

“The Impact of Minimum Wage Law on Employment in Saudi Arabia: An Economic and Legal Analysis”

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Abstract

The minimum wage law is a controversial topic. It has been extensively debated and discussed among politicians, economists, and researchers. On the one hand, increasing the minimum wage would raise income for low-skilled workers and help them escaping poverty. On the other hand, a rise in the minimum wage means higher costs for firms which would lead to either higher prices for consumers or job losses for low-skilled workers or both, as firms cut higher expense through transferring it to their customers, or replacing low-skilled workers with automated machines, or both. This paper discusses this longstanding debate from an economic and legal perspective by empirically analyzing the labor market in Saudi Arabia. In November 2020, Saudi Arabia increased the minimum wage for its citizens by 33 percent from 3,000 to 4,000 riyals per month. We examined the impact of this minimum wage increase on the unemployment rate in the Saudi labor market using an Ordinary Least Squares (OLS) regression model and found no evidence of job losses. On the contrary, we found significant positive effects on the employment of Saudi citizens. We also showed that the increase in the minimum wage is correlated with an increase in labor productivity, with an annual growth rate of 4.4%. This result supports the efficiency wage theory. On the negative side, we find that the unemployment rate of Saudi women is on average five times higher than that of Saudi men and that the wages of Saudi men are 75% higher than those of Saudi women. Recently, however, these difficult labor market figures for women have improved significantly because of the Saudi labor reform initiatives, particularly reforms that have expanded women's rights and increased their economic participation.

Keywords: Minimum wage, unemployment, labor productivity, International Labor Organization, women's rights, Saudi Arabia.

Introduction:

A critical, yet controversial, topic is the impact of enacting minimum wage laws on employment. As we will show in this paper, the theoretical background on this topic is ambiguous. The standard Neoclassical school of thought believes that companies will react to an increase in the minimum wage by cutting employment and replacing low-skill workers whose wages have been increased by high-skill workers. However, more recent theories such as the Keynesian theory, the Monopsony theory, the efficiency wage theory, and the search-and-matching theory have all suggested that increasing minimum wage can lead not only companies to increase employment but also workers to increase their efficiency. Given the nature of such theoretical ambiguity, this paper will investigate the impact of raising minimum wage on employment from both economic and legal perspectives by presenting the theoretical models on the topic, surveying the relevant empirical literature supporting each school of thought, and then analyzing the impact of increasing minimum wage on employment in Saudi Arabia. We will then analyze minimum wage laws and pay particular attention to women's employment conditions in Saudi Arabia from a legal point of view.

Research Problem: The problem that this study aims to offer a contribution to is the contradictory nature and controversies surrounding the topic of minimum wage laws and their impacts on employment whether positive or negative.

Hypothesis: As we will show shortly when discussing the theoretical background and the empirical literature, scientific findings on the impacts of minimum wage on employment are not clear. Yet, we have decided not to follow the traditional Neoclassical theory hypothesis that states minimum wage law hurts employment, and instead accept the more recent hypotheses coming from theories such as the Monopsony, the Keynesian, the efficiency wage, and the search-and-matching theories that all have concluded that increasing minimum wage will not necessarily hurt employment. In fact, some of these theories have suggested that increasing minimum wage will increase employment. Therefore, our hypothesis is that increasing minimum wage will increase employment.

Research Objectives: There are two main objectives of this study: first, to shed some light on this controversial topic both from economic and legal point of view; and second, to empirically examine the most recent minimum wage increase occurred in Saudi Arabia in 2020 and its effects on employment.

Research Importance: To the best of our knowledge, we could not find any empirical work in any academic journal examining the effect of the most recent minimum wage increase in Saudi Arabia and its impact on employment.

Research Scope: Our study will mainly cover Saudi Arabia from 2014 to 2021. Yet, this does not mean other countries and other years are completely excluded. As we show in the empirical literature review, we present the findings of several studies covering countries such as the United States, Great Britain, Brazil, Greece, Germany ... etc.

Definitions: The following terminologies are important in our study and thus must be clearly defined:

Minimum Wage: When governments set a wage floor and then legally require all firms not to pay workers below this floor, then we call this wage the minimum wage.

Unemployment: Unemployed people are those people who are 15 years of age and older, currently available for work (hence, students, sick people in hospitals, criminals in jails ... etc. are not included), and looking for work but cannot find any.

Labor Productivity: Labor (worker) productivity measures how many units of output is produced by each worker.

The International Labor Organization (ILO): The ILO is a specialized agency of the United Nations founded in 1919 to bring governments, employers, and workers of the 187 member countries together to set labor standards, develop policies and devise programs promoting decent work for all women and men (ILO, 2023d).

Theoretical Background: There are five major theories that analyze the impact of minimum wage law on employment: (a) the Neoclassical theory, (b) the Monopsony theory, (c) the Keynesian theory, (d) the efficiency wage theory, and (e) the search-and-matching theory. The following is a brief background on each one of them.

