

TAKAMOL HOLDING

Analysis of GASTAT Labor Force Survey
Q4 of 2019

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INSIGHT PAPER

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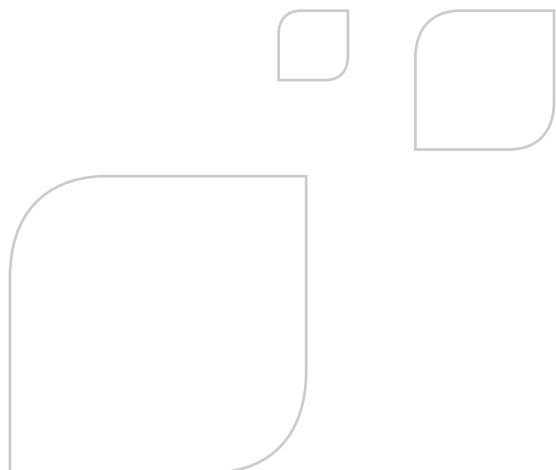
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Fiscal and Economic Factors

- In Q4 of 2019, Jadwa Investments revised its forecasts of growth for the Kingdom, from 1.6 percent to 0.2 percent for overall growth in 2019.
- 2020 was expected to witness a 2.1 percent rise in overall GDP, with progress to be seen specifically in different sectors under the Vision Realization Programs (VRPs) and Saudi Arabia G20 Presidency.
- Non-oil sectors notably register 2.8 percent growth, with the non-oil private sector showing 3.3 percent growth compared to a previous 2.4 percent. Oil-related growth was impacted by Saudi Arabia's commitments to OPEC and OPEC+ agreements, with the effects of the Jazan Refinery and the Fadhili gas complex to be more visible in 2020.
- Jadwa anticipates government oil revenue to be SR471 billion in 2020. Simultaneously, as total budgeted expenditure sits at SR1.02 trillion, they predict the fiscal deficit to total around SR229 billion (7.8% of GDP) by the end of 2020.
- The effects COVID-19 will have on the Saudi Arabia's economy are yet to be entirely clear. While the Kingdom has taken many measures to reduce the spread of the virus, local economic impact will likely be more measurable

in the long-term. Furthermore, the pandemic is likely to result in a global disruption to trade in manufacturing to last months into 2020. This will definitely have an impact on the local economy.

- In the following sections we have analyzed the labor force survey for Q4 of 2019 by focusing on a number of key indicators.



Saudi Employment Trends

The unemployment rate for Saudi nationals remained at 12% - the lowest since December 2016. The unemployment rate for Saudi males has decreased by 0.86 percentage points from 5.76% to 4.90% between Q3 and Q4 of 2019, while the female unemployment rate remained at 30.8% for the same period.

- However, considering the increase in their participation rate by 1.2 percentage points from 45.5% to 46.7%, we believe that this is a positive outcome regardless of unemployment rate stagnation between Q3 and Q4 of 2019.
- The participation rate for Saudi males has slightly decreased by 0.38 percentage points quarter to quarter compared to a sizable 2.81 percentage points increase for Saudi females.
- Unemployment amongst the young population, aged 15-29 years old, remains a challenge. This is the case for both males and females, with over 85% of unemployed Saudi nationals belonging to this age group.
- Relevant experience and training play a key role in the labor market with only 6.1% of unemployed Saudi nationals having work experience, compared to 93.9% who have no previous work experience. Similarly, only 3.8% of the unemployed have received some sort of training, whereas 96.2% have never been trained.

While both private and public sectors showed a net employment for Saudi nationals between Q3 and Q4 of 2019, employment in the public sector grew at a higher rate, at 2.8%, compared to the private sector which grew by 1.76% for the same period. However, the majority of Saudi nationals still work in the private sector, representing 53.6% of Saudi workers, compared to 46.4% in the public sector.

- Between Q3 and Q4 of 2019, Saudi female employment grew by 3.58%, with 19,312 Saudi females employed in the private sector, and 19,200 employed in the public sector.
- In the same period, Saudi male employment grew by 1.53%, with 10,082 Saudi males employed in the private sector, and 20,866 employed in the public sector.



Non-Saudi Employment Trends

The unemployment rate for the non-Saudi workforce was 0.36% in Q4 of 2019 and the participation rate of non-Saudi nationals was 75.2%, with no measurable changes from the previous quarter.

- Between Q3 and Q4 of 2019, the employment rate for non-Saudi female grew by 1.89%, where 2,340 have been employed in the private sector, and 2,486 have been employed in the public sector.
- In the same period, the employment rate for non-Saudi males contracted by 1.20%, losing 84,937 jobs in the private sector, compared to 8,784 net employment in the public sector.
- It is also worth noting that employment of domestic workers grew by 14.41% in the same period, adding a total of 464,934 domestic jobs for both non-Saudi males and females.

