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THE *OMANISATION* POLICY OF EMPLOYMENT
AN OMANI ECONOMIC DILEMMA

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For approximately ten years in Oman, the question of foreign workers's replacement by Omani nationals has become one of the most sensitive issues in the economic and political debate. But is not recent in itself. As soon as the effective end of the Dhofar war (after 1980), the question of the *omanisation* (*ta'mîn*) of the military structure, the *Sultan's Armed Forces*, has been discussed. Until the beginning of the eighties, the totality of the commanding officers were foreigners (especially British) ; the first appointments of nationals at this level occurred in 1982 for the Army[1] and in 1985 for the Police[2]. Until now, some command structures, especially those of forces personnally devoted to Sultan Qaboos, remain in the hand of foreigners.

But the real turning point in the jobs' omanisation process happened in the middle of the nineties. The period from 1994 to 1996 has revealed crucial in contemporaneous Oman's internal history for several reasons. In May 1994, the Omani police arrested up to two hundred individuals after interception of a letter by so-called 'islamic militants', a message that was immediately interpreted as an attempt to overthrow the government. Even if many

[1] In 1982, several Land forces' regiments (among them, the Muscat Regiment and the Northen Oman Brigade) passed from British to Omani hands. The first appointment to command positions occurred in November 1984, with Major-General Nassîb al-Ruwâhi as commander of the Land forces (Allen/Rigsbee 2000 : 77). Later he became member of State Council between 1997 and 2003.
[2] Major-General Sa'îd al-Kalbâni replaced Sri Lankan Felix Da Silva in 1985 as Inspector-general of Police and Customs - acting as head of police services (Allen/Rigsbee 2000 : 91).

details of this affair remain blurred until now, it was the first open mark of social dissatisfaction since the Dhofar war, and above all, it was publicly recognized by the regime.

In September 1995, a major shift in the economic policy occurred with the death in an unexplained car accident of Qays al-Zawâwi, acting as minister of Finance and Economy since 1982. Qays al-Zawâwi was a member of one of the leading merchant families in the sultanate ; his brother, 'Umâr, occupies the post of special adviser to the Sultan for foreign relations since 1974. If foreign observers have speculated about an attempt against the person of the Sultan, many Omanis wondered if it was not a plot... against the Zawawis themselves. In many Omanis' mind, Qays al-Zawâwi was the symbol of the confusion of political and economic powers.

These two events appeared as serious social and economic warnings to the authorities. With more than half of the total national population below the age of fifteen, new generations were coming on the job's market and were not prepared to assume sacrifices their parents were exonerated. By 1995 and the end of the Fourth five-year plan, it seemed clear that the sultanate, after 25 years of Qaboos' rule, has come to a crossroad and should enter a new phase in development planning. The conference called '*Oman 2020 – Vision for Oman's economy'* was organized in June 1995 to define the goals for the next twenty-five years. It sets two main targets :

* the first axis dealt with economic diversification. The conference estimated that the crude oil sector's share in Omani GDP would fall from 41% in 1996 to under than 10% in 2020, the gas contribution would rise from 1% to 10%, and the non-oil industrial sector one from 7,5% in 1996 to 29% in 2020.

* the second main target of the conference consisted in employment for these new Omani generations : in 1995, around forty thousands young people were secondary-school graduates or drop-out and arrived on the job market every year. In 1993, some un-official sources estimated the unemployment among nationals between 10% and 15%. The aim was to achieve an omanisation rate of 95% in the public sector by 2020, against 68% in 1995. But the real challenge concerned the private sector (which represents more than four jobs up to five in Omani economy). In this field, the conference established that the omanisation rate should grow from 7% in 1995 to 75% in 2020. A parallel aim was to reduce the total proportion of foreign population in the sultanate from 25% at that time to 15% in 2020.

