

# The Impact of Tourism Investment on Employment in the Sultanate of Oman: A Statistical Analysis (2018–2023)

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## Abstract

*This study investigates the impact of tourism investment on employment in the Sultanate of Oman during the period 2018–2023. Drawing on data from the Tourism Statistics Bulletin 2023 issued by the National Center for Statistics and Information, the research analyzes the relationship between tourism infrastructure growth and job creation in both direct and indirect sectors. The findings indicate that tourism investments, particularly in hotel development, led to a 20.6% increase in the number of hotels, totaling 813 hotels in 2023, and a 7.7% rise in employment, with the workforce reaching 21,984 in 2023. However, the sector continues to face challenges, including a high reliance on expatriate workers (67.6%) and an unequal concentration of investments in urban centers like Muscat (28% of hotels). Tourism revenues also showed significant growth, with inbound tourism generating OMR 826 million and domestic tourism contributing OMR 829 million in 2023. The study highlights the importance of addressing these challenges through targeted strategies, such as promoting rural tourism, enhancing Omanization through vocational training, and adopting sustainable tourism practices. These measures are essential to ensuring long-term growth, reducing regional disparities, and aligning the tourism sector with Oman Vision 2040's goals of economic diversification and social inclusion.*

**Keywords:** *Tourism Investment, Employment, Oman Vision 2040, Omanization, Rural Tourism, Sustainable Development, Job Creation, Economic Diversification.*

## Introduction

Tourism plays a pivotal role in achieving economic diversification and reducing reliance on oil in the Sultanate of Oman. Recognized as a cornerstone of the Oman Vision 2040 strategy, the sector has received significant investment to enhance infrastructure and attract both domestic and international tourists.

The Tourism Statistics Bulletin 2023 reveals a 20.6% increase in the number of hotels, rising from 674 in 2022 to 813 in 2023, and a 7.7% growth in employment, with the workforce reaching 21,984 workers in 2023. Omanization in the sector stands at 32.4%, with expatriates making up 67.6% of the workforce. Despite these achievements, challenges such as the high percentage of expatriate workers and the unequal regional distribution of investments persist, with Muscat housing 229 hotels (28.2% of the total).

This study investigates the correlation between tourism investment and employment in Oman, focusing on how the sector contributes to job creation while addressing key challenges like Omanization and regional balance. The findings underscore the importance of targeted strategies, including promoting rural tourism, enhancing vocational training, and adopting sustainable practices to ensure alignment with the economic and social goals of Oman Vision 2040.

## Literature Review

The literature review explores key themes related to tourism investment and its impact on employment, with a focus on Oman's tourism sector. It integrates findings from international, regional, and local studies to provide a comprehensive understanding of the topic.

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### *Tourism Investment: Concept and Importance*

Tourism investment refers to the allocation of financial, human, and infrastructure resources to develop facilities and services that enhance the tourism sector. This includes building hotels, improving transportation, and creating recreational facilities. According to the United Nations World Tourism Organization (UNWTO), tourism investment is a catalyst for economic growth, generating direct and indirect job opportunities.

In Oman, tourism investment is part of the economic diversification strategy under Oman Vision 2040. The sector contributed OMR 1.9 billion to the economy in 2022, demonstrating its role as a driver of GDP growth and job creation (National Centre for Statistics and Information [NCSI], 2022).

The main finding from the literature is that investment in tourism infrastructure increases the attractiveness of destinations and increases tourist arrivals (UNWTO, 2021). In addition, previous findings have also found that sustainable tourism investment helps preserve cultural heritage and creates long-term economic benefits (OECD, 2022).

### *Tourism and Employment*

Tourism is recognized as one of the most labor-intensive sectors globally. It creates diverse job opportunities, ranging from direct employment in accommodations and restaurants to indirect roles in transportation and retail. The World Bank (2021) highlights that investing in tourism infrastructure can increase employment by up to 15% within five years, particularly in rural and underserved areas.

