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صندوق الحماية الاجتماعية
SOCIAL PROTECTION FUND

Unlocking the transformative potential of lifecycle social protection through an integrated and multi-tiered system

Summary report on the comprehensive reform of the social security system in Oman

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International Labour Office - Geneva
Social Protection Fund - Muscat

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Foreword

The pursuit of universal social protection is both a moral imperative and a cornerstone of sustainable economic and social development. Across the world, countries are seeking to build systems that provide income security throughout the life cycle, promote social justice, and strengthen resilience in the face of economic transformation and emerging risks. The Sultanate of Oman has undertaken bold and forward-looking reforms that offer a new reference for the region and beyond.

The adoption of Oman's new Social Protection Law marks a historic milestone in the country's trajectory. Developed through close collaboration between the Government of Oman, social partners, and the International Labour Organization, the reforms represent one of the most comprehensive overhauls of social protection systems in the Arab region in recent decades. By integrating contributory and non-contributory schemes into a coherent framework, the new social protection system aims to ensure that all people in Oman can seamlessly access adequate protection at different stages of life, while also supporting greater labour market participation, productivity and employment formalization.

The reforms demonstrate how social protection can be placed at the centre of broader economic and fiscal transformation. Oman's experience shows that strengthening social justice and maintaining financial sustainability are not competing objectives, but mutually reinforcing ones, when reforms are rooted in international labour standards, careful analysis and extensive social dialogue.

The establishment of a unified pension system, the extension of coverage to national and non-national workers across sectors and the expansion of provisions for maternity, sickness, unemployment and employment injury reflect a commitment to building a more inclusive and equitable society. The introduction of universal guarantees for children, older persons and persons with disabilities further reinforces the lifecycle and gender sensitive approach at the heart of the new system.

Importantly, these reforms also underscore the value of social dialogue and institutional innovation. The creation of a unified Social Protection Fund and the adoption of a single legal framework for all social protection benefits contribute to greater coherence, efficiency and transparency in governance. The inclusion of workers' and employers' representatives in governance arrangements reflects the principles of tripartism that are central to the mandate of the International Labour Organization.

This joint publication documents an important moment in Oman's journey towards universal social protection and achieving its Vision 2040. It highlights not only the technical dimensions of reforms, but also the vision and political commitment required to place people at the centre of the agenda. As countries across the region confront demographic change, labour market transitions and evolving social expectations, Oman's experience provides an important example of how rights-based and inclusive social protection systems can support decent work, social cohesion and sustainable development.

The ILO and SPF are proud to have collaborated on this process and remain committed to working together to advance universal social protection grounded in international labour standards as a fundamental driver of social justice for all.

Gilbert F. Houngbo
ILO Director-General

Prof. Mahad Said Baawain
Minister of Labour and Vice-Chairman of Social Protection Fund of the Sultanate of Oman

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Abbreviations

AWG	Average Wage Growth
CARE	Career-Average Revalorized Earnings
CBOPF	Central Bank Of Oman Pension Scheme
CEQ	Commitment To Equity
CSEPF	Civil Service Employees Pension Fund
C.102	Social Security (Minimum Standards) Convention, 1952 (No. 102)
C.128	Invalidity, Old-Age And Survivors' Benefits Convention, 1967 (No. 128)
C.168	Employment Promotion And Protection Against Unemployment Convention, 1988 (No. 168)
C.183	Maternity Protection Convention, 2000 (No. 183)
DRCPF	Diwan Of Royal Court Pension Fund
EOSI	End-Of-Service Indemnity
GDP	Gross Domestic Product
FGP	Frozen Guaranteed Pension
HIES	Household Integrated Economic Survey
ILO	International Labour Organization
ISSA	International Social Security Association
LER	Limited Economic Resilience
MENA	Middle East And North Africa
MOH	Ministry Of Health
MOL	Ministry Of Labour
MOSD	Ministry Of Social Development
MSSPF	Military And Security Services Pension Fund
NRA	Normal Retirement Age
PASI	Public Authority For Social Insurance
PDOPF	Petroleum Development Oman Llc Pension Scheme
PMT	Proxy Means Test
P0	Pillar Zero
R.131	Invalidity, Old-Age And Survivors' Benefits Recommendation, 1967 (No. 131)
R.191	Maternity Protection Recommendation, 2000 (No. 191)
R.202	Social Protection Floors Recommendation, 2012 (No. 202)
TAWAZUN	National Programme For Fiscal Sustainability And Financial Sector Development, Since Renamed As Estidamah
UAL	Unfunded Accrued Liabilities
UNICEF	United Nations Children's Fund
VAT	Value-Added Tax

1. Introduction

Oman is undertaking dramatic reforms of its social protection and fiscal systems. It is difficult to overstate the magnitude of these reforms: from fully revamping the tax and subsidy system, to completely restructuring the pensions and contributory social protection system, to an ambitious re-think of its approach to reaching the most vulnerable in society, including children, people with disabilities, older people and those outside the formal labour market. Non-Omani workers will see key workplace protections and a mechanism to plan and save for the future. Implementing these reforms will require the same level of focus and sustained commitment that was shown by the Government during the technical development of the reforms.

The Sultan of Oman, H.M. Haitham bin Tarik, issued Royal Decree No. 52/2023 on 19 July 2023, promulgating the Social Protection Law. The new legislation, developed with the support of the ILO, radically reshapes the country's social protection system and marks the culmination of an ambitious process led by the National Programme for Fiscal Sustainability and Financial Sector Development (Estidamah), formerly known as *Tawazun*.

Inspired by the goals expressed in its Vision 2040 document (figure 1), the Government of Oman has embraced improving wellbeing and social protection as central strategic priorities, with clear objectives for an integrated, effective, sustainable, and fair social protection system that caters for all, including vulnerable segments. Vision 2040 considers "sustainable and quality social services, such as healthcare and education, and social safety nets that ensure viable livelihoods for present and future generations" as key to achieving social justice and "cohesive, strong and peaceful societies".

Oman is undertaking dramatic reforms of its social protection and fiscal systems. It is difficult to overstate the magnitude of these reforms: from fully revamping the tax and subsidy system, to completely restructuring the pensions and contributory social protection system, to an ambitious re-think of its approach to reaching the most vulnerable in society, including children, people with disabilities, older people and those outside the formal labour market.

▶ **Figure 1.** **Objectives for wellbeing and social protection in Oman Vision 2040**

Source: OmanVision2040 (n.d.).

The Constitution of Oman also guarantees the right to social security, underscoring the central importance of social protection in the national context. According to article 15, "The State guarantees aid for the Citizen and his family in cases of emergency, sickness, disability, and old age according to the social security scheme. The State shall work for the solidarity of the Society in bearing the burdens resulting from national disasters and catastrophes."[1]

Fulfilling this right requires a coherent, efficient and effective national social protection system, although Oman has, historically, relied on fragmented programmes. In recent years, the contributory system has faced an urgent and growing risk of insolvency because of generous provisions and conditions, especially for civil servants, coupled with fragmentation. Government-funded benefits for those outside of the social insurance system have also been inadequate. At the same time, generous price subsidies, especially without a robust (direct and indirect) tax system, were increasingly recognized as fiscally unsustainable.

To meet these challenges, the Government set in motion, beginning in 2020, a landmark review and reform of national social protection, involving multiple, parallel workstreams. Development partners, including the ILO, supported Oman to develop a comprehensive vision for social protection. The work carried out for Oman formed part of efforts to support the achievement of Vision 2040 and the 2030 Agenda for Sustainable Development, in particular Goal 1 (no poverty), Goal 8 (decent work and economic growth) and Goal 10 (reduced inequalities), while also contributing to the ILO Decent Work Country Programme.

Since then, the Government has worked intensively with the ILO and other partners to give flesh to a vision of social protection that aligns with the country's objectives, as well as with key global objectives, standards and frameworks. Common objectives include:

- **a comprehensive and adequate social protection system** that integrates contributory and non-contributory instruments to address lifecycle risks and vulnerabilities in an effective manner, leaving no-one behind;
- **a sustainable financing model for social protection** that integrates financial resources from social contributions and general revenue to ensure solidarity and fairness and which, in combination with a reformed tax system, contributes substantively to the reduction of poverty, vulnerability and inequality;
- **a cost-efficient institutional and organizational framework** for administering and managing contributory and government-financed social protection benefits.

This summary report recounts the background, process and outcomes of the ambitious and comprehensive social protection reform agenda that sets Oman on a path to a more sustainable, equitable and effective system. The report is structured as follows: Chapter 2 introduces the key features of the new social protection system and its core components; Chapter 3 presents the background and context for reform, briefly outlining the key fiscal and other macroeconomic, policy, institutional, political and ideational drivers of the reform; Chapter 4 describes in more detail the key components of the new system, applying a "multi-tiered" framework (integrating contributory and government-financed[2] benefits) with reference to international standards and highlighting improvements from the perspective of disability and gender inclusion and for non-national workers; Chapter 5 presents the main governance and administrative aspects of the reforms, focusing on developing a unified legal instrument, integrated institutional framework and single administrative body for delivering social protection income transfers; Chapter 6 discusses the potential costs and impacts of the new system from a perspective of equity and sustainability; and Chapter 7 presents a number of concluding remarks and observations.

> The Government has worked intensively with the ILO and other partners to give flesh to a vision of social protection that aligns with the country's objectives, as well as with key global objectives, standards and frameworks.

1. Cited in Mohamud (2021).

2. Given the structure of public finances in Oman, "government-financed" is used to refer to benefits financed with public funds.

▶ 2. The new multi-tiered system in a nutshell

Royal Decree 52/2023 (the Social Protection Law) legislates what is likely to be one of the most – if not the most – comprehensive social security system in the Middle East and North Africa (MENA) region, and is comparable, in terms of its overall design, to some of the most successful systems in the world. The new law extends coverage through an integrated multi-tiered model that incorporates both contributory and non-contributory components, operating in sync with the aim of achieving universal coverage for key contingencies while significantly enhancing protections for others.[3]

Many pre-existing gaps in the social protection floor will be addressed by the reforms, which include significant new government-financed benefits. Key government-financed provisions include:

- **Universal child benefits.** All Omani children under the age of 18 will now benefit from a universal child benefit equal to 120 Omani rials per year, or 10 rials (around US$26) per month per child. A higher amount of 20 rials per month is granted to low-income families for each child enrolled in primary and secondary school[4].
- **Universal disability benefits.** All Omanis assessed with a permanent disability that requires care or support receive 130 rials (around US$340) per month.
- **Pension-tested old age benefit.** All Omanis aged 60 years[5] or above receive a benefit equal to 115 rials (around US$300) per month. The full benefit is payable to individuals whose contributory pension (or salary) does not exceed 1,020 rials (around US$2,700) per month. Above this threshold the government funded old-age benefit is progressively reduced and no benefit is payable above 1,250 rials (around US$3,250).[6]
- **Pension-tested survivors' benefits.** All Omani orphans aged 18 or younger receive a monthly benefit of 40 rials (around US$105), regardless of the deceased's connection to the labour market. Orphans of both parents and widows under the age of 60 receive 80 rials (around US$210) per month. Low contributory survivors' pensions are topped up to this minimum threshold.
- **Means-tested family income support.** All Omani households with income (including from transfers) below a defined threshold will have their income topped up to match this threshold.[7]

Undoubtedly, one of the most transformative components from a rights-based perspective is the introduction of universal rights-based guarantees. The universal disability and child benefits, together with benefit-tested (but effectively universal) old-age and survivors' benefits, provide a strong foundation of rights-based income security "from the cradle to the grave", offering all Omani citizens a positive and consistent connection with the social security system over their life course. In addition, the means-tested family income support benefit complements core components of the system by providing a last-resort safety net for families who, owing to their unique situation, still require additional support, when they experience risks or require support to maintain decent standards of living over their life cycles.

These basic guarantees are a significant departure from the previous model, in which government-financed support centred on price subsidies and residual social assistance. The reforms indicate that Oman has decided to depart from the typical structure of social security systems in the MENA region and many low- and middle-income

3. This report reflects amendments to the Social Protection Law that were introduced through Royal directives adopted on 11 January 2026. For details on the amendments see Appendix 1.

4. The monthly amount of the child benefit is increased to 20 rials during the academic year for children enrolled in primary and secondary school in households that are beneficiaries of the family income support scheme

5. The pensionable age will gradually increase by 1 year every 7 years until a maximum of 65 years.

6. According to the amended legislation the benefit is tested against pension and salary income. Given in the vast majority of cases only the pension income test applies, for simplicity the term pension-tested is used in the report.

7. The benefit is also granted to a non-Omani widow of an Omani spouse with no children. See detailed provisions in Appendix I. 5.

8. See ILO (2021a), Jawad et al. (n.d)., Loewe (2017) and Loewe and Jawad (2018) for a discussion of social protection paradigms in the Middle East and North Africa.

countries,[8] which conceptualize social security or social protection as something reserved for either the most privileged formal employees or the poorest of the poor with "no other means of support". Instead, the new law embraces a model in which social security and social protection are seen as rights that everyone can access – in many cases regardless of their attachment to the labour market.

On the contributory side, the reform strengthens existing provisions and introduces new ones. Importantly, non-Omanis living and working in Oman will also gain significant, though not fully comprehensive, new protections in the contributory system, explained further in Chapter 5.

Key contributory benefit provisions in the reform, all collectively financed through a social insurance mechanism, include:

- **Unified old-age, disability and survivors' pensions.** Rather than 11 separate funds with different provisions, the new law harmonizes eligibility conditions and benefit formulas into a single, unified pension system based on more sustainable social insurance financing principles.
- **Maternity leave benefits.** All employed Omani mothers of newborns, and non-Omani mothers working in certain categories,[9] will have job-protected maternity leave for 14 weeks at full pay, financed from a 1 per cent contribution from the employer.
- **Paternity leave benefits.** All employed Omani fathers of newborns, and non-Omani fathers working in certain categories,[10] will have job-protected paternity leave for 7 days at full pay, financed from the same fund as maternity benefits.
- **Sickness and unusual leave benefits.** All Omanis workers and non-Omani workers in certain categories will be able to take paid sick leave for up to 182 days in a year, starting at 100 per cent of pay and declining after the 21st day according to a scale. In addition, they will be entitled to take limited paid leave in cases of marriage, bereavement and family medical issues.
- **Work injury benefits.** Employment injury insurance for all employed workers in Oman, including non-Omanis (starting in 2028), financed based on a 1 per cent contribution from employers.
- **Unemployment benefit (employment security insurance).** Omanis that are not self-employed can receive an unemployment benefit in case of loss of work for a duration up to 12 months, financed from a 1 per cent contribution divided equally between employers and workers.[11]

These significant additions to the social protection system are summarized in figure 2.

Undoubtedly, one of the most transformative components from a rights-based perspective is the introduction of universal child, old-age and disability guarantees. The universal benefits provide a strong foundation of rights-based income security "from the cradle to the grave", offering all Omani citizens a positive and consistent connection with the social security system over their life course.

9. As defined in regulations.

10. As defined in regulations.

11. The unemployment scheme, which pre-dates the Social Protection Law, was updated and integrated into the new framework. See ILO (2020).

▶ **Figure 2.** Lifecycle-based social protection floor in a consolidated multi-tiered framework in Oman

<table>
<tr><th colspan="2"></th><th>Children</th><th colspan="2">Working age</th><th>Old age</th></tr>
<tr><td rowspan="8">Core lifecycle benefits</td><td rowspan="4">Contributory</td><td colspan="4">Employment injury (disability/survivors benefits)</td></tr>
<tr><td colspan="4">Disability and survivors’ pensions</td></tr>
<tr><td rowspan="2"></td><td>Cash maternity and paternity benefits</td><td>Cash sickness benefits</td><td rowspan="2">Old-age pension</td></tr>
<tr><td colspan="2">Unemployment insurance</td></tr>
<tr><td rowspan="4">Government -financed</td><td>Universal child benefits</td><td colspan="2"></td><td rowspan="2">Pension-tested old-age benefit</td></tr>
<tr><td colspan="3">Pension-tested widows’/orphans’ benefits</td></tr>
<tr><td colspan="4">Universal disability benefits</td></tr>
<tr><td colspan="4">Free public primary, secondary, and tertiary medical services</td></tr>
<tr><td colspan="2" rowspan="2">Other benefits</td><td colspan="4">Family income support benefit (means-tested guaranteed minimum income)</td></tr>
<tr><td colspan="4">Cash assistance and immediate cash assistance – legacy schemes; Other emergency/ad hoc programmes; Education stipend; Housing benefits; Energy support (Fuel, Electricity, water) program</td></tr>
</table>

Key lifecycle additions					
Universal child benefits	Universal disability benefits	Pension-tested old age benefit	Pension-tested survivors’ benefits	Social insurance maternity/ paternity leave benefits	Social insurance sickness and unusual leave benefits

Source: Authors' depiction.

One of the most significant achievements of the reform is the complete restructuring of the Omani pension system. The reform transforms the previously fragmented pension system, based on different pension funds for each category of the formal labour market, into a unified, agile multi-tiered scheme for all Omani citizens. This highly complex merger, together with crucial parametric reforms, ensures that the system is financially sustainable while also being supportive of a dynamic labour market.

The pension reform is complemented by a significant extension of contributory benefits to cover new contingencies and new groups of workers, with stronger financing arrangements. In particular, sickness and maternity benefits have been significantly expanded and now align with and even go beyond international minimum standards in some cases (e.g. the addition of social insurance paternity leave and unusual leave provisions, offering the first long-term care insurance scheme in the region and joining a small but growing number of cases globally). Importantly, they have also shifted from an employer-liability system to compulsory social insurance financing, becoming the first in the region of the Cooperation Council for the Arab States of the Gulf (GCC) to offer social insurance maternity benefits, while employment injury and unemployment insurance have also been significantly strengthened. New rights will gradually accrue for the significant numbers of non-Omani workers living in Oman, including compulsory coverage for sickness, maternity/paternity and work injury, as well as compulsory retirement savings account (Provident Scheme). Mandatory coverage for some contingencies has also been extended to self-employed workers, those in informal employment and part-time workers, with important implications for moving between labour markets. These additions, as well as the new contribution rates for different branches of social security, are summarized in table 1.

▶ **Table 1.** **Summary of social insurance eligibility under the Social Protection Law**

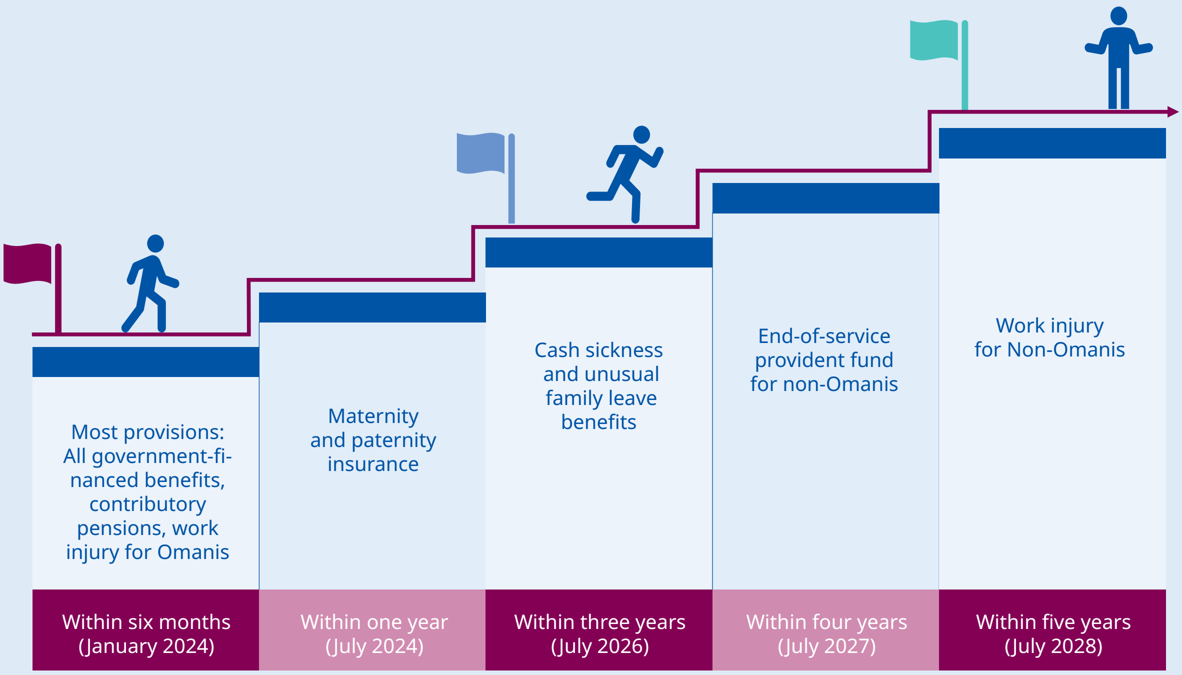
	Omani workers						Non-Omani workers
Branch	**Full-time workers**	**Part-time workers**	**Self-employed and informal labour force**	**Employed abroad**	**Employed abroad** (in other GCC counties)	**Outside the labour force** e.g., jobseekers, housewives	**Other non-Omani workers** except domestic workers
Old-age, disability and survivors	Mandatory	Mandatory	Mandatory	Voluntary	Mandatory	Voluntary	Not available
Employment injury	Mandatory	Mandatory	By Board decree	Not available	Not available	Not available	Mandatory
Unemployment	Mandatory	Not available	Not available	Voluntary	Voluntary	Not available	Not available
Maternity/ paternity	Mandatory	Not available	Not available	Not available	Not available	Not available	Mandatory
Sickness and unusual leaves	Mandatory	Not available	Not available	Not available	Not available	Not available	Mandatory
Provident Fund	Voluntary	Voluntary	Voluntary	Voluntary	Voluntary	Voluntary	Mandatory

Mandatory   Voluntary   By Board decree   Not available

Source: Social Protection Law.

Some key provisions of the new law are being rolled out in phases, according to a schedule that was modified through Royal Decree 60/2025 and is depicted in figure 3. Some provisions related to the payment of contributory old-age pensions took effect immediately. Within the first 6 months from issuing the law (January 2024), the majority of provisions went into effect, notably the introduction of government financed social protection benefits, contributory old-age, disability and survivors pensions, unemployment and work injury insurance for Omani citizens. Within the first year (July 2024), maternity and paternity insurance provisions entered into force, and within 3 years (July 2026) of the law taking effect, the contributory cash sickness and unusual leave benefits are expected to be implemented. Within 4 years from the law being enacted (July 2027) the mandatory savings scheme (Provident Scheme) for non-Omanis will take effect and within 5 years (July 2028), work injury benefits will be extended to non-Omanis working in Oman.

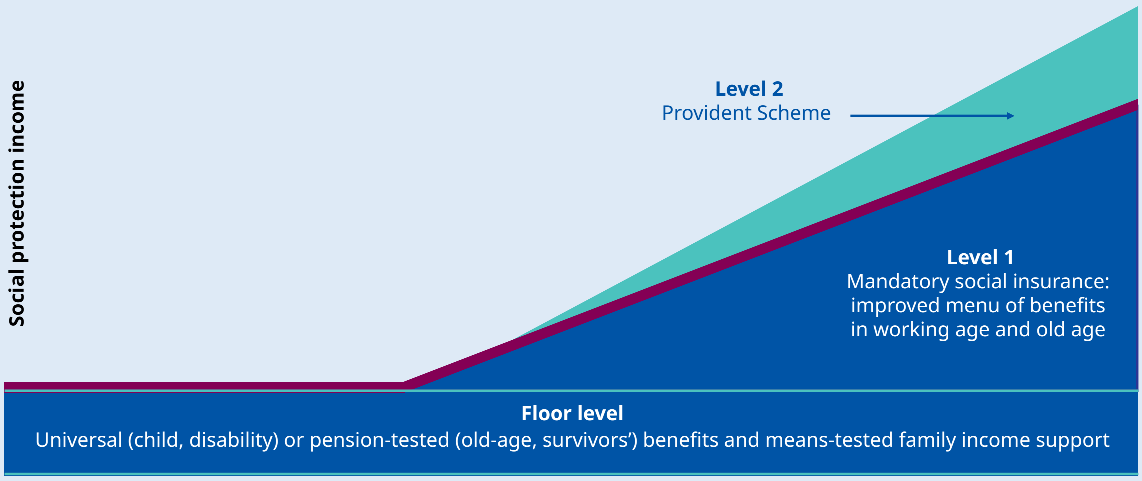
▶ Figure 3. Progressive roll-out of provisions in the Social Protection Law of Oman



Source: Protection Law, as amended through Royal Decree No 60/2025

In the new system, government-financed protections work in tandem with new social insurance provisions under an integrated, multi-tiered framework anchored in a single, coherent law. The Social Protection Law covers the entire social protection system, gradually and deliberately extending coverage to include relevant and comprehensive benefits across the working life course of growing numbers of workers, including non-Omanis. Moreover, the design of the system offers the opportunity to extend coverage in a way that preserves incentives for formal employment, contributing to broader economic development goals while ensuring that more workers enjoy adequate income security in old age, all the while backed by a fairer and more sustainable financing model (figure 4).

▶ **Figure 4. A new rights-based multi-tiered system design under the Social Protection Law of Oman**



Note : The diagram is a simplified depiction of the design of the whole system. Individual benefit designs depart from this schematic overview.

Source: Authors' depiction.

To support the new integrated policy framework, a far-reaching institutional transformation was required. A single fund, the Social Protection Fund, was established. In addition to the pension merger, which brought 11 separate funds under a unified umbrella, the SPF administers both contributory and government-financed benefits, including certain means-tested benefits that were previously delivered by the Ministry of Social Development. Long-term implementation will be supported by significant transformations of management information and delivery systems. A new SPF board will provide governance and strategic direction, and coordinate the activities of all line ministries involved, ensuring that roles and responsibilities are clear.

A single fund, the Social Protection Fund, was established. In addition to the pension merger, which brought 11 separate funds under a unified umbrella, the SPF administers both contributory and government-financed benefits.

Image digitally enhanced using AI by Omaima Al Batrani. © SPF

3. Background and key drivers of reforms

A confluence of factors led to reforming the social protection system. This chapter briefly considers the key drivers, with closer attention to the more immediate factors that initiated the reforms, while not excluding the broader demographic and macroeconomic environment that prompted and shaped the overall reform process, such as:

- fiscal and other macroeconomic drivers, including the inherent insolvency risks of the previous highly fragmented contributory system and the threat of socio-economic disruption due to planned reforms of the tax and subsidy systems;
- policy and institutional drivers, including significant gaps in the previous social protection system, particularly between the public and private sectors and for certain groups (e.g. women and non-Omanis), as well as labour market distortions stemming from the design of the contributory system;
- political and ideational drivers, including political will at the highest levels of government to avert a crisis and enact needed reforms, appreciation for international norms and frameworks among those tasked with leading the technical aspects of the reform and a commitment to build consensus among stakeholders.

The discussion draws upon findings from a number of diagnostic exercises that examined the financial and distributional aspects of the previous system's government-financed and contributory components. It also traces the reform process as experienced collectively by the authors of this report.

Macroeconomic drivers

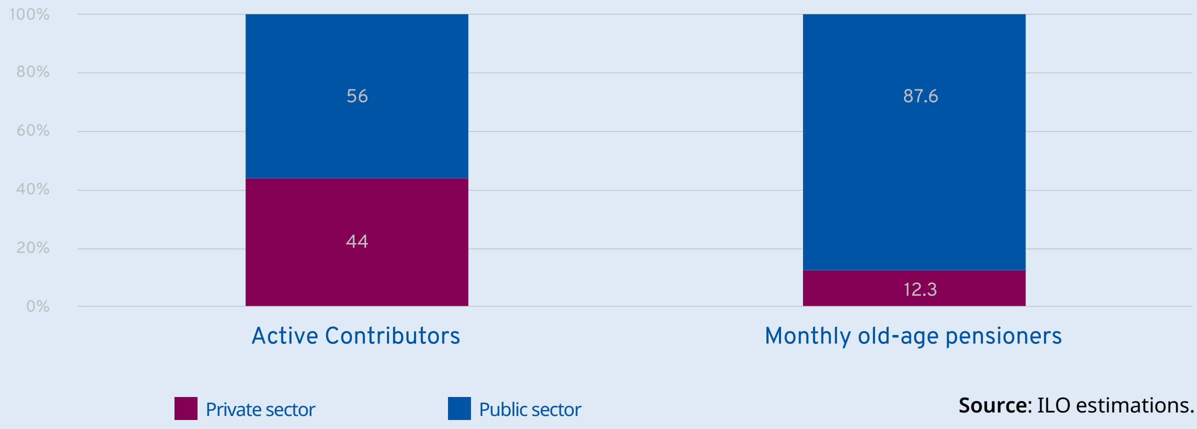
Risk of insolvency

Prior to the reforms, the Omani contributory system was highly fragmented, comprised of 11 separate pension funds applicable to different categories of employees in the formal sector. These funds were all defined-benefit (DB) schemes with benefits based on workers' final salary – mainly for old-age, disability and death or survivors' benefits. Some of the funds offered additional benefits, such as retirement grants. Moreover, the Public Authority for Social Insurance (PASI), a social insurance scheme covering most private-sector employees, also provided work injury and unemployment benefits for national workers. None of the funds offered a solidarity-based universal ("Pillar 0") pension. Instead, all pension funds paid a minimum contributory pension set at 202.50 rials per month (see Appendix II for more details on the scheme's design).

Public-sector schemes dominated the pre-reform contributory landscape, both in terms of active contributors and current beneficiaries (figure 5). In 2020, of the active contributors reported across all 11 pension funds (around 600,000), 56 per cent were covered under public-sector schemes, and 44 per cent were covered under just three private-sector schemes – almost all (42. 7 per cent) under PASI. Even more strikingly, of the 120,000 old-age and disability pensioners in the same year, 87.6 per cent were members of public-sector (civilian or uniform) schemes.[12]

12. Similarly, regarding survivors' pensions, of 42,000 survivors of deceased members, around 15 per cent were beneficiaries of private-sector schemes, while 85 per cent received benefits from public-sector schemes.

▶ **Figure 5.** Pre-reform distribution of active contributors and pensioners by fund type



Source: ILO estimations.

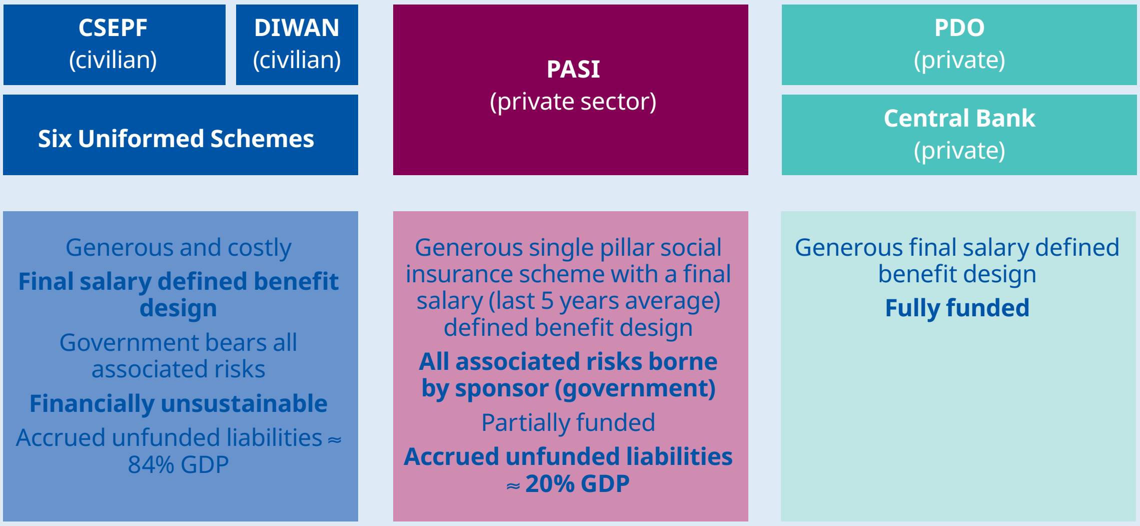
Because of a combination of generous pension provisions (box 1), particularly early retirement options, and inadequate financing levels the contributory system was in a weak financial position. Benefits were primarily financed through employer and employee contributions, based on a "partial funding" approach, except for two private-sector occupational pension funds[13]. This meant that the funding ratio was relatively low, with all eight public-sector pension funds having already reached (or near to) the point where expenditures exceeded contributions (figure 6).

The diagnostic exercise undertaken by the ILO technical team advising Oman on contributory reforms found that the combined unfunded accrued liabilities (UAL)[14] of the eight public pension funds and PASI amounted to more than the total gross domestic product (GDP) of Oman – 104 per cent. The UAL of public-sector funds represented a concerning 84 per cent of GDP. While actuarial valuations suggested that PASI was financially viable over the medium term, its UAL still represented around 20 per cent of the country's GDP. The two private-sector funds (PDOPF and CBOPF) were both in a better position, but these funds only represented a small share of the contributory system.

13. Petroleum Development Oman LLC Pension Scheme (PDOPF) and the Central Bank of Oman Pension Scheme (CBOPF)

14. Unfunded accrued liabilities (UAL) are the difference, as of YE2020, between the actuarial estimate of the fund's present value of accrued benefits and the fund's assets. Here, UAL represent the excess of actuarial liabilities calculated using a closed-group approach over of the assets in the pension funds as of a given date. The closed-group approach only includes current participants in the system and mainly ensures that, at any point in time, there are enough assets in the fund to pay future benefits of existing beneficiaries and the accrued rights of current contributors. An unfunded liability under the closed-group approach is an indication of the present value of future contributions in excess of the present value of benefits that will accrue in the future not funded by past contributions. As an alternative, the open-group approach includes both current and future participants in the calculation of the unfunded liabilities. It considers all current beneficiaries and contributors, as well as future beneficiaries and contributors. The financial situation presented using this approach is usually called the "actuarial balance sheet", in comparison with "balance sheet" under the closed-group approach. While the ILO typically recommends the open-group approach for public social insurance schemes, the heterogeneous nature of schemes in Oman led to the adoption of a closed-group methodology.

