



Labor Market Comparative Report

Kingdom of Saudi Arabia

2023





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In the Kingdom of Saudi Arabia

2023

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About the National Labor Observatory (NLO):

“The NLO is the Kingdom of Saudi Arabia’s labor observatory and is the leading and trusted source for labor market data and insights in the Kingdom. Its mandate is to support entities, experts, and beneficiaries to enable them to make informed decisions and formulate policies based on labor market reports and data-driven research insights.”

National Labor Observatory

Riyadh – Kingdom of Saudi Arabia

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Executive Summary

This report presents a benchmark comparison of the labor market in the Kingdom of Saudi Arabia and assesses its international standing relative to the G20 countries in terms of key labor market indicators with the aim to measure and analyze the temporal developments and progress over the previous years.

The Kingdom of Saudi Arabia has achieved a significant progress across several key labor market indicators. This includes an increase in the annual growth rate of the labor force (locals and expats), and substantial growth in employment and labor force participation rate. This accomplishment can be attributed to various factors, such as steady economic growth in the Kingdom and the expanding youth population, which contributes to the overall growth of the labor force. The presence of a youthful population, in particular, signifies an economic asset that every nation aims to leverage through high-quality education, specialized training, and effective employment strategies. This involves continuous coordination between educational and training institutions, as well as pertinent labor market entities, to achieve an optimal alignment between educational and training outcomes and the requirements of the labor market.

The report also reviews some key indicators in the Kingdom that still fall behind the desired performance level as compared to other countries, such as the unemployment rate (in terms of the gender gap) and the rate of individuals outside the scope of education, employment, and training ("NEET Rate").

- Saudi Arabia has ranked first in terms of labor force growth rate among all G20 countries during the period of (2012-2021). Furthermore, the growth rate for females in the Saudi labor market has increased by (5.5%) between 2016 and 2021, while Australia ranked second with a growth rate of (2.1%).
- The Kingdom ranked among the top countries in terms of male labor force participation rates whereby it has achieved the second-highest male labor force participation rate among G20 countries.

Executive Summary

- KSA recorded an increase in its employment rate between 2016 and 2021, reflecting the employment efforts made over the past years, which have resulted in an increase in the employment rate for females by 10% between 2016 and 2021.
- Kingdom recorded the largest gap in unemployment rates between males and females compared to other G20 countries due to the significant increase in female unemployment rate.
- KSA ranks as one of the highest G20 countries in terms of the percentage of youth (age group 15 to 24 years) that are not in education, employment, and training (NEET).

Introduction

This report assesses the global position of the Kingdom of Saudi Arabia using essential labor market indicators and draws comparisons with G20 nations, which are recognized as the most influential and active economies worldwide. These countries represent two-thirds of the world's population, 90% of the global gross domestic product (GDP), and 80% of the global trade volume. The purpose of this comparative analysis is to identify key areas for enhancement, in the labor markets. This approach aims to contribute to the Kingdom's international standing and status, providing valuable insights for a broad spectrum of stakeholders.

Indicators

This report covers a set of key labor market performance indicators associated with G20 countries, based on data from the International Labour Organization (ILO). Data on select countries is presented in accordance with their rankings in the respective statistics. The key indicators covered are as follows:

Labor Force Annual Growth Rate: The percentage growth rate in the labor force between 2012 and 2021, leveraged to track the historical development of the labor force.

Labor Force Participation Rate: The percentage of individuals who are of working age and are actively participating in the labor market.

Employment Rate: The percentage of employed individuals in the labor market out of the total working age population.

Unemployment Rate: The percentage of unemployed individuals out of the active individuals in the labor force.

The Not in Education, Employment, or Training (NEET) Rate: The (percentage) of youth in the age group of (15-24) who are not in education, employment, or training (NEET) as a percentage of the total number of youth in the corresponding age group.

Introduction

Methodology

This report centers on data from the year 2021* and includes a comparative analysis of labor market indicators in Saudi Arabia with other G20 countries, covering the period from 2016 to 2021 to assess performance and derive findings and insights across all indicators. Additionally, it encompasses the time frame from 2012 to 2021, focusing on the annual growth rate of the labor force to track changes and gain a more comprehensive understanding of the labor markets..

The indicators in the report are calculated according to the International Labour Organization (ILO) methodologies. The report categorizes age groups as follows: young individuals aged between 15 and 24 years old and another group comprising individuals of working age, aged between 25 and 64 years old..

* Due to the lack of comprehensive data for the year 2022

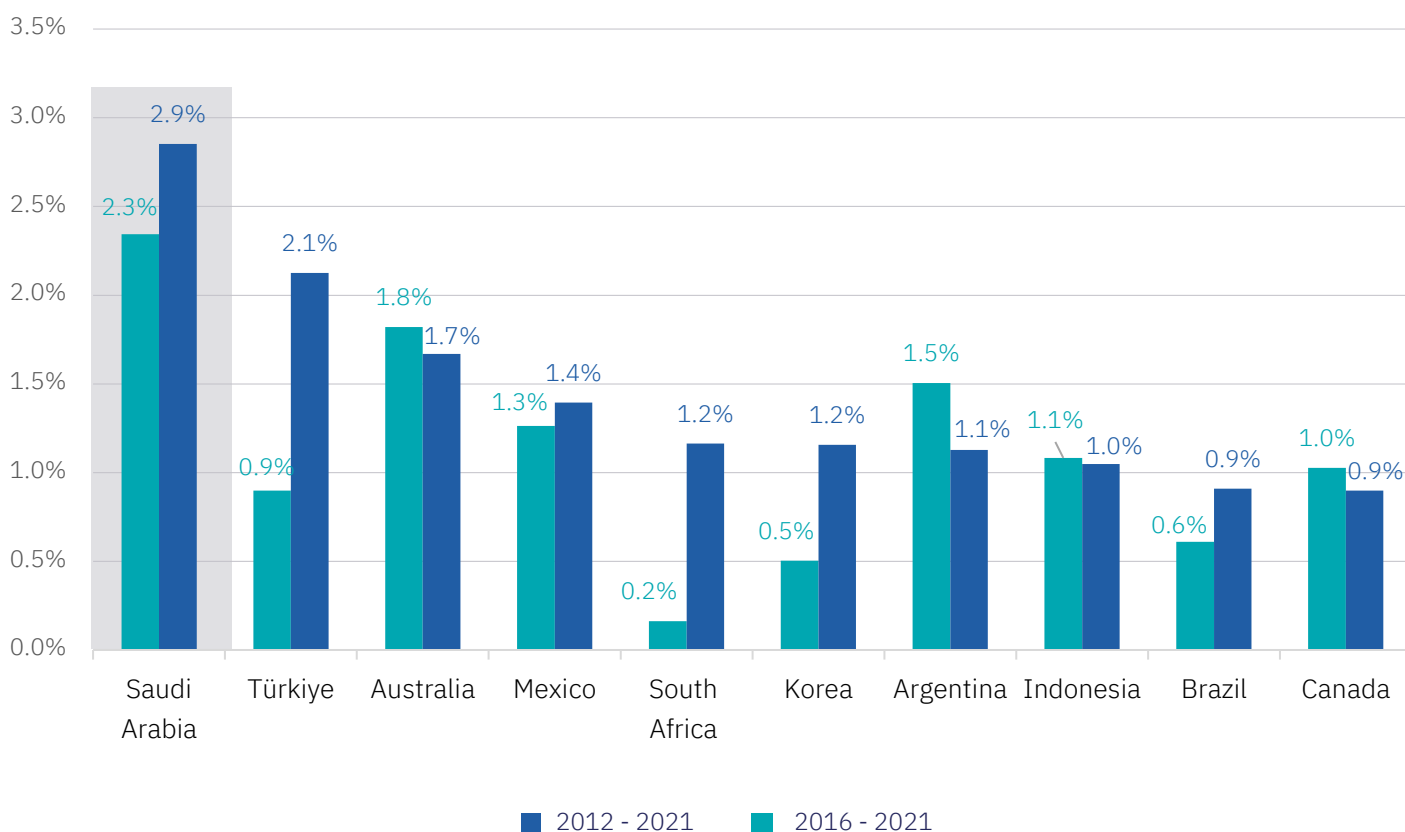
Labor Market Indicators

1. Labor Force Annual Growth Rate

The labor force is defined as all individuals of working age that are either employed or actively seeking employment. A growing labor force typically contributes towards economic growth when the labor force can find employment opportunities. However, a decline in the labor force can slow down economic growth.