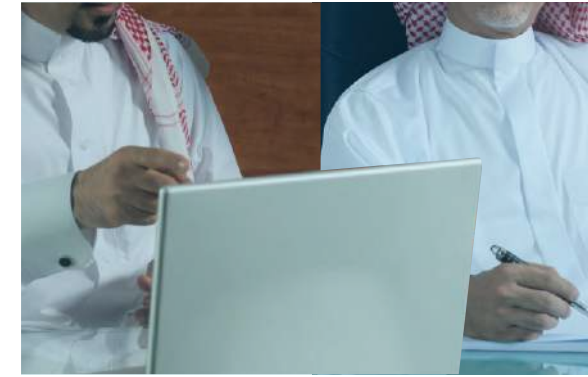
There was a sharp decline in the number of visas issued in Q4. This is evident in both public and private sector visas, which dropped from 16,769 in Q3 to 1,021 in Q4 and from 348,883 to 238,167 respectively. The only category that increased was the personal visas, reaching 274,719 in Q4 (compared to 240,788 in Q3). Consequently, we can see these figures reflected in domestic work, especially in jobs

like cooks and food providers (increased by around 15,000 visas), houses, buildings and restrooms guards (increased by around 24,000 visas). Jobs like housekeepers, gardeners, and nurses and health professionals in homes increased only slightly within the period.

Gender Trends

The participation rate in the labor force¹ slightly increased by 0.4 percentage point from 58.4% to 58.8% between Q3 and Q4 of 2019, during which females fared better than males. The participation rate of females witnessed an increase of 2.3 percentage points, from 24.5% to 26.8%, in contrast with the participation rate of males which witnessed a 0.7 percentage point decrease from 81.1% to 80.4% during the same period.

- Total Employment slightly contracted by 0.02% between Q3 and Q4 of 2019, recording a net decline of 1,867 people in employment, where employed males decreased by 53,203, mainly driven by non-Saudi worker reductions in the private sector, compared to an increase of 51,336 for employed females, mainly driven by Saudi female employment. This equates to a 0.54% decrease for employed males compared to 3.25% increase for employed females.
- On the other hand, the total number of Saudi job seekers² has decreased by almost 80,000 between Q3 and Q4 of 2019. This was mainly driven by Saudi females, which have decreased by 76,184 - from 857,312 to 781,128 - representing 95.3% of the total decrease in the number of Saudi job seekers. it is worth noting that during the same period, the number of employed Saudi females increased by 38,512. This corresponds to 50.55% of the decrease in Saudi female job seekers, however, it is not necessarily a direct correlation. Looking across age groups we can see that



Age Group Trends

there were different employment patterns occurring among workers aged 15-29 years old, and workers older than 30 years old.

- The number of young workers aged 15-29 years old has increased by 59,510 between Q3 and Q4 of 2019.
- The employment number for workers older than 30 years old decreased by 94,775 for the same period.
- It important to mention that the Labor Force Survey data show that there is an increase of 33,398 workers without specifying their age group. This increase in this group is driven predominantly by Saudi workers.
- Female employment has shown consistent increases across all age groups except for those who are older than 60 years old, showing overall growth of 3.25% for the period.
- With the exception for young workers aged 15-29, and 55-59 years old, all other age groups for males have shown a decrease in the number of workers, showing an overall contraction by 0.54%. This decline is driven predominantly by non-Saudi workers older than 30 years old.

Educational Attainment Trends

Unemployment for graduates remains a challenge, particularly for females. Analysis of employment by educational attainment for Saudi females, shows that 66% of unemployed females hold a bachelor's degree. However, there is a notable decrease when compared with Q4 of 2018 when the share of bachelor's degree holders was 71.3%. On the other hand, Saudi males holding a secondary degree or equivalent represent the largest share of unemployed Saudi males, representing 44.1% of the total Saudi male unemployment in Q4 of 2019. This is an increase of 0.72 percentage points compared to Q4 of 2018.



¹ Excluding Domestic Workers.

Sources: ² Job seekers are the registered individuals in Hafiz program. the term "Job seeker" within the context of the Labor Force Survey is not interchangeable with the term "Unemployed"



Regional Trends

There continues to be Regional variations within the labor market with some regions performing better than others in Q4 of 2019.

- Riyadh, Makkah and Eastern Province regions share of employment were 40.08%, 21.61%, and 19.05% respectively, accounting for 80.74% of the total employment³ in Q4 of 2019.
- On the other hand, Al Jouf, Al Baha, and Jazan have had the highest unemployment rates, registering 14.79%, 12.54%, and 10.50% respectively.
- It is worth noting that there are five regions in which Saudi nationals made up over 40% of the total persons in employment within the region; Northern Borders (41%), Tabuk (40.9%), Jazan (41%), Al Jouf (42.4%) and Al Baha (47.6%). These regions combined account for a total of 211,425 Saudi workers, equating to 6.7% of the total number of employed Saudi nationals.

