

Triangulating the Saudi Labor Market: Surveying firms, nationals and expats

Prof. Robert Holzmann

Austrian Academy of Sciences, World Bank

LSE Workshop on “The Political Economy of
Labor Markets and Migration to the Gulf”

Kuwait, 7 March 2016

Motivation for 3LMS ...

- KSA (as other GCC countries') labor market is special in many ways; existing international knowledge can only be imperfectly applied
 - Current LM interventions are guided only by good intuition and ex-post outcome assessment
 - Access to administrative and survey-based data is important for the understanding of some LM mechanisms but is often restricted and data has its limitations
 - Lack of access to information that is not contained in or can potentially derived from existing data sets (admin data & surveys)
- ⇒ Objective to have an instrument that
- Increases our understanding and offers new insights of LMs
 - Offers factual information and allows for hypotheses testing
 - Triangulates LM from supply and demand side: F, N, and E
 - Incentivizes repetition and thus allows for LM policy evaluation

Three Labor Market Surveys – Work Program

- **Preparation Phase:** May 2012 - Oct 2013
 - Stocktaking of existing surveys – KSA, GCC, MNA, worldwide
 - Workshops on Surveys' Objectives, Design and Methodology; Defining domains for each survey
 - Preparation of RFP and selection of survey implementation firm in KSA (Nielson)
- **Qualitative Phase:** Nov 2013 – June 2015
 - Focus groups and over 150 in-depth interviews (Nov 2013- March 2014)
 - Gridding of transcripts/cognitive analysis (April 2014 – Jan 2015)
 - **Report 1 - Qualitative Phase** (Final Report June 2015)
 - From qual to quant: Rethinking domains and approaches (March 2015 –May 2015)
- **Quantitative Phase:** May 2014 – March 2016
 - Designing the three questionnaires (May 2014-Nov 2014)
 - Testing the three questionnaires & Revisions (Dec 2014-March 2015)
 - Implementation of the three final questionnaires (May 2015-Nov 2015)
 - Quantitative analysis: Descriptive analyses, hypothesis testing, and triangulation (RAND: Nov 2015-March 2016)
 - **Report 2 – Quantitative phase** (April 2016)
- **Report 3: Policy Recommendations**, Dissemination of all results, and Technical training of staff in MoL, HRDF, NLO, etc on data use

... and Road Map

- I. Selective Findings from Qualitative Survey
- II. From Qualitative to Quantitative Phase
- III. Information about 3 surveys
- IV. Some Early Quantitative Results
- V. Proposal for a Labor Market Distance Index
- VI. Concluding Remarks and Next Steps

I. Selective Findings from Qualitative Phase

**Mismatches between
Firms and Nationals' Labor Supply**

Message 1: There is a clear skills and experience gap among Saudi nationals compared with the requirements of jobs in private sector firms

- ✧ Unemployed people often cited **lack of skills and experience** as a barrier to finding work.
 - In many cases this was because they had set their sights on jobs that were beyond their qualifications or experience.
 - In fact, often reservation' jobs were often more important than reservation wages: Saudi men aspired to work primarily in managerial jobs. Sales jobs, security and manual work were considered unsuitable for Saudi men.
- ✧ Human resource managers in firms of all sizes and across sectors both expected and experienced **difficulties hiring Saudi staff with the appropriate skills and experience**. They often stereotyped Saudi as **having low productivity**.
- ✧ It was particularly challenging for the firms that were not prestigious ones and where there was a high proportion of **technical or manual** staff.

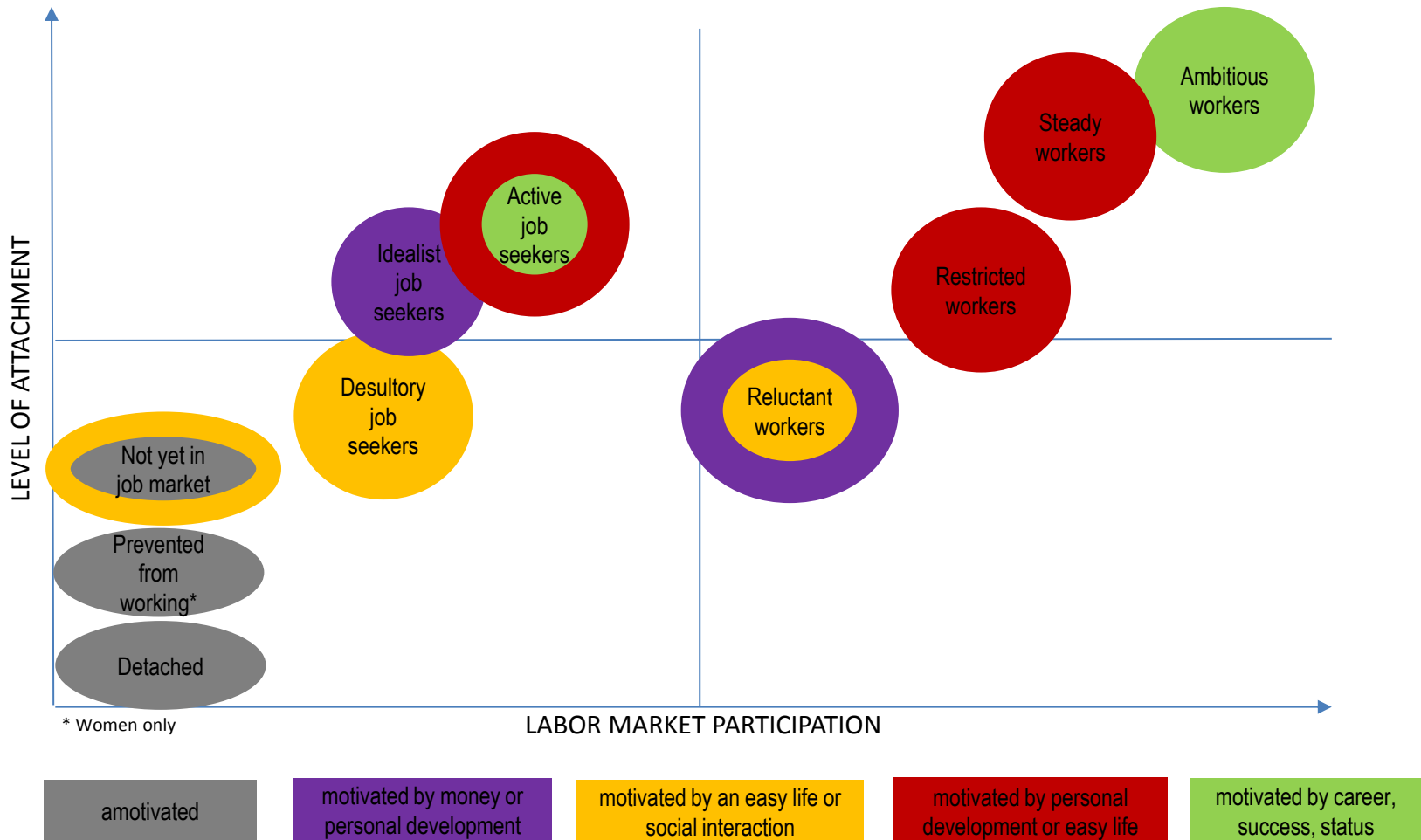
Message 2: Firms and Job Seekers differ in their views on training

- ✧ In general, firms expected **employees to be 'job ready'** when they were hired;
- ✧ It was not uncommon for unemployed people to think that firms should be forced to hire them in a job they aspired to and then **provide them with training and time** to develop the experience needed for it;
.
- ✧ Firms also faced difficulties with the **rapid turnover of Saudi employees** which does not incentivize them to invest in training of Saudis.

