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COMPARATIVE ANALYSIS OF EMPLOYMENT TRENDS IN THE LABOR MARKET OF SAUDI ARABIA

A CASE STUDY, 2017 TO 2022

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ABSTRACT

This study analyzes employment trends in the Saudi Arabia labor market from 2017 to 2022, with a special focus on Saudi Arabia, non-Saudi workers and gender proportion. The study uses data collected from the Saudi Arabian General Statistics Authority, presenting it in the form of tables and graphs. Regression analysis reveals that despite fluctuations, a steady increase is evident in the number of workers in the labor market over the years depicted, with a significant rise after the COVID pandemic. A majority of workers are non-Saudi with a slight increase in the number of Saudi workers each year, indicating high demand for foreign labor. This is typical in the context of many industries in the Saudi Kingdom. Additionally, the number of male workers is higher than the number of female workers, also not an unusual statistic. Yet, both of these features have been poised to change, as the Saudi government has sought to provide more jobs for Saudi nationals and recruit many more female workers, including professionals, into the labor force (Vision 2030, Saudi Arabian Government, 2015). The study concludes that the labor market in Saudi Arabia is growing and that there is a need to promote Saudization in the workplace and bolster opportunities for women to participate.

INTRODUCION

Saudi Arabia is a central Middle Eastern nation known for its vast oil reserves and rich history. Over the last 10 years especially, the country has experienced rapid economic growth and development transformation, with an impetus to diversify the economy and reduce its reliance on crude oil recovery and exports. By promoting private sector growth as one of the core pillars of Saudi Vision 2030, the aim is to reduce unemployment and increase employment opportunities for Saudi nationals in a much more diversified and thriving economy. Based on data from the Saudi General Authority of Statistics, despite the significant improvement made by Saudi Arabia in reducing the total unemployment rate to 4.8% – and for Saudis to 8.0% in Q4 2022 – potential remains for further reduction in unemployment among Saudi nationals to overreach the goal of 7%. As such, understanding the dynamics of employment trends in this sector provides critical insights into the national labor market and overall economic growth.

Census data from the Saudi General Authority of Statistics of 2022 Q4 shows a labor force of nearly 15 million, of which more than a quarter are Saudi nationals (GAS, 2022).

With the country's Vision 2030 economic transformation strategy emphasizing the need for economic diversification and the creation of a much more vibrant and entrepreneurial private sector, impetus has grown to understand current employment dynamics in this sector. The Saudi labor market's traditional reliance on foreign employees has been augmented by availability of affordable, capable workers from other countries willing to endure difficult working conditions and meager compensation (Mahdi, 2011). For their part, policy makers have increasingly been concerned about the rising number of foreign workers, which has resulted in a continued unemployment rate among Saudi nationals. As a result, the Saudi government is pushing to localize the job market under the term Saudization. The Saudization initiative centers upon transforming the perceived inadequacy of the young Saudi workforce to enable Saudis to take the place of foreign workers, with the aim of gradually replacing expatriate labor with a skilled and capable workforce of nationals while ensuring unimpeded work continuity (Al-Harbi, 1997).

The labor market in Saudi Arabia has been expanding, creating new job opportunities. The private sector plays a pivotal role in the Saudi economy, serving as a major contributor to the country's gross domestic product (GDP) and employment. The private sector share in the Gross Domestic Product (GDP) was 51.70 percent in the first quarter of 2021, which was higher than both the oil and government sectors combined (GAS, 2021). The private sector economy in Saudi Arabia also encompasses a wide range of industries, including manufacturing, construction, finance, real estate, and services providing job opportunities for millions of Saudi nationals and foreign workers alike. The present study investigates two fundamental questions regarding employment trends in the labor market of Saudi Arabia: i) whether the workforce is experiencing growth over the given period of time; and ii) who the primary beneficiaries of such growth, if any, actually are.

SAUDI LABOR MARKET REFORMS

In recent years, the government has implemented various reforms to promote the labor market and attract foreign investment, including establishment of the Saudi Arabian General Investment Authority (SAGIA) in 2000 to manage and improve investments in the Saudi market. SAGIA represents a single entity in which foreign investors can complete all necessary procedures; its purpose is to meet the demands for an increasing influx of foreign direct investment (FDI) into Saudi Arabia (Albassam, 2015). In 2011, the Ministry of Labor implemented the Nitaqat program with the aim of increasing Saudi employment rates through providing incentives to compliant firms and by way of penalties to non-compliant ones. The policy categorizes Saudi companies into four compliance-based categories and encourages firms to prioritize the employment of Saudi nationals and boost their participation in the labor market, thus tackling the issue of low employment rates among Saudi nationals (Ahmed, 2016).