▶ Figure 6. Pre-reform pension funds



Source: Authors' depiction.

Unless urgent action was taken, the contributory system may have faced potentially disastrous consequences. Without intervention, any of the following outcomes might have occurred:

- Increases in contribution rates to unreasonable levels, shifting the burden onto future generations and leading to significant intergenerational inequities.
- As reserves of large parts of the current retirement system (mainly public-sector schemes) became depleted, the Government would have been required to cover ever-increasing annual shortfalls. Effectively, this would have rendered the system purely pay-as-you-go, leading to significant reliance on the Government's future budgets.
- Default on the payment of pensions.

Thus, a major reform of the pension system was considered long overdue and unavoidable.

Because of a combination of generous pension provisions, particularly early retirement options, and inadequate financing levels the contributory system was in a weak financial position. Unless urgent action was taken, it may have faced potentially disastrous consequences.

Threat of socio-economic disruption with planned reforms to taxation and subsidies

Linked to a broader need to better manage fiscal policy, the Government had planned to roll out a series of major subsidy reforms and was cognizant of the potential negative impacts on the population. Oman, like many countries in the MENA region, has historically allocated a significant share of the budget to general price subsidies. Prior to reforming the social protection system, active plans were underway to reduce subsidies on utility prices. Although such subsidies were largely regressive, their removal was nonetheless expected to negatively affect the welfare of the larger population. Analyses conducted to inform the social protection reforms indicated that, in 2019, the electricity subsidy scheme alone accounted for 17.6 per cent of the total impact of government fiscal interventions on an indicator of limited economic resilience (LER)[15] attributable to the Government's fiscal interventions in 2019.[16] Government officials were keen to lessen the impacts of planned reforms and were aware of the potential role of a robust social protection system in mitigating negative socio-economic and other consequences.[17]

Similarly, the Government had introduced a value-added tax (VAT) and was considering introducing personal income tax, both of which had welfare implications. With the announced introduction of a personal income tax from January 2028, Oman will become the first of the GCC countries to do so. The main features of the planned subsidy and tax reforms, as they were known at the time, are described in box 1.

▶ Box 1. Changes to subsidies and taxation

As Oman embarked on a process of fiscal consolidation, anticipated reforms included the introduction of direct and indirect tax, a reduction in utility subsidies, a reduction in capital expenditure and the public wage bill and centralized procurement practices. Of these, the introduction of taxes and reduction in subsidies would have had a direct and immediate impact on the income and wellbeing of residents of the Sultanate.

Microeconomic simulations suggested that the planned economic reforms would likely push the percentage of the population with Limited Economic Resilience (LER) to 17.1 per cent by 2030, up from 12.9 per cent in 2019 if no additional measures were taken. Meanwhile, growth in GDP and wages would be suppressed, and government expenditures would decline significantly.

15. Given the absence of an officially recognized absolute poverty line in Oman, the concept of "Limited Economic Resilience (LER)" is used throughout the present document. The threshold used to define LER for for the purposes of the vulnerability analysis was set by Tawazun.

16. This was second only to the impact of contributory pension schemes, which accounted for 63 per cent of the reduction in LER in 2019, as discussed in next section.

17. The experiences of other countries where similar reforms have been enacted illustrate the compensatory role that social protection can play in subsidy removals. According to Loewe and Vidican Auktor (2021), the radical dismantling of subsidies in Egypt with very limited compensatory measures had a very negative social impact. This contrasts significantly with the experiences of Morocco, which took a more gradual approach to remove subsidies and offered part compensation for affected populations. In Iran, quasi-universal cash transfer scheme was implemented.

The planned reduction in subsidies entailed a revision of electricity and water tariffs, with a targeted means-tested subsidy in the short term. Although plans for water subsidy reduction remained unclear at the time of discussions surrounding the social protection reforms, the electricity tariff regime for commercial and residential consumers had already been amended.

With respect to reforming revenue channels, the Government introduced a flat 5 per cent VAT, with some exceptions on necessities. In July 2025 the Government announced plans to introduce a personal income tax of 5 per cent for high-income earners (with annual gross income over 42,000 rials) starting January 2028.

The potential effects of the planned fiscal reforms on real wages and real government expenditures were projected to be large. According to the Tawazun computable general equilibrium (CGE) model,[18] the planned reforms would have reduced government expenditures by 7.0 percentage points by 2030, compared with the counterfactual scenario of no reforms. The fiscal reforms were also projected to significantly suppress real GDP by 3.4 percentage points and real wage growth by 7.0 percentage points.

In addition to fiscal and macroeconomic effects, the planned reforms were expected to lead to an immediate and significant increase in income vulnerability. As shown in figure 7, microsimulations[19] suggested that the LER headcount was likely to be much higher (17.1 per cent) by 2030 because of fiscal reforms[20] than it would have been under the expected levels if no reforms were implemented (12.6 per cent).[21] Moreover, the effects were expected to be even larger for non-nationals than for Omanis.[22] Government officials were keenly aware of the need to ensure that the social protection system was robust enough, with broad coverage and adequate, predictable transfers, to mitigate the potentially serious impacts of tax and subsidy reforms.

18. The Tawazun CGE projections account for several planned fiscal reforms, including the introduction of VAT and personal income tax, the gradual removal of electricity subsidies, a reduction in capital expenditures, a reduction of the government wage bill and centralized procurement practices.

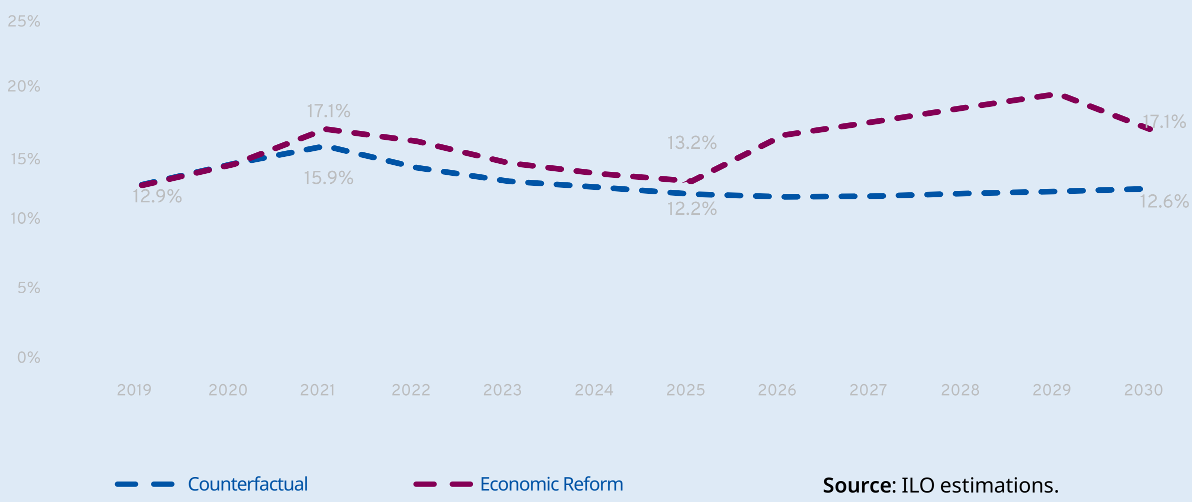
19. Details on the microsimulation approach can be found in Appendix IV.

20. Specifically, the introduction of VAT and the first steps in the reduction of electricity subsidies are estimated to increase the LER headcount ratio by 1.2 percentage points compared with the counterfactual estimate in 2021. The electricity subsidy reform process includes reducing the five-tier tariff structure to a three-tier structure, with the inclusion of a "targeted" subsidy rate until 2025 for eligible Omanis. The impact of this subsidy reform is transmitted in the simulation model through several channels, including the reduction in transfer income at the household level, as well as economic impacts, which are transmitted through sector-level employment and real wage growth projections.

21. The counterfactual scenario reflects the economic impact of COVID-19, with the LER headcount ratio simulated to rise from 12.9 per cent in 2019 up to 14.5 per cent in 2020, then continuing to rise to 15.9 per cent in 2021. However, the model simulates the LER rate to fall year-on-year until 2025. The CGE model assumes modest demand for oil, and the simulation results indicate that the LER headcount would climb slightly between 2025 and 2030.

22. Microsimulations based on an earlier iteration of the model suggested that, because of the full removal of the electricity subsidy alone, the LER headcount among non-Omanis would be expected to increase by 17 percentage points, compared with 14 percentage points for Omanis. Further, while the targeted subsidy would have a mitigating effect for both groups if it reached intended beneficiaries, the mitigating effect would be far lower for non-Omanis.

▶ **Figure 7.** **Projected LER headcount (% population) with and without economic reforms**



Source: ILO estimations.

Policy and institutional drivers

Significant gaps in the previous system

Prior to the reforms, the social protection system left certain segments of the population without any, or with insufficient, coverage for key lifecycle events. Using international social security frameworks as a reference, a diagnostic exercise found gaps in both the contributory and government-financed components of the system. Generally, the pre-reform social protection system was characterized by low levels of spending, low coverage overall (especially for younger cohorts, including children, and women) and stark inequities between Omanis and non-Omanis. Findings of the in-depth diagnostic review are presented in box 2.

Prior to the reforms, the social protection system left certain segments of the population without any, or with insufficient, coverage for key lifecycle events.

▶ Box 2. Assessing the pre-reform system

An assessment of the comprehensiveness and design of the Omani social protection system was undertaken from a lifecycle perspective. Findings from the diagnostic review included the following:

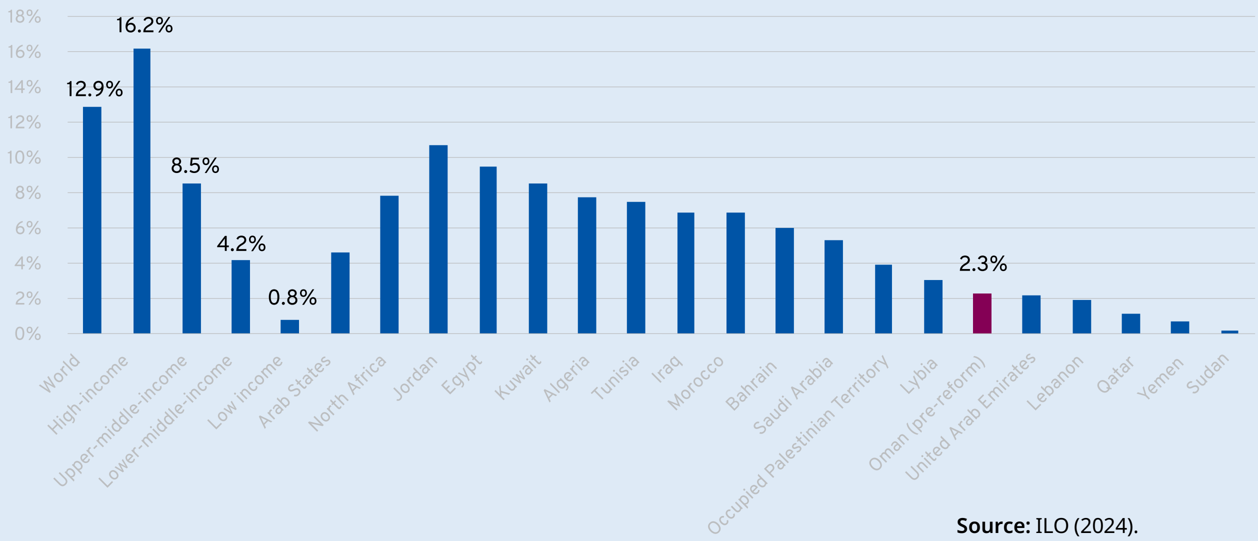
- The system contained a number of positive features:
  - The Social Security Act (Royal Decree No. 87/84) provided the "bones" of a lifecycle system for certain categories of people: people aged 60 years or older, people with disabilities (of any age, if medically assessed), widows and orphans. Other benefits had very low coverage and were generally considered complementary to core direct income transfers in global frameworks.
  - In some cases, benefits were treated as an individual entitlement, providing a basis for developing a system based on common (individual) lifecycle contingencies.
  - The existing benefits were enshrined in legislation, meaning that they were potentially claimable, enforceable and judicable. The importance of this approach cannot be over-stated.
- However, the system would have faced a number of challenges in order to serve broader social and economic development goals as articulated in Vision 2040, including:
  - The government-financed system revolved around a single, narrowly targeted household transfer, which, on its own, was insufficient to respond to the population's socio-economic needs.
  - Benefits followed a "vulnerable group" approach. This was inefficient and left large gaps because it only targeted very specific categories (e.g. abandoned people, divorced women) who were, potentially, better served under a core lifecycle contingency-based system depending on individual circumstances, rather than assuming vulnerability was derived from family status.
  - Certain lifecycle components (e.g. child benefits) were completely absent, leaving large gaps, including for the most vulnerable households.
  - Benefits were very narrowly means-tested (e.g. income was required to be below the transfer level, with no binding relative[23]) resulting in very low coverage and reducing the potential for positive impacts.
  - The government-financed benefit system was complex to administer, requiring regular needs and status assessments. Given that people's circumstances change constantly, this was completely disconnected from the contributory system.
  - The "economies of scale" approach to household transfer values disadvantaged larger households, who tend to have lower incomes.
  - The non-Omani population was legally excluded from employment-related and other social protection schemes, effectively "baking in" inequalities in social and economic rights.
- Conclusions regarding coverage, adequacy and effectiveness included the following:
  - Some 46.5 per cent of the Omani population did not benefit from any social protection scheme before the reform.
  - Younger cohorts were less likely to receive direct transfers, and per capita (indirect) transfers were much lower for those younger than 55, and lowest for children aged 0–17.
  - Per capita transfer values for those outside the contributory system were generally inadequate and far lower than transfer values provided through the contributory system.
  - Overall, The tax and benefit system was largely progressive and reduced the share of the population with LER by 46 per cent and inequality by 11 per cent. Positive effects were felt mostly among older people thanks to contributory pensions.
  - Contributory pensions and subsidies were doing all the "heavy lifting" of the LER headcount, where contributory pensions accounted for 63 per cent of the reduction, followed by subsidies at 27 per cent, government-financed social security benefits at 7.5 per cent and the education stipend at 2.5 per cent.
  - Removal of subsidies would have implied large welfare losses, and targeted subsidies would only have partially compensated.

Source: ILO (2023b)

23. See box 4.

Despite being a high-income country, total social protection spending in Oman was low by international comparison, and spending on government-financed benefits was negligible. Because the overall level of investment in government-financed "social security"[24] was minimal, on its own the programme was highly unlikely to be effective at either at reducing poverty, tackling inequality or achieving broader development goals. Appendix II provides an overview of all non-contributory programmes in place. Figure 8 shows that total social protection expenditure before the reforms (excluding health and price subsidies, but including social insurance spending) amounted to 2.3 per cent of GDP – well below global averages, as well as below levels in Arab States and North African countries, and in lower-middle, upper-middle and high-income countries.

▶ **Figure 8. Total expenditure on social protection (excluding health) by region (% GDP), latest available data**



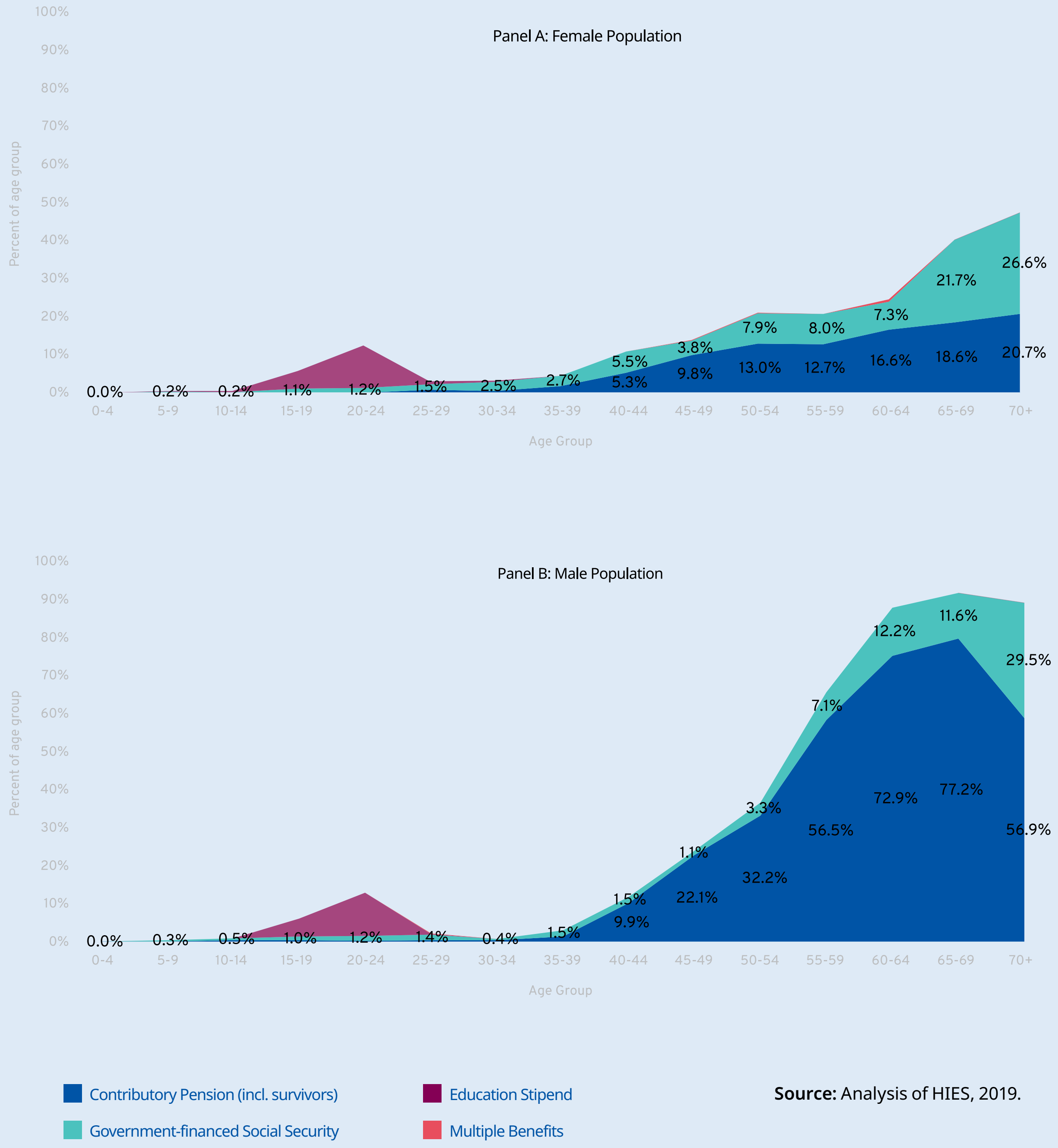
Source: ILO (2024).

Because of the structure of the pre-reform social protection system, contributory pension schemes were the most prominent social protection mechanism in Oman, and men were much more likely to be covered than women, regardless of age. Some 38.2 per cent of Omanis aged 59 years or older were not covered by social protection. Moreover, the diagnostic uncovered stark gender differences, reflecting underlying structural inequalities in the labour market: 62.5 per cent of older women were not directly receiving a pension in their own right, versus only 13.4 per cent of older men. Coverage for government-financed programmes under the pre-reform system was similar for men and women (19.2 per cent and 18.5 per cent respectively), but women were much more likely than men to rely on government-financed social security, regardless of age (figure 9). Around 12 per cent of older women were benefiting from a survivors' pension and, notably, among women aged 45–64 years 76 per cent of contributory benefit recipients were recipients of survivors' benefits.[25]

24.“Social security” here refers specifically to benefits covered under the previous Social Security Law, the main vehicle for delivering social assistance benefits financed by the State.

25. The exception to this is the education stipend, which accounts for most of the coverage among female adolescents and youth aged 15–24 years. However, the high coverage for the education stipend among this age group is, arguably, indirectly due to the MOSD social security programme, which ensures that priority for the stipend is given to children and youth from social security beneficiary households.

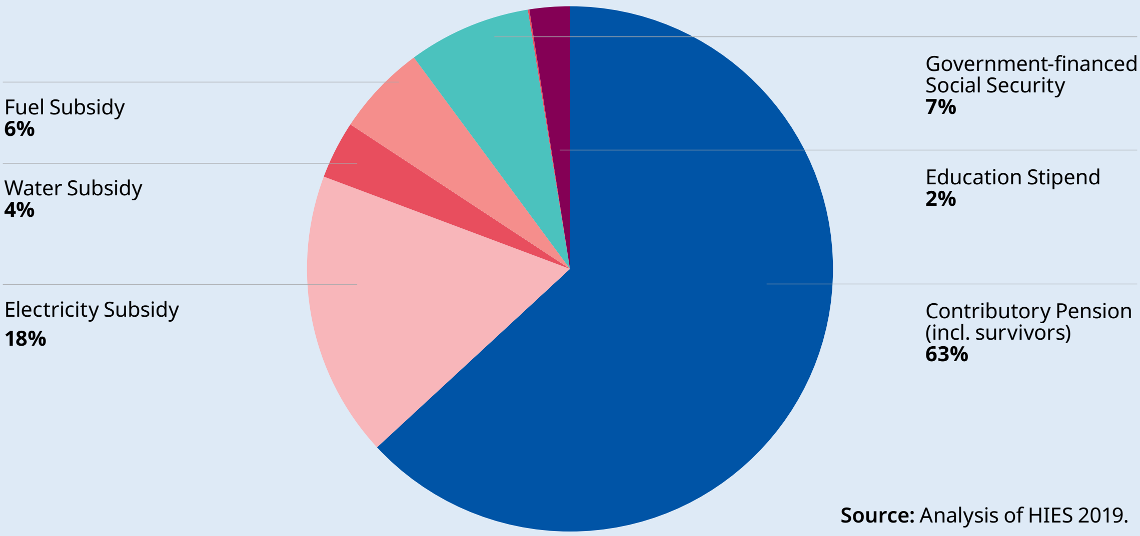
▶ Figure 9. Direct coverage by age group, HIES 2019



Source: Analysis of HIES, 2019.

Because of their dominance in the social protection landscape, contributory pensions were the most potent instrument to reduce income vulnerability in the pre-reform system. Contributory pension income accounted for 63 per cent of the reduction in the LER rate thanks to fiscal interventions. Of all individual transfer income components in Oman,[26] pension income accounted for most of the risk reduction attributable to fiscal interventions, followed by consumption subsidies, which collectively account for 27 per cent of the effect size. Government-financed social security benefits (i.e. those paid by the Ministry of Social Development under the Social Security Law) and the education stipend accounted for the remaining 10 per cent, as shown in figure 10.

▶ **Figure 10.** Relative contribution of transfer income to reduction in LER



Source: Analysis of HIES 2019.

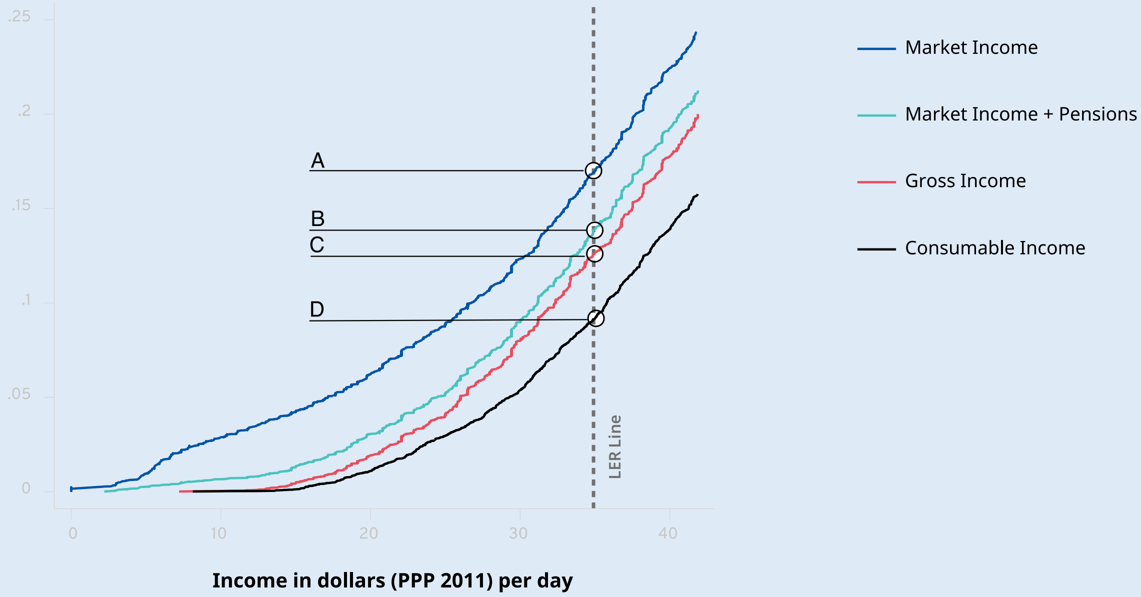
The reduction in income vulnerability from contributory pensions in the pre-reform system was true for both the LER headcount index as well as the LER gap and severity indices, with important implications for the likely impact of subsidy removal. This is illustrated in figure 11, which shows that the distance between “market income” and “market income + pensions”[27] was larger for households that live in deep LER than those just below the LER line. This indicates that the greatest benefits of contributory pension income were felt by those in greatest need.[28] In contrast, the difference between “gross income” and “consumable income” due to subsidies was larger for those just below the LER line than for those living in deep LER. This effectively means that even small reductions in subsidies have the potential to push many Omanis and non-Omani residents below the LER line without additional support.

26. Using the Stata <dfgts> package developed by Duclos and Araar (2013).

27. For definitions of income concepts see Appendix III.

28. When ranked by market income only.

▶ **Figure 11.** Cumulative distribution function (CDF) by income concept



Note: The y-axis represents the proportion of the population with income equal to or falling below the level of x.

Source: Analysis of HIES, 2019.

The relatively minor impact of the pre-reform government-financed social security benefits on income vulnerability and inequality can be attributed to low transfer values and low coverage overall. Indeed, even though the transfer value was larger for larger households, the adequacy of social security benefits was questionable regardless of household size. A qualitative analysis by the International Policy Centre for Inclusive Growth (IPC-IG) and UNICEF revealed further concerns with adequacy, as explained in box 3.

The relatively minor impact of the pre-reform government-financed social security benefits on income vulnerability and inequality can be attributed to low transfer values and low coverage overall.

▶ Box 3. Key findings of a qualitative assessment by UNICEF and IPC-IG

In 2020–2021, to inform the planned reforms for social protection system in Oman, UNICEF collaborated with Tawazun to assess the pre-reform social protection system and to capture perceptions of its comprehensiveness, accessibility, suitability and satisfaction. In addition to examining social protection programmes, the assessment explored linkages with non-cash social programmes and services. The assessment used a mixed methods approach, including a desk review, key informant interviews, focus group discussions and a telephone poll carried out in collaboration with the National Centre for Statistics and Information.

The main findings can be summarized according to the following themes:

- **Awareness.** Some 61 per cent of phone poll participants were unaware of government cash assistance programmes prior to the reform.
- **Accessibility.** There were Issues with distances to services, especially for vulnerable groups. Procedures were often reported to be difficult and time-consuming.
- **Adequacy.** Some 85 per cent found the maximum transfer values of 264 rials for large households and 80 rials for single-person households to be insufficient. Beneficiaries reported that they struggled to cover basic needs.
- **Support needs.** Income support was needed for vulnerable groups (children, people with disabilities and older persons). Social services were viewed positively, but also in need of improvements.
- **COVID-19 impact.** Beneficiaries' incomes were stable, but the removal of subsidies and reduction of services were perceived negatively.
- **Coordination.** There was limited coordination and data-sharing among stakeholders. Efforts were underway to digitalize and automate processes.

The study found that the social service workforce in Oman faced challenges, including limited availability of specialized social workers for vulnerable groups, such as persons with disabilities. Focus groups revealed a desire for more assistance and follow-up from social workers, and a need to better define roles and competencies and establish formal referral mechanisms, as beneficiaries often bore the burden of navigating the system, exacerbated by stigma. Improving follow-up and grievance mechanisms were crucial. Key informants highlighted the need for more customer service staff. Stakeholders emphasized the importance of improving governance, coordination and the legislative framework. Financing was highlighted as critical because of COVID-19 and fluctuating oil prices.

Recommendations included:

- increasing cash transfer values, expanding coverage for vulnerable groups, improving maternity leave policies, introducing child benefits and enhancing services through a "cash-plus" approach;
- expanding and specializing the social workforce, with clear roles defined;
- establishing mechanisms to reach vulnerable households and address stigmatization;
- integrating databases to improve processes;
- aligning coordination and governance frameworks with Oman Vision 2040 to ensure sustainable financing;
- involving non-state actors and civil society.

These recommendations informed the social protection reforms, where the new Social Protection Law and its roll-out addressed increasing coverage and adequacy, while ongoing work is underway to enhance coordination, monitoring and evaluation, linkage to services and the role of the social service workforce.

Source: UNICEF Oman and IPC-IG (2021).

Perhaps the biggest challenge preventing wider coverage of government-funded social security benefits in Oman was the narrow means test applied to "binding relatives". For someone to qualify for a social security benefit, the claimant must have either not have any binding relative, or their binding relative's income must have been below 650 rials per month (if single), up to a maximum of 1,900 rials per month (with at least 26 family members), as explained in box 4. These highly restrictive criteria meant that only a very small share of the population had access to the programme. Based on administrative data from the Ministry of Social Development (MOSD), only around 73,000 Social Security benefit claims were paid in 2020, reaching around 132,000 people, including both direct and indirect (i.e. members of the claimant's household) beneficiaries. This represented less than 3 per cent of the population.

On the contributory side, coverage was also limited by the structure of the labour market. For example, only 38 per cent of the population aged 60 and above receives an old-age pension (13 per cent of women and 66 per cent of men), such that large segments of the population – the so-called "missing middle" – are being left out entirely from the social security system. Such a narrow programme like the previous government-funded Social Security benefit was unable to fill the significant gaps in coverage.

Box 4. The "binding matrix" income test for Social Security Law benefits, pre-reform

Social Security Law transfers in the pre-reform system depended on wider family relationships, which limited individuals' rights to government financed social assistance. As explained by the World Bank (2016), the structure of the benefit "tried to emphasize the role of the family in taking care of its members, and therefore in order to be eligible for [social assistance] the applicant [had to] demonstrate that he or she did not have an adequate income and that his or her working sons and unmarried daughters ... did not have adequate incomes."

In the pre-reform system, a "binding relative" included working sons who were living within or outside the household and working single females living within the household. According to the law, a son was obliged to take care of his parents if his monthly income was greater than 650 rials (US$1,690) and he was single. If the son had a family, each of his family members increased the binding limit by an additional 50 rials. This was the case for up to 26 family members, at which point the maximum income cut-off was 1,900 rials.

Working single daughters living with their parents were also considered binding relatives. However, unlike sons, married daughters were not considered binding relatives. In addition, if the assistance applicant's wife was working, she was not considered a binding relative. Furthermore, other household members, such as brothers or sisters of the applicant, were not considered binding relatives.

Moreover, whereas two married individuals sharing a household would only have been entitled to a pro-rated household transfer equal to 124 rials, two unrelated adults living in the same household could both, individually, qualify for a social security benefit for a total household benefit of 160 rials (if they had no binding relative), because they would not have been expected to care for each other according to custom or law.

Source: World Bank (2016).

Indeed, the experience of Oman regarding the limits of the previous government-financed Social Security benefits programme is consistent with international experience. Small, narrowly targeted programmes for those deemed most vulnerable are, alone, ill-equipped to serve broader social and economic objectives because of the inherent design features and assumptions underpinning them. Notably, the attempt to identify and target those in greatest need frequently relies on devising complex and expensive systems to determine eligibility. However, there is growing recognition – backed by international evidence – that benefit systems that narrowly target the poorest and most vulnerable people tend to result in large exclusion errors due to built-in design features and complex administrative requirements (box 5).

▶ Box 5. Challenges identifying people in need

Large exclusion errors in poverty-targeted programmes stem primarily from an erroneous assumption that "the poor" is a fixed group that can be accurately identified (Kidd et al., 2017; Knox-Vydmanov, 2014). However, because people's incomes and circumstances are constantly changing over the course of their lives, it is challenging to pinpoint, at any given time, those most in need.

These challenges are even more apparent in contexts where systems for declaration and verification of income are under-developed. Surveys to identify recipients are only carried out infrequently, whereas economic and lifecycle shocks occur in real time. Even high-income countries with well-developed administrative systems often rely on past-year declarations to assess claims for current assistance, even though this is arguably the best-case solution. Evidence from other Arab countries shows that households are constantly moving into and out of poverty because of demographic changes and labour market events (ILO, 2023c).

To overcome the lack of income information in low- and middle-income countries, some have proposed highly technocratic solutions, such as the proxy means test (PMT), which uses statistical modelling to predict household income based on a pre-determined set of proxies for wealth. While theoretically promising, this kind of modelling is often based on unrealistic assumptions of perfect targeting, and the models and surveys required to identify households in need of assistance are expensive to develop, administer and maintain. Moreover, they have in-built errors of exclusion that are particularly concerning for most vulnerable groups in society (Kidd et al., 2017). A recent assessment of the PMT formula used in the Occupied Palestinian Territory clearly demonstrates the case (Abuelhaj et al., 2022).

