STRATEGIC EDGE
MANAGEMENT CONSULTANTS

Study
OF POTENTIAL OPPORTUNITIES IN THE HEALTHCARE MARKET IN THE KINGDOM OF SAUDI ARABIA

Final Report

June 2008

Part 2 Recruitment and hospital management.

Report contents

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2-Recruitment

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2- Recruitment

Table of Content:

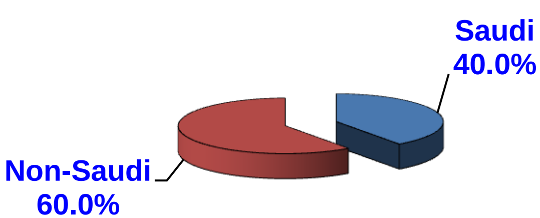
2/1 Current supply

- The total number of licensed local companies working in the field of recruitment shrank from 300 to only 75 companies in 2007 reaching a total of 35 companies after the withdrawal of 40 more companies due to the following:
  - Low demand on the recruiting services
  - Low financial returns
  - Small business size
  - Challenging conditions of the human recourses development fund
  - Minimal attention paid for the companies management
  - Others
- According to the field survey findings, these companies are not specialized in the field of healthcare, but rather provide vacancies for other industrial, commercial and service fields.
- About 80% of these companies are concentrated in Riyadh, Jeddah and Al- Dammam, which account for 68% of the labor force in the field of healthcare services in KSA.
- There aren’t any recruitment agencies or companies devoted solely to providing vacancies for the healthcare sector such as physicians, nursing staff, medical and non-medical technical support services…etc

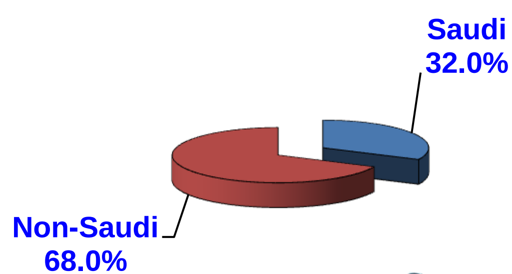
2/1/1 Size of national & incoming labor in KSA

- Total size of national & incoming labor in all specializations in KSA increased to about 9.143 million employees in the year 1427, compared to 1.913 million employees in the year 1421.

Year	Total volume of labor (in thousands)					
	Saudi		Non-Saudi		Total	
	Number	%	Number	%	Number	%
1421	2314	%32	4916	%68	7230	%100
1427	3657	%40	5486	%60	9143	%100
Average annual increase & rate	224	%9.4	95	%1.9	319	%4.4



1427



1421

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2/1/2 Total labor force of the healthcare sector in KSA (1427H)

Categories	Total labor at:			Total	
	Ministry of health	Other governmental	Private sector	Number	%
Physician	21265	10233	14091	45589	%15.1
Nurses	44395	20488	18985	83868	%27.9
Allied health personnel	25052	13942	6346	45340	%15.1
Pharmacist	1023	1250	1526	3799	%1.3
Technical personnel	6475	7413	4598	18486	%6.1
Administrative personnel	10890	13151	11906	35947	%11.9
Worker	42676	14499	10819	67994	%22.6
Total	151776	80976	68271	301023	%100
%	%50.4	%26.9	%22.7	%100	

* **Labor force of healthcare sector represents 3.3% from total national & incoming labor**

Source: - Ministry of health
-Central department of statistics & information

Technicians/physicians

Global rate 1.3 technician/physician
KSA A technician/physician

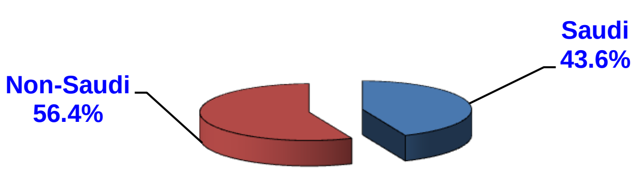
Nurses/population

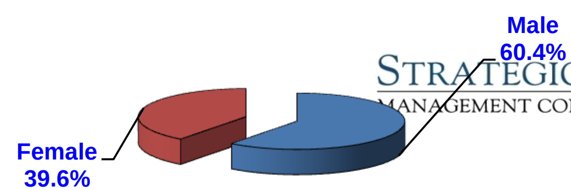
Sweden/Netherlands A nurse/120 people
Bahrain/UAE A nurse/350 people

Physicians/population
USA A physician/400 people
Qatar/Kuwait A physician/700 people
KSA A physician/520 people

2/1/3 Labor force of healthcare sector in KSA
“by nationality & gender”

