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THE GEORGE WASHINGTON UNIVERSITY  
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**Institute for Middle East Studies**

**IMES PAPER CAPSTONE SERIES**

**Rentierism and Reform: Youth Unemployment and Economic Policy in Oman**

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**May 2014**

**THE INSTITUTE FOR MIDDLE EAST STUDIES  
THE ELLIOTT SCHOOL OF INTERNATIONAL AFFAIRS  
THE GEORGE WASHINGTON UNIVERSITY**

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## **Acknowledgements**

Firstly, we would like to thank our advisor, Professor Attiya Ahmad of the George Washington University's Anthropology department. Her insights and thoughtful critiques challenged us to think critically about the issues we've addressed from new perspectives and with careful consideration.

Secondly, we would like to thank all of the experts, students, and young professionals in both Washington D.C. and Oman who generously agreed to be interviewed for this project. Their various insights, opinions, and analyses enriched our understanding of Oman's labor market and economic policies.

Thirdly, we would like to thank Professor Marc Lynch, Dr. Shana Marshall, Ms. Kate Getz, and the Institute for Middle East Studies for their guidance throughout the Capstone process.

Lastly, but most importantly, we would like to thank our family and friends for all of their support over the past ten months. Ms. Romano would like to acknowledge specifically Dr. Diana Craig Patch, Zachary Rybarczyk, Alisha Deluty, and Allison Good. Mr. Seeger would like to acknowledge specifically Jane and Steve Seeger.

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## **I. Introduction:**

In early 2011 young Omanis demonstrated in cities throughout the usually tranquil Sultanate. The protests were meant to show Omanis' dissatisfaction with their country's politics, economy, and labor market. The protesters' complaints fell into three categories: unemployment, welfare, and corruption. The protests gained momentum and, what was originally a demonstration of 200 against the rising cost of living, led to a country-wide movement which caused the temporary shutdown of schools, the arson of a LuLu Hypermarket and a police station, and a multi-city protest demanding higher pay, the abolition of all taxes, and the end of corruption in the ministries.<sup>123</sup>

This study examines the institutional, structural, and societal causes of youth unemployment in the Sultanate of Oman and evaluates the effectiveness of the initiatives undertaken by the Omani government to address these systemic issues and improve employment opportunities for Omanis. Our major findings are that youth unemployment<sup>4</sup> and underemployment are symptoms of greater issues created by Oman's economic structure. As argued in Section III, Oman's rentier structure and its externalities work in tandem to create labor market failures. These issues are exacerbated by Oman's current educational structure and the preference for degrees in fields that do not match the labor market demands. The Omani government recognizes these issues and has worked on

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<sup>1</sup> Worrall, James. "Oman: The "Forgotten" Corner of the Arab Spring." Middle East Policy Council. Fall 2012, Volume XIX, Number 3 p. 1

<sup>2</sup> Bakri, Nada. "Protests in Oman Spread From Port City to Capital." *The New York Times*. 28 February 2011. Accessed 8 April 2014.

<sup>3</sup> Ferris-Lay, Claire. "Oman Protesters Call For Fight Against Corruption." *Arabian Business*. 18 January 2011. Accessed 24 April 2014.

<sup>4</sup> Although this report focuses specifically on youth unemployment and the majority of our analysis and recommendations are focused on the sources of youth unemployment specifically, we use youth unemployment and unemployment interchangeably. This occurs for two reasons. First, it is argued in most existing literature and labor market reports in Oman that the majority of unemployed people in Oman are in the youth demographic. Second, our recommendations aim to lower youth unemployment, which will in turn lower the total unemployment rate.

addressing the factors of unemployment through policies that target Oman's macro-economy, micro-economy, and education systems.

The conclusion of this study presents several policy recommendations to address further the issues highlighted in the paper, both for the Omani government and for other governments in the region with a similar economic structure and similar systemic issues.

### *Research Methodology*

We used a three-pronged approach to conduct research for this report: a review of existing literature on subjects related to unemployment and its causes in Oman and the Gulf Cooperation Council (GCC) states, field research including interviews with young Omanis and scholars to gain insight into issues that the existing literature did not address, and an analysis of statistical information about Oman's population, labor force, economy, and educational patterns.

Our American-based research primarily utilized existing secondary scholarship about Oman's political and economic structure. This body of work provided us with an introduction to and foundation for our understanding of youth unemployment in Oman, as well as the various factors of Omani unemployment we've identified and the initiatives the government has undertaken to reduce unemployment. Much of the literature has suggested that the reliance on the public sector and high numbers of expatriate laborers are two of the main factors of unemployment in Oman. Most of the literature that focuses specifically on Oman has not, at time of publication, addressed the micro- and macro-level causes of Omani unemployment. The literature that does address the multi-dimensional causes of unemployment have generalized their discussions, findings, and policy suggestions to all of the GCC states, rather than developing recommendations that

reflect Oman's unique reform efforts, demographic composition, education system, and present and future budgetary constraints. This report aims to fill the hole left by existing studies by studying the full range of factors that contribute to Oman's unemployment within the context of Oman's history, society, and governmental structure.

Existing scholarship also provided a theoretical basis for our research regarding economic liberalization and how policy influences economic development. We examined various privatization efforts in Eastern Europe and East Asia to provide a comparison to Oman's privatization efforts. We chose to exclude privatization examples from the Middle East region due to the continued dominance of state-owned enterprises in many of the economies of the region.

Our field research in Oman was conducted from March 9<sup>th</sup> through March 16<sup>th</sup> 2014, in Muscat and Nizwa. We conducted both informal and structured interviews with Omanis. Our informal interviews were with eight young, tertiary-educated, Omani professionals and students who represented four of the eleven governorates of Oman and came from various economic backgrounds. During these interviews we discussed some general topics such as preferences for working in the public versus private sectors and specific industries, popular perceptions of economic prospects, their professional aspirations and goals, and the division of labor in the Omani workforce.

Our structured interviews in Oman were conducted with leading scholars in the field of economics, trade, and higher education. One of the structured interviews was with a leading scholar on Omani economics and education. This interview was crafted to understand how the Omani government has focused its economic and labor policies. We discussed economic trends, the education system in Oman, reform initiatives (for both

topics), and the feasibility of implementing these reforms. We also conducted an interview of similar content and objectives with a western scholar who specializes in Omani political economy.

While we were in Oman, we also met with an official in the National Center for Statistics and Information. The interview and the statistical information provided by the National Center for Statistics and Information, which is used throughout this report, expanded our understanding of economic and demographic trends in Oman regarding workforce participation, expansion of education, age structure in the population, and the growth of specific sectors.

Our method of research has allowed us to present a fuller understanding than other existing literature on the subject. Our report explores the macro-level and micro-level causes of unemployment and discusses the various initiatives that the government has undertaken aimed at addressing the structural issues behinds unemployment. We then evaluated which causes of unemployment have been adequately addressed by the Omani government, and which factors could be better addressed. We grounded our analysis and data in statistical representations of the Omani population, and, most importantly, in the experiences and opinions of young Omanis who experience these labor issues firsthand. As of now, Omani voices, particularly the voices of young people, have been omitted from these discussions, obscuring the understanding of unemployment. Omani citizens, especially those who do not work in the Ministries of Manpower and the Economy, are able to provide the unique perspective of whether unemployment is an issue which troubles Omanis, whether government initiatives are worth undertaking, and whether there are any factors that scholars and government officials may not have considered,

such as social factors like prejudice against people different background and genders.

There were some limitations to our research. The main obstacle to our study is the amount of published statistical data. Unpublished unemployment statistics and lack of data evaluating the success of Oman's unemployment reduction policies make it difficult to provide complete quantitative support to our analysis. If this data were to be published, this report could be expanded to evaluate the quantitative efficacy of each program in addressing unemployment, rather than the theoretical effectiveness of these programs in addressing the various causes of unemployment that we present in later sections.

Another limitation to our study is the short timeframe in which we were able to conduct field research. Our trip to the Sultanate of Oman was limited to one week in March 2014, thus the informal interviews we conducted represent a small fraction of young Omanis, both numerically and regarding their life experience. If this study were to be expanded in the future, we would include interviews with secondary school students and more university students from a wider range of socio-economic backgrounds, from both rural and urban areas, of varying tribal groups and ethnicities, and of all of the governorates.

## **II. Youth Unemployment in Oman**

While the Omani government does not publish statistics on the unemployment rate, there are multiple indicators that corroborate scholars' claims that systemic youth unemployment is an issue in Oman. The most compelling indicator of youth unemployment in Oman was one the Sultan's concessions to demonstrators after the 2011

protests: the creation of 50,000 public sector jobs for Omanis.<sup>5</sup> Considering that the total Omani workforce (excluding those employed by the military) was just over 338,000 in 2011<sup>6</sup> the Sultan's job creation initiative represented a huge expansion of the Omani workforce. The Sultan and his government's reaction to these protests indicates that the Sultan recognized that unemployment was a significant issue in his country and was one of the origins of his subjects' discontent.

Another indicator of Oman's unemployment is the series of initiatives undertaken by the Omani government in the last several years that specifically create job opportunities for Omanis. These initiatives include the Omanization of the private sector workforce and the establishment of lending programs for small businesses run and operated by Omanis. Omani officials have cited the need to provide more jobs to citizens as one of the reasons for these initiatives.<sup>7</sup>

A third, although anecdotal, indicator of unemployment in Oman is that most of our Omani informants stated that unemployment, particularly youth unemployment, was a problem in their country without being asked directly about it. An Omani economics professor stated that unemployment must exist because of the way the economy is currently structured around the oil and natural gas sector,<sup>8</sup> while the students believed unemployment exists because they have family members and friends who are currently unemployed.

Although the unemployment rate in Oman remains unpublished, it is estimated that the general unemployment rate is 15 percent and youth unemployment is 19.6

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<sup>5</sup> Bakri

<sup>6</sup> The Sultanate of Oman, National Center for Statistics and Information. *2013 Statistical Yearbook*. Muscat, Oman: National Center for Statistics and Information, 2013. p. 97

<sup>7</sup> Oman Ministry of Information Website. "Omanisation Policy." Accessed 25 April 2014.

<sup>8</sup> Interview with Informant C. Further details can be found in Appendix A.

percent.<sup>9</sup> Informants C and F both stated that some unemployment exists in Oman because of discrimination against certain tribes in public and private sector employment. Informant F specifically stated that the Batinah region experienced a higher rate of unemployment due to the tribal composition in the region. Incidentally, the capital of the Batinah region, Sohar, was the location of the most violent protests in 2011.<sup>10</sup> Additionally, unemployment is typically higher in rural areas because most of the jobs pursued by Omanis are found in Muscat; according to Informants A, D, and F, it is common for people commute over an hour in each direction because the only job opportunities they could find were in Muscat.

The unemployment statistics provided above do not account for the “underemployed” in Oman: Omanis who work part-time or full-time in positions that are less challenging than what would be expected for someone with his or her education. Informant C believed that underemployment was as large a problem as unemployment in Oman. Anecdotally, Informant A recently received a B.A. in English translation but is unhappily working as an administrative assistant, and several of Informant F’s friends and acquaintances had taken positions in the security sector because they were unable to obtain jobs that fit their specific skills. The unemployment rates also do not represent Omanis who identify themselves as “self-employed,” which is commonly a euphemism for acting as the required sponsors for expatriate businesses in exchange for a fee.<sup>11</sup>

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<sup>9</sup> Worrall, p. 102.

<sup>10</sup> Bakri

<sup>11</sup> Das, Kailash Chandra and Nilambari Gohale. “Localization of Labor and International Migration: A Case Study of the Sultanate of Oman.” Paper presented at the XXVI International Population Conference of the IUSSP, Marrakech, September 27 to October 2, 2009. p. 16.

### **III. Factors Leading to Unemployment in Oman**

Following the accession of Sultan Qaboos to power in 1970, Oman has seen tremendous economic growth and societal change, largely the result of state-building initiatives. The discovery of oil in Oman in 1964 was key to funding this state sponsored development, fostering steady economic growth greatly improving the standards of living in the Sultanate.<sup>12</sup>

Despite the success of Oman's early development model, Oman's contemporary economic and social pressures can no longer be managed or contained through state-driven extractive growth. This type of economic growth financed by extractive industry and institutions has created an unsustainable and undiversified economic system in Oman that is unable to organically create the number of jobs necessary for the Omani population. This extractive economic growth under exclusive political and economic institutions is not a sustainable strategy for long-term economic development and ultimately creates a fragile economic climate.<sup>13</sup>

#### ***Political-Economic Factors***

Several major structural weaknesses in Oman's economy, and therefore labor market, are the direct result of the strategy of oil-funded state development. These weaknesses include an over-reliance on petroleum and natural gas for national income, the predominant economic position of state-owned enterprises and semi-private institutions, a large expatriate workforce in the private sector (which edges out potential

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<sup>12</sup> The International Monetary Fund. "World Economic Outlook Database: Oman 1980-2018." Retrieved February 2014.

<sup>13</sup> Acemoglu, Daron and James A. Robinson. "I've Seen the Future and, It Works: Growth Under Extractive Institutions" in *Why Nations Fail: The Origins of Power, Prosperity, and Poverty*. New York: Crown Publishing, 2012. pp. 124-152.

