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Dilemma of job congestion in Riyadh

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If you are a Saudi citizen of working age, then you are likely a resident of Riyadh, have considered moving there, or have a relative who has already relocated to the capital.

To the outside observer, the city appears to be overflowing with opportunities, fulfilling dreams, brimming with energy, and hitting target after target. But the same observer is also aware of the difficulties facing any migrant, with moments of estrangement and hours of longing.

This report will look at this phenomenon from both perspectives — economic and social — to understand the situation we are living in today and possible next steps.

CAPITAL OF JOBS

According to Saudi Arabia's 2022 census, 3.3 million Saudis live in Riyadh — about 18 percent of the total Saudi population of 18.8 million.[1] Yet, recent figures show that they hold about 45 percent of the jobs in the Kingdom, while the rest of the regions — home to 82 percent of Saudis— share the remaining 55 percent of jobs.[2]

This means the number of jobs per Saudi citizen in Riyadh is four times the number of jobs per Saudi outside the capital.

CRITERION	RIYADH	OTHER SAUDI REGIONS
Share of Saudi population	18%	82%
Share of jobs	45%	55%
Job ratio per 1% of Saudis	2.67%	0.63%

What further confirms this major imbalance is that Riyadh's share of Saudi gross domestic product is around 45 percent,[3] while five regions — Al-Bahah, Najran, Hail, the Northern Borders Province, and Jouf — together account for only 4 percent.[4] The following chart shows the distribution of jobs for Saudis by region and illustrates the scale of concentration in major cities, especially Riyadh.

EFFECTS OF SHRINKING 'PERIPHERAL' DEVELOPMENT

Shrinking development in peripheral regions means not only higher unemployment and a reduced ability for citizens in those areas to generate income, but also fewer consumer choices in terms of value for money, due to limited investment in those local markets. This has an obvious negative effect on quality of life for residents of those regions.

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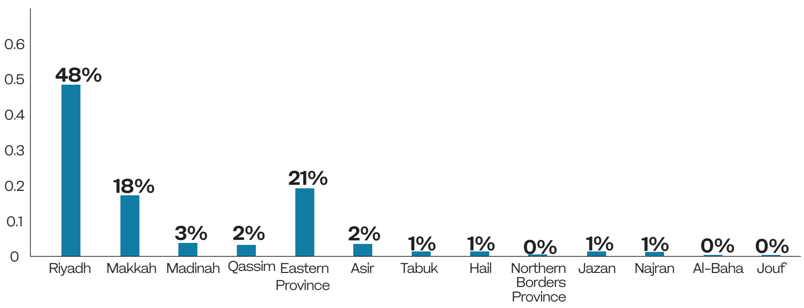
Team of talented young Arab professionals working in a technological research and development agency. Shutterstock

In addition, from a purely economic perspective, concentrating rapid development in a constrained place like Riyadh creates what is known as "economic overheating," which occurs when demand outpaces supply. Costs then rise because production becomes less efficient; prices increase, and investment weakens. In Riyadh, this is especially clear in the real estate market.[5]

Concentrating development in Riyadh also makes it harder to leverage high-quality opportunities in peripheral regions — whether tourism, industrial, agricultural, or other sectors — because infrastructure in those areas is weaker and specialized talent is scarcer, reducing their attractiveness for investment.

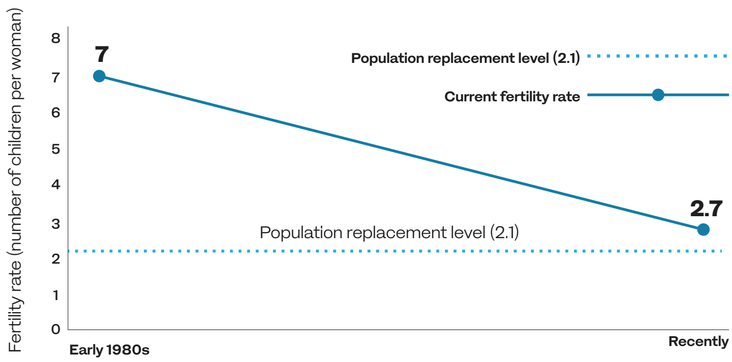
From the social perspective, economists in recent decades have also studied the impact of major cities on declining fertility rates. That is why Riyadh's lifestyle — with high costs, long working hours, congestion, and smaller living spaces — pushes modern families to delay marriage and have fewer children. In Saudi Arabia, the fertility rate in the early 1980s was around seven children per woman. This figure has recently fallen to 2.7 children per woman.[67] It is worth noting that the replacement rate, the figure needed to keep the population