In Oman, even though information about people's income is generally lacking, the pre-reform selection of beneficiaries relied on a household assessment of means linked to the "binding matrix" logic described in box 4. In general, if the criteria are clear and transparent and the social workforce is adequately trained and staffed, a standard means test would be appropriate in a high-income country such as Oman. Indeed, independent of the reforms to the government-financed social protection system, Oman will still need to develop adequate systems for income declaration to underpin the anticipated tax and related reforms.

Regardless of the methods, attempting to identify people in poverty is administratively cumbersome and requires ongoing investment in tools to monitor the shifting needs of the population, an adequate social workforce, a case management system and appropriate management information systems. For example, an assessment of the social protection system in Oman found a limited availability of trained social workers in Oman, especially for the MOSD, and a lack of clear definition of their roles and competencies (UNICEF Oman and IPC-IG, 2021). The burden is, therefore, on the "beneficiaries and claimants to have the necessary information to direct themselves to the correct actor or office, limiting the access of social protection". The assessment found a host of other challenges, including inadequate grievance mechanisms and stigma associated with receiving benefits, widely recognized as a negative consequence of targeting poverty.

These drawbacks to poverty targeting can be reduced but never eliminated. The development of a robust core lifecycle social protection system can minimize the number of people who need to rely on benefits of last resort, such as the previous government funded Social Security benefit scheme in Oman.

Given the ongoing plans to remove or reduce subsidies and reform the tax and contributory social insurance systems, there was a recognized need to re-think the underlying structure and logic of the government-financed social protection system, specifically how it interacted with and supported the contributory system and broader economic and social goals. Strengthening the government-financed system by shifting the focus away from last-resort benefits towards lifecycle-based contingencies offers Oman the potential to address risks in key groups: children, working age (especially young families, women and first-time jobseekers), older people and persons with disabilities who have not spent sufficient time in paid employment. Doing so is expected to provide a much-needed social protection floor capable of not only of cushioning the impacts of the subsidy removal and tax reforms, but providing a sound and just foundation for a thriving economy and society long into the future.

Labour market distortions linked to the design of the pre-reform contributory system

In addition to gaps in social protection coverage and adequacy, certain design features of the pre-reform contributory social protection system in Oman, as in many countries in the MENA region,[29] generated distortions with respect to labour market incentives that worked against the national vision of a thriving and dynamic workforce.

In terms of pension design, the previous schemes were characterized by generous pension accrual rates and "loose" qualifying conditions for early retirement that were expensive and undermined labour market participation above age 50. Most schemes operating in Oman allowed for unreduced pensions from very early ages based only on the number of years of service. These provisions, combined with generous survivors' benefits were not only extremely costly to the system, but by encouraging early departure from the labour market, they deprived the fund (and eventually the State, with the implementation of income tax) of potential revenues for whole cohorts still in their active years. This feature, combined with the fragmentation of the system, allowed people to leave one scheme with a (full) pension while still participating in the labour market and enrolling in another scheme, thereby combining wages and pensions from relatively early ages.

In addition, all schemes were based on a final salary defined-benefit model, which offers a weak link between contributions and benefits. While defined-benefit designs offer a vital source of secure pension income in old age, a design in which pension levels are based on final salaries, as opposed to models based on career-average revalorized earnings is a model where the pension of "fast-track" career earners – those whose incomes start relatively higher and increase rapidly over shorter periods – is effectively subsidized by "low-track" career earners – those whose earnings start and progress at lower levels and pace. Moreover, basing pensions on final salary can create a perverse incentive for individuals to play the system to their advantage and promote the under-declaration of salaries, as there is no direct link between contributions paid throughout one's career and benefits accrued.

Taken together, these design features, when coupled with remarkable demographic transformations – including a 20 percentage point increase in life expectancy between 1980 and 2020 – constituted a severe threat to the sustainability of the pension fund (box 6), limited labour market participation and constrained growth and dynamism.

29. ILO (2021a); Loewe (2009; 2017).

▶ Box 6. "Excess generosity" and its implications for sustainability of the pre-reform contributory system

The pre-reform contributory system in Oman was built on a structural imbalance between the level of benefits promised by the various schemes and the level at which they are financed; the former being significantly higher than the latter, especially public-sector pension funds.

The following examples illustrate this "excess generosity" of the previous system:

- **Public pension schemes.** An insured member of the Civil Service Employees Pension Fund (CSEPF) with 20 years of service could retire at any age and receive a pension equal to 80 per cent of the member's last pensionable earnings. However, actual total contributions paid into the fund were significantly less than the actual levels needed to finance the real cost of promised benefits.
- **Uniformed pension schemes**. An insured member of one of the main uniformed pension schemes with 27 years of service could retire at any age and receive a pension equivalent to 80 per cent of the member's last pensionable earnings. With 20 years of service, a member could retire with a pension equal to 50 per cent of their last pensionable earnings. As with CSEPF, the actual contribution levels that were paid into the fund fell significantly short of the actual levels needed to finance the real cost of promised benefits.
- **PASI**. An insured member of PASI who had completed 27 years of service could retire with the maximum pension at age 55, with low reduction factors for early retirement before age 60 for males and 55 for females.

Overall, the main ingredients contributing to the system's financial unsustainability in Oman included allowing unreduced retirement pensions from very early ages, with little or no constraints, paying survivors' pensions in full (100 per cent) until the last eligible beneficiary remained eligible, as well as significant improvements in the country's average life expectancy. [30]

Fragmentation across schemes with non-harmonized benefit levels also worked to discourage employment in the private sector. Benefits were much more generous in public-sector schemes, similar to most countries in the region. This was inequitable but also decreased the attractiveness of private-sector jobs. The possibility for workers to seek employment in the private sector while also benefiting from an early pension in the public sector created inefficiencies. Furthermore, the lack of mechanisms to combine periods of contribution across sectors hindered labour mobility. For example, PASI requirements meant that most public-sector workers who transitioned to private-sector jobs upon retirement never qualified for a pension and were only eligible for lump sums.

For women, these and other design features exacerbated an already low female labour force participation rate, reflective of trends in the region. A decline in public employment since the 1980s, where many educated women had previously been employed, meant that many women were discouraged from seeking employment in the private sector.[31] Generous early retirement provisions for women and the lack of flexibility to combine periods of care and work created a strong incentive for working women to exit the labour market. Furthermore, the design of the maternity benefit system prior to the reform followed an employer-liability paradigm, which placed the entire burden of financing maternity leave on individual employers. Such design aspects are not aligned with international labour standards and are recognized to exacerbate gender discrimination in hiring,[32] which further worked against the goal of increasing women's participation in the labour market.

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30. Life expectancy at birth increased from 59 to 79 years between 1980 and 2020 in Oman (United Nations – World Population Prospects).

31. Assaad and Barsoum (2019).

32. International labour standards on maternity protection discourage the use of employer-liability systems and explicitly call for compulsory social insurance arrangements or public funds in order to protect women's position in the labour market (ILO, 2000a; 2016).

Political and ideational drivers

Political will and foresight at the highest levels

The reform process was borne of a remarkable degree of foresight and political commitment at the highest levels, as embodied in a key technical working group empowered with designing the reform's parameters. Indeed, many countries around the world, especially in the MENA region, face similarly serious fiscal and demographic pressures on their social protection systems. But few initiate reforms, and even fewer succeed at them. In the year leading up to the initiation of the technical reform process, spurred by calls emanating from the highest levels of government, a technical working group comprising multiple stakeholders from relevant line ministries was established and entrusted with designing the key parameters of the social protection and tax and subsidy reforms.

Underscoring the Government's awareness of the seriousness of the fiscal situation and its potential impacts, social protection reform was identified as a key milestone of Tawazun (now Estidamah), a special high-level government programme for fiscal balance operating under the direct oversight of H.M. the Sultan through the Ministry of Finance. Royal Decree No. 33/2021 on the Systems for Pension and Social Protection provided further impetus for reform. The decree established a ministerial committee and set clear targets and time frames for re-organizing the social protection system, laying out the imperative for the pension merger, as well as the need to establish two entities (the "Social Protection Fund" and the "Military and Security Services Pension Fund").

"To reaffirm the attention that we accord to the protection of citizens, we gave directives to establish a Social Security Scheme to ensure that the State honours its duty to provide decent living for citizens and spare them the impacts of measures entailed by financial policies. We will also accord attention to channelling some of the output of financial policies to the Social Security Scheme so that it becomes, God willing, an overarching canopy of social protection."

Speech of His Majesty Sultan Haitham Bin Tarik on 50th National Day, 18 November 2020

The reform vision anticipated the need for a consolidated and near-simultaneous reform of the tax, subsidy and social protection systems, giving the task a unique cross-sectoral purpose that led to an integrated agenda. The special team set up under Tawazun comprised representatives from the various pension funds, the MOSD, Ministry of Labour (MOL), Ministry of Health (MOH) and the National Centre for Statistics and Information. Technical representatives from these ministries were then organized under seven workstreams: Pension Reform; Administrative Merger; Communication and Change Management; Investment Merger; Information Technology (IT) Integration; Social Protection; and Legal. These workstreams reported to two technical committees comprised of the undersecretaries and chief executive officers (CEOs) of related government organizations, as well as general managers of pension funds. The technical committees, in turn, reported to an overarching interministerial committee.

Given the ambitious nature of the reform, the team was comprehensive in its breadth and required a high degree of coordination. The various workstreams operated on a continuous basis for 3.5 years, with coordination made possible thanks to the internal governance structure of Tawazun. The final policy outcomes required building consensus among diverse stakeholders throughout the reform process. As in any complex reform process, the outcome produced winners and losers, particularly because of the pension fund merger and consolidation of administrative responsibilities within a single delivery agency. In line with The country's unique consultative policymaking process, the Tawazun team actively engaged with key national stakeholders to understand and address their concerns about how the reforms would affect members, the public and the political and institutional modus operandi around policymaking and implementation. Particular attention was given to the engagement of workers' and employers' organizations, whose perspectives and concerns were critical as key stakeholders of the new system.

The consultative process was punctuated by key moments during the legislative cycle. The Social Protection Law was officially approved during the legislative session after being presented to the Council of Oman, which comprises two chambers: the Shura Council (Majlis A'Shura) and the State Council (Majlis A'Dawla). The law underwent detailed discussions and reviews by both councils before receiving final approval.

It is safe to assume that without the full commitment at the highest levels, coupled with a well-managed and empowered reform planning committee, and an inclusive stakeholders' engagement process, the reforms would have likely stalled or looked very different.

Appreciation for international normative frameworks and partnerships

National reform agents' motivations extended beyond cutting costs to include creating an equitable and coherent social protection system. Indeed, when countries facing similar fiscal and demographic pressures reform their systems, such reforms are typically not as comprehensive or inclusive. While reducing fiscal threats was a chief motivation for the Government, policymakers were also highly sensitive to the potential social consequences of reforms to ensure that the resulting system was consistent with the more inclusive vision articulated in Vision 2040, as well as constitutionally protected rights to social security.[33] National actors recognized that the twin objectives of creating a more efficient and cost-effective distributional contract through the reduction of subsidies, and having a more equitable and inclusive social protection system, were not in tension. On the contrary, they were complementary and mutually reinforcing.

Close collaborative working relationships between key technical counterparts in international organizations enabled substantive iterative and fruitful exchanges throughout the reform process. Prior to the inception of the current reform process, key institutions, notably PASI, had developed strong working relationships with technical counterparts in the ILO's social protection and social security structures going back several decades. As such, ILO was invited to play a leading technical advisory role in the reform process. This role was chiefly

33. According to the Constitution, "The State guarantees aid for the Citizen and his family in cases of emergency, sickness, disability and old age according to the social security scheme."

exercised through inputs to the reform process in the following areas: comprehensive diagnosis and reform of the contributory system; design of the government-financed ("floor") components of the new, integrated social protection system; and the consultation process and design of the institutional framework and administrative apparatus to implement the new system. Tawazun and the ILO carefully coordinated to ensure that the technical team worked closely with the corresponding Tawazun workstreams, mentioned above. The collaboration also extended to UNICEF on a series of matters, including preparation of a draft national social protection policy (box 7).

▶ Box 7. International partners support a broad vision for reform

A framework for collaboration was established between Tawazun, the ILO and UNICEF, structured around three main components: (1) the development of a comprehensive social protection policy for Oman, jointly led by both organizations; (2) the institutional, technical, financing and legal design of a multi-tiered income support system, led by the ILO, and (3) the linkages and coordination between a multi-tiered income support system and broader social protection and social policy system, led by UNICEF.

This report covers aspects related and delivered through the second component. Under other components, important milestones were achieved. An overarching national policy for social protection was drafted, currently under the consideration of the Council of Ministers. Under Component 3, the UNICEF team made important contributions in relation to: mapping and a qualitative and quantitative diagnostic of vulnerability and needs; assessment of the social protection system prior to the reform (box 3); development of policy reform options and the design and operational model for linkages between income support and other key services ("cash plus"); and assessing and supporting opportunities for alignment of government, private and civil social programmes.

The predisposition of Oman towards a more equitable and inclusive social protection system created a conducive environment for international standards, norms and frameworks to find expression in a reformed national social protection system. In these frameworks, national policymakers found clear principles, concepts and standards that enabled iterative benchmarking of reform proposals and potential outcomes throughout the process. Notably, key international normative and reference frameworks offered critical guideposts for central reform exercises, as shown in table 2. In some cases, the frameworks were actively used to design parameters (as is the case with ILO Conventions); in other cases, the frameworks offer general references to be drawn upon at any time during and beyond the reform process to construct and maintain a rights-based, inclusive, integrated and sustainable social protection system.

> National reform agents' motivations extended beyond cutting costs to include creating an equitable and coherent social protection system.

Table 2. Relevant international normative and reference frameworks

Reform exercise	Relevant international normative and reference frameworks
Acknowledging and guaranteeing the human right to social security	Universal Declaration of Human Rights of 1948 United Nations Convention on the Rights of the Child United Nations Convention on the Rights of Persons with Disabilities Social Protection Floors Recommendation, 2012 (No. 202)
Setting parameters for key benefits	Income Security Recommendation, 1944 (No. 67) Social Security (Minimum Standards) Convention, 1952 (No. 102) Invalidity, Old-Age and Survivors' Benefits Convention, 1967 (No. 128) Employment Injury Benefits Convention, 1964 [Schedule I amended in 1980] (No. 121) Employment Promotion and Protection against Unemployment Convention, 1988 (No. 168) Maternity Protection Convention, 2000 (No. 183) Maternity Protection Recommendation, 2000 (No. 191) Social Protection Floors Recommendation, 2012 (No. 202)
Designing governance framework and institutional configuration for new administrative structures	Social Security (Minimum Standards) Convention, 1952 (No. 102) Guidelines developed by the International Social Security Association (ISSA), notably the ISSA Guidelines on Good Governance and ISSA Guidelines on Investment of Social Security Funds

Source: ILO.

The major components of the new system distinguish Oman as a leader in the MENA region and, indeed, globally in the establishment of a strong, government-financed social protection system. This new system provides minimally adequate levels of protection for the general population, potentially (eventually) across all contingencies specified in ILO Convention No. 102 of 1952 on Minimum Standards of Social Security.[34] The package of government-financed reforms will help ensure that the transition away from subsidies is smooth by reducing income vulnerability and cushioning the impact of reforms among lower- and middle-income groups. Moreover, the technical team drew on international experiences to demonstrate that the broad-based benefits Oman plans to implement are likely to contribute to broader socio-economic objectives of decent work, gender equality and economic growth, while also fostering stronger State-society relations (the "social contract"). The design options for government-financed benefits were developed within a multi-tiered framework, with conscious attention given to ensuring that the system operates as a coherent whole and avoids negative incentives that can result from narrow means-testing or ad hoc scheme-by-scheme approaches.

Overcoming inequities in social protection across different segments of the workforce is a cornerstone of international social security standards; this was a strong driver of the reforms. In 2019 private-sector workers' organizations expressed – as part of a structured dialogue process facilitated by the ILO – a clear demand to the PASI Board that further reforms of the pensions systems should not focus on the private sector alone, but should also call into question the public sector. This sparked the adoption of a

34. Healthcare is currently funded in Oman through a national health system under the Ministry of Health. The Social Protection Law envisages a possible future extension of the SPF's functions to include managing a national social health insurance scheme.

systemic and comprehensive approach, aimed at finding common sustainable solutions that would be applicable to both public- and private-sector workers. Similarly, the progressive realization of the principle of equality of treatment between national and non-national workers found a strong echo in the new legislation, opening new horizons for the extension of social protection to non-national workers in Oman and in the region (see Chapter 4).

Likewise, the reforms respect many of the fundamental principles embedded in international frameworks, such as those provided in ILO Convention No. 102: guarantee of defined benefits; participation of employers and workers in the administration of the schemes; general responsibility of the State for providing benefits and their proper institutional administration; and collective financing by way of insurance contributions or taxation. In addition, the ILO technical team drew on their international experience in pension design to focus on three main overarching principles: diversification, universality and adaptability. The resulting unified pension design (detailed in the following chapter), together with the addition of key short-term benefits under the contributory system that were previously absent or only available to certain groups (e.g. unemployment insurance, maternity and sickness benefits), has set the groundwork for a more comprehensive, adequate and sustainable system.

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Image digitally enhanced using AI by Omaima Al Batrani. © SPF

▶ 4. A new social security system rooted in international labour standards and rights-based principles

The reform process actively integrated international standards, multi-tiered designs and respect for rights-based principles: coverage, adequacy, equity, comprehensiveness and sustainability. This chapter highlights the ways in which the technical advisory teams and Tawazun incorporated these key principles. It also references the technical process of exploring options and their potential distributional outcomes that informed decisions on the final design of the system. First, a summary of the key features of the reformed national social protection system is presented, followed by: a review of the process to build consensus around the role and potential components of a social protection floor and where they sit in a multi-tiered framework; a review of the complete restructuring and reform of the contributory system; and a reflection on the relevance of the reforms from the perspective of including persons with disabilities, women and non-national workers.

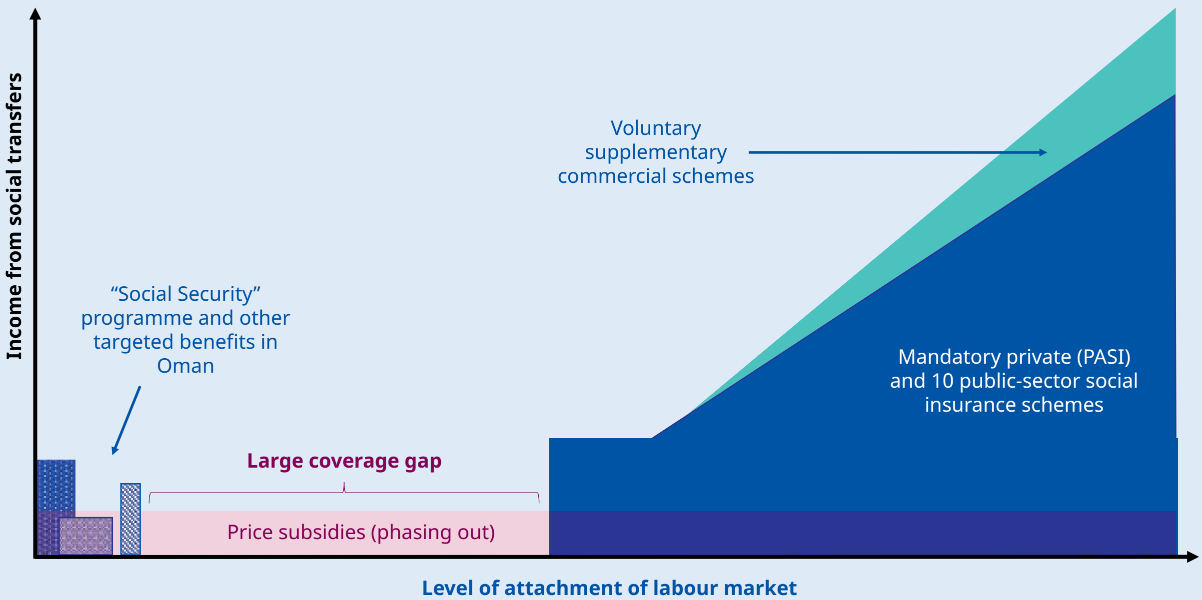
Key concepts in multi-tiered lifecycle-based systems

Although Oman is a high-income country, its pre-reform institutional structures, especially with respect to social protection, were more indicative of structures common in developing countries. One characteristic of such structures are segmented contributory systems, often established alongside the emergence of modern nation-states. These offer different levels of coverage depending on the worker's occupational group and status in employment, with considerable differences between those in the public and private sectors. The contingencies provided for – often generously – for formally employed workers are usually unavailable to large segments of the population. Such contributory systems have proved inadequate in the face of high levels of informality and low levels of labour market participation among key population groups – often dubbed the "missing middle". At the same time, low investment in ad hoc collections of small non-contributory schemes that target very specific groups (or risks) have failed to offer a compelling alternative for those outside of formal employment, made all the more apparent in the wake of the COVID-19 pandemic.[35] Large targeting errors, overlapping or contradictory eligibility, and challenges with governance and coordination – including labour market disincentives – have manifest in scheme that not only fail to provide broad-based or adequate coverage, but frequently work at cross-purposes to the social insurance system (figure 12).

The reform process actively integrated international standards, multi-tiered designs and respect for rights-based principles: coverage, adequacy, equity, comprehensiveness and sustainability.

35. See Razavi et al. (2022).

▶ **Figure 12.** Absence of a lifecycle-based social protection floor in Oman



Source: Authors' depiction.

Globally, there is growing recognition, especially across low- and middle-income countries, of the importance of introducing government-financed social protection "floors", and of conceptualizing them in terms of lifecycle-based frameworks. A shift away from this "residualist" approach to social protection, which relies heavily on narrowly targeted, household-based schemes rather than individual rights-based transfers, creates opportunities for reform-minded governments, such as in Oman, to build more harmonious systems fit for labour markets characterized by increasing volatility and new forms of work. Specifically, re-introducing a lifecycle framework to the organization of "floors" – orienting income security guarantees around many of the same contingencies covered in contributory systems – can be an effective and efficient way to provide a minimal level of income security for populations historically excluded for legal and structural reasons. Such frameworks can also support the contributory system, resulting in systems that are more effective overall at preventing and alleviating economic vulnerability and promoting income security.[36]

Contrary to some conventional uses, social security has historically been defined not as a particular financing structure, but rather as the product of a set of benefits that can be either government-financed or funded by contributions, or some combination thereof.[37] Most of the world's more successful social security systems achieve their objectives through a combination of government-financed guarantees and mandatory contributory (social insurance) benefits, organized around defined contingencies linked to the lifecycle and the labour market, as explained in box 8. In many high-income countries with developed economies and low levels of labour market informality, universal coverage can be achieved predominantly through the social insurance system, but most still offer minimal government-financed benefits for those who do not meet the contribution requirements that would entitle them to higher-level benefits in any contributory system.

36. McClanahan and Ruggia-Frick (2024).

37. See ILO Convention No. 102; ILO (2021b).

▶ **Box 8.** Social protection floors in multi-tiered systems: Basic income security for lifecycle contingencies

A lifecycle-based system is one in which common, defined contingencies serve as the primary organizing principle of a social protection system, rather than an assessment of means. This kind of approach is rooted in an understanding of social security as a fundamental human right, as expressed in the 1948 Universal Declaration of Human Rights and other normative frameworks. It also comprises a specific set of core benefits tied to nine contingencies linked to the human lifecycle and the labour market.

Figure 13 shows how these benefits have been articulated in specific global frameworks and standards related to social security, such as Convention No. 102 and related social security Conventions and Recommendations, such as Recommendation No. 202. The same core benefits have been validated in the experience of high-income countries that have relied on social security as a key stabilizer and engine of the economy.

▶ **Figure 13.** Core lifecycle benefits in Convention No. 102 and Recommendation No. 202

	Children	Working age	Old age
Core lifecycle benefits mentioned in C102 and R202 (contributory or tax financed)	Child (family) benefits	Cash sickness benefits	Old-age pension
		Cash maternity and paternity benefits	
		Unemployment benefits	
	Disabilty benefits		
	Survivors' benefits		
		Employment Injury Compensation	
	Healthcare		

Other benefits

Categorical benefits for specific populations (non-age related), Specific benefits for covariate shocks, Minimum income guarantees, Livelihoods and public works programmes, etc.

Source: Adapted from McClanahan et al. (2021).

Core benefits corresponding to these contingencies can be financed either from contributions (contributory schemes) or government-financed. Nearly all countries provide some combination of contributory and government-financed schemes, but some multi-tiered combinations achieve universal coverage by design, where all are protected for the given contingency regardless of labour market status, social insurance status or income. These more inclusive systems achieve higher overall levels of coverage, often resulting in more adequate benefits for each contingency. As a result, they are typically more effective at reducing poverty and promoting broader social and economic goals.

Source: Razavi et al. (2022); McClanahan et al. (2021); and McClanahan and Barrantes (2021).

Because expanding social insurance is a long-term and complex process, particularly in contexts of high informality or low labour market participation, the design of the government-financed[38] tier is often the main determinant of the degree of inclusiveness in a social protection system. Technical exchanges between the ILO and Tawazun emphasized the importance of opting for more inclusive government-financed designs that would complement current and future contributory schemes. Among other outcomes, this conceptual exercise, which accompanied the design of the benefit system around each of the life contingencies, helped to clarify the limits of narrow means-testing, particularly given that data on households and individual income levels are not readily available in Oman. At the same time, the exercise highlighted the merits of combining both pure universal and benefit-tested government-financed designs with contributory financing systems in viable multi-tiered designs to achieve universal coverage of the system as a whole (including benefits financed from contributions) for each risk. These multi-tiered design options are explored in more detail in the following sections.

Constructing a lifecycle-based floor

Even though there was agreement on the need for reform and its overall direction, the process of designing an alternative system rooted in rights-based principles that also supports broader socio-economic goals was far from straightforward. The technical teams engaged in a systematic exercise to prioritize the contingencies most relevant and feasible and, for each identified contingency, critically examined the objectives and trade-offs associated with different financing combinations and design choices. As part of this process, the teams critically engaged with the role of means testing, benefit-testing and universal design in a future social protection system – including how these interact with a unified social insurance system. The result is a system that prioritizes core lifecycle contingencies as the fundamental building blocks of the new system, paired with a complementary, if largely residual, minimum family income support system.

Installing a lifecycle floor, brick by brick

The pre-reform system was characterized by a distinct absence or inadequacy of key provisions that could offer regular, predictable income security for individuals and their families over the life course. Notably, beyond orphans and a targeted school feeding programme, the majority of children in Oman lacked meaningful coverage, leaving most families on their own to cover the extra costs of bringing up children. Similarly, people with disabilities and older people who were not receiving contributory pensions, or those living in the 3 per cent of households receiving government-financed Social Security benefits, had to rely on family or community support. People of working age experiencing illness or maternity who were unable to work had to rely on employers for support. But the system was expensive for employers and challenging to enforce, and likely resulted in discriminatory hiring practices. Strict qualifying conditions for contributory unemployment benefits meant that large numbers of unemployed persons who were outside, or had recently jointed, the labour market lacked access to basic income security and active labour market programmes, which could have facilitated their search and preparation for decent employment. These gaps are further elaborated in box 9.

38. Given the structure of public finances in Oman, the term "government-financed" is used throughout this analysis to refer to benefits financed with public funds.

▶ Box 9. Gaps in lifecycle-based provision in the pre-reform system

Prior to the reforms, even those workers who were covered under contributory schemes lacked protection for key contingencies, especially those most likely to affect younger cohorts. Generally, the scope of provision in most schemes, with the exception of PASI, was limited to old-age, disability and some survivors' benefits. Public-sector civilian schemes (PDOPF and CBOPF) provided old-age, disability and survivors' pensions, while schemes for uniformed personnel (military, police, and security personnel among others) only gave access to old-age benefits, lump-sum death benefits and, in some cases, employer-provided employment injury and disability benefits.

PASI provided a more comprehensive range of benefits. As the only mandatory scheme for private-sector workers, PASI served as the main reference scheme for internal comparisons, offering a number of benefits first introduced under the Social Insurance Law of 1991 (Royal Decree No. 72/91, with amendments). This provided for old-age, disability and survivors' pensions, as well as benefits for employment injury (including temporary and permanent disability pensions and survivors' pensions, regulated in line with general survivors' pensions). In addition, Royal Decree No. 82/2020 introduced a new unemployment insurance scheme, managed by PASI, which covered both public- and private-sector workers. The scheme went into force in November 2020.

Benefits provided under PASI were financed through a combination of employee and employer contributions, as well as a general contribution from the Government. Employers contributed 12.5 per cent of earnings (10.5 per cent for old-age, disability and survivors' benefits, 1 per cent for employment injury and 1 per cent for unemployment). Wage employees contributed 8 per cent of earnings (7 per cent for old-age, disability and survivors' benefits and 1 per cent for unemployment). Self-employed workers contributed 6.5 to 16 per cent, depending on reported income level, for old-age, disability and survivors' benefits. Non-Omanis were ineligible and instead relied on a separate system that was based fully on employer liability, including the end-of-service indemnity (EOSI), disability, death and employment injury benefits. Participation was mandatory for Omani employees and voluntary for self-employed workers (for old-age, disability and survivors' insurance only). A separate contribution by Government (5.5 per cent of earnings) to the scheme amounted to a legally sanctioned and earmarked subsidy to support the contributory pension system. In addition, the government also subsidized contributions for self-employed workers participating in the pension scheme.[39]

The Social Security Law[40] contained the "bones" of a lifecycle-based system in basing eligibility primarily on easily identifiable characteristics. However, it still excluded core protections outlined in international frameworks and in the systems of developed high-income countries. The law specified eight categories of beneficiaries for which a claim could be made. These included orphans, divorced persons, widows, deserted or abandoned persons, unmarried women, older people, people with disabilities and families of prisoners. As such, the Social Security Law already contained the basic elements of a lifecycle-based system, particularly for people aged 60 and older, people with disabilities (at any age, if medically assessed), widows and orphans. While the potential to build on the Social Security Law to transition towards individual entitlements was evident, the pre-reform system failed to provide any government-financed guarantees of basic income security for children, new parents outside of the (formal) labour force, unemployed people who had never contributed (especially younger workers) and others.

The comprehensiveness of the pre-reform contributory and government-financed schemes in relation to the core lifecycle benefits defined in international frameworks is summarized in Figure 14 as are the key gaps in lifecycle-based provisioning.

Source: ILO (2023b).

39. The self-employed person's contribution was matched by a Government contribution equal to the difference between 20 per cent and the contribution rate paid by the insured worker.

40. The main legislative and policy vehicle for delivering government-financed social protection in Oman is the Social Security Law of 1984 (Royal Decree No. 87/84) and its associated regulatory framework (e.g. Ministerial Order No. No.72. on Social Assistance Regulation of 2014). The Social Security Law provides the most fertile policy basis for developing a lifecycle-based system built around a core set of lifecycle-based government-financed income transfers that, where appropriate, mirror core benefits in the contributory system. As such, it served as the focus of the diagnostic review.

▶ Figure 14. Pre-reform contributory (PASI) and government-financed schemes and key gaps from a lifecycle perspective

<table>
<tr><th colspan="2"></th><th>Children</th><th>Working age</th><th>Old age</th></tr>
<tr><td rowspan="6">Core lifecycle benefits</td><td rowspan="4">Contributory</td><td colspan="3">Various pension funds providing old-age, disability and survivors’ pension</td></tr>
<tr><td colspan="3">PASI – Employment injury (disability/survivors’)</td></tr>
<tr><td rowspan="2"></td><td>Cash sickness and maternity/paternity benefits (employer liability)</td><td rowspan="2">PASI
Old-age pension</td></tr>
<tr><td>PASI
Unemployment insurance</td></tr>
<tr><td rowspan="2">Government -financed</td><td colspan="3"></td></tr>
<tr><td colspan="3">Free public primary, secondary, and tertiary medical services</td></tr>
<tr><td colspan="2" rowspan="2">Other benefits</td><td colspan="3">Old-age, disability and widows’/orphans’ “Social Security” benefit (means-tested)</td></tr>
<tr><td colspan="3">Social Security pensions for other categories (abandoned persons, divorced women, prisoners’ families, etc.); Temporary and immediate cash assistance under Ministerial Order No. 72 (2014) – legacy schemes; Other emergency/ad hoc programmes; Education stipend; Housing benefits</td></tr>
</table>

<table>
<tr><th colspan="5">Key gaps in lifecycle provisions</th></tr>
<tr><td>No child benefits (beyond orphans)</td><td>Weak or missing old-age and disability guarantees</td><td>Weak protection for sickness, maternity/ paternity benefits</td><td>No unemployment protection for new entrants</td><td>Reliance on low- coverage of means-tested benefits</td></tr>
</table>

Source: Authors' depiction.

Taking account of the diagnostic analysis of the pre-reform social protection situation, reform proposals drew on the spectrum of income transfers available in a lifecycle system, as laid out in international frameworks, including Convention No. 102 and Recommendation No. 202. Through stakeholder consultations and iterative policy workshops, a range of government-financed benefits was identified that would provide a strong basis for establishing a social protection "floor" in Oman, as depicted in figure 15. The benefits identified would be expected to cater for the needs of the population during the transition away from a subsidy-reliant system. The aim was to use public resources more efficiently and equitably through a lifecycle-based, multi-tiered social protection system.

These benefits were identified as those with the greatest potential to achieve significant impacts both at the aggregate level, as measured in terms of national indicators of income vulnerability and inequality, as well as at the individual level for recipients and their households. They correspond broadly to key lifecycle benefits articulated in international frameworks, but also take into account risks and vulnerabilities that are particularly salient in the Omani context, such as low female labour market participation and high levels of youth unemployment.

