arguments in favour of employee financial participation in share ownership,

ii - There are no laws/regulations in favour of giving employees shares to buy in UAE/SO,

iii - There is no collective agreement between the company and workers (worker representatives) that provides for giving employees shares to buy,

iv - Other reasons (please specify)

III. Existing Forms of Employee Financial Participation

4 - At present, do you give employees of your company bonus at the end of the financial year?

a - Yes.

b - No

5 - At present, do you give employees of your company the chance to buy shares of the company?

a - Yes.

b - No.

End of Questionnaire

Thanks for your cooperation*

2. In principle, do you accept that employees of your company can get bonus at the end of the financial year?

a - Yes, Why?

i - to motivate employees and increase productivity,

ii - to fix salaries on a more flexible basis,

iii - to abide by the laws of the United Arab Emirates (UAE)/Sultanate of Oman (SO) this respect,

iv - to honour collective agreements with workers or worker representatives in this respect.

v - Other reasons (please specify)

b - No. Why not?

i - Management of the company is not convinced of the arguments in favour of employee financial participation in profits (bonus),

ii - There are no laws/regulations in favour of giving employees bonus in UAE/SO,

iii - There is no collective agreement between the company and workers (worker representatives) that provides for giving employees bonus,

iv - Other reasons (please specify)

3 - In principle, are you in favour of offering employees of your company the chance to buy shares and become sharehodlers,

a - Yes. Why?

i - to motivate employees and increase productivity,

ii - to fix salaries on a more flexible basis,

iii - to abide by the laws of the United Arab Emirates (UAE)/Sultanate of Oman (SO) in this respect,

iv - to honour collective agreements with workers or worker representatives in this respect.

v - Other reasons (please specify)

b - No. Why not?

i - Management of the company is not convinced of the

Appendix 1: Questionnaire Checklist

I. Company Profile:

1 - Company ownership:

a - 100% governmennt-owned,

b - 100% owned by private national sector,

c - joint venture between government and national private sector,

d - joint venture between government and foreign private sector,

e - joint venture between national and private sectors.

2 - Company Size: employees

3 - Legal form of the company:

a - proprietorship,

b - limited partnership,

c - unlimited partnership.

d - public shareholding company.

e - Other (Please specify)

4 - Company Industry:

a - manufacturing,

b - trading,

c - services (insurance, auditing, law, hospitals, hotels, ... etc),

d - construction (real estate, roads, bridges, etc),

e - other (please specify)

II. Management Attitudes to Employee Financial Participation:

1 - Do you know that employees of businesses in the United States of America, Japan and other developed countries can own shares in the companies they work for and they can get bonus at the end of the financial year?

a - Yes,

b - No.

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attitude. It is no wonder, therefore, that only two of the participating companies have reported existence of this type of employee ownership.

On the whole therefore, this indicates some progress on the road to more meaningful and effective employee financial performance for more productivity promotion in UAE and SO. This objective cannot be overemphasized in view of the need for more economic competitiveness in the wake of economic globalization. Nonetheless, a lot more needs to be done in this direction. Among other initiatives, governments of both countries can come up with the legal framework to facilitate this kind of employee financial participation. Moreover, both management and employees have to be educated on the importance of employee financial participation for the benefit of all.

Furthermore, companies and governments can also establish funds to help low-income employees buy shares. Until this happens employee financial participation will continue to exist on voluntary basis.

Notwithstanding the important findings of this study, and like other studies, this study is not without limitations. The first limitation is that this survey is all about perceptions that might not match factual reality. For instance, managers' perceptions about employee financial performance may reflect the concerns of the international and local business community rather than investors' actual experience. Secondly, the scope of this study has been limited considerably because of the limited resources available to the researcher. Thus, this survey of a limited number of managers might not fully reflect the actual beliefs and practices of investors at the national level and as such findings might not be generalized. Furthermore, some variables related to the organizational and external factors which might affect employee financial performance, the determinants of profit-sharing schemes, effectiveness of profit-sharing as a motivating factor, the measurement of profit performance and the social, cultural and ethical factors affecting profit-sharing have all been ignored because of limited resources and the researcher's desire to avoid sensitive questions which are likely to offend the respondents.

