



EMPLOYMENT IN THE PRIVATE SECTOR IN OMAN: SECTOR-BASED APPROACH FOR LOCALIZATION

Yasir Y. Ali,¹ Mowafaq M. Al-Nusair,² Farooq S. Alani,³ Firdouse R. Khan,⁴ Latifa H. Al-Badi⁵

Faculty of Business, Sohar University, Sultanate of Oman

yali@soharuni.edu.om, mowafaq@soharuni.edu.om, falani@soharuni.edu.om, fkhan@soharuni.edu.om,
lbadi@soharuni.edu.om

ABSTRACT

PURPOSE

The objective of the study is to analyze the factors impeding Omanization policies in the selected sectors - Construction, Retail and Tourism of Oman economy and to find out the cause for the disparity created between the graduates and the jobs availability.

DESIGN/METHODOLOGY/APPROACH

The study adopted both qualitative and quantitative analysis. The interview approach was administered to collect the data from the Government officials, employers of expats in the private sector, Omani youth seeking employment and employees from Muscat, Sohar and Salalah.

FINDINGS

Lack of coordination between government and the private sector in the formulation of Omanization policies contributing to sustained high level expatriate workers in Oman's private sector leaving a large gap between the Omani job seekers and job availability in the selected sectors.

PRACTICAL IMPLICATIONS

Every year, the number of graduates is exceeding the number of jobs available in the economy and this paper draws attention to align this alarming issue through proper suggestions.

SOCIAL IMPLICATIONS

There is an urgent need to improve the alignment between the qualification and skills bestowed on nationals by education systems and the needs of the market through devising proper mechanisms.

ORIGINALITY/VALUE

Very few studies have examined the harmony of Higher Education and market requirements in Oman. This is first hand study of its kind.

Key words: *Unemployment, Omanization, Private Sector, Challenges and Opportunities in the Private Sector of Oman.*

INTRODUCTION

When quotas were first introduced in GCC countries, nationalization policies were relatively unsophisticated. As a result, blanket quotas, which applied to the whole economy, emerged.

In the 1990s and 2000s, GCC countries developed more sophisticated and targeted quota systems. A common step was to establish sectorial quotas. This enabled governments to target high priority sectors for nationalization. Mandatory sectorial quotas thus had some successes, and had the political advantage of being immediately evident to resident populations ([Randeree, 2012](#)).

Oman's policymakers have made particular use of quotas ([Forstenlechner and Rutledge, 2010](#)). The origin of current quota schemes in Oman can be traced to a decision by the then Committee for Vocational Training in 1991 to establish a percentage target for Omanisation within a specific time limit ([Randeree, 2012](#)). Over the years, quotas have then been set for an array of sectors including transport, storage and communications to hotels, restaurants and retail. In some sectors, such as oil and gas, different Omanisation targets have been established for sub-sector categories ([Mashood, Verhoeven and Chansarkar, 2009](#)).

This paper tried to develop insights into how the Omani government can encourage and support more young people into industry occupations in the construction, wholesale/retail, and tourism & hospitality sectors. Crucially, this means increasing the numbers of young people entering both skilled and semi-skilled occupations in these sectors, which is a key aspect of the Sultanate's sustainable development agenda. The paper adds to the existing literature in the area of private sector Omanization by providing an up-to-date assessment of the perceptions of various stakeholders that include: employers, current employees, government officials, and potential future employees. In particular the paper tried to answer the following research questions:

1. What are the key private sector industries in Oman economy that can be considered as flagship for Omanization and creation of sustainable employability for young Omanis?
2. Do young Omanis have the necessary drive and skills to enroll in sustainable employment in those key sectors identified in research question 1?
3. What other inputs are needed to enhance the private sector Omanization process?

Findings from this paper were limited to the three sectors of the study that had been chosen after consultation with stakeholders, however, where possible, conclusions and recommendations may be generalized to other sectors.

BACKGROUND

Oman is a middle-income economy that is heavily dependent on dwindling oil resources. Because of declining reserves and a rapidly growing labor force, the Government has actively pursued a development plan that focuses on diversification, industrialization, and privatization, with the objective of reducing the oil sector's contribution to GDP to 9% by 2020 and creating more jobs to employ the rising numbers of Omanis entering the workforce. Tourism and gas-based industries are key components of the government's diversification strategy. Increases in social welfare benefits, however, particularly since the Arab Spring, challenge the government's ability to effectively balance its budget.

Being a labor importing country, Oman draws most of its foreign workforce from Asian countries such as India, Bangladesh, Pakistan, and Sri Lanka (See figure 1: Expatriates By Origin (2012)). It is clear that the impact of the influx of expatriate workers on Oman has been significant. The figure below (Oman's Population - Percentage of Expatriates) illustrates the growth in the percentage of expatriates in Oman. In 2002, 26% of the population were expatriates, today that figure is 44%. There was a temporary retrenchment from the growth in expatriates in 2010 as a result of the introduction of new, but short-lived, labor laws restricting the employment of expatriates, the impact of social unrest in the region and the slowing of the global economy. The dominance of foreigners is even more pronounced in the workforce than it is in the total population.

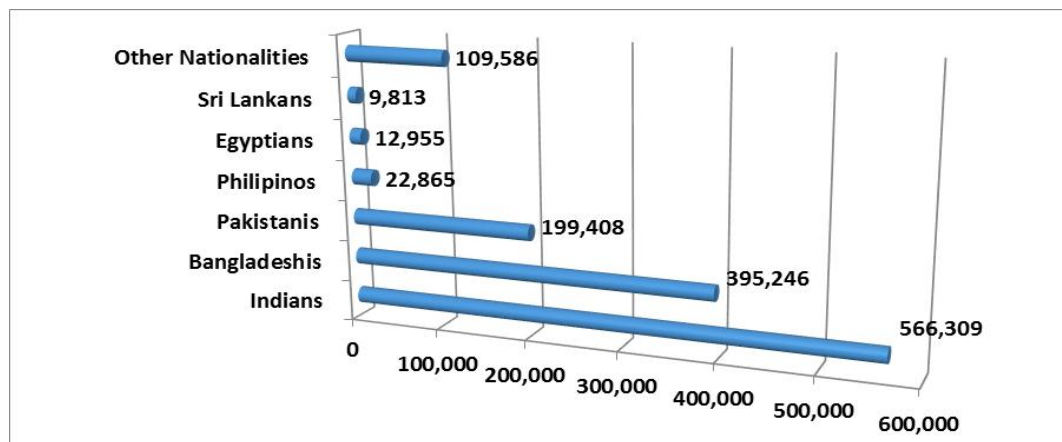


Figure 1. Expatriates by Origin (2012)

Oman's indigenous population has been growing, driven by factors such as economic development, improved health care and lower infant mortality, resulting in a society with 60% of the population below the age of 25. Against a backdrop of increasing global competition and increasing influence of low-cost economies such as India and China, the need for Oman to generate sustainable private sector employment is urgent. The necessity to create value-

adding businesses and thus employment opportunities will help Oman to cope with the exponential growth in young job-seekers and help to re-balance Oman's hydro-carbon-dominated economy.