▶ **Figure 15.** Main government-financed lifecycle benefits for a social protection floor

Maternity benefits

- **Large number of women outside of paid employment but providing unpaid care**
- Extra costs of additional care needed after childbirth
- If well-designed can promote women's employment
- Subject to cabinet approval

1st time jobseekers' benefit

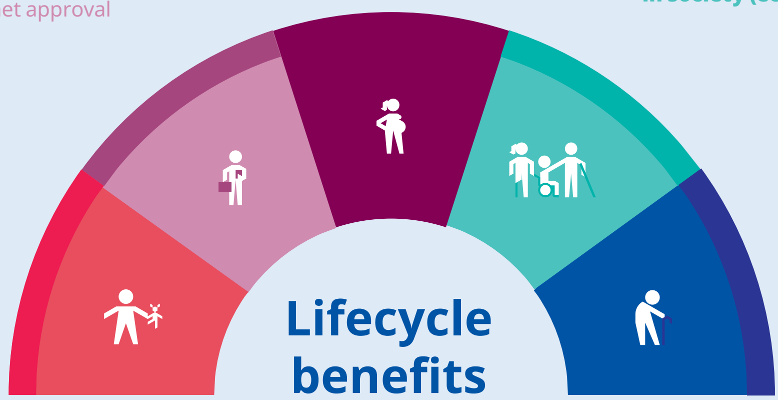
- For those who have not entered contributory system
- **Can address youth unemployment**
- Complements the Al Raffd Fund
- Could be paired with vocational and skill-matching services
- Subject to cabinet approval

Disability benefits

- Right to live in dignity with independent income
- Many outside (or insufficient) paid employment and ineligible for contributory pensions
- **Extra costs of disability keeps them from participating fully in society (economic cost)**

Child benefits

- Children have an inherent right to social protection in international human rights frameworks
- Children are the future workforce
- **Most efficient way to reach large numbers of household (= large impacts)**
- If well-designed can promote (women's) employment



Old-age benefits

- **Older people have contributed to society and the economy over their whole lives**
- Many have not met contribution requirements for contributory pensions
- Individual tax-financed old-age pensions reduces the financing burden on survivors' pensions

Source: Authors' consultations with Tawazun.

When building a lifecycle-based social protection floor, certain benefits – namely child benefits and old-age benefits – offer greater potential to generate large impacts at the aggregate level, build the social contract and provide entry points for the system in times of large covariate shocks. This is because, when provided to all children and all older people, they enable the social protection system to reach large numbers of households. Child benefits and old-age benefits are justified from a rights-based perspective, since childhood and old age are inherently vulnerable periods characterized by specific nutritional and cognitive developmental needs in the case of children, and the inability or reduced ability to earn income from labour in old age. Furthermore, since everyone will have benefited within just one generation, once in place, child benefits and old-age benefits will serve as key points of contact between the population and the State, reinforcing the social contract. Because many households contain a child or an older person, they offer an essential entry point for the social protection system during times of large-scale shocks, where benefits can be easily and quickly scaled up when time and resources do not allow for complex needs assessments.

The design proposals focused on integrating government-financed and contributory entitlements to provide, at least, a basic level of protection for everyone experiencing each contingency, along with higher-level benefits for those in formal employment who were required and able to contribute. In this way, the multi-tiered designs preserve the incentive to join and remain in covered employment and social insurance, while still – at least from a design perspective – guaranteeing the universal right to social protection. An example of high-level universal and benefit-tested design considerations are described in box 10.

▶ Box 10. Alternative models for multi-tiered social security system: The example of the old-age pension

Three high-level models were considered for the design of a multi-tiered old-age pension system. These included:

- ▶ Model 1 – Purely universal option. This is a universal government-financed old-age benefit paid to everyone above a given age, regardless of income, past contributions or other attachment to the labour market.
- ▶ Model 2 – Pension-tested option with no minimum contributory old-age benefit. A guaranteed government-financed minimum amount is paid to everyone above a given age who has insufficient contributions for a contributory pension greater than the amount of the government-financed minimum benefit.
- ▶ Model 3 – Pension-tested option that retains a minimum contributory old-age pension. A guaranteed minimum government-financed amount is paid to everyone above a given age with less than a defined minimum number of years of contributions. A higher-level minimum contributory old-age pension is guaranteed to anyone with more than the minimum defined number of years, regardless of the value of their contributory pension that results from the pension formula.

In model 1, the simplest scheme, a universal government-financed "basic" benefit is paid to everyone above the defined retirement age (figure 16). Those affiliated with the contributory system are able to receive higher-level pensions as a function of their earnings. The incentive to pay since the combined total value of the basic benefit and the contributory pension would always be higher than the basic benefit for those with at least 1 year of contributions. The model also removes the need for "solidarity financing" of the contributory system, since everyone is entitled to the guaranteed government-financed basic pension. Also in this model, the contributory system only "tops up" the universal basic benefit, reducing the burden on social contributions. In effect, this design was chosen for both old-age and disability pensions.

In model 2, the pressure on the general budget is significantly reduced through shared financing of the basic (universal) benefits between the general budget and the social insurance fund. By extension, contribution rates in the social insurance fund would, necessarily, be higher given the need to fully finance contributory pensions. This model preserves the concept of a basic old-age benefit for the purpose of establishing the benefit formula and promoting a sense of fairness across the two systems (where a "universal guarantee" concept is retained). This model assumes that the Government would not to be in a position to fully finance the cost of the basic pension and instead introduces a tapering/clawback of the basic old-age benefit, which subsidizes workers with a low number of years of service but without creating disincentives. The tapering/clawback formula is calculated as a function of the size of the contributory pension, years of service and how much Government is willing to pay. A variation of this design was chosen for old-age benefits and pensions. Figure 17 depicts the pension-tested model without a minimum contributory minimum pension.

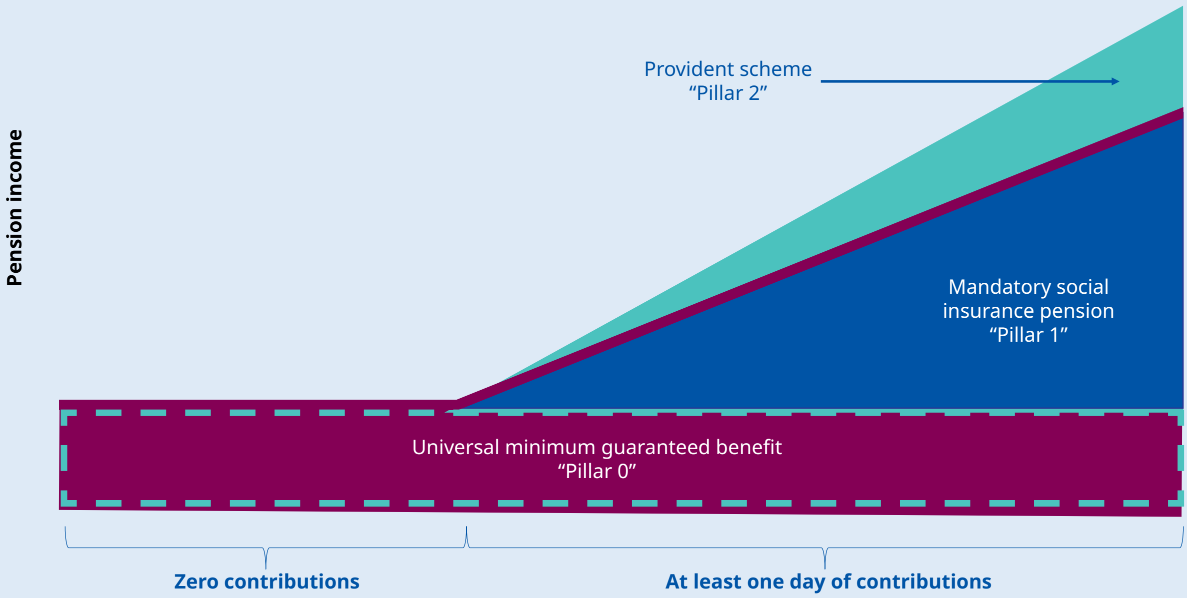
Notably, models 1 and 2 remove the contributory minimum pension that existed previously in PASI and other pension funds in recognition of the increased complexity involved in introducing two minimum guarantees to the system. Having both a government-financed minimum guarantee for those with no earnings or contribution history and a minimum guaranteed contributory pension for those with a low earnings/contribution history (e.g. those with fewer than 15 years) generates complex questions, such as how to set appropriate transfer values for both minimums and how to treat the contributions and pensions of those with less than 15 years of total contributions.

There are design solutions to these challenges, but they create complexity when many of the same policy objectives (e.g. extension of coverage, subsidization of low pensions through "solidarity financing") can be achieved through administratively simpler models.

Nonetheless, model 3, which retains the concept of the currently guaranteed contributory minimum pension in PASI, was explored (figure 18). This model resolves the potential issue where lump-sum refunds for those with less than 15 years' contributions would mean that some of those outside the contributory system would receive more than those with low earnings, who would receive only the contributory minimum. This design would convert a lump-sum pension under a separate pension formula for that group. In addition, the same principle of a clawback/tapering formula would apply (as a function of the number of years of service). As in model 2, the overall cost to the Government would be significantly lower under a pension-tested model like this one. In addition to these high-level options, a number of sub-options to determine the exact nature of cost-sharing arrangements between the Government and the social insurance fund were considered for the pension-tested models 2 and 3.

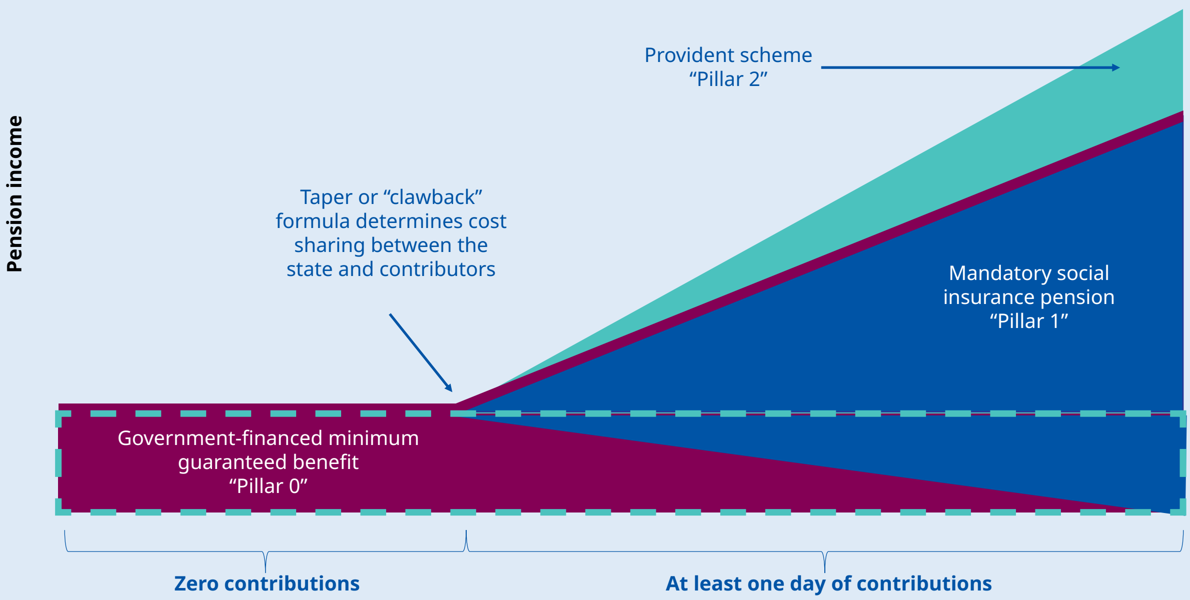
The design proposals focused on integrating government-financed and contributory entitlements to provide, at least, a basic level of protection for everyone experiencing each contingency, along with higher-level benefits for those in formal employment.

▶ **Figure 16.** Model 1: Universal government-financed pension with no minimum contributory pension



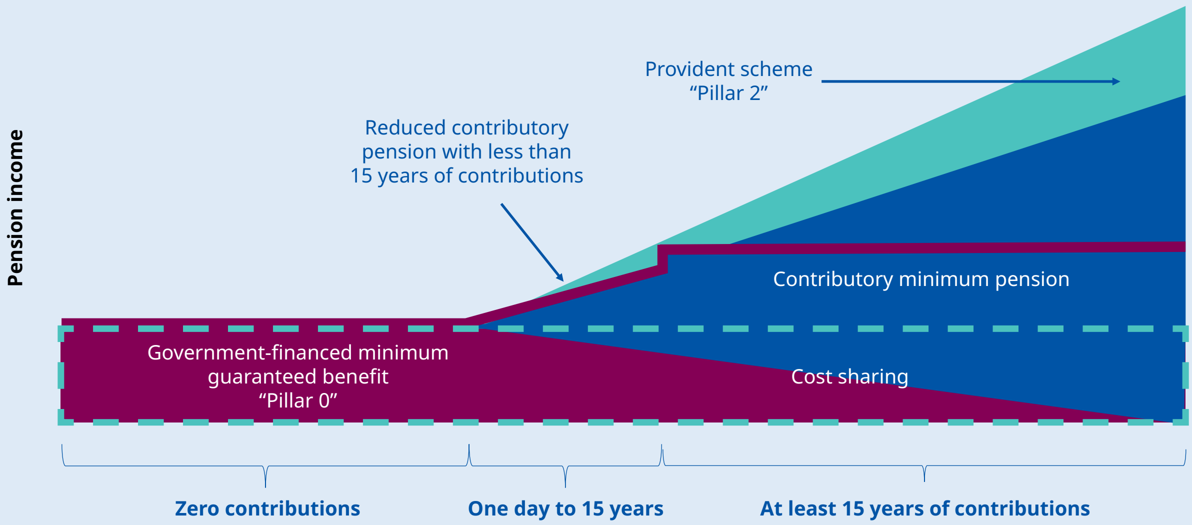
Source: Authors' depiction.

▶ **Figure 17.** Model 2: Pension-tested government-financed old-age pension with no minimum contributory pension



Source: Authors' depiction.

▶ **Figure 18.** **Model 3: Potential multi-tiered pension system with both government-financed and contributory minimum pensions**



Source: Authors' depiction.

The multi-tiered designs preserve the incentive to join and remain in covered employment and social insurance, while still – at least from a design perspective – guaranteeing the universal right to social protection.

Similar exchanges and trade-offs as those discussed in box 10 were explored with respect to child benefits, disability and survivors' benefits, maternity benefits and unemployment benefits. In all cases, design options were guided by international standards and best practices. Table 3 summarizes the high-level design options considered and eventually chosen.

▶ **Table 3.** Summary of high-level design options and outcomes for lifecycle benefits

Lifecycle benefit	Designs considered	Design outcome
Child benefit	Universal government-financed basic benefit versus gradual age roll-out	Universal government-financed basic benefit (under 18)
Unemployment benefit	Government-financed universal first-time jobseekers' benefit, coupled with social insurance benefit	Social insurance benefit (with enabling legislation for a future unemployment assistance benefit)
Maternity/paternity benefit	Universal or benefit-tested basic benefits, coupled with social insurance benefits	Enabling legislation for a future government-financed maternity benefit for women outside the workforce.
Disability benefit	Universal or pension-tested government-financed basic benefits, coupled with social insurance benefits	Universal government -financed basic benefit, coupled with social insurance benefits
Old-age pension	Universal or pension-tested government-financed basic benefits, coupled with social insurance benefits	Pension-tested basic benefit, coupled with social insurance benefits
Survivors' benefit	Universal or pension-tested basic tiers, coupled with social insurance benefits	Pension-tested government-financed benefit, coupled with social insurance benefits

Source: Social Protection Law

The decision-making process around child benefits illustrates a commitment to a rights-based approach while also exploring different cost scenarios.[41] Tawazun acknowledged the pragmatic simplicity of a universal design that would provide a child benefit to all children in Oman aged under 18, regardless of their parents' labour market status or income level. However, given concerns about costs, options for a gradual roll-out starting with younger ages were also considered. Ultimately, the Government opted for a universal child benefit for all Omani children, laying the foundation of a rights-based system starting from birth. This sets a high standard as the first universal child benefit (UCB) in the region (box 11).

Oman acknowledged the pragmatic simplicity of a universal design that would provide a child benefit to all children in Oman aged 0–17, regardless of their parents' labour market status or income level.

41. The multi-tiered design was not actively pursued in the case of child benefits as an early preference for a simple, universal design was expressed. Affluence testing was considered but ultimately rejected because of the recognition of the child benefit as a universal right, but also because of concerns about administrative complexity in the absence of accurate and up-to-date information on individual and household income.

▶ Box 11. Universal child benefits in Oman: The foundation of a rights-based system

The decision to implement a UCB for children aged under the age of 18 in the first year of the reform's roll-out was foundational and path-breaking. UCBs are common in high-income countries, where child benefits are typically seen as an investment in future generations and a right; in Northern and Western Europe, all children receive monthly transfers (ILO, 2021b). A uniform, flat rate per child is the most common modality, but some countries vary the amount (either upwards or downwards) with each additional child in recognition of the economies of scale (downward adjustment) or to encourage reproduction (upward adjustment). Furthermore, UNICEF emphasizes the importance of a UCB not only to cover children's needs, but also as the foundation for so-called "cash plus" programmes designed to link cash assistance to services in response to lifecycle needs and vulnerability.

In low- and middle-income countries, consensus is growing in favour of universal child benefits as an effective way to reduce poverty, among other policy objectives (Save the Children et al., 2025).

Importantly, there is substantial evidence across countries of all income levels that child benefits can have vital nutritional, health and educational advantages for children, which continue to pay dividends long into the future, as well as economic growth (Bradshaw and Hirose, 2016; Hodges et al., 2007; Milligan and Stabile, 2011). Child benefits are also affordable, as the costings exercise demonstrated in Oman – the relative cost of providing them will decrease over time in an ageing society.

Several alternative design options were considered during drafting of the law. These included first establishing a universal child benefit for younger children, with an initial target age of 0–5 years, with gradual expansion of eligibility to older children over successive years. Oman opted to roll out benefits to reach all children. This decision puts Oman ahead of other countries in terms of coverage, and leaves open the possibility of improving linkages to other child services in the future, including the ability to adjust the benefit amount or anchoring it to vulnerability.

When setting the proposed transfer values for government-financed benefits, consideration was given to the primary objective of the benefit, as well as international standards and benchmarks. Whether a benefit was aimed at replacing lost or foregone income or intended to compensate for additional costs, or both, were all taken into account. Table 4 summarizes the rationale behind a range of potential transfer values for each set of benefits, with reference to international labour standards and other relevant benchmarks. A range of values was considered for the costing exercise, but the references are useful for situating the eventually chosen values within a relevant global framework.

When setting the proposed transfer values for government-financed benefits, consideration was given to the primary objective of the benefit, as well as international standards and benchmarks.

▶ Table 4. Lifecycle benefits under consideration and relevant international standards and other benchmarks

Benefit	ILO Convention or Recommendation	Other relevant benchmarks/ rationale[42]
Old-age pension	40% (C.102), 45% (C.128) or 55% (R.131) of reference wage[43]	Income replacement; 12–15% of GDP per capita
Disability pension	40% (C.102), 50% (C.128) or 60% (R.131) of reference wage	Income replacement value plus additional cost of disability (30%)
Maternity/paternity benefits	66.67% (C.183) or 100% (R.191) of reference wage	Income replacement
Unemployment benefits	45% (C.102) or 50% (C.168) of reference wage	Income replacement
Child benefits	1.5% or 3% of reference wage multiplied by the number of covered children or children in the population (C.102)	Additional cost of bringing up children (~25%); 4–6% of GDP per capita
Survivors' benefits	40% (C.102), 45% (C.128) or 55% (R.131)	Income replacement

Sources: ILO (2017b; 2000a; 2000b; 1988; 1967a; 1967b; 1952), Mont and Cote (2020).

The iterative nature of the advisory process between the Tawazun, the ILO and other stakeholders provided opportunities to narrow down the core priority benefits, discard some options and move towards consensus on key design principles and the specific parameters for each benefit. In addition, consideration of fiscal requirements and sustainable financing options were discussed (see Chapter 6).

The introduction of universal benefits meant that many beneficiaries of means-tested benefits under the previous regime would be covered under the new lifecycle-based programmes.

42. In the absence of a nationally defined adequacy benchmark for Oman, other benchmarks considered were based on a literature review and empirical observations of average benefit levels for comparable government-financed benefits in other countries. For a more detailed discussion of these benchmarks, see James and McClanahan (2019).

43. The prevailing wage for Omani manual workers was roughly equivalent to the minimum wage, noting the minimum wage in Oman was last adjusted in 2013.

A minimum income floor for families in diverse circumstances

The decision to pursue a lifecycle-based social protection floor had implications for the potential future role of means-tested benefits contained in the previous Social Security Law. The introduction of universal disability and child benefits, and pension-tested old-age and survivors' benefits meant that many beneficiaries of means-tested benefits under the previous regime would be covered under the new lifecycle-based programmes – namely, older persons, people with disabilities, widows and orphans who, under the previous law, would benefit only if they had no other means of support. These would now all be covered via individual transfers under the new social protection floor guarantee. ILO analysis at the time suggested that around 70 per cent of all existing social security programme beneficiaries would be tranfered to the new programmes, which mostly pay higher levels of benefits.

Ultimately, the Government opted to retain a basic "family income support benefit" using a general means test to identify families whose income fell below a defined threshold. Policymakers carefully considered how such a last-resort household benefit should fit within the wider new system. The final design aims to ensure that it plays both a complementary role for those who would not be protected under a lifecycle scheme, and a supplementary role for those who would be inadequately protected because of such factors as household composition, specific needs and other circumstances not accounted for in the new lifecycle framework. This is largely in line with the design features of many minimum income guarantee programmes in Europe and other advanced welfare systems. Box 12 describes some of the policy considerations that guided the process to reform the means-tested component of the system and table 5 outlines the key features of the scheme.

▶ Box 12. Conceiving the means-tested family income support benefit – key considerations

In the decisions surrounding the future role and form of means-tested benefits in Oman, policymakers confronted a number of considerations.

First, for those specific categories covered under the Social Security Law but not captured under the new lifecycle programmes (unmarried women, divorced, families of prisoners, deserted or abandoned persons), the new programme could either remain as it was (minus lifecycle categories), where the budget would be around a quarter of current budget, or alternatively, it could broaden eligibility through the application of a general means test (the same requirements or new ones) but without the additional criteria of belonging to a certain group, the latter of which would capture those not currently meeting the narrow criteria but still in need of assistance. Policymakers opted to broaden the criteria and apply a general means test, but the specific definition of eligible family members is determined by law.

Secondly, in the absence of a nationally agreed poverty line, an income threshold would need to be set for a general means test and appropriate structures put in place to fairly and transparently assess means. Ultimately, the threshold for a single-person household was defined in relation to the value of the new old-age benefit (115 rials), with higher amounts for larger households according to a formula.

Lastly, how policymakers confronted the question of compatibility with other benefits spoke to the fundamental complementarity of the family income support benefit in relation to the rest of the system. The decision to make the benefit compatible with all other benefits – rather making receipt of the benefit dependent on not receiving other benefits -- is designed to ensure that the benefit acts as a minimum income guarantee for people living a wide array of household circumstances.

The result is a system in which income insecurity is prevented in the vast majority of households in light of the cumulative effect of receipt of transfers for children, older people, people with disabilities, eligible survivors and beneficiaries of contributory benefits. Nevertheless, additional or alternative support may be needed for others. For example, a large family unit that also contains an older person receiving a universal pension and an orphan receiving both an orphan benefit and child benefit, but no other income, would likely still be eligible for a top-up benefit under the family income support benefit, without losing the lifecycle entitlements.

In all cases, ensuring coordination between lifecycle systems and other benefits requires strong information management infrastructure – such as a single registry – as well as investment in developing accurate and reliable income declaration systems, an adequate and trained social workforce, and a robust case management system. Investing in these systems has also been a top priority. Table 5 summarizes the final parameters of the new government-financed family income support benefit.

▶ **Table 5.** Key parameters of the family income support benefit

Reform exercise	Relevant international normative and reference frameworks
General eligibility	Resident Omani citizens (or a non-Omani widow of an Omani spouse with no children, provided residency in Oman) Eligible family members include: ▶ Husband and wife; ▶ Non-working sons (including foster children) younger than 26; non-working daughters (including foster children) younger than 40, unmarried or divorced with no children The following individuals are also considered separate family units: ▶ Unmarried or divorced women (without children) aged 40 years or older. ▶ Divorced women with children, or widows. ▶ Fatherless unmarried women, or fatherless divorced women (without children) aged 31 years or older.
Means test	Total monthly household income must be less than the target income of 115 rials multiplied by the square root of the total number of family members (members caring for an older person or a person with disabilities within the family count double in the determination of household size, in recognition of the burden of care).
Benefit amount	The benefit is equal to the difference between the target income and total income of the family, calculated according to terms set out in law.
Compatibility with other benefits	Compatible with all other benefits, entitlements, pensions, allowances and compensation.

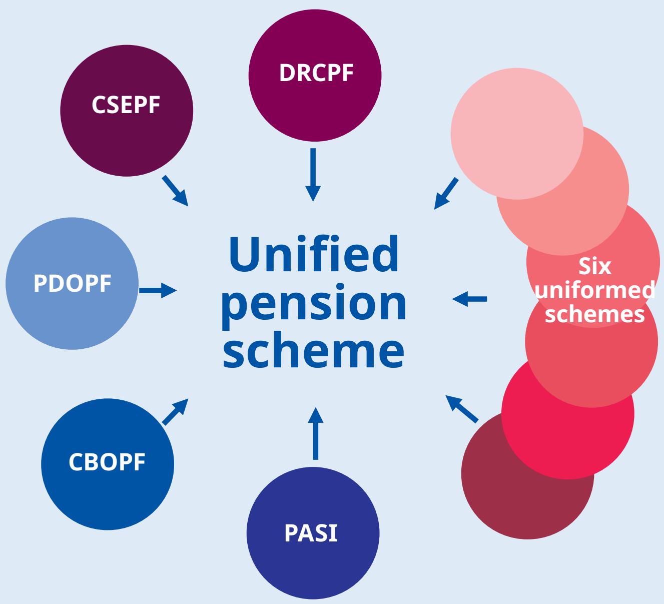
Re-conceptualizing and consolidating the contributory system

In parallel with the redesign of the government-financed social protection floor, technical teams engaged in an ambitious exercise to re-conceptualize and consolidate the fragmented and inefficient contributory system. Taking account of the trade-offs involved in universal versus alternative basic pension designs, Tawazun and the ILO technical team explored the implications of the new unified pension scheme, including the costs and related financing and benefit changes involved in merging 11 pension funds. In addition, the teams critically assessed provisions for additional "short-term" contingencies in the social insurance system aimed at making the system more attractive and relevant for people of working age.

Creating a unified pension scheme

As discussed, a central challenge in the reform process was the high degree of fragmentation in the previous pension system. The Government recognized that significant restructuring and reform would be necessary to unify the existing pension funds (figure 19). All assets from the previous pension funds were expected to be transferred to the new scheme. Furthermore, all benefit rights accumulated under the previous schemes were expected to fall under the obligation of the new social protection administrative agency. The significant liabilities associated with the overly generous defined-benefit schemes were revealed in technical consultations with the ILO.

▶ **Figure 19.** Merger of 11 pension funds into a single, unified pension scheme



Source: Author's depiction.

It was accepted that the new unified scheme would need to significantly depart from the pension designs of legacy funds. The new design would be based on a career-average revalorized earnings[44] (CARE) design that would:

- be affordable and financially sustainable over the long term;
- provide adequate retirement income and equity between different categories of those insured;
- be robust and dynamic, incorporating automatic adjustment and risk management mechanisms that allow the system to adapt to continuously changing demographic and economic conditions;
- incorporate pension indexation mechanisms to (partially) preserve their purchasing value;
- expand coverage to self-employed workers, part-time workers and other workers in non-standard forms of employment;
- facilitate portability and labour mobility;
- recognize that some industries have unique needs.

A comparison of the main features of the previous pension funds versus the new system is presented in Appendices I and II.

Early in the process, stakeholders agreed that a partially funded model for the new contributory system was most appropriate for the country's circumstances and priorities. This financing model preserves the principles of solidarity and intergenerational equity, while allowing for gradual adjustments to contribution rates over time as incomes rise, as explained in box 13.

▶ Box 13. Rationale for a partially funded pension financing model

The role of actuarial methods in the funding policy of a pension scheme is to allocate the cost of the benefits and calculate the required level of funding.

Actuarial methods to arrive at a valuation will first depend on the financing system chosen. There are three possible financing systems: (1) purely pay-as-you-go (PAYG); (2) partially funded; and (3) fully funded. All methods have their risks, advantages and disadvantages, depending on the particular context of each country, the objectives of stakeholders and the limits and constraints in which the pension scheme operates.

Historically, with very few exceptions, all social insurance pension schemes have been established on the principle of social solidarity, including intergenerational solidarity, and are considered partially funded. These social insurance schemes are, in fact, a social contract under which the current generation of contributors accept that their contributions are used to pay the benefits of current beneficiaries. This creates, for the current generation of contributors, a right to the contributions of future generations of contributors.

In an economy where there is real salary growth (i.e. in excess of inflation), future generations of workers will have higher salaries in real terms than the current generation of workers and may, therefore, be able to afford higher contributions. Partial funding also allows for gradual increases in contribution rates, which may take into account the economic development of a country.

44. In the context of the new social protection law and of this paper earnings refers to the full wage, i.e. "the gross salary or basic wage plus all allowances and stipends.

Complementing the government-financed and multi-tiered design options, several detailed options for the new unified contributory scheme were proposed. Tawazun shortlisted four of these options (table 6). Whereas Option 1 assumes no universal government-financed pension and instead maintains the minimum monthly contributory pension, Options 2 through 4 assume the new system will feature a universal government-financed old-age pension and no minimum contributory pension (corresponding to Option 1 under the multi-tiered designs presented in box 10). Another key difference between the options concerns the treatment of the past accrual rate. Specifically, the options vary depending on whether, and to what extent, the Government would grandfather the generous accrual rates that existed in the previous pension schemes, with significant implications for the Government's total unfunded liabilities. Additional details on more granular parameters and assumptions can be found in the appendices of this report.

▶ **Table 6.** Pension reform design options

Design feature	Option 1	Option 2	Option 3	Option 4
Retirement system's structure	Without government funded old-age benefit	With government funded old-age benefit		
Past service accrual rate	As per legacy pension funds' accrual rates	As per legacy pension funds' accrual rates	2.0% for the first 10 previous service years Legacy pension funds' accrual rates for previous service in excess of 10 years	2.0%
Pensionable earnings applicable for past service pension calculation	Last pensionable earnings at the reform date (as per legacy pension funds' definition), revalorized at average wage growth (AWG) until the time of retirement, death or disability			
Future service accrual rate	2.0% per year of service			
Future service pension	2.0% x future years of service x CARE			
Early retirement reduction (applicable to all service)	Early retirement is allowed from five years before normal retirement age (NRA) with 20 years of service and at any age with 30 years of service. Reduction of 5% per year for the first 5 years plus 1% per year in excess of 5 years before NRA			
Grandfathering	For members entitled to retirement at the date of the reform, total pension (past and future service) cannot be less than the pension the member would have been entitled to had they retired the day prior to the reform			
Minimum pension	202.5 rials per month, indexed at AWG	n/a		

Source: ILO and Tawazun teams.

Controlling spending was a clear concern for the Government from the outset. While conducting the actuarial assessment and cost analysis for both Options 1 and 2, the Tawazun team observed that the required contributions and spending levels for these options over the long term might be beyond what the Government and the different stakeholders considered sustainable for the system. To address this, the Government faced three choices:

- assume significant initial injections in the new system to cover part of the substantial unfunded liabilities related to accumulated past retirement rights (noting that a large portion of these unfunded liabilities were associated with existing public-sector pension funds);
- further reduce the baseline design's accrual rate for future service (i.e. from 2 per cent to somewhere between 1.5 and 1.75 per cent);
- consider backdating the new pension accrual rate (2 per cent) to apply to part or all of the past service periods of current contributors.

The first route – assuming total unfunded liabilities of the previous system with no adjustments – was discarded because of the high immediate costs. Although the Government was aware of its ultimate responsibility for the unfunded liabilities of existing pension funds and for ensuring the long-term financial sustainability of the system, Tawazun conveyed the Government's inability to cover the level of initial injections required in choice 1 (i.e. to cover total unfunded liabilities). Consideration was given to the fact that the system was financed using a partial funding approach, and to the need to balance the allocation of available resources between the many strategic and essential sectors of the Omani economy.

Moreover, the second route, which would represent a significant cut to future benefits – was discarded as inequitable and politically unviable. It was argued that further reducing the accrual rate for future service to under 2 per cent (under choice No. 2) would meet significant resistance from most stakeholders but also lead to significant generational inequities.

Consequently, the third route, which would partially or fully reduce the unfunded liabilities through backdated changes to the accrual rates, needed to be seriously considered. This route would need to be pursued in combination with some (yet reduced) level of initial government-financed injections to cover part of the unfunded accrued liabilities.

Therefore, Options 3 and 4 were introduced as variations on Option 2, but included backdating accrual rates for past service. Option 3 would apply an effective backdating of the new pension accrual rate to the first 10 years of past service for each active contributor. In other words, when determining the "past service pension" under Option 3, a 2 per cent accrual rate is used for each of the first 10 years of pre-reform service, and the "legacy pension fund accrual rate" is applied on pre-reform service years in excess of 10 years. Option 4, in turn, would apply an effective backdating of the new pension accrual rate to the total years of pre-reform service.

