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ECONOMIC STRUCTURE CHANGES IN SAUDI ARABIA

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ABSTRACT
The economic structure changes are overviewed from point of employment conditions in Saudi Arabia, because the economic growth is based on skilled level of labour forces and in the same time on the innovation development. The mining sector of fossil energy in Saudi Arabia is basic principle sector, but the Saudi economy needs to extent its economic structure in order that most of population of the country can obtain jobs for employment. In general the *mining sector is very efficient* and productive in Saudi Arabia, which means based on the innovation development this sector provides considerable share of the GDP and export-price income for the country. The study uses analyse methods based on the statistical data and their compares, which emphasizes the economic structure of Saudi Arabia concerning different economic sectors. The data can provide overview on shares of some main economic branches and their roles in employment issues and GDP production.
The mining and quarrying sector provided jobs for 1.78% of all employees in 2000 and 1.6% of them in middle of 2000s in Saudi Arabia. In the same time the mineral products had 88.3% share of all export of Saudi Arabia in 2000-2002 and 88.0% of all export by middle 2000s in million riyals. This means that the export price income after selling crude oils and other mining products ensured 2354 riyal per employee of this sector in 2000-2002 and 4357.4 riyal per employee of this sector in middle 2000s.
In general in Saudi Arabia the *mining sector based on the crude oil withdraw could be efficient* and productive, because of the high world market price can provide enough highly export-price income for the country with using less number of employees in this sector than in the other one. Less than 2% of all employees produced 88% of all export of Saudi Arabia in 2000s. Even the share of employees in the mining and quarrying sector has decreased since 2000s, but its share of export value remained at almost same level in Saudi Arabia. Even the share of employees in the mining and quarrying sector has decreased since 2000s, but its share of export value remained at almost same level in Saudi Arabia. The Saudi Arabia should develop the manufacturing industries in order *to produce highly value added products* leading to higher export price income, than to sell only crude oil to the world market. Also manufacturing value added production helps Saudi Arabia to become diversified economy less sensitive from effects of the world economy.

Keywords: Economic structure, Employment conditions, Economic growth, Mining sector. Export-price income

INTRODUCTION

The economic structure changes are overviewed from point of employment conditions in Saudi Arabia, because the economic growth is based on skilled level of labour forces and in the same time on the innovation development. The economic structure changes should meet the market demands and the labour force should be changed to follow demands of the economic structure changes. In this case the market demands, the economic structure changes, and the labour force structure changes have very strong correlations among themselves.
Naturally the economic growth or the economic structure changes are appearing in the economic activities of companies based on the general economic background at national and international economic levels. At national level the governmental, fiscal policy and

also the monetary policy help or stimulate companies to follow the needed trends of economic growth. At the international level governments create the cross border economic co-operations to extent possibilities of economic activities for private companies. Saudi Arabia plays important role in field of supplying fossil energy resources on the world market.

The mining sector of fossil energy in Saudi Arabia is basic principle sector, but the Saudi economy needs to extent its economic structure in order that most of population of the country can obtain jobs for employment. In general the *mining sector is very efficient* and productive in Saudi Arabia, which means based on the innovation development this sector provides considerable share of the GDP and export-price income for the country. But fewer amounts of labour force or workers are employed in this mining sector, and even the number of employees in fossil energy resource sector continuously decreases from year to year. But the other part of employees should get works to keep satisfactory standard of their life. This economic process emphasizes the importance of economic structure changes for interest of economic growth.

There are some examples for cross border cooperation at the international level as co-operation of Hungary with South Korea and other Asian economies in works of NESZMÉLYI, (2001) and NESZMÉLYI, (1999). Also other authors declared that how each economic sector or branch, for example the agricultural sector in Hungary should be developed to create the competitiveness SZABÓ - ZSARNÓCZAI (2004).

According to above mentioned works of different authors in general any economic branch can contribute to harmonized economic growth of each national economy.

MATERIAL AND METHOD

The study uses analyse methods based on the statistical data and their compares, which emphasizes the economic structure of Saudi Arabia concerning different economic sectors. The data can provide overview on shares of some main economic branches and their roles in employment issues and GDP production.

