

***Workforce Localisation and Change Management***  
***-The view from the Gulf-***

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***Abstract***

Providing employment opportunities for a predominantly young workforce has been a major issue of concern for governments in the GCC countries. As a result governments have become the choice and dominant employer but now there is the realisation that the public sector has reached saturation point and can no longer absorb any significant number of nationals. On the other hand, there is potential for employment in the private sector where the vast majority of foreigners are employed. Thus, workforce localisation is considered an issue of national importance given the predominantly young workforce in the GCC region and difficulties young nationals started facing looking for employment. This study discusses the experiences of the United Arab Emirates (UAE) and Oman in implementing workforce localisation programs. The findings are discussed under main themes and key issues. For its most part workforce localisation refers to entry-level positions offering nationals the prospect of rising in the organisational hierarchy and eventually replacing expatriate personnel. At the same time, foreign employees work side by side with their local counterparts although on substantially different terms and conditions. Local and foreign employees are put on different career paths resulting in workforce segmentation as local employees enjoy the benefits of a core segment and acquire company-specific skills while foreigners are mostly hired to perform specific tasks, have higher labour mobility, and provide labour flexibility to the organisation. Managing human resources effectively within such a context presents significant challenges.

## ***Introduction***

Following the discovery and commercial exploitation of huge reserves of oil and gas, a major concern of policy makers across the GCC countries including Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates, has been employment creation for citizens. A massive and, for most of the time, increasing flow of revenues generated from the export of oil and natural gas made the task of employment creation relatively easy for governments, at least up to the 1980's and 1990's. Invariably, the challenge of creating employment opportunities for a predominantly young workforce would be addressed by resorting to the policy of hiring citizens to a growing government bureaucracy that needed to be built from scratch effectively offering well-paid and tenured employment accompanied by a wide range of lavish benefits, at times, in return for no more than just a token contribution to the workplace by the employed citizens.

However, over recent years the policy of using massive revenues from the exploitation of oil and gas reserves to create and guarantee employment for citizens is faced with considerable difficulties. In the first place, there is the uncomfortable reality of demographics.

Notwithstanding the decrease in the population growth rate, brought about by a sharp decline in fertility rates, there is a "youth bulge" as between one third and one half of the population is below 24 years of age resulting in the projected substantial increase in the GCC population for the foreseeable future (Sorenson, 2010; Stewart 2009). Additionally, there is the worrying realization that the policy is unsustainable in the longer-term as the bloated public sector has reached saturation point as far as further employment of nationals is concerned (Kalsi, 2013). For instance, between 80% to over 90% of nationals are employed in the public sector in most GCC economies (Albawaba, 2013a; Albawaba, 2013b; McGinley, 2010).

Being the biggest employer of nationals (Shediac and Samman, 2009) GCC governments are placed in the horns of a dilemma. On the one hand, there is the decades-old policy that does not simply provide employment for citizens in the public sector in addition to funding an extensive, and expensive, state welfare system but, crucially, as educational levels keep on rising as a result of economic development, fresh graduates, socialized in an environment of entitlements, are conditioned to expect even more prestigious and well-paid jobs. Inevitably, this leads to the

expectation and even demand that citizens should rise to the highest echelons of the organizational hierarchy eventually replacing expatriate personnel. Thus the issue of localizing the workforce has come under the spotlight over the past several years. On the other hand, however, economic imperatives, highlighted in a IMF report that suggests reducing the growth rate of public expenditure so that current fiscal and external surpluses do not turn into deficits in the very near future in the event that a downside scenario materialises (Dokoupil, 2012), may stand in the way of implementing workforce localization policies focusing on the public sector.

Considering that job creation has lagged behind the growing demand as GCC countries have not been able to put in place a sustainable job creation engine (Absal, 2013) and find a clear-cut and lasting solution to what has become a chronic problem that is, how to contain more nationals in one of the world's most prosperous regions resulting in hidden underemployment and unemployment (Al Baik, 2010; Forstenlechner, 2008; Muysken and Nour, 2006) can only add to the difficulty of the dilemma. The roots of the problem can be traced back to the 1960's when the massive importation of unskilled labour and employees with technical and professional skills became the preferred option in order to make possible the exploitation of natural resources and to help build a public works infrastructure of a colossal scale. The small size of the indigenous labour force, insufficient in itself to support rapid and sustained economic development, in conjunction with the quest for low labour costs has made necessary the importation of foreign workers in the GCC. Thus, foreign workers make up from roughly just below 40% of the workforce in Oman and Saudi Arabia to almost 90% in UAE and Qatar (Al Maskari, 2013; 248am, 2013; TradeArabia, 2012; I love Qatar News, 2008).

Conscious that the widespread presence of expatriate employees across occupations could lead to negative social consequences as overall unemployment rates and in particular unemployment among local youth are high (Al Wasmi, 2014; Emirates 24/7, 2012), GCC governments have announced various workforce localisation programmes. Despite the reluctance and failure of private companies to comply with localization guidelines set by governments and mixed results such programmes have yielded (Salem and Dajani, 2013; Spiess, 2010; Budhwar and Mellahi, 2006; Hadid, 2005) the drive towards workforce localization has created new entry-level positions reserved exclusively for nationals and more success has been achieved in this area

than in replacing expatriates, especially those with highly skilled jobs, with equally qualified nationals.

### ***Focus of the study***

The focus of this study is on issues of workforce localisation and implications for the organizational change management process. Although the focus is on the organizational level, given the dominant position of GCC governments as employers and the crucial role their support plays in any attempt towards workforce localisation, it is appropriate to view changes in GCC organizations within the broader context. Thus, workforce localization is considered a multi-dimensional, systemic issue involving the interaction of factors within and outside organizations, as well as likely implications. The issues of workforce localisation are discussed with reference to two GCC countries, United Arab Emirates and Oman.

Standing out as the most progressive among GCC countries, UAE is considered a trend-setter in issues of social and economic development. In the face of UAE's 15% overall unemployment rate and high masked youth underemployment (Nuqudy, 2012), 2013 was declared "Emiratisation year" and legislation was passed offering employers incentives to hire Emiratis. Clearly, the legislation was drafted with private companies in mind as the public sector has almost reached saturation point with the capacity of adding less than half of the jobs required to absorb unemployed citizens while the scope for workforce localisation is much wider in the private sector. It has been estimated that, of the over 4 million jobs in the private sector, only 22,000 jobs are held by Emiratis (Kalsi, 2013); that is, nationals account for less than 1% of jobholders in the private sector (Cornwell, 2013).

In Oman, after decades of relying on expatriate workers and consistently high unemployment rates among nationals, concerns have been raised about the country's heavy dependence on foreign labour. Partly prompted by unrest following the "Arab Spring" Omanisation that is, the policy of getting Omanis into private sector jobs, has become the state policy to which substantial resources are directed (Dickinson, 2013) while citizens are encouraged to get employment in the private sector rather than opting for the time-honoured pattern of waiting

for jobs to be created by the government. Yet, despite encouragement, appeals to patriotism, and the recognition that the expansion of the private sector is absolutely crucial for the country's long-term success and competitiveness, more than 20.000 nationals gave up their jobs in private firms in favour of the public sector lured by better working conditions, higher pay, and greater social prestige in the latter (Al Kiyumi, 2013).