A grandfather provision was included to avoid a "race to retirement" of members eligible to retire early, prior to the new system coming into effect. All options included a frozen guaranteed pension (FGP) – a pension to which a member would have been entitled if such member had retired the day prior to the reform. Under the grandfather provision, members who were eligible to retire without a reduction of their pension the day prior to the effective date of the reform would be allowed to retire at any time after the reform was implemented, even if (under the new provisions) they would not be so entitled and their total pension (past and future services) would not be less than the amount of the FGP.[45]

Actuarial costs were assessed for each shortlisted design option.[46] Based on these assessments, Tawazun opted for an adequate and fair approach to determine the required level of government injections into the new unified scheme. These would enhance the funding ratio of the public-sector pension funds to reach that of PASI and cover part of the past service unfunded accrued liabilities in design Options 1, 2 or 3, rather than adopting Option 4.

The design in the final law is mostly aligned with design Option 4, with a few deviations. In general, the new unified pension scheme incorporates a number of features that distinguish it from the previous funds. These features are essentially related to ensuring long-term financial sustainability while preserving adequacy, equity and positive labour market incentives (box 14).

45. In addition, those members who were not eligible to retire the day prior to the reform, as well as those who were eligible to retire but with a reduced pension, would also be entitled to the FGP if it was larger than their total pension as calculated under the new rules, but only if they retired at their normal retirement age (i.e. they forfeit the right to the FGP if they retire early).

46. All work and actuarial cost assessments were based on information provided to the ILO as of 31 December 2020 (YE2020) and on methodologies and assumptions described in the actuarial report delivered to the Government.

▶ Box 14. Notable features of the new unified pension system vis-à-vis the former model

Additional key features of the new unified pension system include the following:

- The unified system enhances society-wide equity and solidarity, offers greater stability and sustainability for the future financing of the pension scheme, contributes to efficiency gains and enhances integration between the retirement system and the labour market.

- Operating under one single pension scheme removes inequities and labour market distortions that derive from many different pension scheme across sectors. It facilitates labour mobility across sectors and reduces the disincentive to combine early retirement and full-time employment. The unified scheme also enhances resilience in financing. A partially funded scheme relies on future real wage growth and growth in the number of future contributors to ensure financial sustainability of the scheme. With multiple schemes, growth in the contributor population will vary from one scheme to another. For example, one could expect that growth in contributors will be slower in the public sector than in the private sector. Having one single scheme ensures collective financing, social solidarity and intra- and inter-generational equity, which are core principles of social security embedded in the ILO Conventions and Recommendations.

- The unified system ensures a better link between contributions and benefits through a CARE scheme. This is a significant departure from the classic final salary defined-benefit design, under which all risks associated with wage trajectories were borne by the plan sponsor. A CARE scheme links contributions to benefits, as each year's pension is based on that year's salary. Workers with identical earnings and contributions receive the same pension for that year. In contrast, a final salary scheme gives higher pensions to workers with faster salary growth, meaning "slow trackers" – those whose careers progress more slowly and reach lower final salaries – subsidize "fast trackers". A more direct correspondence between contributions and benefit throughout a worker's career provides stronger incentives to sustain contribution density and reduces the perverse incentive to take advantage of the salary adjustment and salary declaration behaviour in order to maximize final pension benefits.

- In the new unified system contributions are paid and benefits calculated on the basis of the full wage, defined as "the gross salary or basic wage plus all allowances and stipends". This represents a significantly broader definition than that previously adopted in public pension schemes, which typically used the basic wage and selected allowances as the reference earnings.

- The new pension system rewards any period of contribution, no matter how short, with direct benefits and makes vertical redistribution objectives more explicit and transparent through a universal government-funded old-age benefit guarantee.

- In the new integrated system, the core of the vertical redistribution function is performed by the government-funded universal old-age government-funded old-age benefit,, as opposed to the contributory pension scheme. Eliminating the minimum contributory pensions allowed, in turn, for the removal of the minimum vesting period, meaning that any period of contribution, even a single day, directly translates into a higher contributory pension, on top of the government-funded benefit. This mechanism is particularly important for removing inequities with respect to workers with fragmented and more irregular careers, particularly women.

- The unified system incorporates automatic pension adjustments, linked to inflation, to maintain the purchasing power of pensioners. The law requires an automatic annual indexation to be determined by the SPF Board in accordance with the SPF Board's Funding Policy. The aim is to provide annual overall indexation equivalent to 75 per cent of inflation, with a minimum indexation of one per cent and a maximum of five per cent, using a banking mechanism when 75 per cent of inflation falls below one per cent or exceeds five per cent.

- Gradual future increases in normal retirement age are linked to increases in life expectancy in the new system. This feature allows for the maintenance of a stable ratio of years at retirement to years at work across generations of contributors. It also contributes to funding stability by removing the longevity risk.

- Risk management mechanisms under the new system help to control future cost increases. Several risk management mechanisms were incorporated both in the design of the unified scheme and in the funding policy. The scheme's design includes features such as CARE, a gradual increase in NRA linked to life expectancy, and actuarially neutral early retirement reduction factors, which mitigate risks. Regarding the funding policy, the revalorization of career earnings and the indexation of pensions, both conditional on the scheme's financial health, serve as controls for future cost increases. Additionally, maintaining a contribution rate close to the long-term cost of the scheme (via the general average premium[47]) helps to contain potential future cost escalations.

- The unified system offers the possibility of reaching similar maximum pension levels, but with longer working histories. Under the unified scheme, it will still be possible for workers to reach similar pension levels to those in former pension funds, but doing so will require a longer period of contributions. For example, in the former civil service pension fund, an employee was able to retire after 20 years of contributions with a pension equal to 80 per cent of final average earnings. In the unified scheme, the employee will have to contribute for 40 years to earn 80 per cent of CARE. Moreover, if the same employee retires before the NRA, the pension will be reduced by an early retirement reduction factor.

- The new system rationalizes the approach of eligibility to survivors' benefits, especially in light of the decision to adopt a broad government-funded old-age benefit that effectively serves as a universal guarantee. In the former pension funds, a full pension was payable for a very long duration, far beyond the life expectancy of the pensioner. This is because 100 per cent of the pension was payable for as long as there was an eligible survivor, and the list of eligible survivors was extensive. Survivors' benefits in the former pension funds represented a significant share of total costs. The introduction of the universal government-financed old-age guarantee allowed for a reduction of the list of eligible survivors and in the portion of pension payable to eligible contributory pension survivors, according to the number of survivors.[48]

- The new system maintains the possibility of early retirement but with adequate early retirement reductions. Under the former schemes, it was possible to retire before NRA without any reduction or, in some cases, with just a small reduction. In addition to being costly, this provision was also a risk to the financial sustainability of the pension funds, as the cost was subject to the early retirement behaviour of contributors. In the unified scheme, an early reduction factor is applied for each year that the contribution retired before NRA.[49] This factor is approximately actuarially neutral, meaning that contributors' early retirement behaviour will have no impact on the long-term cost of the scheme.

The model of including all workers from private, public and uniformed sectors in the same unified scheme, entitled to the same benefits,[50] is aligned with the most advanced multi-pillar pension systems in other high-income countries. Such systems have a government-financed zero pillar to prevent old-age income vulnerability, a mandatory contributory first pillar (allowing workers up to a certain earnings ceiling to supplement a government-financed pension), as well as a second (mandatory, quasi-mandatory or voluntary employer-sponsored) pillar allowing employers to better plan for workforce needs.[51] Notably, including uniformed workers in the first pillar is an example of the most advanced forms of pension integration in the region. Because of the special nature of military and security work, the Government is considering adding a second-pillar top-up pension plan for uniformed workers.

47. The general average premium is calculated in the actuarial valuation. It is the required fixed contribution rate to pay all the projected benefits and administration costs over the projection period. For the unified pension scheme, a projection period of 100 years was used.

48. In the new system, 60 per cent of the pension is paid if there is one survivor, 80 per cent for two survivors and 100 per cent for three of more survivors.

49. The reduction is calculated as 5% per year for the first 5 years before NRA, plus 1% per every additional year in excess of 5.

50. An exception to this is the frozen guarantee in the transition period.

51. For example, second-pillar plans may allow certain kinds of workers to retire earlier than in the first pillar because of the arduous, hazardous or dangerous nature of their work.

Extending and reinforcing short-term benefits for people of working age

The reform significantly enhances protection for various contingencies during working life by including various contributory short-term benefits. This is an important shift in a region where retirement schemes have historically comprised the largest share of social protection spending, leaving limited fiscal space for benefits targeted at the active population. While employment injury compensation was already covered under the PASI scheme, its coverage now extends to all Omani workers, regardless of employer, with a single compensation package that will also be extended to non-Omani workers. In addition, the shift away from an employer-liability system for maternity benefits ensures consistent compensation based on social insurance principles for all mothers of newborns, regardless of nationality, while fathers also gain new paternity entitlements. Compensation for sickness and other defined periods of leave are mandatorily covered for all workers in Oman, financed by social insurance to ensure fair and equal treatment when workers are unable to work because of health issues or difficult situations at home. With respect to unemployment, Omani workers are insured in line with minimum standards. Together, these elements ensure that workers will have dramatically improved access to income security at key moments of their working lives, providing a more efficient, collectively financed and publicly managed system to facilitate work and life transitions, thus promoting a healthier and more productive workforce.

Employment injury compensation

The Social Protection Law sets out important improvements to employment injury protections. Before the reform, only one of the former schemes (PASI) had an employment injury branch. Moreover, the distinction between general disability and work-related disability was not monitored closely in the uniformed schemes.

The new unified employment injury scheme now covers all Omanis working in Oman under all types of contracts, including temporary contracts, training contracts and part-time contracts, as well as retired workers. Moreover, the legal framework provides for the Board to determine the date of entry into force of the extension of this branch to self-employed Omanis. Notably, starting in July 2028, employment injury protections under the law will extend to non-Omani workers in accordance with the categories, rules and controls decided by the Board.

The provisions of the new insurance scheme for employment injuries and occupational diseases largely reflect those that existed under PASI's scheme. Financed via an employer contribution of 1 per cent of insurable earnings, the monetary benefits payable under the scheme are fully aligned with ILO standards,[52] and include provisions for temporary, permanent, partial and total disability, as well as and survivors' benefits and medical benefits. Similar to the PASI scheme, medical care related to work injuries continues to be delivered through the general health system and there is no transfer of reserves from the employment injury branch to the general health scheme to pay for medical expenses for work-related accidents. The specific parameters of the new benefits are summarized in table 7.

The new unified employment injury scheme now covers all Omanis working in Oman under all types of contracts, including temporary contracts, training contracts and part-time contracts, as well as retired workers.

52. See particularly ILO Convention Nos 102 and 121.

▶ **Table 7.** Summary of employment injury benefits under the Social Protection Law

Benefit	Description
Work Incapacity (work interruption allowance)	A monthly allowance equal to 100% of the insurable earnings for the first 6 months and 75% for the following 6 months. At the end of these periods (or of treatment) the entitlement to permanent work injury and disability pension, or the allowance continuation is determined by a licensed health establishment. The employer pays the contribution for the branches of social insurance throughout the period of temporary incapacity, and the contributions of the insured are deducted from the allowance (in full when 100% of earnings and in reduced form when 76% of earnings).
Partial permanent disability (assessed degree of disability of less than 30%)	A lump sum equal to 36 multiplied by 75% of the degree of disability by monthly career-average revalorized earnings.
Total permanent disability	A monthly pension equal to 75% (85% for uniformed workers if the injury occurs during military operations and exercises) multiplied by monthly career-average revalorized earnings, but not less than the old-age pension, payable until the death of the injured worker.
Survivors' benefits	After the death of the worker, eligible survivors are entitled to receive the following percentage of disability pension: ▶ 60% if there is one survivor; ▶ 80% if two survivors; ▶ 100% if three or more survivors. ▶ A minimum survivors' pension is calculated as the lower of 230 rials or the value of the disability pension of the deceased.
Medical care and rehabilitation	An insured Omani who suffers a work injury is entitled to receive treatment, medical care and rehabilitation services in government hospitals and medical centres. For non-Omanis, the cost of health services is covered by employers through employer liability, either via direct payment or via private insurance arrangement, until the establishment of a more comprehensive social health insurance system, currently under examination.[53] The scheme may provide rehabilitation services to the injured if they are not available in government medical centres, provided that the Board issues a regulation specifying the controls and conditions for providing rehabilitation services, their duration, value and places of delivery.

Source: Social Protection Law and regulations.

Maternity and paternity insurance[54]

The Social Protection Law represents a significant advancement in the rights and protections of workers with family responsibilities and care recipients. Notably, Oman has become the first country in the region to introduce paid maternity leave and align with the three main requirements of the principles set out in Convention No. 183. This Convention states that: (1) leave should be not less than 14 weeks; (2) cash benefits should be not less than two thirds of previous earnings; and (3) maternity leave cash benefits should, preferably, be provided through compulsory social insurance or public funds. The new maternity insurance scheme provides Omani and non-Omani mothers (including fostering mothers) in full-time employment with 14 weeks of fully paid maternity leave, financed through social insurance. To prevent negative impacts on women's pensions, the SPF also covers pension contributions during maternity leave.[55]

53. Regardless of nationality, where prosthetic limbs are not provided by the Ministry of Health or by the insurance policy, benefits include prosthetic limbs and any medical or surgical equipment to treat the injury or prevent its exacerbation.

54. This section draws heavily on Country Brief: Care at Work in Oman (ILO, 2025).

55. According to article 130 of the Social Protection Law, "The branch of the insurance of maternity leave shall bear the total contributions of the insured male, the insured female, and the employer for the branch of insurance of the elderly, disability, and death throughout the period of leave, provided that the contribution of the insured male and the insured female are deducted from the maternity leave allowance in cases where the allowance is equal to 100% (one hundred percent) of the contribution wage."

Since the adoption of the new legislation, all employed Omani and non-Omani fathers of newborns are entitled to 7 days of job-protected paternity leave at full pay, to be taken within 98 days of the child's birth. Before this legislation, there was no paid paternity leave. Greater availability of a universal right to longer, well-paid and compulsory paternity leave funded through social protection with adequate job protection and non-discrimination measures will prompt an increase in paternity leave take-up rates, thereby recognizing men's care rights and responsibilities, promoting an equal sharing of family responsibilities between mothers and fathers and offering children the best start in life.

ILO standards also call for a period of parental leave to be available to either parent after maternity leave, without them having to relinquish employment, and the maintenance of their employment rights. In line with this, the new law grants up to 98 additional days of unpaid job-protected leave, which can be shared between the mother and father, during which the SPF covers the cost of pension contributions.

The new paternity and maternity leave insurance scheme is collectively funded by all employers through a 1 per cent contribution to the SPF, replacing the previous system (where costs fell solely on employers) and reducing the disincentive to hire women. These milestones are a crucial step towards promoting decent work within the care economy, enhancing social inclusion and fostering greater gender equality.

Sickness and other care (“unusual leave”) insurance

The decision to finance sickness leave through social insurance responds to important policy objectives. The COVID-19 pandemic demonstrated the importance of collective financing for sick leave. Compared with employer-liability systems, social insurance is not only recognized as a more efficient way to manage risks and redistribute costs among employers, but it also reduces the perverse incentives for workers to continue working while sick because of the direct financial cost of sick leave faced by employers. These latter dynamics are particularly relevant in the context of the GCC countries and for non-national blue-collar workers.

The Social Protection Law makes Oman the first country in the region to introduce a public scheme for sickness leave insurance. Financed through an employer contribution of 1 per cent of insurable earnings, workers may receive a daily sick leave allowance not exceeding 182 days per year. The employer covers the first 7 days at full pay, and remaining periods are covered by the scheme based on a tapered schedule, gradually reducing from 100 per cent for the first 21 days to 35 per cent for the last period.[56]

Since the adoption of the reforms, Oman is also the only country in the region with a social protection scheme for care leave, a good practice in the region and worldwide. With ageing societies, care leave can play a key role in supporting new and increasing care needs. This so-called unusual leave is available to workers (up to 30 days per year), to accompany their spouse or close relatives (up to the second degree). The new leave insurance scheme also provides for emergency leave in the event of death, whereby workers are entitled to 2 days of leave for the death of a paternal or maternal uncle or aunt, and 3 days for the death of a father, mother, grandfather, grandmother, brother or sister. In the case of the death of a wife, son or daughter, the leave period is 10 days. For Muslim female workers, the legislation provides 130 days of leave following the death of a husband, and 14 days of leave for non-Muslim female workers (table 8).

56. The payment schedule reduces as follows: 100% from days 8 to 21; 75% from days 22 to 35; 50% from days 36 to 70; and 35% from days 71 to 182.

▶ **Table 8.** **Summary of "unusual leave" benefits under the Social Protection Law**

Event	Leave period
Marriage	3 days
Death of father, mother, grandfather, grandmother, brother or sister	3 days
Death of paternal or maternal uncle or aunt	2 days
Death of wife, son or daughter	10 days
Death of husband (Muslim women)	130 days
Death of husband (non-Muslim women)	14 days
Accompany a patient for treatment (husband, parent, sons, daughters, brothers sisters)	30 days per year; first 15 days at 100% and next 15 days at 50%[57]

Source: Social Protection Law and regulations.

Unemployment insurance

Reform of working-age benefits consolidated and extended the country's fledgling unemployment scheme. Prior to the unified social insurance scheme, unemployment benefits were already available under PASI for employees in the private, public, military or security sectors under a scheme that had only recently been adopted and had begun to be rolled out at the onset of the broader reform process. Under the PASI scheme, employers and employees each contributed one per cent of insurable earnings, with a benefit equal to 60 per cent of insurable earnings for up to 6 months.

The new unified scheme reflects key features of the PASI scheme and expands on others. With at least 12 months of contributions, the benefit is 60 per cent of the worker's average wages for the last 2 years without a ceiling, for the first 6 months, 50 per cent for the following 3 months and 40 percent for the subsequent 3 months, up to a maximum of 12 months[58] and with a minimum benefit of 115 rials.[59] The unemployment insurance scheme also finances contributions to the old-age, disability and survivors' scheme so that the period of unemployment can be counted as accrued service for the purpose of the contributory pension scheme. Moreover, for repeated claims, eligibility is based on the number of months of contributions paid in a given period before the end of service (table 9).

57. The duration can be extended upon the request of the insured, in accordance with the regulation issued by the Board of Directors.

58. In the design phase, two maximum periods of benefits were considered: 6 months and 12 months. A maximum period of 6 months was originally retained in the Law of 2023 but subsequently extended to 12 months on the basis of the new Royal directives in January 2026.

59. For workers earning less than 115 rials, such as part-time employees, the benefit equals their wage.

▶ Table 9. Summary of contribution requirements for unemployment benefits under the Social Protection Law

Claim	Months of contribution	Period during which intermittent contributions count for qualifying purposes
First claim	12 months	36 months
Second claim	18 months	42 months
Third claim	24 months	48 months
Fourth claim and beyond	36 months	60 months

Note: A claim is considered a new one when a benefit is paid for a period of 12 consecutive or intermittent months.

Source: Social Protection Law and regulations.

Under the new scheme, eligibility has broadened significantly to include mandatory coverage for all Omanis working in the Sultanate of Oman, including public- and private-sector workers, temporary contracts, training contracts, as well as for retired workers, but not including self-employed and part-time workers. Workers and employers each contribute 0.5 per cent of insurable earnings, a 0.5 percentage point reduction in contributions compared with the PASI scheme. It is worth noting that a government-financed component to cover first-time jobseekers was considered and included in the legislation, but its implementation was deferred until adequate active labour market policies were in place.

Addressing entrenched drivers of exclusion

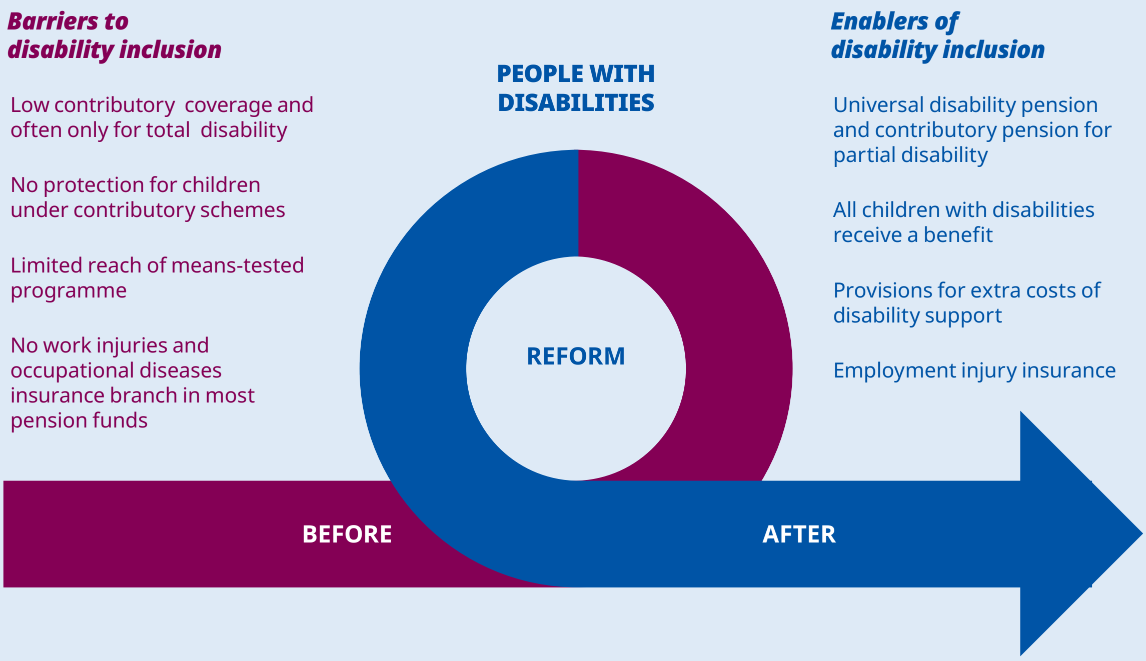
The wholesale approach to the social protection system reform, which significantly extended the scope and extent of coverage to encapsulate new contingencies and new populations, enabled Oman to address certain entrenched drivers of exclusion under the previous model. The remainder of the chapter highlights some of the ways in which three key groups – people with disabilities, women and non-nationals – will benefit from new rights under the Social Protection Law, underscoring the transformative potential of a lifecycle-based and multi-tiered system to reach segments of the population that have historically faced multiple and intersecting barriers to coverage.

The transformative potential of a lifecycle-based and multi-tiered system to reach segments of the population that have historically faced multiple and intersecting barriers to coverage.

Towards universal coverage for people with disabilities

Prior to enactment of the law, coverage for people with disabilities was fragmented and inconsistent, with large gaps for people outside of formal employment. While all 11 previous pension funds had some provisions for disability, benefit levels and conditions varied significantly across schemes. For example, while schemes for military and security personnel tended to provide coverage for partial disability based on the assessed degree of disability, civilian schemes, including PASI, only provided benefits in case of total disability and no scheme provided coverage for children with disabilities. Similarly, coverage of employment-related accidents and diseases was inconsistent across the schemes, with some only covering general disability. In essence, people with disabilities who were not covered by their employment, or who did not qualify for narrowly means-tested disability cash and in-kind benefits under the MOSD, lacked any sort of protection under the pre-reform system, leaving their families to cover the total costs of their care and rehabilitation.

▶ **Figure 20.** Key changes for people with disabilities under the Social Protection Law



Source: Authors' depiction.

The new law introduces transformative protections for people with disabilities (figure 20). First, and most notably, a universal disability benefit will ensure that everyone who is assessed as having a disability will have access to a minimum level of income, regardless of employment status or income. Second, all those in covered employment who meet the requirements will have access to a harmonized disability benefit that can also be paid in cases of partial disability based on an assessment of capacity to work. Third, all children with disabilities will have access to the same level of benefit as adults with disabilities under the universal disability pension, thereby allowing their families to meet the extra costs associated with disability and to go some way towards compensating their carers for time spent outside paid employment. In addition, a person caring for an older person or a person with a disability is counted as two individuals in the calculation of the target value of the means-tested family support benefit. Finally, a new employment injury insurance scheme will ensure that all workers in Oman will have benefit from income security if they incur a work-related accident or disease. Therefore, not only will workers have the assurance of protections for themselves and their families (through work injury survivors' pension), but the costs will be shared across all employers rather than relying on single employers or narrow groups.

Expanding protections and opportunities for women

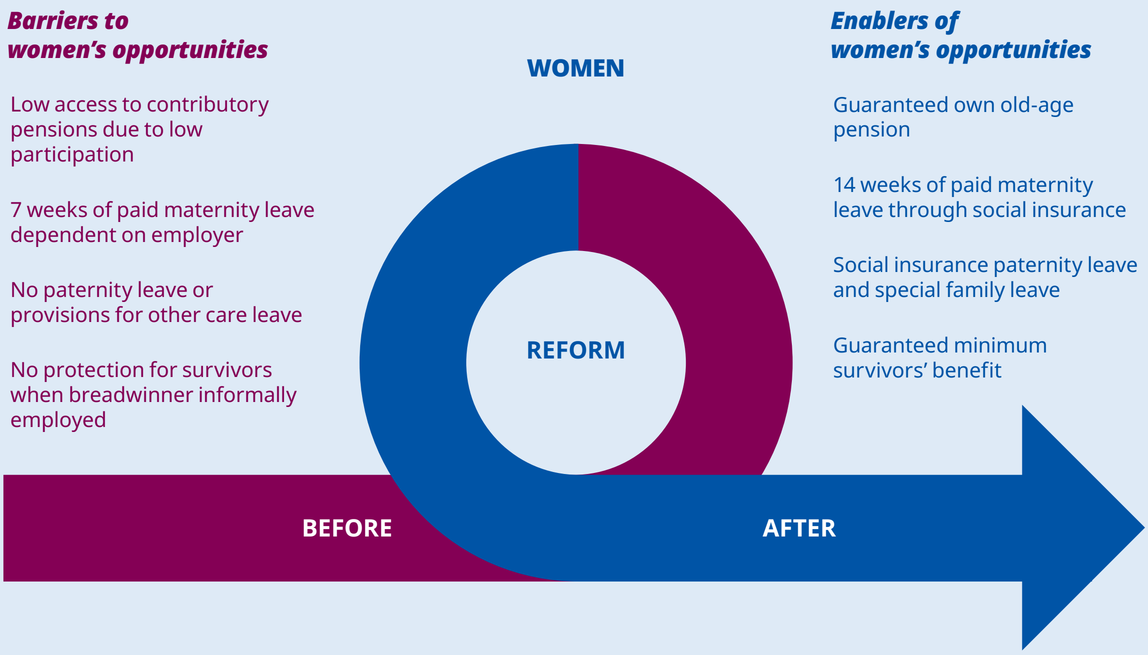
In a similar way, the social protection system prior to reform did little to ease the barriers women face in the labour market and household. Gender gaps in access to employment are certainly not unique to Oman, but the very low level of access to contributory pensions among women also reflected structural inequalities in the labour market. While employed women did have access to 7 weeks of paid maternity leave in the previous system, this leave was provided by employers, which acted as a disincentive to hiring women. No leave was provided under the previous system for fathers, reinforcing the women's traditional role as sole carer. The disproportionate representation of women among survivors' beneficiaries further highlights how the combined effects of limited access to paid employment and a social protection system historically shaped around the male breadwinner model, meant that women's benefits under the previous system were primarily derivative, instead of independent entitlements.

Many of the new provisions in the Social Protection Law will provide stronger protections and open the door for greater opportunities for women (figure 21). As with the universal disability benefit for people with disabilities, the universal government-funded old-age guarantee represents a transformative change in the orientation of the social protection system in Oman, and a remarkable step towards addressing unequal access to income security in old age between women and men. Global evidence points to the fundamental role played by government-financed social benefits, especially universal benefits, in addressing gender disparities in pension outcomes.[60] Guaranteeing an automatic income in old age, de-linked from previous contributions, mitigates the structural inequalities in the labour market and ensures that all women, independent of their previous family or employment status, can live out their later years in dignity. Similarly, a guaranteed minimum survivors' benefit for widows and orphans will ensure that the ability to maintain a minimum standard of living for a time after the death of a spouse or parent is not reserved for those with connections to the formal labour market.

Another significant change that will create opportunities for women in Oman is the extension of maternity, paternity and unusual family leave benefits (see Appendix I). According to global evidence, paid paternity leave policies increase the likelihood of fathers being involved in unpaid care work over the longer term, which in turn promotes greater labour market participation among mothers. Finally, the new care and emergency leave policies are seen as essential for workers with family responsibilities, typically women, to maintain stronger attachment to the labour market.

60. Arza (2015); Brimblecombe and McClanahan (2019); ISSA (2017); Marin and Zólyomi (2010).

▶ **Figure 21.** Key changes for women under the Social Protection Law



Source: Authors' depiction.

Opening windows of access for non-nationals

Compared with Omani citizens, non-Omanis were legally excluded from the pre-reform social insurance and government-financed income support, despite them being generally more vulnerable than Omani nationals. According to analysis of the HIES 2019, average monthly wages for non-Omanis were only 47 per cent of the same wages for Omanis. This discrepancy ranges from 18 per cent to more than 80 per cent, depending on occupation.[61] In addition, foreign nationals had no expectation of income security in case of normal lifecycle contingencies as they were explicitly excluded from coverage under both government-financed social security and the contributory system. Instead, they relied on a separate system in which employers were (under the Labour Law) liable for EOSI, death, disability, health, maternity and employment injury benefits – all relatively weaker rights that are typically difficult to enforce. This difference in treatment runs counter to the principle of equality of treatment laid out in ILO standards.[62]

Importantly, the social protection reform begins to address some of the gaping disparities between nationals and non-nationals in Oman (figure 22). Under the new law, non-Omanis working in the private and public sector[63] in Oman will gain access to several fundamental social protection benefits, including access to social insurance cash sickness benefits (to be rolled out in July 2026) and paid maternity and paternity leave (rolled out in July 2024); access to employment injury protections (to be rolled out in July 2028); a national provident scheme to replace the current EOSI system and administer benefits to non-Omani workers in case of retirement, death and disability, and upon return to countries of origin (to be rolled out in July 2027). Non-Omani widows of an Omani spouse without children, who are resident in Oman, will have access to limited social assistance.[64]

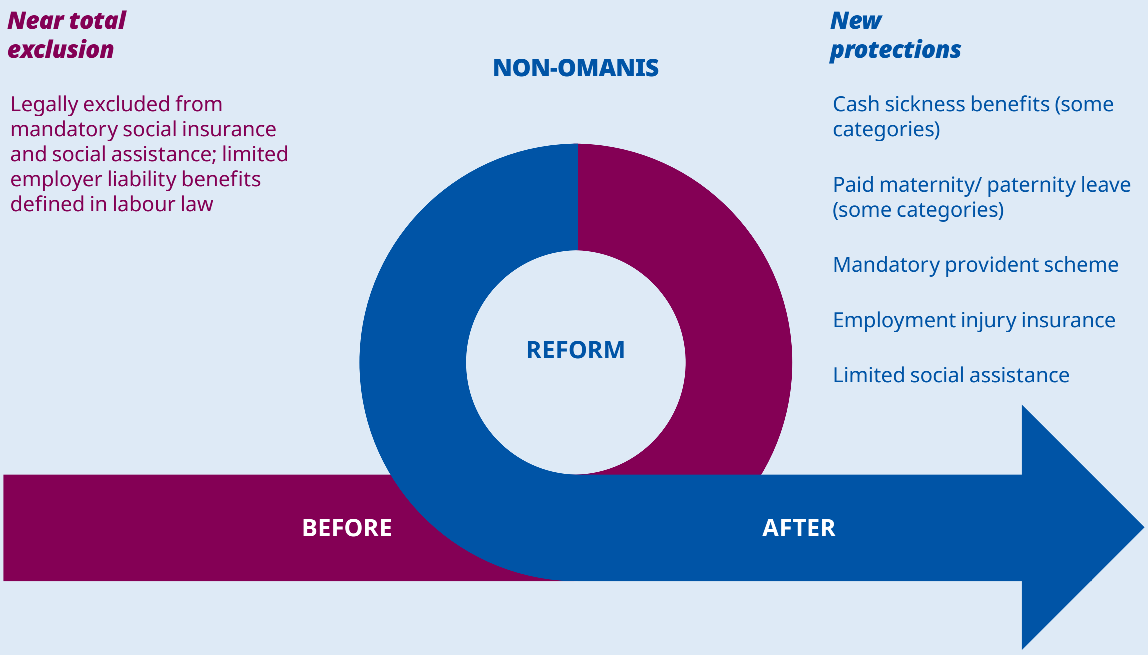
61. ILO (2023b).

62. See the Equality of Treatment (Social Security) Convention, 1962 (No. 118), Convention No. 102 and the principle of non-discrimination articulated in global human rights frameworks and in Recommendation No. 202.

63. The new social protection law does not cover non-Omanis working in the domestic and household sector. For this category of workers basic social protection benefits are provided through direct employer liability as established in Ministerial Decision No. 574/2025 of the Ministry of Labour. The Social Protection Law grants the Board of Directors of the SPF the authority to decide on the inclusion of domestic and other categories of workers under the scope of coverage of the law.

64. The family income support benefit is also granted to non-Omani members, provided there is at least one Omani in the household.

▶ **Figure 22.** Key changes for non-national employees under the Social Protection Law



Source: Authors' depiction.

A significant development for Oman and the GCC region is the establishment of a national provident scheme to replace the current EOSI system. The new scheme will be managed by the SPF and operate as a voluntary second-pillar pension tier for Omani workers. For non-national workers the scheme will be mandatory: it will collect and invest employers' contributions and administer benefits in case of retirement, death and disability and upon return to countries of origin. The employer contribution rate (9 per cent of the total wage) was calculated to be broadly equivalent to the previous EOSI obligations faced by employers under the Labour Law. Non-national workers may also choose to voluntarily contribute in addition to the employer's share. Contributions will accumulate in workers' accounts, with returns based on overall fund investment performance, including a minimum return guarantee.