Omani workers), and the rise of a virtual oligopoly formed by various large business conglomerates in the private sector.

### *Rentier State Structure & The Oil and Gas Industry*

The Sultanate of Oman is a rentier state; the success of its economy and government is rooted in its petroleum and natural gas exports.<sup>14</sup> Oil rents have been instrumental in financing state-building enterprises in Oman since 1970.<sup>15</sup> The government's established itself up as the primary means of economic redistribution for all of Oman's ethnic, religious, regional, and tribal groups through its monopoly over oil rents.<sup>16</sup> Rent redistribution has been key to centralizing the authority of the Omani state and minimizing the importance of these other identities.

However, economic growth through petroleum and natural gas extraction has not created as sustainable long-term model of development in Oman. Under the rentier state structure, the most important economic sectors are those involved in the acquisition and distribution of rents. These industries typically fall under the direct control of the state. In Oman, these rents are acquired through the petroleum and natural gas industries. Oil extraction industries rely upon relatively few unskilled labors, and require a specialized labor force with skills unrelated to sectors outside of oil extraction.<sup>17</sup> This creates a

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<sup>14</sup> Mahdavy, Hossein. "The Patterns and Problems of Development in Rentier States: The Case of Iran." *Studies in the Economic History of the Middle East: From the Rise of Islam to the Present Day*. London: Oxford University Press, 1970.

<sup>15</sup> Valeri, Marc. *Oman: Politics and Society in the Qaboos State*. Oxford: Oxford University Press, 2013. pp. 72-73.

<sup>16</sup> *Ibid*, p. 73.

<sup>17</sup> Karl, Terry Lynn. "Oil-Led Development: Social Political and Economic Consequences." *Encyclopedia of Energy, Vol. 4*.

situation under which the state experiences significant economic growth without a significant investment of capital or resources in the broader economy.<sup>18</sup>

The booming extractives sector has a two-fold distorting effect on the overall economic structure of the state under a process known as the “Dutch Disease.”<sup>19</sup> The extractives sector, in this case oil and then natural gas, draws production and labor away from the agricultural, manufacturing, and other industrial sectors under the process of direct de-industrialization, leading to a decline in these sectors. Extra revenue from commodity extraction leads to an increased demand for labor in the service sector, resulting in indirect de-industrialization. The economic shift towards non-tradable services results in large rural-to-urban migration due to the better economic prospects in the urban service industries, which further damages agricultural productivity. Both agriculture and non-oil related industry and manufacturing have been targeted by the Omani government for growth in order to lessen their economic dependency on commodity exports and for the generation of employment opportunities.<sup>20</sup>

Oman's government is extremely reliant on the oil sector for revenue. In 2013 the oil industry accounted for 76 percent of Oman's total government revenues, and is projected to account for 83 percent of government revenues in 2014.<sup>21</sup> This skews Oman's economy towards the export of a single commodity which is heavily dependent on world commodity prices and the import of raw and finished products from other

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<sup>18</sup> Beblawi, Hazem. “The Rentier State in the Arab World.” *Arab Studies Quarterly*, Vol. 9, No. 4 (Fall 1987).

<sup>19</sup> Cordon, W.M. “Booming Sector and Dutch Disease Economics: Survey and Consolidation.” *Oxford Economic Papers*, Vol 36, No. 3, (November 1984).

<sup>20</sup> Oman Ministry of Information. “Economic Development.” Ministry of Information Website. 2012.

<sup>21</sup> Al Bawaba Business. “Behind the Figures: Why Oman's Economy is Set to Thrive both Now and in The Future.” 9 February 2014.

<sup>22</sup> Times News Service. “Oman's 2014 Budget Leaves and Anticipated Deficit of OMR 1.8b.” *The Times of Oman*. 4 January 2014.

countries. The spending initiatives enacted by the Omani government in 2011 have further reduced its ability to respond to commodity price fluctuations.

Oman has relatively modest reserves of oil and natural gas, which are difficult to extract. As of January 2013 Oman had 5.5 billion barrels of proven oil reserves.<sup>23</sup> Oman's oil fields are generally smaller, more widely scattered, and more difficult to exploit than other oil fields located in the Persian Gulf.<sup>24</sup> Dependence on enhanced oil recovery used to exploit the difficult-to-reach petroleum reserves further increases the cost of energy extraction in Oman.<sup>25</sup><sup>26</sup> Oman's petroleum industry is increasingly dependent upon these enhanced oil recovery techniques, with a projected 16 percent of all Omani petroleum to be produced through these methods by 2016.<sup>27</sup>

All of these factors combine to make Oman a far less efficient oil producer than the other Gulf Arab monarchies, and decreases the profitability of Oman's oil reserves. In addition, Oman's growing dependence upon enhanced oil recovery techniques in extracting crude oil further increases the vulnerability of the Omani oil industry to market shocks. The higher costs associated with enhanced oil recovery oil exploitation require a subsequently higher price per barrel in order to remain profitable. A sharp decrease in world oil prices due to economic recession, increased energy supply, or technological developments could leave Oman unable to utilize enhanced oil recovery techniques.

Oman has also begun to develop its natural gas reserves following the opening of

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<sup>23</sup> United States Energy Information Administration. "Oman Country Report." Retrieved February 2014.

<sup>24</sup> International Business Publications. "Oman Mineral, Mining Sector Investment And Business Guide: Volume 1 Strategic Information and Regulations." p. 161.

<sup>25</sup> United States Energy Information Administration. "Oman Country Report."

<sup>26</sup> United States Energy Information Administration. "Enhanced Oil Recovery Techniques Helped Oman Reverse Recent Production Declines." 1 November 2013.

<sup>27</sup> *Ibid.*

two liquefied natural gas facilities in 2000 and 2005,<sup>28</sup> and production of liquefied natural gas for export has grown steadily since the late 1990s. However, several factors are limiting the growth of Oman's natural gas sector and the viability of liquefied natural gas to replace oil exports. A significant amount of Oman's dry natural gas is used in oil extraction, with 22 percent of its dry production reinjected into oil reservoirs in order to extract the heavier crude oil.<sup>29</sup> Domestic consumption of natural gas as an energy source has also greatly increased in Oman in recent years. Liquefied natural gas used in domestic energy production increased by a factor of 168 percent between 2002 and 2012.<sup>30</sup>

The underpinning of Oman's national budget on a dwindling oil and natural gas sector has put serious constraints on Oman's spending capability, and therefore, long-term public sector employment capability. The increased public spending aimed at quelling dissent since the outbreak of unrest in 2011 has further exacerbated Oman's budgetary constraints. In order to meet this increased public spending, the Omani government received a \$10 billion aid package from the GCC states in 2011.<sup>31</sup><sup>32</sup> Public spending aimed at generating political stability is ultimately unsustainable without the aid of the wealthier GCC states. The Omani government will need to phase out this type of public spending if they are to finance the large infrastructure and industrial projects aimed at diversifying Oman's economy away from the oil and natural gas sectors. Additionally, reliance on the oil and gas sectors prevents the Omani economy from

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<sup>28</sup> United States Energy Information Administration. "Oman Country Report."

<sup>29</sup> *Ibid.*

<sup>30</sup> *Ibid.*

<sup>31</sup> Davidson, Christopher M. *After the Sheikhs: The Coming Collapse of the Gulf Monarchies* Oxford: Oxford University Press, 2013. p. 211.

<sup>32</sup> "Gulf States Launch Fund Worth 20 Billion Dollars to Aid Bahrain and Oman." *Al Arabiya*, 10 March 2011. Translation from Arabic by author.

growing and changing to accommodate entrepreneurship and new labor-intensive sectors, which in turn prevents the expansion of the labor market.

### *State-Owned Enterprises*

Oman's government plays a large role in the economy through multiple state-owned enterprises and parastatal corporations. These include industries associated with oil and natural gas extraction and export, and other, less-profitable industries including transport and telecommunication. As of 2010 the government of Oman was the majority shareholder in 103 distinct public enterprises.<sup>33</sup>

The inherent nature of state-owned enterprises produces several major drawbacks, even in the state organized capitalist public enterprises of the Gulf Arab monarchies.<sup>34</sup> These institutions, while nominally focused upon profitability as opposed to social redistributive practices, perform poorly when compared to similar privately owned enterprises in the same sector.<sup>35</sup> The poor performance of these state-owned enterprises is derived from their nature as fundamentally political institutions. State-owned enterprises are ultimately subject to political policy and serve as instruments of political preemption and control that are utilized by the state to exert its own ends.<sup>36</sup> In such enterprises it is the state, rather than market forces, that controls how these parastatal companies determine the patterns of production and the allocation of resources.<sup>37</sup>

These state-owned enterprises also have a detrimental effect on private sector

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<sup>33</sup> State Audit Institution Oman. "SAI Role in Auditing State-Owned Enterprises in Oman." *State Audit Institution Oman*, March 2010.

<sup>34</sup> Richards, Alan and John Waterbury. *A Political Economy of the Middle East: Third Edition*. Boulder: Westview Press, 2008. p. 203.

<sup>35</sup> *Ibid*, p. 215.

<sup>36</sup> *Ibid*, p. 186.

<sup>37</sup> *Ibid*, p. 186.

growth and development. These state-owned enterprises dominate certain sectors of Oman's economy, creating a *de facto* monopoly in certain industries. Omani state-owned enterprises also are able to reap the benefits of state patronage, while remaining shielded from market demands for profitability and productivity that would be required of comparable private enterprises.

The role of state-owned enterprises and state capitalist experiments in Oman present several challenges to youth employment and Omanization<sup>38</sup> through the distorting effects they have on the national economy. Protectionist policies and government favoritism for state-owned enterprises inevitably puts artificial limits on entrepreneurship and market competition. As long as the state maintains a presence in certain sectors of the economy through state-owned enterprises it will serve as a barrier to new entrepreneurs which do not enjoy the patronage of the state. Additionally, the political clout of these state capitalist institutions allows them to edge out smaller domestic rivals in similar economic roles, further limiting healthy economic competition.<sup>39</sup>

The political nature of these enterprises also poses another potential barrier to employment and economic growth. The potential for politically motivated favoritism and cronyism in these enterprises is extremely high given the patronage-based and redistributive economic model of rentier state governance.<sup>40</sup> These politically driven enterprises inherently favor those with political connections, or *wasta*, from groups with a favored social, political, or economic position.

Another potential barrier to economic development and labor reform is related to Oman's privatization of some of its state-owned enterprises. As part of its larger

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<sup>38</sup> Described fully later in the section.

<sup>39</sup> Bremmer, Ian. "State Capitalism Comes of Age." *Foreign Affairs*, May/June 2009.

<sup>40</sup> "Theme and Variations: State Capitalism is not all the Same." *The Economist*, 21 January 2012.

economic reform strategy, the Omani government has begun to divest its interest in some of its public enterprises through gradual privatization. However, the opaque nature of this privatization and the closed political system in Oman could potentially lead to a transfer of wealth and assets from the state, to a small cadre of politically connected insiders, creating a system of crony capitalism.<sup>41</sup>

This type of rent-seeking capitalism would be ultimately detrimental to Oman's long term economic growth. Crony capitalism leads to the improper allocation of resources and bars new entrants into the private sector who are unable to compete with government connected firms.<sup>42</sup> These artificial barriers to market entry created by crony capitalism could prevent Omanis from engaging in entrepreneurship, and threatens the viability of Omani-owned small and medium enterprises which do not possess political connections.

While Oman has a more robust legal framework that can safeguard against this type of nepotistic privatization, there is a distinct class of wealthy, well connected Omani merchant families and a young generation of royals and tribal elites that all have the potential political connections to engage in this type of crony capitalism.

### *Oligopoly*

Oman's private business landscape is dominated by a small number of business groups that are owned by wealthy merchant families. These families have a long history of closely cooperating with Oman's state-owned institutions and government bodies. Many of these families have ties to the old merchant and trading elite of Muscat, centered

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<sup>41</sup> Richards and Waterbury, p. 231.

<sup>42</sup> "The New Age of Crony Capitalism." *The Economist*, 15 March 2014.

on the port of Muttrah. Many of these families are unrelated to the royal Al Busaidis or to the tribes of Interior Oman, but have accumulated a great deal of economic power and political influence through their economic ties with the Oman's royal family. Most of these groups were contracted by the Sultan to carry out the initial infrastructure and development projects in Oman beginning in 1970.<sup>43</sup>

Through these initial contracts with the Omani government during the beginning of the Omani Renaissance, these families were able to create wide reaching business conglomerates, and managed to create quasi monopolies in Oman's private sector.<sup>44</sup> As the standard of living in Oman improved and Omani discretionary spending increased, these business groups were able to diversify their scope of economic activities beyond infrastructure and development, and secure contracts to import consumer products from abroad.<sup>45</sup> These import contracts are secured through the *Kafala* system of sponsorship, which requires foreign investors to partner with an Omani individual or corporation to do business in the Sultanate.