In 2013 employment in the public sector in Oman was 211,129 of which only 13% (30,392) were expatriates workers whereas the figure for the private sector was 1.71 million from which 89.9% were expatriates (See figures 3 & 4: Public Sector (2013); and, Private Sector (2013)), which is almost diametrically opposed to the public sector.

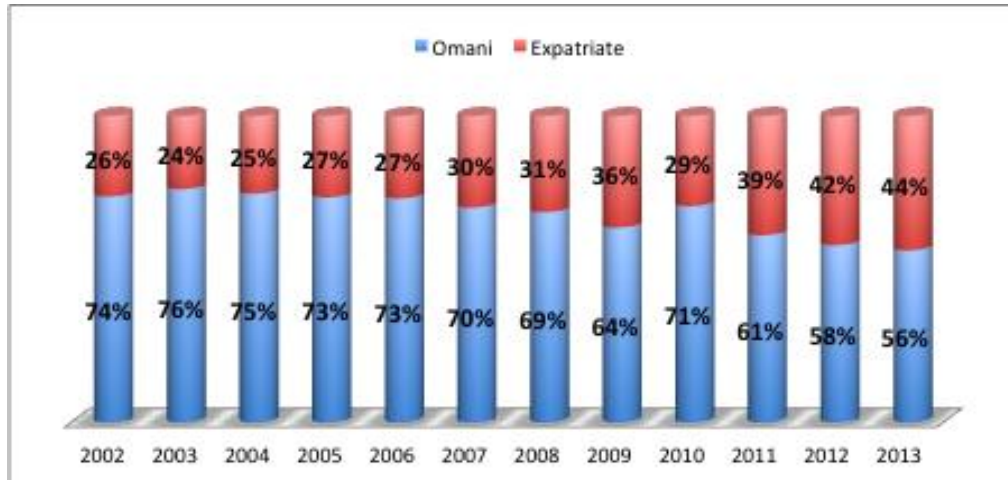


Figure 2. Oman's Population - Percentage of Expatriates

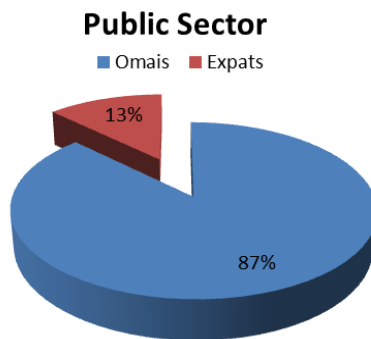


Figure 3. Public Sector

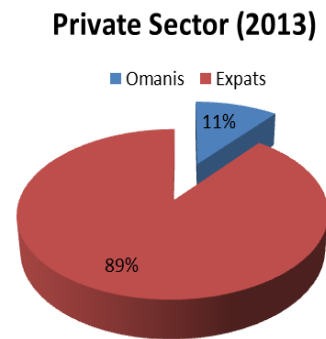


Figure 4. Private Sector Figure

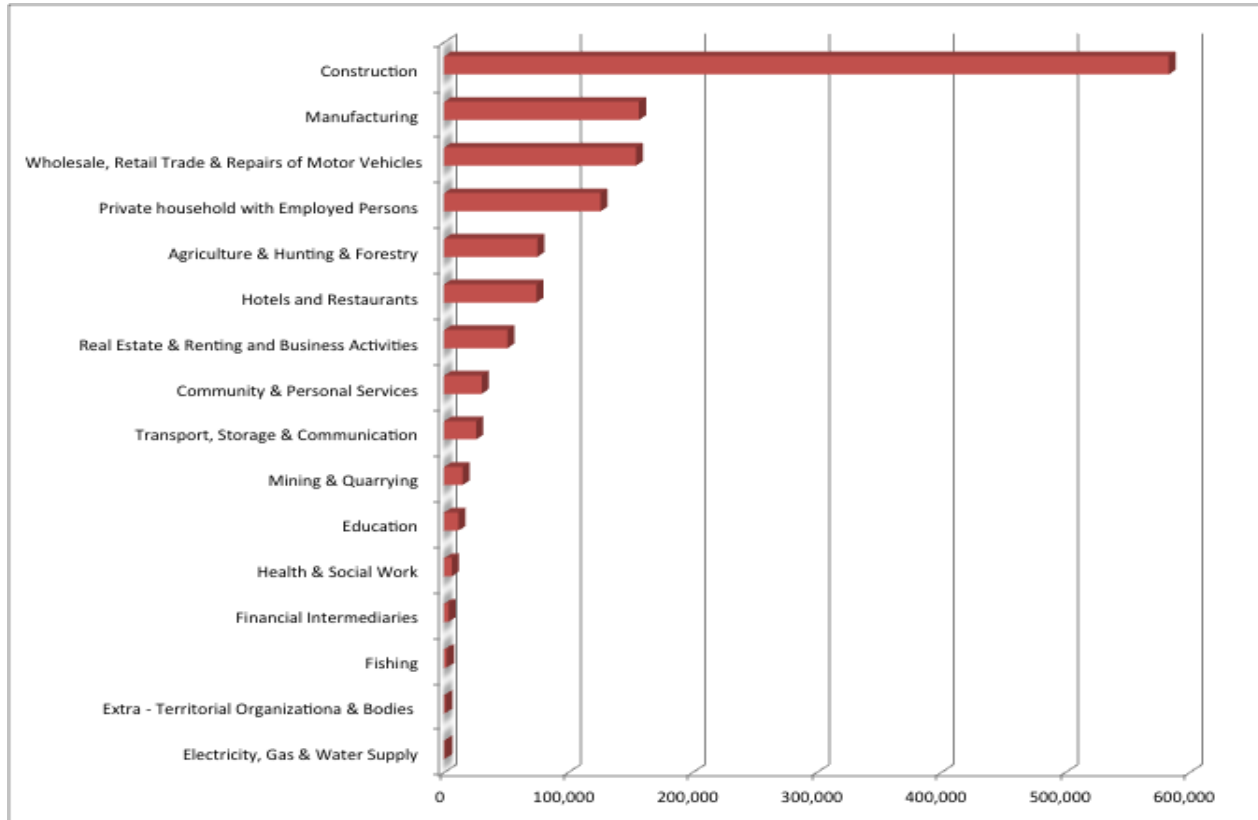


Figure 5. Oman's Employment of Expatriates by Sector (2012)

The main private sector employers of expatriates were construction (583,100), manufacturing (156,806), and wholesale and retail trade (154,400) (See figure 5: Oman's Employment of Expatriates by Sector (2012)). The main sector for employment, construction, is by far the largest employer of expatriate labor. Much of the labor is relatively unskilled, although the sector also employs a relatively small number of skilled and highly skilled technical expatriates. The second largest sector for expatriate employment is manufacturing across a range of product areas. Wholesale, Retail Trade & Repairs of Motor Vehicles is a sector classification that has a wide variety of employment areas, again attracting mainly low-skilled labor. Figure 6: Expatriates by Skill Level (2012), illustrates that 88% of the expatriate workforce is limited or skilled or occupational laborers. Only 12% (159,333) of the expatriate workers in Oman are classified as either specialists or technical.

