

CHALLENGES FACED BY HUMAN CAPITAL WITH REFERENCE TO LABOR MARKET IN OMAN

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Abstract

This study is focused on the Omani youth, who are facing the challenges against unemployment opportunities. Oman is an Oil rich country and is advanced in terms of infrastructure and education standards. The crime rate is very minimal, and the Sultanate is very keen towards the economic and social growth and development of its nationals. However, a crash in the Oil prices, the main source of revenue on which the nation depended upon lost grounds and focus changed on sectors other than 'oil and gas' for a sustainable development. Apparently, the population and education standards have seen a steady rise over the period which questions the labor force about their work readiness, the citizens' attitude towards public and private sector opportunities which imposes a threat to income thereby joining the unemployment cadre in the country. The Government's role towards achieving the vision and mission, the nation is observing ways to diversify its revenue generation schemes, raising education standards to international levels, reforming private sector, and replacing imported workers (expats for skilled and unskilled work) with Omanis, encouraging small and medium entrepreneurs, etc., to deal with the problem of unemployment. The study is based on secondary data through various research papers, journals, and government reports to study the rate of unemployment, causes behind this problem and the Government measures and major reforms to address its labor market conditions prevalent in the economy.

The details and facts in this paper are systematically arranged to benefit the policy makers, economists, researchers, academicians for a comparative study of Oman with other economies and readers who share common interests in these topics.

Keywords: Challenges; Human-capital; unemployment; Labor Market

Introduction

According to a survey conducted, the unemployment Rate in Oman averaged 18.15 percent from 1991 until 2017 (Moza et al..., 2018). And in the year 2020, the unemployment rate in Oman increased to 5% according to the annual report published by the Central Bank. As an indicator of

the economy's growth and standard of living, (un)employment rates are considered as it correlates with income, education, production levels, price checks, health standards, etc. Hence when unemployment rises, the challenges with all other indicators rise as well.

In economics we might have learnt 'the problem of choice or scarcity of resources', which is the root cause for all important decisions to be made by us humans. For those who are not sure, what is the problem of choice or Scarcity? It means that we all have 'limited resources' and unlimited wants. That is why we face the problem of choice and alternative solutions to our rising demands. On the contrary, Oman, found its oil reserves in much recent time period about 1964 when compared to Saudi Arabia and other Gulf region, and nullified its source of income to the country to Oil reserves alone, which bears an unstable future since the oil prices went down (Gabriella Gonzalez...et al. 2008). Oman, like other Gulf economies depend largely on their uncertain oil reserves and is a middle-income economy. Due to its labor force, which is rapidly rising and oil reserves declining, the Government authorities have considered alternative solutions to diversify its sources of income, thoroughly focusing on industrialization and privatization, which impacts' reduced the contribution of Oil sector's GDP to 9% only in 2020. Increasing number of Omanis joining the workforce in public and private sectors, tourism and gas-based sectors are playing a key role in Oman's diversification goals. In spite of several measures the Government faces constant challenges to absorb the workforce, increased social welfare benefits in the form of a deficit budget in an effective way, shows how hard the Government is working to make both ends meet (Yasir Y. Ali...et al, 2017).

Background of the study

Since the year 2011, Oman witnessed demonstrations in many of its towns, over the outbreak of unemployment and austerity measures, giving rise to public anguish. The Government was already facing budget deficits in order to overcome the Oil crises and hence maintain economic stability. The public anger over employment and salary hikes, forced the authorities to postpone austerity measures, which in turn will lag their progress through the Medium-Term Fiscal Plan (MFTP) for 2020-24, which the people of the country failed to understand (The Economist, 2021).

If one looks at the map of Oman, one will know that it is situated at the entrance of the middle east region, has a unique history and economic progress when compared with other Gulf countries. It had obtained freedom from Portuguese and other foreign explorers somewhere in the middle of 1700, switching solutions between trade and expansion (Cecil, 2006). Under the strong leadership of the ruler, the policy makers recognized the dwindling future of the nation due to its dependence on Oil reserves which would get depleted, and soon started to promote steps for sustainability and employability of people through wise reforms in the education system and labor markets.

It was then back in the 90s the sustainable development program started and vested interest in other sectors such as agriculture, fishing. The beauty of Oman was promoted by building a tourism industry and developing industrial parks to increase exports in consumer goods, as an alternative to declining oil exports (Gonzalez... et al ,2008).

The oil price crash in the year 2014, burdened the Nation with huge public-debts, and the country relied on austerity measures including reduction in ‘utility subsidies’, introduction of Value Added Tax (VAT), etc.

