Navigating the cultural shift behind Saudi Arabia's public sector transformation

Introduction

Saudi Arabia's Vision 2030 is not only reshaping the nation's economic landscape but is also driving the transformation of key government entities and state-owned assets, with the aim of boosting efficiency, operational effectiveness and driving customer-centricity in service delivery.

A cornerstone of the Kingdom's Vision 2030 is the transformation and privatisation of state-owned assets. Transformation initiatives enhance the maturity of government entities by reshaping strategies, restructuring organisations, redesigning policies and procedures, and introducing technological advancements, all aimed at optimising performance and creating long-term value. Privatisation, meanwhile, entails the transfer of state-owned assets to the private sector – whether through direct sales or public-private partnerships – with a focus on increasing profitability and generating sustainable revenue streams.

A critical aspect of the transformation and privatisation journey is the transition of Saudi employees from the civil service law to the labour law. This shift is designed to foster a more agile, innovative, and performance-oriented culture—one that is essential for organisational success in the post-transformation privatisation landscape. While this transition promises numerous advantages for employees, including greater flexibility and the potential for enhanced compensation, it also brings with it elevated expectations.

Meeting these expectations requires employees to adopt new attitudes, mindsets, and behaviours aligned with a dynamic and results-driven environment. However, without a deliberate and strategic approach to managing this cultural shift—one that actively dismantles common barriers to change—the intended benefits may not be fully realised. Neglecting this critical aspect risks adverse consequences at the individual, organisational, and even national levels. Most importantly, it could undermine the very success of the transformation and privatisation efforts that many government entities have so ambitiously undertaken.

In light of this, the paper aims to illuminate the key distinctions between the civil service law and the labour law, explore the cultural ramifications of transitioning between the two, and propose strategic approaches for managing this cultural transformation effectively. By doing so, organisations will be better positioned to navigate the complexities of change and more adeptly realise the intended outcomes and benefits of their transformation and privatisation journey.
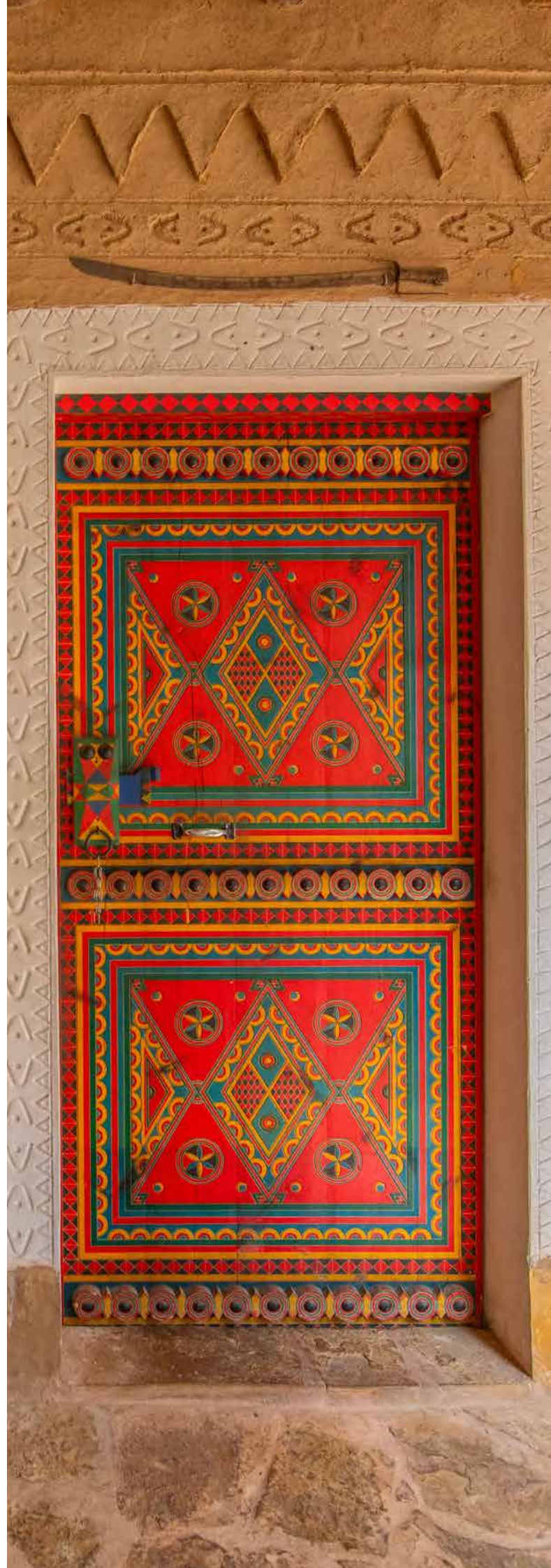
Transitioning from the civil service law to the labour law