(a) The Neoclassical Theory: If there is a rise in minimum wage, the Neoclassical theory predicts that companies would respond by cutting employment and replacing low-skilled workers whose wages have risen with high-skilled workers. The critical assumption that the Neoclassical theory made is that the labor market functions under perfect-competition market. That is, the theory assumes information is available to everyone and there is no cost of searching for new jobs by workers and no cost of hiring new applicants by companies. The theory also did not consider the positive impact that might happen from paying workers higher than the market prevailing wage which can incentivize workers to induce more effort, be more loyal to the firm, and attract high-quality workers to work for the firm. Given all these assumptions, the Neoclassical theory predicts minimum wage law will create unemployment.

(b) The Monopsony Theory: The Monopsony theory rejects the negative effects of minimum wage law predicted by the Neoclassical model. The root of this rejection can be found in the Monopsony's rejection of the assumptions made by the Neoclassical economics that the labor market is perfectly competitive (Vienneau, 2005; Kaufman, 2012). The Monopsony theory believes that companies collectively have greater power and control over the labor market and can cooperate to exploit the imperfect situation of labor market to their advantage. Hence, the market equilibrium wage under such imperfect competition will be lower than the equilibrium wage that would have had prevailed under perfect competition. This situation will eventually lead to lower employment in the market. Therefore, the Monopsony theory predicts that setting a minimum wage above market equilibrium wage can lead not to less employment as the Neoclassical theory predicted but rather to more employment.

(c) The Keynesian Theory: The Keynesian theory accepts the Neoclassical prediction about the effect of increasing minimum wage on costs and thus prices, but it rejects the Neoclassical prediction about the negative effect of minimum wage on employment. Regarding prices, the Keynesians agree that minimum wage will lead to higher costs for firms, but consequently, firms will raise their prices to offset this high cost. However, for the Keynesians, it is unclear why employment would have to suffer from such situation if companies had already compensated these higher costs with higher prices. Put it simply, the Keynesian theory rejects the fact that minimum wage law will always lead to less employment.

(d) The Efficiency Wage Theory: Efficiency wage theory predicts that when minimum wage law is enacted by setting wages above market equilibrium wage, employees' productivity and efficiency will rise which can in turn compensate companies for the higher costs they would endure due to higher labor costs. Also, workers will increase their effort according to efficiency wage theory because the cost of their dismissal is higher now. In short, the efficiency wage theory suggests that minimum wage laws will not harm employment level. Rather, increasing minimum wage will improve workers' efficiency, productivity, and loyalty. Remarkably, our findings support this theory.

(e) **The Search-and-Matching Theory:** The search-and-matching theory also rejects the prediction made by the Neoclassical theory that minimum wage law decreases employment. The idea behind the search-and-matching theory is that searching for a job by workers and finding a qualified match by firms take time and effort, and so, it is a costly business for both parties. It is true that setting a minimum wage above the market equilibrium wage will raise costs on firms, but firms can offset this extra cost by reducing their hiring costs through attracting the best and most qualified workers easily by raising their wages, as these workers are attracted to higher-paying jobs. In other words, the search-and-matching theory predicts that workers will search for potential jobs more willingly and more intensely if wages are high. This extra effort by workers will compensate firms for the extra cost they incur due to minimum wage law.

Review of Empirical Literature: We will review the most recent empirical literature on minimum wage laws and their effects on employment in the same order of the five theories discussed above. These empirical studies will show how controversial this topic is. That is, there is no clear and definite sign of the relationship between minimum wage and employment.

(a) **Recent empirical literature supporting the Neoclassical theory:** Asravor and Sackey (2022) investigate the effect of daily minimum wage laws on sectoral employment in Ghana using the Cobb–Douglas and constant elasticity of substitution production functions as the theoretical foundation for their study from 1991 to 2018 and find that daily minimum wage negatively affects the sectoral employment with the agricultural employment being the worst affected. Bailey et al. (2021) examine the short-term and longer-term economic impacts of the 1966 Fair Labor Standards Act in the United States which raised the national minimum wage to its highest level of the 20th century and extended coverage to an additional 9.1 million workers. They find that the 1966 Act increased wages dramatically but reduced aggregate employment only modestly. They also find that disemployment impacts were significantly larger among African American men. Chorna (2021) investigates how minimum wage increase affects various firm-level characteristics in Poland where the minimum wage witnessed a large and persistent increase in 2008 and 2009. The author shows that firms which were more exposed to the minimum wage increase faced higher increases in total labor costs and larger reductions in profitability, and the sharp increase in the minimum wage increased capital and decreased overall labor productivity and employment. Drucker et al. (2021) study evidence on the incidence of the minimum wage on the incomes of business owners using a unique administrative dataset on the universe of tax records for Israel from 2003 to 2010, a period surrounding a large minimum wage increase. They find that the minimum wage increase reduced profits of companies, with minimum-wage intensive companies bearing the bulk of the cost and reducing their workforces more aggressively. They also find that profits declined more for lower-income business owners.

