
OMAN: PRIVATE SECTOR TRAINING NEEDS ASSESSMENT

FINAL REPORT

*Bureau for Private Enterprise
U.S. Agency for International Development*

*Prepared for: Omani American Joint Commission
for Economic and Technical Cooperation*

Prepared by: Ernst & Young

*Sponsored by: Private Enterprise Development Support Project II
Project Number 940-2028.03
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EXECUTIVE SUMMARY

The Omani economy has grown enormously since the current leader, Sultan Qaboos, came to power in 1970. Growth has been based largely on oil revenues. The 1986 collapse of oil prices on the world market highlighted the danger of dependence upon oil for economic survival. The Government of Oman has therefore promoted economic diversification. Growth sectors include agriculture, fishing and light industry.

Like other countries of the Gulf Cooperation Council (GCC), Oman imports much of its labor supply. Foreigners account for approximately 57% of the workforce. In 1985, 82% of employed Omanis worked in the private sector and 18% worked in the public sector. However, Omanis made up only 41% of the total private sector workforce, while they represented 59% of the public sector labor force.

Of the five major private sector sectors examined by the team, the banking sector had the highest percentage of Omanis, followed by transportation, industry and services. The construction sector had the lowest representation of Omanis. Omanis tend to dominate the more traditional sectors of employment, such as agriculture, where the requirements for technical skills are minimal. Omanis also occupy the majority of skilled and semi-skilled office jobs, and many unskilled labor positions. In contrast, expatriates fill nearly all technical and professional positions, as well as skilled and semi-skilled manual jobs.

The government has declared a goal to "Omanize" the workplace, particularly the private sector. After a decade of very rapid expansion, the growth of public sector employment has slowed. The greatest opportunities for Omanization lie in the private sector, where the capacity for growth and employment continues to increase. Nonetheless, training needs in the private sector have little to do these changing market conditions. Private firms do not face a labor shortage; there are many well-trained expatriates available to Omani firms.

Omanization is a driving force in defining the training needs of the private sector. Currently, Omanis represent a minority share of the private sector labor force. The vast majority of Omanis in the private sector are employed in traditional activities - agriculture and fishing. In the modern sector Omanis represent an even smaller percentage of the labor force than is indicated by the aggregate figures. Thus, given the low percentage of Omanis in technical and skilled labor positions, they will clearly be unable to replace the expatriate labor force in those sectors for some

time. If Omanization is to be achieved, it will be critical to identify where and how Omanis can be absorbed into the private sector. Some Omanis may be readily integrated; however, the vast majority will need to be educated and trained.

Omanization of the private sector has the following objectives:

- 1) To raise the number of Omani workers recruited into the private workplace, and
- 2) To retain the Omani workers recruited in private sector jobs.

The training needs assessment team sought to identify the primary constraints to Omanization and the training needs resulting from the desire to Omanize the workforce. The team also sought to identify the types of actions that must be taken to reduce these constraints and to achieve Omanization.

Constraints to Omanization relate to both recruitment and retention of Omanis in the private sector. Some of the key recruitment issues are the following:

- ♦ Omanis lack the basic skills needed by private firms;
- ♦ The public sector hires away the most qualified Omanis;
- ♦ Omanis are conditioned by the public sector to expect high salaries and undemanding work assignments;
- ♦ Omanis have inappropriate work attitudes and aptitudes; and
- ♦ Expatriates protect jobs for their fellow countrymen.

Some of the key retention issues include the following:

- ♦ Omanis regard jobs in the private sector as temporary;
- ♦ Training of Omanis is viewed as a cost, rather than an investment; and
- ♦ Omanis are perceived to be too costly.

Firms in Oman will continue to employ expatriates until Omanis develop the skills, aptitudes and motivation for work in the private sector. Some of these requirements can and should be addressed through training. Functional skills that are lacking include: finance, marketing, production, English language and accounting. Some of the more important management and professional training needs include organizational and personnel management, organizational effectiveness, and international business.

The team found that, in general, existing training and educational institutions are oriented toward employment in the public sector, as opposed to the business community. The team examined higher education programs, vocational training institutes, the Oman Technical Industrial College, and on-the-job training programs.

Given that Omanization is a government priority, and that the private sector offers the greatest opportunities for Omanization, public and private sector collaboration will be essential to the success of this policy. The private sector and the public sector have complementary roles to play, and actions must be taken by both sectors - individually and jointly - to increase the recruitment and retention of Omani employees. All efforts should focus on increasing the efficient, effective productivity of Omanis and should avoid driving the cost of Omani labor higher. Actions to be taken by the public and private sectors fall into four broad categories:

♦ PUBLIC POLICY

If Omanization is to be achieved, public policy must clearly set out the rules of the game: when, where and how the system will operate, as well as what performance is expected from each of the key players. Public policy will set the parameters for Omanization. Some of the key recommendations in this domain include:

1. Develop clear policy goals and guidelines for Omanization
2. Provide incentives to promote Omanization
3. Assess regularly the status of omanization and private sector training needs
4. Improve the training rebate system
5. Conduct a "pride-in-work campaign"

♦ PERSONNEL POLICIES

The Omani labor force has traditionally been geared toward public sector employment due in part to better compensation and benefits. If the private sector wants to attract qualified personnel, it too must adjust policies and seek creative ways to attract Omanis. Areas for action include the following:

1. Use detailed job descriptions, including wage and benefits packages, to recruit Omani personnel
2. Develop performance-based compensation plans for Omanis
3. Develop competitive retirement schedules
4. Promote qualified Omanis
5. Develop structured on-the-job training programs

6. Communicate with labor affairs and disputes office
7. Employ Omani human resource development specialists

♦ PRIVATE SECTOR TRAINING

Omani education and training institutions have traditionally been oriented toward supplying the public sector, as opposed to the private sector. If Omanization of the private sector is to be a success, the country's education and training institutions must play an important role. They will provide the skills that Omanis need to replace the expatriate labor force and to fill new jobs generated by the private sector. Key recommendations include the following:

1. Develop management training opportunities
2. Provide internships
3. Upgrade training institutions
4. Develop vocational teacher training programs
5. Develop a resource center for Curriculum development
6. Provide training to support rural entrepreneurship

♦ PUBLIC AND PRIVATE SECTOR LINKAGES

Effective collaboration and communication between the private and public sectors will be critical to achieving Omanization of the private sector. The private sector must be actively involved in the design of new educational and training programs. Conversely, the public sector must be able to assess private sector training needs on an on-going basis if its programs are to achieve their objectives. Stronger public and private sector linkages are vital, particularly in the following areas:

1. Develop linkages between the business community and the Ministry of Labor and Industry
2. Develop linkages between the business community and public sector training institutions
3. Provide private sector scholarships
4. Improve services of private sector support organizations

INTRODUCTION

Ernst & Young prepared the Private Sector Training Needs Assessment at the request of the Omani-American Joint Commission. The field work for the assessment was carried out in May 1990 by a team of four individuals: Gary Oakley, Team Leader and Vocational Training Specialist; Richard Marrash, Business Specialist; Asya al-Lamky, Education and Training Specialist; and Mohammed Jibrell, Manpower Training Specialist.

A. Objectives and Methodology

The purpose of this assessment is three-fold: to examine the training needs of the Omani private sector; to examine the in-country resources related to education and training for the private sector; and to provide recommendations to address private sector training needs.

The study was conducted in four steps:

1. Reconnaissance Visit to Oman

The team leader traveled to Oman to initiate the study. He selected a local consultant to assist in arranging all interviews prior to the team's arrival. The team leader also held initial meetings with Omani government officials to launch the study.

2. Preliminary Information Gathering

Ernst & Young gathered information on the Omani private sector, its educational sector, and recent economic development and policy changes. A team planning meeting was held in Washington, D.C. to review background materials and to develop a work plan for conducting the study.

3. Identification of Private Sector Training Needs and Resources

During its field work in May 1990, the team interviewed key representatives from the business community to assess private sector training needs. An open-ended questionnaire was used as a guide for the interviews. The team also interviewed government officials in the Ministries of Labor and Vocational Training, Civil Service, Commerce and Industry, and Education and Youth. The team interviewed representatives of all of the key educational and training institutions to assess the resources for private sector training. A list of the individuals interviewed is provided in Annex A.

4. Development of Recommendations

On the basis of its literature review and information gathered through interviews, the team developed a series of recommendations to address private sector training needs. These recommendations are provided in Chapter V of the report.

The Ernst & Young team would like to thank several individuals who provided valuable assistance to the team's effort: H.E. Maqbool bin Ali Sultan, President of the Omani Chamber of Commerce and Industry; H.E. Hamoud bin Hilal al-Habsi, Under Secretary for Economic Affairs and Managing Director of the Omani-American Joint Commission; H.E. Mrs. Rajiha bint Abdul Amir, Under Secretary for Planning Affairs, Development Council; and H.E. Ahmed bin Abdul Nabi Macki, Minister of Civil Service.

The team would also like to express its appreciation to Dr. Ibrahim Ahmad, Director of the Economic Research Department in the Oman Chamber of Commerce; Mr. Duncan Miller, the U.S. Representative of the Omani-American Joint Commission; Mr. Murl Baker, Deputy U.S. Representative; and Mr. Mark Pickett, Training and Human Resources Development Advisor.

I. THE OMANI PRIVATE SECTOR ENVIRONMENT

A. Background

When Sultan Qaboos came to power in 1970, few Omanis had radios with which to learn about the coup. Stereos and televisions are now commonplace goods in urban marketplaces. The country hosts a color television channel, radio stations, and several Arabic and English-language newspapers. According to the Wilson Quarterly, when Qaboos took office the country had one hospital that had 12 beds, 10 kilometers of paved roads, and three elementary schools, with 909 male students.¹ Now, the country has over 2,800 hospital beds, 3,300 kilometers of roads, and over 200,000 students in an elementary-school-to-university education system; 80,000 of the students are female. Current economic plans emphasize the development of communications networks, power supplies and other utilities. Sultan Qaboos can rightfully boast about the progress that his policies and efforts have brought about in Oman.

While the Omani economy has drastically improved under the Sultan, much remains to be done to fully develop this arid Persian Gulf country. As is typical of the region, Oman's economy is still very much dependent on oil revenues, which began to flow into the country in 1967. Currently, oil makes up 91% of exports and oil revenues account for 83% of government income. In addition, immigrant labor is relied upon to fill the gaps in capability and basic manpower which exist in this nation of approximately 1.5 million people. (A census has never been taken.)

The Sultan recognizes the danger of dependence on one source of revenue and is encouraging economic diversification. What follows is a brief overview of the Omani economy, examining where the economy currently stands and what its projected performance is for the years ahead. These projections will influence the types of training necessary to provide the country with an appropriately skilled Omani labor force.

B. Oman's Economic Structure

Oman is fully dependent upon oil for its economic survival. This has been true since the country began exporting oil in 1967, under Sultan Said. Oil revenues accrue to the State and are then reinvested in areas essential to the country's development. Most Omani oil is purchased by Japan and other East Asian countries.

¹ Mark N. Katz. "Oman: A New Dawn?" The Wilson Quarterly. New Year's 1987. pp. 68-9.

