Impact of Foreign Direct Investment on Employment in Oman

Vandana Joshi, Mazoon University College, Oman
Sanchita Ghosal, Higher College of Technology, Oman

Abstract: Oman like other GCC countries perceives Foreign Direct Investment as a key source of economic development. FDI is attracted to these countries for different reasons—resource seeking, market seeking, efficiency seeking or strategic asset seeking. Omani policy makers are seeking to address a range of emerging economic challenges stemming largely from the combination of a rapidly growing population, a public sector dominated economy, depleting oil and gas assets and the spectre of rising world prices of food grains and other essential commodities. Worries about unemployment, over-reliance on oil and increased demand for basic services have led the government to focus its economic strategy on three themes: Omanisation, economic diversification and privatization. In the light of the above, the current study empirically tries to analyze the impact of FDI inflow on the employment situation in Oman. Expatriate workers, as a percentage of the total workforce, ranges from 50 percent in Oman and Saudi Arabia to as high as 90 percent in the United Arab Emirates. Oman as in most GCC countries, more than 60 percent of the national labor force is employed in the public sector, which has also absorbed many of the female nationals entering the labor market over the past decade. Most expatriates work for the private sector and account, on average, for more than 75 percent of total employed workers in that sector.

The study shows the correlation between FDI inflow and government employees is positive and very high at 96%. The number of Omanis in private sector has shown a 115% increase while for expatriates in the private sector the increase has only been 7%. The correlation between FDI inflow and Omanis employed in private sector is also positive and high at 93% again reflecting the current policies of the government of Oman that FDI should be a tool to promote employment among nationals. For the same reason, the correlation between FDI inflow and expatriate employees is negative and very weak at (-10%). it can be observed that for the year 2006, almost 81% of the total Omanis are concentrated in the lowest wage range (< OMR.100-200), 14% in the range OMR. 200-500 and extremely low numbers and percentages in the higher wage bands. Thus though the inflow of FDI has had a positive effect on growth and also contributed to an increased number of Omanis working in the private sector, the job creation has still been mostly in the lower levels of the companies.

The policy of encouraging FDI into Oman seems to have succeeded a priori in one of its basic objectives, that is, creation of employment for Omani nationals. However, the fact that the increase in employment of Omani professionals in FDI enterprises is comparatively low indicates that the requisite level of professional skill is not available to the enterprises.

Keywords: FDI, Employment, GCC, Omanisation, Economic diversification and Privatization
1. Introduction
A commonly accepted notion currently dominating most developing countries’ policies is that FDI should be wooed as it brings in much needed capital, technical know-how, organizational, managerial and marketing practices and global production networks, thus facilitating the process of growth and development in host countries. FDI is attracted to countries for different reasons-resource seeking, market seeking, efficiency seeking or strategic asset seeking. FDI can complement local development efforts by:

a) Increasing financial resources for development
b) Boosting export competitiveness
c) Generating employment and strengthening the skills base
d) Enhancing technological capabilities (transfer, diffusion and absorption of technology).

In view of the above mentioned perception of beneficial impacts, there has been an intense global race for foreign investment.

2. Labor market challenges facing Oman as part of the GCC Enclave

2.1 Overall Perspective
It is an accepted fact that labour market in Oman as also the other member countries of the Cooperation Council for the Arab States of the Gulf (GCC) are getting tighter, and unemployment pressures are emerging among young nationals. High growth in the national population during the past decades, together with the rising participation of women in the labour force, has resulted in a rapidly growing supply of nationals seeking employment. Indeed, the local labour force has been growing at an average annual rate of 4–5 percent over the past decade and this pace is likely to continue over the medium term since more than one-third of the local population is below the age of 15 years.