(b) **Recent empirical literature supporting the Monopsony theory:** Roupakias (2022) analyzes the short-run impacts of minimum wage laws on earnings and employment in Greece from 2016 to 2020 and find some evidence that an increase in the minimum wage intensity is correlated with higher female employment. Van der Westhuizen (2022) empirically examines the impact of the 2001 minimum wage reform on the employment of 16-17 and 18-19-year-olds in New Zealand. This reform raised the real minimum wage 68% for 18-19-year-olds and 35% for 16-17-year-olds in 2001 and 2002. The author finds that the 2001 minimum wage reform had small and positive effects on the employment of teenagers. Giuliano (2013) examines data from a large US retail firm and how this firm responded to the 1996 federal minimum wage increase. The author finds that increases in the relative wages of teenagers led to significant increases in the relative employment of teenagers, especially younger and more wealthy teenagers. The author also finds it led to higher teenage labor market participation and higher absolute employment of teenagers.

(c) **Recent empirical literature supporting the Keynesian theory:** Andriopoulou and Karakitsios (2022) examine the impacts of minimum wage on unemployment in Greece from 2004 to 2019. They find that individual-level characteristics play an important role in making a transition into or out of unemployment. However, changes in the real minimum wage have either a statistically insignificant or a very small impact on unemployment. Dustmann et al. (2022) investigate the wage, employment, and reallocation effects of the introduction of a nationwide minimum wage in Germany between 2014 and 2016 and find that the minimum wage raised wages but did not lower employment. Campos-Vazquez and Esquivel (2021) analyze the effects of doubling the minimum wage by the Mexican government in municipalities that share a border with the United States on earning and employment in the private sector from 2015 to 2021. They find no significant effect on employment and a positive and significant impact on earnings. Derenoncourt et al. (2021) analyze the effect of large increases in the minimum wage in Brazil that occurred between 1999 and 2009. They do not find evidence of significant disemployment effects or of white-nonwhite labor substitution, nor any evidence of significant reallocation of workers from the formal sector to the informal sector. They also find the increase in the minimum wage erased the racial earnings gap up to the 10th percentile

of the national wage distribution and up to the 30th percentile in the lowest wage region. As a result, the minimum wage increases of the 2000s had led to a large decline in the economy-wide racial income gap in Brazil.

(d) Recent empirical literature supporting Efficiency Wage theory: Akerlof (1982, 2002) suggests that higher wages can lead to higher productivity and efficiency by workers, which could possibly compensate for the higher labor costs that a minimum wage may cause for firms. Rebitzer and Taylor (1995) show that setting a minimum wage slightly above the level of the equilibrium wage can raise the possible cost of dismissal for an employee so the company can devote fewer resources to monitoring the work effort and devote this amount of money and resources to the recruitment of additional workers. Thus, a minimum wage may increase the level of employment in low-wage jobs. Shapiro and Stiglitz (1984) assume that there are two levels of work intensity: a high level of labor intensity at which workers produce products, and a low level at which workers produce no products. To force workers to work at a high level of intensity, employers use the threat of dismissal. Given employers' limited ability to distinguish between both types of workers, employers have an interest in raising wages to a level that makes it unprofitable for workers to choose low-intensity work, and thus, face the increased risk of dismissal.

(e) Recent empirical literature supporting Search-and-Matching theory: Adams et al. (2022) investigate the relationship between minimum wage increases and search effort in the United States from 2003 to 2016. They find that minimum wage changes increase search effort on the intensive margin but only during the month of the minimum wage change. In United Kingdom, Laws (2018) finds robust evidence of increased labor force participation and extensive margin search in response to higher minimum wages with no corresponding change in employment rates between 2010 and 2016. The author also finds evidence of increased duration of unemployed search and no significant estimates for any on-the-job search moments. That is, there is no evidence for potential concerns that higher minimum wages provide a disincentive for workers to progress up job ladders.

Methodology: To analyze the effect of minimum wage law on unemployment rates in the Saudi labor market, we ran three OLS regression models. First regression estimates the impact of average wages on Saudi total unemployment rate for both male and female, the second regression estimates the impact of the variation in wages for Saudi male only on male unemployment rate, and the third regression estimates the impact of the variation in wages for Saudi female only on female unemployment rate. The following are our three regressions:

$$(1) \quad Unemployment\ Rate_i = \beta_0 + \beta_1 Wage_i + \beta_2 Real\ Income_{i-1} + \beta_3 Crisis_i + \beta_4 Unemployment\ Rate_{i-1} + \beta_5 Time\ Trend_i + \varepsilon_i$$

$$(2) \quad Male\ Unemployment\ Rate_i = \beta_0 + \beta_1 Male\ Wage_i + \beta_2 Real\ Income_{i-1} + \beta_3 Crisis_i + \beta_4 Male\ Unemployment\ Rate_{i-1} + \beta_5 Time\ Trend_i + \varepsilon_i$$

$$(3) \quad Female\ Unemployment\ Rate_i = \beta_0 + \beta_1 Female\ Wage_i + \beta_2 Real\ Income_{i-1} + \beta_3 Crisis_i + \beta_4 Female\ Unemployment\ Rate_{i-1} + \beta_5 Time\ Trend_i + \varepsilon_i$$

