

SMEs a Vehicle for Employment & Economic Diversification

The Omani Experience

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Presented at the
“Economic Diversification in the Gulf States: Challenges and Opportunities.”
Virtual Workshop
May 25- 26, 20201

Organized by

Arab Center for Research and Policy Studies

Konrad Adenauer Stiftung

Doha Institute for Graduate Studies

Special Thanks

to

Authority for Small and Medium Enterprise Development

&

Oman Startup Hub

Talking Points

Labor Market Trends

SMEs Development

The Current State of SMEs

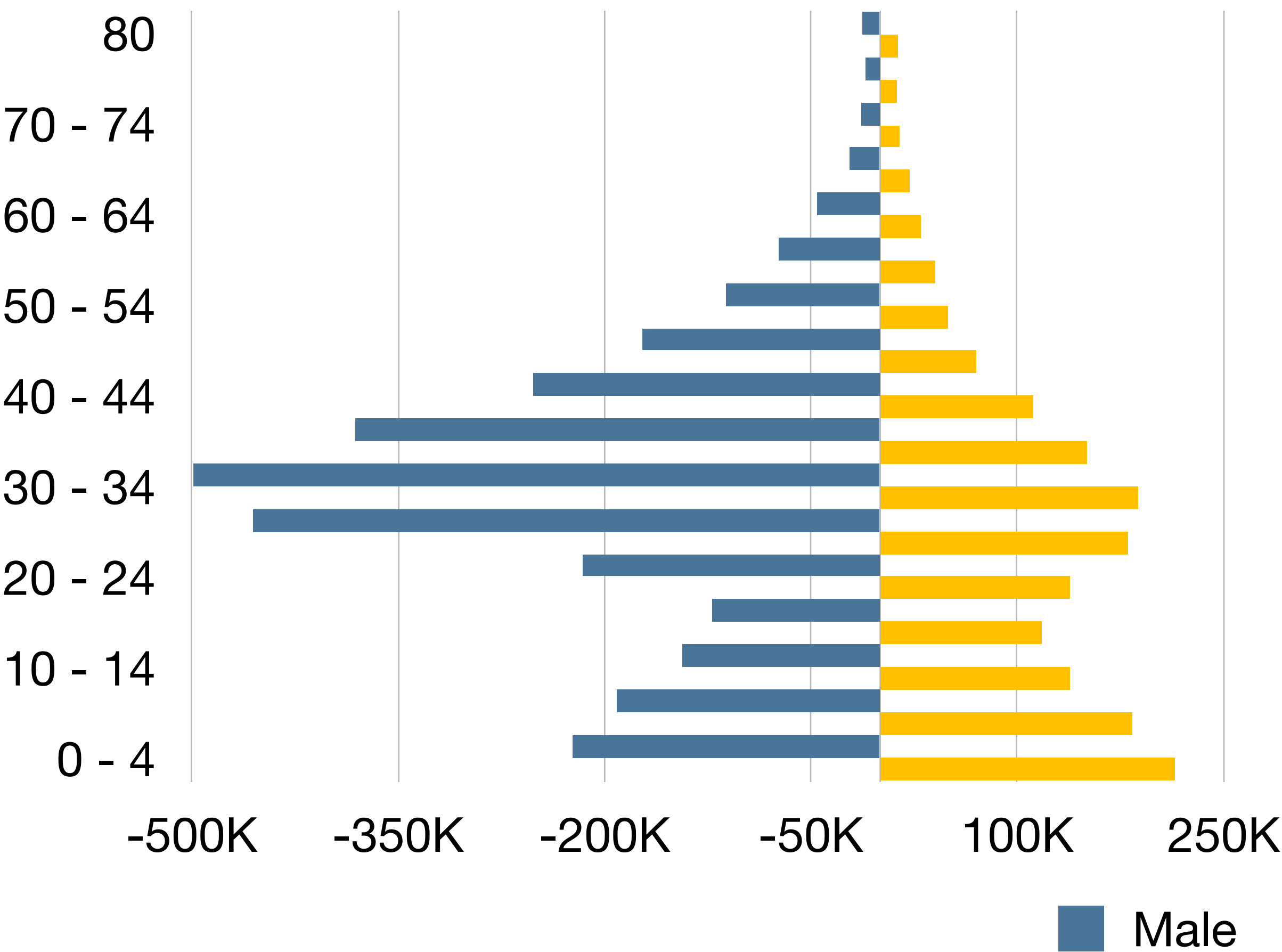
Tech Startups

Labor Market Trends

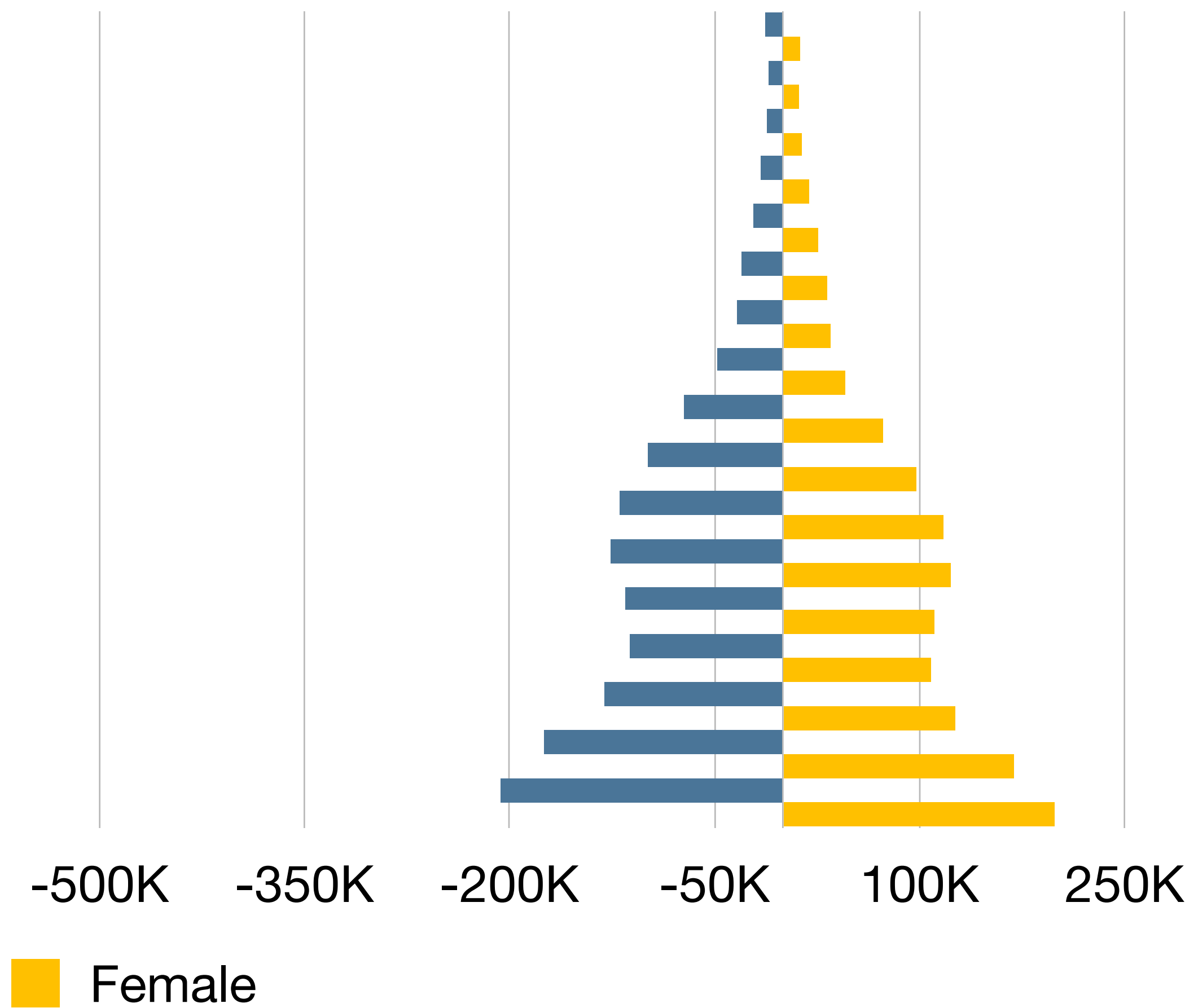
Demographic Characteristics

Source: NCSI

Total



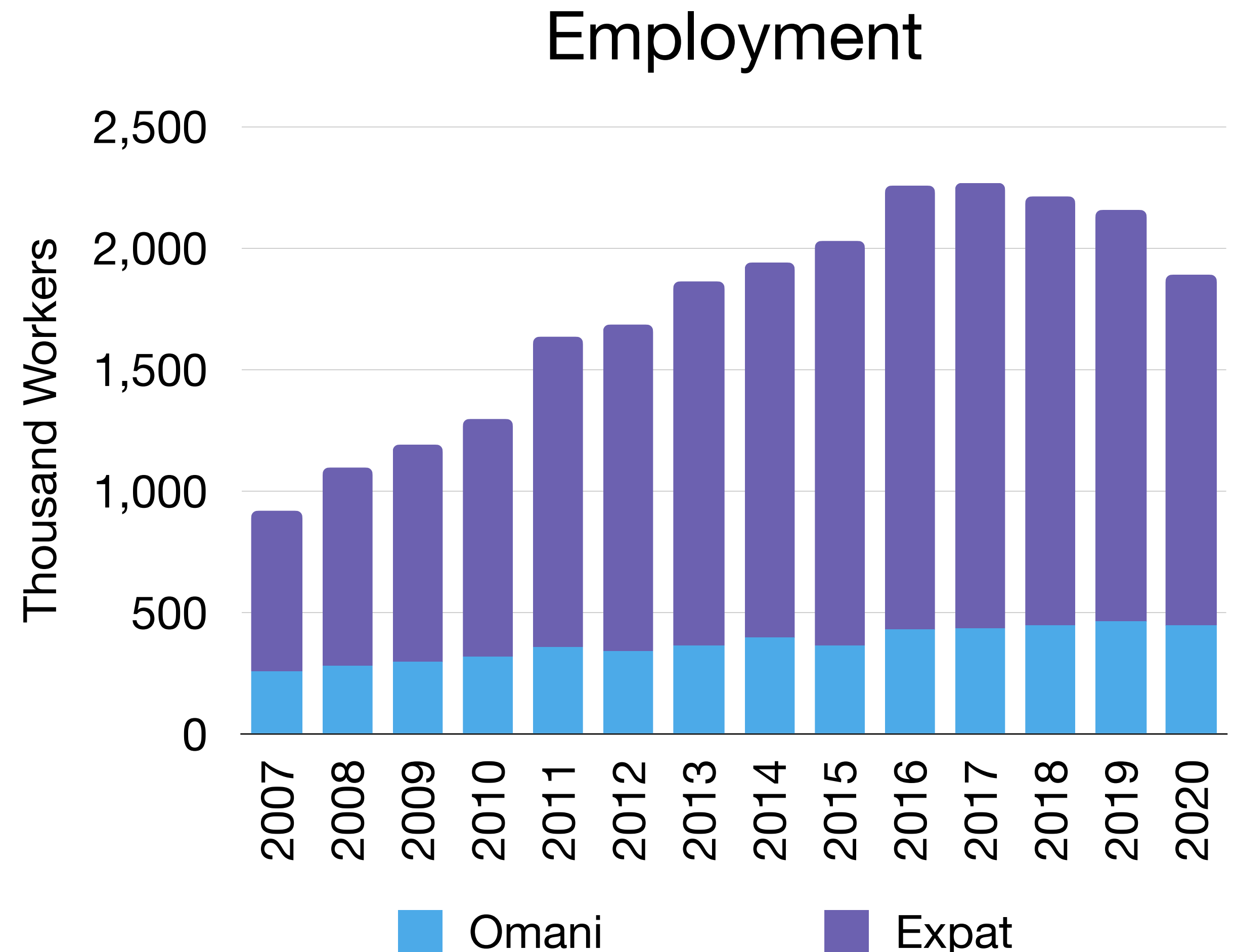
Omani



Omani Labor Market

Source: NCSI

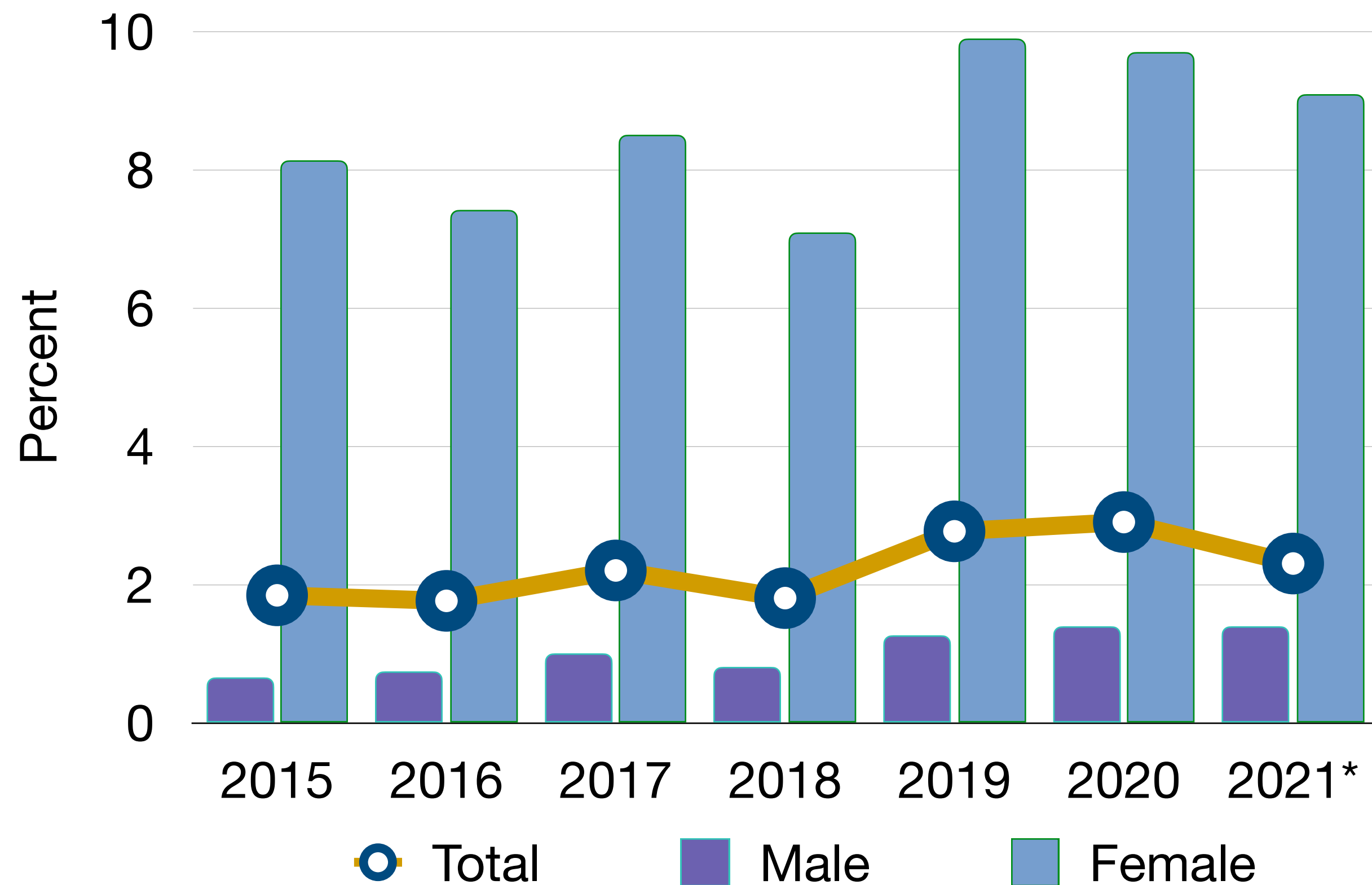
- High concentration of Omani workers in public employment
- High concentration of expat workers in the private sector
- Low female participation due to the skewed population balance
 - 41% in the Public Sector (2019)
 - 14 % in the Private Sector (2019)



