



# Saudi Arabia

A kingdom of potentiality

**TASC**

## Executive Summary

With an impressive score of 70.87 (2020) on the Ease of Doing Business Index, the Kingdom of Saudi Arabia (KSA) has established itself as one of the most prolific business grounds. Besides boasting a competitive economic ecosystem, Saudi has relentlessly amended its reforms and diversified its industries to evolve as a top incubator for global businesses.

This paper explores the notable factors that have contributed to the illustrious growth of Saudi Arabia with an aim to -

- Equip businesses, new and old, with facts backed by reliable data to unveil the entrepreneurial opportunities
- Underline the unique challenges faced by employers in KSA and the resolutions offered by TASC Outsourcing to address the same



## Introduction

15,920 new businesses were registered in Saudi Arabia in 2020, which warranted economic stability even during the testing times of the pandemic. In the first quarter of 2022, there were a total of 752,600 SMEs (including newly registered and existing businesses) in Saudi Arabia, exhibiting an exceptional 15% growth. Thus, fortifying the Kingdom's goal to empower the SME sector to contribute 35% to the GDP by 2030. According to the World Bank, the kingdom exhibited a 3.20% growth in its GDP in 2021. The significant determinants that have driven KSA's exemplary success as a prolific ground for business, against all odds, are as follows:

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## Geographic Location And Infrastructure

The Kingdom of Saudi Arabia expands over 27,163,977 sq km across the Arabian Peninsula with the Red Sea bordering the west and the Persian Gulf on the east.



The 14th largest country is strategically dotted with 5 main seaports - Dammam, Jeddah, Jubail, Yanbu, and Riyadh. Thus, warranting swift transport and trade across borders. Apart from its strong allegiance to the waterways, Saudi has also established an efficient network of airports to facilitate air trade.

Resultantly, Saudi's freight and logistics market is valued at \$18 billion and is expected to grow at a CAGR of 6.53% from 2022 to 2027 (according to ReportLinker). With the rapid shift from traditional shopping at supermarkets to cybershopping, the country is soon deemed to be a global logistics hub by experts.

The desert kingdom also holds the largest proven crude oil reserve in the world. 17% of the total petrol reserves in the world are nestled in Saudi Arabia making it the largest exporter of the coveted fuel. Additionally, the kingdom is further crowned with high-value natural gold, copper, natural gas, and iron ore reserves.

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## Economy And Employment

Saudi Arabia has traditionally been an oil-based economy and is the largest one at that among the Arab states owing to the rising oil prices since 2014. However, the country is diversifying its revenue sources to bring more stability into the economy by hedging against fluctuating oil prices.

The revenue generated from the oil and gas sector is being funneled smartly into the economy to develop other sectors that mainly include -

- > Real Estate
- > Fintech
- > Automotive
- > Agriculture
- > Entertainment & Tourism

Saudi is embarking on the path of highly-accelerated growth by aiming to increase foreign investment from 3.5% to 5.7% by 2030. It also aims to bring down its unemployment rate to 7% from the current 10.1% (2022) by 2030 with more opportunities and educational facilities.



## Focus On Education And Upskilling

As much as 8.8% of Saudi Arabia's GDP is spent on education, almost double the global average of 4.6%. The adult literacy rate in Saudi Arabia has increased by 2.26% from 2017 to reach 97.59% in 2020. Increased efforts from the government in the guise of scholarships have enabled large droves of students to study abroad in prestigious institutions across the globe.

Moreover, owing to the Kingdom's elevated income levels, there has been a rapid increase in the number of self-funded students aiming to study abroad.

Resultantly, Saudi has become a hot spot for recruiters looking for talent who are well-versed in local culture and are also armed with a global outlook that comes with foreign education.

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## Foreign Investments

Foreign direct investment reached an all-time high of USD 13,829 million in the second quarter of 2021. Trading Economics forecasts a net inflow of USD 500 Million in 2023 and USD 1000 Million in 2024. The biggest global names and industry leaders that are expanding their foothold in Saudi Arabia and inaugurating their regional headquarters include -

**SAMSUNG**



**SIEMENS**

**PHILIPS**

**Schlumberger**

**HALLIBURTON**

**Deloitte.**



*Lilly*

The establishment of these headquarters is expected to boost the economy by USD 18 billion and create over 30,000 job opportunities. By 2030, Saudi is aiming to house 480 such new companies and drive economic growth and diversification.

## **Ease Of Business**

The robust establishment and development of businesses in Kingdom of Saudi Arabia can be credited to the convenience of set up which includes about 10 to 12 easy steps. The country already boasts of world-class infrastructure but plans on growing it further by 6%.

A trillion dollars is being invested to further a pipeline of infrastructure projects aimed at developing smart cities, clean energy, and tourism to boost business.

Saudi Arabia has also improved the business climate for start-ups and SMEs with better access to financial support.

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## **Operation Laws**

Laws and reforms governing business and commerce in Saudi Arabia have gone through an overhaul to facilitate better working conditions for employees and an efficient business ecosystem for employers. The major restrictions that were levied on foreign workers before 2020 have been lifted to enable foreign employees to change jobs, travel, and depart the country of their own will. Employees are free from the burden of income tax in Saudi Arabia. Resultantly attracting larger droves of foreign talent with diversified skills. With the enactment of the New Companies' Law businesses will appreciate greater flexibility, financial support, merger provisions, and empowerment. These sets of laws will now regulate commercial companies, non-profits, and professionals in line with global standards and KSA's vision for 2030.

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## **Social Reforms**

Kingdom of Saudi Arabia intends to catapult women's participation in business from 22% to 30% by 2030. Thereby, launching a new wave of diversification of the workforce. With reinforced efforts to improve women's rights, women's entrepreneurship will also witness a steep rise.