The economic prominence of these conglomerates is readily apparent from the numerous billboards and multi-story headquarters lining the main thoroughfares in downtown Muscat and the Ruwi business district.<sup>46</sup> The scope of business activities these business groups are engaged in is extremely diverse and reflects the great commercial and political reach of these conglomerates. Two of the most prominent groups, the Suhail and Saud Bahwan Groups, together encompass 34 distinct businesses which are involved in a diverse range of economic activities, including construction, engineering,

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<sup>43</sup> *Ibid.*

<sup>44</sup> Bertelsmann Stiftung. "BTI 2014 Oman Country Report." Bertelsmann Stiftung, Gütersloh Germany, 2014.

<sup>45</sup> Valeri, p. 100.

<sup>46</sup> Authors' observation during field research.

manufacturing, automotive sales, information technology, shipping, and food wholesale, among others.<sup>47</sup>

These various business groups and their owners are the target of significant public resentment in Oman.<sup>48</sup> This resentment is largely the result of the huge economic role of these conglomerates, and the outsized political and commercial influence which they are able to wield. Part of this frustration is derived from animosity against the Muscat merchant class in the pre-Qaboos era. In the past, the tribes of Oman's interior were forced to mortgage their lands to the merchants of Muscat as a security for the advanced purchase of basic imported goods.<sup>49</sup>

Much of the anger during the 2011 Omani protests was directed at these business oligarchs, and their family members who had attained high posts within the national government. Although the Sultan did acquiesce to the protesters demands and reshuffled his cabinet, in absolute terms these families remain extremely influential and powerful. The support of these families is seen as crucial for both political and economic stability in Oman, and the overwhelming need for political stability following the Arab Spring has trumped all other concerns.<sup>50</sup>

Oman's merchant elite and the business groups which they control represent what are essentially exclusive economic institutions.<sup>51</sup> The elite are primarily concerned with maintaining their economic preeminence and they maintain the status quo regarding economic and political policy by erecting barriers to economic entry and market

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<sup>47</sup> Gulf News Staff. "Bahwan Brothers Divide Their Empire." *Gulf News*, 15 September 2002.

<sup>48</sup> Interviews with Informants A and F.

<sup>49</sup> Valeri, pp. 41-2.

<sup>50</sup> Interview with Informant I.

<sup>51</sup> Acemoglu, p. 81.

competition.<sup>52</sup> Although significant economic growth can occur under exclusive, extractive political and economic institutions, this type of growth is ultimately unsustainable in the long run.<sup>53</sup> The closed nature of these institutions, their resistance to market realities, and their opposition to new policies which may threaten their economic position makes the prospect of serious economic reform (which indirectly improves the labor market) a difficult one to imagine.

Oman's merchant families and business groups played an important role in the initial economic growth of the country, leading to impressive economic growth under extractive and exclusive political and economic institutions. However, the economic policies and order which led to this growth has proven inadequate in promoting long term, sustainable economic growth. The economic predominance of this group, and its resistance to change in the economic policies from which they have greatly benefitted presents a major challenge to the incorporation of Omanis into the private sector.<sup>54</sup> These economic and political elites have benefitted from cheap, easily exploitable expatriate laborers in the private sector, and the implementation of indigenization focused economic policies - "Omanization" - presents a clear conflict of interests to these groups.<sup>55</sup>

### ***Socioeconomic Factors***

#### *Reliance on Expatriate Labor*

Expatriates are the majority of the Omani labor market. The Omani economy's reliance on a large expatriate labor force began during the early development of the state

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<sup>52</sup> *Ibid*, p. 81.

<sup>53</sup> *Ibid*, p. 150.

<sup>54</sup> Valeri, p. 212.

<sup>55</sup> *Ibid*.

following the boom in oil production. The massive infrastructure and state building enterprises undertaken by the Omani state, combined with the rapidly growing service sector, required a great influx of laborers. The contemporary Omani population was unable to provide the necessary number of laborers for these quickly expanding fields, and these open positions attracted people from other states. When Omanis were looking for work at this time, the rapid bureaucratization of the state offered lucrative public sector employment for Omani nationals, further necessitating that the labor demand in the private sector be filled from outside of the Sultanate.

The majority of these expatriate laborers originate from South Asia and East Asia. The largest populations of expatriates are Indians (597,334), Bangladeshis (508,774), Pakistanis (223,219), followed by smaller populations of Filipinos, Ethiopians, Egyptians, Indonesians, Nepalese, and Sri Lankans, whose populations number in the tens of thousands.<sup>56</sup>

Expatriates play a dominant role in Oman's private sector, with expatriates filling a full range of positions, ranging from manual labourer to entrepreneur to doctor; in 2012 specialists occupied 8 percent of the workforce, expatriates with technical skills occupied 4 percent, expatriates vocational/professional skills occupied 22 percent, skilled laborers occupied 24 percent, and limited skilled laborers occupied 42 percent.<sup>57</sup> The economic role of expatriates in Oman has expanded dramatically from the initial demand in the 1960s and 1970s for workers in the oil and gas industries. In 2013 expatriate workers comprised 73.68 percent of the total private sector workforce,<sup>58</sup> and comprised 44.2

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<sup>56</sup> James, A.E. "Oman Expatriate Population Touches 1.766 Million." *The Times of Oman Online*, 6 April 2014.

<sup>57</sup> 2013 Statistical Yearbook, p. 150

<sup>58</sup> Haque, Faizul "100,000 Expats to Lose Jobs in Omanization." *The Times of Oman*, 18 February 2014.

percent of the total population in 2014.<sup>59</sup> The gulf between expatriate and indigenous employees is particularly wide in the specialized technical and engineering fields.

The large expatriate population in Oman and their predominant role in the private sector presents a large challenge to addressing youth unemployment. The private sector labor demographics are prioritized in this argument for two reasons. First, the public sector<sup>60</sup> employs far fewer people than the private sector employs - 194,000 people and 1,488,000 people respectively.<sup>61</sup> Omanis hold 86 percent of public sector positions, whereas Omanis hold only 11 percent of private sector positions.<sup>62</sup> Second, the private sector employs more people and has greater potential for employment growth than the public sector.<sup>63</sup> Private sector positions are easily filled by expatriate laborers who can be paid lower wages and possess the requisite vocational or technical training which many Omani nationals do not possess.

#### *The Relative Attractiveness of the Public and Private Sectors to Prospective Employees*

Oman's reliance on oil rents has indirectly caused several other obstacles to diminishing unemployment in the country. The rentier structure has altered the competitiveness of positions in the public sector with positions in private enterprises across all fields. In general, most public sector jobs provide higher wages, near-guarantee job security, and provide better benefits than private sector positions do, both in large corporations and in small and medium enterprises. In 2012, the average pay for 21-25 year-old Omanis working in the private sector is 272.76 Omani Rials per month, and 63

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<sup>59</sup> James. "Oman Expatriate Population Touches 1.766 Million."

<sup>60</sup> Numbers exclude those serving in the military and represent employment in 2012.

<sup>61</sup> 2013 Statistical Yearbook, p. 97

<sup>62</sup> *Ibid.*

<sup>63</sup> International Monetary Fund. "Labor Market Reforms to Boost Employment and Productivity in the GCC." *IMF Website*. 5 October 2013. p. 8.

percent of those 21-25 year-olds will only make 180-200 Omani Rials a month,<sup>64</sup> even though the minimum wage at that time for Omanis working in the private sector was 220 Omani Rials a month. Although the minimum wage was adjusted in 2013 to be 325 Omani Rials,<sup>65</sup> it is not clear how the government plans to enforce this change if the previous, lower minimum wage was not well enforced. Young Omanis are well aware of the difference in pay between these two sectors and it has affected the way that Omanis have approached their job searches; young Omanis would rather wait to secure a public sector job than venture out into the private sector job market. Lower wages is one of the most cited reasons, and were cited by all of our informants, that young Omanis are choosing not to pursue work in the private sector. For example, an instructor in a department of Pharmacy and Nursing at an Omani university reported that nursing students have the option of applying to a public sector position or seeking employment in the private sector, but most students, and the more qualified applicants, typically choose to pursue careers in the public sector because the starting pay in the public sector is significantly higher than the private sector's starting pay (even though there is more room for upward mobility in terms of position and pay in the private sector).

Omanis have also cited job security and benefits as reasons for not pursuing private sector jobs. The same Pharmacy and Nursing instructor stated the public sector offers benefits, including a pension, with which the private sector does not offer consistently, and therefore cannot compete. One young Omani student we spoke to stated that there is nothing that grabs her [as a prospective employee] about the private sector, and that securing a pension is important to her. She was adamant that all of her friends

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<sup>64</sup> See Appendix B for calculations, data, and explanation.

<sup>65</sup> "Oman Hikes Private Sector Minimum Wage." *Zaywa*. 28 April 2013.

would have the same response; and her insights were supported by several other informants.<sup>66</sup>

A final obstacle to getting more graduates interested the private sector employment (and therefore lowering unemployment rate) is that there continues to be a stigma in Omani society about working in certain jobs in the private sector. Several of the Omani students with whom we spoke made it clear that there were some jobs that Omanis would never consider doing, like manual labor. When Informant F was asked whether Omanis might eventually consider taking jobs that weren't considered acceptable by today's standards, she responded that eventually they'll be forced to do so out of necessity. Attitudes toward the public sector have evolved according to Informant C, and there is a distinct possibility that sector and job preferences will change; in recent memory, Omanis wouldn't consider working in a private sector position, but over 50 percent of Omanis employed in 2012 were working in the private sector, compared to 43 percent in 2003.<sup>67</sup>

Although the waiting for a public sector is the logical choice monetarily, the chances of actually receiving a government job are far from guaranteed. In 2010, the average Omani with a university diploma (which is more education than a high school diploma but not quite a Bachelor's degree)<sup>68</sup> or higher had a 31 percent chance,<sup>69</sup> at the highest estimation, of getting a government job outside of military service. Although the public sector positions that were newly filled in 2011 outnumbered the number of

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<sup>66</sup> Interview with Informant D.

<sup>67</sup> 2013 Statistical Yearbook, pp. 96-7.

<sup>68</sup> Interview with Informant E.

<sup>69</sup> See Appendix C for calculations, data, and explanation.

students graduating from their academic programs (17,666<sup>70</sup> and 14,749 respectively),<sup>71</sup> this may reflect the public jobs added by the Omani government in the wake of the 2011 protests. In 2012, it is estimated that the chance of getting a government job, outside of military service, as an Omani with a diploma or higher level of education was reduced back to 33.4 percent, at the highest estimation.<sup>72</sup> The low supply but continually high demand for public sector positions is one of the largest obstacles to lowering unemployment in Oman.

Without radically improving the incentives for Omanis to join the private sector, Omanis will continue to wait for public sector positions. This strategy will slow private sector development and will exacerbate Omani unemployment.

#### *The “Attractiveness” of Omani Workers*

If the public sector<sup>73</sup> can only absorb one third of the Omanis graduating from higher education institutions, these students will have to find jobs in the private sector, join the military, look for work outside of Oman, or remain unemployed. Even if the Omani graduates of 2014 decide to enter the private sector, there are several obstacles that prevent them from getting the jobs they want.

One such obstacle is the overwhelming presence of expatriate workers in the private sector. This issue seems to be increasing; although Omani participation in the private sector increased by 5.8 percent in 2013, expatriate participation increased 16 percent in the same time period.<sup>74</sup> To private sector employers, expatriate workers have

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<sup>70</sup> 2013 Statistical Yearbook, p. 97.

<sup>71</sup> 2013 Statistical Yearbook, p. 116.

<sup>72</sup> See Appendix D for calculations, data, and explanation.

<sup>73</sup> Excluding the military.

<sup>74</sup> Thomas, Beatrice. “Omanis Working in Private Sector Rises 5.8%.” *Arabian Business*, 19 January 2014.

several advantages over their Omani counterparts. One such advantage that is expatriate workers' low wage cost compared to Omani workers. There is no minimum wage for expatriate workers in the private sector, allowing employers to save considerably on wage costs. Some of the legal initiatives undertaken by the Omani government to encourage Omani participation in the private sector workforce, however, have ironically made expatriate labor more attractive to private sector employers. The 2011 private sector wage hikes for Omani citizens is one such example. The Omani government raised the private sector minimum wage to 200 Omani Rials per month in response to the outbreak of unrest.<sup>75</sup> In 2013, Oman's parliament authorized another wage hike, raising the minimum wage of Omanis working in the private sector to 325 OMR per month.<sup>76</sup>

On the surface this would appear to be a beneficial step in making private sector employment more attractive to Omani citizens. The minimum wage hike only applied to Omani citizens, however, which created an incentive for Omani companies to employ more expatriate laborers to bypass the new minimum wage requirements.<sup>77</sup> This vast disparity in labor costs, and the uneven, arbitrary increase in wages for Omanis by the central government is a major barrier to the incorporation of Omanis in the private sector. Expatriate workers also require an official sponsorship from their employer through the *kafala* system, making them easier for their employers to control and regulate.<sup>78</sup>

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<sup>75</sup> Agence France-Presse. "Oman Raises Minimum Wage for Private Sector Workers." *Al Arabiya*, 17 February 2011.