Where $Unemployment\ Rate_i$ is the logarithm of total unemployment rate for both male and female Saudi workers, $Male\ Unemployment\ Rate_i$ is the logarithm of male unemployment rate for Saudi workers, $Female\ Unemployment\ Rate_i$ is the logarithm of female unemployment rate for Saudi workers, i is the year, $Wage_i$ is the logarithm of wages for Saudi nationals for both male and female expressed in Saudi Riyals, $Male\ Wage_i$ is the logarithm of wages for male Saudi nationals expressed in Saudi Riyals, $Female\ Wage_i$ is the logarithm of wages for female Saudi nationals expressed in Saudi Riyals, $Real\ Income_{i-1}$ is the logarithm of real GDP in the previous period, $Crisis_i$ is dummy variable equal to one if the year experienced jump in unemployment rate and zero otherwise, $Unemployment\ Rate_{i-1}$ is the lagged dependent variable, $Time\ Trend_i$ is the time trend to capture any trend experienced by the data, and ε_i is the error term. Unemployment is one of the lagging indicators, and so to capture the effect of the state of the economy on unemployment, we used real GDP for the previous period. These models were estimated using EViews software. Statistical significance was established by comparing the reported p-value to three alpha levels of 0.01, 0.05, and 0.10.

We collect our data from the Saudi Central Bank's portal for open data. Wage data for Saudi nationals only cover the period from 2014 to 2021, and hence, it limited our ability to increase our sample size. Table [1] presents the summary statistics for our data. The table clearly shows that on average unemployment rate for Saudi female is five times higher than the Saudi male's unemployment rate. Also, it shows on average Saudi male workers earn higher wages than Saudi female workers, about 75% more.

Table [1]: Descriptive Statistics

Variables	Real Income (billion)	Male Unemployment Rate	Female Unemployment Rate	Total Unemployment Rate	Male Wage	Female Wage
Mean	2,571	5.96	30.5	12	7,073	4,065
Standard Error	23	0.33	1.57	0.23	236	155
Median	2,578	5.65	32.7	11.9	7,017	3,909
Standard Deviation	65	0.94	4.45	0.65	667	439
Sample Variance	4,163,386	0.89	19.8	0.43	445,181	192,927
Minimum	2,445	4.90	22.5	11	6,158	3,642
Maximum	2,642	7.40	33.8	12.8	8,099	4,954
Sum	20,569	47.8	244	95.9	56,581	32,520
Sample Size	8	8	8	8	8	8
Unit	S.R.	%	%	%	S.R.	S.R.

Source: Authors' calculations.

Results and Discussion: Table [2] presents the main findings of this study. According to model (1), a one percent increase in wages for Saudi workers would lead to 3.12 percent decline in unemployment rate among nationals, and this result is statistically significant at 1% alpha level. In addition, a one percent real growth in the economy during the previous year would lead to 1.47 percent decline in unemployment rate for Saudi workers in the current year with significance level at the 5%. Finally, the coefficient for Crisis indicates that on average, there is 11% jump in unemployment rate for nationals during economic recessions, and this result is significant at the 5% alpha level. All these findings have been achieved with 99% R^2 .

Model (2) investigates the effect of wages on unemployment rate for Saudi male only. The coefficient for *Wage* shows if wages for Saudi male increase by one percent, Saudi male unemployment rate would decline by 11.6 percent, and this result is statistically significant at 10% alpha level. The other two coefficients are not statistically significant. R^2 indicates that 91% of the variation in unemployment rate for male nationals is explained by the model. Model (3) estimates the effect of the variation in wages on unemployment rate for Saudi female workers with R^2 of 0.92. According to this model, a one percent increase in women's wages would lead to 3.58% decline in their unemployment rate. However, neither this finding nor the other coefficients in this model are statistically significant.

Table [2]. The Effect of Wages on Unemployment Rate

Dependent variable	Unemployment Rate		
	(1)	(2)	(3)
Wage	-3.12*** (0.25)	-11.6* (3.35)	-3.58 (3.69)
Real Income	-1.47** (0.25)	0.81 (1.75)	1.04 (3.24)
Crisis	0.11** (0.02)	0.35 (0.16)	-0.02 (0.11)

R^2	0.99	0.91	0.92
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Notes: All three regressions include the following controls: Lagged dependent variable, time trend, and intercept. Standard errors are shown in parentheses.