Additionally, the Saudi Arabian government implemented Vision 2030 in 2016, which outlined a comprehensive range of socioeconomic transformations (KSA, 2022). The Vision 2030 economic reform program has gone farther than any previous initiative to emphasize

private sector business growth and creation of job opportunities for Saudi workers. In particular, Minister Council Decision No. (301) dated 11/07/1437 AH resulted in the creation of the Small and Medium Enterprises General Authority (Monsha'at) in 2016. The purpose of Monsha'at is to regulate, support, develop, and promote the Small and Medium Enterprise (SME) sector in the Kingdom using global best practices. The goal is to increase the productivity of SMEs and boost their contributions to the nation's GDP from 20% to 35% by 2030 (Monsha'at, 2023).

These reforms have resulted in an increase in the number of companies and job opportunities in the Saudi labor market. According to a report by the International Monetary Fund (IMF), the Saudi economy's growth was strong, reaching 3.2 percent in 2021 with an anticipated growth of 7.6 percent in 2022, primarily driven by non-oil sectors (IMF, 2022). This projected growth outlook is anticipated to positively impact employment in the labor market, especially for Saudi nationals. The report also highlights the importance of continuing reforms to promote private sector growth, including measures to improve the business environment, raise access to financing, and enhance labor market flexibility. These reforms are expected to contribute to sustainable economic growth and job creation in the private sector (IMF, 2022).

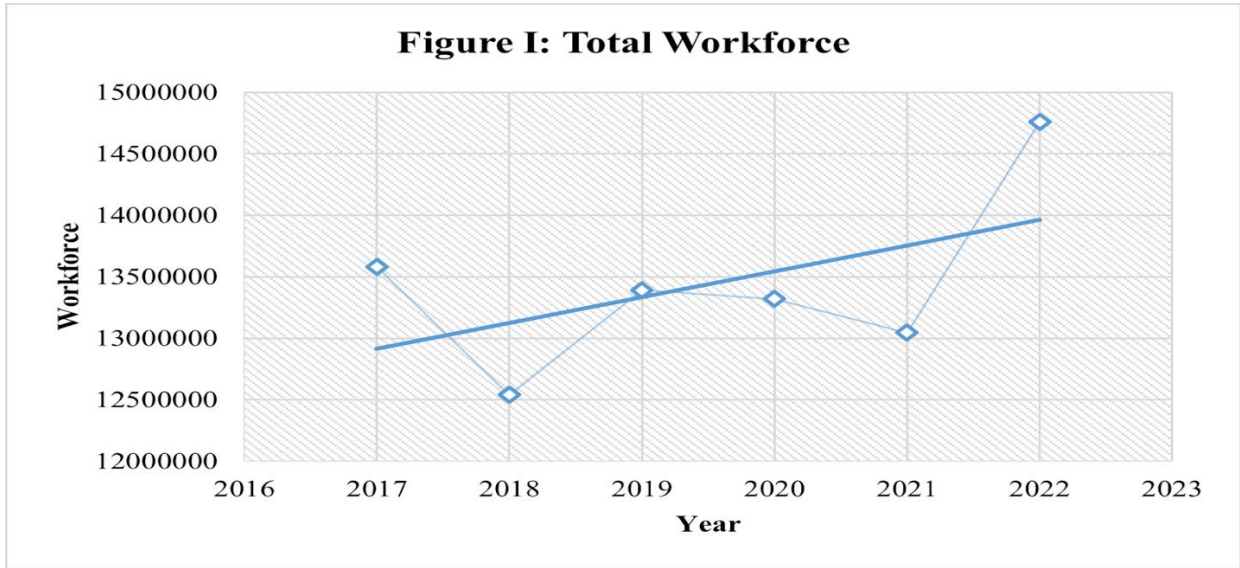
RESEARCH METHOD

This study employs a comparative quantitative research approach and utilizes secondary data from the Saudi Arabian General Statistic Authority to analyze trends and patterns in the employment landscape of the Saudi labor market during the fourth quarter of each year from 2017 to 2022, applying inferential regression analysis.

