



# **EMPLOYMENT, SOCIAL PROTECTION AND SOCIAL DIALOGUE**

## **AN INTEGRATED POLICY FRAMEWORK FOR PROMOTING DECENT WORK IN BAHRAIN**

**Report of the ILO Interdisciplinary Mission on  
Employment Promotion and Social Protection in Bahrain  
(26-30 January and 26-27 February 2002)**

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## EXECUTIVE SUMMARY

1. At the request of H.E. Mr. Abdulnabi Al-Shoa'la, Minister of Labour and Social Affairs, an ILO inter-disciplinary Mission with a focus on Employment Promotion and Social Protection visited Bahrain from 26 to 30 January 2002. A second round of discussions was held on 26 and 27 February 2002. The Mission was entrusted with the tasks of developing an integrated and inter-disciplinary framework to address the current policy priorities related to employment and labour market strategies, reform of the labour law and social protection in Bahrain and proposing a programme for action for the short and medium-term. As part of its terms of reference, the Mission reviewed and provided detailed comments on the draft policy paper "*Strategy for Employment and Integration of National Workforce in the Labour Market in Bahrain*", prepared by the Ministry of Labour and Social Affairs.
2. The Mission consulted extensively with H.E. Mr. Abdulnabi Al-Shoa'la, senior management and technical staff of MOLSA, Employers' and Workers' Organisations. It held discussions at Ministries of Finance and Economy, Education, CSO, GOSI, BTI, Bahrain University and other institutions. Discussions were held with the Resident Representative of UNDP as well as with the IMF team visiting Bahrain.
3. The Mission focussed its work in relation to current social and economic priorities in the Kingdom of Bahrain, first and foremost on the policy challenge of the promotion of employment for nationals; second, on the review of the legislative reforms set in motion with the adoption of the National Charter and finally, on the review of the social protection system. These objectives were addressed from an integrated perspective underlining the coherence, consistency and complementarity of the proposed action in various areas. In recognition that the current democratic reforms and political openness provide an unprecedented platform for social dialogue, the Mission identified the opportunities and stressed the need for promoting broad-based tripartite dialogue on social and economic policies. Furthermore, throughout the process of consultations, support was provided for bringing views of social partners closer and for promoting a national policy and strategy. A tripartite Forum on "*Strategies for Development of Labour Markets in Bahrain – A Vision for a Better Future*" was jointly organized on 26 and 27 March 2002, for discussion of priority policy issues.
4. There has been considerable concern in Bahrain about rising unemployment in the past year, although the unemployment problem in Bahrain is not a new phenomenon. In fact, according to census data, the overall unemployment rate declined from 6.1 percent in 1991 to 5.3 percent in 2001. The unemployment rate of Bahrainis, however, remains a significant 12.7 percent of the national labour force, and includes a high proportion of youth, women and first-time job seekers. Taking into account that the annual labour force growth is high, at around 3.1 per cent, and that it outstrips the population growth rate because of the youthful profile of the population, the problem is likely to persist and pressures on the labour market to grow.

5. It should be recognized that the Government of Bahrain has taken a series of initiatives for diversifying the economy and for identifying new growth sectors, other than oil. These efforts have met with success in the exports sector (aluminum), tourism and banking. The structure of the labour force composed of 60% expatriate labour and 40% national labour force has not changed significantly in the last decade. It should be underlined however, that the rate of reliance on expatriate labour, is the lowest of GCC countries.
6. Since late seventies, the Government has been aware of the problem of the flow of new entrants into the labour market and put in place a range of measures aiming at the “Bahrainization” of the workforce. While jobs have been created and/or reserved for Bahrainis, the total numbers and types of jobs have not matched the expectations and increasing demand of the youth entering the labour market. More recently, in 2001, the Government set up a National Programme on Employment and Training (NPET), funded through a special allocation of BD 80 million, targeting principally the unemployed. Of major significance however, is the draft *Strategy for Employment and Integration of National Workforce in the Labour Market in Bahrain*” by MOLSA which proposes a wide range of labour market reforms to be introduced in the short and medium term. The draft Strategy has been discussed and endorsed by the tripartite committee set up for this purpose.
7. The Mission considers that undue emphasis has been laid over the last year, especially by the media and public, on short-term measures to address the question of unemployment, such as on job placement and unemployment cash benefits - partly as a result of the setting up of the National Programme on Employment and Training (NPET) -; whereas the problem of the unemployment in Bahrain is of a structural nature.
8. The Mission believes that focus should be shifted to address the root causes by introducing structural reforms along with targeted labour-market programmes. Focusing on the root causes of unemployment in Bahrain entails an integrated and comprehensive approach including the following components:
  - a) Creating an enabling environment including the formulation of a clear development strategy and vision taking into account Bahrain’s competitive advantage and potential in the regional and international contexts; adoption and implementation of a comprehensive human resource development and employment policy integrated within the above vision and; adapting labor laws and the legal framework to current priorities and realities;
  - b) Removing distortions and segmentation in labour markets through gradual but consistent structural reforms;
  - c) Investing in the quality of human capital in Bahrain: enhancing the productivity, skills and employability of Bahraini youth;
  - d) Evaluating and institutionalizing labour market interventions and introducing new innovative targeted programmes;
  - d) Rethinking the social protection policy;
  - e) Taking full advantage of the democratic process and promoting social dialogue and tripartite participation in policy debate.

9. These components are discussed in detail in this Report, together with a review of international experience and best practices in each field and the specific recommendations of the Mission. The following paragraphs provide a brief introduction to each item.
10. The Mission considers that the formulation of a clear vision and a development strategy for transformation of the Bahrain economy from an oil and low-cost expatriate labour based system to a diversified and skill-based economy, capable of competing in regional and international markets, is a prerequisite for the development of effective labour market and human resource development strategies. Such a vision should give due consideration to the gamut of macro-economic and sectoral policies needed to sustain growth and to create high quality jobs. Bahrain has made major strides in diversifying its economic bases with some success in the exports sector (aluminum), services, banking and tourism. Closer integration and coordination of economic policies with human resources development, skills formation and social protection policies are required to translate economic and financial gains to job creation.
11. Clearly, carrying out the above agenda requires a national endeavour to be led by the Ministry of Labour and Social Affairs with the active involvement and mobilisation of several key line Ministries, the Economic Development Board (EDB) and social partners, the private sector and workers' organizations.
12. In the light of the consultations carried out with EDB through the initiative of H.E. the Minister of Labour, in follow up to the discussions at the tripartite Forum, the Mission proposes that the formation of a joint "*Council on Economic and Social Policies*" to examine economic and investment strategies in coordination with policies addressing employment, skill formation, and employability of youth be considered. The Council would include policy makers in the economic arena as well as those responsible for social policies and would facilitate structured and intensive dialogue with the private sector. The formulation of a coherent and integrated national strategy and vision is of crucial importance. It is highly recommended that dialogue and discussions are backed up by thematic evaluations and studies such as on skills requirements and skill formation policies, productivity and wages, "Bahrainization", to mention a few examples.
13. Similarly, the Ministry of Labour could take the lead involving other line Ministries, such as Education, Economy and Finance, and institutions such as the Central Statistical Office and GOSI for implementing the proposed Strategy, for addressing the root causes of unemployment and reviewing the social safety net system.
14. The Mission reviewed extensively the draft "*Strategy for Employment and Integration of National Workforce in the Labour Market in Bahrain*" and considers that it is a Strategic, Comprehensive, Integrated, Balanced and Forward Looking Policy Framework for promoting productive employment opportunities and for enhancing the effective functioning of labour markets in Bahrain. The Strategy advocates a series of bold structural reforms, which aim at integrating and harmonising the currently highly segmented labour markets in Bahrain. It addresses a wide spectrum of inter-related issues with respect to the management of supply and demand of the labour in Bahrain in

order to remedy present mismatches, to manage more effectively the flows of national and expatriate labour and to unify the segmentation in labour allocations between various sectors of the economy. The draft Strategy has been reviewed and approved by a Tripartite Committee including representatives of Employers and Workers. The Mission strongly supports the adoption of this important policy framework as official policy and national strategy of the Government of Bahrain. The Mission has submitted, in a separate report, detailed technical comments to strengthen the document. In addition, the Mission recommends three criteria for its successful implementation: 1) maintaining the integrated package approach; 2) continuing with tripartite consultations throughout the process; and 3) identifying the roles and responsibilities of line ministries other than MOLSA and associating all the key institutions with its implementation.

15. Within the framework of the review of the labour law currently carried out by MOLSA and in the light of current priorities, the Mission recommends three areas for priority consideration: freedom of association; laws governing the vocational training system; and the regulatory framework with respect to the management of expatriate manpower. Setting up a tripartite committee to review specific provisions could be considered.
16. Integrating the labour market by removing the segmentation and rigidities resulting from the oil boom era are key to promoting access to jobs and facilitating efficient allocation of labour. The segmentation of the labour market is particularly manifested at three levels. In common with other GCC countries, there is a marked segmentation between the public sector mostly employing national workers and a private sector relying largely on expatriate workers. There is also segmentation between labour markets for foreign workers and national workers. At a third level, there is gender segregation in the labour market. Measures for efficient public sector restructuring and gradually bridging the gap between terms of employment and conditions of work in the public and private sectors are discussed. With respect to “Bahrainization” policies and gradual replacement of expatriate manpower, the Mission acknowledges that, in the short-run, a combination of administrative and market-oriented measures needs to be considered. Gradually, emphasis should be shifted to the more efficient market-oriented mechanism. The range of possible market-oriented measures are discussed in the Report.
17. The Mission wishes to stress that “Bahrainization” policies should go hand in hand with growth and diversification policies, human resource development and removal of labour market rigidities. Otherwise, administrative measures alone will have limited impact. The Mission would also underline the need for continuous dialogue with employers and workers in formulating policies on expatriate labour and “Bahrainization”, and linking the measures with criteria on availability of skills and studies on wages and productivity.
18. The Mission believes that reflecting the barriers that women face in access to jobs, in the design of labour market and training programmes can only exacerbate the problem. The opposite is required: a forward looking policy framework which leads the society towards equal opportunities for women and men in all sectors. This is not only an equity concern, but also an economically sound policy for efficient allocation and utilisation of the human capital. The Mission proposes a proactive strategy on equal opportunities at



two levels: advocacy and awareness raising at the national level, and development of appropriate labour market policies and programmes.

19. The Mission recommends that specific emphasis is laid on Bahrain's youth, through development of a multi-component strategy addressing their employability, including the educational skills and attitudinal dimensions and specific labour market programmes including career guidance, job search assistance and entrepreneurship development. Dialogue with youth through open fora and conduct of attitudinal surveys could contribute to dispelling negative perceptions and enhancing understanding amongst all parties involved.
20. Education and skills' formation policies are key components of the comprehensive strategy outlined for promoting employment and for ensuring increased competitiveness and enhanced productivity of the Bahrain economy. Coherence and complementarity between education and training policies on the one hand and their overall adequacy to the labour market needs in the growth sectors on the other, are crucial to the success of economic diversification. The Mission's review of the education and the training system in Bahrain points to: a) an abnormally high school drop-out rate from the secondary level which later constitutes a significant proportion of the unemployed; b) a motivational problem amongst young male population; c) higher performance by female population in the schooling system which is not matched with job opportunities in the labour market; and d) the need to evaluate and enhance the quality of the outputs of the educational system.
21. As for the training system, decentralisation and the diversity of private and public providers could be seen as factors of strength, if adequate co-ordination as well as quality assurance measures were assured. Such mechanisms do not exist and should be considered as a matter of priority. The Ministry of Labour and Social Affairs (MOLSA) registers private training institutions but does not have the human and material capacity to monitor them. While maintaining the healthy diversity and competition is recommended, there is a need for better complementarity and articulation of offerings by public and private institutions as well as an active system of quality assurance of skills' training.
22. Labour market policies and programmes are essential elements of a comprehensive employment strategy. Through targeted interventions, they aim at enhancing the employability and access to jobs of specific groups of the population who face discrimination or additional barriers in the labour market. To address the unemployment problem of Bahrainis, the government introduced the National Programme for Employment and Training (NPET) in April 2001, which includes a series of targeted passive and active labour market programmes. The programmes and their achievements are reviewed in this Report together with some key recommendations. In addition, the Mission has recommended an in-depth review of the programmes upon their completion and the institutionalisation of targeted labour market programmes within a successor "Employment Fund", with secure and permanent budgetary allocation and a flexible framework for its implementation.

23. The Mission recommends re-thinking the role and strengthening the capacity of the Employment Service Bureau for a proactive canvassing of the labour market, the introduction of appropriate career guidance services and occupational information system and active networking with employers and job seekers.
24. The labour market information system in Bahrain at present is not adequate to serve the needs of informed decision making. The need for conducting a regular labour force survey, on a sample basis and with the collaboration of the Central Statistics Organization, is fully recognized by MOLSA. The Mission would assign high priority for its implementation as soon as possible and for annual reviews thereafter. There is also a need to carry out in-depth research on important labour market issues such as employment generation potential of growth sectors, wages and productivity, the informal economy, public sector employment policies, minimum wage policy, labour migration, evaluation of active labour market policies, rates of labour turnover amongst Bahrainis, etc. The Mission recommends the setting up of a Steering Committee consisting of major producers and users of LMI to advise on the production, analysis and dissemination of timely and quality labour market information and identify areas for improvement. As a long-term measure, the establishment of an “Institute for Labour Studies and Research”, with a fair degree of autonomy within MOLSA could be considered. The production and analysis of LMI should be placed high on the priority agenda. These are not only the base for informed decision making, but circulation of reliable data and information is an essential tool for dialogue and confidence building amongst social partners on major policy issues.
25. The Mission reviewed the social security system and has made specific recommendations in the Report with respect to extension of coverage and revision of the benefits system. The question of introducing an unemployment insurance system in view of expectations raised by the NPET, is discussed. The Mission recommends that an in-depth feasibility study be undertaken especially that first time job seekers are usually not covered by such systems.
26. The issue of introducing a minimum wage for both national and expatriate workers in the private sector is currently debated in Bahrain. The non-availability of wage data prevented the Mission from an in-depth examination of the issue. However, the Mission discussed the basic principles and criteria to be considered if a minimum wage was to be introduced. These are recapitulated in the Report. The Mission supports the broad consultations initiated by the Government and recommends further dialogue with social partners on this issue. A better-informed discussion on the inter-related issues of productivity and wage policy in Bahrain would help placing these questions in the right social and economic perspective.
27. The Mission visited and reviewed the social assistance programmes and the wide range of social services provided by MOLSA to improve the livelihood of disadvantaged and vulnerable groups, mainly the poor, people with disabilities, members of families facing special difficulties and the elderly. The Mission acknowledges the serious efforts made towards developing a comprehensive, developmental, and integrated programme of social services. The Mission recommends the conduct of an in-depth study to assess the impact of various social programmes and to assess the needs and priorities for improving the delivery and quality of services provided. It also recommends pursuing more vigorously the policy focus of shifting from social assistance programmes to

socio-economic development programmes. Specific proposals are made with respect of the various components of the social safety nets system and the Mission recommends that consideration be given to a definition of a social protection strategy for Bahrain, especially to address increasing needs emerging from the implementation of advocated structural reforms in the labour market.

