

How to Empower Saudi Women in the Labor Force?

Cian Mulligan

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In the week when Saudi Arabia celebrated its first anniversary of women drivers in the Kingdom and Crown Prince Mohammed bin Salman accepted the chair of the G20 summit for 2020, G20 countries – including Saudi Arabia - reaffirmed their commitment to furthering the empowerment of women in society. Pew Research also released a report showing that Saudi Arabia had the fastest growing female labor force participation rate of all the G20 countries. Increasing female labor force participation, a key target of Saudi Vision 2030, is a key indicator of female empowerment. In light of these developments, it is worth taking a look at the factors that influence female labor force participation.

Issue

While Saudi Arabia's population has increased rapidly during the twenty-first century, this increase has not been reflected in its labor market. The General Authority for Statistics' (GaStat's) Labor Force Survey shows that a significant portion of the population chooses to be economically inactive. Saudi nationals represent 56% of the Kingdom's working-age population (ages 15-64). However, according to GaStat's most recent Labor Force Survey, they only account for 45% of the labor force. The slack is picked up by a large population of immigrant workers, mostly from South East Asia, predominantly employed in the services and construction sectors. The participation of nationals in the Kingdom's labor force currently stands at 42.3%, far below the level of the western economies that Saudi Arabia ultimately strives to match. Breaking down this statistic further reveals a startling gender disparity: male labor force participation currently stands at 63.3% with female participation at 20.5%. Increasing the Saudi labor force participation rate involves finding - and ultimately economically activating - these missing women.

Economic activation

Economic activation refers to the participation of an individual in the labour force. The labor force consists of those employed and those who are unemployed and looking for work. The exact classification of unemployment differs by country. For this insight, the definitions and statistics provided by GaStat and its Labor Force Survey are used. An 'inactive' individual is one who is neither employed nor unemployed and not present in the measurement of the labor force. Labor force participation refers to the rate of those employed and unemployed (deemed to be looking for work) compared to the overall population of working age.

