



International
Labour
Organization

► Towards a New Oman Decent Work Country Programme

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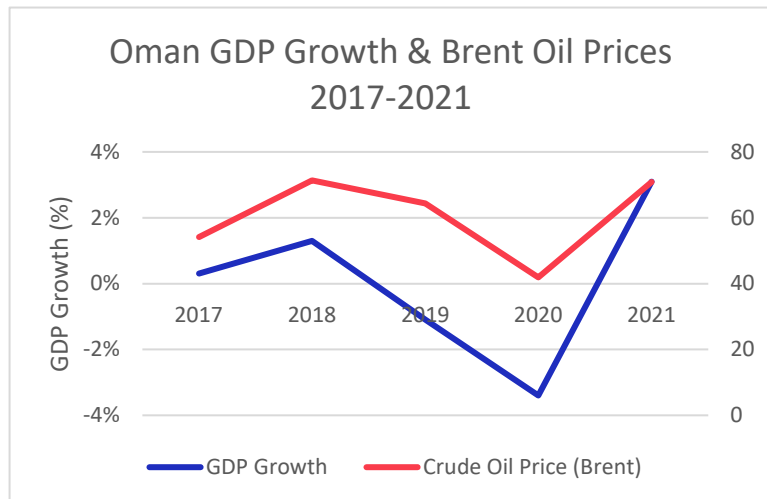


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► Country context

Oman is considered a high-income economy by the World Bank, with the economy centred around its oil & gas sector which makes up more than a quarter of its GDP and around two thirds of its merchandise exports¹. This means that the Omani economy is highly vulnerable to fluctuations in commodity prices, as is evident when looking at the economy's growth rates over the past period. There is a positive correlation between oil prices and GDP growth in Oman, indicating a high reliance on this sector.



Source: 1 GDP Growth: World Bank Development Indicators, Oil Price: US Energy Information Administration

To reduce the economy's vulnerability to commodity prices, the Sultanate has been actively trying to diversify its economy away from oil through the National Programme for Enhancing Economic Diversification (Tanfeedh), unveiled in 2016². In specific, Tanfeedh is a government initiative aimed at diversifying the economy towards key non-hydrocarbon sectors including the manufacturing, tourism, transport & logistics, and mining and fisheries sectors. The approach of the program is to link the strategies of these key sectors with each other to drive diversification. The Ministry of Labour is a key stakeholder in this program as it aims to develop the national workforce to supply the labour market of these sector with trained and qualified human resources. This is part of Oman's longstanding Omanization policy.

In fact, foreign workers made up 77% of the total workforce in Oman in 2022, with national workers dominating the public sector, while non-nationals work mostly in the private sector³. Most foreign workers originate from India, Pakistan and Bangladesh. Having said that, the Omanization policy has been gaining traction over the past period. In 2021, the share of Omanis in private sector employment increased from 15% to 24% indicating a significant replacement rate of foreign workers. Nevertheless, the public sector remains more attractive for Omanis given that it provides higher wages and benefits in addition to job security. This points towards a segmentation of

Omanization is Oman's longstanding policy enacted by the Omani government in 1988. The policy aims at replacing expatriate workers with trained Omani personnel. The Sultanate places a number of quotas for the share of foreign workers in various sectors and occupations, with some occupations restricted only to Omani Nationals. Most recently in 2022, the Ministry of Labor issued a decision to ban non-Omani workers from working in 207 occupations and professions.

¹ WTO (2021) Oman Trade Profile - Summary

² Omanuna – The Official Oman eGovernment Services Portal – The National Program for Enhancing Economic Diversification (Tanfeedh)

³ ILO (2022) "Skills Needs in the Oman Labour Market: An Employer Survey"

the labour market, where the supply of Omani labour is skewed towards the public sector and the demand for labour in the private sector is skewed towards expatriated⁴. Coupled with a recognized skills mismatch, this segmentation hinders employment of Omanis in the private sector.

The unemployment rate amounted to 1.9% in 2021 while the labour force participation rate stood at 66.6%⁵. It is important to note here that all labour market data in Oman is sourced from admin records, as the Sultanate does not regularly implement a labour force survey. Youth unemployment (ages 15-24) is particularly high, standing at 15.5%, and female unemployment (5.6%) is considerably higher than male unemployment (1.1%).

Given the demography of Oman which is characterized by a young population, large number of young Omanis are expected to enter the labour market over the medium terms, while at the same time the room for public sector to continue to absorb new labour has become increasingly limited. According to the IMF⁶, nearly 260,000 young Omanis will enter working-age population in the next five years and taking into account rates of labour participation and replacement of retirees, about 120,000 jobs will need to be generated over this period. This means that the non-oil sector would need an annual growth rate of about 6.8% to provide adequate opportunities for job seekers. A relatively high government wage bill limits the governments capacity to absorb additional employees without adding fiscal burdens on the population.

Labour productivity in Oman has been on a downward trend since the early 2000s⁷, with rising oil prices contributing to rapid increases in public spending, which has boosted the low-productivity domestic non-tradable sector. There has been a significant decline in Oman's competitiveness over this period, driven also by the divergence between wage and price inflation rates⁸.

Omani authorities have been working on labour market reforms and programmes in the past few years. The authorities have simplified the system of multiple minimum wages linked to qualification levels and introduced a single minimum wage of OMR 325/month in 2020. The government has introduced a time-bound wage subsidy of OMR 200/month for first time Omani jobseekers to facilitate private sector employment of Omanis, relaxed restrictions on job transfers for expatriates, reduced hiring fees for expatriates, and launched government sponsored training and rehabilitation initiatives to facilitate job seeking in the public and private sectors.⁹

While Oman is a high-income country due to its oil and gas reserves, it has been experiencing fiscal deficits over the past period which led to a significant expansion in the Sultanate's debt. In fact, debt rose from 5% of GDP in 2014 to around 81% of GDP in 2020, influenced by the decline in global oil prices over this period as well as massive increase in interest rate payments as a result of downgrading of the country's credit rating¹⁰. This means that the Sultanate has had a limited fiscal space to implement certain reforms or priorities. Having said that, the situation has been improving since 2020. According to the IMF¹¹, significant fiscal adjustment was implemented in 2022, as part of the implementation of a medium-term fiscal plan, allowing for increased social spending while still generating a substantial surplus due to the oil windfall.