DATA ANALYSIS

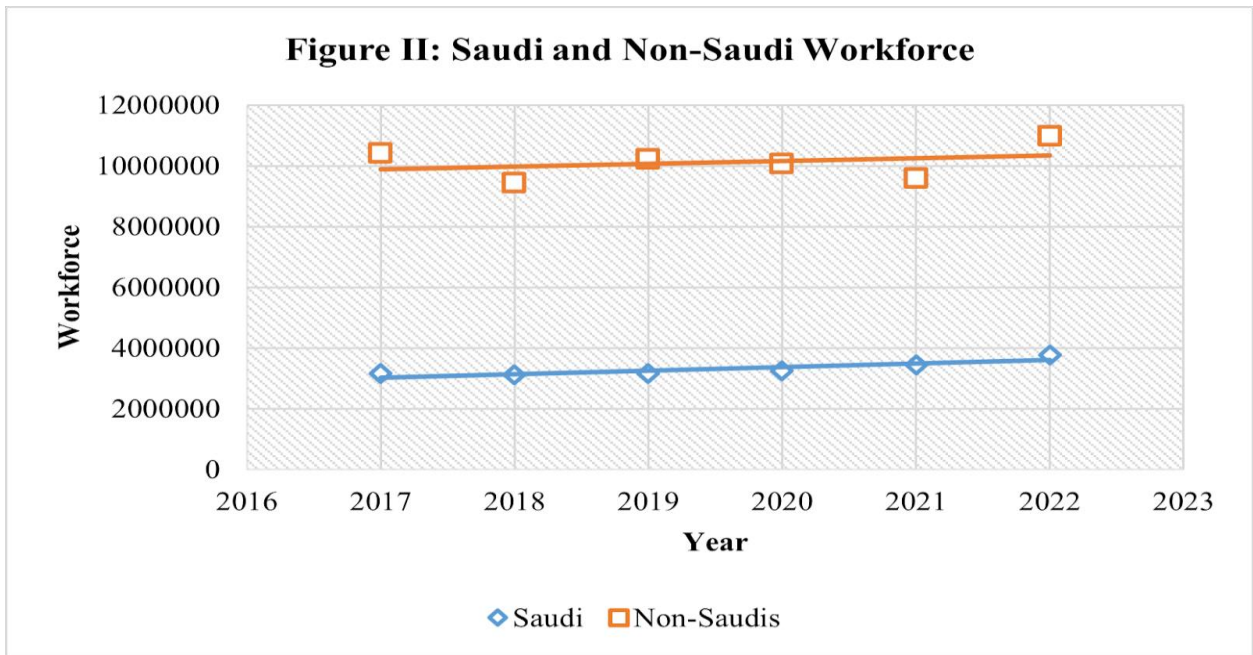
Employment Trends

Total employment patterns in the labor market fluctuated during the fourth quarter, featuring a decline in 2018 which subsequently reversed in the following year, only to be disrupted by the Covid-19 pandemic. However, despite the preceding slump, a notable surge towards the end of 2022 (post-pandemic) potentially signaled a favorable outlook for the future. Taken as a whole, the trend reflected a positive trajectory towards labor market expansion. See Figure I.



Saudi and Non-Saudi Workforces

A key area of interest in analysis of employment trends in the Saudi Arabian labor market is the representation of Saudi vs non-Saudi workers. The categorization of workers as either Saudi or non-Saudi in employment data is based on the nationality of origin of the employees. Saudi workers are individuals who hold Saudi Arabian citizenship, whereas non-Saudi workers are those who possess a different nationality. This information is generally collected by the government or employers at the time of hiring. It should be noted that some non-Saudi workers may possess residency permits or visas that permit them to work legally in Saudi Arabia.



While non-Saudi workers have fluctuated, they indicate a positive trajectory being higher in the final recorded year. However, Saudi workers have been steadily increasing, with a consistent upward trend over the given period (see Figure II). The combined totals indicate overall higher employment opportunities, reflective of economic growth.