*** Significant at the 1 percent level.

** Significant at the 5 percent level.

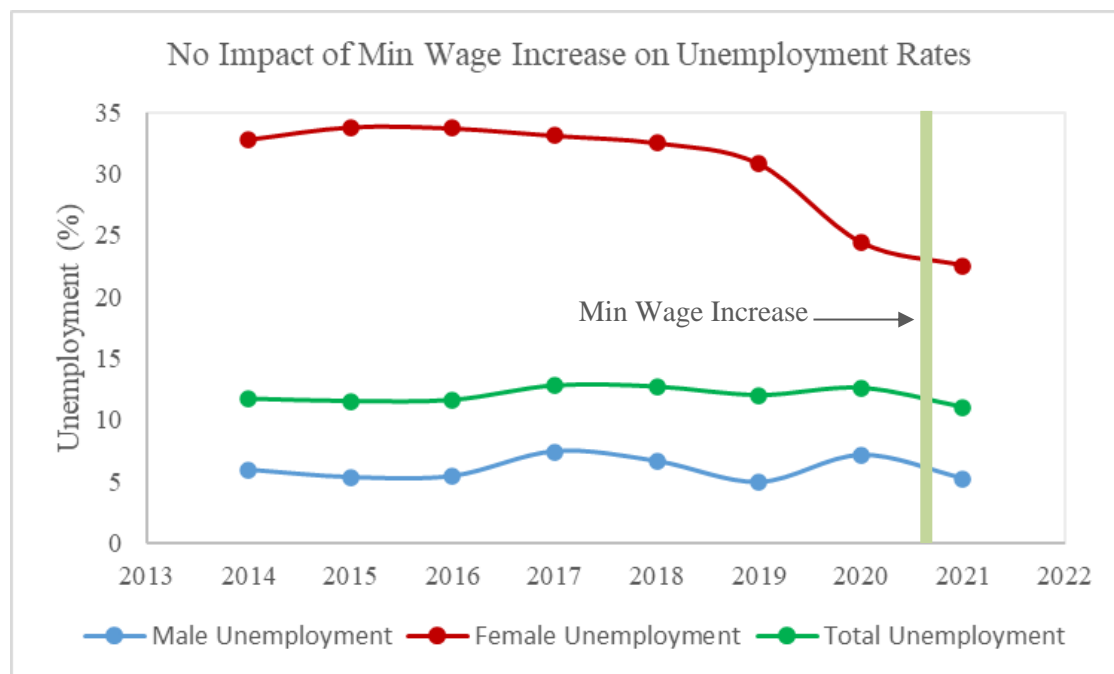
* Significant at the 10 percent level.

Source: Authors' calculations.

Figure [1] shows unemployment rates for Saudi male represented by the blue curve, Saudi female represented by the red curve, and Saudi total workers represented by the green curve from 2014 to 2021. It is obvious that all three unemployment rates did not jump after enacting the minimum wage law in 2020. In fact, the unemployment rates for both male and total workers reverse course and went down after 2020, while unemployment rate for female kept going down after 2020 as if there was nothing changed. These results, along with the regression results previously presented, suggest that workers are more encouraged to participate in the labor force when wages rise, since not doing so—i.e., exiting the labor market—means workers would endure higher opportunity cost. On the other hand, when wages are low, the opportunity cost of not working would also be low. That is, the opportunity cost of the foregone income for workers would be relatively smaller than the cost of foregone income had wages been higher. In this case, workers are less encouraged to participate in the labor force.

Figure [2] shows labor productivity annual growth rate for Saudi workers from 2014 to 2021. After enacting the minimum wage law in 2020, labor productivity for Saudi workers improved significantly jumping from negative 5.4% in 2020 to positive 4.4% in 2021. This result suggests what the efficiency wage theory had already suggested: when workers are paid more, they will be incentivized to be more productive and less incentivized to quit.

Figure [1]: Unemployment Rates for Saudi Male and Female



Source: Authors' calculations.