Unemployment pressures among nationals have been managed until recently because most GCC governments have been acting as employers of first and last resort. As a result, nationals currently constitute most of the workforce in the Government and public sector. This strategy, however, has practically reached its limits because the wage bill has become too large to keep rising at a time of pressing needs in order to satisfy the demand for government services of a young population. The wage bill now represents more than 10 percent of GDP in most countries (IMF working Paper, April 2004: Emerging Strains in GCC Labour Markets by Ugo Fasano and Rishi Goyal). Thus, the responsibilities for job creation in the period ahead needs to, by necessity, shift to the private non-oil sector. This is not an easy task. During the past three decades, a liberal foreign labor policy has allowed the private non-oil sector to rely mainly on relatively less expensive, better-trained, and more flexible foreign workers to support its development. The result has been a segmented labor market as well as a low elasticity of substitution between national and foreign workers. Thus, policymakers in Oman (as also the other GCC countries) need to strike the right balance between dealing with the pressures of a rapidly rising local educated, young population with aspirations of employment and maintaining a flexible policy toward the hiring of expatriate workers possessing specific skill set as per industry
needs. Otherwise, unemployment among Omani nationals could rise or the competitiveness of the non-oil economy, in which the private sector is being encouraged to play a dominant part, could be compromised. The extent of this problem varies across the GCC countries though Oman specifically, along with Bahrain and Saudi Arabia, faces a more pressing challenge, given its relatively large national workforce. Omani policymakers have sought to address this problem, along with related range of emerging economic challenges stemming largely from the combination of a rapidly growing population, a public sector dominated economy, limited oil resources, and the spectre of rising world prices of food grains and other essential commodities. Policies are currently geared toward encouraging the replacement of foreign workers with local workers through a combination of mandatory and market-based mechanisms, and promotion of non-oil economic growth. Worries about unemployment, over-reliance on oil and increased demand for basic services have led the government to centre its economic strategy on three themes:

(a) **Omanisation** - a policy geared toward encouraging the replacement of foreign workers with local workers through a combination of mandatory and market-based mechanisms.

(b) **Economic diversification** - promotion of non-oil economic growth.

(c) **Privatization** - Encouraging the private sector to invest in core manufacturing and services industry.

These features dominate economic thinking, and are the main features of Oman’s five year plans. In addition, the government has to deal with the implications of Oman’s membership of the World Trade Organization (WTO), which requires the Sultanate to ‘open’ up its economy to foreign competition.

At the current juncture, an estimated 30,000 Omanis enter the job market each year and the government just does not possess the capacity to provide employment for the majority of this workforce. To effectively handle this challenge, the erstwhile Commerce and Industries Minister, H.E. Maqbool bin Ali bin Sultan has repeatedly reiterated the importance of Omanisation and the crucial role that the private sector has to play in this respect. The Ministry of Manpower has been specifically created by the Sultan Qaboos bin Said to oversee the employment issue.

**2.2 Genesis of the labor market challenge**

A distinguishing characteristic of the labour market in Oman, as in the rest of GCC countries, is the large share of expatriate workers in the labour force. The number of foreign workers in the GCC countries (including Oman) increased fivefold from 1.1 million in 1970 to 5.2 million in 2005. Various estimates including that of the United Nations indicate that the number of expatriate workers will rise to about 850 thousand in Oman and up to 5.5 million in the entire GCC enclave by 2010. Expatriate workers, as a percentage of the total workforce, ranges from 50 percent in Oman and Saudi Arabia to as high as 90 percent in the United Arab Emirates. (See the United Nations’ Arab Human Development Report 2006, Chapter 3)
Historically, the initial inflow of foreign, expatriate labour force took place in the 1970s and early 1980s. The first oil price boom of that time resulted in a sharp increase in the demand for workers to build up Oman and the rest of GCC countries' physical and social infrastructure. To satisfy this demand, and in light of the relatively small size of local populations, Oman in line with the other GCC countries, adopted an open door policy to foreign workers. This policy continues to be in effect—albeit with some restrictions introduced over the years—to support the development of non-oil industries. In addition, social restrictions, reluctance to do certain kinds of work and lack of specific work related expertise by the Nationals has led to continued reliance on foreign labor, while contributing to keeping manpower costs down. Access to a highly elastic supply of expatriate workers at internationally competitive wages and on flexible contracts has also contributed to avoiding a sharp deterioration in competitiveness of the non-oil sector usually observed in economies rich in oil (or other natural resources). This access has also been important in increasing the resilience of the Omani (as also the other GCC) economies to terms of trade shocks in the context of de facto fixed exchange rate regimes.