<sup>76</sup> al-Shaibany, Saleh. "Oman Raises Minimum Wage to Avert Future Protest." *Reuters*, 9 February 2013.

<sup>77</sup> US Department of State Bureau of Economic and Business Affairs. "2013 Investment Climate Statement Oman." February 2013.

<sup>78</sup> Droper, Stephen D. and Lilian A. Barria. "Understanding Variations in Gulf Migration and Labor Practices". *Middle East Law and Governance*, Vol. 6 (2014).

### *Omani Education*

One of the largest barriers to Omani participation in the private sector is the mismatch between the skills possessed by Omanis and those which are in demand by the private sector. Informant C believes that one misconception about the Omani labor market isn't that there aren't any jobs available for graduates, but rather Omanis did not have the necessary skills to be hired for these positions. As of now, the Omani government characterizes its five main private sector industries as gas and oil, insurance, commercial banks, hotels, and communications.<sup>79</sup> Without the proper distribution of skills among the Omani population - specifically tailored to the needs of these industries, including entrepreneurship, and the skills needed in growing industries like language education - no amount of indigenization or private sector promotion efforts by the Omani government will succeed in creating a diversified sustainable economy.

Employers choose to hire expatriates over these Omanis because Omanis must be paid a higher salary than expatriates and frequently cannot compete with the technical skills and job experience of their expatriate competitors. This is pervasive through all levels of education. The skills in highest demand that are acquired at the tertiary education level according to the needs of the current and projected needs of the labor market are technical abilities, information technology, engineering, and medicine. The new infrastructure projects at Duqm and Sohar, for example, will require many specialists in technology and engineers, but the pool of appropriate Omani workers will not be able to accommodate the need of these projects, and foreign workers will be hired to complete these projects.<sup>80</sup>

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<sup>79</sup> 2013 Statistical Yearbook, p. 150.

<sup>80</sup> Interview with Informant C.

This mismatch of skills is caused by a mixture of three factors: imperfect information (for example, administrators in secondary schools may not inform students of the most secure disciplines to pursue in university), imperfect access to the type of education necessary to perform these jobs, or from preferences (for example, if people choose a certain degree program because it brings them joy or prestige) or a mixture of the three. Without aggressively addressing these three factors, the Omani education system will continue to produce students with skills that are not in high demand.

Humanities degrees are still heavily pursued by Omanis even though the labor market currently demands engineers and other technical specialists. The most popular major of Sultan Qaboos University graduates in 2011 was Religious Studies and Philosophy (17 percent).<sup>81</sup> In March 2014 of this year, the Sultan Qaboos University held a career fair (most of the firms recruiting were from the private sectors). Of the 57 firms in attendance at the fair, only 3 (5 percent) listed Islamic Studies as the academic background required for their recruits. Conversely, although only 12.8 percent of the 2011 Sultan Qaboos University graduates obtained degrees in engineering, 35 of the 57 firms (61 percent) at the fair were recruiting students with a degree in engineering.<sup>82</sup> The glaring disconnect between the courses students undertake and the training desired by employers provides some insight into why some employers need to look outside of the Omani workforce to fill positions.

Some Omanis are beginning to take notice of this problem and are looking to change the system to improve their own job prospects. According to Informant E, one of the most popular majors at her private university is translation, but she doesn't

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<sup>81</sup> 2013 Statistical Yearbook, p. 514.

<sup>82</sup> Sultan Qaboos University. "Job Vacancies." *Sultan Qaboos University Career Fair Website*. Accessed 27 March 2014. Calculations completed by author. See Appendix F.

understand its mass appeal. One informant pointed out that most Omanis speak English well because one needs to achieve a high level of English proficiency to study at the university level. Therefore, there is no need for many English translation specialists. She is instead going to create a new major at her university that prepares her to take advantage of Oman's growing popularity as a destination for foreigners to learn Arabic abroad.<sup>83</sup>

### *Gender and Ethnicity in Private Sector Employment*

Since the Omani Renaissance in the early 1970s the role of Omani women in public and private sector employment has steadily increased. The initial state-building phase of Oman's development depended upon the efforts of both men and women, especially those individuals which possessed specialized skills or knowledge.<sup>84</sup> Zanzibari Omanis, and other Omani returnees to the Sultanate were especially instrumental in normalizing women's employment in the workforce; the social norms of East Africa and Western nations promoted their entry into the labor market.<sup>85</sup> The precedent set by these Omani women helped to encourage female employment in the broader Omani society.

One employment issue that may arise in the Omanization of the private sector is that private sector is dominated by expatriate men. In 2010, for example, of the 600,000 expatriate workers employed in the private sector, only 10 percent of them were women.<sup>86</sup> There is not enough information about these positions to determine why the gender ratio among Oman's foreign workers is skewed in this way or whether the

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<sup>83</sup> Interview with Informant E.

<sup>84</sup> Chatty, Dawn. "Women Working in Oman: Individual Choice and Cultural Constraints". *International Journal of Middle East Studies*, Vol. 32, No. 2 (May 2000). Retrieved from JSTOR, April 2014.

<sup>85</sup> *Ibid.*

<sup>86</sup> 2013 Statistical Yearbook, p. 97.

positions that are filled by male expatriates are gendered in some way. When private sector firms undergo Omanization in the future, they must consider hiring policies that balance this inequity.

Ethnicity largely does not factor into employment issues in Oman. Omani society has long been multiethnic due to the historical legacy of Oman's relations with South Asia and East Africa. Since the 1970s, Omanis of all ethnicities have been absorbed into the general Omani national identity, largely through the newly standardized school system and national institutions.<sup>87</sup> Older social cleavages based on ethnic identities have been trumped by the emergence of distinct socio-economic classes, defined by wealth rather than geography, ethnicity, or tribal origin.<sup>88</sup> There is, however, some anecdotal suspicions of discrimination against Omanis descended from former slaves<sup>89</sup> and from specific tribes.<sup>90</sup>

### *Population Growth*

Each of these issues would singularly lead to unemployment, but Oman's growing population exacerbates the problem. Between 2008 and 2012 the population growth rate<sup>91</sup> was 1, 3, 5, 8, and 9 percent respectively, whereas the GDP growth rate was 13,<sup>92</sup> 1, 6, 5, and 5 percent, and it is the first time since the mid 1970s that population growth has been comparable to or greater than GDP growth for over four years.<sup>93</sup> The International Monetary Fund (IMF) estimated in 2011 that the private sector would have to produce

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<sup>87</sup> Valeri, pp. 119-147.

<sup>88</sup> *Ibid*, p.245.

<sup>89</sup> Interview with Informant I.

<sup>90</sup> Interview with Informant F.

<sup>91</sup> This number represents Omanis and Expatriates.

<sup>92</sup> This is an unusual spike.

<sup>93</sup> World Bank Data. "Oman: GDP Growth and Population Growth." *World Bank Website*. Accessed 26 April 2014.

45,000 new jobs per year to accommodate the employment needs of Oman's expanding population, but the private sector has only produced half of this number of jobs from 2006-10.<sup>94</sup> Oman's unemployment rate will continue to increase if these two trends continue.

#### **IV. Governmental Reforms that Reduce Youth Unemployment Directly or Indirectly**

Sultan Qaboos and his government have publicly acknowledged that the labor market and economy are negatively impacted by some of the aforementioned structural and socio-economic issues. The government has enacted policies that address both the issue of unemployment directly and the underlying structural causes of unemployment. Most of the issues described in Section III are openly discussed by the media; it is common to find articles in Arabic and English in private media and the government-owned Oman News Agency about the Omani government privatization of government enterprise,<sup>95</sup> the expanding role of expatriate labor,<sup>96</sup> and initiatives targeting prospective Omani entrepreneurs.<sup>97</sup>

The Omani government also does not hide the number of expatriate workers that the country relies on; the newly-established National Center of Statistics and Information not only tracks subjects such as labor patterns, education indicators, population of various groups in Omani society that may be taboo in other rentier states, but also publishes this

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<sup>94</sup> Muscat Daily Staff Writer. "Unemployment is a Major Problem in Oman." *Muscat Daily*. 31 December 2011. Accessed 27 April 2014.

<sup>95</sup> James, A.E. "Oman Plans to Divest Stake in 11 State-Owned Companies." *The Times of Oman*. 9 March 2014.

<sup>96</sup> al-Shaibany, Saleh. "Sunday Beat: Oman's Economic Growth Favors Expats." *The Times of Oman*. 6 April 2014.

<sup>97</sup> Oman News Agency. "Training Program for Business Umbrella 2014 / First Stage Concludes." *Oman News Agency Online*. 9 April 2014.

information for the Omani government on the organization's website.<sup>98</sup> In general, the government is aware of and eager to address some of the most pressing issues that prevent the Oman from reaching the level of economic development it aims to achieve, which has been the case since Sultan Qaboos began his rule in 1970.

The Sultan's most famous reform strategies were articulated as early as 1996, beginning with the state's "Oman 2020: Vision for Oman's Economy" roadmap for diversifying the Omani economy.<sup>99</sup> Although most of these early reforms were aimed at moving away from the rentier system and diversifying the economy, the Omani government has been more aggressive about directly targeting unemployment in the past five years, especially after the protests in 2011.

### ***Macro-Economic Changes***

In 1990, the Sultan addressed the Oman Chamber of Commerce and made several distinct points about the need for change in Oman's economic structure. The first issue related to unemployment that Sultan Qaboos discussed in this speech was economic diversification:

Furthermore, we have to develop and diversify our economic resources in order to lessen dependence on oil, and to secure for our national economy a solid basis from which to face the unstable international economic conditions and fluctuations in the world oil market.<sup>100</sup>

The Sultan's impetus for economic diversification lies in Oman's dwindling hydrocarbon reserves, and the need to insulate the economy from market shocks that commodity based economies periodically face. Moving away from this labor unintensive

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<sup>98</sup> [http://www.ncsi.gov.om/NCSI\\_website/NCSI\\_EN.aspx](http://www.ncsi.gov.om/NCSI_website/NCSI_EN.aspx)

<sup>99</sup> Kamrava, Mehran, editor. *The Political Economy of the Persian Gulf*. New York: Columbia University Press, 2012. p. 100

<sup>100</sup> Sultan of Oman Qaboos bin Said. *The Royal Speeches of His Majesty Sultan Qaboos bin Said, 1970-2010*. Sultanate of Oman: Ministry of Information, 2010. p. 240

hydrocarbon export-based economic structure will help combat unemployment by increasing the number of economic opportunities within the country and counteract some of the effects of the direct and indirect de-industrialization caused by the Dutch Disease phenomenon. An increase in local manufacturing, industry, skilled, and knowledge-based labor would provide a sustainable economic base which could be supplemented with the remaining hydrocarbon rents.

The second point that was made in the speech to the Oman Chamber of Commerce was the need to expand the private sector:

Today the private sector is required to exert more efforts through its representatives in the State Consultative Council, the Oman Chamber of Commerce and Industry and all other establishments and companies to double its national role in order to meet the targets of the policies on which we are constantly placing stress.<sup>101</sup>

The Omani government outlined its plan to achieve an expanded private sector in the 1996 document Oman 2020. The objective of this initiative, which was to be completed by the year 2020, was to heighten the role of the private sector in the Omani economy after it was determined that the private sector, not the public sector, must be the main driver of sustainable economic development. Oman 2020 required that the economy not only diversify beyond the oil sector to include the development of the more plentiful natural gas sector, but also expand the tourism sector, privatize several industries and businesses (including the telecommunications and airlines),<sup>102</sup> encourage greater female participation in the workforce, and nationalize the workforce to decrease the high Omani youth unemployment rate.<sup>103</sup>

The expansion of the private sector, through Oman 2020 and other smaller scale initiatives, has been targeted in four ways: privatizing state-owned enterprises, targeting

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<sup>101</sup> Sultan of Oman Qaboos bin Said, p. 240.

<sup>102</sup> Valeri, p. 222

<sup>103</sup> Valeri, pp. 202-3

new sectors for growth, enhancing the appeal of private sector employment to draw Omanis away from the public sector, and creating opportunities for Omanis to open up small businesses of their own.

Oman has begun the process of partially divesting its assets in some of its state-owned enterprises through gradual privatization. The goal of these privatization efforts, according to Oman's Minister for Financial Affairs Darwish al-Balushi, is to undertake "a two-fold strategy, which opens the doors for the private sector to venture into new projects on the one hand and reduces the government stake in...companies that are wholly or partially owned by the government."<sup>104</sup> As the government divests its interests in certain sectors of the economy, there is more space for entrepreneurship and competition in tune with market realities in these sectors. It also allows for a clearer separation of power between the political and economic elites of Oman. This separation helps limit the possibility of corruption or economic patronage, and helps prevent a conflict of interests between Omani government officials, who could be forced to choose between their own economic self-interest and the broader economic interests of the nation.

Oman's government has also targeted several key sectors for economic growth in order to create a sustainable and diversified economy, which will in turn absorb unemployed Omani youth. These sectors include tourism, heavy industry, large infrastructure projects, as well as agriculture and fishing.<sup>105</sup> These various projects are designed to employ significant numbers of Omanis in a diverse range of careers. The projects also compliment one another through mutual economic reinforcement. For example, the planned railway network under development by the Italian company Italferr

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<sup>104</sup> Reuters. "Oman to Unveil Privatization Plans in January - Financial Minister." *Reuters.com*. 26 September 2013.