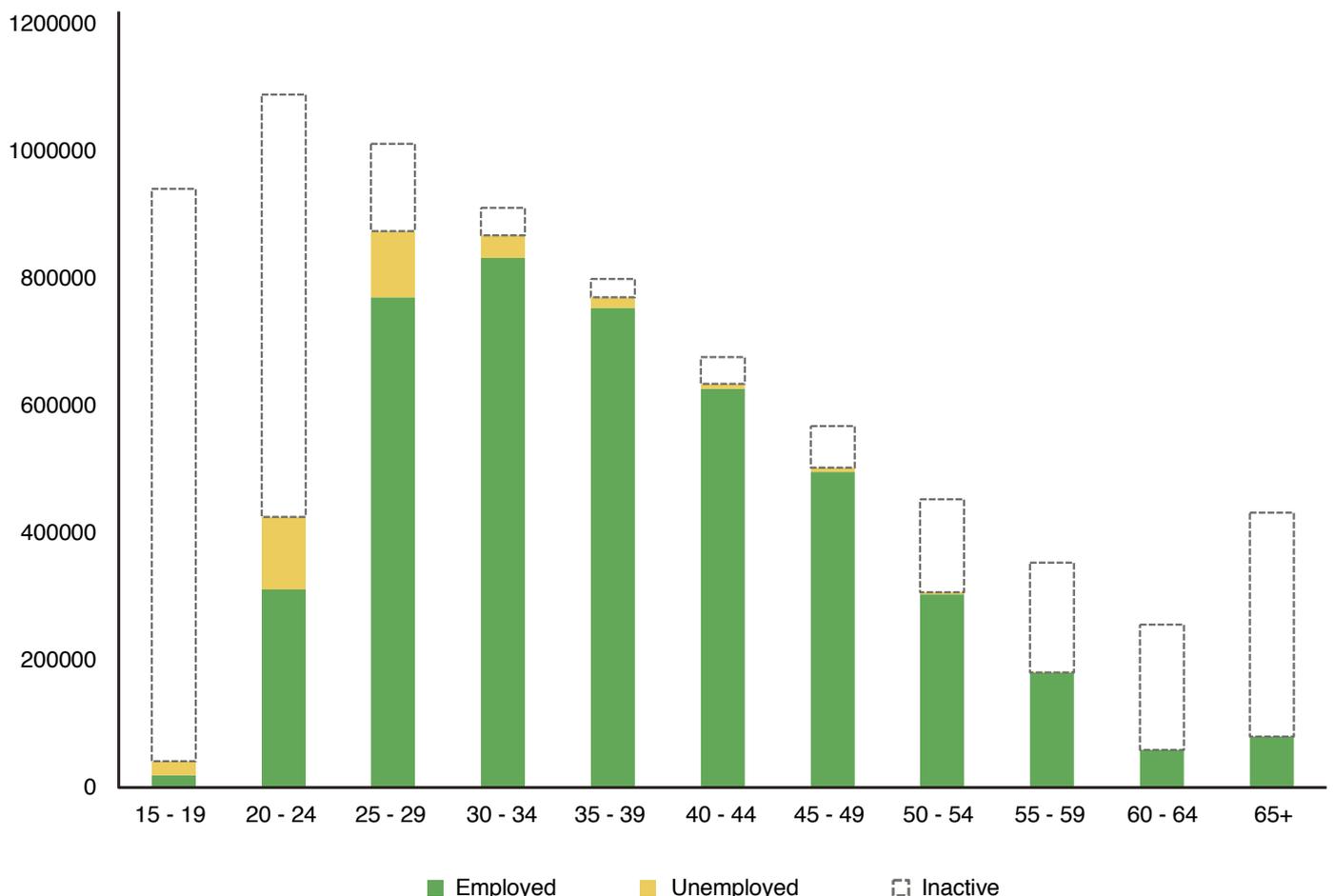
Why it matters

In 2016, the government of Saudi Arabia launched Saudi Vision 2030 (SV2030), a collection of policy initiatives designed to modernise the country and move it away from its dependence on oil revenues. Economic diversification, and the recalibration of Saudi Arabia as a 'knowledge economy,' are key elements of SV2030. A knowledge economy requires highly skilled workers and further investment in education. Currently, approximately 58% of all university graduates in the Kingdom are women, and while the participation rate for females with bachelor's degrees (62%) is significantly higher than the overall female average (21%), it is still far below that of males with bachelor's degrees (89%). The lower participation rate of these highly educated women implies a severe lack of return on the government's investment in education. With over 100,000 Saudi women reaching working age each year, the sooner this is remedied, the better. This issue was acknowledged in SV2030, which includes a target to increase female labor force participation to 30% by 2030.

Where are the missing women?

As shown in the charts below, the most recent data on Saudi workers reveals that until the age of 25, the numbers of inactive Saudi men and women are very similar. This makes sense, as we can assume both males and females aged between 15-25 are outside the labour market in full-time education. It is only after the age of 25 that males tend to enter the labor market, while females resist labour market participation throughout the age bands. It is important to note that this data is just a snapshot of the current labor market status of individuals and not the evolution of labor force participation. However, it is still interesting that this demarcation occurs at the critical age of 25. This is the age we would expect people to graduate from university and begin to get rewarded economically as a return on private and public investment in education. The fact that this seems to happen for men but not for women could be an area for policy intervention.