## **Methodology**

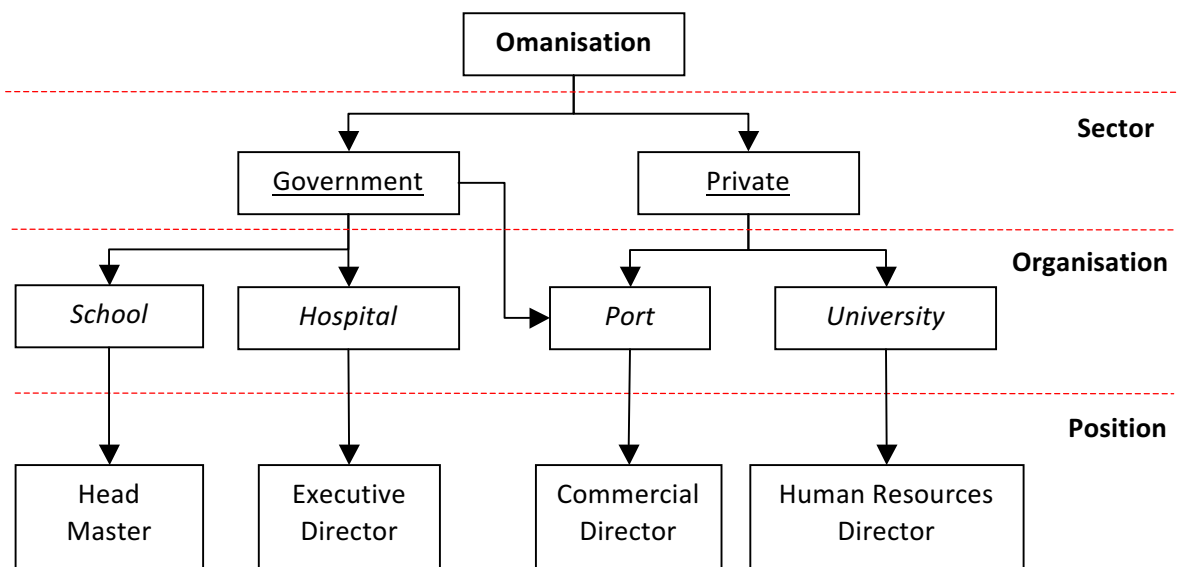
This study discusses workforce localisation in UAE and Oman. The two countries differ with respect to economic development, approach taken to and objectives sought in localising their own workforce; thus the effectiveness of the respective localisation programs needs to take into account the context of specific conditions prevailing in each country. Data were collected using different methodologies in the two countries. In the case of UAE, company websites, corporate literature, business press, news sources, were reviewed in order to identify key workforce localisation issues which could be linked to the organisational process of change management; in addition, information was collected through professional contacts. Given the paucity of empirical data on Emiratisation at the company, industry or occupational levels, that has been noted in previous studies (Modaress, Ansari, and Lockwood, 2013), as well as the reluctance of companies to disclose information specific to workforce localisation issues, relying on these sources was the only option available to carry out the study.

Drawing on business directories, local and regional business publications, the official websites of the 150 biggest companies in UAE were surveyed. Given frequent public statements by the country's prominent business leaders pledging their full support to Emiratisation as this has been elevated to an issue of national importance, it was thought that something relevant would be found in a company's website, either as a separate webpage or under the HR department, "career", or "press release", providing information on state, targets, or some other detail regarding Emiratisation. Although information on Emiratisation programs at the company level tends to be presented in an unorganised fashion in corporate websites it was nevertheless possible to form an overall understanding about the scope and contents of such programs. This was supplemented with information provided by several contacts with long experience in the local labour market.

In the case of Oman, purposive sampling was used in order to obtain a range of implementation experiences from organisations with respect to workforce localisation (Omanisation).

Purposive sampling aims at focusing on particular characteristics of a population that are of interest (Saunders, Lewis, & Thornhill, 2009). Four organizations were selected providing variation in terms of category, size, ownership and ministerial management. The organizations include one government hospital (Ministry of Health), one government school (Ministry of Education), one private university (Ministry of Higher Education), and the Sohar Port (50% owned by the government) as shown in figure 1 below. All four organisations are overseen by the Ministry of Manpower.

**Figure 1:** Oman-An overview of the methodological process employed

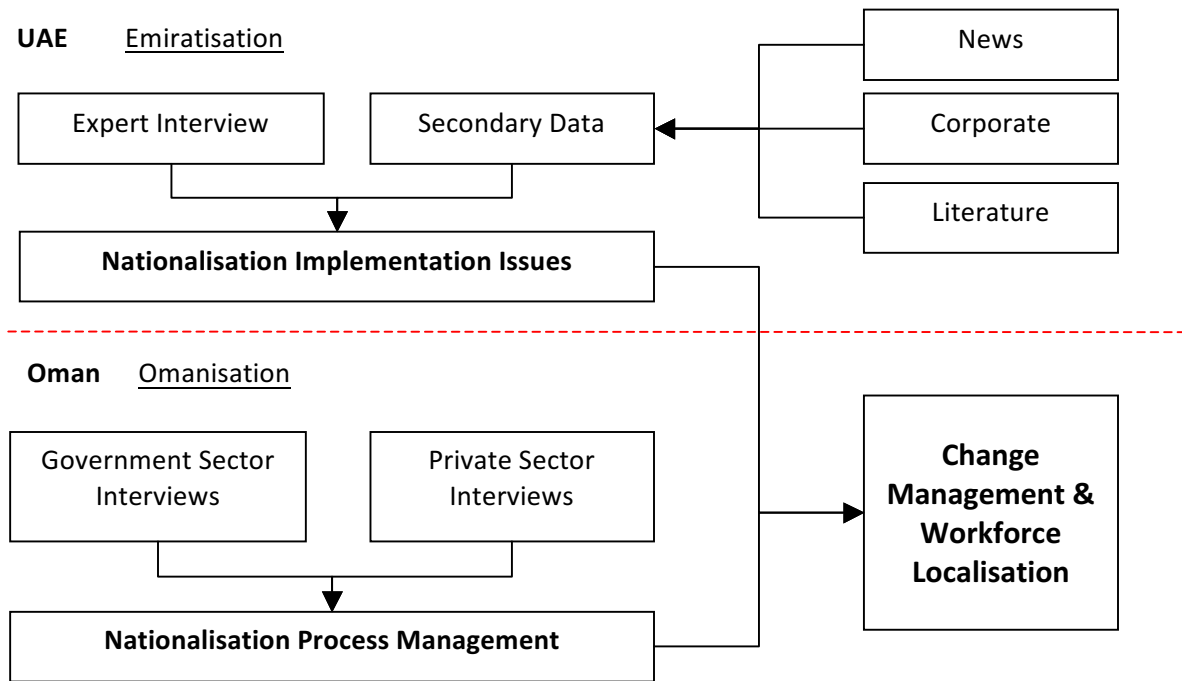


Semi-structured in-depth interviews were conducted in each of the four organizations. The semi-structured format was the most suitable for the current study as it allowed essential information to be obtained, yet provided the opportunity to explore further issues specific to each organisation (Cohen, Manion and Morrison, 2013; Gubrium & Holstein, 2003). The

interviews were transcribed and coded to reveal key themes and sub-themes. The position of each interviewee was at a similar level in all four organisations.

The methodologies used for collecting data in the two countries are depicted in the figure below:

**Figure 2:** Methodologies employed in Oman and in UAE



**The enabling context: Legislation and Government support**

Government support and legislation are discussed below as they are the most crucial forces impacting upon workforce localisation both at the organizational level but also at the level of the broader society. Over the past decade, Oman and UAE have taken steps to put in place the legal framework that would enable labour market initiatives aiming at increasing participation of nationals in private sector jobs as well as protecting jobs during redundancy exercises. For instance, minimum workforce localisation percentages and mandatory targets to be achieved by private companies in several sectors have been legislated in both countries with Oman having adopted a more elaborate scheme differentiating between occupations and industrial sectors (<http://www.manpower.gov.om/portal/En/OmanisationPlan.aspx>; Randeree, 2009).