A pivotal aspect of the transformation and privatisation initiative involves transitioning civil servants from the traditional civil service law to the labour law. Understanding the differences between these employment systems and their implications is vital to comprehending why the cultural shift is necessary.

The civil service law applies exclusively to Saudi citizens in government positions, emphasising job security through permanent employment and comprehensive benefits such as retirement pensions, fixed allowances, and extensive leave policies. However, its rigidity can limit career progression and role diversification, potentially diminishing employee ambition and productivity over time.

In contrast, the labour law introduces a far more agile framework, accommodating both Saudi nationals and foreign workers, who represent approximately 75% of Saudi Arabia's total workforce[1]. This law prioritises flexibility and is more tailored to workforce demands and merit-based benefits, thus fostering a more dynamic, motivated workforce.

To fully understand the cultural shift associated with transformation and privatisation, it is important to understand the differences between the civil service law and the labour law and the behaviours they drive.

Comparative overview of civil service law and labour law (non-exhaustive, focusing on elements relevant to this paper)

Dimension	Civil service law	Labour law
Job security	Lifelong employment.	Contract-based, subject to performance.
Salary and grading	Narrow, hierarchical structure.	Broader salary ranges, higher compensation.
Leave and benefits	Generous leave but rely on the state's healthcare system.	Shorter leave, employer-sponsored health insurance.
Career progression	Seniority-based promotions.	Merit-based promotions.
Training and development	Structured, government-driven training.	Ongoing training with a set percentage for Saudi employees.
Pension systems	Standard end-of-service benefits, fixed pension, tenure based.	Performance and tenure-based pensions under GOSI.

Enacting Resolution 616

To offer guidance to government entities and ensure a smooth transition of employees from one employment system to the next while safeguarding employees' rights and interests, Resolution No.616 was enacted by the Saudi Council of Ministers. This Resolution was enacted in June 2021[2] and outlines the rules and arrangements for transitioning employees and workers in sectors targeted for transformation and privatisation.

Table highlighting particulars of 616*

Applicability

- Covers Saudi employees in sectors undergoing transformation or privatisation.

- Includes civil service law employees and labour law workers (Article 1).

Implementation

- Agencies must inform employees of timelines, impacts, and procedures (Article 22).

- A technical committee oversees financial impacts and compliance (Article 26).

- Disputes resolved by administrative or labour courts (Article 24).

Employee safeguards

- Employees unwilling to transfer remain in government roles for up to one year or receive severance if no alternative role is secured (Article 6).

- Minimum two-year contracts; no termination within this period except by law (Article 23).

- Social insurance and pension benefits remain uninterrupted (Article 13).

- Wage continuity: Salaries and benefits remain unchanged or improve (Article 4, 13).

- Pensions: Employees may choose early retirement or combine past and future service (Article 4).

- Severance pay: 16% of basic salary per service year, capped at four months (Article 5).

- Leave Compensation: All accrued leave paid out in full (Article 5, 14).

*The content in these tables do not offer a legal option but are only meant to showcase the differences based on our analysis.

Cultural implications

While Resolution No.616 addresses practical transition considerations, it does not fully tackle the necessary cultural transformation which is needed to help employees that are more accustomed to stable, hierarchical government environments, to adapt to dynamic, performance-oriented workplaces.