Message 3: The search methods by those engaged in a job search are ineffective

- ✧ There is a mismatch between the job strategies of the unemployed and both the ways that firms recruited new staff and the ways that others had found work:
 - Job seekers most commonly sent their standard CVs to firms speculatively or indiscriminately mailed their CV to firms advertising jobs.
 - In contrast, firms relied on personal recommendation to fill posts and many of the employees had found work in this way. Indeed, job seekers frequently said that they lacked someone to help them to get a job.

Message 4: Different Levels of Engagement in the Labor Market



II. From Qualitative to Quantitative Phase

- ✧ Comprehensive quality report offers many insights and observations that are organized around demand and supply side (and condensed in a good exec summary)
- ✧ We developed process with WB Qualitative and Quantitative teams to extract and **focus information on 4 areas:**
 1. What facts on the Saudi labor market are we interested in that cannot not be obtained from other sources such as other surveys or administrative data, or that need cross checking
 2. What labor market relevant hypotheses emerged from outside or inside the qualitative work and should be tested with the data generated by the surveys or at least statistical correlations established
 3. What areas of leads and conjecture deserve further attention and that the survey results may turn into fully blown hypotheses
 4. Which labor market issues from the three coordinated surveys can be triangulated to gain a much more narrowed-down understanding

III. 3LMS Implementation

- Sample Design
- Quality control and data processing

Sample design: Firms

Universe: all firms and private sector organisations in KSA, including foreign owned (not branches), registered for Nitaqat

Respondent: most senior person responsible for HR within the firm

Hard quota controls within Province: interlocking Nitaqat band and size

Monitoring quotas within Province: industrial sector

Finding respondents: plan was to draw a sample of Nitaqat units from Nitaqat database, but was free-find

Sample design: Saudi nationals

Universe: all Saudi nationals aged 18 – 64

Definitions:

Economically active = in work or unemployed and looking for work
Economically inactive = anyone else

Finding respondents: free find across location being worked

RESPONDENTS	MOSQUES	OFFICES	PARKS	MALLS & SOUKS	RESTAURANTS
Economically Active	✓	✓	✓	✓	✓
Economically Inactive	✓		✓	✓	✓

Hard quota controls within Province: economic status (working public, working private, unemployed and looking, inactive) within gender

Monitoring quotas within Province: age group

Sample design: Expatriate workers

Universe: all working expatriates aged 18 - 64

Finding respondents: free find across location worked and snowballing/referral allowed

Hard quota controls within Province: education level (four bands) and gender

Monitoring quotas within Province: nationality (Egyptian, Pakistani, Indian, Yemeni, Bangladeshi, Sudanese, Indonesian, Syrian, Filipino, other able to interview)

Quality control and data processing

- 1 **Fieldwork quality control** – telephone back checks, did the interview take place and was it conducted properly?
- 2 **Questionnaire checking** – was the questionnaire properly completed?

Sample:	Firms	Nationals	Expatriates
Target	1919	4002	3002
Interviews	2360	5355	3801
Final sample	2021	4944	3397

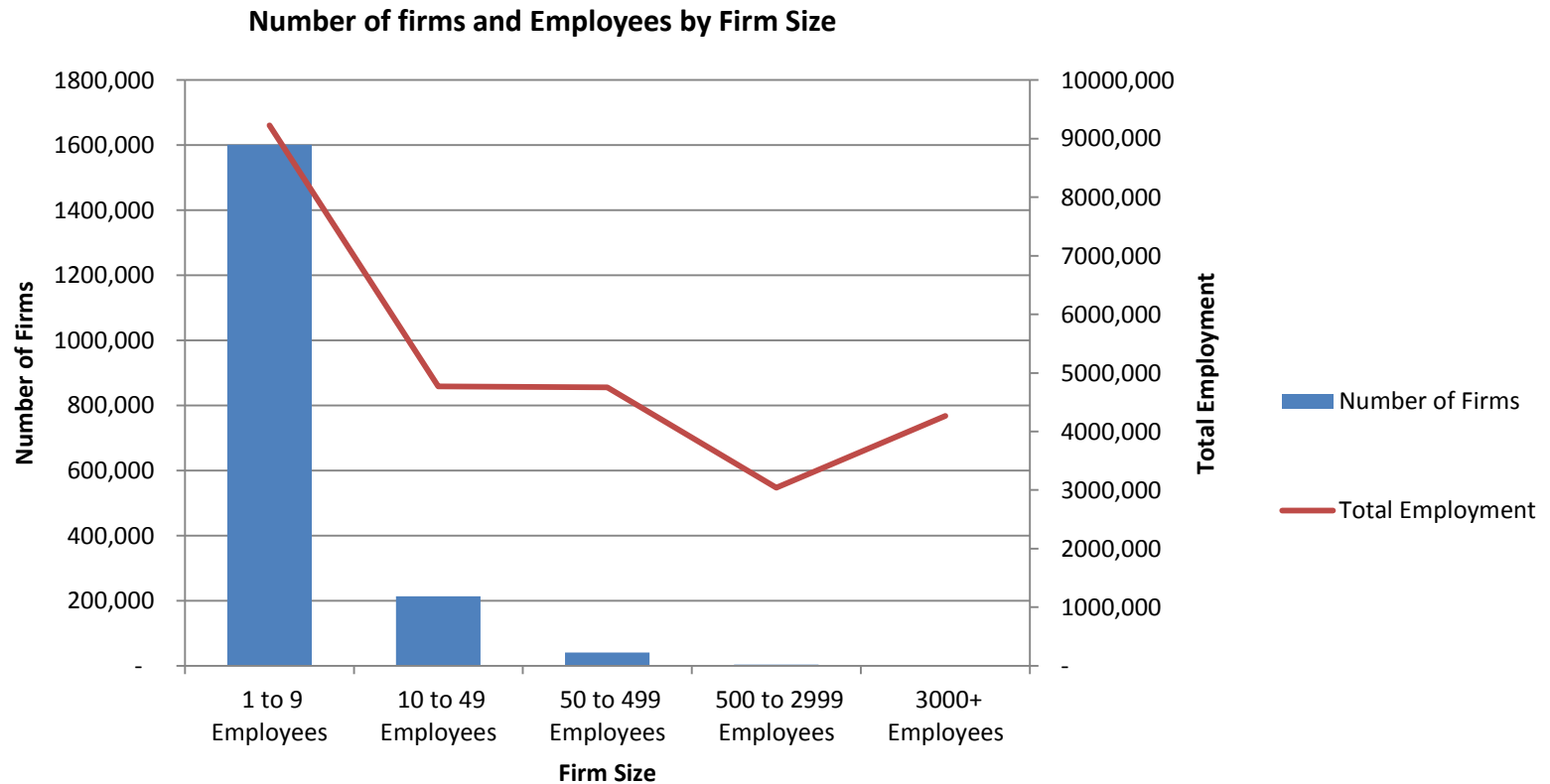
- 3 **Coding** – open questions, ‘others;’ occupations
- 4 **Data structure** – specified by analysts, consistent across three surveys
- 5 **Data integrity** – CAPI routing and logic