According to the World Bank¹², Oman is projected to be the fastest growing economy within the GCC in 2023, with GDP forecasted to grow by 4.3%. The main driver behind this growth is expected to be the increased hydrocarbon production capacity, specifically facilitated by the development of new natural gas fields. GDP growth in the coming period will also be supported by a recently completed highway connecting Oman to Saudi Arabia.

⁴ IMF (2022) "Oman: Selected Issues"

⁵ World Bank Development Indicators – National Estimates

⁶ IMF (2022) "Oman: Selected Issues"

⁷ ILO (2023) "Productivity Growth, Diversification, and Structural Changes in the Arab States; Oman Country Profile"

⁸ IMF (2022) "Oman: Selected Issues"

⁹ *ibid*

¹⁰ Schulkes, P. (2022) "Balancing the Books: A Deep Dive into Fiscal Policy and Diversification in Oman" Middle East Institute

¹¹ IMF Press Release (Nov 2022) "IMF Executive Board Concludes 2022 Article IV Consultation with Oman"

¹² World Bank (2023) "Altered Destinies: The Long-Term Effects of Rising Prices and Food Insecurity in the Middle East and North Africa"

The Oman 2040 vision, developed in 2020, acts as the Sultanate's main developmental strategy over the coming period. It represents an integrated set of socio-economic policies intended to reach the image desired for Oman by 2040. The document defines national priorities to be achieved through parallel work streams, with the aim of promoting Oman's position in different areas over the next period. It contains a set of 12 national priorities as shown in the adjacent figure.



In order to translate the vision into practice, a set of subsequent 5-year plans are developed to operationalize the strategic vision. The ongoing 5-year plan (2021-2025) is the first executive plan under the Oman 2040 vision.

Under the labour market and employment priority, the plan outlines a number of projects and activities to be completed within the timeline of the plan, i.e. by 2025. These projects and activities are outlined in the table below, along with the implementing agency, cost level (i.e. low, medium, high), and timeline.

Project/activity	Implementing Agency	Cost	Timeline
Establishing a national centre for labour market studies	Sultan Qaboos University	Low	2021-2023
National Qualifications Unit is institutionalized and works effectively	Prime Ministry	Medium	2021-2025
Unified national skills and competencies framework	Ministry of Labour	Medium	2021-2025
Comprehensive database of human resources in the Sultanate, adopted and effective.	Digital Oman Strategy team	High	2021-2025
Training programmes specialized in entrepreneurship according to sector	SME Development Authority	Low	2021-2023
Sectoral human resource strategy	Ministry of Labour	High	2021-2025
Job security fund	PASI	High	2021-2022
Developing and enhancing labour market policies	Ministry of Labour	Low	2021-2025
Automation of construction sector to generate jobs for national labour	Ministry of Economy	High	2021-2025
Culture and guidance of future work patterns applied on large scale	Ministry of Labour	Medium	2021
Enabling national competencies working energy and minerals sectors	Ministry of Energy & Minerals	Low	2021-2025
Reformulating and activating sectoral units in Oman 2040 Implementation Support Unit	Oman 2040 Implementation Support Unit	Low	2021-2022
New mechanism for Omanization of jobs, effectively applied	Ministry of Labour	Low	2021-2022

National Labour Employment Strategy adopted and implemented	Ministry of Labour	Low	2021-2022
National programmes to train and qualify job seekers	Ministry of Labour	Low	2021-2025
Training project for substituting foreign labour with national labour applied effectively	Ministry of Labour	Medium	2021-2025
Revision and update of laws and legislations related to labour market	Ministry of Labour	Low	2021-2022
Development and improvement of judicial system related to the labour market	Ministry of Labour	Medium	2021-2022
Labour market and employment governance framework developed and applied effectively	Prime Ministry	Medium	2021-2022

It is important to point out that the Oman 2040 vision represents a new era of development for the Sultanate, the development of which came after the passing of the late Sultan Qaboos in the summer of 2020. A wide array of reforms has since been introduced by the new Sultan Haitham Bin Tarik by Royal Decrees, including a wide-ranging cabinet reshuffle that merged the Ministry of Manpower, Civil Service Council, the Ministry of Civil Service, the National Training Fund, and the National Centre for Employment, into the Ministry of Labour (Royal Decree 89/2020). This is expected to facilitate ILO's engagement in the Sultanate, given the streamlining of various labour services under one umbrella. The reforms also included the establishment of designated technical structures to design and implement new reforms undertaken by the Sultanate. One example is Tawazun, a technical structure housed within the Ministry of Finance that aims to achieve fiscal balance over the medium term. The role of Tawazun was instrumental in developing the recently introduced ground-breaking reforms in Oman's social protection sector.

► ILO in Oman

Oman is a member State of the ILO since 1994. While there is no established ILO presence in Oman, coordination on different thematic areas with ILO constituents has been ongoing over the past period with ILO headquarters, the ILO Regional Office and Decent Work Team as well as with the ILO's International Training Centre. The latest Decent Work Country Programme (DWCP) ran from 2018 to 2020, the development of a new DWCP was disrupted due to the COVID crisis. Nevertheless, the ILO continued working with Omani authorities on a number of different fronts over the past period, including in the areas of social protection and the development of a national employment policy.

The ILO constituents and the ILO have signed a Memorandum of Understanding to develop a new Decent Work Country Programme that reflects the latest priorities of Oman, the ILO's Social Justice Declaration and other key developments. Work is ongoing to complete this DWCP by the end of 2023.

The key themes of the ILO engagement in Oman are the following:

Social Protection

A major achievement resulting from ILO's support was the comprehensive social protection reform in Oman that are expected to lead to the modernization and redesign of the social protection system architecture in the Sultanate. Over the last 3 years, the ILO has provided technical assistance to Omani authorities on policy, legal, governance, actuarial, and socioeconomic modelling aspects of the reforms through a team of 10 specialized experts, coordinated by the ILO ROAS, and the Social Protection Department in Geneva.