Unemployment Trends

Source: NCSI

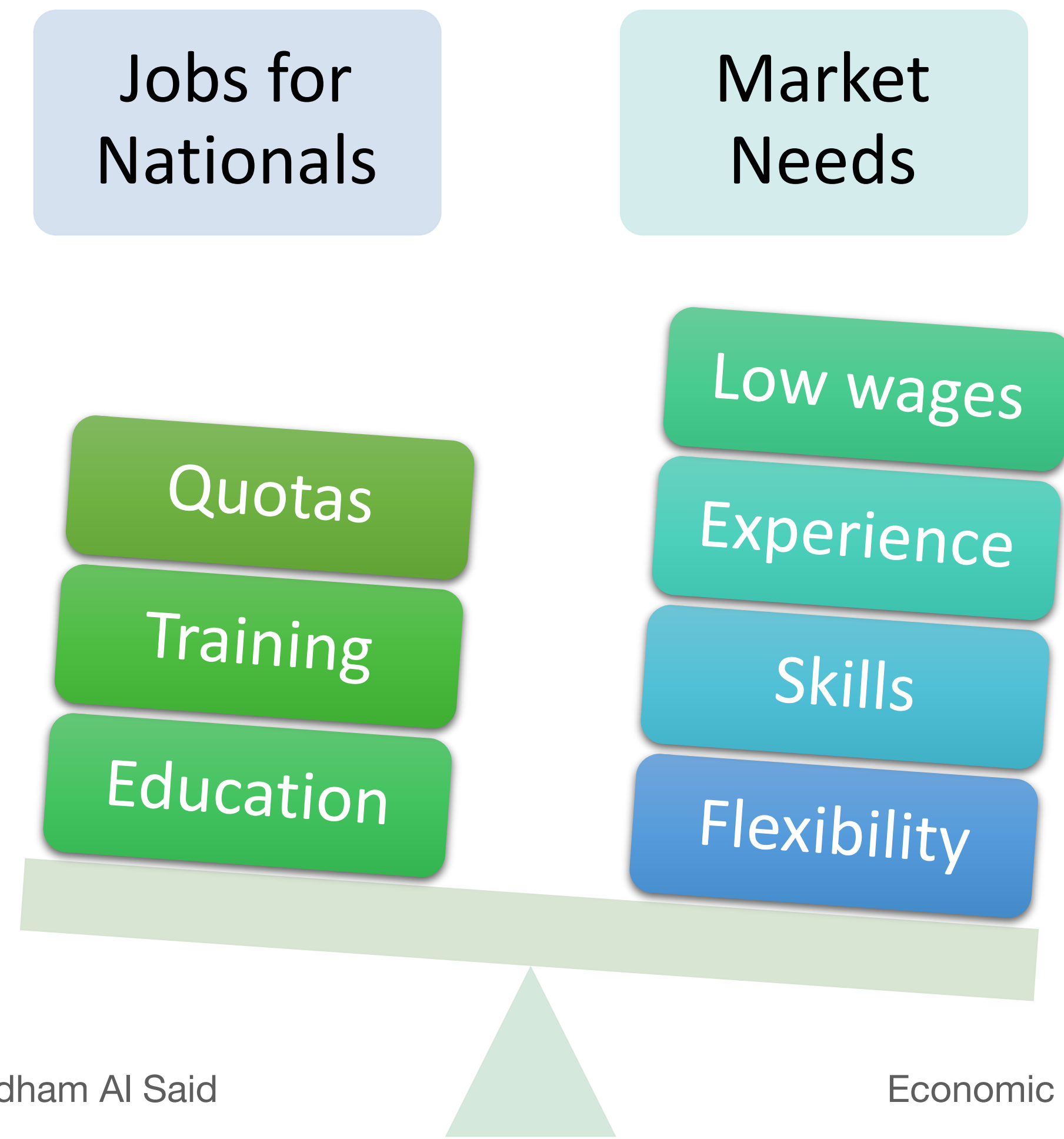
Unemployment



April 2021

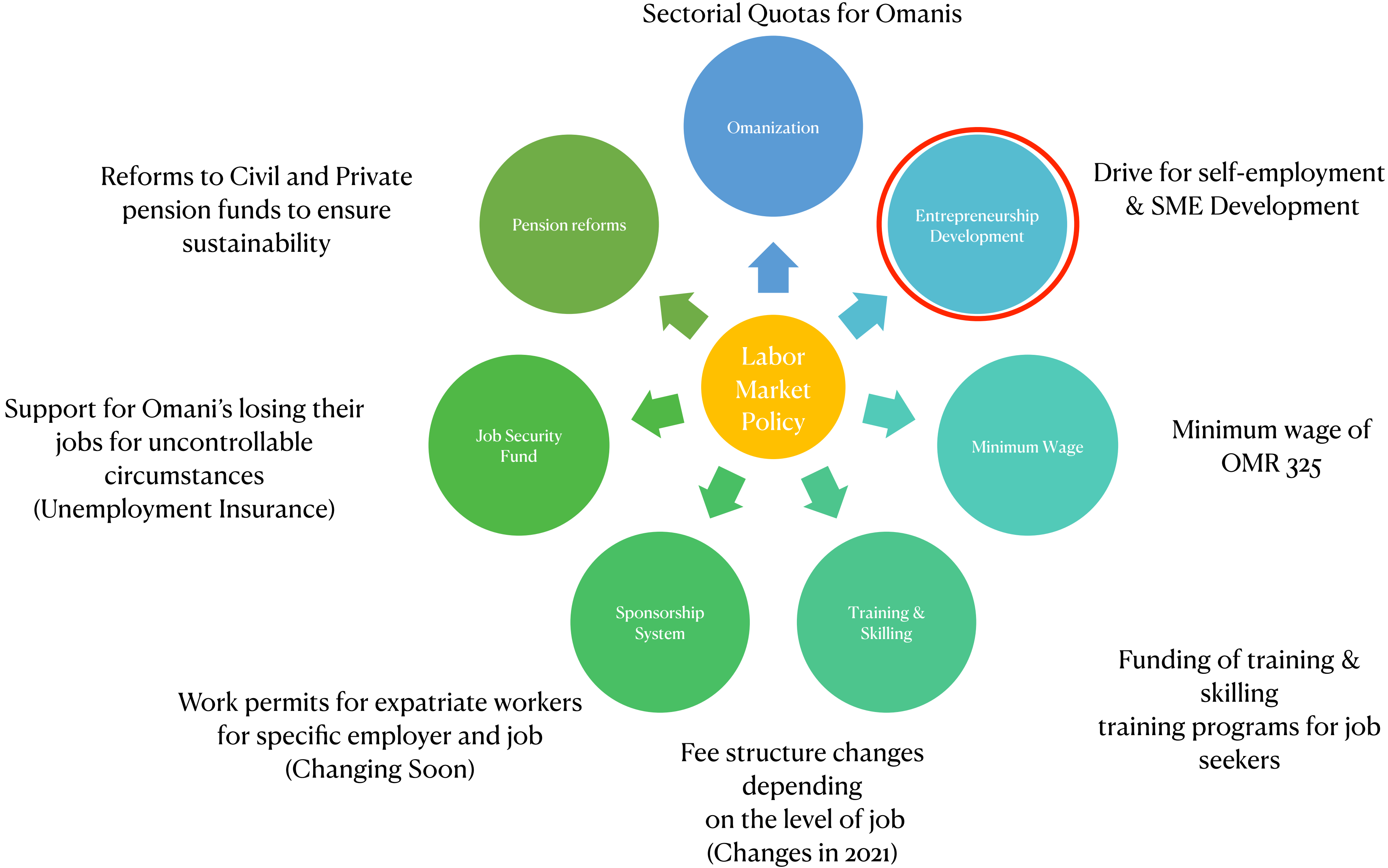
- Conventional unemployment rates are relatively low
- Female unemployment rates are significantly higher compared to their male counterparts
- Youth unemployment are at higher rates for the Omani population.

Labor Market Challenges



- Balancing the needs of the labor market and the creation of jobs for nationals has been an economic priority
- Market regulation has had some positive and negative impact on the economy

