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A HUMAN RESOURCE AND LABOR MARKET DEVELOPMENT STRATEGY FOR  
THE SULTANATE OF OMAN

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## P R E F A C E

1. This document is not a detailed technical report. Instead, it is intended to be a clear and simple statement of recommendations on policy issues relevant to Omani human resource development as related to economic growth and the Sultanate's labor market.
2. The major issues are relatively straightforward and stem from the Government's declared goal for the Sultanate of a future economy that is:
  - (i) Omani in character;
  - (ii) diversified away from reliance on oil revenues; and
  - (iii) not dependent on non-Omani workers.
3. The recommendations made here are meant to help the Sultanate meet these goals, in consonance with and as an extension of the Second Five-Year Development Plan (SFYDP) and in anticipation of the Third Plan. The document embodies recommendations to influence education, training and labor market interaction.
4. In principle, the recommendations are easily conceived. Some are easy to implement in practical terms, while others are admittedly difficult to achieve or will be unpopular. All the recommendations, if they are to be effective, will need to be carried out with determination. Several policy recommendations require a short-term cost to bring about a long-term gain. It is advisable to tackle many of the issues now instead of sometime in the future. The prevailing labor market trends in many instances do not favor long-term development aims. As time passes, corrective action will become more difficult, and certainly delay tends to reduce the effectiveness of corrective action.

5. Since it is intended for the Omani audience and is not essentially aimed at the Bank staff, the document does not include large attachments of technical appendices or textual statistical elaboration that might make the document too cumbersome. The detailed appraisal of the Sultanate's labor market and education and training system on which the recommendations are based has been carried out over the past two years in the Department of Manpower Planning (DMP), in the Ministry of Social Affairs and Labor (MOSAL). Much of the data used here will be embodied in new labor market projections that should assist in evaluating progress toward meeting SFYDP objectives, and set the base year scene of the Third Year Development Plan (TFYDP).

6. The belief persists in Muscat that the Sultanate of Oman is fundamentally different from the other oil-exporting Arabian Gulf states. Associated with the assertion that Oman does not resemble the Gulf states is the argument that Oman does not suffer from their problems. But this is simply not true from a labor market and human resource development perspective. For example, Oman faces labor markets problems little different from those of Kuwait or Saudi Arabia. And the way economic policy is developed and implemented within Oman, as well as the shaping of the educational and training system, are also little different from patterns prevailing in Qatar and the United Arab Emirates (UAE). Moreover, as time passes, the economies and hence the labor markets of all the Gulf states are becoming increasingly similar.

7. If there is a difference between the Gulf states and Oman, it is that the Gulf States' problems are more acute: the share of their labor markets accounted for by non-nationals is greater, and the Gulf States' students show

a greater preference for liberal arts subjects and subsequent public sector (office) employment than do Omanis. But trends in the Omani labor market reveal that the Sultanate is moving towards the labor market profile found elsewhere in the Gulf states. For example, the majority of the population (not only the workforce) in the capital area of greater Muscat is now non-Omani. This increasing similarity between Oman and the rest of the Gulf gives concern because the financial ability to deal with human resource development problems is greater in the other Gulf states than in Oman. More limited oil revenues mean that Oman's planners must be even more effective since they have less room for error.

8. Oman has a major potential advantage in the opportunity to learn from the mistakes made by other Gulf states which started their oil financed development phases a few years before Oman. The Gulf Cooperation Council (GCC) represents a means by which this learning process can be facilitated. Much can be learned, for example, about labor import and public sector employment controls from Kuwait, and about subsidy of the agricultural sector, and the institutionalization of the planning process from Saudi Arabia. This potential benefit should be by Omani planners.

9. The point of view taken is that, in Oman in 1985, any sense of complacency over labor market issues and human resource development policy is misplaced and dangerous. Future generations of Omanis will have to live with the consequences of decisions made by planners today about the number of non-Omanis allowed into the country, as well as the way in which planners have shaped the education and training system and the way it interacts with labor

requirements in the economy. The planners should be motivated by long-term considerations, not by short-term pragmatism with the desire for as much immediate progress as possible, with an implied disregard for the long-term consequences. Thus, vested interest in short-term profit or prestige must be laid aside in the interest of greater long-term social and economic benefits of all Omanis.

10. Inaction on labor market issues that allows present trends to continue will certainly mean that the three development aims listed above - namely, an economy Omani character, not exclusively dependent in oil revenues, with a minimum of non-Omani workers cannot be realized. And failure in these most basic aims of diversification and economically viable Omanization will have acutely undesirable economic and social consequences for the future character of Omani society.

11. The national pride that underlies the assertion of Oman's unique nature will not serve the Sultanate well if it prevents comparisons with other Gulf states that result in Omani planners becoming more aware of commonly shared actual and potential problems and their possible remedies. Like the other states of the GCC, Oman has achieved much in the 1970s and 1980s. The rate of progress and absolute achievements are prodigious and in a now-hackneyed manner are recited in all literature written about contemporary Oman. So there is little need to reiterate, for example, the achievements within education, health, and communications as well as the many ways the physical and social infrastructure are being provided to Omanis. Not devoting space to these very real achievements is simply an attempt to make the document concise. The author, as well as those who read this report, are

aware of these considerable achievements and the tremendous efforts behind them. Indeed, it is the desire to further this achievement as reflected in stated objectives of the Omani government that motivates this analysis.

12. The report is divided into six sections, which cover a summary of the present day labor market (Chapter I); some links between economic growth and human resource development (Chapter II); the planning environment (Chapter III); the recommendations pertaining to the education and training system (Chapter IV); discussion of necessary actions to strengthen the labor market (Chapter V); and a concluding section about the importance of integrating these actions (Chapter VI).

13. This personal view of the labor market and education and training in Oman does not attempt to cover every facet of the subject. It aims rather to highlight the most important areas for action, i.e. the areas where action is most needed or might show the best returns. Oman is certainly approaching a critical point at which effort to ensure adequate labor market controls and successful Omani human resource development is essential.

14. The views in this document are personal, and do not necessarily represent those of the Sultanate or of any agency. They are critical only in a constructive sense. It is hoped they will be received positively. Certainly, the aim of the report is to contribute to the effectiveness of economic development in relation to the SFYDP, and to ensure this development is most beneficial to Oman and the Omani people themselves. This aim should be furthered in the post 1985 planning cycle by enhancing human resource development in the third Plan, and making it still more effective in generating a suitable national workforce for the Sultanate's diversifying economy.

15. The recommendations outlined here may or may not be put into action. It is important, however, that the issues identified in this text are understood as real problems that need to be solved, which requires making decisions and formulating actions. Denying that the problems exist will not make them disappear; the problems exist and can be solved only by applying resolve and determination.

SUMMARY AND RECOMMENDATIONS

1. This report isolates today's leading issues in educating and training Omani nationals, and in the Sultanate's evolving labor market. The report aims, by attempting to further human resource development and by changing labor market trends, to contribute to a future economy in the Sultanate that is Omani in character, diversified away from over-reliance on oil revenues, and not dependent on non-Omani workers.

2. By the end of 1983, there were over 250,000 non-Omanis employed in the Sultanate. Almost two out of three workers in Oman are non-Omani. Only about 20,000 Omanis are formally employed in the modern sector. A further 31,000 Omanis are employed in the government. The remainder are in informal or traditional employment. As a result, modern formal private sector employment is about 90 percent non-Omani. Counting about 50,000 dependants, non-Omanis comprise 24 percent of the Sultanate's population, and actually account for a majority of the population in the capital area. In these respects, Oman's labor market is becoming similar to that of the other Gulf states. Concerted action of the type recommended in this report is essential if numbers of non-Omanis are not to increase to even greater numbers.

Salutary actions include the following measures:

- (i) the rapid rate of economic growth must be moderated since its acceleration will require large further importation of non-Omani workers;

high rates of economic growth also mean inadequate development of Omani human resources because competition among educational institutions for students is dysfunctional and student motivation within the educational system is weakened due to a poliferation of easily attained opportunities to advance either educationally or socially without competition ;

- (ii) the process of development planning should be refocussed throughout the government, with human resource development and the labor market as the central theme. Failure to achieve balance between human resource development and expansion of the labor market in other Gulf states has meant increased importation of non-nationals despite acute concern over the long-term implications of this trend for indigenou social and economic development; and
- (iii) planners must be more single minded in thinking more of long-term labor market and population trends. Reduced short-term benefits must be accepted for the long-term good. And public servants must be encouraged to neglect personal private-sector interests for the greater social good.

Some Specific Recommendations:

The Educational System

3. Dropouts from primary education must be reduced, educational quality improved, and primary expansion slowed. Intermediate education can be expanded - but not at the expense of quality. Selection for general secondary education should be maintained, for costs will constrain enrollments at this

level, and selection will maintain the quality of student, and enhance students' motivation in the system.

4. Planning, cost control, and management in education must be improved. Non-Omani teachers should be upgraded, and Omanization of the teaching force given genuinely high priority, especially through the training of high quality teachers. Student/teacher ratios should be larger, classroom time increased, and female access to education should be given priority in view of their potential contribution to the workforce, especially in health.

5. Also, specialist educational institutes should be focussed on preparing students for the labor market and not for higher education. Sultan Qaboos University should be deliberately underenrolled, a controlled student intake maintaining student quality.

#### Pre-Service Training

6. Training should be focussed on developing skills for the labor market, a process which is short-term and quite distinct from preparation for higher education. Thus, Vocational Training Institutes (VTI'S) should train - not "educate" - at the secondary equivalent level; courses should be short-term and flexible and should be directed toward rural as well as urban populations, and should include women. Internationally accepted vocational training standards should be quickly adopted.

7. Oman Industrial and Technical College is directed toward a vital part of the labor market - highly trained technicians. But because of anticipated competition with Sultan Qaboos University, the Technical College will have problems maintaining the quality of students who are enrolled. For this

reason the Institute of Health Sciences should remain secondary equivalent and not be upgraded, since it too would then have to compete for students with the new university.

8. Pre-employment training should be available for those who will enter the workforce immediately and not those who wish to reenter the educational stream as an extension of this training.

#### In-Service Training

9. In the private sector, in-service training should be enhanced by a literacy drive, a small-firm training fund, training in business skills, follow-through of pre-service training, and some training of non-Omanis in pedagogy. Carefully spelled out priorities are essential as is the restructuring of the training levy to encourage business to support this training. But only more Omanis employed in the private sector will ultimately increase exposure to in-service training.