In specific, the development of a new unified institutional and regulatory framework for social security is facilitating Oman's move towards a more sustainable, equitable, and effective system. The reforms have managed to unify 11 separate pension schemes into one single national system, which will reduce fragmentation, improve benefit adequacy, ensure financial sustainability and extend coverage including for non-Omani workers. The reforms also provide for the extension of short-term contributory benefits in case of employment injury, maternity, paternity unemployment, and sickness benefit.

In addition to the above, the reforms also establish universal life-cycle benefits for older persons, persons with disabilities and children, which were designed to be fully complementary with the above social insurance reforms and will operate under a unified social protection system and administration. In other words, this represents a move towards an integrated contributory and non-contributory system under one legal and institutional framework which combines financing streams from general revenues and from social contributions to extend social protection coverage and fill in adequacy and sustainability gaps.

The Sultan of Oman H.M. Haitham bin Tarik issued on 19 July 2023 Royal Decree No. 52/2023 promulgating the Social Protection Law. The newly approved legislation, developed with the support of the ILO, radically reshapes the social protection system in the Sultanate and marks the culmination of an ambitious reform process led by Tawazun, the high-level government programme for fiscal balance (now Estidamah)¹³.

These ground-breaking reforms were a result of a confluence of macroeconomic, institutional, and political factors. Prior to the reforms, there was a considerable degree of fragmentation across the various social security funds which was partly resulting in a shortfall in contributory financing. Moreover, the reforms coincided with planned tax and subsidy reforms which would likely have an adverse impact on low-income and vulnerable groups in the absence of any reforms. The reforms are also expected to limit the distortions that the previous system had on the

¹³ https://www.ilo.org/beirut/media-centre/fs/WCMS_888307/lang-en/index.htm

labour market such as the lack of attractiveness of private sector jobs, inducement to early retirement, and low female participation rates.

Employment Policy

The ILO has also been supporting Omani authorities in the development of a National Employment Policy. In specific, the ILO supported the inter-ministerial committee tasked with developing the policy to develop an Employment Diagnostic Analysis and associated action plan to lay the foundation of the new policy. The support came in the form of an initial training and an international consultant who worked with national counterparts to develop policy recommendations that were validated by constituents, culminating into the development of the NEP. The committee was inclusive and was composed of a number of sectoral line ministries. However, it is worth mentioning that the diagnostic analysis relied heavily on administrative records for estimating labour market indicators, given that Oman has not implemented a labour force survey in many years.

Following this analysis, a core group of the committee received another training by the ILO and ITCILO in Turin on NEP implementation mechanisms, and subsequently developed an action plan for the NEP, with the technical support of the ILO. Following the development of the NEP, the ILO received a request from Omani authorities in early 2023 to support them in designing and implementing a household-based labour force survey as well as a labour market demand (i.e. establishment-based) survey, indicating a strong political will to implement these surveys, which are part of the developed NEP. This strong will stems from the strategic alignment that was made between the NEP and the Oman 2040.

The main strategic directions of the NEP include (i) demand and the economy, (ii) supply and education, (iii) governance and labour market programs, and (iv) labour market in crisis.

The MOL is currently costing the NEP Action Plan, in coordination with other national stakeholders, in order to secure budgetary allocations. The NEP is expected to be adopted in the near future.

Other issues

Back in 2019, the Omani tripartite constituents held a meeting to discuss ILO's report on the situation of **social dialogue**, and possible ways to enhance tripartism and collective bargaining, which resulted in a joint plan for the future of social dialogue. But progress has been limited in this area.

In terms of **international labour standards**, Oman recently endorsed the Maritime Labour Convention (MLC) 2006, becoming the 100th Member State of the ILO and 1st among Arab Gulf countries to ratify the convention. The ratification of the MLC is expected to enhance the protection of working and living conditions of seafarers.

With regards to **skills development**, a skills needs assessment was carried out in 2022 via an online employer survey administered between May and June 2022 in cooperation with the Oman Chamber of Commerce and Industry. The survey was based on the ETF and ILO's Developing and running an establishment skills survey – Guide to anticipating and matching skills and jobs Vol.5. The survey, which was administered to a total of 106 firms, aimed at generating data on employers' skills needs and their human capital development strategies.

In respect of labour migration, it will be important to address issues related to foreign workers, which could be related to their legal status and particular challenges in that context¹⁴. It could also be related to issues of skills recognition, fair recruitment or the specific concerns that vulnerable groups such as migrant domestic workers may face.

¹⁴ See the ILO FAIRWAY programme brief on Oman and the legal status of migrant workers: https://www.ilo.org/wcmsp5/groups/public/---arabstates/---ro-beirut/documents/publication/wcms_776526.pdf

► Stakeholder mapping

As part of this stock-taking exercise, a stakeholder mapping is outlined in this section, identifying the main relevant stakeholders and possible common areas of interest to ILO's work in the Sultanate.

Stakeholder	Common Areas of Interest
Ministry of Labour	- Labour market governance - National Employment Policy - Labour market information system - Skills development - Social dialogue - ILS & decent work - Entrepreneurship and an enabling business environment - Social Protection
General Federation of Oman Workers	
Oman Chamber of Commerce and Industry	
National Centre for Statistical Information (NCIS)	- LFS - Labour market information system
Oman 2040 Implementation Support Unit	- Labour market governance - National Employment Policy - Labour market information system - Skills development - Social dialogue - ILS & decent work - Entrepreneurship and an enabling business environment
Tawazun	- Fiscal policy - Social protection
Public Authority for Social Insurance (PASI) (to soon become the National Social Protection Agency)	- Social Protection
Occupation standards and Testing Centre (OSTC)	- Skills development / occupation standards
Oman Authority for Academic Accreditation and Quality Assurance of Education (Oman Academic Accreditation Authority)	- Accreditation and quality assurance
National Qualifications Unit (<i>to be established in coming few years under Oman 2040</i>)	- TVET, Qualifications, and recognition
Sector Skills Units	- Skills Development
Oman Education Council	- Human Resource Development
Ministry of Higher Education, Research and Innovation	- Human Resource Development
Undersecretary for Technological Education and Vocational Training (under MoL)	- TVET
SME Development Authority	- Entrepreneurship, enabling business environment, and enterprise development
SME Development Fund	
Sectoral associations	
International Stakeholders	
UNICEF	- Social Protection
UNIDO	- Industrial and manufacturing policies and strategies

