

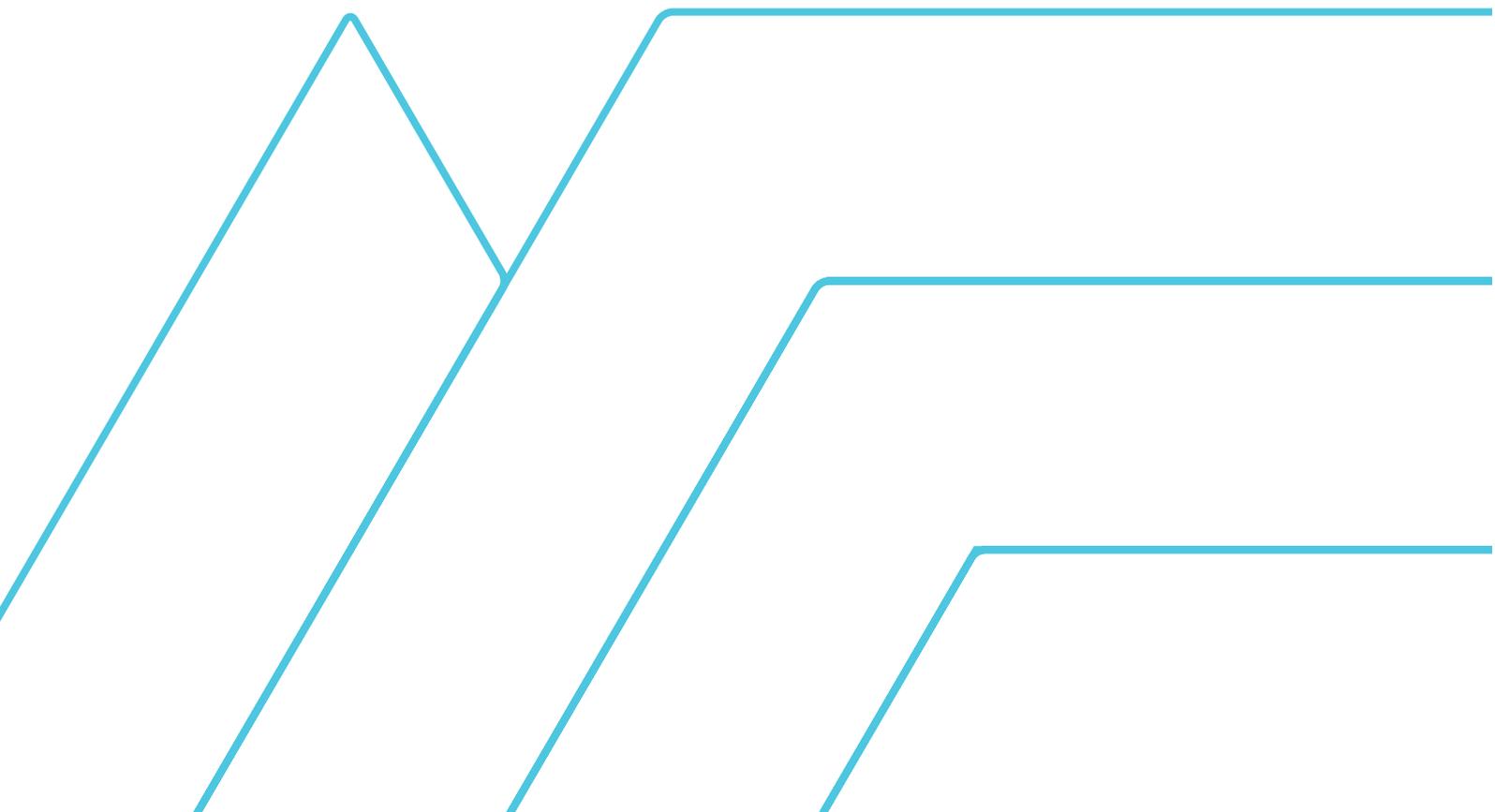


**Strategic Gears**

Management Consultancy

## Summary of the Main Changes in the Labor Market in Q3 - 2017

January 2018



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## Main Highlights of the Survey:

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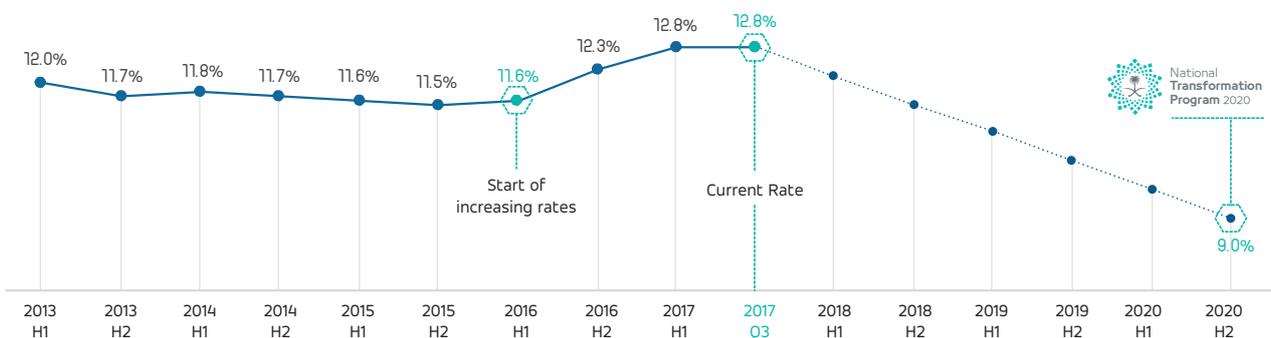
This report condenses the most important changes in the labor market Survey released by the General Authority for Statistics in the third quarter of 2017 (July – September). The report's main findings can be summarized in the following points.

- ▶ To achieve the goal of reducing the unemployment rate to **9%**, according to the national transformation program 2020, we should increase the number of employees by **157,000** annually till 2020.
- ▶ Whereas the number of Saudis joined the workforce has increased by **69,002** workers, the number of employed persons has increased by **11,295** only. Which equals **15%** of the increase in the workforce.
- ▶ The total number of foreign workers in the private sector decreased during the third quarter by **128,000**. While the number of Saudi workers increased by **18,000**, with a female participation rate of **60%**.
- ▶ The number of workers in the public sector decreased by **8,638**, approximately **80%** of them being Saudis.
- ▶ The construction filed has the most shortage in the number of foreign workers where approximately **76,000** workers have dropped out and joined in about **3,000** Saudis (all of them are females) in the third quarter.
- ▶ **80%** of unemployed Saudi females have at least a Bachelor degree and higher.
- ▶ **60%** of unemployed Saudi males hold a high school degree or lower.
- ▶ **70%** of unemployed Saudis are aged from 20 – 29 years old.
- ▶ **44%** of unemployed Saudi females are looking for jobs in the public sector.
- ▶ **91%** of unemployed have never been in training programs.
- ▶ Al-Madinah, Al-Bahah and Al-Jouf have scored the highest unemployment rate, with an average of **24%**.

## Unemployment Rates:

Unemployment rate is considered as a vital sign for the economic situation in any country. We noticed an impact of the economic slowdown on the unemployment rate in the Kingdom because of the low oil prices in 2015. Since the second quarter of this year, it has settled down on **12.8%**. The rate's stability could be attributed to great efforts, by the government, to reverse the growing unemployment rate and to achieve the targeted rate of the national transformation plan 2020 (**9%**).

### Historical and Targeted Unemployment Rate for Saudis (2013-2020)



While stability in the unemployment rate might be the first step in changing it from increasing to decreasing rates, the mission now is becoming more difficult. The data shows that, to achieve the targeted rate of unemployment, the number of workers has to increase by approximately **471,000<sup>1</sup>** by 2020. Which is **157,000** workers yearly and **13,000** workers monthly. Having looked at the increase in jobs in 2015 and 2016, which was **58,000<sup>2</sup>** yearly, leads us to the conclusion that the target rate is difficult to achieve.