Labor Market Policies



SMEs Development

Defining SMEs

Source: Authority of SME Development

MICRO

 **1 - 5**

 **OMR 150,000 <**

SMALL

 **11- 50**

 **OMR 150K - 1.25M**

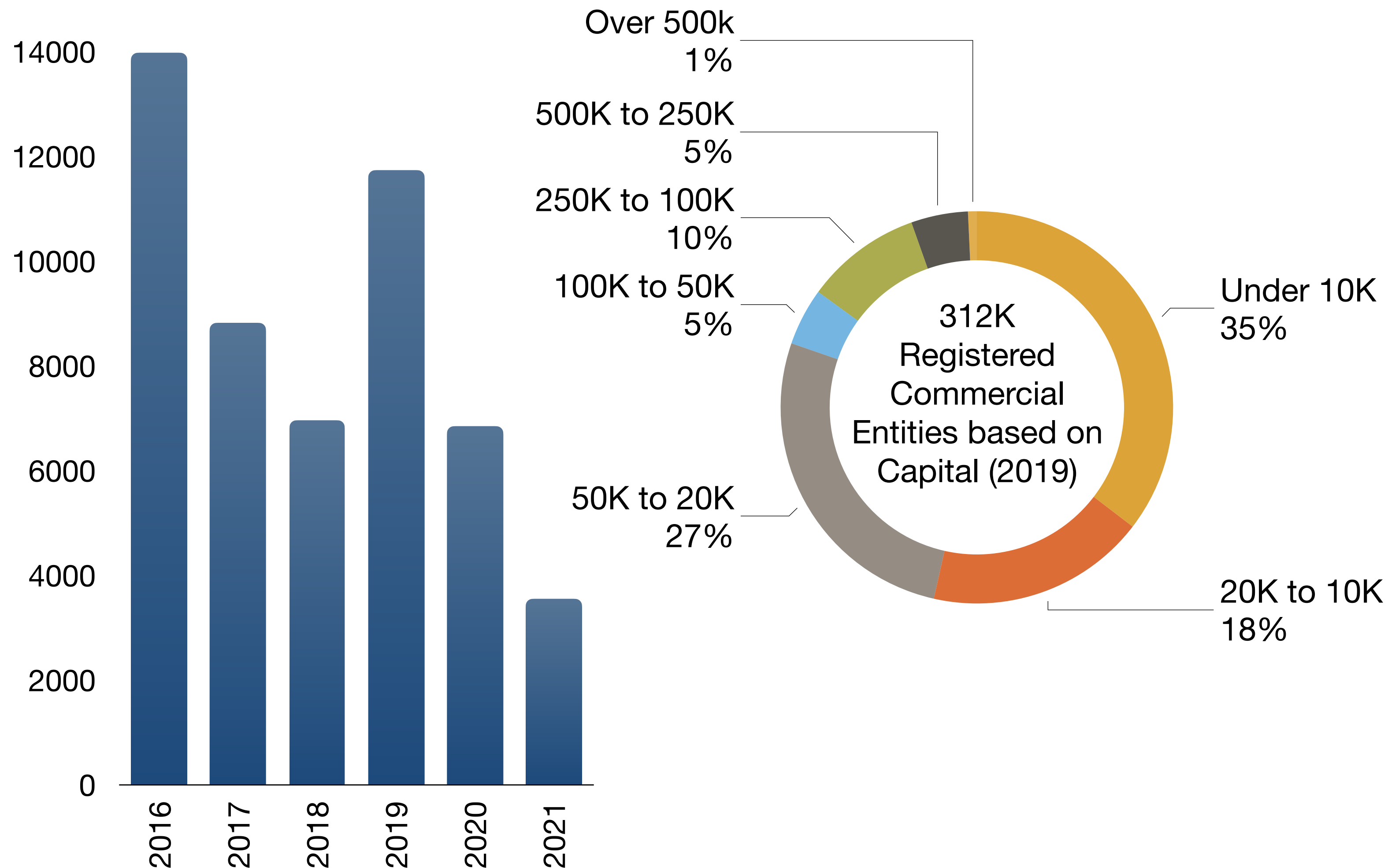
MEDIUM

 **51-150**

 **OMR 1.25M - 5M**

SME Companies

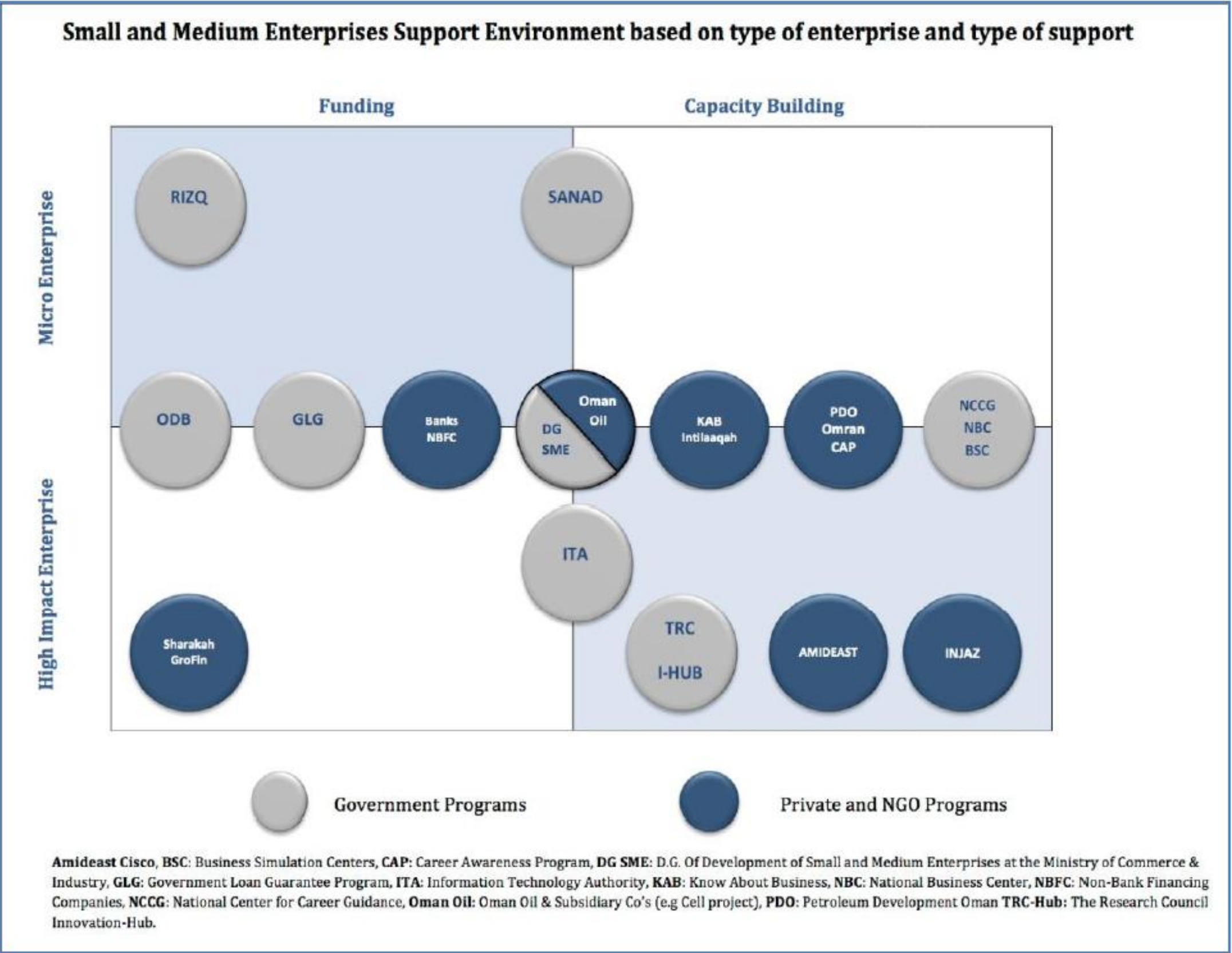
Source: Authority for SME Development



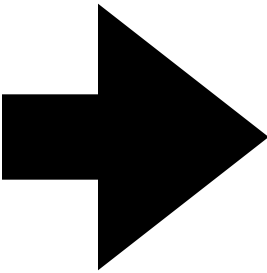
- Approximately 52,000 companies have registered with the ASMED.
- Preferential treatment for registrants
 - Low cost funding