28. The Mission identified and proposed a series of follow-up technical cooperation programmes that could be carried out in collaboration with the ILO, including through provision of advisory services, conduct of surveys and feasibility studies and formulation and implementation of specific projects. These proposals are detailed in the Report. The ILO has also offered its services and experience for promoting tripartite dialogue on a range of policy issues currently debated. The joint Forum held on 26 and 27 March on “*Strategies for Development of Labour Markets in Bahrain - A Vision for a Better Future*”, is one such opportunity to be followed by others.
29. H.E. Mr. Abdulnabi Al Shoa’la, Minister of Labour and Social Affairs has expressed keen interest and officially requested the Director-General of the ILO, Mr Juan Somavia, that the Kingdom of Bahrain be included as one of the “Pilot Country Programmes on Decent Work”, currently promoted by the ILO. The Mission welcomes and supports such an initiative that would further consolidate the advocated integrated and inter-disciplinary approach for the adoption of the Decent Work agenda at the national level. The main pillars of the Pilot Programme could focus on some of the priorities identified by the Mission such as: a) the promotion of dialogue and setting up of appropriate mechanisms and thematic studies for closer coordination of economic and social policies; and b) a multi-component and integrated programme focussing on youth. Areas of focus and modalities for the initiation of the Pilot Programme however, should be further developed based on the ground laid by the work of the Interdisciplinary Mission and through follow-up consultations.

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**I. BACKGROUND AND CONTEXT**

**I.1. THE INTERDISCIPLINARY MISSION ON EMPLOYMENT PROMOTION AND SOCIAL PROTECTION**

1. At the request of H.E. Mr. Abdulnabi Al-Shoa'la, Minister of Labour and Social Affairs, an ILO inter-disciplinary Mission with a focus on Employment Promotion and Social Protection visited Bahrain from 26 to 30 January 2002. The Mission led by Azita Berar Awad, included Aboubakr Badawi, Clive Bailey, Sadok Bel Hadj Hassine, Mary Kawar, Yousef Qaryouti, Gyorgy Sziraczki and Piyasiri Wickramasekara. A second round of consultations was carried out on 26 and 27 February 2002.
2. The Mission was entrusted with the tasks of developing an integrated and inter-disciplinary framework to address the current policy issues on employment, labour market reforms and social protection in Bahrain and proposing a programme for action in the short and medium-term. As a matter of priority, the Mission was requested to review and comment on the draft "*Strategy for Employment and Integration of National Workforce in the Labour Market in Bahrain*", prepared by MOLSA and proposed for adoption by the Council of Ministers.
3. The Mission consulted extensively with H.E. Mr. Abdulnabi Al-Shoa'la and the senior management and technical staff of the Ministry. It held discussions at the Ministries of Finance and National Economy, Education, the Central Statistics Organization, the Supreme Council of Women, the National Employment Service, the Bahrain Training Institute, the General Organization for Social Insurance and the University of Bahrain. Extensive consultations were carried out with the President and the Board of the Chamber of Commerce, the newly formed Businessmen Association, individual employers and with the General Committee of Bahrain Workers. Meetings were held with UNDP Resident Representative and Director General of the Executive Bureau of GCC Council of Ministers of Labour and Social Affairs. Field visits to employment and training projects and to social centres were undertaken by mission members.

4. A preliminary briefing of the findings of the mission was presented on 30 January 2002. A second round of discussions were held on 26 and 27 February 2002. The findings of the Mission and its recommendations are reproduced in two reports. The first report included detailed comments on the “*Strategy for Employment and Integration of National Workforce in the Labour Market in Bahrain*”, draft policy paper prepared by the Ministry of Labour and Social Affairs. This report was submitted to H.E. Mr. Abdulnabi Al-Shoa’la, on 11 March 2002. The present report is the second document which includes the main findings and recommendations of the Mission. It was submitted to H.E. Mr. Abdulnabi Al-Shoa’la, on 25 March 2002.
5. A tripartite Forum on “*Strategies for the Development of Labour Markets in Bahrain – A Vision for a Better Future*” was held in Manama on 26 and 27 March 2002, by MOLSA in collaboration with ILO, Bahrain Training Institute, the Chamber of Commerce and Industry and the General Committee of Bahrain Workers. The Forum provided the opportunity for a broad exchange of views on some of the priority issues raised in the report; for active participation of representatives of various sectors of the society and for dialogue in the presence of national and international experts.

## **I.2. THE NATIONAL CONTEXT: BASIC FACTS AND RECENT TRENDS**

### **1.2.1. The Economy**

6. Bahrain was one of the first countries in the Gulf region to benefit from the oil boom. Along with other GCC economies, it has experienced fluctuating oil prices and dwindling financial resources. Bahrain shares the common features of oil-based economies: a large public sector; high reliance on petroleum as the major source of income; concentration of nationals in the public sector, and the presence of a large foreign work force. Petroleum revenues still comprise the largest single source of revenue.
7. Bahrain also stands out among the GCC states in several respects. It ranks 40 out of 162 countries in terms of the UNDP human development index (HDI). It had the highest HDI (2000) among the GCC countries. Bahrain has a more diversified economy than others and also less reliance on expatriate labour. The female labour force participation is believed to be higher than in other countries. Bahrain is also described as one of the most liberal countries in the region in terms of openness to trade.
8. The real gross domestic product (GDP) growth was generally high in the early 1990s reaching 8.3 per cent in 1993. Since then it has recorded modest growth rates only between 2-3 per cent. The average annual growth during 1990-94 was 5.73 per cent, and it declined to 3.81 per cent during 1995-99.<sup>1</sup> However, recent developments have boosted growth to 5 per cent in 2000. Forecasts for 2002 indicate that GDP growth will fall to 3.2 per cent in 2002, before rising again to 4.2 per cent in 2003.<sup>2</sup>

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<sup>1</sup> World Bank, World Development Indicators 2001, Washington DC.

<sup>2</sup> EIU, Bahrain Country Report, London, December 2001; Country profile 2001: Bahrain, Qatar, Economist Intelligence Unit, London, 2001.

**Table 1: Bahrain: GDP, Population and Per Capita GDP**  
Constant 1989 prices

Year	GDP Million BD	Estimated Total Population	Per capita GDP (BD)
1990	1658.71	503'022	3297
1991	1687.69	508'360	3320
1992	1800.61	519'378	3467
1993	2032.33	538'085	3777
1994	2027.44	557'509	3637
1995	2106.93	577'684	3647
1996	2193.49	598'625	3664
1997	2261.33	620'378	3645
1998	2369.81	642'972	3686
1999	2471.68	666'442	3709
2000	2603.21		

Source: Ministry of Finance and National Economy

9. The average annual growth rate of per capita GDP during 1990-99 was 1.18 per cent, which shows that **high population growth has eroded gains in growth**.<sup>3</sup> The average annual growth rates of per capita GDP during sub periods 1990-94 and 1995-1999 are: 3.25 and 0.40 per cent respectively. This indicates a substantial slowing down growth in per capita terms in the 1995-99 period<sup>4</sup>.
10. The structure of the economy has shown little change over the past decade as shown in Table 2. Agriculture is almost insignificant while the services sector accounts for close to two thirds of GDP. The share of industry has shown a marginal increase from 33 to 36 per cent or so in the past decade. For an oil-based economy, the GDP may not be a good indicator of economic performance because many other economic activities and government finances are dependent on trends in the oil sector, especially price trends. The share of 18 per cent of the oil sector in total GDP therefore, does not capture its pervasive influence on government revenue and expenditure and all other economic activities.

Composition of the GDP is shown in greater detail in Table 3. The manufacturing sector, generally an indicator of growth in real terms, still contributes only 12% of total GDP. Despite lack of any notable change in its share, **some diversification has taken place via expansion in capital intensive large-scale industries (aluminum smelting and ship-repair) and in light-to-medium-intensity manufacturing enterprises.**

<sup>3</sup> All growth rates used in the report are compound growth rates calculated using the rate formula when only two points were available and using regression when a time series was available.

<sup>4</sup> Growth rates are sensitive to the choice of years.

**Table 2: Sectoral shares of GDP\*, 1990-2000**  
(3-year centered moving averages)

Year	Agriculture	Industry	Services	Total GDP
1991	0.9	33.4	65.7	100.0
1992	0.9	34.0	65.1	100.0
1993	0.9	34.9	64.2	100.0
1994	0.9	35.1	64.0	100.0
1995	1.0	34.8	64.1	100.0
1996	1.0	34.4	64.6	100.0
1997	1.0	34.1	64.9	100.0
1998	1.0	34.7	64.3	100.0
1999	0.9	35.7	63.4	100.0
Annual growth rate 1990-2000 %	5.54	5.28	4.09	4.51
Annual growth rate moving averages %	5.88	4.84	4.16	4.41

\* GDP at producer prices. Industry covers mining and quarrying, manufacturing, electricity, gas and water and construction sectors.

Source: Calculated from *National Accounts 2000*, Ministry of Finance and National Economy.

While the overall contribution of services to output has not shown much change, some sub-sectors have become increasingly important. **Bahrain has emerged as a major banking and financial centre of the Gulf region, facilitating expansion in offshore banking.** But it faces competition in this area, particularly from Dubai. **Bahrain's tourism sector with estimated two million visitors per year is another high growth area.**

**Table 3: Annual Growth Rates and Contribution to GDP**  
(constant 1989 prices) Selected sectors, 1990-2000

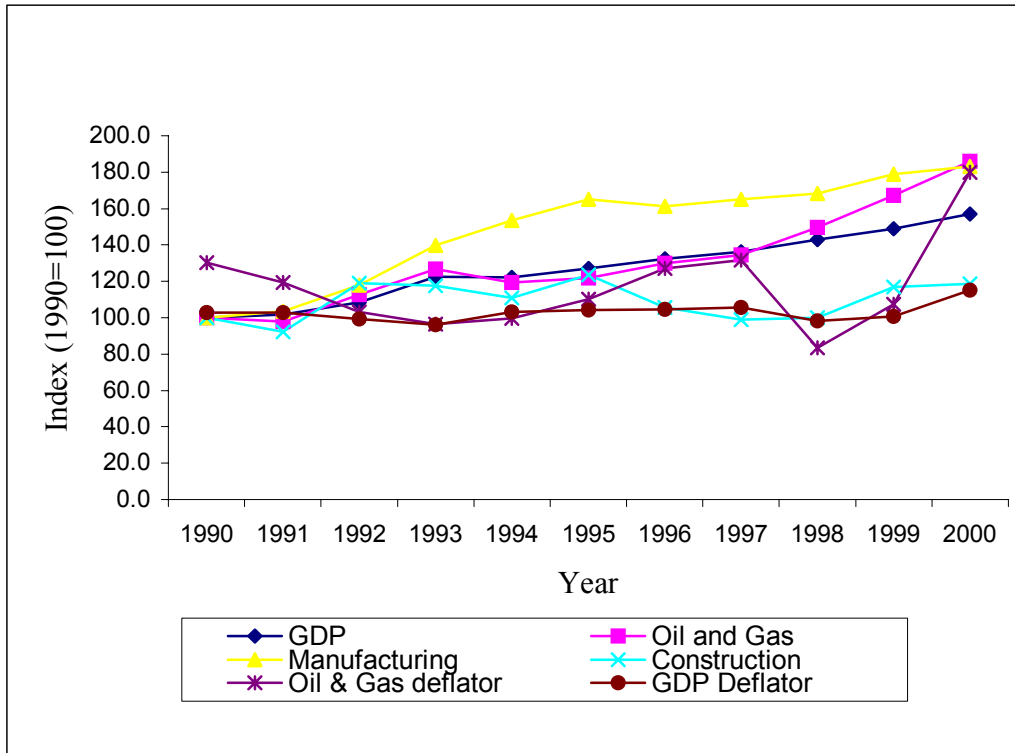
Sector	Percent share of total GDP		Average Annual Growth Rate*
	1990	2000	1990-2000
Agriculture and fishing	0.9	0.9	5.54%
Mining and Quarrying	15.1	18.0	5.75%
Crude petroleum and natural gas	15.0	17.8	5.72%
Manufacturing	10.2	12.0	6.05%
Construction	5.0	3.8	0.81%
Trade	12.4	12.8	4.57%
Transport and Communications	8.0	7.9	3.78%
Financial Services	19.9	19.0	4.72%
Government services	19.4	15.3	2.05%
GDP			4.45%

\* regression estimates.

Source: Estimated from Bahrain national accounts data, Ministry of Finance and National Economy

Chart 1 shows the trend in GDP in selected components of GDP during 1990-2000. The price deflator for oil and gas and for GDP are also shown to highlight the link between oil prices and GDP trends. It broadly confirms that movements of GDP and components reflect oil price trends.

**Chart 1: GDP and price trends 1990-2000 (Indices)**



11. While oil and oil-based products have been traditional exports, **non-oil exports consisting of manufactured goods, in particular aluminum products, have shown impressive growth along with services exports.** The contribution of services exports is also significant, and has recorded 13.8 per cent annual growth during 1996-2000 in contrast to services imports at a lower rate. **These trends point to increasing diversification of the economy in response to government's trade and investment policies.**

### **I.2.2. Population and the labour force**

12. The main features of population composition and growth are: high rates of growth, - youthful profile, - share of non-Bahraini population, rising participation rates and high growth of the labour force.
- **The population of Bahrain more than doubled between 1971 (216,078) and 1991 (508,037).** It increased by 36 per cent between 1991 and 2001 to reach 690,819 (April 2001). The annual growth rate of population in the past decade is 2.7 per cent compared to the previous inter-censal rate of 3.6 (1981-1991). This is a significant drop if it can be sustained. World Bank population projections for Bahrain show that population will reach the one million mark by the year 2025. The continuing high dependency burden should be a cause for concern.



**Table 4: Population projections 2000-2045  
(Thousands)**

Period	Total Population	Male population	Female population	Dependency ratio %
2000	683	382	301	51.1
2005	773	426	348	49.2
2010	851	462	388	45.2
2015	916	492	424	42.9
2020	977	518	459	44.1
2025	1035	542	493	49.4
2030	1087	562	525	54.6
2035	1128	576	551	57.1
2040	1156	585	572	55.2
2045	1181	592	589	54.6

Note: Dependency ratio=( (total population-working age population, 15-64 years)/working age population)\*100.

Source: World Bank, World Development Indicators 2000.

- The size of the population is affected by the Non-Bahraini population. **The share of the Non-Bahraini population was 38 per cent in 2001.** This share jumped from 17 per cent to 32 per cent between 1971 and 1981 with the boost in oil revenues and increased dependence on foreign workers for development programmes. **It had risen to 36 per cent in 1991 and shows only slight growth between 1991-2001.**
- Another important feature is the youthful nature of the population. Table 5 shows that about 57 per cent of the Bahraini population is below 25 years and 37 per cent are below 15 years of age. This shows the bunching towards younger age groups. For the overall population, the ratios are 45 per cent and 28 per cent. It also results in a high dependency ratio as noted above. **About 72 per cent of the Bahraini population is below 35 years of age. This highlights the potential impact on the labour market in the medium to longer-term.**

**Table 5: Population structure - 2001**

	Bahraini %	Total population %
Less than 15 years	36.5	27.9
Less than 25 years	56.9	44.7
Less than 35 years	72.0	66.5

Source: CSO, Population Census 2001.