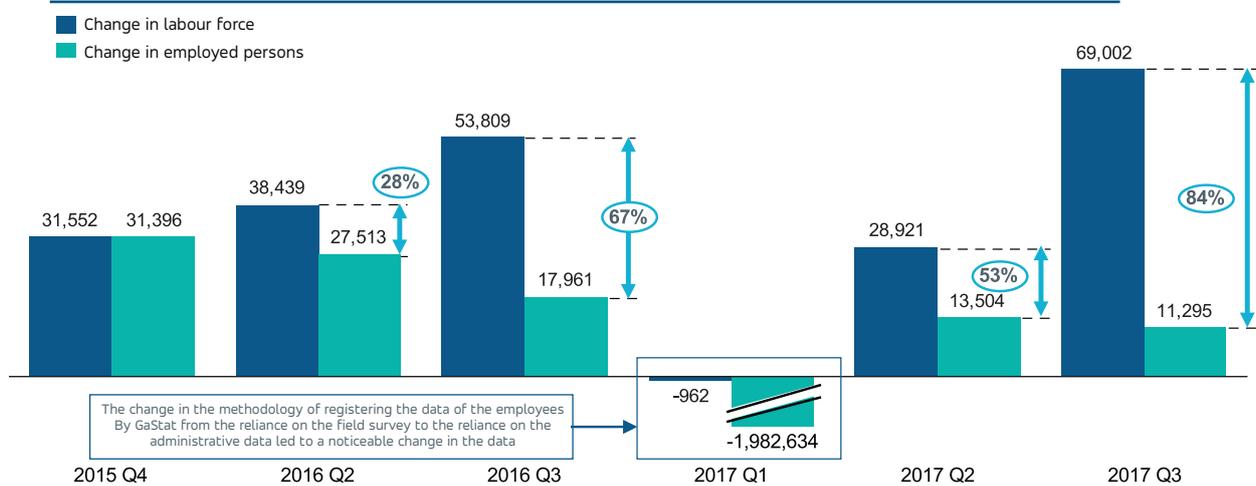
Although the number of Saudi workers have increased in the third quarter by **11,000**, the number of workers joining the workforce increased by only **1.2%** compared to the second quarter which has led to a stability at the same rate.

<sup>1</sup>- Taken into consideration the continuous population yearly growth by 1.6% and the stability of the rate of economic participation at 40.3%.  
<sup>2</sup>- The numbers have been counted according to the average change of workers' number in the years 2015 and 2016.

## Workforce Indicators:

Studying the difference between the change in the number of available workers and the change in employment, we notice that there is barely any gap at the end of 2015. Which means that the change in number of workers equals the change in employment. After 2015, we see a big difference arising between the two values, the total number of available workers being a lot higher than the employed workers. This data represents the inability of the economy to offer employment to people who are joining the workforce. Further analysis tells us that the trend of Q3 2017 is similar to the trend in the same quarter last year. Most probably, this is due to the new batch of graduates joining the workforce.

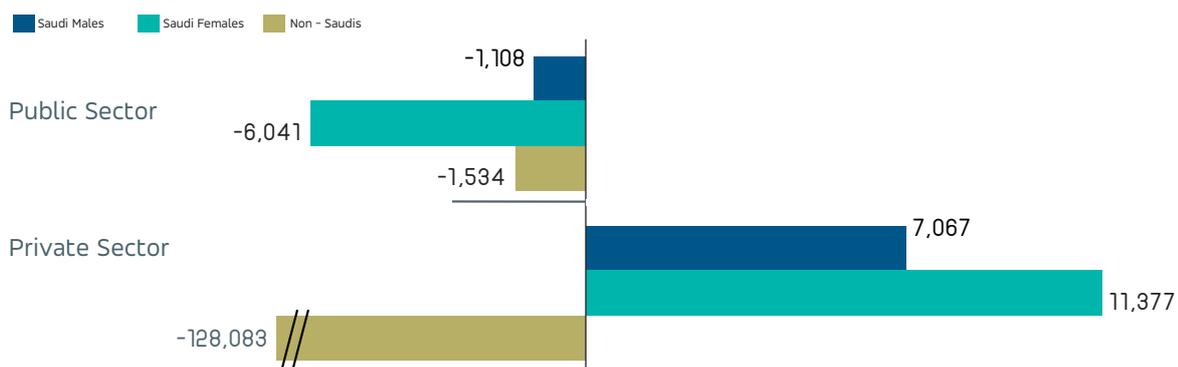
### Change in Available Workforce Vs Change in Employment



## Workers Data:

Comparing to the second quarter, we notice a shortage in the number of workers in the public sector by 8,000, 80% of them being Saudis. On the other hand, during the third quarter the number of Saudi workers in the private sector has increased by 18,000, 60% of them are females.