 - Incubation services
 - Support in government procurement
 - Reduction in government service fees and taxes
 - Other support mechanisms

SME Ecosystem

Various sources



2013



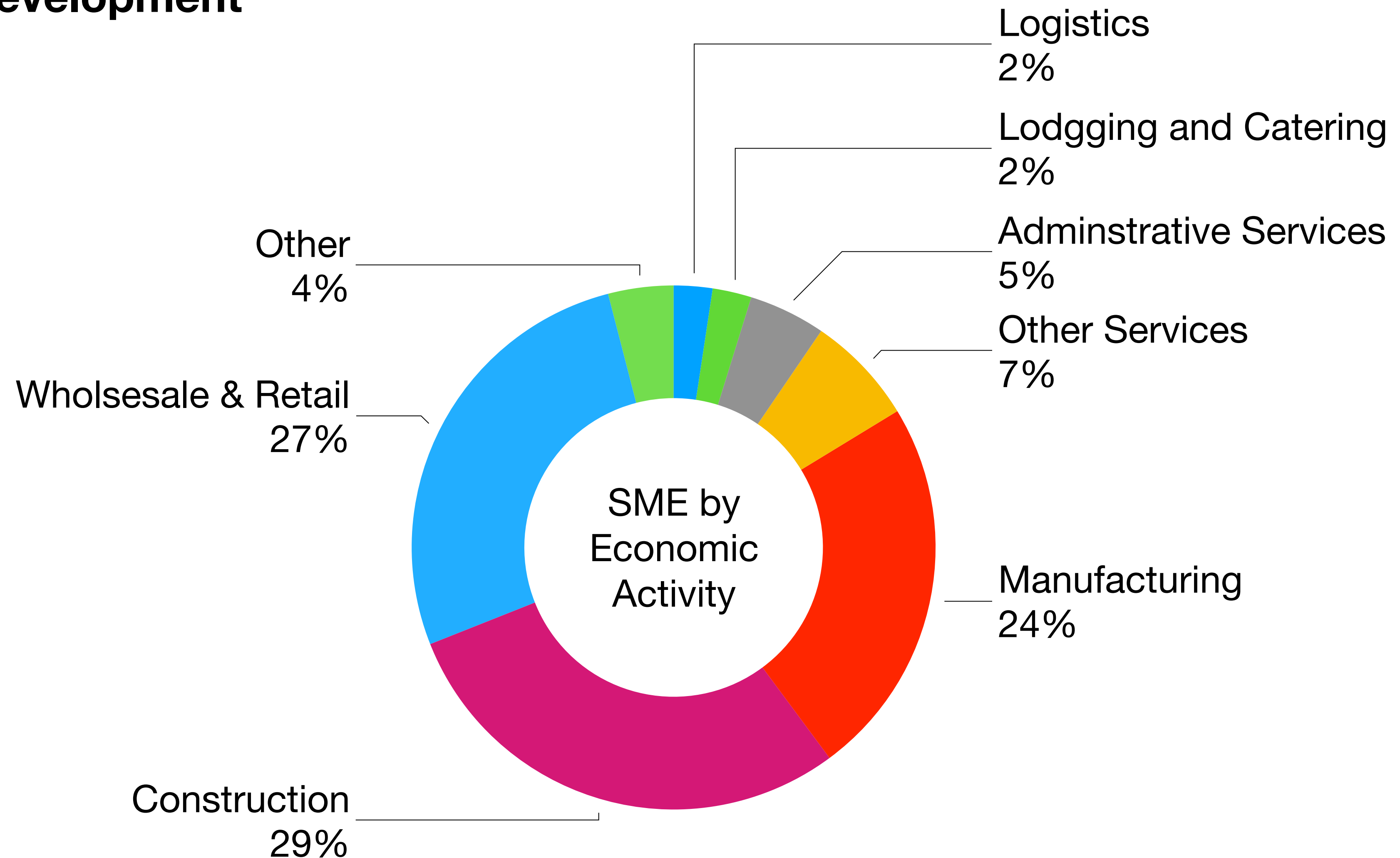
2018

The Current State of SMEs

Economic Activity Distribution

Source: Authority for SME Development

- High concentration of SMEs within three main sectors or economic activity
- Close to **75%** of SMEs register with the authority are service based or are limited to the domestic market.