IOM	- Labour migration
UNESCO	- Education, TVET
WHO	- Health
IMF	- Fiscal Balance - Macroeconomic stability & growth
World Bank	- Economic development - Jobs diagnostics
UK, Netherlands and German embassies	- Skills development / TVET - Green initiatives
Indian, Pakistani, Bangladeshi, Sri Lankan, Philippines, and Thai embassies	- Foreign workers affairs, protection and support

UNICEF: according to the UNICEF Oman Country Programme Document (CDP) 2022-2025, UNICEF plans to continue its engagement in developing the social protection system in Oman through its two main intended outcomes: (i) Improved public finance analysis, data and evidence to inform social policies and programmes for children, adolescents and young people, and to progress towards the realization of the SDGs, and (ii) all children, adolescents and young people in Oman, including those with disabilities, benefit from improved social service systems and services. Given the close alignment with ILO's social protection component, a continued partnership would facilitate activating the new social protection system. Further cooperation could be envisaged in the area of youth employment (school-to-work, learning-to-earning) where both agencies are collaborating in the region.

UNIDO primarily supports the developments of Oman's industrial and manufacturing sector. UNIDO has supported Oman on the review and revision of its industrialization strategy and supported the development of the Oman manufacturing strategy, both of which include a skills component. Given the focus on manufacturing, the ILO may consider a partnership with UNIDO on issues related to manufacturing skills development and enhancing decent work, as well as on apprenticeship.

IOM's involvement in Oman is centred around a number of issues including migration and labour mobility in specific, as well as issues related to foreign workers. IOM played a major role in the establishment and development of the Abu Dhabi Dialogue, which is a regional consultative process allowing GCC countries and major Asian countries of origin to discuss and collaborate on issue of common interest pertaining to international labour mobility. According to the organization's website, prospective opportunities with the government of Oman include:

- Conducting an audit of labour supply chains within certain economic sectors and/or with private recruitment agencies in Oman
- Assess the work permit application system to identify areas for improved efficiencies and improved coherence between the foreign worker programme and labour market development objectives.
- Develop and deliver a series of capacity building training and study tours for the Ministry of Labour and other relevant officials on (i) labour migration management, (ii) counter trafficking, (iii) assistance to victims of trafficking (iv) return and reintegration

UNESCO is primarily concerned with education in Oman. In 2018, UNESCO developed a document providing an overview of the TVET system in the sultanate, investigating the implementation of modules of work-based learning. Its current strategy (2019-2023) revolves around 4 main pillars including education, culture, communication & information, and natural sciences. Under the education pillars, its priority interventions include (i) education policy and planning, (ii) education for sustainable development, (iii) and inclusive education.

WHO supports the development of the health sector in the Sultanate. Under its Country Cooperation Strategy for Oman (2021-2025), four strategic priorities are identified including (i) moving towards universal health coverage and a people-centred health system, (ii) preparing and responding to protect people from health emergencies, (iii) promoting healthier lifestyle and wellbeing, and (iv) accelerating and reinforcing the use of information technologies and data for policy making and expanding digital health.

The **IMF** has been engaged with Omani authorities for the past decade or so. Its main area of support is the provision of technical assistance in the field of fiscal policy and debt management. The latest engagement began in 2021, after Omani authorities requested IMF's technical assistance to help the Sultanate develop a medium-term debt strategy and strengthen its fiscal framework¹⁵. It is worth noting here that the IMF supports Oman's labour market reforms, indicating that such reforms are important to raise competitiveness and foster the creation of private sector jobs¹⁶.

The **World Bank** is not currently active in Oman. But between 2013 and 2019, a significant programme was implemented in the following areas: (i) Budget system modernization, including assistance to enhance the efficiency and impact of health and education spending, assistance to move towards program budgeting and a functional review of the Ministry of Finance, (ii) preparation of the 2016-2020 9th Development Plan, (iii) private sector development, (iv) fisheries sector development (v) PPP law review, and (vi) transport sector institutional reorganization. Looking forward, the World Bank has indicated a number of possible areas of future support including Financial Assessment Program (FSAP), decentralization, SOE reform, SME development and green finance. Other than the programmatic function, the World Bank issues periodic economic updates on major economic developments taking place in the Sultanate. While the World Bank develops a Jobs Diagnostics report across a number of countries, it has not yet done so for Oman.

UK Embassy: In 2019, the UK Oman Digital Hub was established as a venture by the British Embassy in Muscat in partnership with Oman's Ministry of Transport, Communications, and Information Technology. Among other issues, the Hub aim at:

- Increasing the digital skills base across Oman, raising ambition and aspiration, with a focus on young people who are 11-18 years old,
- Encouraging digital innovation and entrepreneurship to create more economic opportunities for Oman and the UK, by helping to develop a tech-friendly environment in Oman
- Secure economic and educational gains by enhancing cyber-security skills and capability.

The British embassy is also supporting green initiatives in Oman, including on labour/skills issues. For example, the Embassy cooperated with the Middle East Desalination Research Centre in 2023 to implement a vocational training programme that aims to build the capacity of young Omanis by equipping them with the necessary skills to start SMEs in the water treatment sector in Oman.

Similarly, the **Netherlands Embassy** in Oman is supporting green initiatives building green capacities in Oman. For example, the Embassy is planning a training on 'Sustainable Energy Transition and Renewables' to the Authority for Public Services Regulation. The Embassy also implements the Netherlands-Mena Partnership – Shiraka, which supports development in MENA through focusing on the involvement of civilians in governance and government's service delivery for citizens.