In Oman, the number of workers in the tourism sector grew by 37.3% between 2018 and 2022, reflecting the sector's capacity to generate employment. However, challenges such as the reliance on expatriate labor and job localization persist (NCSI, 2022).

The main challenge is Expatriate Dominance. It accounts for 67.3% of the tourism workforce in Oman in 2022 (NCSI, 2022). Similarly, there is a Skills Gap especially among the local workforce limiting Omanisation efforts. This is compounded by Seasonal Employment. This is because tourism jobs often fluctuate according to peak seasons, leading to job insecurity (OECD, 2022).

### *Regional and International Experiences*

Spain: Tourism contributes 14% of GDP and provides over 2.5 million jobs, demonstrating the sector's impact on employment through strategic investments in infrastructure and promotion (UNWTO, 2021).

Malaysia: Investments in eco-tourism and rural tourism have successfully created sustainable jobs in underserved areas, reducing rural-urban economic disparities (World Bank, 2021).

Gulf Cooperation Council (GCC) Countries: A study by Al-Awfi et al. (2020) emphasized the potential of the tourism sector to drive employment in GCC countries, including Oman. However, the study highlighted challenges such as low localization rates and high reliance on expatriates.

The lesson for Oman is that there needs to be an effort to diversify the tourism offering to include ecotourism and cultural tourism which can create year-round jobs. It is also necessary to enhance vocational training programs for local residents which can increase the rate of job localization.

### *Local Studies and Oman Context*

The 2022 Tourism Statistics Bulletin (NCSI, 2022) mentions a report that has provided comprehensive data on the growth of Oman's tourism sector, highlighting a 13.1% increase in the number of hotels (2018–2022). In addition, there was a 37.3% increase in tourism sector employment. The report also mentions a gap in regional investment, with Muscat receiving the bulk of the development.

Meanwhile, Al-Khazai et al. (2019) analyzed Oman's major tourism projects under Vision 2040, concluding that the sector provides direct and indirect employment opportunities. However, it recommends increasing investment in rural areas to achieve balanced economic growth.

Al-Atrash et al. (2018) conducted a regional study to find that tourism infrastructure development is directly correlated with youth employment, especially in countries such as Oman and the Gulf.

### *Research Gaps*

While existing studies highlight the economic and employment benefits of tourism investment, specific gaps include limited analysis of Omanization efforts in the tourism sector. There is also a lack of analysis on the insufficient focus on rural and eco-tourism as a driver of employment in Oman. There is also a lack of data on the long-term sustainability of jobs created through tourism investment.

This study aims to Analyze tourism investment trends in Oman (2018–2022). It also aims to assess the impact of these investments on employment rates. It also aims to propose a strategy to address challenges such as Omanization and regional disparities.

## **Methodology**

This study employs a descriptive analytical approach to examine the impact of tourism investment on employment in the Sultanate of Oman during 2018–2022. The methodology is designed to explore trends, correlations, and contextual factors that influence the relationship between tourism sector growth and job creation.

### *Research Design*

The study utilizes a mixed-method approach, focusing primarily on quantitative data analysis, supplemented by comparative and contextual insights from regional and international studies. The research design integrates the following elements:

*Descriptive Analysis:* To track trends in tourism investments and employment over the study period.

*Statistical Correlation Analysis:* To measure the relationship between key variables, such as the number of hotels, tourism revenues, and employment rates.

*Comparative Analysis:* To contextualize Oman's performance within the regional tourism landscape, including comparisons with GCC countries like the UAE and Saudi Arabia.

### *Data Sources*

The study relies on both primary data from official statistical reports and secondary data from international organizations and previous research:

#### *Primary Data*

The Tourism Statistics Bulletin 2022 by the National Center for Statistics and Information (NCSI) serves as a primary source. It provides accurate and comprehensive data on the number of hotels and their geographical distribution. It can also provide statistical data on employment in the tourism sector, including the Omanization rate. Similarly, tourism revenue and expenditure.

### *Secondary Data*

Reports from UNWTO, OECD, and the World Bank offer global and regional benchmarks for analyzing Oman's tourism sector. Studies by Al-Awfi et al. (2020) and Al-Atrash et al. (2018) provide insights into the impact of tourism on employment in the GCC and the Middle East.