<sup>105</sup> Interview with Informant C.

would not only link six major Omani cities together (which would improve intrastate business connections), but also would facilitate tourist travel throughout Oman, link Oman with the planned intra-GCC railway network through the Buraymi terminus, and allow for efficient freight transport.<sup>106</sup>

Other major infrastructure and industrial projects include the Duqm port and economic freezone, as well as an expansion of the Sohar port and freezone.<sup>107</sup> These two ports and special economic zones are designed to improve Oman's domestic manufacturing and industrial capacity, attract Omani and foreign investment with special economic incentives granted in these zones, and attract Omani SME establishment around the freezone. However, in order for these large infrastructure and industrial projects to successfully employ large numbers of Omanis they will need to be accompanied by a program of technical and vocational training for Omani nationals to provide the requisite skills for employment in these sectors.<sup>108</sup>

Tourism is also seen as another major sector key to long term economic and labor growth and development. Oman's government has invested directly in several ventures partially and wholly aimed at tourism including the Shangri La resort in Barr al-Jissah, the Blue City residential complex in Al-Batinah, and the planned Saraya Bandar Jissah resort, also located near Barr al-Jissah. Most of these developments have been in the Muscat area, however the government is making efforts to promote tourism in Oman's other regions. The large infrastructure projects will inevitably ease transit between regions in Oman, and the introduction of chartered flights from Europe to Oman's

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<sup>106</sup> Blake, Emad. "Oman Takes Initial Steps to Build Railway Network." *Al Shorfa*, 30 June 2010.

<sup>107</sup> Times News Service. "Oman's Budget Leaves and Anticipated Deficit of OMR1.8b." *The Times of Oman*, 4 January 2014.

<sup>108</sup> Interview with Informant C

smaller regional cities such as Salalah will help to draw in tourists to areas outside of the capital.<sup>109</sup>

The success of the macro-economic infrastructure projects depends upon several factors. One of the largest inhibiting factors is the significant budgetary constraint with which faces the Omani government. The Omani government must balance its public spending initiatives between investment in these large infrastructure projects and general public spending on social sectors and civil servant wages.<sup>110</sup> The increases in civil servant wages in particular have strained Oman's spending capability, with the increased cost accounting for an estimated 800-900 million Riyals out of Oman's 13.5 billion Riyal budget.<sup>111</sup> Additionally, in order for Omanis to benefit from these infrastructure and tourism development projects, they will need to receive specialized training in order to gain employment in these sectors.

The Omani government has also taken proactive steps to draw Omanis into the private sector, and promote private sector employment as a viable alternative to public sector jobs. One such method has been through the requirements for private sector companies to employ Omanis, as well as the reservation of certain jobs for Omani nationals only. Jobs reserved for Omani nationals are determined by the Ministry of Manpower, and range from taxi driver to bank teller.<sup>112</sup> In addition, the Omani government has tried to make private sector employment more appealing to Omani nationals by bringing the working hours and wages more in line with one another

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<sup>109</sup> Muscat Daily Staff Writer. "Charter Flights to Salalah to Bring Tourists from Seven European Cities." *Muscat Daily*, 9 January 2013.

<sup>110</sup> Times News Service. "Oman's Budget Leaves and Anticipated Deficit of OMR1.8b." *The Times of Oman*.

<sup>111</sup> "Oman Draws 35 Billion Dollars from 2014 Budget for Public Spending". *Al Arabiya Online*, 9 December 2013. Translation from original Arabic by author. <http://tinyurl.com/mdamjok>

<sup>112</sup> Das, Rahul. "More Jobs Reserved now for Omanis by Ministry of Manpower." *The Times of Oman*. 16 December 2013.

between the public and private sectors. The goal is to eventually make both the public and private sectors equally attractive to Omanis, reducing the standing preference for public sector employment.<sup>113</sup>

The cornerstone of the Omani government's push to develop the private sector has been through its programs to support Omani run small and medium enterprises.<sup>114</sup> Small and medium enterprises as defined by Ministry of Commerce and Industry guidelines employ no more than 99 employees, and have a maximum profit of 1.5 million Omani Rials.<sup>115</sup> These companies already account for some 16 percent of the Sultanate's GDP, but these enterprises have been targeted as the key to both Oman's long term economic growth and as the best way to place Omanis into private sector positions. The key is to raise the overall density and market share of these of these small and medium enterprises in the economy, and promote Omani entrepreneurship into the private sector.

### ***Micro-Economic Changes***

The Omani government has sought to transform the private sector to combat unemployment through the development of several entrepreneurial initiatives. The al-Rafd Fund was one strategy the Omani government has designed and implemented that directly aims to decrease unemployment, expand the private sector and encourage Omani entrepreneurship. The al-Rafd Fund was established in 2013 by Sultan Qaboos through Royal Decree 6/2013 to replace a similar program, Self-Employment and National Autonomous Development, or SANAD, and two other more social development

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<sup>113</sup> Interview with Informant C.

<sup>114</sup> "Oman Stresses the Role of the Private Sector in Promoting Growth and Facing Unemployment." *Al Hayat Online*, 19 March 2014. Translation by author.

<sup>115</sup> Oxford Business Group. "Small but Mighty: Financing and Other Services Expand to Support SMEs." *The Oxford Business Group*, 2013.

programs targeting specific societal groups.<sup>116</sup> A joint venture between four Omanis can borrow up to OR 50,000 (about 130,000) from the al-Rafd Fund to start their business. Interest rates are capped at 2%, far below market rates.<sup>117</sup> One of the stipulations for receiving the funds is that all of the employee's in the al-Rafd-funded business must be Omani citizens.<sup>118</sup>

Between 2001 and 2012, 3,184 enterprises were established through the al-Rafd Fund and the SANAD program.<sup>119</sup> The more successful businesses opened through this program include tailors, bakers, and suppliers of electrical items.<sup>120</sup> In late December 2013, the al-Rafd Fund launched four new initiatives that provide greater sums for people in specific or underrepresented categories; the initiatives target beneficiaries of Oman's social security system, people with disabilities, job seekers, women (especially rural women), and beneficiaries of the al-Rafd fund who wish to expand their businesses and have already repaid half of their original loans.<sup>121</sup> The expansion program also includes mobile branches of the fund's offices so they are accessible throughout the country, plus the establishment of both a call center and a website (through which applications can be submitted) so Omanis can better access information about starting a business.<sup>122</sup>

Although the al-Rafd Fund was implemented a year ago, all of our informants in Oman were not only aware of the fund, how it worked, and who qualified for it, but also knew at least one person who had successfully applied for a grant and started a business

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<sup>116</sup> Oman News Agency. "Al Rafd Fund to Take Over Sanad." *The Times of Oman*, 29 January 2013.

<sup>117</sup> The Oxford Business Group.

<sup>118</sup> Interview with Informant G

<sup>119</sup> *Ibid.*

<sup>120</sup> Interview with Informant C.

<sup>121</sup> Kamoopuri, Hasan. "Al Rafd Fund Unveils 4 Schemes to Boost SMEs." *Oman Observer*. 1 January 2014. Accessed 8 April 2014.

<sup>122</sup> *Ibid.*

<sup>122</sup> Kamoopuri, Hasan. "First Four Projects under Al Rafd Fund Approved." *Oman Observer*. 20 January 2014. Accessed 8 April 2014.

through al-Rafd or its predecessor. Informant C explains that the Fund and other associated agencies such as the Small and Medium Enterprise Authority, try to provide as many opportunities as possible for beneficiaries of the al-Rafd Fund to succeed. The fund provides land,<sup>123</sup> support, counseling, and all information on starting projects to provide adequate funding and technical support to ensure continuity of the projects after their founding.<sup>124</sup> The SME Authority also provides training, consultancy, and business courses.<sup>125</sup>

Even though there are no statistics yet about the participation rate of unemployed Omanis in the al-Rafd fund program nor about the success of al-Rafd-funded businesses, the quick expansion of the program and the targeting of unemployed Omanis within a year of the fund's establishment indicates that the Omani government sees great value in the progress the fund has already made. The fund's organizers, who have already taken into consideration the need for increased accessibility for people throughout the country, need to target more disadvantaged groups, and the need to assist the most successful al-Rafd funded SMEs expand, are sensitive about the fund's strengths and weaknesses, which may help the al-Rafd fund become one of the more successful ways of limiting unemployment at the micro-level.

The Omani government has also created an equity investment authority aimed at providing assistance to small and medium enterprises. The Sharakah Fund for Development of Youth Projects provides financing for young Omani entrepreneurs starting or expanding small businesses.<sup>126</sup> The fund also encourages their partners to buy

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<sup>123</sup> Interview with Informant C.

<sup>124</sup> Kamoopuri, Hasan. "First Four Projects under Al Rafd Fund Approved."

<sup>125</sup> Interview with Informant C.

<sup>126</sup> "Objectives." *Sharakah Website*, Accessed 10 April 2014.

back the Sharakah authority's equity shares in their business within six years, eventually restoring full ownership to the business owner.<sup>127</sup> This allows the entrepreneur to gain significant funding in the short term, while allowing them to regain full control of their business over time. The Sharakah Fund will decrease unemployment on the micro-level by enhancing the profitability of quasi-established businesses and limiting some of the risk involved with entrepreneurship in Oman, encouraging more Omanis to start their own businesses.

The Omani government created a regulatory body affiliated with the Ministry of Commerce and Industry to help provide support to small and medium enterprises throughout the Sultanate.<sup>128</sup> The Public Authority for the Development of Small and Medium Enterprises (SMEDA) supports small and medium enterprises through a number of services, including consultation, networking, and facilitate contacts between small and medium enterprises and various governmental and regulatory authorities. This training and consulting through the SMEDA organization provides entrepreneurs with the knowledge and support required to navigate the bureaucracy required start successful small and medium enterprises in Oman.<sup>129</sup>

Together these programs have had a significant impact on Oman's private sector, which in turn has had an impact on the employment of Omanis. Encouraging young Omanis to engage in entrepreneurship and providing them with financial support and training helps to offset the structural imbalances in Oman's economy. These programs are aimed at addressing both the low participation of Omanis in the private sector, as well as the high levels of unemployment among young Omanis.

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<sup>127</sup> The Oxford Business Group.

<sup>128</sup> Oman News Agency. "Public Authority for SMEs Set Up." *Times of Oman*, 1 June 2013.

<sup>129</sup> Interview with Informant C.

## ***Omanization***

Another direct way that the Omani government has tried to solve unemployment is through shifting the demography of the Omani workforce from expatriates to Omanis, a process called “Omanization.” The purpose of the Omanization effort is to reappropriate jobs performed by expatriates to similarly qualified Omanis in order to accommodate the growing Omani skilled workforce and employ Omanis who have had difficulties finding jobs. The Omanization program began in 1988, upon the Sultan’s realization that the over-reliance on expatriate labor in Oman would have serious economic consequences for Omani society in the future. Omanization has been successful in lowering the percentage of expatriates in the Omani workforce. In 1998, Omanis were only 18.2% of the workforce, whereas expatriates were 81.8% of the workforce,<sup>130</sup> but in 2014, expatriates only represented 39% of the workforce.<sup>131</sup> During a 1990 speech in front of the Oman Chamber of Commerce, Sultan Qaboos stated:

During the early stages of the development process it was necessary to depend on expatriate labor to accomplish numerous projects, but now, with growing numbers of qualified Omanis graduating every year, it is necessary to provide a job opportunity for each of them...Omanisation is a fundamental and vital prerequisite without which we cannot secure the cherished honourable standard of living for the coming generations.<sup>132</sup>

Other GCC states have implemented similar policies, but Omanization has been more widespread and successful than its comparable programs in the other GCC states.<sup>133</sup>

There are five main workforce nationalization policies that the Omani government still employs. The first of these five policies is a ceiling for the number of expatriates working in Oman. The government allocates work permits to employers in

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<sup>130</sup> *Ibid.*

<sup>131</sup> Haque.

<sup>132</sup> Sultan Qaboos bin Said, p. 240

<sup>133</sup> Randeree, Kasim. “Workforce Nationalization in the Gulf Cooperation Council States.” Center for International and Regional Studies Georgetown University School of Foreign Service in Qatar Occasional Paper No. 9 2012. p. 20

accordance with the ceiling.<sup>134</sup> This policy influences the other four policies.

The second policy, and the most widely practiced policies in states trying to reduce their reliance on foreign laborers including the other GCC states,<sup>135</sup> is establishing quotas of expatriate workers in companies. When an organization or company reduces the number of its expatriate employees to its sector's assigned level, the company is issued a "green card."<sup>136</sup> The green card gives the organization or company press attention and preferential treatment when dealing with the Ministry of Manpower, such as being awarded government contracts.<sup>137</sup> Conversely, according to the 2012 Omani Labor Law:

"Each employer that does not comply with the stipulated Omanization percentages shall be punishable by a fine of not less than two hundred fifty (250) and not more than five hundred (500) Omani Rials for each Omani employee that should have been employed. The employer shall rectify the Omanization percentage within six months from the date the violation was detected. Penalty shall be doubled upon the repetition of the violation."<sup>138</sup>

According to the Ministry of Manpower, firms in the following sectors must reach the accompanying goals: "Transport, storage and communications are to have 60% Omanisation; finance, insurance and real estate 45%; industry 35%; hotels and restaurants 30%; wholesale or retail trading 20% and contracting 15%."<sup>139140</sup>

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<sup>134</sup> Das, p. 12.