The **German Embassy** in Oman, through the GIZ, supported the development of Oman's TVET system over the past decade, but has been inactive in the country over the past period. However, other German presence is active. The German BFW partnered with a large local training institute in Oman in 2018 to introduce an Apprenticeship Technical Training in Oman. Moreover, the Oman-German Friendship Association supports skills development in the Sultanate. For example, the Siemens Omani Graduate Programme is a joint initiative by Omani-German Friendship Association and Siemens Oman and is an accredited educational and training programme.

The **Indian Embassy** in Muscat mainly caters of the affairs of Indians working in Oman. Its 'Labour and Community Welfare' services offer assistance to Indians working in the sultanate across a number of different areas including receiving labour complaints and providing low-cost insurance schemes. Moreover, the embassy offers the e-migrate service to facilitate the transparent, safe, and secure recruitment of Indians for employment in Oman; it is the main

¹⁵ Reuters (Jul 2021) "Oman Asks IMF Technical Assistance for Debt Strategy, Fiscal Framework"

¹⁶ IMF Press Release No21/259 (Sep 2021) "IMF Executive Board Concludes 2021 Article IV Consultation with Oman"

platform used by employers to hire workers from India. The embassy also has a Pre-Departure Orientation and Training programme, providing free soft-skills training for Indian migrant workers going to the GCC countries for employment. Furthermore, the Indian Community Welfare Fund provides assistance to deserving Indian Nationals for a number of issues including emergency medical care, payment of small fines and penalties, and legal assistance. Finally, the Indian Technical and Economic Cooperation Programme is the main bilateral capacity building platform through which trainings are provided to officials in government, private sector, universities, and chambers.

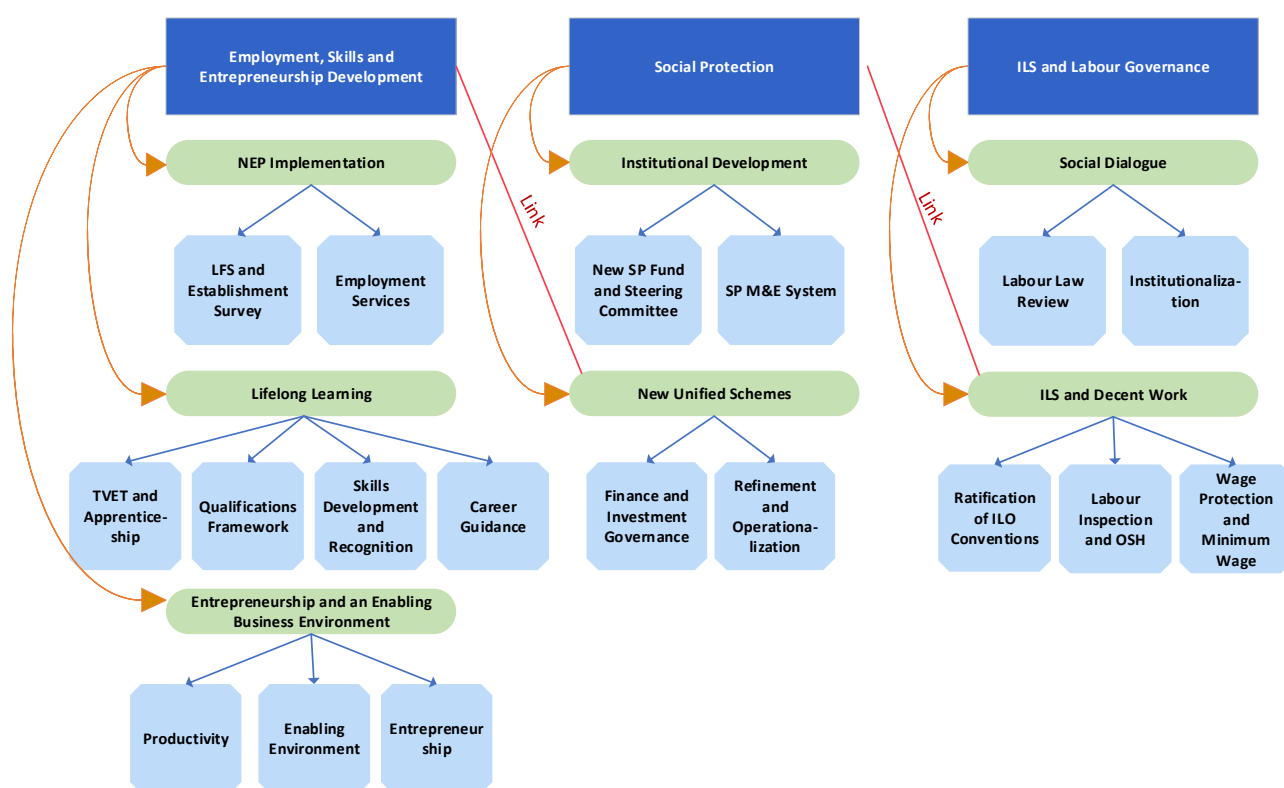
Similarly, the **Sri Lankan Embassy** in Oman has a dedicated labour sector which caters for the wellbeing of Sri Lankan workers in Oman. Key areas of support include creating job opportunities for Sri Lankans, settlement of labour disputes through various means, investigating workplaces of Sri Lankan workers, conducting counselling programmes for domestic workers and other Sri Lankans employed in various sector, providing legal assistance, implementing skill development programmes, and ensuring the wellbeing of Sri Lankans in Oman across other areas.

The **Philippines Embassy** also has a labour section offering similar services, and also has a set of instructions and guidelines for the employment of Filipinos in Oman (minimum salary, exclusive recruitment platform... etc). There is a dedicated Philippine Overseas Labor Office (POLO) in Oman that caters for the affairs of those working in the Sultanate.

The **Pakistani and Bangladeshi and Thai Embassies** also offer similar services to their citizens working or studying in Oman.