Up until 1985 Oman's economy thrived, due to the high prices of oil. In 1986, the collapse of oil prices on world markets caused a recession and seriously set back the country's development plans; publication of the third Five-Year Development Plan, scheduled for 1986-1991, was put on hold for two years. The fall in government revenue severely curbed the funds available to invest in the economy and stimulate growth.

In 1980, the Sultan had the foresight to recognize the fragile nature of an economy dependent on the sales of one commodity. He therefore initiated a State General Reserve Fund. From five to fifteen percent of gross annual oil revenues are deposited into this fund. The reserve has bolstered Oman's credit ratings and could serve in the future as an important non-oil source of revenues for government.

The Omani economy has stabilized since 1987, although it has not achieved the GDP growth rates seen prior to 1985. In spite of difficult times, the country has managed to maintain a favorable reputation among international lenders, allowing the country to continue borrowing for development purposes.

Decreased oil prices have encouraged the Government of Oman to emphasize economic diversification. Logical areas of expansion are agriculture, fishing, and light industry. Prior to 1967 agricultural products and fish were Oman's primary products of trade. For the most part, those sectors have remained in the hands of local, small-scale, private entrepreneurs. The country has the potential capacity to produce many products in quantities large enough to supply both local and foreign markets; however, if the economy is to expand into larger scale production and export of those products, new technologies and new skills will have to be introduced to those sectors. In addition, water saving irrigation technologies are critical to the sustainable growth of the nation's limited agriculture potential.

In the industrial sector, Oman's largest non-oil factory is a state-owned copper mine and smelter. In addition, the country has two cement companies and a small industrial estate. The government has emphasized the development of small and medium scale private enterprises. There are fiscal and administrative incentives in place which help entrepreneurs to start up their ventures. Small manufacturing firms already in place include water pump assemblies, car battery, air conditioner, textile and furniture manufacturers. The government would like to diversify not only the types of manufacturing but also the areas of the country that have manufacturing enterprises in place.

Again, in order to continue the development of new enterprises, new skills and technology will have to be introduced into the Omani industrial sector, on a country-wide basis; in addition, the challenge of developing and competing in new markets will have to

be addressed. The Omani market is too small to warrant the production of many products solely for domestic purposes. However, exports from Oman face strong competition from the goods of other GCC countries. In addition, Oman must import many inputs, including labor. While imported labor is often less expensive than domestic labor, this is not true of all imported inputs; the result is that many of Oman's products are rendered more expensive by the use of imported inputs. Omani products therefore face stiff competition, not only internationally, but also domestically.

II. THE LABOR FORCE IN OMAN

A. Structure of the Labor Force²

In all of the countries of the Gulf Cooperation Council (GCC) the wealth that was introduced by oil led to dependence on expatriate labor. Oman is no different. When oil burst on the scene in the late 1960s, the resulting flurry of economic activity required the immediate development of a skilled workforce. The available pool of Omanis was quickly exhausted; large numbers of workers from the surrounding regions and Europe arrived to fill in the various gaps.

Now, foreigners account for approximately 57% of the work force. Ten to fifteen percent of national income is remitted abroad. Table 1 illustrates the breakdown between Omani and non-Omani workers in the public and private sector workplace. In 1985, 82% of employed Omanis worked in the private sector. Of these Omanis, the breakdown of those employed in traditional sectors such as agriculture, livestock and fisheries vs. those employed in the "modern" private sector was 62% and 38% respectively.

These numbers are somewhat deceptive. As Table 1 shows, Omanis represented only 41% of the total private sector labor force. Conversely, while only 18% of Omanis worked in the public sector, they represented over 59% of the total public sector labor force. This is indicative of the government's priority to Omanize the public sector as well as Omanis' preference to work for the government where there can obtain better wages and working conditions. Clearly, there is room to increase the number of Omani employees in both the private and public sectors. However, the relatively low percentage of Omanis in the private sector highlights the need for particular attention on this sector.

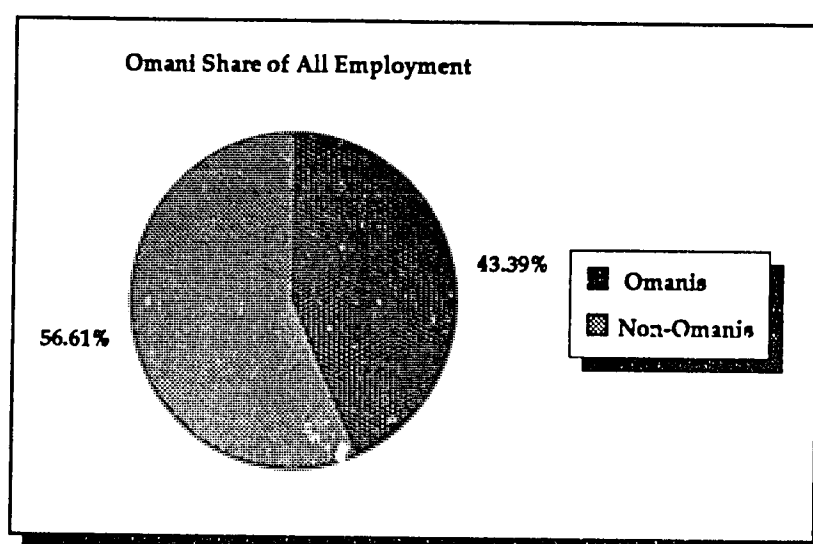
Tables 2 and 2-A illustrate the sectoral distribution of Omanis and non-Omanis in the labor force. Omanis dominate the private sector in agriculture and fishing. They also have a strong presence in transportation and communication, and community and personal services. Table 2 illustrates which sectors of the Omani economy are large employers. The top three sectors, in descending order of importance are construction, agriculture and fishing, and trades and hotels. Interestingly, Omanis have a very weak presence in both the construction, and trades and hotels sectors, both of which employ semi-skilled labor. Omanis remain in traditional sectors, in part, because they do not have the technical skills that would allow them to move into other sectors.

² Unless otherwise noted, statistics cited in this section are drawn from: "Sultanate of Oman: Recent Economic Developments and Prospects, Volume I." World Bank. September 12, 1988.

TABLE 1

**OMANI SHARE OF EMPLOYMENT
IN PUBLIC AND PRIVATE SECTORS**

SECTOR	NUMBER OF OMANIS	NUMBER OF NON-OMANIS	TOTAL	OMANI SHARE OF TOTAL
Public	41,350	28,637	69,987	59.08%
Private:	196,314	281,419	477,733	41.09%
Traditional (Agriculture)	122,000	15,000	137,000	89.05%
Modern Private Sector	74,314	266,419	340,733	21.81%
TOTAL EMPLOYMENT	237,664	310,056	547,720	43.39%



Source: The World Bank, 1988.

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TABLE 2

**DISTRIBUTION OF OMANI, NON-OMANI
AND TOTAL EMPLOYMENT, BY SECTOR OF ACTIVITY, 1985**

ECONOMIC SECTOR	OMANI		NON-OMANI		TOTAL	
	Number	% - Grand Total	Number	% - Grand Total	Number	% - Grand Total
Construction	12,520	5.27%	152,380	49.15%	164,900	30.11%
Agriculture & Fishing	122,000	51.33%	15,000	4.84%	137,000	25.01%
Trades & Hotels	15,720	6.61%	71,370	23.02%	87,090	15.90%
Community & Personal Services	17,130	7.21%	26,820	8.65%	43,950	8.02%
Transportation & Communication	24,130	10.15%	2,930	0.94%	27,060	4.94%
Manufacturing	2,000	0.84%	7,020	2.26%	9,020	1.65%
Banking & Finance	2,364	0.99%	5,229	1.69%	7,593	1.39%
Quarrying	450	0.19%	670	0.22%	1,120	0.20%
Public Sector	41,350	17.40%	28,637	9.24%	69,987	12.78%
GRAND TOTAL	237,664	100.00%	310,056	100.00%	547,720	100.00%

Note: Sectors are presented in descending order, by the total number of employees.

Source: The World Bank, 1988.

TABLE 2A

**DISTRIBUTION OF OMANI, NON-OMANI
AND TOTAL EMPLOYMENT, BY SECTOR OF ACTIVITY, 1985**

ECONOMIC SECTOR	OMANI		NON-OMANI		TOTAL	
	Number	Percent of Total	Number	Percent of Total	Number	Percent of Total
Agriculture & Fishing	122,000	89%	15,000	11%	137,000	100%
Transportation & Communication	24,130	89%	2,930	11%	27,060	100%
Mining & Quarrying	450	40%	670	60%	1,120	100%
Community & Personal Services	17,130	39%	26,820	61%	43,950	100%
Banking & Finance	2,364	31%	5,229	69%	7,593	100%
Manufacturing	2,000	22%	7,020	78%	9,020	100%
Trades & Hotels	15,720	18%	71,370	82%	87,090	100%
Construction	12,520	7%	152,380	93%	164,900	100%
Public Sector	41,350	59%	28,637	41%	69,987	100%

Note: Sectors are presented in descending order, by percentage of Omani employees.

Source: The World Bank, 1988.

The findings of the E&Y team support the trends indicated by the World Bank's statistics. Of the five sectors examined by the team (banking, construction, industry, services, and transportation), construction had the lowest percentage of Omanis. The banking sector, where there is a concerted effort to hire more Omanis, had the highest percentage of Omanis. Following the banking sector fell transportation, industry, and services in descending order of Omani representation. Within the transportation sector, the shipping sub-sector had the overall highest representation of Omanis; they are primarily drivers. The automotive sub-sector had the lowest percentage of Omanis, presumably because automotive repair requires skilled labor.

With respect to Omani representation in jobs of different skill levels, the World Bank found that Omanis are filling 90% of the unskilled positions and only 6% of the scientific and technical positions in the country. Among the non-scientific, non-technical professional occupations, including top managerial positions, Omanis hold about 33% of the total number of positions. The findings of the E&Y team indicate similar trends. In one large company (over 4,500 employees) interviewed by the team, Omanis represented 90% of the non-technical staff; they only represented 50% of the technical staff. In two construction firms that were interviewed, Omanis represented 5-10% of the staff; they were primarily drivers and office helpers, rather than construction workers. The chart below summarizes the types of positions generally held by Omanis and by non-Omanis.

<u>OMANI LABOR</u>	<u>NON-OMANI LABOR</u>
-- Unskilled labor	-- Technical/Professional
-- Skilled office jobs	-- Skilled manual jobs
-- Semi-skilled office jobs	-- Semi-skilled manual jobs

These various breakdowns of the labor market in Oman provide an initial outline for a framework defining the gaps between Omanis' skills and the needs of the market. These gaps are currently being filled by expatriate labor. The challenge then for the government of Oman is to educate and train Omani workers with the appropriate set of skills to fill positions in the private sector.

This challenge seems more acute when one takes into account the mismatch between the demand and supply for labor in Oman. The World Bank forecasts that nearly 190,000 foreign workers will be needed in Oman in 1995; however, it also estimates that 82,000 Omanis will have skills that are inappropriate to the needs of the market. The areas in which there is likely to be an excess of Omani labor are unskilled labor and semi-skilled office positions. For example, there will be about 18,000 more Omanis trained for skilled office occupations than there are available office jobs.