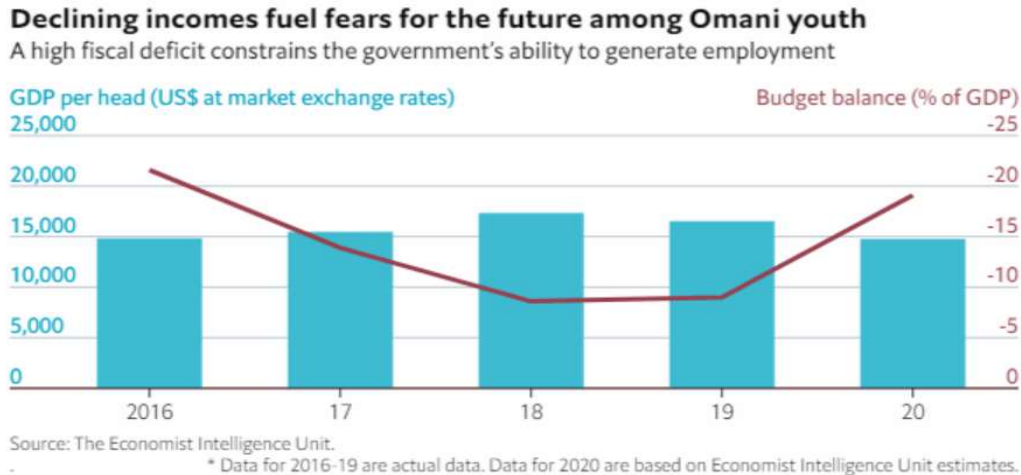


Fig. 1

The above chart shows clearly, from 2016 – 2020, how GDP has been declining along with a steady decline in the state of balanced budgets. The World Bank and International Labor Organization have also acknowledged the increasing unemployment to 10%, which is very high. The Government was forced to cut the subsidies that were provided to the citizens for water, electricity and the Pandemic ‘COVID-19’ has just added fuel to the fire. Due to the slow down of the total global front, Oman is not an exception. It forced many public sector employees to retire and the private sector was unable to absorb even a considerable amount of workforce.

Different variables such as, population growth, employment rate, gender discrimination, health standards, infrastructure, technological developments, etc. indicate a country’s economic growth. The monetary and fiscal policies aim at monitoring these variables for a stabilized economy and balanced growth which tries to reduce income disparities, and vice versa. However, every economy, despite its planned policies, fails to sustain in the business cycle of full employment levels and slips into the trap of unemployment. Because unemployment is a macroeconomic problem which is inevitable by the world, and the world is constantly looking for solutions as it has social and economic effects in an adverse way (Turgut...et al. 2021).

Among all the socio-economic problems, Oman is facing a steady rise in unemployment and thereby it is the focal point of study in our research paper. People who remain unemployed tend to look out for the right income to sustain their living, either in the public or private sector for a suitable job (Moza et al..., 2018). For a complete information of this problem one must understand the meaning of unemployment, factors that influence employment, etc. The International Labor Organization (ILO), states ‘unemployment as a situation where those people who are suitable for work but are unemployed and actively in the workforce are searching for work.’ And other international studies state that people who are willing and suitable for work but do not have a job and are searching one, they join the unemployed workforce and according to European Union;

people those who have registered with employment offices and institutions who support labor force, are actively ready to work however do not find a job (Unal, 2019).

The purpose of this paper is to study the unemployment problem of Oman, the main reason being the ‘Gulf Paradox’ (oil price crash) and the nation’s huge dependence on this sector, and stranded the country with a huge unemployed population. With this hit, there were very strong decisions under the great leadership of the ruler Late. Sultan Qaboos bin Sayeed, the policies underwent a huge diversification of public and private sectors, raising the education standards of primary and higher education systems and other labor market changes prioritized localization of job opportunities in both public and private organizations. The study comprises Literature review and data from secondary sources available from domestic and international acclaimed resources, with a Theoretical and conceptual framework followed by a beneficial conclusion highlighting the findings and reforms that might have positive implications to the existing research.

Literature Review

The absence of ‘involuntary unemployment’ is referred to as full employment. On the other hand, unemployment refers to an involuntary state, where people who are willing to work at the prevailing wage rate are still unable to find work. People who are eligible to work, however choose not to work for different reasons such as full time students, etc, or frictional unemployment are considered as full employment. All relevant data considered as indicators of unemployment in Oman such as population rate, workers in public and private sector, etc. are collected from the National Centre for Statistics and Information which shares authentic data for the benefit of its users. Omanization in the public civil sector is 85.5%. total population of Omani’s to expatriates reflects 57.5%. 2.1% Annual growth rate of real GDP per employed persons related to vision 2030. Total population is 4456, and 1.38 Expatriate workers in 2021

This section of the paper consists of old and new reviews which discuss the unemployment issues and Government measures to overcome this problem. In the events of Oman’s demographic reports updated in recent times, relevant data has been put together along with facts and reviews from various scholarly articles that address unemployment issues either related to Oman or the rest of the world, which can assist the policy makers in framing valuable moderations in their decisions. Professor Keynes and Pigou are key names when it comes to ‘employment theories’, so their statements and explanations have been imbibed in this paper which can reach everybody who reads this paper, in the form of theoretical framework and conceptual framework. Keynes argued against ‘wage cuts’ as not a solution to the problem and ‘excessive savings’, a worst threat to unemployment. Though the expositions are merely from a theoretical perspective they are largely accepted within the economic sphere. (Agell & Lundborg, 1999).