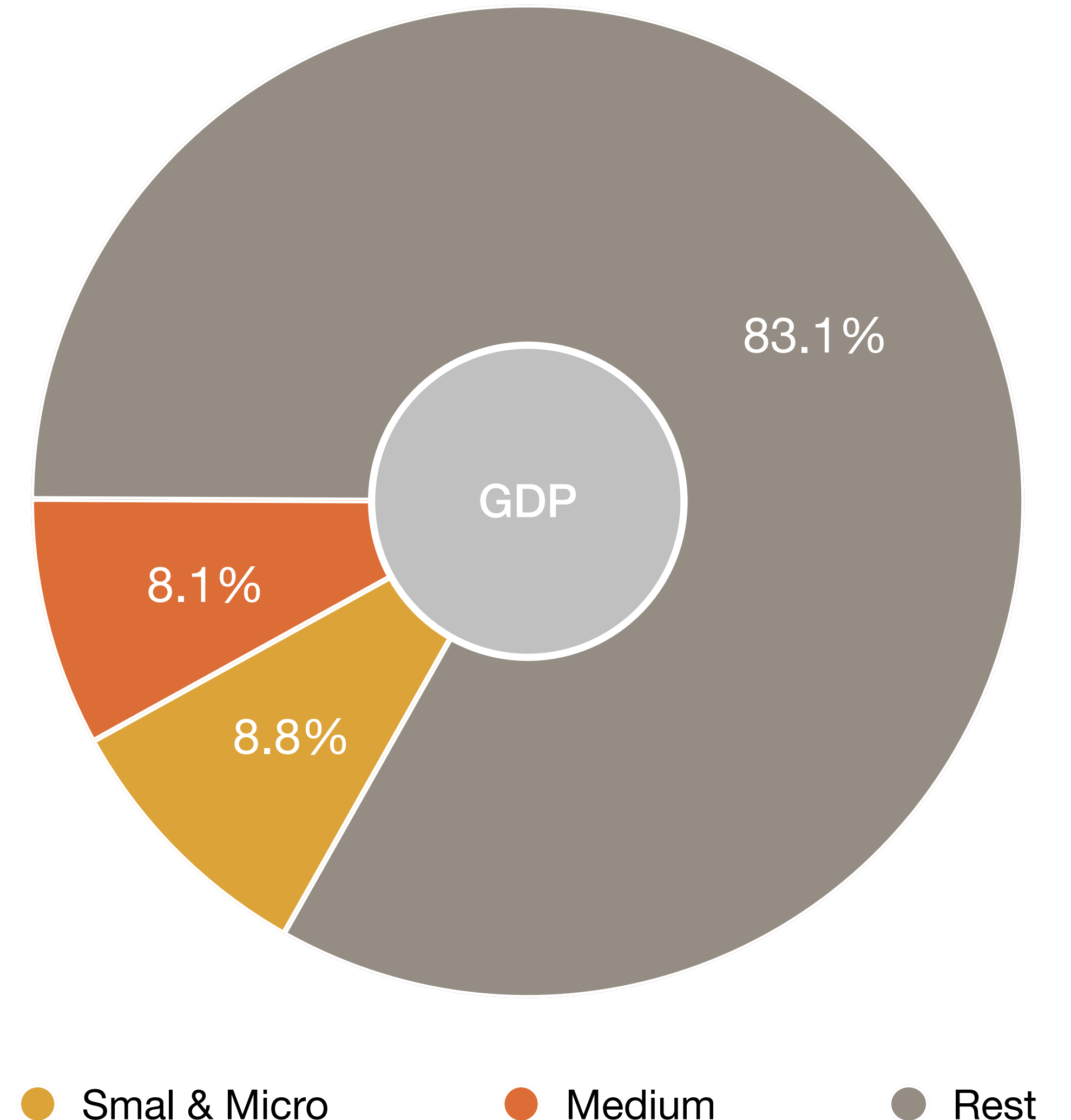
Contribution to GDP

Source: NCSI

- Contribution to GDP is estimated to be 17% (2018)