12. Labour force growth is determined by population growth and labour force participation. **Past high rates of population growth have contributed to the current labour force pressures.** The overall labour force participation rate has marginally declined for the Bahraini population as shown in Table 6. This may be explained in terms of the greater and longer participation in the educational system. But the trend in Bahraini female participation is clear: it has increased by 38 per cent and 16 per cent between the census years since 1981. The major growth was during 1981-91 reflecting probably the initial low levels of female participation. **Finding jobs and placements for growing numbers of female entrants to the labour force will continue to remain a challenge for policy makers.**

**Table 6: Labour Force Participation Rates, 1981-2001**

	1981	1991	2001	Percent change	
				1981-91	1991-2001
<b>Total population</b>					
Total	60.5	65.2	63.3	7.8%	-2.9%
Females	18.2	29.2	32.6	60.4%	11.5%
Males	86.1	88.2	83.9	2.4%	-4.9%
<b>Bahraini</b>					
Total	43.7	47.4	45.2	8.5%	-4.6%
Females	13.3	18.4	21.4	38.3%	16.3%
Males	73.8	76.4	68.9	3.5%	-9.8%
<b>Non-Bahraini</b>					
Total	85.2	87.1	85.3	2.2%	-2.1%
Females	36.3	55.2	56.6	52.1%	2.4%
Males	97.5	98.0	96.6	0.5%	-1.5%

Source: Population Census data, 1991 and 2001

Age-specific labour force participation rates are more revealing of the trends. Unfortunately the 2001 Census age-specific data are not still available which precludes analysis of trends. The 1981-1991 data show that the main gains in labour force participation for females have occurred in the age groups 30-49. There has been a decline in the 15-19 age group participation due to rising school enrolments.

14. **Labour force growth is high at around 3.1 per cent. It outstrips the population growth rate because of the youthful profile of the population. What is significant is the sharp rise in female labour force growth (see Table 7). It is more than double the male growth rate at 6.45 per cent.**

**Table 7: Labour Force Growth by Nationality and Sex (1971-2001)**  
**(Annual compound growth rates %)\***

Nationality and Sex	1991-2001	1981-1991	1971-1981
<b>Bahraini</b>			
<b>Male</b>	2.58	3.48	3.77
<b>Female</b>	6.45	6.61	17.51
<b>Both Sexes</b>	3.44	4.01	4.96
<b>Non-Bahraini</b>			
<b>Male</b>	2.61	4.36	13.52
<b>Female</b>	4.46	12.39	17.22
<b>Both Sexes</b>	2.93	5.29	13.79
<b>Total Labour Force</b>			
<b>Male</b>	2.60	4.00	8.31
<b>Female</b>	5.38	9.41	17.38
<b>Both Sexes</b>	3.14	4.76	9.02

\* Calculations based on using end-points and the rate formula.  
Based on: CSO, Population Census reports, 1991, 2001

15. Recent information on the distribution of the employed population by economic activity and occupations is not available since the 2001 Population Census data on the economically active population are yet to be released.

Table 8 has compiled information from the previous censuses on this aspect. It indicates the changes in the employment structure from the oil boom years (1970s) to end of the 1980s characterized by oil price declines. The changes are in broad conformity with changing economic situation. The construction sector has declined in importance with completion of major infrastructure projects in the economy. The financial and business services sector has registered a major expansion in employment. The community, social and personal services sector has increased its share from 31 to 40 per cent during 1971-91. The growth of the manufacturing sector has led to almost doubling of its employment share. It would be interesting to compare the changes since 1991 when 2001 Population Census employment data are released.

**Table 8: Distribution of total employment by economic activity, 1971-1991**

Economic Activity	Per cent of total employment		
	1971	1981	1991
Agriculture and Fishing	6.7	2.7	2.4
Mining, Quarrying and Petroleum	7.4	3.5	1.7
Manufacturing	6.8	8.2	12.6
Electricity, Gas & water	2.9	2.1	1.4
Construction	17.5	21.2	12.6
Wholesale and retail trade, hotels & restaurants	12.9	13.4	14.1
Transport, Storage & communication	13.0	9.5	6.5
Finance, insurance, real estate & business services	1.8	3.3	8.1
Community, social & personal services	30.9	34.5	39.6
Activities not adequately defined	0.2	1.6	1.0
<b>Total employment</b>	100.0	100.0	100.0
<b>Total employment (absolute number)</b>	59,590	137,892	212,070

Source: compiled from CSO information.

16. Basic data on unemployment is available from the 2001 Population Census (see Table 9). According to this, **the current rate of unemployment is 5.5 per cent showing a slight decline from 6.3 in 1991**. The total number unemployed was about 17,000 in April 2001. The issue of unemployment is further discussed in the next section.

**Table 9: Changes in Unemployment Prevalence by Sex (1971-2001)**

Item	1971	1981	1991	2001
<b>Unemployed Population (15 years and above)</b>				
Male	1763	2958	9703	9953
Female	64	1534	4675	7012
Both Sexes	1827	4492	14378	16965
<b>Unemployment Rate % (15 years and above)</b>				
Male	3.0	2.3	5.2	4.1
Female	1.9	9.5	11.8	10.5
Both Sexes	2.9	3.2	6.3	5.5

Source: CSO, Population census – 2001

17. No information is available on the extent of underemployment among employed population. Data on hours of work and earnings would be needed to assess this, but Bahrain does not collect such data.
18. **Wage and productivity data are very important indicators for monitoring labour market developments. Unfortunately, there is little systematic information on these indicators in Bahrain.** GOSI and CSB provide some limited data on distribution of average wages, but systematic data on annual wages by skills, sex, nationality are not easy to find. In the absence of labour force surveys and a regular series on employment by occupations and industry, productivity data are hard to come by. Both indicators do not find a place in the list of labour market indicators maintained by the Labour Research and Studies Section (LRSS) in MOLSA. They should be given high priority in any future LMI exercise.

19. Some limited wage data are given below:

**Table 10. Bahrain: Average Monthly Wage Rates for Public and Private Sectors, 1995–2000**  
(In Bahraini dinars)

Sector and category	1995	1996	1997	1998	1999	2000
<b>Public Sector</b>						
All workers	376	385	425	431	439	446
Bahrainis	370	379	421	429	438	446
Non-Bahrainis	418	424	455	447	450	452
Males	368	376	416	421	430	436
Females	394	402	422	447	456	463
<b>Private Sector</b>						
All workers	239	247	253	252	...	...
Bahrainis	389	374	377	371	...	...
Non-Bahrainis	182	188	194	194	...	...
Males	238	246	253	251	...	...
Females	248	255	254	262	...	...
<b>Private Sector</b>						
Bahraini males	...	...	...	...	370	379
Bahraini females	...	...	...	...	238	243
Non-Bahraini males	...	...	...	...	184	186
Non-Bahraini females	...	...	...	...	219	217
All males	...	...	...	...	240	243
All females	...	...	...	...	231	233

Sources: Ministry of Labour and Social Affairs and General Organisation for Social Insurance.

As expected, there are no major differences in average wages in the public sector according to gender or nationality. Female wages are about seven per cent below male wages while the gap between Bahraini and Non-Bahraini wages has narrowed down sharply from about 11 to 2 per cent or so over the last four years. **Public sector wages are 155 to 170 per cent higher than private sector wages.**

Some caution is necessary in interpreting the data for the private sector. It consists of two segments: i) a few large parastatal enterprises (Alba, Batelco, Bapco, Bangas, Gulf Air, GPIC, etc.) and the large banks; ii) the remainder of the private sector dominated by small enterprises. The first group has very high rates of Bahrainization, and it pays relatively high wages to employees. Therefore, simple average wage rates based on GOSI data may not reflect the situation in the bulk of the private sector. Still data show a wide gap between wages of national workers and non-national workers in the private sector. National workers earn almost double the wage of non-national

workers. Non-national workers may however, enjoy a few other benefits such as subsidized housing, etc., in addition to the cash wage. The break in private sector wage series makes it difficult to analyze trends.

**The limited GOSI data show significant labour market segmentation between national and foreign workers (Table 10). According to GOSI data for 2000, 60 per cent of Non-Bahraini workers receive less than 100 dinars per month, and 73 per cent get less than 150 dinars – the potential minimum wage level in recent discussions. In contrast, only 12 per cent of national workers receive less than 100 and the corresponding percentage for less than 150 dinars is 39 per cent. The wage differentials may partly explain the continued reliance on foreign labour on the part of the private sector.**

**Table 11: Distribution of GOSI workers by monthly wage levels, 2000**

Wage per month (Bahraini dinars)	Cumulative % of Bahraini workers	Cumulative % of Non-Bahraini workers
Less than 100	12.5	60.2
Less than 150	39	73
Less than 200	53	79
Less than 300	64	86
More than 500	5.4	14

Source: calculated from GOSI data.

Civil Service Bureau wage data made available to the Mission cannot be used for any meaningful analysis since it simply provides a range of wages (maximum and minimum) according to different cadres and wage scales.

20. Wage distribution data also can be used as a rough indicator of the quality of jobs created in the economy. GOSI data for the private sector show that 62 per cent of jobs carry a wage of less than BD 150 per month (the possible minimum wage rate considered in the recent debate). If we take BD200 as a cut off point, 70 per cent of workers earn wages below this level. **This lends support to the view that most jobs generated in the economy have been low-wage jobs or low-quality jobs.**

### **I.2.3. Political Reforms and Democratization**

21. In 2001, two years after HRH Sheikh Hamad bin Isa Al Khalifa succeeded his father, he initiated an ambitious process of political reform. This is considered by many as a turning point in the history of Bahrain and a pioneering initiative amongst the GCC States. In February 2001, citizens of Bahrain were asked to vote on a National Charter, a revised edition of the 1973 Constitution. The vote on the National Charter resulted in 98.4 percent in favor of its implementation, which encouraged the then Emir of Bahrain Sheikh Hamad bin Isa Al Khalifa to establish a special committee headed by Crown Prince Sheikh Salman bin Hamad Al Khalifa to translate the National Charter into a plan of action and legislations.

22. **The National Charter was considered by many observers as a blueprint for political and social reforms.** Since then the island of Bahrain has been transformed gradually from an Emirate State into a Constitutional Monarchy. It was on the occasion of the anniversary of the National Charter, that HM, the King, Sheikh Hamad bin Isa Al Khalifa declared his country as a Constitutional Monarchy.
23. The announcement of the Kingdom culminated the year-long process of liberalization with the introduction of a package of political and social reforms that included general amnesty for political prisoners and exiles, the lifting of travel bans on political activists, the reinstatement of dissidents dismissed from public sector jobs, and the abrogation of State security laws. These steps were accompanied by **real breakthrough in the status of women and their role in the development of the nation and political participation.** Bahraini women were granted political rights including the right to participate and vote in the upcoming municipality and parliamentary elections. **Easing of restriction on the right to form associations, witnessed the formation of a broad range of NGOs and associations.**
24. HM King Hamad bin Isa Al Khalifa dissolved the country's advisory Shura Council and called for parliamentary elections to be held in October 2002, the first to take place in Bahrain for the last 27 years. The new Constitution provides for a bicameral legislature, the National Assembly. The two houses of the National Assembly are the Consultative Council, whose 40 members are appointed by the King; and the Chamber of Deputies, whose 40 members will be elected by direct vote of citizens, who are 20 years or older. Both legislators serve four-years of terms and all legislations that are approved by the National Assembly must be ratified by the King before being recognized as laws.
25. **These reforms are outstanding in the GCC context. The political reforms have positively affected the Bahraini economy. They have helped in building the confidence of many financial institutions and encouraged banks to move their headquarters or regional office to Bahrain.**
26. Freedom of speech including the granting of premium to a larger number of newspapers and the right to organize have been amongst the prominent features of the reform process. **The political openness and democratic reforms provide an unprecedented platform for social dialogue including on economic and social policies.**

## II. EMPLOYMENT OF NATIONALS: A POLICY CHALLENGE

### II.1 UNEMPLOYMENT IN BAHRAIN: FOCUS ON ROOT CAUSES

27. There has been considerable concern in Bahrain about rising unemployment in the past year. Demonstration by the unemployed especially youth have become a feature of public life. However, it must be stressed that neither the unemployment problem in Bahrain nor the awareness and action by the policy makers are newly emerging phenomena. **According to Population Censuses, the rate of unemployment declined from 6.3 per cent in 1991 to 5.5 per cent in 2001.** It is interesting that the total number of the unemployed estimated in the Census (16,965 or 16,100 excluding

Non-Bahrainis) is very close to the current registered number with the public employment service. About two thirds or 11,400 of the Census numbers were first time job seekers.

### II.1.1 Characteristics of the “unemployed”

28. MOLSA has registered 17,185 unemployed jobseekers after initial screening of whom 5,996 are males. **The registered unemployed are mostly first time jobseekers in the age group 16-24 and with low educational qualifications; 28 per cent did not attend school and 40 per cent are secondary school leavers<sup>5</sup>.** The employment service has faced a great challenge in placing these persons in productive and sustainable jobs.
29. The high ratio of female unemployment among the registered unemployed has been viewed with scepticism in some quarters – that it was motivated by the offer of unemployment benefits. However, as seen above, both Population Censuses (1991 and 2001) have consistently reported much higher levels of female unemployment. **The female unemployment rates in 1991 and 2001 were more than double the male rate.** However, in terms of absolute numbers, the unemployed males are higher in number, but among new jobseekers, the numbers are more or less similar at 5200-5400 or so.
30. A very striking picture emerges when one examines the unemployment situation by nationality, gender and age:
  - The unemployment rate for non-Bahrainis, who account for 58.8 per cent of the labour force, is a mere 0.5 per cent. **The unemployment rate for Bahrainis is a striking 12.7 per cent.**
  - Women experience greater difficulties in securing work, a fact shown by the 10.5 per cent unemployment rate for women compared to 4.1 per cent for men. Among Bahrainis, the rate is higher for both sexes: 20.4 per cent for female compared to 12.7 per cent for male. This significant “gender gap” indicates that women face many barriers to enter into jobs. **Women represent 25.8 per cent of the Bahraini labour force but they account for 41.5 per cent of the unemployed.**
  - **About two-third of the unemployed are first-time jobseekers.** Assuming that the vast majority of the first-time jobseekers are school leavers or other young labour market entrants, youth unemployment is clearly a major issue. **The estimated rate of youth unemployment is alarmingly high: about 41 per cent<sup>6</sup>!** It is among the highest in the world. Only four countries have comparable or higher rates: Jamaica (41 per cent), Saint Lucia (44 per cent), the former Yugoslav Republic of Macedonia (49 per cent), and South Africa (56 per cent).

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<sup>5</sup> figures given to the mission by the Bahrain Training Institute. About two third of the unemployed are women.

<sup>6</sup> The estimate based on the assumptions that first-time jobseekers are youth between the ages of 15 and 24 years, and that the youth labour force participation rate is 37.4 per cent (information provided for 1995 by The Key Indicators of Labour Market, ILO, 2000).



