contribution to GDP to 10% by 2030.

Figure One highlights five key giga-projects launched under Vision 2030 with expected completion dates. The first phase of Neom, a planned smart gigacity in the country's northwest, is expected to be completed in 2030. It gained momentum in 2022 as the NEOM Bay Airport launched international flights, and construction commenced on The Line, a planned car-free linear city within Neom. Korean companies Samsung and Hyundai were jointly awarded a tunnel construction project worth \$1.1 billion for 12.5 kilometers of the total 28 kilometers of planned tunnels in The Line, and construction started in November. The Neom project is the Kingdom's largest, estimated to cost \$500 billion with phase one valued at \$320 billion—half of which will be financed by PIF. The project is expected to create at least 463,500 jobs.



Neom includes four main mega-projects: The Line, Sindalah, Trojena, and Oxagon, all unveiled since 2016. The Line is expected to create 380,000 jobs and add \$48 billion to the Saudi GDP. The project aims to have one million residents by 2030 and nine million by 2045 - and hopes to welcome five million tourists by 2030. Sindalah, announced in late 2022, is Neom's first luxury island destination and is expected to welcome tourists in 2024. The island is projected to create 3,500 jobs for the tourism and hospitality sector and welcome 2,400 visitors a day by 2028.

Trojena, a year-round outdoor skiing and adventure sports destination located in mountainous terrain along the Gulf of Aqaba, won the bid for the 2029 Asian Winter Games. With completion expected in 2026, Saudi hopes Trojena will welcome 700,000 tourists by 2030 and create 10,000 jobs, adding around \$800 million to Saudi GDP. Oxagon, a floating industrial city to be built on 100% clean energy, is projected to create 70,000 jobs and begin receiving residents by 2024.



A growing labor force, with a focus on specialization

Vision 2030's success will depend in part on the growth and development of Saudi Arabia's labor market to ensure the sustainability of its investments. The Kingdom is committed to investing in its workforce through

two parallel tracks: growing its workforce and upskilling its population.

The Kingdom's labor force participation rate increased from around 54% in 2016 to 61.5% in the third quarter of 2022-its highest ever. The inclusion of women in the workforce is also a critical element to the success of giga-project investments. Due to the easing of Saudi social restrictions on women and an active policy to increase female participation in the workplace, women now make up about 37% of the Saudi national workforce-exceeding Vision 2030's 30% target. A Morgan Stanley report also indicates that about 60% of Saudi women who are not yet employed hope to join the workforce in the next two years.

The government has implemented stricter measures to increase Saudi participation across all industries, part of its "Saudization" policy requiring companies operating in the Kingdom to employ Saudis on a quota basis. This policy, which has been active since 1985, is a critical driver in developing a skilled labor force. The government has coupled Saudization with training programs and initiatives, seeking a labour force transformation as the population is set to increase to 50-60 million by 2030.

With most projects expected to be completed within seven years, Saudi Arabia has been training and developing Saudi workers to specialize in the fields of tourism, leisure, and hospitality. Some 94% of high school students attend four-year college programs, compared to 56% in OECD countries. Still, the government recognizes the importance of developing technical and vocational skills that are not typically part of four-year college education programs. Towards this end, Saudi Arabia in 2021 launched the Vision 2030 Human Capability Program, which aims to upgrade the capabilities of the Saudi labor force through training, development, and skill-building initiatives.

The Ministry of Tourism has also implemented several training initiatives, education programs, and startup and business accelerators in the fields of tourism, hospitality, and leisure. These programs include the Tourism Trailblazers initiative, which aims to equip 100,000 Saudis with key vocational skills in tourism and hospitality and has partnered with leading global training institutions from France, Spain, Switzerland, Australia, Italy, and the United Kingdom. Further, the World Trade Organization, which set up its first Middle East regional office in Riyadh, in 2023 signed an agreement with the Kingdom to set up training programs and initiatives, including online courses and quality certification programs. These skill-based training initiatives will help support giga-projects' execution while contributing to economic resilience and innovation post-2030.

Conclusion

Saudi Arabia's tourism sector is expected to witness major growth, underpinned by large investments financed through the PIF. These giga- and mega-projects come with significant labor demand, and the Kingdom must develop the capacity and capability of the Saudi labor force through well-designed technical and vocational training programs as more new projects are launched in the coming years. The success and sustainability of those investments hinge in large part on ensuring labor force programs are appropriately designed and implemented in a timely fashion.

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