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STRATEGIC HUMAN RESOURCE MANAGEMENT AND WORKFORCE MANAGEMENT: A CASE OF SAUDI ARABIA

Sami A. Khan[1], Salem Alqarni[2]

[1, 2] *Faculty of Economics & Administration, King Abdulaziz University, Jeddah, Saudi Arabia*

emails: [1]skhan2@kau.edu.sa, [2]smaalqarni1@kau.edu.sa

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ABSTRACT

Background: This study analyzes the emerging dynamics of workforce management in Saudi Arabia after the adoption of Vision 2030. It explores and highlights the need for a national-level HRM (Human Resource Management) system for Saudi Arabia. It examines the recent raft of changes which have taken place in the labor market and the adoption of intense localization policies. Given these developments, it is imperative to evaluate the contours of the emerging HRM disposition in Saudi Arabia. **Objectives:** The paper discusses the complexities of the HRM system and endorses the need for a national-level HRM framework for Saudi Arabia. **Methods/Approach:** Using an integrated literature review approach, the study evaluates the localization policies and other legal changes which have had a significant impact on the employment realities in the Saudi context. Moreover, it attempts to shed light on the emerging policies, rapidly-changing structure of labor markets, the role and competence of HR personnel and key decision makers, and the emergent HRM architecture and HRM system in Saudi Arabia. **Findings:** In the last 10 years, these factors have emerged together with the changes taking place economically, socially, culturally, and in the labor market. There is a need to regulate the employment scenario, and to achieve the desired employment target and other related key performance indicators (KPIs) as stipulated in Vision 2030. **Conclusion:** The paper argues for the adoption of a concerted approach, and the need for a national-level HRM system that can seamlessly adopt workforce management and localization policies without compromising the competitiveness or core competency of Saudi firms.

Keywords: National human resource management system, workforce management, Saudi Arabia, localization, Saudization, Vision 2030.

JEL classification: *M12*, *M54*, M48, M53
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INTRODUCTION

More than a century ago when Henry Ford was perfecting his assembly line production system through the division-of-labor approach, the assembly line at Highland Park was employing more than 7,000 workers, most of whom were immigrants, accounting for 50 languages. The challenge then was to increase their productivity, cooperation, and ultimately the number of cars being produced with consistent accuracy (Womack et al., 1990). In the post-pandemic world of today, businesses have witnessed a wide range of challenges including economic uncertainty, rapid technological and IT advancements, use of artificial intelligence (AI), robotics, and sustainability. All of these could present opportunities if properly managed. Faced with such challenges, companies tend to focus on their human capital in order to maintain their competitive advantage. Hence, many approaches to people management have emerged, ranging from personnel administration to personnel

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management to human resource management (HRM), and to the more popular strategic human resource management approach. Ultimately, strategic HRM emphasizes the achievement of organizational goals, and its key concern is to contribute to the achievement of competitive advantage (Bailey et al., 2019).

Globalization had a huge impact on the people management function. It started with great fanfare in the 1980s, and the deregulation of markets and the privatization of public sectors took off at a great pace (Truss et al., 2012). Since then, much water has flowed under the bridge and many researchers today are evaluating the efficacy of globalization. Globalization was and is a reality, and many see it as being driven by the profit motive (Bakan, 2004; Stiglitz, 2007). Some consider it to be a flawed economic concept that has failed to deliver on its promise. Despite attracting criticism, globalization has facilitated the cross-border movement of capital, technology, goods, people, and corporations within a globalized world, transcending physical boundaries. The proponents of globalization have enumerated its many advantages: increased demand for products and services, leading to economies of scale; increased access to commodities; widening of the global sourcing possibilities; and an increased flow of investment through sharing of knowledge and technology. Collectively, these have created a cross-border network of people promoting the flow of ideas, technologies, and processes (Bailey et al., 2019).

However, some perceive globalization as a threat to a country's local economy since it can inhibit the industrialization process (Chanda, 2001), although many pro-globalization theorists (e.g., Chang et al., 2015) argue that globalization is healthy and conducive to sustainable economic growth (Rafindadi et al., 2023). In fact, the emergence of two key ideas—interdependence and integration—has led to an integrated global market that transcends national markets and frontiers. It has culminated in the emergence of free-market capitalism, growth in international trade, foreign direct investment, the development of disruptive technology, changing demographics and labor migration, and new innovative business models and processes to capture and contribute to the new reality. However, these changes have brought a most significant challenge for HRM as it needs to deal with organizational needs so as to achieve both global integration and local responsiveness (Bailey et al., 2019).

These changes have forced organizations to be more strategic and aligned with their business requirements, and to adopt flexible and adaptable structures appropriate for managing a diverse workforce, updating their core competencies and skills of their employees, promoting innovation, knowledge sharing, and knowledge management system (Rigg, 2007; Burgelman et al., 2008; Mankin, 2009). HR professionals have been forced to understand the trends and design appropriate HR policies and structures to align with the need of the hour (Ulrich & Brockbank, 2005). Cooke et al. (2021), in their review of strategic HR research, argue that strategic HRM needs to be more context-based rather than adopting approaches that have evolved elsewhere. They suggest that strategic HRM carries distinct institutional and cultural characteristics distinct to specific nations as well as generic features that are universally found (Cooke et al., 2021). This observation of Cooke et al. (2021) is equally relevant for Middle Eastern countries and Saudi Arabia as well, seeing their contexts and challenges for workforce management which are different from

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other parts of the world. Against that background, using an integrated literature review approach, the present study evaluates the relevance of a national-level strategic HRM framework for Saudi Arabia.