B. Omanization

The government has begun to respond to these challenges by declaring a goal to "Omanize" the workplace, particularly the private sector. After a decade of very rapid expansion, the growth of public sector employment has slowed with the expectation that future employment opportunities will be more concentrated in the private sector. As a result, Omanization in the public sector is more likely to imply gradual replacement of non-Omanis by Omanis, assuming qualified individuals are available. Omanization in the private sector will be fostered by the creation of new jobs resulting from growth, as opposed to the mere replacement of non-Omanis by Omanis.

The government hopes that private firms will not only hire more Omanis, but will also upgrade or develop their skills through training. Government officials interviewed by the team cite the insurance sector, accounting, hotels and industry as prime targets for Omanization.

Many firms have hailed the policy and believe that it is appropriate and necessary. They recognize that Omanization will demand time and energy from senior management as well as the financial capacity to carry out training. Other firms, however, are skeptical. The Omani private sector is dominated by foreign workers at every level, and many firms have a clear preference for foreign labor. Private firms have also reacted negatively to what they perceive as overzealous application of hiring quotas and lack of incentives for training Omanis. While most analysts agree that Oman's economy cannot do without foreign labor in the short run, there is also widespread agreement that the country must achieve Omanization in the long term.

No responsible advocate of Omanization seriously suggests the immediate replacement of all foreign labor by Omanis. Omanis currently represent a minority share of total employment in the country, and given the relatively low percentage of Omanis in technical and skilled-labor positions, it is unlikely that Omanis will be able to replace most foreign workers by 1995. Even if it were technically possible, such a measure would be disastrous for companies -- in any economy. Rather, effective responses must identify where and how Omanis can be absorbed into the private sector. And while some Omanis may be readily integrated into the workforce, the greater part of the employable population will have to be educated and trained.

In sum, training needs in the context of the Omani private sector have little to do with the changing market conditions facing Oman's industries. Private firms do not face critical labor shortages; there are many well-trained job candidates available from a number of different sources. Only in the light of Omanization and the need to generate employment for Omanis does training become a

critical issue. In sum, training needs in Oman are a reflection of a government policy -- Omanization -- and that policy in turn is changing the external and internal environment of the Omani firm.

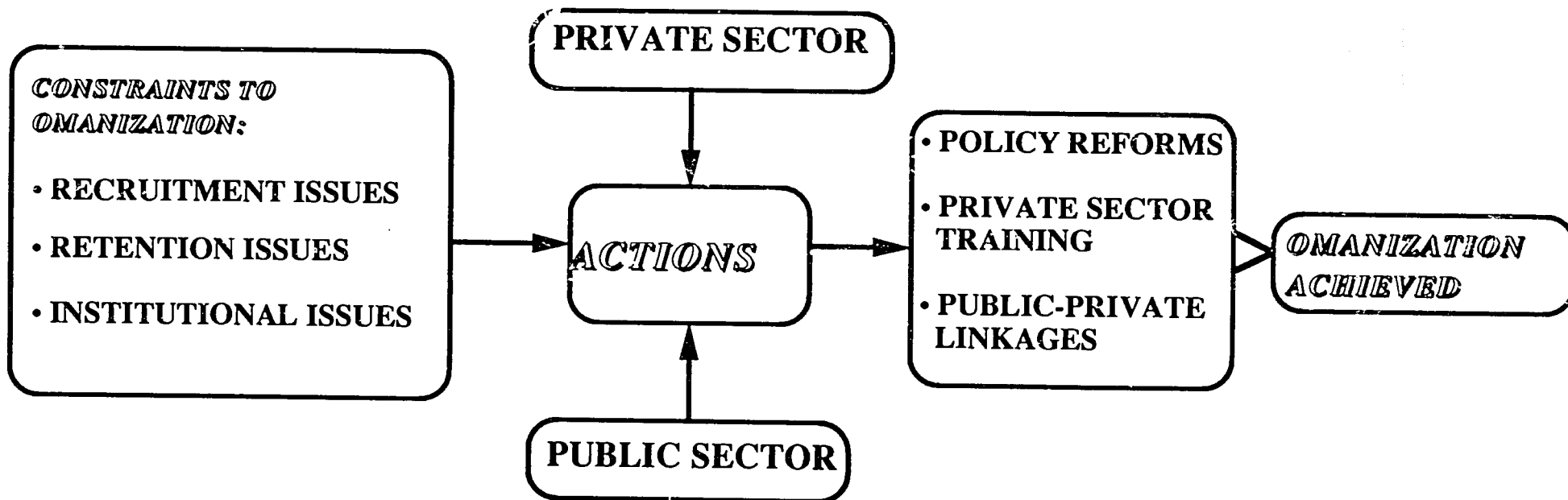
While Omanization is a commonly-used term, the team is unaware of any definitive policy statement or strategy published by the government. In developing an operational definition, the team sought to identify the minimum conditions which must be present for Omanization to be achieved. From all of the evidence, it is clear that Omanization has two main objectives:

- 1) Raising the number of Omani workers recruited into the private workplace, and
- 2) Retaining the Omani workers recruited in private sector jobs.

On the basis of this definition, the team developed a model of Omanization to serve as a frame of reference for discussing the issue. The model is presented on the following page. The left side of the model highlights the constraints to Omanization. These fall into three basic categories: issues relating to the recruitment of Omanis in the private sector, the retention of Omanis in the private sector, and institutional constraints to Omanization. These issues will be explored in Chapters III and IV of this report.

The center part of the model focuses on the types of actions that must be taken to achieve Omanization. These include both private sector and public sector actions to foster policy reform, private sector training and the development of linkages between the public and private sector. The ultimate goal of these actions is Omanization. Actions to promote Omanization will be explored in Chapter V of the report.

MODEL OF OMANIZATION



III. OMANIZATION IN THE PRIVATE SECTOR

The team interviewed over 80 private sector companies in May 1990, collecting data and opinions from owners, business leaders, and managers. The focus of interviews was on the role of Omanis in the private sector workplace, and the perceived opportunities for and constraints to Omanization. Managers were asked to describe the appropriateness of skills held by Omanis. From their responses, coupled with the previous analysis of the labor force, team members were able to draw conclusions about the requirements for training to facilitate Omanization. The analysis below outlines the key issues raised by private sector firms vis-à-vis Omanization and the training needs which emerge from Omanization.

Firms interviewed represented a broad range of sizes, ownership pattern, and capitalization. As previously noted, the firms were drawn from the following sectors: banking, construction, industry, services and transportation. Industry sub-sectors included petroleum, agriculture, and manufacturing. Services sub-sectors were cleaning, trading, advertising, and general service companies. Transportation sub-sectors were automotive, shipping, and aviation. Companies interviewed were located in and around the Muscat area. No rural agricultural enterprises were included in the sample. While this represents a bias in the responses, it should be noted that Omanization of the rural agricultural sector is less of a problem than is Omanization of the modern industrial private sector. The team estimates that over 30,000 employees are represented in the study.

Interviews confirmed that there are two areas of concern with respect to Omanization: the recruitment and the retention of Omani workers. Outlined below are the overriding concerns of managers and employers in both of these areas.

A. Recruitment Issues and Constraints

While many of the firms interviewed expressed willingness, even enthusiasm, for replacing foreign workers with Omanis, executives in these firms expressed serious reservations about the manner and speed in which Omanis could be brought into the company. They question the feasibility of meeting the government's timetable for Omanizing their workforce without jeopardizing their firm's profitability. The reasons most often cited boil down to both quantitative and qualitative constraints:

1. Lack of Appropriate Skills

Firms cited the sheer lack of Omanis trained in the skills needed by private firms. In many cases, basic skills such as reading, writing, and math are missing. In other cases, they do not have

the required experience or training for private sector employment. English language skills were constantly mentioned as a weakness of Omani employees.

2. Competition with the Public Sector

The public sector was reported to be a major contributor to the skills shortage. Those Omanis who have higher levels of skills and training are attracted by the generous salaries and benefits provided by the public sector. This puts the private firms in competition with the government for the most qualified Omani job candidates.

3. High Salary/Low Productivity Profile of Omani Worker

Not only has the attractiveness of government employment reduced the number of trained Omanis available to private firms, but it also has produced unrealistic expectations of high salaries and undemanding work assignments on the part of entry-level job candidates. In such circumstances company executives felt they had no rational economic choice other than to continue employing foreign workers, who offer the advantages of higher productivity at lower cost than Omanis.

4. Inappropriate Work Aptitudes and Attitudes of Applicants

Managers reported their frustration in attempting to recruit more Omani workers in the face of two serious problems. Work aptitudes of Omanis applying for entry-level positions were typically cited as substandard. The explanation given by the interviewees was that job applicants coming from the usual local sources of employees -- the vocational technical institutes and the labor office -- seldom had any practical knowledge or experience in the technical area they were applying to work in, or simply arrived fresh from the labor office without any notion of what a job might entail.

Coupled with this problem was the lack of commitment to the job. Many of the skills that managers in the private sector feel that Omanis lack are not technical, but attitudinal. Employers mentioned that frequently, after hiring Omani workers despite their not meeting entry-level requirements, those workers would not remain long on the job. For instance many workers hailing from villages distant from the capital simply stopped coming to work, often after only a few weeks on the job, unwilling to bear prolonged separation from their families. One company reported that all Omanis hired in 1989 had left by mid-1990.

Other attitudinal problems mentioned involving normal work discipline were: reluctance to perform work on time and up to company standards; insubordination to supervisory staff (particularly when supervisors are expatriates); and unwillingness to work in jobs considered undesirable. Again, employers cited

that responsibility to the bottom line virtually guaranteed that they would avoid problematical Omani workers when foreign workers presented few such attitude or discipline problems.

5. Job Protection by Expatriates

Some managers mentioned that expatriates protect jobs. Often those at the middle management level have the authority to hold positions for themselves or their fellow countrymen. This blocks Omani access to jobs for which they might be appropriately skilled.

B. Retention Issues and Constraints

Associated with keeping Omanis employed in the private sector are many of the same constraints mentioned under "Recruitment." Other important points are:

1. High Attrition Rate Among Omani Employees

Generally Omanis in the private sector regard their jobs as temporary positions. If the opportunity arises for a better paying job or a position in the public sector, the Omani employee will not hesitate to take it.

2. Cost of Training

Training of Omani employees in the private sector is viewed as a cost rather than an investment. Many firms felt that the government's training rebate does not cover training costs; it is therefore ineffective as an incentive for firms to promote on-the-job training.

In addition, related to the high attrition rate outlined above, a primary concern voiced by managing directors in the private sector was that they would hire an Omani, train him, and once he was trained, he would immediately jump to a job in the public sector. This fear contributes to the perception that training is a costly exercise.

3. Cost of Omanis

Because Omanis are paid higher salaries, when the economy is not booming, they are more likely to be the first to be let go.

C. Responses to Recruitment and Retention Issues

In addition to asking firms to identify the constraints involved in recruiting and retaining Omani employees, the team also explored the current means used by firms to respond to these problems. Many of the firms felt that means employed were inefficient, but necessary for survival. What follows is an outline of firms' responses.