Categories	Nationality			Gender		
	Saudi	Non-Saudi	Total	Male	Female	Total
Physician	9495	36094	45589	33892	11697	45589
%	%20.8	%79.2	%100	%74.3	%25.7	%100
Nurses	22744	61124	83868	18747	65121	83868
%	%27.1	%72.9	%100	%22.4	%77.6	%100
Allied health personnel	25742	19598	45340	30210	15130	45340
%	%56.8	%43.2	%100	%66.6	%33.4	%100
Pharmacist	1569	2230	3799	2506	1293	3799
%	%41.3	%58.7	%100	%66	%34	%100
Technical personnel	8315	10171	18486	15430	3056	18486
%	%45	%55	%100	%83.5	%16.5	%100
Administrative personnel	28004	7943	35947	27207	8740	35947
%	%77.9	%22.1	%100	%75.7	%24.3	%100
Worker	35258	32736	67994	53881	14113	67994
%	%51.9	%48.1	%100	%79.2	%20.8	%100
Total	**131127**	**169896**	**301023**	**181873**	**119150**	**301023**
%	**%43.6**	**%56.4**	**%100**	**%60.3**	**%39.6**	**%100**





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Source: - Central department of statistics & information
-Ministry of health

2/1/4 Labor force of the healthcare sector in KSA (1427H) "by regions and cities"

Categories / Regions & cities	Physician	Nurses	Pharmacist	Allied health personnel	Technical personnel	Administrative personnel	Workers	Total	%
Riyadh	7603	12911	556	5408	2167	4566	9967	43178	% 19.6
Makkah	2624	4364	179	2347	841	2043	5203	17601	% 8.0
Jeddah	4211	7349	475	3749	1847	4046	8306	29983	% 13.6
Ta'if	1510	3420	74	1315	425	716	2832	10292	% 4.7
Medinah	2728	4824	118	2425	401	2021	2505	15022	% 6.8
Qaseem	2063	3201	54	2273	415	854	2689	11549	% 5.2
Eastern	3572	6958	305	2512	1691	3000	3506	21544	% 9.8
Al-Ahsa	1544	3264	168	1661	1006	1100	3211	11954	% 5.4
Hafr Al-Baten	479	922	29	440	174	192	630	2866	% 1.3
Aseer	2100	3362	94	1728	323	886	2995	11488	% 5.2
Bishah	443	794	30	322	145	165	667	2566	% 1.2
Tabouk	1007	2170	28	1066	153	520	1199	6143	% 2.8
Ha'il	897	1955	73	1103	139	471	1501	6139	% 2.8
Northern	506	993	27	446	43	158	489	2662	% 1.2
Jazan	1251	2495	70	1643	674	458	2418	9009	% 4.1
Najran	771	1035	37	787	119	268	1040	4057	% 1.8
Al-Bahah	712	1211	37	798	137	352	1636	4883	% 2.2
Al-Jouf	555	1162	42	626	36	200	943	3564	% 1.6
Qurayyat	267	509	22	278	89	187	573	1925	% 0.9
Qunfudah	246	421	21	216	135	179	581	1799	% 0.8
Headquarter of MOH	267	60	110	255	113	414	604	1823	% 0.8
Total	35356	63380	2549	31398	11073	22796	53495	220047	% 100

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* Above numbers do not include labor at other governmental hospitals or health care units which is estimated to be about 81 thousand employees, representing about 27% of total labor at these fields in KSA

2/1/5 Number of physicians & nurses (1427H) “by regions”

Regions	Physicians				Nurses				Allied health personnel				Total	
	Ministry of health	Private sector	Other governmental	Total	Ministry of health	Private sector	Other governmental	Total	Ministry of health	Private sector	Other governmental	Total	Number	%
Riyadh	4098	3772	4166	12036	8381	4590	8341	21312	4371	1292	5676	11339	44687	%25.6
Makkah	4911	3680	2121	10712	10289	5267	4247	19803	5795	1832	2890	10517	41032	%23.5
Medinah	1553	1175	340	3068	3431	1393	681	5505	1885	540	464	2889	11462	%6.5
Qaseem	1569	494	0	2063	2683	518	0	3201	1917	356	0	2273	7537	%4.3
Eastern	2467	3128	2449	8044	5630	5511	4904	16045	2891	1722	3337	7950	32039	%18.3
Aseer	1873	670	263	2806	3519	637	527	4683	1845	205	359	2409	9898	%5.6
Tabouk	775	232	519	1526	1930	240	1039	3209	1000	66	707	1773	6508	%3.7
Ha'il	651	246	0	897	1724	231	0	1955	973	130	0	1103	3955	%2.2
Northern	447	59	65	571	950	43	130	1123	421	25	88	534	2228	%1.3
Jazan	1054	197	50	1301	2334	161	100	2595	1585	58	68	1711	5607	%3.2
Najran	594	177	259	1030	891	144	519	1554	736	51	353	1140	3724	%2.1
Al-Bahah	573	139	0	712	1057	154	0	1211	764	34	0	798	2722	%1.6
Al-Jouf	700	122	0	822	1573	98	0	1671	869	35	0	904	3397	%1.9
Total	21265	14091	10233	45589	44392	18987	20488	83867	25052	6346	13942	45340	174796	%100