CONTEXTUAL FRAMEWORK

Strategic HRM and Its Contours

It is widely acknowledged that HRM gained mainstream acceptance as an approach to people management, particularly in the UK and the US, in the 1980s. There have been a number of political, economic, and social factors that forced HRM to emerge as a distinct approach looking at employees as a source of competitive advantage and was widely embraced by practitioners and academics alike (Collings et al., 2019). We find that the people management function has come a long way from a reactive, bureaucratic people management function to a proactive and strategic human resource management function. The changed stance is a reality, and firms nowadays are expecting the HR function to deliver greater value addition to their strategic objectives (Khan, 2011). In brief, if we look at different models and approaches to HRM and HR strategy, we find a number of conflicting and varying approaches. Boxall and Purcell (2016) view HR strategy as the pattern of a firm's strategic choices in managing people, whereas Gratton and Truss (2003) look at people strategy as a strategy with underpinning policies and processes developed and implemented so as to maximize the effectiveness of its people management. The second definition is more normative and is intended to provide a framework for achieving organizational goals by means of effective people management.

The traditional approach to HR strategy focuses on designing HR practices that are well-aligned with the business strategy without paying much attention to its strategy implementation (Paauwe & Boon, 2019). However, Becker and Huselid (2006) posit that strategy implementation is the key factor to be considered when adopting strategic HRM. A strategy that is formulated without taking into account its implementation is likely to be fatally flawed (Grant, 2005). The resource-based view (RBV) is another approach used to manage HR, seeing human capital as a scarce resource and a source of competitive advantage. RBV researchers also put strategy implementation as a resource that can leverage the competitive advantage (Barney, 2001). Bowen and Ostroff (2004) found that a potentially effective HRM strategy may fail to achieve the desired results if it is not consistently implemented. Guest et al. (2013) argue that it is rare for HRM practices to be universally and consistently implemented, and for their effectiveness to be uniform. Consequently, in recent times, increasing attention has been given to HRM implementation (Paauwe & Boon, 2019).

Boon and his team (Boon et al., 2007; Boon, 2008) present an operationalization of strategic fit consisting of three elements, namely: content, process, and implementation of HR strategy (HRS). The content element (Gratton et al., 1999) refers to the extent to which HR practices aim to achieve business objectives, and their alignment with business strategy. On the other hand, the process element of HRS is concerned with the role of HR personnel in their strategy formulation, the extent to which they are involved, and whether they are

empowered enough to play an important role as part of the management team (Golden & Ramanujam, 1985). They suggest that a "strong fit would imply full integration of strategy and HR processes", enabling the design of HR practices aligned with the strategy in terms of content. The implementation element refers to the degree to which HR practices are being consistently implemented in the firm so as to achieve its intended goals (Paauwe & Boon, 2019). Paauwe and Boon (2019) argue that the strategic fit is the key to realizing organizational goals, and these are its dimensions:

a. *Content:* refers to the degree to which HR practices are focused on achieving the business objectives of the firm?
b. *Process:* is seen as to the degree to which HR function is really involved in the strategy formulation firm?
c. *Implementation:* refers to the degree to which HR practices are being consistently implemented in the firm to achieve its intended goals (Paauwe & Boon, 2019)?

Roodbari et al. (2025) also emphasize the importance of strategy implementation, using the term 'HRM black box' for finding HR practices related to organizational performance. They find that most of the previous research has focused on the content of HR practices (Boselie et al., 2005; Paauwe & Boselie, 2005; Guest et al., 2013) with a substantial amount of such research being on high-performance work systems (Combs et al., 2006; Jiang et al., 2012). However, there is no surety that well-designed HR practices will lead to positive individual and organizational outcomes (Woodrow & Guest, 2014); therefore, it has become more important to take into account the HRM process (Katou et al., 2014; Sanders et al., 2014). Steffensen et al. (2019) observe implementation of HRM content is key since it results in the realization of HRM outcomes. Cooke et al. (2021) believe that context is very important when implementing HR strategies. Therefore, strategic-HRM researchers should conduct more country-specific studies to identify those HRM issues that are relevant to a particular context and how, as a result, firms should respond when formulating their HRM strategy, policies, and practices.

HRM in the Middle East

The role of the HRM function is at a crossroads. On one hand, it is facing a crisis although it also offers a huge opportunity to retool the HRM systems to leverage strategic assets (Becker et al., 1997). HRM in the Middle East has assumed significant importance in recent times, emerging as a proactive and strategic function. HRM is experiencing huge challenges in the Middle East, particularly in Saudi Arabia with its complexities and uniqueness in terms of its greater reliance on an expatriate workforce, and its labor market realities. It has been undergoing a huge economic, social and cultural transformation since the launching of Vision 2030 (Tlaiss & Khanin, 2024). In the last decade, the workforce management, utilization, and development of its local workforce have assumed a central role in the development of Saudi Arabia (Tlaiss & Al Waqfi, 2022).

The contextualities and the implementation of strategic HR policies lie at the core, and the macro issues play an important role in workforce management in the Middle East. Khatri and Budhwar (2002) argue

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HRM is in transition, and it is emerging out of its micro-focused role to a macro strategic proposition where coherence and alignment are key, and individual HR functions are required to be aligned not only with the organizational strategy, but also with each other (see Budhwar, 2000; Martell & Carroll, 1995; Ritson, 1999 as quoted by Khatri & Budhwar, 2002).

