



Issues and Challenges of Saudi Female Labor Force and the Role of Vision 2030: A Working Paper

Sana Naseem^{1*}, Kamini Dhruva²

¹College of Business Administration, Al Yamamah University, Riyadh, Kingdom of Saudi Arabia, ²College of Business Administration, Al Yamamah University, Riyadh, Kingdom of Saudi Arabia. *Email: S_naseem@yu.edu.sa

ABSTRACT

Female labor force participation (FLFP) plays a key role in economic development. The Kingdom of Saudi Arabia (KSA), as a developing economy, relies mainly on men rather than women to achieve its development objectives. Over a period of 50 years, Saudi FLFP is extremely low. This working research paper seeks to identify the challenges and issues of the female labor force in KSA. The study has employed regression model, in which the dependent variable is FLFP rate (FLFPR) and independent variables are unemployment rate (u-rate), urban population, fertility rate and higher education. The results have shown that u-rate, fertility rate and urban population show statistical significance on FLFPR, except higher education. It has been concluded that despite the challenges faced by the female labor force in Saudi Arabia, Vision 2030 paves a new path to empower women to contribute to the economic growth of the Kingdom.

Keywords: Saudi Arabia, Vision 2030, Female Labour Force Participation

JEL Classifications: I23, J13, J21

1. INTRODUCTION

Saudi Arabia has an oil-based economy with strong government control over major economic activities. The Kingdom possesses 18% of the world's proven petroleum reserves, ranks as the largest exporter of petroleum. The country and its labor market are presently undergoing a large-scale transformation that will enhance its economic growth. Throughout the world, gender disparities in labor market experiences are well documented. The Kingdom of Saudi Arabia (KSA), as a developing economy, relies mainly on men rather than women to achieve its development objectives. Saudi women represent a wealth of untapped potential for the economy. Many of them yet to join the labor force, despite being highly educated and motivated. Of the 13.5 million women in country, 9.1 million are of working age. Yet only 20.2% of them participated in the workforce in 2015, compared with 77.8% of men. Saudi Arabia has the largest gender imbalance in labor force participation among G-20 countries (Saudi Arabia Labor Market Report 2016). Men and women experience vastly different wages and levels of labor force participation and employment, and tend to concentrate in different industries and occupations. Despite recent

improvement, female labor force participation (FLFP) in Saudi Arabia remains extremely low. Moreover, increases in participation have exacerbated female unemployment as the availability of jobs has failed to keep pace with higher FLFP. Saudi women who do find employment remain concentrated in a few fields.

Saudi Arabia is on the threshold of an economic transformation that will unlock the full potential of its competitive advantages. With the Vision 2030 plan, the country has a clear roadmap for fulfilling its goals and creating a sustainable future for the Kingdom. The Ministry of Labor and Social Development aim to enable women to participate in the workforce at a much higher rate and lower their unemployment rate. They are dedicated to ensure that women and youth have the skills and opportunities they need to participate in the kingdom's economic expansion.

This working research paper seeks to identify the challenges and issues of the female labor force in Saudi Arabia and identify and measure the variables which have an impact on the FLFP. The role of Vision 2030 which seeks to empower and overcome these issues and challenges have also been researched.

In this study the researchers have identified four variables and have studied their impact on FLFP. The study has employed regression model, in which the dependent variable is FLFP rate (FLFPR) and independent variables are unemployment rate, urban population, fertility rate and higher education. The results have shown that u-rate, fertility rate and urban population shows statistical significance on FLFPR, except higher education because higher education and labor force participation cannot be positively correlated no matter how great the increase in education level of the total population. But higher education level is usually associated with low fertility rate and urbanization.

2. REVIEW OF LITERATURE

FLFP was defined as the women's decision to be part of the economically active population: Employed or unemployed population as compared to being part of the economically inactive population of the economy – those not working nor seeking work. The standard measure for FLFP is FLFPR. FLFPR is the proportion of the working age population that is economically active. It precisely measures the share of a country's female population aged 15-64 that engages actively in the labor market, either by working or looking for work. In measuring FLFPR, the number of females in the labor force divided by the number of females in the working age population. This rate indicated the size of the female labor supply available to engage in the production of goods and services during a specified period. FLFP is an important indicator of women's status and benchmark of female empowerment in society (Kapsos et al., 2014; ILO).

FLFP is important for the enhancement and socio-economic development of a nation because it promotes efficiency and equity. Generally, high female participation in the labor market implies two things; advancement in the economic and social position, and empowerment of women. This promotes equity and increases utilization of human potential, which can help in building a higher capacity for economic growth and poverty reduction (Mujahid, 2014; Fatima and Sultana, 2009).