### II.1.2 Youth Unemployment

31. **The very high rate of youth unemployment has considerable personal, social and political consequences.** Experiencing unemployment in early life may permanently impair young people's employability and productive potential, as patterns of behaviour at an early stage will tend to persist late in life. The exclusion of young people from productive work generates disappointment, undermines social cohesion and inevitably becomes both a critical policy challenge and an explosive social concern.
32. Nevertheless, the importance of the youth employment rate in Bahrain should not be overemphasized for two reasons. Firstly, the majority of young people (62.5 per cent) are outside the labour force; most of them in education. From this broader perspective, the problem is less serious. The share of the unemployed in the total youth population is only 10.4 per cent. Secondly, unemployment statistics show only symptoms but they hide underlying causes. **Therefore, while helping today's unemployed youth is essential, identifying the root causes of the unemployment problem is equally important. Addressing the root causes is the only chance of finding an effective long-term solution.**

### II.1.3 Relationship between growth and employment

33. In the context of Bahrain, unemployment is at best an imperfect indicator of labour market and employment problems. In the absence of a widespread social safety net, many people may be employed in low productive work. Thus, open unemployment rates may not reflect problems of low incomes and productivity. It also does not show the degree of labour utilization. Thus, a broader range of indicators should be used in assessing labour market or employment problems.
34. **Trends in labour productivity is a useful indicator to assess growth and dynamism in the economy.** However, **there exist no reliable data to calculate trends in labour productivity by economic sectors.** Some information for 1991 has been compiled from different sources in Table 11. Given the limited structural changes in the economy, the situation may not have changed much in recent years. The relationship between sectoral employment and GDP shares reflects the level of productivity. As expected, the capital intensive oil sector does not generate much employment, but it has high value added per worker. The community, social and personal services sector accounts for 40 per cent of employment, but provides only 7.6 of GDP. The outcome is low GDP per worker. Manufacturing productivity is also not much different from average productivity reflecting the predominance of low value added activities.

**Table 12: Sectoral distribution of employment, GDP and GDP per worker 1991**

Sector	Share of total employment 1991	GDP share %	GDP per worker: BD
Agriculture and Fishing	2.4	1.0	2897
Mining, Quarrying and Petroleum	1.7	15.0	61930
Manufacturing	12.6	17.3	9794
Electricity, Gas & water	1.4	1.8	9524
Construction	12.6	5.8	3243
Wholesale and retail trade, Restaurant	14.1	11.0	5507
Transport, Storage & and communication	6.5	11.6	12699
Finances, insurance, real estate & business services	8.1	26.3	22937
Community social& personal service	39.6	7.6	1357
Total (percentage)	100.0	100.0	7088
Total (number)	212,070		BD mil. 1503

Note: The GDP series used here is based on the 1980-93 series given in the CSO Statistical Abstracts.

35. There is inadequate data to measure productivity trends over time. A rough estimate based on GDP (at constant prices) per employed worker (interpolated using the observed 1991-2001 labour force growth rate) shows a low growth rate of 1.31 per cent between 1991-2000. It will be very useful to assess productivity trends by different economic sectors, especially in manufacturing, when 2001 census data are available.
36. It is common to use the concept of employment elasticity with respect to GDP growth in discussing labour absorption in the economy. An elasticity of unity means that economic growth induces a proportionate growth in employment. While detailed sectoral employment data would be needed for proper analysis of this issue, the response of employment to GDP growth in Bahrain seems to be low at the overall level. The employment elasticity with respect to GDP for the 1991-2001 period is estimated to be 0.69. This means that every one per cent increase in GDP was able to create only 0.69 per cent growth in employment. For the Bahraini population, the elasticity is 0.8, which is still below unity.

#### **II.1.4 Job creation during 1981-2001**

37. Census data can be used to analyze the pattern of job creation during 1981-2001 (see Table 13). In the period 1981-1991, a total of 74,178 jobs were created. Out of this 70 per cent were in the private sector. **Almost 92 per cent of the private sector jobs went to Non-Bahrainis. The rate of job creation for the Bahraini population has improved somewhat during the last decade, as a result of “Bahrainisation” policies. Based on estimates of total government employment and two possible scenarios, Bahrainis still can secure only 8 out of every 20 jobs created in the economy according to the 1991-2001 experience.** During 1981-91, the ratio was about 5 out of every 20 jobs created. This shows that while the integration of national workers has improved over the years, there is still a considerable unfinished agenda.

**The challenge is how to integrate Bahrainis in private sector employment.** This has obvious implications for the type and quality of jobs created (discussed earlier) and training and skills to be provided to Bahraini persons (discussed later in the report).

**Table 13: Job creation in the economy- 1981-2001**

<b>New jobs 1981-1991</b>	<b>Total</b>	<b>% row total</b>	<b>Bahrainis</b>	<b>% row total</b>	<b>Non- Bahrainis</b>	<b>% row total</b>
<b>Sector</b>						
Total	74'178	100.0%	20'090	27.1%	54'088	72.9%
Government	22'264	100.0%	15'809	71.0%	6'455	29.0%
Private sector	51'914	100.0%	4'281	8.2%	47'633	91.8%
<b>New jobs 1991-2001</b>						
<b>Sector</b>						
Total	79'306	100.0%	33'717	42.5%	45'589	57.5%
<i>Scenario I</i>						
Government I	13'978	100.0%	13'978	100.0%	-	0.0%
Private sector I	65'328	100.0%	19'739	30.2%	45'589	69.8%
<i>Scenario II</i>						
Government II	13'978	100.0%	9'381	67.1%	4'597	32.9%
Private sector II	65'328	100.0%	24'336	37.3%	40'992	62.7%

Note: 1991 represents actual values while 1991-2001 are estimates. Scenario 1 assumes that all government jobs went to Bahrainis; Scenario II distributes new govt. jobs according to the 1991 observed shares (32% of jobs to Non-Bahrainis).

Source: Calculations provided by Dr Naji Al-Nahdi, Director of BTI.

38. The Government has taken policy initiatives and introduced a series of measures to address the problem of unemployment amongst Bahrainis as early as the late 1970s. The “Bahrainisation” policy referring to a broad range of measures aims at increasing the employment of Bahrainis and controlling the inflow of expatriate labour. Recently, MOLSA has been entrusted with the implementation of a multi-component National Programme on Employment and Training, funded through an Emiri donation of BD 80 million. More significantly, a draft policy paper on “**Strategy for Employment and Integration of National Workforce in the Labour Market in Bahrain**” has been prepared by MOLSA proposing a range of integrated policy reforms. All the above policies and programmes are discussed in turn, in the following sections.
39. The challenge for job creation in Bahrain consists of three components: jobs for new additions to the labour force; jobs for the backlog of unemployed, and increased productivity for reducing underemployment among the already employed. As mentioned earlier, no information is available on the extent of underemployment among the employed population. Data on hours of work and earnings would be needed to assess this, but Bahrain does not collect such data. **In the absence of detailed age-specific labour force participation information from the 2001 Census, it is also not possible to calculate annual additions to the labour force in the medium term. Information provided to the Mission by national authorities suggest new entrants to the labour force to be of the order of 8,000 per annum.** The population in the

age cohort 10-14 in 2001 represents part of new additions to the labour force in the next five years. According to the Population Census of 2001, the total population in this age cohort is 49,160 (25,281 males and 23,879 females). There will be further additions from the age cohorts, 19-24 and 25-29 years, as youth completing their studies join the labour market.

40. Over the past few decades, Bahrain has heavily relied on low-cost foreign labour. At the same time, the country has made significant investment in the education of youth and created well-paid public sector jobs for new entrants. **As a result, the labour market is characterized by a high share of foreign workers, by a large percentage of public sector employment, and by a high degree of segmentation along public-private and Bahrainis-foreigners lines. This strategy has generated over-expectations among the youth, hidden the weaknesses of the education system, and created an overstuffed public sector at the expense of efficiency.** At the same time, demographic pressure on the labour market is high, and will remain so in the years to come. The figure speaks for itself: 56.9 per cent of the Bahrainis are younger than 25 year old!
41. **The root causes of unemployment of national workers are thus imbedded in the employment policies and labour market interventions followed in the oil boom period. The use of the public sector as a soft option for guaranteeing privileged employment for national workers, and its impact on the private sector have given rise to labour market rigidities and distortions which have stifled employment growth for nationals. In this sense, unemployment is structural in nature. At the same time, there is cyclical unemployment depending on the business cycle and fluctuations in economic activity.**
42. Mission consultations in Bahrain highlight the following factors as contributing to unemployment:
  - Slowing of growth of the economy ;
  - Mismatch between qualifications, aspirations and experience;
  - Inadequate training for labour market needs;
  - Employability, work ethics and attitudinal issues;
  - Lack of flexibility in the labour market;
  - Availability of cheap source of labour in the form of expatriate workers;
  - Voluntary unemployment where young people wait for jobs because of high reservation wages based on public sector wage structures.
43. Hence, in addressing the issue of unemployment, the Mission considers that:
  - a) Undue emphasis has been laid recently, especially by media and public on short-term measures, especially job placement and unemployment cash benefit; partly due to the setting up of the Government Programme on Employment and Training (NPET) funded through an Emiri donation of BD 80 Million;
  - b) **Focus should be shifted to address root causes through structural reforms along with targeted labour-market programmes;**

44. **Focusing on the root causes of unemployment in Bahrain entails therefore an integrated and comprehensive approach including the following:**
- a) **Creating an enabling environment**
    - **formulation of a clear development strategy and vision taking into account Bahrain’s competitive advantage and potential in the regional and international contexts;**
    - **adoption and implementation of comprehensive human resource development and employment policies related to the above development strategy;**
    - **adapting labour laws and the legal framework to current priorities and realities;**
  - b) **Removing distortions and segmentation in labour markets through gradual but consistent structural reforms;**
  - c) **Investing in the quality of human capital in Bahrain: enhancing productivity, skills and employability of Bahraini youth;**
  - d) **Evaluating and strengthening existing labour market interventions and introducing new innovative targeted programmes;**
  - e) **Rethinking the social protection policy;**
  - f) **Taking full advantage of the democratic process to promote social dialogue and tripartite participation for policy reforms.**

The above components are discussed in turn, in the following sections.

## **II.2. PROMOTING AN ENABLING POLICY ENVIRONMENT**

### **II.2.1. A development vision and strategy**

45. **The best solution to the unemployment problem in the long run is sustained growth and diversification of the economy to a more skill-intensive and internationally competitive one.**

The Economic Development Board has identified six economic clusters for rapid growth and development of Bahrain: **healthcare, tourism, downstream industries, education and training, information technology, telecommunications and financial services.**<sup>7</sup>

In the long run, productive job creation can be sustained only through dynamic growth of the private sector. The government should promote domestic and foreign private investment through investment in infrastructure, creation of regulatory and incentive frameworks, greater transparency, and investment in human resources. Promotion of

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<sup>7</sup> <http://www.bahrainedb.com/opportunity/economic.stm>

small scale enterprises and opportunities for self-employment would also relieve pressure on the public sector. The challenge is to create an efficient public sector and a dynamic private sector.

46. The Mission believes that the government is moving in the right direction on these fronts. Economic and trade liberalisation, privatisation measures and reforms in corporate legal framework can be conducive to employment-friendly growth. However, maintaining competitive edge in the regional and international context requires attention to the whole gamut of macro policies, including macroeconomic stability, pro-growth policies, financial and exchange rate policies, fiscal policies, trade liberalisation policies, etc. The emphasis on diversification away from oil is important for long run macroeconomic stability, which is conducive for private investment.
47. The Mission also feels that there is undue emphasis, especially among the private sector employers, on maintaining international competitiveness based on low cost foreign labour. In the long run, this policy will stifle dynamic growth to be attained by moving to more knowledge-based and skill-intensive growth path. Bahrain has shown innovation and dynamism in the finance and telecommunication sectors. It is important to exploit these advantages. **The development strategy should aim for high value added jobs. It is only within such a framework that an active human resource development and employment policy is most effective in meeting labour market challenges in the context of liberalization and globalization.**
48. **The Mission acknowledges that elements of a new development paradigm are put in motion through government policies. However, this needs to be further elaborated into a clear and explicit development vision and strategy, integrating macro, sectoral economic policies with strategies for the development of human resources taking full advantage of Bahrain's potential in the regional and international contexts.**
49. **Discussions with the Economic Development Board pointed to the need for coordination of economic and social policies.** The requirements of the six growth sectors are yet to be analysed in terms of human resources. Not only will such proactive policies ensure the success of the diversification programmes, they will be most effective in promoting employment opportunities for Bahrainis. Such analysis and projections should provide the basis for investments and orientation of the programmes to enhance skills and employability, especially of youth.

The mission proposes that a joint “Economic and Social Council” or “Economic and Human Development Council” be set up bringing together policy makers in the field of economic policies (EDB, Ministry of Economy and Finance) with those responsible for human resource development and employment policies (labour, education, and training).

## **II.2.2. A Comprehensive Human Resource Development and Employment Policy**

50. Within such global framework and as integral component of such a developmental vision a comprehensive Human Resource Development and Employment Policy is required to address labour market reforms that maximize job creation potential of the development strategy; that address the development of human resources and provide for the protection and inclusion of vulnerable groups. The Government of Bahrain, the Ministry of Labour and Social Affairs, has indeed prepared such a comprehensive plan, the draft “**Strategy for Employment and Integration of National Workforce in the Labour Market in Bahrain**”.
51. H.E. Mr. Abdulnabi Al-Shoa’la, Minister of Labour and Social Affairs, has formally requested ILO comments on the Strategy. The Mission reviewed extensively the Strategy, held consultations with concerned authorities and social partners and provided extensive comments in two rounds of discussions. The Comments are reproduced in a separate document submitted to H.E. the Minister of Labour and Social Affairs, in February 2002.<sup>8</sup>
52. The main thrust of this review is briefly outlined hereunder:

The above-mentioned Policy Paper provides for a **Strategic, Comprehensive, Integrated, Balanced and Forward Looking Plan** for promoting productive employment opportunities and for enhancing the effective functioning of labour markets in Bahrain. It advocates a series of bold structural reforms which aim at integrating and harmonizing the currently highly segmented labour markets in Bahrain. It addresses a wide spectrum of inter-related issues with respect to the management of supply and demand of the labour in Bahrain in order to remedy present mismatches, to manage more effectively the flows of national and expatriate labour and to unify the segmentation in labour allocations between various sectors of the economy, including between the public and private sector. It comprises immediate measures as well as promotes a medium to long-term vision.

**The draft Strategy has been reviewed and approved by a Tripartite Committee including representatives of Employers and Workers<sup>9</sup>.**

**In view of the above, the Mission strongly supports the adoption of this important policy framework as official policy and national Strategy of the Government of Bahrain<sup>10</sup>.**

53. Detailed technical comments have been made by the Mission relating to specific measures proposed,<sup>11</sup> with a view to strengthening the proposed Strategy.

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<sup>8</sup> ILO comments on the “Strategy for Employment and Integration of National Workforce in the Labour Market in Bahrain”, March 2002.

<sup>9</sup> Reservations have been made on few points only.

<sup>10</sup> The process of review at the Council of Ministers and by the Ministry of Finance, is already underway.

<sup>11</sup> ILO comments on the “Strategy for Employment and Integration of National Workforce in the Labour Market in Bahrain”, March 2002

54. In addition, **the Mission has stressed three criteria for successful implementation of the Strategy:**

- i) **maintaining the integrated framework of the Strategy throughout its implementation. Fragmented and isolated interventions will not be effective and will break the consensus achieved;**
- ii) **continuing and intensifying social dialogue and tripartite consultations throughout the process.**
- iii) **identifying roles and responsibilities of line Ministries other than MOLSA, as well as associating relevant institutions and policies.**

### **II.2.3. A Conducive Legal and Regulatory Framework**

55. Labour laws provide the legal and institutional framework governing contractual and industrial relations in labour markets. The Labour Law for the private sector in Bahrain was adopted in June 1976. It contains 20 chapters covering principal legal issues related to labour and employment: regulation on employment of foreigners and nationals, vocational training, contract of employment, employment of women and juveniles, hours of work, conditions of work, termination of contracts, conciliation and arbitration, labour organization and councils, labour inspection, and penalties. The Law was completed by subsidiary legislations (Ministerial Orders) fixing specific regulations related to the provisions of the law. The labour law (1976) was amended by Amiri Decrees on the Establishment of the High Council for Vocational Training (1978), the establishment of Joint Committees and General Committee for Bahrain Workers (1981) and the ratification of ALO Conventions concerning the determination and protection of wages (1984).