10. In the public sector, the Institute of Public Administration should have an enhanced role, with more serious counterpart training and professional training officers assigned to each ministry. The Civil Service must be restructured so that counterpart training works, which presently is not the case. And the armed forces must be trained for potential reentry into the civilian workforce.

#### Control of the Labor Market

11. Improved education and training is of value only if efforts are directed to controlling the labor market. This essentially means import limits on non-Omanis in combination with a redistribution of Omanis within the labor market.

12. Public Sector Employment has grown to the extent that labor has been drawn from the private sector. Public sector morale is low because of over-staffing and general lack of responsibility at all but the highest levels. It is suggested that only those who have completed secondary education should be appointed to the public service, and of these, only high quality applicants. Some university graduates should be encouraged to work in the private sector. At lower and middle levels, government salaries should be eroded by inflation; at higher levels, pay should be increased. VTI graduates should only rarely be appointed to the public sector. Apart from technical roles, non-Omani recruitment should be ended. Civil servants should be obliged to give up private sector interests, and dismissal from government should become a real threat. Resignations should be quickly accepted. And civil servants should be reassigned to facilitate more effective use of the particular skills they possess. The role of women in public service should be greatly increased. Finally, public sector employers should come to think of themselves as in productive positions and not in a sinecure.

13. Private Sector diversification should be carefully considered. Limited markets and competition with other Gulf states makes the potential for industrialization limited; furthermore, industrialization is not desirable if it results in large-scale labor imports. Omanis typically shun the modern formal private sector, preferring instead the informal service and formal government sectors.

14. The government should place constraints on private sector labor imports. For example, clearances must be granted increasingly for specific projects that are executed quickly rather than general employment; non-Omanis should be barred from informal employment; imported workers should work in the sectors and occupations for which they were imported; and non-Omanis should not work in agriculture. To accomplish this the Ministry of Social Affairs and Labor (MOSAL) inspectorate will have to be strengthened to enforce these changes. Other measures include more widely dispersed industrialization; enforcing by degrees the minimum wage for the non-Omani workforce to enable Omanis to compete better for employment; enforcement of safety and industrial standards; the development of career guidance services; and a subsidy to induce some Omanis (especially those with needed technical skills) to work in the private sector.

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15. Non-Omanis are beginning to dominate the labor market outside government service. Failure to reduce the rate of entry of non-Omanis to the Sultanate will threaten the admirable qualities of the Omani way of life. The presence of too many non-Omanis stunts the development of Omani human resources and constrains the role of women.

17. The actions recommended here to prevent the import of extra non-Omanis entail a short-term cost; however, the long-term cost of not acting is considerably greater.

## I. THE OMANI LABOR MARKET

### A. The Present Situation in Brief

1.01 At the end of 1983, there were over 250,000 non-Omanis employed in the Sultanate.\* This amounts to over 60 percent of the total workforce of the Sultanate or almost two out of every three workers. About 235,000 of these workers are employed in the private, mostly modern sector, but an increasing number work in agriculture, essentially in traditional production units. While the total number of recorded non-Omani workers is 250,000, there is an additional number of clandestine workers employed in the Sultanate without documentation (although their number is not large). The dependants of non-Omani workers might amount to another 50,000 people (representing a likely dependency ratio\*\* of 20 percent, which is low compared to other labor-importing states in the Arab region).

1.02 In contrast, some 20,000 Omanis are employed in the modern private sector, while the rest work in either the informal or rural sectors, or in government itself. Government civil employment comprises about 31,000 Omanis and about 18,000 non-Omanis, with Omanis representing 63 percent of all civil government employment.

1.03 Overall, Oman can be characterized as being heavily dependent on non-Omanis in the modern private sector, where they total nearly 90 percent of the workforce. And the number of non-Omanis in the workforce continues to

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\* These figures exclude both Omanis and non-Omanis in the police and defense forces.

\*\* The ratio of dependants to workers in active employment.

TABLE 1

SULTANATE OF OMAN 1983  
APPROXIMATE LABOR MARKET DIMENSIONS

	<u>National</u>	<u>Non-National</u>	<u>Total</u>
Rural & Informal	109,000*	30,000 (?)	139,000
Private Formal Sector	20,000	202,000 (?)	222,000
Civil Public Sector	31,000	18,000	49,000
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<b>TOTAL</b>	<b>160,000</b>	<b>250,000</b>	<b>410,000</b>
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Source: Department of Manpower Planning Labor Market Assessments.

\* Of which, perhaps 40,000 - 50,000 are in agriculture and fishing. The majority of the 109,000 are in informal and service employment.

grow. In 1983 the increase was 48,000 or 26 percent over 1982. Such a rate of workforce growth can be quickly accelerated by unbridled economic growth, which will precipitate a continual reliance on non-Omani workers to meet the demands of a rapidly developing, oil-dependent economy. Non-Omanis, then, probably amount to 24 percent of the total population of the Sultanate (300,000 out of a total population of 1,200,000). But non-Omanis are not equally distributed throughout the Sultanate; in fact they constitute a majority of the population in the capital area.

#### B. The Policy Implications

1.04 The number of non-Omani workers, and the degree to which the economy has become dependent on them is approaching a point where action must be taken to prevent further increases in the non-Omani share of the workforce. If Oman is not to become almost completely dependent on non-nationals, as have some other Gulf Cooperation Council (GCC) states, action must be taken soon. As in the case of Kuwait, the other GCC states are becoming increasingly sensitive to and unhappy about their degree of reliance on non-national workers. These states are even more worried than Oman about the growing share that non-nationals comprise of their populations. Oman should not permit itself to slip into that condition.

1.05 But if the present growth rate of non-Omani employment is not curtailed, the Sultanate's reliance on non-Omanis will soon reach levels unacceptable to Omani commentators and policy-makers. Fortunately, there is time and scope for corrective action: increases in non-Omani workers can and must be curtailed, and Omani national human resources can and must be better

deployed. With determination and firm action, Oman's stated policy objectives of a diversified economy without undue reliance on non-Omani workers can be achieved.

## II. ECONOMIC GROWTH AND HUMAN RESOURCE DEVELOPMENT IN OMAN

### A. The Key Relationship

2.01 The theme of this report devolves to one fact that cuts through all subsequent discussion of economic growth in relation to basic human resource development: the faster the rate of economic growth the Sultanate enjoys, the larger the number of non-Omani workers who will have to be imported. Faster economic growth increases numbers of non-Omani workers quickly; a slower rate of economic growth means the share of the labor market accounted for by non-Omani workers will not increase as rapidly. Although in practice complicated by considerations of productivity, in principle the relationship between economic expansion and worker imports is simple and direct: the more growth, the more workers. Indeed, extra increments of government spending are very closely related to extra numbers of migrant workers that will need to be imported in lieu of available indigenous manpower.

2.02 There is some scope for reducing the growing reliance on non-Omani workers while maintaining a high rate of economic growth - by using Omani national workers more effectively, for example - but the only sound, long-term means of ensuring that Omanis take a greater real role in their economy is to slow the short-term rate of economic growth.

2.03 Oman imports so many non-Omani workers essentially because human resource development - the education and training of the population to produce an effective modern workforce - cannot keep pace with economic growth.\*

Simply put, teaching children and training workers takes longer than erecting buildings, making roads and installing telephones. A slower rate of economic growth would take this into account.

#### B. A Critical Choice

2.04 Basically, two paths of development are available to the Sultanate over the next decade: (i) rapid economic expansion and (ii) economic development slowed to accommodate the pace of indigenous human resource development. In the rapid economic development path, short-term financial gain and sheer expansion of the economy are the driving forces. This growth will be based, of necessity, on employment of non-Omani experts and imported unskilled labor. Despite the present soft oil market, the Sultanate will certainly have the financial resources to follow this path. In the second path, real cognizance is taken of the non-economic constraints to growth, as already clearly articulated in the Second Five-Year Development Plan (SFYDP). Under these aims, economic expansion is only justified as long as it is compatible with the effective development of local human resources and "a reasonable size of the labor force" (i.e. a controlled increase in the numbers of non-Omanis).

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\* There are, of course, some elements of absolute shortage of Omani workers, but the hypothetical educational upgrading of Omani nationals, and their commensurate redistribution in the workforce, could eliminate the need for many if not most non-Omani workers.

2.05 The rapid economic expansion of the past decade favors neither the optimal good quality development of local human resources nor limited increases in the number of non-Omanis in the Sultanate.

C. Rapid Economic Expansion at Odds with Omani

Human Resources Development

2.06 Rapid expansion will certainly continue to be associated with a proliferation of posts for Omani nationals in the public sectors. Under these circumstances, Omani labor market entrants do not have to compete seriously with one another for productive employment, but are offered public sector employment "by right". Indeed, returning graduates who have studied abroad are obliged to work for the government for a period equivalent to their years of study. Lack of competition means that students' motivation within the education and training system is lower than under conditions of acute competition for employment. Students are not concerned about excelling. Education in Oman is thus in danger of becoming a token certification exercise, suffering from the eroded quality that it is in that can be observed in some other Arab oil-exporting states.

2.07 It must be accepted that efforts to raise the educational level of a population are bound to be of limited impact beyond a certain threshold if improved quality and standards are not closely reflected in individuals' returns on entering the labor market. As long as the government continues to appoint Omanis freely, and to create new opportunities for employment and income earning without careful regard for education level, students' motivation and the quality of education will certainly be lower than desirable.

2.08 Only when economic growth is slower, and tightly controlled public sector expansion results in competition for employment amongst Omanis, will students' determination to achieve really ensure that the development of indigenous human resources takes place in an optimal fashion. Excessive economic growth, by creating labor market opportunities well in excess of Omani national labor market entrants, obscures the need for quality and advancement in education. Continued rapid economic growth does not favor the high quality development of indigenous human resources. Therefore, only careful, more restrained economic growth will allow the wider social aims to be met, i.e. development with real Omanization and without excessive reliance on non-Omani workers. If rapid growth of the type Oman is now experiencing is allowed to continue for long, then the much-vaunted distinction between the Sultanate and the other GCC States will be completely eroded.