Compliance with legislation is achieved by means of imposing fines to companies, blacklisting violators and by scaling labour transaction fees depending on the percentage of nationals hired by employers, with companies meeting localisation targets paying the lowest labour transaction fees while such fees rise steeply for companies having no local employees on the payroll (Insider Emirates, 2011). However, with the exception of a few industries including mining, banking, telecommunications and insurance the overall private sector compliance appears to be low. With respect to occupation, clerical staff, hotel staff, technicians and assistant engineers are highly localised positions. Oman appears to have made more progress towards workforce localisation while the slow progress towards Emiratisation, especially among women, is often noted in the case of UAE (Al Shaali, 2014; Sahoo, 2013).

Minimum salary levels for private sector employees have been legislated in both countries and in UAE's case minimum salaries rise in line with the educational level of employees (Thomas, 2014). The introduction of minimum salary levels has been criticized by employers, especially in smaller size companies, fearing adverse effects on their competitiveness. However, it is hardly a secret that, although minimum salary levels are meant to apply to all employees irrespective of nationality, the main beneficiaries of the legislation are local employees while salaries for foreign employees in the private sector are often well below legally required minimum levels.

Salary discrepancies between employees from different nationalities performing the same job are a widespread practice across GCC countries. Ironically, following the introduction of



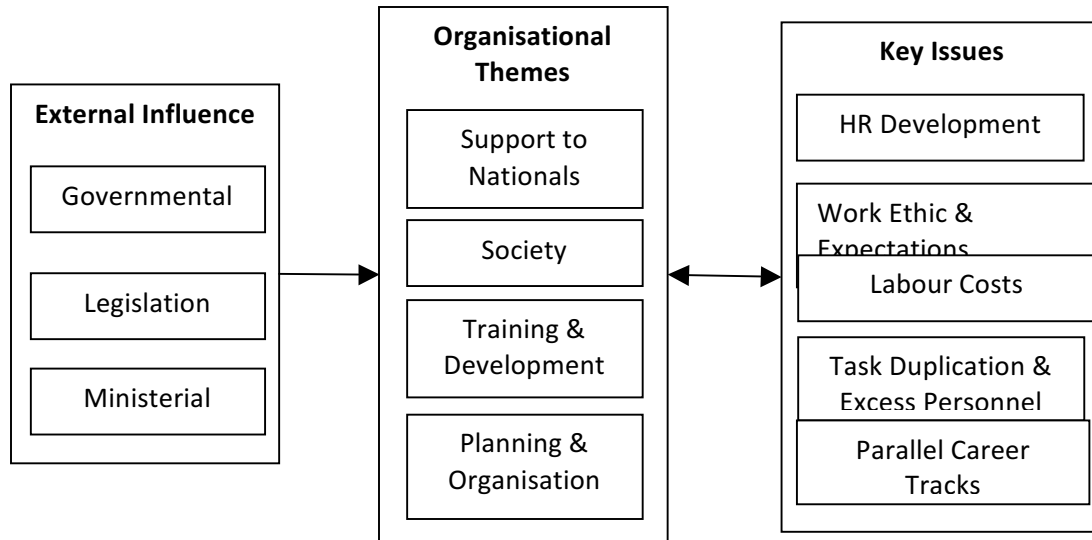
minimum salary levels that practically protect local employees only, the most likely outcome will be an even greater reliance on cheaper foreign employees that is, those who are supposed to be replaced by nationals. This will present an additional challenge to policy makers requiring the adoption of drastic measures such as Oman's recent decision to force employers to localize jobs that have been stripped from expatriate employees (Haque, 2014; Sambridge, 2013).

Given that workforce localization is considered an issue of national importance it is not surprising that the whole government bureaucracy is mobilised and that a number of government-private sector partnerships have been formed to help create jobs, hire, train, and integrate nationals into the workforce. As an incentive to employers, salaries of nationals employed under private sector localisation initiatives are subsidized for several months by the UAE government.

### **Data Analysis and Findings**

Thematic Analysis, a method for identifying, analysing, and reporting patterned meanings across a set of data specifically collected for the research purpose (Braun & Clarke, 2006), was used for the analysis of data collected for this study. In Oman's case, digital recordings were listened to in order to confirm dependability of the interview transcripts. Next, each interview was sent for transcription. Once the data had been initially coded and collated codes were analysed and arranged into potential themes. Themes were then refined to ensure that they reflected both the coded extracts and the full data set. Key external influences upon change management in GCC organisations, as well as organisational themes of change management in Omani and Emirati organizations and HRM issues arising from workforce localisation are presented in figure 3 below.

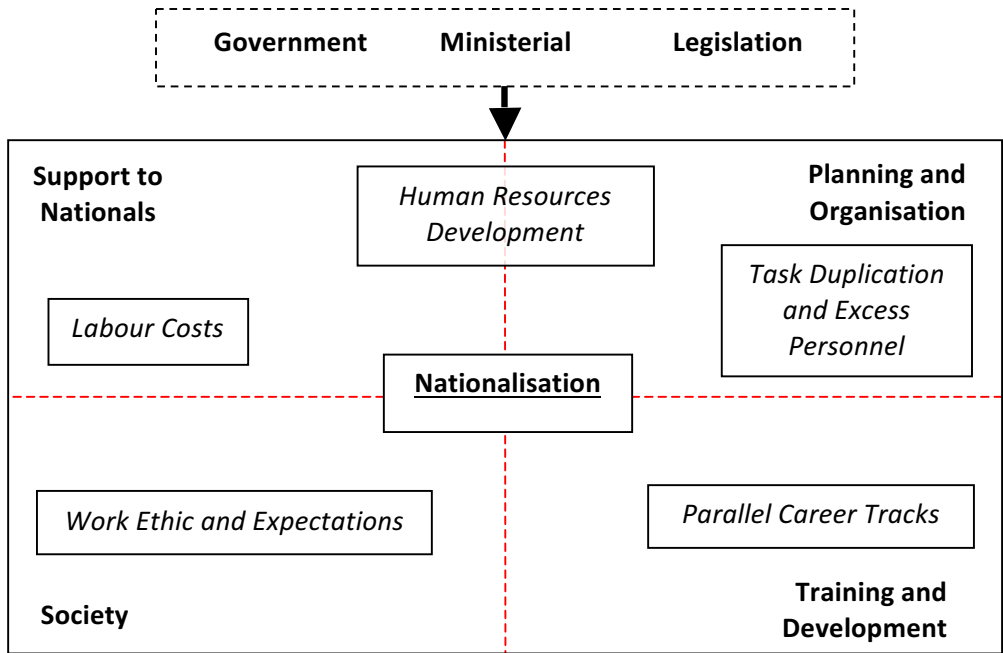
**Figure 3:** External influences, organizational themes and HRM issues



Government support has been favourably received by Emiratis as it offers the prospect of employment in an increasingly tough labour market. Although, on occasions, government officials have hinted that performance must be taken into consideration in employee assessment, employment in the public sector through Emiratisation still means a generous salary and associated benefits, and a tenured job. The guarantee of continued employment is far more flexible in the private sector, as after the initial hiring to comply with government policies, all employees, local and foreign, are assessed on the same performance criteria.