Foreign workers are subject to a relatively flexible labor framework. Most of them are hired on limited-duration work assignments based on a sponsorship system. From inception, this system facilitates their hiring and dismissal by the company that brings them into the country on a work contract. Expatriate workers are attracted to the GCC area because their expected earnings are higher than in their home countries—most of them come from India, Pakistan and other Asian countries, such as Indonesia and the Philippines.

2.3 Labor Market structure and Nationalization trend
Oman’s (similar to other GCC countries) labour policies have evolved over time to take into account changing market conditions. In the 1980s, the government and state-owned enterprises (notably Petroleum Development of Oman in the Oil sector) gave priority to nationals in recruitment, resulting in a rapid nationalization of the public sector work force that helped contain unemployment pressures. By the early 1990s, the share of nationals had already reached more than 80 percent of the civil service and about half in state-owned enterprises. From the initial stages, employment in the Government and Public Sector has provided an (implicit) guarantee of employment extended to nationals, who prefer to work in this sector because of relatively high wages, job security, social allowances, and generous retirement benefits. Moreover, promotion in the government sector is based on seniority rather than performance, while shorter working hours than in the private sector (and restrictions on foreign investment in the past) have allowed civil servants to run other income-augmenting endeavors on the side. All these elements have resulted over time in a large gap between the private and public sector wage and benefit structures, leading to high perceived attractiveness of employment in the Government sector especially among the educated national youth. Consequently, in Oman as in most GCC countries, more than 60 percent of the national labor force is employed in the public sector, which has also absorbed many of the female nationals entering the labor market over the past decade.
In contrast, most expatriates work for the private sector and account, on average, for more than 75 percent of total employed workers in that sector. Private employers (even though themselves Omani) prefer to hire non-national workers because their cost (wage and non-wage benefits) is lower—though the difference in cost vis-à-vis national workers becomes narrower at higher skill levels. Expatriate workers are also relatively better trained, hold relevant past experience and have, in practice, a more flexible contract arrangement that facilitates hiring and firing. In addition, their wages are more flexible.

The above differentiation has, over time, resulted in a distinct segmentation of the labour market in terms of wages, skills, and sectors of employment for nationals and non-nationals. Another aspect of this segmentation is a mismatch in skills supplied by national workers and those demanded by the private sector. Although education is free for nationals at all levels, the courses offered do not reflect the requirements of the market. Nationals take advantage of this free education with the expectation of guaranteed public employment at any level of education and profession. Further, a large number of university graduates pursue social or religious studies rather than studies in technical fields and business administration, where private sector requirements are the greatest. In addition, enrollment at the tertiary (or university) level of education, although it has risen over time, has remained low at around 17% in Oman (as contrasted with 30% in Bahrain and Qatar). Enrollment at the secondary level of education has also been low, remaining around 75% (within the GCC, only Bahrain has reached 94%).

Another characteristic of the labour market is limited labour mobility. While Nationals have been predominantly confined to the public sector till recently, expatriates’ job mobility has been historically restrained primarily by the sponsorship system. At the regional level, mobility is also limited, even though since the mid-1980s, all GCC citizens have equal rights and free mobility to work in other GCC countries. This reflects, in part, the loss of social benefits, such as land grants and housing loans, which national workers forego by not residing in their own country.

Increasingly over the last decade, the Oman Government (like several others in the GCC) has realised that it could not indefinitely take the lead role in employing national workers. The focus has thus shifted toward nationalisation of the private sector workforce through a promulgated policy of Omanisation. Implementation of Omanisation commenced with reliance on mandatory measures. These included quantitative targets or quotas on the proportion of nationals employed by private companies in specific professions or sectors. During the initial years, the absorption of national workers by the private sector was a challenge reflecting practical difficulties to enforce the targets for each and every firm and the private sector’s continued access to expatriate workforce at internationally competitive wages.