Figure [2]: Labor Productivity Annual Growth Rate for Saudi Workers

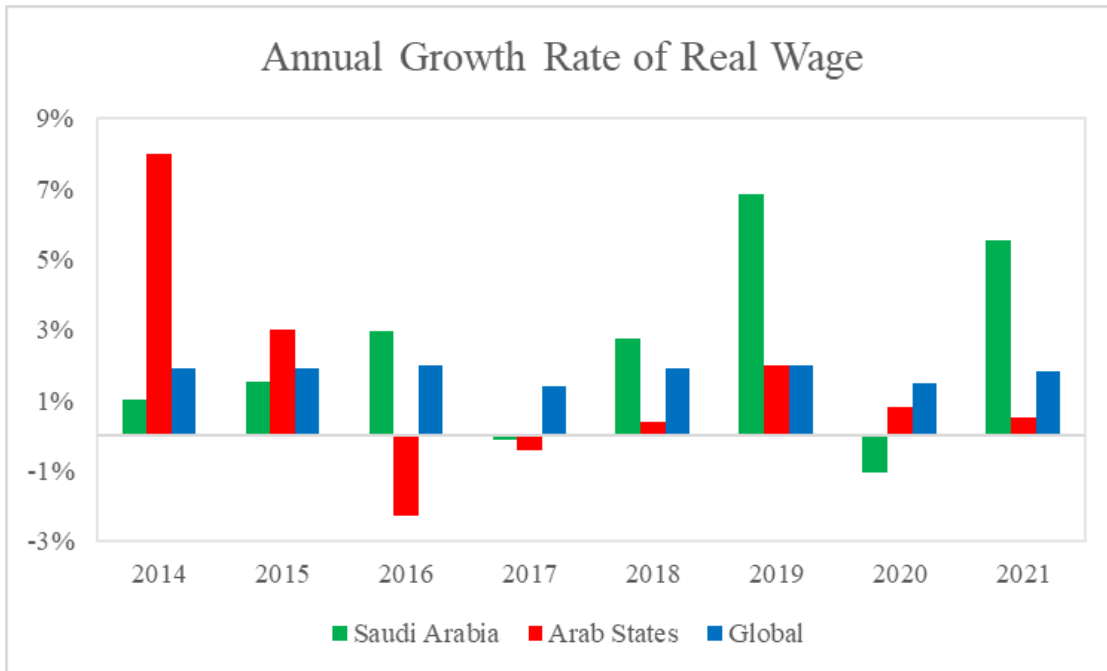


Source: Authors' calculations.

Figure [3] compares the annual growth rate of real wages for workers in Saudi Arabia, Arab States, and the rest of the world from 2014 to 2021. Comparing the three of them, Saudi Arabia experienced the highest annual real growth of wages in four out of the eight years. In 2017, both Saudi Arabia and the Arab States experienced negative annual real growth rates of wages, while in 2020 Saudi Arabia was the only country with negative annual real growth rate.

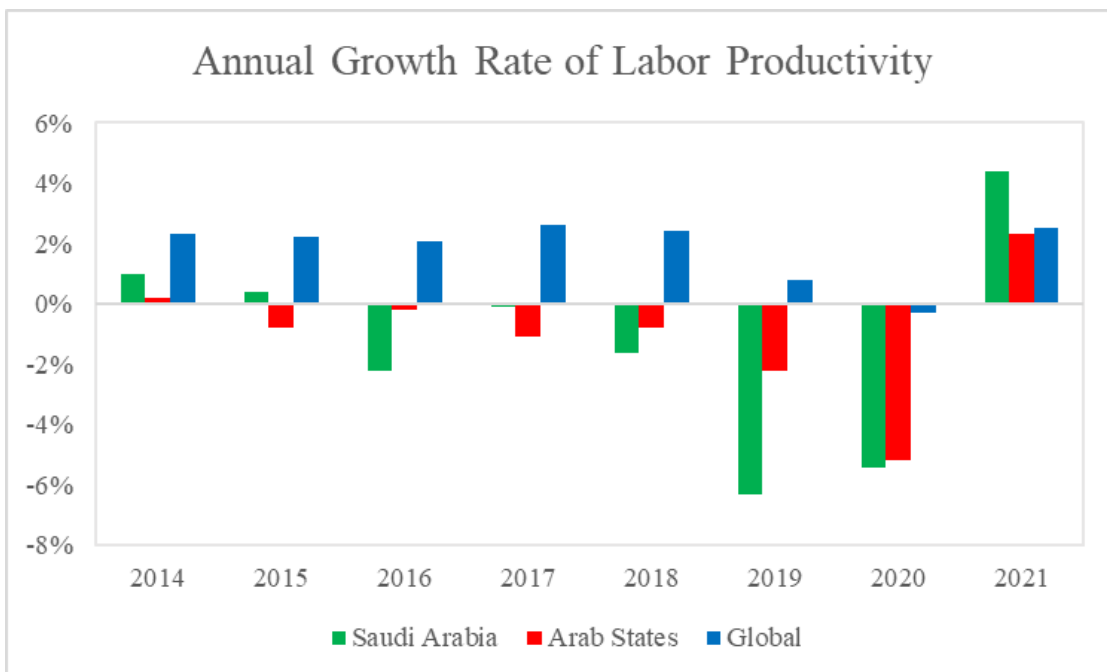
Figure [4] compares the annual growth rate of labor productivity in Saudi Arabia, Arab States, and the rest of the world from 2014 to 2021. Comparing the three of them, Saudi Arabia has never scored the highest annual growth rate of labor productivity except in 2021 when the minimum wage law was enacted. Prior to 2021, the figure clearly shows a negative trend in labor productivity growth that Saudi Arabia was witnessing from 2014 to 2020.

Figure [3]: Annual Growth Rate of Real Wage for Saudi Arabia, Arab States, and the World



Source: Authors' calculations.