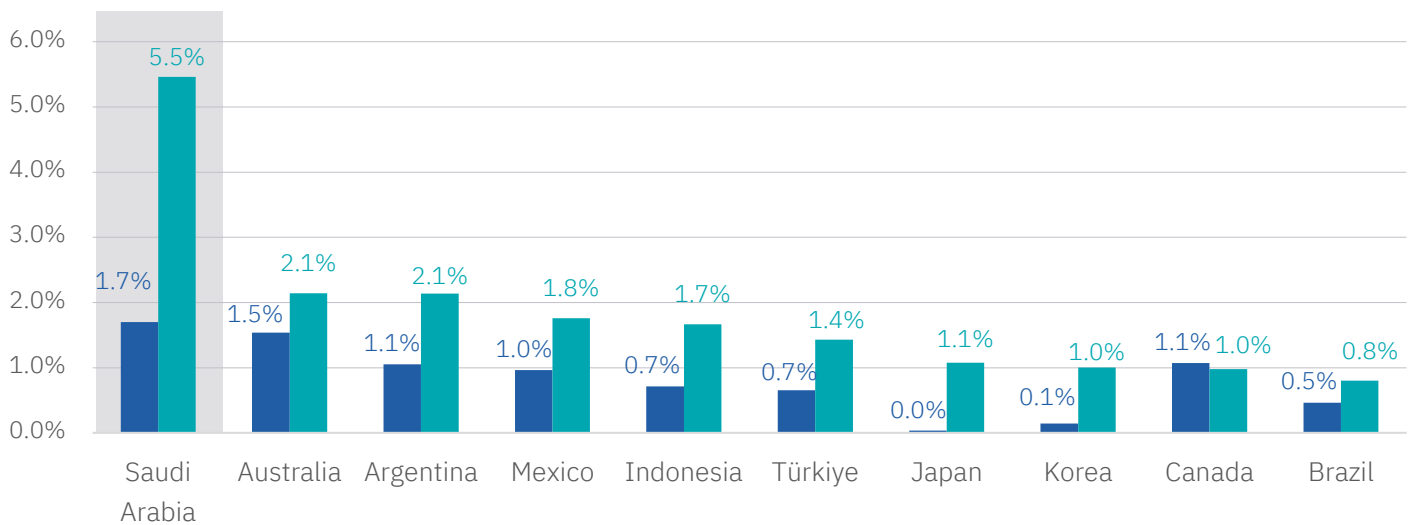
The report mainly focuses on the annual growth of the labor force over the past five years, starting from 2016 until 2021, but leverages labour force data to calculate annual growth rates from 2012 to 2021, for comparison.

Figure (1): Labor force growth rate by nationality for select G20 countries, % change for the years (2012-2021) and (2016-2021)



Source: International Labour Organization (ILO) data

Figure (2): Labor force growth rate by gender for select G20 countries, % for the years (2016-2021)



Source: International Labour Organization (ILO) data ■ Males ■ Females

Saudi Arabia ranked first in the labor force growth rate, for both males and females, among all G20 countries. The high growth rate in female labor force participation is considered one of the main reasons behind this growth. Additionally, the increase in male participation rate also contributed to the high growth rate of the Saudi labor force.

The female labor force participation in KSA significantly increased between 2016 and 2021. This increase can be primarily attributed to the issuance and implementation of government policies, programs, and initiatives that support female empowerment.

The distribution of age groups primarily affects the size of the labor force. Countries with a growing population, especially in the youth age group, witness an increase in the labor force size compared to countries experiencing population decline and an aging population. While many G20 countries are experiencing slower labor force growth associated with population ageing, KSA is witnessing an increase in its young population which supports its labor force growth. According to population estimates issued by the General Authority for Statistics, the population of young individuals under the age of (30) has exceeded (18) million.

Hence, the growth factors of KSA’s labor force can be summarized as follows:

- Increased female labor force participation rate.
- Increased percentage of young people in the population.
- Entry of foreign labor into the Saudi labor market driven by the Kingdom's economic growth

2. Labor Force Participation Rate

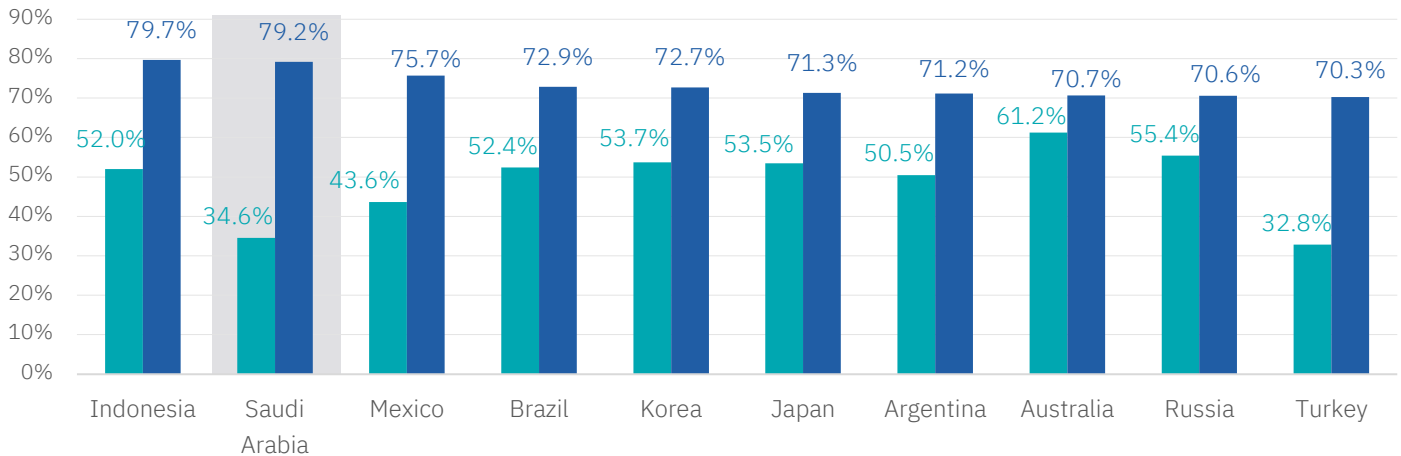
Labor force participation rate measures the percentage of the working-age population that is actively participating in the labor market, either through employment or through actively seeking employment. This indicator refers to the available supply of labor for participating in the production of goods and services. And since demographic characteristics can easily affect the growth or decline of the labor force, the labor force participation rate is more effective when segmented according to key age groups and gender.