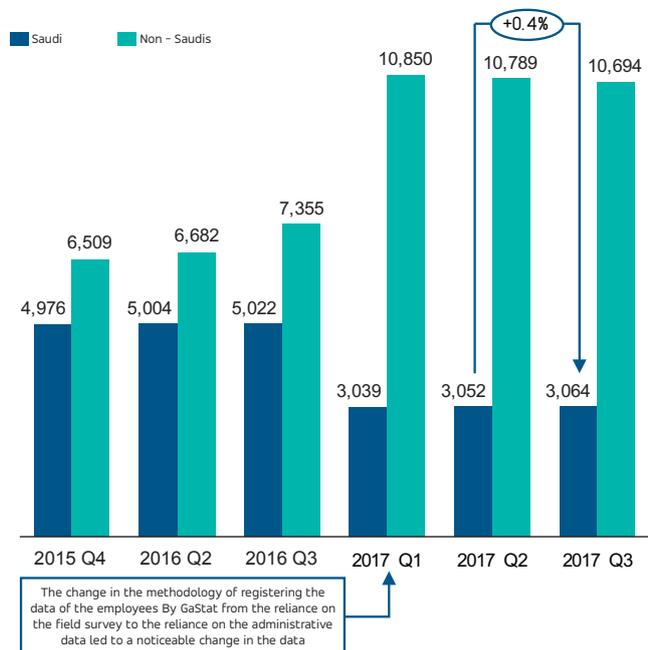
### Change in Number of Employed Persons by Sector<sup>1</sup>



1. The data represent the government sector workers who are subject to social security system where the number has reached 228.006 in the third quarter and in the second quarter 225.865 which means an increase of 2.141. yet this number does not show whether these workers are Saudis or not.

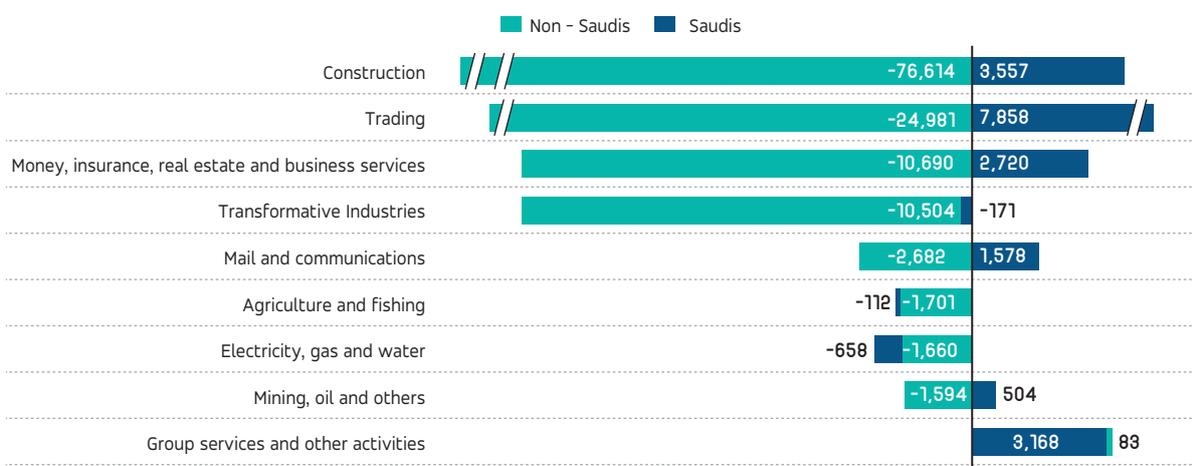
### Employed Persons (thousands) <sup>1</sup>

In the private sector, the number of foreign workers has decreased by **128,000**. Through these numbers we notice that deporting foreign workers doesn't mean or equals employing Saudis at the same number. The numbers indicate that there is a decrease in the total number of workers by **110,000**. The decrease in the number of expats could be attributed to many factors. The most important factors might be the fee applied on expats and the great efforts in the recent Ministry of Interior campaign "A nation without illegal workers».



Looking at the main sectors in the private sector, the data shows us a decrease in the number of expat workers. Although the number of Saudis increased in the construction sector by **3,500** (all females), the sector saw the highest decrease in the number of foreign workers, where their total number decreased by **73,000** during the third quarter. The data also showed that the business field was the most appealing field for Saudis in the third quarter, where the number of Saudi workers increased by approximately **8,000** (60% of them being female).