Women empowerment seems to be topmost on the agenda of Saudi government. Although stereotyped voluminous amount of articles, reports and opinions are published in media and on social networking sites, very few studies have been carried out on this issue. Way back i.e., in 2005, Amani, a Saudi scholar affiliated to the University of Western Ontario, Canada, published her research titled, "Women and education in Saudi Arabia: Challenges and achievements." Amani quoted Lacey's findings as, "reform in Saudi Arabia had never been a simple matter..... Her study exclusively deals with education opportunities and obstacles before women in Saudi Arabia. In the year 2007, the same author published her study titled, "Arab Muslim Women in Canada: The Untold Narratives." This study focuses on adaptability of Arab women in a completely different environment and culture.

FLFP rate in the Middle East and North Africa (MENA) is lower than any other region in the world. This trend has been consistent throughout the region's history despite periods of high economic

growth, lower female illiteracy rates, faster urbanization, and even lower fertility rates than at least one other region in the world. However, in recent years this trend of low FLFP in MENA has begun to change with females entering the labor force in greater numbers than ever before (Robinson, 2005).

FLFP has been one of the main sources of the Saudi labor market in developing the economy over the last 50 years (Asmari, 2008. p. 18). For evaluating the current status of the woman at the labor market, the researcher explore certain general feature that include specifying the number of females at the labor market, knowing the expected development rate by using available data and estimation of unavailable data. It is conspicuous that there is a sluggish increase in the labor market in the numbers of females in comparison to the successive increase in those of males. This underlines the decline at the development rate of females when compared with those of males. For instance, the rate of women contributions reached approximately 7% in 2010, while was found to be around 3.5% in 2012; and that these situations are expected to continue till 2018 unless clear policies are adopted and conducive climate for women's effective absorption and involvement made available.

Almujahid (2009) analysis identifies the major achievements made by the Saudi government in the field of public education for girls. It also probes the issues which are hampering the development of girls' education and women's active involvement in the labor market. Finally, it presents a number of policy reforms and recommendations that, if implemented, would lead to the institution of high-quality education for women, along with a more advanced and knowledge based society, the participation of Saudi women in society, and the reshaping of the sociocultural perception of women in Saudi society.

The report for Saudi Arabia (IMF, 2013b) looks at the country's labor market policies and high unemployment, including among women. It finds that, despite large gains in female education and falling fertility rates, the FLFPR in Saudi Arabia has risen slowly from low levels. While part of the large gap between Saudi Arabia's FLFPR and the OECD's mean FLFPR can be explained by education and fertility, the large unexplained residual could be attributed to cultural factors. The authorities are examining ways to increase opportunities for female employment, with specific sectors (e.g., retail) being targeted, but more needs to be done.

1.1. Research Objectives

- To identify the variables and analyze its impact on FLFP
- To identify how vision 2030 will empower female to overcome challenges and issues in female labor force participation.

3. METHODOLOGY

The present research involved an extensive study of literature and secondary data, to identify the growth and potential of female labor force in Saudi Arabia from Saudi Arabia Monetary Authority, World Bank Report, Statistical Report, Journals and articles.

To achieve the first objective, data for a period of 10 years from 2005 to 2015 was used and the researchers used regression

analysis with the dependent factor being the FLFP (% on the total workforce) and independent variables (consisting of four) namely, (a) Unemployment rate (u-rate); (b) fertility rate (birth per women %); (c) urban population (% of total); (d) total number of graduates from all level of higher education(%).

3.1. Limitations of the Study

- i. This paper is a working paper and requires ongoing research to realize the impact of Vision 2030 on the FLFP
- ii. Future studies can include other variables to enable ongoing research.

4. RESULT AND DISCUSSION

4.1. Labor Force Participation Rate (LFPR) and Unemployment Rate

H_0 : There is no significant difference between u-rate and LFPR at 5% level of significance.

H_a : There is a significant difference between u-rate and LFPR at 5% level of significance.

Since P value (0.02324) is <5% (0.05) significant level, therefore alternative hypothesis is accepted (Table 1). In addition to low participation, females are challenged by high unemployment rates for those who actually seek employment. In 2015, female unemployment was 21.8%, and among Saudi women it was even higher - 32.8% - Second only to youth unemployment. The rate of Saudi female unemployment is more than 5 times that of Saudi males, and showing that it is not the preferences of Saudi women driving low female employment. Many women are looking for work and are unable to find it (Saudi Arabian Labour Market Report, 2016). Low LFPR and high unemployment are due to the following reasons. First, Saudi women are highly educated, but they tend to focus on skills that are not in high demand by private sector employers. Another point to be noted is the fact that majority of women prefer government jobs because of the higher investment in infrastructure, more flexible working hours, high wages, job security, more women friendly environments and it has been seen that despite being qualified women prefer not to seek employment in the private sector due to these reasons and prefer to remain unemployed voluntarily. Second the laws in the country have segregated the nature of work among men and women for some types of jobs. This does not allow women to seek equal employment opportunities with their male counterparts.