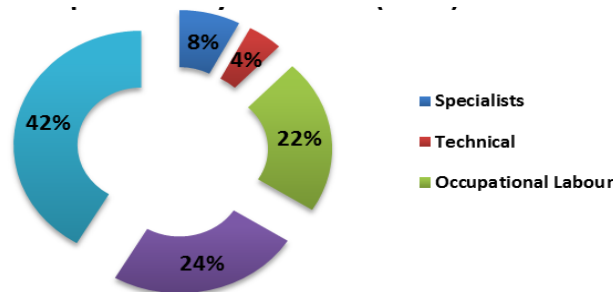


Figure 6. Expatriates by Skill Level (2012)

The educational attainment of expatriate workers in Oman closely matches the reported expatriate skills' levels, with only a minority (around 8%) with degrees or above (See figure 7: Expatriate Workers in the Private Sector by Level of Education (2012)).

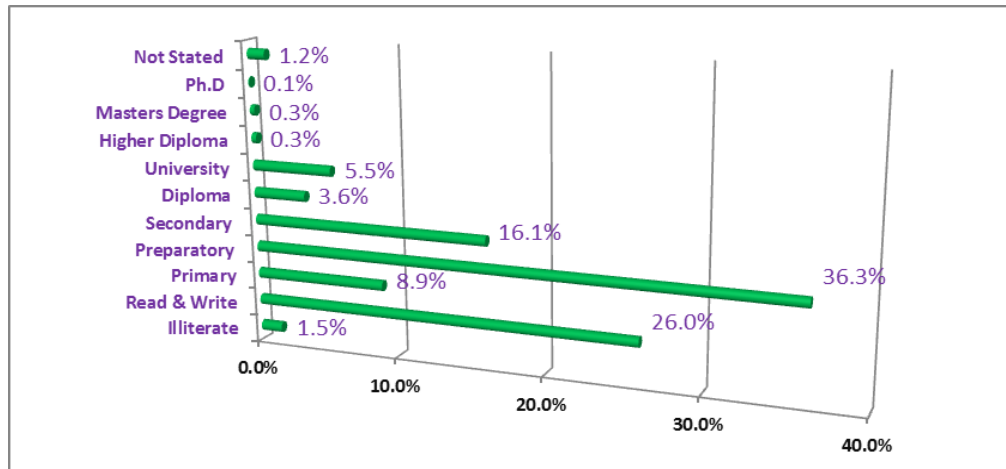


Figure 7. Expatriate Workers in the Private Sector by Level of Education (2013)

Figure 7 above shows that 88.8% of the working expats have either secondary education or less. This is another affirmation that a large part of the private sector in Oman is driven by cheap labor. This confirms the need to look beyond the issue of the national workforce in the private sector, into more economic and social factors that lead to a total socio-economic reformation.

The total workforce (2013) composition in the three sectors of this study (Construction, Wholesale & Retail, and Hospitality) is given in figure 8 below. The figure depicts the combined number of expatriates and Omanis working in each of the three sectors for the year 2013.

The above statistics show that the construction sector, with 775,841 employees of which only 76,121(10%) are Omanis, is by far the largest employer of expatriate labor. Much of the labor is relatively unskilled, although the sector also employs a relatively small number of skilled and highly skilled technical expatriates. It is worth noting that the number of Expats employees in the construction sector alone constitute 46% of the total number of Expats in the private sector as a whole. The nature of jobs available in this sector is varied and includes a range of technical professions, e.g., electricians, plumbers, painters, etc., that suit graduates of vocational training centers and engineering faculties (diploma graduates) in particular and secondary schools dropout in general. More importantly, are the employment opportunities created by the real estate rental and maintenance activities that provide some of the long-term employment opportunities in this sector. Wholesale, Retail Trade & Repairs of Motor Vehicles is a sector classification that has a wide variety of employment areas, again attracting mainly low-skilled labor; a total number of employees in this sector is 189,465 of which only 35,065(19%) employees are Omanis. The tourism and hospitality sector is a relatively small sector in terms of employment with only 81,433 employees; again the Omani component is 7227(9%).

Therefore, the three sectors of the study provide 741,012 job opportunities for Expats. This translates to 49% of the aggregate Expats workforce in the private sector as a whole.

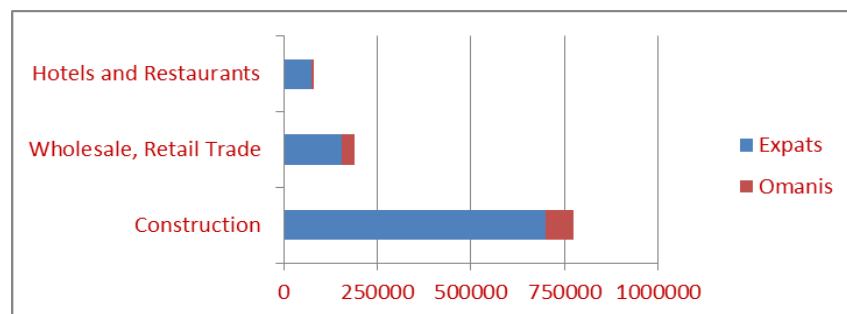


Figure 8. Expatriates and Omani workers in Construction, Wholesale & Retail, and Hospitality sectors (2013)

RESEARCH METHODOLOGY

The study adopted both qualitative and quantitative approaches; however the methodology that formed the basis of this study is predominantly qualitative. The dynamic nature of the study together with its wide-ranging social, economic, and political interconnections was the main drive behind the choice of the qualitative approach. Furthermore, the interview approach was seen to be a more reliable tool for data collection than a self-administered questionnaire. The study aims to find answers to the research questions by obtaining a better understanding of the perceptions and attitudes of stakeholders through face-to-face semi-structured interviews. Four categories of stakeholders were considered, namely,

- Relevant Government officials
- Employers of Expats in the private sector
- Omani youth seeking employment, and
- Employees.

The population of the study could be defined as all elements of the above mentioned three categories of stakeholders relevant to the three sectors of the study; namely: construction, wholesale/retail, and tourism. For practical purposes, the Omani youth category has been defined to include youth in the age bracket 20-30 years. Furthermore, we divided the youth category into two subcategories: graduates/school leavers who are actively seeking employment by registering with the Ministry of manpower and updating their records every now and then; and students who are pursuing courses of study that make them potential employees in the three sectors of the study upon successfully finishing their courses of study. To ensure national representation, the target population of the study is defined to consist of the above mentioned four categories of respondents in three geographical areas in Oman: North Al Batinah; Muscat; and Salalah.

Considering the relatively large number of units in the target population and the apparent moderate expected heterogeneity among the units; a non-probability sampling design-purposive sampling- where the selection of the sampling units is based on researcher's knowledge of the population, its elements, and the purpose of the study was used to select this study's sample. In order to yield the most information about the phenomenon under study, we sought to locate individuals who are reasonably representative of the four main stakeholders of the problem being studied.

Data were collected between January and February 2015. Four separate semi-structured interview forms were prepared (in both English & Arabic languages); one for each of the above categories.

