

What Do We Know about the Saudi Labor Market?

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Overview

Business people, bankers, investors, policymakers, and national leaders rely on consistent and verifiable economic data to inform sound ventures. While a host of economic indicators are readily available on Saudi monetary and trade activities, much less is known about the labor market. For example, if we look at the “Economic and financial indicators” page of the *Economist* magazine, the sole nation not reporting unemployment is Saudi Arabia.

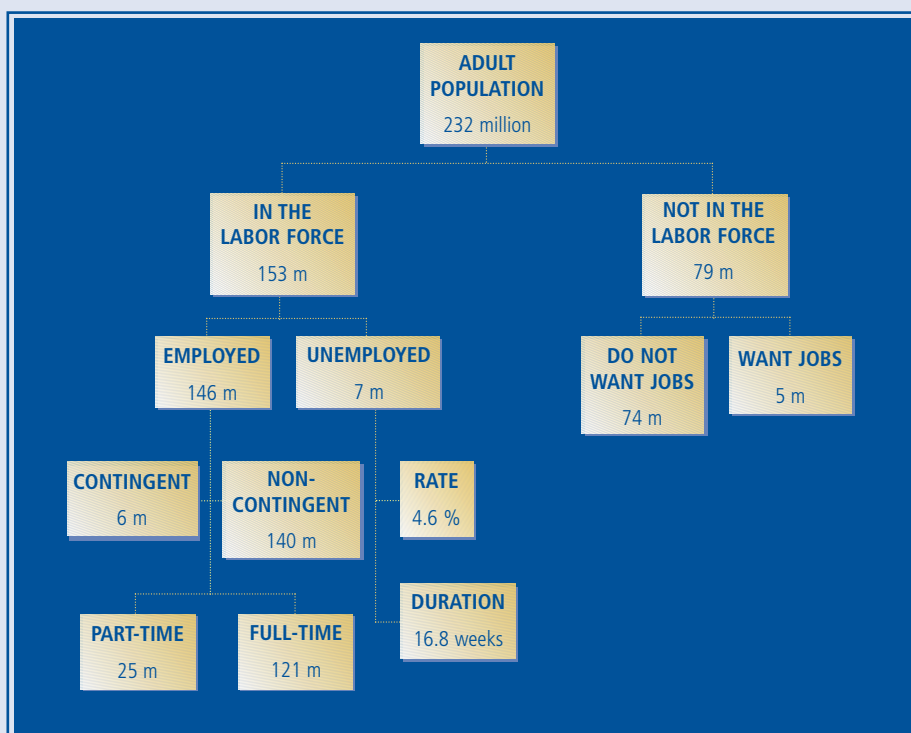
Hence, visitors to Saudi often request basic information on the labor force and an unraveling of the seemingly conflicting national statistics. People ask, Why are the labor market numbers issued by the Ministry of Labor different from those of the Ministry of Economy and Planning? Do both sets of numbers include workers from all three sectors of the economy (i.e., government, for profit, and nonprofit)? Do the numbers include Saudi nationals and expatriate workers? Are the figures representative of all workers or just legally-registered workers? Do the estimates represent the entire nation or only selected cities? Are women included in the statistics?

This article addresses these questions and presents a brief analysis of the labor force in the Kingdom. The findings suggest that a unified system of accounting for employment-related activities in Saudi Arabia is needed. Such a system will provide the Kingdom with a well-organized statistical portrait of the national workforce and a baseline from which to track labor force participation, which is expected to grow in the decades to come.

The Data

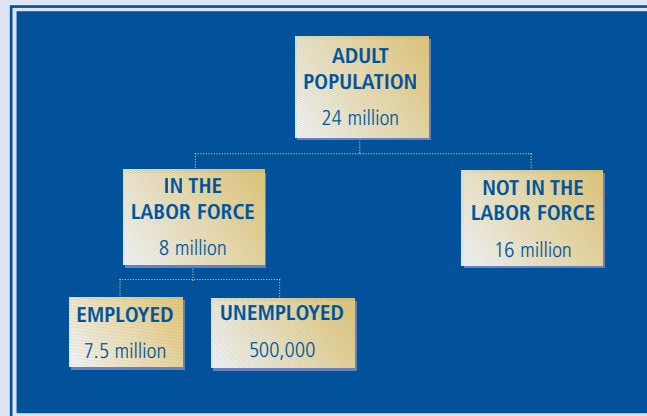
In 2007, the latest year of complete data, there were approximately 8 million adults working in Saudi Arabia, half Saudis and half expatriates. The numbers are based on surveys conducted by the Saudi Arabian Ministry of Economy and Planning's Central Department of Statistics and Information (CDSI), the government agency charged with undertaking “all statistical operations needed in all fields of development” (CDSI 2009).

FIGURE 1
UNITED STATES LABOR MARKET IN 2007



Source: U.S. Department of Labor, Bureau of Labor Statistics, March 2008.

FIGURE 2
SAUDI ARABIAN LABOR MARKET IN 2007



Source: Saudi Arabian Ministry of Economy and Planning, Central Department of Statistics and Information, December 2008.

The longest running data source is the *Statistical Yearbook* produced annually since 1975, which does not include employment-related statistics. Second is the *Private Establishment Census* produced annually since 1993 with some employment-related data for selected cities (158), populations (males), and industries (10). Third is the *General Economic Census of 2003*, the first economic census of the entire country with data on workers in all three sectors (i.e., government, for profit, and nonprofit) by nationality and gender.