IV. Some Early Quantitative Results

Saudi Employment in the Private Sector:
Selective Insights from Firms and
Nationals Surveys (RAND)

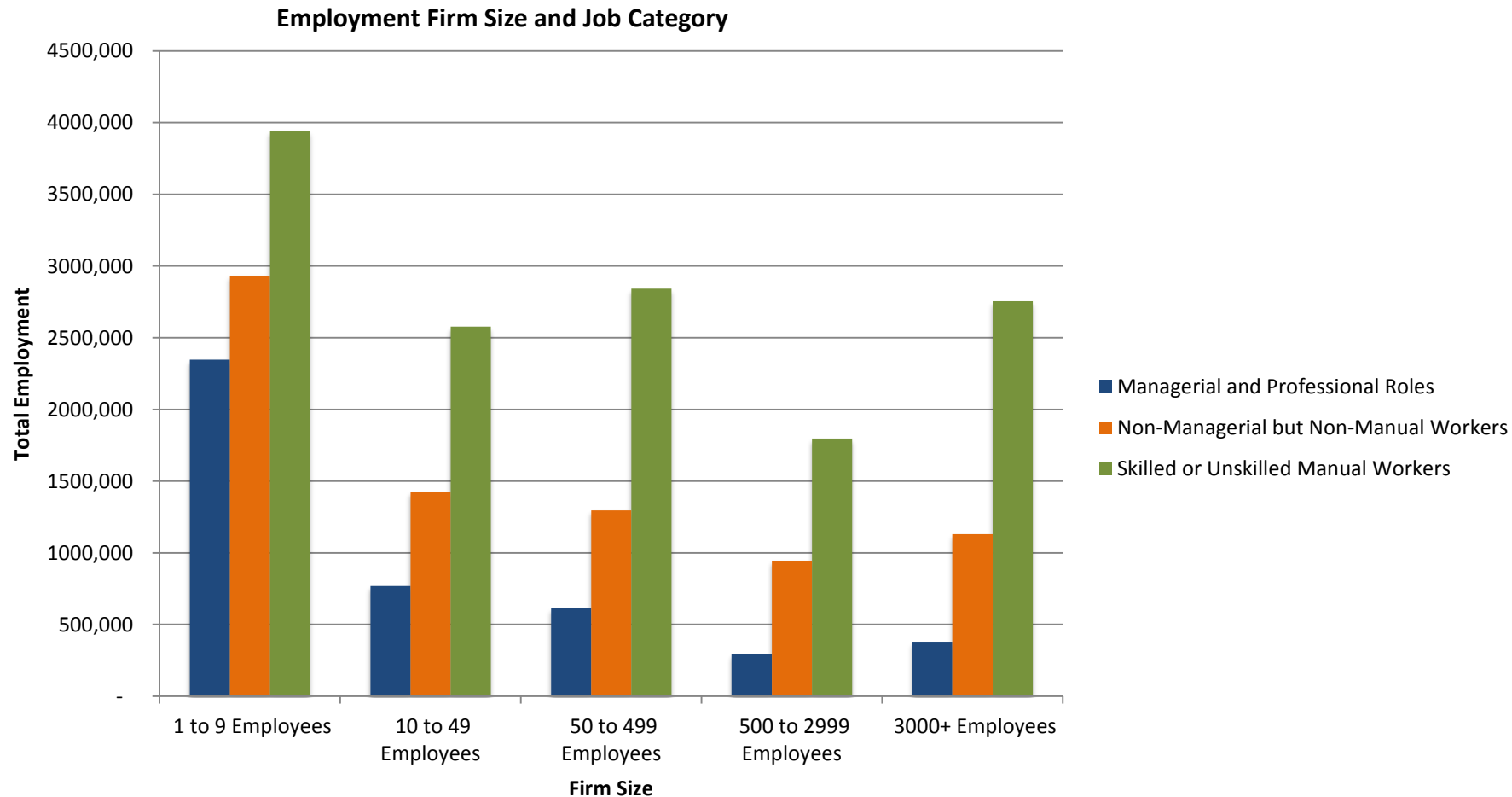
Most Firms in KSA are Very Small

- Only 14% of firms have 10 or more employees
- But these firms account for 65% of total private sector employment



Most Private Sector Jobs are Manual or non-Managerial

- 53% of all jobs are manual, and another 30% are non-managerial, non-manual
- Only 17% of jobs are managerial/professional
- The proportion of manual jobs increases with firm size



'Best-Worst Scaling' Exercise Confirms Firms Seek Reliable Manual Workers

- BWS is a rigorous method of measuring preferences or perceptions
- Firms were asked to decide what is most attractive and least attractive in a potential employee out of different combinations of characteristics

The 5 (of 24) *most important* employee attributes are:

- ☐ Good time-keeping: being present during contracted working hours
- ☐ Willing and able to work under pressure
- ☐ Caring about / being committed to work
- ☐ Willing and able to work overtime when needed
- ☐ Honesty & integrity

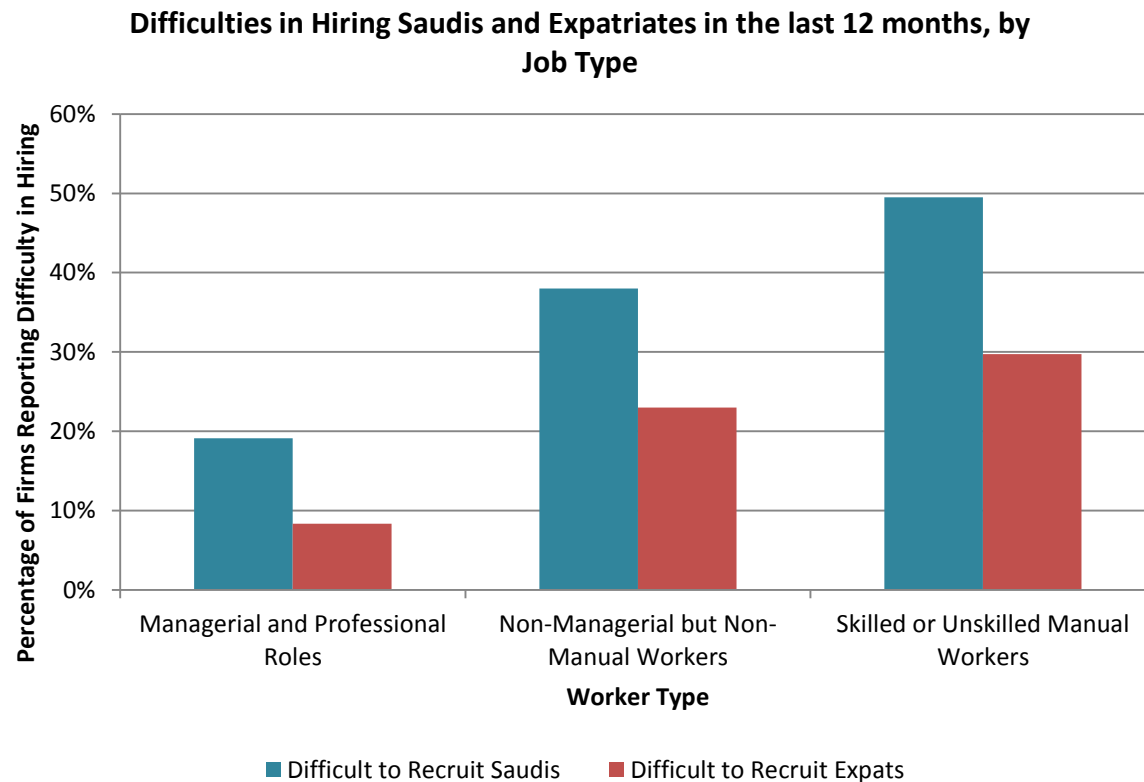
The 5 *least important* are (in descending importance):

