

Effective Labor Policy for the Tourism Sectors in Oman

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Outline

1. Objectives and Main Findings

2. Introduction

- The 2040 Tourism Strategy
- The GRA Study
- The Oxford Study

3. The Tourism Sector and its Occupations

- What is tourism?
- From Tourism Sub-sectors to Tourism Occupations
- From Occupations to Omanization

4. Issues and Challenges for Achieving Omanization targets

- Supply-side factors
- Labor Demand Factors
- Can Minimum Wages Increase Omanization?
- Can Restricting Work Permits increase Omanization?
- Is Low Productivity due to Lack of Skills or Seasonality?
- Oman and its Competitors and Comparators

5. Policies

*Plus Statistics on the Current Size and Projections of the Tourism Sector, Major Employment Indicators in Oman
References, ANNEXES, Terms of Reference for the Report etc.*

The (Labor) Challenge in Oman

- Had it not be for the duality in the labor market (mainly nationals versus migrants, and private versus public *mainly in terms of Government size*)
 - Omani citizens would have been found in a wider range of sectors and occupations
- Had it not been for Omanization
 - Tourism would have to face the ordinary challenges of the sector
- Omanization, *as a policy*, attempts to bridge the “economy” with “society”
 - Production and economic growth to be in sync with consumption and citizens’ welfare
- For this to happen effectively, economic realities and social preferences (that is what citizens *want to do in view of the available incentives*) should be aligned

What we know (1): Oman

The Economics of Tourism (labor demand)

- International competition (2/3 of tourists are foreigners)
- Some (or many?) Omanis go abroad for tourism