Figure (3): Labor force participation rate for select G20 countries, % for the years (2016-2021)



KSA is among the three G20 countries which experienced a growth in labor force participation rate between 2016 and 2021 and has recorded the highest growth rate. This can be attributed to several factors, including robust economic expansion, a burgeoning youth population entering the workforce, effective policies encouraging employment, and the attraction of foreign labor due to the Kingdom's sustained economic growth.

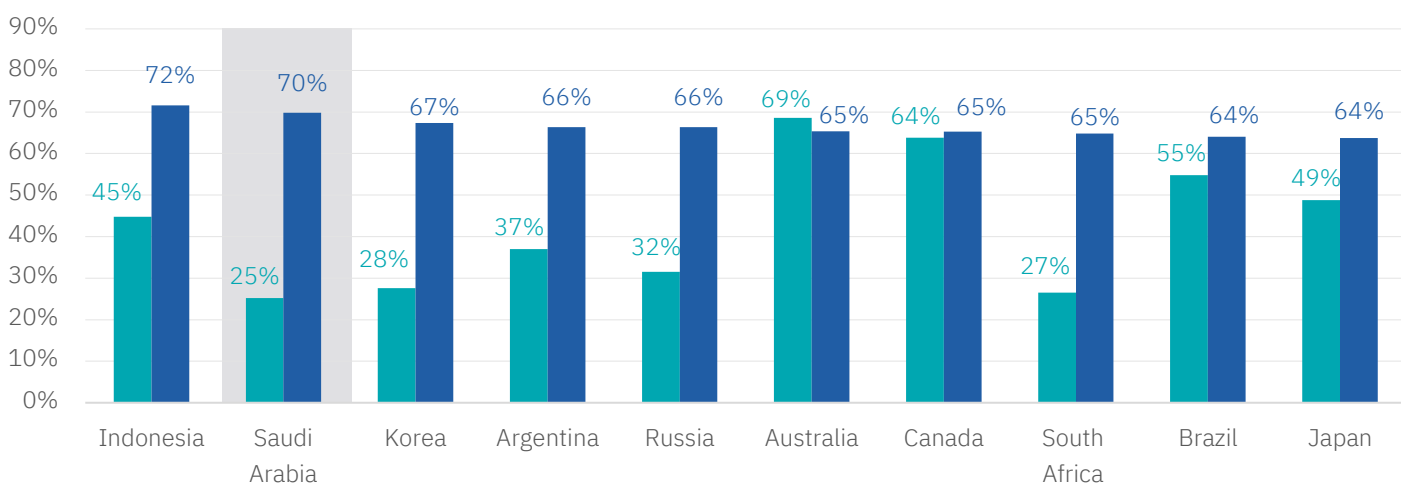
Figure (4): Labor force participation rate by gender for select G20 countries, % for the year 2021, sorted according to participation rates for males



Source: International Labour Organization (ILO) data. ■ Females ■ Males

KSA ranks among the highest countries in terms of male labor force participation rates, as it ranked second-highest in male labor force participation among G20 countries. KSA recorded a lower female labor force participation rate in 2021 compared to other G20 countries, as shown in Figure (4), which impacted the overall performance of the Kingdom in the labor force participation rate for 2021. KSA is also making efforts to issue legislations and enact regulations that support female participation in the labor market.

Figure (5): Labor force participation rate by age group, % for the year 2021



Source: International Labour Organization (ILO) data. ■ 15 – 24 ■ +25

KSA is among the top G20 countries in terms of labor force participation rate for the age group of 25 years and above. It ranks second after Indonesia, followed by South Korea, Argentina, Russia.

KSA recorded a lower labor force participation rate for the youth in the age group of (15-24) years in 2021 as compared to other G20 countries. Whereas Australia and Canada achieved the highest youth labor force participation rates among G20 countries. The lower labor force participation rate for this age group in KSA can be attributed to 2 key factors:

- Self-development factors, such as engagement in training programs or the pursuit of further education.
- Social factors, including dependence on family for livelihood and financial support.

Several factors have contributed to the high labor force participation rates in G20 countries, and can be summarized as follows:

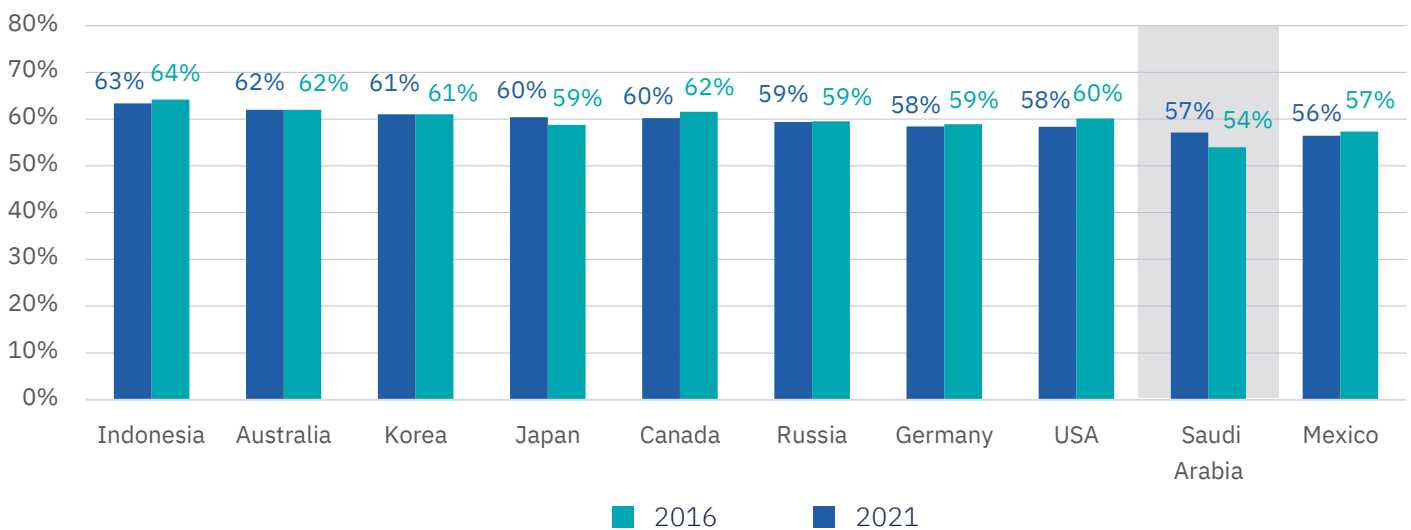
- 1 Factors related to the labour market such as job opportunity creation through the implementation of several initiatives including: supporting startups, providing employment incentives, and other measures to attract both locals and expats to the labour market.
- 2 Social factors such as the improvement of policies that contribute to increasing female labor force participation, including employment and training programs, as well as the provision of childcare and family care facilities.

3. Employment Rate (Employment-to-Population Ratio)

It is the proportion of the working-age population that is employed in the country. A low employment rate indicates that a significant portion of the working-age population is not directly participating in labor market activities, either due to unemployment or due to not being part of the labor force.

The high employment-to-population ratio reflects the economy's ability to create jobs and employment opportunities.

Figure (6): Total employment-to-population ratio for the working-age population, % for the years (2016-2021)



Source: International Labour Organization (ILO) data.