- ☐ Good leadership skills
- ☐ Arabic language skills
- ☐ Physical strength
- ☐ Good writing skills
- ☐ English language skills

Firms thus *generally* appear to seek reliable workers, but not 'leaders' or those with writing or language skills – i.e., not managers/professionals

Firms Report Significant Difficulty in Recruiting Saudis for Manual or Non-Managerial Positions

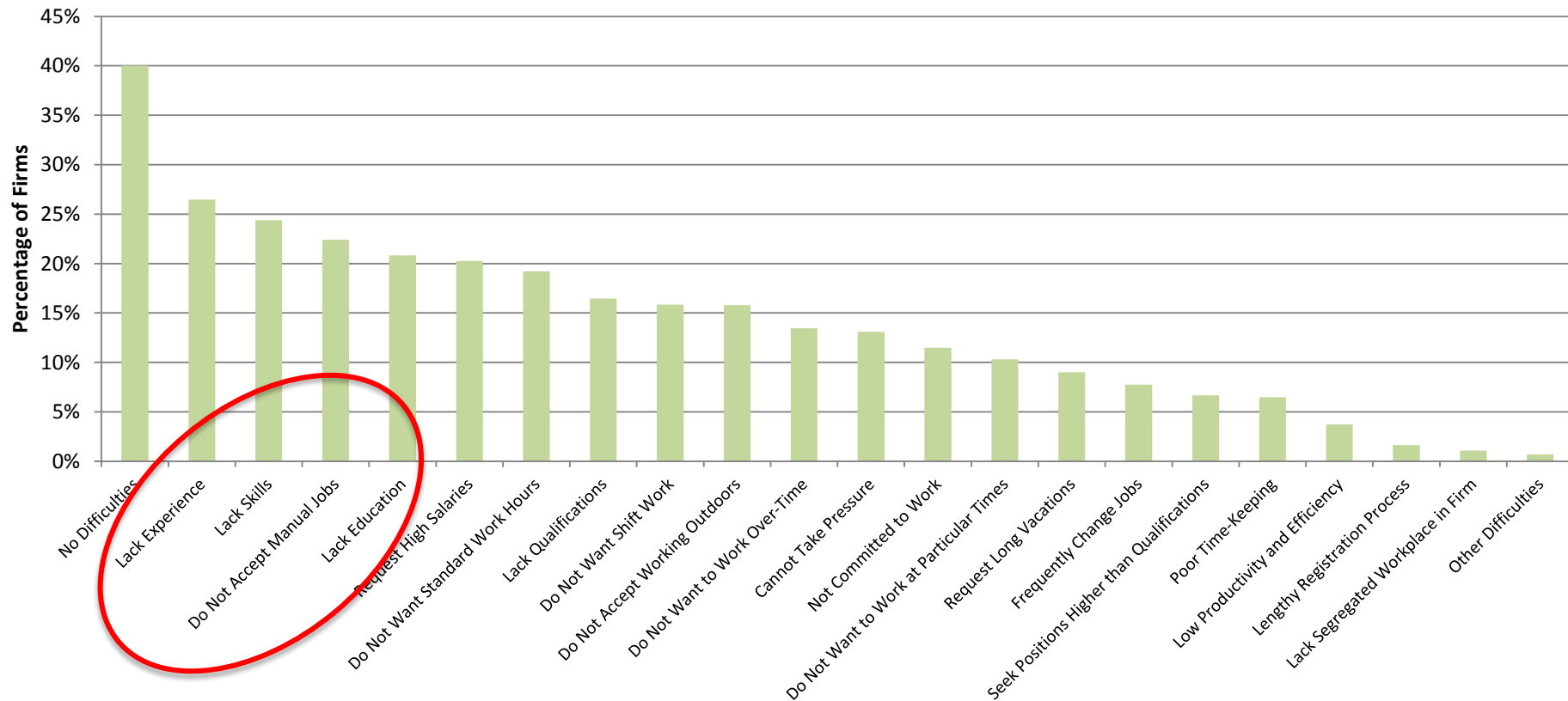
- Difficulties in finding expats much less for each job category



Key Reasons for Difficulties in Recruiting Saudi *Men* Include Lack of Experience, Skills

- Unwillingness to accept manual work is also very important
- High salary expectations also frequently cited

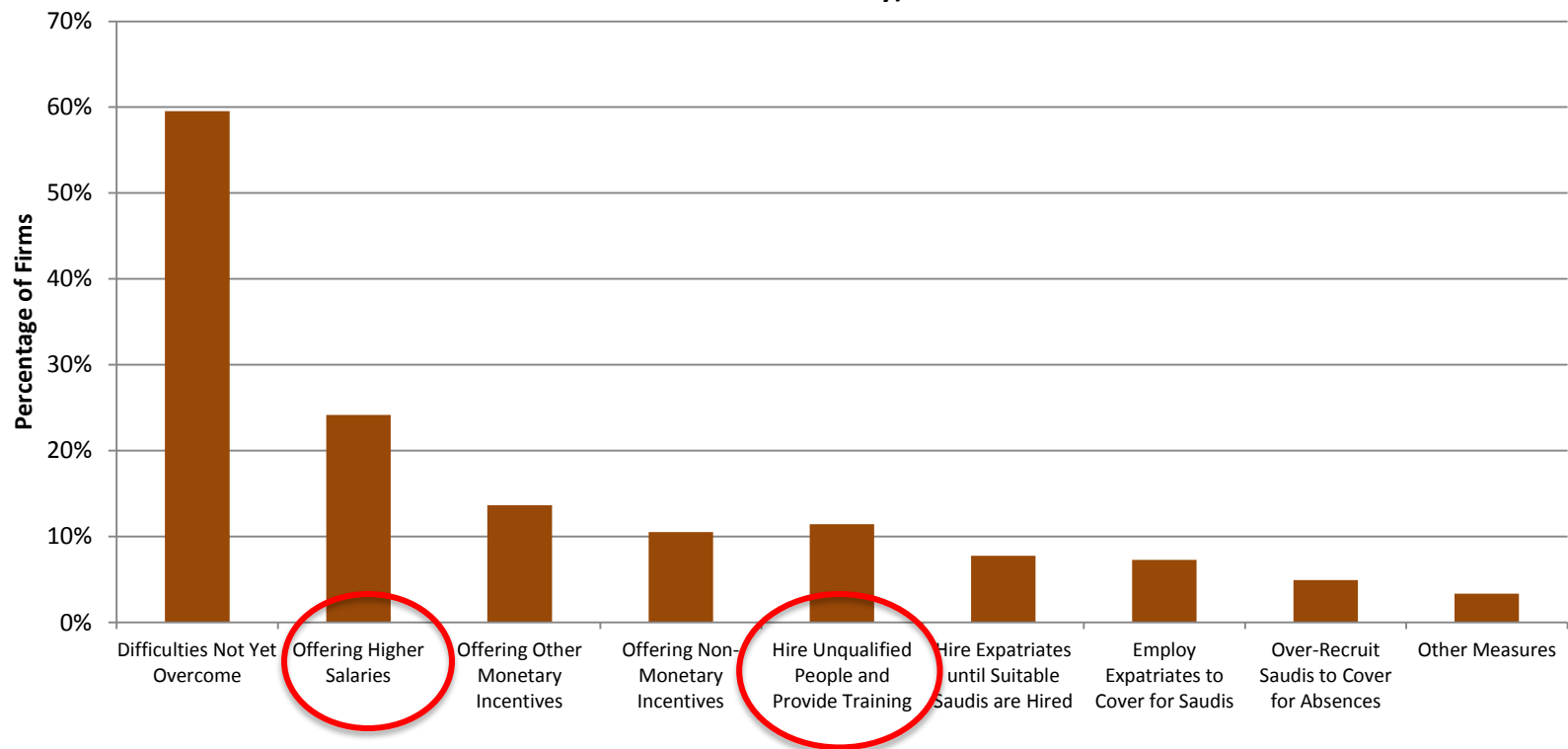
Share of Firms Reporting Difficulty in Recruiting Saudi Men Because They...