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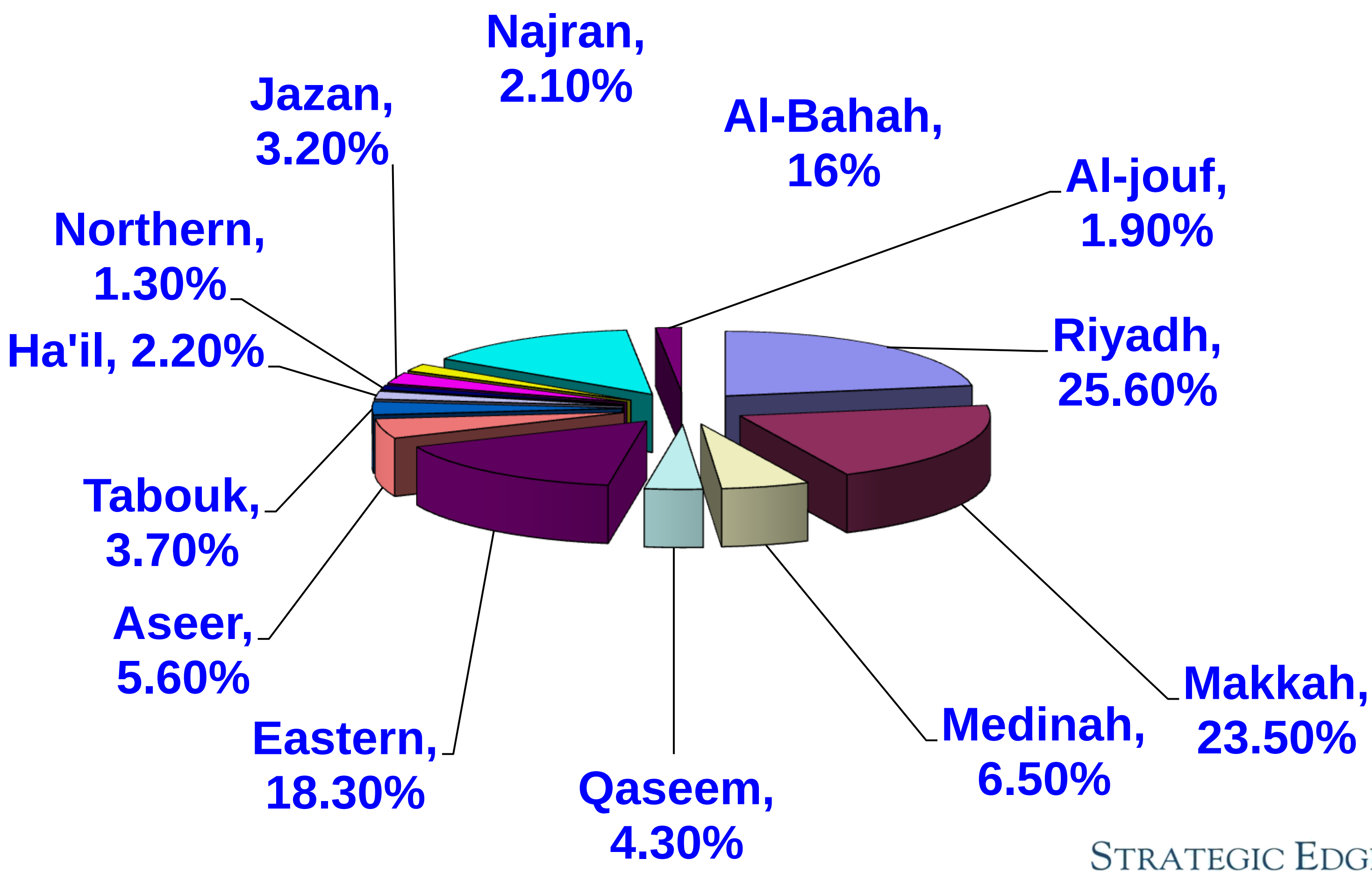
Source: ministry of health

2/1/5 Pie chart of numbers of physicians & nurses (1427H) “by regions”



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2/1/6 Average number of hospitals' current / new Staff distributed per specialization

Specializations	Average staff capacity per hospital	Average number of newly appointed employees per hospital	%
Top management	6	1	%16.6
Physicians	40.7	5.4	%13.3
Nurses	84.3	12.3	%14.6
Administrative work	40.1	8.8	%21.9
Technical work	23.3	4.1	%17.6
Assistant services	30.3	4.7	%15.5
Total	224.7	36.3	%16.2

Source: Field survey for personnel in charge of hospitals & health care units at the five main cities in KSA