The new social insurance system for non-Omanis is expected to strengthen transparency and enforcement of workers' entitlements, as it will allow for monitoring the payment of contributions and benefits. Non-payment of social protection entitlements that are set out in the various labour laws is a widespread challenge in the Gulf region.[65] Placing the responsibility for administering social security benefits for non-national workers under the national social security institution will have important implications for the enforcement of new rights and obligations. Notably, employers will be subject to the same inspection and penalty system, regardless of the worker's nationality.

The new system for non-national workers opens new opportunities to enhance portability of benefits across GCC countries and between countries of origin and destination. Options to transfer accumulated benefits to workers' home countries via bilateral agreements or an international system are envisaged as future developments. These new provisions represent an important departure from the predominant approach to social proteciton for non-national workers in many countries across the region, although recent developments indicate a growing momentum to improve rights for non-nationals (box 15).

65. Recent research found that four in ten Nepalese workers returning from Cooperation Council for the Arab States of the Gulf (GCC) countries had not received the EOSI benefit (ILO, 2023a).

▶ **Box 15.** New momentum for extending social insurance to non-national workers in the GCC

Historically, key barriers have prevented non-national workers from accessing adequate and comprehensive social protection in the Gulf region, such as the highly segmented nature of labour markets. Whereas GCC citizens are concentrated in the public sector and receive generous social security entitlements, most non-nationals work in the private sector, where social protection provisions are typically weaker. Non-nationals often face legal exclusions from national social protection systems as provisions rely on employer-liability arrangements, whereby individual employers are directly responsible for paying benefits. Employer-liability provisions are difficult to monitor and enforce, and this is exacerbated by the sponsorship system[66] which dictates that non-national workers must leave the country shortly after the termination of their contracts, making it difficult to pursue complaints.

A significant subgroup of non-national workers experience further limitations to legal protections because of their work environment. For example, domestic workers – already entitled to lower levels of de jure protection[67] – often enjoy limited access in practice because they are both geographically and socially isolated. Unlike in other parts of the world, workers in the gig economy in the GCC are typically employed by an agency, which is legally responsible for ensuring their access to Labour Law provisions. However, in practice they are often left in a grey area, considered "self-employed" and, therefore, responsible for their own protection. Other de facto gaps in access have been documented for workers with an irregular employment status, even where workers have a legal entitlement to benefits, notably in the case of emergency healthcare.

While extending social protections to non-national workers was a growing priority in the GCC region, the COVID-19 pandemic highlighted its urgency. The limited effectiveness of social protection systems was acutely felt during the pandemic, leaving many non-national workers highly exposed. Employers also faced a number of financial consequences of social protection approaches that were not based on collective financing. As a result, new avenues have emerged across the GCC region to extend social protection to non-national workers, both in legislation and in practice (figure 23).

For example, Bahrain was the first country in the GCC to implement reforms to EOSI benefits by adopting a provident fund approach. In 2024, the Government of Bahrain launched a new mechanism to finance EOSI for non-Bahraini workers in the private sector whereby employers are now required to deposit funds for the EOSI into the Social Insurance Organization, the official agency for social insurance and pension services in Bahrain.

In September 2023, the United Arab Emirates announced a voluntary privately managed EOSI savings system for employees in the private sector and free zones. The reform followed a broader reform that replaced EOSI benefits for non-nationals working in the Dubai International Financial Centre (DIFC) or for the Government with a mandatory defined-contribution savings scheme. More broadly, the United Arab Emirates has also introduced a requirement for private-sector employees to purchase private unemployment insurance, regardless of nationality.

In Saudi Arabia, the social security law was amended in 2024, extending maternity leave for national and non-national women from 10 weeks to 12 weeks and changing the employer-liability maternity benefits scheme to a social insurance model.

Source: ILO (2023b).

66. The kafala [sponsorship] system is a legal framework governing the relationship between sponsors (individuals or companies) and migrant workers across GCC countries. The system ties the immigration and legal residency status of migrant workers to an individual sponsor throughout the contract period, placing strict limits on the worker's ability to enter or leave the country, resign or change employment, without express permission from the employer (Kagan and Cholewinksi, 2022; Lowe et al., 2023).

67. Historically, domestic workers have not been considered employees under national labour laws in the GCC (except for Bahrain). Female non-national workers, who constitute the large majority of the workforce in this sector, are left without labour rights. In four GCC countries (Saudi Arabia, Kuwait, Qatar and the United Arab Emirates), separate laws have recently been enacted to provide domestic workers (whether nationals or not) with some elements of labour protection, albeit with limited scope (typically EOSI and sickness leave).

The new legislation in Oman is a decisive step towards the progressive realization of non-Omani workers' rights to social protection. Yet, several areas for further alignment with ILO social security standards remain, especially in relation to the principles of equality of treatment and non-discrimination. In extending these social security protections to non-nationals, whose income security, health and wellbeing are vital to the success of the country's economic and social development vision, it is essential to ensure all categories of workers are eventually covered. Importantly, domestic workers remain excluded from the scope of social insurance coverage of the new legislation, and their participation could eventually be granted by a decision of the Board of Directors of the SPF. As the social insurance reforms are gradually implemented, attention should also be given to monitoring the effects on non-Omani coverage, benefits adequacy, administrative costs and the portability of benefits, while strengthening efforts at supporting non-national workers in registration and claims management. Finally, non-nationals have access to basic income security schemes only under very limited circumstances (effectively linked to Omani nationality), limiting protection for the most vulnerable and opening the debate regarding the future progressive extension of social protection rights to all residents, also in view of the contributions non-nationals make to the domestic economy and to the Government's budget position (e.g. through indirect taxes) (box 16).

▶ **Box 16.** **Non-nationals and basic income protection schemes in Oman and worldwide**

The diagnostic exercise found that non-Omanis would be likely to bear the brunt of subsidy removal (ILO, 2023b). A key objective of reforming the social security system was to help cushion the impacts of the subsidy reforms. However, achieving this will be challenging if non-Omanis were further excluded from basic income security protections in the future system.

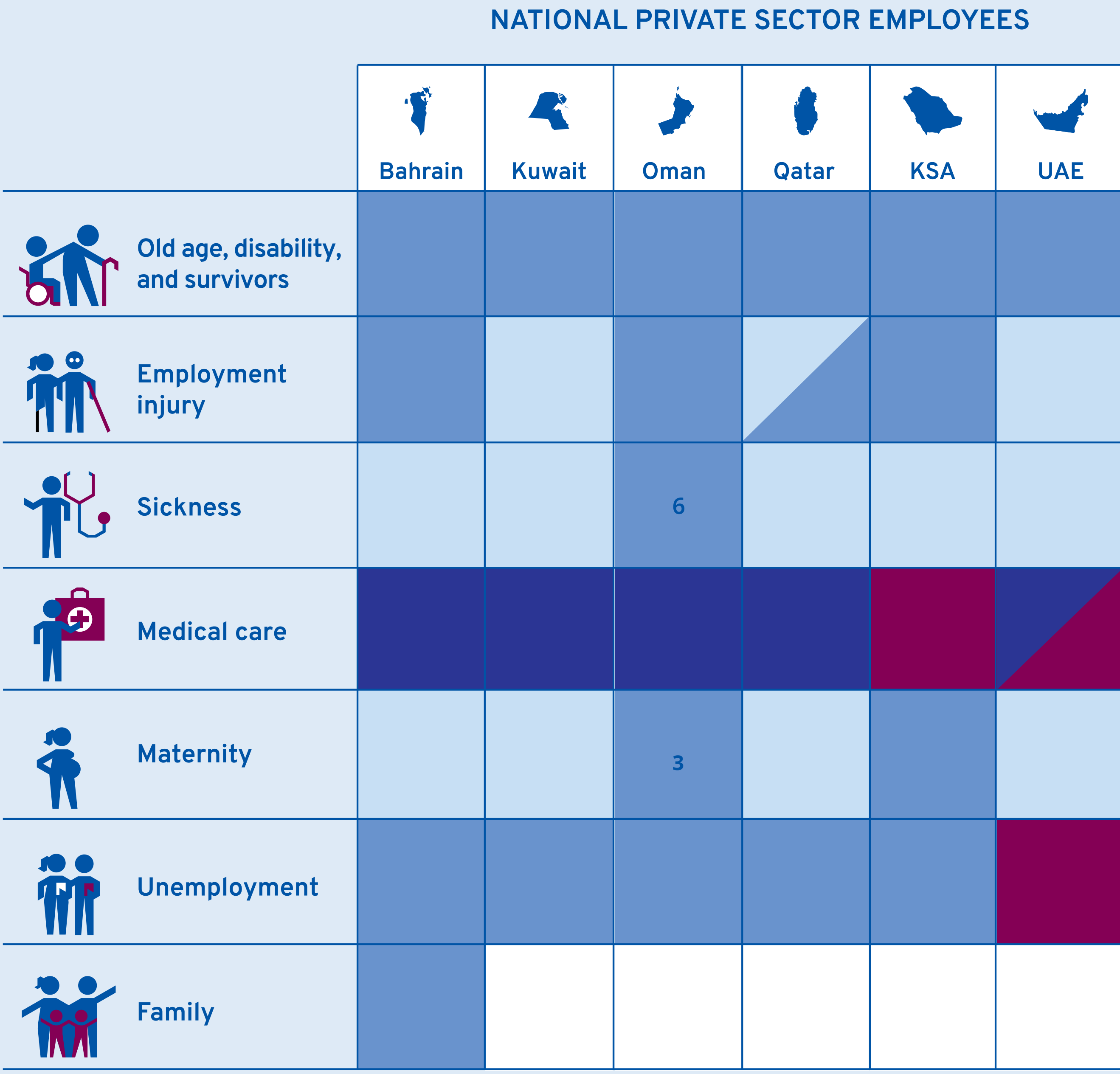
Static microsimulation analysis showed the likely impact on the population of the planned removal of the electricity subsidy, and the subsequent application of a planned targeted subsidy. The results indicated that impacts would be felt across the population, with income vulnerability nearly doubling with full removal, and remaining significantly higher than pre-reform levels – even with a targeted subsidy (assuming it actually reached its intended beneficiaries). The results also indicated that non-Omanis were more than twice as likely to experience limited economic resilience (LER) compared with nationals, meaning that the impacts of subsidy removal would affect the non-Omani population. Removal of the electricity subsidy alone would mean that the LER headcount among non-Omanis was expected to increase by 17 percentage points compared with 14 percentage points for Omanis. Further, while the targeted subsidy would have a mitigating effect for both groups if it reached its intended beneficiaries, the mitigating effect would be far lower for non-Omanis (ILO, 2023b).

Analysis also showed that potential negative impacts would be significantly mitigated by the introduction of an inclusive lifecycle-based, multi-tiered social security system. However, limiting eligibility of government-financed benefits to Omanis (except in narrowly defined circumstances) leads to higher rates of income vulnerability overall and, because non-Omanis had previously benefited from the subsidy system, inequality between Omanis and non-Omanis would increase.

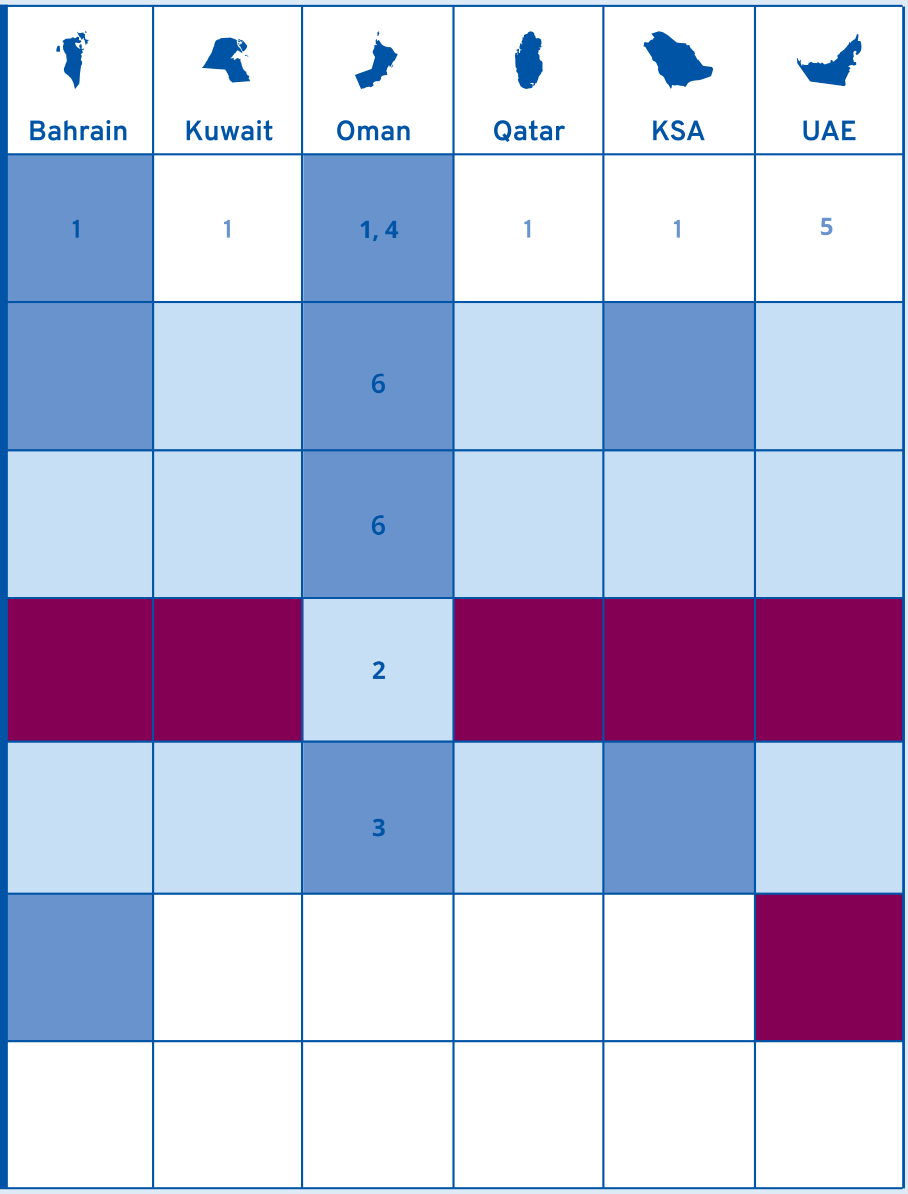
Indeed, many high-income countries allow non-nationals to access government-financed lifecycle benefits (e.g. social pensions and child benefits) after a certain number of years of residency. While this generally holds across countries, there are a number of caveats and exceptions. Long-term residents can generally access government-financed and lifecycle-based benefits, but many countries also impose policies to discourage those with more precarious immigration status from seeking basic social assistance. Conditions are often placed on residency, family reunification or other pathways to citizenship that demonstrate self-sufficiency (Lafleur and Vintila, 2020; MISSOC, n.d.).

Moreover, it is important to note that the migration regimes and tax systems in GCC countries are relatively unique and differ significantly from those of other high-income countries.

▶ **Figure 23.** Key changes for women under the Social Protection Law



NON-NATIONAL PRIVATE SECTOR EMPLOYEES



Social Insurance

National Health System (NHS)

Employer Liability

Mandatory Private Insurance (MPI)

Not Available

(1) EOSI does not work as a social insurance mechanism and falls short of minimum standards of protection for old age, disability and survivors.

(2) Roll-out of of a mandatory private or social insurance scheme is under debate.

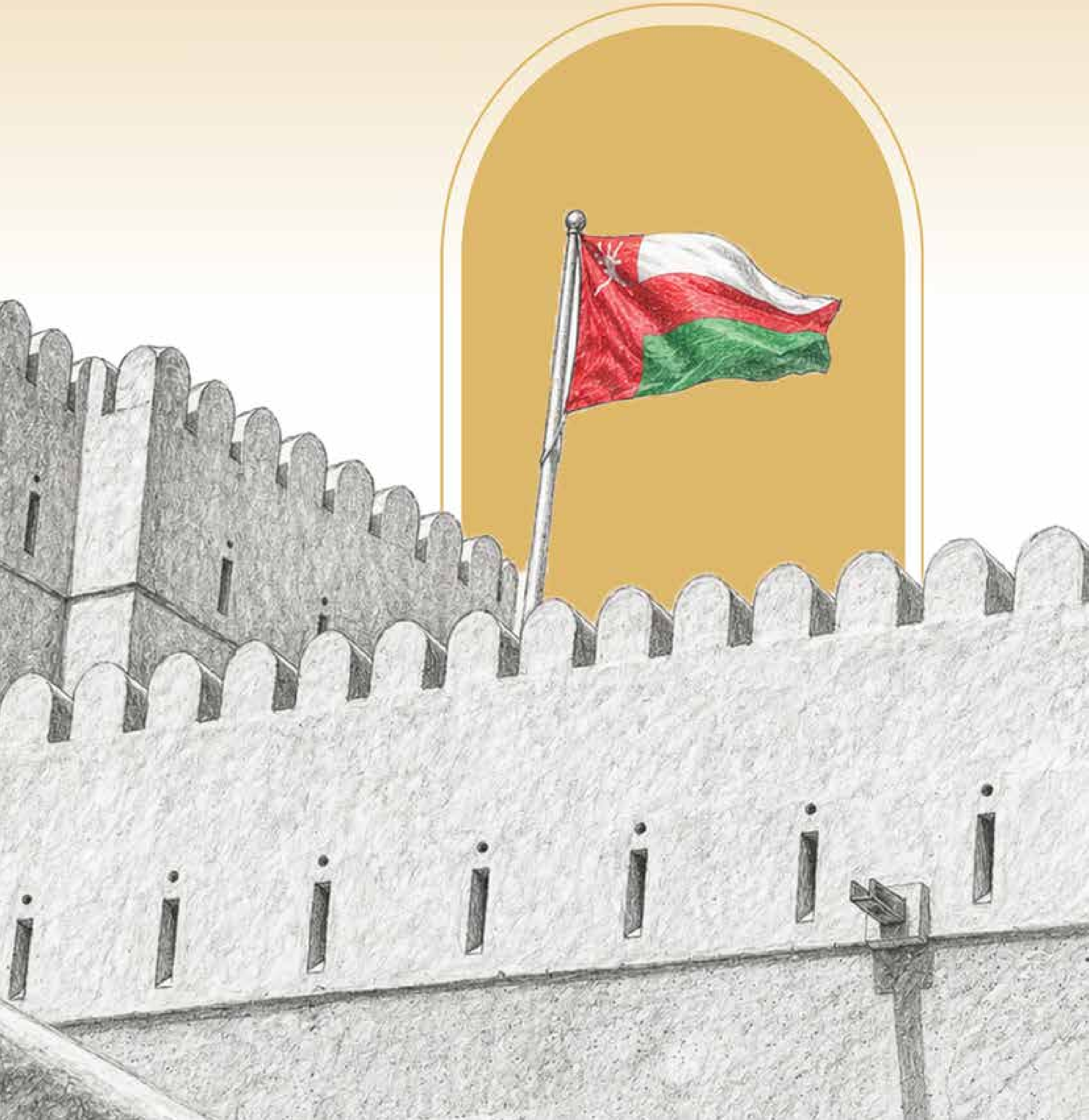
(3) Maternity and paternity.

(4) Transition from EOSI to a provident scheme managed by the national social insurance institution has been legislated and pending implementation.

(5) Special private pension system for employees in the financial district; voluntary privately managed EOSI savings system for employees in the private sector and free zones launched in September 2023.

(6) Pending implementation.

Source: Updated from ILO 2023a



▸ 5. An integrated legal, governance and administration framework

The new law required a strong governance and institutional framework and administrative apparatus. Policymakers understood this from the outset at the highest levels, as evidenced by the workstreams tasked with this express purpose. The consolidation of contributory schemes and the integration of contributory government-financed schemes would need to be supported by similarly integrated administrative structures. To this effect, in parallel to the Social Protection Law, a Royal Decree (No. 50/2023) covering governance and institutional matters was also approved to establish a new "system" of social protection. It specifies the roles and responsibilities of the different actors and institutions involved in strategic management and delivery of the whole system.

This chapter describes the rationale for streamlining the governance and administration of social protection in Oman, the legal, policy and sector-wide governance framework designed to give direction and shape to the reforms, the establishment of a single administrative body (the SPF) to deliver all cash benefits, both contributory and government-financed, and the decision to maintain a separate Military and Security Agencies Fund for administration of contributions and benefits for the uniformed services.

Streamlining the governance of social protection in Oman

As social protection systems have become more complex, involving multiple actors, institutions, schemes and programmes operating at different levels, the importance of good governance, inter-institutional coordination and effective administration is increasingly being recognized. At the same time, increased attention to the challenge of institutional fragmentation characteristic of the sector, especially in many developing countries, has led to growing calls for streamlining and consolidation.[68] This is relevant for the management of contributory and non-contributory benefits, as well as for coordination across different functions in the social protection delivery chain (such as registration, beneficiary selection and cash delivery), and between income transfers, in-kind benefits and complementary services.

In Oman, the high degree of programmatic and functional fragmentation was a chief motivating factor behind the initiation of the reform process. In the pension system, besides serious questions of financial solvency, managing 11 different pension funds with different and inconsistent rules limited the portability of rights across funds (and associated limitation of labour market mobility) and generated significant inefficiencies, including high overheads, overlapping management structures and the duplication of rights and entitlements. Similarly, the system was marked by a wide policy and administrative disconnect between the contributory schemes and the means-tested programmes administered by MOSD, which were previously seen as serving distinct populations with separate needs.

The new law required a strong governance and institutional framework and administrative apparatus. Policymakers understood this from the outset at the highest levels.

68. Recent research found that four in ten Nepalese workers returning from Cooperation Council for the Arab States of the Gulf (GCC) countries had not received the EOSI benefit (ILO, 2023a).

A single and expansive social protection law

One of the main achievements of the Omani reform was the drafting and enactment of an expansive new law covering the entire social protection system, including both contributory and government-financed benefits in tandem. Whereas in many countries, different components of the social protection system are treated in separate legal frameworks, in Oman, all benefits contemplated in the national social protection system are specified in a single law. This consolidated legal framework lowers the risk of developing contradictory provisions across different legal instruments and will facilitate internal system-wide consistency and coherence in case reforms are carried out to specific benefits or clauses in the future.

In addition, the Social Protection Law is quite comprehensive in its scope. It outlines:

- key definitions of covered persons and risks;
- the parameters of the new benefits to be offered, including qualifying conditions, levels of benefits and duration;
- the rules governing the compatibility of different entitlements with other benefits provided, including both contributory and government-financed components;
- the financing arrangements for all entitlements;
- the schedule for implementation;
- penalties and consequences for failing to comply with obligations, among other detailed provisions.

Global experience has demonstrated that the presence of a strong national legal framework for social protection enhances the realization of rights, especially for those least well off. This is at least in part because enshrining entitlements in law helps to insulate social protection from political whims and changes in government. According to the Social Protection and Human Rights platform,[69] an adequate legal framework specifies a number of elements, most of which are present in the new law, as detailed in table 10.

▶ **Table 10. Elements of a rights-based legal framework in the Social Protection Law**

Component	Key features of the new law
Precise eligibility requirements for social protection programmes.	Eligibility specified for all benefits, including compatibility with other benefits.
Definition of the various roles and responsibilities of all those involved in implementing the programmes at different levels of government.	A separate decree (Royal Decree 50/2023) covering governance and institutional questions, which accompanies the benefits law (Social Protection Law), specifies the roles and responsibilities of the different actors and institutions involved in strategic management and delivery of the whole system.
Articulation of the long-term financial requirements, ensuring adequacy and predictability of benefits.	Contribution rates for employers and employees and state responsibility as sponsor/guarantor in contributory arrangements and for funding government-financed social protection benefits specified. Requirement set in legislation to adopt and align with a financing policy which determines criteria, indicators, principles and mechanisms to adjust key parameters (such as wage revalorization and pensions indexation) with the objective of ensuring long-term financial sustainability of the contributory system. Adoption of a gradual increase in normal retirement age to reflect progressive rise of life expectancy.
Accessible complaints and appeal mechanisms.	Grievance and appeal mechanisms specified for medical and disability assessments; not fully specified for other benefits within the law.
Participation channels for beneficiaries.	A separate law on institutional arrangements provides for tripartite stakeholder representation on the Board of Directors of the SPF, including representatives of government (MOL, MOSD, Ministry of Finance, Ministry of Health, Military and Security Services Pension Fund), and representatives of employers and workers. No direct representation of beneficiaries of government-financed benefits.

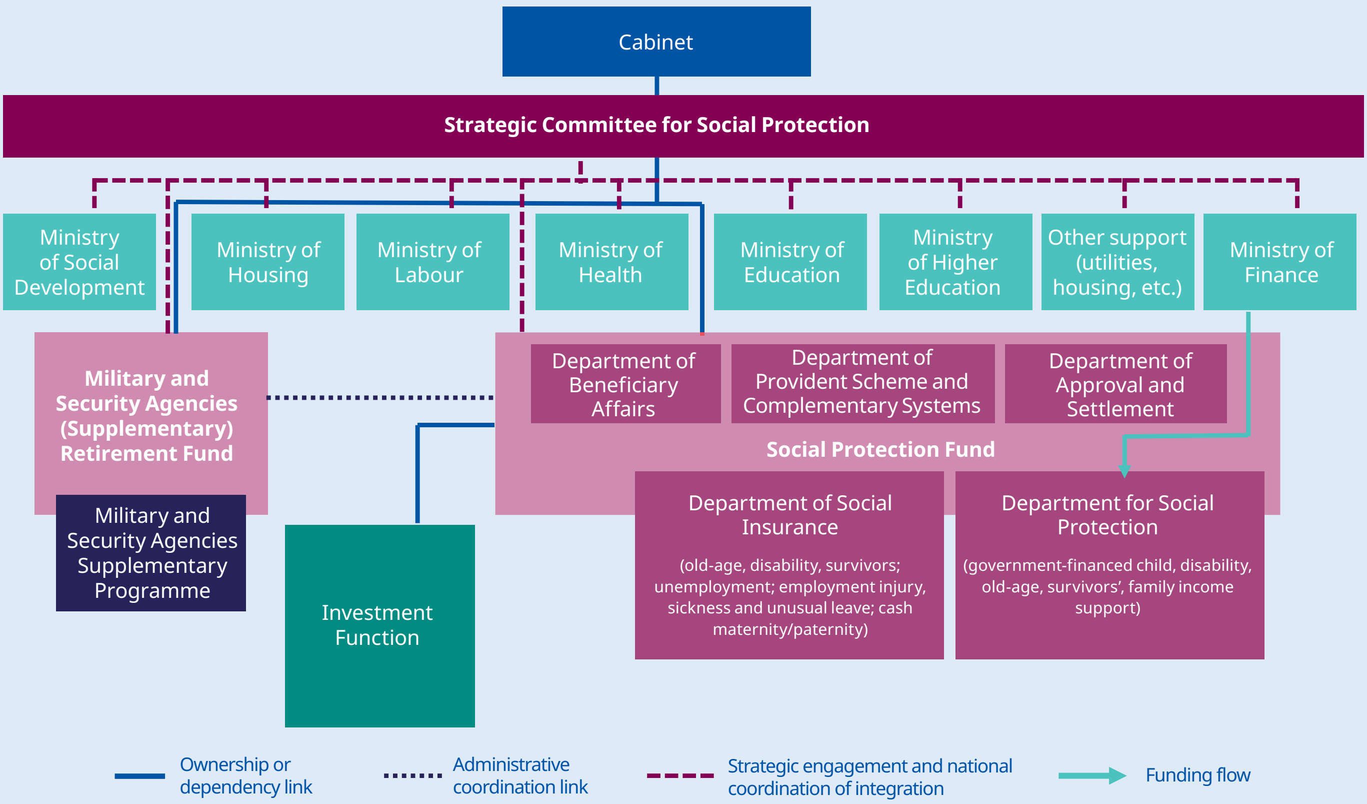
69. https://socialprotection-humanrights.org/.

The Strategic Committee for Social Protection[70]

A newly formed Strategic Committee for Social Protection was envisaged to play a central role in sector-wide governance and coordination The Strategic Committee would provide strategic direction and coordinate the activities of all line ministries involved with the social protection system (figure 24). In addition to royal appointees and cabinet members, the Committee would include representatives from the MOSD and MOL as key line ministries responsible for policies to protect and empower target groups such as persons with disabilities, widows and orphans, as well as employment policies to protect categories of unemployed and jobseekers and develop training programmes. Other ministries would include the Ministry of Housing (social housing), MOH (people with chronic diseases, disabilities and injuries), Ministry of Education, Ministry of Finance (additional support for costs of electricity, water, fuel, waste, mortgage, etc.).

Further, the Strategic Committee would oversee and perdiodically review the social protection strategy and develop tools to monitor progress towards associated high-level economic and social outcomes. For example, the Committee would oversee the effective functioning of the administrative bodies tasked with implementing social protection policies, develop quality assurance standards and facilitate full alignment and integration between cash transfers and complementary services provided by various governmental, private sector or civil society institutions.

▶ **Figure 24.** Governance and institutional framework envisaged at the time of adoption of Royal Decree 50/2023[71]



Source: Authors' depiction.

70. This section describes the governance and coordination arrangements for the social protection sector as they were envisaged at the time of adoption of the Social Protection Law in 2023. In 2026 the functions and responsibilities of the Strategic Committee for Social Protection have been assigned to the Board of the Social Protection Fund by including ministerial representation of key line ministries in the Board.

71. The figure depicts relevant departments under the General Directorate of Benefits within the Social Protection Sector of the SPF. The SPF is organized across three main sectors: Social Protection, Finance and Institutional Support, and Investment. Other directorates within the Social Protection Sector include Contributions, Client Services and Work Injuries and Occupational Diseases.

The SPF: A single administrative body for social transfers

A fund for everyone

Perhaps the single most innovative feature of the new system is the establishment of a single, unified administrative agency to manage the main cash benefits, regardless of how they are financed. The new SPF structure is organized across three sectors: (1) Social Protection, (2) Finance and Institutional Support, and (3) Investment, in addition to the Chief Executive Office. The Social Protection sector is further organized around four main functions: Contributions, Client Services, Work Injuries and Occupational diseases, and Benefits. Five departments within the General Directorate for Beneficiaries oversee different component of the social protection systems, as shown in figure 24.

Government-financed child benefits, and old-age, disability and survivors' benefits are administered within the same overarching organizational structure as all social insurance benefits. While the means-tested family support payment operates in close coordination with the MOSD,[72] its core administrative functions, including processing applications and payments, are managed by the SPF.[73]

While strategic and sector-wide coordination is necessary for a well-functioning social protection system, global experience attests to the importance of having a strong administrative apparatus for the realization of rights on the ground. On the contributory side, by merging the 11 pension funds into a single fund, Oman joins other countries that have consolidated their contributory schemes and are moving towards "full service", evident in both high-income and, more recently, low- and middle-income countries.[74] By centralizing administration, Oman mirrors global trends towards consolidation of their welfare institutions under one or two core institutions as these systems mature.[75] Similarly, many countries have moved to so-called "one-stop shops" or "single window services" with a single access point for benefits and services, typically implemented at local levels.

Having a single administrator for delivering cash-based benefits maximizes administrative efficiencies, in large part by consolidating social protection information management within a single agency. In the case of universal lifecycle social protection benefits (government-financed child, disability and old-age benefits), minimal and easy-to-maintain data on age, disability status and family composition (for child benefits and widows' and orphans' benefits) are the key requirements. For those in paid employment, information on contribution payments and length of service are maintained in the same agency, concentrating the administrative task on compliance and timely and accurate payment of benefits, virtually eliminating[76] the need for information exchange between agencies. For means-tested family income support benefits, while the exact mechanism is not stipulated in the law,[77] close collaboration with the MOSD is required to implement household assessments to determine eligibility, but once eligibility is verified, benefits are paid by the SPF. Likewise, the SPF coordinates with those institutions responsible for disability assessment (MOH and MOSD for general disabilities and a licensed medical committee in the case of work-related disabilities) and directly administers cash benefits. The financial accounts of each social insurance branch and benefit are kept separately.

A strong, single administrator also creates a common social security institutional reference for everyone in Oman, including non-nationals, contributing to a stronger social contract. All current and potential beneficiaries will have unique identifiers that connect them, as individuals and household, to the social security system as it accompanies them through key life-course transitions. In the case of Omani citizens, this interface with the social security system starts from birth and continues until death, with protections for survivors thereafter. Such visibility of the social protection system, as a central institutional body and upholder of rights, fosters stronger state-society relations. Provided the State fulfils its obligations through responsible and consistent financing and makes timely payments of adequate benefits, the new system will build trust among citizens and residents, who will, in turn, be more likely to support it over time.

72. Referral of certain cases is made to MOSD for cases requiring particular support and further investigation.

73. The administration and payment of additional benefits—including assistance approved by the MOSD, student allowances, and other government support and subsidies—through the General Directorate of Benefits of the SPF is also currently under consideration.

74. ILO (2011).

75. For example, the Nordic countries mostly deliver both contributory and government-financed benefits through a central national administrative structure. Similarly, Belgium, Spain, Sweden, Türkiye, Norway, and Portugal have centralized oversight and administrative functions into single lead ministries or single administrative agencies in recent decades (McClanahan et al., 2021), while strong central administrations are also evident in a number of countries in Latin America and the Caribbean.

76. The mechanism for determining income for the purposes of benefit eligibility is set in regulations. For details see the Appendix.

77. The law states that regulations will specify the mechanisms for determining income for the purposes of benefit eligibility.