But Firms are Not Willing to Hire Unqualified Saudi Men and Train Them

- Only 10% of firms report hiring unqualified Saudi men and providing training as way to overcome difficulties in recruiting
- Somewhat higher share (25%) report offering higher salaries to Saudi men
- But most firms say they have not overcome the difficulties (60%)

Approach Used to Overcome Difficulty in Recruiting Saudi Men (% of Firms that Reported Difficulty)



Unwillingness to Accept Manual Jobs, Lack of Qualifications are also Barriers to Recruiting Saudi Women

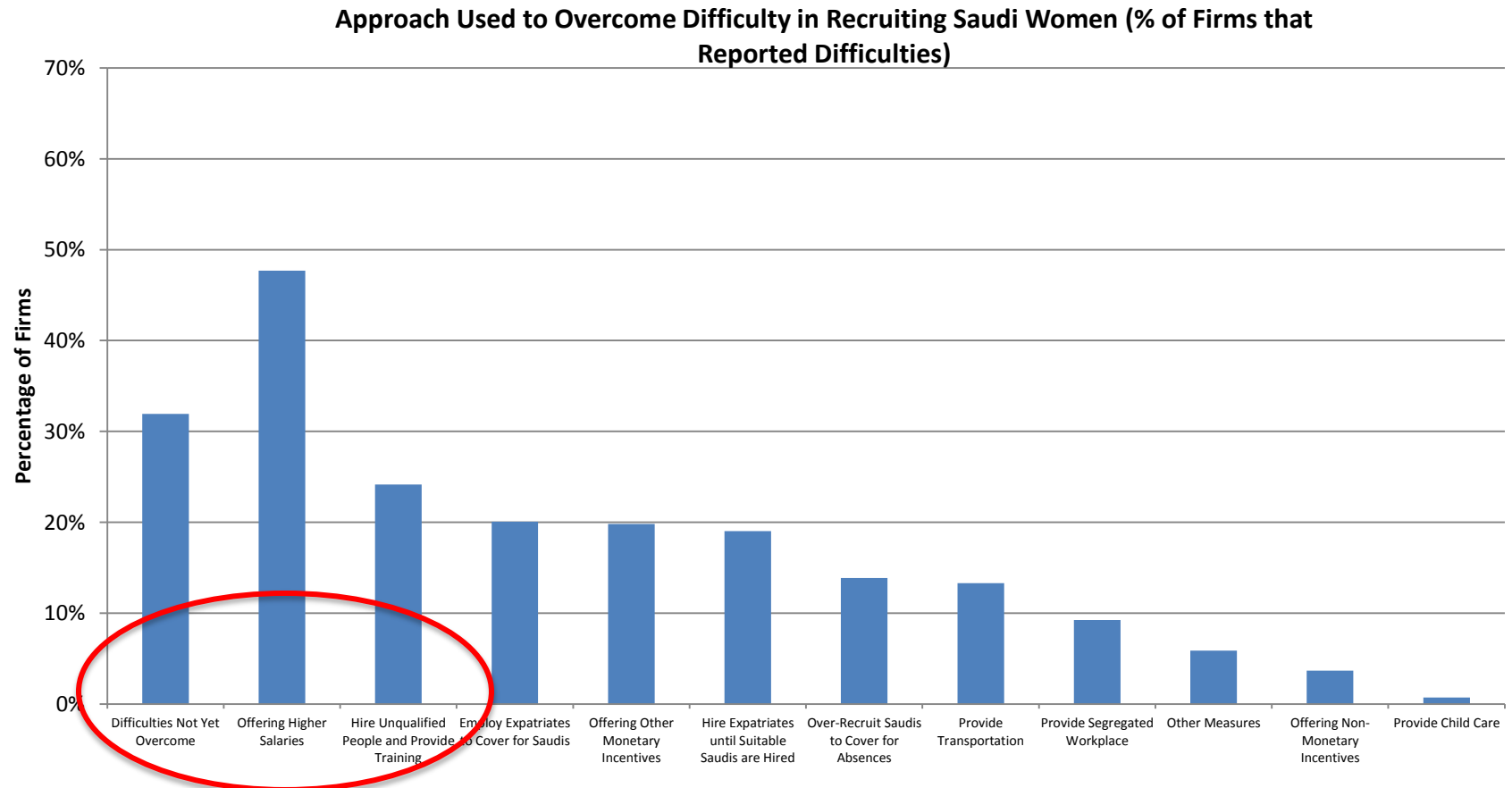
- Note: asked only of firms with at least one female Saudi employee (ensures sample is of firms that have tried to recruit women, but possible selection issue)
- Perhaps surprisingly, lack of suitable jobs for women, need for segregated workplace, child care issues are infrequently cited

Share of Firms Reporting Difficulty in Recruiting Saudi Women Because They...