2/2 – Current & Potential Demand

Categories		Years					Average growth rate
		1428	1429	1430	1431	1432	Annual
Physicians		48,735	52,097	55,692	59,535	63,643	%6.9
Nurses		87,558	91,410	95,438	99,631	104.016	%4.4
Allied health personnel		40,335	44,558	44,853	45,973	45,340	%3.1
Total	Number	176,628	188,065	195,983	205,139	212,999	4.8%

- **About 58% of the labor force at the healthcare sector will work in the medical field, while the remaining 42% will be in support administrative personnel, technical personnel, and workers.**

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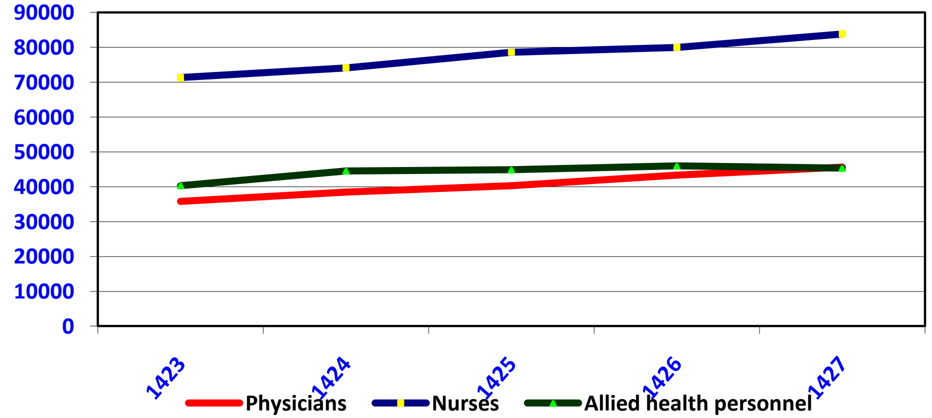
2/2/1 – Demand trend for healthcare personnel

Categories		Years					Average growth rate	
		1423	1424	1425	1426	1427	During the period	Annual
Physicians		35768	38496	40265	43348	45589	%27.5	%6.9
Nurses		713.18	74114	78587	79994	83868	%17.6	%4.4
Allied health personnel		40335	44558	44853	45973	45340	%12.4	%3.1
Total	**Number**	**147421**	**157168**	**163705**	**169315**	**174797**	**%18.6**	**%4.6**
	%	**-**	**%6.6**	**%4.2**	**%3.4**	**%3.2**	**-**	**-**

- **About 58% of the labor force at the healthcare sector work in the medical field, while the remaining 42% are administrative personnel, technical personnel, and workers.**



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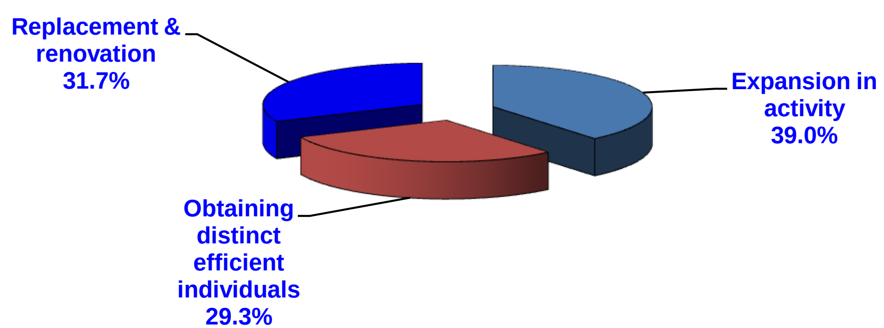
2/2/2 Reasons for appointing new employees in hospitals & the recruitment sources

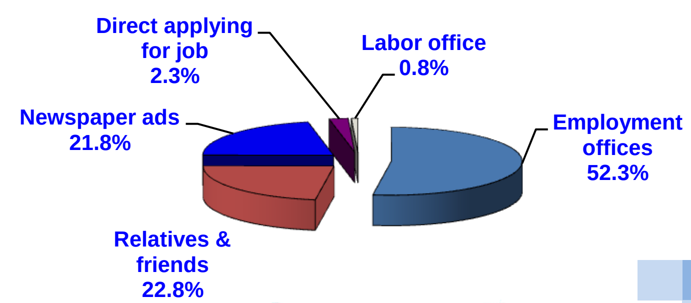
Reasons for new appointments

Reasons	%
Expansion	%39
Acquiring High caliber staff	%29.3
Replacement & renovation	%31.7
Total	%100

Recruitment sources

Source	%
Recruitment Agencies	%51.8
Relatives & friends	%22.2
Newspaper ads	%21.6
Direct job application	%2.3
Labor office	%0.8
Total	%100





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2/2/3 Challenges in meeting hospitals' needs from various vacancies

Cities	Levels of difficulties
Tabouk	%87
Al-Dammam	%78
Jeddah	%76
Riyadh	%72
Abha	%52
Total	%73