1. The Use of Less Qualified Personnel

In response to the government's Omanization policy, the majority of companies currently hire under-qualified Omani candidates through the Ministry of Labor. It is the Labor Care and Disputes Department that has the mandate to enforce Omanization in the private sector. Enforcement entails requiring the company hire a specific number of Omanis whenever the company requests Labor Office clearance to recruit expatriates.

Most of the candidates fielded by the Ministry of Labor are not qualified for the open positions. Several businessmen, both Omani and expatriates, told the team that no matter what type of worker they asked for, they were sent drivers. If they asked for clerks, they were sent drivers. If they asked for janitors, they were sent drivers. They complain that the Omanis that the Ministry of Labor sends to them are not proficient in English nor skilled in technical or administrative functions. The overriding feeling is that the Ministry of Labor does not do a good job of matching potential employees to jobs. However, it is also important to note that the private sector may not be effectively communicating its needs; often the private sector provides a job title to Ministry of Labor without communicating the skills needs to perform the job.

Nonetheless, because the economy is not growing at the rate that it was several years ago, many businessmen resent the imposition of unskilled Omanis on their businesses. One Omani business leader interviewed stated that in the 1970s and 1980s when the economy was booming, he did not mind hiring a few unqualified Omanis who were sent to him by the Ministry of Labor because he treated the cost as a form of taxation. Now that the economy is less dynamic and businesses are competing vigorously, it becomes increasingly expensive to have non-productive employees, particularly when the private sector has a supply of skilled and unskilled expatriate labor. The private sector faces the dilemma of focusing on profits and efficiency on the one hand, and on complying with government priorities on the other.

If Omanization is to occur, the paths of communication between the private sector and the Ministry of Labor will have to open up, so that businesses no longer feel forced to hire expensive, underskilled employees.

2. Use of Expatriates

The practice of hiring expatriates in the Gulf countries is a result of the recent and sudden explosion of oil wealth. Growth is complicated by the lack of indigenous manpower prepared to exploit the opportunities created by investment in massive infrastructure and urban development projects. Expatriate positions range from laborer to managerial and highly skilled professionals and technicians. Generally, their salaries are less than those of Omanis, particularly for unskilled and semi-skilled labor.

One Omani businessman explained that while he understands the long-range benefits of employing Omanis, it is more efficient to entrust his business to an expatriate whose sole purpose of being in the Sultanate is to work day and night. He added that Omani employees, like himself, relate to their social and cultural environment on a daily basis and will not be able to perceive their value only in terms of labor. Therefore, he concluded, employing expatriates is more efficient for the private sector. Since the cost of utilizing expatriates is not high, and since a supply of trained Omanis is not available, it is difficult for these firms to move Omani personnel into positions of responsibility in the near future.

3. New Approaches to Recruitment

Most of the firms interviewed stated that in order for Omanization to occur in the private sector, there is a need to explore new approaches to recruitment. As mentioned earlier, a majority of secondary school graduates, Oman Technical Industrial College graduates, Vocational Technical Institute graduates, and overseas university graduates do not directly seek employment with the private sector. Instead, they apply for government positions and the big oil industries and banks. However, government employment is now saturated and can absorb fewer candidates than in the past.

The current government strategy is to shift the burden of Omani employment to the private sector. Businessmen feel that the Ministry of Labor forwards names of applicants to them without taking the time to investigate what positions are open, and what qualifications are needed to meet company requirements. On the other hand, it is not clear to what extent companies make a concerted effort to communicate their needs to the Ministry of Labor.

Most private firms interviewed expressed the need for cooperation and consultation with the Ministry of Labor. Such cooperation is essential in informing the government about private sector recruitment policies and procedures. It is important for the private firms to become pro-active and initiate communication and cooperation with the Ministry of Labor.

In addition, private firms should seek the assistance of the Chamber of Commerce to establish a Council, consisting of representatives from the private sector, government, and educational training institutions to improve coordination and supervise the selection and recruitment of Omani candidates. This process would help the private sector to establish an employment network, making it more self-reliant in meeting its labor needs.

4. Compensation of Employees

Most managers believe that Omani labor is more expensive than expatriate labor. Others feel that this perception is not accurate; while the wages of Omanis are higher, expatriates receive additional remuneration like housing, medical expenses and travel allowances.

The private sector's main competitor, the public sector, provides a pension plan for its employees. A majority of the private firms interviewed do not have such a plan in place. It is reported that the government and some business leaders are at the moment in the process of formulating a pension plan for employees in the private sector. Such a step will facilitate the retention of Omanis in the private sector.

5. Business Strategies

Omani manpower shortages and the national priority to Omanize the workforce have not altered business strategies. Business is as usual and expatriates are backbone of the private sector workforce. Firms continue to bring in expatriate labor and are able to evade government restrictions of hiring expatriate employees. Tactics, such as making a position seem more difficult than it actually is, allow firms to slide expatriate workers through the Labor Department's approval process.

In the past, the private sector assumed that the expatriates were a permanent fixture. Now there is a growing awareness that the government means to enforce Omanization. The business community has not formulated comprehensive strategies to meet the demands of Omanization; as of now, manpower shortages that delay projects are not a problem, nor are there major difficulties with the pace of business growth and profit making. However, many companies realize that in order for their businesses to revitalize and expand, they must come up with feasible and systematic business strategies for implementing Omanization.

6. Collaborative Efforts through Associations

Most of the business-people interviewed by the team did not indicate a need for professional associations. Only one major businessman indicated that he planned to propose the formation of a coalition within his industry; the coalition would aim to work

with the Labor Department and formulate plans to sponsor training programs pertaining to the industry.

It would appear that a manufacturer's association at the Industrial Estate of Rusayl could be help to disseminate information, interface with education and training institutions and engage in dialogue with government. Such an association could be very influential in the areas of education and training.

7. Interface with Educational Institutions

Sultan Qaboos University will produce its first graduates this year. Other educational institutions include secondary schools, the Oman Technical Industrial College, and the nine Vocational Training Institutes (VTI's). Most private firms interviewed stated that they were not familiar with the VTI's or the OTIC. Those who knew about them rarely recruited from these institutions. Most of the small to medium-sized companies who recruit from VTI's and train their employees at VTI's were not satisfied with the quality of training. One Omani businessman who was familiar with VTI's noted that the poor performance of VTI's graduates is due to the poor quality of teachers.

The curriculum of the VTI's will requires significant change to prepare their students for the opportunities available in the private sector. OTIC graduates are better trained, and with sufficient coaching, they can obtain the technical and commercial skills required by the private sector. However, as mentioned earlier, most Omani graduates prefer the public sector, the well-established oil industry, and the banks. These employers offer preferred working conditions along with prestige and career development.

8. Interface with Government

In the course of the study, a need for dialogue, interaction and cooperation between the private sector and government became apparent. In a meeting with some government officials, they expressed their perception of the private sector as unwilling to implement Omanization. The private sector leaders interviewed, hold an opposite view: namely, that the government is unwilling to cooperate with the private sector. A key organization focusing on government-business dialogue is the Chamber of Commerce. Among its various initiatives towards this objective, is the support the Chamber gave this study in assessing private sector training needs.

D. Reasons Omanis Do Not Work in the Private Sector

Through the interviews conducted by the team, it became apparent that Omanis often have little interest in actually working in the private sector. This attitude is one that will hinder the

implementation of Omanization, if not addressed. The two primary issues that perpetuate Omani's lack of interest in private sector employment are:

1. Wage and Benefit Differentials

One major reason why Omanis do not want to work in the private sector is due to much higher pay in the public sector. Salaries, benefits, and working hours are generally more favorable for employees of the public sector than of the private sector. Yet the team found that often private businesses offer wage and benefit packages that compare quite well with those of the public sector. The problem is that the package is often not completely spelled out.

2. Perception of Prestige

Many Omanis have preconceived notions of what a "good" job is. Many of them define a "good" job as a public posting, in an air-conditioned office, with short hours and no manual labor. Construction and manufacturing positions do not qualify as "good."

The Sultan is now battling this problem with a campaign promoting the value of manual labor. The campaign aims to change the widespread perception that some jobs are without adequate status. This must happen before Omanis will show any interest in many private sector jobs now filled by expatriates.

E. Training Needs

1. Management and Professional Training

The majority of the firms interviewed stated that they do not have enough Omanis in higher positions to justify providing management training. Employees in management positions are most often expatriates. However, there is a need to prepare Omani employees for supervisory, management and high technical positions. PDO, Oman Refinery and a few other companies train young Omanis and successfully place them in executive management positions. They normally send their managers for overseas training.

Omani managers in the private sector expressed a need for specific types of professional training needs. Senior managers indicated the need for the following short-term courses:

- ♦ Organizational personnel management: manpower and career planning, motivation, human resource
- ♦ Organizational effectiveness: business policy formulation

- ♦ International business policy: trade matters, international marketing and production sharing

Omani senior managers will need to develop the ability to formulate business policies and strategies. At present, Omani businessmen delegate this role to expatriates.

At the middle management level, Omanis indicated the need to develop functional skills in basic areas:

- ♦ Finance
- ♦ Marketing
- ♦ Production
- ♦ Personnel management
- ♦ Basic management skills

At the moment there is not adequate data concerning the precise training needs of the small enterprise sector. However, it seems logical that improved marketing, cost control, and production planning could have an immediate impact on the profitability of many small scale enterprises.

2. Technical Training

The sheer lack of Omanis in technical positions at all levels indicates a need for technical training. Currently, the vast majority of technical positions in the private sector are held by expatriates. Omanization of these positions will depend on Omanis' ability and desire to acquire technical skills comparable or better than those of their competitors. It will also depend on the level of commitment Oman has to developing technical training programs that target the needs of the Omani business community.

3. Skills Training

All of the firms interviewed stated that one of the chief obstacles to Omanization is the lack of English proficiency among Omani workers. A proficient command of the English language is important for Omanis so that they can read technical manuals, communicate with expatriate colleagues and work in international markets.

In addition, government officials interviewed by the team repeatedly cited lack of accounting skills as a major Omani deficiency. Both the public and private sector are begging for qualified Omani accountants.

IV. OMANI EDUCATIONAL AND TRAINING INSTITUTIONS

There are two key elements of Omanization of the private sector: (1) ensuring that Omanis are recruited into and retained in the private sector and (2) ensuring that Omanis have the skills required to fill open positions. Interviews with employers indicate that the scarcity of skilled Omani employees is an impediment to Omani recruitment in the private sector, and therefore, an obstacle to Omanization.

The study team found that, in general, education and training programs are not oriented toward the needs of the business community. This explains, in part, the fact that most graduates are oriented toward public sector employment. This section will examine the current educational and training resources in Oman. Such information will serve as the foundation for developing a strategy to strengthen the capacity of Omani institutions to meet private sector training needs.

A. Educational Institutions

1. Higher Education

Higher education is a new component of Oman's education system. For the purposes of this section, higher education refers to university education at the undergraduate and graduate levels. Its main objective is to develop the country's human resources so that Omanis may assume more responsible roles and eventually replace expatriates who account for nearly 57% of the workforce.