4.2. LFPR and Fertility Rate

H_0 : There is no significant difference between fertility rate and LFPR at 5% level of significance.

H_a : There is a significant difference between fertility and LFPR at 5% level of significance.

Since P value (0.04) is <5% (0.05) significant level, therefore alternative hypothesis is accepted. It is obvious that pregnant women face difficulties while working in any organization. The fertility rate shows a decline because of the exposure to higher education and importance of career building which have empowered women to take decisions favoring their careers. Young women today prefer to finish their education and then think of marriage later. The number of women graduates have substantially increased. It is another thing that women need to concentrate on skill based jobs which offer them employability today. The government has therefore increased skill based and vocational training in its Vision 2030 to empower Saudi women.

There are many other reasons for low fertility rate of women in Saudi such as late marriages, increased rate of abortion, and higher cost of living. These factors affect negatively on the fertility rate of women. Apart from that, some complications have been found in Saudi women concerning infertility. These complications include unhealthy food, high blood pressure, unsuitable environment, obesity and smoking (Alfarraj et al., 2015).

4.3. LFPR and Urban Population

H_0 : There is no significant difference between urban population and LFPR at 5% level of significance.

H_a : There is a significant difference between urban population and LFPR at 5% level of significance.

Since P value (0.0318) is <5% (0.05) significant level, therefore, alternative hypothesis is accepted. The degree of urbanization is suggested as a determinant of the FLFP, affecting the number of jobs available and their accessibility (King, 1978). The participation of female labor force in urban population shows an increase and this may be due to the fact that the urban areas offer more paid employment opportunities than rural areas. This could mean that the overall participation of women in the labor force is low in a region where there is a rural population, thus the higher proportion of the population living in urban areas, higher will be the female labor force population.

4.4. LFPR and Higher Education

H_0 : There is no significant difference between higher education and LFPR at 5% level of significance.

H_a : There is a significant difference between higher education and LFPR at 5% level of significance.

Since P value (0.276008) is more than 5% (0.05) significant level, therefore null hypothesis not rejected. Higher education and labor force participation cannot be positively correlated no matter how great the increase in education level of the total population. Many argue that this is an evidence of the underutilization of highly educated female labor in the workforce in Saudi Arabia. Also, higher level of education are usually associated with lower fertility rate (women who are more educated, also marry late and usually have fewer children), and, lower fertility rates in turn are usually associated with high FLFP (Robinson, 2005).

Table 1: Regression result

Variables	Coefficient	Standard error	t-statistics	P value
Unemployment rate	0.252697	0.092583	2.729411	0.02324
Urban population	0.828947	0.326635	2.537839	0.0318
Fertility rate	-3.77479	1.655765	-2.277979	0.0485
Higher education (graduates)	-0.08282	0.071946	-1.13494	0.27600

4.5. Challenges and Issues of Saudi Female Labor Force

It is unsurprising that cultural norms and legal restrictions (on female mobility, employment, etc.) impose high costs for employing women, making Saudi men and expatriate workers more cost-effective alternatives. This diagnosis corresponds to a failure in the demand side of the market for labor. Specifically, the effective cost of hiring women exceeds their wage rate; this “cost wedge” lowers employment opportunities for women and in equilibrium fewer women are employed (Evidence for Policy Design, Harvard Kennedy School; and Ministry of Labor of KSA and Human Resources Development Fund). The other challenges faced by the women workforce is the culture around the guardianship of women. The ban on driving has not been lifted, which always has been the biggest challenge for women’s employment. Transportation to and from work is also costlier for female employees. The traditional workplaces were not designed to accommodate women especially in the private sector and this discouraged women candidate to apply. Further companies had to invest in separate workplaces which all companies cannot afford.

Lack of appropriate jobs, lack of experiences, language barriers, difficulty of working long hours and the need to balance family responsibilities are other challenges for women’s employment.

The labor law prevents women from working in hazardous occupations and now certain sectors have been identified which would be reserved only for women workforce.

4.6. How will Vision 2030 Empower the Saudi Female Labor Force

Saudi economy will provide opportunities for everyone – men and women, young and old – so they may contribute to the best of their abilities. Vision 2030 will place a renewed emphasis on lifelong training and will seek to make the most of the potential of Saudi workforce by encouraging a culture of high performance. Saudi women are great asset. With over 50% of university graduates being female, Saudi government will continue to develop their talents, invest in their productive capabilities and enable them to strengthen their future and contribute to the development of society and economy. Female students have the opportunity to a larger education base including law and architecture and this has led to Saudi females to work in retail and hospitality sectors and Saudi female lawyers were granted practicing certificates. Government will also enable those of Saudi people with disabilities to receive the education and job opportunities that will ensure their independence and integration as effective members of society. They will be provided with all the facilities and tools required to put them on the path to commercial success. Tremendous reforms have been effected specially in the education sector. Vision 2030 focuses on the need to collaborate the labor markets demands with the educational system. By identifying imbalances those professions which require skills and trained women personnel, programs and initiatives will be created to boost these areas. For example, according to the Labor Market Report (3rd edition, July 2016) in its endeavor to increase the attractiveness of nursing and medical support jobs with Saudi nationals, the country must attract between 48,000 and 100,000 females nursed by 2030. To