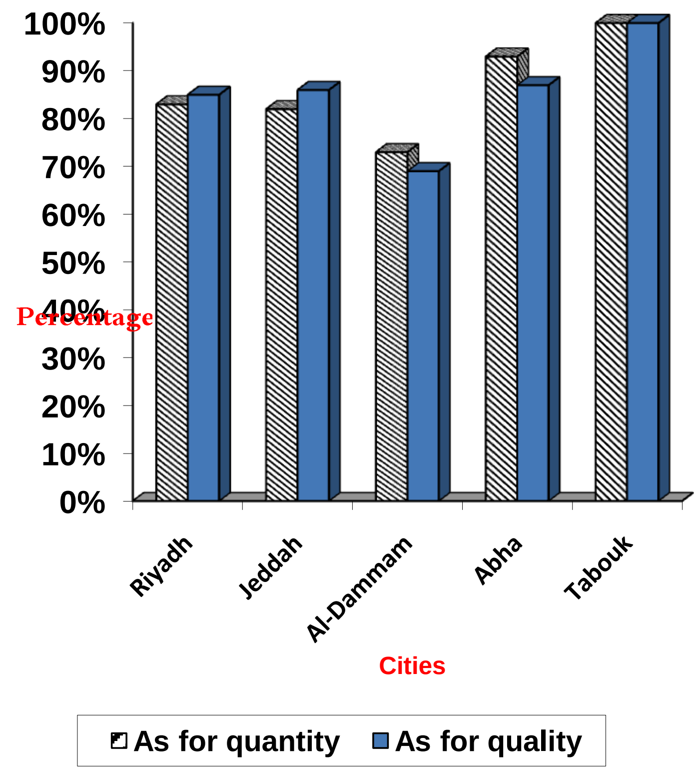
Source: Field survey for personnel in charge of hospitals & health care units at the five main cities in KSA

Main challenges:

- Scarcity of medical efficiencies
- Lack of specialized recruitment agencies
- Difficulty in obtaining Visas
- Relatively high Saudi citizens' salaries compared to their low experience
- Low qualifications of job applicants

2/2/4 Hospitals needs of the major KSA cities for specialized recruiting companies

Cities	Quantity	Quality
Riyadh	%83	%85
Jeddah	%82	%86
Al-Dammam	%73	%69
Abha	%93	%87
Tabouk	%100	%100
Total	%84	%82



Source: Field survey for personnel in charge of hospitals & health care units at the five main cities in KSA

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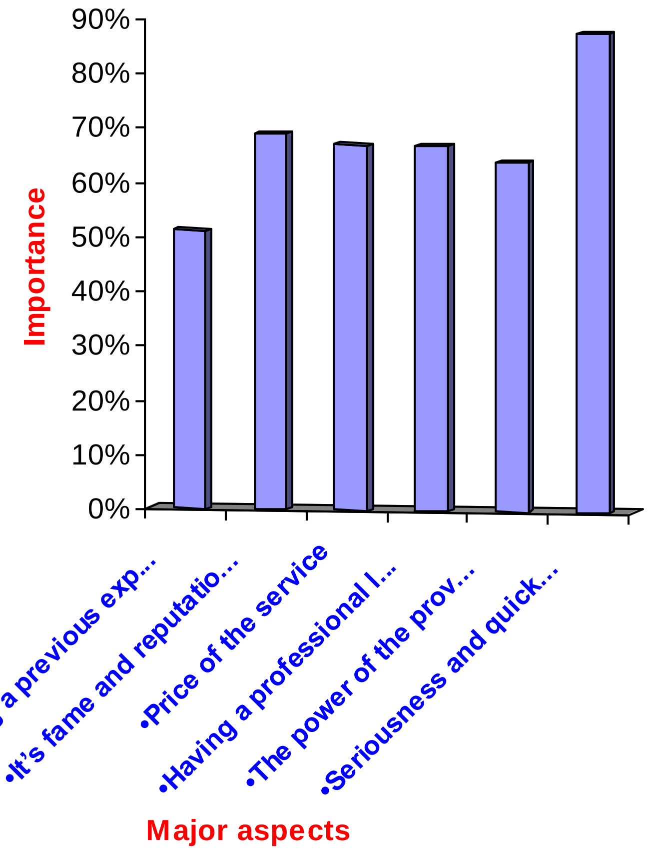
2/2/5 Major aspects considered by hospital directors when choosing between recruitment agencies

Major aspects	Importance
• Previous experience in the field of recruitment in healthcare sector	%51
• Reputation in that field	%69
• Charges of services performed	%67
• Professional contact with global recruitment agencies	%67
• Qualified applicants' CVs	%64
• Commitment and speed in supplying candidates	%88



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Source: Field survey for personnel in charge of hospitals & health care units at the five main cities in KSA

2/2/6 willingness of the directors of healthcare units to deal with new recruitment companies

- According to field surveys, 91% of healthcare units' directors are ready to deal with new specialized recruitment companies.
- Recruitment agencies' charges were suggested to be 12% of employee's annual salary or the equivalent of a monthly salary.