Budhwar and Sparrow (2002) provide details of the aspects of national factors which determine cross-national HRM. Factors relating to national culture such as the socialization process, values, norms, customs, influence of pressure groups, managers' perceptions, their insights and mindsets, management style, personal dispositions, attitudes and manners, approaches adopted to accommodate cultural diversity are just some of the factors that play an important role in shaping a distinct HRM system in this context (Budhwar & Sparrow, 2002).

When discussing a national-level HRM framework, it is crucial to consider institutional factors such as existing labor laws, the absence or presence of unions, politics, the training and development infrastructure, labor market, professional bodies, nature of industry, employers' federation, government institutions, local authorities, NGOs, and other institutional bodies, as these contextual factors play an important role in shaping an HRM system at the macro level that applies to Saudi Arabia as well. Industrial or sector-specific factors are also important, and the dynamism of the business environment such as the degree of competition, business alliances, the changing composition of the workforce, restructuring and its impact on the workforce, the focus on achieving customer satisfaction, information-sharing, the pace of technological change, and the globalization of business are other very significant issues that have an impact on the HRM system (Budhwar & Sparrow, 2002).

METHODOLOGY

Since the launch of its Vision 2030, Saudi Arabia has been witnessing huge economic, social and cultural transformation (Tlaiss & Khanin, 2024). However, it appears that there is a distinct lack of research on HRM contextualities and workforce management dynamics in the Middle East, particularly in Saudi Arabia. Budhwar et al. (2019) report a lack of reliable literature and systematic contextual analyses of HRM discourse, although there is a growing interest in HRM among researchers and practitioners in the Middle East (see Afiouni et al., 2014; Budhwar & Mellahi, 2006). Against that background, the methodology adopted for this research can be regarded as an integrative review. Such reviews are usually conducted to assess, critique, and synthesize the literature on a new topic which, in this case, is the national HRM framework for Saudi Arabia. This enables new theoretical frameworks and their related perspectives to emerge (Snyder, 2019; Torraco, 2005). Snyder (2019) believes that this type of review can be very valuable for understanding new and emerging topics as it helps to create an initial or preliminary conceptualization. Moreover, this kind of review can cover all articles or materials available on the topic and can combine perspectives and insights derived from them (Snyder, 2019).

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Using the integrative literature review framework, this study seeks to capture the most important aspects of a national HRM framework, and the factors that are having a significant impact on the national HRM discourse in Saudi Arabia. Further, Budhwar et al. (2019) posit that HRM in this region provides a unique and interesting ground for research studies because expatriates constitute most of the workforce in this part of the world (Budhwar et al., 2019). During the past decade, the development, utilization and management of a Saudi workforce have been playing a critical role in facilitating the transformative changes that have taken place (Tlaiss & Al Waqfi, 2022). Hence, the present paper discusses the imperative of the people management function, and workforce management at the macro level. It evaluates the need for a national HRM framework and discusses its relevance in regard to the adoption of requisite changes in order to accelerate the Saudization process. It also examines the impact of the recent changes to labor laws, the increasing employment opportunities for women, the government's compliance with international labor standards, the regulation of the expatriate workforce and the end of the Kafala system, and other policy frameworks as envisaged by Vision 2030. The paper argues for a context-based national HRM framework that can help Saudi organizations to implement better workforce management practices and localization policies without compromising their competitiveness or core competency. This proposition is the central theme of this paper.

WORKFORCE MANAGEMENT INITIATIVES IN SAUDI ARABIA

As aforementioned, contextual factors play an important role in workforce management and in shaping a national HR framework (Budhwar et al., 2019; Cooke et al., 2021; Tlaiss & Al Waqfi, 2022). This section discusses the current employment realities in Saudi Arabia: the localization of the workforce in order to reduce the dependence on an expatriate workforce, the changes in labor laws, the increasing number of women being employed, the diversity issue, and the management of an expatriate workforce.

Saudi Arabia: A Brief Profile

Saudi Arabia has come a long way since oil was first struck in 1938. It lies at the heart of the Arabic and Islamic world and occupies a leading position globally because of its oil reserves and other natural resources, its geographic location, and the presence of the two holy mosques (GOV.SA, 2023). The country boasts of having nearly 25% of total Arab gross domestic product (GDP) and is a major free market economy in the Middle East and North African region. Saudi Arabia has the biggest oil reserves globally: around 25%. In order to decrease its oil dependence and diversify its income sources, the Saudi economy is undergoing a transformation (Mati & Rehman, 2023). The Saudi government launched Vision 2030 in April 2016 with the key intention to transform Saudi Arabia from an oil-based economy to a knowledge-based one (Khan et al., 2020). Saudi Vision 2030 is an ambitious roadmap for economic diversification, global engagement, and an enhanced quality of life. It has led to substantial investments in tourism, education, healthcare, social well-being and other economic and human development areas (Nurunnabi, 2017).