Government officials were interviewed about their perception of Omanization; reasons for employing Expats in the private sector; and the role of their respective organizations on the regulatory aspects. During the survey, we managed to interview 10 government officials that include: Directors General; Directors; Heads of sections; and officials from ministries and organizations that have a direct relation to the Expats affairs. Likewise, 15 current/potential private sector employers, basically heads of sectorial committees at Oman Chamber of Commerce and Industry (OCCI) were face-to-face interviewed. An average of 45 minutes was the time spent to finish a single interviewing session with the two categories of 'Government Officials' and 'Employers.' Similarly, for the category of Omani youth, we managed to interview 200 youth from the categories of 'students' and 'job seekers.' They were interviewed about their perception of seeking employment in the private sector and their entrepreneurship aptitude; among other parameters. It took an average of 15 minutes to interview a respondent of this category. All the interviews were conducted in a face-to-face manner. As the survey was designed to collect perceptual data, open-ended questions were thought to be more appropriate than closed-ended or Likert scale types of questions.

Details of respondents within the four categories of interest are given in the tables below.

Table 1. Survey Data Details-Government Officials

Institute	Location	No. of Respondents	Designation
Ministry of Manpower	Salalah	2	Director Operations/ Head of Operations Section
Ministry of Manpower	Muscat	2	Director Employment/ Head of Employment Section
Ministry of Manpower	Muscat	1	Assistant Director General for Inspection
Ministry of Commerce & Industry	Muscat	1	Director General- Trade
Ministry of Commerce & Industry	Muscat	1	Head of the Team for combating Hidden Trade & Registrar of Commercial Records
Ministry of Higher Education	Muscat	1	Director General, Colleges of Applied Sciences
Ministry of Education	Muscat	2	Director, National Career Guidance Center/Assistant Director (NCGC)
Ministry of Tourism & Heritage	Sohar	1	Head of Tourism Section
Public Authority of Social Insurance	Muscat	1	Consultant
Total		12	

Table 2. Survey Data Details-Employers

Institute	Location	No. of Respondents	Designation
OCCI	Sohar	2	Head of Economic Committee & a Contractor
OCCI	Muscat	3	Heads of the 3 study sectors' committees
OCCI	Salalah	1	Head of tourism committee
Carrefour Hypermarket	Sohar	1	HR manager
Sohar Beach Hotel	Sohar	1	HR manager
Crown plaza Hotel	Sohar	1	HR manager
Bahwan Travel & Tourism Agency	Sohar	1	Senior manager
Total		10	

Table 3. Survey Data Details-Youth

Institute	Location	No. of Respondents	Designation
Ministry of Manpower	Sohar	28	Job seekers
Ministry of Manpower	Salalah	17	Job seekers
Ministry of Manpower	Muscat	21	Job seekers
College of Applied Sciences	Sohar	18	Students
College of Applied Sciences	Salalah	28	Students
Vocational Training Center	Shinas	20	Students
Vocational Training Center	Saham	24	Students
Oman College of Tourism	Muscat	26	Students
Sohar University	Sohar	15	Students
Dhofar University	Salalah	20	Students
Total		217	

Table 4. Survey Data Details-Employees

Institute	Location	No. of Respondents	Designation
Carrefour Hypermarket	Sohar	17	Employees
Bahwan Car Agency	Sohar	5	Employees
AL-Badi Construction Group	Saham	10	Employees
Total		32	

In total, the sample consists of 12 government officials; 10 current/potential employers; 217 Omani youth (66 job seekers and 151 students), and 32 current employees. We employed content analysis that involves post-coding, classifying, and categorizing the collected survey data so as to detect the important recurring patterns and themes.

LITERATURE REVIEW

GCC governments have encouraged nationalization quotas through the use of both carrot and stick ([Albayrakoglu, 2010](#)), with increasing sophistication. For example, the UAE Ministry of Labor allocates companies in the trade sector a category – either A, B or C. Companies meeting or exceeding the 2% Emiratisation target are put in category A and benefit from lower transaction fees; companies failing to meet their targets are put into either the B or C categories and may face fines and increased fees. Companies deemed not to be cooperating with Emiratisation regulations risk suspension of operations. [Randeree \(2009\)](#) reports that this system of enforcement had a real impact: in 2006, a total of 293 companies were recorded as uncooperative, less than half that of the previous year ([Randeree, 2009](#)).

A second and current example is the Kingdom of Saudi Arabia's Nitaqat policy, which received wide press coverage when launched ([Sfakianakis, 2011](#)). While quotas had formed a central plank of Saudisation policy for years ([Mashood, Verhoeven and Chansarkar, 2009](#)), Nitaqat represented a more sophisticated model and also a renewed commitment to Saudisation. In summary, a company's quota is defined by both the company's size (of which there are 4 options) and sector (41 options), resulting in 164 possible quota settings ([Sadi, 2013](#)). The Ministry of Labor then incentivizes action: each company is assessed and allocated to a category according to their level of compliance with Saudisation policy – either green (good), yellow or red (both unsatisfactory). Companies in either the yellow or red categories have serious limitations imposed on their freedom to engage or extend the visas of expatriate workers. Companies in the green category, on the other hand, benefit from government support and crucially are able to bid for government contracts. Noticeably, [Sadi \(2013\)](#) remains silent on how the quotas themselves are calculated.

[Sadi \(2013\)](#) reports on stakeholder discussions reviewing Nitaqat and highlights both positive and negative impacts. Some companies have invested in long-term training programs for nationals, preparing them for careers with them; however, Nitaqat quotas have driven other companies to hire both insufficiently qualified and unqualified locals, with a detrimental impact on long-term productivity. There are also harsh implications for expatriate workers, who are most affected by employers' failures to comply, as well as being subjected to tight restrictions and poor administration. Finally, [Sadi \(2013\)](#) reports that the Nitaqat system is subject to heavy gaming, as both "the illegal visa trade and coverup-business is [sic] rampant in the Kingdom". Nonetheless, [Sadi](#) concludes that the Nitaqat scheme "is viewed as a potential success story" and holds "enormous potential" for the future.

While nationalization quotas have had some moderate successes, a consistent critique emerging from the literature is that these gains have been achieved at a significant long-term economic cost.

First, the real achievements of quota systems are questioned. [Mashood, Verhoeven and Chansarkar \(2009\)](#) review the evidence of success for nationalization quotas across Oman, the UAE, and Saudi Arabia and conclude that the evidence is at best mixed. They also identify two interesting dynamics. First, quotas have achieved some successes when sector focused (citing the banking sector in Oman as their exemplar); second, that there is some evidence to suggest that successful nationalization in one sector may have a negative impact on nationalization of other sectors.

[Forstenlechner and Rutledge](#) (2010) assert that quotas have been especially utilized in Oman, with little effect: “Oman was, and probably still is, the most dedicated to enforcing quotas and designating certain occupations to be staffed solely by nationals. Generally speaking. However, the results have been disappointing; in many instances, dependence on expatriate workers has continued to increase”.

Second, authors point out that quota systems are widely reported to be ‘gamed’ by companies seeking to avoid compliance. For example, quota pressure has resulted in ghost employment in the private sector in some countries: companies hire GCC nationals, pay them a low wage and require them *not* to attend work ([Albayrakoglu](#), 2010). Some companies have used this ruse to evade fines for failing to meet their sector quota for employment of nationals ([Salih](#), 2010; [Forstenlechner](#), 2008). So, quotas must be heavily policed if they are to be observed. [Mashood, Verhoeven and Chansarkar](#) (2009) present some evidence from the UAE that quotas are not always strictly enforced.