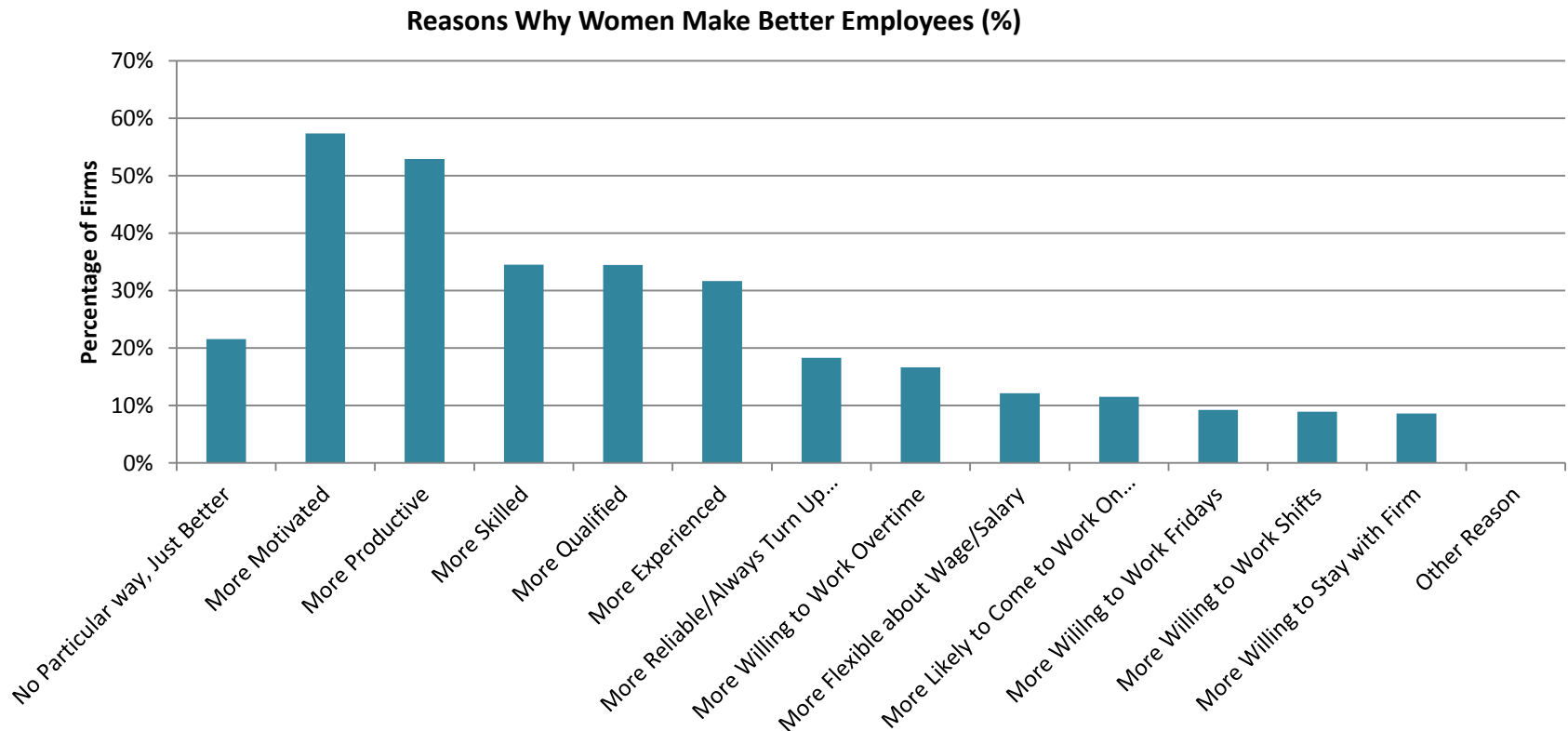
But Difficulties Recruiting Saudi Women Appear to be More Easily Overcome

- Only 30% of firms say they were not able to overcome the difficulties (60% for men).
- Firms more likely to successfully use higher salaries as well as providing training to overcome difficulties than is the case with men
- Relative ease of overcoming difficulties may reflect high work motivations of those Saudi women who are in the labor market—more eager to accept jobs



Firms See Saudi Women as More Motivated, Productive, and Qualified Workers than Saudi Men

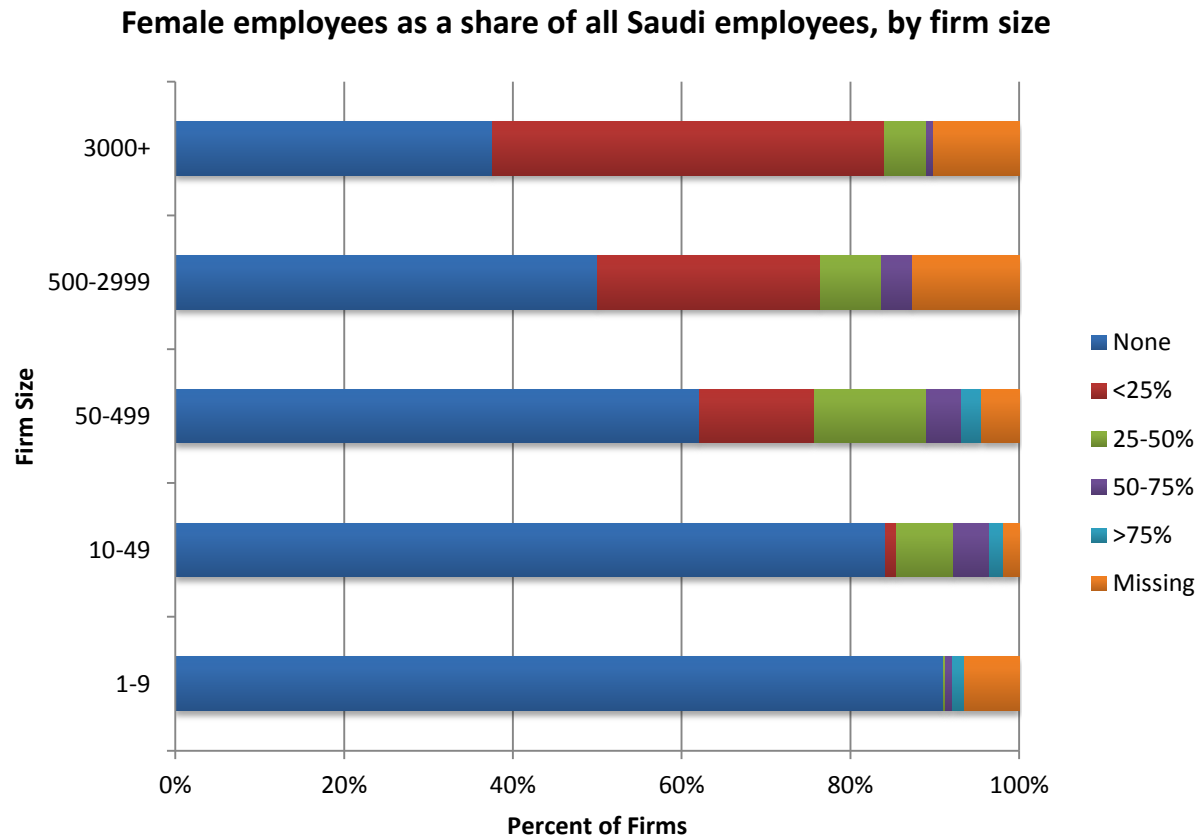
- 70% of firms that hire both women and men say women make better employees, all things equal
- Again, could reflect that the relatively few Saudi women who enter labor force are particularly motivated, qualified (self-selection)
- May be a reason firms find it easier to overcome difficulties in hiring Saudi women than men



Note: Respondents limited to firms that agreed that Saudi women make better employees.