Vision 2030 is based on three key pillars: fostering of a vibrant society, a thriving economy offering opportunities for everyone to succeed (by investing in education to create a workforce for the future and by creating a supportive business environment for businesses), and cultivating an ambitious nation which is committed to efficiency and accountability at all levels along with a robust, empowered, transparent, and high performing government (Saudi Vision 2030, 2024). At present, the private sector accounts for 45% of GDP, attracting around 70% of total investment in the last quarter of 2023. According to Vision 2030, the private sector should comprise 65% of GDP and, evidently, the sector is steadily making progress to achieve that target. The latest report issued by the Ministry of Economy and Planning stated that non-oil activities comprised 49% of total GDP in 2023 which achieved an increase of 35% in non-oil revenues during the years 2016 to 2023 after the adoption of Vision 2030 (Ministry of Economy and Planning, 2024). The digital sector's contribution to overall growth increased from 0.2% in 2016 to 15% in 2022. Non-oil exports in Saudi Arabia reached a record US$84.4 billion in 2022. Indicators regarding employment were very encouraging. For example, the number of Saudis employed in high-skilled jobs increased from 32% in 2016 to 42% in 2022, unemployment rate among Saudis fell to an all-time low of 7.7% in 2023 from 12.3% in 2016 (Vision 2030 Annual Report 2023). The number of women in the workforce has doubled over the past four years, reaching 37% and clearly surpassing the Vision 2030 target of 30% (Mati & Rehman, 2023).

Localization of the Workforce in Saudi Arabia

The Ministry of Human Resources and Social Development is leading a national effort to empower Saudi citizens in the workforce. The Ministry is creating jobs and increasing citizen participation across the Kingdom. This initiative also encourages private-sector businesses by giving them incentives and providing them financial support to hire qualified Saudis. Companies that are actively undertaking Saudization efforts are given priority access to government support programs offered by the Ministry and the Human Resources Development Fund (HADAF). Up to 2023, 343K new Saudi employees were hired through the Saudization program in the private sector, replacing the expatriate workforce; 65% of Saudization was achieved in the telecommunications and IT sectors, and 14 positions were localized within the logistics sector; 1.1 million new jobs were created in the private sector, and Saudi employment reached 2.2 million in the private sector by the year 2023; 913K jobs were created in the tourism sector, 216K+ jobs in the cultural sector, and 354K jobs in the telecommunications and IT sectors. The HRD Fund (HADAF) assisted 288K people by providing training and other support (Vision 2030 Annual Report 2023). The Saudization policy and its implementation set the stage for HR policy formulation in Saudi Arabia, and the development of its human capital.

Gulf Cooperation Council (GCC) countries have a unique demography and labor market configuration. Foreign guest workers constitute a significant part of their population, and they are highly dependent on an expatriate workforce. For quite some time, localization programs have been adopted in the six GCC countries (Saudi Arabia, UAE, Qatar, Kuwait, Bahrain and Oman) to encourage and increase the

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participation of their citizens in the workforce through mandatory policies and provision of training and skills upgradation (Forstenlechner, 2010). In Saudi Arabia, the HRD Fund (HADAF) invested US$5.48 billion during the first nine months of 2024 in training and employment programs undertaken for promoting employment in the private sector in Saudi Arabia, and 139,000 establishments across Saudi Arabia benefited from HADAF's products and services. During this period, it helped 294,000 Saudi men and women in securing a job in private sector firms (Saudi Gazette, 2025).

The increase of the expatriate workforce in Saudi Arabia and the rising unemployment rate among Saudi citizens forced the government to introduce a 'Saudization' program which refers to the deployment and development strategy intended to replace the foreign workforce with Saudi citizens. Over the years, the Saudi government has attempted to enforce its localization policy in the private sector. Initially, the government introduced the Saudi Development plan in 2006-2010 to increase the Saudization in the private sector by 30%. However, this target was barely achieved, with Saudi locals' contribution to the private sector reaching not more than 10.5% (Alsheikh, 2015). Therefore, in 2011, the government introduced the Nitaqat program for the intensive implementation of Saudization, specifying the prescribed percentage of employment mandatory for Saudi nationals. This initiative has resulted in the creation of more job opportunities for Saudi nationals and also increased their contribution to the economic development of their country (Lucien et al., 2023). Although the public sector offers employment opportunities to Saudi nationals, when it comes to the private sector, there are greater preferences as well as justifications for hiring foreign nationals in several areas (Al-Asfour et al., 2017). The key aim of the Nitaqat program is to reduce the unemployment rate among the Saudi nationals and to increase their participation in the private sector. It has been observed that the recent changes in Saudi workforce management, workforce utilization, and their development play an important role in shaping HR realities and workforce management imperatives in Saudi Arabia (Tlaiss & Al Waqfi, 2022).

Nitaqat Program of Saudization

The program was rolled out in 2011, with new requirements being introduced in 2012. For instance, companies had to pay a minimum salary of Saudi Riyal (SR) 3000 (1 US$=3.75 SR) to Saudi nationals, 3.5 times the median wage of expatriate workers. For the first two years, the government subsidized 50% of the Saudi employees' salaries up to a maximum of SR 2000, drawing on the Human Resource Development Fund (HADAF) (Cortés et al., 2023). However, following a recent review, the minimum salary per month has reached SR 4000 in the private sector, supported by the HADAF with effect from September 5, 2023 (Saudi Gazette, 2023).

