The Socioeconomic Determinants of Poverty in Saudi Arabia

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INTRODUCTION

The discovery of oil has transformed Saudi Arabia into one of the richest countries in the world. However, many citizens are excluded from the oil wealth. An estimated 20% of Saudi nationals live in relative poverty – defined as less than $6 per person per day (Bin Saeed, 2008; Sullivan, 2013; Koontz, 2015).

RESEARCH OBJECTIVE

To analyse the static determinants of poverty in Saudi Arabia.

RESEARCH QUESTIONS

RQ1: Why are households unable to generate an income above the poverty line by themselves?

RQ2: To what extent does the social welfare system lift households out of poverty?

REGRESSION MODEL

Independent Variables	Marginal Effects
Demographic	
Age of Household Head	-0.042***
Age of Household Head ^2	0.0004***
Gender of Household Head	0.296***
Members (Ages 0–18)	0.120***
Male Members (Ages 19-60)	0.101***
Female Members (Ages 19-60)	0.104***
Members (Ages 60+)	-0.004
Multiple Wives	-0.359***
Additional Dependants	0.025
Bedouin	-0.021
African Descent	0.160*
Human Capital	
Years of Education Household Head	-0.055***
Average Years of Education Adult HH Members (Ages 19-60)	-0.022***
Economic	
Head Unemployed	0.534***
Share of HH Members Employed	-1.610***
Health	
Head Unhealthy	0.024
Number of HH Member Unhealthy	0.038
Social	
Family Relationships	0.060**
Personal Attitudes	
Risk Taking	0.007
Patience	-0.0001
Observations	496
Pseudo R^2	0.461

CONCLUSION

The major poverty determinants are:
Education, unemployment, family size, female-headship, being of African descent and social capital.

Social welfare:
The social welfare system reduces the occurrence, depth and severity of poverty. Around one third of poor households are lifted out of poverty by social welfare. However, around 14% of the poor households do not receive any social welfare.

DATA

A socio-economic household survey was conducted in the poor neighbourhoods of Dammam in 2019. In total, 496 Saudi household heads were interviewed.

METHODOLOGY

$$(1) \quad P(Y_i = 1) = \alpha + \beta X_i + \varepsilon_i$$

Y is a binary variable equal to 1 if household per capita income before social welfare payments is below the poverty line of 700 SAR, and 0 otherwise. X is a vector of demographic, economic and social characteristics.

POLICY RECOMMENDATIONS

- Provide educational support initiatives for children from poor households.
- Increase the number of low-skilled jobs available to citizens through the Saudization programme – Nitaqat
- Increase women's participation in the workforce.
- Deliver educational campaigns to reduce the number of unplanned pregnancies.
- Provide additional financial support to poor households and make social welfare more inclusive.