PERCENTAGE OF SAUDIS



Source: General Organization for Social Insurance

LOW FERTILITY RATE



Source: GASTAT – Bulletin on Vital Statistics & World Bank data

stable, is 2.1 children per woman.

Job concentration in Riyadh also reduces family proximity, leaving the individual facing the effects of estrangement — along with the potential long-term impact on cultural continuity in peripheral towns and villages, which adds important diversity to Saudi identity.

> ***Concentrating development in Riyadh makes it harder to leverage high-quality opportunities in peripheral regions.***

WHY DID JOBS PILE UP IN RIYADH?

Before the Kingdom was unified in 1932, the Saudi economy was limited and rudimentary, relying on agriculture, herding, fishing, pearl extraction, and Hajj and Umrah. Despite the limited scale of those activities, they were distributed relatively evenly across Saudi regions, with greater density in the western region, especially Makkah, Madinah, and Jeddah.

After oil was discovered and exports began in the same decade as unification, centralization of spending and decision-making in Riyadh increased in the following decades, and government spending became the primary engine of the economy.

Although efforts were made in recent decades to balance the distribution of spending and development across Saudi regions, Riyadh's share remained larger relative to its population.

This concentration resulted in a so-called "agglomeration economy" as companies attracted other firms along with talent and supporting services, creating a self-reinforcing growth cycle in the center, but a cycle of stagnation and drain on the periphery.

When Vision 2030 began to be formulated, the Kingdom found itself standing on this foundation: a huge capital filled with talent and business activity, with advanced infrastructure compared with the rest of the regions.

For that reason, the Saudi government at the time saw Riyadh as the main engine for achieving Vision 2030. In one interview, Crown Prince Mohammed bin Salman said: "Riyadh today makes up around 50 percent of the non-oil economy in Saudi Arabia. The cost of creating a job in Riyadh is 30 percent lower than in the rest of Saudi cities, and the cost of developing infrastructure and real-estate development is 29 percent lower than in other cities. Therefore, Riyadh is one of the pillars of economic growth in Saudi Arabia."[8]

Even so, Vision 2030 did not focus on Riyadh alone. It also targeted other regions with major development projects, such as Neom in the Tabuk region, AlUla in the Madinah region, religious tourism and Red Sea projects in the Makkah region, the Asir Strategy in Asir, energy investments in the Eastern Province, and many more.

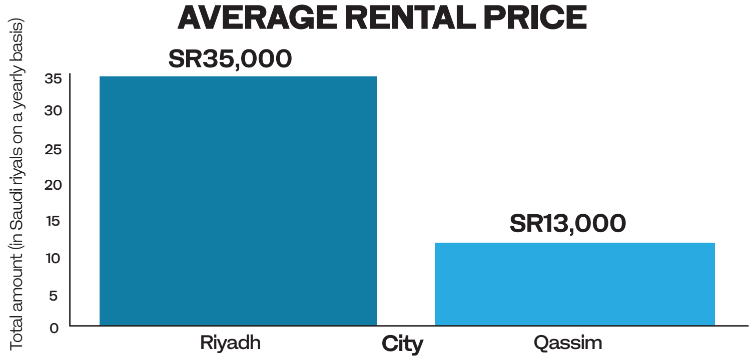
JOBS THAT DO NOT REQUIRE BIG CITIES

In today's labor market, there are jobs with low location sensitivity: their productivity does not improve by being in a major city and does not decline if they are moved to a smaller city. Yet a large share of these jobs is piled into the most expensive cities.