<sup>135</sup> Randeree, p. 1.

<sup>136</sup> Randeree, p. 21.

<sup>137</sup> Das, p. 12.

<sup>138</sup> Sultanate of Oman, Ministry of Manpower. "Oman Labor Law 2012." Muscat, Oman: Ministry of Manpower, 2012. Part 10, Article 114.

<sup>139</sup> Sultanate of Oman, Ministry of Information. "Omanisation Policy." *Ministry of Information Website*. Accessed 24 February 2014.

<sup>140</sup> It is difficult to make precise comparisons between the skills Omanis have and the skills needed in these particular fields, because there is no easily obtainable information that illustrates type and amount of education required of workers at all levels of employment in these sectors. For some comparison, however, the following is a breakdown of the specialization of the 2012 graduating class of Sultan Qaboos University (a class of 13,726): Management and Commerce 15.66%, Information Technology 2%, Education 10.64%, Religion and Philosophy 15.79%, Society and Culture 5.56%, Agriculture & Environment 9.04%, Health 7.04%, Natural and Physical Sciences 16.32%, and Engineering 17.9%. There were 2457 students in the program specializing in the most popular program, Engineering. The

The three other types of policies to encourage workforce nationalization are nationalization plans, fees, and deportation. First, companies and firms that request permits for expatriate workers must create a feasible plan that demonstrates how they will achieve the Omanization quota for their industry.<sup>141</sup> Consequently, the firms who hire foreign workers are also subjected to a fee for doing so. Ideally, the money from these fees is set aside for human resources development and training.<sup>142</sup> When the expatriate labor force becomes overwhelming, the Ministry of Manpower works with other departments in the government to deport them, focussing particularly on illegal workers. In 2002 thousands of illegal workers were deported from Oman; many of these deportees were deported on the grounds of amnesty to create space for citizens.<sup>143</sup> These five policies are used in combination with one another to help to shift the workforce balance toward Omanis and to correct for some of the continued biases within the private sector specifically against hiring Omani workers.

### ***Education***

Improved access to tertiary education is one of the many reforms made to Oman's higher education system in the past thirty years. The government provides scholarships to offset the cost of private institutions, which are the cornerstone of Omani higher education. Scholarships are provided according the Ministry of Education's analysis of

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specialization of those participating in vocational schools in 2012 throughout the country were (out of a group of 2,531): English 4.94%, Electricity 11%, Auto Mechanics 9.76%, Mechanics General 2.88%, Carpentry 6.52%, Construction 13.2%, Air Conditioning 6.56%, Electronics 18.81%, Mekatronics 2.61%, Welding & Sheet Metal Fabrication 3.71%, Agricultural Training 4.58%, Retail & Sales 9.84%, Design & Interior Design 2.57%, and Health & Beauty 3.04%. There were 476 students in the most popular specialization, Electronics. It is therefore understandable that fields that are more technical or vocational in nature, like industry or contracting, have low levels of Omanization because there are comparatively fewer Omanis trained in these fields.

<sup>141</sup> Das, p. 12.

<sup>142</sup> Randeree, p. 21.

<sup>143</sup> Das, p. 12.

Oman's labor market and what is needed for Oman's economic development. The scholarships are awarded for both undergraduate and graduate degree programs which can be both in or outside of Oman. The scholarships target women, students of families who receive social security, and students who are pursuing the following disciplines: languages and media, the sciences, engineering, business, and information technology.<sup>144</sup>

The Omani government also implemented initiatives for improving the quality of Omani tertiary education. The government established an accreditation body, the Oman Academic Accreditation Authority, in 2010. Its predecessor, the Oman Accreditation Council, was established in 2001<sup>145</sup> to create rubrics for tertiary education institution accreditation, but the Oman Academic Accreditation Authority will execute accreditations and evaluate the quality of the education provided by higher education institutions in Oman.<sup>146</sup> The mission of the Oman Academic Accreditation Authority is to ensure that Omani higher education institutions meet international standards in the quality of education they provide. This body will indirectly lower unemployment in Oman by improving the competitiveness of Omani graduates against international applications in the Omani job market. The process of review and accreditation approval is over four years in duration, thus there are no accredited universities at time of publication.<sup>147</sup>

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<sup>144</sup> Sultanate of Oman, Ministry of Higher Education. "About Scholarships." *Ministry of Higher Education Website*. Accessed 28 April 2014.

<sup>145</sup> "Call for Experts - Oman Academic Accreditation Authority." *Arab Network for Quality Assurance in Education Website*. Accessed 28 April 2014.

<sup>146</sup> Sultan Qaboos University. "OAAA Meeting on the Institutional Standards Review and Revision Project." *Sultan Qaboos University - Quality Assurance Website*. Accessed 28 April 2014.

<sup>147</sup> Sultanate of Oman, Oman Academic Accreditation Authority. "Institutional Accreditation Overview." *Oman Academic Accreditation Authority Website*. Accessed 28 April 2014.

### ***Short-Term Reforms***

Lastly, the Omani government has implemented short term spending policies in order to reduce unemployment and improve the quality of life of Omanis. The most famous of these reforms are the short term spending policies enacted by the Sultan in response to the outbreak of unrest in 2011. To combat unemployment directly, Sultan Qaboos created 50,000 government job, most of which were in the security sector. To improve the quality of life of Omanis, the government raised the minimum wage for Omanis employed in the public and private sectors, increased stipends for students, established a second public university, and granted unemployment benefits for Omanis who were waiting for jobs.<sup>148</sup> These policies aligned with the themes of the demands of the protesters, which included increased job opportunities, higher wages, improved access to tertiary education, and unemployment benefits of 200 Omani Rials per month for job seekers, although the government did not acquiesce to all of the demands made.<sup>149</sup><sup>150</sup>

### **V. Obstacles**

Despite the Omani government commitment to the improvement of employment prospects for its citizens, there are several obstacles that stand in the way of reducing Oman's high unemployment rate to a frictional unemployment rate. These obstacles manifest in several aspects of the economy, the education system, and society.

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<sup>148</sup> Worrall, pp. 106-7.

<sup>149</sup> Worrall, pp. 104-6.

<sup>150</sup> The protesters made other social, political, and economic demands, but they were irrelevant to the study.

### ***Continued Reliance on Oil Revenue***

The single largest challenge to Oman's state led economic development and diversification initiative, and therefore labor reform initiative, is the continued reliance on financing oil and natural gas sales. Despite initiatives to diversify the Omani economy, Oman's government remains dependent on oil and natural gas revenue for nearly 80 percent of its income. While this has led to budget surpluses in recent years due to high oil prices, a sudden drop in commodity prices, a drop in production, an economic recession, or the development of alternative energy technology could all have a dramatic negative impact on the Omani government's revenue, which would in turn negatively impact the government's initiatives aimed at reducing unemployment.

A decline in oil revenue would have a profound impact on both Oman's public and private sectors because both Oman's public and private sectors remain directly and indirectly dependent on oil and natural gas revenues.<sup>151</sup> Without high oil and natural gas derived revenue, Omani government would no longer be able to sustain large numbers of public sector employees, while engaging in high military spending and large infrastructure projects. In addition, funding for many of the Omani government's initiatives aimed at private sector stimulation, such as the SANAD and Sharakah programs would come under threat.

Other issues arise with the inherent nature of resource funded economic growth. By nature, these extractive industries are labor unintensive, meaning that they do little to improve unemployment rates, and do not inherently foster economic development. With extractive industries there is little reinvestment of capital outside of the resource extraction and related industries, retarding economic growth and industrialization in other

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<sup>151</sup> Interviews with Informants C and F.

sectors.<sup>152</sup> The primary export-orientated nature of resource driven growth also limits overall participation in the labor force, due to the labor un-intensive nature of these activities.<sup>153</sup>

### ***Lags in Privatization***

This privatization is still limited in scope, and in many cases the Omani government does not completely divest itself from its commercial assets. For instance, in its 2014 plan to partially privatize the Sultanate's largest telecommunications network Omantel, the government only plans to sell off 19 percent of its shares.<sup>154</sup> Additionally it is highly unlikely that Omani government's share in its oil and gas industries will be privatized due to the dependency on oil and natural gas revenue for Oman's government. Privatization of state-owned oil and natural gas companies is rare, and it is likely Oman's government will retain its shares rather than privatize as in the case of Mexico's PEMEX privatization.<sup>155</sup> Without privatization, there will be less space for entrepreneurs to establish themselves and employment rates are likely to remain unaddressed in these sectors.

### ***Effects of the Policies in Response of the 2011 Protests***

While effective in the short-term at shoring up popular support and putting an end to public demonstrations, the policies in response to the 2011 protests have had an overall negative impact on Oman's economic and labor market trajectories. These short-term

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<sup>152</sup> Auty, Richard M. "The Political Economy of Resource-Driven Growth." *European Economic Review*, Issue 45 (2001).

<sup>153</sup> *Ibid.*

<sup>154</sup> *Ibid.*

<sup>155</sup> Johnson, Keith. "Mexico's Global Gusher." *Foreign Policy*. 14 December 2013.

labor and economic policies directly countered Oman's long-term goals of Omanization in the private sector and lessening the dependence on public sector employment.

The minimum wage increases and the creation of public sector jobs were particularly problematic. By widening the gap in wages between expatriate and Omani workers, the Omani government unintentionally discouraged private sector employers to hire the more expensive Omani workers, and Omani participation in the private sector suffered. The concurrent creation of tens of thousands of public sector jobs also had a negative impact on Omani participation in the private sector. One of the major obstacles in Omanization is changing the popular perception that there will always be the option of lucrative public sector employment for Omani nationals. The arbitrary creation of these public sector jobs in 2011 further reinforced this notion, and drew Omanis preference away from the private sector. These two policies have had a direct contribution to the downward trend in Omani private sector employment, and the increase in Omani public sector employment between 2011 and 2013.<sup>156</sup>

These economic policies and the large increase in public spending to fund these policies have put additional strain on Oman's national budget. This type of reactionary public spending in the event of political unrest is unsustainable, and threatens to massively inflate public spending. The Omani government has recognized the budgetary problems of this type of spending, and has attempted to reduce public spending in their 2014 budget.<sup>157</sup> However, reduction in public spending programs and public employment may prove to be highly unpopular and spark further unrest. Further outbreak of unrest in Oman may provoke another round of reactionary public spending, creating a repeating

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<sup>156</sup> See Appendix E for data and charts.

<sup>157</sup> "Oman Budget Sees Slow Down in Spending Growth - ONA." *Reuters*, 2 January 2014.

cycle of unrest and public spending.

### ***Varied Success With Omanization***

Although the Omani government has tried to implement Omanization throughout all sectors of the Omani labor force, the policy has been met with varied success even before the implementation of the 2011 policies. Most government agencies have successfully achieved full Omanization by 2012,<sup>158</sup> but in 2013, over 1.4 million expatriates work in the private sector in Oman compared to 224,698 Omanis.<sup>159</sup> Despite all of the Omanization policies implemented in the last five years, 435,000 new jobs were filled by expatriates between January 2010 and today, while only 56,485 new jobs were filled by Omanis.<sup>160</sup> Omanization seems to become more difficult to implement in the most specialized and technical professions; the rate of Omanization in basic engineering, technical fields and specialized professions is extremely low, with rates of 13.1 percent in industrial jobs, 7 percent in basic engineering, 2.2 percent in technical fields, and 18.7 percent in specialized professions.<sup>161</sup> This disparity in skilled and specialized professions compared with the regular labor force poses a serious challenge to Omanization. The issues relating to Oman's educational structure discussed in the previous section work against Omanization; without proper technical and vocational training, Omani nationals will remain unable to fill these kinds of positions and will not have access to the types of positions that could have a serious impact on unemployment. The Omani government has recently become more aggressive in these initiatives; on February 17, 2014, the Minister

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<sup>158</sup> Randeree, p. 21.

<sup>159</sup> Haque.

<sup>160</sup> al-Shaibany, Saleh. "Sunday Beat: Oman's Economic Growth Favors Expats."

<sup>161</sup> Haque.

of Manpower Sheikh Abdullah bin Nasser Al Bakri announced that 100,000 expatriates working in the private sectors would lose their jobs in order to bring the expatriate participation in the private sector down from 39 to 33 percent.