► Way forward – priorities for the upcoming DCWP

ILO's engagement over the past period has shown that progress has taken place in areas which Omani authorities consider to be a priority, namely: social protection and employment policy. It is therefore important to lay out the Omani national priorities. Two main sources of information were used to identify national priorities relevant to the DWCP: (i) written inputs received from Omani constituents and verbal inputs from the discussions held between constituents and ILO regional specialists, and (ii) national planning documents including the Oman 2040 vision, the tenth 5-year development plan 2021-2025, and the National Employment Programme. These priorities are outlined in the diagram below and categorized by the three main areas of the upcoming DWCP agreed upon between the ILO and the Omani tripartite constituents.



1. Employment, skills and entrepreneurship development

a. Supporting the implementation of the NEP

Omani authorities exhibited a strong will to implement the recently developed NEP, which has been designed to be aligned with the strategic directions of the vision 2040. The four main strategic directions of the NEP include (i) demand and the economy, (ii) supply and education, (iii) governance and labour market programs, and (iv) labour market in crisis. The MoL is currently at the stage of budgeting the NEP which will facilitate ILO's support to the implementation of the policy. The ILO is therefore recommended to support the implementation of the NEP across its different areas and to build the monitoring and evaluation capacity for the policy.

The development of the NEP has put at the forefront the need to have accurate survey data on the labour market and opened up discussions for potential collaboration on both labour statistics and wages. In specific, a main area to focus on in the upcoming DCWP is supporting Omani authorities in the design, implementation and analysis of a labour force survey as well as an establishment survey investigating labour demand, according to the most recent standards. It is important here to gain the commitment and buy in of the Omani

National Centre for Statistical information (NCSI) to ensure implementation. It is anticipated that after survey results are validated and issued, an update to the current NEP would be due and would benefit from ILO's technical support.

The NEP also highlighted the issue of the employment services. The MoL expressed their need for ILO support to review the employment services system and develop an appropriate labour market information system with this regard. Already, Omani authorities developed a basic labour market information system "Marsad", which, according to the MoL, needs review and development. Such review and development would be based on the data resulting from the planned LFS and establishment survey and is another avenue of potential support to be provided by the ILO.

b. Lifelong learning

One of the main priorities of the Oman 2040 vision is lifelong learning, which is also reflected in the supply side pillar of the NEP. This opens up the door for ILO support in this broad area. According to the MoL, Omani authorities have been working on establishing sectoral skills units for a number of sectors in coordination with sectoral association. The rationale behind establishing these units is to supply the appropriate labour with the suitable skills for each of the sectors. Authorities are considering three main components of work under the sectoral skills unit; one for classification, one for licensing, and one for specific skills. However, the MoL noted that these programs are not activated in all sector skills units, given their variant capacities. There also needs to be a formal discussion with the private sector regarding the vocational licensing component in specific. The MoL has specifically requested the ILO to support in the development and activation of the newly formed sector skills unit. The ILO may then consider supporting these units in the development of sectoral skills studies.

There is currently an ongoing national project on developing a national qualifications framework for both the public and private sectors, and the MoL has requested ILO's support to develop the framework based on the work to be done by the sector skills units. Therefore, the work on developing a national qualifications framework may come after developing and engaging the sector skills units. Given the high share of foreign workers in the economy, the ILO may support Oman in developing a skills recognition system (i.e. Recognition of Prior Learning).

Regarding the identified skills mismatch between labour supply and labour demand in Oman, the ILO may consider supporting the establishment of a career guidance system that determines what kind of upskilling or reskilling is needed. And based on this, the TVET system in the country may undergo reform to accommodate the reskilling or upskilling agenda. An immediate path to be considered is to integrate the apprenticeship model into the vocational system to result in an integrated structured system. However, the MoL indicated that a main challenge with respect to apprenticeship is gaining the conviction and support of the private sector, and thus, requested ILO's support with this regard.

There needs to be a tripartite agreement on prioritizing and sequencing the various issues under skills development. Follow-up bilateral meetings between ILO's skills specialist and Omani constituents is needed.

c. Entrepreneurship and an enabling business environment

The ILO has expressed its readiness to support Oman in developing an enabling business environment in the Sultanate and supporting entrepreneurship. One component in this area is productivity. A recent report by the ILO¹⁷ revealed a trend of productivity decline in Oman and the rest of the GCC region. There is therefore a need to enhance the level of productivity in the Sultanate, and the ILO has a number of tools to be considered for this purpose, including the SCORE (sustaining competitive and responsible enterprises) which focuses on improving productivity and working conditions in SMEs. It is pivotal to partner with the SME Development

¹⁷ [wcms_840588.pdf \(ilo.org\)](#)

Authority when implementing any productivity-enhancement programmes. Moreover, Oman's SME Development Fund can provide the necessary financing for these activities.

Another avenue for enhancing productivity lies in the issue of labour mobility, which also opens the door for discussing the issue of the Kafala system for migrant workers. According to economic theory, there is a positive relationship between labour mobility and productivity, and therefore, enhancing labour mobility would enhance the level of productivity in the economy and would allow for a dynamic private sector. Initial steps have already been taken by Omani authorities, including a decision to cancel the No-Objection-Certificate for foreign workers wishing to transfer their services to different employers upon the end of termination of their services with existing employers¹⁸. Moreover, "enabling flexible movement of labour"¹⁹ is an objective of ongoing projects implemented by the Oman Vision 2040 Implementation Follow-up Support Unit (ISFU) tasked with following up on and supporting the implementation of the Oman 2040 vision and its associated 5-year plans.

The ILO may also consider supporting an enabling business environment overall, but there needs to be specific discussions with the Omani Chamber and with the SME Development Authority on how best to intervene. One option to consider is the Enabling Environment for Sustainable Enterprises programme, which designs and implements activities with the ultimate goal of creating more and better jobs in SMEs. Its approach is based on tripartite partners coming together and analysing the enabling environment, develop action plans, and design and implement reforms in order to contribute to improving the enabling environment and make enterprises an engine to create more and better jobs.