Since 2019, the Middle Eastern countries have shown a decline in Gross Domestic Product (GDP) which is slower than the growth of 0.7% observed in 2018. And moreover with the oil price crash Oman being one among the Gulf Cooperation Council (GCC) which was hit terribly (ICAEW, 2020). Talking specifically about Oman, it has gradually shown progress in the last 50 years due to primary dependence on Petroleum and its by-products, however, its budgetary deficit increased

along with GDP touching 9% apparently increasing Government debt (Chaudary & Paquibut , 2021). The dependency on Oil and Gas alone, for economic returns and social progress seems one of the major factors behind the country’s unemployment situation. According to the IMF Report there was no economic growth in Oman (Reuters, 2019). Unemployment is the greatest challenge for Oman, as it shows 49% high during 2019 (World Bank Group, 2019). Going back to Oman’s history, the nation relied upon foreign labour, skilled and unskilled, at a very cheap wage rate that did not attract Omani nationals. This paved the way for huge outflow of income from Oman, without any benefit in transfer of knowledge and technology, as negative consequences of hiring foreign workers (McElwee & Al-Riyami, 2003).

Therefore in the concluding summary challenges of unemployment in Oman, focusing upon the factors that are responsible for unemployment, the real challenges which the Nation faces and how necessary measures have been taken through employment creation programs and policies which can benefit the citizens of Oman and relieve the economy from this viscous trap, in the form of implications (Calmfors & Holmlund, 2000).

The Classical view vs. Modern View

The classical economists comprising J.S. Mill, David Ricardo and J.B. Say and their Classical followers are of the opinion that the economy attains full employment with total output, and they fall below equilibrium level only temporarily. The existence of a free market mechanism, such as flexible wage rates and prices would determine full employment levels in an economy.

Say’s law of markets, insists on ‘Supply creates its own demand’ lies on two assumptions. 1) production generates income for labor which thereby leads to demand for goods. 2) Flexible wage rates can impact aggregate expenditure, and flexible interest rates would adjust automatically depending upon the demand for money would remove unemployment in the economy.

Therefore, the classical thought, believed in aggregate supply which leads to aggregate demand, where income is spent on consumption of total production, brings about full employment. The theory insisted that the household’s income (Y) is not fully spent, they save (S) a part of their income and the rest of it they consume (C). The equation can be as follows:

$$Y = C + S \text{ or } S = Y - C$$

Hence



Saving = Investment at equilibrium interest rate or $S = I$

This Say’s classical theory was accepted until ‘Great Depression’ in 1930’s, when the theory failed to provide a practical solution to increasing unemployment, falling prices, and failing firms, with a huge decline in National income. And in the case of Oman or other Arab countries there is huge oil supply and huge investments have been incurred and it is very clear that supply did not create its demand, and we see steady rise in unemployment.

By then John Maynard Keynes, wrote a book ‘General theory of Employment, Income and Money’, in which he strongly condemned the classical theory of full employment, and said, the assumption of full employment is unrealistic. He straight away denied wage cuts as a solution, on

the contrary, people would curb their expenses with reduced wages, leading to less savings and low investments in the economy.

Theoretical Framework – Keynesian theory of effective demand, income, output and employment.

We have to see the relationship between different variables such as effective demand, output, income and employment as Keynes assumes all these four are equal (Chand, 2021). Therefore, Keynes regards employment as a function of demand. As his emphasis was on aggregate demand, his theory can be stated as ‘demand-deficient theory’. He proclaims his theory to be “general” as it can be related to any point of time by any economy going through unemployment problem, shows how his thoughts were in advance of his times, in his book ‘ General theory of income, employment and money’ in the year 1936 (Muley ,2021).

To begin with his concept, he held the demand to be responsible for employment or unemployment and always believed in a short run approach. He doesn’t favor long run situations and states, “in the long run we are all dead”. He explains employment can be high or low based upon National income and output of an economy. Higher the output or income of the economy, higher is the employment rate and vice versa. To determine employment, we must also determine income and for this one has to understand effective demand. The total demand for goods and services for consumption and investment by the people at various levels of employment is known as ‘effective demand’. In other words, it is the sum of total expenditure on Consumption (C) and Investment (I) at a given time in an economy is effective demand.