### Change of Employed Persons in the Private Sector

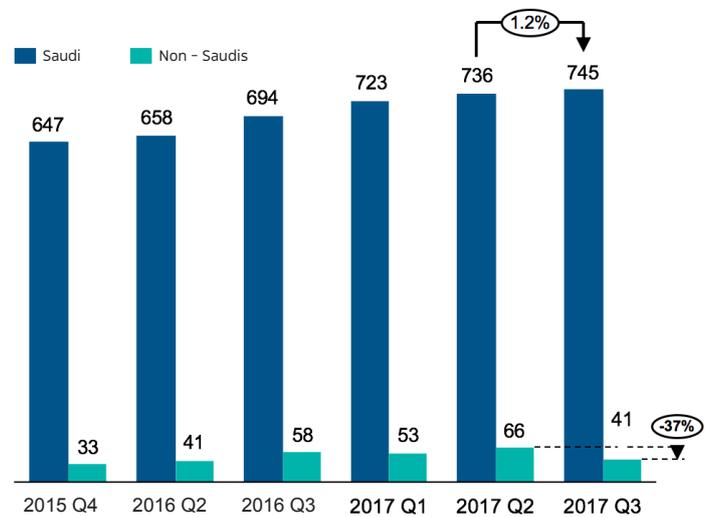


1. This graph does not contain the data of the first and the fourth quarter of 2016 due to the fact that it has not been published by the GaStat. Also the number of foreign workers includes the domestic workers which has increased by 35,000 in the third quarter.

## Unemployed Persons Data:

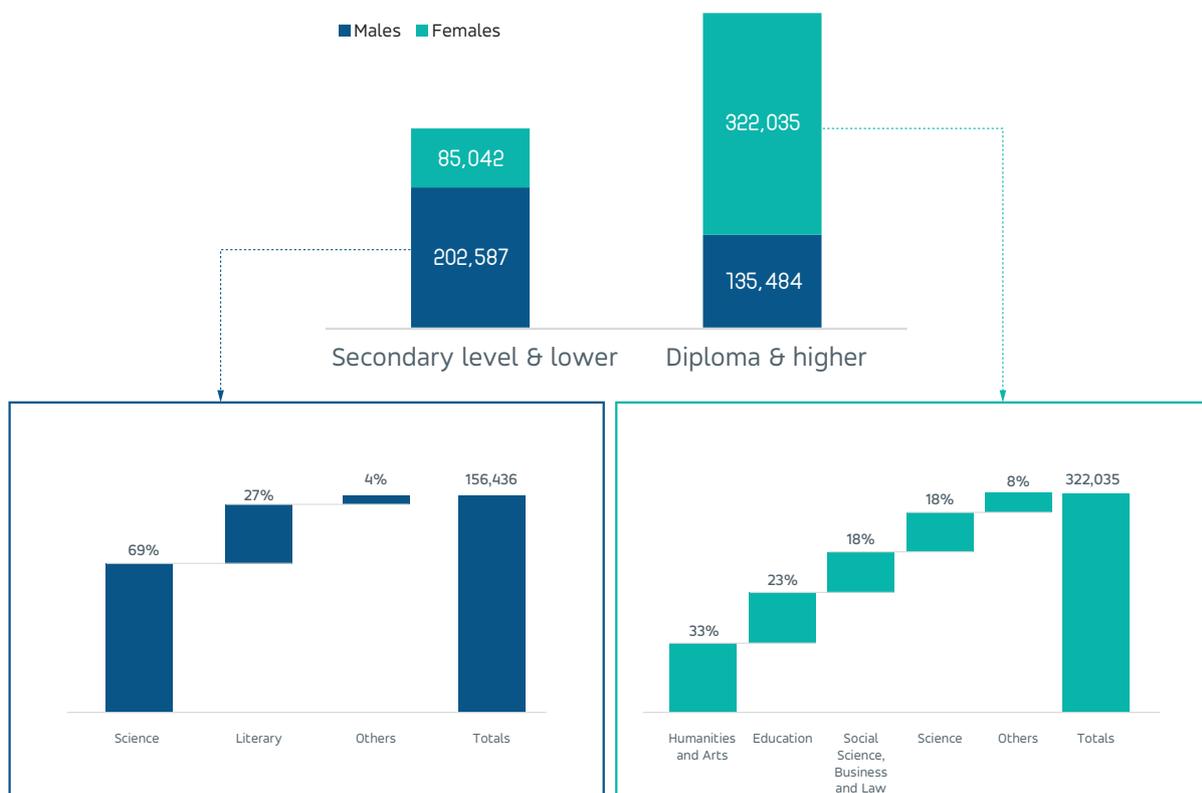
Even though the unemployment rate has stabilized at **12.8%**, the number of unemployed increased in the third quarter by **1.2%** from the second quarter. We notice that the number of unemployed persons is increasing. The current number of unemployed Saudis have reached **745,000** with the age group (20 – 29) constituting the biggest share at **70%**.