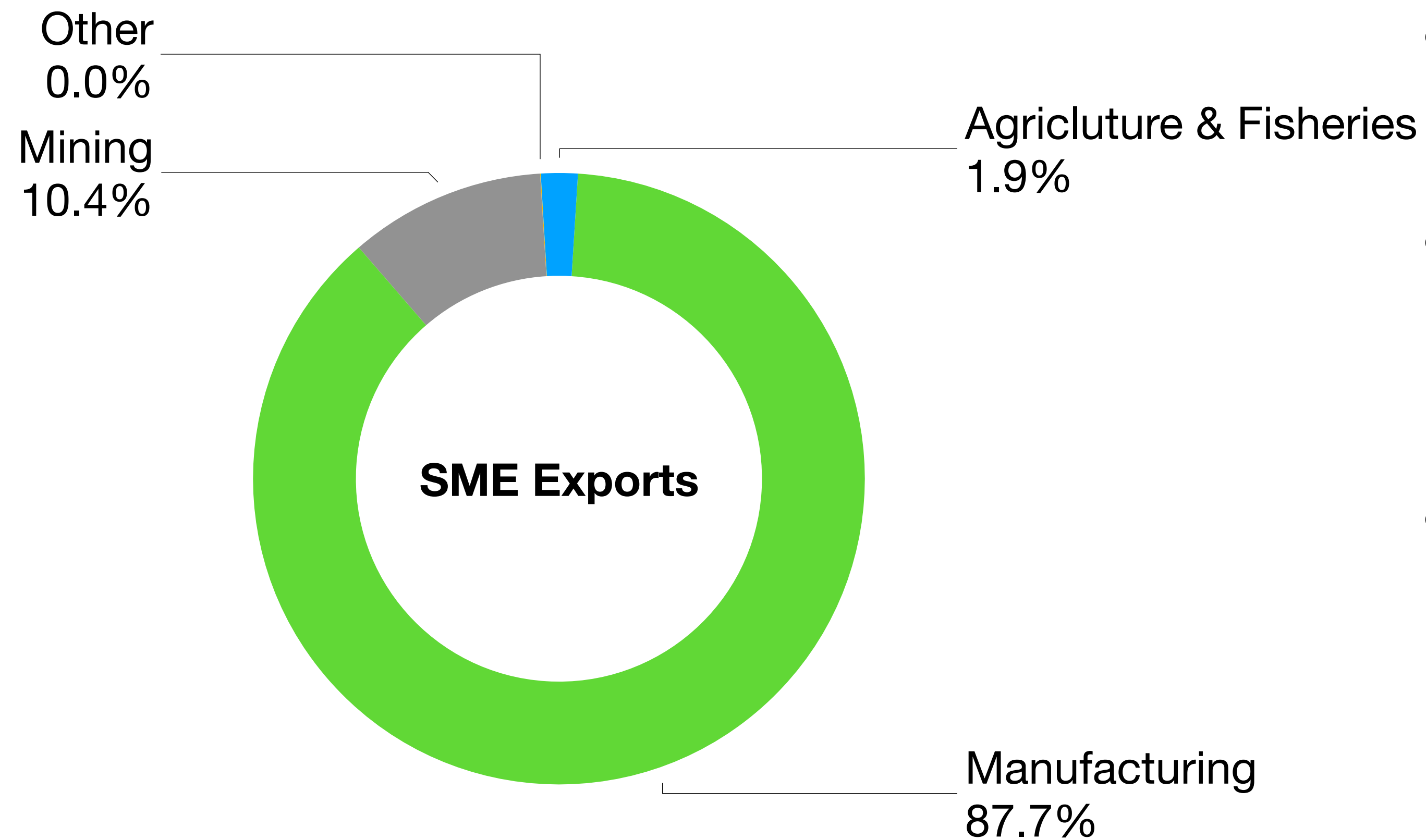
Selected SME Contribution

	SME	Total GDP
Retail	4.6%	5.8 %
Construction	3.2%	6.2%
Manufacturing	2.9%	8.7%
ICT	0.9%	2.1% (2016)



SME Export Performance

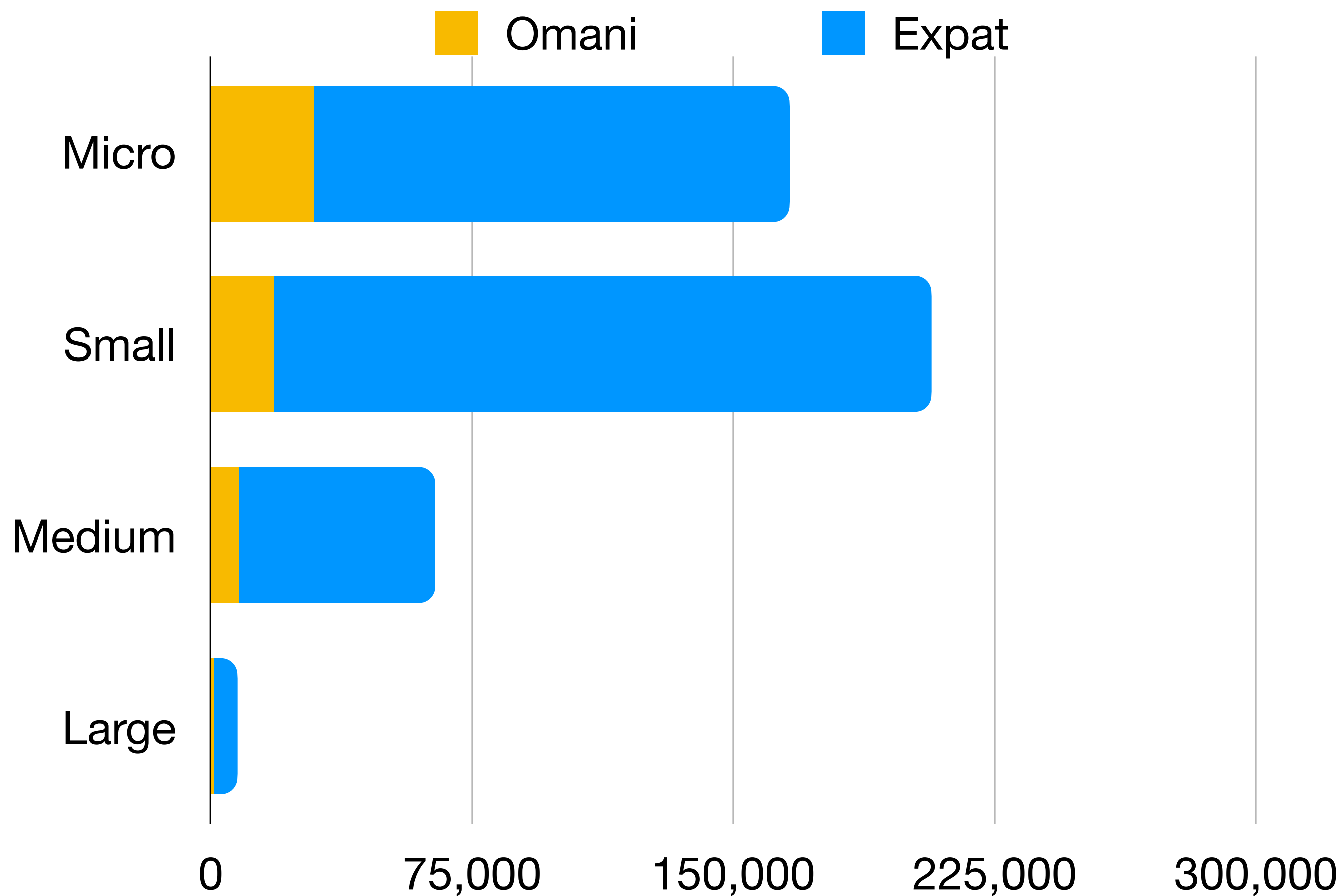
Source: Authority for SME Development



- SME exports are dominated by manufacturing exports
- SME manufacturing exports represent 30% of total manufactured exports
- Other productive sectors like agricultural and fisheries fair weakly in the export portfolio