The 'Nitaqat' Program was launched to replace the previous Saudization program. Nitaqat (which translates to 'zones' or 'bands') defines Saudization targets for each private sector firm employing more than five people. The Nitaqat program divided organizations into six categories (it has now merged into five) namely Platinum, Green (high, medium, low), Yellow and Red, depending on their size and the

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percentage of Saudization level achieved. Platinum and Green categories have the highest ratios of employment of Saudi nationals, whereas Yellow and Red indicate the lowest ratios of Saudi nationals employed. Red or Yellow refer to non-compliant companies, while compliant companies are labeled as Green, and excellent compliant companies are accorded Platinum (Al-Hanawi et al., 2019). Ever since the program began in 2011, it has undergone many amendments. In 2013, there was increasing pressure on the government to raise non-oil government revenues which led to the Ministry of Human Resources and Social Development (MHRSD) imposing an annual foreigner levy of SR 2400 per foreign worker beyond a 1:1 ratio of expats and Saudi nationals. In 2014, the program incorporated the micro firms, requiring them to employ a minimum of one Saudi national (Cortés et al., 2023). Initially, the Nitaqat program covered all those companies with 10 or more employees. It was observed that only 13% of the total number of firms were covered under Nitaqat and around 87% of the private sector employing fewer than 10 employees fell into the white category, and were exempted from the quota system (Alsheikh, 2015). Now it has been reduced to five color bands—Platinum, High Green, Mid Green, Low Green, and Red—and covers all firms with more than five employees (Qiwa, 2024).

The Nitaqat program has been heavily criticized for its focus on the quantitative rather than qualitative aspects of employment such as qualification and requisite skills (Peck, 2017). This impacts the overall productivity and performance of the organization. A recent study found that although the Nitaqat program improved the employment rate of Saudi nationals in the private sector, it came at a cost. It was found that after implementing the program in comparison to the firms above the quota, firms below were 1.5% more likely to exit the market, and they were 7% less likely to export; it was also found that the exports fell by 10% to 20%. These outcomes demonstrate that the goal of the government under Vision 2030 to increase the GDP share of non-oil exports may be compromised by the Saudization policies. Secondly, the policy encouraged the hiring of specific demographics such as prisoners and disabled Saudis by including their job as a multiple of Nitaqat (Cortés et al., 2023). Although this may encourage diversity, it tends to have a negative impact on the overall productivity and performance of the enterprise.

Labor Law Changes and Their Impact on Workforce Management

Labor laws play an important role in regulating employment conditions in Saudi Arabia. The current labor law was issued under the Royal Decree No. M/51 dated 23/08/1426H (corresponding to 26 September 2005). Since then, it has undergone numerous revisions, with the most recent being undertaken on August 6, 2024 to come into effect on February 19, 2025. Changes have been made to align the law with the goals of Vision 2030 (Dentons, 2024). After thorough analysis and comparisons, the changes were introduced by the Ministry of Human Resources and Social Development (MHRSD) (formerly known as the Ministry of Labor) with the aim of creating an efficient work environment, improving job stability, and providing employment opportunities for Saudi nationals, particularly for women. Also, the changes will ensure that

the Saudi labor law meets international labor standards and helps to promote a positive image of the country in the global labor market.

Some of the significant changes that have been made in the labor law are as follows: extending maternity leave to 12 weeks with full pay, six weeks' leave should be taken immediately after the birth of the child. The female employee can choose when to take the remaining six weeks with up to four weeks prior to delivery; male employees are entitled to three days of paternity leave and this should be taken within seven days of delivery; bereavement leave has also been extended to five days; employees can have compensatory leave for overtime work; the maximum duration of the probationary period has been increased from 90 days to 180 days; a new definition of resignation eliminates any ambiguity in the law; the definition of "worker" has been changed to include women and men; contract termination changes include a notice period of 30 days given by the employee and 60 days given by the employer. To better regulate the Saudi labor market, penalties ranging from SR 200,000 to SR 500,000 will be imposed on employers who violate recruitment practices (Dentons, 2024). In addition to the new rules for termination, the new amendment includes bankruptcy added as a valid reason for terminating an employment contract. Furthermore, the time frame for employees to challenge disciplinary actions has been extended, and employees can now lodge an internal appeal against disciplinary action within 30 days.

Regulation of Female Employment in Saudi Arabia

The employment of women in Saudi Arabia has undergone drastic changes in the last few years. The government of Saudi Arabia is committed to empowering women through education and employment (Alhawsawi & Jawhar, 2023). Vision 2030 is very vocal in this regard and emphasizes the inclusion of women in the workforce. Although historically, the participation of women in the Saudi workforce has been one of the lowest in comparison to the global standards due to gender segregation laws, and other cultural norms limiting their freedom of movement (Bursztyn et al., 2018), the recent changes have boosted the number of women in paid employment, increasing the percentage of females in the workforce from 12.9% in 2012 to 31.4% in 2020 (Puri-Mirza, 2022). Proactive measures have been implemented by the government as well as the private sector to empower women, and to design more inclusive workplaces. Recent data from the World Bank confirms the increase in female employment rates that, in 2024, stood at 34.5% in comparison to 79.9% for males. These figures have surpassed the original government target of 30%, encouraging the government to increase the target to 40% to be achieved by 2030 (Arab News, 2024).