replace half of the current female expatriate nurses with Saudis, the government must double the students in nursing programs and the goal of the Ministry of Health is to increase the number from 70 nurses and related medical staff for every 100,000 people to 150 by 2020. Therefore, the government through Vision 2030 will empower skills to the workforce specially women to help them match the professional demands and enhance growth of the private sector. Vision 2030, seeks to work on several initiatives to ease investments in the private sector to enable better benefits and other measures are being introduced to ensure effective work life balance and facilitate effective transportation measures, maternity benefits so that women will be able to contribute to her family’s savings and her presence will increase her involvement in the Saudi woman workforce. Vision 2030 seeks to expand the small and medium sector industries which will enable the middle and lower strata of the society in its inclusive strategy and provide for more strategies to empower women in these sectors to improve the employment potential. This is in fact has been identified as one out of the five main challenges the Kingdom has identified.

The Ministry of Labor and Social Development’s objectives include empowering women to recognize their potential and contribute to the country’s economic growth. Women currently make up 22% of the Saudi labor force, and governments goal is to raise that participation to 28% 2020. During that same time period, government plan to reduce the unemployment rate for Saudi nationals from the current 11.5% to 9%.

5. CONCLUSION

Vision 2030 promises a boost to the Saudi Economy specially in empowering the female workforce. To identify the challenges and pave measures to overcome them in the years to come is a big boon to the women of the country. Investing in today’s women would lead to brighter economic development tomorrow as quoted rightly by Amartya Sen, the Noble laureate and leading economist, “Empowering women is a key to building a future we want.”

REFERENCES

- Alfarraj, D.A., Somily, A.M., Alssum, R.M., Abotalib, Z.M., El-Sayed, A.A., Al-Mandeel, H.H. (2015), The prevalence of *Chlamydia trachomatis* infection among Saudi women attending the infertility clinic in central Saudi Arabia. Saudi Medical Journal, 36(1), 61-70.
- Almujahid, M. (2009), Women’s Education in Saudi Arabia: The Way Forward. Dubai, UAE: The Ideation Center, Booz & Company.
- Amani, H. (2010), Women and Education in Saudi Arabia: Challenges and Achievements. Available from: <http://www.files.eric.ed.gov/fulltext/EJ854954.pdf>.
- Amani, H. Arab Muslim Women in Canada - The Untold Narratives. Available from: http://www.blogs.sfu.ca/departments/ccsmc_summer2010/wpcontent/uploads/2010/05/PDossa_AmaniHamdanArabMuslimWomenInCana da2.pdf.
- Asmari, M.G.H. (2008), Saudi Labor Force: Challenges and Ambitions. Jeddah, Saudi Arabia: Sociology Department, Faculty of Arts and Humanities, King Abdulaziz University. p1-41.
- Fatima, A., Sultana, H. (2009), Tracking out the U-shape relationship between female labor force participation rate and economic

- development for Pakistan. *International Journal of social Economics*, 36(1-2), 182-189.
- International Labor Organization (ILO). (2001-2002), *Key Indicators of the Labor Market Database - World Development Indicators*. Geneva: ILO.
- International Monetary Fund (IMF). (2013b), *Country Report No. 13/229. Saudi Arabia*, Washington: IMF.
- Kapsos, S., Silberman, A., Bourmpoula, E. (2014), *Why is Female Labor Force Participation Declining so Sharply in India?* International Labor Office, ILO Research Paper No. 10.
- King, A.G. (1978), *Industrial structure, the flexibility of working hours and women's labor force participation*. *Review of Economics and Statistics*, 60, 399-407.
- Ministry of Labor of Kingdom of Saudi Arabia, Human Resources Development Fund, *Evidence for Policy Design (EPoD)*, Harvard Kennedy School. (2015), *Back to Work in A New Economy: Background Paper on the Saudi Labor Market*, HRDF-Harvard.
- Ministry of Labour and Social Development. (2016), *Saudi Arabia Labour Market Report*. 3rd ed. Kingdom of Saudi Arabia: Ministry of Labour and Social Development.
- Mujahid, N. (2014), *Determinants of female labor force participation: A micro analysis of Pakistan*. *International Journal of Economics and Empirical Research*, 2(5), 211-220.
- Robinson, J. (2005), *Female Labour Force Participation in the Middle East and North Africa*. *Wharton Research Scholars Journal*, University of Pennsylvania.