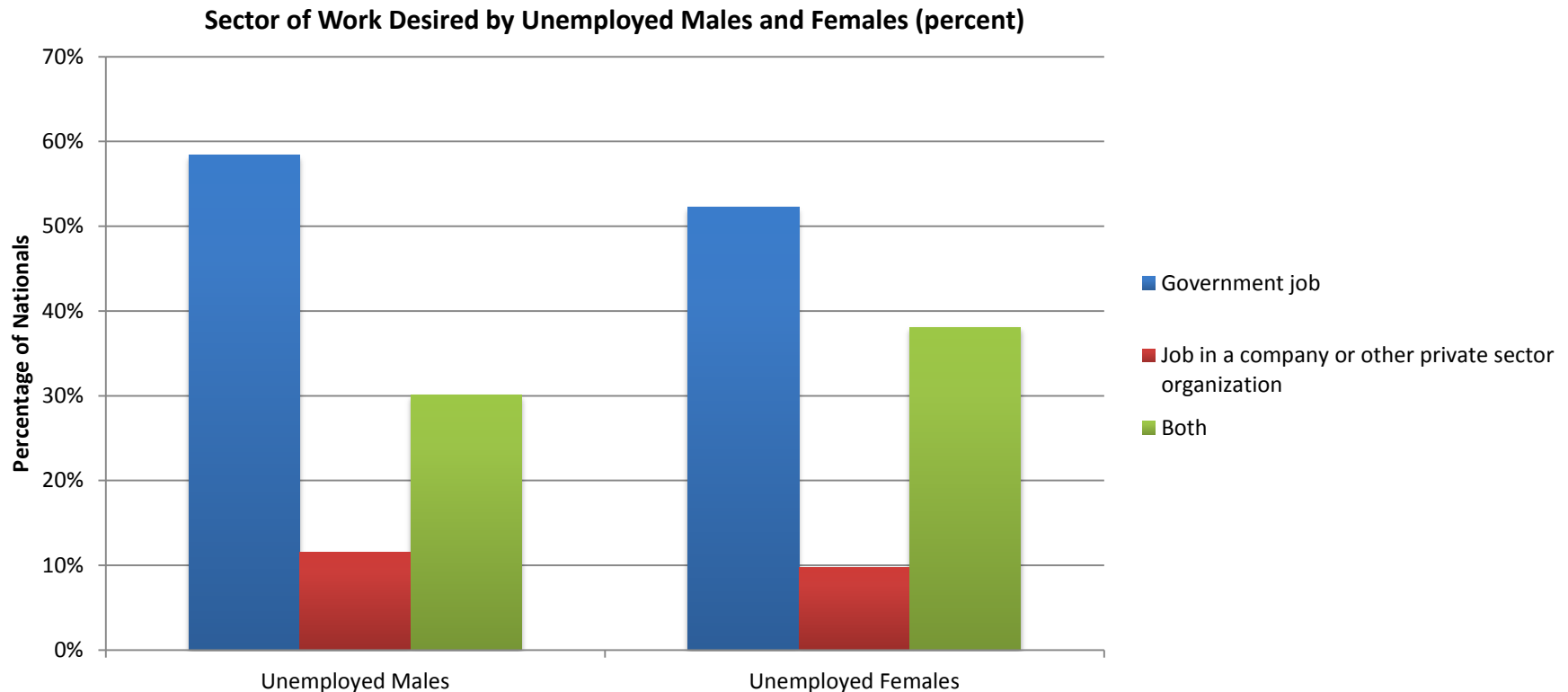
Larger firms are much more likely to hire female Saudis

- Over 90% of firms have no female Saudi employees, but most of these are in the smallest (1-9) category, and have just one person (the Saudi male owner)
- Easier for larger firms to set up separate spaces for women
- Larger employers may also be less traditional



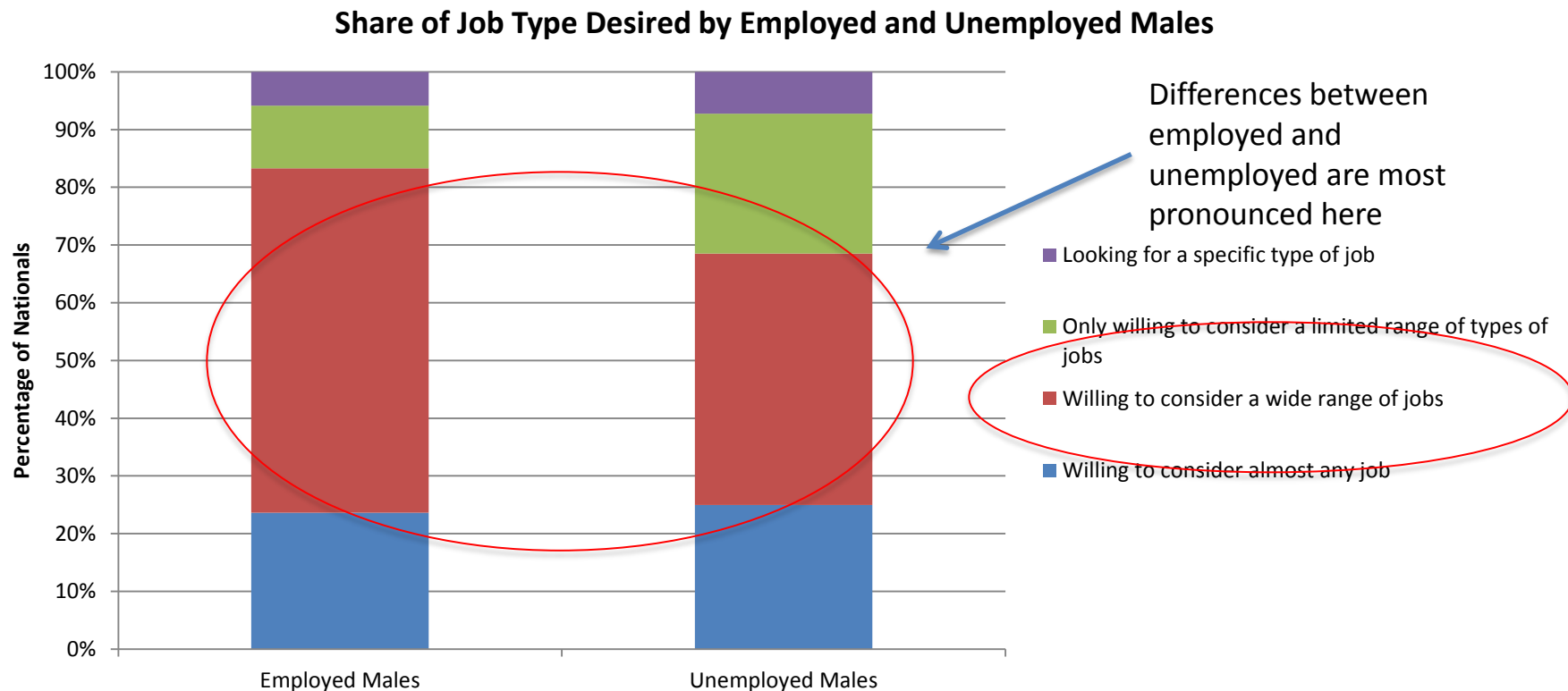
Unemployed looking for work strongly prefer public sector

- Close to 60% of males and 50% of females are looking for a government job, and more females (38%) than males (30%) are looking for either public or private
- Hence unemployed women appear somewhat more open to private sector work
- Possible reflection of expansion of opportunities for women



Unemployed Men have Strong preferences for certain kinds of jobs compared with Employed Men who are seeking New Work