The history of higher education in Oman may be divided into two periods: from the early 1970s to 1986 and from 1986 to the present. Prior to 1986, there was no university in Oman. Qualified high school graduates were awarded scholarships to pursue university education abroad. The Directorate General of Scholarships and Foreign Relations (DGSFR) under the auspices of the MOEY was the department in-charge of selection, placement, monitoring, counseling and financial administration of the scholarship candidates. Since the founding of the Sultan Qaboos University in 1986, the number of students sponsored for higher education abroad has been reduced to eighty per annum, and Scholarships have been limited only to those fields of study that are not offered at the University.

In 1989/90, 620 Omani students were in the United States to obtain education and training. Approximately 406 of these students were in undergraduate programs, 56 were in graduate programs, and 158 were in special programs, including English language training and short-term training.

a. The Scholarship Program: Undergraduate Degrees

There are currently 1500 Omani alumni of foreign universities; approximately 2500 more students are currently studying overseas. The choice of country and subject to be studied depend upon grades attained in the high school General Certificate known as "Thanawiya Amma". The "A" students (those who score 80% or above) are sent to the U.S.A., Great Britain, or other European countries. The "B" students (scoring between 70 and 80%) are sent to Egypt, Jordan or Morocco. The "C" students go to the United Arab Emirates, Saudi Arabia, or the Sudan. While this is the general trend, there are exceptions to the rule. For example, an 'A' female student may select to go to the U.A.E. due to its similar cultural environment and proximity to the family.

Similarly, the choice of major field of study is determined by grade attainment in the "Thanawiya" certificate. The "A" and "B" students may select the more competitive technical and scientific fields such as medicine, engineering, computer sciences and general sciences. The "C" students are usually limited to the general and liberal arts fields such as literature, social sciences, and the humanities. Determination of the field of study based on grades is a combination of both university policies which require certain grades for certain fields, as well as a cultural bias which associates achievement and excellence with the scientific and technical fields, and regards the social sciences and humanities as inferior fields of study.

b. The Scholarship Program: Graduate Degrees

There are 144 Omani students pursuing graduate degrees abroad. The majority are in the U.S.A., followed by the United Kingdom, Egypt, Jordan, Pakistan and Bahrain. The department offers approximately 40 scholarships yearly, 20 to employees of government ministries and the other 20 are assigned to Qaboos University. Scholarships are awarded on a "first come, first serve" basis. According to the Scholarship Law, the nominee must have a Bachelor degree with an overall GPA of "good or above", must be nominated by his/her Ministry, and must have worked for at least two years; the field of graduate study must also be relevant to the candidate's work.

c. Sultan Qaboos University (SQU)

SQU was founded in 1986. It is an undergraduate institution, with five main colleges and a teacher education program. The five colleges are as follows:

1. College of Education and Religious Studies
2. College of Agriculture
3. College of Medicine
4. College of Science
5. College of Engineering

It is important to note that there is no college of business or management. The university accepts five hundred new students each year, with a maximum enrollment of 3000. Most of the faculty are expatriates from the U.K., Egypt, Jordan, the U.S.A. and the Sudan. The language of teaching is English in all the colleges except the College of Education and Religious Studies where Arabic is the primary language.

d. Relationship Between Higher Education and the Private Sector

Education in the Sultanate of Oman is based on the principle that it is a right for all members of Omani society. In theory, its primary objective - in addition to the general development of each individual - is to provide the necessary manpower for all sectors of national life so as to reduce dependence on foreign workers.

However, scholarships granted by the Ministry of Education for study at foreign universities are geared toward employment in the public sector. In fact, a student who goes abroad to study on a government scholarship is obligated to work in the public sector at a rate of one-for-one to repay his undergraduate scholarship and two-for-one to repay his graduate scholarship. At the same time, the need for more public sector employees has diminished.

Omanization implies a particular responsibility for the education and training system in Oman. The system's output should be related to the manpower requirements and labor market needs of the country; thus, as the private sector's manpower needs grow, and those of the public sector shrink, it is incumbent upon education and training system to promote a system that is increasingly responsive to the skill requirements of the private sector.

2. Vocational Training Institutes

Vocational Training Institutes (VTI's) have rapidly grown in the last five years. There are nine VTI's which operate under the auspices of the Ministry of Labor and Vocational Training, and more specifically, the Director General for Vocational Training. The VTI's offer a three year program to intermediate school graduates. Students can attend full-time during the day or part-time during the evening. Evening classes are more practical in orientation and are designed for women and other workers who wish to upgrade their skills or learn new ones.

There are two streams of specializations: technical and commercial. In the technical stream, vocational instruction is provided in such fields as auto mechanics, air conditioning, building construction, electricity, surveying and draftsmanship. In the commercial area, there are four specializations: accounting, secretarial, office administration, and computers. Each Vocational Training Institute specializes in one technical area. For example, in the electricity

field, one institute will train students in residential wiring, whereas another institute will train students in industrial electricity. The institutes also offer programs in English, Arabic, social sciences, mathematics and Islamic studies. The enrollment in each of the 9 VTI's is currently about 400 students. The total intake per year at each is 150 and approximately 100 students graduate each year. Approximately thirty five students drop out each year and thirteen students fail the examinations. Students who drop out cannot return to school but those who fail have the prerogative to re-enroll and take the examinations again.

The teaching staff is largely made up of expatriates, chiefly Egyptians, Tunisians, Sudanese, Pakistanis, and Indians. English language skills of the faculty and administration vary. There is no formal training provided to the faculty; their experience ranges from practical work experience to university degrees with years of experience.

Instruction consists of thirty five hours per week for ten months per year. The technical curriculum is designed by German contractors writing in German and is later translated into Arabic. The Germans are now in the process of developing, testing, and incorporating a new technical curriculum. They expect to have it fully operational at each of the 9 VTIs by the end of 1993.

A new upgraded English language curriculum has been designed by the Overseas Development Agency from the United Kingdom. This curriculum is described to give priority to giving students at least an intermediate level of English proficiency. Students will be assessed every semester to determine if sufficient progress has been made to allow for advancement in the English course.

a. Key Constraints and Issues

Relevance to Private Sector Needs: The primary issue in vocational education is one of quality as opposed to quantity. The vocational institutes produce many graduates, but in the eyes of the private sector, their training is not advanced enough to qualify them for positions in industry. Business leaders note that the VTI's curriculum and instruction are oriented to the public sector. The institutes do not upgrade their equipment to reflect changing technology in the business environment. In addition, business leaders feel that VTI graduates do not have the necessary experience to work in the private sector.

Quality of Teachers: According to several business leaders interviewed by the team, the largely expatriate faculty of VTI's is not in tune with the demands of the private sector. VTI administrators disagree with this assessment. However, they note that there is a need to provide training and orientation to the faculty of VTI's to learn more about the needs of the business

community. The key question is whether the VTI's are recruiting the right kind of instructors.

Linkages with the Private Sector: Vocational institutes are essentially supply-driven and there is little input from the private sector in shaping their curriculum and influencing their output. There are no formal contracts or consultations between the private sector and the administration of the VTI. In a visit to one of the institutes, the principal stated that most graduates in the commercial stream are hired by the Ministry of Education as primary and intermediate schoolteachers; technical graduates are generally hired by the Petroleum Ministry. Very few graduates opt for the private sector. This was not a surprise because the majority of managers of private firms interviewed by the team were also not familiar with the VTI's. And the few who have employed VTI graduates or who have had their employees trained at VTI's were not impressed with the quality of training.

All third year VTI students are required to participate in on-the-job training in one of the private firms in Oman. Training can last from one to fifteen months. At the end of the period, students are evaluated by their supervisors during their practical training. VTI administrators and instructors interviewed indicate that students lack enthusiasm and do not take advantage of their experiences fully. On the other hand, the majority of the private sector personnel interviewed do not structure on-the-job training, and the VTI students are not rigorously monitored; evaluations by supervisors are based on attendance and interest in learning.

At the Sultanate's first "training week" organized by the Omani Chamber of Commerce (OCCI) on May 23, 1990, OCCI president Maqbool bin Ali Sultan emphasized the need for improving the curricula of the VTI's. He noted that "the private sector through OCCI, should be invited to participate in the process enabling it to incorporate its needs into the syllabus."

Some progress is being made to strengthen linkages between the VTIs and the private sector. The Director General of Vocational Training Schools and his deputy mentioned a potential plan to revive the Education Training Council (ETC) which consists of several ministers and representatives of the private sector. They also mentioned the following new proposals: a) a new curriculum to be designed by the GTZ; b) the addition of agricultural workshops to three VTI centers; and c) a proposed testing center to be established at Rusayl. The center will create an operational training center to meet the needs of businesses, and will provide testing of professional competencies, professional aptitudes and professional interests. The goal of the center is to become a full-fledged "assessment center" following the process of evaluation, orientation, selection and monitoring.

3. Oman Technical Industrial College (OTIC)

OTIC was established in 1984. Today, 250 students are enrolled in the College. The three-year program has two streams, the business studies stream and the technical studies stream. The business curriculum is divided into five areas: administration, accounting, marketing, hotel management and insurance. The technical studies consists of five departments: mechanical, construction, electronic engineering, laboratory science and computer studies.

The faculty of sixty includes senior lecturers, lecturers, instructors and technicians. The business school faculty is predominately Egyptian and Sudanese. The technical school is staffed predominately by Indian, Philippines and Sri Lankan nationals. The head of the technical department, a senior lecturer and some lecturers are from the U.K. There are five Omani teachers in the college, and all are in the business school.

The college has been growing rapidly since its inception in 1984. The first class of approximately sixty-five students graduated in 1987. In February 1989, approximately 174 students had graduated from the College. It is anticipated that 190 students will graduate in July 1990. There are plans for doubling the number of students, and construction of additional facilities is in progress.

a. Key Issues and Constraints

Linkages with the Private Sector: Unlike the VTI's the primary issue in OTIC is not one of quality but one of orientation. While the quality of curriculum and teaching needs some enhancement, it is not critically deficient. The gap is one of shifting the college's orientation from responding to the needs of the public sector to that of the private sector.

OTIC places all of its students in a sixteen week on-the-job training program with private firms. Participation of students in practical training is designed to give students experience in the world of business. Unlike the VTI's, the college's OJT program is rigorously monitored. Students are required to keep a log of their learning progress. The company supervisor also keeps a log to evaluate the student's performance during training.

Nearly all OTIC graduates are able to find employment upon graduation. According to the Office of Follow-up and Public Relations, only about a dozen students per year are unable to find employment; these are largely women who get married or men who exclusively seek employment in their home towns. However, it is important to note that nearly all graduates work for the government. Businessmen indicate that a major obstacle to utilizing OTIC graduates is their lack of proficiency in English language. Only a few students in hotel management, (which is one of the few specializations in business studies that is taught in

English), are employed by the private sector.

Weak linkages with the private sector are due to the lack of communication between the private sector and the administration and instructors of OTIC. The issue is one of shifting the mission of the college from supplying the public sector to supplying the private sector. This will require soliciting the participation of the private sector in the design of the curriculum. It might also require establishing a guidance and placement office at the college that motivates students and disseminates information about the opportunities and culture of the business community.