Table II: Workers in Labor Market of Saudi Arabia by Origin Fourth Quarter

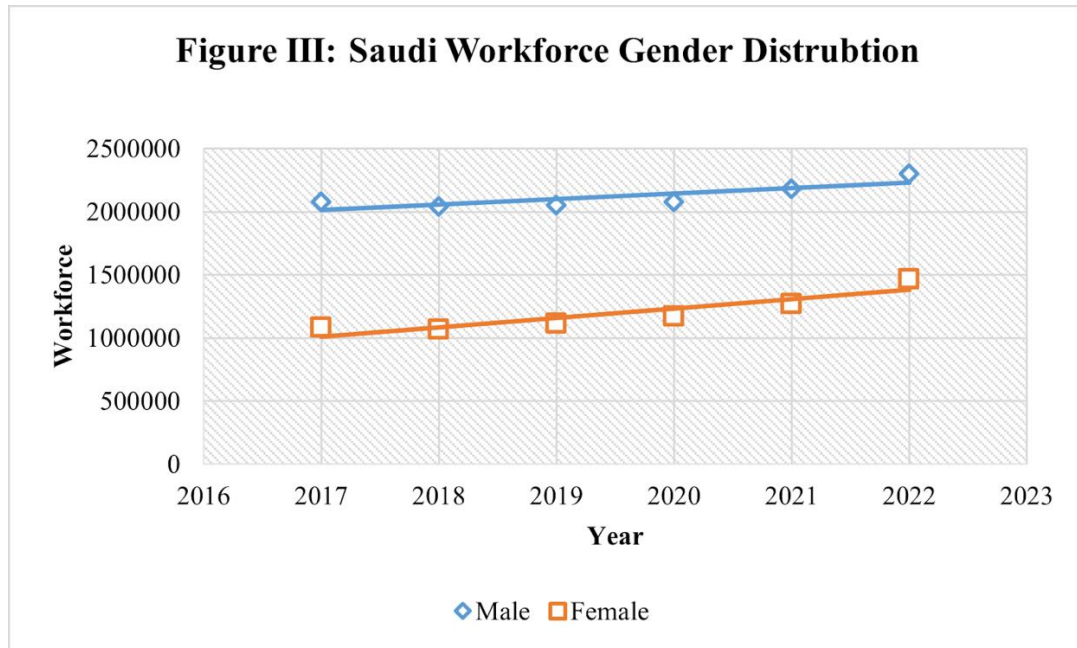
Year	Saudi	Saudi % in Workforce	Non-Saudi	Non-Saudi % in Workforce
2017	3163846	23.30	10417295	76.70
2018	3111199	24.81	9429419	75.19
2019	3170272	23.67	10220703	76.33
2020	3252198	24.42	10066500	75.58
2021	3450057	26.45	9595181	73.55
2022	3770631	25.55	10987727	74.45

Although a decline was revealed in 2018, there has been an overall upward trend in the number of Saudi workers in the Saudi labor market in subsequent years. This may indicate that the government's initiatives aimed at increasing the employment of its citizens, such as the Saudi Vision 2030 plan and the Nitaqat, are yielding positive results. However, the number of non-Saudi workers in the labor market has exhibited some volatility, with a general decrease in their numbers from 2017 to 2021, with the exception of a rise in 2019, followed by a subsequent increase in 2022.

It is worth noting that the number of non-Saudi workers increased from 10,417,295 in the fourth quarter of 2017 to 10,987,727 in the fourth quarter of 2022, reflecting a 5.48 percent difference. In contrast, the number of Saudi workers increased from 3,163,846 to 3,770,631 during the same period, indicating a 19.18 percent rise. These findings suggest a higher prevalence of Saudi workers in the local labor market, which could have significant implications for various aspects of the workforce and the economy as a whole, as demonstrated in Table I.

Gender Equality

Saudi females, findings suggest, are benefiting most from job localization as illustrated by the linear line below, showing an increase from almost one million workers to nearly 1.5 million. In contrast, Saudi males show a slight increase over the five years depicted (Figure III).



The available data indicates that the number of male workers in Saudi Arabia increased from 2,080,601 in the fourth quarter of 2017 to 2,300,070 in the fourth quarter of 2022, representing a 10.55 percent difference over the given period. In contrast, the number of female workers was 1,083,245 and 1,470,561, respectively, during the same period, marking a more significant increase of 35.76 percent. Despite this upward trend, however, female representation in the workforce remains below 40 percent of the total Saudi workforce. The data further reveals that the Saudi male workforce is nearly twice the size of the female workforce. These observations have important implications for understanding and addressing gender disparities in the Saudi labor market, as well as for broader efforts to promote greater gender equity and diversity in the workforce. (See Table I.)