A third argument is that quota systems are at best a distraction from structural reform of Gulf economies. [Ramady](#) (2013) for example argues that the Kingdom Saudi Arabia could better invest time and effort in increasing the efficiency and productivity of its economy.

Fourth, quota systems are argued to impact productivity negatively, in particular by creating insecurity for expatriate workers and further reducing their commitment to their host employer and country ([Fargues](#), 2011). During the recent financial crisis, the UAE suspended the further introduction of quotas considering them as “counterproductive in the current economic climate” ([Randeree](#), 2009).

[Forstenlechner, Lettice and Ozbilgin](#) (2012a; 2012b) however offer the most insight into the challenge of implementing quotas. By means of a longitudinal case study of a UAE finance organization, they argue that an array of contextual factors influence both the real and perceived success of any quota system – which operates at all levels from the state down to individual relations. The main cause of failure in the case study is inconsistency in rationales and practices at the macro (government), meso (company) and micro (individual) levels. The implications for government are to consider the support on offer to policy implementation, and to craft the messaging about rationales for quotas carefully: “There is a fine line between quotas being seen as discrimination towards expatriates rather than as the removal of structural barriers that home nationals have faced in finding employment”.

A number of authors point the complexity of implementing coherent nationalization policy. Focussing on the health sector workforce in Oman – one of the Sultan’s priorities for nationalization - [Al-Sawai and Al-Shishtawy](#) (2015) identifies a “multiplicity of stakeholders” both within and outside the Ministry of Health. (Nonetheless, significant successes have been achieved in Oman’s health system, such as the 67% Omanisation in nursing achieved by 2010 ([Kamoonpuri](#), 2013)).

[Al-Lamki](#) (2000) emphasized the importance of a “culture of coordination and collaboration between all government entities entrusted with the responsibility of Omanization” well over a decade ago. [Shediac and Samman](#) (2010) reiterate this message, calling for “a holistic strategy” in which policies on economic expansion, education and training, and labour and immigration policies are mutually consistent and supportive.

Similar to calls for better coordination are recommendations for better government administration of expatriate worker policies. [McWilliam](#) (2011) is one amongst several who call for better administration and ease of accessing services for employers. [Hertog](#) (2012) reports that one policy proposal under discussion in Kuwait is around the idea of a single specialized company to manage recruitment and processing of expatriate workers. The company would recruit foreign workers against a nationally determined strategy, removing the responsibility away from individual companies. The author, however, notes that debate on liberalizing the sponsorship system in Kuwait has “moved to the backburner” in recent years.

The International Labor Organization ([ILO and UNDP](#), 2012) identifies Bahrain’s quasi-independent Labor Market Regulatory Authority (LMRA) as a mechanism designed to coordinate all labor policy. It is tasked to implement reforms to the Kingdom’s labor market to “provide job opportunities for all the kingdom’s citizens (sic) and to find suitable solutions to the issues facing it”. The LMRA’s remit covers the practical processing of fees, permits, licenses, visas and ID cards (including medical examinations and investigations) as well as research and policy development on labor market restructuring. As a result, the LMRA is responsible for both the effective working of the labor market in support of business and policies and regulations to reduce reliance on expatriate workers. [Hertog](#) (2013) similarly offers Bahrain’s policies on labor market management and the LMRA as an exemplar. He identifies the LMRA investment in inspection capacity and in online services as particularly important developments.

One key line of enquiry for further research may be the administrative arrangements supporting labor market policy. [Al-Waqfi and Forstenlechner](#) (2013) investigate the implementation of Emiratization policy and identify weaknesses in policy tools and implementation techniques. Other authors comment in passing on the creation of new entities (such as the Labor Market Regulatory Authority in Bahrain), use of new technologies (such as iris scanners in the UAE), the use of IT for more efficient processes (such as web-based applications for visas), and investment in teams (such as enforcement squads). All these suggest that investigation into the structure and characteristics of the bureaucracies responsible for labor market policy could overcome the double hurdles of scholarly quality and policy relevance ([Tropp and Pettigrew](#), 2005).

[Lim](#) (2013) offers a thought-provoking study of the characteristics of ‘Gen Y’ in the Kingdom of Saudi Arabia (KSA) and in the United Arab Emirates (UAE). Gen Y is identified as those born between 1980 and 1999 – a generation estimated to comprise 50% of the total population in KSA by 2015, and 45% in the UAE ([Lim](#), 2013).

[Lim](#) (2013) identifies UAE and KSA Gen Y as sharing the characteristics of digital natives, being conservative and holding strong national identities but differing on career, finances, family and trust of institutions. The study goes on to identify the work motivators and work ethics of a sample of Gen Y’ers from both countries, again finding distinct variances between the two. The relevance of this study is that it highlights the motivations and self-perceptions of the core of the population targeted by nationalization policies in these countries – and the feasibility of similar studies for Oman.

FINDINGS

Youth: Job Seekers

When the youth (job seekers) were first asked about their dream job; whether in private or public sector they gave the following responses:

Table 5. Job Seekers Dream Job

	Frequency	Percent	Valid Percent	Cumulative Percent
Public	50	75.8	75.8	75.8
Private	12	18.2	18.2	93.9
Entrepreneur	4	6.1	6.1	100.0
Total	66	100.0	100.0	

Only 18.2% opted for private sector employment. A rather promising percent (6.1%) expressed favor for self-sponsored employment. When participants were further asked about the reasons that led them not to opt for private sector employment, they gave the reasons summarized in Figure 9 below.

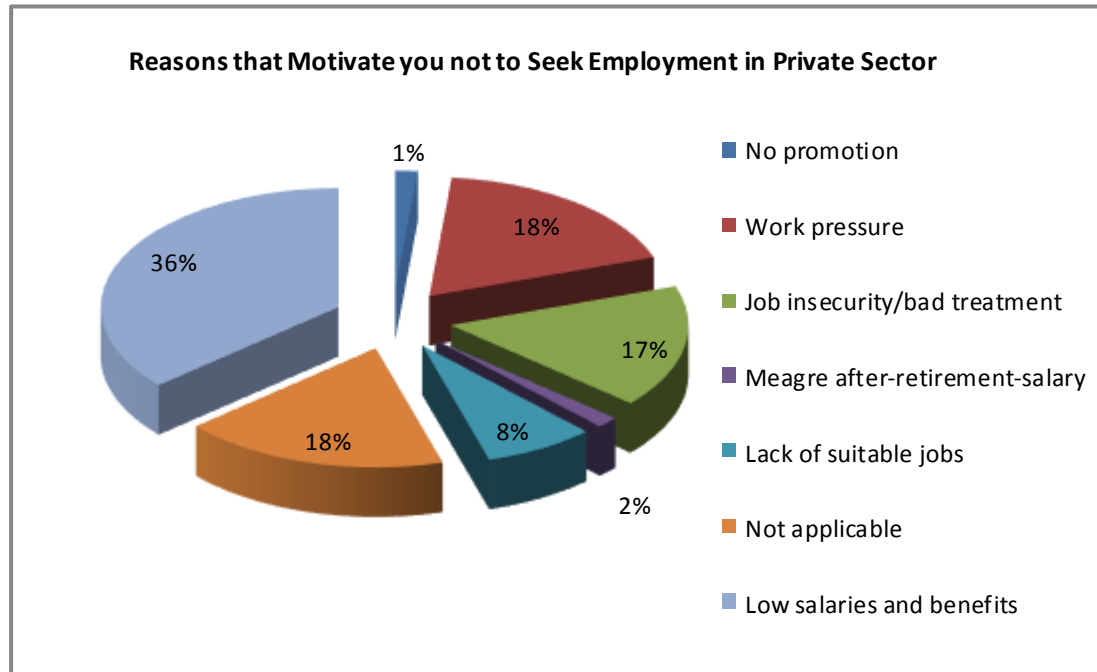


Figure 9. Private Sector De-motivators – Job Seekers

Youth: Students

The responses of the students' subcategory of youth exhibited the following pattern with regard to "Dream job" and "private sector de-motivators."