2.09 Economic development should take place for the benefit of the Omani population. Only through high-quality educational development will Omanis be able to participate fully and effectively in the growing economy; thus, the rate of economic growth must be slow enough to allow this process of qualitative improvement in education to develop properly. And the planning environment within the government must be changed to allow the process of human resource development to gain the real priority it deserves within an overall planning framework.

### III. THE PLANNING ENVIRONMENT

#### A. Limiting the Number of Non-Omani Workers

3.01 In the Omani situation, planning for human resource development is, from a certain perspective, in conflict with general planning. Economic planners, the executors of development projects and the contractors, wish to see as high a rate of economic growth as possible. The constraints to this are financial: an acceptable balance of payments situation, an acceptable rate of inflation, and a good international credit rating. Although economic planners may acknowledge that imports of non-Omani workers should be a consideration, numbers of imported workers are not thought important enough by economic planners to be a limit to growth. But excessive importation of non-Omani workers is not only a social problem: too many non-Omani workers reduce the prospect for successful human resource development of the indigenous population.

3.02 If Omanization is to be a success, and Oman is to avoid a large influx of non-Omani workers in the long term, then economic growth must be slowed or even curtailed to acceptable levels in a carefully phased plan. Understandably, it is difficult for the range of people involved in planning and executing economic development to accept this, since they are used to pressing for even greater rates of economic expansion; but their attitudes must be changed. In this respect Oman can learn much from Kuwait's experience.

## B. The Lesson of Kuwait

3.03 Without making the parallels between Kuwait and Oman seems too close, it is instructive to look in some detail at some of the leading economic and human resource development issues in Kuwait today. By doing so it may be possible to anticipate problems that will face Omani planners in the near future. This approach is one that has not been attempted frequently enough in Omani planning in the past but increased efforts should be directed towards this comparative approach.

3.04 Kuwait's pattern of economic diversification through domestic investment of oil revenues in industrialization has been the model of economic development that other GCC States have followed. In many respects Kuwait's industrial development has been successful for economic growth has certainly forged ahead; however, by the early 1970s, many Kuwaitis were expressing concern at the large size of the non-Kuwaiti share of the workforce - it was already 74 percent (175,000 workers were non-Kuwaiti out of total employment of 234,000). Moreover, 390,000 of the population were not Kuwaiti nationals in 1970.

3.05 After much discussion, by the mid 1970s Kuwaiti planners were aiming publicly and earnestly at the target of maintaining 50 percent of the total population as national. But only a relatively conservative attitude about economic growth could make this aim realistic. Real efforts were made to acknowledge this: several major projects were eliminated to avoid labor imports, and growth generally was constrained. Planners were confident that non-Kuwaiti labor and population imports could be curbed to maintain the target share of the population as Kuwaiti nationals.

3.06 However, despite this effort, by 1980 the Kuwaiti national share of total employment had fallen to 22 percent. Even more telling, the Kuwaiti national share of total population had dropped to 38 percent. Planners failed to hold the 50 percent limit despite the rapid natural increase in the Kuwaiti national population.

3.07 Why had the planners failed, despite their public determination? First, many general economic planners did not acknowledge the existence of labor market or population problems in the form of numbers or shares of non-nationals. The human resource development planners did not organize a strong or loud enough public relations campaign. Many Kuwaitis - even those in influential positions - were not aware of the numerical scale or all the social dimensions or economic implications of labor importation. The figures, although public and discussed realistically by the planners, were not made a basic enough issue for them to be taken as seriously as they should have been by the general economic planners.

3.08 Second, and superimposed on this scenario, was the usual and understandable rivalry between planners in different ministries and sectors. Each ministry was keen to ensure that its own development targets were met, believing that any labor market constraint in its own sector could be overcome - either by importing labor or by poaching Kuwaitis from other sectors - to ensure growth was not hampered. It was not in the self-interest of the various ministries to adhere to labor import guidelines and constraints laid down by the national human resource planners.

3.09 Third, although government joint ventures are important in Kuwait, most development is actually executed by private sector, profit-maximizing companies, where vision is typically short-term profit seeking. Any guidelines

that constrain labor imports (or any other effort to temper the opportunity for short-term profit) are viewed in a cavalier manner and regulations are widely flouted in the search for quick profits. Moreover, when importing labor, no real effort was made by contractors to build up a stock of human capital for the future. A short-term perspective meant large numbers of workers, many of low productivity, were introduced to fulfill short-term contracts, and their productivity was often lower than planners surmised; thus, more workers were needed than had been projected. But the tendency of many of these workers was to stay on, thus further eroding the possibility of indigenous workers taking their place and further decreasing economic productivity.

3.10 Another factor defeating the planners' aims was their own divided loyalty, a result of the lack of distinction between their public sector responsibility and their own private sector interests. Targetting ceilings for imports of labor in the overall social and national interest constrains growth by cutting back on short-term profit. Yet many of the civil servants were themselves enjoying these profits because of their dual role as private sector entrepreneurs and government employees. The equivocal nature of their interests no doubt constrained their energies in enforcing their own planning guidelines for the long-term social good. It would have been surprising if it had not.

3.11 Moreover, the planners were defeated by some of the more subtle workings of the labor market that resulted in larger imports of workers than were projected or expected. In particular, national workers did not enter the labor market or move within it occupationally in the direction of greatest national economic need. Instead, nationals sought employment in glamorous

(white-collar type) occupations, rather than those with high productivity, or those that required the critical skills on which the developing economy was dependent. For critical skill occupations, therefore, more non-Kuwaitis had to be imported, inflating the non-Kuwaiti workforce further. Kuwaiti planners also underestimated the development of the informal and service sector employing non-Kuwaitis. Non-nationals, once established in an oil-rich state, will often go to great lengths to remain there, even taking very low-paying jobs to secure residence. The increase in workers of low occupational status, especially in informal, service sector employment, has done much to increase the number of non-nationals in Kuwait and, coincidentally, to reduce the level of productivity of the workforce.

#### C. Actions to be Taken in Oman

3.12 To deal effectively with their concern about the rising numbers of non-Omanis workers and their dependants in Oman, Omani planners must realistically evaluate the practical obstacles that stand in the way of controlling the rate of growth of the labor market and the impact of non-Omani workers.

3.13 If the number of non-Omanis is to be limited, economic growth must, as noted, be slower. Public servants must be obliged to put their private sector ventures aside. Short-term costs must be suffered for the benefit of longer-term advantages. The growth of service provisions must be curbed. Omanis must be technically and vocationally educated and trained, encouraged to work in training-related employment and not allowed to gravitate toward "glamorous" occupations at the expense of nationals being employed in critical skills and key occupations now being filled by non-Omanis.

3.14 Above all, if the domination of the labor market by non-Omanis is to be avoided, the government must make the decision that human resource planning must have top priority; that economic growth must be slowed to facilitate reduced labor market demands; that individual profit must be made subservient to the long-term national interest; and that legislation to curb imports of labor is enforced and cannot be circumvented. These series of actions must be accompanied by a major public relations drive focussed on Omanization and the need to limit non-Omani labor imports. Social attitudes must be transformed, and Omanization given practical meaning at all levels of the labor market. In short, strong and positive control of the labor market is a vital prerequisite for the future economic and social health of the Sultanate.

3.15 The factors that weakened Kuwaiti attempts to enforce the limitation of non-national labor imports, and therefore non-national population growth, should be analyzed in the Omani context. Once this is done, every effort should be made to ensure that such factors do not hinder growing Omani efforts to plan for rational human resource development. Only by frank discussion, widespread awareness, and more determined application than prevailed in Kuwait will efforts to limit entry of non-Omani workers prove effective. The whole planning emphasis must shift to human resource development: thus, manpower planning must assume a central role if it is to be effective in securing the benefits of the long-term development of Oman for Omanis.

#### IV. THE EDUCATION AND TRAINING SYSTEM

##### A. The General Education System

4.01 The Education and Training System (ETS) as defined here comprises the totality of the effort to develop Omani human resources. The ETS therefore includes all the general and specialized education system, pre-service training institutes, adult education efforts, and in-service and part-time education and training.

4.02 A brief statistical picture of the education system under the charge of the Ministry of Education and Youth Affairs (MOEYA) is given in Table 2 for 1982-83. There is now a total of some 135,000 students in primary education, almost 25,000 in preparatory schools, and nearly 8,000 at the secondary level (including the specialist secondary institutes).

##### Primary or Elementary Education

4.03 Unavailability of generally accepted population figures and incomplete school mapping prevent definitive judgment, but the present capacity plus the immediate planned expansion of MOEYA appear to bring primary enrollments, at least for males, close to 100 percent of the total age group, notwithstanding over-age students and repeaters. The time is ripe, then, for a change of emphasis in primary education from an atmosphere of rapid expansion (under which great gains were made in providing access to education for the dispersed rural population) to one of consolidation and improvement in quality. (The issue of educational quality is dealt with in para. 4.12.)

SULTANATE OF OMAN SUMMARY EDUCATION DATA, 1982/83

MINISTRY OF EDUCATION

Education Level	Enrollments			Annual Percent Increase Since 1976			Female as Percent of Total Enrollment	Gross Enrollment <sup>1/</sup> Ratio			Teachers		Student - Teacher Ratio
	Male	Female	Total	Male	Female	Total		Male	Female	Total	Total	Percent Omani	
Primary	172,311	66,156	116,667	8.4	16.2	10.9	30	80	55	71	4,582	14	25
Preparatory	14,693	5,760	20,653	44.6	55.6	47.1	28	42	17	30	1,694	2	12
Total Secondary	3,790	1,589	5,179	59.2	59.4	59.2	30	12	5.1	8.7	452	7	15
of which:													
General	2,899	1,231	4,130	52.2	55.5	53.2	30	9.4	4.1	6.8	299	5	14
Commercial	160	0	160	-	-	-	0	0.5	0	.3	14	0	11
Agriculture	105	0	105	-	-	-	0	0.3	0	.2	26	12	4
Teacher-Training	5	158	163	-	-	-	44	1.5	1.2	1.3	92	13	9
Islamic	171	0	171	-	-	-	0	0.6	0	.3	21	19	8

<sup>1/</sup> Gross enrollment data: includes repeaters and over-aged students

Sources: Ministry of Education, Sultanate of Oman.

4.04 Closely related to quality is the question of efficiency. It appears that as many as 30 percent of primary students become dropouts and do not complete their courses. Action in the labor market can reduce dropout levels, but efforts must be made within the education system to retain students more effectively. Improved school facilities and books, better teachers, and more widespread provision of intermediate places all help to reduce primary-level dropout rates.