The theory is built on a two-sector model of households and government, where demand from both households and Government and investments are fulfilled by economic activities. The demand results in production of all kinds of consumer and investment goods which employs the workforce and generates income and employment opportunities constitute effective demand. Therefore Effective demand the sum of;

$$C + I + G$$

Here,

C stands for Consumption, I stands for Investment and G stands for Government expenditure.

Keynes explains his theory into different three important variables responsible to fight unemployment and depression. i) aggregate demand and ii) aggregate supply and iii) Investments. Aggregate demand means the total demand in an economy for goods and services. Aggregate demand in turn means total consumption of goods and services produced in an economy, all it is the rising demand which helps in increasing production activities. Thereby, the aggregate supply in the economy is assumed to be stable and cleared by aggregate demand. According to Keynes Aggregate Demand results in creating employment opportunities for the people.

In the production process the producers purchase raw material and hire more and more workers as long their profits exceed costs. Therefore, increased consumption levels stimulate investment. Aggregate demand is the sum of consumption and investment requirements in the economy.

By now it is clear that effective demand stimulates higher levels of employment rate and makes it clear that, equilibrium level of employment is a point of intersection between aggregate supply

and aggregate demand and by no means be misinterpreted as full employment in an economy. The economy may not necessarily attain full employment because there are various types of unemployment in every economy. Hence, Keynes appreciates the entry of Government in this scene and acts with appropriate remedial measures for the unemployment problem. The society cannot ignore the contribution of Government interference in not only framing policies, but also through its huge investment expenditures on the public projects and privatization incentives.

This is referred to as the ‘multiplier effect’, that explains how public investment expenditures and private investments would bring about a large impact on income, output and employment. This is explained further with the help of a diagram below:

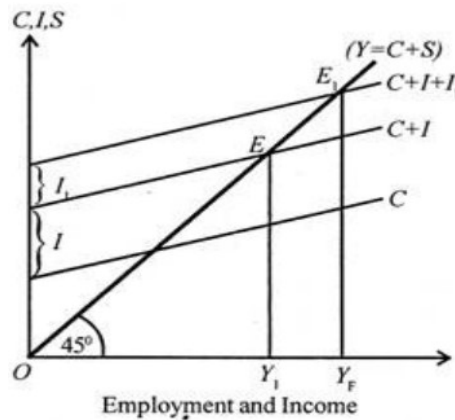


Fig. 2

From the above Figure 1., employment and income are marked on X-axis and consumption, investment and savings (C, I, S) are marked respectively. The 45° degree upward sloping line denotes income(Y) is the sum of consumption (C) and savings (S). With the increase in income, C + I curve I shifts upward to I₁, which intersects with increased income Y₁ at point E. With further increase in C + I + I₁ the economy attains full employment level at E₁.

Keynes denotes, increased consumption or investments leads depends upon income C(Y), when increased production due to increased demand of products and services will increase income. This income will not be totally spent on consumption alone. People will save a part of their income. Apparently, increased incomes will lead to increased savings.

Consumption levels depend not only upon income levels but also on the propensity to consume. Propensity to consume depends upon taste, psychology, wants, social factors and habits that is resulted from distribution of income. Keynes assumes these factors to remain constant in the short-run. That is why Keynes blames large volumes of investment to be the prime factor for increasing employment levels. Therefore, the rate of interest has to be low so that producers can borrow cheap finance and continue their productive activities.

In this study we have noticed that the classical theory of ‘supply creates its own demand’ , does not hold true, whereas the Keynesian theory of employment has practical implications, with Government interaction with regards to investments and expenditure.

Unemployment The Biggest Challenge – Options that remain with the economy

The rate of Unemployment is on a rise, imposing a serious threat to Oman’s economy. With the events of demonstration due to anger of unemployed Omani youth under 25 years of age, Oman’s News Agency reported, a promising number of 32000 jobs to be created in 2021, which has just met 12000 jobs. The option here remained with the Government was to force retirement of existing employees who were aged, and replacing expat workers from various sectors in the overall country, resumes a no solution to the citizens. The Nation calls it Omanization policy.

Simultaneously we cannot ignore the rising population of Oman at a very rapid pace (Shah, 2008; Kapiszewski, 2006, UN, Department of Economic and Social Affairs, 2009). According to the National Centre for Statistics and Information, in its August monthly bulletin 2021, shows trends and recommendations in preview of the local conditions states as follows: Omanis of the total registered population which includes different governorates and nationality.