The first omanisation laws were passed in October 1994 by the Ministry of Social Affairs and Labour. This department announced percentages of omanisation to be adopted by the private sector, like 60% of nationals in transport, storage and communication, 45% in finance, insurance and real estate, 35% in industry, 30% in hotels and restaurants, 20% in wholesale and retail (Winckler 2000 : 41). In December 2001, the question became so acute that the Ministry of Social Affairs split into two : a new ‘ministry of Manpower’, especially in charge of the omanisation question and led by Juma‘a bin ‘Alî bin Juma‘a was settled. For three years now, the ministry regularly announces the full omanisation of unskilled or low skilled professional activities. In 2005 for example, the omanisation effort focuses on jobs as heavy vehicles drivers, petrol pump attendants or hairdressers. In the same time, Sultan Qaboos has presented it as a ‘*national challenge*’. For example, he declared in 1999 : “*shaykhs and dignitaries are asked to urge the youth to engage in work. This encouragement is their most important duty*”.[3] On the occasion of 28th National Day, in November 1998, his speech was almost entirely dedicated to this question. He explicitly said that “*it is important that citizens should be aware of their vital role in working for the success of the government’s plan for private sector employment, and for the gradual replacement by Omanis of skiled and unskilled expatriates. There are abundant opportunities for honourable work in this sector. All Omani youth should accept this work unhesitatingly and without false pride. They should also devote themselves to the training and qualifying programmes which are organised by the government and the private sector for the purpose of honing the skills they possess, and acquiring new skills that will enhance their performance*” (Sultanate of Oman 2001 : 208).

Today, the results of this national challenge appear very contrasted. Several major achievements can be underlined. Within the government sector, the share occupied by nationals reaches 82%, with scores higher than 90% in Omantel, the semi-public phone company, or in the Central Bank. Moreover, the figures imposed in an authoritarian way by the law have apparently proven their efficiency in some ponctual sectors, like all small sales and service shops in rural regions (for example, jobs as shopkeepers or foodstuffs managers). It becomes more and more difficult to find Indians or Bangladeshis managing groceries or other small shops in Batina or in Dakhliyya. In these cases, statistically, one Omani replaces one expatriate.

Nevertheless, even there, microeconomic problems occurred because of young Omanis’ lack of preparation to accept the same life rate as the Indians, the major comunity they replaced in this type of job. Young Omanis are not prepared to live with an income between sixty to ninety rials per month[4]. So, the omanisation leads to salary dumping for Omanis, whereas the law stipulates that the minimum salary for nationals is 120 rials.

[3] Agence France-Presse, January 19, 1994.
[4] At the beginning of February 2005, one Omani rial is roughly equivalent to two euros.

Because of these difficulties, and in spite of the fact , in this field, omanisation is recent (less than two years), it is already possible to note a high rate of turn-over among the 'small shops' managers in the rural regions.

But the most important problems happened in town (especially Muscat and Salalah), where two thirds of the expatriate workers live and where one finds the private sector's branches 'most greedy in manpower' (like construction or manufacturing). To understand this point, it is important to analyze first the relations between the political and the business elites.

According to the definition given by Giacomo Luciani (Luciani 1987 : 69), the sultanate of Oman clearly fulfils the conditions defined for an '*allocation state*' : a state whose revenue derives predominantly from oil and whose expenditures are a substantial share of GDP. Nevertheless, it is very useful to compare oil-producing Oman with Kuwait or Qatar, following the study of Jill Crystal (Crystal 1995). The author explains to us that the development of oil production has led to the withdrawal of the merchants from political life. This social group historically presses its claims on the state. A tacit arrangement has occurred between the rulers and the trading families : a trade of wealth for formal power. The merchants have renounced their historical claim to participate in decision-making ; in exchange, the rulers have granted them a large share of oil revenues. A subtle but major difference emerges between the two countries : if in Kuwait the government has made a tacit promise to keep members of the ruling family out of business, in Qatar, because the merchant community was weaker and smaller than in its northern counterpart, the ruler has allowed the ruling family members to invade the merchants' economic territory.

Two main factors prevent this scenario from happening in Oman. It is central first to note that Oman is not ruled by a ruling family but by a man, whose close parents are very few in the top seats. None of them were present in Oman before 1970 and the coup d'état. Furthermore, the ruling family do not count more than seventy male members, a very small group compared to Kuwait's Al Sabbah, for example. Then, it has been impossible for the Prince to use them to fill all the political posts. Moreover Sultan Qaboos has inherited in 1970 a country he knows nothing about and in which he had no legitimacy basis at all. His room for manoeuvre towards the British was reduced to the minimum. The Dhofar's military campaign, in which he was personnally involved, gave him only short time to dedicate to the country's development during the first years of his rule. And the asserted validity of the sultanate of Oman, as a unitarian state throughout the 20th century, was not the matter of a so-called original *nation* in itself, bound around its sovereign. Paradoxically, the active opponents to Sultan Sa'îd bin Taymûr (1932-70), the father of Qaboos, grouped in a common reject of the system, were certainly the only ones to experience the feeling of belonging to an Omani community, mythified from abroad.