Existing Forms of Employee Financial Participation

Table 4
Existing Forms of Employee Financial Participation

Type of employee financial participation	No. of companies	Percentage
1. Companies that adopt employee profit-sharing schemes (bonus)	46	63%
2. Companies that have employee share ownership option	2	2.7%

Table 4 below shows the number of companies that adopt employee financial participation systems. The table clearly suggests that the majority of companies that offer these systems give their employees profit-sharing schemes, widely known as the bonus system. Accordingly, employees get a percent of the profits reported in the annual income statement. The popularity of this bonus system reflects the positive attitudes of management to this type of financial participation as discussed in section 3 above. On the other hand, only two companies (or 2.7%) reported existence of employee share ownership schemes. Again, this confirms the management's negative attitudes to this type of financial participation.

Research Conclusions, Policy Implications and Limitations

This research endeavours to highlight the existing forms of employee financial participation and management attitudes thereto in some selected Omani and UAE companies. It builds on the existing body of literature according to which different forms of employee financial participation are now fashionable in a number of developed countries especially in the wake of the privatisation programmes that swept the world by the beginning of the 1980s.

The study confirms that a significant number of chief executive officers of the participation companies are very much in favour of employee profit-sharing. The rationale for this attitude is again typical of management's strategies to enhance productivity through motivation of employees. When it comes to employee share ownership schemes, however, the majority of managers showed apprehensive

		lack of collective agreement with employees
22	40	d. CEOs who oppose employee share ownership for other reasons
6	11	

However, when it comes to employee share-ownership, the vast majority of the participating CEOs have expressed negative attitudes thereto. Only 20 CEOs (or 27%) are ready to accept employee share ownership to motivate them and boost productivity. Three CEOs are not sure about their position on the subject. The other 50 (or 68%) of the CEOs are totally opposed to the idea in principle. See Table 3 below. They expressed a combination of reasons to justify this position. Twenty two (or 44%) CEOs who are against this type of financial participation attribute their position to the lack of collective agreements with workers on such type of financial participation. Fifteen (or 30%) CEOs also argued that there is no legal framework in UAE or SO to back this kind of employee financial participation. Still, 12 (or 24%) CEOs made it no secret that they are not convinced with the arguments in favour of employee ownership. Moreover, a tiny minority of CEOs (6 or 12%) who are against employee ownership have attributed their position to other reasons such as government ownership of the respective business, that the business is family-owned and outsiders are not welcome, or that the shares of the business were allotted to benefit some sections of the UAE/SO nationals such as the low income groups.

Overall, therefore, these conclusions are in sharp contrast with the management's positive attitudes on employee profit-sharing. Thus, this indicates that while the majority of the participating CEOs are prepared to favour employee profit-sharing, employee share ownership is something which they cannot accept. This explains why employee share-ownership in the participating companies is almost non-existent.

between management and workers to share profits. Though it is only a minority of CEOs, it shows that some managers still see profit-sharing as a prerogative of owners only.

Table 3
Management Attitudes to Employee Share-ownership

		Percentage (%)
1. Position of management on employee share-ownership:		
a. CEOs favouring employee share ownership	20	27
b. CEOs who are against employee share ownership	50	68
c. CEOs who are undecided on employee share ownership	3	4
2. Reasons cited by CEOs who are in favour of employee share ownership:		
a. CEOs who think employee share ownership motivates employees and increase productivity	19	95
b. CEOs who maintain that employee share ownership helps to fix flexible salaries	1	5
c. CEOs who are in favour of employee share ownership to abide by UAE/SO laws	0	0
d. CEOs who are in favour of employee share ownership to honour agreements with workers	0	0
e. CEOs who support employee share ownership for other reasons	0	0
3. Reasons cited by CEOs who are opposed to employee share ownership:		
a. CEOs who are not convinced with the arguments in favour of employee share ownership	12	22
b. CEOs who are opposed to employee share ownership for lack of laws/ rules thereon	15	27
c. CEOs opposed to employee share	ownership for	