Contribution to Employment

Source: Authority for SME Development



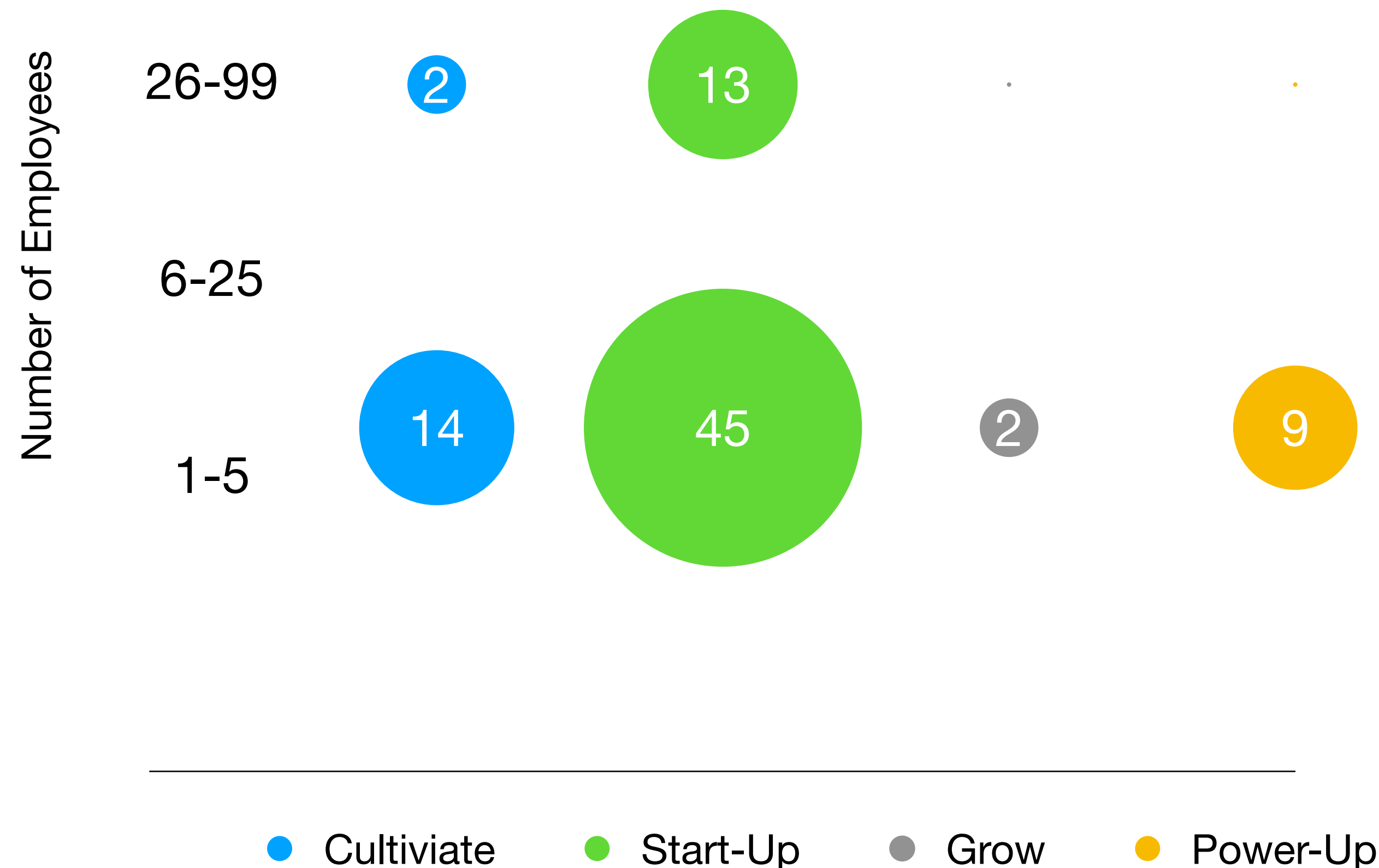
- Approximately **445,000** are employed by the registered SMEs
- The jobs created are predominantly fulfilled by expatriate workers **(80%-90%)**
- Self employed represent **4.3%** of total workforce employed by registered SMEs
- Average Job creation ratio **1:23** (*Riyada card holders to total jobs*)

Tech Startups

Employment Drive?

Sources: Oman Startup Hub

Number of Tech Start-Ups and Jobs Created

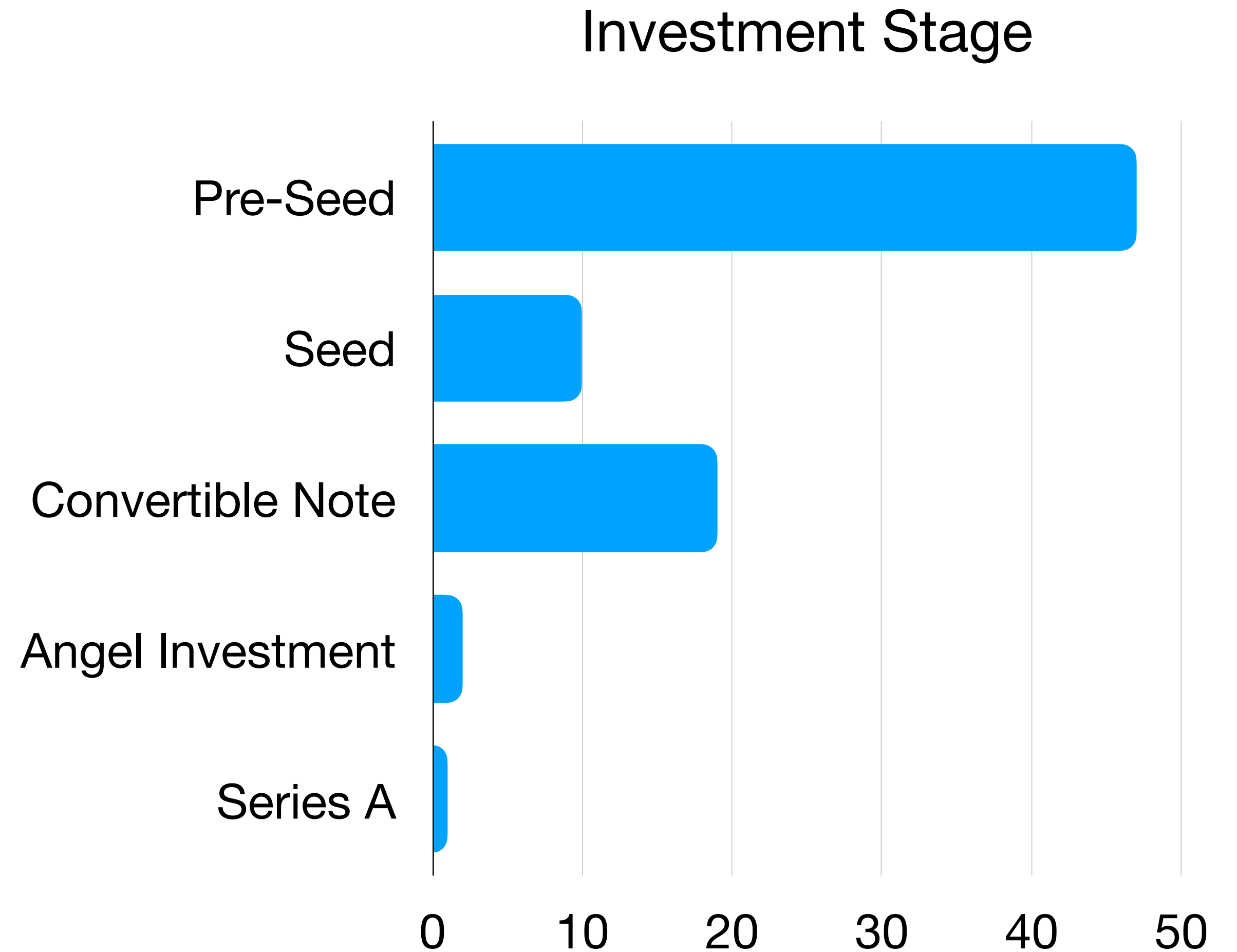


- Tech startups are driving the numbers with respect to employment
- Survival likelihood of start-ups is generally low and thus jobs creation may not be persistent
- Maturing Tech SMEs are yet to make impact in terms of job creation

Tech Start-Up Investments

Source: Oman Startup Hub

- Most investments in tech start-ups are concentrated in the early seeding stage (cultivate)
- The creation of specialized Venture Capital fund has catalyzed the tech start-up scene
- Impact of these high risk investments will need to be examined closely



Are SMEs a vehicle of Employment & Economic Diversification?

Summary

- SMEs in Oman have experienced a structural shift since 2013 where government policy has focused both financial and technical support. However, the **ecosystem has not reached then maturity needed to play the desired economic role.**
- Although self employment features strongly in SMEs, **job creation beyond that favors expatriate workers.** Therefore, local talent may not benefit directly.
- **Self-employment as a driver for job creation remains a contentious policy.**
- SMEs **economic diversification contribution remains limited** in terms of GDP Contribution. This is reflected in SMEs sectoral concentration.
- **Tech startups ecosystem is still nascent.** Recent developments suggest some traction however it is too early to determine the economic impact.