A tripartite board

International normative frameworks and best practices underscore the importance of having stakeholder representation in the management of social protection schemes as a means of ensuring the realization of rights. ILO Convention No. 102 calls for representation of the persons protected in the management of schemes,[78] and ILO Recommendation No. 202 on Social Protection Floors calls explicitly for tripartite representation.[79] Such representation helps secure buy-in for the rules and terms governing the schemes, especially with respect to parameters for contributions and benefits. Moreover, the ISSA's Guidelines on Good Governance offer guidance as to representation on the Board, the preservation of the integrity of funds and the insulation of scheme financing from political competition for resources.[80]

In line with these principles, the new governance framework in Oman establishes a tripartite Board of Directors of the SPF, including representatives of workers, employers and various government ministries, among others, as summarized in table 11.

▶ **Table 11.** Representation in the SPF Board of Directors

Members of the Board of Directors of the SPF
Six relevant government line ministers represented by: ▶ Minister of Energy and Minerals (Chair), Minister of Labor (vice-Chair), Minister of Social Development, Chairman of MSSPF, Undersecretary of MOF, Undersecretary of MOH. ▶ The Chair of the Oman Chamber of Commerce and Industry ▶ The Chair of the General Federation of Oman Trade Unions.

Source: Royal Decree No. 50/2023.

The Military and Security Agencies Retirement Fund

The Military and Security Services Pension Fund (MSSPF) was established by Royal Decree No. 33/2021, the same decree that founded the SPF. Subsequently, Royal Decree No. 51/2023 entrusted the MSSPF with implementing and administering social insurance provisions for the uniformed sector under the Social Protection Law. Its key responsibilities, as outlined in the law, include:

- Collection of contributions. Collecting social insurance contributions from members of the uniformed sector across the social insurance branches and transferring them to the SPF.
- Disbursement of entitlements. Disbursing social insurance benefits to eligible uniformed members upon receipt from the SPF.
- Data administration. Managing and providing member and retiree data to the Social Protection Fund as requested, in accordance with agreed procedures between MSSPF and SPF, to support the implementation of the Social Protection Law.

MSSPF is also responsible, in coordination with SPF, for initiating the necessary processes and procedures to ensure full compliance with the Social Protection Law within the uniformed sector.

In addition to its core duties, the Government has approved a top-up complementary scheme specifically for the uniformed sector. This scheme addresses the unique early retirement needs of the sector to preserve its operational readiness and performance. This scheme is independent from the Social Protection Law and is financed by the Ministry of Finance and uniformed members. The MSSPF is assigned responsibility to manage and administer the top-up scheme.

78. Article 72 in Convention No. 102 states: "Where the administration is not entrusted to an institution regulated by the public authorities or to a Government department responsible to a legislature, representatives of the persons protected shall participate in the management, or be associated therewith in a consultative capacity, under prescribed conditions; national laws or regulations may likewise decide as to the participation of representatives of employers and of the public authorities."

79. Article 3(r) of Recommendation No. 202 calls for "tripartite participation with representative organizations of employers and workers, as well as consultation with other relevant and representative organizations of persons concerned".

80. ISSA (2019).

▸ 6. Potential costs and impacts of a more inclusive, equitable and sustainable system

Understanding the potential costs, sustainable financing options, welfare impacts and trade-offs of the new package of social protection benefits was key to achieving consensus around the selection of reform options. The ILO and Tawazun teams engaged in iterative rounds of analysis and discussion to define and refine financing scenarios that reflected different combinations of transfer values and parameters for new benefits under consideration. These discussions provided a valuable concrete reform "playbook" that allowed policymakers to visualize potential impacts on the income security of different segments of the population. It would be impossible to do justice to the full range of options and variables considered, but this chapter offers a brief overview of key findings, including balancing the inevitable trade-off between the reality of working under a relatively fixed budget and the desire to maximize the efficacy of the benefits to the population and lay the groundwork for continued investment in the future.

Estimating the level of investment required for a more inclusive system

The new social protection system relies on a mixed financing model based on a combination of state revenues and mandatory contributions from employers and workers. Different scenarios were considered and costed, including different combinations of contributory and government-financed benefits, to enable policymakers to take informed decisions. For those required to contribute, the new model entails an increase and re-balancing of shared contributions to finance new protections and a consolidated population of contributors. Underpinning this contributory system is a fundamental re-orientation of government-financed support away from general price subsidies and minimal social assistance towards a universal social protection floor at defined stages of life.

Looking ahead: Securing sustainable financing of the contributory system

Reforming the contributory system entailed a shift in the burden shared between social partners, across economic sectors, between the public and private sectors and across generations. Under the new unified pension scheme (covering old-age, disability and survivors' benefits), the total contribution rate is 18.5 per cent of insurable earnings, of which employees contribute 7.5 per cent of insurable earnings, and employers (including the Government as an employer) contribute 11.0 per cent. In the former pension funds, workers contributed 7.0 per cent of earnings (all previous pension funds), but the employers' contribution rates varied, depending on the fund (see table 12).

Under the new system, total contribution rates by workers and employers are significantly lower compared to previous systems in the public sector, though calculated on a broader definition of reference wages, and broadly comparable in the private sector.[81] More importantly, they are remarkably lower than what would have become necessary in the absence of reforms, for reasons explained in box 17. The new contribution rates were determined on the basis of a thorough actuarial assessment and are projected to be sufficient to finance the social insurance scheme in the medium to long term, subject to periodical revisions of actuarial assumptions and scheme experience.

Across the board, government funding will shift from subsidizing the generous pension system to universal benefits. PASI members' benefits were subsidized through a blanket subsidy of 5.5 per cent of contributions from the general budget, a regressive feature disproportionately benefiting high-income earners. This has been removed and government fiscal space (including contingent financing for public pension schemes) will be, at least in part, reallocted to lifecycle transfers benefitting all Omanis.

81. The reform was premised on the objective to keep contribution levels aligned with what previously required under PASI. Workers contribution did not change from 8%. Employers contribution increased from 12.5% under PASI (10.5% for pensions, 1% for umemployment and 1% for employment injuries) to 14.5% (11% for pensions, 0.5% for unemployment, 1% for work injuries) but now including maternity and sickness (1% each) which were previously funded as a direct employer liability.

▶ Box 17. Balancing short- and long-term costs

The final contribution rates were determined following an intensive technical exercise carried out over many months. These rates reflect a delicate political balance that acknowledges the underlying pressures that necessitated the reforms in the first instance, while also attempting to minimize the negative impacts on current and future contributors and pensioners.

The actuarial analysis demonstrated that public-sector pension funds were headed for the depletion of all assets, and even PASI's long-term costs were going to require dramatic rises in contribution rates, from 23 per cent to close to 34 per cent. Therefore, without reform, assuming a similar proportion of burden-sharing, private-sector employees and employers could have seen their contributions rise to roughly 10 per cent and 16 per cent, respectively. In addition, the Government's contribution to the private sector would have risen to roughly 8 per cent. For public-sector funds, the imbalance between revenues and expenses would have required an exponential increase in pay-as-you go funding from the general budget. The analysis revealed that the decision to introduce a government-financed universal pension also reduced the final cost of the contributory portion of pensions, providing some important additional relief. Specifically, the universal pension saved contributors roughly 1 per cent of additional contributions. Put differently, employers and workers might have faced a pension contribution of 12 per cent (rather than 11 per cent) and 8.5 per cent (rather than 7.5 per cent), respectively, to finance the same benefits had there been no government-funded universal old-age guarantee.

▶ Table 12. Contribution rates by pension fund (percentage of earnings)

Scheme	Employee	Employer	Government	Total
New unified pension scheme	7.5%	11.0%	0%	18.5%
Former pension funds				
PASI	7.0%	10.5%	5.5%	23.0%
PDOPF	7.0%	Balance of cost		
CBOPF	7.0%	Balance of cost		
CSEPF (Civilian)	7.0%	17.7%		24.7%
Diwan of Royal Court Pension Fund (DRCPF)	7.0%	17.7%		24.7%
Six other security-related schemes	7.0%	Between 13.5% and 20%		Between 20.5% and 27%

Source: Authors' compilation.

▶ Box 18. Ensuring equitable financing of the unfunded liabilities of previous schemes

Given the significant unfunded liabilities, especially in the previous public-sector schemes, it was important to find a fair and mutually acceptable way of financing them in the transition to a unified pension scheme. During the design process, it was agreed that the transfer of assets from the old pension funds to the new scheme would be determined on the basis of accrued liabilities calculated under reform Option 1, since this option most closely resembled the benefits for current members.[82] Of all the pension funds (excluding PDOPF and CBOPF), PASI had the highest ratio of assets to liabilities. Thus, PASI's funding ratio was used as the target-funding ratio for the other funds. Meeting the target required an additional "settlement payment" (transfer of assets) from the other funds to ensure the same funding ratio across the board. These settlement payments ensured that private-sector workers and employers would not have to cover a higher level of unfunded liabilities of the public sector's old pension funds than the equivalent of PASI's ratio.

Further, new protections for working-age risks and the mandatory provident scheme for non-Omanis will introduce new social obligations. For working-age benefits, employers will contribute 1 per cent of insurable earnings for pooled coverage of employment injury, maternity and paternity benefits, sickness and unusual leave benefits. Workers and employers will equally share the contribution for unemployment benefits (0.5 per cent each) and the mandatory provident scheme for non-Omanis (9 per cent), which is optional for Omanis. The new system, therefore, grants significant new rights but undergirds them with shared responsibilities, as summarized in table 13.

▶ Table 13. Social insurance contribution rates (Omanis and non-Omanis) by branch, once all branches of the law are fully implemented

Branch	Employee	Employer	Total
Old-age, disability and survivors (Omanis)	7.5%	11%	18.5%
Employment injury (Omani and non-Omani)	None	1%	1%
Unemployment (Omanis)	0.5%	0.5%	1%
Maternity/paternity leave (Omani and non-Omani)	None	1%	1%
Sickness and unusual leave (Omani and non-Omani)	None	1%	1%
Total mandatory (Omanis)	8%	14.5%	22.5%
Provident Scheme (non-Omanis, optional for Omanis)	None	9%	9%
Total mandatory (non-Omanis)*	None	12%	12%

Note: * Except those under GCC Extending Insurance. Includes working-age benefits (employment injury, maternity/paternity, sickness and unusual leave) and provident scheme contributions.

Source: Social Protection Law.

82. For an overview of the pension reform options see table 6.

Identifying fiscal space for a robust social protection floor

Because of significant gaps in the previous social protection system, a more robust system was required to counter the effects of the planned fiscal reforms, as well as the consolidation and reform of the contributory social insurance schemes. Several scenarios were designed to provide the Government with evidence on the potential costs and impacts of the impending reforms and the compensatory impacts of instituting an inclusive, multi-tiered social protection system. These scenarios were selected in consultation with Tawazun and aimed to offer an indicative view of the effects of different combinations of transfer values and high-level parameters across a complete lifecycle-based benefit "package". The parameters of the simulated reform scenario that most closely resembles the adopted scenario are shown in table 14.

▶ Table 14. Transfer values for government-financed benefits under the simulated reform scenario[83]

Benefit	Child benefits	Old-age benefit	Disability benefits	Survivors' benefits	First-time jobseekers**	Maternity benefits**	Means-tested household safety net*
Simulated monthly transfer value	10 rials	115 rials	130 rials	80 rials	115 rials/80	115 rials	115 rials per household

Note: * Simulated placeholder for family income support benefit. ** These benefits were not adopted as part of the Social Protection Law but remain under consideration for future adoption. Because the size of the beneficiary population for these benefits would be small, the impact of their inclusion on the overall simulated outcome is minimal.

Source: ILO and Tawazun.

In effect, the planned removal of subsidies, and the pension reforms would open fiscal space to re-prioritize expenditures to more efficiently target those populations most likely to experience income insecurity, such as children and older people. To ensure that policymakers were empowered to make informed decisions around the levels of investment required to sustain a robust lifecycle-based social protection floor, the technical teams simulated a range of scenarios. The levels of investment in the simulated scenarios were estimated with the aid of demographic and economic projections provided by the technical team advising on the reform of the contributory system and Tawazun, as well as data provided by the National Centre for Statistics and Information (NCSI). While the figures represented an indicative range of potential costs, certain qualifications were relevant (discussed in Appendix III). A costing tool was also developed and delivered to Tawazun to facilitate discussions and decision-making throughout the reform process.

83. Numerous reform scenarios were considered as part of a broad assessment of the potential costs and impacts of a new system. These ranged from ambitious to minimal. For simplicity, the scenario that most closely resembles the final reform parameters reflected in the Social Protection Law is the one depicted here and in subsequent discussions of potential costs. The depicted and chosen scenarios reflect a middle ground between the most and least ambitious scenarios considered and imply an inherent trade-off in reform decisions between immediately available budget and desired impacts. While the main parameter that differed across the different scenarios was the transfer value, other variations in the high-level design were explored. These high-level design variations included a gradual introduction of a universal child benefit and a pension-tested old-age pension.

The costing analysis found that even the most ambitious scenario would be affordable. Though ultimately not chosen, the most ambitious scenario under consideration would have required an investment of around 3.7 per cent of GDP. In contrast, the simulated scenario that most closely resembles the reforms reflected in the Social Protection Law (in the simulated scenario corresponding to a universal old-age benefit equal to 115 rials per month), would require around 2.0 per cent of GDP. Alternative scenarios, with varied and nuanced results, were also considered.[84]

Throughout the reform process, the Government indicated that public funds available for a reformed social protection system were limited. Given normal assumptions of economic growth and demographic projections, the real costs of a reformed government-financed benefit system would be expected to decline over time, regardless of scenario.[85] For example, in the simulated scenario that most closely matched the adopted scenario, costs would have been projected to decline by approximately one third over the next two decades, from 2.0 per cent of GDP in 2022 to 1.5 per cent in 2040.

The planned removal of subsidies, and the pension reforms would open fiscal space to re-prioritize expenditures to more efficiently target those populations most likely to experience income insecurity, such as children and older people. Lifecyclebased transfers are vital to mitigate the impacts of subsidy removal and fiscal reforms.

84. Detailed results of the costing exercises are not reported here. Generally, the levels of investment required to support universal transfers are higher than under a benefit-tested model, regardless of the transfer value. The clawback mechanism explored in some of the scenarios is an incentive-compatible approach to benefit-testing, which maintains both a minimum guaranteed income in old age, as well as adequate incentives to greater productivity and contribution. While it is evident that scenarios with higher transfer values have higher total costs, the application of a clawback mechanism in some scenarios created the opportunity to maintain higher transfer values while reducing total costs to the Government. Therefore, the reduction in total costs for benefit-tested scenarios were achieved, even though transfer values were maintained at higher levels.

85. While nominal costs increase over time, relative (real) costs are projected to decrease over time. This is due to three main factors. First, economic growth is assumed to outstrip the growth in costs, thereby reducing real cost as a percentage of GDP. Second, shifts in demographic trends, especially an assumed reduction in fertility, leads to a reduction in total child benefit costs. Finally, it is assumed that coverage in the contributory system will increase, leading to cost savings for benefit-tested schemes. The results assumed average real GDP growth of 4.2 per cent and annual inflation of 2.0 per cent throughout the projected period. In addition, in order to capture the welfare effects of the full multi-tiered system, all of the scenarios assumed a contribution from employees of 8 per cent of earnings to finance contributory benefits (in line with current contribution levels).

Assessing the potential impacts of a more inclusive system

Based on the simulation, the social protection reform scenario was expected to significantly mitigate the potential negative impacts of the expected fiscal reforms (figure 26). Not only would reforms lessen the impact of the initial shock, they would continue to have a mitigating effect on LER levels of 3 to 4 percentage points, although, from 2026 onwards, the levels would continue to exceed the levels that would have been predicted under the status quo (assuming no fiscal reforms, and no social protection reforms).

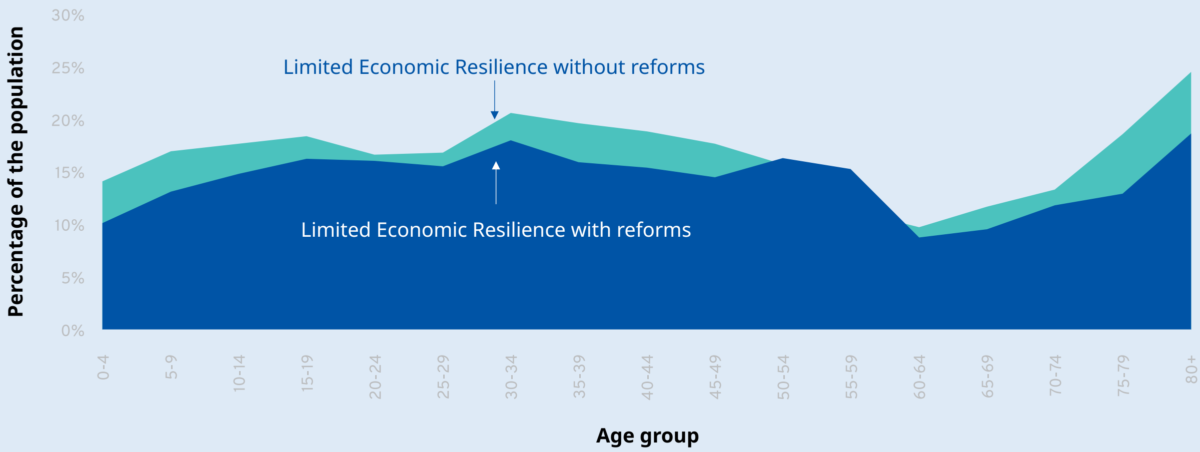
▶ **Figure 25.** **Potential effects of reforms on LER headcount (Omanis), 2019–2030**

Source: Authors' calculations.

Importantly, the analysis demonstrated that the impacts of the reformed system would accrue to individuals across their life course, underscoring the sustaining power of social protection to improve income security. Figure 27 shows the simulated difference in the LER headcount with and without the social protection reforms (again, the simulated scenario shown is the one that most closely resembled the parameters of the final reform). Across almost all age groups,[86] the predicted LER headcount is significantly lower under the reform scenario.

86. The drop in the impact of the reform scenario from ages 50 to 60 can potentially be explained by the reduced incentives for early retirement embedded in the coverage assumptions for the reformed contributory system.

▶ **Figure 26.** **Potential impacts of the reform scenario on the LER headcount (Omanis), by age group**



Source: Authors' calculations.

Under all simulated reform scenarios, contributory old-age pensions were expected to continue to play the most significant role in reducing income vulnerability in a reformed system, though with some variation depending on the scenario. However, while contributory benefits would continue to be the driving force in a simulated reformed system, government-financed individual lifecycle transfers would be expected to account for anywhere from 28 per cent to 42 per cent of total reduction in LER, with the simulated means-tested household transfer accounting for only a tiny fraction (from 0.2 to 0.4 per cent, depending on the scenario).

Performing the same decomposition by age group revealed that impacts of lifecycle benefits would be expected to span across the entire age spectrum. In particular, the decomposition analysis indicated that contributory old-age pensions would be the most significant contributor to the reduction of income vulnerability, followed by government-financed old-age pensions. This effect held not only for pensioners, but also across much of the age spectrum, underscoring the importance of multi-tiered pensions as a core component of any comprehensive lifecycle-based social protection system. For children under 5 years old, government-financed child benefits were likely to surpass contributory old-age pensions as the main drivers of reductions in income vulnerability. This points to higher levels of dependence among families with very young children – the same younger cohorts who would be attempting to break into the labour market for the first time – on the kinds of support that can come from a powerful policy lever like universal child benefits.

The analysis also found that implementing the social protection reforms substantially reduces income inequality during the initial period of the fiscal reforms. Simulations of the impacts of the planned reforms suggested that inequality levels would rise in 2021–2022 upon the expected introduction of indirect taxes. However, the introduction of the package of government-financed benefits in 2023 was expected to cause a sharp decline in inequality, reaching its lowest point around 2025, demonstrating the counterbalancing impact of transfers on income distribution.

In sum, the microsimulation exercises clearly demonstrated that a comprehensive package of social protection reforms was vital to mitigate the impacts of subsidy removal and fiscal reforms, and that lifecycle-based transfers would be the primary determinant of the new system's ability to do so. Without child benefits and old-age pensions, in particular, the system would struggle to offer the kind of support the population would need in the wake of subsidy removal.

Moreover, the relative levels of investment for the range of proposed scenarios were arguably both affordable and necessary in light of the planned reforms. Decision-makers were tasked with weighing priorities and assessing their political feasibility in the current context. Any of the scenarios presented for consideration would have been a vast improvement on the previous system, and the path chosen clearly provides a solid foundation from which to continue to build a more inclusive social protection system fit to deliver on the nation's Vision 2040 ambitions.

Image digitally enhanced using AI by Omaima Al Batrani. © SPF

▸ 7. Conclusion: Towards a rights-based social contract in Oman

Oman Vision 2040 sets out an ambitious national agenda that recognizes the importance of well-being and social protection as foundations for unlocking investments and advancing development across multiple sectors. Close technical engagement between constituents in Oman and the International Labour Organization has cultivated a shared understanding that not all social protection investments are equal, and that certain schemes and policy designs offer significantly more potential to further broader economic and social objectives than others.

Exceptionally for the region, Oman has chosen to move decisively toward a social protection system that is fit for purpose and capable of supporting its transition to a dynamic, productive economy and cohesive society. The decision to embrace a lifecycle-based and rights-based model represents a major step forward in the development of a modern, multi-tiered social protection system comparable to those that have enabled and sustained social and economic progress in many high-income countries for generations.

This report captures the dynamics behind the iterative exchanges between the ILO, other development partners and Oman. It highlights dimensions of the reform process that are relevant not only for understanding the experience of Oman, but also for informing debates on the future of social protection systems elsewhere in the region and globally. Five points are particularly worth highlighting.

First, the reforms undertaken in Oman successfully navigated sensitive questions concerning social protection financing and the fair distribution of benefits and costs across generations, economic sectors and diverse segments of society. Changing labour markets and demographic realities require a broader conceptualization of how societies can collectively sustain protection systems. Reforms in Oman reflect this evolving understanding by combining contributory and government-financed mechanisms in ways that strengthen comprehensiveness, adequacy and sustainability, all while bolstering labour market objectives to improve participation and mobility. In particular, the transition to a unified and more financially sustainable pension system reduces the implicit regressivity of transfers across groups, sectors and cohorts that characterized the previous system, addressing both intergenerational and intragenerational equity concerns. The fiscal margin generated by unified, multi-tiered pensions and price subsidy reforms opens space for the strategic utilization of public spending levers in other areas of social protection. Universal child benefits, for example, represent investments in the productive and contributory capacity of future workers, while stronger public financing of old-age protection through universal guarantees directly reduces financing pressures on current contributors.

Changing labour markets and demographic realities require broader conceptions of how societies collectively sustain protection systems. Oman’s reforms reflect this evolving understanding by combining contributory and tax-financed mechanisms in ways that strengthen both adequacy and sustainability.

Second, the transition from generalized price subsidies to a broad-based social protection system demonstrates how universal social contracts can be preserved while improving social efficiency and equity. Challenging the assumption that narrowly targeted government-financed "safety nets" are sufficient to reduce and contain poverty, the reforms instead emphasized the central importance of lifecycle guarantees within an integrated multi-tiered social protection system. Multi-tiered system designs create opportunities to combine universal guarantees of basic income security at different life stages, consistent with the principles of ILO Recommendation No. 202 and a universal social contract, with higher levels of earnings-related protection for contributors to formal social insurance schemes that further economic objectives. The coordinated system thereby efficiently protects individuals experiencing defined lifecycle and labour market vulnerabilities – preventing income insecurity rather than correcting it after the fact – effectively curbing downward mobility and safeguarding pathways for upward mobility.

Third, an important achievement of the reforms lies in bridging the longstanding divide between contributory and non-contributory schemes. Design choices made by Oman demonstrate a desire to move away from the idea that financing modalities, in and of themselves, determine entitlement, deservingness or access to protection. Rather, financing arrangements under the new model function as instruments for realizing the right to social security and achieving equitable outcomes in terms of both coverage and adequacy. Through integrated policies, harmonized governance arrangements and more coherent delivery systems, the reforms contribute to the emergence of a unified social protection system with a common citizen interface. At its centre, the Social Protection Fund of Oman is positioned to support all people according to their circumstances and changing needs throughout the life course. This consolidated and enhanced institutional framework offers a foundational administrative platform capable of supporting a broad range of government policy objectives while also enabling fairer and more transparent cost-sharing across society.

Fourth, the social protection reform trajectory of Oman demonstrates that ambitious and transformative change is possible when guided by a clear vision, sustained political commitment and a willingness to pursue reform through evidence-based consensus-building. The scale, speed and tight coordination of the reforms are particularly remarkable. In many countries, comparable transitions have unfolded gradually over decades through incremental adjustments. Oman, by contrast, has pursued a far more comprehensive transformation within a relatively short period of time, connecting macroeconomic reforms with social and labour market policy transformations. This reflects distinctive features of the political economy and institutional context of Oman, but also a strategic recognition that periods of major economic transition can create opportunities for policy leapfrogging. Rather than progressively adjusting fragmented or flawed schemes over time, the reforms sought to establish from the outset a more coherent and integrated architecture capable of supporting long-term national development objectives.

The reform process demonstrates the importance of sustained engagement across government institutions, workers' and employers' representatives, and technical partners in building trust and ownership around ambitious reforms. Equally critical was the central role played by evidence and technical analysis. Rigorous actuarial assessments, microsimulation exercises, international comparative experiences and long-term fiscal projections helped create a shared understanding among stakeholders of both the limitations of previous arrangements and the opportunities associated with a more integrated and sustainable model. The ability to analyse the potential impacts of changes to different components of the system in an integrated way, including aspects of economic reforms, created unique opportunities for technical partners to engage with alternative visions, showing that higher investments would drive larger impacts over the long term.

The reform reflects distinctive features of Oman's political economy and institutional context, but also a strategic recognition that periods of major economic transition can create opportunities for policy leapfrogging.

Fifth, the experience of Oman demonstrates that universal and rights-based social protection systems are not only instruments for addressing vulnerability, but constitute strategic investments in human capabilities, productive employment and social cohesion. Moving beyond narrow and short-term fiscal adjustment approaches, the system Oman has chosen to build is likely to generate substantial long-term social and economic dividends. The new social protection approach leverages the transformative potential of social protection across multiple and interconnected dimensions. To name just a few: enhanced maternity and paternity protection, alongside expanded leave provisions, create greater opportunities for women and men to make more confident decisions regarding employment, caregiving and family life; the inclusion of migrant workers within the expanding framework of social protection contributes not only to fairness and dignity at work, but also to increased labour market stability and productivity; and a more comprehensive and inclusive system enables persons with disabilities to participate fully in society and realize their full potential. In short, the reformed social protection system is more accessible, integrated and responsive to diverse needs and, as a result, reduces barriers to participation and advances equality of opportunity.

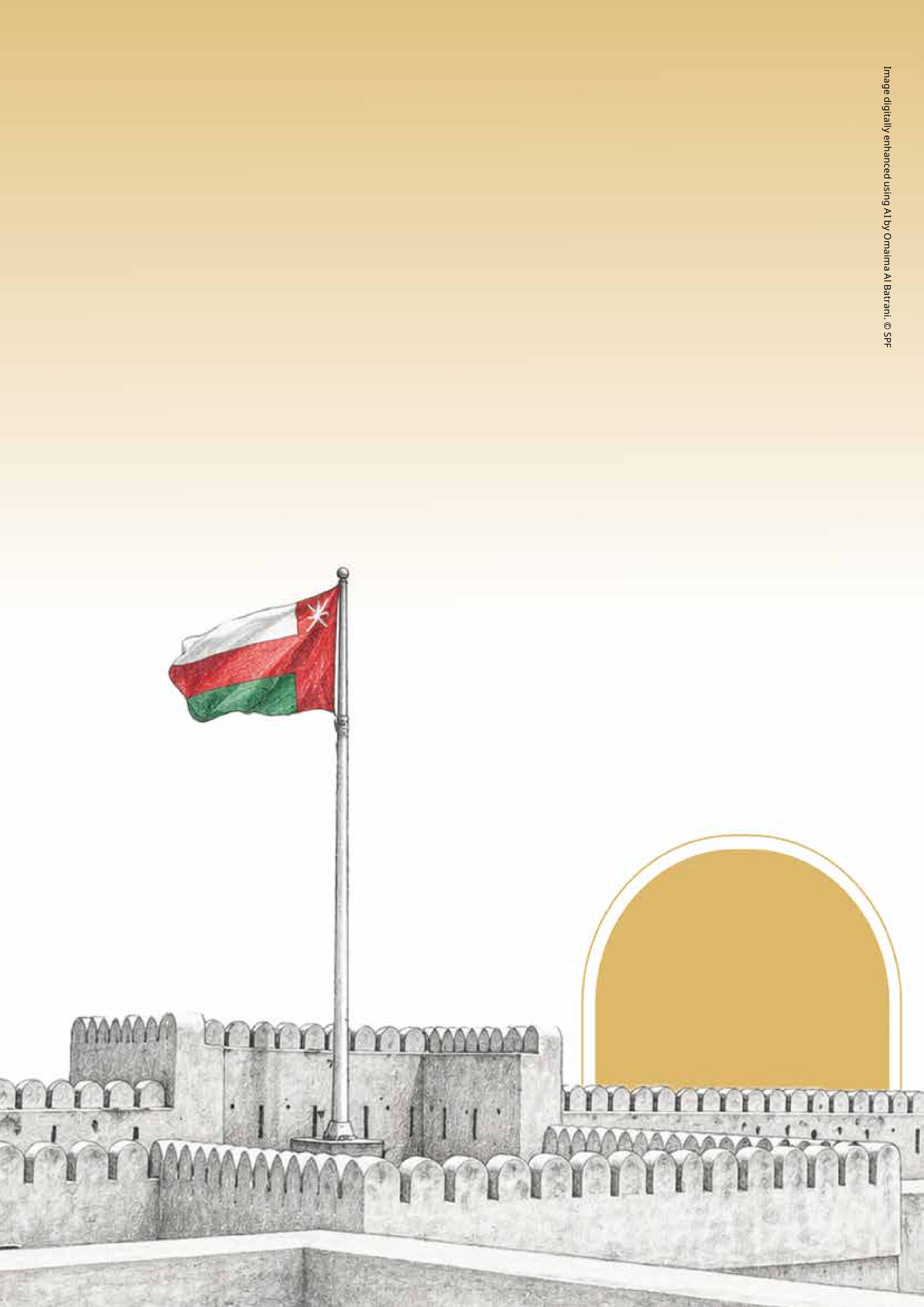
Looking ahead, the continued success of the reforms will depend on sustained institutional capacity and effective implementation. The journey from conceptual ambition to legislative and institutional realization was exceptionally fast and now requires a long-term perspective for policies, institutions, governance arrangements and operational systems to mature. Immediate priority areas include the progressive implementation of legislated measures, strengthening of administrative integration and digital delivery systems, and sustained investment in outreach and awareness to ensure shared understanding of new rights and responsibilities.

Maintaining broad stakeholder engagement and social dialogue, not only around how the reforms are implemented, but also around why the reforms matter for the broader development trajectory of Oman, will be fundamental. Going forward, the establishment of robust monitoring and evaluation systems and strengthened analytical capacities will be essential to demonstrate the transformational impact of the reforms on welfare, labour markets and economic development.

At the same time, the new social protection system will need to remain adaptive and forward-looking. Ensuring that financing arrangements remain equitable and sustainable in the medium and long term will require advancing the economic reforms agenda and stronger integration between social protection and fiscal policies. In particular, the success of the new system will depend on further investment in, and stronger coordination with, employment services, social care, occupational safety and health systems, labour inspection mechanisms and family support services. Finally, continued efforts to close legal and effective coverage gaps — such as those affecting domestic workers and workers in new forms of employment — and to extend comprehensive protection into new areas — such as health insurance— will be critical. Equally important will be the extension of portability frameworks for migrant workers and the strengthening of regional and international cross-border social security coordination mechanisms.

Taken together, the reforms undertaken in Oman provide an important example of how social protection systems can evolve to respond to contemporary economic and social realities while remaining grounded in principles of solidarity, equity and international labour standards. The experience of Oman shows that meaningful progress toward universal rights-based social protection is not only achievable but can also be aligned with broader economic transformation and sustainability goals. As countries across the region and beyond confront demographic transitions, labour market transformation and evolving social expectations, Oman offers a compelling example of how to build integrated, inclusive and future-oriented systems that support a more equitable future for all.

Oman's journey from conceptual ambition to legislative and institutional realization was exceptionally fast and now requires a long-term perspective to mature.