### ***Issues Not Addressed by Omani Reforms***

Despite all of the initiatives enacted by the Omani government to lower unemployment, there are several key issues that the Omani government has not addressed which present obstacles to the economic reform process. These issues<sup>162</sup> include the unaltered economic power of the oligopoly, the role of science and technology in secondary education, waning interest in vocational studies, tribal exclusion, and the increasing difference between the Oman 2020 initiative's parameters and the reality of the Omani economy. It is impossible to state definitively why these issues have been ignored while others have been addressed through various initiatives. Some of these issues may have been avoided out of convenience or political expediency (such as the oligopoly), while others may have been identified as important but haven't been addressed yet out of budgetary constraints (such as a revamping of the secondary education system to include more STEM education). Whatever the reasoning for their exclusion, all of these issues will be addressed in Section VI: Recommendations.

## **VI. Recommendations**

Unemployment is the result of a set of many interlinked issues, therefore there is no single recommendation that we could make that could alleviate the unemployment

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<sup>162</sup> These issues will not be elaborated on in this section as they have been discussed at great length in Section III.

issue itself. These recommendations were formulated in consideration with Oman's distinct political, economic, and social structure and have thusly have been identified as short-, medium-, or long-term goals. The recommendations described below should not and cannot be implemented all at once; Oman's budgetary restraints wouldn't allow for all of these policies to be implemented simultaneously. Even if Oman's budget permitted these policies to be simultaneously enacted, such drastic shocks to Oman's political-economic system are likely to do much more harm than good to Oman's economy.

Instead, the following recommendations are a part of a greater long-term plan to incrementally address Oman's unemployment issues and its political-economic structure. This plan could be viewed as an evolution of Oman's 2020 plan. The recommendations have been crafted with Oman's budgetary restraints in mind, and where appropriate suggest reallocating resources from one policy to another. The recommendations that are given below are broken down into five categories: macro-economic recommendations, micro-economic recommendations, recommendations for the labor market, recommendations for the educational system and other issues. They have been designated as short-, medium-, or long-term goals.

***Macro-Economic Recommendations:***

**Issue A:** Oman's current rentier economic structure is one of the direct causes of unemployment in the Sultanate. Recognizing and addressing these underlying structural issues is key to confronting the problem of youth unemployment.

**Recommendation A:** Continue expanding outside sectors of the natural resource extraction and non-tradable service sector, particularly sectors that are labor-intensive.

Investing capital in these sectors will provide a strong economic base that is renewable and sustainable. Investment in manufacturing and industry will help counteract the negative effects of the Dutch Disease caused by oil and natural gas revenue, while other industries such as tourism or information technology, provide a host of sustainable job opportunities either directly or through related sectors. Investment can be achieved through encouragement of private investors (both Omanis and foreigners) to invest in projects in these sectors, give preferential treatment to people to establish related businesses through the al-Rafd Fund or create an al-Rafd Fund-type program that targets entrepreneurs in these industries, alter the education system and curricula (including tertiary education and state-run vocational programs) to better reflect the needs of the changing Omani economy, or have the government invest directly in businesses and organizations in these sectors.

The Omani government could also adjust its rent redistribution policies and invest heavily into labor-intensive industry and manufacturing, which will help alleviate unemployment in Oman. The planned industrial and free trade zones in Duqm and Sohar in particular will be instrumental in catalyzing Oman's industrialization and manufacturing initiatives. This re-industrialization will counteract the negative effects of resource-driven growth, and help shift the economic focus of the country from the resource export and non-tradable service sectors. These sectors also provide a sustainable and labor-intensive base for the Omani economy, ultimately leading to higher rates of employment and a more robust economy which is less susceptible to market shocks and fluctuation. The industrial and manufacturing sectors will provide a more sustainable

income base for the Omani government than the more volatile oil and gas sectors. In turn this sustainable revenue can be reinvested in projects aimed at private sector growth.

Tourism in particular has been selected as a major sector for economic growth. Tourism naturally plays to some of Oman's inherent strengths. Oman's geographic proximity to Europe and Asia allows for wealthy tourists from these areas to access Oman easily via a 6- or 7-hour flight. The political stability and culture of hospitality in Oman also provide a competitive advantage to draw in tourists from Asian and Western nations who may be more reticent to travel to less stable or welcoming states in the region. Oman's varied landscape and wildlife, and the government's dedication to preserving and highlighting these features, presents ample opportunities for environmental tourism, including bouldering, snorkeling, and desert excursions. Oman may also consider tapping into a rapidly expanding market: halal tourism.<sup>163</sup> Halal tourist destinations provide accommodations, activities, and ambiance that cater to the needs of some Muslim families while traveling.<sup>164</sup> The Omani government could encourage the tourism sector through economic incentives for new businesses in tourism, establishing another al-Rafd fund targeting tourism projects, and creating an entire department at the new University of Oman for hospitality studies.

Another market that should be considered for private sector development (because of its increasingly popularity) is teaching Arabic to non-native speakers. Oman is a popular destination for US-based programs - Oman is one of the countries that the Critical Language Scholarship sends students<sup>165</sup> - and the Omani government has already

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<sup>163</sup> Suleaman, Nasreen. "The Birth of the Halal Holidays," *The Guardian*. 27 August 2010. Accessed 28 April 2014.

<sup>164</sup> "Halal Business: Consuming Passions." *The Economist*. 23 May 2013. Accessed 28 April 2014.

<sup>165</sup> Critical Language Scholarship. "Nizwa, Oman." *CLS Website*. Accessed 10 May 2014.

indicated that it sees potential in this sector as it recently established the Sultan Qaboos College for Teaching Arabic to Non-Native Speakers in Manah. The government could invest in the same ways listed previously, but with a special focus of crafting the curriculum at the new University of Oman to reflect the academic training needed for this industry.

This is not an exhaustive list of possible sectors to generate a strong, labor-intensive private sector, but instead a jumping off point for the development and expansion of new industries. **(Long-term goal)**

***Micro-Economic Recommendations:***

**Issue B:** General privatization efforts, which began in the late 1980s, are lagging behind articulated goals, specifically the Oman 2020 economic plan. Academics' outlooks on the success of these initiatives are pessimistic.<sup>166</sup> Privatization of Oman's state-owned enterprises has been under opaque circumstances and appears to be ad hoc. Even in limited cases of privatization this practice could allow for abuse and the unfair acquisition of state assets through political connections.

**Recommendation B:** Fully commit to privatization and long-term economic goals. The government should continue to divest its stakes in companies in which it is the majority shareholder and create a feasible timetable for divesting in these companies. A mechanism must be established to ensure that this timetable is properly followed. Additionally, the Omani government must develop a robust and transparent legal framework to handle privatization, ideally with a degree of political autonomy and oversight to oversee the liquidation of state assets. Creating a public oversight body to

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<sup>166</sup> Interviews with Informants C and I.

monitor the divestment of state assets to private companies will help to ensure that the privatization process is conducted in an equitable and open manner. In turn this oversight will help prevent the unfair acquisition of state enterprises, limiting the possibility of a post-Soviet style oligarchy forming in Oman's political elite.

The government must also revise the Oman 2020 economic plan. The initial outline of the plan focused too heavily on purely state-driven economic growth based on oil revenue. The rigidity of this plan set in 1995 does not take into account current market realities and challenges facing Oman.<sup>167</sup> A new long-term plan, working in combination with Oman's five-year plans, that focuses on economic development, rather than economic growth, and considers various social, political, economic, and environmental structures and influences at play in Oman must be drafted and followed by the Omani public and private sectors.

One key to this strategy is eliminating short term spending policies aimed at generating political acquiescence, as was the case with the policies enacted in response to the 2011 protests. Government initiatives, such as the arbitrary creation of public sector jobs and wage hikes for Omani nationals, in response to political unrest have had a detrimental impact on Oman's long term economic growth and have counteracted progress made in privatization and the public's focus on developing the private sector. Oman's government must avoid this type of reactionary spending if long-term economic reform is to be consistently applied. **(Long-term goal)**

**Issue C:** The Omani government has not addressed the outsized role of business groups in Oman's economy which stymie economic liberalization and fair competition, while

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<sup>167</sup> Interview with Informant C.

preventing new entrants into the private sector.

**Recommendation C:** Reduce economic dominance of oligopolistic business conglomerates. Oman could start placing limits on the economic role of the largest business conglomerates through the active enforcement of existing anti-trust and anti-monopoly legislation. Forcing these large business groups to divest some of their assets should promote healthy competition in the private sector as well as allow new entries into the market. Oman's oligopolies are also the most resistant to the kind of economic change required to reform Oman's economy, having benefitted greatly from the political-economic status quo. Meaningful economic restructuring in Oman will require either the acquiescence or confrontation of these large conglomerates, which is not going to be an easy task, and is perhaps one that should be done at a time when the Sultan has the strongest backing of his people.

Actions taken to lessen the control of the business groups in Oman may be similar to that undertaken by the South Korean government's reform of the *Chaebol* conglomerates following the Asian Financial Crisis of the late 1990s. These efforts included limiting the horizontal growth of these conglomerates and promoting specialization, while ensuring that ground up SMEs could play a viable role in the South Korean economy. Thus while not wholly eliminating the Chaebol companies, the South Korean government has made efforts to limit their oligopolistic and monopolistic tendencies. Such efforts would likewise benefit the private sector in Oman, and help reduce the outsized role of these business groups. **(Medium-term goal)**

***Educational Recommendations:***

**Issue D:** The skills and education of some members of the Omani workforce don't match those required for employment in positions in both the public and private sectors.

**Recommendation D:** Reform education system and curriculum to better match the skills of Omani workers with those required for employment, particularly private sector employment. Creating an educational framework, which emphasizes the sciences, technical skills, and entrepreneurship in secondary, vocational, and higher educational institutions will better prepare a broader number of young Omanis for placement in private sector enterprises.

The educational framework would include more robust STEM and business education requirements for students at the secondary level. Topics like computer science or entrepreneurship could be offered to students in their final year of secondary schools. To foster excitement about and interest in the sciences and engineering, the Ministry of Education could also hold annual national-level competitions for students to present inventions or science projects that they could work on throughout the year. The government could continue to improve scholarship availability to Omanis students who are interested in pursuing any disciplines needed by the job market, but most importantly engineering, sciences, technical skills, business, and entrepreneurship. Lastly, the government should increase exposure of and emphasize the importance of Oman's vocational programs (through a communicative campaign), whose enrolment has decreased by nearly 50 percent between the 2011 school year and the 2013 school year (even though the teaching staff has increased by 20 percent).<sup>168</sup> Omanis who possess

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<sup>168</sup> 2013 Statistical Yearbook, p. 465.

skills and education obtained through vocational programs will be essential as the economy expands into new industries and new SMEs are founded, as discussed in Recommendation A.

The government, educational institutions, and private businesses could also consider creating structured internship programs that provide Omani students the opportunity to acquire the skills desired by private firms. The program would occur in the last year of secondary or tertiary education programs in which students complete internships with firms related to the fields they've specialized in throughout their education in exchange for course credit. If students' performances in their internships are satisfactory, the firm could provide a one- or two-year contract to these students upon their graduations from their respective programs. Participating firms could receive preferential treatment from the government as an incentive for participating in the program. This program helps to solve many of the micro-economic issues that the Omani economy and labor market is facing; this program minimizes the mismatch between skills desired by firms and skills acquired by prospective employees, encourages the private sector firms to hire Omanis, encourages the expansion of the private sector in general, ignites more Omani interest in working in the private sector, and increases the popularity of specialized coursework or degrees like engineering or other technical skills. **(Short- and Medium-term goals)**

***Labor Recommendations:***

**Issue E:** Omanization goals have not been reached in many specialized and technical fields, especially in the private sector and in the past year, many more expatriate workers were hired in the private sector than Omani workers.

**Recommendation E:** There are several other strategies that the Omani government can adopt to increase the ratio between employed Omanis and expatriates, in addition to the modifications of the education system discussed in Recommendation E. The easiest, and perhaps the most necessary of all of these policies, is to create a minimum wage for expatriate workers. Over time this minimum wage should reach the same level as that for Omani workers. Not only will this policy ensure that private sector employers equally consider Omanis and expatriates, but it will also lessen any exploitation that expatriates could face without a minimum wage in place. Alternatively, if the government believes that this policy is too contentious for a variety of reasons, the government could gradually increase the fines associated with hiring foreign workers so that it is no longer profitable to hire expatriates, which in its own way creates a minimum wage for hiring expatriate workers.<sup>169</sup> The Omani government could also gradually lower the quotas of expatriates allowed to work in Oman. **(Short- or Medium-Term goal)**

**Issue F:** The Omani labor force still generally prefers to work in the public sector and in publicly owned enterprises because of the general disparity in wage, benefits, and security offered in public and private sectors.

**Recommendation F:** If the biggest drawbacks to working in the private sector are wages and benefits, then the Omani government must encourage private firms (who will, after Recommendation E is implemented, want to hire more Omani workers) to improve their standards regarding wage, benefits, and security that they offer employees. This process may occur naturally as Recommendations A, B, and C work together to create a stronger

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<sup>169</sup> This policy solution does not, however, benefit expatriate workers as a real minimum wage would benefit them.

private sector; as the profitability of private sector firms increases, then wages and benefits will undoubtedly increase.