Civil servants have traditionally worked within a bureaucratic culture characterised by stability, strict hierarchies, and adherence to established procedures. While this framework has ensured stability and predictability, it has also limited flexibility, innovation, and responsiveness. Employees have typically valued long-term tenure and incremental progress within well-defined roles, often at the cost of agility and proactive decision-making. This risk-averse environment has created resistance to change, hindering the adoption of bold initiatives and slowing institutional responsiveness.

The transformation and privatisation initiatives demand a profound cultural shift towards dynamism, agility, and innovation. Employees must evolve beyond procedural compliance towards outcome-driven performance, embracing calculated risk-taking and continuous improvement. Unlike traditional civil service sector roles, transformed or privatised entities prioritise measurable results, rewarding initiative, creativity, and responsiveness to customer and stakeholder needs, promoting performance excellence, embedding customer centricity and adaptability at their core.

This shift requires a significant change in mindset, moving from task-oriented stability to proactive engagement, innovation, and results-driven performance. Without effective cultural adaptation, the full benefits of transformation and privatisation may not be realised.

Comparative overview between the culture pre-and post-transformation / privatisation

Cultural shift	Pre-transformation / privatisation (civil service)	Post-transformation / privatisation
Stability vs. dynamism	Focuses on stability, job security, and incremental progress within defined frameworks.	Values dynamism, flexibility, and rapid adaptation to change.
Risk aversion vs. risk-taking	Characterised by a risk-averse approach, with employees hesitant to deviate from established norms.	Encourages calculated risk-taking to drive innovation and achieve measurable outcomes.
Process orientation vs. results orientation	Emphasis on procedural compliance and task completion.	Prioritises measurable results and outcome-driven performance.
Hierarchical vs. agile structures	Operates within rigid hierarchies that emphasise roles and authority.	Favours flatter, more agile structures that promote collaboration and initiative.
Loyalty to institution vs. accountability	Values institutional loyalty and long-term tenure.	Stresses individual accountability and performance.
Resistance to change vs. embracing change	Often resists change, viewing new initiatives as potential threats to job security.	Adapts quickly to changes, valuing innovation and continuous improvement.
Task fulfilment vs. initiative and innovation	Satisfaction derived from completing predefined tasks.	Rewards creativity, initiative, and the ability to implement innovative solutions.
Public service vs. customer-centricity	Driven by a sense of duty to public service and institutional values.	Focused on customer needs, efficiency, and delivering tangible value.
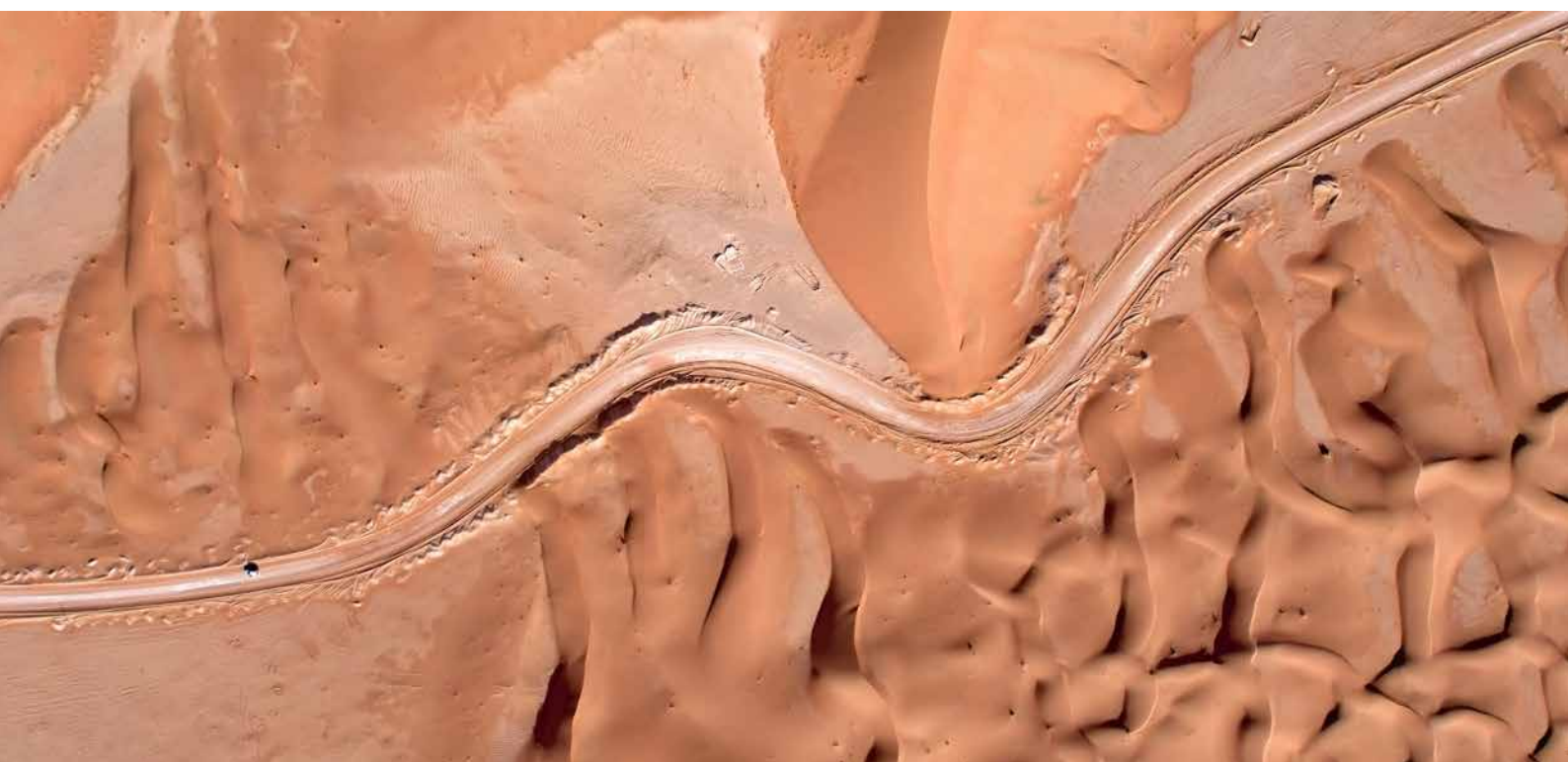
Failing to effectively manage this cultural transition can severely impact individuals, institutions, and the broader sector on a national scale.