 - Sector sensitive to costs, prices, quality of service
 - Employer preference for non-Omanis (at least in the short-run)

The Social Dimension (labor supply: willingness of Omanis to work in the sector)

- Wages in tourism are among the lowest
- Hours etc. among the longest plus job security, high effort etc.
 - Least preferred sector (especially among women)
 - Little incentive to excel before joining the labor market (in studies, English language etc) or after (punctuality and work ethics, high turnover rates etc)

What we know (2): International

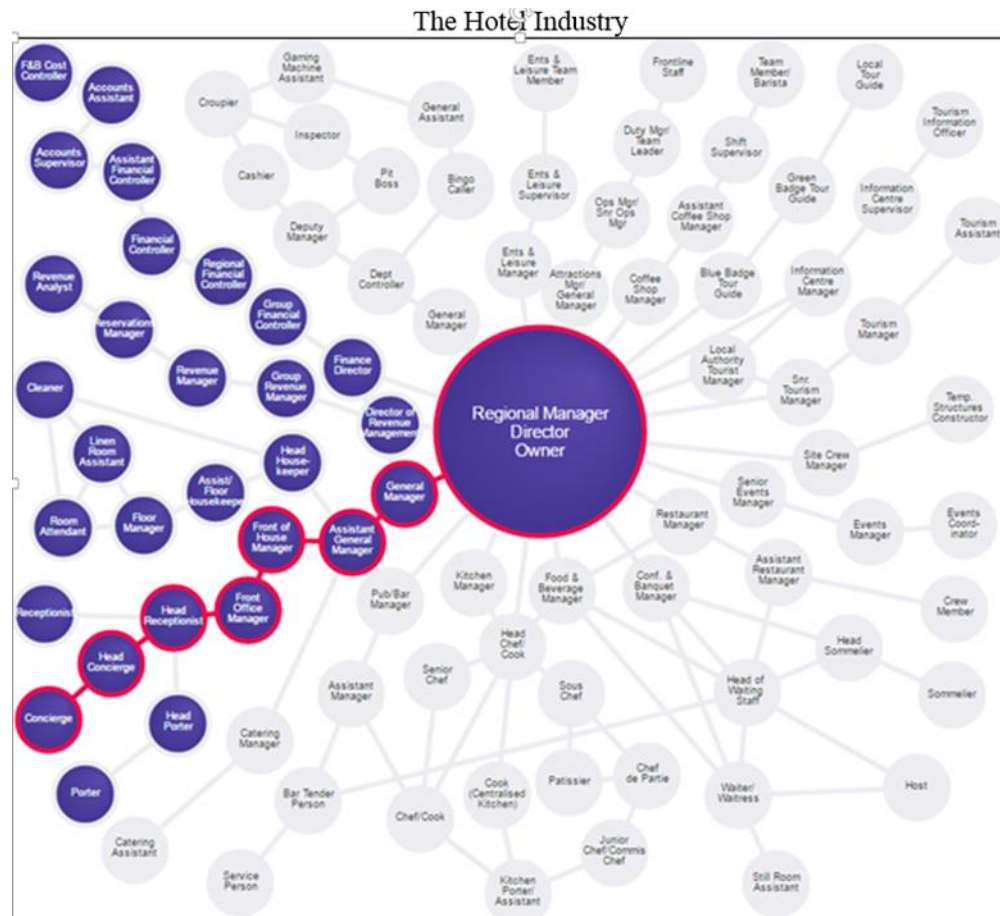
- **Not a single prior qualification leads to jobs in the hospitality and leisure sector:** Even those who studied some aspect of tourism may be employed and perform different tasks in the broader service sector (banks, government etc).
- Employers are looking initially for previous experience, some gained in vacation time or in volunteer activities. And subsequently for **good interpersonal skills** (communication, organizational skills, team working and ability to work with different types and nationalities of coworkers and clients etc.); **commitment and patience** that is needed to serve in a cordial way even under stressful conditions; **motivation** to work long and unsocial hours, **availability** for shift work and during weekends and holidays; **multi-skilling and flexibility** to do a variety of tasks
- Career paths often start with recruits being offered training programs lasting anything from a few months to as long as two years, during which they experience **work in many different areas of the business.**
- Showing **responsibility** and high **work ethos** and satisfactory performance are critical for recruits to advance in positions that require more responsibility.