Hence, it is only since 2003 that we have a single source of information on the entire Saudi labor market; previous estimates were based on partial information. This observation sheds light on questions as to who is included in the labor market databases. The answer: *It depends on the year.*

The other labor market data collection agency is the Ministry of Labor, charged with tracking participation of legally-registered, private sector workers. The figures exclude non-iqama holders, illegals, overstayers, government employees, and people in the informal economy. The difference in government statistics is striking. In 2004, the Ministry of Labor reported a legally-registered private sector labor force of 6.8 million of which 21 percent were Saudis. In contrast, the Ministry of Economy and Planning reported a total labor force of 8.3 million of which 43 percent were Saudis. Such a differentiation helps answer the question as to why government statistics issued for the same year differ. The answer: *It depends on the data source.*

A National Statistical Portrait

How then can we reconcile the differences and present a coherent framework for Saudi Arabia? One solution would be to adopt the U.S. labor market model developed by the U.S. Department of Labor in the 1940s. The model reflects the desire for uniformity in reporting and interpreting employment-related statistics. The government began by developing precise definitions of such terms as employed, unemployed, not in the labor force, et cetera. The government then developed a structure (or model) through which labor activities could be enumerated. The final step was to assign the collection of data on labor market activities to respective government agencies to ensure uniformity and consistency in data collection and presentation over time.

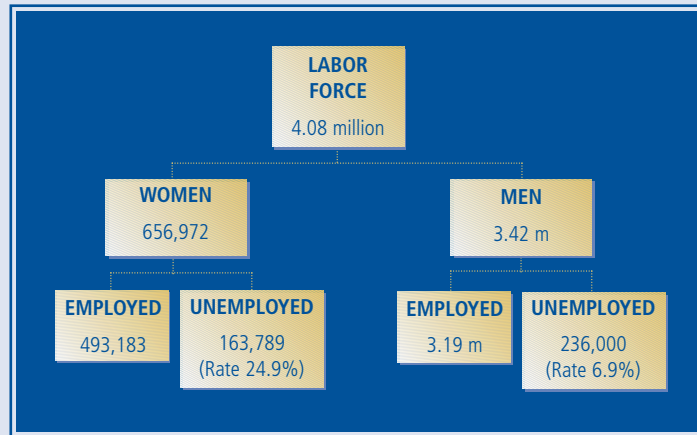
The U.S. labor market structure is depicted in Figure 1 and reflects activities in 2007. Out of an adult civilian, non-institutionalized population of 232 million, 153 million were in the labor force and 79 million were out of the labor force. Those in the labor force include the employed and unemployed. (For details, definitions and historical data, see Flynn 2000).

The model provides details on the employed such as whether they are contingent workers (who do not expect their jobs to continue) or working less than 35 hours a week (part-time). Information on unemployed persons includes reasons for being unemployed and average duration. Additional information is available on those not in the labor force to include retirees, volunteers, unpaid workers, and discouraged workers.

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FIGURE 3
SAUDIS IN THE LABOR FORCE IN 2007: BY GENDER



Source: Saudi Arabian Ministry of Economy and Planning, Central Department of Statistics and Information, December 2008.

Figure 2 uses the U.S. model as a framework to examine the Saudi Arabian labor market. Unfortunately, not all the boxes can be completed due to the lack of information.

According to the Ministry of Economy and Planning, the adult population in 2007 was 24 million to include 17.5 million Saudis and 6.5 million expatriates. Forty-five percent of adults were women and 55 percent men. Unofficial estimates suggest the expatriate labor force may be closer to 7.5 million, yielding a labor force of 9 million.

The model divides the population into two groups: those in the labor force (8 million) and those out of the labor force (16 million). The relatively high non-labor force participation rate of 67 percent is attributable in part to the mandatory retirement age of 60 for Saudi nationals. The figure also reflects a large cohort of women not actively looking for employment.

Figure 3 provides a snap shot of labor force participation among Saudi nationals in 2007, excluding expatriate workers. A total of 4.08 million Saudis were part of the national labor market of whom 84 percent were Saudi men (3.42 million) and 16 percent Saudi women (656,972). Male unemployment in 2007 was 6.9 percent compared to 24.9 percent for women.

Preliminary data from the Ministry of Economy and Planning for 2008, indicate a rise in the number of Saudis participating in the labor force (4.08 million to 4.17 million) and a two percentage point increase in female unemployment (24.9 percent to 26.9 percent).

Implications

The aim of this brief is to provide a statistical portrait of the labor market in Saudi Arabia and to reconcile differing definitions and statistics thereof. The findings suggest that statistical variances are due to different mandates assigned to government agencies that collect employment-related information and to changes in longitudinal data bases, which limit the ability to consistently track labor market changes over time.

The findings also shed light on a latent source of labor in the Kingdom: female workers who comprise only 16 percent of the Saudi labor force and a disproportionate fraction of the unemployed. The silver lining is that 78 percent of unemployed Saudi women have college degrees and are ready and willing to work when opportunity knocks. ■

References

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Saudi Arabian Ministry of Economy and Planning. Central Department of Statistics and Information (CDSI).

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