Wisely, the authorities have applied quotas in a collaborative rather than in a coercive manner, since forced placement of nationals could result in lower productivity and increased costs to the employer and the economy, hindering long-run growth and,
ultimately, job creation. Oman also relies on administrative measures to increase the relative cost of hiring expatriates, such as regulating the supply of work permits for foreigners. Other measures include adoption of fees or a (training) tax paid by employers to hire foreign workers. Ministries, PDO and other public sector enterprises have also provided incentives to private employers to hire nationals by rewarding tenders that meet Omanisation quota requirements.

More recently, mandatory and administrative measures have become part of a broader effort to simultaneously improve the skills of national workers. In this context, Oman like several other GCC countries, has adopted market-based strategies, such as improving training and education in line with private sector requirements. Efforts have been intensified to eliminate the gap between the output of the local educational systems and the requirements of the market (through Government funded vocational courses) and to reduce the rates of repetition and dropouts as well as the average number of years invested for the graduation of students. Initiatives have also been taken to equalise the perceived attractiveness of public and private employment by extending retirement benefits and social allowances to all Omanis independent of the sector they work in.

Oman is also currently focusing on encouraging self-employment of the national labour force. These efforts have included providing soft loans to young nationals who want to start small businesses (SANAD programme), as well as offering training in partnership with established companies to the private sector.

The policy of Omanisation followed in Oman rigorously reflects its relatively larger indigenous population and, probably, relatively higher unemployment rates. As early as 2001, the Omanisation reached 81 percent and 91 percent of the hydrocarbon and commercial banking sectors, respectively. In other sectors, the progress has been more modest—reaching, for instance, around 60% in the hospitality sector and 30% in the Automotive and allied engineering sector.

Omanisation policy has witnessed significant success with the majority of the new jobs having been created in the private sector and Nationals being the main beneficiaries of this job creation (Statistical yearbook, Oman 2006 and IMF working Paper, April 2004: Emerging Strains in GCC Labour Markets by Ugo Fasano and Rishi Goyal). However further success continues to be hampered due to limited progress in upgrading the skills of the local workforce to meet market requirements. In addition, given that a large proportion of the expatriates are in Construction and similar activities, opportunity to substitute this category through Omanisation remains limited. Further, in view of the currently strong infrastructural and developmental focus of the Government, many of the new jobs would be created in construction and engineering activities—the traditional areas in which expatriate workers are employed. The creation of job opportunities for Omanis in the private sector would therefore continue to remain a challenge.

Additionally, in spite of job creation through Omanisation in the private sector, unemployment pressures have increased affecting, in particular, first-time job seekers
with only a primary or secondary education. This may be attributed to the fact that after the initial lot of basic job vacancies having been Omanised in the private sector, the next set of job opportunities are being created higher up the specialisation and value chain which demand specific competences and job knowledge and which cannot be catered to by the general and basic primary / secondary education.

Despite the above emerging strain in the labour market, the wage expectations of the national new entrants seem to have remained high and rigid. This reflects, in part, the continued expectations by a significant percentage of Omani nationals that they will ultimately get a job in the government sector, even though this strategy seems to have reached its limits, becoming an inefficient social safety net.

An earlier study on Oman by Al-Lamki (2002) shows the remuneration package in the Government Sector for unskilled and semi-skilled work to be twice that of the private sector (Al Lamki, S, 2002, ‘A Three Tier Strategic Framework for Human Resource Management and Training in Sultanate of Oman,” Journal of Comparative International Management, Vol 24, May pp 75-86). However over the last few years (2005 onwards), the Private Sector, in its endeavour to attract and retain superior and productive Omani recruits, has significantly upgraded the salary and benefit package, thus reducing the disparity with the government sector. More recently, the private sector has introduced other initiatives in terms of straight shifts and reducing number of working days from 6 to 5 per week to further synchronize with the working hours in the public sector.