Omanization in Practice

- Core mission of the Ministry of Manpower is to set targets (a) as a rate for a sector or subsector; (b) for restricted occupations, and (c) for different types/size of companies (“world class”, capitalization, small establishments)
 - Key instrument: Number and cost of work permits *plus timing*
 - MoM cannot address employment issues arising from general economic policies
- A significant skills development effort, with significant funds and resources devoted to it, is the MoM’s vocational training program
 - Employers report that training is in areas that are acceptable by nationals (such as chef, receptions, waiting) but not in others (such as housekeeping)
 - Hotels report attendance, time keeping and turnover issues with graduates of training were just like other Omani hires who did not go through training

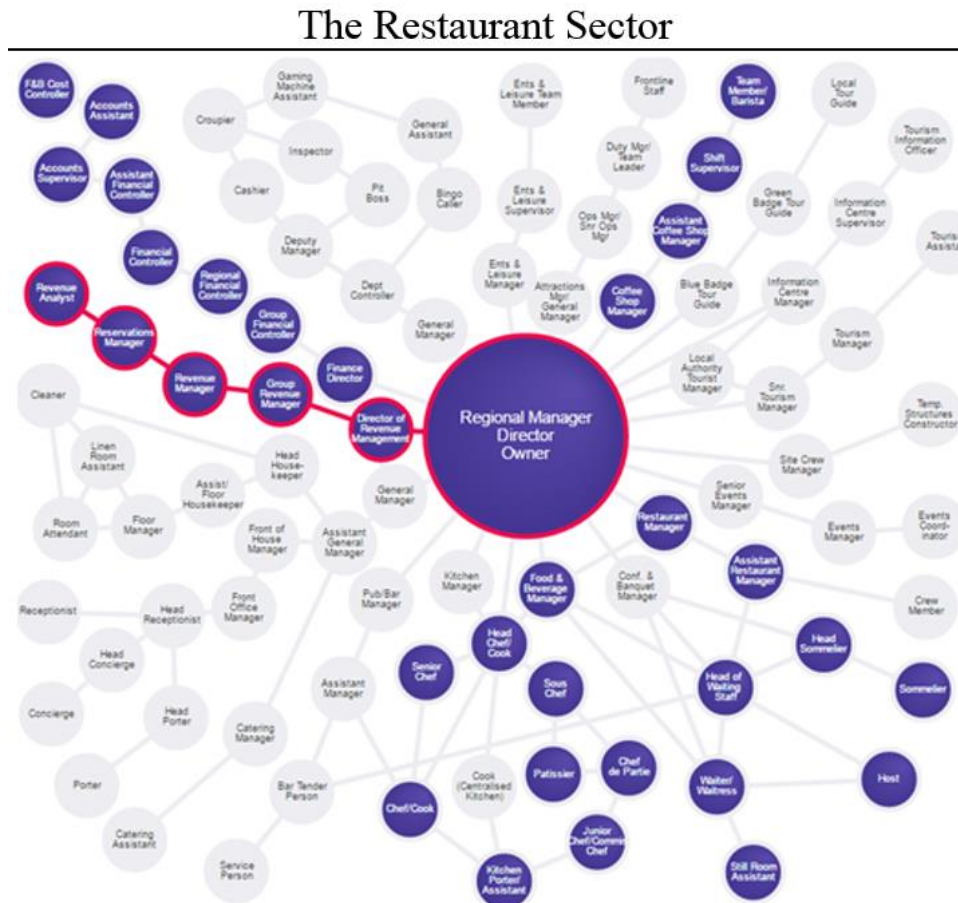
Illustrative core tourist occupation (ISCO -08)			
Accommodation	Hotel Managers	Air Transport	Aircraft Pilots and Related Associate Professionals
	Guest Relations Managers		Travel Attendants and Travel Stewards
	Hotel Receptionists		Enquiry Clerks
	Building Caretakers (Concierge)	Travel Agencies and Other Reservation Systems	Travel Consultants and Clerks
	Valets		Travel Guides
	Chefs		Cashiers and Ticket Clerks
	Cooks		Enquiry Clerks
	Kitchen Helpers and Fast Food Preparers	Transport Equipment Rental	Transport Equipment Rental Managers
	Waiters / Bartenders		Cashiers and Ticket Clerks
	Cleaning and Housekeeping Supervisors		Enquiry Clerks (e.g. equipment rental clerks)
	Cleaners and Helpers	Cultural Activities	Museum/ Art Gallery Managers
	Enquiry Clerks		Building Caretakers
Food and Beverage	Restaurant Managers		Travel Guides/Usher
	Chefs		Cashiers and Ticket Clerks
	Cooks	Enquiry Clerks	
	Kitchen Helpers and Fast Food Preparers	Sports and Recreational Activities	Sports and Recreation Managers
	Food Service Counter Attendants		Sports and Recreation Attendants
	Waiters / Bartenders		Cashiers and Ticket Clerks
	Cashiers and Ticket Clerks		Enquiry Clerks
Domestic transport	Cashiers and Ticket Clerks	MICE	Conference and Event Managers
	Taxi drivers		Conference and Event Planners
	Bus drivers		Conference and Event Promoters
	Recreational and Traditional Boat Drivers		Conference and Event Attendants
	Recreational and Traditional Boat Rental Clerks	Other	Duty Free Managers
	Transport Conductors		Duty Free Salespersons
	Enquiry Clerks		etc
Source: Adaptation of ISCO-08			