The preference for public sector employment is not just economic; according to Informant C, there is a societal preference for the lifestyle associated with the public sector. Informant C, echoed by Informant E in a separate conversation, stated that public opinion will eventually change out of necessity; in the past, certain jobs were strictly gendered and working in the private sector was highly stigmatized, but now the Omani public holds different values than they did as recently as ten years ago.<sup>170</sup> **(Medium-term goal)**

**Issue G:** Two informants mentioned that there is still discrimination in the labor market against some tribal groups, particularly those in the Batinah region, and Omanis with South Asian ancestry who face discrimination in the labor market.<sup>171</sup>

**Recommendation G:** The Omani government should highly consider addressing accusations of discrimination in the labor market. The Omani government could create opportunities for people to report suspected discrimination in the labor market;<sup>172</sup> the Omani government could create a website where people could submit complaints against companies or organizations who they believe have discriminated against them. The government could investigate these suspicions and charge fines to companies proven guilty of discrimination. The government could also implement campaigns and encourage further the already existing social groups that fight against general discrimination in Omani society. **(Short-term goal with likely medium-term results)**

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<sup>170</sup> Interviews with Informants C and E.

<sup>171</sup> Interviews with Informants C and F.

<sup>172</sup> This should be done in an anonymous way or in a manner that the reporter would be safe from retribution.

### ***Other Issues:***

**Issue H:** The Omani population is expanding and most of the population is under the age of 25. The population of the next generation of Omanis will be even larger, as there are nearly 300,000 Omanis in the 0-4 age range (compared to 250,000 in the 20-24 category).<sup>173</sup> Considering that the Omani labor market is failing to accommodate the labor force at this population size, this may be somewhat worrisome to the Omani government

**Recommendation H:** Omani population growth will likely level off as the country reaches higher levels of development, which occurred in the development experiences of most countries.<sup>174</sup> If the Omani government does view high population growth as an obstacle to its development (it hasn't enacted any visible initiatives that would indicate this), then the government could consider several economic, public health, and communicative campaigns to discourage the appeal of large families.<sup>175</sup> Considering that this issue will work itself out in the long run and the youth bulge is a normal part of the development process, the recommendation is for the Omani government to address it, or ignore it, in the manner in which the government best sees fit. **(No goal)**

## **VII. Conclusion**

The Sultanate has transformed itself dramatically over the past 43 years through state sponsored development funded through oil export. Oman was named the most improved nation in terms of development and education by the 2010 UN Human

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<sup>173</sup> 2013 Statistical Yearbook, p. 78.

<sup>174</sup> Todaro, Michael, and Stephen Smith. *Economic Development*. Boston: Addison Wesley, 11th Edition, 2011. p. 279.

<sup>175</sup> Todaro and Smith, p. 299.

Development Report.<sup>176</sup> Massive improvements have been made in education, healthcare, infrastructure and in the quality of life of Oman's citizens.

The unrest in 2011, however, has brought to light the underlying issues and contradictions in Oman's economy. The old state-sponsored development model proved incapable of creating a sustainable economic system that could provide adequate employment opportunities for Oman's citizens. While there had been some recognition by Oman's government of the underlying issues with the economic order, the 2011 Sohar protests added new impetus in the drive for economic diversification and reform.

Overall the Omani government's economic reforms have experienced some successes and some drawbacks. The government has made significant progress in Omanization and in encouraging Omani participation in the private sector. Programs like the al-Rafd Fund have been instrumental in helping Omani entrepreneurs create their own small businesses. Oman's government has also been successful in undertaking large infrastructure and development projects aimed at diversifying Oman's economy from its dependence on petrochemical export. These projects represent an opportunity for long-term economic growth, and may provide a significant number of jobs for young Omanis in the years to come.

However, major impediments remain to solving Oman's unemployment and economic issues. Oman's government remains directly reliant on revenue from oil and natural gas export. Sustained high petrochemical revenue directly underpins these large infrastructure projects, as well as public sector salaries, and government programs aimed at promoting private sector growth such as the al-Rafd Program. This continued reliance

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<sup>176</sup> "Human Development Report 2010, 20<sup>th</sup> Anniversary Edition," *United Nations Development Programme*, 2010.

on oil and natural gas remains a major vulnerability to Oman's economic diversification plans.

Barriers also remain to Omanis entering the private sector. The large numbers of skilled and unskilled expatriate workers in Oman remain an extremely attractive option to private sector employers. The disconnect between the skills in demand by the private sector and those possessed by Omanis remains a major problem. Without addressing this disconnect in the skills possessed by Omani workers, broad Omanization in the private sector will not be feasible. Similarly attitudes and preferences among Omanis towards private sector work must also undergo a major shift. The benefits and pay of working in the public and private sector must be brought in line with one another in order to make these sectors equally attractive to Omanis.

Certain spheres within Oman's private sector remain closed off, inhibiting entrepreneurship and new entrants into these fields. While state-owned enterprises are being slowly privatized by the Omani government, a significant portion of the private sector remains under direct and indirect state control. Similarly Oman's large business groups retain their pseudo-monopolistic hold over sections of the Omani economy, and retain their advantageous relationship with the national government. Reducing the overall market share of these institutions will allow for a more competitive private sector, which is key to both sustaining long-term economic growth and allowing new ideas and businesses to enter the market.

Although Oman faces significant challenges in both reducing youth unemployment and in its general economic reform initiative, these challenges are not insurmountable. Oman's government, led by Sultan Qaboos, has greatly changed Omani

society in since 1970 through development initiatives, and seems both capable and willing to undertake the often difficult policies required to transform Oman's economy. The Omanis themselves are also highly aware of the issues that their country faces, and the problems with their economy. The young Omanis we interviewed during our research were all able to give clear and cognizant explanations for Oman's economic problems, and were extremely candid and open in their discussions. This openness and freedom to discuss these issues is key to enacting successful economic reforms. At this stage in Oman's development there needs to dialogue between the national government and Omani citizens in making these broad economic reforms.

## **VIII. Appendices**

### **Appendix A: Informants Key**

Informant A: Omani young professional, March 10, 2014

Informant B: Omani working in the Civil Sector, March 12, 2014

Informant C: Leading Economics Professor in Oman, March 12, 2014

Informant D: Nursing Student, March 13, 2014

Informant E: Student at the University of Nizwa, March 13, 2014

Informant F: Young Omani professional, March 13, 2014

Informant G: Omani student in the States, February 28, 2014

Informant H: Omani student in the States, February 28, 2014

Informant I: Scholar of Omani Political-Economy, February 7, 2014

Informant J: Young Omani Professional, March 13, 2014

## Appendix B - Wage Calculations

Average wage calculated using a weighted average of each of the salary ranges (using the average wage in each age range) provided by: the Sultanate of Oman, National Center for Statistics and Information. *2013 Statistical Yearbook*. Muscat, Oman: National Center for Statistics and Information, 2013. p. 144.

Data and work reproduced below:

Number of Workers (A)	Average Wage (B)	Product of Columns A & B
14600	190	2774000
1427	250	356750
3945	350	1380750
1499	450	674550
706	550	388300
324	650	210600
115	750	86250
104	850	88400
38	950	36100
140	1500	210000
18	2500	45000
22916 (total workers)	divided by	6250700 (total) =
		272.7657532 (weighted average)

Percentage wage of lowest bracket was then determined by taking the number of workers in the 180-200 wage bracket (14600) and dividing it by the total number of workers (22916).

### **Appendix C - Probability of getting a government job in 2010**

There are no official statistics representing the probability of getting a job. I calculated the highest probability that the average Omani graduating with a Diploma, Bachelor, or higher degree would have in getting a job with the public sector (excluding the military). The formula I designed for this case was a simple probability formula = (Number of Omanis Recruited for Public Sector Positions in 2010)/(Total Graduates with Diplomas, Bachelor Degrees and Above in 2010).

Data:  $(3668)/(11812) = 31\%$

This formula assumes that everyone has the same chance of getting a job (which is why I denoted that this applies to the “average” Omani), and assumes that the graduates of 2010 are the only people competing for this job, which we know is unlikely considering the unemployment rate at the country. This is why the figure is qualified by the statement, “at highest estimation.” It is likely that the real probability that new graduates were one of the new recruits for public sector positions were lower.

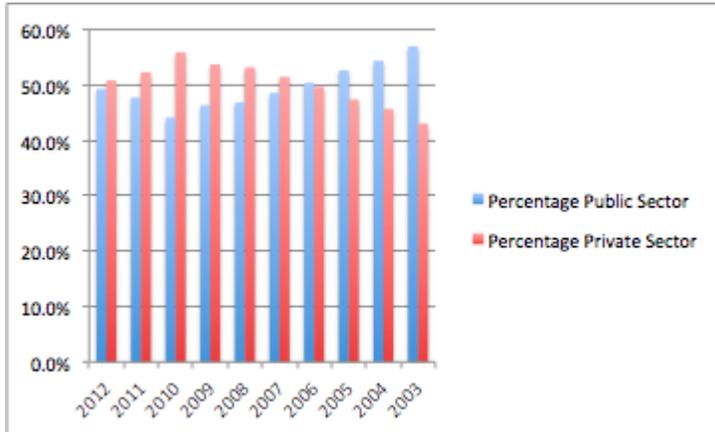
### **Appendix D - Probability of getting a government job in 2012, estimated.**

The Statistical Yearbook did not provide the number of students graduating from higher education institutions in the year 2012, so I used the same number from 2011 (considering that institutions generate roughly the same number of graduates each year, this is a reasonable assumption). The calculation was then made according to the same formula, with the same reasoning and assumptions, described in Appendix C: (Number of Omanis Recruited for Public Sector Positions in 2012)/(Total Graduates with Diplomas, Bachelor Degrees and Above in 2011) = % chance of getting a public sector position.

$(4930)/(14749) = 33.4\%$

**Appendix E: The relative participation of Omanis in the public and private sectors, 2003-2012.**

Data collected from: The Sultanate of Oman, National Center for Statistics and Information. *2013 Statistical Yearbook*. Muscat, Oman: National Center for Statistics and Information, 2013. p. 96-7.



**Appendix F: Career Fair Information**

The following chart shows the majors and skills desired by each of the Career Fair Participants (Companies and Organizations) at the Sultan Qaboos University Career Fair held on 11-13 March 2014.

Majors	Number of Companies Interested	Percentage of Total Companies
Engineering (any)	35	61.4%
Engineering (3 or more types)	12	21%
Translation	3	5.26%
Business	26	45.61%
International Relations and Security Studies	10	17.54%
Liberal Arts (including Translation)	8	14.04%

Total Number of Companies Participating: 57

A list of the participating companies can be found at the time of publication at this website: <https://careerfair.squ.edu.om/reg/>

## **Appendix G: Questionnaires**

### ***Students: University Level***

#### *Background Information*

1. What is your level of education?
2. What educational program are you currently in?
3. Why did you choose that program?
4. What classes have you taken for the program?
5. What skills have you acquired through this program?

#### *Career Plans*

1. When you graduate from university, what type of job will you look for?
2. What are you looking for from a job?
3. How long do you anticipate the job search will be?
4. What types of jobs are your friends interested in? Your siblings?
5. What do you think about working in the private sector?
6. How do you think other Omanis your age would respond to this question?
7. What do you think about working in the public sector?
8. How do you think other Omanis your age would respond to this question?
9. What are your career goals?
10. Does entrepreneurship interest you?
11. Have you heard of the SANAD program? Would you ever consider applying for it?
12. What sectors do you think it's hardest to get a job in for an Omani right now?
13. Have you noticed any encouragement (from any source – media, professors, etc.) for you to consider the private sector?

### ***Employed Omanis in Public Sector***

1. How long have you been employed in this current position?
2. What is your previous work experience?

3. What is your education background?
4. What professional skills have served you best?
5. How did your education prepare you for this career?
6. What training do you wish you had before you began?
7. What drew you to this line of work?
8. What do you like most about your job?
9. What is your ultimate career goal?
10. Would you ever consider working in the private sector?
11. What advice do you have to young Omanis who hope to work in the public sector?
12. Do you think it is more difficult now for Omanis to find jobs in your line of work than when you were looking? Why?
13. What are the best professions to go strive for at the moment? Which sectors do you think will expand in the next few years?

### ***Questions for Scholars of Oman's Economy***

1. Have there been any changes in Oman's economic structure within the last several years?
2. Which sectors are targeted by the Omani government for growth? Are they sustainable?
3. What is the role of Small and Medium Enterprises in Oman?
4. How does the Omani government encourage entrepreneurship?
5. Has the Omani government succeeded in implemented Omanization in the private sector? What are the barriers to Omanization?
6. How do you think ore Omani participation in the private sector can be encouraged?
7. What does Oman offer to attract FDI?
8. What role do large infrastructure projects, like Duqm, play in FDI?
9. What plans and projects related to Oman 2020 have been the most successful? Specifically, are there any barriers to diversification of the Omani economy?
10. How will higher education be expanded over the next 10 year? What do these expansions hope to achieve? On what new areas is Omanis education sector focusing?

11. Are there plans for new public and private universities?
12. Are there any programs becoming more popular?
13. What problems face the Omani labor force?
14. What are the economic factors that lead to employment issues in Oman?
15. Will Oman's growth trajectory reduce unemployment?
16. What are the obstacles to lowering unemployment in Oman?

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