

A Comprehensive Guide to Saudization

THOUGHT LEADERSHIP



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Table of Contents

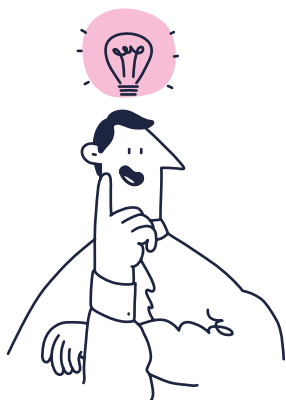
01	Introduction	P1
02	What is Saudization/Nitaqat?	P2
03	Why is Saudization Important?	P3
04	Benefits of Saudization	P4
05	Evolution of Saudization	P5
06	Calculating Saudization	P6
07	Succeed with Saudization Compliance	P7
08	Frequently Asked Questions	P8

01

INTRODUCTION

Understanding the business landscape in Saudi Arabia means knowing about Saudization, also called the Nitaqat Program. This guide explains the Saudization initiative, its importance, benefits, and compliance requirements.

Whether you're a local entrepreneur or a foreign investor, knowing this program is key to maximizing opportunities and running a sustainable business in the Kingdom.



02

WHAT IS SAUDIZATION/NITAQAT?

Saudization, or the Saudi Nationalization Program, requires businesses to reserve a certain percentage of private-sector jobs for Saudi nationals.

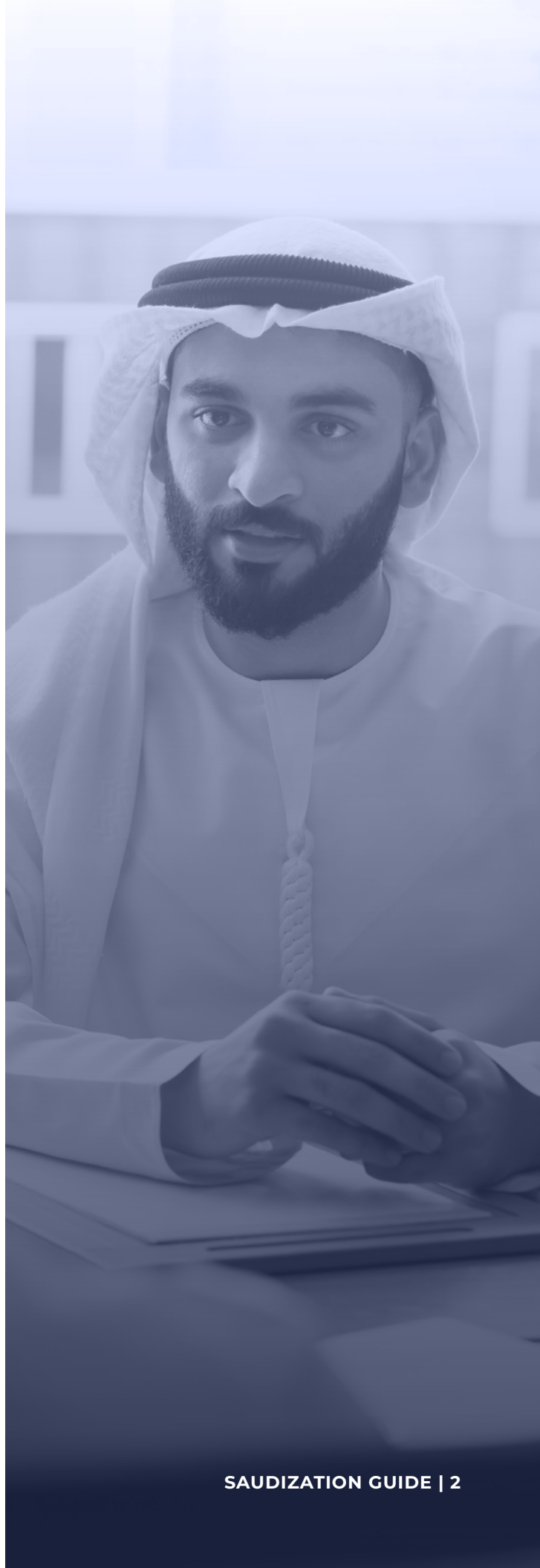
This program addresses employment challenges for Saudis and aims to increase their presence in private-sector jobs. The required Saudization ratio depends on the company's size, industry, and type of business.

Saudi Arabia has seen significant growth with government and foreign investments, especially through the ambitious Saudi Vision 2030 plan. Saudization ensures that Saudi nationals benefit from the increase in private-sector jobs and investments.

Introduced in 1985, Saudization was created as Saudi Arabia gained wealth from oil exports and needed to ensure job opportunities for its citizens instead of relying solely on expatriate workers.