#### Preparatory or Intermediate Education

4.05 The continuation rate from sixth-grade primary to first-grade intermediate has recently jumped sharply to about 89 percent (1982). This reflects the priority aim for intermediate education: to expand the educational ladder so that most primary completers will complete nine years of general education. Apart from a conflict with preparatory-level vocational training, this is sound policy, although it will require considerable investment and current expenditures at a time when MOEYA's budget is already under some strain.

4.06 This expansion of intermediate education will, however, only be of maximum benefit if the quality of primary education can be improved. If primary education is poor, then there should be a filter after primary completion, so that selection can maintain the quality of intermediate education.

#### General Secondary Education

4.07 The present (1982) continuation rate between intermediate and secondary education is 41 percent. The shortage of secondary school places reflects a bottleneck in the current Omani educational system - in 1982 graduates from secondary schools totalled only 700. Competition for secondary

school places is likely to become intense as more students complete intermediate level. The rate of provision of secondary places will remain below the social demand due to the constraints of cost and teacher availability, while secondary education will continue to be the feeder for postsecondary education and training. Gross enrollment rates are about 12 percent for boys and 5 percent for girls.

4.08 Some selection at the point of entry into secondary level general education is highly desirable, since it is a possible means of enhancing educational quality at secondary level and improving student motivation at the intermediate level; however, in the future, significant expansion is clearly essential. Once appropriate selection procedures are in place, the expansion of secondary education in its role of supplier of students for postsecondary education should take place. Some careful consideration of the continuation rate from secondary into postsecondary education is in order. For under most likely projections, at least 70 percent of the projected 2,800 general secondary school graduates in 1988 will be absorbed by higher education and training, chiefly the new University. Such a high share continuing into higher studies does not bode well for the quality of intake into postsecondary education throughout the 1980s and early 1990s. Yet the real success of the University will be in maintaining a high quality of graduate, of high value to the Sultanate's labor market.

#### Issues in General Education

4.09 A selected list of the most important issues for action include: administration and management planning and cost control; maintaining quality; dealing with escalating costs; nationalizing the teaching force; larger student/teacher ratios; female access; and classroom hours. These issues are discussed in detail below.

4.10 (a) Administration and Management: There is a strong policy commitment expressed by the Ministerial Education and Training Council to link the ETS to the labor market. This has been well articulated several times by the Education and Training Council. But the translation of the policy statements into integrated executive actions within the various ministries providing educational services should be even further strengthened. For example, competition between rival training and educational establishments for students must be avoided, as must students being forced to repeat courses and even years as they move from one branch of the system to another, due to lack of coordination within the system.

4.11 (b) Planning, Cost Control, and School Management: Completion of educational and training facility mapping, combined with enhanced production of statistics, more careful planning, and more careful monitoring of school management would cut costs in the system and significantly improve efficiency.

4.12 (c) Quality of Education: The rapid expansion of the educational system has inevitably had some harmful effect on the quality of education. Difficulty in recruiting well-trained, highly qualified expatriate teachers, combined with the government's reluctance to upgrade non-national teachers' skills, means the teaching staff are sometimes wanting in essential ways. And teaching staff often live and work under difficult conditions with poor facilities that inevitably reduce their motivation. A further problem is that these teachers use mainly imported curricula, which are in some respects unsuitable for the local Omani economy and social environment. Moreover, monitoring of quality control is rather uneven and to some degree partisan; hence, more dispassionate outside evaluation is essential before a real assessment of the system can be undertaken.

4.13 Although the Ministry is showing deep concern, MOEYA policy to improve the quality and effectiveness of education has yet to be clearly articulated. The link between educational quality and labor market effectiveness of school leavers, although increasingly acknowledged, is as yet little defined in practical terms. A basic limitation to quality improvement is the present reluctance to train and upgrade non-Omani as well as Omani teachers, school managers, and administrators; clearly, efforts to improve school monitoring by non-Omanis as well as national staff must be an integral part of improvement in quality control. And promoting teachers with little experience into supervisory roles does not contribute to alleviating the problem of poor educational quality.

4.14 (d) Rising Current Costs in Education: Capital expenditures within the Education and Training Sector are likely to remain high. Although primary enrollments might have a lower rate of growth in the near future, significantly increased numbers of new entrants to primary schools can be expected in the next decade because of high natural rates of population increase. There also is much need for the improvement and replacement of present school buildings, many of which are temporary or unsatisfactory. But current costs can be expected to soar especially as the higher levels of education expand. Greatly improved efforts at school management will be essential to prevent rising costs from further depressing the quality of education by reducing access to books and consumable items.

4.15 (e) Nationalizing the Teaching Force: Ensuring all teachers are Omani nationals should be considered a priority, with the caveat that the speed with which Omani teachers are produced must not detract from the quality of teachers trained. Thus, the process will necessarily take time. The major

constraint is attracting enough intake into expanded teacher training facilities - school teaching (especially at primary) is of relatively low prestige among Omanis, and only few teachers possess a genuine sense of vocation. Shortage of applicants for significantly expanded teacher training places is likely to remain a problem unless labor market conditions change drastically. Moreover, reluctance to enter teacher training will be aggravated by the availability of university places when Sultan Qaboos University (SQU) opens in 1986. Care must also be taken that partly or fully trained teachers do not enroll in SQU and become lost to the teaching system for a number of years.

4.16 (f) Student/Teacher Ratios: There is certainly scope in Oman for increasing the number of students per teacher, notwithstanding some very large classes that now exist in the capital area. Current research shows that the student/teacher ratio is less a determinant of educational quality than was once thought. Certainly, with careful changes in teacher training to encourage multi-grade and multi-subject teaching, current costs could be reduced and the share of Omanis in the teaching force improved. Careful curriculum development and expanded use of guides and manuals for teachers are important.

4.17 (g) Female Access to Education: Female participation in the workforce is closely related to their educational attainment. The better educated the female population, especially above intermediate level, the greater the share of women entering labor market.

4.18 At the primary level, the female enrollments have risen from 29 percent in 1976 to 38 percent of the age group in 1982 and at the preparatory level from 20 percent in 1976 to 28 percent in 1982. This represents a great

potential advance in Oman human resource utilization. But there has been less progress at the secondary level, where the rate remains about 30 percent. Women should be encouraged to enroll at the secondary level, and facilities should be provided especially for their use. Also, their potential role as teachers, in the health and other public services is considerable and should be exploited.

4.19 (h) Maximizing Classroom Time: School terms in Oman are short and sometimes made even shorter by the delayed arrival of books and teachers. Also, school terms are frequently and easily interrupted by celebrations and other non-academic uses of teacher and student time. This is not to minimize the logistical difficulties of running the educational system, but efforts should be made to ensure that terms start on time and are not unduly interrupted by too many holidays or celebrations. There clearly is no substitute for adequate time in the learning environment of the classroom.

## B. Postsecondary and Specialist Education

### Commercial Education

4.20 Commercial education at the secondary level presently enrolls some 175 students, 75 of whom are girls. The female contingent should be quickly expanded (as is planned with World Bank assistance), since girls who hold commercial secondary certificates would quickly find socially acceptable employment and displace non-Omanis in the public and perhaps also the private sector. Careful assessment is needed of the commercial curriculum to ensure it meets the needs of the evolving Omani economy.

4.21 As the commercial program is raised to secondary equivalent in the Vocational Training Institutes (VTIs), liaison between MOEYA and MOSAL must be immediate and effective to ensure comparability, prevent duplication of effort, and forestall the development of what is perceived as a "second-class" graduate from VTIs. A policy decision must be made about how many high achievers in commercial secondary schools are encouraged (or allowed) to go on to the university.

Nizwa Agricultural Institute (NAI)

4.22 A conflict of purpose arises within the NAI as with all specialized institutes not closely tied to a ministerial employer. Is its purpose to produce graduates who will go immediately into farming, graduates who will work in the ministry (either in the main administration or in agricultural extension), or graduates who will enter higher education, specifically, the Faculty of Agriculture of the university? These aims are to some extent mutually exclusive. For example, if the students at NAI are being groomed for a university career, was NAI their first choice for a secondary education, or are they in reality underachievers obliged to enter "second-rate" (as they perceive it) technical education? If they are the latter, then the process of preparing them for the university could be misguided, since they might be more suited for less academic, purely vocational development.

4.23 Such questions must be carefully pondered and the answers integrated in a carefully prescribed curriculum. It may be the curriculum should be either longer and more theoretical (to produce high-quality university entrants) or shorter and more practical (to produce labor market entrants).

4.24 The difficulty of producing coherent priorities for NAI arises from the lack of a clear sector statement about agriculture. Also unclear is the desired and likely planned relationship of NAI to the rest of the ETS. The nature of student intake depends largely on the evolution of other branches of the ETS. If the provision of secondary school places keeps pace with social demand (or nearly so), then student quality at NAI will not be high. Stipends, although they might guarantee full enrollment, will not ensure enrollees of high quality or high motivation.

Teacher Training Institutes (TTI)

4.25 TTIs presently enroll over 800 students in a three-year program for preparatory graduates, and a one-year course for secondary graduates. Three hundred students graduated from TTIs in 1983, which is considerably less than the net increase in the number of teachers needed (about 1,000) over the 1982 teaching force. Given the acute shortage of teachers, every effort must be made to retain those qualified as teachers within the teaching profession.

4.26 Upgrading TTIs to postsecondary status will increase the quality of graduates if the curriculum is carefully developed, but it could lead to difficulties in enrollment, since TTIs will be competing with SQU and other postsecondary training and educational opportunities. Higher student stipends might reduce the dropout rate from TTIs and to attract more students. Currently about 44 percent of the enrollees are women, a share that could increase (though again, SQU will also attract women secondary-school completers).

Islamic Secondary Education

4.27 The 171 students in this institute comprise only a small share of total secondary enrollment, and go to the workforce to fulfill important social and religious functions.