It can be concluded therefore that even though significant success has been witnessed in expansion of job opportunities in the private sector for Omani nationals, labour market strains continue to remain because of a rapidly growing young population seeking employment opportunities. Economic diversification efforts have tried to address this issue by enhancing non-oil industry development and, in turn, job creation. However, these efforts need to be complemented with investment in human capital and adoption of institutional reforms in the labor market to facilitate the substitution of national workers for expatriate workers without hindering employment dynamics and the economy’s competitiveness.

Table 1 below shows the comparatively higher concentration of Omani employees in five sectors-Oil, Gas, Banks, Insurance and Hotels.
Table 1 Employees in Main Private Sector Establishments and % of Omanis. (Year-2006)

<table>
<thead>
<tr>
<th>Sectors</th>
<th>Omanis %</th>
<th>Total</th>
<th>Expatriates</th>
<th>Omanis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil Companies</td>
<td>75</td>
<td>6958</td>
<td>1725</td>
<td>5233</td>
</tr>
<tr>
<td>Gas Companies</td>
<td>80</td>
<td>558</td>
<td>111</td>
<td></td>
</tr>
<tr>
<td>Commercial Banks</td>
<td>92</td>
<td>5826</td>
<td>467</td>
<td>5359</td>
</tr>
<tr>
<td>Insurance</td>
<td>59</td>
<td>1107</td>
<td>458</td>
<td>649</td>
</tr>
<tr>
<td>Hotels</td>
<td>46</td>
<td>6985</td>
<td>3737</td>
<td>3248</td>
</tr>
</tbody>
</table>

Note: Figures for year 2007 not yet published and accessible.

2.4 Correlation between FDI inflow and employment

As has been elucidated above, economic diversification through Industrial and Infrastructural development would be key to further job creation and employment. It may also be hypothesised that attracting FDI inflows into these sectors and projects would accelerate the pace of such developments and yield faster employment potential. With this perspective in mind, a significant correlation is sought to be shown between FDI inflows and employment generation to provide suitable strategy for Oman in the future.

The inter-relation between FDI and employment is very complex. FDI can affect employment of a firm, industry or region in many ways. In order to find out the impact of FDI flows on employment over a certain period of time, it is crucial to identify the main channels through which FDI may affect employment as well as the major determinants of these changes in employment. We have to remember that to consider the net employment effect we have to consider the employment effect of both FDI outflow (if applicable) and FDI inflow.

3. Employment effects of FDI inflows

Greenfield investments or new industrial establishments can be conjectured to be employment generating. Though generally FDI inflows include mergers and acquisitions as well as purchase of land, in extreme cases inward FDI may not directly lead to employment if it is used to finance mergers with or acquisition of existing domestic companies. A change of ownership need not necessarily change the number of persons employed by the firm at the time of acquisition. However, over time there is likely to be changes in employment as a result of consolidation, rationalisation or expansion of the business opportunities available to the acquired firm.

Foreign investors may also affect output and employment prospects outside their specific firms by changing the pattern of sales and/or procurement. They may further become a threat to less competitive domestic companies. Inward FDI would enable foreign
investors to enter a market in order to exploit a competitive advantage, to transfer new technologies, to introduce new management methods and usually increase competition in the market. Foreign investors may also tend to import more intermediate inputs or capital equipment. Therefore, it needs to be borne in mind that if new FDI based companies capture market share from local established firms, there is a danger that jobs created by such firms may be gained at the expense of jobs lost in the local companies. Effectively, no incremental jobs may have been created due to this FDI inflow.

In the light of the above preamble, an attempt has been made to determine the effect of FDI inflow on employment in Oman. Table 2 gives the FDI inflow into Oman and the employment figures for Omanis in the government sector, Omanis in the private sector and expatriates in the private sector.