Table 6. Students Dream Job

	Frequency	Percent	Valid Percent	Cumulative Percent
Public	128	84.8	84.8	84.8
Private	19	12.6	12.6	97.4
Entrepreneur	4	2.6	2.6	100.0
Total	151	100.	100.0	

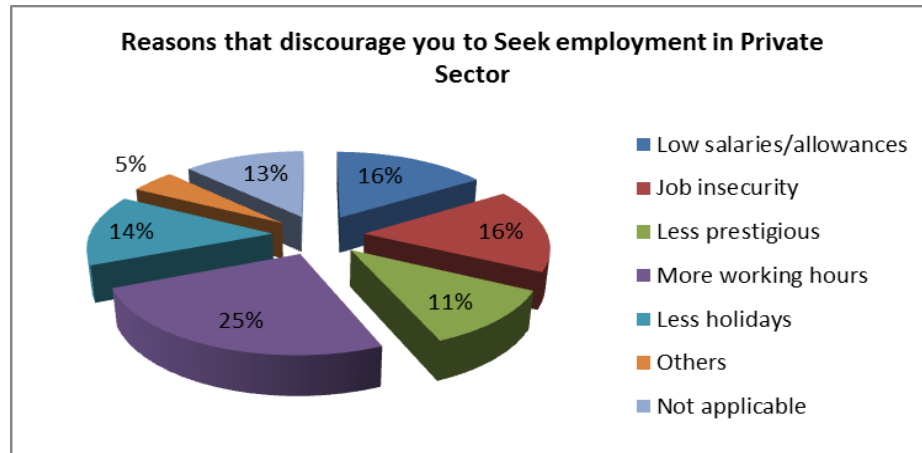


Figure 10. Private Sector De-motivators – Students

The pattern of responses for the two categories of youth is quite similar. The percent of students who opted for the public sector is slightly less than their job-seekers counterparts. However, the entrepreneurial aptitude of job-seekers (6.0%) is slightly higher than the students (2.6%), an expected result as job-seekers had faced the realities of the labor market. It is worth noting that 4.6% of students cited reasons that range between 'don't like working with foreign managers' and 'No break for prayers' as reasons that discourage them from seeking employment in private sector. Such responses were post-coded as 'others' in figure 10 above.

Tables 7 and 8 below summarize the responses of the youth category regarding their willingness to join any of the three sectors of the study (Construction/wholesale/retail/ & Tourism). Of the 66 job seekers and 151 students that have been interviewed by our research team, 0.0% of females opted to seek employment in any of the three sectors of the study. This is definitely very much expected especially for the construction sector. However, their lack of interest in joining the tourism/hospitality sector and the wholesale/retail sector is mostly due to social barriers. Only 21.2% of the male job seekers and 16.6% of the students were willing to join any of the three sectors of the study.

Table 7. Ever thought of a job in Tourism/construction/wholesale/retail sectors by Respondent's Gender Cross tabulation – Job seekers

			Respondent's Gender		Total
			Male	Female	
Ever thought of a job in Tourism/construction/ wholesale/retail sectors	Yes	Count	14	0	14
		% of Total	21.2%	0.0%	21.2%
	No	Count	29	23	52
		% of Total	43.9%	34.8%	78.8%
Total		Count	43	23	66
		% of Total	65.2%	34.8%	100.0%

Table 8. Ever thought of a job in Tourism/construction/wholesale/retail sectors by Respondent's Gender Cross tabulation – Students

			Respondent's Gender		Total
			Male	Female	
Ever thought of a job in Tourism/construction/ wholesale/retail sectors	Yes	Count	25	0	25
		% of Total	16.6%	0.0%	16.6%
	No	Count	32	94	126
		% of Total	21.2%	62.3%	83.4%
Total		Count	57	94	151
		% of Total	37.7%	62.3%	100.0%

Employees

Table 9 below shows that 71% of the sampled employees (32) are having experience of less than 5 years; only 3.2% of the sampled employees have between 10 and 15 years of experience. This might be an indicator of the high turnover rate of national employees in the private sector. However, Table 10 shows a somewhat promising percent (65.6%) of the sampled Omani employees in the private sector that expressed satisfaction with their current jobs and hence a desire to continue with their jobs in the private sector.

Table 9. Employees Experience

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	<5	22	68.8	71.0	71.0
	5-10	8	25.0	25.8	96.8
	10-15	1	3.1	3.2	100.0
	Total	31	96.9	100.0	
Missing	System	1	3.1		
	Total	32	100.0		

Table 10. Employees Intention of Continuing with their Jobs

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	21	65.6	65.6	65.6
	No	11	34.4	34.4	100.0
	Total	32	100.0	100.0	

Interviewees from the three sectors of the study argued that employers prefer to hire foreigners rather than nationals. In their view, the reasons behind this preference for foreigners are wide ranging and include cost considerations as foreign labor is relatively cheaper.

Social insurance policies are perceived by many private sector employees to be less conducive in comparison to the public sector. In particular, it requires a longer number of years to reach retirement, compared to the public sector. Private sector employees' views about the effectiveness of the Omanization policy were varied. In general, they argue that the Omanization policy has not been properly implemented as it concentrates on junior positions rather than senior ones. In general, there seems to be no consensus about the effectiveness of the Omanization policy.

Some argued that the overall performance before 2011 was better; however, they ran short of explaining the reasons behind that. The stipulated percentages of Omanization were also a concern for some employees; they consider these percentages to be on the lower side.

The reasons behind the perceived high turnover rate of Omanis' in the private sector are more or less the same stereotyped issues that were highlighted earlier by employers and officials.

Some employees view the promotion system; allowances and salary structure in the public sector to be more commensurate with the experience and qualification of the employees, however, in their view, this is not the case in the private sector.

Many of the interviewees call for a more aggressive government policy for attracting foreign investors to the country; they believe this will increase the number of jobs available for nationals. Control measures that ensure employees are indeed getting their agreed upon dues (salaries, allowances, etc.) as stipulated by law, needs to be reinforced.

Knowledge transfer from superiors to juniors or subordinates is seen to be lacking in the private sector. Many of the interviewees expressed dissatisfaction with the career development prospects in their jobs including proper guidance and advice from their superiors.