For development of Saudi Arab economy there are some important essential scientific ideas, namely, labour markets are not only impacted by but can also impact outcomes related to global economic rebalancing. In countries that have historically relied on consumption for growth and which are seeking to expand exports, enhancing productivity will be essential as this reduces unit labour cost and can increase competitiveness in the global economy (ILO, 2011).

This emphasizes the international economic influences for economies, including also Saudi Arabia, how the national economies are impacted by the global economic processes. Also Zsarnóczai emphasized role of education for employees to become skilled workers in order that any national economy can get competitiveness on the world market (ZSARNÓCZAI, 1979). Also ZSARNÓCZAI (1996) emphasized the cooperation between producers even in agricultural sector with using advisory system to keep the competitiveness of producers on national-domestic and international markets.

Also some authors emphasized the costs for skill, when they selected costs for labour forces, namely BOWEY AND LUPTON (1973) devised basis for making comparisons between rates of pay in different companies. They selected five factors for comparisons among jobs: skill, responsibility, metal effort, physical effort, working conditions. Other experts worked out that despite the apparent diversity of types of costs, the literature trends to classify them under three heading: *variable costs* (i.e. the hourly wage rate), *quasi fixed costs* (i.e. employer lump sum payroll taxes) and *adjustment costs*; i.e. hiring and firing costs, such as

training costs and redundancy payment (see in detailed in BOSWORTH ET AL, 2006; and NICKELL, 1986). It can be declared from point of view of variable costs, the productiveness of labour force is essential issue for competitiveness. Naturally there are some other costs of labour force, for example adjustment costs are for developing their skill and knowledge.

RESULTS

In general in Saudi Arabia the *mining sector based on the crude oil withdraw could be efficient* and productive, because of the high world market price can provide enough highly export-price income for the country with using less number of employees in this sector than in the other one.

The mining and quarrying sector provided jobs for 1.78% of all employees in 2000 and 1.6% of them in middle of 2000s in Saudi Arabia. In the same time the mineral products had 88,3% share of all export of Saudi Arabia in 2000-2002 and 88,0% of all export by middle 2000s in million riyals. This means that the export price income after selling crude oils and other mining products ensured 2354 riyal per employee of this sector in 2000-2002 and 4357.4 riyal per employee in middle 2000s.

The other sectors had only several % share of the export value, for example chemical products had 5.0% in 2000-2002 and 3.9% in middle 2000s, plastic products had only 3.9% in 2000-2002 and 2.6% in middle 2000s.

From point of view of the export capacity of Saudi Arabia one employee in Saudi mining and quarrying sector was very efficient in 2000s, and the other sectors' employees worked less efficient, because 47.6 riyal export value was per one employee of all of the sectors in 2000-2002 and 79.7 riyal export value was per one employee in middle 2000s in Saudi Arabia. It should be mentioned that not every economic sector played important role in export value or volume, and also not only crude oil production or other products of mining and quarrying sector participated in export of Saudi Arabia. In general it can be mentioned that less than 2% of all employees produced 88% of all export of Saudi Arabia in 2000s. Even the share of employees in the mining and quarrying sector has decreased since 2000s, but its share of export value remained at almost same level in Saudi Arabia.

The Saudi Arabia has favourable possibilities in its foreign trade, namely its all export value was higher than the import value, which means that the export value was 100%, but its import value only 50.9% of the export value in 2000-2002, and its import value only 47.2% of the export value in middle 2000s. This means that the share of import value has decreased in value of export since the beginning of 2000 in Saudi Arabia. The foreign exchange rate was very favourable in 2000s. The positive foreign exchange rate can be remained by the continuous innovation development process in the mining and quarrying sector having the biggest share of Saudi export value. This innovation development of the mining and quarrying sector can ensure the competitiveness of this sector on the world market for the future (see *Table 1* and *Table 2;* REPORT, 2010).