2/2/7 Estimating demand on specialized recruitment services in KSA's healthcare sector till the year 1435

Specializations	Labor force in 1427 (in thousands)	Annual growth rates of new hirings			Number of open vacancies annually							
		Annual growth rate	Rate of replacement & renovation	Total	1428	1429	1430	1431	1432	1433	1434	1435
Physicians	45.6	%6.9	%3.4	%10.3	4.7	5.2	5.7	6.3	7	7.7	8.5	9.3
Nurses	83.9	%4.4	%2.2	%6.6	5.5	5.9	6.3	6.7	7.1	7.6	8.1	8.7
Allied health personnel	45.3	%3.1	%1.5	%4.6	2.1	2.2	2.3	2.4	2.5	2.6	2.7	2.9
Pharmacists	3.8	%4.8	%2.4	%7.2	0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.4
Technical personnel	18.5	%3.7	%1.8	%5.5	1	1.1	1.1	1.2	1.3	1.3	1.4	1.5
Administrative personnel	35.9	%3.5	%1.7	%5.2	1.9	2	2.1	2.2	2.3	2.4	2.5	2.7
workers	68	%4.6	%2.3	%6.9	4.7	5	5.4	5.7	6.1	6.5	7	7.5
Total	301	%4.6	%2.4	%7	20.2	21.7	23.2	24.8	26.7	28.5	30.6	33

Source: -ministry of health
-Estimations of the research team work

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2/3 Current and potential opportunities

1. Not only is there a scarcity in the number of local recruitment agencies and companies in KSA but at the same time, none of them are specialized in filling vacancies for the medical sector.
2. About 52% of healthcare units rely on those unspecialized recruitment companies to cover their medical staff needs.
3. The labor force within the healthcare sector is relatively high, 301 thousand employees, representing about 3.3% of the total labor force of KSA, which also increases with a relatively high growth rate of 5% yearly; twice the population growth rate.
4. About 72% of the Directors of hospitals and healthcare units find it extremely difficult to meet their needs of a sufficient labor force.
5. Hence, 83% of them emphasize the importance of establishing specialized recruitment companies devoted to the healthcare sector to cover the qualitative & quantitative shortage in medical staff. More over, 91% of medical directors are willing and anxious to deal with these companies.

2/3/1- The Recruitment Opportunities

Level of Competition

Low

Capital required

Low

Technology Accessibility

Low

Human Resources Availability

Low

2/4 Total Market Size

Charges of recruitment companies and agencies can reach up to SR 185.6 million per year.

i. Demand growing at a rate of 5%
ii. salaries growing at a rate of 6%,
iii. Market size projected at SR 348 million by 1435H.

2/4/1 Five years projection Market Size

Year	The annual need of new healthcare staff (in thousands)	Potential market share for the company		Average monthly salaries	Projected annual income (SR 000)
		%	Numbers (in thousands)		
1430	23.2	20	4.640	**8000**	**37.120**
1431	24.8	21	5.208	**8480**	**44.164**
1432	26.5	22	5.830	**8988**	**52.400**
1433	28.4	23.1	6.560	**9527**	**62.497**
1434	30.4	24.2	7.357	**10.098**	**74.291**
1435	32.5	25.4	8.255	**10.704**	**97.53**

2/5 potential market share

- It is expected that a specialized recruitment company will control no less than 20% of that market in the first year, increasing annually with a 7%, employing 4.6 thousand employees in their first year with an average monthly salary of about 8000 SR per employee.

2/5/1 Potential Market Share for specialized recruitment company

Year	Total Labor expected to be appointed annually (in thousands)	Potential market share for the company	
		%	Numbers (in thousands)
1430	23.2	20	4.640
1431	24.8	21.4	5.307
1432	26.5	22.9	6.068
1433	28.4	24.5	6.958
1434	30.4	26.2	7.965
1435	32.5	28	9.112

Source: Estimations of the research team work

2/5/2 Potential opportunities available for specialized recruiting Company per Region

It is suggested to establish the main center for the recruitment company in Riyadh and open branches in both Makkah and the Eastern province, as 70% of healthcare units, 67% of the labor force and unspecialized recruitment companies are concentrated in those areas.