1- Total Population Registered By Governorate And Nationality

Item	نسبة التغير Changes يوليو/ يوليو Jul/Jul (21/20)	2021						نهاية ديسمبر* End of December 2020
		يوليو Jul			يونيو Jun			
		الجملة Total	وافد Expatriate	عماني Omani	الجملة Total	وافد Expatriate	عماني Omani	
		No.						عدد
by Governorates								
- Muscat	-6.79	1,286,706	736,193	550,513	1,298,396	748,794	549,602	1,306,055
- Dhofar	-5.53	413,180	194,864	218,316	416,082	198,136	217,946	417,520
- Musandam	8.91	49,099	14,361	34,738	49,267	14,595	34,672	49,135
- Al Buraymi	9.10	121,254	47,468	73,786	121,929	48,262	73,667	122,042
- Ad Dakhliyah	-1.10	480,013	110,841	369,172	481,243	112,720	368,523	479,355
- Al Batinah North	1.66	785,045	227,870	557,175	787,965	231,724	556,241	786,154
- Al Batinah South	7.45	467,028	110,642	356,386	468,256	112,499	355,757	466,424
- Ash Sharqiah South	0.18	315,767	87,834	227,933	316,858	89,308	227,550	316,136
- Ash Sharqiah North	-1.61	271,947	78,153	193,794	272,934	79,466	193,468	272,365
- Adh Dhahirah	-2.74	213,739	49,318	164,421	214,286	50,153	164,133	213,405
- Al Wusta	2.94	51,758	26,472	25,286	52,157	26,908	25,249	52,451
Total Population	-1.60	4,455,536	1,684,016	2,771,520	4,479,373	1,712,565	2,766,808	4,481,042

*Reference Date 1/1/2021

Table 1

From the above Table 1 it is clear that Omani nationals' population rate is higher in comparison to the expatriates. The figures from June to July 2021, show that Total population was 4,479,373 out of which 2,766,808 were Omanis and 1,712,565 were expats and quickly in July the figures show the total going down to 4,455,536 because Omani nationals increase to 2,771,520 and expats decreased to 1,684,016. This shows that Omanization is progressing at a faster pace to reduce the expats occupying the labor market and appoint Omani citizens as a measure against unemployment. Among the overall drive for Omanization, a focus on women, as 50% of women, play a ‘vital role’ in human resource, shifting an emphasis in the process of diversification of resources (Khoury and Moghadam, 1995).

However, due to improved fertility rates, and the public sector’s lack of potential to absorb the labor force, the country faces unemployment with freshers and female work force are on the top of the unemployment list (Shah, 2008).

From the demographics recorded on National Center for Statistics & Information, the monthly growth in population is 4456 in July 2021 (Indicator Details (ncsi.gov.om)). The table given below shows the total workers, Omani workers and expatriates working in Government and Private sector over the period of 2016 – 2020.

Descriptor	2016	2017	2018	2019	2020
Total Workers	2,255,409.00	2,266,440	2,213,438	2,157,807	1,879,610
Omani	429,806.00	434,368	447,942	465,226	448,393
Expatriate	1,825,603.00	1,832,072	1,765,496	1,692,581	1,431,217
Government Sector	233,561.00	232,063	231,593	237,363	223,968
Omani	195,937.00	195,680	195,810	202,893	193,639
Expatriate	37624	36,383	35,783	34,470	30,329
Private Sector	1738805	1,741,496	1,687,285	1,920,444	1,655,642
Omani	233869	238,688	252,132	262,333	254,754
Expatriate	1504936	1,502,808	1,435,153	1,658,111	1,400,888

Source: National Center for Statistics & Information (data.gov.in)

Table 2

In the year 2020, Oman had a total population of 4603 Million, out of which 2702 are Omani Nationals and the Expatriate community is 1901. This ratio is quiet alarming to the citizens of the country and is considered the most critical factor for their unemployment. All efforts have been taken by the Government for employment of Omanis in the private and public sector in order to employ Omani nationals to respond to the unemployment problem.

Omanization policy has been regressively adopted as a sustainable development strategy. Once upon a time, with the discovery of oil reserves, Oman could afford cheap foreign labor and over the period depended hugely on expatriate workforce. And today with rising unemployment it is eliminating expats for creating jobs to its citizens (Zerovec, & Bontenbal, 2011)

The final challenge with respect to unemployment, notices a cut down of subsidies, which the citizens had been enjoying over a Golden period. The citizens received numerous subsidies in various forms. A few are utility subsidy, subsidies in water and electricity bills, etc, under the tag of cost-free public services which are not entitled to foreigners and quota-based system and incentives to companies for hiring nationals in order to increase employment benefits, and increasing nationals in public enterprises, etc (Maloney 1998, Ruppert 1999; Randeree, 2009 as cited in Zerovec, & Bontenbal, 2011). The option left in the hands of the Government is for the authorities to embrace ‘budgetary deficits’, this is seen as a common, yet practical measure to combat short term employment. However, the Nation has seen deficits in its budget, reported to be 11. 5% in 2021, when compared to 2020 which was 19.1%. The country struggles to maintain a balanced budget and runs on a deficit with rising public debt (The Economist, 2021)