International estimates indicate that more than 40 percent of service and administrative jobs can be performed partly or entirely remotely,[9] including call centers, technical support, and back-office operational roles. These jobs depend on digital infrastructure and basic skills, not geographic proximity.

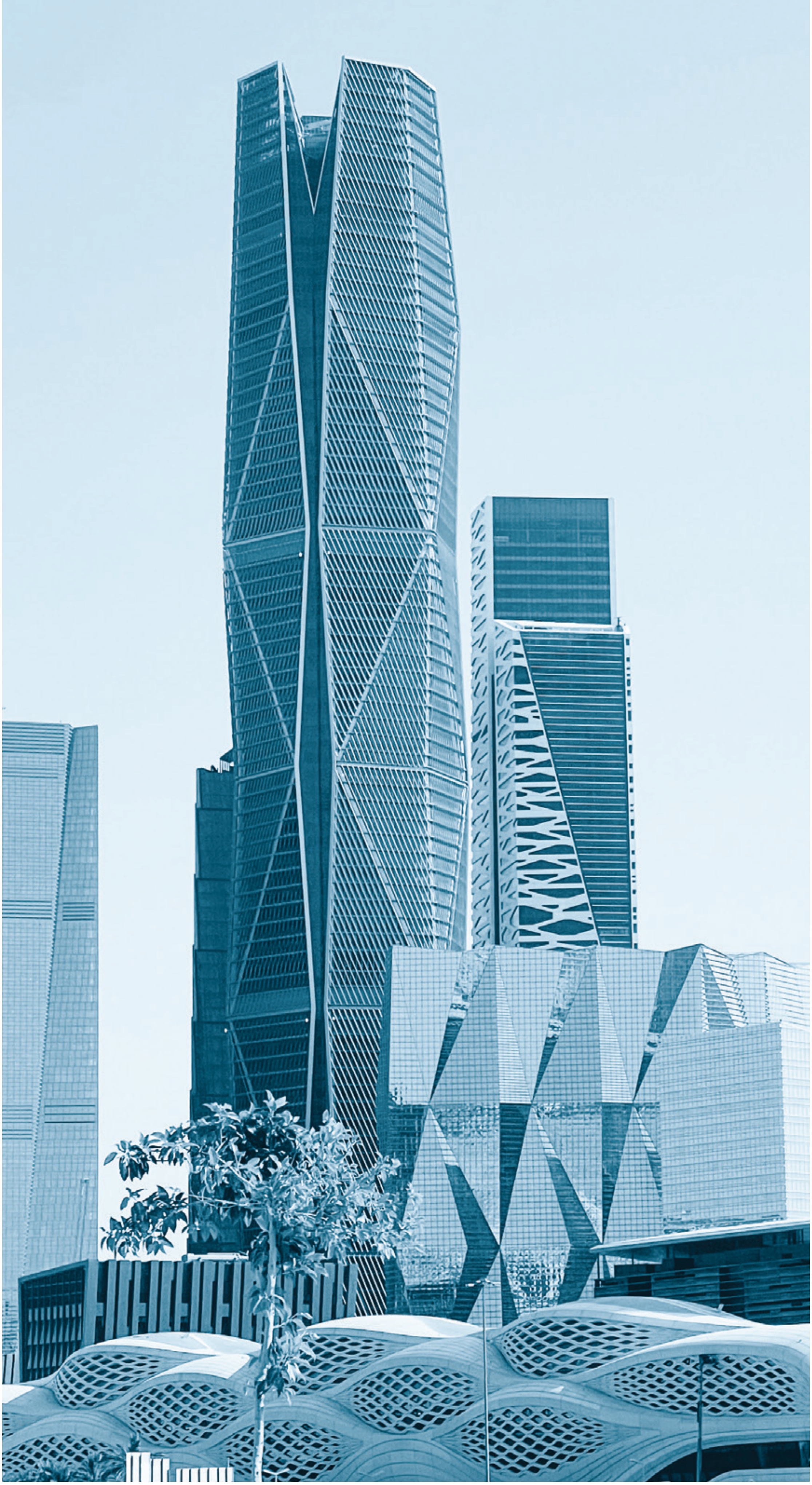
The cost of a job rises in big cities without a corresponding rise in productivity. This becomes clear when you look at housing, one of the largest components of labor cost. In Saudi Arabia, the average annual rent for a three-bedroom apartment in Riyadh is about SR35,000 ($9,300)[10], compared with about SR13,000 ($3,400) in Qassim[11] — nearly a threefold difference — without any fundamental difference in what jobs in either location require. This housing gap translates directly into wages and operating costs. Companies in Riyadh pay more to offset the cost of living, not to buy higher productivity.