The establishment of new healthcare and educational facilities not only warrants business opportunities but also ensures a healthy population and youth that are at their productive best. With a thriving entertainment scene that is expected to show exponential growth shortly, Saudi Arabia is a fun haven for children and adults alike, especially those looking to achieve work-life balance.



## Human Resources

67.6% of the Saudi population falls under the economically productive, working age group. Therefore, the country promises a high-yielding workforce for employers. However, international companies often fail to understand the cultural nuances of the population making it a task to maintain an efficient workforce.

Moreover, access to a global workforce that's economical and/or highly skilled can be a challenge to find for companies. That's when outsourcing and payroll management companies come into play. Companies like TASC Outsourcing are the pillars that hold the commercial fabric of the country tight - filling in employment gaps and weaving in new talent from across the globe.

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## Lifestyle And Security

Saudi Arabia upholds traditions and culture while inviting contemporary ideologies, striking a balance fit for a global population. Saudi boasts of diverse avenues for entertainment for every age group. National and expats working in public offices enjoy completely free healthcare from the government. Expats working in privately owned companies are mandated to sign up for health insurance (which is often offered at a subsidized fee if the employer opts for a co-payment model).

The firm Islamic criminal laws and the heavy influence of Quranic teachings, and the government's constant intervention to maintain a strong defense system make Saudi one of the safest places to live and work across the globe.

# The Common Challenges Employers Face In Saudi Arabia

## Slow Adoption Of Technology



As a Kingdom basks in the glory of the Fourth Industrial Revolution, employers saddled with legacy systems fail to utilize sophisticated technology and data analytics. Especially into their existing human resource management stratagem. Only 42% of HR executives are fortified with a digital workplan at an enterprise level.

It is essential to outsource the job to agencies like TASC, who are constantly integrating and upgrading their approach towards human resources by leveraging advanced technology, which helps companies stay at the very top of their game.

## Bridging The Gender Gap To Reap The Benefits Of Diversity



Female participation in the workforce in Saudi Arabia has inflated rapidly in the past 2 years to reach 33.6%. It is essential for companies to adopt strategies to manage and retain this dynamic workforce. They need to incorporate experts opinion who are seasoned to handle the metamorphosis of the Saudi task force.

## Finding The Right Talent



60% of HR executives in Saudi Arabia agree that the inability to find the right skillset and capability in employees is the major hindrance for companies to get on with their digital transformation - arguably the most vital determinant of a company's success today. Collaborating with an HR agency enables companies to infuse the right talent into their task force which can bring about the transformation swiftly. With a global network at its disposal, TASC does the job of strengthening your workforce harmoniously. Our vast pool of talent also comes in handy to meet the increased seasonal requirements of labour in varied industries.

## Adapting And Accommodating Saudization Or Nitaqat



The Saudi National Scheme (colloquially known as Nitaqat or Saudization), has been implemented by the Ministry of Labour that requires companies to reserve a quota for Saudi Nationals in their workforce. The law ensures that national talent doesn't suffer unemployment from the high influx of expats. However, companies often struggle to find local talent that fits their bill to perfection, expanding the vacuum that exists between employers and employees. The crisis, thankfully, can be tackled rather deftly by outsourcing the hiring and managing of people to TASC.

## Staying Compliant To Local HR Guidelines



The Saudi government has introduced various regulations in the realm of human resources and management to safeguard the interests of all the stakeholders involved.

These regulations modulate arenas such as -

- ✔ Occupational Safety
- ✔ Labour Inspections
- ✔ Combatting The Heinous Act Of Trafficking
- ✔ Labour Education and Rights
- ✔ Saudization Ratios
- ✔ Grassroot Organizations & Societies
- ✔ Child Protection
- ✔ Domestic Labour Services
- ✔ Registration Of Expatriates
- ✔ Volunteer Service

Companies, especially SMEs and foreign conglomerates, may find it challenging to adhere to these guidelines set by the government. TASC's team of experts has years of experience and the right tools that can help companies stay compliant with the many local regulations without impeding business as usual. TASC's efforts have saved millions in revenue leaks and penalties by maintaining compliance.



## The Role of TASC Outsourcing

With a prestigious list of over 450 global clients, TASC Outsourcing is trusted by MNCs, SMEs, and start-ups for HR solutions, GRO assistance, and payroll management.

- ➔ Armored with a diverse workforce ourselves, we have built a network of experts who have in-depth knowledge of the local laws and regulations to assist new businesses with holistic GRO services in Saudi Arabia.
- ➔ Our payroll services are a vital vehicle for companies to safeguard against revenue leaks and maintain employee satisfaction with an efficient payout system. Payroll services are, especially coveted in Saudi Arabia owing to its different work week that's not in sync with the global payout times.
- ➔ With over 5,500 plus associates and more than 100,000 visas processed, we are the go-to support for companies looking for contractual and full-time employees from across the globe.
- ➔ Speaking of human resources, TASC Outsourcing is recognized as one of the best staffing specialists and HR solutions for businesses in Saudi Arabia with over 450 global clients trusting our services.
- ➔ We leverage state-of-the-art technology and machine learning to help companies make data-driven decisions when it comes to staffing and talent acquisition.
- ➔ TASC Outsourcing is among the top 1% of the global staffing industry according to the Customer NPS ratings. And, the 20+ awards we've won over the years are a testament to our impeccable services.

### Conclusion

With enormous growth potential, Saudi is emerging as the global hub for investors and entrepreneurship making it a prolific business incubator. TASC adds to the commercial essence and potential of the country with access to the best global talent and human resource solutions.

## Get in Touch

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*This briefing document has been produced for TASC Outsourcing to consult their clients should they need advice on any matter that is the subject of this briefing.*