a. CEOs who are not convinced with the arguments for employee profit-sharing

3

17

Cont. Table 2

Management Attitudes to Employee Financial Participation

Variable	No. of CEOs	Percentage (%)
b. CEOs who are opposed to employee profit-sharing for lack of laws/rules thereon	8	44
c. CEOs opposed to employee profit-sharing for lack of collective agreement with employees on profit-sharing	7	39
d. CEOs who oppose employee profit-sharing for other reasons	0	0

Table 2 below highlights the attitudes of management of the participating companies to employee financial participation. The table shows beyond doubt that 61 (or 84%) of the chief executive officers (CEO) of the participating companies are aware of different modes of employee financial participation in some developed countries. This is especially the case in SO where the government is contemplating employee ownership as one strategy to speed up the privatisation process. In a way this indicates the spread of new concepts of management in the Arab world (Badr, 2002). A quick look at Table 2 suggests an overwhelming support for employee profit-sharing schemes. Hence, 55 (or 75%) of the responding CEOs have positive attitudes to this type of employee financial participation. As expected and as demonstrated by previous research, management perceives employee profit-sharing as one instrument to enhance productivity. It is no wonder, therefore, that 54 (or 74%) of the responding CEOs believe that employee profit-sharing will motivate employees and increase productivity.

On the other hand, 15 (or 21%) CEOs are opposed to the idea of employee profit-sharing. They argue against it on the grounds that they are not convinced with the arguments in supporting it, that there are no laws/regulations in UAE or SO that provide for this type of financial participation and that there are no collective agreements

11
e. other (poultry)
1
1

Management Attitudes to Employee Financial Participation

Table 2
Management Attitudes to Employee Financial Participation

Variable	No. of CEOs	Percentage (%)
1. Awareness of employee financial participation:		
a. CEOs fully aware of employee financial participation	61	84
b. CEOs unaware of employee financial performance	10	14
c. CEOs who are undecided	2	2
2. Position of management on employee financial participation:		
a. CEOs favouring employee profit-sharing	55	75
b. CEOs who are against employee profit-sharing	15	21
c. CEOs who are undecided on employee profit-sharing	3	4
3. Reasons cited by CEOs who are in favour of employee profit-sharing:		
a. CEOs who think employee profit-sharing motivates employees and increase productivity	54	87
b. CEOs who maintain that employee profit-sharing helps to fix flexible salaries	2	3
c. CEOs who are in favour of employee profit-sharing to abide by UAE/SO laws	3	4
d. CEOs who are in favour of employee profit-sharing to honour agreements with workers	1	2
e. CEOs who support employee profit-sharing for other reasons	1	2
f. CEOs who are undecided on their position on employee profit-sharing	1	2
4. Reasons cited by CEOs who are opposed to employee profitsharing:		

and the foreign private sector or national and foreign private sectors. The majority of the participating companies are of medium or large size and are organized in different legal forms. Table 1 also shows that the participating companies come from various industries.

Table 1
Participating Company Profile

Variable	No. of companies	Percentage (%)
1. Company Ownership:		
a. 100% government-owned	5	9
b. 100% owned by the private national sector	50	68
c. joint venture between government and national private sector	9	12
d. joint venture between government and foreign private sector	2	2
e. joint venture between national and foreign private sectors	7	9
2. Company Size:		
a. small (1-10 employees)	5	7
b. medium (11-49 employees)	24	33
c. large (50 and more)	24	33
d. unclassified (i.e. no size was specified)	20	27
3. Legal Form of Company:		
a. proprietorship	26	36
b. limited partnership	18	25
c. unlimited partnership	10	14
d. public shareholding company	14	19
e. public enterprise (100% owned by government)	5	6
4. Industry:		
a. manufacturing	12	17
b. trading (commerce)	33	45
c. services (insurance, banking, hotels, hospitals, accounting, ... etc)	19	26
d. construction (road, bridges, real es-	tate)	8

towards employee financial participation in the participating companies. The following are the by-products and the implications of the research:

1 - To draw the necessary policy implications that can help, inter alia, promote workers' financial performance in commercial companies of the UAE and SO. This in turn can help to enhance the UAE's and SO's economic competitiveness which many economists see as a must since the two countries are now full-fledged members of the WTO (Walsh, 2002).