In this situation, sultan Qaboos could not do without relying on the historical trading families to consolidate its power. The most interesting phenomenon deals with the captation of important decision-making seats by members of these families. This phenomenon, which started very early, has been accompanied in the same time by the transformation of their trading positions into rentier economy advantages.

One of the most evident example of these old merchant families reconverted in Omani policy is the Zawawi family, originally from Hijaz, and whom we spoke earlier. The grand-father Yûsuf was an unofficial but influential adviser to sultan Fayçal, the great-grand father of Qaboos (Peterson 1978 : 73). Another prominent businessman present very early among the political leaders is Mohammed bin Zubayr, in charge from 1974 to 1982 of the ministry of Commerce and Industry. From that date, he occupies the post of personal adviser to the Sultan for Economic Affairs. His father was acting as minister of Justice for Sa'îd bin Taymûr until 1936 and then, became governor of Dhofar, the province in which the Sultan has spent the major part of his time. He is still now the leader of one of the biggest business group in the sultanate.

Two more examples can be given, among others available : first, Sa'îd bin Ahmed Al Shanfari, whose family is said to have been the first in Dhofar to call for helping the Sultans of Muscat. Sa'îd was minister of Oil and Gas from 1979 to 1996. He leads in parallel one of the biggest holdings of Oman. We can not cite these merchants introduced in decision-making without talking about the Al Sultân family, from 'lawâti' origin[5]. Their fortune was built, among other things, with rice and sugar trade between Kuwait, Oman and Karachi during the 20th century (Field 1985 : 158-173). Hajj 'Alî Al Sultân was the first president of the Consultative Council between 1979 and 1983. Since 1991, his son Maqbool is minister of Commerce and Industry. Nowadays more than 35 cousins are engaged in business in Oman within several prominent holdings (*WJ Towell*, *Mustafa Sultan*, *Jawad Sultan*).

If these examples are illustrations of the interference of business into politics, at his arrival, Sultan Qaboos has not seen as an interest conflict that his ministers develop their own business, personnally or through their relatives. For twenty-five years, only one

[5] The Lawâtiyya are a small Shia group settled on the northern coast of Oman for several centuries and whose origins are in Pakistan's Sind.

legislation has been passed in this matter. In December 1974, the sultan issued a law forbidding a member of the government to take participation in a private business in contractual deal with the government. An exemption was decided for the people already dealing with the government. In 1982, this law was extended to relatives, but with the same exemption.

Several oral accounts set without ambiguity that Sultan Qaboos saw the possibility for his ministers to make business in a very favorably way at that time, as a means for him to insure their loyalty. Among them, *sayyid* Hamad bin Hamûd Al Bû Sa'îdi, member of the Al Bû Sa'îdi tribe but not from the Al Sa'îd royal family, was long-time secretary of Sultan Sa'îd bin Taymûr. In 1970, he moved into the close circle of Sultan Qaboos and was appointed minister in charge of the Diwan from 1974 to 1986. During the same time, *sayyid* Hamad became businessman, associated with the group al-Fouttaym of Dubai, and owner of *Sabco*, one of the major holdings of Oman. Many other examples can be developed here, from diverse categories of sultan Qaboos' fellows. We can cite here former opponents coopted by the new regime, like Yûsuf bin 'Alawi, former leader of the Dhofar Liberation Front during the war and acting as minister of Foreign Affairs since 1982. Besides, he is very active in the business field, by the intermediary of his two sons. Another example of coopted family is given by the Khalîli family, prominent actors of the Imamate during the 20th century. One of the nephew of the last powerful Imam (*shaykh* Sa'ûd bin 'Alî) owns the major holding *al-Taher* created in 1973, sponsor of Coca-Cola and Shell companies in the sultanate. Among the other members, *shaykh* Sâlim bin Hilâl, son of one the last Imam's nephew, has been appointed minister of Agriculture and Fisheries in May 2001.

Another category of Sultan Qaboos allies, both present in business and politics, is embodied by leading tribal figures, like *shaykh* Hamûd Al Harthy. Former minister of Agriculture and Justice, he has occupied the post of State Council's president from 1996 until its death in March 2004. He has built one of the biggest groups in Oman, specialized in banking and shopping malls. *Shaykh* Sa'îd bin Sâlem Al Wahaybi, former president of the Diwan, or *shaykh* Al Hûsni, holder of ministries chairs from 1991, have similarly used their political position to build their own business group in the same way.