Sultan Qaboos University (SQU)

4.28 SQU is to open in 1986, with a projected student enrollment approaching 580. The key to the success of the university is the recurring theme of high educational quality. There are many obvious advantages associated with the establishment of SQU. The university will enhance national prestige; educate undergraduates in their own country; complete the educational ladder; satisfy social demand; retain within the Sultanate some of the money for education that would be spent elsewhere; motivate students in the educational system (to win university places); establish a university of quality and international standing; produce high-level manpower to meet domestic economic needs; initiate locally focussed research, applying results to Omani development projects; and focus international interest on Omani development problems. But all of these clear-cut advantages, especially the value of graduates to the Omani economy, will be undermined if the graduates are not of much higher quality than those produced by other Gulf universities. Omanization requires a high-quality graduate to assume high levels of responsibility in the workforce. SQU must indeed be a center of excellence if it is to fulfill the role envisaged for it.

4.29 But as planned, SQU may have too large an initial student enrollment to quickly become a center of excellence. For instance, the proposed student intake is 580 each year; yet in 1986 there will be only 1,820 boys and 838 girls completing secondary education (but not necessarily passing their examinations). If SQU reaches full enrollment - and there will be heavy social pressure for it to do so - then it might have to enroll 22 percent of all secondary completers as well as a much larger share of those who pass the completion exam at the end of secondary education. This proportion,

essentially the fruit of a hastily expanding secondary system, would be too large to ensure control over student quality. Even by 1990 there will be only 2,400 male and 1,600 female secondary completers, and SQU could be taking 14.5 percent of them.

4.30 If SQU is obliged to take students of low quality in the early years, it will meet great difficulty in establishing higher quality entrance requirements in subsequent years. Social demand has already driven down standards in all Gulf universities. Most notably, Kuwait University no longer offers higher degrees because it could not maintain the quality of its programs. Moreover, some of the best students may choose to finance university studies abroad personally and others may decide to enter the labor market or one of the many alternative forms of postsecondary education or training. Thus, the scale of student intake to SQU, when related to the supply of potential undergraduates and opportunities open to Omani secondary completers, makes it likely that rigorous selection to ensure the quality of entrants will be difficult to enforce.

4.31 Great care in selection and willingness to accept lower than capacity enrollment in the early years will be essential if SQU is to become a center of excellence. Yet the social demand to fill university places will be considerable. Strong resolve over standards, while perhaps initially unpopular, will be essential if SQU is to realize its stated objectives. It is better to produce fewer high-quality graduates than a large number who are graduates in name only and cannot perform effectively in the labor market at the required professional levels.

### C. Pre-Service Training

#### Introduction

4.32 Training and education are essentially different processes with different aims and methodologies. Training is the development of job-related skills known to be needed in the labor market through short-term courses of weeks or months rather than years. To this end, a variety of agencies in Oman are responsible for pre-service training. This section deals with full-time training courses that are provided by the public sector or a quasi-governmental body and that prepare those who leave the educational system for the workforce.

#### The Vocational Training Institutes (VTIs)

4.33 MOSAL is the largest provider of pre-service training in the Sultanate. The DGVT is not responsible for "education" or "vocational education" or other types of "education" per se, but rather solely for training related to the labor market. In practice, providing "education" confounds the real purpose of VTIs, as defined in the SFYDP.

4.34 At present, DGVT provides three years of preparatory equivalent courses, to be extended to a fourth, and possibly a fifth or sixth year. This might have been a valid process when vocational training was first established in Oman and preparatory education was not widespread. But the shape of vocational training has been overtaken by events; namely, the increased coverage of preparatory education, the large number of primary school dropouts, and the changing expectations of young Omanis as Oman's oil wealth has increased. Today, the "education" of a few additional children of preparatory age in the Sultanate should not be allowed to obscure the real need for the "training" of those who have not been educated to enter the labor market.

4.35 There can be no doubt about the need for training. Projections show that a majority of labor market entrants will continue to be at low educational levels to the end of the century. If they are not trained, they will remain unskilled, since in many cases they have failed even to complete primary education. Obviously, this is neither in the best economic nor social interest of the Sultanate in the long term. To remedy this situation, it is recommended that:

- (i) preparatory level enrollment in VTIs be ended;
- (ii) extending training into a fourth year and beyond is not a wise investment, since it confounds further the labor-market focus of VTIs, and might generate a problem of employment of trainees with high aspirations. In this sense, it is a costly extension of a blend of education and training that has little validity in present educational and labor market circumstances;
- (iii) VTIs should be focussed on flexible training for mature trainees, i.e. secondary-level and older;
- (iv) after proper identification of training needs, short-term VTI courses should attempt to imbue these skills;
- (v) this training should not only be for modern sector industry but should be related to the local economy and local needs (e.g. agriculture, falaj\* construction, irrigation channel technology, etc.);

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\* Underground water channels that supply irrigation.

- (vi) this training need not be directed only to new male labor market entrants but also women, the elderly, and those who work in the rural economy. Links with community development agencies and others involved in rural development, apart from the modern private sector, are also important;
- (vii) short-term training courses directed towards primary dropouts are also important. These dropouts could be trained after some labor market experience and should be mature enough to benefit fully;
- (viii) training also might be offered to Omanis who present themselves at labor offices to seek work; and
- (ix) standards must be protected by trade skill testing acceptable to private employers.

4.36 This is a very different - even radical - approach from that which resulted from the recent deliberations of the Education and Training Council. However, such an alternative policy is an essential consideration if training is to avoid competition for students with general education, and is to serve the real human resource development needs of the Sultanate.

4.37 Any such efforts to improve the relevance and standards of pre-service training must be coupled with efforts to enhance the external efficiency of the system - defined as the degree to which graduate trainees are prepared to work in training-related occupations. There is little point in training electricians and falaj builders if they all become (or want to become) government clerks.

Oman Technical and Industrial College (OTIC)

4.38 At the present, Oman's ETS produces no technicians outside of the armed forces training establishment. Therefore, there is no doubt that OTIC

with a two- to two-and-a-half year postsecondary course directed towards production of technicians, is aimed at a high-priority labor market need. There is also no doubt that Omani national technicians, if of sufficiently high quality, can quickly assume supervisory roles that are crucial if the process of Omanization is to take hold.

4.39 OTIC's problem will be the quality of students it can attract. As a postsecondary institution, it competes directly with the university, to which most secondary graduates will wish to go. OTIC also competes for trainees with the rapidly expanding teacher-training facilities, and with recruitment into officer training programs in the armed forces. This leaves a potentially poor quality student for OTIC, since the numbers completing secondary education are not projected to grow very rapidly. In solving this, a change of policy in the form of slightly scaled-down intake into the university would benefit OTIC greatly. Careful decisions must also be made about the numbers and shares of VTI graduates allowed into OTIC. Only the highest achievers should be allowed to move from VTI to OTIC. Even then, it might be wise to require some full-time experience in the workforce as a prerequisite for admission. VTI graduates must demonstrate clearly that they would benefit from further investment at OTIC, since a VTI graduate should have been prepared to enter the workforce.

4.40 There is another potential conflict of aim with respect to outputs from OTIC. A decision must also be made, at a policy rather than a pragmatic level, about how many students completing courses at OTIC are allowed to enter, for example, the Faculty of Engineering at SQU. This is part of the general conflict about training for further training or for the labor market.

4.41 Planners can be certain of one thing: there is no danger of overproducing Omani technicians in the foreseeable future. However, the danger is that Oman, in its desire to produce as many technicians as possible, may reduce standards below those generally acceptable to industry, the university manpower staffing committees, and other components of the labor market.

The Institute of Health Sciences (IHS)

4.42 The IHS is in a very different position from VTIs, since it is sector-specific in orientation; moreover, the IHS is feeding a prestige, mainly public sector, that has a genuine priority for Omanization. It is, furthermore, a sector where there are considerable employment opportunities in Oman's regions and at various occupational levels, some for females. Since the IHS is integrated into the government employment structure (even if trainees are not technically government officials, they can effectively consider themselves as such), it can offer trainees attractive stipends as well as a secondary-equivalent education.

4.43 What the sector will need in time are more detailed manpower projections, so that the IHS outputs can be targetted either toward critical skills in the health sciences or toward areas in which Omanization might have maximum benefit in terms of administrative control, monitoring technical standards, or in public relations. In the meantime, retaining the secondary-equivalent status of the IHS is realistic both from the perspective of increased enrollments and of education and training standards.

The Institute for Bankers (IB)

4.44 Institutes to train bankers have become fashionable around the Gulf. The sector is one in which local nationals like to work, and in Oman's case banking has been declared a priority for Omanization. And there is indeed a need for pre-service training in banking.

4.45 The IB in Oman was created largely in response to the call for Omanization, when the share of Omanis in banking was decreasing. So the IB was meant to boost entry of Omanis into the sector. Unfortunately, with an output of about 50 students a year, the IB is unlikely to transform employment patterns in the sector; moreover, banking has a tradition of internal upward occupational mobility of labor and in-service training. Care must be taken that pre-service training does not devalue the existing in-service element. Further, it should be made clear that by itself the IB will not necessarily have any impact on Omanization in the sector.

Pre-Employment Training for Education versus Training for the Labor Market

4.46 There is, correctly, a great desire to expand educational and training facilities at all educational levels in the Sultanate. Thus, the expansion of primary and preparatory education and preparatory-level vocational training is occurring contemporaneously with an expansion of secondary and postsecondary training and educational institutes (e.g. Teacher Training Institutes and the Oman Technical and Industrial College at Al Khuwair). At the same time, students and trainees perceive that their labor market rewards are likely to be maximized by staying within general education, or, failing that, by staying within a training course as long as possible and then, if possible, reentering the educational system.

4.47 The expansion of VTI and other vocational facilities and the strong nonvocational education objectives of students and trainees are to an extent in conflict. Training is costly, several fold more costly than general education (especially in the long-term form it takes in Oman), and should prepare trainees for training-related occupations in the labor market. If trainees do not enter the occupations for which they are trained, then the government obtains a very low return on the high cost of training and hence the system becomes inefficient.

4.48 The system is least efficient when students reenter education after a period of training; however, in the Omani context, the proliferation of postsecondary education and training institutes will encourage this. No doubt some of the outstanding students at various levels of training should be allowed to progress in education or further training. But most should enter the labor market, at least for a period, after each training course. Those who have entered training courses because they failed by underachieving in general education should not be allowed to reenter general education simply because places are available. There is an inherent paradox in taking dropouts from primary general education and feeding them into an alternative education system that, despite its emphasis on trades rather than academic education, is supposed to be able to send them on the general secondary and, ultimately, university education. Yet, it is increased comparability of VTIs with general education that is now being stressed.