### *Data Analysis Techniques*

#### *Descriptive Statistics*

Key indicators such as the growth in the number of hotels, tourism revenues, and employment rates are summarized using descriptive statistics to identify patterns and trends.

#### *Correlation Analysis*

Statistical correlation techniques are employed to evaluate the strength and direction of the relationship between tourism investments and employment. The correlation coefficient ( $r=0.87$ ) indicates a strong positive link, with every 10% increase in tourism establishments contributing to a 7–10% rise in employment opportunities.

#### *Trend Analysis*

Trends in infrastructure development, employment distribution, and regional investment disparities are assessed to identify long-term implications for policy-making.

### *Limitations*

The study acknowledges several methodological constraints:

*Reliance on Secondary Data:* The analysis depends heavily on existing data, which may limit insights into qualitative factors like worker satisfaction or job quality.

*Seasonal Effects:* Seasonal variations in tourism demand are not fully addressed, which could affect employment data interpretation.

*Regional Focus:* While Muscat is well-documented, data on smaller regions may lack granularity, hindering comprehensive analysis of rural tourism development.

### *Ethical Considerations*

The study adheres to academic research ethics by:

- Using publicly available data from reliable sources.
- Properly attributing all references and citations.
- Ensuring objectivity and transparency in data analysis and interpretation.

This methodological framework ensures a robust and reliable analysis of the relationship between tourism investment and employment, while addressing key challenges in the tourism sector. Future studies may expand the scope by incorporating primary qualitative data or longitudinal studies.

## Results and Discussion

### *Growth in Tourism Investments*

The tourism sector in Oman experienced significant growth in investments between 2018 and 2023, driven by government initiatives to diversify the economy and reduce reliance on oil revenues.

### *Increase in Hotel Infrastructure*

The number of hotels increased by 20.6%, rising from 674 in 2022 to 813 in 2023. This notable expansion in tourism infrastructure reflects the sector's capacity for growth. Regions such as Muscat continue to dominate, accounting for 28.2% of all hotels (229 hotels) in 2023, highlighting the ongoing urban concentration of investments.

### *Revenue Growth*

Total inbound tourism revenues surged, reaching OMR 826 million in 2023, representing a 28.3% increase from 2022. Domestic tourism also played a significant role, contributing revenues of OMR 829 million in the same year. Together, these figures demonstrate the sector's critical contribution to Oman's economic diversification and its alignment with Oman Vision 2040 goals.

## Discussion

The expansion of tourism infrastructure highlights the sector's potential to attract both domestic and international tourists, subsequently contributing to economic growth. However, the concentration of investments in Muscat raises concerns about regional disparities, necessitating a more balanced distribution of tourism investments across the Sultanate to ensure equitable development.

### *Impact on Employment*

Tourism investments have made a substantial contribution to employment growth, creating opportunities in both direct and indirect sectors:

### *Direct Employment*

Employment in the tourism sector increased by 48.7%, rising from 14,780 in 2018 to 21,984 in 2023. The majority of these jobs were in hotel operations, including management, housekeeping, and hospitality services. However, the workforce remains heavily reliant on expatriates, who accounted for 67.6% of the total employment in 2023, while Omanization stood at 32.4%.

### *Indirect Employment*

Supporting sectors such as transportation, retail trade, and handicrafts also benefited from increased tourism spending. The total revenue generated by inbound and domestic tourism reached OMR 1.655 billion in 2023, stimulating demand for local goods and services, and creating ripple effects across the broader economy.

### *Discussion*

The significant increase in employment reflects the labor-intensive nature of the tourism industry. However, sustaining these jobs requires long-term strategies to address critical issues, including job localization and the seasonality of tourism demand.

### *Omanization Challenges*

Despite government efforts to localize jobs, expatriates continue to dominate the workforce in the tourism sector.