1. The Hotel Subsector



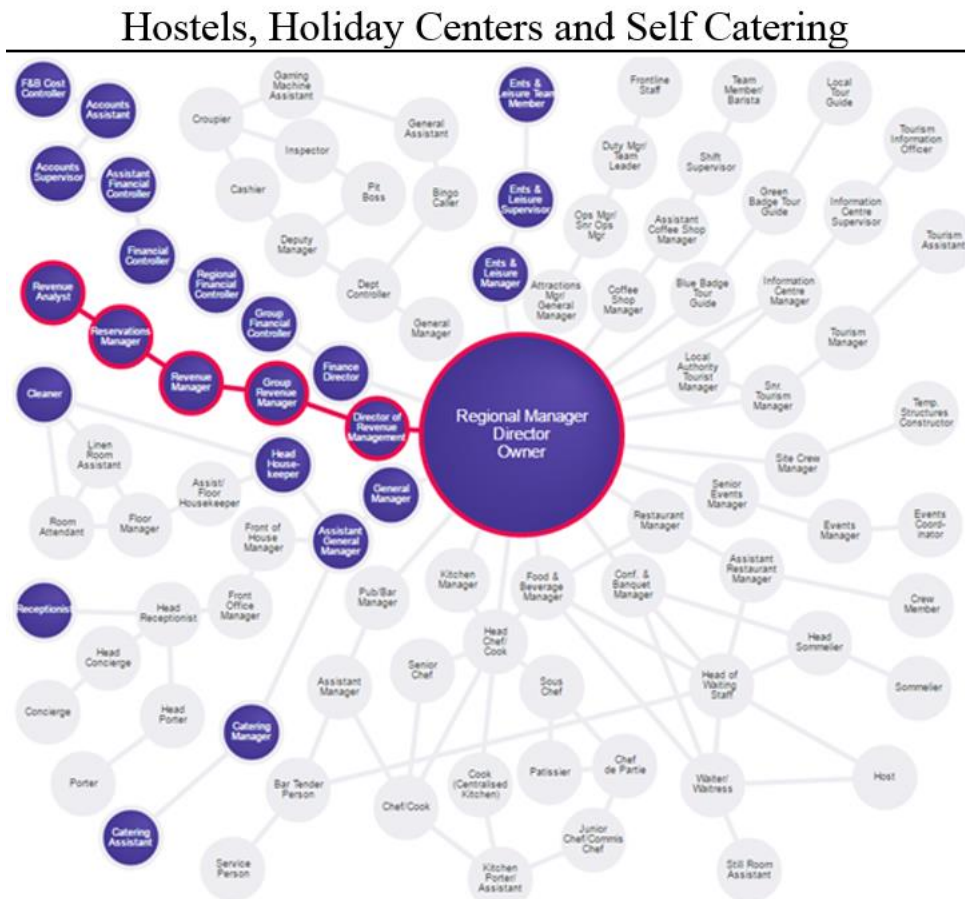
An illustration
of the complexity
of tourism occupations
(The layout of occupations
is identical in the three
subsectors)

2. The Restaurants Subsector



An illustration
of the complexity
of tourism occupations
(The layout of occupations
is identical in the three
subsectors)

3. The Hostels, Holiday center and Self-Catering Subsector



An illustration
of the complexity
of tourism occupations
(The layout of occupations
is identical in the three
subsectors)

All in all ...

- Career development in tourism comes through experience across a variety of jobs and in-service training
- There is significant scope for mobility between different companies and subsectors. It is typical for workers in smaller firms in the sector to move to larger ones in order to specialize, gain more responsibility and move on
- Jobs are spread across many occupations (chef, receptionists, housekeepers, cleaners, gardeners etc or in administration, marketing, accountancy, public relations, and managerial posts)
- And jobs can be found in a number of diverse establishments including hotels, resorts, theme parks, recreation centers, health clubs, gymnasiums, swimming pools, sporting clubs, cinemas, museums, travel agencies, car hires, conference venues and entertainment opportunities, medical practitioners, physiotherapists and paramedics, and so on.

**Can the tourism sector
overcome big picture issues?**

Growth in Employment by Nationality (thousands)						
	Omanis			Non-Omanis		
Year	Total	Employees	Non-Employees	Total	In commerce and industry	In services
2000-1	137	56	81	530	405	125
2010	319	190	129	1,076	871	206
Change (number)	182	134	48	546	466	81
Constructed from Ministry of Manpower "Manpower from 1970 – 2010". Omani data for 2000, Tables 4 and 9. Non-Omani data from Table 16.						

+300%

- (First Five-Year Plan, Table 16): In 1975 the employment of Omani nationals in the private sector, excluding agriculture and construction, exceeded that of non-Omanis
- (Vision 2020 in the mid-1990s): It set an Omanization target of 50 percent of the total labor force by 2020
- (7th Plan (2006-2010): By 2010 it expected migrants to stay at around 666,000; The Omanization rate to increase from 31 percent to 43 percent by 2010. However, the expatriate population grew by 140 percent compared to 22 percent for Omanis and the share of Omanis decreased from 71 percent in 2010 to 55 percent in 2015
- By 2014 Omani workers numbered nearly 400,000 compared to nearly 1.6 million non-Omanis which implies an Omanization rate of 20 percent.