56. **Labour laws are essential elements of an enabling environment. They should adapt to evolving labour market conditions in order to fulfil the primary objective of providing basic protection for workers, while preserving the required flexibility for businesses and enterprises to respond to economic development prerequisites.**

57. The 1976 Law was revised in 1993 by adopting new provisions related to better management of the employment of foreign workers; promotion of employment of nationals; the establishment of private employment agencies; the functioning of foreign workers recruitment agencies; improvement of working conditions; termination of employment and conciliation and mediation process for settlement of labour disputes. These amendments improved the working conditions and the management of the labour market within the framework of Government priorities on “Bahrainization”.

58. Another review of the Labour Law is currently underway following the adoption of National Charter and the preparation of the Employment Strategy by MOLSA. In this respect, **the Mission recommends three areas as priority for action: freedom of association, reform of vocational training and management of expatriate labour.**



## 1) Freedom of Association

59. The National charter recognizes the right to form unions:  
*“In order for the society to benefit from all potentials and from civilian activities, the state guarantees the right to set-up private scientific, cultural, vocational associations and syndicates on patriotic basis”;*  
*“No person shall be coerced into joining or remaining in an association or a syndicate”.*

Since the adoption of the National Charter in 2001 and as part of the political reforms introduced, the idea of allowing the formation of trade unions has been gaining ground. Currently, workers’ representation in Bahrain is based on a system entitled Joint Labour-Management Committees (JLC). There are 18 JLCs and a General Committee of Bahrain Workers as the Executive Committee. In view of the above, priority was given to in the revision of labour law (1976), to the revision of provisions related to “labour Organizations and Councils” and the preparation of a new law on Freedom of Association.

60. Two draft proposals on the above have been prepared, respectively by the Government (MOLSA) and by the General Committee of Bahrain Workers and submitted in 2001 to the Committee on the operationalization of the National Charter. ILO advice and comments on draft laws were solicited and provided to MOLSA and GCBW.
61. It should be noted that ILO Conventions No. 87 on Freedom of Association and No. 98 on Collective Bargaining provide the framework for freedom of association and trade union rights. These standards are amongst core Conventions covered by the ILO Declaration on Fundamental Rights at Work.

**Freedom of association and organization are essential prerequisites to enable social partners, employers and workers organizations alike, to engage in policy dialogue. At a time when the Kingdom of Bahrain is undertaking major policy initiatives in the field of employment and labour market reforms, strong tripartite institutions are key to the consensus building on national priorities. The review of the proposed Employment Strategy and its approval by a Tripartite Committee set up by MOLSA is a significant case in point.**

## 2) Laws governing Vocational Training

62. The second priority identified by the Mission is the legal framework on Vocational Training. The importance of skills’ formation and training for Bahrainis is highlighted in the National Charter. Investment in human development and adequate vocational training are the backbone of the proposed Strategy by MOLSA.
63. The existing Labour Law adopted in 1976 comprises general provisions dealing with vocational training. These are no longer relevant to the current priorities. Since 1976, the vocational training sector has evolved drastically in response to technological changes and labour market developments. These changes include: the emergence of new forms of training, the multiplication of actors and partners responsible for

vocational training, the new curricula and programme development, privatization trend and the growing role of the enterprises in the private sector providing vocational training programmes. Imbalances in the supply and demand of labour in the labour market has brought to the fore the role of the State and the public and private sectors in the field of human resource development and provision of training.

64. Within this context and with view to adopt a comprehensive and updated vocational training law, a first draft of the “Law on Training in the Private Sector” has been prepared by MOLSA. The proposed draft law contains pertinent provisions on types of training and conditions; parties responsible for training; training contract; training of job seekers; national scheme for counseling and vocational guidance and general provisions.
65. The Mission recommends that the draft Law put additional emphasis on the following:
  - evaluation of the training system in the private sector;
  - technological and structural changes in the economy;
  - role of the training stakeholders in the labour market process;
  - an adequate coordination system;
  - promotion of tripartite Institutions responsible for vocational guidance and vocational training issues;
  - adoption of vocational training standards and guidelines with a view to improving the efficiency and coherence of the training system;
  - promotion of training schemes targeted to self employment;
  - vocational training and vocational guidance policy and programmes for disabled persons;
  - promotion of equality of opportunities for women and men in training;
  - optimal institutional capacity and financing arrangements needed for better management of the vocational training and vocational guidance system.
66. The Law should focus on the main principles ruling the organization and the development of the vocational training and the vocational guidance system. Detailed provisions should be adopted through a more flexible regulatory framework.

### **3) Strengthening the regulatory framework related to the management of expatriate labour**

67. The third priority identified by the Mission relates to the regulatory and supervisory framework for the management of expatriate labour. An effective management of the system is key to the success of the “Bahrainization” policy of the Government. The employment of expatriate workers is regulated by the labour law (1976), (Chapter 2, Articles 3 to 7) fixing the general conditions related to the issuing and renewal of work permits. Article 7 of the Law states that the Minister of Labour and Social Affairs shall take orders regulating the granting of work permits, work cards to foreign workers and determining the fees due therefore.
68. In pursuance of the above-mentioned article, the Ministerial Order (Order No. 13/1976) was issued concerning conditions of recruitment and the employment of non-Bahrainis. In 1993, the labour law was amended and new legal provisions were

adopted regulating the employment of non-Bahrainis. Amendments to Article 3 extended the scope of the law to the members of the employee's family; Article 4 by referring to the competence of the Minister of Health to issue an order determining health procedures for employment of non-Bahrainis; and Article 7 introduced new provisions related to the cost of repatriating foreign workers. Article 4 of the labour law (1976) was simplified by giving more authority to the Minister of Labour and Social Affairs to take appropriate orders governing the conditions of employment of foreigners.

69. Subsequent developments were introduced through Ministerial Orders or Orders of the Council of Ministers, the most significant are enumerated hereunder. The amendment of the law was followed in 1994 by the issuance of 3 Orders related to obtaining work permits for non-Bahrainis, the procedure for Bahrainis to access vacancies on the renewal and canceling of work permits. Other Orders was issued by the Council of Ministers in 1996, related to standards of employment of nationals in the private sector and conditions for effective application to obtain public tenders.
70. In 1996, the Minister of Labour and Social Affairs issued Order No.7 related to percentage of Bahrainis in enterprises and corporations in the private sector "Bahrainization". The main standards fixed by the Order are the following:
  - Increase of 5% per year of the minimum level of Bahrainization for enterprises employing 10 workers and more with a Bahrainization rate less than 50% of their workers;
  - Enterprises employing less than 10 workers are obliged to employ at least one Bahraini in addition to the employer;
  - For new projects, the number of Bahraini workers should represent at least 20% of the total number of workers for one year at the start of the project and should be increased by 5% per year;
  - The issuance and renewal of work permits is conditioned by the application of the above-mentioned rate of Bahrainization.
71. The Government issued the Ministerial Order No. 21 of 2001 with respect to organizing local transfer cases for certain categories of expatriate workers. Under this, an expatriate worker can be transferred to another employer locally with the consent of the original employer and the worker. More importantly, it allowed transfer of workers without permission of the original employer under certain conditions: a) where the contract has expired; b) when the company has gone bankrupt or ceased operations; c) where the employer has failed to pay wages for three months or more. This is a positive step because it allows mobility of workers to some extent, since the tying of workers to the same employer has been a source of common abuse. Moreover, the worker is also not penalized where the employer has failed to meet his obligations.
72. In October 2001, the Council of Ministers adopted Order No. 1656/01 related to restriction of Employment for non-Bahrainis in five occupations. Tripartite committees were set up to follow-up on the implementation of the Order. The first evaluation of the impact of this Order showed that difficulties were encountered related to the low level of wages (less than 150 BD); inadequate working conditions; reluctance of employers to recruit Bahrainis; difficulty of enforcement to employers who are not registered and can not be subject to control.

73. **The evaluation of the “Bahrainization” policy clearly indicated, inter-alia, the need to strengthen the capacity of the Ministry of Labour to ensure effective control of the application of the law and related orders. This concerns both the labour inspection system and employment services. Similarly the capacity of the Foreign Employment Unit within the Ministry has to be strengthened.**
74. The proposed Employment Strategy by MOLSA, includes relevant proposals with a view to ensure a better regulation of the inflows of the expatriates and promote the employment of nationals. The main provisions include:
- Improve the management of the supply of expatriates by reviewing regulations related to the employment of expatriate manpower; reducing the number of entry points to one (MOLSA); controlling the quality of supply; reviewing the law and regulations for sponsorship; and controlling of agencies training with the work permits;
  - Taking appropriate action to reduce the demand of expatriates by reviewing the regulations aiming to increase the costs and taxes, adopt strict regulations on qualifications (and maximum employment duration), transfer of workers and employment of their family members.
75. **These are important steps. However, as discussed in Sections III.2.2. of the Report, the revision of the regulatory framework and the strengthening of the supervisory mechanism are elements for a more comprehensive approach that, in the opinion of the Mission, should emphasize market-oriented measures and continuous dialogue with social partners.**
76. **Other areas for action:**
- a) *Minimum Wage:*  
The current policy debate on the introduction of a minimum wage in the private sector in Bahrain, has taken a new momentum following the Symposium convened on the subject by the Minister of Labour and Social Affairs (January 2002).
- It should be recalled that in 1976, the Labour Law stated in its Article 77 related to wages that “the determination of the minimum wage standard shall be prescribed by an order made by the council of Ministers, with due regard to the submission of the Ministers of Labour and Social Affairs”. This provision was completed by the Amiri Decree Law No. 3 of 1984, ratifying ALO Convention No. 15 of 1983 concerning the determination and protection of wages which states in its Article 16 to 20 the main principles related to the minimum wage and fixing machinery which are in harmony with the International Convention 131 on Minimum Wage Fixing.
77. The International Standards related to the minimum wage are embedded in the ILO Convention No. 131 and Recommendation No. 145. Other ILO instruments that refer to minimum wage Convention No.100 on Equal Remuneration for men and women, Convention No. 168 and Recommendation No. 176 on Employment Promotion and Protection against Unemployment.

78. The ILO Experts Committee in its general survey (1992) of the minimum wages fixing instruments “recognized that minimum wages are an important element of the labour market especially in ensuring a certain minimum for workers with very low income...”
79. Mission’s recommendations on the principles and criteria to be taken into account for the introduction of a minimum wage, are discussed in Section III.3.
- b) *Review of legal provisions and regulations related to part time employment and temporary employment promotion.* Facilitating different forms of part-time and temporary employment has been proposed by the draft Strategy on Employment amongst measures to increase work opportunities and to combat unemployment.
- While this seems as a reasonable option under the current circumstances, care should be taken that such part-time and temporary employment do not result in sub-standard conditions of work and pay or lead to further market segregation. Best practices and international experience can provide useful guiding principles.
- c) *There is a need to review and revise the social security provisions of the Labour Code* as discussed in Section III.5.
- d) *Revision of the Labour Law in compliance with ILO Conventions ratified by Bahrain.* Bahrain has ratified 8 International Conventions related to Forced Labour (C29-C105); Discrimination in Employment and Occupation (C111); Worst Form of Child Labour (C182); Labour Inspection (C81); Rehabilitation and Employment of Disabled (C159); Women Night Work (C89) and Weekly Rest Industry (C14). Appropriate action needs to be taken to give effects to comments of the expert committee with view to harmonize current labour legislation with ratified conventions. The comments of the Committee of Experts are related to Conventions: C29, C14, C81, C89, C159.
80. Enhancing the role and strengthening the capacity of the labour inspection system are key to better enforcement of the labour law and improvement of labour conditions. Furthermore, it is recommended that tripartite Committees be informed, as appropriate, to review the revision of the labour law.

### **II.3. LABOUR MARKET INTEGRATION: REMOVING LABOUR MARKET SEGMENTATION AND RIGIDITIES**

81. The highly segmented nature of the labour market has already been pointed out. This is manifested at three levels. In common with other GCC countries, there is a marked segmentation between the public sector mostly employing national workers and a private sector relying largely on expatriate workers. There is also segmentation between labour markets for foreign workers and national workers. At a third level, there is gender segregation in the labour market. **Removing all forms of segmentation facilitates access to jobs and efficient allocation of labour. Measures aiming at integrating the labour market in Bahrain are key to combating unemployment.**

### II.3.1. Public and Private sector segmentation

82. There is a marked preference for public sector jobs among jobseekers, and 90 per cent of public sector jobs are held by nationals. This is a legacy of the oil boom years when the public sector was able to offer employment to increasing numbers of national workers, but with the recession and downturn in economic activity, it is no longer the case. There is probably overstaffing in the public sector, and there is no readily available information on labour productivity levels. On the other hand, the private sector has traditionally relied on expatriate labour, which can be obtained at lower cost.
83. The Mission was informed of several cases of preference for public sector jobs, in the short duration of its work:
- The Ministry of Education advertised for 512 teaching positions. Preference was given to unemployed persons. Later it was found that many of the recruited persons had in fact come from the private sector schools;
  - The Ministry of Education advertised for 400 security guard positions and there were well over 4,000 applications, mostly from those employed in the private sector.<sup>12</sup>
  - 85 per cent of the registered unemployed persons in 2001, have expressed the preference to work in the public sector. In terms of gender, 88 per cent of males and 83 per cent of females reported this preference (MOLSA data).
84. The main attractions of public sector jobs in the GCC economies, have been succinctly identified, as follows <sup>13</sup>:
- |  |  |
|--|--|
| - A higher salary at the entry level             | - Social acceptability   |
| - A larger fringe benefits package               | - Less stressful job environment   |
| - Shorter working hours                          | - Job security that resembles permanent tenure                                     |
| - Possibility of owning another private business | - Psychic income from swapping favors with others working in the government sector |
| - A faster promotion track                       |  |
85. Most of these apply to Bahrain as well. The public sector work week is 36 hours as opposed to 48 hours the private sector. Average wages in the public sector are about 150-170 per cent above those of private sector workers. This is mainly because of the low wages paid to expatriate workers. The public sector offers better social security through a pension scheme while most private establishments are covered by the GOSI social insurance scheme. The public sector offers retirement options with full pension after 20 years for males and after 15 years of service for women. These are believed to be too short to be fiscally sustainable. The lighter workload and social prestige are added advantages in civil service employment.

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<sup>12</sup> Information supplied by the Ministry of Education to the mission.

<sup>13</sup> Girgis, Maurice (2000). *National versus migrant workers in the GCC: Coping with change*, paper presented at the Mediterranean Development Forum Labour Workshop, March 5-8, Cairo, 2000.