4.49 The aims of training institutes should be unequivocal: to prepare trainees for the labor market. And it is toward this end that their teaching methodology and curricula should be directed. If the preparation of enrollees for further education or training is allowed to become an integral part of the

institutional role, then preparation for the labor market will inevitably suffer. The majority of trainees should be absorbed directly into the labor market. The implications of this are clear: the majority of students in the Agricultural Institute should enter the workforce, and not set their sights on the University Faculty of Agriculture; the majority of students in VTIs should expect to enter the workforce and not OTIC; students in Teacher Training Institutes should become teachers and should not be permitted to join the Faculty of Education at the university until teaching experience has been gained.

D. In-Service or On-The-Job Training in the Private Sector

Introduction

4.50 On-the-Job Training (OJT) is, of course, much more difficult to evaluate than pre-service training. It varies along a spectrum from formal instruction related to new products and processes to the informal copying by one employee of the methods used by another. In this respect, OJT can be either a formal program of study or an ad hoc process that naturally occurs in the workplace. In its broadest sense OJT is pervasive in any economy, since workers are continuously learning new aspects of their job. As a structured program, OJT varies greatly in incidence between different economies and among various sectors in the same economy. OJT is important because, like basic literacy, it is an important determinant of labor productivity. But, in Oman OJT should have a special role in the replacement of non-Omani by Omani workers. Ideally, every non-Omani worker should effectively be a trainer of

Omanis. In the case of unskilled laborers, of course, this is unrealistic; however, every non-Omani with a skill employed in the Sultanate should in theory be making an effort to pass on elements of his profession or trade to an Omani national.

#### Literacy

4.51 One of the first and most essential aspects of training is the development of literacy skills. Today only about one-half of the male workforce can read and write. This is a fundamental and basic constraint to occupational upgrading and increasing the productivity of Omani nationals.

4.52 Adult literacy campaigns, especially as a form of training with applied literacy as the focus, should be a priority in efforts to upgrade the Omani national workforce. This is especially important when Omani nationals are competing against an imported workforce, many of whom are literate. A significant increase in adult literacy would certainly yield quick benefits in Omanization and productivity gains in both rural and urban workforces.

#### The Training-Levy Rebate Scheme

4.53 The training-levy scheme rebates costs of formal, full-time, short training courses. These are needed, and the subsidy is justified to a point, but the scheme does nothing to enhance OJT. Furthermore, there is no overall effort to favor Omanis' receiving of OJT. The scheme, as presently structured, has relatively little impact on training. The amount rebated (about R.O. 80,000) comprises only a small share of the monies levied annually (less than 4 percent); firms treat a levy as tax and do not respond with extra measures to train their employees.

Exposure of Omani Nationals to On-the-Job Training in the Private Sector

4.54 Few nationals work in the private sector: perhaps 20,000 or less than 10 percent of the total formal modern private-sector workforce are Omani, so only a few Omani workers are exposed to OJT. Moreover, these Omani workers are basically drivers, guards, and public relations and managerial personnel, which means that OJT of Omani nationals is even more limited than the total number of employees might suggest. Yet, without OJT (including some form of literacy training), upward occupational mobility of Omanis in the private sector must remain quite limited. It is recommended that employment of Omanis in the private sector be subsidized in a manner that relates such training to productivity increases.

A Small-Firm Training Fund

4.55 Efforts at training in the private sector need not be limited to large establishments. A fund to encourage training of Omani nationals in the smaller establishments of the private sector (which would also act as an effective employment subsidy for nationals) should be instigated. Large firms could subsidize this training if payment were made out of a tax system resembling the present levy. The administrative stress should be on the desire to subsidize rather than placing an onus on the employer to do so making a claim. The employment subsidy element is important. Any abuse of the scheme would be a small price to pay if some of the many possible benefits come to fruition.

4.56 Groups who fund training (such as the Oman/U.S. Joint Commission) or those willing to give technical assistance (such as the British Council and the German GTZ) could be approached about assistance for detailed evaluations of such schemes as well as the technical assistance to implement them.

#### Pre-Service Training Follow-up

4.57 Rather than extending pre-service training, it would be more valuable to follow-up and top off the training of graduated trainees who find employment in the workforce. Once in the workforce, VTI graduates mature rapidly and might benefit considerably from subsequent training sessions. These sessions could be on a day or longer work-release basis.

#### Training in Business Skills

4.58 Training of managers for small business and industrial enterprises as such does not exist in Oman. Yet, in a diversifying economy, the scope for application of modern management and financial analysis techniques is considerable; moreover, such a scheme would enhance the traditional trading heritage of Oman and would augment the modern Omanis' entrepreneurial inclinations. Clearly, both small and large enterprises could benefit from such training.

#### Setting Priorities in a Training Program

4.59 Probably 80 percent of the Omani national private-sector workforce is best described as unskilled. The skill pyramid tapers upward very quickly, with only about 8 percent being skilled workers.

4.60 Interest in income distribution and social equity suggests that great stress should be placed on a training effort to upgrade the unskilled worker to a semi-skilled level. The considerable need for this is clear, yet little effort is spent to encourage this level of manpower development outside government and the VTIs. But any such focus must be combined with a program of training to develop skills needed in the labor market. Some areas can be targetted with reasonable certainty, e.g. business and management skills, plumbing, and electrical engineering; others must wait for a more detailed skill needs assessment.

4.61 One thing should be emphasized: the government should stop attempts to subsidize and encourage falsely-defined "skills", an example of which is light-vehicle driving. Driving is easily and spontaneously learned; on the other hand, driving of heavy-goods vehicles could be a worthwhile object of a government training effort, as could the training of operators to drive earth moving vehicles, etc.

#### Training of Non-Nationals

4.62 Training of non-Omanis in the private sector is a constant process and is needed to upgrade poor-quality imported labor and to enhance the rather poor productivity level of non-Omani workers in most skill and occupational levels. Such training of non-nationals is not necessarily a bad thing. It enhances productivity, enables the introduction of new technology, and thereby reduces the number of non-Omanis necessary to the workforce. Training of non-Omanis should not be discouraged, since it only rarely causes Omanis to be deprived of training.

4.63 In some cases, the government should encourage training of non-Omanis. In particular, they should be trained in pedagogy, i.e. in the skills necessary to pass on their knowledge to Omani counterparts. This would greatly enhance the ability of non-Omanis to train the Omani national workforce.

### E. In-Service Training in the Public Sector

#### Introduction

4.64 Training in the defense and security forces is significant but not considered in detail here, although the question of how to prepare servicemen for their subsequent role in civilian life is dealt with at some length in paras. 4.96 to 4.99.

4.65 Training in the civil public sector is important because a majority of Omani nationals in modern employment are in the public sector. It is essential, therefore, that the public sector expose its employees to a wide range of training opportunities.

The Institute of Public Administration (IPA)

4.66 The establishment and strengthening of the IPA should spearhead the efforts at skill training and upgrading of Omanis employed in the public sector. Apart from the basic training in office and administrative skills, government ministries and directorates often run courses suited to the needs of their staff in conjunction with the IPA. A typical example is short training courses (of a few weeks duration or less) for road superintendents in the areas of administration and technical aspects of modern road maintenance. Recent courses for industrial inspectors also exemplify this type of training, which is an essential component of government manpower upgrading.

4.67 Some of the funds associated with the Omani/U.S. Joint Commission Training Project will be used to send Omanis employed in the public sector abroad for training courses. This will augment the numbers already nominated and sponsored by individual ministries. An alternative strategy would be to reverse the approach and bring more trainers to Oman. They quickly come to understand local conditions, about which overseas' trainers are little aware unless they have previously visited Oman. And the trainees are obliged to take the courses more seriously. At present, a trip abroad for a course is sometimes lightly regarded as a "perk", rather than a serious learning experience. This perspective suggests more courses should be held in Oman that draw on international experts from a variety of economically critical fields.

Counterpart Training in the Public Sector

4.68 Considerable knowledge, skill, and experience is vested in the non-Omanis employed in the public sector. As part of their formally established duties, many of these non-Omanis have to train an Omani who eventually will take over their post to further the process of Omanization; however, in practice it appears that this only rarely occurs, since few posts have been earmarked for this purpose.

4.69 Why this is the case can be understood by listing some preconditions that must be fulfilled before counterpart training can be successful:

- (i) the non-national adviser must have a genuine wish to develop the national staff member;
- (ii) the adviser must be capable of developing the counterpart both intellectually and in terms of pedagogy;
- (iii) the adviser's job must in practice allow him time to develop the national staff member, since on-the-job training is very time consuming;
- (iv) the national staff member must accept that he needs development;
- (v) the counterpart must be capable of development to a level commensurate with the job in question;
- (vi) the counterpart's workload must give him time to benefit from on-the-job training;
- (vii) the adviser and the counterpart must mutually agree to a job description toward which the training will be directed;
- (viii) the adviser and the national staff member must mutually agree on a training level that is appreciated by both counterpart and adviser, and that can bring the counterpart up to the quality needed for the post in question. Then they both must draft a training schedule to achieve this purpose;

- (ix) the counterpart must actually want to be employed in the post in question, i.e. the adviser's position;
- (x) the administration employing the counterpart must want to employ him in the position in question;
- (xi) the adviser and counterpart must be working within a system that acknowledges the value of on-the-job training as opposed to other, more formal qualifications;
- (xii) the staff member's progress in his training program must be carefully monitored and rewarded, and his lack of application chided; and
- (xiii) if the national staff member proves to be of unsuitable caliber or aptitude to be an effective counterpart, then he should be replaced.

4.70 Not surprisingly, few of these preconditions are met under present circumstances in the Sultanate. For counterpart training to make the contribution to Omanization that it should (and must), much more resolve will have to be brought to bear. Each ministry should have a full-time professional training officer, and each non-Omani adviser should be targetted for replacement by an Omani within a prescribed time. Also, training must be formalized, so the non-Omani adviser must be obliged to undertake this responsibility. Progress must be logged by the training officer and the whole process framed in an Omani staff development scheme for each ministry and instigated by the training officer. Only with such reorganization and focus will enhanced progress be made towards Omanization.

Training, Morale, and Productivity in the Public Sector

4.71 Government morale at the departmental level might be characterized as low. (See also Chapter V, section A on the public sector labor market.) One way of ameliorating this is by offering orientation courses for new employees that explains to them the role of government and the importance of their work within it. Since education alone does not prepare Omanis for government service, even highly educated entrants to public service would benefit from an induction course. Much of the dissatisfaction in public service stems from lack of communication and unrealistic expectations that could easily be corrected at the time of entry into government service.