<table>
<thead>
<tr>
<th>Year</th>
<th>FDI Inflow(million RO)</th>
<th>Govt. Employees</th>
<th>Omani employees in private sector</th>
<th>Expat employees in pvt. sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>2260</td>
<td>139000</td>
<td>199276</td>
<td>510713</td>
</tr>
<tr>
<td>2005</td>
<td>1618</td>
<td>132000</td>
<td>98537</td>
<td>424788</td>
</tr>
<tr>
<td>2004</td>
<td>944</td>
<td>127000</td>
<td>87064</td>
<td>424000</td>
</tr>
<tr>
<td>2003</td>
<td>928</td>
<td>123000</td>
<td>74816</td>
<td>407000</td>
</tr>
<tr>
<td>2002</td>
<td>716</td>
<td>119000</td>
<td>65879</td>
<td>547477</td>
</tr>
<tr>
<td>2001</td>
<td>650</td>
<td>114000</td>
<td>60487</td>
<td>529998</td>
</tr>
<tr>
<td>2000</td>
<td>452</td>
<td>110000</td>
<td>55671</td>
<td>494699</td>
</tr>
<tr>
<td>1999</td>
<td>214</td>
<td>108000</td>
<td>50660</td>
<td>474717</td>
</tr>
<tr>
<td>1998</td>
<td>92</td>
<td>106000</td>
<td>46171</td>
<td>477009</td>
</tr>
</tbody>
</table>

From table 2 it can be seen that the numbers in various employee categories have increased by varying degrees from 1998 to 2006 viz. Government (+31%), Omanis in Pvt. Sector (+332%) and Expats in Pvt. Sector (+7%).

### 3.1 Correlation Results

Table 3 gives the correlation results between FDI inflow and employment on a segmented basis. As the table shows, the correlation between FDI inflow and government employees is positive and very high at 96%. The result is as expected because the lion share of the FDI is in oil and gas which is to a large extent in the public sector. The Omanisation policy followed avidly by the Government of Oman has also resulted in a tilt towards the percentage of Omanis in government sector accounting for about 85% of the total.

The government has followed a deliberate policy of privatisation, diversification and Omanisation in the new millennium. The result is reflected in the private sector employment scenario. The number of Omanis in private sector has shown a 115% increase while for expatriates in the private sector the increase has only been 7%. However, the number of expatriates was still 2.5 times the number of Omani in the private sector in 2006.

The correlation between FDI inflow and Omanis employed in private sector is also positive and high at 93% again reflecting the current policies of the government of Oman that FDI should be a tool to promote employment among nationals. For the same reason, the correlation between FDI inflow and expatriate employees is negative and very weak at (-10%). The government policy of setting quotas for nationals in the private sector and allowing visas only to expatriates of a certain specification is reflected in these results. Further, the falling oil output had a marked impact on the government earnings and fears that these would be compounded by lower prices resulted in policies which led to a sharp drop in expatriate employees in the 2003.

### Table 3: Correlation Results

<table>
<thead>
<tr>
<th></th>
<th>FDI Inflow(million RO)</th>
<th>Govt Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>FDI Inflow(million RO)</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Govt Employees</td>
<td>0.964878622</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>FDI Inflow (million RO)</td>
<td>Omani employees in private sector</td>
</tr>
<tr>
<td>FDI Inflow(million RO)</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Total Omanis in private sector</td>
<td>0.932958595</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>FDI Inflow(million RO)</td>
<td>Expat employees in private sector</td>
</tr>
<tr>
<td>FDI Inflow(million RO)</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Expat employees in private sector</td>
<td>-0.104800658</td>
<td>1</td>
</tr>
</tbody>
</table>
4. Age and gender distribution amongst Omani employees

We shall now further focus on the Gender and Wages distribution of the Omani employees in the private sector who are registered with the public authority for social insurance in the year 2006.