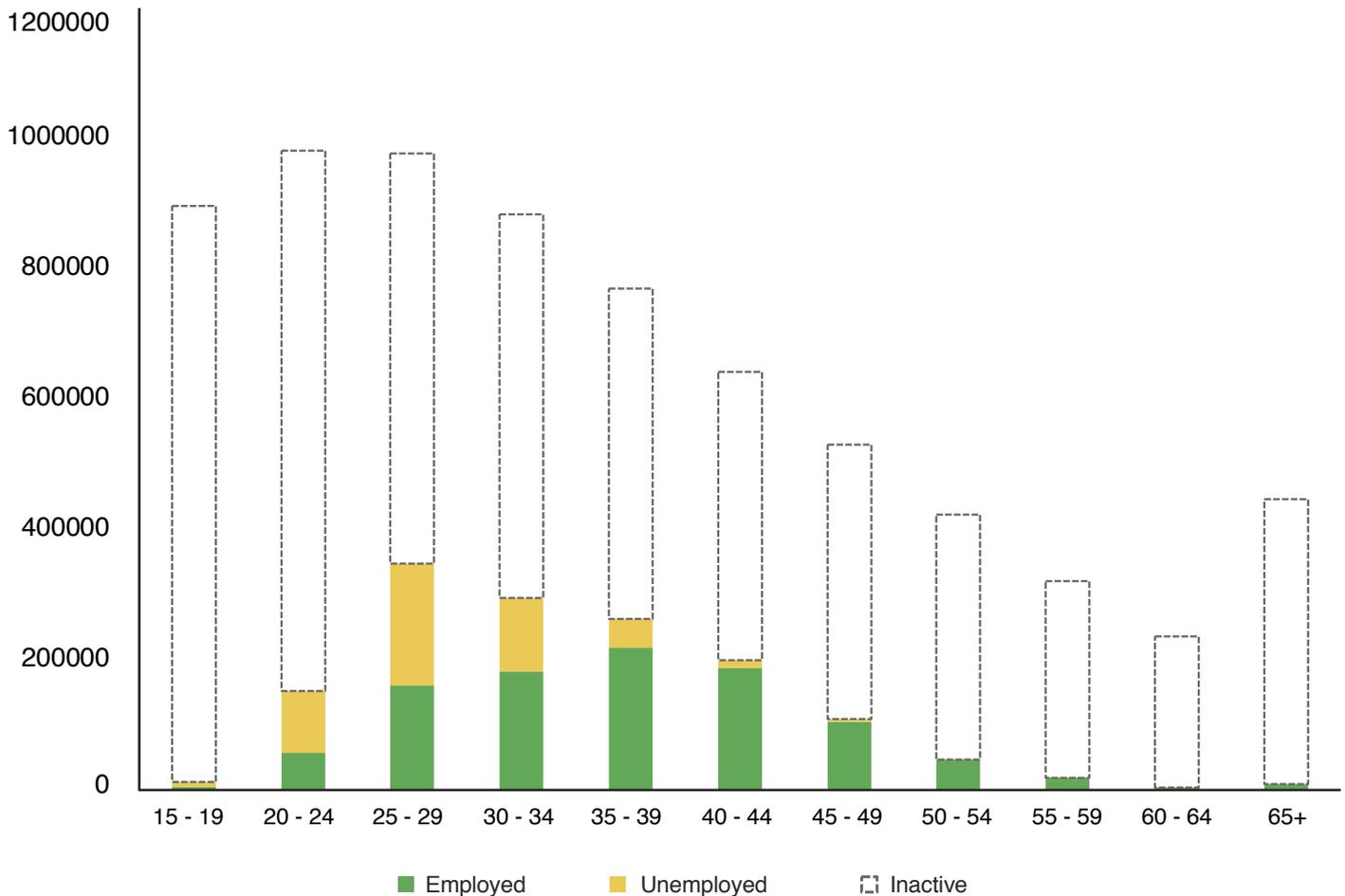
Saudi Male Labor Market Status by Age



Source: GStat, Saudi Labor Force Survey Q1 2019.

A pressing question for Saudi women is, why invest time in education only to forego reaping the economic benefits upon graduation? Failing to join the labor market as a new graduate has knock-on effects that could last a lifetime. These include the potential for lower labor market attachment in later life, which could decrease the chances of re-entering in later years, such as after maternity leave, for example. It is thus important to look at this cohort of new Saudi female graduates to understand the reasons for the overall low participation rate of Saudi women in the labor force.

Saudi Female Labor Market Status by Age



Source: GASTAT, Saudi Labor Force Survey Q1 2019.

Labor market asymmetries

Often the explanation given for the unemployment rate in Saudi Arabia is that the supply of labor (potential employees) are not sufficiently informed about market demands (availability of jobs). Therefore, the supply is unsuited to meet demand. When applying this theory to youth unemployment, for example, this could mean that graduates acquire skills ill-suited to the demands of the labor market and, consequently, do not possess the skills required to perform the jobs available. An often-noted characteristic of Saudi Arabian tertiary education is that male students concentrate on engineering studies while females specialise in humanities subjects. This split might help explain why females find it harder to acclimatise to the labour market than males, as engineering studies gives students many transferrable skills that are useful in a large number of professions, while the same cannot be said about specialised studies in humanities. It is possible that the lack of immediate opportunities available to new female graduates discourages them from entering the labor force. This discouragement causes unemployment to transition into eventual detachment from the labor force, which then persists throughout the working life cycle.

A solution?

This point leads us to a possible policy intervention to help increase labor force participation for women in Saudi Arabia: initiatives to increase the numbers of female students studying science, technology, engineering and mathematics (STEM) subjects. While there is no guarantee that graduates in these fields will end up working in directly-related occupations, the skills they learn will open up a wide range of possible employment opportunities. These initiatives would therefore offer women a greater chance of participating in the labor market upon graduation.

Of course, the Saudisation reforms over the past few years have shown Saudi women can perform in any sector of the labor market, from services and public administration to health work and most recently civil aviation. The point of encouraging female presence in STEM subjects is to ensure all doors are open to young female graduates in a way that offers a structural solution to the participation problem.

Females entering into tertiary education in Saudi Arabia today who specialise in STEM subjects will in a few years enter into a labour market potentially full of technical jobs resulting from Vision 2030 projects. These include the construction of giga projects such as NEOM and Qiddiya, and numerous new wind and solar renewable energy installations that have been announced and tendered over recent months. Preparing young Saudi females for such jobs will go a long way toward achieving the female labor force participation goal of SV2030, and thus will aid in Saudi Arabia's commitment to female empowerment, as articulated by Crown Prince Mohammed bin Salman at the G20 summit in Japan.

Notes

About the Authors

Cian Mulligan

Cian Mulligan has been part of the Energy and Macroeconomics team at KAPSARC since early 2018. His current work focuses on economic diversification in Saudi Arabia, labor dynamics in GCC countries, gender employment gaps in the GCC, and policy recommendations for Saudi Vision 2030 goals. Before joining the center, he worked as an energy analyst in Vienna and most recently served as the editor of *Intereconomics Review of European Economic Policy* in Hamburg, Germany.



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