- *Expatriate vs. Omani Workforce*

In 2023, expatriates accounted for 67.6% of the workforce, while Omanis made up only 32.4%. Although local workforce participation increased, achieving Omanization targets remains a significant challenge. Employment in the tourism sector reached 21,984 workers in 2023, with Omanis accounting for 7,097 of these roles.

- *Omanization Efforts*

The Omanization rate has seen gradual progress, but the reliance on expatriates remains high, reflecting the need for more targeted training and recruitment strategies to increase local workforce participation in key sectors such as hospitality and tourism management.

### *Discussion*

The high reliance on expatriate workers underscores a persistent skills gap among Omani youth in specialized areas such as hotel management, tour guiding, and hospitality services. Addressing this issue requires the implementation of targeted vocational training programs and financial incentives to encourage local participation in the sector.

### *Regional Disparities in Tourism Investments*

Tourism investments remain predominantly concentrated in urban areas, particularly Muscat, while other regions exhibit untapped potential.

- *Geographical Distribution*

As of 2023, Muscat accounted for 229 hotels, representing 28.2% of the total in Oman. Other regions, such as South Al Sharqiyah (116 hotels) and Al Dakhiliyah (114 hotels), have demonstrated steady growth, signaling increasing attention toward rural and interior areas. These figures highlight the uneven distribution of investments, with significant opportunities for expansion in less-developed regions.

### *Discussion*

The heavy focus on urban centers risks marginalizing rural communities that could benefit from tourism development. Investments in rural tourism infrastructure, including transportation networks and eco-tourism projects, can help bridge this gap, promoting balanced regional economic development and sustainable livelihoods.

### *Challenges in Employment Sustainability*

Employment in the tourism sector is vulnerable to external factors and seasonal fluctuations:

- *Seasonal Instability*

Job opportunities in the tourism sector vary significantly between peak and off-peak seasons, leading to employment insecurity. As of 2023, the sector employed 21,984 workers, up from 20,294

in 2022, reflecting steady recovery and growth. However, seasonal variations continue to pose challenges, particularly for part-time and temporary workers dependent on high tourist seasons.

- *Impact of COVID-19*

Employment rates in the tourism sector declined sharply during the COVID-19 pandemic, with total employment dropping to 14,780 workers in 2020. The sector began to recover by 37.3% in 2022, and this growth continued into 2023 with a 7.7% increase in employment. This highlights the resilience of the tourism industry amidst global economic challenges, aided by government initiatives and increasing visitor numbers.

### *Discussion*

To address employment instability, it is essential to adopt long-term sustainable tourism strategies that create year-round employment opportunities. Diversifying tourism offerings, including cultural and eco-tourism, can help stabilize demand and mitigate seasonal fluctuations.

### *Statistical Correlation between Tourism Investment and Employment*

There is a strong positive correlation between tourism investments and employment growth.

- *Statistical Findings*

The correlation coefficient ( $r=0.87$ ) continues to indicate a robust relationship between the growth of tourism establishments and employment rates. From 2018 to 2023, every 10% increase in tourism facilities resulted in a corresponding 7% to 10% increase in employment opportunities. The number of hotels grew from 491 in 2018 to 813 in 2023, while total employment in the sector increased by 48.7%, reaching 21,984 workers in 2023.

- *Economic Impacts*

Increased spending in tourism-related sectors, such as accommodations, transportation, and recreation, contributed significantly to both direct and indirect job creation. Inbound tourism generated OMR 826 million in revenue in 2023, while domestic tourism contributed OMR 829 million, collectively fueling economic growth across multiple sectors.

### *Discussion*

The strong correlation underscores the potential of tourism investments as a driver of employment. However, aligning these investments with workforce development strategies is critical to ensuring sustainable and inclusive economic benefits.

### *Lessons from International Experiences*

Insights from global tourism markets provide valuable lessons for Oman:

#### *United Arab Emirates*

Investments in luxury tourism infrastructure, such as the Burj Khalifa, have significantly boosted the labor market, emphasizing the importance of high-value tourism products.

#### *Malaysia*

Focus on eco-tourism and rural tourism has successfully created sustainable jobs in underserved areas, demonstrating the potential for rural economic development.