2 - To bridge the literature gap on the subject which exists at present.

Research Methods:

Because this research aims at soliciting the opinion of as many commercial companies in both countries as possible, it makes use of the questionnaire method. The researcher therefore designed a questionnaire which appears on Appendix 1 for that purpose. In its entirety, the questionnaire seeks to put questions to the respondents on the company profile, management's attitudes to employees financial performance and the existing pattern of employees financial participation. The questionnaire was mailed to over 150 companies in UAE and SO. A total of 73 companies, 40 in UAE and 33 in SO, have completed and returned the questionnaire. Given the well-known problems of using questionnaires, the response rate of 49% is acceptable. Table 1 below provides an overview of the participating companies that completed and returned the questionnaire in terms of ownership, legal form, size and industry. It is worth mentioning here that 54 of the participating companies (or 74%) are organized as either proprietorships or partnerships with one or fewer partners. These proprietorships and partnerships are mostly family-owned and managed businesses. It is also worth mentioning that 50 (or 68%) of the participating companies are owned by nationals of both countries. This reflects the successful government policies which aim at developing indigenous entrerpreneurship. Except for five companies, Table 1 shows that the majority of the participating companies are 100% owned by the national private sector. The other private companies are joint ventures formed by the national private sector and government, government the need for consultations more than fourteen centuries ago and long before the emergence of the modern Western theories or industrial democracy. One of these verses provides that "And by the mercy of Allah, you dealt with them gently. And had you been severe and harsh-hearted, they would have broken away from about you, so pass over (their faults) and ask Allah's forgiveness for them, and consult them in the affairs. Then when you have taken a decision, put your trust in Allah, certainly, Allah loves those who put their trust (in Him): (Al-Omran-159).

Financial incentives in particular have been widely used as a technique of motivation by many Arab businesses. Thus, as Badr argues, "Material incentives and rewards are still used, but are more contingent on the level of performance. Managers are using positive reinforcements to enhance the workers' behaviour." (Badr, 2002) In most countries these incentives were introduced on voluntary basis. In few other countries, as in Libya where the slogan label workers as partners and not wage earners, they are backed by the political leadership.

This research problem is meant to shed more light on workers' financial participation in selected business enterprises of the United Arab Emirates (UAE) and the Sultanate of Oman (SO). The UAE's Law No. 13 of 1988 on Commercial Companies does not have provisions on any form of employee financial participation. Neither does the 1974 Companies Act of the SO and its subsequent amendments. Both countries make use of foreign labour with varying degrees. In UAE, for instance, "In some industrial sectors the proportion of foreign to local workers exceeds 99% and it is regularly across 90% throughout the economy" (Walsh, 2002). In SO, however, the percent of foreign labour is far lower. This research, therefore, endeavours to investigate if any of such forms exist in the companies of the UAE and SO on voluntary basis. Specifically speaking, this research problem endeavours to investigate the following research question:

Do employees participate financially in the business enterprises of the UAE and the SO?

- *If yes, in what form and why?*

- *If not, why not?*

Research Objectives:

The objective this study is to explore the management's attitudes support EO, providing tax incentives and easy access to capital for employee-owned enterprises.