Figure (6-A): Employment rate for working-age male population, % for the years (2016-2021), countries ranked by the % change in employment rate

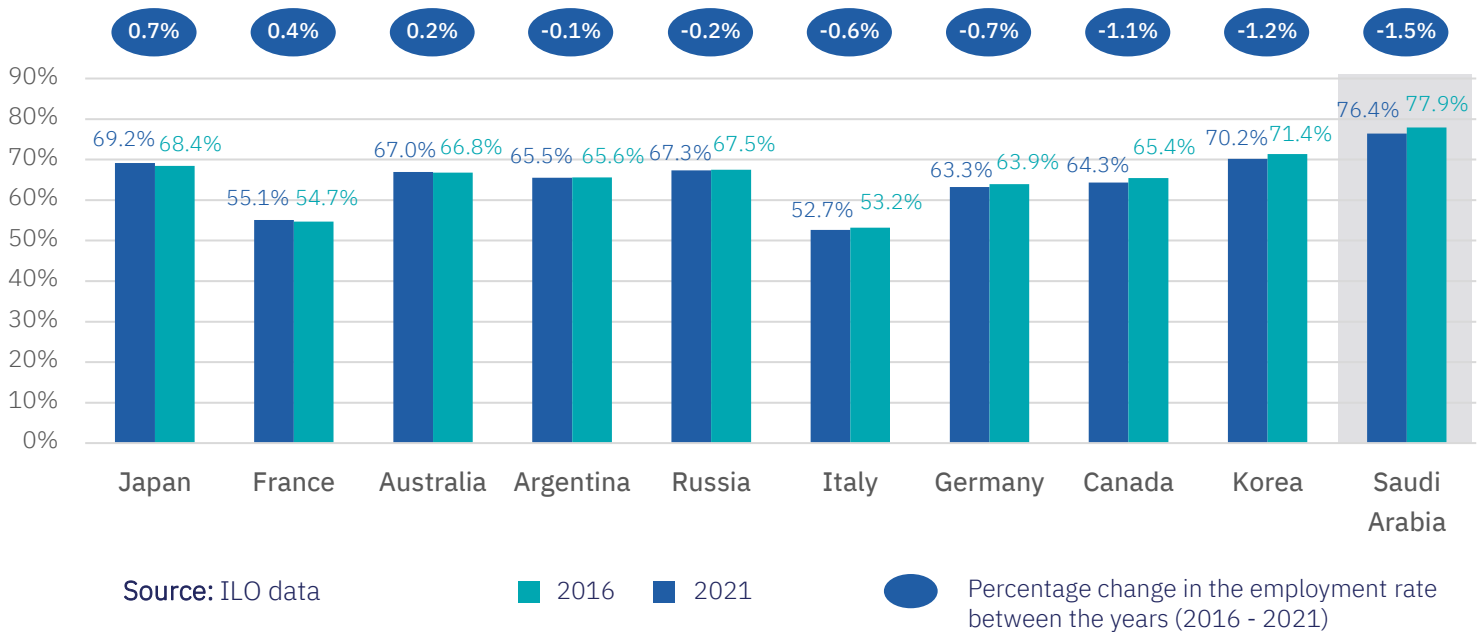
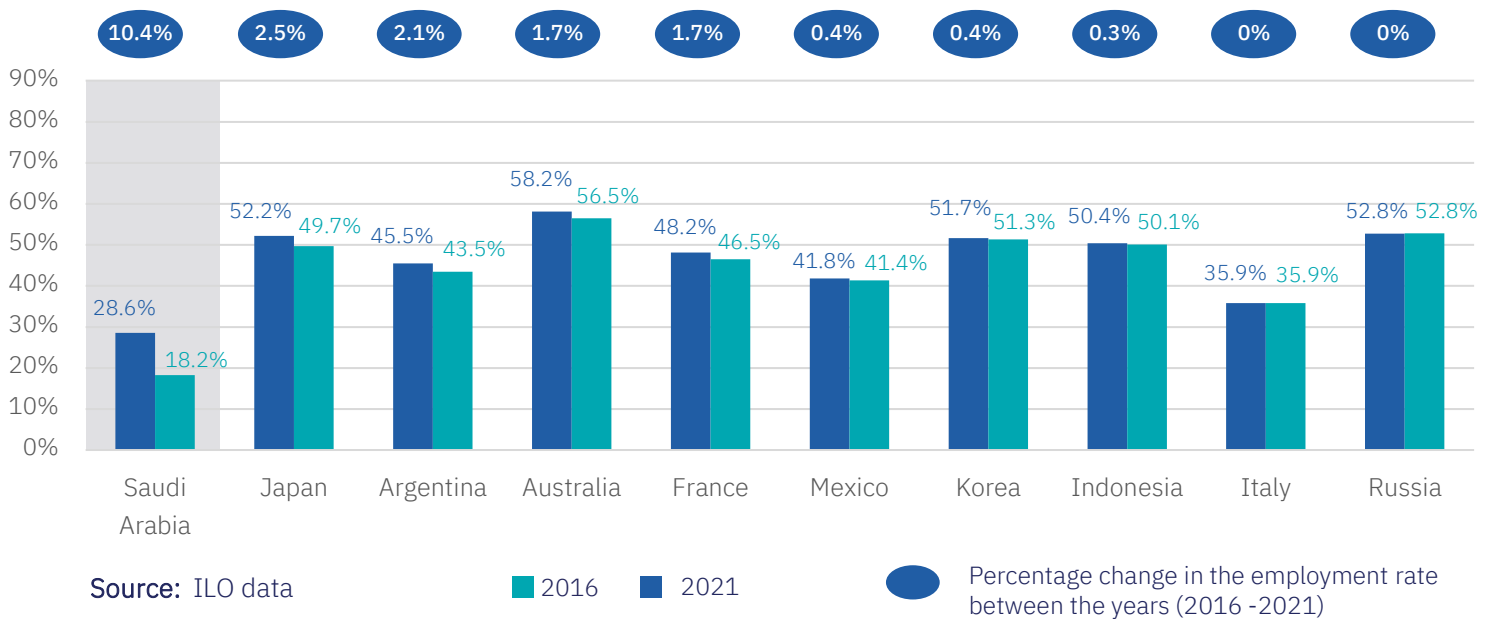


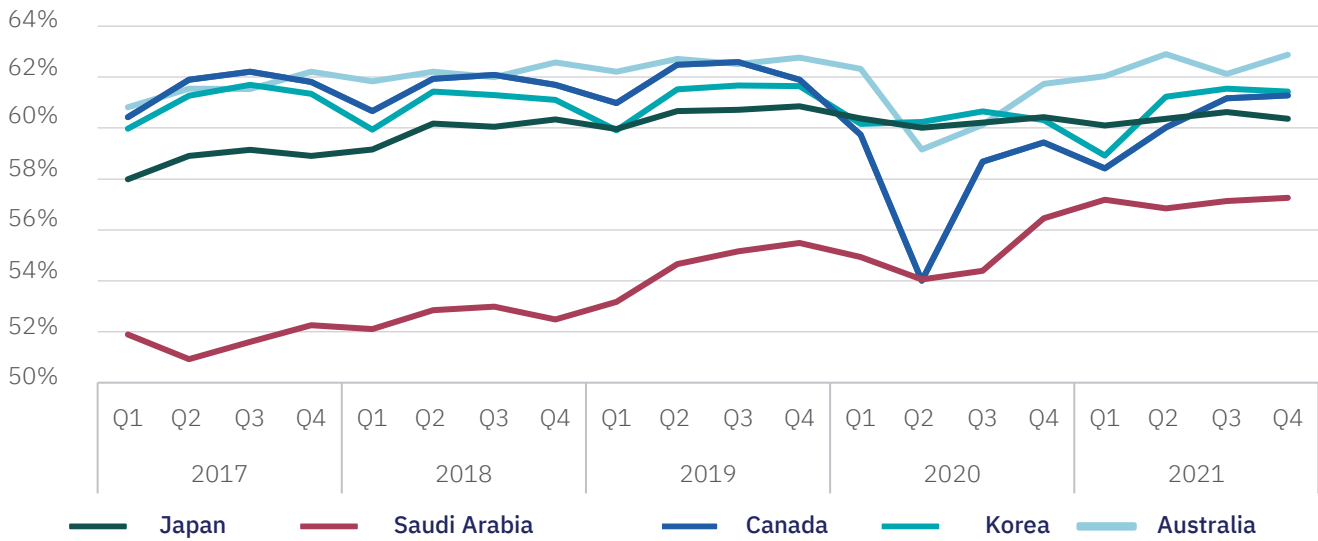
Figure (6-B): Employment rate for working-age female population, % for the years (2016 - 2021), countries ranked by the % change in employment rate