4.72 Some of the frustrations of lower-level government staff stem from their rather poor prospects for promotion and increased responsibility. Genuine effort towards training and Omanization should alleviate any feelings of ennui, increase motivation, and also raise morale.

The Oil Sector

4.73 The oil sector is essentially a "public" sector in terms of training and employment patterns, and training efforts in the oil sector are significant. Both Petroleum Development Oman (PDO) and the Oman Refinery Company (ORC) have structured programs of on-the-job and work-release training and education, though of widely different scales.

4.74 ORC is planning to enroll some 10 to 15 trainees per year and to provide a three-year structured course for secondary completers. This course produces maintenance and operations personnel, but there are curricular branches along which selected trainees can pass to be developed for supervisory, managerial, and technical positions. The problem is likely to be one of attracting secondary completers. PDO will run a training establishment

of about 450 each year through 1987. There are 350 trainees at the training center, mostly in various stages of internationally approved Technical Education Council courses. With such a significant training effort, the prospect for improvement in the level of Omanization of intermediate manning levels is good, although PDO will continue to employ large numbers of expatriates. The Ports Authority and some other quasi-governmental organizations are also significant trainers of Omanis at all skill levels.

#### Retraining of Defense Forces for Civil Employment

4.75 A significant share of employed Omani nationals are in the defense and security forces. In a general way, this exacerbates reliance on non-Omani workers in the civil economy. But more important is the role of the demobilized soldier in the civil economy after he has completed his military service.

4.76 Income from soldiering is viewed as a right rather than as money that must be earned. The soldier becomes accustomed to an environment in which much is provided without direct relationship to his effort; thus in some respects, his is a pampered existence. During the period of employment in the armed forces most recruits are able to save a significant sum of money, which is typically invested in a plot of land, a well for irrigation, or a taxi cab or pickup truck, as well as small-scale consumer durables.

4.77 Thus, during his period in the armed forces, the soldier sets the pattern and lays the basis for his life-style on being demobilized. After his discharge he typically returns to his home area, cultivates his well-garden on a part-time basis, drives a taxi on a part-time basis, and so becomes a member of the workforce that remains mainly outside the formal modern sector. Those who do not actually adopt the informal rural sector way of life in this way tend frequently to seek public sector employment. The salary income from this

is often augmented by a second job in the evening, trading or running a taxi, or by attending courses for which stipends are paid. Thus, training received in the military (apart from the common and easily acquired skill of driving) is not generally applied by the demobilized soldier in civilian life. In more general terms, the ethos experienced by the recruit in the army is one that predisposes the soldier to not seek a productive private sector job after his release from duty.

4.78 As numbers leaving the military increase in the future, their entry into civilian life might become more difficult. Career guidance services and training should be developed to aid the reentry of ex-soldiers into the civilian workforce. The training should consist of two elements:

- (i) the ex-soldier should be informed of, and encouraged to consider, productive full-time employment, especially in the private sector, and should be so trained to ease his entry into this employment;  
and
- (ii) he should be trained to better farm his plot so his farm yields a net-income, rather than relying on subsidy from the cash income generated by other part-time work.

## V. ACTIONS TO CONTROL THE LABOR MARKET

### Introduction

5.01 None of the proposed changes to the ETS will be of social or economic benefit unless efforts are made to fine tune the labor market. Limits on extra imports of non-Omanis both in the form of direct control and as a result of easing the rate of economic growth (as discussed in Chapter II) must be carried out in conjunction with efforts to alter the disposition of Omani nationals throughout the labor market. The changed employment distribution of national workers is needed to galvanize the efficient use of Omani workers.

5.02 Needed is the dual action of (i) altering the nature of the supply of national workers through improving the ETS and (ii) using the workers already in or entering the workforce to spur an integrated human resource development strategy in tandem with the ETS.

### A. The Public Sector

#### Employment of Civil Servants

5.03 The public sector now comprises about 49,000 workers, having grown from some 19,000 workers in 1975. The number of Omanis in the civil public sector increased from 15,000 in 1975 to 30,000 in 1982. This expansion has doubtless drawn many Omanis from private sector employment. In regional terms, Oman's public sector might not be considered too large, since it accounts for only 12 percent of the total civilian workforce (compared to, for example, 35 percent in Kuwait). But public sector employment has nonetheless swollen to the extent that:

- (i) labor has been drawn from the private sector;

(ii) over-recruitment has resulted in sinecures, and underemployment;  
and

(iii) morale of some staff is rather low due to lack of responsibility  
and promotion prospects. (In many instances they feel their  
superiors, who are viewed as obstacles to promotion, are  
ill-qualified and perhaps inefficient.)

#### Some Public Sector Employment Policy Changes

5.04 New recruitment to government service should be sharply reduced.  
Probably no one who has not completed secondary-level education (or  
equivalent) should be recruited. This would act to reduce dropouts from lower  
levels of education and enhance competition and quality in education, for only  
high quality graduates should be accepted. Along with the competition for  
university places this should enhance competition in education and thus  
improve quality.

5.05 In summary, compulsory recruitment of graduates into government  
service should be stopped; instead graduates should be encouraged to work in  
the private sector in the interest of stimulating economic growth.

#### Salary Conditions

5.06 The wage and conditions differential between public and private  
sectors should be progressively and perhaps quite sharply reduced with certain  
exceptions, e.g. teaching, health services and training instructors, which are  
justifiably high priorities for Omanization. If no adjustments are made for  
inflation in the public sector, the differential will soon become less, with  
at least a reduction at middle and lower occupational levels. However,  
compared to the private sector, top jobs in government are ill-paid; hence,  
senior civil servants should be paid more, which is especially necessary to  
compensate for loss of other private interests.

The Premium in Public Service for VTI Graduates

5.07 VTI graduates gain a premium on entering government service by being paid more than the equivalent preparatory graduate. No one should be employed in government who has exited the ETS at this educational level because of their need in the development of the private sector economy and to realize the national goal of Omanization. After upgrading of VTIS, graduates' premiums in Government should be stopped.

Non-Omani Recruits to the Public Sector

5.08 New non-Omani recruits to government service should be only those with technical qualifications, and must be closely paired with a counterpart. An exception to this might be training officers (see Chapter IV, paras. 4.83 to 4.99).

The Dual Role of Civil Servants

5.09 In the 1970s, when the pool of qualified and skilled national manpower was smaller than today, there was justification for civil servants holding private sector interests. The benefits to the economy of maximum use of scarce skills then probably outweighed the problem of conflict of interest, whereby decisions of civil servants were influenced by their private sector profit-making activities as well as the social good. Today there is no such justification. To benefit the long-term social good (for example, by minimizing labor imports), the government will increasingly have to make decisions that are unpopular with the business community. Those employed in the public sector must shelve their private sector interests or move aside to allow the promotion of those without such conflicts of interest. For the interests of the government and those of private sector business will diverge more in the future due to the need for controlling the expansion of the

economy. Such a change will help ease the growing tension between some of the older, established members of the government and the newer, highly educated recruits.

Dismissal and Resignation from Government

5.10 It is presently quite difficult for a national to be terminated from the civil service. There is too much employment security so employee attitude towards discipline is lax. Dismissal from government should be a far less removed threat than it is presently. Cases of refused resignations are often cited. Except in rare instances, resignations should be accepted. Employees who wish to leave but who are frustrated in this desire soon become disgruntled and become low producers. It is better for morale and the system as a whole to let those who wish to leave do so. Then, too, resignations can serve as a means of reducing underemployment and overstaffing in the Civil Service.

Disposition of Technical Skills in the Public Sector

5.11 Public and private sectors alike are short of technically qualified and skilled manpower. The evidence suggests the civil service often pays insufficient regard to qualifications or skills in placing personnel; for example, returning graduates are often placed without due consideration of their qualifications, and skilled people are often promoted into general administrative rather than technical or supervisory posts. VTI entrants to government service (even though ideally they should enter the private rather than the public sector) are sometimes employed with little regard for their training speciality. Obviously, appropriate use of available skills in the public sector must be closely monitored.

Women in the Public Sector

5.12 Women can play a far wider role in the public sector than they have heretofore and should be encouraged to take an active interest in a range of occupations that require technical qualifications. Moreover, they might be much more responsive to in-service training than men because they traditionally have had fewer chances to participate.

5.13 The primary impediment to increasing the number of women entering the public sector is the small number represented in the upper echelons of the educational system. Thus, the education of women specifically for entry into the public sector is a highly desirable first step to remedy this situation.

The Public Sector as a Productive Unit

5.14 Presently, public sector employment of Omani nationals is viewed as a basic right almost on a par with citizenship. The salary is often accepted in exchange for the civil servant upholding social mores and standards as much as for his or her work contribution. The formal education and training of civil servants must imbue a new national work ethos. Public servants must come to believe that they have to be productive and contribute to the economy; their own self-interest must be understood as intrinsically bound up with the national welfare. This is an essential ingredient to bring about Omanization. Better guidelines on delegation of responsibility would help to achieve this by reducing the pervasive abuse of senior civil servants' time, which is now taken up with much that should be done by subordinates.

B. The Private Sector

The Potential for Industrialization

5.15 In common with other Gulf states, planned Omani economic diversification is based on industrialization, although agriculture and fisheries will still play an important part in the overall economy. The private sector should play a major economic role encouraged by public sector initiatives and aid.

5.16 At present, much of the development in Oman has been in the service sector and has essentially helped distribute oil wealth rather than generating extra income. Import substitution industries - aluminum fabrication, water-tank production, marble and tiles, plastic goods, barbed wire, nails, furniture making, packaging, tire retreading - are also becoming integral to the economic infrastructure.

5.17 Omans' export potential and therefore, scope for industrialization is certainly limited, not least by competition with similar products produced by other Gulf states; however, competition with Asian economies might not be as disadvantageous as sometimes implied, since labor costs of the low-wage economies of Asia do not have as much of a competitive edge as often is asserted. Over-regulation of labor markets in South Asia means that although these are low-wage economies, they are not necessarily low labor-cost economies. Imported, unregulated labor in Oman combined with modern technology could produce competitive products. However, the growing social costs to Omani industrialization associated with the extra numbers of imported workers needed could make such a move counterproductive to the overall goal of Omanization.