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▶ Appendix I. Summary of key provisions of new and reformed benefits

▶ **Table 15.** Key provisions of the new Social Protection Law

Financing mechanism	Benefit and high-level design	Legally covered population	Qualifying conditions	Description of benefits	Compatibility with other benefits	Reference in law
Government-financed (non-contributory)	Child benefit (universal)	Resident Omanis	Children aged under 18 years old	Monthly of 10 OMR per child 20 OMR per month if the child is enrolled in primary or secondary school and from a family receiving Family Income Support	Compatible with all benefits and pensions except disability benefits	Law Articles 37–38
	Old-age benefit (Pension-tested)	Resident Omanis	Aged 60 years+ (pensionable age will gradually increase by 1 year every 7 years until age 65)	A monthly benefit of 115 OMR per person, applies to incomes below 1,020 OMR, claws back between 1,020 and 1,250 OMR, and ceases above 1,250 OMR.	Compatible with all benefits and pensions except disability and widow's benefits	Law Articles 29–30
		Resident Omanis	Aged 60 years+ (age will gradually increase by 1 year every 7 years until age 65)	130 rials per person per month	Compatible with all benefits and pensions except old-age and child benefits	Articles 31–32
	Disability benefit (universal)	Resident Omanis	Assessed with a permanent disability or illness that requires care or support	Monthly of 130 OMR per person	Compatible with all benefits and pensions except old-age and child benefits	Law Articles 31–32 Regulation Articles 38-42
	Survivors' (orphans and widows) benefit (pension-tested	Resident Omanis	Orphans: Children age not exceed 18 years old whose parent(s) are deceased; or whose father or both parents' whereabouts are unknown Widows: under 60 years of age,	▶ Single Orphan: 40 OMR per month. ▶ Double Orphan: 80 OMR per month. ▶ Widow: 80 OMR per month. Condition: Tested against the Survivor Pension from Social Insurance; topped up to the above amounts if the Survivor Pension is less.	Compatible with all benefits and pensions except the old-age benefit	Law Articles 33–36 Regulation Articles 43
	Family income support benefit (means-tested)	Families with at least one Omani citizen, or a non-Omani widow of an Omani spouse with no children, provided they reside in Oman.	Eligible Family Members Include: Husband, wife, and children (including foster children) subject to the following conditions: ▶ Unmarried and unemployed daughters (including divorced daughters without children) up to age 40. ▶ Unmarried and unemployed sons up to age 26. The following individuals are also considered separate family units: ▶ Unmarried or divorced women (without children) aged 40 years or older. ▶ Divorced women with children, or widows. ▶ Fatherless unmarried women, or fatherless divorced women (without children) aged 31 years or older. ▶ Double orphans brothers and sisters under the age of 18. ▶ Any person whose parents are unknown		Compatible with all other benefits, entitlements, pensions, allowances and compensation	Articles 39–45

Financing mechanism	Benefit and high-level design	Legally covered population	Qualifying conditions	Description of benefits	Compatibility with other benefits	Reference in law
Contributory	Old-age pension (social insurance)	Employed Omanis working in Oman under all types of contracts—including temporary, part-time, apprenticeship, and employed retiree, self-employed, and Omani citizens working in GCC countries. Exclusions: All non-Omani workers. Voluntary for other categories of Omani workers not listed in the target group above	**Old age : 60** **Full pension (not subject to reduction):** ▶ Age 60 for men or age 55 for women (no Minimum service period required); ▶ Age 55 for men or age 45 for women with at least 20 years of service in hazardous or arduous work; ▶ Age 55 for both men and women with at least 20 years of service in specified military or security categories; ▶ Age 50 for men or age 45 for women with a disability and 15 years of service as disable. **Reduced (early) pension (subject to an applied discount rate):** Five years before the full pension age (not subect to reduction) with the same minimum required service, OR at any age with at least 30 years of service. **Early Retirement Guarantee:** Insured who, at the time of the reform, have acquired the right to early retirement based on the eligibility requirements of their respective legacy pension funds are allowed to opt for early retirement without adhering to the new law.	**Full pension equals** 2% × CARE × service period after the law's effective date **Plus** 2%×Re-evaluated final pensionable salary at entitlement × service period before the law's effective date **Early Pension Reduction:** Reduced by 5% per year for the first 5 years, then 1% per year for remaining years. **Frozen Pension Guarantee (1):** For those qualifying under the old system on the effective date, the pension will at least equal what they would have received if retired on December 31, 2023. **Frozen Pension Guarantee (2):** For those with service under the old system, the pension will be at least equal what they would have received if retired on December 31,2023 without reduction, applicable only at old age retirement		Law Articles 68-84 Regulation Articles 61-64
	Provident Scheme	**Mandatory** for non-Omani workers, except domestic workers. **Mandatory** for Omani workers holding multiple employment contracts whose combined earnings exceed the social insurance PE ceiling. **Voluntary** for Omani and non-Omani workers.	▶ End of the employment relationship for non-Omanis and leaving the country; if they are still staying in the country, it will be paid after 3 months on the condition that there is no new contract. ▶ Contribution of 180 months or more. ▶ Full disability. ▶ Death. ▶ Other cases based on a BOD decision, such as the use of funds for certain purposes like buying a house, medical treatment, and other	**For non-Omanis,** the benefit is equal to the total contributions and deposits plus returns on investment, with a 2% investment guarantee and a minimum entitlement. **For voluntary contributions,** the benefit is the same as above but without the minimum entitlement guarantee	Compatible with all benefits and pensions	Law Articles 135-144 Regulation Articles 96-114
	Non-Occupational Disability and Death pension (social insurance)	Employed Omanis working in Oman in all types of contracts, including temporary, part-time, apprenticeships and employed retirees; self-employed Omanis; and Omani citizens working in GCC countries Exclusions: All non-Omani workers Voluntary for other categories of Omani workers not listed in the target group above	**Six continuous months** of contributions immediately prior to the incident, or **Twelve total months** (intermittent), provided the final three months were continuous, or **Within one year of leaving work**, if the above conditions were met before stopping contributions.	▶ (50 % + 0.5% for each year of service) X CARE, not less than old age pension without reduction ▶ If conditions are not met, the old-age pension formula without reduction is applied.		Law Articles 85-86 Regulation Articles 61-65

Financing mechanism	Benefit and high-level design	Legally covered population	Qualifying conditions	Description of benefits	Compatibility with other benefits	Reference in law
Contributory	Work Injuries and Occupational Diseases (social insurance)	Employed Omanis working in Oman, including those working in temporary contracts, apprenticeships and employed retirees. Non-Omani workers working in Oman except domestic workers (july 2028) Exclusions: self-employed Omani workers; Omanis working abroad, including GCC countries	Any accident occurring during or because of work, including occupational diseases, work-related stress, or exhaustion, including ▶ Medical complications or relapses arising directly from the original work injury. ▶ Occupational diseases diagnosed within 1 year of leaving service. Accidents on a direct route to/ from work, meals, or prayers without detours, including official company	Temporary disability allowance: ▶ 100% of previous earnings is paid for the first 6 months; ▶ 75% for the next 6 months or until the disability is assessed as permanent ▶ A licensed health institution (Committee) may approve further allowance extensions at 75%, medically clear the worker for duty, or grant a permanent disability pension ▶ Employer's contribution: Must be paid in full by the employer for the entire duration of the leave, whereas the worker's contribution (at 100% payout) is deducted directly from the worker's benefit, and paid by the branch if the benefit is less than 100%. Partial permanent disability entitlments: ▶ For a degree of disability of less than 30%, a lump sum paid equal to 36 X 75% of the degree of disabilityX CARE; ▶ For a degree of disability of at least 30% but less than 100%, the pension is paid equal to 75% X of the degree of disability X CARE. ▶ Employment cannot be terminated due to this disability Permanent disability and death pension: ▶ 75% X CARE ▶ 85% X CARE for uniformed workers if the injury occurs during military operations and exercises ▶ it shall not be less than the old-age pension with reduction ▶ Medical Care Entitlements: ▶ Full entitlement to treatment, care, and rehabilitation at government hospitals. ▶ Medical Equipment & Prosthetics: Funded by the Social Protection Fund if not covered by the Ministry of Health or private insurance. Rehabilitation: Covered by the Fund if government medical centers lack the required services, subject to Board approval.	The partial permanent disability benefit (partial occupational disability benefit) is compatible with all other benefits and pensions	Law Articles 87-110 Regulation Articles 69-74

Financing mechanism	Benefit and high-level design	Legally covered population	Qualifying conditions	Description of benefits	Compatibility with other benefits	Reference in law
Contributory	Survivors' Pension (social insurance)	Survivor pension coverage is determined by the specific insurance branch from which the entitlement originates: occupational or non-occupational death, occupational or non-occupational disability, or old age	Eligible Survivors Include: ▶ Unmarried and unemployed sons up to age 22 (extended to age 26 if enrolled as a student, or with no age limit if certified as medically unable to work). ▶ Unmarried and unemployed daughters up to age 30 (with no age limit if certified as medically unable to work). ▶ Widows or widowers who have not remarried. ▶ Foster children, subject to the same conditions as biological children, provided they were dependants of the deceased for at least six months. **Secondary Beneficiary Hierarchy:** In the absence of eligible children and spouses, the benefits may be disbursed to the **parents** of the deceased. In the absence of living parents, the benefits may be disbursed to the **grandparents** of the deceased.	The total survivor pension is divided among eligible survivors in equal shares, based on the number of survivors, as follows: ▶ Three or more survivors: 100% of the pension. ▶ Two survivors: 80% of the pension. ▶ One survivor: 60% of the pension. **Initial Grace Period:** For the first six months following the death of the insured, 100% of the pension is paid regardless of the number of survivors. The minimum survivor pension shall not be less than 230 OMR, or the original pension amount if the original pension is less than 230 OMR.	**Eligible children** may combine survivor pensions received from each parent. **Widows and widowers** may combine their own retirement pension with the survivor pension from their deceased spouse Widow and Orphans Benefit is tested against their share from survivor pension	Law Articles 111-114 Regulation Articles 66-68

Financing mechanism	Benefit and high-level design	Legally covered population	Qualifying conditions	Description of benefits	Compatibility with other benefits	Reference in law
Contributory	Sickness and unusual leave benefits (social insurance)	Employed Omanis working in Oman, including those working in temporary contracts, apprentice-ships and employed retirees. Non-Omani workers working in Oman except domestic workers Exclusions: Part-time and self-employed Omani workers; Omanis working abroad, including GCC countries	No minimum qualifying period The benefit is paid for certified absences from work due to illness or other defined family leave purposes	**Sick Leave Benefit:** maximum 182 days per year. ▶ Days 1–7: 100% of wage (covered by the employer). ▶ Days 8–21: 100% of wage (covered by the insurance branch). ▶ Days 22–35: 75% of wage. ▶ Days 36–70: 50% of wage. ▶ Days 71–182: 35% of wage. **Unusual Leave Benefit** (100% of last wage, unless specified): ▶ Marriage: 3 days. ▶ Death of Immediate Family (Father, mother, grandparents, or siblings): 3 days. ▶ Death of Extended Family (Uncles or aunts): 2 days. ▶ Death of Spouse or Children: 10 days. ▶ Death of Husband: 130 days for a Muslim woman / 14 days for a non-Muslim woman. ▶ Patient Escort Leave: Maximum 30 days per year (for spouse, parents, children, or siblings): • Days 1–15: 100% of wage. • Days 16–30: 50% of wage. • Extension: Possible upon request, subject to Board approval. The employer and worker contributions for other branches are paid by the branch, except when the benefit is 100%, in which case the worker will pay their contribution, which is deducted from the benefit.	Cash sickness and unusual family leave benefits are incompatible with work injury and occupational disease and maternity benefits and unem-ployemnt benefit	Law Articles 121-126 Regulation Articles 93-95
	Maternity and paternity leave (social insurance)	Employed Omanis working in Oman, including those working in temporary contracts, apprenticeships and employed retirees. Non-Omani workers working in Oman except domestic workers Exclusions: Part-time and self-employed Omani workers; Omanis working abroad, including GCC countries	No minimum qualifying period **Maternity Leave Benefit Conditions:** ▶ Eligibility Threshold: Pregnancy must exceed 25 weeks. ▶ Stillbirth / Infant Mortality: Full leave benefit applies if the child passes away after the 25th week. ▶ Maternal Death (Insured Mother): The insured father receives the remaining portion of the mother's leave benefit. ▶ Maternal Death (Non-Insured Mother): The insured father receives the full equivalent leave benefit. The same leave durations (**98 days for the mother and 7 days for the father**) apply when fostering a child, on the condition that the child does not exceed **3 months old** at the time of application	**Cash maternity (and fostering) benefits:** ▶ 100% of previous earnings is paid 98 days, which may begin up to 14 days before the expected delivery; **Cash paternity (and fostering) benefits:** ▶ 100% of previous earnings is paid for 7 days (may be taken at any time before the child is 98 days old) The employer and worker contributions for other branches are paid by the branch, except when the benefit is 100%, in which the worker will pay their contribution, which is deducted from the benefit. **Non-paid Care leave:** 98 additional days of unpaid job-protected leave, which can be shared between the mother and father, during which the Branch covers the contributions of other brances.	incompatible with work injury and occupational disease and Cash sickness and unusual family leave benefits and unemployemnt benefit.	Law Articles 127-134 Regulation Articles 93-95

Appendix II. Main features of the previous social protection system

Table 16. Main features of benefits provided under the former Social Security Law (Royal Decree No. 87/84)[87]

Scheme/ category of main claimant	Legally covered population	Qualifying conditions	Description of benefits	Number of cases Dec 2023	Monthly expenditure OMR Dec 2023
Orphans	Omani nationals with no other means of support	Children whose father has passed away and whose age has not exceeded 18 years, and whose father or parents are unknown, are considered orphans, as well as those who have exceeded this age and are still attending regular schools or institutes until the end of the general education stage or its equivalent	80 rials (with one household member) to 264 rials (with 10 or more household members) per month Note that, in the case of children, the number of household members will always be at least two, meaning the minimum orphan benefit is 124 rials per month	2,169	219,859
Persons with disabilities	Omani nationals with no other means of support	Anyone who has exceeded the age of 18 years and has not reached 60 years and is proven by a medical examination that he is unable to do a suitable job, and minors under the age of 18 years who suffer from diseases or permanent disabilities and do not have a sufficient source of livelihood or a bread-winner obligated to alimony Not dependent on other household members, but are unable to generate sufficient income due to disability or illness (proven by a medical examination)	80 rials (with one household member) to 264 rials (with 10 or more household members) per month is paid.	26,087	2,579,972
Widows	Omani nationals with no other means of support	Every woman who has not reached the age of 60 years and her husband has died and she remains unmarried and does not have a binding breadwinner capable of providing for her and who does not have a sufficient source of livelihood	80 rials (with one household member) to 264 rials (with 10 or more household members) per month is paid	3,183	372,048
Abandonment/ deserted family	Omani nationals with no other means of support	Any woman who was abandoned by her husband, lost contact with him, and could not locate his residency for the previous year	80 rials (with one household member) to 264 rials (with 10 or more household members) per month is paid	109	14,498
Unmarried women	Omani nationals with no other means of support	Females aged 18–59 years, have never married, and have no support from a breadwinner, or a single female living with her family who is aged above 35 years	80 rials (with one household member) to 264 rials (with 10 or more household members) per month is paid	4,685	383,686
Divorcees	Omani nationals with no other means of support	Any woman aged under 60 years whose husband died, with no income and who did not remarry	80 rials (with one household member) to 264 rials (with 10 or more household members) per month is paid	12,532	999,696
Families of the imprisoned	Omani nationals with no other means of support	Families whose breadwinner is imprisoned for a period exceeding 6 months and who do not have a sufficient source of income or a binding relative	80 rials (with one household member) to 264 rials (with 10 or more household members) per month is paid	215	32165
General older persons social security pension	Omani nationals with no other means of support	Any male or female older than 60 years with no sufficient income and who is not dependent on other household members	80 rials (with one household member) to 264 rials (with 10 or more household members) per month is paid	30,592	3,226,034
Special categories		Cases excluded from the Social Security Law that suffer from material and social conditions because of an inability of the head of the family, and which do not fall within those categories legally entitled to Social Security It also includes alternative families that shelter and care for an orphan, an elderly person or similar		25	3,130

87. The Social Security Law promulgated by Royal Decree No. 87/84 provided the main legal framework for government-financed social protection benefits prior to the recent reforms. All benefits were also regulated under Ministerial Order No.72. regarding the Social Assistance Regulation of 2014.

▶ Table 17. Main features of other government-financed benefits

Scheme	Regulatory framework	Legally covered population	Qualifying conditions	Description of benefits	Administrative responsibility	Number of beneficiaries (2020, unless otherwise noted)	Annual expenditure (2020, unless otherwise noted)
Social housing assistance	Social Housing Law No. 37	Needy Omani citizens (family income and assets must not exceed certain limits)	Omani citizens with limited income and families eligible to benefit from social security services Priority in obtaining a loan is given to families or individuals who need emergency assistance, or those whose homes have been destroyed by fire or natural disaster	For emergency assistance, 100 to 300 rials, depending on family composition For housing, 400 to 600 rials, depending on family composition This amounts to 200 rials per month for a household comprised of one individual and 400 rials per month for a household with more than one member This programme also includes home furnishing assistance, which amounts to 1,000 rials for a household comprised of one individual and 2,000 rials for a household with more than one member When disasters occur and income-generating assets are lost, beneficiaries are eligible for a maximum of 3,000 rials, and in cases of property damage, beneficiaries are eligible for a maximum of 2,000 rials for property restoration	MOSD	486 family beneficiaries	689,280 rials
Income support	Social Security Law promulgated by Royal Decree No. 87/84	Paid to assist with care, mobility and additional medical costs for persons with certain chronic diseases	Specifically for Omani citizens with certain chronic diseases	20 to 100 rials per month, depending on level of care needed	MOSD	–	–
Immediate cash assistance in cases of damage to housing, the only sources of livelihood, and loss of life due to fire, torrential rain, storm, wind etc.	Social Security Law promulgated by Royal Decree No. 87/84	Paid to vulnerable persons in crisis and emergencies, or victims of a natural or human disaster in dire need of temporary assistance The claim must be made within 15 days after the event	Omani citizens in need, dealing with conse-quences of disasters	100 rials to 300 rials is paid depending on family composition This amounts to 200 rials per month for a household comprised of one individual and 400 rials per month for a household with more than one member This programme also includes home furnishing assistance, which amounts to 1,000 rials for a household comprised of one individual and 2,000 rials for a household with more than one member When disasters occur and income-generating assets are lost, beneficiaries are eligible for a maximum of 3,000 rials, and in cases of property damage, beneficiaries are eligible for a maximum of 2,000 rials for property restoration	MOSD	–	The Ministry of Housing's annual spend in 2015 was 46,442,000 rials

Scheme	Regulatory framework	Legally covered population	Qualifying conditions	Description of benefits	Administrative responsibility	Number of beneficiaries (2020, unless otherwise noted)	Annual expenditure (2020, unless otherwise noted)
Housing assistance	Social Security Law promulgated by Royal Decree No. 87/84	Paid to individuals or families whose house is damaged or destroyed by a catastrophe	Those whose homes have been damaged or destroyed by a natural or human disaster	400 rials to 600 rials is paid depending on family composition This amounts to 200 rials per month for a household comprised of one individual and 400 rials per month for a household with more than one member This programme also includes home furnishing assistance, which amounts to 1,000 rials for a household comprised of one individual and 2,000 rials for a household with more than one member When disasters occur and income-generating assets are lost, beneficiaries are eligible for a maximum of 3,000 rials, and in cases of property damage, beneficiaries are eligible for a maximum of 2,000 rials for property restoration	MOSD	271,955 cases	6,721,010 rials
Death grant/ condolences	Social Security Law promulgated by Royal Decree No. 87/84	Paid if the deceased died because of a natural or human disaster	–	,500 rials is paid to an eligible survivor; 1,000 rials for a dependent child	MOSD	944 beneficiaries	258,818 rials
Fuel subsidy programme	–	All Omani nationals above 18 years of age and own a vehicle or a boat and have a total monthly income not exceeding 950 rials	Self-declaration through oil distribution companies	Fuel subsidy only applies to Mogas 91, M95 and Diesel are excluded Applies for a consumable volume of 400 litres per month	Ministry of Oil & Gas	The National Subsidy System has a total of 481,507 registrants With a total of 403,879 beneficries (2025)	The fuel subsidy programme is averaging anually 66,000,000 Rials (2025)
Assistance for students enrolled in university studies	–	Cash transfer programme for beneficiary households	Omani citizenship	Provision of university scholarships	The Ministry of Education in coordination with MOSD	174 beneficiaries	13,430 rials
Ministry of Higher Education grants	–	Children attending university	–	Monthly maximum of 90 rials (2016)	–	–	–
Internal Scholarship Subsidy	-	students enrolled in internal scholarship programs at private universities and colleges	-	Monthly payment (90 rials or 45 rials) for students who meet the specified requirements and criteria	Social Protection Fund (SPF)	20,486 Student (April 2026)	1,619,460 Rials (April 2026)

Note: This table is not exhaustive and excludes other government-provided benefits and subsidies, including but not limited to housing loans and utility support (water and electricity)

▶ Table 18. Comparison of new unified pension scheme design features and previous pension funds (PFs)

Design features	Previous schemes	New unified scheme design
Pension design category	Final salary defined-benefit plans (PASI using a final 5-yr average)	For future service retirement rights: CARE defined-benefit system For past service retirement rights: Defined-benefit pension design based on revalorized last pensionable earnings1 in accordance with the pensionable earnings definition of the legacy PF in which the insured has past service rights
Pensionable earnings (PE) Definition	Mostly based on basic salary plus part (or all) of the additional allowances For some legacy PFs, the PE is capped at a PE ceiling (see below)	PE based on total regular earnings, capped to the PE ceiling
PE ceiling	3,000 rials for PASI and CSEPF No PE ceiling for other PFs	3,000 rials, to be annually revalorized based on the national AWG (Frozen for the first 15 years)
Accrual rate	Between 3% to 4.0% per year of service, depending on legacy PF Total accrual rate is capped at 80% of Pensionable salary for most legacy PFs	2% per Year of Service , with no total accrual rate cap.
Minimum pension	202.5 rials with minimum service of 15 years of service for Most of legacy PFs	**No Minimum Pension,** No Minimum Service Period if reaching age not subject to reduction, except if stated: All insured individuals are eligible to receive a monthly pension upon reaching early retirement age (with at least 20 years of service). This applies within the context of an adopted universal pension guarantee (Pillar 0) as part of the national retirement system
Normal retirement age	Age 60 , where most legacy PFs allow early retirement without reduction before that age with same condition as NRA, such as female 55 in PASI with 15 years of service.	Age 60 . Early retirement without reduction is permitted for designated groups as detailed in Table 15 above. The old age will increase by one year every seven years until it reaches 65 years. Thereafter, it will continue to increase by one year in alignment with every one-year increase in life expectancy in Oman
Pension eligibility conditions at NRA	15 years of service	No minimum service eligibility condition
Early retirement	Various eligibility conditions (depending on the legacy PF), with most legacy PFs allowing early retirement after 20 years of service with no restriction on age	Early retirement with reduction is allowed starting from 5 years prior to reaching age not subject to reduction, provided the insured has completed 20 years of service. Early retirement is allowed at any age for an insured who completed 30 years of service with reduction if not reached age not subject to reduction. Those insured who, at the time of reform, have acquired the right to early retirement based on the eligibility requirements of their respective legacy PFs are allowed to opt for an early retirement at any time of their choosing
Early retirement reduction (ERR)	Most legacy PFs do not have any ERR in place PASI and PDOPF: different early retirement reduction factors for men and women, yet these factors are considered low	Early retirement is defined as: ▶ Age not subject to reduction – age at early retirement ERR is determined as: ▶ 5% per year for each of the first 5 years of early retirement PLUS ▶ 1% per year for each early retirement year in excess of 5, for those retiring with 30 years of service or more.

Design features	Previous schemes	New unified scheme design
Frozen guaranteed pension (FGP)	n/a	FGP is determined, for grandfather cases, as being the monthly pension amount they would have received had they opted to retire from their respective legacy PF at the time of reform, for further details see Table 15.
Pension indexation	n/a	Pensions in payment (retirement) are indexed annually at a rate equivalent to 75% of inflation, starting the time they reach the old age (currently 60). Pensions in payment (for disability and survivor cases) are indexed annually at a rate equivalent to 75% of inflation No pension indexation is applicable for pensions that reach or exceed the PE ceiling

Note: Last pensionable earnings refers to the last PE as at the time of reform, as defined in the legacy PF. Note that, for PASI, the last pensionable earnings refers to the 5-year average PE as at the time of reform. Legacy PF refers to the pension fund under which an individual was covered at the reform date. Under Option 1, in case someone reaches the applicable NRA without having completed 15 years of service, a lump-sum amount is payable equivalent to accumulated contributions at an interest rate equal to the increase in the average wages.

▶ Appendix III. Supporting decisions through economic modelling

Methodological approach to the fiscal incidence analysis

This appendix summarizes the process and methodologies employed in building the economic and distributional model that supported key reform decision-making.

The construction of the income concepts used in the fiscal incidence analysis followed the guidance of the commitment to equity approach (CEQ).[88] In preparation for the analysis, the income concepts were constructed using data from the 2019 HIES, which includes household consumption expenditures, as well as individual income data from various sources.

The CEQ methodology allows the construction of the income concepts through two main alternative approaches. The first starts with pre-fiscal "market income" as the first starting block, then allocating taxes, benefits and subsidies sequentially to produce the various income concepts applied in the fiscal incidence analysis. The second starts by equating household consumption to consumable income, then sequentially subtracting benefits and subsidies, and adding taxes to arrive at an estimate of the same pre-fiscal "market income" concept. The analysis presented in this paper used the first approach with the main steps detailed below.

Market income includes factor income such as wages and salaries, income from capital such as rents, profits, and dividends, private transfers (such as remittances and alimony), imputed rent for owner-occupied housing and the monetary value of own production goods consumed by the household. All data used in the construction of this income concept were provided directly in the micro data.

Market income plus pensions combines market income (as defined above) with contributory old-age pension income net of contributions made to old-age pensions. Pension incomes reported by survey respondents were used in the analysis and contributions to old-age pensions were imputed at 7 per cent for the employed Omani population. It was assumed that factor incomes reported by survey respondents were net of all contributions.

Gross income combines market income plus pensions with government-financed social assistance and other cash transfers such as education stipend and health-related cash transfers. All transfer income data used in the construction of this income concept were provided directly in the micro data.

Consumable income equals gross income plus indirect subsidies (electricity, water and fuel) net of VAT. Subsidies were allocated to individual households by distributing the total government expenditures on subsidies for the subsidized commodity in the fiscal year to the sample of households in the survey data, in accordance with the proportion of household-reported consumption of the subsidized good from the aggregate consumption reported in the survey. For fuel subsidies, beneficiaries were selected in accordance with data provided by the Government on the breakdown of the number of active fuel subsidy cards by area, gender, age and labour force status. Means-testing on total household factor income was applied to the allocation of fuel subsidy cards using a basic sorting technique.

88. See Lustig and Higgins (2018).

▶Table 19. Estimation of the monetary value of fuel, electricity and water subsidies at individual or household level

Subsidy	Valuation
Electricity	The monetary value of the electricity subsidy was estimated as the difference between the total household electricity consumption expenditure valued at the economic cost of 31.5 Bz/KWh and actual household consumption valued at paid prices. Given that the HIES data reports only the monetary value of electricity consumption, the quantity of household electricity consumption was estimated (in KWh terms) by sequentially applying prevailing electricity tariff bands until total expenditure on electricity reported by the household was exhausted.
Water	The monetary value of the water subsidy was estimated as the difference between the total household water consumption expenditure valued at the economic cost per cubic metre and the actual household-reported expenditure.
Fuel	Given data limitations, a simplified selection routine was applied by sorting individuals that fit means-tested selection criteria from households that reported car ownership by income and sequentially selecting “candidates” for fuel subsidy until the quota of active fuel cards reported by the Government was met.

▶ Appendix IV. Microsimulation model structure

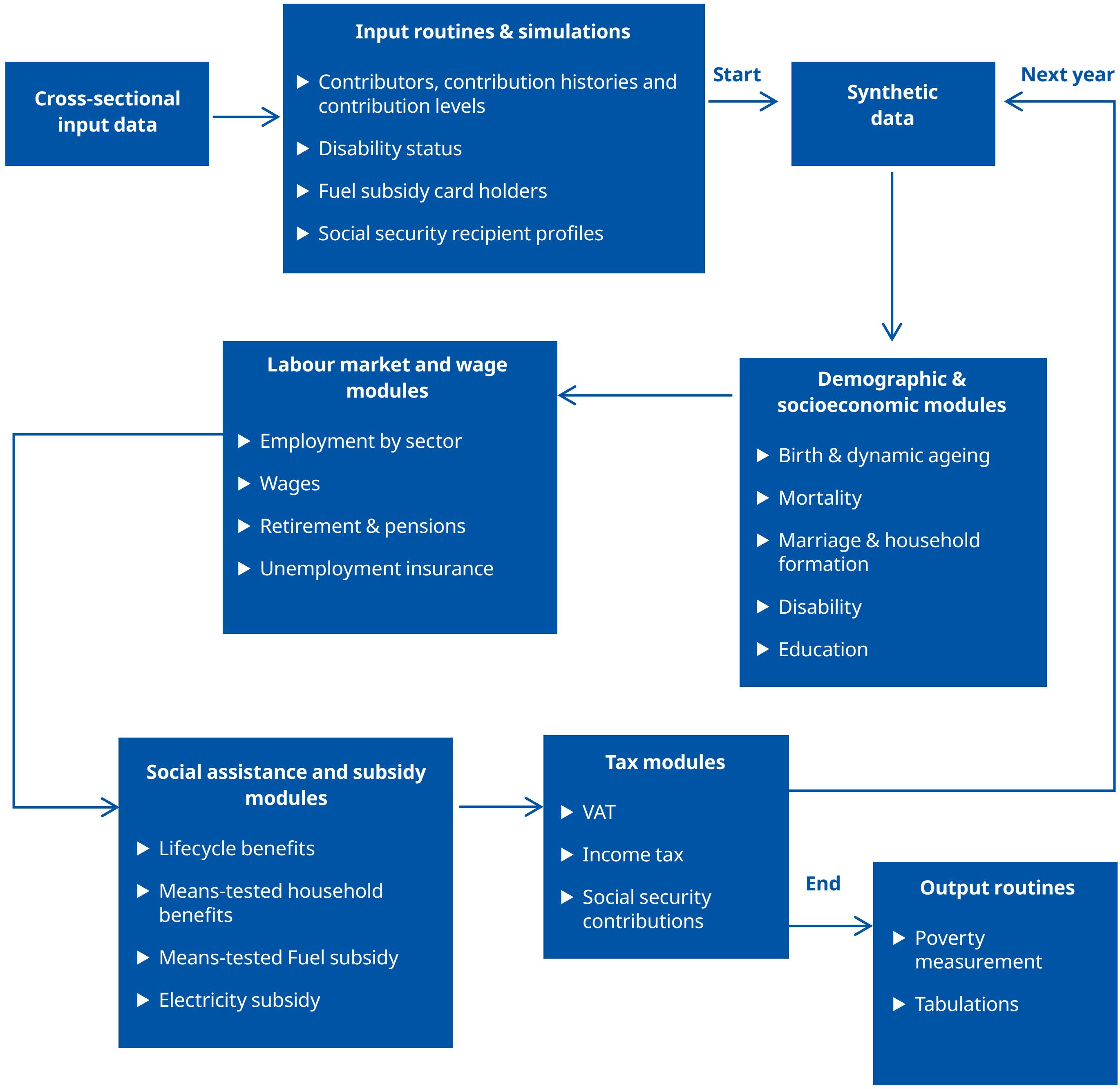
The microsimulation model used in this analysis was a closed population model simulating demographic processes (birth, death, marriage and household formation), education, labour force participation, sector of employment and retirement for the Omani population residing in the Sultanate.

The model relies upon transition probabilities with discrete (annual) state space. Alignment techniques typically performed in dynamic microsimulation are used to match model outputs with projections of key aggregate indicators such as projected population size, labour force participation and employment by sector. Real wage growth by sector was estimated using labour productivity growth projections estimated using the Tawazun CGE model outputs up to 2030.

Generally, the model processes are aligned with the Tawazun CGE model and the demographic, labour market and retirement projections produced by the ILO actuarial assessment of the proposed pension system reforms. In some instances, contingency tables provided from the 2020 administrative census or prior statistical tabulations were used in specific alignment processes, such as simulation of disability status.

The model used the 2019 HIES data provided by the NCSI. At the start of the process, an input routine including stochastic simulations was performed to prepare the synthetic data input to the simulation model. This was followed by a series of modules constituting the main part of the simulation model and repeated N times, depending on the size of the desired Monte Carlo sample size. In the analysis presented in this paper, the results of each scenario were produced with a sample size of 30 iterations. The model structure is presented in figure 27.

▶ **Figure 27.** Microsimulation model structure



▶ Appendix V. Development of an interactive costing tool

Given data and time limitations, the simulation of transfer income from the contributory social security system assumed simplified parameters for private- and public-sector employees. These are described in the following tables.

▶**Table 20.** Pre-reform pension income for private-sector employees

Parameter	Description
Accrual rate	3%
Minimum accrual period (YoS)	M=15 years; F= 10 years
Minimum pension	202.5 rials
Pensionable salary (PS)	Simulated directly by the model based upon running average for the projection period, excluding allowances and grants. Maximum PS of 3,000 rials.
Maximum pension	80% of PS
NRA	M=60; F=55
Pension income formula	Min[max((2% * YoS * PS), 202.5), 80% * PS]

▶**Table 21.** Estimation Pre-reform pension income for public-sector employees

Parameter	Description
Accrual rate	4%
Minimum accrual period (YoS)	20 years of service (YoS) or age 50 + 15 years
Minimum pension	202.5 rials
PS	Simulated directly by the model based upon running average for the projection period, excluding allowances and grants. Maximum PS of 3,000 rials.
Maximum pension	80% of PS
NRA	60 years old with 10 YoS
Pension income formula	Min[max((4% * YoS * PS), 202.5), 80% * PS]

▶**Table 22.** Estimation Pre-reform pension income for private- and public-sector employees

Parameter	Description
Accrual rate	2% with full career backdating with a frozen guaranteed pension for those eligible to retire at the date of the reform (2023).
Minimum accrual period (YoS)	None
Minimum pension	None
PS	Simulated directly by the model based upon running average for the projection period, excluding allowances and grants. Maximum PS of 3,000 rials.
Maximum pension	No maximum for those who will have more than 40 YoS. For those for whom the frozen guaranteed pension will apply, a maximum of 80% is applied.
NRA	M=60; F=55
Pension income formula	2% * YoS * PS

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