AVERAGE RENTAL PRICE



Yearly rental fees for 3-bedroom apartments

A skyline of King Abdullah Financial District in Riyadh. Shutterstock



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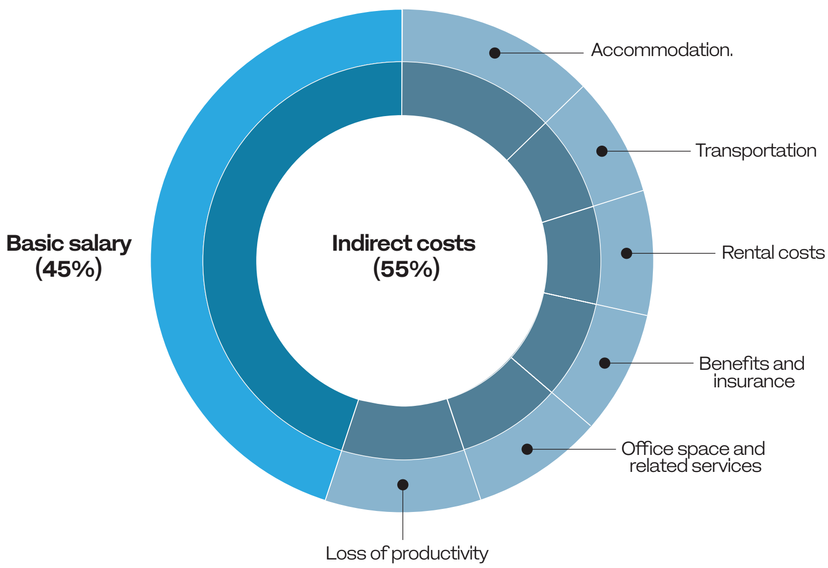
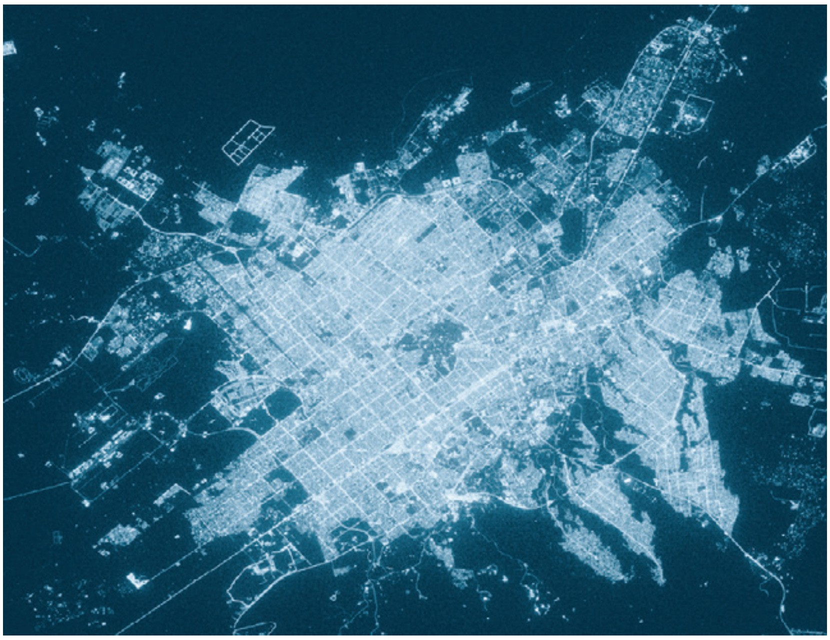
LEFT: Saudi Crown Prince Mohammed bin Salman attends a session at the annual Future Investment Initiative (FII) conference in Riyadh. Below: View of Riyadh at night from the International Space Station.
ISS/ AFP

