Who enters and exits the Saudi labor market?

A look into Saudi Arabia's Construction Sector

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Pilot Study: Data Driven Computational Models for Prediction and Simulation of Path Dependences in Complex Dynamic Labor Market Systems
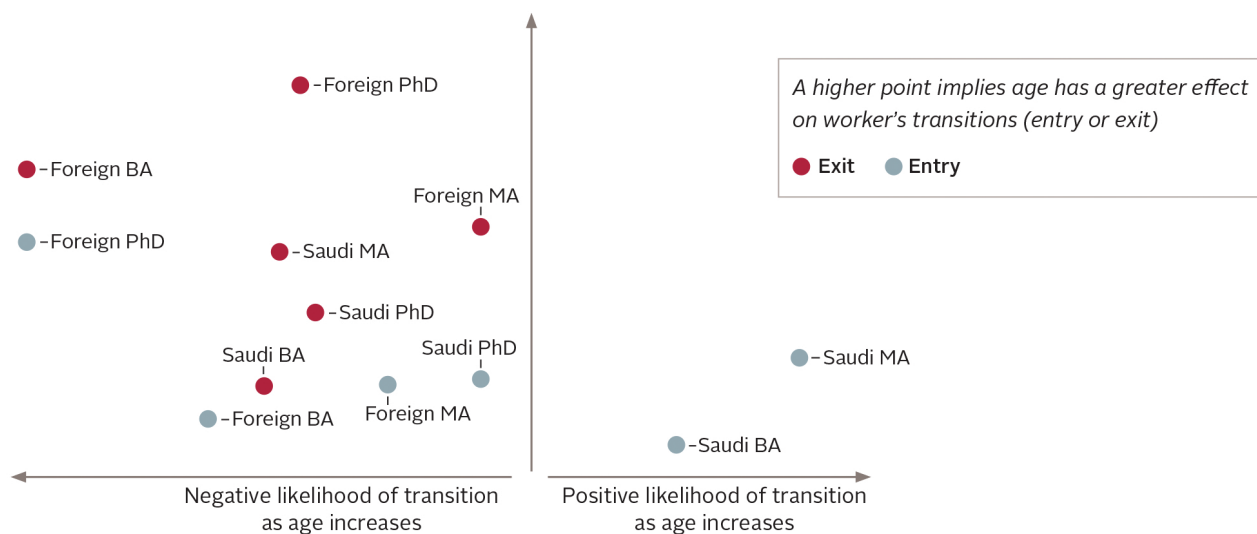
KEY INSIGHTS

- Researchers are developing a model to understand the demographic profile of workers entering and exiting the labor market in Saudi Arabia

- Younger Saudis are more likely to move into and out of the construction sector, so policymakers could optimize labor market policies by targeting Saudis early on in their career, when they undertake more employment decisions

MOBILITY PATTERNS OF SAUDI WORKERS IN THE CONSTRUCTION SECTOR

The employment nationalization scheme or 'Saudization' aims to draw Saudi nationals into the workforce. A study led by Dr. Faiyaz Doctor of Essex University seeks to understand the effect of specific factors (such as age, tenure, salary, and region) that motivate job sector entry, exit, and transfer among Saudis and foreign nationals.

Researchers began by examining entry and exit patterns of employees in the construction sector, one of the largest economic sectors in Saudi Arabia.[1] Policymakers can use this information to design incentives that promote retention of Saudi nationals most likely to leave jobs.

Figure 1 | Predicted Lifetime Pension on Probability of Early Retirement

A higher point implies age has a greater effect on worker's transitions (entry or exit)

● Exit ● Entry

Foreign PhD
Foreign BA
Foreign PhD
Foreign MA
Saudi MA
Saudi PhD
Saudi BA
Saudi PhD
Foreign BA
Foreign MA
Saudi MA
Saudi BA

Negative likelihood of transition as age increases

Positive likelihood of transition as age increases

HARVARD Kennedy School
Evidence for Policy Design

As workers get older, they are less likely to transition into or out of the construction sector. Age is the most important determinant of transition from the construction sector. As shown in the figure below, as age increases, the likelihood of entering or exiting the labor market decreases across most combinations of educational backgrounds and nationalities, except very highly educated Saudi citizens. Among workers who do exit as they get older, foreign nationals are over four times more likely to leave the construction sector than Saudi nationals.

Higher income workers are less likely to transition out of the construction sector, especially Saudi nationals. Salary and remuneration is an important determinant of worker transitions. With an increase in salary, Saudi PhD or bachelor's degree holders are about 6 percent and 45 percent, respectively, less likely to exit the construction sector than foreign nationals with the same degree.

More educated workers are less likely to transition from the construction sector. Workers with lower education levels experience greater mobility between sectors, possibly as they try different jobs. In contrast, workers with higher levels of university education (such as master's or PhD) have lower turnover, possibly due in part to their more specialized nature of work. Among bachelor's degree holders, Saudis are 45 percent less likely to exit the labor market than foreigners.

How can policymakers effectively use this information?

Understanding what motivates labor market entry and exit decisions can guide policy makers in designing labor market programs.

For instance, the research indicates that labor mobility is greatest among younger workers. Thus, labor market policies that target new graduates as they make employment decisions may be more effective than more broadly targeted activation policies.

Using these initial findings, the final paper will present a model that predicts exit and entry of workers in different labor market sectors. This information can guide policymakers in designing labor activation and retention policies in priority Saudization sectors. Such policies can guide the design of labor market policies that target population segments and labor sectors according to the specific factors that are associated with their labor market decisions.

RESEARCH TEAM

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