Employers

Some of the employers who have been interviewed regard the current quota system as an unsuccessful and asked for a new system. In their opinion, the new system should be built on the fact that some companies are willing to pay for 'ghost workers', hence they suggested to abolish the 'mandatory' nature of the current quota system and replace it with a clause that makes it possible for companies that run short of the specified quota to just pay the equivalent monetary sums that would have been paid to the 'ghost' workers. The collected sums of money can then be deposited in a national fund jointly run by the government and private sector to initiate national projects that contribute to the training and employment of national youth.

The challenge facing employers in recruiting sufficient nationals to meet quotas is repeatedly mentioned by participants especially in the construction and wholesale/retail sectors. The degree of difficulty in complying with the stipulated quotas is directly proportional to the size of the company; smaller companies are particularly facing more difficulties than big companies. One message emerging from the primary research interviews is the necessity to have a nationalization policy that is well aligned to the availability of suitably qualified nationals.

The multiplicity of government bodies that regulate the private sector activities and their bureaucratic structure is a major contributing factor to the unnecessary delays and obstacles in the smooth running of the private sector activities. Private sector employers also highlight the constant changes to employment terms and conditions as another obstacle to foreign companies. Companies have to invest time and effort to ensure they stay up-to-date with the constant changes to foreign employment terms and conditions.

Lack of coordination between government and the private sector in the formulation of Omanization policies is seen by many employers as a major contributor to the sustained high level of expatriate workers in Oman's private sector. There seems to be a consensus among employers on the importance of building coordination and collaboration between all government entities entrusted with the responsibility of Omanization. They call for an all-inclusive approach to building a strategy in which policies on economic expansion, education and training, labor and immigration, are jointly consistent and supportive.

Private sector employers refuted the stereotyped accusation that their recruitment policies are driven by factors other than qualification, competence, and experience. However, they agreed that many private sector employers are hesitant to hire Omanis due to productivity concerns, the demand for high salaries, less obedience, hard to manage, less discipline, or difficulty to fire. Lack of clear regulations about how nationals can be dismissed is a further disincentive to employing locals. The accusation that the Omanization process is more focused on junior positions much more so than senior positions is seen by employers as a risk avoidance measure. Employing inexperienced personnel into top positions can be a threat to the very existence of their businesses.

Government officials:

Education officials are particularly concerned with the fact that the number of college and university graduates each year already exceeds the numbers of jobs available through economic expansion and natural labor turnover. They

expressed concern with what they described as ‘humble’ contribution of the private sector in creating jobs for the increasing number of graduates and school leavers. When asked about the criticism levied at education establishments for their educational outcomes not being relevant or compatible with the changing needs of the labor market; they concurred that there is undoubtedly some truth in this accusation. However it is not the only obstacle. They argue that private sector employers’ considerations of cost, productivity, and experience might be more relevant in this regard. Officials also highlighted the fact that all institutes of higher learning have representatives from the private sector in their advisory boards. These advisory boards constitute the forum where the views of the private sector officials about their needs are taken into consideration in mapping future curricula strategies.

In an attempt to better the position of graduates in the broader market of jobs, the Ministry of higher education has recently made it mandatory for all public and private institutes of higher learning to introduce an entrepreneurship course of study in their syllabi. Internship system, where students get practical training during summer vacation by being attached to the relevant public and private sector organizations is another measure that is being taken by Colleges of Applied Sciences to ensure the relevance of its graduates to the labor market needs. However, this policy has been hampered by the limited number of such organizations compared to the increasing numbers of students.

Ministry of Education had also endorsed the introduction of entrepreneurship teaching as a subject in class nine’s syllabi. Weaknesses in the secondary education system are considered to be limiting the impact of investment in higher education. One concern found across the respondents is the failure of the education system to instill critical thinking skills in young people. However, there was no consensus among the officials with regard to the criticism that the educational system, in Oman, has not been encouraging innovation and creativity, but rather promoting memorizing and reproducing.

Officials from Ministry of Manpower regard the results of Omanization in private sector, so far, as unsatisfactory. Many companies in the sector are still struggling with the quotas imposed on them. This pressure has resulted in the appearance of what we can call ‘ghost workers.’ This is the case when some Omani employees appear on the payroll of some companies whereas they are not physically present in the organization. These workers are officially hired, paid a small amount of money every month, and asked to stay at home just for satisfying the quota imposed on them so that they can avoid the fines and qualify for government tenders. This phenomenon is admitted by many participants. Some officials argue that the current quota system is a complete failure and called for its replacement with a new system that should be built on the fact that some companies are willing to pay for ‘ghost workers’, hence they suggested to abolish the ‘mandatory’ nature of the current quota system and replace it with a clause that makes it possible for companies that run short of the specified quota to just pay the equivalent monetary sums that would have been paid to the ‘ghost’ workers. The collected sums of money can then be deposited in a national fund jointly run by the government and private sector to initiate national projects that contribute to the training and employment of national youth.

Effect of Omanization on productivity is one of the aspects that require more investigation. The success of the Omanization process should not be measured solely by realizing the required quotas, other important parameters like productivity should also be taken into consideration. This is especially crucial for the private sector where most of the major decisions are driven by labor productivity and profitability as critical success factors.

One government official argued that a major obstacle to successful Omanization is the circumvention by employers to Omanized professions or occupations. He added, if we, for example, nationalize “accountants” but not “accounts auditors”, then employers who need accountants will apply for accounts auditor instead and assign to them accountants’ duties. He also mentioned, since there are no standards or benchmarks to determine the needs of each private organization and no specialized government inspectors, the problem will continue and will be difficult to control in order to achieve the Omanization targets.

The better package offered to nationals by the public sector is highlighted by all participants as a key obstacle to the nationalization of the private sector labor market. Compared to the private sector, salaries and retirement benefits are generally higher; non-financial benefits are better and hours of work tend to be shorter in the public sector.

Officials from the Vocational Training Institutes pointed out that majority of their graduates were employed in the public sector, namely, the military and police force. This is mainly due to the better package offered by the public sector together with the social perception that regards public sector employment to be more prestigious than the private sector. In the context of our study, this is a major drawback for the development of the three sectors of the study specifically the construction sector where such graduates are the main inputs for its development. In this

regard, many participants regard the public sector as the main culprit that contributes towards the reluctance of qualified youth in joining the private sector. They also pointed out that the salary scale does not differentiate between their graduates and secondary school leavers. This, in effect, has resulted in a lack of interest on the part of the youth in joining the vocational training institutes. The net effect of this is an insufficient supply of semi-skilled labor in the Omani labor market.

CONCLUSION

It is evident that construction sector, with 775,841 employees of which only 76,121(10%) are Omanis, is by far the largest employer of expatriate labor. Much of the labor is relatively unskilled, although the sector also employs a relatively small number of skilled and highly skilled technical expatriates. It is worth noting that the number of Expats employees in the construction sector alone constitute 46% of the total number of Expats in the private sector as a whole. The nature of jobs available in this sector is varied and includes a range of technical professions, e.g., electricians, plumbers, painters, etc., that suit graduates of vocational training centers and engineering faculties (diploma graduates) in particular and secondary schools dropout in general. More importantly, are the employment opportunities created by the real estate rental and maintenance activities that provide some of the long-term employment opportunities in this sector. Wholesale, Retail Trade & Repairs of Motor Vehicles is a sector classification that has a wide variety of employment areas, again attracting mainly low-skilled labor; a total number of employees in this sector is 189,465 of which only 35,065(19%) employees are Omanis. The tourism and hospitality sector is a relatively small sector in terms of employment with only 81,433 employees; again the Omani component is 7227(9%).