Roughly speaking, moving 1,000 operational jobs with low location sensitivity from Riyadh to a secondary city could reduce annual costs by 20-30 percent, without affecting quality or efficiency.[12] That stems from the cost structure of the job itself: Salary makes up only about 45 percent of its true cost, while the remaining share is affected by location-linked operating factors.[13] Positive experiences have also emerged among private-sector investors who have seized opportunities in peripheral regions with lower production costs, especially for jobs that can be relocated outside big cities easily, such as customer support services and the like. The companies STC, Upsource (specializing in call centers, customer services, and human resource services) and T2 (a specialist in

TRUE COMPOSITION OF JOB COSTS



Source: CBRE, SHRM, Gallup



technology and business development) were contacted, and their experience is summarized in the following table (right):

COMPARISON CLAUSE	T2	upsource
Experiment start year	2021	2022
Targeted cities	Qassim (Buraydah)	Qassim + Madinah
Number of employees outside Riyadh	53	1,350
Share of total company employees	Approximately 23%	33.2%
Type of transferred jobs	Operational and technical	92% operational, 8% administrative
Employment rate of local residents	100%	100%
Employee operational savings	22%	15–20% (less rehiring)
Employee turnover rate	6–10% (Riyadh 18–25%)	4% (Riyadh 8%)
Employee retention rate	-	18–22 months (Riyadh 6–14) months)
Absence rate	3-5%	6–12% (Riyadh 15–20%)
Cumulative financial savings	SR28.4m over 5 years	Avoiding an estimated 30% cost inflation
Productivity differential	+15% from reduced absence, improved discipline	+10% due to greater commitment to working hours
Impact on quality, customer satisfaction	Quality 94%; customer satisfaction 4.5 out of 5	Quality improvement 7%; customer satisfaction 5.5%
Expansion decision	Permanent option	Permanent option
Upcoming expansion plans	-	Eastern Province, Jazan
Maximum transportable	-	Up to 60% of workforce
Alternative scenario (in Riyadh)	Higher cost	Cost inflation +30%

However, despite these projects having created thousands of jobs, the disparity between Riyadh and other cities remains as described at the beginning of the article, along with the effects mentioned afterward. Before moving to possible solutions in the Saudi context, the paper will review global experiences of countries that faced a similar challenge, the various approaches and tools they used to address it, and the results achieved.

HOW DID COUNTRIES ADDRESS JOB CONCENTRATION?

Germany: 'Hidden champions' model

Germany is the most prominent example of a country without a single center. Berlin is the political capital, while Frankfurt is the financial capital, Hamburg handles transport, Munich media, and Stuttgart industry. This well-structured distribution — supported by laws that prevent the concentration of federal jobs in the capital, such as the Bonn–Berlin Act, has helped development reach every German village. The most important feature of the German model is the so-called "hidden champions" — small and medium-sized companies, often family owned, headquartered in villages and small towns, yet producing highly specialized niche products.

Asia: 'One village, one product'

This initiative began in Japan, specifically in Oita Prefecture, and was later adopted by China, Thailand, and Vietnam. The idea is that each village or area chooses one product — agricultural, artisanal or industrial — in which it can excel and focuses on developing and marketing it globally. In China, the state used this model to lift rural areas out of poverty by directing investment to turn villages into specialized industrial clusters — for example, one village specializing in buttons, another in lighters — creating millions of jobs in the periphery and reducing migration to large coastal cities.

UK: 'Leveling up'

The UK government launched the "leveling up" project to reduce the widening gap between the wealthy south, including London, and other regions in the declining industrial north. The plan included moving sections of government bodies, such as the Treasury and BBC, to other areas, granting extensive local governance powers to cities, and injecting major investment into infrastructure and rail to connect the north internally without the need to pass through London.