Saudi Arabia is keen on promoting female employment by ensuring a safe working environment, having regulations that mandate the private sector to ensure the comfort and stability of working women and preserve their privacy, dignity and personal freedom according to the Islamic Sharia and regulations. The changes in the labor laws have played a key role in empowering Saudi women in their workplace by adopting measures to prevent gender discrimination and ensuring equal pay for them based on the nature of the work, equal access to employment opportunities, and access to training and development opportunities (GOV.SA,

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2023a). One of the key changes in the labor law was to ensure gender equality by redefining the worker as "any natural person - male or female - working for an employer and under his management or supervision for a wage, even if said person is not under his direct control" (Polok & Dussin, 2023, p. 294). The new provision of the law ensures that those women seeking paid employment no longer need the permission of a male guardian in order to do so, and the termination of pregnant women and women on maternity leave has been made illegal. In 2018, the Ministry of Commerce and Investment abolished the need for women to have male guardians' permission in order to start a business. An Anti-Harassment law was also passed in 2018 to ensure women's safety in the workplace, and criminalized sexual harassment. This law enables women to file a complaint anonymously, with offenders facing a much harsher punishment of up to five years imprisonment or a fine of SR 300,000 (Polok & Dussin, 2023). In addition to making these changes to the labor law, the government introduced several key initiatives and programs to empower women employees such as transport and child care support and establishment of the Women Leaders Program 2030 to help develop leadership qualities and facilitate access to various leadership positions in different sectors through networking, and training and development (GOV.SA, 2023a).

To increase women's participation in the Saudi economy, the government has reduced gender segregation at workplaces in public and private sectors. One of the most prominent changes was the lifting of the driving ban for women in 2018 to encourage women to work and foster their mobility. It empowered Saudi women to gain independence from their male guardians (Polok & Dussin, 2023). Earlier, females used to require permission from their male guardians to start a business, obtain a visa and passport, etc. This provision has been done away with, and the government has made necessary changes in the law providing them freedom to make their own decisions, instilling confidence, responsibility, and greater workforce participation (Arab News, 2024). These reforms can be seen as a paradigm shift in Saudi society as they enable women to enter labor markets freely, start their own business, make decisions about work and travel, and play a more active role in contributing to the country's economic development and nation building (Parveen, 2023). Although these changes are very encouraging, there is still a long way to go in transforming the social perceptions of working women in Saudi society (Al-Asfour et al., 2017).

Diversity and Expatriate Workforce Management

Despite its strategic importance, diversity in the workplace presents a key challenge for HRM (Alcázar et al., 2013). It relates to the differences among people in the workplace based on their culture, education, nationalities, ethnicities, age, gender, and personality orientations, among other characteristics (Ng & Sears, 2020; Nweiser & Dajnoki, 2022). When coupled with inclusion, they can both enhance the capability of the organization to solve problems, adopt approaches that are flexible in nature, and help to deal effectively with various environmental changes (Aliyev, 2024). Moreover, diversity enables organizations to attract and retain skilled employees, encourage their creativity, and improve their decision-making ability (Foster & Harris, 2005).

Saudi organizations rely considerably on an expatriate workforce and, increasingly, more women in Saudi Arabia are being employed post-COVID. Vision 2030 places great emphasis on diversity and inclusion initiatives in order to empower women, attract foreign talent, and endorse a culture of respect and inclusivity across various domains (Saudi Vision 2030, 2024). The Kingdom has embraced the principles of Diversity, Equity and Inclusion (DEI) in order to encourage the development of a work environment where every person has the "opportunity to thrive, irrespective of their background, identity, or circumstances" (Abdulmajeed, 2024). The DEI principles are intended to promote fairness within the workforce and help enhance innovation and creativity by bringing diverse minds together. In November 2020, a labor reform initiative was launched by the government to replace the existing Kafala (sponsorship) system which governs foreign worker mobility in Saudi Arabia. Prior to this reform, foreign workers sponsored by employers in Saudi Arabia required the permission of their employers to change jobs, open a bank account, travel outside the country, and for other administrative tasks. The reform has facilitated job mobility of foreign workers and placed greater emphasis on the contractual relationship between employers and expatriate employees (Shadmand et al., 2020).

NATIONAL HRM SYSTEM AND WORKFORCE MANAGEMENT IN SAUDI ARABIA

Despite the growth and surge in studies and publications pertaining to HRM implementation and workforce management in recent times (Bondarouk et al., 2018; Hewett et al., 2024; Pak et al., 2025), there is still insufficient understanding or knowledge of what constitutes the successful implementation of an HR strategy (Trullen et al., 2020 as cited in Roodbari et al. (2025)), be it in Saudi Arabia or elsewhere. Roodbari et al. (2025) present a contextual and contingent perspective on HRM implementation, suggesting that implementation processes are affected by contextual factors at multiple levels. They find that organizational and team-level factors along with macro-economic, political, and institutional influences can impact the successful implementation of HRM (Mirfakhar et al., 2018).

Roodbari et al. (2025) also report that political networks (rather than the competency and skill of the applicant), known as *Wasta* in Saudi Arabia and the Middle East, play an important role in candidate-selection decisions (Malik et al., 2022; Mirfakhar et al., 2023). They also find that individual pay-for-performance is a widely-used approach in countries with weak labor regulations (Gooderham et al., 2018), and that macro-level factors influence the role played by different stakeholders in HRM implementation (Roodbari et al., 2025). Khan (2011) suggested a distinct HRM model for Oman, one of the GCC countries, where a range of factors influence the HRM system at the national level. These are: the workforce localization (Omanization) policies of the government; its substantial dependence on foreign workers; the absence of effective training and educational institutions; the lack of a skilled workforce including trained, efficient HR professionals; Oman's collectivist culture in the workplace; in-group collectivism and sheikhocracy; and the existence of *Wasta* in the selection and promotion processes, in addition to other key factors. The aforementioned factors cannot be ignored when an organization is implementing an HR system

since both micro- and macro-level factors play an important role in the performance and competitiveness of a firm (Khan, 2011).