Industrial Diversification and Labor Imports

5.18 Before deciding whether more industrialization is worthwhile, especially for exports, the wider social costs must be considered. Until the ETs expands its output, industrialization means importation of more non-Omani labor. And these imported workers and their dependents draw on social services and utilities that have to be provided by the Omani government out of oil revenues. They also eat imported food, which has to be paid for by oil monies that might, under other circumstances, be directed toward spending of more direct and obvious benefit to Omanis.

5.19 Importing non-Omani workers to produce goods for export might not be advantageous to the Sultanate if these and similar additional costs of industrialization, not met by individual enterprise or deducted before the enterprise is judged profitable, are taken into consideration. Moreover, if the industry is labor intensive, it might not even be worth importing large numbers of workers to Oman to produce products that otherwise would have to be imported. In other words, the wider social costs associated with the large number of workers required could outweigh the benefits of producing the goods domestically. In the case of capital-intensive projects employing few workers, the social cost would not be as great so domestic production could be undertaken with less social cost.

5.20 Overall, any importation of labor must be considered a major constraint to industrial diversification. And this should be weighed heavily as the share of non-Omanis in the Sultanate's workforce rises or the absolute number of non-Omanis in the Sultanate increases.

Omanization and the Private Modern Sector: Where are the Omanis?

5.21 Probably less than 10 percent of the modern formal private-sector workforce is Omani. Only about 20,000 Omani workers are employed in this most important part of the labor market, the workforce on which the drive to industrialization and diversification depends. These Omanis amount to 12 percent of the national workforce. Although Omanis are still employed in agriculture (perhaps 50,000, including part-time workers and women), only about 20 to 30 percent of the workforce derives a significant part of its income from agriculture.

5.22 Omanis are employed in government - civil and military - and increasingly in the service sector. The service sector comprises employment of a casual and informal nature and is characterized by a large number of self-employed persons and part-time workers. This clustering of Omanis in service occupations is not a desirable labor market feature if the aim is to decrease the number of non-Omani workers. The Omanis in informal employment are in relatively low productivity occupations that do not contribute greatly to gross domestic product (GDP) or to the modern industrial strategy.

5.23 Efforts must be made to formalize employment of Omanis, bringing more of them into full-time, modern sector employment in the most productive arenas, on which the success of economic diversification depends.

Control of Non-Omani Labor Imports

5.24 There will be little progress towards Omanization while extra numbers of non-Omani workers are freely admitted. As a precondition to even holding the Omani national share of the Sultanate's workforce constant (at present the non-Omani share is rising), the easy granting of labor clearances and permits to imported, non-Omani workers should be stopped. Successful moves have

already been made in this direction. And the private sector must be educated through a vigorous public relations campaign to operate with a new set of attitudes about hiring or becoming overly dependent on low productivity labor imports.

5.25 If clearances to import workers are not taken up within a short time, they should be cancelled. Furthermore, the cost of labor clearances and permits should be increased significantly. Increasing the cost of importing labor should make employers more discriminating in bringing in workers of higher productivity and better quality. As an interim measure to tighten labor import quotas, establishment-based quotas could be effective; but for the longer-term, and certainly for future planning periods, labor imports should be closely related to major industrial projects and contracts. Imports of labor for informal employment should be banned, and existing permits not renewed. Non-Omanis should not be employed in the Sultanate, for example, as street vendors, hawkers, or on a casual basis. Similarly, there should be no imports of labor for traditional agricultural employment. Again, existing permits should not be renewed. A stepped-up rate of checking the non-Omani workforce must be instigated to ensure that non-Omanis are really employed in the occupation and sector for which the labor permit was granted. In particular, efforts should be made to reduce the clustering of non-Omanis in service occupations. For example, employment of those imported as masons, carpenters, and other tradesmen in the service sector should be strictly dealt with.

5.26 These and other recommendations for the private sector will not be easy to enforce. But the computerization of labor permits should enable easy data sorting, and the industrial inspectorate must be strengthened and

improved in carrying out its duties. A transfer of staff from other ministries into the inspectorate should avoid extra recruiting. This must be given genuinely high priority.

#### Agents and Private Sector Labor Recruitment

5.27 Some agents importing non-Oman labor make money out of bringing workers into the Sultanate and then leaving them to find their own jobs. This practice should be quickly stopped. Not only do these agents bring in unnecessarily large numbers of low-paid, low-productive non-Omanis (who are of little benefit to the economy, and who are a potential source of social problems), but they undermine other efforts to formalize and regulate the labor market. Sponsors' claims about their establishment should be more carefully examined before they are allowed to import workers. Resulting delays in worker clearances should be considered a part of a more stringent labor recruitment policy.

#### Rural Industrialization

5.28 Greater efforts should be made to distribute modern sector ventures throughout the regions of Oman. The high cost of living and distance to work are strong deterrents to Omanis working in the modern sector in the capital region. Gas bottling, bakeries, wholesale distribution and import substitution industries generally could be more regionalized than present trends indicate. But once established outside the capital, these ventures must make real efforts to employ Omanis. Government aid could be tied to recruitment to Omanis into rural industrial work.

#### Enforcement of the Minimum Wage

5.29 Widespread evidence suggests that many non-Omanis are employed at less than minimum wage, and technicalities in the law easily permit the breach

of this law. Omani nationals will not and cannot compete for employment with non-Omanis employed at below the legal minimum wage. Although the inflationary impact would be a short-term social cost, the minimum wage level should be enforced among non-national workers. Two beneficial results would be that (i) employers might then seek to employ high productivity non-Omanis but to use fewer of them; and (ii) Omani job sectors would be more attractive to private sector employers.

#### Safety and Industrial Standards in the Private Sector

5.30 Enforcement of standards in industry improves productivity in the long term and also makes conditions of the workplace, more amenable to employees. There is no reason to expect Omanis to tolerate some of the conditions associated with non-Omani employment. Improved standards will ease the entry of Omanis into the private sector.

#### Career Guidance Services

5.31 Most young Omanis are first-generation school attenders from rural areas and have little idea when they leave school about career and other training options open to them in the rapidly modernizing Sultanate. Instead, they customarily think of entering government service or the armed forces. Their view of valuable, useful, and prestigious employment and work for the Sultanate's good should be broadened by an intensive government campaign using media and other means to convey this message.

#### Omanis and Non-Omanis in Agriculture and Fishing

5.32 The number of Omanis in agriculture is fewer than is popularly believed. Probably only 20 to 30 percent of the Oman workforce (including women) derive their major income from the sector. The rest of the workforce have left the villages as periodic migrant labor moving to work in

urban areas, so there is not a large pool of labor waiting to flow into the modern sector from rural areas. Indeed, some aspects of agriculture are in decline because of excessive labor out-migration.

5.33 But importing non-Omani "replacement" migrants to work in the palm groves and on pump-well farms is not the answer. Although the non-Omanis in farming might mitigate short-term agricultural output declines, they also delay the beneficial restructuring of the agricultural sector to increase output and enhance productivity. Importing labor for agricultural work contains within it a severe long-term disadvantage. As already noted, such imports should be stopped not only for their harmful effect in ossifying traditional agriculture but also because non-Omani workers in rural areas perform tasks that would otherwise be traditionally assigned to the role of women.

Subsidizing Entry of Some Omanis into the Private Sector

5.34 Instead of a premium being paid for vocationally-trained manpower to enter the public sector, VTI graduates, and perhaps other groups, should have their entry into the private sector subsidized from government funds.

5.35 In principle, the subsidy should be a bridge between what the employer might reasonably be expected to pay for the Omani worker and the minimum sum that the Omani would accept (detailed survey work is needed to determine wage expectations). The difference could be paid by the government in the first year of employment, provided the new employee is given some training. Over the next two years the individual worker subsidy would be phased out, so that in the fourth year the employer would pay the full cost. The employer's increasing cost should be covered by the rising productivity of the Omani employee.

5.36 Such a scheme would be expensive, but VTI graduates are a costly product in any event. And the only way to ensure that the Sultanate receives a positive return on technically-trained and qualified manpower is to ensure their entry into occupations related to the skills they have acquired at VTIs.

## VI. CONCLUSION

6.01 If present trends are not altered by strong policy initiatives, Oman will find itself with over two-thirds of the labor market comprised of non-Omani workers. Even now non-Omanis are rapidly becoming crucially important in all sectors of the economy except government, including agriculture and other rural types of employment. Failure to reduce the import rate of non-Omani workers will pose a real threat to the Omani way of life and runs counter to the overall aim of economic diversification to generate wealth for the Omanis themselves, as articulated in the SFYDP.

6.02 Labor imports on the present scale also constrain the proper educational and social development of Omani men as well as the potential economic participation of rural women who would otherwise be more effective income earners. Binding the economy to non-Omani workers means an increase in remittance outflows. Importing migrant workers also means political dependence on the countries supplying the labor, which several other Gulf countries have recently found to be a hindrance to their freedom of political and social action.

6.03 The human resource development strategy in Oman must ensure students are channelled to appropriate education strata within the ETS according to student ability and with regard to need in the workforce. Clearly, large numbers of technically-trained Omanis are needed to complement and eventually displace non-Omani workers. With the opening of Sultan Qaboos University in 1986 attracting students into secondary-equivalent and postsecondary schools that train for specific labor market needs may become difficult. At present no well orchestrated approach to manpower planning in relation to the human resource delivery system (ETS) exists.

6.04 Furthermore, the deployment of Omanis in the modern economic sector is especially problematic, in that many Omanis are unskilled and work in the informal service sector or hold part time jobs. At present, few training programs exist to upgrade basic skill levels, including literacy training, and the training programs that are given in public and private sectors often do not achieve their intended objectives.

6.05 To maintain the long-term economic health of the Sultanate and to preserve the admirable characteristics of Omani life, short-term concerted efforts must be made to:

- (i) control labor imports;
- (ii) improve further the quality of human resource development; and
- (iii) encourage the deployment of more Omani national workers in the productive modern sector.

6.06 Achievement of this requires joint action in the education and training system and labor market, which will undoubtedly entail an unpopular short-term social cost. But the long-term disadvantages of inaction on these fronts are even more serious. In essence, Omani planners should choose a slower path of economic growth that favors better development of national human resources and minimizes the number of imported workers or Oman could risk losing control of its own economic development.