For more detailed information:

➔ [Ministry of Human Resources and Social Development](#)



03

WHY IS SAUDIZATION IMPORTANT?

Saudization is important to ensure Saudi nationals have private-sector job opportunities in their own country. It helps the local population gain from private-sector growth, like better jobs, higher incomes, and more opportunities.

The Nitaqat Program also tackles the issue of a growing Saudi population that the public sector can't fully employ.

The private sector plays a key role in providing jobs for many Saudi nationals looking for work. This supports the government's goal to diversify the economy and build a strong private sector.



04

BENEFITS OF SAUDIZATION

Saudization offers several key benefits:



Reduces Unemployment: By ensuring the private sector absorbs Saudi workers, Saudization helps keep unemployment rates low.



Development of a Skilled Workforce: Integrating Saudi nationals into the private sector aids in developing a skilled workforce exposed to modern practices, technologies, and upskilling programs.



Economic Diversification: Saudization supports the broader goal of reducing dependence on the oil sector by promoting a diverse economy with a strong private sector and entrepreneurial culture.



Economic Growth: By reducing unemployment and increasing income among Saudis, Saudization stimulates domestic demand and economic growth.



Social Stability: Ensuring that Saudi nationals have job opportunities helps maintain societal peace and stability.



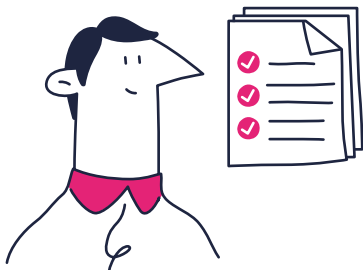
Investor Confidence: A skilled local workforce increases investor confidence, attracting foreign investments and improving service standards.

05

EVOLUTION OF SAUDIZATION

The Nitaqat system rates businesses on how well they follow Saudization rules. Companies that comply well get a Platinum rating, which gives them benefits like easier immigration processes.

On the other hand, non-compliant companies face restrictions, such as limits on hiring foreign workers. This system encourages businesses to hire and train Saudi nationals, supporting the goals of Saudi Vision 2030.



For more detailed guidelines:

➔ [Nitaqat Program section](#)
on the Ministry's website.



06

CALCULATING SAUDIZATION



The required Saudization rate depends on:

- ▶ **Total Number of Employees:**
Larger companies generally have higher Saudization quotas.
- ▶ **Business Activity/Sector:**
Different industries have varying Saudization requirements.
- ▶ **Percentage of Saudi Employees:**
The actual ratio of Saudi nationals in the workforce.

Certain positions are reserved for Saudi nationals under the Nitaqat Program, such as:

- ▶ Senior HR Manager
- ▶ Personnel Specialist
- ▶ Recruitment Clerk
- ▶ Government Relations Officer
- ▶ Director of Labour Affairs

Additional stipulations include:

- ▶ Companies failing to meet Saudization criteria cannot bid on public tenders.
- ▶ No gender-based quotas.
- ▶ Salaries below SAR 4,000 count as 0.5 persons towards the quota.
- ▶ Employing one disabled Saudi national counts as four persons.
- ▶ GCC nationals are included in Saudization counts.
- ▶ Dual-registered Saudi employees only count for the first company.

For more detailed information on how to calculate Saudization: [Nitaqat Calculation Tool](#)

07

SUCCEED WITH SAUDIZATION COMPLIANCE

Understanding and implementing Saudization is both a regulatory requirement and a strategic advantage for businesses in Saudi Arabia. By following Saudization policies, companies help achieve the nation's economic goals, build a skilled local workforce, and benefit from a stable and growing market.

This guide gives you the key information needed to manage the Nitaqat Program. If you have any questions or need more help, please [contact us](#).



08

FREQUENTLY ASKED QUESTIONS (FAQS)

If your question isn't addressed here, please reach out to us: [Make an Inquiry](#)

▶ **What is the Saudization percentage?**

The Saudization percentage is the ratio of Saudi nationals to the total number of workers employed in a particular sector or company.

▶ **What are the new Saudization rules for 2024?**

Starting July 21, 2024, the Saudization quota for private companies employing five or more certified engineers will increase from 20% to 25%.

▶ **How do you calculate Saudization?**

Saudization is calculated as the percentage of Saudi nationals in the total workforce of the company.

▶ **What is a Saudization plan?**

A Saudization plan outlines strategies to meet the Saudization requirements of a business.

▶ **What is the Saudization policy in Saudi Arabia?**

The Saudization policy mandates that a certain proportion of employees in private-sector companies be Saudi nationals.

▶ **What is the goal of the Saudization program?**

The goal is to ensure that Saudi nationals have equal opportunities in the private-sector workforce.

For further information on Saudization and related policies, visit the [Ministry of Human Resources and Social Development website](#).





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