4. Basic Education

If students in Oman do well in school, they are given the option of going into either an arts track or a science track. If their scores are high enough at the end of their secondary program, those who go into the Arts track will go on to college in a liberal arts field, such as geography, art, literature, etc. Those in the science track who do well on their scores go into engineering, or one of the sciences. Those who score poorly proceed to vocational training or teacher training at the ninth grade. (Teacher education has recently been moved upward to post-secondary level.)

Many of the people interviewed had misgivings about this type of career selection. They felt that students had little upon which to base their career choices at this early age, and even if they did, career choices change radically between this age and young adulthood.

Many employers also felt that the level of education provided by the public schools was less than adequate. This was particularly true of the level of English language training. Although Oman is an Arabic-speaking country, the language used most in business is English. Technical manuals and introductory materials are in English, factory representatives most often speak English, and the common language of the expatriate workers is most often English. Employers want their workers to speak English.

B. Training Programs

This section outlines the training available to Omanis once they enter the workplace and need to upgrade their skills. Generally, only large and well-established firms with strong human resource capabilities have developed their own training resources training. Small to medium-sized firms usually have not been able to respond to the needs of Omanization. They are preoccupied with the day-to-day imperatives of competing and generating profit.

Private firms are encouraged by the government to provide training. The levy rebate is used as an incentive to promote such training.

Several businessmen interviewed suggested that government could create better incentives for hiring and training Omani employees by reimbursing companies for all monies spent on training Omanis or subsidizing the salary of Omanis employed by the firm in the initial stage of their employment.

1. English Language Training

All of the firms interviewed stated that the language used in business is English and that one of the chief obstacles to Omanization is the lack of English proficiency among the Omani labor force. Most of the firms train their Omani employees in one of the English language institutes in Oman. There are thirty-nine major private English language training institutes in Muscat, of which five are most widely used and well-known to the private sector. They are: 1) The British Council, 2) Polyglot Institute, 3) Capital Institute, 4) National Training Institute, and 5) the National Institute of Computer Education.

These private institutes offer two types of courses: general English up to the intermediate level and English for specialized purposes. These firms are also licensed by U.K centers to give examinations approved by the Royal Arts Society. Omani firms who send their employees for training in English for specialized purposes are eligible for a rebate of the training levy that companies pay for employing expatriate employees. Training of Omani employees in general English is not refundable. Most firms are willing to enroll their Omani employees in English language courses. However, many firms suggested that it would be helpful if the government included training in general English in the eligibility list for the training levy rebate.

In addition to the thirty-nine English language institutes in Muscat, there are a number of small English language institutes that have mushroomed within the last two years; more will probably surface in the next five years.

2. On-the-Job Training

All companies interviewed stated that they provide on-the-job training (OJT). However, the quality and quantity varies from firm to firm. Some of the training is very impressive, and companies are to be commended. Other companies went to great lengths to complain about the very low success rate for Omanis, and upon investigation, they were found to have training programs destined for failure.

For example, some of the businesses interviewed by the team had extensive training materials. However, learning is done entirely by reading, or at best, by reading supplemented by videotapes in English. Omanis are told to study these materials on their own; no training schedule is developed, nor is their progress monitored.

In very few cases is the "book learning" supplemented with formal demonstrations, competency testing, progress reports, or incentive pay for completion of training segments.

In most cases, OJT is provided in the form of pairing a new Omani employee with an expatriate supervisor or skilled operator. This type of training is generally unsuccessful for a number of reasons. First and foremost, expatriate workers are not trainers. Secondly, there is often a considerable language barrier between the expatriate supervisor and the Omani employee. The typical mid-level expatriate worker often has marginal English-language skills. The Omani, who may also have little or no English-language skills, finds it difficult or impossible to understand the expatriate's directions. Lastly, the expatriate worker feels that the Omani will replace him on the job. It is unrealistic to expect an expatriate to train himself out of a job.

Small to medium-sized firms have neither the personnel nor a career development department to implement OJT. Training is most often conducted by supervisors and foremen who are not qualified trainers. There are usually no career plans for the new employees and rarely is counseling available at the workplace.

3. Semi-Skilled Training

Most firms give semi-skilled employees introductory training of six weeks to six months in English language and clerical skills. Training is usually provided by private institutions in Muscat. However, firms interviewed by the team stated that it is often difficult to retain Omanis in semi-skilled jobs. Those who receive short term training and develop confidence in their skills often leave the company as soon as they obtain training. There are no statistics available as to whether they go to other firms or to the government, but the belief is that they seek public sector employment.

4. Unskilled/Manual Labor Training

Training for unskilled labor in the private sector in Oman is usually provided by OJT. The firms that hire manual labor are generally construction, cleaning, and other contract-oriented businesses. Omanis view these kinds of jobs as difficult and ungratifying. The result is a high turnover of employees. Omanis are generally not attracted to manual labor, but there is evidence that Omanis are beginning to accept employment in cleaning and construction.

According to some business leaders, this shift in attitude is a result of the decline in economic growth. Unlike the economic boom years of the early 1970s to mid-80s, the earnings of Omani families are lower, and people are now more willing to seek blue collar jobs. Others credit the change in Omani attitudes toward manual

labor to Sultan Qaboos's appeal to the public on the values of work and its contribution to the development of the nation.

5. Professional Training

For the purposes of this report, professional training is defined as short term training for less than six months designed to upgrade skills and knowledge. Professional training for supervisors and managers is almost unavailable in Oman. Only a few large firms can afford on-site professional training programs such as the Petroleum Development Organization (PDO), Oman Refinery Company, and Oman National Insurance. Most firms have to resort to overseas training for their supervisors and managers.

The process of sending employees for professional training overseas is facilitated by the Directorate General of Scholarships and Foreign Relations. The hotel industry in particular coordinates its activities with this department; in addition to placing candidates, it also monitors their progress. The only public professional training institute in Oman is the Oman Institute of Bankers, which offers short term training programs in banking operations, finance and information management.

There are a number of private training institutes in Oman that offer basic courses in commercial and business trade, business communication, accounting, book-keeping and basic computer skills. These are the Polyglot Institute, National Training Institute, Capital Institute, National Institute of Computers Education and the British Council. In a training seminar held at the Chamber in May 1990, the OCCI encouraged the private training institutions to expand and improve their training programs. In fact, the Chamber itself offers a series of short term functional management and supervisory courses to enhance the skills of Omani employees. It also recently announced the creation of its own Department of Training to respond to the needs of the private sector.

In a paper entitled "Private Sector Training," the Chamber addressed "the inability of existing training institutes in the Sultanate to provide the private firms the right skills, which is a major factor that hampers Omanization in the private sector." The Chamber concluded that this gap exists because private institutes do not conduct adequate studies of private companies needs. In addition, private companies do not have input in the preparation of the syllabi of private training institutes. The OCCI paper concluded that the lack of professional training opportunities in Oman prevents the recruitment of skilled professional Omani employees in the private sector.

6. Management Training

Management Planning and Research Consultants, a Bahrain-based firm, which has experienced HRD specialists recently established an office in Muscat. It is the only organization that provides executive development seminars and strategic human resource planning courses.

V. RECOMMENDATIONS

Omanization is a priority. Successful implementation of Omanization is critical to generating employment for the Omanis people in the future. The greatest opportunities for Omanization lie in the private sector, where the capacity for growth and new employment continues to increase. As presented in the team's model of Omanization, the policy aims to achieve more effective recruitment and retention of qualified Omanis. The private sector and the public sector have complementary roles to play. Actions must be taken by both sectors - individually and jointly - to increase the recruitment and retention of Omani employees. It should be stressed that all actions taken should aim to increase the effective productivity of Omani workers, not to drive the cost of labor higher. Actions to be taken fall into four broad categories:

♦ Public Policy

The need for private sector training arises from a policy-driven requirement: Omanization. If Omanization is to be achieved, the policy must set out clearly the rules of the game -- when, where and how the system will operate -- as well as what performance is expected from each of the key players. Public policy will set the parameters for Omanization. If the Government of Oman provides the right incentives to recruit and retain Omanis through sound public policies, then significant progress can be made toward achieving Omanization.

♦ Personnel Policies

The Omani labor force has traditionally been geared toward public sector employment. The public sector provides better work conditions, as well as better compensation and benefits. However, if the private sector wants to attract the qualified personnel and comply with Omanization guidelines, it too must adjust policies. The private sector must seek creative ways to attract qualified Omanis.

♦ Private Sector Training

Omani education and training institutions have traditionally been oriented toward supplying the public sector with new graduates, as opposed to the private sector. If Omanization of the private sector is to be a success, the country's education and training institutions must play an important role. They will provide the skills that Omanis need to replace the expatriate labor force. Furthermore, it is estimated that new growth in employment in Oman will be primarily in the private sector and not in the government. Hence, it is critical that Omani institutions reorient existing programs and develop new programs that truly serve the needs of the private sector.

♦ Public and Private Sector Linkages

Effective collaboration and communication between the private and public sectors will be critical to achieving Omanization of the private sector. The private sector must be actively involved in the design of new educational and training programs. Conversely, the public sector must be able to assess private sector training needs on an on-going basis if its programs are to achieve their objectives. Stronger public and private sector linkages are vital.

The following chapter provides a series of recommendations which aim to foster Omanization.

A. Public Policy

1. Develop Clear Policy Guidelines for Omanization

Problem: The team only observed specific targets regarding Omanization in the banking industry; the high numbers of Omanis working in this sector can be attributed to these targets. In other sectors the team was unable to identify any specific policy statements, guidelines or objectives regarding Omanization. Without clearly established public policies and targets, it will continue to be difficult to measure overall progress toward achieving Omanization.

Recommendation: If Omanization is to be achieved, public policy must follow the example of the banking industry and clearly establish when, where and how it will operate, as well as what performance is expected from each of the key players. Both the public sector and the private sector will be important players, and their roles and goals should be clarified through government policy. Once clear targets have been established, the government should (a) set an example by reaching Omanization goals within the public sector; (b) provide the right incentives and support to foster Omanization in the private sector; and (c) monitor public and private sector progress toward achieving Omanization goals.

2. Provide Incentives to Promote Omanization

Problem: Omanization of the workforce is a priority for the government. While many private sector firms support the concept of Omanization, they have also reacted to the lack of incentives for training Omanis.

Recommendation: If Omanization is to be successful as a policy, the government must develop innovative mechanisms which give the private sector an incentive to implement Omanization. For example, the government could incorporate Omanization in its procurement procedures. As part of the process of bidding on government

contracts, companies should include in their proposals a schedule for Omanizing their workforce; their schedule should outline how the firm would hire and train Omanis at various levels of employment. Government tender procedures should allow for higher bids to cover the added costs of Omanization.

Petroleum Development Oman is aggressively promoting this approach. PDO issues multi-year contracts, including a schedule for Omanizing the work force within a firm. For example, the tender document may call for 25% Omanization the first year, 35% the second year, and 50% by the third year. Bidders for these contracts are required to include an Omanization schedule in their bids. The lowest bidder may or may not get the contract, depending upon the schedule of Omanization. PDO is aware that this requirement may increase the total cost of the contract, but is willing to shoulder this additional cost in order to promote Omanization.

In addition, the Government of Oman should serve as a model to the private sector in Omanizing its own work force. Lack of progress in achieving Omanization of the public sector will merely provide the private sector with reasons to circumvent Omanization within their own companies. Both the public and private sectors must shoulder the burden and the cost of Omanization.

