The Socioeconomic Determinants of Poverty in Saudi Arabia

MIRIAM AL LILY[1], HERMANN WAIBEL[2]

[1] *Leibniz University Hannover, Development and Agricultural Economics, Germany*
[2] *Leibniz University Hannover, Development and Agricultural Economics, Germany*

Abstract

The discovery of oil in the 1930s transformed Saudi Arabia from one of the poorest countries in the world to one of the richest. However, the economic prosperity did not improve the lives of all nationals equally. An estimated 20 % of the Saudi population is thought to be excluded from the oil wealth and living in poor conditions. The existing literature has recorded descriptive statistics of poor households without making a comparison to non-poor households. The present research paper seeks to address this limitation by comparing both poor and non-poor households. It applies a binary logistic regression model to analyse several dimensions of poverty; namely demographic, human capital, economic, health and social dimensions. Poverty is conceptualised as relative poverty based on the country's national poverty line of $6 per person per day. The empirical basis of the study is a socioeconomic household survey administered among 496 households in Dammam in 2019. The results show that education and unemployment are crucial determinants of poverty outcomes. In addition, large family sizes combined with the tradition of having a single breadwinner pushes households into poverty. Female-headed households are particularly vulnerable due to their traditional role in Islam. Furthermore, social capital positively impacts households' welfare, whereas being of African descent has a negative influence. On the contrary, health, personal attitudes and being of Bedouin origins are not significant variables in the model. The social welfare system is able to mitigate some of the disadvantages, but not all of them. In the research sample, social welfare payments lift one third of the poor households out of poverty. Of the remaining poor households, some receive no social welfare payments and some do not receive sufficient payments to escape poverty. Based on these findings, a couple of policy implications can be proposed: first, increasing investments in educational support initiatives, especially in poor communities; second, creating more low-skilled jobs for nationals; third, strengthening the role of women in society; fourth, providing family planning awareness campaigns; and fifth, increasing the coverage and amount of social welfare payments.

Keywords: Middle East, Poverty Determinants, saudi Arabia, Social Exclusion

Contact Address: Miriam Al Lily, Leibniz University Hannover, Development and Agricultural Economics, Königsworther Platz 1, 30167 Hannover, Germany, e-mail: miriam.allily@gmail.com