Individual level

On an individual level, employees unprepared for the new environment may experience reduced morale, decreased job satisfaction, and increased risk of underperformance, negatively affecting career progression and organisational objectives. Ultimately, ineffective cultural transformation risks undermining national development objectives, hindering progress towards Vision 2030.

Sectoral and national level

Finally, on a sectoral and national level, persistent institutional inefficiency and disengagement may slow economic growth, limit competitiveness, and undermine public trust, jeopardising the broader goals of developing a diversified and sustainable knowledge-based economy.

Institutional level

At an institutional level, this can lead to stagnation, inefficiencies, and limited innovation, thereby impeding organisations' capacities to support national activities such as Vision 2030.

Barriers to change

Understanding how to manage the cultural shift, and help employees adapt, starts with understanding some of the biggest barriers to effective change particularly in the context of cultural transformations. We have identified some of the most significant barriers that organisations encounter:

01. Awareness and communication

A lack of clear communication from leadership about the rationale and implications of change can result in confusion and misalignment. Without effectively communicating expected behaviours and values, employees will struggle to embrace and operationalise the new organisational culture.

02. Skills gaps

Employees may lack critical skills required to succeed in transformed environments, including data literacy, digital proficiency, project management, leadership, and emotional intelligence. Without targeted capability-building programmes, organisations risk poor employee performance and lower productivity.

03. Psychological barriers and resistance

Employees often resist change due to fear of the unknown, comfort with existing routines, and uncertainty about their future roles and career paths. When organisations fail to engage employees effectively, this anxiety can lead to resistance and disengagement, ultimately hindering transformation efforts.