Regions	Labor	Health care units	Recruitment companies
Riyadh	%26	%31	%66
Eastern	%18	%12	%20
Makkah	%23	%27	%11
Total	**%67**	**%70**	**%97**

Source: Estimations of the research team work

3- Hospital Management

3/1 Current supply of hospital management companies in KSA

- Despite the vast number of hospitals in KSA, there aren't enough local or international specialized companies in hospital management active in this market. However, some hospitals have established independent bodies to manage only their hospitals

- some hospitals establish a specialized company to manage only it's own hospital such as:

S	Company name	City	Hospitals & Dispensaries managed
1	**Bait Al-Batarji company for trade and development**	Jeddah	Saudi German hospitals
2	**Medical projects services company**	Riyadh	Al mamlaka hospital and a consulting clinics
3	**National company for medical care (Riaaya)**	Riyadh	Reaya & watani hospital
4	**Saudi company for medical services (SMS)**	Riyadh	Al-Amal hospital

Source: - Field survey
- Various websites

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3/1 Current supply of hospital management companies in KSA

The main hospital management companies operating in Saudi Arabia are:

Company	Hospital
Al-Mowasaah company for limited medical services	Al mowasaah hospitals, Najd German Hospital and Al Ahsa Hospital
Thomama company for medical servuces	Al Noor hospital. King Abdullah Bisha Hospital
Dar Al muidat Al Tobbia	King Abdullah Bisha Hospital
Dar Al Nokhba Al Tobbia	Royal Commission Hospital in Yunbu

- It is worth mentioning that in some hospitals, more than one company can share the management contract.
- Due to the expected privatization policy of the MOH hospitals, some Saudi doctors started to form private management groups to run the hospitals.

3/1 Current supply of hospital management companies in KSA

- Many of the main hospitals in Saudi Arabia tend to use a specialized management companies for maintenance or catering only.
- The catering companies manage the hospital kitchen only. The contract is usually a 1-3 years deal. examples of some of these companies are:
  - Al Tamimi
  - Gulf catering
  - Al Dahiri
  - Manarah Al Ofouq
  - Rajab and Silsila
  - Al Majal
  - Dalah

3/1/1 Major challenges facing the Saudi healthcare system

1. Newborn death rate is still (21 per 1000)
2. Inpatients constitute 2% of the total hospital patients
3. Shortage of intensive care unit beds
4. Rate of available beds in hospitals is (2.3) beds per 1000 people compared to (4 beds) in countries similar to KSA and (7 beds) for developed countries
5. Serious shortage in professional medical qualifications
6. Malaria is still stable in south east KSA
7. Consistent shortage in medicine and equipment
8. Difficulty in applying quality guarantee standards due to not completing basic infrastructure for it

3/1/1 Major challenges facing the Saudi healthcare system

9. Weak healthcare education programs, continuous education and training programs.
10. Weakness in the servicing sector of hospitals and healthcare centers.
11. Aggravation of maintenance problems due to dysfunctional, Incompatible devices and low maintenance funds
12. 22% of Ministry of Health hospitals and 80% of their medical centers are located in leased buildings that are inappropriate for their functions.
13. Obvious variations in medical service levels among regions.
14. KSA occupies the 61st place among worldwide healthcare systems according to achievement indicators evaluation.

3/1/1 Major challenges facing directors managing public and governmental hospitals in the prevailing Saudi healthcare system

1. Healthcare service management in public health directories is extremely centralized, which results in extreme difficulty in timely decision making.
2. Absence of a connected, integrated and updated healthcare information system causes difficulty in making the right managerial decisions.
3. Unavailability of unified directory for work systems and managerial procedures.
4. Insufficiency of well-qualified managers in healthcare directories, especially in remote areas.
5. Total absence of financial and moral incentives for medical personnel.
6. Ineffective controlling role of the ministry and public directories due to disqualified managerial personnel

3/2 Current and potential demand

There are a potential high demand and need for a specialized healthcare management companies supported by the following figures:

1. There are 387 hospitals in KSA, increasing at a rate of 3.5% yearly. Among them 127 hospitals are owned by the private sector, 220 by the Ministry of Health and 40 by other governmental bodies.
2. A declared policy toward privatization of MOH hospitals and others is expected to take roots in 2009.this policy will affect at least 220 current MOH hospitals along with the 96 hospitals currently under construction
3. Despite the vast number of hospitals in KSA, there aren't enough local or international specialized companies in hospital management active in this market. However, some hospitals have established independent bodies to manage only their hospitals.

3/2 Current and potential demand

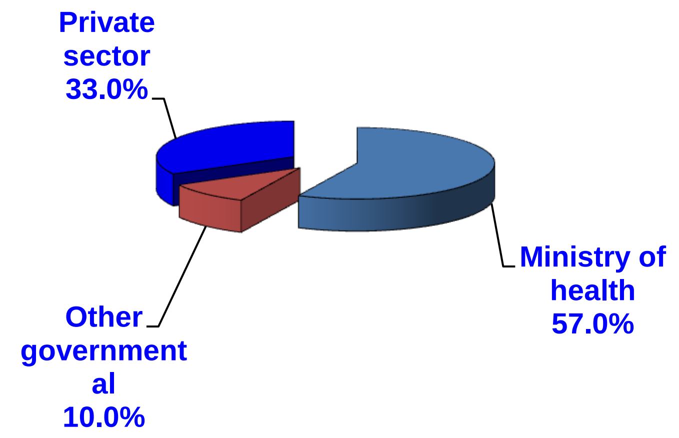
4. It is projected that the cost of managing a hospital is 5% of its total income.
5. About 80% of surveyed directors of hospitals in major KSA cities are willing to deal with such companies as soon as they're established, provided that they excel in that field.
6. Hence, if trained and qualified personnel could be provided for hospital management, carrying a global reputable name in that field, it's going to control a market share ranging between 2% - 3% of that market equivalent to about 8-12 hospitals during the first processing years.