Figure [4]: Annual Growth Rate of Labor Productivity for Saudi Arabia and the World



Source: Authors' calculations.

Legal Analysis: The ILO's definition of the minimum wage refers to "the minimum amount of remuneration that an employer is required to pay wage earners for the work performed during a given period, which cannot be reduced by collective agreement or an individual contract" (ILO, 2014). Regardless of how it is set, this definition points to the binding nature of minimum wages. Minimum wages can be set by governments in a variety of ways, such as through a law, a wage

council, a labor tribunal, or by giving them the force of law (ILO, 2023a), and are reviewed periodically in consultation with businesses and workers' organizations (Sodsriwiboon & Srour, 2019).

Minimum wages have been justified on moral, social, and economic grounds. However, the overarching goal is to raise incomes and improve the welfare of workers at the lower end of the wage scale while reducing inequality and promoting social inclusion (Sodsriwiboon & Srour, 2019). Minimum wages can be considered a controversial issue because they are essentially interventions in the labor market used by governments either as instruments of political macroeconomics or as social tools. Opponents argue that the minimum wage "is too blunt an instrument to be useful", that it can be detrimental to employment, growth, and work incentives, and that it can "negatively impact opportunities for low-skilled workers and youth" (IOE, 2014). Proponents of the minimum wage, on the other hand, argue that it is an effective tool for protecting the low-wage workers and fighting poverty.

The ILO estimates that prior to the covid pandemic, 327 million wage earners, or 19% of all wage earners worldwide, earned hourly wages below the prevailing minimum wage, and appropriate adjustment of the minimum wage is essential to improve the living standards of low-income households. Moreover, according to the ILO, the importance of minimum wages as a tool for social justice is underscored by the fact that 90 percent of ILO member states have minimum wage systems (ILO, 2022).

However, as the gender wage gap remains high in all countries and regions, greater efforts are needed to address gender inequalities in the labor market. According to ILO estimates, women are still paid on average around 20 percent less than men worldwide. There are large differences between countries, ranging from a high of over 45% to barely existing differences. In some countries, the gender pay gap has narrowed, while in others little has changed (ILO, 2019).

Minimum Wage and the ILO: According to the ILO, minimum wage was an important subject since its establishment in 1919, based on the view that "universal and lasting peace can be established only if it is based upon social justice", the 1919 ILO Constitution called in its preamble for urgent improvement of working conditions, including the "provision of an adequate living wage." As early as 1944, the ILO Philadelphia Declaration referred to the importance of "a minimum living wage to all employed and in need of such protection". This was also reiterated in the 2008 ILO Declaration on Social Justice for a Fair Globalization (ILO, 2023c). The following are some of the relevant ILO instruments:

- Protection of Wages Convention, 1949 (No. 95) is an important convention adopted by the ILO, which stipulates "Wages shall be paid regularly. Except where other appropriate arrangements exist which ensure the payment of wages at regular intervals, the intervals for the payment of wages shall be prescribed by national laws or regulations or fixed by collective agreement or arbitration award" (Art. 12, ILO, 1949).
- Minimum Wage Fixing Convention, 1970 (No. 131) also establishes a system of minimum wages with special reference to developing countries and provides provisions regarding minimum wage fixing machinery and related challenges (ILO, 2020).
- Equal Remuneration Convention, 1951 (No. 100) provides the principle of equal remuneration for men and women workers for work of equal value (ILO, 1951).

Saudi Arabia and the ILO: Saudi Arabia is a fully sovereign Islamic state according to the Basic Law of Governance of 1992. Article (1) of the Basic Law states that the Qur'an and the Sunnah of the Prophet Muhammad (peace be upon him) constitute the central constitution of the kingdom from which the government derives its authority. Article (8) affirms that the main principles of governance are based on justice, consultation, and equality in line with the Shari'ah. Article (28) of the Basic Law of Governance States: "The Kingdom facilitates work fields for everyone capable of working and legislates regulations that protect the worker and the employer" (Ansary, 2020).

Saudi Arabia ratified six out of eight fundamental ILO conventions, namely the Equal Remuneration Convention (No. 100) on June 15, 1978, Forced Labor Convention, 1930 (No. 29), Abolition of Forced Labor Convention, 1957 (No. 105), Discrimination (Employment and Occupation) Convention, 1958 (No. 111), Minimum Age Convention, 1973 (No. 138) on April 2, 2014, and the Worst Forms of Child Labor Convention, 1999 (No. 182) on October 8, 2001 (ILO, 2017).

The Kingdom recently ratified the Protection of Wages Convention, 1949 (No. 120) and Hygiene (Commerce and Offices) Convention, 1964 (No. 120) on December 7, 2020.