The employment policies which are highly regulated by the government have a huge impact on the adoption of HR content and processes, and the implementation of an HR architecture as a whole. The successful implementation of HR strategy becomes highly critical at this juncture (Sanders et al., 2014; Katou et al., 2014; Steffensen et al., 2019; Hewett et al., 2024; Pak et al., 2025; Pak & Heidarian Ghaleh, 2024; Suhail et al., 2024). In Saudi Arabia, an HRM system must be able to serve the country's strategic imperatives. However, there are several important issues to consider: the advancement of the business system, the organization of the labor markets, the influence of institutions on the employment relationship, the capability and competence of the country's HRM decision makers, and the influence of national culture on the formulation of policy (Sparrow & Budhwar, 1997; Budhwar & Sparrow, 2002).

Darwish et al. (2022) evaluated the localization of the HRM function, the role of the HR head, recruitment practices, and training and development policies following the success of the Saudization process in multinational enterprises (MNEs) in Saudi Arabia. They hypothesized that a Saudi HR director may facilitate or expedite the Saudization process because he or she may be better acquainted with the local culture, will apply the government regulations more conscientiously, and will establish a good network with intermediary organizations. However, the results did not support their hypothesis in relation to the HRM director's nationality. It was found that HRM directors are willing and capable to implement localization policies and are backed by MNE are more likely to succeed, whether they are Saudi or not.

There needs to be a genuine commitment to implementing the localization policies. There has been the long-standing problem of having ghost workers in the GCC labor market. The current transition involves new HRM models focused on specific HRM practices that were not emphasized in the past. Darwish et al. (2022) present a blueprint of the new HRM model designed to expedite the process of Saudization. Some of the key challenges of the new approach to managing the workforce, and its implications for the new HRM model can be summarized as:

- Talent management takes a central role. Although locals are being given priority when seeking employment in the private sector, they must have the threshold competencies required to do the job. The development of requisite skills and competency is a critical aspect of candidate employment and retention. Facilitated by the HRDF, the partnership can be more activated to increase the number of Saudi employees by means of appropriate mentoring, and training them in the competencies required for the positions being offered.
- The role of HRM functional heads becomes crucial, and they should be empowered to lead the workforce in the localization process to ensure its positive impact.
- The supply of expatriate workers has been restricted and, as a consequence, their employment cost is on the rise and their work permits incur fees. This has given greater opportunities to the locals, encouraging them to submit job applications.

- Employers in Saudi Arabia need to invest more in the training and development of the Saudi workforce as, in the new scenario, the availability of foreign workers is restricted. Training programs need to identify and cater for the needs of local job seekers who require certain skills in order to be accepted for a particular position. Appropriate training and mentoring will help to replace the foreign workers seamlessly.
- Firms' recruitment practices need to be designed to create a positive environment and brand image. The promotion of workforce Saudization is critical in this regard.
- AI and digital HRM competency need to be reinforced, and the judicious, appropriate, and competent use of AI and digital HRM will facilitate the localization process across different sectors of the economy in Saudi Arabia.

As mentioned above, recently, digital HRM, e-HRM, algorithmic HRM, or AI are technologies that are being used for workforce management, and their application in Saudi Arabian companies is becoming widespread. The digital sector in Saudi Arabia has grown substantially, particularly post-COVID, and its contribution to overall growth has increased from 0.2% in 2016 to 15% in 2022, helping to create a digital infrastructure in Saudi Arabia. Budhwar et al. (2022) comment on the growing interest in AI and its impact on sub-functional areas of HRM, and find that emerging AI-based HRM technologies can support talent acquisition and its development, the assessment of HR needs, and the retention of employees in multinational enterprises (Bersin & Chamorro-Premuzic, 2019; de Kervenoael et al., 2020; Malik et al., 2021). It can also help firms with their routine HR activities such as recruitment, selection, assessing the HR needs and the suitability of candidates for the positions, the interviewing of suitable candidates (Torres & Mejia, 2017; van Esch et al., 2020), and the assessment of employees' training effectiveness besides other HR operational activities (Sitzmann & Weinhardt, 2019). When planning, firms are using predictive data from algorithmic HRM to make informed HR strategic decisions. This helps them to adjust to market fluctuations and maintain strength in the face of operational challenges. Hence, HR professionals should be offered ongoing training in the practical and strategic utilization of algorithmic technologies. The fostering of leadership and the proactive involvement of stakeholders is crucial for promoting modern HR technologies and cultivating a culture that prioritizes innovation and data-driven decision-making (Alabdali et al., 2024).

CONCLUSION AND FUTURE RESEARCH DIRECTIONS

We find that the contextualities and the implementation of strategic HR policies are central to successful HRM, and that macro issues play a critical role in the management of the workforce in Saudi Arabia. There is a need to think in terms of a national-level HRM or a distinct country-specific HRM model for Saudi Arabia that takes into account the country's cultural characteristics, the role of stakeholders and Saudi institutions, emerging business environment realities, and its dynamics such as the degree of competition, the composition of the workforce, technological change, management style, the attitudes and behaviors of

stakeholders, cultural diversity, and the globalization of business, among other factors (Sparrow & Budhwar, 1997; Khatri & Budhwar, 2002; Khan, 2011; Budhwar & Sparrow, 2002; Al-Asfour & Khan, 2013; Cooke et al., 2021). These factors play a critical role in shaping a distinct, national-level HRM system in Saudi Arabia.