Reforming higher education system and training and reforms in labor market and economic conditions:

With the challenging reasons for unemployment in Oman, various reforms have been reinforced in all socio-economic factors. A heavy emphasis has been implied on higher education systems and training and reforming labor markets and economic conditions (Gonzalez, 2008). There is a gap between the skillset of the available labor force and job profiles in the public and private sector, on the basis of which the nationals don't find a suitable position for their incomes. As a result, education is considered the foundation of Human resource, the reforms must begin from there. The country's leadership has highly prioritized the education system and hence made the nationals access a better quality of education system, starting from the primary level, then secondary level to higher education level along with training in order to strengthen their labor force. Not only this, but the subjects like English, Science and Math, computer knowledge standards have been raised to international levels at secondary and higher education levels. In primary schools, the curricula have also undergone modern international reforms with a bilingual curriculum (Arabic and English), with improvised assessment patterns as well as raising the qualification of teachers. Most of the colleges and universities have international accreditations and scholarship programs to increase the benefit to the students for a sustainable labor force. On the other hand, reforms in the training system such as linking higher education with industrial training/ internships would certainly equip the students with a practical learning experience which would act as a boon to their skills.

On the other hand, it lays strong emphasis to strengthen the labor market to be able to absorb the labor force the government has to provide some sanctions and incentives which will benefit the private sector. By doing so the private sector would absorb a huge local labor to fill in their vacancies instead of importing labor from other countries. As it is quite obvious that there lies a vast difference between the public and private organizations, the Government must constantly check and eliminate these differences and create an attractive private sector in terms of remuneration package, in turn leading to more nationals filling up these potholes. By this way labor market conditions might improve employment thereby improving economic conditions of the country as resources are diversified in various sectors than depending upon just oil and gas. Tax relief and attractive incentives to foreign companies would attract foreign investments and opening up of free zones would increase business opportunities and increase economic activities as well.

After getting an insight from the available data it is sure that the Government of Oman is constantly aiming to fill the gaps which interrupt economic development and hinders sustainable opportunities of its nationals. It has by far tried and is succeeding the diversification program such as many SME programmes to encourage existing entrepreneurs as well as, new entrants through start-up capital, namely, Self-employed and National Autonomous Development (SANAD); INTILAQAH – A SHELL Social investment initiative that drives training courses and engages in counseling future entrepreneurs and Funds for the Development of Youth Projects, provides equity finance for youth development projects as the name implies (Al Hashmi, 2009:36-40). Various programmes are funded basically to motivate, diverse entrepreneurial opportunities to Omani youth, which in turn will increase employment to more people.

Apart from encouraging the SMEs there are many measures to check and control with a number of committees set up through government, some of them are: The High Committee for Vocational Training, The Ministry of Social Affairs, Labor and Vocational Training, The Chamber of Commerce and Industry, and The Omanization Follow-up Committee, whose main goal align the Omanization process without deviations in their objectives (Al Lamki, 2000). Although these entities are centrally governed by the government, it consists of voluntary involvement of private sector representatives in their Follow-up Committee, which also includes Civil Society Organization such as Omani Women's Association (OWA) While the policy is centrally steered by the government, representatives of the private sector are also members of the Follow-up Committee. However, other stakeholders, including civil society organizations, Tawasul, etc. (Zerovec, & Bontenbal, 2011)

Findings and Conclusion:

Oman calls it 'sustainable development', we shall look at the two major sectors namely, the public sector and private sector who are responsible to absorb the workforce (Chuka Ede...et al, 2013). Examples of Public sector attraction can be short working hours, job security, salary benefits, etc. which do not prevail in private sectors predominantly (Shah, 2008). In general, the public sector is generally viewed to be more appealing for many Omanis. In order to enhance Omanization and make the private sector more appealing to Omani jobseekers, it needs to align its employment standards with those of the public sector (Zerovec, & Bontenbal, 2011). Despite constant government initiatives to open up jobs in the private sector, Omanis get attracted towards lucrative jobs offered in public sectors.

While a large share of revenue depends upon the exports of a country, Oman among the GCC expected a sharp decline of oil exports from 6% - 12%. Talking about exports one cannot turn down the Vision 2030, where the Travel and Tourism Industry is very prominent in which the Government vested its interest. And with the onset of COVID-19, this was the first one to get weak (ICAEW, 2020.) The Economist, states that non-oil based sectors have generated very depressing revenue since the outbreak of COVID-19, as most of the industries relied upon businesses which in turn could not help it due to lockdown and travel restrictions, and the government revenue was diverted in aid of 'post-pandemic recovery'.

In the year 2006 itself, The World Bank classified Lebanon and Oman as 'middle income countries' in the economic development stage when compared to Qatar and UAE because of their large industrial base, therefore classified as 'HIGH INCOME' by the World Bank studies.