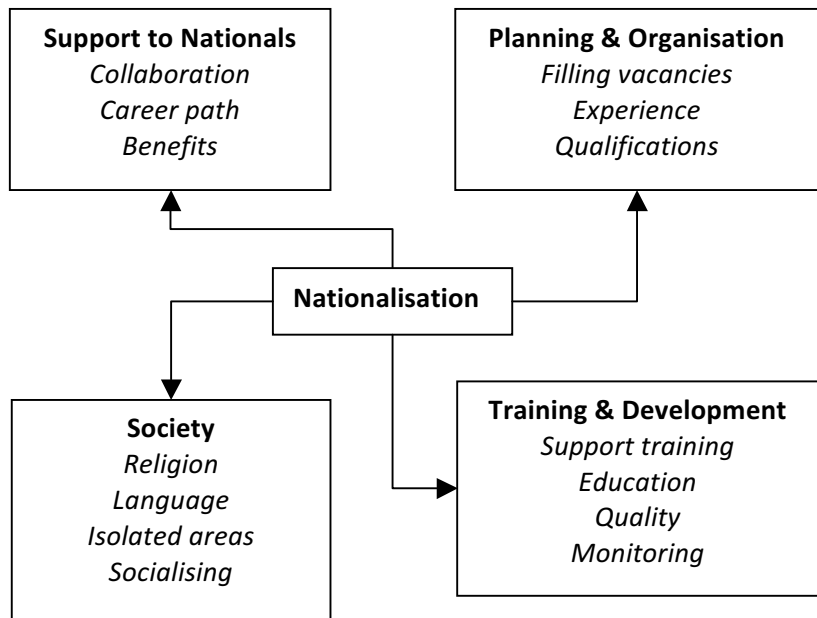
The relationships between external influences, organisational themes and HRM issues, which were identified as part of the interview transcription analysis, are presented in figure 4 below.

**Figure 4:** Relationship between organisational thematic and nationalisation issues



The four key themes that were identified as part of the change management process to localise the workforce are elaborated upon and presented in figure 5 below.

**Figure 5:** Organizational themes in workforce localisation



The four themes depicted in figure 5 above provide fourteen sub-themes which are discussed below.

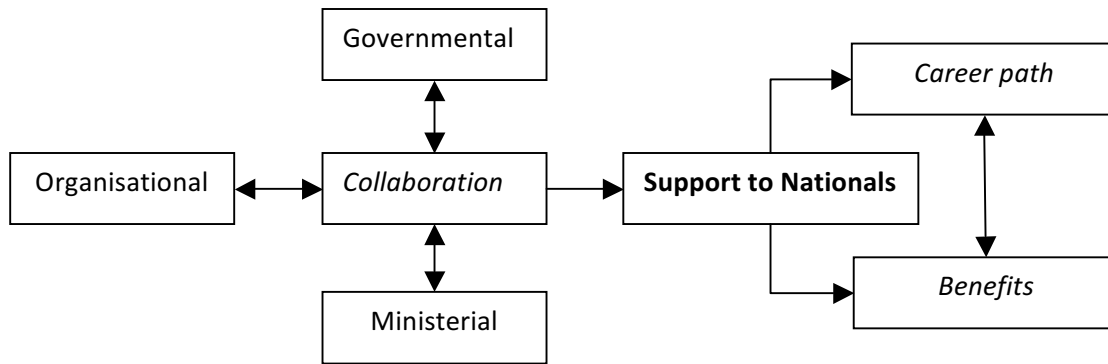
***Theme One: Support to Nationals***

A key finding was the strength of support from nationals about nationalisation. One interviewee stated:

*“This is my country. Expats come and go, but Omanis stay”.*

Support to nationals includes top level collaboration in order to maximise the nationalisation of the workforce, sometimes without enforcement of specific targets, improvement of career path over expatriate counterparts and increased benefits. As shown in figure 6, the subthemes were identified as collaboration between government agencies and organisations, career paths of expats vs. nationals and benefits:

**Figure 6:** Government-organizational collaboration to support nationals.



### Collaboration

Participants highlighted the importance of collaboration between an organisation, the government and ministries, to ensure the right level of nationalisation vs. quality. As one Omani interviewee explained:

*“The Government and the Ministry of Manpower set overall targets [and] the Ministry of Health set the hospital target. They want the best Omanis, but it's not just Omanisation, it's also about saying, this is the safest person, the best doctor”*

However, this view was not replicated within all organisations; as another interviewee put it:

*“The Ministry of Manpower set the levels, but we already exceeded the limit of manpower. Therefore, we have no intention to attract more employees at lower ranks in workforce.”*

### Career Path

The career path of Omanis was important, especially within government organisations.

Participants explained that specific careers were reserved for Omanis:

*“If we need a manager or somebody in administration, we select an Omani. This is a specialty for Omanis, like from HOD, only Omani” and “the headmaster, the principal, the managers, all of these positions have to be Omanis.”*

This was in contrast to expatriate employees, as told by one foreign interviewee:

*“Expats only stay for the length of their contract. They’re specialists and don’t need training.”*

### Benefits

Benefits come in the form of salaries, but also as discounts and ‘perks’ of the job. One Omani interviewee explained that local special entitlements provide discounted rates:

*“One department takes care of employees in the Ministry and it has a connection with the companies outside for discounts and promotions. If you want to buy a new car and give your documents, you're given discount, for example 10, 15, or 20%.”*

Salaries were more of a contentious issue. In one of the organisations surveyed Omanis are paid higher salaries:

*“Omanis get higher salaries compared to expats. In addition, Omanis are offered higher housing allowances, Omanis receive around 250 to 300 [OMR per month] extra for the housing”*

However, as more local employees tend to occupy lower level positions, their average salary is lower compared to foreign employees. Expatriates in higher level positions receive more benefits. One local interview explained:

*“Benefits are more and higher for expatriates. They're getting annual flight allowances, housing and even a car, but these people are mostly in senior positions.”*

The same interviewee went on to explain: *because of training costs spent on Omanis, if you compare it with the salary and benefits of expats, the expat is cheaper, overall.”*

In one instance, there was concern locals receive less benefits. One interviewee stated:

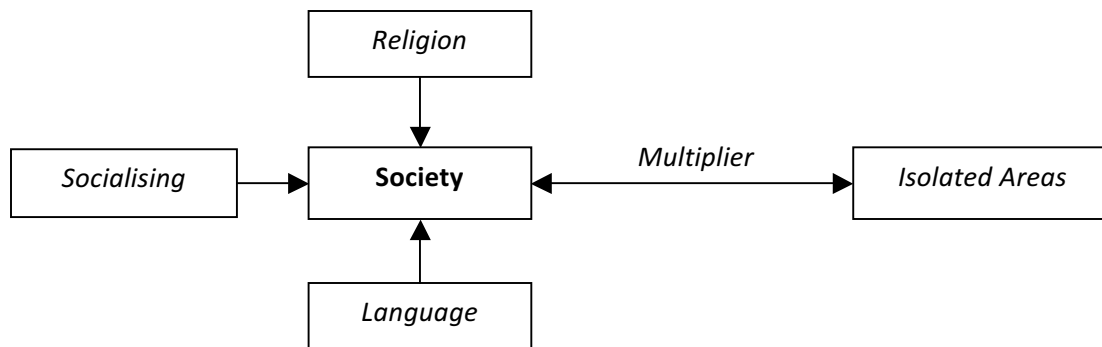
*“Omanis get no medical. Medical is only for Expats... they (expats) receive plane tickets, travel allowance, housing allowance. But, Omanis don't get such benefits. Also, there are different salary ranges. Expats get more benefits.”*

In UAE, a number of initiatives and programs aiming at the integration of nationals into the workforce, such as the Emirates National Development Program have been launched in partnership between private companies, employers' organizations, and several Government ministries. As an incentive to employers, salaries of newly hired nationals are subsidized by the federal government by 30% for at least the duration of their training. While Emiratis, in particular during the initial stages of employment, work side by side with their foreign colleagues, it is clear that they are put in a separate career path with effectively guaranteed jobs, higher salaries, lavish benefits, and the prospect of career development within the organization. In addition to receiving two or even three times higher salaries compared to foreign employees for the same job, an important difference in the treatment of nationals and foreign employees is the employer's contribution towards pension schemes for the former while such schemes are entirely absent for the latter.

**Theme Two: Society**

Sub themes under society include religion, language, socialising and isolated areas.