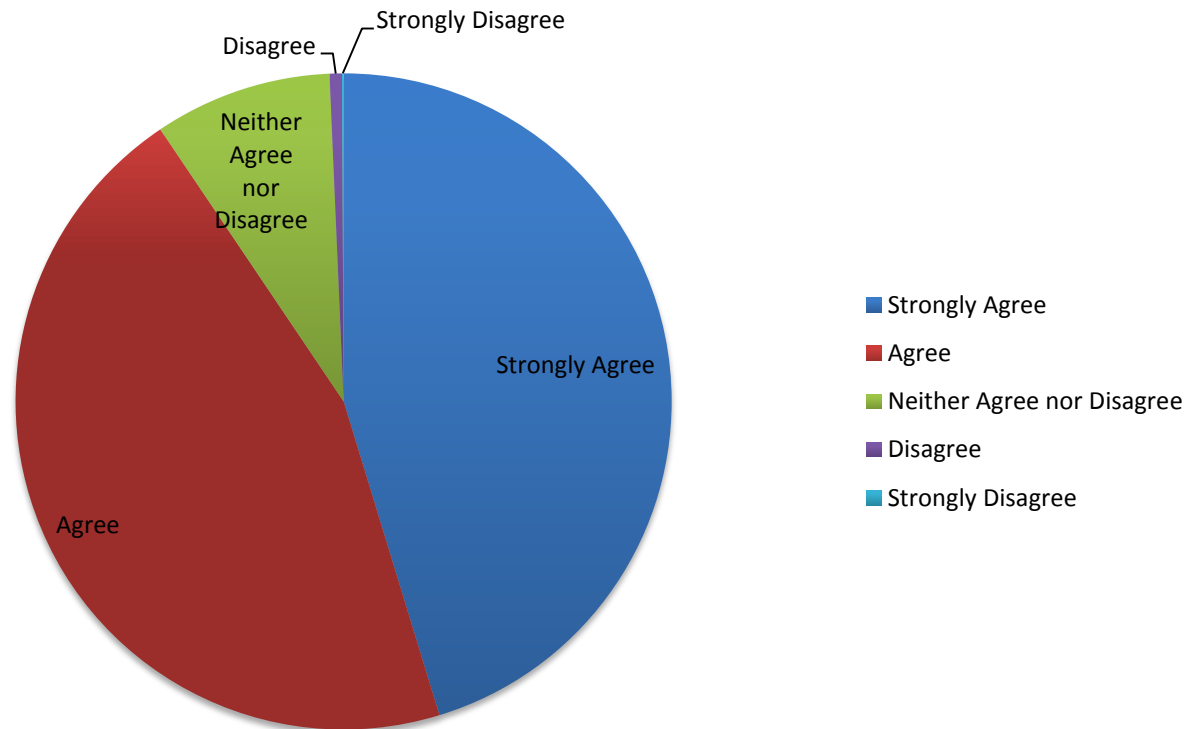
- 60 percent of employed compared with 40 percent of unemployed are willing to consider a wide range of jobs
- Unemployed men may be unemployed in part because they are unwilling to accept certain jobs



Employers overwhelmingly say expatriates make better employees than Saudis

- Asked of all firms that hire expats
- 90% agree or strongly agree that expats are better employees
- Reasons given: more productive and motivated (50%); more skills and experience; more willing to work overtime, weekends, or in shifts (30-40%)
- Greater flexibility in wages mentioned less often (20%)

Share of firms agreeing that Expatriates make better employees than Saudis



V. Proposal for a Labor Market Distance Index

Motivation

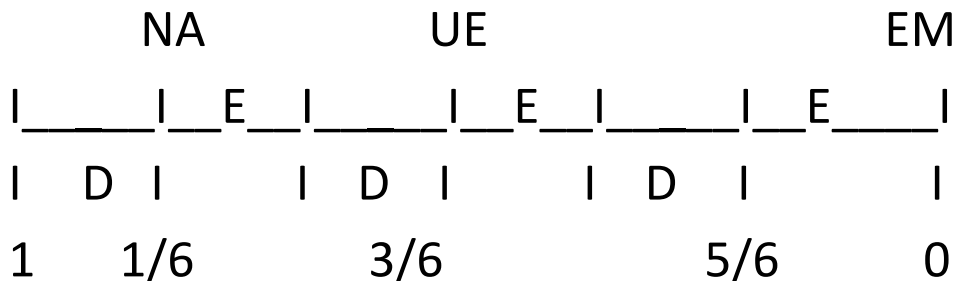
- ✧ Early on in the qualitative analysis emerged a shared view in the experienced international team “to have never seen such a distance of individuals from the labor market as in Saudi Arabia”
- ✧ Traditional measures of the labor market such as “labor force participation rate” and “unemployment rate” are still useful but incomplete to assess LM status and signal change and policy effectiveness
- ✧ The qualitative phase indicated different level of engagement/disengagement across groups (non-active, unemployed and employed)

Objectives

- Have a **simple operational index** that measures the distance from the labor market for the whole population in activity age (say 18 to 60) and builds on easily definable subgroups.
- If the (national) survey is repeated **the index would indicate changes in development across subgroups** that can be clustered and analyzed by available socio-economic characteristics of individuals.
- Have a measure that **signals the effectiveness of policy measures** on population, subgroups through their changed distance/(dis-) engagement from LM.

Structure (1/3)

- ✧ The index differentiates between three main labor market groups:
 - Not active (NA), i.e. not in labor force
 - Unemployed (UE), i.e. in labor force but looking for a job
 - Employed (EM), i.e. in labor force and working (also informally)
- ✧ It differentiates between being engaged and disengaged in labor market
 - Engaged (E), i.e. having specific characteristics from the survey that consider him or her engaged
 - Disengaged (D), i.e. having specific characteristics from the survey that consider him or her disengaged
- ✧ The Index would measure for each included individual his/her position on the one-dimensional activity line with a position that is normalized between 1 and 0, and a higher level indicating a larger distance from the labor market:



Structure: Engagement Dimensions (2/3)

- To measure the level of **disengagement/ engagement the index** builds on three dimensions :
 1. The **individual preferences** – i.e. how much they would be preferred to be more integrated into the labor market
 2. The **external barriers** they face – i.e. how difficult it is for them to be more integrated into the labor market, and
 3. Their **labor market behavior intensity** – i.e. level of efforts and actions/refusal they declare/show for stronger labor market integration

Mapping Engagement Level to Questions (3/3)

- ✧ To identify and measure the three dimensions – preferences, barriers, and intensity – the national survey is reviewed and individual questions mapped to one of the three dimension, if considered appropriate
 - Selection criteria is if question and reply options are considered relevant for dimension/distance measure
- ✧ Once selected a decision has been made what metric to use to map the replies into a sub-index
 - E.g. what is the maximum hours a week you want to work?

VI. Concluding Remarks and Next Steps

- 3LMS are a promising instrument to better
 - understand labor markets in KSA (and beyond?)
 - offer crucial facts and allow hypothesis testing
 - design and assess labor market interventions
- Data is only relevant if it gets appropriately used, i.e.
 - training of government staff needed
 - access by researchers facilitated
- Further envisaged steps include
 - YES: Youth Employment Survey
 - Matching with other surveys and admin data
 - Envisaged repetition of survey, perhaps in limited version, with distance measure focus