Finally, there is a need to support entrepreneurship in the Sultanate, which is one of the national priorities according to the 2040 Oman vision. The ILO has a number of tools at hand to develop entrepreneurship including the Know About Business (KAB) programme and the Start and Improve Your Business Programme.

Follow-up bilateral meetings between ILO's enterprise development specialist and Omani constituents is needed to fine-tune and prioritize actions under this area.

2. Social protection

a. Institutional development

Omani authorities indicated a strong will to continue with the unprecedented social protection reforms recently endorsed in the Sultanate. A crucial part of these reforms is the establishment of a new social protection fund and the formation of a new social protection steering committee. Authorities indicated their need for ILO support a tripartite governance structure for the new institution and build the capacity of its board members and internal cadres. Furthermore, there is a need for ILO's technical assistance to establish an actuarial and research unit inside the new institution, and support in the development of its research agenda. Authorities also requested ILO's technical assistance to the new social protection steering committee including the provision of on-demand technical support for the development of an implementation plan for the upcoming social protection policy and for social dialogue sessions related to social protection reforms.

In parallel to the above, Omani authorities expressed the need to continuously monitor, assess, and evaluate social protection needs, gaps, policy, and impact of spending. This translates into the need to develop the M&E capacity of the new social protection institution to support it in monitoring the implementation of the new social protection system in the country and evaluating its impact at specific intervals. Moreover, ILO may consider supporting research studies on specific issues related to the new social protection system including

¹⁸ Oman Observer (Apr 2021) "NOC Not Mandatory to Switch Jobs in Oman"

¹⁹ Oman Vision 2040 Implementation Follow-up Unit (2020) "Economic Diversification Report 2020"

research on decent living standards and social protection needs and gaps, and a study on additional risks that may need to be covered via insurance schemes in the future.

b. New social protection schemes

Given the far-reaching reforms adopted in the Omani social protection system, there is an obvious need for ILO's support in implementing the new reforms, including supporting the operationalization and financing governance of the new unified schemes. Such a governance model would benefit from the development of a funding policy and investment policy, as well as the development of necessary agreements between the new social protection fund and the Oman Investment Corporation. Moreover, specific support is needed to develop an asset transfer mechanism between the relevant entities.

Furthermore, there is a need to refine and operationalize the key schemes of the new social security system, and design additional ones in line with best international practices and social security standards. ILO's support can cover many issues under this area, including the provision of technical assistance for the design of a national social health insurance system, and the design of possible new schemes including for first time job seekers, maternity scheme for non-workers, and long-term care schemes, in addition to linking the social protection system with active labour market policies and employment services. Moreover, authorities expressed the need for ILO's technical assistance to refining the design of the military top-up scheme and identifying hazardous jobs. There is also a need for identifying and assessing the situation of disability in the Sultanate. Moreover, the ILO may consider supporting the extension of key elements of the new social protection system to migrant workers, including the development of operational approaches for covering expats and engagement of countries of origin on possible coordination on social security.

Given the novelty of the reformed social protection system and associated schemes, there is a need for 'on-demand' general consultation to support authorities in the implementation of different aspects of the reform. Moreover, there is a general need to raise awareness of workers, employers, and society as a whole on the new social protection system and its various components.

3. International Labour Standards and Labour Market Governance

a. Social dialogue

According to the Omani MoL, a specific social dialogue structure has been instituted for policymaking and the current thinking is to build another social dialogue mechanism specifically for dispute resolution. The technical expertise of the ILO is much needed in this area, to support the institutionalization of a tripartite social dialogue mechanism that aims at avoiding reaching the dispute settlement stage.

Since the labour law is considered to be the basis for any social dialogue and dispute settlement mechanisms and structures, it is crucial to take into account the new Labour Law, as set out in Royal Decree 53/2023, July 2023²⁰. The tripartite constituents will need to work jointly on the implementation of the new law and based on this ILO may design specific actions to support the institutionalization of a social dialogue structure that is up to international standards.

There would also be a need to raise awareness of the new law and its enforcement. Here, the ILO can support in instituting a strategic compliance approach which brings together all relevant stakeholders (i.e. employers, workers, inspectors, immigration office, public prosecution... etc) to ensure that disputes are resolved at the lowest level possible.

Two new ILO tools may be of use in this area. The first is a self-assessment diagnostic tool that looks at functions of social dialogue already in place, and then makes recommendation for improvement. Omani authorities

²⁰ [Royal Decree 53/2023 Promulgating the Labour Law – Decree](https://decree.om/2023/rd20230053/), <https://decree.om/2023/rd20230053/>

would lead this exercise with the support of the ILO. The second diagnostic tool focuses on dispute resolution that can be used to identify what mechanisms are in place and what can be done to build an appropriate framework for dispute resolution. ILO training would be needed for Omani authorities who will be implementing these tools. And since the DWCP is a multi-year framework, specific actions can then be tailored based on the results of these diagnostics.

b. ILS and decent work

Given that Oman has so far ratified only 5 ILO conventions, there are clear opportunities for Oman to ratify and implement a variety of other ILO conventions, across all areas of the Decent Work Agenda, in some cases the current legislation is already close to what would be required for ratification. The Omani MoL has expressed a strong will to ratify the various ILO conventions that ensure adherence to international labour standards but indicated that it is unsure on how to proceed with the process. It, therefore, requested ILO's support in implementing a benchmarking exercise that shows where Oman is with respect to the various international conventions and identifies the steps needed to be taken to ensure alignment with each convention. And following ratification, the ILO may provide specific support for the implementation of ratified international conventions. As a first step, the ILO may provide technical support to Oman on the implementation of the recently ratified the Maritime Labour Convention (MLC), through an envisaged 5-day intervention that includes a workshop and specific interactions with targeted counterparts regarding implementation. Given the complexity of this convention and its untraditional nature, continued engagement is foreseen to support implementation.

