**Green Wages in Saudi Arabia: Premium or Penalty?**

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**Overview**

A key topic of the energy transition is the complementary establishment of the green economy and subsequently green growth. Related to this is the prospect of “green jobs”: employment that contributes to or preserving the environment, largely as a result of specialization in renewable energy and energy efficiency. A major attractiveness of green jobs is that they are assumed to pay more than regular (brown) employment: the “green wage premium”. This study investigates the existence of this premium using administrative microdata from Saudi Arabia.

**Methods**

Mincerian wage regressions are used to estimate wage premiums for those working in green jobs. A dummy variable is created for green workers by categorizing certain 3-digit ISCO-08 minor occupation groups as “green occupations” (this method of isolating green occupations was developed by O\*NET for the US Bureau of Labor Statistics). Other variables in the wage regression will be: age, gender, a dummy variable for possession of a third level degree, a dummy variable designating living in an urban area, and a set of dummy variables for ISIC4 economic sector. From this we can isolate the green wage premium (or penalty) while accounting for heterogeneous human capital and demographic characteristics.

**Results**

Looking at the raw gap, before estimation of the wage regression model, we see that there is no wage premium for green occupations in Saudi Arabia. We expect the results to affirm this, possibly showing that a key driver of this is high wages in occupations linked to the oil industry. Further, we may observe that there is also a significant gender wage gap in green occupations, most likely due to low employment of women in high-paying engineering and technical positions relevant to the energy transition.

**Conclusions**

Saudi Arabia has much potential to benefit economically from the energy transition, and this includes the socioeconomic benefits such as increased job opportunities. While significant green employment is present in the country, there is no evidence thus far for existence of any green wage premium in the country. Further analysis of the results are necessary to offer firm conclusions, however high paying jobs in the lucrative oil industry may be a significant barrier to overcoming this.