India's experience: incentives instead of regulation

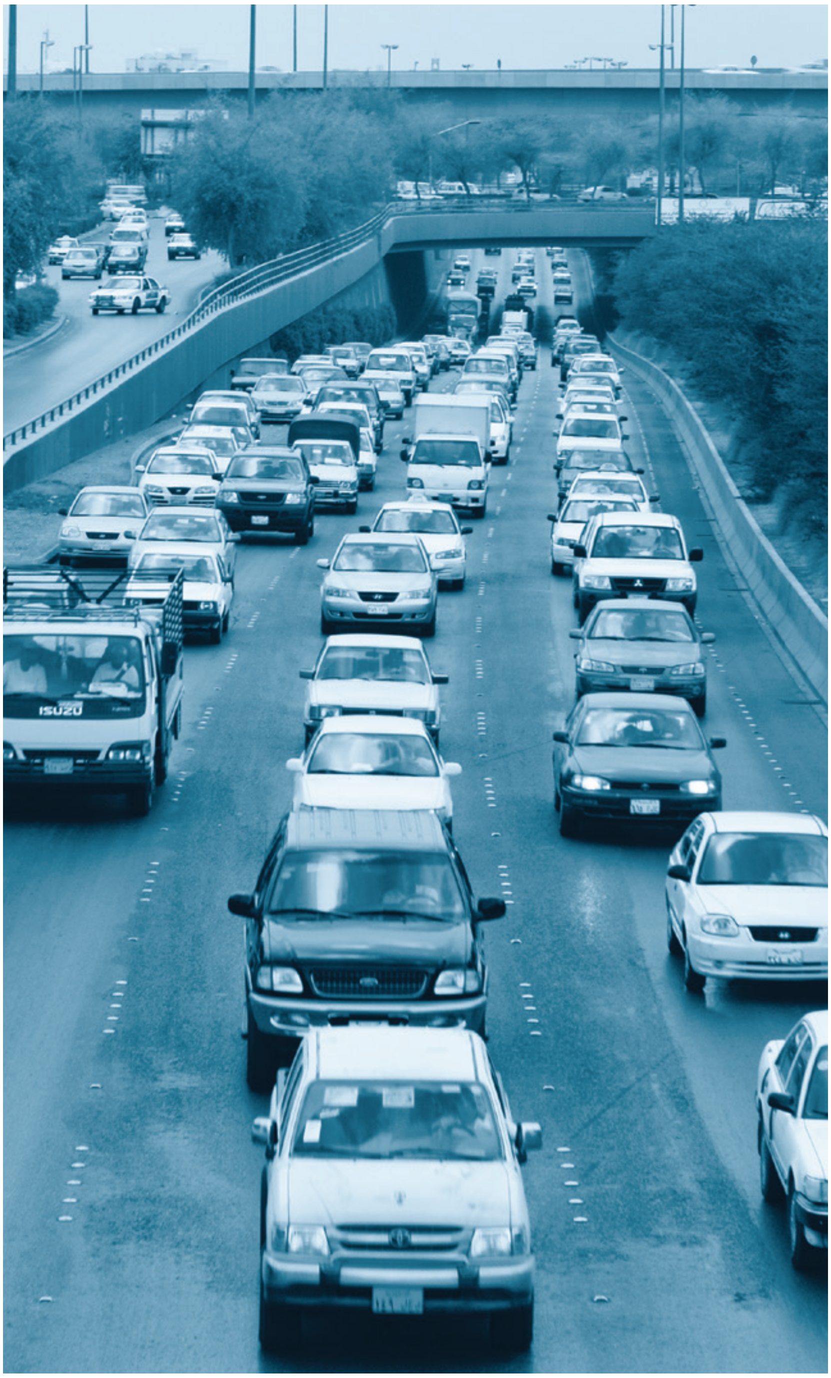
India's shift began in the early 2000s, especially between 2003-05, alongside rapid expansion in IT services and outsourcing. During that period, housing and operating costs rose in major cities, while labor and opportunities were available at lower cost in medium and small cities.

This pushed the state to adopt an incentive-based approach to redistribute job growth without forcibly intervening in private-sector decisions.