According to the Arab Human Development Report towards the United Nations Development Programme in the same year for the call to build a "knowledge society through economic and technological transformation. It also highlighted the deficiencies in education and workforce mechanisms through the Gulf. A very notorious point realized for overall development of these countries was through an ideal diversification which is built away from the oil and gas sector, expansion of private sectors and adopting entrepreneurship.

While summarizing the challenges, we shall also throw out some important reforms initiated by the government which have already been implemented or in the pipeline in the light of available data. We also observed the importance of policies which are an integral part of reforms which are helpful to the countries lying in this region and the rest of the world as a lesson learnt.

Micro economic models consider migration as the heart of Oman's history and an investment in human capital (Sjaastad, 1962; Todaro and Maruszko, 1987, De Bel-Air,2015). The country found its oil reserves in 1930, economic conditions forced many less skilled and less educated citizens to migrate to their neighbourhood for livelihood and it was in 1964, that oil was exploited in real means and Petroleum Development (Oman) Ltd. (PDO) started production in 1967.

In 1970 when Sultan Qaboos was throned as a ruler, a rapid development process was seen in history, and the nation's dependence on non-nationals for skilled and unskilled labor force called in reversed migration of Omani Nationals back to their own country, as the labor market flourished.

The Human Development Index (HDI) projected the fastest economic growth over 40 years' time period, according to the Human Development Report of 2010 (De Bel-Air,2015). The fall in the oil prices during the 1990s, encouraged a Five-year development plans and diversification of resources for a sustainable development, and nationalization policies began to emerge.

Attractive public sector units when compared to private sector. The remuneration package which the public sector provides is far better than the private sector, so nationals feel privileged to work in the former than the later or prefer to stay unemployed until they get into the public sector. The shift to private sector development was noticed as a part of human capital reforms, and was considered equally important to fight unemployment. Private sector was incentivized, and their visa clearances, or any other government approvals depended purely upon their obedience to abide by Nationalization laws corresponding to the Ministry of Labor.

The Table 3 below is taken from government data, which shows how the diversification programs have generated income from various sectors other than oil, which leads to various sources of income and livelihood to the Citizens of Oman.

Table 3 – Gross Domestic Product at current prices

CHALLENGES FACED BY HUMAN CAPITAL WITH REFERENCE TO LABOR MARKET IN OMAN

Item	نسبة التغير Changes % (21\20)	الجملة في نهاية مارس Total at the End of Mar		يناير - ديسمبر Jan. - Dec. (1)2020	البيان
		(1)2021	(1)2020		
		Mn. R.O.	مليون ر.ع		
1. Petroleum activities:-	-20.6	1,927.8	2,428.3	7,377.6	1. الأنشطة النفطية :-
- Crude Petroleum (2)	-22.4	1,607.0	2,070.1	5,896.8	- النفط الخام (2)
- Natural Gas	-10.4	320.8	358.2	1,480.9	- الغاز الطبيعي
2. Total Non Petroleum Activities	5.7	5,728.3	5,418.9	21,549.7	2. إجمالي الأنشطة غير النفطية
2.1 Agriculture & Forestry & Fishing	-11.9	167.8	190.3	751.7	2.1 الزراعة والحراجة وصيد الأسماك
2.2 Industry Activities	5.7	1,479.4	1,399.0	5,774.3	2.2 الأنشطة الصناعية
- Mining & Quarrying	-37.7	23.9	38.3	254.2	- التعدين واستغلال المحاجر
- Manufacturing	23.3	669.2	542.5	2,120.7	- الصناعات التحويلية
Other manufacturing industries (3)	22.5	417.7	341.1	1,322.9	الصناعات التحويلية الأخرى (3)
Manufacturing of basic Chemicals	24.8	251.4	201.5	797.8	صناعة المواد الكيميائية الأساسية
- Electricity and Water supply; sewerage, waste management and remediation activities	8.5	170.3	157.0	841.5	- إمدادات الكهرباء والمياه وأنشطة الصرف الصحي
- Construction	-6.8	616.1	661.1	2,557.9	- الإنشاءات
2.3 Services Activities:-	6.6	4,081.1	3,829.6	15,023.8	2.3 الأنشطة الخدمية
- Wholesale & Retail Trade	16.0	733.0	631.9	2,364.7	- تجارة الجملة والتجزئة
- Transportation and storage	12.7	443.8	393.7	1,211.2	- النقل والتخزين
- Accommodation and food service activities	7.7	194.9	181.0	449.7	- أنشطة الإقامة والخدمات الغذائية
- Communication	-1.1	111.0	112.2	485.6	- الاتصالات
- Financial and insurance activities	6.3	521.7	490.6	1,906.5	- الأنشطة المالية وأنشطة التأمين
- Real estate, Professional and technical and Administrative service activities	2.2	525.7	514.4	2,088.4	- الأنشطة العقارية والمهنية والتقنية والخدمات الإدارية
- Public administration & defence	-2.3	662.6	678.3	3,042.3	- الإدارة العامة والدفاع
- Other services	7.4	888.4	827.5	3,475.4	- الخدمات الأخرى
3. Financial intermediation services indirectly measured	5.2	-207.5	-197.2	-799.5	3. خدمات الوساطة المالية المقدره بطريقة غير مباشرة
4. Gross domestic product at producers prices (1+2-3)	-2.6	7,448.6	7,650.0	28,127.9	4. الناتج المحلي الإجمالي بسعر المنتج (3-2+1)
5. Taxes less Subsidies on products	14.8	-59.1	-69.3	-422.7	5. الضرائب ناقص الإعانات على المنتج
6. Gross domestic product at market prices (4+5)	-2.5	7,389.5	7,580.7	27,705.2	6. الناتج المحلي الإجمالي بالأسعار الجارية (5+4)