86. ***How to rationalise public sector employment?***

Efficient public sector restructuring is essential to the success of active labour market policies<sup>14</sup>. This issue of common interest to GCC countries has received some discussion.<sup>15</sup> The above-mentioned draft Strategy proposed by MOLSA has recognized the need for bridging the gap between the public and private sectors (Para E13) and has proposed the following measures:

- Reducing the working week in the private sector from 48 to 40 hours gradually over 4 years while raising weekly working hours in the private sector over the next two years to 40 hours instead of the current 36 hours;
- Gradually making the private and public sectors equal in terms of vacations and official holidays and other work conditions so that there would be a unified work system that applies to all who are working in the country with no distinction between the private and the public sectors;
- Reducing the gap of benefits from other services in the country, such as housing, loans and others;
- Issuing a unified labour law for both the public and private sectors.

87. ***The Mission strongly supports these measures and recommends the following:***

- Aligning public sector pay and benefits with the market;
- Applying new policies to new hires such as improving selection procedures, fixed term contracts, and performance-based promotions. New entrants in the government sector could start at lower salary structures;
- Transferability of non-wage benefits is also important. Nationals who are presently employed in the government sector and who wish to shift employment to the private sector should be able to transfer their non-wage benefits to their new jobs. This should include portability of pensions and social security benefits as well to promote greater labour mobility and flexibility of labour markets.

88. It is recognised that the government cannot cut down on existing employment in the context of the high unemployment situation. In the long run, however, some downsizing may be necessary in the interest of labour productivity and efficiency. Privatisation of State enterprises may offer some opportunities for downsizing.

89. **It is recommended to undertake an analysis of wages, productivity and staffing trends in the public sector for deciding on the best strategies for its rationalization.** The Mission could not obtain much information on these important indicators.

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<sup>14</sup> Abrahart, A.; Kaur, I.; Tzannatos, Z. (2000). *Government Employment and Active Labor Market Policies in MENA in a Comparative International Context*. Paper presented at Mediterranean Development Forum Labour Workshop 3, Cairo, March 5-8, 2000. <http://www.worldbank.org/mdf/mdf3/papers/labor/Abrahart.pdf>

<sup>15</sup> Abrahart aet. al. 2000;Khorshid, Motaz (200). *A prototype labor market economic interaction model for a Gulf Cooperation Council economy: Impact of structural imbalances and policy measures on medium term performance*, Faculty of computers and Information, Cairo University.

Girgis, Maurice (2000). Op. cit. 2000.

Bulmer, E. (2000). *Rationalizing Public Sector Employment in the MENA Region: Issues and Options*. Discussion paper of the World Bank. Report no. 21592.

### II.3.2. Labour market segmentation between national and expatriate workers

90. This is closely related to the above labour market duality. The public sector is largely manned by national workers, while the reverse is true of the private sector. This is common with other Gulf countries. **Nationals formed 90 per cent of the public sector work force in 2000. In the same year, two thirds of workers in the private sector were non-nationals. The dependence on foreign workers is continuing with 181,220 non-Bahrainis in the total labour force in 2001 who accounted for 59 per cent of the total labour force. The share has hardly changed from 1991 when it was 60 per cent.**
91. The employment of expatriate workers is regulated by the Labour Law (1976), which fixes the general conditions related to the issuing and renewal of work permits and the Ministerial Order No. 13/1976. In 1993, the labour law was amended and new legal provisions were adopted regulating the employment of non-Bahrainis.
92. Foreign workers are admitted to the country in different ways:
- Through the MOLSA-administered work permit system. Employers or recruitment agencies apply for work permits for bringing in foreign workers. These are normally issued for two years, which can be renewed;
  - Various public sector agencies can hire foreign workers without going through MOLSA;
  - “Free visa” or sponsorship system. There is little transparency or any reliable information about this system, which bypasses the MOLSA. These workers would normally work in the informal sector. Sponsors regularly receive commissions from these workers. Recent amnesties have targeted undocumented migrant workers, and free visa holders and overstayers may form a sizeable part of this group.
93. The annual number of work permits issued has been around 40-50,000 in recent years.<sup>16</sup> **The bulk of the work permits are for unskilled and semi-skilled workers. In 2000, professional and technical and administrative and managerial workers accounted for only 10 per cent of the total. Most of the permits are issued for crafts and production process workers (including construction and transport workers).**
94. MOLSA data show that during the five-year period 1997-2001, the Ministry received 105,463 work permit requests for 383,080 new expatriate workers (excluding domestic helpers). The Ministry issued 190,641 permits and 192,439 of the requests were rejected. Applications for domestic helpers during the same period were 121,391 out of which 82,937 permits were issued and 38,454 rejected. The rejection rate for workers other than domestic helpers seems to be around 50 per cent.

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<sup>16</sup> There is some confusion in the terminology used in CSO published statistics in English. One table refers to labour licenses for Non-Bahrainis whereas the other refers to work permits. According to the Beirut ILO office, the translation should read as work permit renewals for the latter. Labour licenses represent new permits issued during the year. We have used the same term ‘work permits’ here.



**Table 14: Work permit data, 2000 and 2001**

	2000	2001
<b>New work permits</b>	35,808	38,214
<b>Permits for household work</b>	17,487	19,460
<b>Renewal of work permits</b>	50,963	48,470
<b>Renewal of household permits</b>	8,114	7,829

Source: Foreign Employment Division, MOLSA

95. Total expatriate workforce currently in Bahrain (stock of workers) is estimated to exceed 200,000 workers. The Population Census 2001 reported about 180,000 non-Bahraini workers in the country, which is quite close to this figure.
96. The distribution of work permits by economic activity also shows further segmentation between national and foreign workers (Table 15). About 85 per cent of the total permits are for craftsmen, production and transport workers and services (services, sports and recreation) workers. The former category can include skilled, semi-skilled and unskilled workers. It would be useful to distinguish among these groups. Since these two categories represent around 85 per cent of total foreign workers, the current data compilation and presentation have only limited usefulness. Even domestic helpers who are mostly female and constitute a significant share of the total are not shown separately. **It is suggested that a more meaningful disaggregation be applied in these statistics including distribution by gender.** Such detailed listing is also important for monitoring the progress of Bahrainization.

**Table 15: Work permits Issued for Non-Bahrainis by Occupations (1996 - 2000)**  
% of total licenses

Occupations	Year				
	2000	1999	1998	1997	1996
<b>1. Professional, Technical &amp; Related workers</b>	6.58	7.69	7.67	8.26	8.44
<b>2. Administrative, Executive &amp; Managerial workers</b>	1.70	1.59	1.40	1.80	2.16
<b>3. Clerical Workers</b>	0.84	0.75	0.78	0.79	0.89
<b>4. Sales Workers</b>	4.11	3.45	2.14	1.42	1.20
<b>5. Farmers, Fishermen, Hunters &amp; Related workers</b>	1.32	1.35	1.46	1.34	1.38
<b>6. Craftsmen &amp; Production, Transport &amp; communication workers</b>	42.52	43.65	49.48	43.94	40.79
<b>7. Services, Sports &amp; Recreation workers</b>	42.93	41.53	37.07	42.46	45.14
<b>8. Total</b>	100.00	100.00	100.00	100.00	100.00
<b>9. Sum of 6 and 7</b>	85.45	85.18	86.54	86.39	85.93

97. Employers feel that the system of recruitment of foreign workers is bureaucratic and open to misuse since the granting of a work permit has to pass through several Ministries. No information was available on the role of local recruitment companies in employment of foreign workers. It is believed to be some illegal trading in foreign work permits<sup>17</sup>. The presence of illegal foreign workers and **pressures on the Foreign Employment Division of MOLSA highlight the need for more streamlined, transparent, and simple procedures**. At the same time, the General Committee of Bahrain Workers has objected to the “free visa” system which bypasses the work permit system altogether.
98. In general, GOSI data presented in the Table 16 shows that national workers are clustered in clerical and sales work, transport and communication activities and administrative and management positions (GOSI data pertain to only private sector enterprises employing 10 workers and above). Foreign workers dominate services and production sectors. This information is important for discussing “Bahrainization” issues.

**Table 16: Distribution of workers registered under the General Social Insurance Scheme (GOSI)**  
by nationality and occupation

Workers employed						
	Bahraini		Non-Bahraini		Total	
(1) Occupation	(2) No. of Workers	(3) % of total	(4) No. of Workers	(5) % of total	(6) Total workers (2)+(4)	% Bahrainis in each sector ((2)/(6))*100
Professional, Technical & Related Workers	6923	13.0	11817	11.1	18740	36.9
Admin., Exec. & Manager Workers	2178	4.1	2695	2.5	4873	44.7
Clerical Workers	11221	21.1	3621	3.4	14842	75.6
Sales Workers	3075	5.8	4505	4.2	7580	40.6
Farms, Fishermen & Hunters Workers	337	0.6	545	0.5	882	38.2
Miners, Quarrying Workers	80	0.2	154	0.1	234	34.2
Transport & Communication Workers	4996	9.4	3548	3.3	8544	58.5
Craftsmen, Production and Process Workers	14387	27.1	51923	48.9	66310	21.7
Services, Sports & Recreation Workers	3798	7.2	14484	13.6	18282	20.8
Others	6104	11.5	12823	12.1	18927	32.3
<b>Total</b>	<b>53099</b>	<b>100.0</b>	<b>106115</b>	<b>100.0</b>	<b>159214</b>	<b>33.4</b>

Source: GOSI and CSO

<sup>17</sup> MOLSA has cancelled licenses of 17 recruitment firms for violation of the labour law conditions for engaging foreign workers. Bahrain Tribune 31 May 2001.

99. This report has not looked at the conditions of work of foreign workers. Most of them have been brought legally into Bahrain for fulfilling essential economic activities. Their replacement should be carried out in a systematic, transparent and gradual manner without causing too much disruption. Some of them, especially female domestic helpers are particularly vulnerable and subject to abuse because they remain outside the labour law. **The Mission strongly recommends that domestic helpers be brought under the labour law.** A recent ILO study on domestic helpers has highlighted their vulnerable situation.

### 1. “Bahrainization<sup>18</sup>”: Evolution of Policy

100. The term ‘Bahrainization’ is used in different ways. In a broad sense by national authorities – to mean the creation of employment opportunities for nationals. In a narrower administrative meaning - the replacement of expatriate workers in the work force with national workers<sup>19</sup>. In the following section, the term used is in it in the latter sense.
101. The reasons for “Bahrainization” are obvious. It reflects the end of the oil boom policies during which nationals were virtually guaranteed jobs in the public sector. The growing unemployment and increasing social unrest provide strong incentives to pursue integration of national workers to the labour market. Given that about two thirds of private sector jobs are performed by migrant workers, the obvious solution seems to be targeting replacement of these workers. It may also reflect a desire to be less dependent on foreign labour as demonstrated during the Gulf crisis.
102. The policy is by no means new and dates back to 1977, when the Ministry of Labour asked private sector companies to employ at least 15 per cent Bahrainis when they employ expatriate workers. The work permit scheme was used as a tool to monitor the progress and also influence compliance in this respect. **In 1989, the government launched a Five Year Plan for Bahrainization.** In 1996, the Minister of Labour and Social Affairs issued an order specifying standards to be followed by the private sector in relation to employment of nationals. This order and others have been succinctly reviewed in the preceding Section II.2.3.

### 2. Impact of Bahrainization policy and obstacles

103. At the macro level, the share of foreign workers in the total labour force seems to have hardly changed between 1991 and 2001 according to Population Censuses, as noted earlier. The share is still around 60 per cent. A MOLSA study analysed the impact of Bahrainization in the 1990s<sup>20</sup>. It found an increase in the number of Bahrainis by 43% in the private sector, one per cent in the public sector, and 27 per cent in the informal sector during the period 1992-1996. Overall the Bahraini participation in paid employment rose by 27 per cent during this period.

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<sup>18</sup> MOLSA 1998. Bahrainization.

<sup>19</sup> See paper by Salah Mahdi, Saudization and Structure of the Labour Market in Saudi Arabia, Economics Paper 24, UHBS 2000:11 Business School, University of Hertfordshire  
<http://www.herts.ac.uk/business/wplist2000.htm>

<sup>20</sup> MOLSA. Bahrainization, Labour Research and Studies Section, 1998.

104. The study identified major obstacles as follows: shortfall in workplace skills on the part of Bahraini jobseekers; their unwillingness to take up unskilled jobs; and low wage levels paid by smaller enterprises. The MOLSA study recommended several measures to promote Bahrainization: measures to encourage Bahrainis to enter self-employment, setting up of a minimum wage, and the provision of greater skill opportunities.
105. More recently in 2001, the government has evaluated achievements under the latest Bahrainization plans and noted its positive results. Problems encountered related to the low level of wages (less than 150 BD); inadequate working conditions; reluctance of employers to recruit Bahrainis; presence of unregistered companies, etc. The evaluation identified causes of poor implementation: lack of awareness and commitment of employers; inadequate labour inspection and employment services; limited capacity of the training system; and the absence of an effective tripartite and sustainable mechanism of consultation.
106. Based on the above, the draft Employment Strategy listed several proposals to manage the supply and reduce the demand for expatriate manpower.

### 3. Options for Bahrainization

107. There are a number of ways to implement a policy of “nationalization” of the work force. Three broad types of policies could be employed to re-nationalize the labour force<sup>21</sup>, and Bahrain to have adopted a mix of these policies:
108. *1) Quotas, reservations, bans or prohibitions*  
 This refers to imposition of restriction on the number of work permits to potential business employers and households by limiting the number of foreigners, who can be employed in a particular industry or occupation or simply prohibiting employers from hiring foreigners to fill certain jobs. The most recent policy measure in Bahrain is to reserve jobs in driving heavy-duty vehicles, handling clearance of paperwork at government departments, and unskilled labour such as gardeners, cleaners and messengers<sup>22</sup>. **These restrictions have to be based on an assessment of the areas in which qualified national workers are available.** But experience shows that these restrictions and bans have not been very effective in reducing the inflow of expatriate workers into the GCC.
- It may result in the increase of the illegal, but lucrative trade in work permits as a result of the restrictions imposed on them by the State. *“With the introduction of bans, the rents on these bogus sponsorships increase and with it the number of foreign workers”*<sup>23</sup>.
  - Employers also can redefine jobs to continue the hiring of foreign workers. In Hong Kong, for example, foreign maids have been used to drive cars, a job reserved for local workers.

<sup>21</sup> Part of the discussion draws upon observations made by Professor Phil Martin.

<sup>22</sup> Bahrain Tribune 22 October 2001: *Over 15,000 Bahrainis to benefit from job reservations*. The plan also stipulates that there will be not less than 50 per cent Bahrainization in the retail sector and the hairdressing and beauty services sector. <http://www.bah-molsa.com/english/news/news22-10-2001a.htm>

<sup>23</sup> Girgis, Maurice (2000). *National versus migrant workers in the GCC: Coping with change*, paper presented at the Mediterranean Development Forum Labour Workshop, March 5-8, Cairo, 2000.

- **Bans and quotas also require a very efficient administration to monitor and enforce implementation.** Singapore and Switzerland are cases in point. **“Policymakers could look to Singapore and Malaysia for lessons in managing foreign labor. But replicating Singapore's or Malaysia's immigration policies alone, without addressing existing employment and pay distortions, may have limited success, given the very different economies and institutional environments in the GCC.”**<sup>24</sup>
- Drastic interventions in the labour market run counter to the principle of the free enterprise system (Sixth Pillar in the national employment strategy), do not permit smooth transition. Therefore, a gradualist approach is preferable.