From table 4 it can be observed that for the year 2006, almost 81% of the total Omanis are concentrated in the lowest wage range (< OMR.100-200), 14% in the range OMR. 200-500 and extremely low numbers and percentages in the higher wage bands. Thus though the inflow of FDI has had a positive effect on growth and also contributed to an increased number of Omanis working in the private sector (as has been evidenced from the correlation results earlier), the job creation has still been mostly in the lower levels of the companies. This indicates that though the government policy of Omanisation is on the right track towards creating more jobs in the private sector, more needs to be done towards investing in human capital in the form of higher education and job specific vocational and on-the-job internships to improve the employability profile of the Omanis.

The distribution of women is, however, not so skewed and in fact follows a normal distribution, with the maximum percentage being employed (24.6%) at the moderately better salary range of OR 500-600 and women constituted 17% of the total Omani workforce in the private sector in 2006.

Expectedly so, men dominate the Omani workforce in the private sector. And this predominance is relatively more pronounced in the lowest and in the highest salary levels as compared to the medium levels (OR300-700).

Table 4: Omanis in Private Sector Registered with Public Authority for Social Insurance by Gender: Year 2006

<table>
<thead>
<tr>
<th>Wage Group(RO)</th>
<th>Total number</th>
<th>Men</th>
<th>Women</th>
<th>% Women</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 120</td>
<td>61628</td>
<td>50700</td>
<td>10928</td>
<td>17.7</td>
</tr>
<tr>
<td>120-200</td>
<td>31675</td>
<td>27773</td>
<td>3929</td>
<td>12.4</td>
</tr>
<tr>
<td>200-300</td>
<td>10090</td>
<td>7745</td>
<td>2345</td>
<td>23.2</td>
</tr>
<tr>
<td>300-400</td>
<td>4342</td>
<td>3248</td>
<td>1094</td>
<td>25.2</td>
</tr>
<tr>
<td>400-500</td>
<td>2162</td>
<td>1623</td>
<td>539</td>
<td>24.9</td>
</tr>
<tr>
<td>Wage Group</td>
<td>Total Number</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>------------</td>
<td>--------------</td>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>500-600</td>
<td>1365</td>
<td>1029</td>
<td>336</td>
<td>24.6</td>
</tr>
<tr>
<td>600-700</td>
<td>827</td>
<td>653</td>
<td>174</td>
<td>21</td>
</tr>
<tr>
<td>700-800</td>
<td>488</td>
<td>402</td>
<td>86</td>
<td>17.6</td>
</tr>
<tr>
<td>800-900</td>
<td>309</td>
<td>270</td>
<td>39</td>
<td>12.6</td>
</tr>
<tr>
<td>900-1000</td>
<td>282</td>
<td>245</td>
<td>37</td>
<td>13.1</td>
</tr>
<tr>
<td>1000-2000</td>
<td>856</td>
<td>804</td>
<td>52</td>
<td>6.1</td>
</tr>
<tr>
<td>&gt; 2000</td>
<td>260</td>
<td>255</td>
<td>5</td>
<td>1.9</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>114,311</strong></td>
<td><strong>94,747</strong></td>
<td><strong>19564</strong></td>
<td><strong>17.1</strong></td>
</tr>
</tbody>
</table>


Graph 1

Omanis employed in Pvt Sector according to Wage Group in 2006
5. Employment in FDI Enterprises

Unfortunately, information was available from Ministry of National Economy on employment in FDI enterprises in detail only for three years (2003 to 2005). Though statistically insufficient, we had no other option but to tabulate and analyse the available data (Table 5).

(a) Total employment increased by 19% from 2003 to 2005. Number of Expatriates (non Omanis) increased by 22% while the number of Omanis increased by only 8%. Omanis constituted 47% and Expats constituted 43% of the total employment in 2005 (last year for which data available). This would seem to indicate that in FDI enterprises, availability of employable Omanis has not kept pace with business expansion and diffusion of expertise and knowledge has still to happen sufficiently to allow for jobs to shift from Expats to Omanis. This is also borne out from the statistics of the largest employment category viz. ‘skilled and semi skilled workers’ where Expats are higher in numbers.