In the Saudi context, we find that the national HRM system is evolving, with government laws and policies forcing firms to embrace the changes. The influence of national policy, the evolution of business systems, the structure of labor markets, the role and competence of HR personnel, and the design of an HR architecture play an important role in shaping a national HRM framework. HR policymakers and key decision-makers and their keen interest in and priorities for HRM implementation play an important role in shaping the emergent HRM system in Saudi Arabia. In the last decade, all these factors have emerged in cohesion, and significant changes have taken place in Saudi Arabia: economically, socially, culturally, and in the labor market.

Saudization policies and the Nitaqat system have laid a solid foundation for change in SHRM. Substantial changes have been made to the labor law to regulate the employment scenario in Saudi Arabia, and to achieve the desired employment target and other related KPIs in line with the provisions specified in Vision 2030. The latest change to the labor law was made in 2024. It was intended to create an efficient work environment, enhance job stability, and create employment opportunities for Saudi nationals, particularly women. The government has shown its keenness to adhere to international labor standards, and to enhance the country's image in the global labor market so as to attract the best talent. The recent changes in the Kafala system, facilitating the mobility of the expatriate workforce and protecting their rights, will have a huge impact on the lives and jobs of expatriate workers employed in Saudi Arabia (Hindustan Times, 2025).

The government is investing in human capital through HADAF and other institutions and this will help in transforming the talent landscape of the country. Although the government has mandated its policies and regulations to strengthen HRM at a national level, the government should continue playing a strategic and effective role. The investment in and implementation of technology is equally relevant, particularly AI. Hence, the maturity, capabilities, and readiness of HR practitioners will be critical for the effective execution of digital or algorithmic HRM within a firm (Wang et al., 2022; Alabdali et al., 2024). Technology will play an important role in shaping HRM in Saudi Arabia and may help to accelerate the Saudization process and improve the competitiveness of the firms in Saudi Arabia.

In regard to a national HRM policy framework, it has been shown that companies that empower and support their HRM personnel have been able to implement Saudization policy and are likely to succeed regardless of the nationality of the HR head—whether Saudi national or otherwise (Darwish et al., 2022). In addition to the responsibilities of the HR head and his or her pivotal role in pursuing the strategic goals of the organization, recruitment practices and their effectiveness in attracting nationals, the creation of an infrastructure for development, and investment in training and development initiatives, are critical to the success of Saudization in multinational companies in Saudi Arabia (Darwish et al., 2022).

Lastly, in order to deal with the challenges of HRM imperatives and workforce management, HRM specialists in Saudi Arabia need to transform themselves, and have to adapt to the requisite changes in their respective organizations. They will be required to make a transition that necessitates the acceptance of a greater strategic role. However, the extent to which they will succeed in navigating this transition will be influenced by complex, multi-level contingencies, and by the varying interpretations and responses of the stakeholders involved in workforce management. To realize this change, HR professionals may need to deploy a range of approaches, including strategies of upskilling, improving HRM measurements and analytics, and relinquishing or redistributing operational roles through devolution, outsourcing, and/or automation (Cayrat & Boxall, 2023). Saudi HR managers will not be exempted from embracing this change.

This research has several limitations. As it is based on secondary data, there is a need to undertake more empirical research from the firms' perspective, and to examine the role and perceptions of various stakeholders who are influential in shaping national HRM discourse and HRM architecture. There is a strong need to evaluate the efficacy of localization of the workforce in Saudi Arabia and its contribution to organizational performance, as this area has attracted comparatively little research (Elbanna et al., 2024). We need more empirical research that identifies the factors associated with the success or failure of such localization policies so as to address HRM challenges and strengthen the competitiveness of firms in Saudi Arabia and the Middle East in general, engaging various stakeholders (Budhwar et al., 2019; Darwish et al., 2022).

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About the authors

Sami A. KHAN,

Professor of HRM at Faculty of Economics & Administration, King Abdulaziz University, Jeddah, Saudi Arabia. Dr. Khan started his career from Shri Ram Centre for IR & HR, New Delhi in 1995 as Assistant Professor of HRM after completing his Ph.D. from Banaras Hindu University, India. His co-edited book (Saini & Khan) titled, *Human Resource Management: Emerging Perspectives in the New Era*, was published by SAGE Publications in 2000.

Research interests: Strategic HRM, Performance Management, CSR, Leadership, Localization of the Workforce, Employee Well-being, WLB, Employment of Women, and Digital HRM.

ORCID ID: 0000-0002-2542-5959

Salem ALQARNI

Assistant Professor of HRM at Faculty of Economics & Administration, King Abdulaziz University, Jeddah, Saudi Arabia. He holds a Bachelor's and Master's degree in Business Administration with specialisation in HRM from the University of Newcastle, Australia. Later, Dr. AlQarni completed his Master of Research and PhD degrees from Western Sydney University, Australia.

Research interests: Strategic HRM, Employee Well-being, Artificial Intelligence in HRM, Compensation and Benefits, Employee Relations, Performance Management.

ORCID ID: 0009-0000-9584-4182

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