Wage Trends

While the labor market has experienced some changes, no major differences in wage trends emerged in Q4 compared to Q3 of 2019:

- Saudi males' average wages increased by SAR 100 from SAR 10,487 in Q3 to SAR 10,587, registering a growth of 0.95%.
- Saudi females' average wages decreased by SAR 336 from SAR 9,443 in Q3 to SAR 9,107, registering a contraction of 3.56%.
- Non-Saudi males' average wages decreased by SAR 112 from SAR 3,993 in Q3 to SAR 3,881, registering a contraction of 2.79%.
- Non-Saudi females' average wages increased by SAR 77 from SAR 2,754 in Q3 to SAR 2,832, registering a growth of 2.80%.

Sectoral Trends

During the period between Q3 and Q4 of 2019, the Public Administration and Defense, Human Health and Social Work Activities, Administrative and Support Service Activities, Education, and Mining and Quarrying sectors have been the five biggest employers.

- **PUBLIC ADMINISTRATION AND DEFENSE SECTOR:**
Employment in the Public Administration and Defense sector increased by 14,161 workers, a 7.15% growth between Q3 and Q4 of 2019, with increases in non-Saudi workers accounting for more than 60% of the increase.
- **HUMAN HEALTH AND SOCIAL WORK ACTIVITIES SECTOR:**
Human Health and Social Work activities sector

increased by 11,414 workers, a 3.35% growth for the same period, with increases in Saudi workers accounting for more than 60% of the increase.

- **ADMINISTRATIVE AND SUPPORT SERVICE ACTIVITIES SECTOR:**
Administrative and Support Service Activities sector increased by 7,489 workers, a 0.71% growth for the same period, with the majority of the employment going to non-Saudi males.



- **EDUCATION SECTOR:**
Education sector increased by 6,826 workers, a 4.65% growth for the same period, with increases in Saudi female workers accounting for more than 60% of the increase.
- **MINING AND QUARRYING SECTOR:**
Mining and Quarrying sector witnessed an increase of 2,941 workers from 181,588 to 184,529 workers between Q3 and Q4 of 2019, with increases in Saudi workers accounting for almost 80% of the increase. It is worth noting that all employing sectors have experienced growth in employment for both Saudi and non-Saudi nationals spanning both genders.

On the other hand, the Construction, Wholesale and Retail Trade, Manufacturing, Transportation and Storage, and Professional, Scientific and Technical activities sectors have experienced the biggest reduction in employment.



- **CONSTRUCTION SECTOR:**
Construction sector registered biggest job losses for the period, losing 56,082 jobs, a 2.43% net decline in employment.
- **WHOLESALE AND RETAIL TRADE SECTOR:**
Wholesale and Retail Trade sector registered a loss of 27,595 jobs, a 1.40% net decline in employment.
- **MANUFACTURING SECTOR:**
Manufacturing sector registered a loss of 5,851 jobs, a 0.70% net decline in employment.
- **TRANSPORTATION AND STORAGE SECTOR:**
Transportation and Storage sector registered a loss of 3,014 jobs, a 1.23% net decline in employment.



- **PROFESSIONAL, SCIENTIFIC AND TECHNICAL ACTIVITIES SECTOR:**

Professional, Scientific and Technical Activities sector registered a loss of 968 jobs, a 0.69% net decline in employment.

The job losses in the the above mention sectors have been driven by non-Saudi workers, mainly non-Saudi males.

Further, the Accommodation and Food Services, Information and Communication, Financial and Insurance and Real estate sectors have witnessed increased employment, most significantly for Saudi nationals.



• **THE ACCOMMODATION AND FOOD SERVICES SECTOR:**

The Accommodation and Food Services sector grew by 0.63%. The majority of these jobs went to Saudi females, with an increase of 1,335 jobs compared to 721 jobs for Saudi male workers. This is in line with the opening of Saudi Arabia to tourism in September and diversification of work opportunities for young Saudi nationals within new industries.

• **INFORMATION AND COMMUNICATION SECTOR:**

In the Information and Communication sector, employment grew by 1.85%, adding 1,308 jobs, with 186 jobs for non-Saudi workers and 1,122 jobs for Saudi workers.



• **FINANCIAL AND INSURANCE SECTOR:**

Financial and Insurance sector grew by 0.96%, registering a net increase of 703 workers, where non-Saudi employment declined by 270 while Saudi employment increased by 973 Saudi workers. The increase in Saudi employment has been most significant amongst women, with an increase of 539 compared to a 434 increase by their male counterparts.

It remains the case across almost all sectors that the largest number of participants per sector is concentrated in Riyadh.

- Mining and Quarrying is the only sector where the largest number of participants in the sector are not concentrated in Riyadh, with 155,077 workers in the Eastern Province, followed by 15,560 in Makkah province and 9,058 in Riyadh.

It is significant to note that since the Labor Force Survey does not include detailed information on part-time employment, volunteering or employment not registered with the General Organization for Social Insurance or the Public Pension Fund, this means that some aspects of the labor market such as quality of jobs or contractual trends cannot be captured within this report.