Issues Facing the Tourism Industry: Labor Demand

- According to hotel management, the labor law and relevant processes penalize employers, unduly protect nationals and make foreign recruitment cumbersome and slow:
 - This is addressed through overtime of existing migrant employees or contracting out from external companies
- While the MoM tries to facilitate the recruitment of nationals in the hotel industry, the list of nationals from which hotels are asked to select often contains unsuitable or unmotivated candidates who make take months to respond:
 - Few vacancies advertised in the MoM's job matching data base lead to successful recruitment
- The problem is not necessarily the technical skills of Omanis but the work ethic of trainees, their time keeping and English language skills:
 - Another defensive strategy by hotels is to fill up vacancies with migrant workers brought in under different work permits
- English language is generally a constraint and more so in smaller hotels:
 - Most likely such job seekers come generally from poorer backgrounds and in rural areas
 - Many trainees and students want to and eventually manage to leave and join sectors outside tourism:
 - This is not uncommon with other specialties or sectors in Oman or in other GCC countries

As a result:

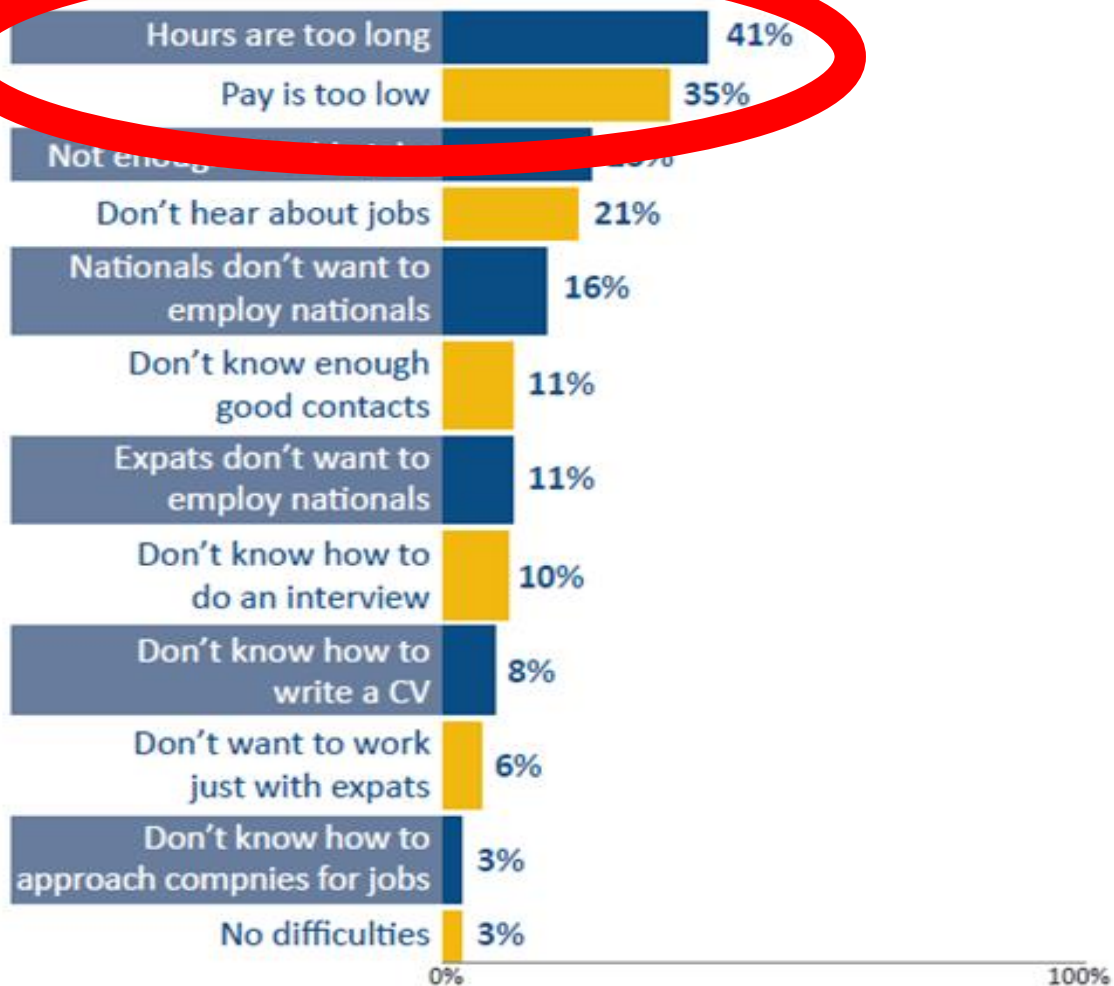
- Hotels feel that they are unfairly competing with neighbouring countries where the restrictions on migrant workers are more lax
- “None of the hotels *in the sample* reached more than 30 percent of the applicable Omanization rate of it, with under-fulfilment of the Omanization rate being more prevalent in 3 star hotels outside Muscat where the performance of nationals was low and the numbers of female employees was negligible”.