Evidence on the response of workers to become owners in the privatisation process of Africa is very little. Since the privatisation wave swept the world by mid 1980s, a tremendous body of literature has addressed evaluation of the privatised PEs (van der well, 1992). Another bulk of the literature relates to the social and economic costs of privatisation in terms of redundancies and hardship (Sachikonye, L.M (1997), Musa, 2001a, Adewumi, 1997, Tonya, 1997, Nguluwe, 1997). Nontheless, there is by now a staggering literature on some privatised PEs which operated employee share schemes. A recent survey show that Egypt has 290 majority employee-owned privatised firms (Shared Ownership, 1998). In Ghana some workers have actually acquired some shares in some privatised state-owned enterprises (SOE) such as the Santi Goldfields Company, one of the biggest privatised companies (Musa, 2001b). In Tanzania workers have bought some shares in few PEs such as the Portland Cement Factory (Musa, 1994). South Africa created a National Empowerment Fund, providing $2000 per employee to buy shares in formerly-government-owned businesses (Shared Ownership, 1998). Thus, it is widely acknowledged in the privatisation literature that "While several privatisation issues have been widely studied, a closely related aspect which has received considerably less analytical attention is the development of employee share ownership." (FitzRoy et al. 1998. p. vii). There is urgent need, therefore, to investigate various aspects of this phenomenon.

Research Problem, Objectives and Methods:

Research Problem:

Generally speaking, there is little literature on workers' participation in business enterprises of the Arab world. Moreover, literature on employees' financial participation is even more scanty. The available literature, however, indicates that business enterprises have experienced some forms of employee participation in the decision making process. Participation in the decision-making process has always been a fundamental principle in Islam. Many verses in the holy Quran have propagated programmes with an employee ownership role and/or are known to have law or regulation established or being established on this matter. Nine of these countries are African. In almost all Central and Eastern European countries an important part of enterprise assets so far privatised has ended up being transferred to insiders (management or workers) (Fitz Roy et al, 1998, p. 1, Schliwa, 1995, p. 18, Vaughan-Whitehead, 1995, pp. 1-27, Chilosi, 1995, pp. 167-182, Kalinova, 1995, pp. 183-198, Laky, 1995, pp. 199-220). During the early years of privatisation in these countries, the objective of introducing EO as part of the privatisation process was to quell the potential opposition of the trade unions and rally their support for the public enterprise (PE) reform. Otherwise," Had employee ownership not been included among the available options-for example in Russia or in the Republics of former Yugoslavia - this could have blocked the property transformation process. "FitzRoy et al, 1998, (p. 17).

As privatisation became more difficult through direct sale to foreign and local investors, however, EO was seen by many countries as a quick alternative route. The emergence of EO in transition and developing countries, therefore, took place by default and has never been a smooth process. During the early years of transition," the literature on economic reform was critical of the potential role of employee ownership in enterprise restructuring. It was expected to promote large wage increases and inflationary pressures, a deterioration in economic performance, considerable delays in restructuring, labour hoarding and a low propensity to carry out necessary investment." (FitzRoy et al, 1998, p. 5). Of late, the empirical evidence, however, refutes this perception. It is now proved in Central and Eastern Europe that "the evidence broadly supports the view that employee ownership has favourable effects upon it." (FitzRoy et al, 1998, p. 9). Even as momentum gathered in favour of EO, other problems, such as difficult access to capital for employee-owned firms and negative attitudes towards EO, remains to be tackled. To tackle these problems and facilitate EO, therefore, governments established a variety of facility schemes such as selling shares at discounted prices or even giving them away, creating special funds to finance employee shares, creating the necessary legal and institutional framework to of employee financial participation choices. Among others, this include a diverse number of variables such as styles and strategies, the competitive structure of the industry, the size and growth of the company and government involvement. The objective is to retain a committed workforce through direct participation, security, status and job satisfaction. Consequently, it is believed that this commitment in the end will positively impinge on the organisation's economic and financial, industrial relations and organisational performance. The available empirical evidence, although not conclusive (Poole, 1995) tends to support this argument.