(1) Provisional
 (2) Include Support activities for petroleum and natural gas extraction
 (3) Include Manufacture of refined petroleum products
 Note: The SNA data has been updated as follows:
 -System of National Accounts 2008
 -The International Standard Industrial Classification of All Economic Activities (ISIC4)
 -Base year 2018

(1) مبدئي
 (2) يشمل أنشطة الدعم لاستخراج النفط والغاز الطبيعي
 (3) يشمل صناعة المنتجات النفطية المكررة
 ملاحظة: تم تحديث بيانات نظام الحسابات القومية حسب الآتي:
 -تطبيق نظام الحسابات القومية 2008
 -تطبيق التصنيف الصناعي الدولي الموحد لجميع الأنشطة الاقتصادية التقيق 4
 - اعتماد سنة الأساس 2018

Source: National Center for Statistics & Information (data.gov.in)

It is obvious that economic policies have diversified its income generation from petrol based to Non petroleum industries such as agriculture, forestry and fishing, mining and quarrying, chemicals, electrification and water supply under sewerage and waste management and remedial activities, construction playing a huge role in tourism development, service activities such as wholesale and retail trade, transportations and storage which can be classified into logistics, accommodation and food services, communication, banking classified as financial and insurance, real estate, professional and technical and administrative services, public and defence administration and others.

The Pie Chart below helps us to see the contribution of GDP from the oil sector and other sectors in the year 2020-21.



Fig.3

Source: National Center for Statistics & Information (data.gov.in)

From the pie chart above we can make out that total petroleum activities have declined from 32% in 2020 to 26% in 2021 and other sectors showing a steady growth. The overall GDP provided by the Monthly Statistical Bulletin 2021, also says that the GDP estimated at about 7.4 billion OMR at market prices by the end of March 2021 vis a vis 20. 6% decline in value added by oil sector during the same period. Beneficiaries from Social Insurance – This indicator measures the ability of the state to include a number of people with a low standard of living. Approximately 74 people over 1000 will receive this benefit in 2019 (Ministry of Social Development).

Oman has seen a steady growth in population since the 1970s and 80s, who joined the unemployment pool in recent times. The rising standards in higher education, medical facilities and infrastructure, technology and innovation has instilled confidence thereby creating a huge labor force.

According to CEIC data, the population of Oman has increased to 4.60 million and the unemployment rate has seen an all-time high of 3.70% in 2020. Yet, growing disparities in income and labor markets have caused anger and anguish among the nation's population has forced the country into heavy fiscal deficits and postpone austerity measures of slashing down subsidies in response to unemployment. However, Oman's nationalization policies keep the 'nation first' attitude which makes it unique and appreciable, and we will constantly watch how the Oman Government tackles the problem of unemployment. Will it focus more on the manufacturing sector to absorb its labour force? Further studies can be carried upon the measures taken by the Oman government to fulfil its promises to unemployed youth towards the path of employment.

Conclusion:

From the above information and various studies we can reach to a conclusion that unemployment is always a concern for developed as well as developing countries and exists with various other factors such as educational reforms, diversification of resources, Government reforms in already existing policies, etc. While we realize the existence of various factors that impose challenges to human capital, the public should take up the responsibility of self sustainability such as acquiring educational qualification and skills in self-interest along with Adam Smith's so called invisible hand of the Government measures for investment and development will create many sectors for manufacturing different products either on a large or small scale, that will open up the doors for employment opportunities for the mass and the acceptance of any work suitable for sustainability. This will for sure have a positive impact on diversification of resources such as other sectors like construction industry which is booming in Oman, building tourism, fishing, feasible logistics which are currently very expensive, good education level, better standard of living that will eliminate discrimination and bring peace and equality among the entire population of the country.

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