3. Regularly Assess the Status of Omanization

Problem: As Oman embarks on Omanization of its private sector, new issues and constraints will arise. It will be important to monitor these developments and develop appropriate responses. Similarly, as the country proceeds to diversify its economic base and to Omanize its labor force, new training needs will arise in the private sector. The Omani Chamber of Commerce is particularly interested in ensuring that the training needs of the private sector are tracked on a continual basis.

Recommendation: A system should be developed to monitor the status of Omanization and the training needs which emerge from Omanization. The aim of the system would be to provide information which would enable government agencies and training institutions to better serve the needs of the private sector. It would also be a useful feedback mechanism for policy formulation and the development of incentives to promote Omanization.

4. Improve the Training Rebate System

Problem: Businesses in Oman are assessed a training tax for each expatriate worker they employ above a total of twenty employees. In order to qualify for a rebate on the training tax, the company must apply to the Ministry of Labor for prior approval of the training program. The company is allowed to subtract this year's

training expenses from next year's training tax.

Only a small percentage of the training rebate collected by the Ministry of Labor and Vocational Training is used by companies for training. Many of the heads of companies noted that there is confusion about what courses can and cannot be funded. Small companies said that the process for applying for the training rebate was too much trouble; the procedures for obtaining the rebate are not as clear as they could be.

Recommendation: The Ministry of Labor and Vocational Training should streamline and liberalize the process for applying and receiving a rebate of the training tax. In addition, the programs for which a training rebate may be granted should be liberalized. A standard packet of information should be developed that contains the regulations and forms needed to apply for the rebate. Also, a centralized information service should be developed to answer questions about the regulations. This would provide a mechanism for companies to become aware of the rules and procedures for obtaining the rebate. Conversely, once the system has been streamlined, companies should take better advantage of the training rebate to provide new training opportunities for Omanis.

5. Conduct a "Pride In Work Campaign"

Problem: According to many private sector managers, the skills that Omanis lack have little to do with technical abilities. Rather, the "missing" skills are the types of work aptitudes and attitudes needed within the private sector. Punctuality, a desire to learn and achieve, and a willingness to take direction are all important attitudes which Omanis workers often lack. In addition, many Omanis have preconceived ideas of what a "good" job is. The perception of a "good" job is one where the employee keeps "cool and clean."

Recommendation: Work aptitudes and attitudes are difficult to teach in a classroom. They are often a reflection of societal and cultural values, and hence, broad-based initiatives are required to change Omanis' attitudes toward work. Omanis are beginning to develop more positive attitudes toward work. An initiative that could further this movement would be a national "Pride In Work Campaign." The aim would be to promote the concept that many types of work are honorable and worthy of effort.

B. Personnel Policies

1. Use Detailed Job Descriptions, Including Wage and Benefits Packages, to Recruit Omani Personnel

Problem: Almost everyone the team interviewed stressed that, in order for qualified Omanis to be attracted to the private sector, the wage and benefits packages of the public and private sectors must be made more equal.

Recommendation: Private sector firms should utilize detailed job descriptions to recruit Omani personnel. This would clarify to all concerned the exact duties and benefits involved in a new position. It would also ensure better communication between Ministry of Labor and Omani businesses and enable the Ministry to provide better services to the private sector.

Firms should also advertise new positions in local papers. The advertisements should include not only salary and compensation but also opportunities for training, career development, promotions and other incentives that would appeal to Omanis.

2. Develop Performance-Based Compensation Plans for Omanis

Problem: Salaries, benefits, working hours, and prestige are generally higher for employees of the public sector than in the private sector. The private sector must make employment in the private sector more desirable in terms of salary, benefits, working hours, and prestige.

Recommendation: Companies should develop and use performance evaluation systems and reward superior performance through increased compensation. The aim would be to develop the concept of reward for superior performance through a scheme of pay incentives and other benefits, and work toward instilling the concept of excellence in the workforce. A performance-base evaluation system requires an analysis of the tasks of each position, as well as an objective measure for each task.

3. Develop Competitive Retirement Schemes

Problem: One of the reasons Omanis prefer to work in the public sector rather than the private sector is because public sector employees have a retirement plan. Upon investigation, the team found that the retirement scheme in place in the public sector is little more than a deduction from Omanis' salary which is then placed into a retirement account. Retirement schemes of this sort could be developed in the private sector at very little cost.

Recommendation: In order to attract the most qualified Omanis, the private sector will have develop retirement schemes which are at least as attractive as those currently offered in the public sector. The private sector could develop retirement schemes at relatively little cost. However, the potential benefits could be very significant in terms of Omanis willingness to opt for private sector employment.

4. Employ Omani Human Resource Development Specialists

Problem: One of constraints to Omanization is that few firms have "personnel managers" -- and if they do, the personnel manager is often an expatriate. The concept of personnel development within the Omani firm is virtually absent. Employees are hired to perform a specific task, and are rarely trained and promoted within the firm. This is clearly a misuse of human resources, as well as a significant impediment to Omanization of the labor force.

Recommendation: Omani firms, particularly medium to large-scale firms, should be encouraged to employ Human Resource Development Specialists. Such individuals should be trained in personnel services, human resource development, job analysis, and equal opportunity recruitment. The aim would be to place Omani Human Resource Development Specialists within firms in order to identify positions for Omanis, recruit and train Omanis for those positions, and supervise and monitor the results of their training. The Omani Human Resource Development Specialist should also work with employees to identify a career path and the training needed to achieve particular career goals. A third function would be to serve as an advocate for the business in its negotiations with the Omani Labor Court in relevant disputes.

A prerequisite to incorporating Human Resource Development Specialists within Omani firms will be the training and development of such specialists. The Ministry of Education should establish scholarships and internships in the area of Human Resources Development as a priority. The curriculum of this degree program should be a mixture of personnel management and supervision, training, and what the U.S. refers to as Affirmative Action or Equal Opportunity.

As a follow-up to overseas academic training, the Oman Chamber of Commerce and Industry could develop a training program to adapt and apply such training to the unique labor situation in Oman; this might be conducted through the Management Institute.

5. Promote Qualified Omanis

Problem: Promotion is a relatively unused term in Omani business, particularly those with large numbers of expatriate workers.

Rather than training and promoting staff, companies usually switch workers, allowing one person's contract to lapse in order to hire a skilled worker to take his place.

Recommendation: Omanis need to feel that they will be rewarded for hard work. Companies should seek opportunities to promote Omanis when they demonstrate the ability to handle the responsibilities of new positions. Promotion policies will provide an incentives for Omanis to work harder and to perform. Concomitant with promotion policies, firms must develop or have access to training programs that enable employees to develop their skills, be it at the managerial, professional, or vocational level. Firms should establish priorities for Omanization of certain levels and/or positions within the firm and focus training for Omanis on these priority areas.

6. Develop Structured On-The-Job Training Programs

Problem: As noted in Chapter III of this report, on-the-job training varies in quality and quantity from firm to firm. However, in most cases, on-the-job training amounts to little more than pairing a new Omani employee with an expatriate supervisor or skilled operator. There is little formal training per se; language barriers and lack of training expertise impede even informal types of on-the-job training.

Recommendation: On-the-job training programs should be carefully structured to ensure that they meet certain objectives. It is equally important to monitor the training programs and evaluate their results. The goal would be to provide a continual learning process for Omanis employed in the private sector.

7. Communicate with the Labor Care and Disputes Office

Problem: One of the reasons businesses prefer to hire expatriates over Omanis is that they have more freedom to dismiss incompetent or intransigent employees. While they can release an expatriate for poor performance, they feel that they cannot do the same for an Omani. The business manager is forced to employ the Omani even though he may be a poor worker.

When an employer attempts to dismiss an Omani, the employee often goes to Labor Court. In general, the Omani Labor Care and Disputes Office is commended for its support of worker rights, both Omani and expatriate. Some employers note that they have an excellent working relationship with the Labor Care and Disputes Office; and in some cases, the Office has supported firms' decisions to dismiss Omanis for poor performance.

In contrast, the team was told of a number of cases where Omanis

who appeared to be in the wrong, were returned to work after they had been released or suspended by their employers. This creates a feeling of frustration and animosity in the business owner; it also provides a signal to the Omani employee about the consequences of poor performance. Most importantly, it creates a negative reaction to Omanization in general.

Recommendation: The critical difference between firms who were satisfied and those who were dissatisfied with the Labor Office seemed to be the level of communication these companies had with the Office. The Human Resources Development Officer at each business should maintain regular contact with the Labor Care and Disputes Office. The goal would be to provide more equitable solutions to problems with Omani workers.

The Labor Care and Disputes Office should also work with a group of private sector clients to study the procedures and policies for dismissing Omanis that are found to be incompetent, unwilling to accept authority, or otherwise less than desirable employees.

C. Private Sector Training

1. Develop Professional Training Opportunities

Problem: Business leaders in Oman are continually looking for ways to increase their professional, management, and technical expertise. Most of them have had little formal training in business management. Even the more highly trained businessmen want training to upgrade their management skills.

Recommendation: Sponsor a series of workshops on topics of interest to local businessmen. The goal would be to inform the private sector of new developments in business management and technology. Could be potentially co-sponsored by the Ministry of Labor and Vocational Training, the Oman Chamber of Commerce and Industry, and a private training institute. Topics should include:

1. Entrepreneurship
2. Small business administration
3. Employee supervision
4. Financial management
5. Cost accounting
6. Technology transfer
7. Human resources development
8. Developing and supervising training programs

If Omanization is to work, what is required is carefully constructed, need-based professional training seminars. These programs, should be developed and modified over time and adapted to local conditions. OCCI has recognized the need for extensive professional training.

There is a need to improve and diversify the professional training programs offered by existing private training institutes. At the same time, there is a need to develop institutions that are capable of transferring and adapting new techniques which are responsive to the needs of the current private sector. Some experimentation with "outreach" programs and correspondence courses may be necessary to address some of the common problems facing small enterprises.

2. Provide Internships

Problem: Degreed Omanis do not want to start work in the private sector at low-paying, menial levels. On the other hand, companies are reluctant to hire Omanis in higher positions who have little or no practical experience. A middle ground should be developed which allows Omanis to obtain the experience needed by the private sector.

Recommendation: Provide internships for Omani graduates. Develop on-the-job orientation and supervision programs that place Omani college graduates into middle management positions and provide them with part-time tutorial help.

A guidance and placement office modeled after those existing in U.S. institutions would bridge the gap and enhance the placement of graduates in the private sector. Given the awareness of the need to re-orient institutes to the demands of firms, it would be desirable to coordinate with the private sector and solicit their feedback on the priorities and skills needed.

3. Upgrade Training Institutions

Problem: The team found that most of the managers who had employed students from the Vocational Technical Institutes and the Oman Technical Industrial Center were not enthusiastic about the training these students had received. A properly designed follow-up program would provide valuable information about how these programs could be improved. It would also enable employers to play a role in the design of future training programs.