109 **2) Market-oriented measures: inducements or subsidies to encourage employers to hire local workers.**

**This strategy can be implemented in two ways: raising the cost of foreign labour and reducing the cost of employing local labour through subsidies.**

a. *Raise the cost of foreign labour:*

MOLSA has already recognized this strategy which is incorporated under item D.1 in the draft Employment Strategy.<sup>25</sup>

*“Raising the cost of expatriate manpower by imposing duties for importing which would cover the cost of the individual to the national economy and raising government taxes on work permits and expanding the umbrella of vocational training taxes to cover all establishments, as well as implementing a programme of health insurance and other measures which would increase the expense of employment of expatriate manpower and would create fair competition with the national worker.”*

- i) Levy system: The Bahrain government is already levying a flat charge of BD 100 for each new work permit and BD 150 for renewal. Some countries use this system to promote entry of high skills. For instance, Singapore’s work permit system has a differentiated fee structure according to nationality, skill level, and sector of activity. It is used as a tool to discourage the entry of unskilled workers who carry a higher levy; Bahrain could also use a similar differentiated fee structure to encourage employment of more skilled persons.
- ii) Implementation of a minimum wage applicable to foreign workers as well. The issue of minimum wage is being debated in the country at present. During the Mission’s consultations, both the Ministry of Finance and National Economy officials and Employer groups voiced concern about possible adverse impact of a minimum wage applicable to all workers on Bahrain’s regional and international competitiveness. This issue is further discussed in section III.3. of the Report;
- iii) Charge foreign workers or employers the subsidy involved in the provision of social services (education, health, housing, roads, etc.,) reflecting the true social cost of expatriate labour. A ILO/UNESCO

<sup>24</sup> Ruppert, E. (1999). *Managing Foreign Labor in Singapore and Malaysia: are there lessons for GCC countries? Policy Research Working Paper 2053*, Washington DC: World Bank.

<sup>25</sup> Ministry of Labour and Social Affairs, Strategy for Employment and Integration of National Manpower in Labour Market of the State of Bahrain, October, 2001, Item D.1.

study in 1996 estimated these indirect subsidies to be of the order of BD 240 per foreign worker per annum<sup>26</sup>;

- iv) Integrate foreign workers into full social security coverage. At present, foreign workers are entitled only to workmen's compensation for injury and death. It is unlikely that this will find acceptance by employers in view of additional costs.

*b. Subsidize the wages paid to local workers:*

The levy collected from foreign workers can be used partly for introducing a subsidy programme linked to hiring nationals across all sectors of the economy. It should reflect the wage gap between national and foreign workers of the same skills. But it can be very expensive to subsidize the wages of all local workers. However, the government is already subsidizing private industry in other ways. In addition to subsidized social services mentioned above, there are a number of preferential arrangements for investors, especially foreign investors including tax concessions, subsidized and infrastructure. Those subsidies can be reduced to allocate resources for wage subsidies. The wage subsidy can be targeted to the employment of the hard-core unemployed or the most difficult to place in employment. The Project 4000 initiated under the MOLSA Employment and Training Programme for the unemployed uses wage subsidies to encourage the private sector to train and hire unemployed national workers.

110. **3) Restructure and redefine jobs**

National workers may tend to avoid "foreigners' jobs" because they involve strenuous work or long hours, and/or because they carry a stigma of low prestige or social status. With economic growth, many countries find it difficult to get local workers for certain jobs described as 3D (dirty, dangerous and difficult) or as SALEP<sup>27</sup> (shunned by all except the poorest) jobs. One way to remove the stigma without reducing the non-work alternative sources of income for the nationals is to restructure and redefine foreigners' jobs." For example, truck driving jobs can be redefined as small businesses by selling or leasing a truck to the driver, whose wages become the difference between revenue from hauling freight and the costs of operating the truck, not hourly or monthly wages. Self-employment is generally more prestigious than working as an employee in an occupation, which carries a stigma. The Mission gathered that MOLSA had already used this approach in Bahrain in regard to beauty saloons and hair dressing through appropriate training and guidance programmes.<sup>28</sup> Even in the tourist industry, there has been some progress in substituting national workers for lower level jobs. The government is also targeting service at gas stations. **The proposed "Employment Fund" may be used to provide loans for the unemployed to start self-employment ventures along these lines.**

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<sup>26</sup> ILO/UNESCO, State of Bahrain: Labour market requirements and the outputs of the educational system, vols. 1-3, A UNDP TSS1 Mission report, Geneva, May 1996.

<sup>27</sup> ILO, Employing expatriate workers: A manual on policies and procedures of special interest to middle-and low-income countries, W. R. Böning, Geneva, ILO, 1996.

<sup>28</sup> Bahrain Tribune, Saturday 9 February 2002: *Man hairdressing: where Bahrainis have dared.*

URL: <http://www.bah-molsa.com/english/news-2002/news-feb/news9-2-2002a.htm>

111. Automation and high technology have been used by countries like Japan to minimize the need for unskilled workers. The Employment Strategy has mentioned this as one option (D.6). But it is open mainly to large enterprises. However, small enterprises are rarely in a position to resort to high technology because of the high initial investment needed. In any case, in the current context of the need to provide jobs for unskilled and semi-skilled Bahraini workers, this cannot be considered a useful option.

#### 4. Mission's Recommendations

112. The Mission wishes to highlight that it is not realistic to achieve immediate results in view of the long-standing and pervasive reliance on foreign workers at present. It is not possible to find quick fixes to a long-term problem. **Bahrainization is therefore necessarily a task of medium and long run adjustment, so that disruption to both enterprises and workers can be minimized.** Moreover, there will be a hard-core level beyond which replacement of foreign workers with nationals cannot be pursued because nationals of a middle income country will not take up certain occupations. Domestic work is one example. Even Singapore once entertained the idea of phasing out foreign workers altogether by late 1980s, but found that this was not feasible.
113. A three-stage approach to the integration of national workers in GCC economies has been proposed: **Stage I, the Human Resource Development Programme** for upgrading of skills of national workers and enhancing their employability; **Stage II, the Substitution of National Manpower for expatriates** as an intermediate adjustment measure through a range of policies; **Stage III, the Market-Oriented Job Creation Phase**, where emphasis is placed on long term policy options whose primary objective would be to reduce the extent of price distortions in the goods and factor markets. A number of policy measures recommended there would apply to the case of Bahrain as well.
114. Bahrain has already embarked on a combination of measures on I and II and should lay emphasis on III, as advocated in the proposed Strategy by MOLSA.
115. **The Mission acknowledges that, in the short-run, a combination of administrative and market-oriented measures need to be considered. Gradually, emphasis should be shifted to the more efficient market-oriented mechanism.**
116. **The Mission wishes to stress that Bahrainization policies should go hand in hand with growth and diversification policies, human resource development and removal of labour market rigidities. Otherwise, administrative measures alone will have limited impact.**
117. **The Mission would also stress the need for continuous dialogue with employers and workers in formulating policies on expatriate labour and Bahrainization administration.** Measures have a better chance of compliance, if explained and debated by using accurate data and by building a national consensus among the shared common goal of increasing employment opportunities of Bahrain youths. This Mission also believes that examination of productivity and wages in different sectors of the country, in the context of regional competition, may help in the dialogue. Data on productivity and wages need to be systematically collected and analyzed.

### II.3.3. Gender-Based Segmentation

118. There is also labour market segmentation based on gender. Women are concentrated in a narrow range of occupations due to factors related to socially unacceptable working conditions (e.g. arduous jobs, geographic locations of work, hours of work, non-friendly working environments, etc.). More than half of the Bahraini female labour force is in the public sector. Within the public sector, women are concentrated in the health and education fields. In 1998, 56% of working women in the public sector were in the education and 23% in health sectors. While this might be due to the general public/private labour market segmentation highlighted in the above section and which applies to both men and women workers, **it is important to highlight here that women face additional constraints than men in labour market integration. Women's unemployment rates which have consistently been double that of men's since the 1980s is an indication of these added constraints** (Table 9).
119. Looking at education and training opportunities for men and women in particular, **Bahrain has achieved great strides in providing equal opportunities as both the female and male labour force have comparable higher education levels. Yet, this is not translated in the vocational training opportunities which are available.** In the formal school system technical schools are mostly available for male students. At the Bahrain Training Institute which links labour market needs with types of training provided and which boasts large numbers of female applicants to socially accepted occupations, women are not encouraged to enroll in what is considered male jobs unless they sign their responsibility to find their own employment. Also, in some instances quotas on female enrolment are imposed to curtail higher numbers of women and maintain male majority (e.g. some of the schemes under the National Employment and Training Programme). The reasons given, had to do with the fact that the private sector is not women-friendly and that job placement for women is difficult.
120. **As public sector employment, which is more attractive to women employees due to its job security, social acceptability and equal wages, shrinks, and as women continue to have limited access to non- traditional skill training and job placement opportunities in the private sector, it can be seen that gender-based labour market segmentation and higher unemployment rates amongst women will persist.**
121. The youthful structure of the labour force where as many as 65% of working Bahraini women are below the age of 30 years, is a significant criteria. This young age structure will continue to grow in Bahrain. In addition, and beyond demographic growth, it appears that the rate of growth of the female labour force actually exceeds the rate of growth of the male labour force. This means that among the young age cohorts, more women will be available for employment than those in older age cohorts. In other words, female employment in Bahrain will continue to grow, as more young women are available for employment. Therefore, since more Bahraini women will be *choosing* to enter the labour force, the training systems and job placement efforts need to be more gender sensitive and inclusive.



122. **The Mission believes that accepting the barriers that women face in access to jobs and reflecting these in labour market programmes and training opportunities can only exacerbate the problem. The opposite is required: a forward looking policy framework which leads the society towards equal opportunities for women and men in all sectors. This is not only an equity concern, but an economically sound policy for efficient allocation and utilization of the human capital.**

#### **II.4. EDUCATION AND SKILLS' DEVELOPMENTS: FACILITATING TRANSITION FROM SCHOOL TO JOBS**

123. As outlined earlier, the Economic Development Board (EDB) established in 2001 with a view to promote the diversification of the economy, places particular emphasis on attracting investment in selected areas such as financial services, tourism, information technology, health services, education and training. The role and contribution of these sectors to economic development, growth and job creation, would largely depend on the availability of the workforce with the required skills.

124. **Education and skills' formation hence, are key to increased competitiveness and enhanced productivity of the Bahraini economy. Coherence and complementarity between education and training policies on the one hand and their overall adequacy to the labour market needs in the growth sectors on the other, are crucial to the success of economic diversification.**

125. **From the perspective of combating unemployment amongst nationals and "Bahrainization" policies too, enhancing education and training policies should be accorded high priority. As pointed out earlier, the core of the unemployed youth has low educational attainment. Similarly, the inadequate skill profile of Bahraini nationals is often quoted by the private sector as one of the chief concerns viz Bahrainization policies.**

126. **The review of national experiences in the context of global competition shows that countries that have invested in the skills and human development capital have performed much better. Global investment is no longer attracted to availability of low-cost labour only, but increasingly to the availability of skilled workforce.**

##### **II.4.1. Education: Enrolment and outputs**

127. Basic education in Bahrain extends for nine years followed by a three years diversified tracks in secondary education. Post-secondary education includes Bahrain University, Arab Gulf University, Bahrain Training Institute, College of Health Sciences, Gulf Hospitality and Tourism College and several others institutions including Bahrain Institute for Banking & Finance (for sector employees only). Table (17) shows the basic enrolment and graduates figures in governmental secondary schools from 1987/88 to 1999/2000. **The statistics reflect approximately 50% increase in enrolment and 38% of graduates during the period reviewed.**

**Table 17: Enrolment and Graduates of Government Secondary Schools by Sex  
1987/88-1999/2000\***

School year	Enrolment			Graduates		
	M	F	T	M	F	T
87/88	8224	7775	15999	2094	2105	4199
92/93	9992	10185	20177	1841	2491	4332
96/97	10495	11742	22237	2194	2808	5002
99/2000**	10953	12365	23318	2637	3034	5671

\* Statistical Group 1997, CSO

\*\* Statistical Summary of Education 1999/2000, MOE

128. **The percentage of those who complete the secondary schooling compared to those enrolled in the first year of the primary cycle raises questions about the ability of the educational system to retain students.** Table (18) shows great differences between the numbers enrolled in different educational stages. Enrolment figures show a distinct drop from 62289 in general primary schools to 28649 in general intermediate schools to 23318 in secondary schools. Difference in the base year does not seem to cater for this sharp drop. **This means that out of every ten students joining the first year of the primary cycle, less than four students, are expected to enroll in the secondary schools**<sup>29</sup>.
129. Table (18) also shows some significant trends with respect to the gender balance and points to lack of self or societal motivation for education among male students. Male enrolment in secondary schools is not proportional to their percentage in the population (50.4% males and 49.6% females in the 2001 census). In the science track, only 36% are males compared to 64% female students. The situation is not any better in the literary track with 33.5% males. Table (18) also shows that female students completing primary education are slightly higher than males (52% and 48% respectively), but at the intermediate level they are about 30% higher and at the general secondary level, they become close to double as much. Figures also show that industrial education is offered only to male students while textiles and advertising are only open for females. In Bahrain University, the situation is almost the same with male enrolment only amounting to 38%, in spite of the measures taken by the University to enhance male enrolment. According to the Educational Statistics 1999/2000, male students in Bahrain University in 1998/99 amounted to 3676 compared to 5989 female students. **While female students represent about two thirds of all enrolment at secondary and post-secondary levels, the 2001 census showed that their share in the national workforce was limited to 25.78%.**

<sup>29</sup> There is a need to revise the definition and method of calculation of school drop-outs.

**Table 18: Number of Students and Graduates in Government Education  
By level of Education and Sex 1999/2000\***

Educational level		Enrolment			Graduates			
		M	F	T	M	F	T	
Primary	General	31043	31246	62289	4275	4618	8893	
	Religious	300	--	300	48	--	48	
	Total	31343	31246	62589	4323	4618	8941	
Intermediate	General	14094	14555	28649	3006	3996	7002	
	Religious	113	--	113	32	--	32	
	Total	14207	14555	28762	3038	3996	7034	
Secon.	Science	2793	4964	7757	775	1412	2187	
	Literary	1799	3561	5360	385	781	1166	
	Commercial	2920	3524	6444	515	806	1321	
	Indust.	Sec.	2746	--	2746	720	--	720
		V.T.	637	--	637	228	--	228
		Total	3383	--	3383	948	--	948
	Textile & Clothes	--	153	153	--	12	12	
	Advertising	--	163	163	--	23	23	
	Religious	58	--	58	14	--	14	
	Total	10953	12365	23318	2637	3034	5671	
<b>Grand total</b>		56503	58166	114669	9998	11648	21646	

\* Source: Statistical Summary of Education in State of Bahrain, 1999/2000, MOE

130. Public schools cater for 82.96% of total enrolment. Private schools enrolment is 37946 student (14385 Kindergarten; 14831 Primary; 5159 Intermediate; 2469 Secondary and 1102 Higher Secondary). Bahrain has 20 public secondary schools offering science, literary and commercial programmes in addition to 5 commercial and 4 industrial schools. Enrolment in industrial programmes remained almost stable during the last ten years or so. A UNESCO/ILO study in 1995 showed that only about 25% of the graduates from Technical Schools, obtain employment in their field of specialization. The sharp increase in enrolment in the Commerce Programme (more than 250% from 3679 in 1995/96 to 9325 in 2001/2002) is alarming.
131. Higher education in Bahrain is diversified according to the level and type of institution. Duration ranges between two and four years with some exceptions. Access to most government programmes is based on scores achieved in previous schooling and/or admission tests. Bahrain University was established in 1986 offering several degrees up to the master-level. The University include colleges of Arts, Science, Education, Business Administration and Engineering. Total enrolment in 1998/99 was 9665 student (3676 males and 5989 females). Arab Gulf University, established in 1979, is a regional GCC university with a college of Medicine and another for Post-graduate studies. Total enrolment in 1999/2000 amounted to 586 student (211 males and 375 females). College of Health Sciences was established in 1979 and its enrolment in 1999/2000 was 510 student (81 males and 429 females). Gulf College for Hospitality & Tourism, established in 1997, had 274 (141 males and 133 females) full time and 173 (128 males and 45 females) short course enrolment in 1999/2000. Bahrain Training Institute, established in 1992, trained 2079 (1282 males and 797 females) students in full time formal programmes in 1999/2000 and 2920 trainees (2087 males and 833 females) in part time formal programmes in the same year. A

number of Bahraini students join universities abroad through scholarships, fellowships or some self-financed basis.