(b) From the data on Salaries & Wages (S&W) in FDI enterprises, it is clear that total S&W has increased by 19% from 2003 to 2005 out of which the increase for Expats has been 21% while the increase for Omanis has been 16%. This tends to indicate that more and more, Expats are being sourced for specialised activities and higher managerial positions, requiring higher compensation packages. This is also borne out by the fact that the senior staff and professional category are the largest gainers in terms of Salary and
wage increases., in fact increasing their share of the total S&W between 2003 (54%) to 2005 (58%).

What is to be noted is that the Omanis dominate in the three categories of skilled and semi skilled, administrative and unskilled staff while there is a dominance of non Omanis in professional and senior category. This demonstrates that the FDI enterprises, concentrated in high technology and skills, have created a demand for the kind of manpower which till now is not domestically available. So for the time being, it has generated demand for specialized labour which had to be imported. However, it is to be hoped that in the long run, the positive spillover effect of these enterprises would increase the supply of specialized local manpower.

Table 5: Employment in FDI Enterprises in Oman

<table>
<thead>
<tr>
<th>Employee Category</th>
<th>2005</th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>Non-Omani</td>
<td>Omani</td>
</tr>
<tr>
<td>Senior Staff</td>
<td>1803</td>
<td>1274</td>
<td>529</td>
</tr>
<tr>
<td>Professionals</td>
<td>8052</td>
<td>4856</td>
<td>3195</td>
</tr>
<tr>
<td>Administrative</td>
<td>6628</td>
<td>2323</td>
<td>4304</td>
</tr>
<tr>
<td>Skilled and Semi-Skilled</td>
<td>16039</td>
<td>9109</td>
<td>6930</td>
</tr>
<tr>
<td>Unskilled</td>
<td>9819</td>
<td>4591</td>
<td>5229</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>42340</strong></td>
<td><strong>22153</strong></td>
<td><strong>20187</strong></td>
</tr>
</tbody>
</table>
**Employment in FDI Enterprises, 2005**

![Graph showing employment in different categories across different years.](image)

**Table 6: Wages and Salaries in FDI Enterprises**

<table>
<thead>
<tr>
<th>Employee Category</th>
<th>2005</th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>Non Omani</td>
<td>Omani</td>
</tr>
<tr>
<td>Senior Staff</td>
<td>70922</td>
<td>58,587</td>
<td>12,336</td>
</tr>
<tr>
<td>Professionals</td>
<td>170130</td>
<td>112,210</td>
<td>57,920</td>
</tr>
<tr>
<td>Administrative</td>
<td>56216</td>
<td>12,752</td>
<td>43,464</td>
</tr>
<tr>
<td>Skilled and Semi Skilled</td>
<td>98762</td>
<td>41,799</td>
<td>56,963</td>
</tr>
<tr>
<td>Unskilled</td>
<td>20064</td>
<td>6,201</td>
<td>13,863</td>
</tr>
<tr>
<td>Total</td>
<td>416094</td>
<td>231,548</td>
<td>184,546</td>
</tr>
</tbody>
</table>
6. Conclusion
The policy of encouraging FDI into Oman seems to have succeeded a priori in one of its basic objectives, that is, creation of employment for Omani nationals. However, the fact that the increase in employment of Omani professionals in FDI enterprises is comparatively low indicates that the requisite level of professional skill is not available to the enterprises. In view of this, an effective employment strategy for Oman would include:

- Continue the policy of encouraging FDI inflow by restructuring and relaxing some of the rules and regulations that at present somewhat constrain such inflow.
- Increase the relative attractiveness of working in the private sector by continuing to lower the wage differential between the public and private sectors as also improve the other employment terms viz. weekly off days, number of hours of working etc. Continue to equalise social benefits available to all working nationals, irrespective of sector of employment; announcing strict limits on public sector employment.
- Reduce disparities in labor mobility by creating a level playing field between hiring and firing national workers vis-à-vis expatriate workers.
- Encourage skill acquisition by nationals by strengthening educational and vocational training, providing time-specific incentives, such as subsidies to companies for training and scholarships, and promoting self-employment.
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