**Figure 7:** Subthemes of society



Typically religion and language act as barriers to specific jobs. Interviewees regarded socialising as a positive attribute of Omanis although it was recognised that socialising could interfere with work routines. Isolation was noted as a barrier to change management possibly

acting as a multiplier to other societal barriers. That is, the three dimensions of religion, language and socialising are more likely to occur and harder to overcome in isolated parts of the country.

### Religion

One interviewee noted a specific problem with respect to finding Omanis to teach the subject of music:

*“The problem is with the music subject. We don't have enough Omanis. Truly, I don't know why. Maybe some Omanis don't like music, and perhaps you need to consider the perspective of the Quran”*

### Language

Language was identified as a common theme in all interviews. One interviewee remarked:

*“Here (in the workplace), only English language is used. This is the practice at work. If you have an old Omani patient who only understands Arabic, an English-speaking Indian doctor will need a local with English skills to translate.”*

In the course of another interview, it was noted that:

*“We have English, Dutch and Arabic. The language is always a barrier. People need to communicate and now the main language is English. It's a requirement.”*

### Socialising

Socialising among local employees could be detrimental to work, as noted during one interview:

*“In Oman, we have a lot of social activities and this may interfere with work duties. For example, there are weddings, engagements, family celebrations, funerals; Omanis*



*have big extended families. Omanis take more holidays than expatriates even when there is a lot of work to do.”*

### Isolated Areas

The isolation of certain areas was noted as an obstacle towards localising the workforce:

*“Local teachers are unwilling to serve in isolated and desert areas such as the Hama or Salalah regions (both far away from the capital and from Muscat and other major cities).”*

It was noted that localising specialist positions was challenging:

*“Let’s say that I need a new specialist department and I want half of the staff to be Omanis. Here in the city, this is not a problem, but it is very difficult to do so in a health centre located in the mountains or the desert. Still, there is a need for this service out there even if no Omanis can be hired.”*

How an organisation had managed to attract qualified nationals was noted during one interview:

*“We have gone above the localisation targets set by the Ministry as we extended recruitment of nationals from all over the country and not just from our locality. We look at localisation as part of our CSR.”*

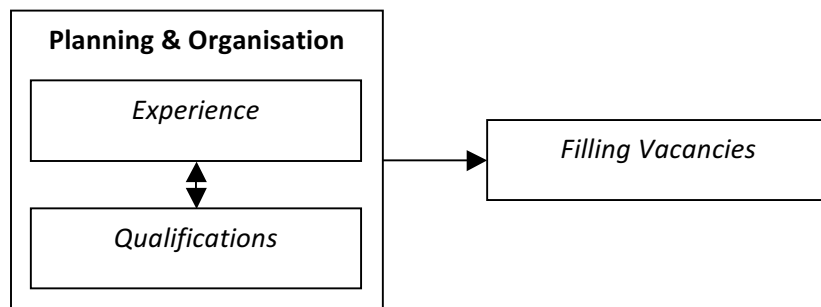
Mixing work routine with socialisation rituals is very common among local employees in UAE especially in public sector organizations. Socialisation is not seen as competing with work obligations but rather as an integral part of discharging one’s duties and responsibilities while maintaining important social relationships. In the private sector, however, especially in firms where large numbers of westerners are employed the lines between work duties and social interaction tend to be more clearly delineated. Owing perhaps to the fact that local employees are part of large extended families while their foreign counterparts are in the country either alone or with a very few members of their immediate family, days off work due to family reasons are more common among the former than the latter. English is widely spoken and most day-to-day business can be conducted in that language with the exception of official

documents, although lack of Arabic skills is a serious impediment in a foreign employee's career progression in particular in the public sector.

### Theme Three: Planning and Organisation

Planning and organisation was identified as a key theme in the change management process of workforce localisation. The relationship between planning and organisation and filling vacancies is presented below.

**Figure 8:** Relationship between planning and organisation and filling vacancies.



Planning is crucial to ensure workforce localisation both with respect to filling entry-level positions as well as replacing expatriates with local employees. Local employees with formal qualifications but lacking in experience present a challenge in localisation.

#### Filling Vacancies

Identified as a sub theme in interviews, filling vacancies refers to managerial and specialist positions. One interviewee explained that new projects in particular can be challenging, especially with respect to specialization, formal qualifications, experience, and isolation:

*“The Ministry is looking at three projects with bigger hospitals that will require over 600 qualified staff. But there are not enough students locally and it is also difficult to find them in other places. The major problem is experience and it may take more than*

*10 years of training for specialisations such as surgeon. The problem is even worse in other areas in the desert and the mountains.”*

### Experience

Lack of required experience compounded the problem of filling vacancies, as noted during an interview:

*“We prefer those who are experienced [as well as qualified], but it's hard, very hard indeed, to get the experience. It is difficult to find local employees who are qualified specialists but also have the experience....Of course, there are a lot of fresh graduates. They have the training, but not yet, the experience.”*

### Qualifications

Concern regarding the absence of suitably qualified nationals was raised during the interviews. One interviewee explained that, though most applicants have recently acquired qualifications, their skills do not always match the job:

*“We have many Omanis, mostly fresh graduates, applying for jobs. They have general qualifications but they are not specialists for a job. We need particular skills and qualifications....Now, we have a new college which graduates qualified and skilled Omanis for a job.”*

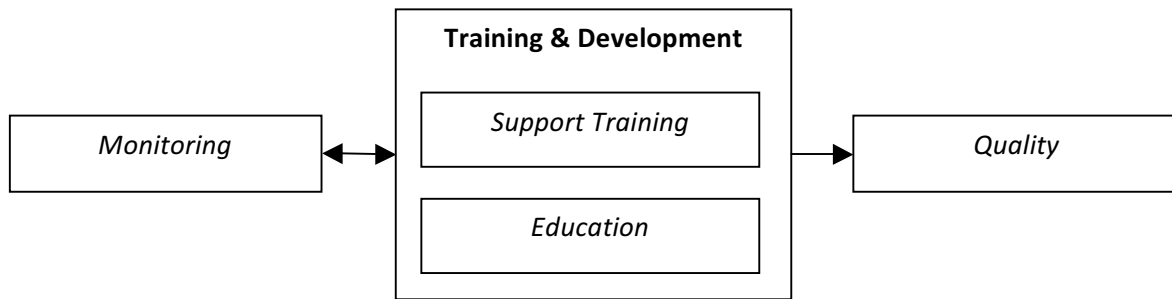
Implementing workforce localisation initiatives, companies in the banking, hotel, transportation, and other service industries in UAE have created entry-level positions that are exclusively reserved for nationals holding tertiary qualifications. Indeed, more success has been achieved in this area than in having expatriate employees replaced by equally qualified nationals especially when it comes to highly skilled jobs. Though effectively being offered a tenured job rather than competing in the open labour market to get it and receiving higher salaries and more benefits than their foreign colleagues, Emiratis who have been employed in this way will have to prove themselves and compete with other employees for promotion to higher level positions. Thus workforce localisation in UAE is essentially an issue of providing white collar jobs to fresh university graduates by implementing a “local-only” hiring policy for

entry-level positions. Although restricted in scope and costly, as it applies to white-collar positions only and with total labour costs much higher than would be the case if foreign employees were hired, this type of workforce localisation is in line with attitudes and expectations of Emiratis who show a deep aversion towards what they consider low-status jobs while expecting a high standard of living requiring a highly-paid job.

**Theme Four: Training and Development**

Most local employees have been trained or are trained by expatriates so that eventually they can replace the latter. The relationship between training and development, monitoring, education and quality is given below.

**Figure 9:** Relationship between Development & Training, Monitoring, Education, and Quality



The linkage between the tasks of training and development, and monitoring ensures that quality is being achieved, or at least aimed for.