With the promulgation of the Basic Law in 1996, the first serious obstacle to these mutual interferences between business and politics has been settled. The article 53 sets that no member of the Council of ministers can cumulate its ministerial duty with the chair or membership to a board of any private company. Moreover, it is forbidden for the administration they rule to deal with the societies in which they have interests. This decision was warmly welcomed in Oman but it concretely did not lead to disruptions in the government organisation. The best example is the appointment in December 2001 of the businessman Juma‘a bin ‘Alî bin Juma‘a, chairman of *al-Ansari* group of companies, to the new ministry of Manpower.

Never before the end of the nineties, the leading trading families and the financial situations born after the coup d'état were forced to choose between financial wealth and politics. The oil rent has deeply benefited these categories, who have built or consolidated their economic positions in the after 1970-Oman. What is more original, regarding the other Gulf countries, lies in the fact that Sultan Qaboos gave them the formal decisional capacity to dictate the economic orientations of the country. If the Sultan has never let anyone have a look on the last decisions in financial or defence matters, concretely the political authority appears fragmented, and autonomous department fiefs are able to exist, especially that Sultan Qaboos does not have the inclination to intervene in the day-to-day political decisions.

Thus, a major interest conflict lies in the confusion of political and economic powers in the same hands. The leading political figures of the regime have to reconcile the general interests that these thinking people have to promote (like the omanisation official 'national chalenge') and the particular interests they defend, as businessmen. Whereas several sectors, like oil industry or banking, reach high rates of omanisation, the total size of Omani workforce registered in the private sector in July 2004 stood only at 12% of the total, so very far from what has been planned several years before. If the number of active Omanis rises continously in the private sector, the number of expatriates goes up in parallel because the job positions are doubled. The manager of a company of catering for oil industry explains : "*It is fifty per cent more expensive to have an Omani employee than an Indian one, at equal job and conditions of work ; it's not possible to replace exactly one Indian by one Omani. An Indian worker, you can ask him to stay two years night and day in the oil site in the desert for thirty-five rials per month. An Omani one, it is not possible to constrain him to do the same because he has a family and he will ask to come back from Wednesday night to Saturday morning in Muscat and you have to pay him 120 rials, accrding to the law. So I prefer paying an Omani employee and ask him to stay at home, and keep the Indian guy working. And I talk only about an unskilled job...*"[6].

[6] Interview, Muscat, April 24th, 2004.

Every year in the private sector, ten thousands more Omanis are hired, compared to thirty thousand more expatriates. More than one active Omani up to two earns an average salary under 120 rials per month (Sultanate of Oman 2002). And official estimations deal with more than 60 000 Omanis under the age of 24 to be unemployed (*Middle East Economic Digest* May 2nd, 2003).

To conclude, it is necessary to say that the success of omanisation – and necessarily, of diversification of Omani economy – is directly linked with the mutual interference between decision-making and economic sectors. The law passed in the Basic Law in 1996 reveals the high concern of the government but concretely everything remains to be done.

Two other factors will not miss to give this question more and more centrality in the next few years. Until now, the authorities have succeeded in delaying the problem by using the public sector as a safety valve. In particular, they tolerated a high degree of nepotism in the bureaucracy positions. It was the way for the heads of the administration to promote the recruitment of people from their own ethnic or tribal group. This leads to the attribution, in an informal but actual way, of complete administrative sectors to this or that solidarity group, according to the identity of its heads. For example, the Shanfari tribe is still overrepresented in the ministry of Oil and Gas, whose head has been Saʿîd Al-Shanfari. The same situation explains the importance of people from Balushi origin in Omantel or from the Ibadi interior in the administration of Sultan Qaboos university or in the ministries of Interior, Justice or Religious Affairs. Nevertheless, the government sector is now overloaded and the average age of public employees is very young. So the capacity to extend or renew the public manpower is very tight.

Another heavy challenge faced by the authorities is the evident shift in the country's oil history. During these last three years, the high oil prices have hidden this trend. But from the beginning of 2001, Oman witnesses a sharp decline in oil production. For the first eleven months of 2004, the production declined by 18% to the same period in 2001 (782 000 barils per day against 955 000). In spite of it, oil revenues (without gaz) still represents 71% of the total revenue of the State and 42% of Omani GDP.

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