Issues Facing the Tourism Industry: Labor Supply

- There are three different categories of Omani job seekers:
 1. Those skilled individuals who have a genuine competitive advantage over similarly-qualified non-Omani workers
 2. Those who are willing to lower their reservation wages temporarily in the expectation that they will eventually be able to find employment elsewhere, and
 3. Those individuals recruited, despite their wage cost exceeding their productivity who can then be distinguished between:
 - Individuals recruited by firms that need to comply with Omanization guidelines in order to secure permits for non-Omani workers.
 - Firms that depend on the public sector for contracts or other business and that might expect their relationship with the public authorities to be enhanced by recruiting Omani nationals, and
 - Firms whose labor cost is a small component of their total cost of operation.
- All this restricts the effectiveness (in numbers) of the Omanization policy
- Plus, unduly high wages may induce capital-intensity or an (illicit) increase in migrant workers

The Views of Omani Job-seekers

What difficulties (if any) do Omanis face finding jobs?



What would be your ideal role in the future?



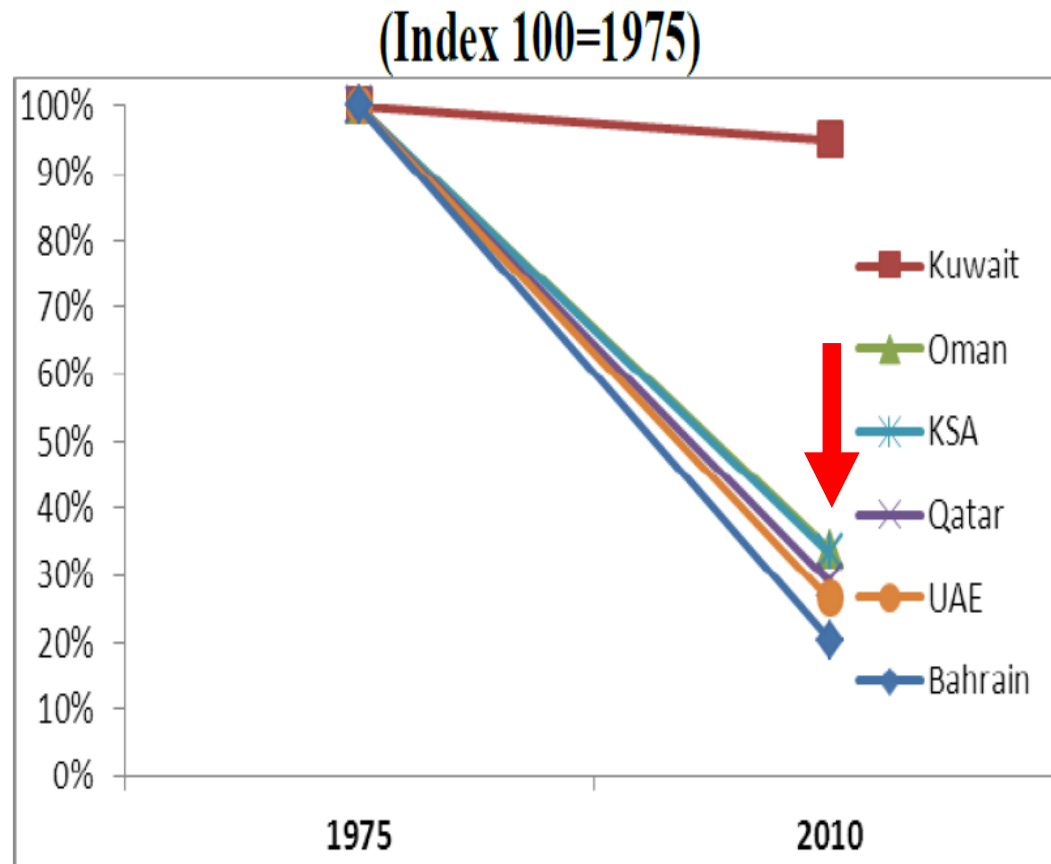
How operational is the correspondence between these two tables?