Therefore, the three sectors of the study provide 741,012 job opportunities for Expats. This translates to 49% of the aggregate Expats workforce in the private sector as a whole.

Despite the fact that the three sectors of this study provide ample opportunities for youth employability, however, these opportunities remain unutilized in the path to Omanization due to many socio-economic distortions that were discussed in the previous section.

The figure below summarizes the dynamics of the forces that limit the private sector's capacity to create jobs for the Omani youth. These seemingly conflicting forces need reconciliation by proper intervention and formulation and implementation of an all-inclusive Omanization policy that takes into consideration the concerns of all stakeholders.

The dynamics of forces represented in the above diagram sound like a vicious circle. Rectangles with texts marked 1, 2, and 3 are perceived as crucial areas that need attention (intervention) in order to break this vicious circle. This intervention should not be seen as solely "government intervention", it should be a collaborative effort by all stakeholders including the government.

In what follows below, we highlight some recommendations that outline the specific tasks of the required intervention.

- Vocational education needs to be aligned to industry; we propose the adoption of Singapore model in this regard as an exemplar for replication. Singapore ensured that vocational education priorities supported its economic policy, in part by involving industry both in setting the direction and in contributing to education provision, and deliberately sought to alter negative perceptions of vocational training through a multi-pronged strategy, combining elements of encouragement and coercion. It has achieved a major breakthrough in turning around the public perception and image of vocational education. Today, its unique brand of Institute of Technical Education (ITE) College Education is widely recognized locally and internationally for its relevance, quality, and values in a global economy. The conditions that prevailed in Singapore four decades ago are indeed similar to the ones prevailing currently in three sectors of this study.
- The multiplicity of government bodies that regulate the private sector activities is another major concern for the private sector employers. In this regard, our findings suggest the consideration of the introduction of a single body that regulates the labor market. The Bahraini experience is another exemplar for replication.
- Overcoming the structural differences between the public and private sectors by standardizing benefits across the two sectors and defining employment in the three sectors of this study (which are growth generating) as a higher value than traditional public sector employment. The ultimate objective is to make the private sector more than or at least as appealing as the public sector as an employment option for the youth. This should be supported by investment in training and development relevant to growth sectors which require greater

cooperation between the public and private sectors, and awareness campaigns, in particular, encouraging nationals into skilled and semi-skilled occupations. Most of the youth interviewees of this study seem not to be aware of the varied nature of available job opportunities in the three sectors of the study.

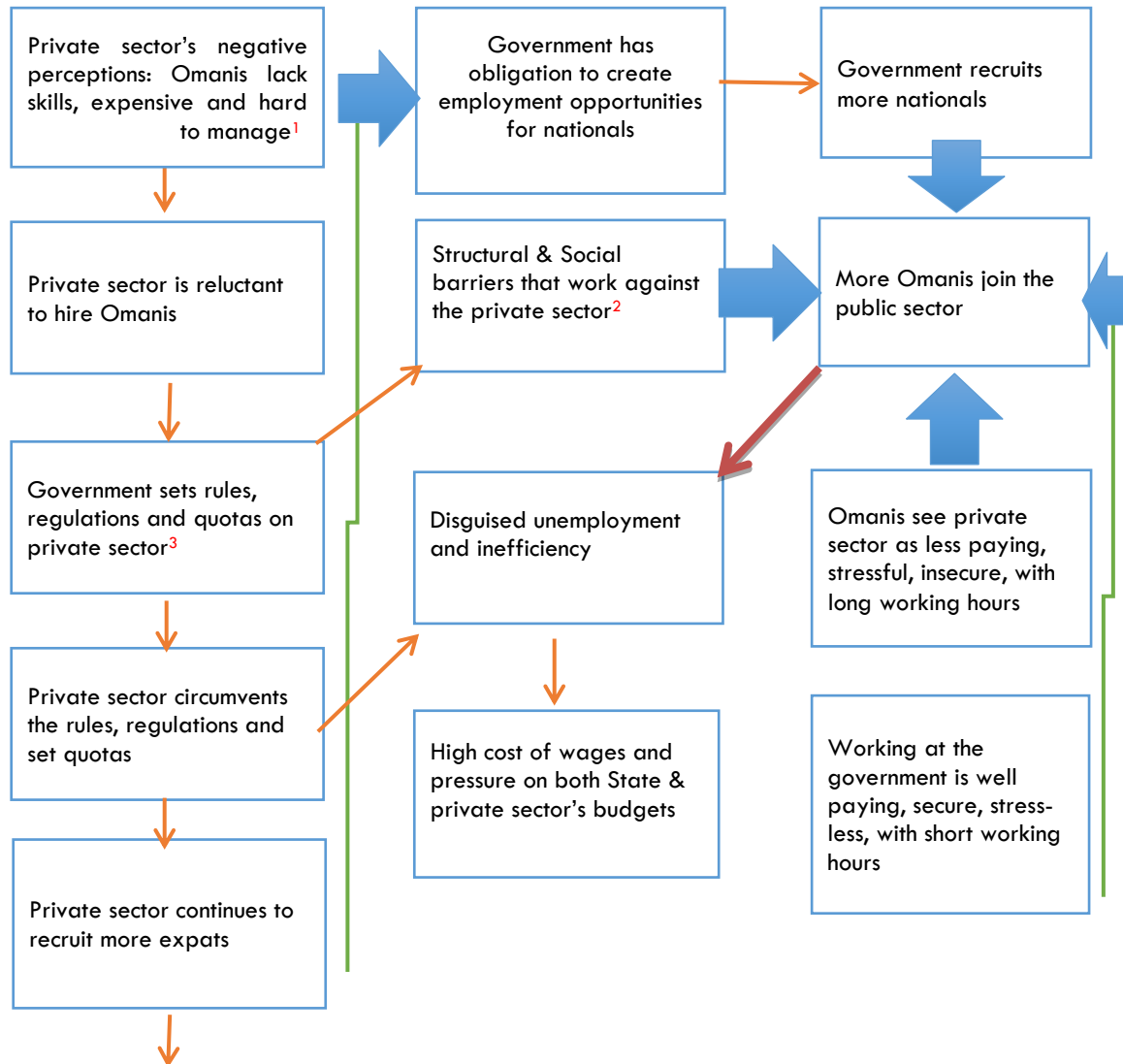


Figure 11. Employment Dynamics

Source: Adapted from [Salih, A. \(2010\)](#).

- One of the research gaps identified by this study, and therefore recommended for future research is the consideration of economic and financial costs of Omanization on private sector firms. If the current quota system that is not well aligned to availability of suitably qualified personnel is to continue, the economic cost would be borne initially by the firm involved, in the form of lower productivity and high unit labor costs, but ultimately by all Omanis in the form of higher prices for domestic goods and services and thus reductions in real incomes and international competitiveness. This paper calls for the adoption of an Omanization policy that merely corrects the existing labor market distortions (e.g., discrimination against Omanis by private sector employers), and would, therefore not entail any economic cost and would, in fact, contribute to the evolution of an efficient labor market.

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