Also it can be mentioned that one side character of economic and consequently export structure resulted in not flexible and unfavourable conditions for structure of labour force in Saudi Arabia. *The import volume is generally very considerable for volume of demands of the domestic Saudi market,* but for the volume of export capacity is very favourable. Also the domestic market volume generally is not so large comparably for other large economies' one. *The considerable import volume* is resulted by unfavourable economic structure based on the non diversified economic structure, which stimulates continuously highly level of import in fields of different kinds of products, for example electrical

machines, equipments, tools; transport equipment and spare parts, base metal and articles of base metal, also chemical products.

Table 1. Employment conditions in Saudi Arabia between 2000 and middle 2000s
(1000 persons aged years and over)

Sectors	2000	Middle of 2000s
Agriculture, hunting and forestry	341.5	263.4
Fishing	7.9	12.2
Mining and quarrying	101.9	95.4
Manufacturing	440.7	448.3
Electricity, gas and water	76.0	65.6
Construction	515.9	629.6
Wholesale and retail trade	901.5	861.7
Restaurant and hotels	164.6	170.3
Transport and communications	242.3	265.3
Financial intermediation	42.5	49.8
Real estate, renting and business	139.5	143.2
Public administration and defence	1116.2	1212.9
Education	713.0	751.5
Health and social work	217.6	224.0
Other community and personal services	133.0	115.4
Private households with employed persons	551.0	595.9
Extra territorial organizations	5.3	8.4
Other activities	3.0	12.5
Total employed	5713.4	5925.4

Source: ILO, 2010, Report of Ministry of Economy and Planning, Saudi Arabia, Riyadh.

Table 2. Export structure in Saudi Arabia between 2000 and middle 2000s in million riyals

Sectors	2002	Middle of 2000s
Mineral products	239.973	415.696
Chemical products	13.704	18.673
Plastic products	5.717	12.455
Total export including others	271.741	472.491

Source: Report of Ministry of Economy and Planning, Saudi Arabia, Riyadh., 2010

CONCLUSIONS

In general it can be declared that the as much as the export value was higher than the value of import the Saudi Government could use over plus crude oil export price incomes to cover costs of: 1- reconstructing highly developed infrastructure network for the industrial production, civil social life; 2- social-family supports, increasing standard of life for people of Saudi Arabia; 3- Foreign Direct Investments (FDI) provided by the Saudi Government and national corporations abroad, including bank deposits into international banks.
On the hand also the highly costly administration, governmental office network should be covered by the over plus crude oil export price incomes, which kind of costs can be titled

as inproductive, but important service sector. This service sector can provides large amount of people of the Saudi economy.

On the other hand the FDIs invested by Saudi corporations are often very successful and effective, because these investments were realised mostly in highly developed economies, as US, European Union and some other important economies, as Switzerland and Japan.

The non diversified economic structure is determined mostly by the unfavourable geographical background, for example drought, scarcity water, lack of many kinds of mining materials over the crude oil, lack of basic metal material in nature, less amount of natural resources over crude oil. These natural conditions led to very expensively agricultural production in Saudi Arabia, for example cost of the milk production is three times more than the world marker price of milk, and cereal production cost is four times more than the world market price of cereals (ZSARNÓCZAI, 1997). Even that the food, agricultural production and food manufacture production are needed for every-day life for Saudi population; these are not productive and efficient because of the unfavourable natural conditions. Therefore the import of these kinds of products is more cheaply than it is to be produced based on the food self sufficiency strategy. Also the agricultural production needs additional costs to direct production costs, for example infrastructure one, transport, road network, storing capacity, information network based on the computer techniques, feed supply for animals, veterinary service, frequently water irrigation supply and system-network, water storing. Any kinds of costs are to cover expenditures of agricultural production make agricultural production is non competitive sector in Saudi Arabia based on the international compare.

Naturally in the highly developed economies, in US or in EU, the agricultural production is very highly costly. Even the cost level of farmers' life standard in these economies is by several times higher than the average level of farmers' life standard in the world economy. The agro-business including the costs of industrial inputs and manufacturing agricultural outputs with building up irrigation system has about 18% of GDP in the USA.

The Saudi Arabia should develop the manufacturing industries in order *to produce highly value added products* leading to higher export price income, than to sell only crude oil to the world market. Also manufacturing value added production helps Saudi Arabia to become diversified economy less sensitive from the effects of the world economy.

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