Illustrative Business and Activities under the Tourism Industry	
UNWTO	UK Hospitality Guild
Tourist Accommodation	Coffee shops
Travel agencies, Tour Operators & other reservation services	Events
Food & Beverage Service Industry Firms	Fast food
Tourist Transportation Modes Firms	Food service management
Sports & Recreational Firms	Gaming
Tour Guides	Hotels
Cultural Industry Firms	Pubs, bars and nightclubs
Tourist equipment rental firms	Restaurants
Retail trade of country specific products firms	Self-catering, Holiday centers and youth hostels
Other country-specific tourism characteristic goods	Visitor attractions
List of Miscellaneous tourism services firms.	Tourist services.

Tourist Sectors for Omanization Purposes	2004	2010	Actual 2010
	Mandated Omanization Target		
Aviation Companies	78%	90%	60%
Tourist Restaurants	50%	90%	36%
Travel & Tourism	50%	85%	50%
Hotels (3, 4, 5 Stars)	50%	95%	48%
Car Rentals	60%	90%	53%
Source: 2010 UNWTO 2011			

If all this sounds too negative
the good news is ...

Ratio of national/migrant workers 1975 to 2010



Growth in GDP per capita, USD\$ and PPP, 1990-2010

	USD \$	PPP (2005 international \$)
Bahrain	1.7	1.4
Kuwait	n.a	n.a
Oman	2.4	2.5
Qatar	n.a	n.a
Saudi Arabia	0.5	0.3
United Arab Emirates	-1.9	-2.7
GCC	0.7	0.4

Policies (1): External to the Tourism

- Overall migration policy
- Duality between public/private
- Omanization targets as number, not rates
- Wage policies (e.g. one minimum wage irrespective of location, age, qualifications, experience?)
- Employment regulations (e.g. full-time versus part-time employment)

What Governments can do	
Areas	Comments
Scholarships	in overseas in top institutions
Sponsoring	with private sector co-financing
Higher education	courses and industry agreed with the private sector
<u>Voc Ed</u>	
Standard setting	jointly determined with employers
Accreditation	needs an authority
Audit	ensures quality of education and training
Career counselling	at high schools
Job fairs	support efforts of education/training institutions and employers
Campaigns and PR	highlight positive /promising aspects of tourism sector
Other measures	such as levies/work permit fees, selectively temporary subsidies, allow flexible/part-time/seasonal contracts in the labor law, migrant worker visa adjustment/auctioning

Policies (2): Sector Specific

1. Develop uniform and clear definition of the tourism sector that would enable more accurate and timely monitoring of compensation, employment and productivity in the sector
2. Introduce clear metrics of various labor inputs to the sector (such as qualifications and occupations)
3. Regularly assess the role and impact of wage policies, including, the effects of the minimum wage(s), on the sector
4. Encourage employment on a part-time basis so for employees to start building experience and for reducing the costs of seasonality
5. Switch to demand-driven training to be co-funded but also guided and supervised by employers (though it can still be publicly provided)
6. Expand training beyond just technical areas so that to improve soft skills, increase cultural sensitivity etc.
7. Increase the command of English among young Omanis – (this should be done in the general education system)
8. Since nationals complain that some tourists are not cordial or do not show the required respect to them and their culture, OCCI alone or with Government can develop a short Guide to Tourists with key issues for employees to be aware of when they service tourists
9. Assess regularly the changing characteristics of the sector and, through evidence-based analysis, adjust or introduce new policies.

THANK YOU