Year	Male Workers	Male % in Workforce	Female Workers	Female % in Workforce
2017	2080601	65.76	1083245	34.24
2018	2040742	65.59	1070457	34.41
2019	2054858	64.82	1115414	35.18
2020	2079331	63.94	1172867	36.06
2021	2180320	63.20	1269737	36.80
2022	2300070	61.00	1470561	39.00

CHALLENGES AND OPPORTUNITIES

The labor market in Saudi Arabia has experienced fluctuations in employment patterns, which despite a positive trend towards growth, evidences challenges and opportunities for policy makers and stakeholders. The challenges include the continuing gender disparity in the workforce, where the representation of female workers remains below 40 percent of the total Saudi workforce. Policymakers need to intervene and promote greater gender equity and diversity in the workforce to tap into the full potential of the female workforce, which could lead to opportunities for further economic growth and development.

Another challenge is the representation of non-Saudi workers in the labor market, which policymakers and stakeholders need to consider ensuring a balanced representation of Saudi and non-Saudi workers in the workforce given that it is their place of origin. Policymakers should prioritize enhancing labor market opportunities for young people, given the potential implications for their mental health and well-being (Minh, 2019). However, the steady increase in the number of Saudi workers presents an opportunity for policymakers to promote job localization and reduce reliance on foreign workers. Saudi females are benefiting the most from job localization, and this presents an opportunity to tap into the full potential of the female workforce.

FINDINGS

The research findings indicate that employment patterns in the labor market of Saudi Arabia have experienced fluctuations in recent years, with a significant increase in 2020 followed by a slight drop in 2021 before rising again towards the end of 2022. However, the overall trend over the given period indicates a positive trajectory towards growth in the labor market, with a rise towards the end of 2022 being indicative of a positive outlook for the coming years.

In terms of representation of Saudi and non-Saudi workers, the available data suggests a greater prevalence of Saudi workers in the local labor market, with the number of Saudi workers steadily increasing and non-Saudi workers fluctuating. This finding is significant in its implications as the indication is that Saudi labor markets still rely heavily on foreign labor.

Regarding gender equality, the research findings indicate that the Saudi female workforce benefits the most from job localization, with significantly increased participation of female workers over the given period. Despite this upward trend, however, female representation in the workforce remains substantially less than that of males, with the Saudi male workforce nearly twice the size of the female workforce.

RECOMMENDATIONS

Based on the research findings discussed, recommendations for promoting a more inclusive and sustainable labor market in Saudi Arabia are as follows:

1. Encouraging policies that promote job localization and investment in industries that are in demand in local markets, which can help reduce dependence on foreign workers and create more opportunities for Saudi nationals.
2. Addressing the underlying factors that contribute to the fluctuation of non-Saudi workers, such as work visa policies and economic conditions, to help stabilize the workforce and provide more predictability for employers and workers alike.
3. Implementing policies and programs to support the recruitment and retention of women in the workforce, including training and development programs, family-friendly policies, and efforts to challenge gender stereotypes and promote diversity and inclusion.
4. Ensuring that the overall labor market policies and practices are aligned with the national goals and priorities, and that they reflect the principles of fairness, equity, and social responsibility.

Overall, a more inclusive and sustainable labor market in Saudi Arabia can be achieved through a combination of policies, programs, and cultural shifts that promote diversity, equity, and respect for workers' rights, accessible training and professional development, and dignity.

CONCLUSION

The labor market in Saudi Arabia has experienced fluctuations in recent years, but overall, a positive trajectory indicates a trend towards growth. Factors such as economic conditions, industry-specific demands, and governmental policies have all played roles in these fluctuations. In terms of representation of Saudi vs non-Saudi workers, Saudi workers are more prevalent in the local labor market, with the number of Saudi workers steadily increasing and non-Saudi workers fluctuating. Saudi females are benefiting the most from job localization, with a significant increase in female workers over the given period. However, despite this upward trend, female representation in the workforce remains below 40 percent of the total Saudi workforce, with the Saudi male workforce nearly twice the size of the female workforce.

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