04. Technological readiness and infrastructure limitations

Outdated or fragmented technological systems can severely limit employees' ability to adapt effectively. Without adequate investment in modern tech and digital infrastructure and appropriate training on the same, employees may experience frustration and operational inefficiencies leading to resistance toward new ways of working.

Strategies for managing cultural change

Successfully managing cultural transformation requires structured and strategic interventions rooted in robust change management principles. Drawing from PwC Middle East's experience across industries, the following strategies are recommended:

01. Leadership sponsorship

Effective cultural transformation begins with leadership visibly demonstrating commitment and consistently modelling desired behaviours. Leaders should actively champion change, communicate aspirations clearly, and build trust among employees to mitigate resistance. Leaders can also serve as catalysts for change by guiding employees through the transition and fostering a culture of adaptability. They must address deep-seated resistance to change, rooted in fears of job insecurity and discomfort with ambiguity, by cultivating trust and providing a clear vision of the benefits of the new cultural paradigm.

02. Baselining and values alignment

Before diving into transparent communication, upskilling, or other tactics, it is crucial for human resources departments and leadership to first assess their current culture, identifying strengths, weaknesses, and gaps relative to desired outcomes. Clearly redefining and aligning organisational values to the goals of transformation is essential. Consistent communication of these new values helps embed the desired culture and fosters a unified sense of purpose among employees.

03. Transparent communication

Regular, transparent communication about the reasons for change, its benefits, and expected employee behaviours is critical. Clear messaging helps employees understand their role in achieving organisational objectives and reduces uncertainty, enabling smoother cultural adaptation. The importance of transparent communication in any transformation cannot be emphasised enough, particularly for its role in sustaining cultural adaptation. Any entity going through the transformation or privatisation journey must heavily communicate and raise awareness to help employees understand how their roles contribute to the larger vision of the transformation and privatisation. Communication should also emphasise the cultural shift and what that will mean in terms of expected employee behaviour and performance in the future. In doing so, organisations will be able to foster a sense of purpose and alignment while helping employees take steps to prepare for the cultural shift.

04. Targeted upskilling

Organisations should proactively develop capability-building initiatives to address specific skill gaps, focusing on skills critical to the new cultural environment such as innovation, agility, and customer-centricity. Emphasising flexible learning methods - such as mentoring, coaching, and micro-learning - enables tailored and effective skill development across diverse employee groups.

05. Phased implementation

Finally, gradual implementation of new processes and behavioural expectations facilitates incremental adaptation, reducing resistance and promoting employee engagement. Incorporating continuous feedback mechanisms throughout this process fosters employee participation, encourages ownership, and strengthens overall commitment to the transformation.

Looking ahead

While regulatory frameworks such as Resolution No.616 offer important guidance on transitioning employees from the civil service law to labour law, it does not fully address the cultural adjustments required for long-term success. Fully supporting employees as they adapt to their new and improved work environments, will ensure the benefits of the transformation and privatisation are fully realised.

To optimise the opportunity and mitigate any risks, government entities must adopt a structured approach to cultural change, ensuring that employees understand the transition, develop the necessary skills, and receive the leadership support needed to navigate this new reality. This can be achieved through transparent communication, upskilling initiatives, visible leadership sponsorship, and phased implementation which are all critical strategies to manage the transformation. By proactively managing both the structural and cultural aspects of transformation, Saudi Arabia can successfully realise the ambitions of transformation and privatisation, and can ultimately build a high-performing workforce that is ready to compete on the global stage.

References

1. General Authority for Statistics (GASTAT), Annual Report 2023. Available at: https://www.stats.gov.sa

2. Gulf Research Center, Rules and Arrangements Governing Employees in Sectors Targeted for Transformation and Privatisation, Gulf Labour Markets and Migration (GLMM) Legal Database. Available at: https://gulfmigration.grc.net/database/legal_module/Saudi%20Arabi/Rules%20and%20Arrangements%20Governing%20Employeesin%20Sectors%20Targeted%20for%20Transformation%20and%20Privatization_0.pdf

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Thank you