3/3 Potential marketing opportunities for hospital management in KSA

1. Currently there are 387 hospitals containing 54.7 thousand beds increasing annually at 3.5% in KSA, distributed as follows:

Ownership Types	Number	%
Ministry of health	220	%57
Other governmental	40	%10
Private sector	127	%33
Total	387	%100

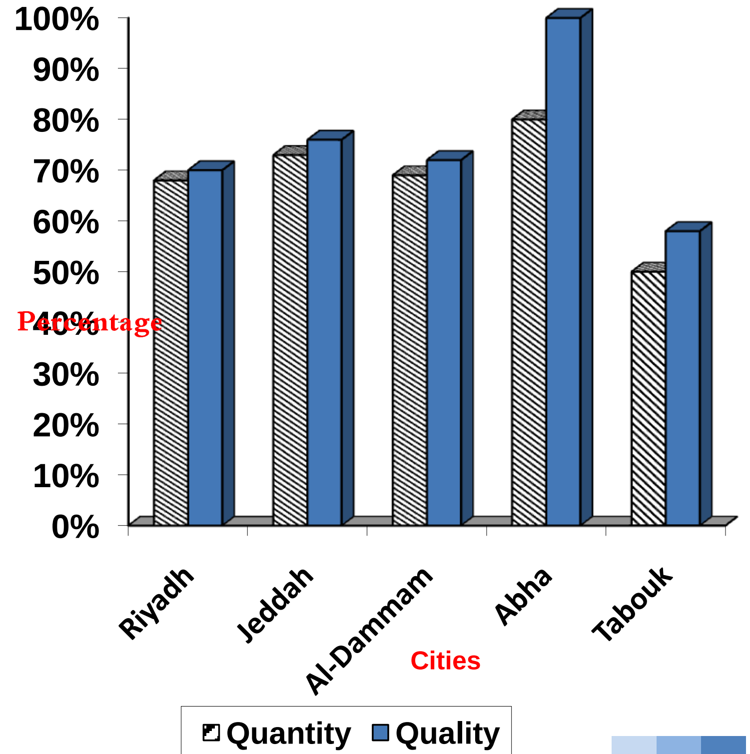
Source: Ministry of health



3/3 Potential marketing opportunities for hospital management in KSA

2. Directors of the largest hospitals in KSA emphasize an urgent need for specialized companies to manage these hospitals.

Major KSA Cities	Need for a specialized companies in hospital management as for:	
	Quantity	Quality
Riyadh	%68	%70
Jeddah	%73	%76
Al-Dammam	%69	%72
Abha	%80	%100
Tabouk	%50	%58
Total	**%70**	**%72**



Source: Field survey for personnel in charge of hospitals & health care units at the five main cities in KSA

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3/3 Potential marketing opportunities for hospital management in KSA

3. Articles of the new Saudi healthcare system encourage developing hospitals, public and governmental healthcare centers, thus, creating opportunities for hospital management companies in KSA through:

   - Performing comprehensive services to the entire KSA region based on objective measures such as population and types of prevailing diseases (6th article).
   - Adopting the decentralization concept in managing healthcare services in regions through giving more managerial and financial authorities for hospitals and healthcare affairs directories alongside a clear identification for their responsibilities.

- Permitting the concept of transferring some governmental hospitals' ownership to the private sector (11th article).
- Setting up a new system for government hospitals' management based on economic management principles, performance and quality criteria (17th article).

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3/3/1- Hospital Management Opportunities

Level of Competition

Low

Capital Required

Low

Technology Accessibility

Highy

Human Resources Availability

Low

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3/4 Market size

- The average number of beds in Saudi hospitals are 250 beds.
- The average income for a 250 beds hospital is projected at SR 120 million.
- The management cost of a hospital is estimated at 5% of the income.
- The Projected market size of hospital management is at SR 2,322 millions

3/5 market share

1. Its projected that a new company can gain a market share of 3% equivalent to 10 hospitals during the first 5 years of processing
2. Projected Market share: SR 60 millions for the first five years
3. Growth potential per year: 3.5% or SR 2.1 million
4. Growth potential for the following five years:

Market share growth (SR million)

1435	1436	1437	1438	1439
60	62	64	67	69

3/5/ Five years projection of the market share

It is projected that the market share can grow as follow:

Market share growth (SR million)

1435	1436	1437	1438	1439
60	62	64	67	69