Accordingly, employee financial participation in business enterprises has long been argued for on account of its positive impact on productivity, industrial stability and human relations (Fogorty and White, 1988). Many Western countries have experienced employee ownership (EO) for quite a long time and with varying degrees. In particular, this form of ownership is known to many multinational companies. In the United States, for instance," In 1998, there are more than 10,000 schemes covering about 9.5 million employees" in several of the largest and most prominent companies. (FitzRoy et al, 1998, P. 15, Vaughan-Whitehead, 1995, pp. 55-84, Biagioli, 1995, pp. 85-104, Poole, 1995, pp. 105-123). In these cases workers were offered shares with the objective of promoting efficiency of the company, enhance loyalty to the company and achieve industrial stability. In Japan, on the other hand, "the probability of a firm introducing financial participation schemes is higher in companies in which human resources are a more important factor in their success." (Vaughan-Whitehead, 1995, p. 21).

With the privatisation wave, however, the concept of employee ownership (EO) has spread significantly to many developed and developing countries as well as former socialist economies in Central and Eastern Europe. In Western Europe, employee participation in ownership was promoted by the European Commission since 1989 as part of its Social Charter for the Basic Social Rights of Workers (Fitz Roy et al, 1998, p. 15).

Elsewhere, a study by Smith (1994) identified that 50 developing and transitional countries have already undertaken privatisation

governments of both countries can come up with the legal framework to facilitate this kind of employee financial participation. Moreover, both management and employees have to be educated on the importance of employee financial participation for the benefit of all. Furthermore, companies and governments can also establish funds to help low-income employees buy shares. Until this happens, employee financial participation will continue to exist on voluntary basis.

1) Introduction:

The topic of employee financial participation has become important as an instrument of enhancing productivity of companies of many developed countries. With the spread of privatization, many developed and developing countries have used it as a means of selling and speeding up the process. Employee financial participation has its roots in many Quranic verses. Moreover, in the Arab world employee participation has been experienced one way or another. Again the need for improved productivity has forced many companies to accept employee financial participation. This research, which has been carried out in United Arab Emirates (UAE) and Sultanate of Oman (SO) is an endeavour to explore management's attitudes towards employee financial participation and shed more light on the subject and narrow the existing literature gap. The study concludes that while many companies are in favour of employee financial participation in the form of bonuses to boost productivity, none of them offered employee share schemes.

Employee Financial Participation: A Theoretical Framework:

The subject of employee financial participation has received considerable attention from the academic community for a long time. Workers, employers and governments have also expressed genuine interest in the idea to achieve a host of different, and at times, conflicting objectives (Fitzroy et al, 1998, Schliwa, 1995, Vaughan Whitehead, 1995, Chilosi, 1995, Kalinova, 1995, Musa, 2000). The background to and rationale for employee financial participation can best be explained by a conceptual framework developed by Poole 1995. According to this conceptual framework, a combination of contingent factors, both internal and external to businesses, facilitate the adoption

ARTICLES

Employee Financial Participation in the Arabian Gulf Area: A Case Study of Selected Companies in the Sultanate of Oman (SO) and the United Arab Emirates (UAE)

Dr. El-Khider A. Musa*

Abstract:

The subject of employee financial participation has received considerable attention from the academic community for a long time. Accordingly, employee financial participation in business enterprises has long been argued for on account of its positive impact on productivity, industrial stability and human relations. This research problem is meant to shed more light on workers' financial participation in selected business enterprises in the United Arab Emirates (UAE) and the Sultanate of Oman (SO). Because this research aims at soliciting the opinion of as many commercial companies in both countries as possible, it makes use of the questionnaire method.

The study confirms that a significant number of chief executive officers of the participating companies are very much in favour of employee profit-sharing. The rationale for this attitude is again typical of management's strategies to enhance productivity through motivation of employees. When it comes to employee share ownership schemes, however, the majority of managers showed apprehensive attitude. It is no wonder, therefore, that only two of the participating companies have reported existence of this type of employee ownership. On the whole therefore, this indicates some progress on the road to more meaningful and effective employee financial performance for more productivity promotion in UAE and SO. Nonetheless, a lot more needs to be done in this direction. Among other initiatives,

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