

FULL PROJECT: REDUCING UNEMPLOYMENT WITH QUOTAS

THE EFFECTS OF NITAQAT ON SAUDI EMPLOYMENT AND EARNINGS

Abstract

This study examines the aggregate effects of the Nitaqat program on the labor market, with attention to worker-level effects, to guide future policymaking related to quotas and Saudization. We use worker-level GOSI data and firm-level Nitaqat data to examine the aggregate effects of Nitaqat on employment and earnings as well as the worker-level effects of the policy on employees at firms in different color bands. We find that the Nitaqat period corresponded with large increases in total employment and entry into the private sector labor market. Although the period saw aggregate decrease in average wages, wages increased within occupation and education groups, suggesting important changes in the composition of the labor force. The analysis correspondingly shows disproportionate growth in the employment of Saudis in relatively low-skill occupations.

A causal analysis by firm color band shows that the program incentivized younger, inexperienced workers to enter the private sector, primarily with a high school degree. Women were also one of the primary drivers of the increase in employment. Tracking the labor market trajectory of these new entrants into the labor market shows that lower-skill workers experienced wage increases throughout their time in the labor market.

Ongoing work examines whether firms pay one-time fixed cost investments to begin hiring female workers and how Nitaqat has affected the occupational mix of workers within firms. These two questions have important policy implications for the lasting effects of the program in terms of continued growth in Saudi employment and on firm productivity.

Expected Impact

Identify the impact of Saudization quotas on worker-level outcomes to guide the Ministry of Labor's efforts to maximize Saudi employment and job quality.

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PROGRAMS & POLICIES EXAMINED

- Nitaqat

POLICY PARTNERS

- GOSI
- Ministry of Labor



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Ministry of Labor
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Kingdom of Saudi Arabia



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