KSA ranked ninth among the top ten G20 countries in terms of employment rate, which reached ~57% in 2021. On the other hand, the Kingdom recorded a high employment rate for males compared to the other G20 countries, reaching around (76%).

The Kingdom also ranked first in the growth of employment rate for females which increased by 10% between 2016 and 2021, as illustrated in Figure (6-B). This reflects the employment growth as the Kingdom continues to support high employment levels for males while increasing the female employment substantially.

Figure (7): Total employment rate for the working-age population between the years 2017 and 2021 (Quarterly %)



Source: International Labour Organization (ILO) data.

KSA recorded an increase in the employment rate between 2017 and 2021, reaching a level comparable to that of other G20 countries. It is noted that the COVID-19 pandemic has impacted the Saudi labor market similar to other G20 countries. However, due to the government’s commendable efforts and preventive measures implemented since the onset of the COVID-19 pandemic, the Kingdom has been able to limit fluctuations in employment rates, unlike other countries such as Australia and Canada.

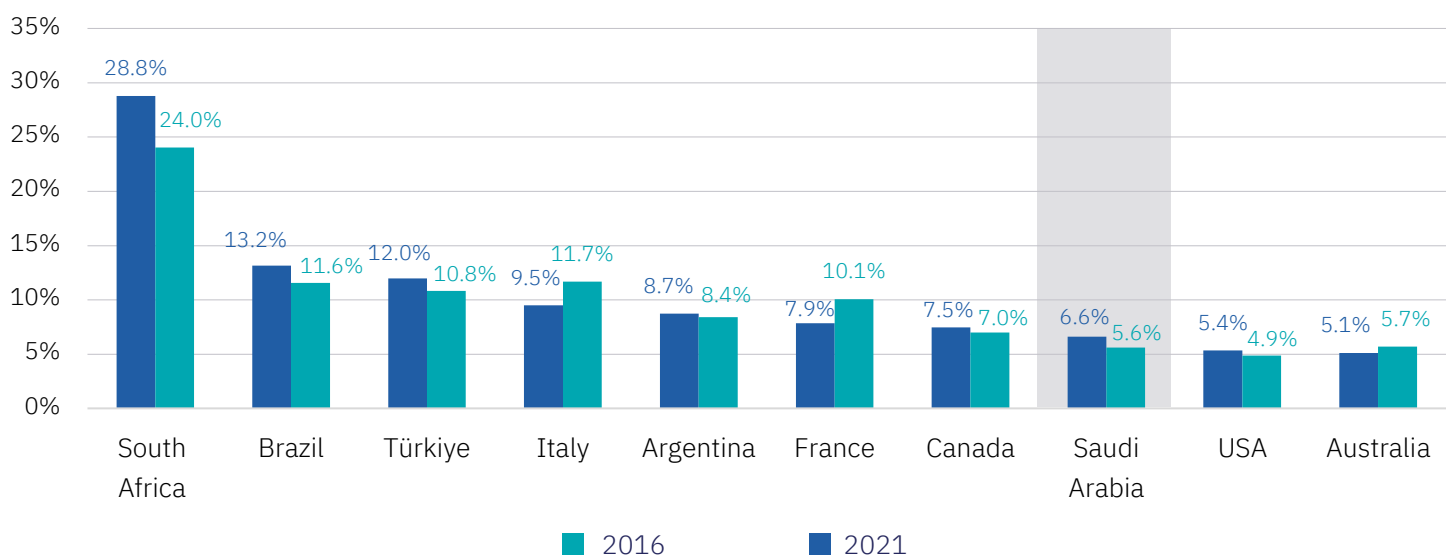
While significant efforts have been directed towards increasing employment rates in Saudi Arabia, there exist opportunities to elevate the Kingdom's position even further. This can be achieved through various factors such as:

- 1 **Leveraging sectoral human capital development strategies that support job growth and localization** in alignment with sectoral requirements and KSA’s economic development aspirations, as well as aligning education outcomes and skills supply with future demand requirements for each sector.
- 2 **Increasing female participation in the labour force** through the implementation of sectoral women enablement programs and leadership training programs and supporting female participation in non-traditional work forms (remote work, flexible work, etc.).
- 3 **Preparing the workforce for the future** by investing in developing key skills required in the context of accelerated technological change and its impact on jobs and sectors, as well as developing policies to help workers navigate challenges resulting from technological change (such as social protection and income support schemes)

4. Unemployment Rate

The unemployment rate indicates the percentage of unemployed individuals out of the total labor force (the sum of employed and unemployed individuals). High unemployment rates may indicate a possible mismatch between the levels of labor supply and demand. A thorough analysis of the unemployment rate across various dimensions is essential to pinpoint groups experiencing the lowest employment rates.

Figure (8): Unemployment rate for select G20 countries, % for the years (2016-2021)



Source: International Labour Organization (ILO) data.

Remark: The data for the year 2017 was used instead of 2016 for Argentina due to its unavailability.

The unemployment rate in KSA is relatively low compared to the top ten G20 countries, reaching 6.6% in 2021. This places Saudi Arabia ahead of other countries such as Italy, Argentina, and France.

Figure (8-A): Unemployment rate by gender for select G20 countries, % for 2016, ranked by the gender gap

