

Client Alert

Mergers and Acquisitions (M&A)

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Increase in Saudization Ratio for Engineering Positions

On May 20, 2024, the Ministry of Human Resources and Social Development (“**MHRSD**”) in collaboration with the Ministry of Municipal Rural Affairs and Housing announced their goal of increasing the Saudization ratio in the engineering profession from 20% to 25% (“**Saudization Ratio**”) starting July 21, 2024, with the aim of encouraging greater labor market participation by qualified Saudi nationals in the engineering sector.

SCOPE OF APPLICATION

This required Saudization Ratio only applies to private entities in Saudi Arabia, which employ at least five engineers.

The engineering profession is subject to the Saudization Ratio and includes the following: civil engineers, general industrial engineers, production engineers, oil engineer, environmental engineers, and power generation engineers.

CALCULATING THE SAUDIZATION RATIO

It is worth noting that only engineers certified by the Saudi Council of Engineers (“**Certified Engineers**”) are counted towards the Saudization Ratio. Also, Certified Engineers in non-engineering positions do not count towards the Saudization Ratio.

In addition to the above limitations, only Certified Engineers earning a monthly income of at least 7,000 Saudi Riyals (as registered with the General Organization for Social Insurance) (“**Minimum Required Salary**”) are accounted for.

APPLICATION OF THE SAUDIZATION RATIO

To determine the number of additional Saudi Certified Engineers to be hired by a given entity, the following formula must be applied: *(total number of engineers × 25%) – total number of Saudi engineers employed*



by the entity. Entities subject to this Saudization ratio had six months since January 21, 2024, to comply with the Saudization Ratio.

POTENTIAL PENALTIES

As of July 21, 2024, entities subject to the Saudization Ratio must be compliant. However, in case of non-compliance with the Saudization Ratio or continued reliance upon non-Saudi engineers in a profession subject to the Saudization Ratio, potential penalties imposed on a given entity for non-compliance include the following: suspending the renewal of work permits, suspending permits to recruit foreign employees, and suspending the entity’s operations.

As such, companies operating in Saudi Arabia must evaluate their engineering workforce and ensure that they employ the requisite number of Saudi national engineers who are Certified Engineers and are earning at least the Minimum Required Salary.

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