Recommendation: The Ministry of Labor and Vocational Training should evaluate the Vocational Technical Institutes and the Oman Technical Industrial Center. The evaluation should seek out past graduates, determine their current employment, if any, determine the adequacy of their training, and identify the types of problems graduates face upon seeking employment. Recommendations should be provided on an institution-by-institution basis. The purpose of such an evaluation would be to utilize the experience of past graduates to improve the design and implementation of future

training programs. It would also serve to build a line of communication between Omani employers and training institutions.

4. Develop Vocational Teacher Training Programs

Problem: VTI teachers are primarily expatriates. Their formal training varies from almost none to university degrees with years of experience. Many of the VTI teachers speak little or no English.

Recommendation: Training should be provided for the staff of the Vocational Training Institutes. The purpose of the such training would be to improve the planning and teaching of vocational subjects. Suggested areas for training include:

1. Planning and organizing competency based curriculum
2. Competency testing
3. Articulation of programs
4. Instructional media development and use
5. Developing on-the-job training
6. Techniques of student motivation
7. Program planning and budgeting
8. Sources of instructional materials
9. Workshop planning and safety
10. English language training

It is particularly important to upgrade the English language capabilities of instructors. The language of the business community is English, hence it is critical that instructors and students in vocational institutions become proficient in English.

With respect to the OTIC, assistance should be provided to develop its nascent vocational teacher training program. The aim would be to provide a continuing source of well-trained vocational teachers for the VTI's.

Scholarships should be provided for VTI and OTIC staff. This would provide for future growth in the quality of vocational teacher training programs, teacher supervision, vocational administrators, and national vocational staff. Majors to be funded should include: human resource development, vocational and technical teaching, vocational guidance, instructional technology, educational administration, instructional supervision, tests and measurements, educational research, educational psychology, and industrial psychology.

5. Develop a Resource Center for Curriculum Development

Problem: Several of the businesses interviewed by the team indicated a dearth of instructional materials available for

training purposes. The multinational companies usually provide training on a regular basis and therefore have access to training materials (in English); however, the small companies most often have little access to state-of-the-art training materials.

Recommendation: A Centralized Training Materials Resource Center would be able to provide access to literally thousands of volumes of training materials at relatively low cost. For example, one computerized system commercially available for an initial cost of approximately \$20,000, including the computer, CD-ROM, and microfiche documents) would provide most of the resource materials needed. Annual updates are approximately \$1,500. Paper copies of the documents can be made from the microfiche. A variety of other training material are available for purchase and use with the same technology. In addition, training materials in Arabic, such as those available in Saudi Arabia and Jordan, could be made available at the resource center.

A firm's training director could use the Resource Center to gain quick, low cost access to training materials. The materials can include curriculum guides, training plans, tests, operational sheets, safety rules, and facility plans. If additional resource materials are needed, reference sources available for use at the center could identify where to find those items.

A recommended component of the Training Materials Resource Center is a resident Curriculum Developer, who could work with firms' training directors to modify existing materials or develop new training materials to meet the company's needs.

The Training Materials Resource Center is viewed as necessary for two reasons: (1) to assist the companies who are searching for training materials and (2) to eliminate the validity of the excuse given by several companies for why they do not provide training.

6. Provide Training to Support Rural Entrepreneurship

Problem: There has been rapid migration from rural to urban areas. The reasons for such migration include a lack of jobs in rural areas, inadequate development of small and medium size farms and small businesses, and a lack of education and training opportunities. However, the Omani government officials also recognize the importance of developing rural areas so that they become more desirable places in which to live.

Recommendation: Provide training to the rural Omani work force. Small Business Training to provide the rural population with tools to start up and run small to medium sized businesses in an efficient manner. Such training could be co-sponsored by the Oman Chamber of Commerce and Industry and the Ministry of Commerce and Industry, and the Ministry of Information.

D. Public and Private Sector Linkages

1. Develop Linkages between the Business Community and the Ministry of Labor and Industry

Problem: The team found that the Ministry of Labor and Industry and the private sector communicate poorly in areas of worker recruitment. Business managers note that the Labor Office often sends unqualified candidates for positions. The problem seems to be two-fold. On the one hand, the business community is not communicating the job skills its needs so that the Labor Office can respond effectively. On the other hand, the Labor Office is not well-equipped to respond in an effective manner.

Recommendation: Training should be provided to employees in the Ministry of Labor to improve their capacity to meet the needs of private sector employers. The aim would be to provide a better match between the needs of the private sector and the Ministry's candidates for employment.

A study tour to an American university and a state employment service could be organized for the Omanis in the Ministry of Labor. Additionally, a short-term training program could be organized consisting of job analysis procedures, techniques of skills analysis, and job matching techniques.

2. Develop Linkages between the Business Community and Public Sector Training Institutions

Problem: Reorienting VTI students from government employment to the private sector will necessitate considerable changes in Oman's educational and training institutions. No school which trains workers to be employed in the private sector can expect to produce qualified students unless it continually assesses the needs of its client population, the people who hire its graduates. Need to develop better communications between the schools and their clients.

Recommendation: Schools should establish Advisory Councils to examine the content, equipment, and techniques of each training program offered and to provide advice on changes to be made. Companies should play an active role in these Advisory Councils. The aim would be to promote communication between the private sector and the public sector training institutions in order to improve the curriculum, facilities, trainees, and instructors. The private sector should be given the opportunity to have an input in the design of the curriculum.

Establish Vocational Technical Institute and Oman Technical Industrial College advisory councils. Advisory Councils should be established for each vocational area of both the Vocational

Technical Institutes and the Oman Technical Industrial College. These Advisory Council members should be technicians in the vocational area, personnel directors, and owners of firms which employ this type of worker. Membership in the Advisory Council should be rotated on a staggered basis for three-year terms of office.

Advisory Councils are one of the most valuable assets of any institution which prepares workers in technical or commercial occupations. Not only can the members of the Advisory Council assist in recommending changes in curriculum and facilities, but they also provide a good source of placement for the graduates.

Another area where business and government might collaborate is in the creation of a private non-profit Management Institute for the private sector. The Management Institute could provide instruction that is most relevant to the Omani business needs and enable Omanis to upgrade their supervisory and management skills. Active private sector support -- and potentially financing -- will be critical to the institute's ability to respond to business needs and to maintain quality and innovation.

3. Provide Private Sector Scholarships

Problem: Scholarships granted by the Ministry of Education for study at foreign universities are primarily geared toward employment in the public sector. Indeed, a student who studies abroad on a scholarship is obligated to work in the public sector at a rate of one-for-one for undergraduate studies and two-for-one for graduate studies. Nonetheless, the need for more public sector employees is diminishing, while there is a real need for well-trained Omanis in the private sector.

Recommendation: A Scholarship Advisory Council consisting of representatives of education, government, the Chamber of Commerce, and labor should meet on a regular basis to examine the policies and priorities for government-sponsored scholarships. The Council should also analyze the needs of the country to identify skill shortages and education/training needs in both the public and private sectors; it should also establish strategic plans and targets for manpower training.

4. Improve Services of Private Sector Support Organizations, Particularly the Chamber of Commerce

Problem: Oman is diversifying its economy away from its dependence on petroleum as a total source of revenue. Changes in the economy pose difficult problems for businesses, especially for small businesses. The team found that businesses view the bureaucracy involved in starting a business daunting. Some have problems

sorting through the Ministry of Labor regulations dealing with the workforce. Still others need information on market potential for their products, and others simply need advice on how to operate a business. They feel that there is no institution which serves to help them overcome these problems.

Recommendation: Many of the businessmen interviewed believe that the Chamber of Commerce is its major advocate with the government. The Chamber of Commerce is interested in being more responsive to the needs of the business community. The Chamber of Commerce could expand its functions to encourage the development of small businesses. Services to small businesses might include:

- a. Assistance to develop business plans and to arrange start-up financing.
- b. Assistance to conduct market analyses for potential products.
- c. Training programs and advice for small business owners and managers.
- d. Advise in the procedures of applying for a business license.
- e. Advise in using the training rebate.
- f. Access to business databases.
- g. Feedback to the various Ministries regarding public policies to develop small businesses.

* * *

-- CONCLUSIONS --

A policy of Omanization is essential to generating employment for new Omani entrants in the labor force. Training is an important corollary to Omanization; Omanis must have the opportunity to acquire the skills for positions currently held by expatriates. The greatest opportunities for Omanization lie in the private sector, where the capacity for new growth and employment continues to increase. As discussed in this report, the obstacles to Omanization are significant. The recommendations provided above are intended to provide a framework for action for the Omani government and the private sector. Only if the private sector and the public sector collaborate to promote the recruitment and retention of Omanis will Omanization be a success.

APPENDIX A

INTERVIEWEES AND CONTACTS

- Mr. Ali A. Redha Abdull, Manager, Al-Nasr Trading and Contracting, Muscat
- Mr. Mohammed Abdulla Al-Jadani, Omani Establishment for Agricultural Development & Contracts, Ruwi
- Mr. Abdul Rauf Abu Dayyeh, General Manager, Sogex Oman, Ruwi
- Mr. Ibrahim N. Ahmad, Director of Economic Research Department, Oman Chamber of Commerce & Industry, Ruwi
- Mr. Hilal Al Adawi, Principal, Vocational Training Institute, Ruwi
- Mr. Mahfoudh Al Jarwani, Head of Professional Training and Follow Up, Directorate General of Scholarships and Foreign Relations
- Mr. Abdul Rehman Al Karaksy, Chief Engineer, Al-Hilal Transport, Contracting and Trading, Muscat
- Mr. Nassir M. Al Ruwehy, Managing Director, Stag Enterprises, Mutrah
- Mr. Najim Al Timami, Admin. Manager, Oman Cement Co, Rusail
- Mr. Ibrahim Bin Abdallah Bin Mohammed Al-Ajmi, Manager, Technical Education, Ministry of Education and Youth, Muscat
- Mr. Musa I. Al-Aruri, Group General Manager, Al-Hashar Group of Companies, Muscat
- Dr. Rawya Soud Al-Busaidi, Director of Coordination and Follow up of Academic Affairs, Sultan Qaboos University
- Mr. Saleem Al-Ismaili, Managing Director, Rusayl Industrial Estate, Muscat
- Mr. Khalid Al-Juma, General Manager, Al-Juma Trading & Contracting Est.
- Mr. Saif Abdulla Al-Kindi, Senior Personnel Officer, Oman Aviation Services Co. (S.A.O.), Seeb
- Mr. Khamis Al-Kiyumi, Director General of Industry, Ministry of Commerce and Industry, Muscat

Mr. Maulid Haj Al-Mkheini, Industrial Liason Officer, Sultan Qaboos University, Al-Khod

Mrs. Hunaina Al-Mugheiry, Director of Training and Studies, Ministry of Commerce and Industry, Muscat

Mr. Fawzi Al-Mushantaf, Manager, Khalil Al-Khalil Est, Muscat

Mr. Abdul Aziz Al-Shanfari, Managing Partner, Shanfari Trading and Contracting Co. L.L.C., Muscat

Mr. Awad Bin Salim Al-Shanfari, President, Port Services Corporation (S.A.O), Muscat

Mr. Salam Salim Al-Siraidi, Assistant Training Officer, Oman Aviation Services Co. (S.A.O.), Seeb

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APPENDIX B
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