Reports such as the Nasscom Strategic Review indicate that India's IT and outsourcing sector — employing more than 5 million workers — no longer grows only in major cities; instead, secondary cities (tier-2 and tier-3) have become the main engine of new hiring, with activity spreading across more than 60 Indian cities.[14] This shift resulted from practical policies that included operational incentives for companies establishing work centers outside major cities, alongside investment in digital infrastructure in secondary cities at lower cost.

Operating costs were also reduced through support for rents, energy, and services, in parallel with encouraging local hiring through training programs and aligning education outcomes with the needs of regional labor markets.

India's experience shows that resetting incentives was enough to make moving to lower-cost cities a simple economic choice, without the need for legislation to prevent jobs from concentrating in major cities.



WHAT HAPPENED IN INDIA

France's experience: spatial planning and relocating institutions

For decades, France faced excessive economic and administrative concentration in Paris, which led to urban pressure and higher housing and labor costs, alongside slower economic growth in the regions. To address this imbalance, since the 1960s the state has adopted a long-term spatial-planning policy, centered on relocating public institutions and agencies outside the capital and creating alternative regional hubs.

As part of this policy, the French agency for regional development, or DATAR, was established to plan and steer the relocation of government and service activities to cities such as Lyon, Lille, Toulouse, and Nantes.

PREVIOUS: Top view of King Fahad Road with cars heading downtown Riyadh. RIGHT: Saudi businessman and businesswoman discussing work while sitting in a modern coffee shop. Shutterstock/ Getty Images

A street in Jedda's business district.
Getty Images

According to reports by the OECD and France's Ministry for Regional Cohesion, this policy helped move tens of thousands of public and service-sector jobs to the regions and stimulated more balanced economic growth — without weakening Paris's economic role.

France's experience shows that planning the location of public institutions can be an effective tool to reduce pressure on major cities and build sustainable regional economic poles.

CITIES ATTRACTING JOBS

Relocating public institutions can balance spatial distribution of jobs

HOW CAN WE MOVE JOBS OUTSIDE RIYADH?

Building on the global experiences mentioned above, and analyzing the local context with its distinct characteristics, there are several possible directions to address this challenge, including:

- Enabling independent local administrations in peripheral regions — similar to the model of the Royal Commission for Jubail and Yanbu — so that each has a local authority focused on its own affairs; aware of its conditions, challenges, and opportunities; and able to make decisions more quickly and closer to the ground. This would allow each region to focus on its distinctive opportunities — for example, agriculture in Qassim and Jouf; industry in Sudair; tourism in Asir; data centers in the Eastern Province; and others. Under this model, regions would compete to attract residents and investors by easing regulations, offering incentives, aligning university outputs, and so on — in the way US states compete with one another — thereby strengthening Saudi Arabia's competitiveness relative to other countries.

> *The current stage requires moving from focusing on creating growth to managing its spatial distribution.*

- Expanding government investment in infrastructure in peripheral regions, including rail links to Riyadh, to create an enabling environment that attracts investment. Investing in digital infrastructure would enable residents of peripheral regions to work remotely in jobs whose primary base is Riyadh. To support this, a fund similar to a universal service fund[15] could be activated, aimed at developing infrastructure in remote areas.

- Increasing the share of government spending directed to peripheral regions, including relocating government jobs to those regions to create the initial "critical mass" of economic activity that can later grow independently with private sector investment.

- Creating incentives for private investment in peripheral regions — for example, reducing job-related operating costs such as taxes, fees, rents, and essential services — so that the financial difference becomes clearly reflected in investment decisions. This could also include wage support in the early stages for newly created jobs in those regions, reducing the risk of job stability for companies. The investment threshold required to obtain Premium Residency could also be lowered if the investment is in a peripheral region.

- Providing clear plans and future projects aimed at developing peripheral regions so that investors can align their strategies with government direction. Access to information and predictability support the private sector's contribution to achieving these targets.

CONCLUSION

The concentration of jobs in Riyadh is a natural outcome of the rapid economic growth that Saudi Arabia has experienced over recent decades. This pattern is common during phases of accelerated growth but becomes costly if it continues without intervention. The current stage requires moving from focusing on creating growth to managing its spatial distribution.

Redistributing jobs has today become an economic and social necessity.

FOOTNOTES

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