Unemployed Persons (thousands)<sup>1</sup>



Males with high school degree or less represent **60%** of the total number of unemployed males. While **80%** of the unemployed females hold a Bachelor degree or higher. These numbers indicate the importance of creating jobs opportunities according to the nature of each gender and the common educational level.

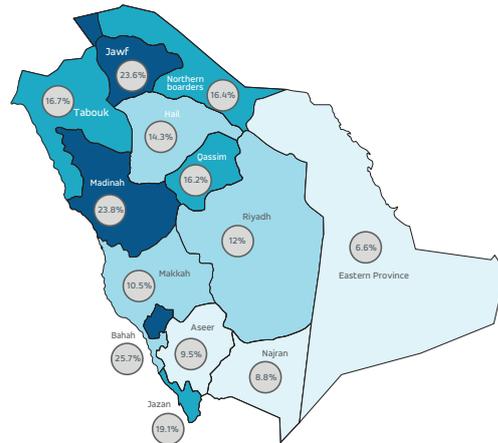
Unemployed Persons By Education Level



1. The high school educated or equally educated males who are unemployed represent approximately 80% of the total unemployed percentage.

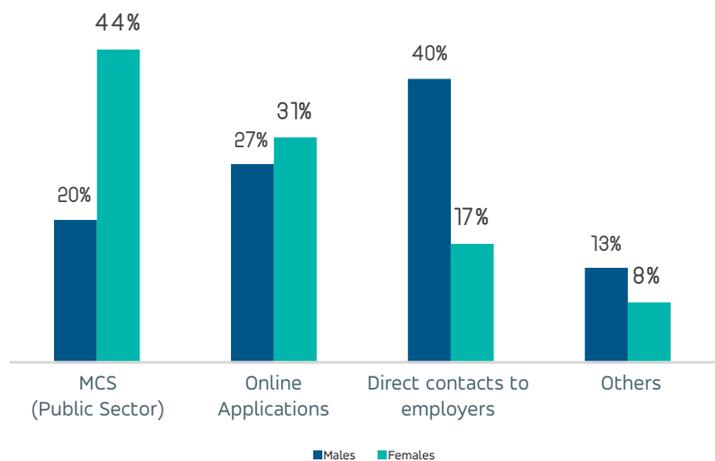
### Unemployment Rates By Region

By looking at the unemployment rate at all the regions in the Kingdom, we notice that Al-Bahah, Al-Madinah and Al-Jouf have got the highest unemployment rate with an average of 24%. While the rate goes down significantly in Najran and Asser (with an average of 9%), the Eastern province has the lowest with a rate of 6.6%.



### Used Method in Looking for a Job

By taking a look at the method used in looking for a job, we can say that 44% of females looked for jobs in the public sector by applying through the ministry of civil service. On the other hand, 40% of males who are looking for jobs apply directly to the employer.



The report indicated an important fact, 91% of unemployed have never been in training programs. This indicates a need for both the unemployed and the employers to take steps toward increasing participation of unemployed youth in training programs

### Training for Unemployed Persons





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Management Consultancy

## About Strategic Gears:

Strategic Gears is a Management Consultancy based in Saudi Arabia, with presence in Riyadh and Jeddah, serving clients across the country. Strategic Gears' clients include the biggest public and private sector organizations, including a number of ministries, authorities, financial institutions, and companies.

The company utilizes its top notch local consultants, and global network of experts to offer strategic solutions in the fields of public policy, analytics, product development, and strategic marketing, and have a proven track record with multiple clients in each.

[www.strategicgears.com](http://www.strategicgears.com)

[info@strategicgears.com](mailto:info@strategicgears.com)



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