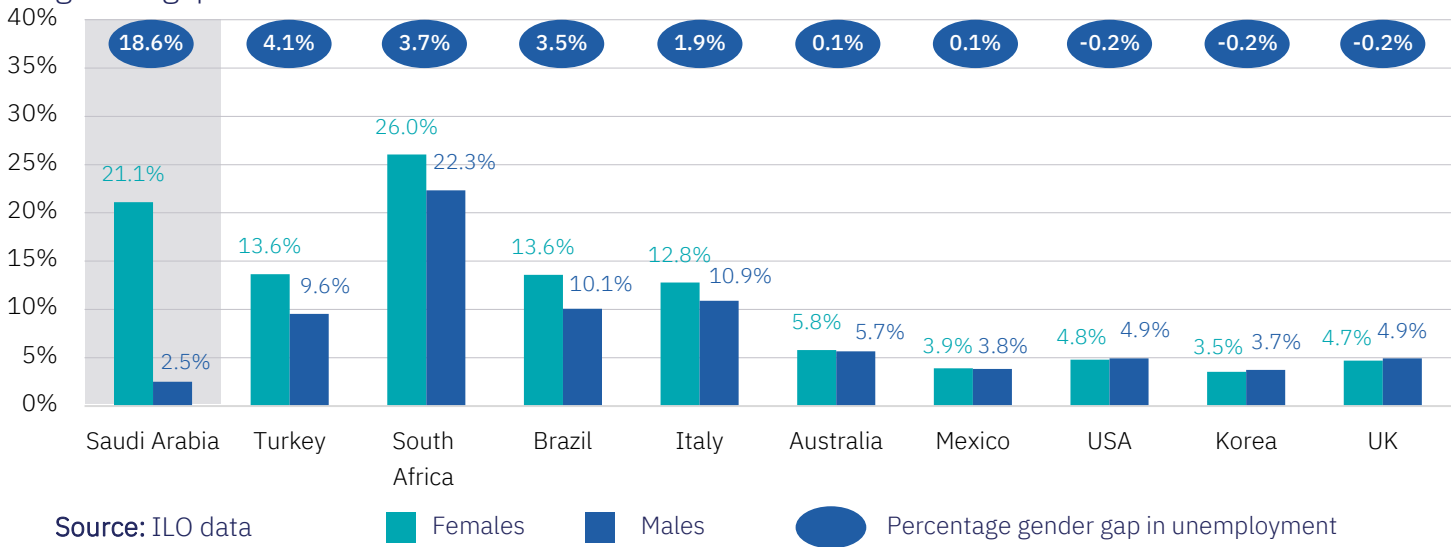
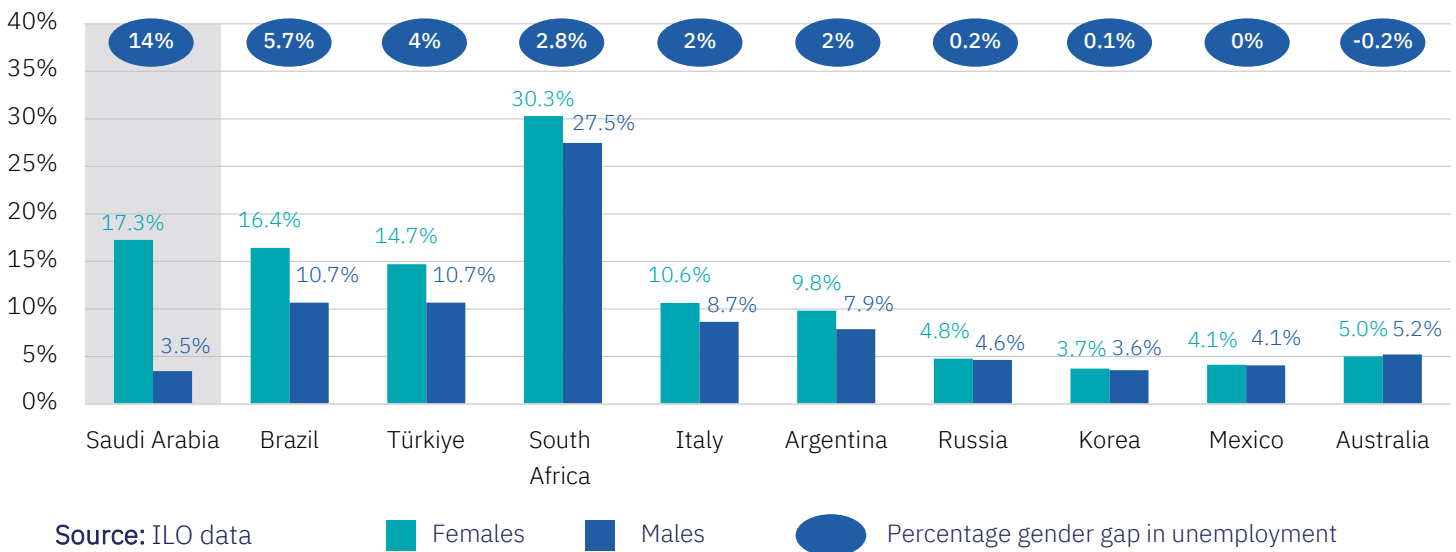
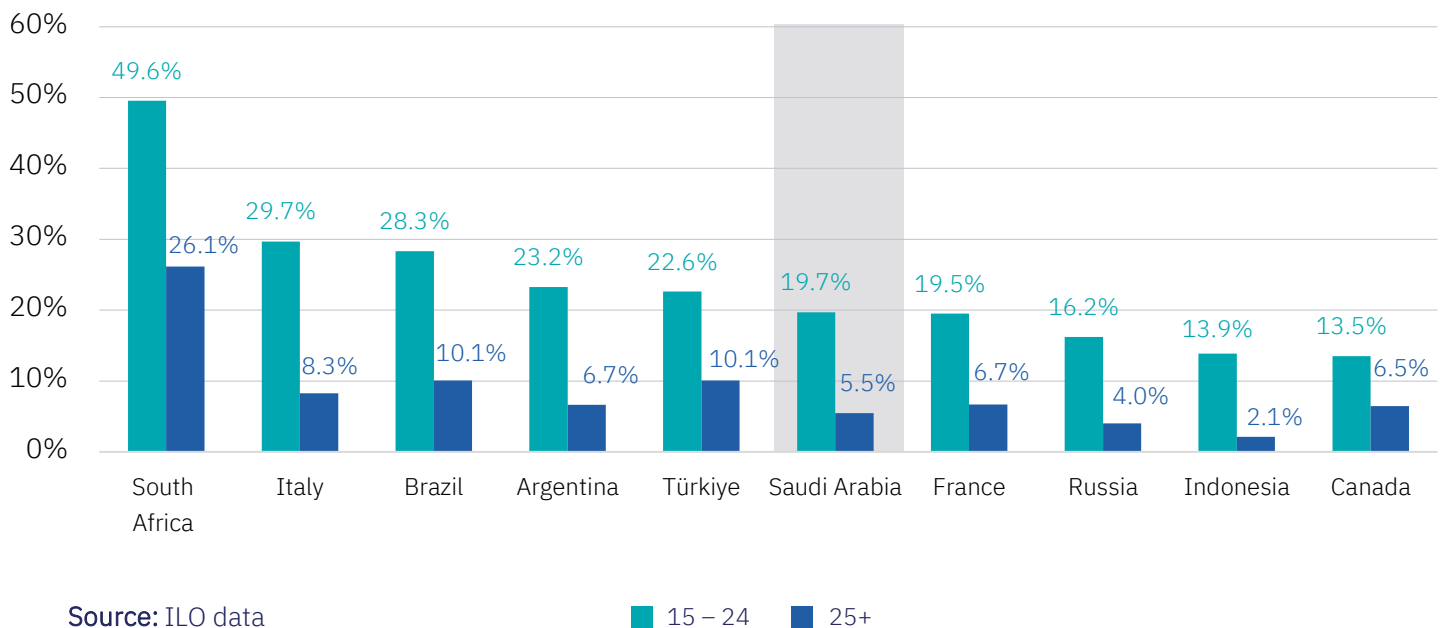


Figure (8-B): Unemployment rate by gender for select G20 countries, % for 2021, ranked by the gender gap



KSA witnessed the largest gap between female and male unemployment rates compared to other G20 countries, mainly due to high female unemployment rate (17.3%), as shown in Figure (8-B). It is noted that female participation rate in the Saudi labor market and across various sectors has only started expanding in recent years compared to other G20 countries. Despite this fact, the gap between female and male unemployment rates has improved significantly between 2016 and 2021, with a decrease from (18.6%) to (14%). This indicates the need to intensify efforts to significantly reduce female unemployment in the coming years, possibly through expanding women enablement programs (e.g., sectoral enablement programs, leadership training programs, etc.) and promoting female participation in non-traditional work forms (remote/ flexible work, etc.) The enduring gender gap can be linked to a range of challenges encountered by the workforce, particularly women, in securing appropriate employment opportunities. These challenges include finding a suitable work environment, transportation options, and addressing family care needs.