Education

All interviewees referred to the importance of education as a key building block towards the successful implementation of localisation programs. As noted during an interview:

*“I started as an elementary teacher, teaching grades four, five, six. Then I was selected to teach grades seven, eight, nine. Following this, I have graduated the University of Leeds and this qualifies me to teach post-education classes ten and eleven.”*

Another interviewee explained:

*“Course in port management are taught at the Maritime College. We work very closely with them to develop the next generation [of Omanis].”*

### Training

Qualifications were identified as important both with respect to the job itself as well as in order to train Omanis. One interviewee explained that he could perform his job while undertaking training:

*“You are teaching and you are studying at the same time. What you have studied, you are going to apply it in schools for teachers.”*

Another interviewee explained how an agreement with a European institution helps local employees acquire specialised training in addition to providing a formal qualification:

*“If needed, we can send staff for short or long-term courses in Rotterdam Port because that is the benefit of the relationship, to have the experts help develop the Omanis.”*

### Monitoring

Regular appraisals were carried out in all four organisations and monitoring was put in place to check performance, for example:

*“If he's an English teacher he has the qualification, but you need to check regularly his performance. That is to look for quality in teaching. If the teaching is bad quality, then he can be sent for further training.”*

Another interviewee explained that his organisation was *“affiliated with the University of Queensland to ensure the highest quality standard”*.

### Quality

Quality was viewed as the overall objective of development and training; as one interviewee put it:

*“We have many specializations at the hospital and this is important. The quality of the care is most important.”*

This was echoed by the comment of another interviewee regarding quality in teaching:

*“This is to look for the quality of teaching.”*

Yet another interviewee summed up the importance of quality:

*“We are a global player and face strong competition. This means that our customers require competitive, efficient and quality service....Our sister port is experienced and a world leader....We utilise these skills for training and development purposes”.*

## **Discussion**

The previously identified four organisational themes that is, support to nationals, society, training and development, and planning and organisation, as well as the five key issues including human resources development, work ethic and expectations, labour costs, task duplication and excess personnel, and parallel career tracks are discussed below. The issues are discussed from the perspective of a systems model of change. Thus, facilitating factors such as government policies and socio-cultural environment as well as impact of changes, originating in government directives upon organizational culture will be considered.

### ***Support to nationals***

‘Support to nationals’ is a recurrent theme in the context of the broader issue of workforce localisation that has been brought under the spotlight in all GCC countries for the past two decades or so (Al-Lamki, 2000; Gallant & Pounder, 2008; Mashood, Verhoeven, & Chansarkar, 2009). In this study, human resources development was identified as a key issue in workforce localisation in the UAE and Oman.

Hattori and Lapidus (2004) suggested that collaboration, within the team at the level of the organization as well as with respect to government-organization interaction, is instrumental in the successful implementation of change management (Cameron & Green, 2012). Effective collaboration is cooperative (Hardy, Lawrence, & Grant, 2005) and this was highlighted

during the interviews. In Oman's case, the Ministries of Health and Education and the overseeing Ministry of Manpower coordinate with organizations and companies in implementing workforce localisation while Emiratisation programs in UAE such as the Absher are managed by the Ministry of Labour and supervised by the Ministry of Presidential Affairs (UAEinteract, 2014; Sabry, 2013). Such collaboration feeds down through to the organisational level, particularly in the case of the hospital in Oman although it was pointed out that hiring local employees did not, in any way, take place at the expense of sacrificing quality. Though there appears to be little opposition to workforce localisation, as this is presented as an issue of national importance in UAE and even more so in Oman, the appetite for participating in localisation programs on a wider scale was markedly less evident among many employers in the private sector in the light of increased labour costs and reduced labour flexibility that would inevitably come as a result of such an exercise. .

Previous research suggests that Omani organisations pay little attention to career progression and a set career path (Al-Hamadi, Budhwar, & Shipton, 2007). However, this research has found that in government organisations as well as in private firms in banking, hospitality and other services in Oman and UAE a career path is mapped out almost as soon as local employees are hired allowing them to advance to a management position after they receive appropriate training. The risks associated with the provision of tenured employment and a more or less guaranteed progression to higher managerial positions have been highlighted in the change management literature (Balogun & Jenkins, 2003) as not all employees will make good managers. Career progression is a challenging issue within the context of workforce localisation and aspirations of nationals to rise to the higher echelons in the managerial hierarchy. Local employees expect, and are often granted, quick promotion to managerial positions as is the case with many Emirati university graduates who, within a short period of time following their hiring, occupy mid-level managerial positions. Preference for promoting Emiratis over foreign employees is the official policy found in personnel manuals in governmental and semi-governmental organizations in UAE.

The career path for local employees in the government sector, and in several private firms as well, is quite different to that of expatriates as the latter have little prospect of career progression even after working a number of years in the same employer. Unsurprisingly, there

was little evidence of employee development and training and a defined career path in private companies where the vast majority of employees are expatriates. Limited opportunities for career development in many private firms lead to high labour mobility among foreign employees who have little option but to change jobs frequently looking for better pay or a higher position elsewhere. Effectively, local and foreign employees are put on very different career tracks highlighting the need to implement organisational change by including the latter in a progression plan, even if this takes the form of horizontal progression, as this may be as satisfying to employees as a pay increase (Paton & McCalman, 2008; Armstrong, 2010; Shafae and Mohammed, 2001).

The absence of significant explicit and implicit benefits has been linked to low employee commitment to organisational change in literature (Gill, 2002; Proctor and Doukakis, 2003). Though a few benefits and allowances such as transportation allowance are offered to all employees, other benefits and allowances are provided exclusively to either foreign or local employees, for instance shipping allowance and annual repatriation tickets are intended for the former while wedding allowance and employer contribution to pension benefit the latter. Omani and Emirati employees often receive implicit benefits which could be obtained due to their connections with certain ministries, for instance discounts on large purchases including cars and easier access to personal finances.

The findings of this study on pay are in agreement with previous research that has produced conflicting results (Khan, 2010; Al Hamadi and Budhwar, 2006; Shafae and Mohammed, 2001). Thus, while no significant pay differentials between local employees and expatriate personnel were found in two organizations in Oman, pay gaps in favour of local employees were found in the other two organizations. The absence of significant pay differentials in the two Omani organizations is a particularly interesting finding in the light of the widespread practice across GCC countries of “paying by passport” and abundant anecdotal evidence suggesting that the salaries received by many foreign employees in the private sector are often well below legally stipulated minimum salary levels. In UAE, a country with a large number of non-Emirati students in tertiary education, as over 80% of the population are foreigners, it is not uncommon for non-Emirati university graduates to receive starting salaries that are between half and one third of the salaries paid to local graduates. As graduates get more work



experience and keep building their career by changing jobs such pay discrepancies become less sharp but they do not entirely disappear. Although the UAE law on minimum pay levels does not make any distinction between Emiratis and foreigners, it is not rare that it is disregarded by private sector employers when hiring foreign graduates in entry level positions.

There is a significant gap in the demand and supply of labour in UAE and Oman as the number of jobs created is far below the number of university graduates entering the labour market (Al-Shaibany, 2015; Al-Barwani, Chapman, & Ameen, 2009) resulting in unemployment and disguised underemployment while pushing salary levels downwards (Rutter & Al Maamari, 2014). Previous research has highlighted the disparity in wages in Oman between the private sector and the public sector resulting in low living standards and forced cohabitation for private sector employees. Local employees must also overcome perceptions favouring employment of foreigners as the latter are seen as willing to accept lower salaries while working longer hours. In the case of highly specialised jobs expatriates, mostly westerners, are preferred over local employees. Expatriates receive lower wages than Omanis in the case of the school researched while the opposite is true for the hospital. The university in Oman adheres to the principle of equal pay and pay grades and scales have been established. The extent of compliance with the principle could not be ascertained as, with the exception of administrative positions, there is negligible workforce localisation in teaching positions.