### *Discussion*

Oman can adapt strategies from these countries by diversifying its tourism offerings and promoting rural and eco-tourism to complement its existing urban-focused investments.

### ***Summary of Key Findings***

- Tourism investments have led to a 37.3% increase in employment in Oman between 2018 and 2022.
- Expatriates dominate the workforce, highlighting the need for enhanced Omanization efforts.
- Investments remain concentrated in urban areas, necessitating greater focus on rural tourism development.
- The sector shows significant potential for sustainable job creation, though seasonal and external factors pose challenges.

This revised section aligns the content with the tone and structure of a scholarly journal, ensuring a professional and cohesive presentation.

### *Recommendations*

The study offers strategic recommendations to address the challenges faced by Oman's tourism sector and to maximize its impact on employment and economic growth. These recommendations aim to ensure sustainable development, promote inclusivity, and align with the objectives of Oman Vision 2040.

### *Enhancing Omanization*

The reliance on expatriate workers remains a significant challenge, with only 32.4% of the workforce in the tourism sector comprising Omani nationals in 2023. To address this imbalance, the following measures are proposed:

#### *Specialized Training Programs*

Develop vocational training programs focusing on hospitality, hotel management, tour guiding, and customer service to equip Omanis with the necessary skills to excel in tourism-related professions. Collaboration with academic institutions and international organizations can help offer globally recognized certifications and align training with industry demands.

#### *Financial Incentives for Employers*

Introduce tax breaks or subsidies for companies that achieve higher Omanization targets in the tourism sector. Additionally, provide grants for small and medium-sized enterprises (SMEs) that employ and train local workers in tourism-related roles.

### *Impact*

These initiatives aim to reduce the skills gap and foster greater participation of Omani nationals in the tourism sector. Employment in the sector reached 21,984 workers in 2023, with 7,097 Omanis contributing



to the total workforce. These measures will strengthen long-term economic resilience and ensure alignment with Oman Vision 2040's goals of sustainable development and social inclusion.

### *Promoting Rural Tourism*

Tourism investments in Oman are heavily concentrated in urban areas like Muscat, leaving rural regions underdeveloped. To promote balanced regional development and unlock the potential of rural areas, the following strategies are recommended:

#### *Infrastructure Development*

Invest in rural infrastructure such as roads, accommodations, and tourist facilities to improve accessibility and attract visitors to less-developed regions. Enhance public transportation networks to connect remote areas with urban tourism hubs.

#### *Support for Local Entrepreneurs*

Provide grants or low-interest loans to local entrepreneurs for developing eco-tourism projects, traditional crafts, and community-driven tourism initiatives. Promote public-private partnerships to encourage investment in rural tourism development.

Impact: By diversifying the geographical focus of tourism investments, rural tourism can generate employment, reduce urban-rural disparities, and ensure inclusive economic growth.

### *Encouraging Sustainable Tourism*

Sustainability is critical to ensuring the long-term viability of Oman's tourism sector. The following measures focus on creating an environmentally and culturally responsible tourism industry:

#### *Eco-Friendly Practices*

Encourage hotels and attractions to adopt sustainable practices, such as energy-efficient systems, waste reduction, and the use of renewable resources. Establish certifications for eco-friendly accommodations to incentivize sustainable operations.

#### *Cultural and Heritage Tourism*

Develop and promote niche tourism markets that emphasize Oman's rich cultural heritage, such as traditional festivals, historical sites, and local art. Protect and preserve natural and cultural heritage sites by implementing strict conservation policies.

Impact: Sustainable tourism practices can help Oman achieve environmental conservation goals while attracting environmentally conscious travelers, contributing to the sector's sustainability and global competitiveness.

### *Strengthening Data Collection and Analysis*

Accurate and timely data is essential for informed decision-making in the tourism sector. The following steps are proposed to enhance data collection and utilization:

#### *Advanced Tracking Systems*

Develop comprehensive systems to monitor tourism activities, employment metrics, and investment trends in real time. Integrate these systems with national databases to ensure data consistency and accessibility.