Figure (9): Unemployment rate by age group, % for 2021



KSA has a relatively low unemployment rate for the age group above (25) years, reaching about (5.5%). This places KSA ahead of other countries such as: Canada, Italy, and South Africa. Moreover, KSA ranks sixth in the unemployment rate for the age group of (15-24) years while South Africa has the highest unemployment rate for the same age group, followed by Italy.

KSA can reduce the unemployment rates for females and for youth in the age group of (15-24) years, through the following:

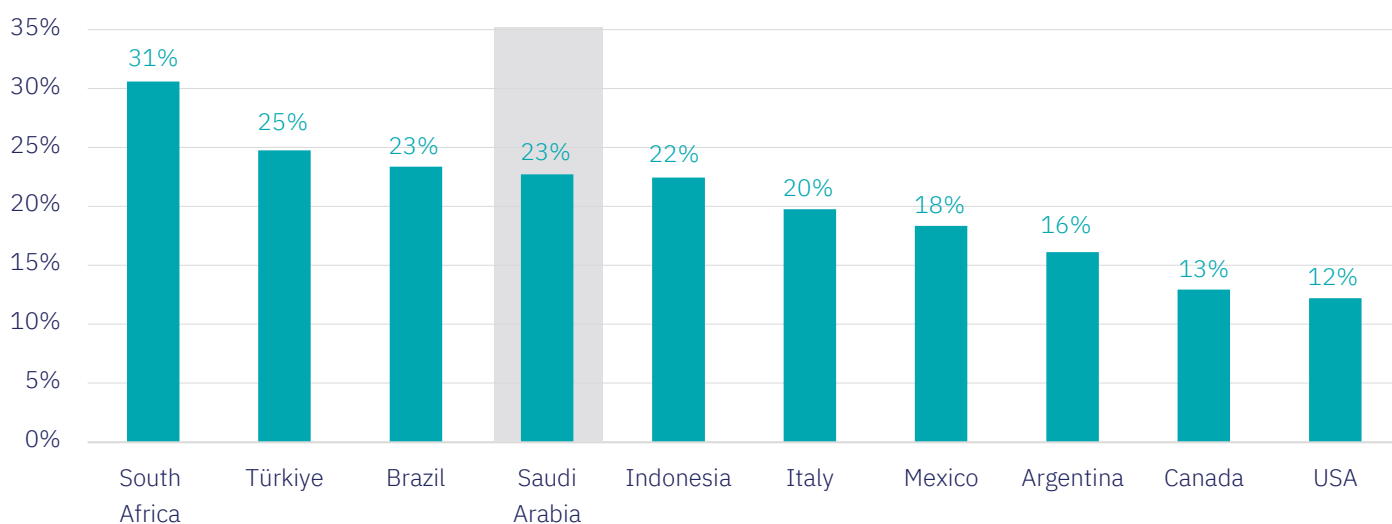
- 1 Increasing female labor force participation by incentivizing private sector entities to provide employment opportunities and increasing the participation rates of females in certain sectors;
- 2 Improving the vocational education system in the Kingdom to attract top prospective graduates, as this type of education provides qualifications based on practical training and offers greater employment opportunities, thereby reducing the unemployment rate in this age group; and
- 3 Encouraging freelance and part-time work models and implementing relevant policies and procedures.

5. The Not in Education, Employment, or Training (NEET) Rate:

This rate is considered an important indicator of the development and successful integration of youth in the labor market. The indicator presents the percentage of youth who are not in education, employment, or training (NEET) as a proportion of the total number of youth in the corresponding group.

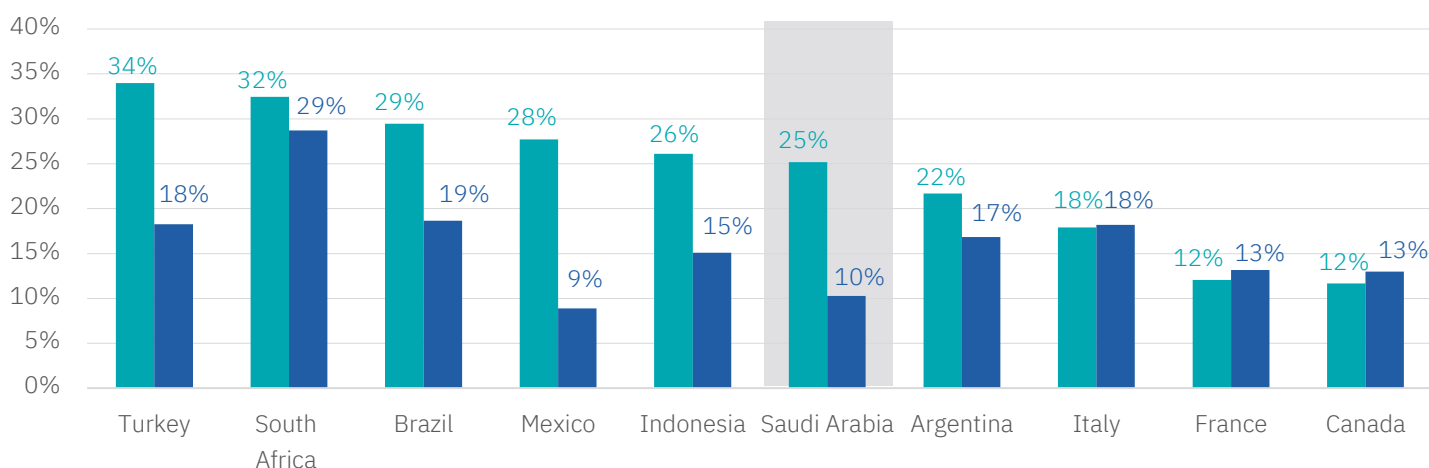
The NEET rate allows to understand the extent of youth integration into the labor market. The age group of 15-24 years is leveraged for this indicator.

Figure (10): Percentage of youth who are not in education, employment, or training (NEET), % for 2021



Source: International Labour Organization (ILO) data.