Saudi Arabia and the Wage Protection System (WPS): The Saudi Ministry of Human Resources and Social Development has launched several initiatives to create more jobs and create a more just and favorable work conditions. The most important of these are the Saudization of Jobs Program ("Nitaqat") and the supplementary program "Nitaqat 2," as well as the Social Security Program and the Wage Protection System (WPS). The Electronic Recruitment System ("Jadarah") launched by the Ministry of Human Resources and Social Development is a national platform for the recruitment of personnel in the public sector. The latest version of the Nitaqat program includes three new functions. The most important is the setting of the minimum wage, originally set at \$800 (SAR 3,000) and increased \$1,067 (SAR 4,000) starting in 2021 (US-Saudi Business Council, 2021).

The Ministry of Human Resources and Social Development in Saudi Arabia introduced and launched the WPS in 2013 (21/3/1434 H, February 2, 2013) based on Ministerial Decision No. 803, dated 12/2/1434 H (December 25, 2012) which relates to the organization of wage payment in the private sector, and Articles (22) and (243) of the Saudi Labor Law. The WPS is now being developed through the Mudad electronic platform in line with Vision 2030. Mudad is a technical and financial platform that operates through effective partnership with relevant public authorities, and under the supervision of the Ministry of Human Resources and Social Development" (ILO, 2021).

The WPS monitors the payment of salaries to all male and female workers in the private sector (Saudis and expatriates) with the aim of creating a database containing up-to-date information on the payment of salaries to workers in the private sector and determining the extent to which companies are obliged to pay salaries on time and according to the agreed value. The WPS has been applied since June 1, 2013, and in its first phase covered large companies (over 3000 employees). On December 31, 2020, the WPS was applied to all private sector companies, including micro, small and medium enterprises (with one or more employees). The WPS also helps the Kingdom meet its obligations under relevant international conventions, in particular the Protection of Wages Convention (No. 95) (ILO, 2021).

Saudi Arabia and Women's Rights: Saudi Arabia has taken implemented "groundbreaking" legal and economic reforms to open greater economic opportunities for women and protect their rights. In 2021, the Kingdom was ranked as one of the best reformers in closing the gender gap and improving economic opportunities for women. In the World Bank's "Women, Business and the Law" 2021 study, which examines how laws affect women in 190 economies, Saudi Arabia's economy scored 80 out of 100 (World Bank, 2021).

With regards to international conventions, the Kingdom has ratified three most important conventions that promote gender equality. The United Nations Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW) to which Saudi Arabia became party in 1978, promotes women's rights and prohibits discrimination in the workplace. The Discrimination (Employment and Occupation) Convention, 1958 (No. 111) which Saudi Arabia ratified in 1958, requires ratifying states to adopt national labor policies free of discrimination (ILO, 2017). The Equal Remuneration Convention, 1951 (No. 100) requires equal pay for work of equal value, regardless of gender (signed by Saudi in 1978). By acceding to these conventions, Saudi Arabia agrees to monitor and implement the provisions and protect the rights of women, especially in the labor force. (UNDP, 2021).

Recently, laws and regulations have been amended to promote women's rights and to ensure that discrimination against women is eliminated, especially in the workplace. Some of the most important are the Personal Status Act, the Travel Document Act, the Labor Law, and the Social Security Law. There are also many laws and policies that have been revised and amended to ensure gender equality (United Nations, 2018).

The most important developments are Royal Decree No. M/134, promulgated on 27 Dhu'lqa'dah A.H. 1440 (30 July 2019), authorizing the amendment of several laws, the most important of which is the amendment of the Labor Law (Royal Decree No. M/51): the law was amended to ensure "equal rights, duties and [working] conditions [...] for men and women." Article 3 of the Saudi Labor law was also amended to state that "all citizens have the right to work and may not be discriminated against on the basis of their gender, and that the retirement age of 60 applies equally to men and women." The amendments also prohibit the dismissal or threat of dismissal of "a woman employee while she is pregnant or on maternity leave, or in the event of illness during either period" (United Nations, 2020). Women's entrepreneurial activities have increased because of the aforementioned labor reforms, particularly laws prohibiting gender discrimination in access to financial services (The World Bank, 2020).

Conclusion: This paper examines the impact of the minimum wage law on employment in Saudi Arabia. Using an OLS regression model, we find significant positive effects of raising the minimum wage on employment. We also find an

improvement in labor productivity following the increase in the minimum wage for Saudi workers. On the negative side, we find that the unemployment rate of Saudi women is on average five times higher than the unemployment rate of Saudi men, and that the wages of Saudi men are 75% higher than the wages of Saudi women.

Saudi Vision 2030 recognizes the link between women's economic empowerment and development. As we have shown, women's rights have been expanded and strengthened under the current leadership, and Saudi women are more engaged in the economy than ever before, putting the words of Vision 2030 into action. As Crown Prince Mohammed bin Salman put it: "Saudi women are yet another great asset... we will continue to develop their talents, invest in their productive capabilities and enable them to strengthen their future and contribute to the development of our society and economy" (Abueish, 2021).

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