4. Other possible areas to be considered

The MoL indicated that it is currently building Oman's strategic direction with respect to **labour inspection** and will begin thinking of **Occupational Safety and Health**. This provides an opportunity for the ILO to guide the development of a strategic direction in these two areas, guided by a potential ratification of related conventions. The ILO may consider assisting Oman in implementing a strategic compliance approach regarding labour inspection & OSH, such that it is not only limited to enforcement and fines, but also provides advisory services and referrals to other services such as migration, public prosecution, food safety etc. The rationale behind this approach is to develop an integrated system in which all stakeholders work together to improve working conditions and safety in enterprises.

Another identified national priority in this area can also benefit from ILO's technical support is related to **wage setting, possibly minimum wage implementation as well as the wage protection system**. The MoL highlighted a need to further develop the wage protection system through creating an online platform to regulate and monitor payable wages in the private sector. Moreover, the MoL indicated its intention to review the minimum wage level in the Sultanate and requested ILO's support with this regard.

► Critical Success Factors

A set of success factors have been identified to facilitate the successful implementation of the upcoming DWCP in Oman. These factors are outlined below.

1. Funding plan and alignment with national priorities and SDGs

The peculiar situation of Oman is that it is a high-income country with rising indebtedness and limited fiscal space. Being a high-income country on the one hand makes it difficult for the ILO to mobilize extrabudgetary funding as Oman is not eligible to most sources of donor funding. On the other hand, the limited fiscal space available in the Sultanate means that there is a limit to what activities Omani authorities will finance, including paying for the cost of ILO technical assistance through so-called direct trust funds. The ILO itself only has very limited discretionary resources that it can allocate to Oman, typically covering the mission costs of its technical specialists and limited support for capacity building and training.

Given this financial challenge and given the need for DWCPs to align with national priorities, it is crucial that the new DWCP develops a financing plan and responds to national priorities through being aligned with national plans and strategies. In addition to national priorities, the upcoming DWCP should also be aligned with the SDGs, given that Omani authorities have a vested interest in achieving the SDGs, as evidenced by their active pursuit in this matter. Oman was among the first countries in the world to present its Voluntary National Review (VNR) in 2019.

In this way, much of the financing of the upcoming DCWP could be come from the Omani budget and be supplemented with ILO's internal funds. It is therefore crucial for the ILO to engage with Omani authorities to understand what are the main national priorities being outlined in the upcoming Omani 5-year plan, in addition to ensuring alignment with the overall Oman 2040 vision and the SDGs. Ultimately, the issue of financing needs to be discussed explicitly with the Omani constituents so that a clear financing plan can be developed along with the DWCP. Other additional avenues of financing may be explored including the Omani business chamber which has an incentive to finance some activities (e.g. skill development activities). Ultimately, a DWCP represents a commitment between the ILO and its constituents to achieve certain objectives and outcomes, under which outputs and activities need to be budgeted. For this, both Oman and the ILO need to clearly set out what each can contribute under the various outputs.

An important funding mechanism to be explored is ILO's Direct Trust Funds (DTFs), which refers to the cooperation between the ILO and member states who entrust the ILO with financial resources to deliver technical assistance under mutually agreed conditions, over and above the regular support that the ILO can provide from its regular budget. DTFs are especially relevant when working with countries that have moved to middle- or high-income country status, such as Oman. The ILO already has several of such DTFs with PASI that could serve as an example²¹.

Moreover, a number of international partners have projects in Oman, including UNICEF and UNIDO, that work on labour-related issues; the ILO should investigate the potential and feasibility of establishing a partnership with such entities. Please see the previous section "Stakeholder Mapping" for an outline of key international players active in labour issues, and common areas of interest with the ILO, for potential partnerships.

2. Full involvement of capacitated tripartite constituents, including monitoring of implementation

It is crucial that Omani tripartite constituents are fully engaged in the development, implementation, and monitoring of the upcoming DWCP to ensure buy-in from all parties which will in turn ensure successful

²¹ ILO (2023) "Mid-Term Review of the ILO Development Cooperation Strategy (2020-2025)"

implementation. A main element in this area is capacity building. From the discussions held between ILO specialists and Omani constituents, it was noticed that there is a need for building the capacities of these institution across most areas outlined in the coming DWCP. And therefore, capacity building activities may be integrated across the various areas for all three constituents; but specially the workers' and employers' representatives. ILO workers and enterprise specialists should further engage with Omani constituents on a bilateral basis to refine and prioritize the DCWP framework with each. Moreover, the ILO is strongly encouraged to put in place a tripartite monitoring structure to monitor the implementation of the DWCP and consider an external evaluation for after the completion of the DWCP. Tripartism is a characteristic of the ILO and as such, must be promoted at all levels. All these issues feed into a well-developed tripartite governance structure.

3. Ratification of ILO conventions

The ratification of ILO conventions facilitates implementation of certain activities given the specific guidance provided by the conventions. As mentioned, Oman has ratified only five conventions so far, and would greatly benefit from ratifying additional conventions, which would provide much needed guidance on progressing with required reforms. ILO conventions cover a wide array of labour issues across all areas of the DWCP, and thus, the ratification of such conventions must be prioritized in the upcoming DWCP, especially since the Omani MoL indicated a strong will to ratify international labour conventions and reach the required international labour standards.

4. Engagement with key actors alongside the MoL

In some areas of the upcoming DWCP, the ILO is encouraged to engage with relevant national actors alongside its engagement with the MoL in order to facilitate implementation. For example, in the field of social protection, the more relevant institutions include Tawazun & PASI (soon to become the National Social Protection Agency), with which the ILO has already established a working relation over the past period. Another area that would benefit from engagement of players beyond the MoL is productivity enhancement, entrepreneurship and supporting an enabling business environment. Here, the ILO should consider also engaging with the SME Development Authority and SME Development Fund in Oman, given their prime role in enhancing productivity and promoting entrepreneurship in the Sultanate. Engagement with the private sector on this and other areas is strongly encouraged. Yet another example concerns Oman's recent ratification of the MLC, which is considered to be a complex labour convention involving a number of different actors, with whom the ILO does not have a previous working relation (e.g. Ministry of Transport, ship owners, manning agencies... etc). While the MoL will remain ILO's main partner in Oman, seeking engagements with other relevant actors would facilitate implementation in a number of areas.

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