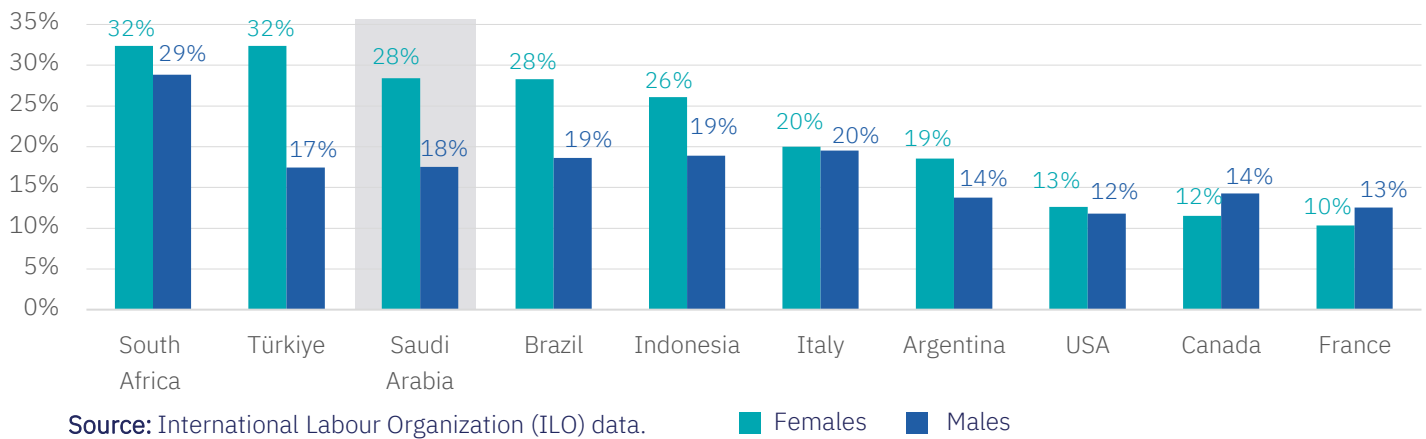
Figure (10-A): Percentage of youth who are not in education, employment, or training (NEET) by gender, % for 2016



Source: International Labour Organization (ILO) data.

■ Females ■ Males

Figure (10-B): Percentage of youth who are not in education, employment, or training (NEET) by gender, % for 2021



The NEET rate in KSA is notably one of the highest among G20 countries, though there are countries like Italy, Indonesia, and South Africa that fare an even higher NEET rate.

The notable rise in the NEET rate can primarily be ascribed to a substantial increase in the percentage for females, reaching 28% in 2021, in contrast to males, whose rate reached 18%. Moreover, there is a burgeoning trend of youth inactivity or elevated youth unemployment rates, as depicted in Figures (10-A) and (10-B).

Leading countries rely on certain practices to reduce the NEET rate, including:

- Adopting effective educational systems that ensure a reduction in dropout rates;
- Providing multiple pathways for acquiring qualifications ensuring that young people gain the necessary skills to enter the labor market;
- Achieving effective alignment between education outcomes and the skills demanded in the labor market to facilitate smooth transition from education to employment;
- Involving the private sector in the curriculum design process;
- Incentivizing individuals to enroll in the education system pathways
- Adopting education systems that emphasize acquiring practical experience. Examples of such systems include vocational education and training courses offered by employment institutions to qualify with the skills needed to integrate into the labor market.

Several factors need to be considered to reduce the NEET rate in KSA, including:

- 1 Improving the vocational education system in KSA to attract more students to pursue vocational education as there is a growing demand for individuals with technical education in the Saudi labor market.
- 2 Enhancing vocational training, apprenticeships, and training courses offered within academic programs to upskill students, as to better meet the increasing demand in the labor market.
- 3 Achieving alignment between education programs, curricula, and outcomes with labor market needs through active engagement with the private sector in the development of educational specializations demanded by the labor market.
- 4 Providing incentives to private sector companies to hire new graduates, encouraging employers to provide scholarships for students during their studies, in addition to encouraging students to work part-time during their studies.

Summary of Findings

After the report presented a comparison of key labor market indicators between the Kingdom of Saudi Arabia and the selected G20 countries, it was evident that there has been a relative improvement in the Saudi labor market. The key findings can be summarized as follows:

- 1** The Kingdom of Saudi Arabia has achieved the first rank in the labor force growth rate, for both males and females, among all G20 countries.
- 2** KSA ranked ninth among the G20 countries in the labor force participation rate in 2021. It also recorded the highest increase in labor force participation rate between 2016 and 2021. This increase can be attributed to the initiatives, plans, and policies implemented in KSA, particularly by the Ministry of Human Resources and Social Development and relevant entities. Additionally, Vision 2030 along with the large-scale development projects established in KSA have been instrumental in achieving this notable growth.
- 3** KSA recorded an increase in its overall employment rate between 2016 and 2021, reflecting the employment efforts made over the past years, which have resulted in an increase in the employment rate for females by 10% between 2016 and 2021.
- 4** KSA ranked eighth among the top ten G20 countries in terms of unemployment rates in 2021. Moreover, KSA also recorded the largest gender gap in unemployment rate, despite the notable improvement in this gap between 2016 and 2021.
- 5** The rate of individuals that are Not in Education, Employment, or Training (NEET) in KSA is one of the highest in comparison to the other G20 countries. This is due to the high unemployment rates for young people in the (15-24) years age group as well as social factors such as family obligations, burden of care, and raising children, which lead to difficulties or delays in joining the education, training, and employment pathways.

Rankings and Key Performance Indicators for G20 countries

An overview of the rankings and key performance indicators for all G20 countries in 2021:

Key Performance Indicators	Subgroup	Best-performing Country	Kingdom's Ranking
Labor Force Growth	Total	Kingdom of Saudi Arabia	1
Labor Force Participation Rate	Total	Indonesia	9
Labor Force Participation Rate	Males	Indonesia	2
Labor Force Participation Rate	Females	Australia	15
Labor Force Participation Rate	More than (25) years	Indonesia	2
Employment Rate	Total	Indonesia	9
Unemployment Rate	Total	Japan	10
Unemployment Rate	Males	Japan	2
Unemployment Rate	Females	Japan	15
Unemployment Rate	Youth (15-24)	Japan	12
Unemployment Rate	More than (25) years	Indonesia	10
NEET Rate	Total	Germany	9
NEET Rate	Males	Germany	8
NEET Rate	Females	Germany	10

References

- KSA General Authority for Statistics: <https://www.stats.gov.sa/en/814>
- International Labour Organization| ILOSTAT
<https://ilostat.ilo.org/data/country-profiles/>

Report Glossary

Term	Definition
Private Sector	Individuals, institutions, and private companies including government institutions with independent budgets.
Public Sector	Includes all government entities such as ministries, authorities, government institutions, municipalities, public schools, universities, institutes, government hospitals, military sectors, and government banks such as the Social Development Bank and the Agricultural Bank, as well as development funds.
Profession	Refers to the type of work undertaken by an individual, whether paid or unpaid, regardless of their primary, secondary, or educational field.
Localization Rate	Percentage of local employees in the private sector.
Local employees	Refers to Saudi individuals who have worked for at least one hour in exchange for a salary or profit, whether in cash or in kind, as regular or temporary employees, self-employed individuals, or employers.
Expat employees	Refers to individuals who are not citizens of a particular country but have worked for at least one hour in exchange for a salary or profit, whether in cash or in kind, as regular or temporary employees, self-employed individuals, or employers.
Not in employment, education and training (NEET)	The proportion of young people aged (15 to 24 years) who are not in education, employment, or training out of the population within the corresponding age group
Labor force participation rate	Percentage of the labor force aged (15 to 65 years) from the total population within the corresponding age group
Employment rate	Percentage of employed individuals aged (15 to 65 years) from the total population within the corresponding age group

About the Report

“The Labor Market Comparative Report” is an annual report issued by the (NLO) that showcases the international standing of KSA across key labor market performance indicators, in comparison with G20 countries, as the most influential and active nations in the global economy. The report measures and analyzes temporal developments over previous years, as well as growth opportunities by comparing performance of key labor market indicators between KSA and G20 countries. It aims to present its findings to decision-makers to help identify key areas that should be focused on to enhance the international standing of KSA.