While the inevitable increase in labour costs that is likely to take place if Emiratisation policies are fully implemented has raised concerns in UAE, the issue of increasing labour costs did not appear to be considered particularly fundamental to the organization's overall success and competitiveness during the interviews in Oman. It could be argued that implementing Emiratisation programs as a matter of social policy public corporations are prepared to provide employment to nationals at a substantially higher cost than it would have been the case if expatriates holding passports from countries with a lower cost of living were employed. Nevertheless, making Emiratisation policies mandatory for the private sector will lead to much higher overall labour costs that may have detrimental effects on the performance and competitiveness of companies. This is because, in addition to higher salaries paid to nationals,

employers are also obliged to make contributions to pension schemes for nationals, a requirement that does not exist in the case of expatriate personnel.

### ***Society***

Securing a position in a public and semi-public corporation, where the vast majority of Emiratis are employed, has, so far, meant a generous salary, often well above what it would have been paid to an expatriate doing the same job, plus an array of very generous benefits. Nationals employed in the public sector often augment their income by running their own private business or acting as sponsors to foreigners establishing a business in the country. Employment in the public sector has come to be viewed almost as an entitlement and a means to secure a guaranteed comfortable living while doubts may be raised whether the full attention and efforts of local employees are directed solely towards their main occupation when they have to take care of their private business at the same time.

The unique nature of Oman's society lends itself to more complex nationalisation issues and change management themes include religion, language, society which have been previously highlighted (Al-Ali, 2008; Mashood et al., 2009; Modarress, Ansari, & Lockwood, 2013). To the aforementioned three change management themes isolated areas in Oman, acting as a multiplier, must be included.

Religion, tribal and family ties play an important role in daily life (Al-Hamadi et al., 2007) and must be carefully managed within an organisation. From a human resource and change management perspective, UAE and, though to a somewhat lesser extent, Oman offer unparalleled workforce diversity in terms of nationality, educational level, ethnic background, culture, and religion (Alserhan, Forstenlechner, & Al-Nakeeb, 2009). Nevertheless, localising certain jobs, for example jobs involving teaching music and art subjects, may prove a difficult exercise as this could be interpreted as going against Islam, the religion of both countries. The findings of this study highlighted the role that religion plays in localising certain occupations and are in line with the findings of previous research suggesting the importance of HR management strategies in the context of religious sensitivities.

Omani employees tend to be very sociable, attending to family, relations, and social events, and this can affect work commitments and routines. The difference in values and attitudes towards work between local and expatriate employees has been noted in earlier studies (Kuehn & Al-Busaidi, 2000) and may become an issue in Omani organisations when replacing foreign personnel with local employees as the latter are sometimes considered ‘less committed’ (Al-Shanfari, 2012). Probably because the overwhelming majority of the workforce in the private sector in UAE consists of foreigners, the values and commitment of the tiny minority of local employees working alongside their foreign colleagues do not appear to be an issue of concern for employers. Without disregarding social obligations, the work ethic and values of Emirati employees appear to be more compatible with the requirements of the modern workplace than is the case for their counterparts in Oman.

Though Arabic is the official language in UAE and Oman, a good level of English proficiency is expected in the workplace. With the exception of the school and the hospital in Oman language was not identified as an issue. The use of English is required by all staff at the hospital; in practice, however, Arabic is used by Arab nationals when communicating among themselves. Communicating in Arabic is especially crucial when treating hospital patients who do not speak English. Intermediaries interpreting between patients and foreign medical staff are used when the latter lack Arabic skills. Absence of Arabic language skills delineates the glass ceiling for expatriate personnel to advance to higher level positions. On the other hand, lack of English proficiency was identified as an important change management issue impacting on workforce localisation in previous research (Balakrishnan et al., 2011; Goby and Nickerson, 2013; Mashood et al., 2009).

In addition to religion and language Oman’s isolated areas present a challenge with respect to workforce localisation as recruiting and retaining specialised local employees in such locations is proving particularly difficult. The difficulty in getting specialist medical treatment and care in remote locations in Oman, a crucial issue in the light of the high number of disabilities, often due to intra family marriages, has been noted in previous studies (Profanter, 2009). Our research extends this issue into the realm of change management of workforce localisation highlighting an area of development within policy. Specialism and expertise are often hard to find in rural areas of Oman as educated locals such as teachers and medical professionals opt to

move to cities in search of better paid jobs and career opportunities leaving little option but to have vacancies in rural areas and remote locations filled by expatriate personnel.

### ***Planning and Organisation***

The relationship between tertiary education and filling job vacancies as well as different recruitment practices have been noted in research on change management in the context of demographics (McVittie, McKinlay, and Widdicombe, 2008; Al-Lamki, 1998). Academic faculty vacancies in the university in Oman are advertised internationally while computerised databases were used to recruit local graduates with specialist skills. The preference for hiring national over expatriates notwithstanding, it was acknowledged that it is often very difficult to hire suitably qualified nationals; such is the case in the hospital where there are more than 600 hundred positions requiring specialist skills. In this regard the importance of long range planning in higher and secondary education, not only in order to ensure an adequate supply of qualified nationals to replace expatriate employees but also to prevent a surplus of skills in areas of low demand and employability, cannot be overstated (Al Shmeli, 2009; Ghosh, 2009; Al Kindi, 2007; Muysken and Nour, 2006). However, regulating offerings in higher education may be a challenging task as both Oman and UAE have followed an open policy in higher education allowing many international colleges and universities to establish local operations.

Experience was identified as a subtheme, although in some contention to qualifications. It appears that, while older Omani employees have work experience although they often lack in formal qualifications, the opposite is true for their younger compatriots. This confirms findings of previous research on workforce localisation in Oman (Caroll and Palermo, 2006) and in UAE (Al-Ali, 2008; Forstenlechner, Madi, Selim, & Rutledge, 2012). Lack of experience was evident in the hospital in which not enough experienced nationals were found as well as in the port where specialist skills and experience of working in the maritime industry are necessary. The situation is not very different in UAE, where many older employees in private companies lack formal qualifications in sharp contrast to younger colleagues. There is also an acute shortage of experienced nationals for senior positions in sectors of the service industry such as

banking and the hospitality industry leaving little option but to have such positions filled with expatriate employees.

A mix picture emerges with respect to qualifications. Whilst in one organisation it was suggested that Omani employees were very well qualified though lacking in experience, in another organisation it was noted that local employee qualifications were in the wrong areas. In the case of the latter organisation, specialist degrees better suited to the nature of its operations would have been preferred in place of degrees in general business management. Although graduates from the university in Oman can find employment in the main companies in the area the mismatch between specialist knowledge required in some industries and knowledge provided at the university needs to be corrected.

Pursuing workforce localisation without due consideration to the availability of appropriate qualifications and skills among local employees can have unintended, and costly, consequences for companies. For example, legislation in UAE has made it mandatory for companies of a certain employment size and above to hire local employees in the position of a HR manager. However, in the absence of an adequate number of suitably qualified and experienced local employees with business degrees in HRM several companies were forced to make a local hire in order to comply with the law while maintaining the expatriate staff who used to perform the duties of the HR before. In effect, a local hire in the position of the HR manager over a subordinate (the previous expat HR specialist), the latter still performing the same duties as before but at a fraction of the local employee's salary, hence overstaffing, higher costs, and unavoidable duplication of tasks.

### ***Training and Development***

Both UAE and Oman have made great strides in all levels of education in the past few decades. Tertiary education in particular is seen as crucial to further social and economic development and this is reflected in the rising number of universities and colleges established in both countries (Trevor-Roper, Razvi, & Goodliffe, 2013). All interviewees in Oman stressed the central role of education in promoting workforce localisation and career development. In the Ministry of Higher Education a career development scheme allows teachers to undertake further study abroad, a step especially important for those in the ranks of lecturer and assistant

professor as it helps them in getting promoted to higher academic ranks. A similar scheme, monitored by the Ministry of Health, exists at the hospital. The port authority went a step further with respect to employee development as, in addition to sending local employees to further their studies abroad, it has established a specialist maritime college in Oman, staffed by foreign instructors, in order to train its employees as well as citizens from other GCC countries.