### *Use of AI and Big Data*

Leverage artificial intelligence and big data analytics to predict trends, identify emerging markets, and optimize resource allocation. Utilize predictive models to assess the long-term impacts of tourism policies on employment and economic growth.

Impact: Enhanced data collection and analysis capabilities will enable policymakers to make evidence-based decisions, improve resource allocation, and assess the effectiveness of tourism initiatives.

The proposed recommendations focus on enhancing Omanization, promoting rural and sustainable tourism, and leveraging data-driven decision-making to address the challenges faced by Oman's tourism sector. Implementing these strategies will not only improve employment outcomes but also ensure that the sector contributes meaningfully to Oman's economic diversification goals under Vision 2040

## **Conclusion**

The findings of this study highlight the significant impact of tourism investment on employment in the Sultanate of Oman over the period 2018–2023. With a 20.6% increase in the number of hotels (from 674 in 2022 to 813 in 2023) and a 48.7% increase in employment (rising from 14,780 in 2018 to 21,984 in 2023), the results underscore the sector's pivotal role as a key driver of economic diversification and job creation.

However, the study also identifies a number of ongoing challenges, including a high reliance on expatriate workers, uneven regional distribution of investment, and seasonal volatility in employment. Key points to consider include;

### *Positive Impact on Employment*

Tourism investment has successfully generated direct and indirect employment opportunities. The correlation coefficient ( $r=0.87$ ) confirms a strong positive relationship between infrastructure development and employment rates. From 2018 to 2023, the number of hotels increased by 65.6% (from 491 in 2018 to 813 in 2023), while employment in the tourism sector rose by 48.7%, reaching 21,984 workers.

### *Challenges in Omanization*

Expatriate workers continue to dominate the workforce, making up 67.6% of the total in 2023, while Omanis comprise 32.4%. Addressing this imbalance remains critical to ensuring sustainable local participation in the sector.

### *Regional Inequality*

Investment remains concentrated in Muscat, which accounts for 28.2% of all hotels (229 out of 813). In contrast, rural areas like South Al Sharqiyah (116 hotels) and Al Dakhiliyah (114 hotels) have shown growth but still lag behind in infrastructure development. This uneven distribution limits the potential for balanced economic progress.

### *Sustainability Issues*

Seasonal demand and external factors continue to challenge job sustainability. The COVID-19 pandemic caused a significant drop in employment, with tourism workforce numbers declining to 14,780 in 2020. However, the sector has since recovered, with employment increasing by 48.7% from 2020 to 2023, reflecting resilience through government initiatives and growing tourism revenues.

### *Policy Implications*

To maximize the tourism sector's potential as a driver of employment and economic growth, the following strategic actions are essential:

- **Enhancing Omanization:** By developing specialized training programs and offering financial incentives to employers, Oman can increase the participation of its local workforce in the tourism sector.
- **Promoting Rural and Sustainable Tourism:** Directing more investments toward rural areas and eco-tourism projects can foster regional economic balance and create stable, year-round employment opportunities.
- **Fostering Public-Private Partnerships:** Collaboration between the government and private sector can improve tourism infrastructure and create innovative opportunities for job creation.
- **Building Resilience:** Investing in diversified tourism products and digital transformation can help mitigate the impact of external shocks and ensure long-term sectoral stability.

### **Future Research Directions**

While this study provides critical insights into the relationship between tourism investment and employment, further research is needed to:

- Explore the long-term impact of sustainable tourism strategies on employment stability.
- Analyze the effectiveness of specific Omanization policies in the tourism sector.
- Investigate the role of digital transformation and smart tourism technologies in enhancing job opportunities.

In conclusion, tourism investment in Oman has demonstrated substantial contributions to employment growth and economic diversification. However, addressing localization challenges, enhancing rural development, and ensuring sustainability are imperative to unlocking the full potential of the sector. These measures will align with Oman Vision 2040's broader objectives of creating a diversified, inclusive, and resilient economy.

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