Training plays a key role in implementing workforce localisation and helps to ensure smooth organizational change (Cameron and Green, 2012; Cummings and Worley, 2014). All organisations surveyed in Oman have established partnership with foreign institutions. For instance, partnerships with UK universities have been established by the Ministry of Education, while the Port, as part of its corporate social responsibility, has an agreement with Rotterdam Port for employee exchange and training. Helping train and develop the local workforce has been identified as part of an organisation's corporate social responsibility in previous research as well (Minnee, Shanka, Taylor, and Handley, 2013).

Assisting national employees upgrade their formal qualifications is a priority and distinct characteristic in the government bureaucracy in UAE. In addition to annual training and development programs based on training needs analysis, national employees in government and semi-government organisations such as the Department of Immigration, the Dubai Port Authority, the Police Department, as well as public hospitals and telecommunications companies are provided with education and training leave and have tuition fees for Bachelor's, Masters and further graduate studies fully covered by the respective department. While similar schemes are found in some of the country's private firms, mainly banks, the main beneficiaries are local employees while, with rare exceptions, expatriate employees have to cover their own educational expenses.

There are different perspectives regarding monitoring and quality. For instance, the Ministry of Higher Education in Oman tracks every position that a local candidate had applied for and been accepted to. On the other hand, the school considers imperative to monitor the standards of every teacher in order to ensure a high level of quality in teaching. Interestingly, if a teacher is consistently underperforming, (s)he is more likely to be asked to undertake further training and education rather than being dismissed. This reflects concern with preserving employment for

nationals who, practically, cannot be terminated except in cases of grave misconduct and serious offenses. It must, however, be noted that UAE has taken steps loosening the guarantee of permanent employment for nationals working in the public sector.

### ***Conclusions***

Looking at the macro level of external forces it would appear that the conditions are present to promote workforce localisation on a wider scale. In the first place, governments in Oman and UAE are doing their part in the national drive to provide jobs to local employees by introducing enabling legislation with appropriate incentives and penalties while being the employer of choice for the vast majority of citizens. At the same time, unemployment, in particular among young people, provides the right context for action to pursue workforce localisation. Yet, two formidable obstacles stand in the way of providing jobs to nationals. First, the public sector has almost reached employment saturation with very little capacity to absorb new hires notwithstanding the occasional establishment of new government offices the main purpose of which appears, at times, to be providing jobs to nationals rather than services to the public. The second obstacle is even greater and goes to the very foundations of the economic system in the GCC based on the importation of vast numbers of low-paid foreign workers employed mainly in construction and other low and semi-skilled jobs. In addition to the aversion local people have towards menial jobs, any thought of workforce localisation in industries employing cheap foreigners could undermine the foundations of the very system that has helped sectors of the economy to grow and create prosperity in the region.

The only realistic prospect for further workforce localisation is the private sector and this requires restructuring so that the private sector plays a bigger role in the economy. It is thus private employers that they will have to shoulder the burden of workforce localisation and cope with the many challenges ahead. Workforce localisation has so far been restricted to entry-level positions and this is unlikely to change anytime soon as, often, expertise and specialist skills for higher level positions in the organisational hierarchy are not available locally. Young local hires find themselves working side by side with foreign colleagues but the two are put into parallel career paths giving rise to a core-periphery workforce dichotomy. The core part

consists of local employees who are hired with the prospect and guarantee of tenured employment, have a career path laid out for them as they are expected to rise to the top of the hierarchy hence they are the main beneficiaries of continuing training and development programs, receive higher salaries, and are enrolled in pension schemes. On the other hand, foreign employees make up the peripheral part of the workforce. They are employed on the basis of renewable contracts subject to a notice not exceeding six months, have limited chances for promotion, no pension coverage while it is not uncommon that a clause in the employment contract states that, in the event that a qualified national is found, their employment will be terminated.

Thus, in contrast to local employees who, given the certainty of a tenured employment, have less motivation to change jobs preferring, instead, to build their career within one organisation, there is high labour mobility among expatriates especially in highly skilled jobs (though such mobility is certainly reduced because of regulations linking a foreigner's work permit to one specific employer, and not to an occupation, plus the requirement that the present employer's written consent must be obtained before a foreigner is allowed to change jobs) as this is the only option for them to build skills and expertise thus developing careers between several organisations. Given high labour mobility among expatriate workers, employers may be reluctant to invest in their training and upgrade of qualifications and this, in turn, pushes the former to keep on changing jobs. The upshot of this is that foreign employees, who were, in the first place, hired as specialists, gradually acquire broader expertise and develop transferable skills that allow them to build their career horizontally by changing jobs while, on the other hand, local employees, recruited with the expectation of spending their working life in one organisation, develop firm-specific skills that make them increasingly valuable to their current employer though less so to other potential employers.

At the micro level of a private company managing a core and a peripheral segment of the workforce has its advantages as the former is the backbone of the company immersed in its culture and values and possessing valuable company-specific skills while the latter provides labour flexibility, essential for any firm. The challenges, though, managers are faced with are not insignificant as they need to develop practices and systems that will address issues specific to each of the two segments; taking the middle ground by attempting to manage in one unitary



way local (core) employees and foreign (periphery) employees is likely to alienate both segments. Issues that will need to be considered and resolved include hiring and selection, training, career progression, remuneration and indeed the whole range of human resources management practices. For instance, how equity can be established and the universally acknowledged principle of “equal pay for equal work” upheld when employees performing identical tasks are rewarded differently? If local employees are attracted by the prospect of career development, playing a key role in the affairs and future of the company in addition to good salaries and benefits, how can foreign employees, who are excluded from what applies to their local colleagues, often in violation of legislation, be motivated and what substitutes can be found for the lack of equity? Management will need to tackle such issues in a more systematic way given that workforce localisation is likely to remain under the spotlight for the foreseeable future.

Workforce localisation has, so far, been restricted mostly to the government bureaucracy and to entry level and lower positions in the private sector. If the experience of the two countries and the GCC region over the past 2-3 decades can serve as a guide, it may be expected that, as long as economic growth continues and comfortable living standards are maintained, workforce localisation will remain essentially an issue of providing jobs to nationals in selected occupations and industries. It is highly unlikely that workforce localization will take the shape of a systematic campaign to have nationals replacing expatriate employees across a wide range of sectors and occupations, especially in low-paid, menial, unskilled and socially less than acceptable jobs. Should, however, a prolonged deterioration in economic conditions takes place accompanied by a fall in living standards, nationals may find themselves obliged to enter the open labour market competing on equal terms with other employees. In such a scenario, it is unlikely that the protective net of minimum salary levels, the array of generous benefits, and restrictions on the termination of nationals can continue to be selectively applied to one segment of the workforce particularly if this segment keeps on growing as a percentage of the total workforce. Instead, the most likely outcome of implementing a sustained workforce localisation program on a wider scale would be to bring down divisions between the artificially protected core labour market and the peripheral sector forcing nationals and foreigners alike into one single free and open labour market.

The small number of organisations surveyed in Oman, lack of a matching sample of UAE organisations, absence of hard, firm-specific or industry-specific data on workforce localisation in both countries, different methodologies employed in collecting data, and, in some cases, a suspected bias, on the part of companies, to provide socially acceptable data and answers, are some of the limitations of this study reducing the generalizability of its findings. However, when viewed together, the similarities and differences observed in the two countries provide a useful perspective of the overall state of workforce localization programmes in Oman and UAE. It is hoped that future studies will shed more light in localisation programmes and implications for the process of change management, an issue of national importance for the GCC countries.

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