132. **The above review of the educational system points to: a) an abnormally high school drop-out rate from the secondary level which later constitutes a large proportion of the unemployed; b) a motivational problem amongst young male population; c) higher performance by female population in the schooling system which is not matched with job opportunities in the labour market; and d) need to evaluate the quality of the outputs of the educational system<sup>30</sup>.**

#### **II.4.2. Skills' Formation and Training**

133. Bahrain has about a quarter century experience in efforts to link education and training to actual labour market needs, principally through the constitution of Tripartite Councils. The Higher Council for Vocational Training was established in 1978. The Minister of Labour and Social Affairs chairs this tripartite body. Responsibilities of the Council cover policy formulation and administering of a training levy system. Two sectoral Councils have been in operation for years, banking and tourism. Four new Councils (retail sales, jewelry and gold, industry and construction) were established recently. **These councils are responsible for training policy and programmes in their respective fields. Formation of councils is known as one of the mechanisms to link training to labour market needs. However, in order to achieve the expected results, Council members, as well as officials in the Technical secretariat should be trained to assume their role.**
134. Training providers in Bahrain include public and private training institutions. The Bahrain Institute for Banking & Finance train employees in that sector. In addition, several Ministries and governmental agencies run their own training institutes, e.g. the Civil Service Commission (CSC), Bahrain Defense Forces, The Municipality, Ministries of Electricity & Water, Communications, Interior and Health. The private sector is also an active partner in training in Bahrain, with about 60 training institutes privately owned. Some large companies organize their own training in accordance with concerned Ministerial Orders, either in their own training institutions, r locally or abroad. These companies are eligible for reimbursement from contributions to the levy system.

With respect to Vocational Training, programmes offered in Bahrain, with very few exceptions, provide technical education rather than vocational training. Skill training is not limited to initial training for newcomers to the labour market. Further training upgrading and updating programmes are offered in the Bahrain Training Institute (BTI) and some of the business establishments, locally or abroad.

135. BTI plays a key role in skills' training in Bahrain. The ILO assessment study of the BTI<sup>31</sup>, called for expanding the programmes offered at BTI and maintaining its high quality of training. In 1999/2000, BTI enrolment in formal programmes amounted to 2079 full time trainees and 2920 part timers. Part-time students amount to 58.4% of total enrolment. Female enrolment in full-time programmes amount to 38.3%

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<sup>30</sup> A recent UNESCO study has recommends the introduction of more systematic evaluative mechanisms in Bahraini education.

<sup>31</sup> for more details see the Assessment Report of the Bahrain Training Institute (BTI), ILO, 1999.

compared to 28.5% for part-time programmes. In 2000, graduates of the full time programmes were 566 (359 males and 207 females) and 901 of the part-time courses (594 males and 307 females), including 350 in foundation course in office administration, using the computers. **Discrepancy between male and female enrolment and graduates from the BTI has been justified in terms of availability of job placement in the labour market.**

136. BTI offers tailor-made training for a wide spectrum of enterprises as well as training for job seekers. It is estimated that these two areas account for more than half the number of trainees. The admission policy and requirements are quite flexible and put no limitation as of age or prior education requirements. The Institute's default training language is English and its diplomas are accredited from the UK. BTI full-time staff represents about 80% of total staff. A good percentage of BTI budget comes from training services offered to enterprises while direct budget allocation from the government represent the major source of finance. Bahrain Training Institute applies its own quality assurance system as mandated by the UK accreditation bodies. The institute is seen by many professionals to represent a centre of excellence in skill training.
137. Bahrain's Civil Service Commission (CSC) recently evaluated BTI's diplomas, solely based on academic achievement without giving consideration to professional and occupational criteria. **The Mission recommends that this be reviewed, as this rigid perception of qualifications is not suited to match labour market needs in Bahrain.** In many countries a parallel scale is recognized to allow skilled workers and technicians climb in the earning scale without being forced to pass through academic curriculae. A similar system in Bahrain would encourage nationals to become productive workers in a high-technology economy. Without such steps, the system would continue its traditional support to white collar jobs that are no longer available for the increasing number of Bahrainis entering the labour market.
138. The Ministry of Labour and Social Affairs run a number of Social Centers. These Centres offer several types of training and support their local communities. **It is recommended to re-consider the role of the Social Centres in direct provision of training and better link them to the labour market. This is further elaborated upon in Section III.4.1.**
139. **Decentralization and the diversity of private and public providers could be seen as signs of strength, if adequate co-ordination as well as quality assurance measures were assured. Neither appropriate co-ordination nor national quality assurance mechanisms are in place in Bahrain. Responsibilities for assessment of training and its outputs are not spelt out in a comprehensive way and training providers are, in many cases, also playing the role of a certifying body for their own trainees. The Ministry of Labour and Social Affairs (MOLSA) registers private training institutions but does not have the human and material capacity to monitor them. While maintaining the healthy diversity and competition is recommended, there is a need for better complementarity and articulation of offerings by public and private institutions as well as an active system of quality assurance of skill training.**

#### II.4.3. Transition from School to Jobs: the Missing Links

140. **The above review as well as Mission's consultations point to a number of missing links for effecting the transition of Bahraini youth from school to jobs. Employers complain about the low skills and performance of Bahraini workforce and the high rate of turnover and their unrealistic aspirations. Little is known however, beyond anecdotal evidence on root causes of the motivational problems with respect to education or the high rates of turnover; the views and aspirations of youth have not been sought and analyzed systematically. What is clear however, is that there is a serious gap in matching education and training system outputs with the available job opportunities, while preserving or enhancing the competitiveness and productivity of enterprises. Focusing on the root causes of unemployment in Bahrain, requires therefore, reform and rethinking of the educational and training system.**
141. In the medium-term, priorities to address the missing links in the transition between education and schoolwork should include the following:
- a) Educational reform to enhance quality:**
142. **Quality of education and training in Bahrain is of major concern for many observers and professionals.** The Mission was repeatedly told that graduates from education at all levels, including University graduates, are not up to the standards required. The Ministry of Education organizes subject matters' tests for university graduates applying for teachers' posts and noted that more than 50% of applicants fail to pass these examinations. University professors attribute this to the students' unrealistic expectations and lack of motivation as well as the weak intake from secondary schools. **The education reform should address in particular, the system's ability to retain most of the age category pupils, enhance quality of training and education; encourage higher rates of students enrolled in mathematics, science and technology tracks.**
- b) Increased Availability and Enhanced Utilization of Resources:**
143. Educational expenditures in Bahrain ranged between 11.84 and 12.83% of the public expenditures during the period 1990-1999<sup>32</sup>. These rates are close to expenditures in Sweden, UK and the USA<sup>33</sup>. All public schooling up to the secondary school level are free of charge. Students and trainees in post-secondary courses pay only a fraction of the average training cost (about 10%). **Cost effectiveness analysis of the educational expenditures is required to enable better utilization of the available resources.**
144. The Training Levy system was first instated in 1979 (Ministerial Order 13/1979) and modified in 1994 (Ministerial Order 20/1994) and 1999 (Ministerial Order 16/1999). In its current form, the levy is applicable to establishments employing 10 or more workers. It collects 1% of the wages of Bahrainis and 3% of the wages of non-Bahrainis. It allows for contributing establishments to be reimbursed for training programmes approved by the Ministry, within 75% of their annual contribution, to cover the cost of training provided to Bahraini employees. However, enterprises are

<sup>32</sup> Educational Statistics 1999/2000.

<sup>33</sup> UNDP Human Development Report 2001.

entitled to recover 100% if they employ more than 50% Bahrainis or offer exceptional and distinguished training relating to the recruitment of Bahrainis. A portion of the funds is used to finance training of job seekers at BTI and other public and private training institutions. A recent review of the use of levy system has been carried out by MOLSA. **This review could provide the basis for the examination of the system, in particular for optimal utilization of training opportunities in medium and small establishments. The needs of small enterprises (less than 10 employees) are not met and have to be addressed through an appropriate mechanism.**

145. **c) Other Priorities for Action**

- Establishing a **Two-tier System for Career Guidance** at school for youth and at the employment services for job seekers and re-trenched workers;
- Establishing **mechanisms to ensure proper complementarity** between education and training with economic and investment policies and plans;
- Introducing **Quality assurance system to all educational and training programmes** offered in private and governmental institutions;
- **Enhancing the role of public training institutions** as safe guards to equity and quality with appropriate assessment of its diplomas;
- **Establishing a skill ladder** parallel to the educational one with recognition of prior experience;

146. In the Short-term, the following is recommended:

- Undertake a **survey of youth and employment** to better identify the problem and its possible solutions;
- Organize a **career guidance campaign and youth fora** to discuss expectations and realities;
- Promote broader **training opportunities for women** including in non-traditional skills;
- Study the possibility of introducing a training/education voucher system;
- Capacity building for **promotion of SMEs** and coordination of action in this area;
- Setting-up a **Training Information system** as a part of the LMIS;
- Identify **growth sectors and training needs**;
- **Train members and technical secretariat staff** of the sectoral councils.

## **II.5. DEVELOPING LABOUR MARKET POLICIES AND PROGRAMMES**

147. Labour market policies and programmes are essential components of a comprehensive employment strategy. Through targeted interventions, they aim at enhancing the employability and access to jobs of specific groups of the population who face discrimination or additional barriers in the labour market. These include a range of

programmes which address specific circumstances of the unemployed, youth, women, retrenched workers, etc...

148. Labour market policies and programmes are classified into two groups: passive measures and active interventions. Passive programmes provide income support for the unemployed in the form of unemployment benefit, unemployment assistance and early retirement. Active measures aim to promote the reintegration of the jobless into work. They include placement services, training and retraining, subsidized employment and support for entrepreneurship.
149. Most successful programme combine a mix of passive and active interventions, with preferred emphasis on the latter category. It should also be stressed that **labour market programmes are complements and not substitutes to adequate macro economic policies conducive to growth and job creation. Similarly, they can not remedy or make up for the weaknesses of the education policies or replace the structural reforms needed.**

### **II.5.1. Targeted Programmes for the Unemployed**

#### **II.5.1.1. The National Programme on Employment and Training (NPET)**

150. To address problem of unemployment of Bahrainis, the government introduced a National Programme for Employment and Training (NPET), in April 2001. The two-year long programme is managed by the Ministry of Labour and Social Affairs (and by its Employment Services Bureau), and financed by a special allocation "Makrama" of BD 25 million. The NPET has 11 components focusing on employment, training and income support for the unemployed. Box No. 1 gives an overview of the focus of the NPET components; target groups addressed and the delivery status by 31 December 2001. The programmes and their achievements are briefly reviewed below, followed by some key policy issues and recommendations.



**Box No. 1**

**NPET: An Overview**

Source: MOLSA

The NPET is expected to create 12,000 jobs. Its total budget amounts to BD 25 million (equivalent to US\$67 million) for the duration of two years. Since it started implementation in May 2001, approximately 31% of the total budget has been fully utilized as reflected in the Table below.

**Table - Programme Financial Report  
As at 31 December 2001**

<b>Component</b>	<b>Allocation (BD)</b>	<b>Expenditure (BD)</b>	<b>Commitment (BD)</b>	<b>Balance (BD)</b>	<b>Delivery (%)</b>
1	6,000,000	5,633,560	0	366,440	93.89
2	5,572,000	330,290	1,878,906	3,362,804	5.93
3	2,160,000	435	504,000	1,655,565	0.02
4	3,600,000	50,966	175,719	3,373,315	1.42
5	625,000	106,699	285,515	232,786	17.07
6	1,200,000	249,940	696,770	253,290	20.83
7	2,150,000	945,003	0	1,204,997	43.95
8	1,000,000	0	100,000	900,000	0.00
9	340,000	0	0	340,000	0.00
10	360,000	0	30,600	329,400	0.00
11	0	0	0	0	0.00
Administrative costs	1,993,000	428,139	0	1,564,861	21.48
<b>Total</b>	<b>25,000,000</b>	<b>7,745,032</b>	<b>3,671,510</b>	<b>13,583,458</b>	<b>30.98</b>

The following gives a brief portrayal of the substantive progress made within each project during the period May-December 2001, in addition to a description of the project (in italic):

1. **Immediate financial support** of BD 100.- per month for married jobseekers and BD 70.- per month for single jobseekers: The support is to be granted to those who were registered at the Employment Service Bureau (ESB). It will be paid for a maximum period of six months, or until the jobseeker is integrated into work or training, whichever is sooner.

- ♦ With grants amounting to more than BD 5.6 million, 15,000 jobseekers benefited from this initiative, 4,513 of whom are now registered for training or employment.

2. **Immediate implementation of the “Employment and Training Programme”**: Under this programme, aimed at assisting 4,000 jobseekers overall, 2,000 citizens are to be enrolled each year

to enable them to be integrated into the labour market and provided with appropriate training. This will be carried out by allocating a sum of BD 1,200 per trainee, of which BD 600.- will be directed to training on basic skills and other professional post-recruitment training. The remaining BD 600 will be paid to the company at a rate of BD 50 per month to supplement the trainee's salary for a period of one year, thus acting as an incentive for the company to maintain their Bahraini employees under training. Companies are required to pay a minimum monthly salary of BD 150.- to trainees participating in the programme.

- ◆ A total of 1,032 were employed under this programme, of whom 179 dropped out.
- ◆ Ernst & Young became operational during the period under review and will remain operational until the 4,000 jobseekers have secured employment.

**3. Programme for supporting and training newly graduates of Engineering and Arabic Language, Business Administration and Social Sciences from the University of Bahrain.**

Increasing numbers of graduates from these categories have registered with the ESB in recent years. The target of this programme is to recruit and train 1,000 national jobseekers (500 per year) who are university graduates in the above-mentioned specializations.

- ◆ 75 Engineers have secured employment (13 Engineers are on the waiting list for employment and 29 requests from institutions in the private sector for engineers).
- ◆ 111 university graduates have already been employed.

**4. Supporting and gaining employment for young members of needy families:** This project aims to support and gain employment for 2,000 jobseekers of needy families, with an average of 1,000 per year. The Government will pay the full salary of BD 150.- for the first year. The employers will continue to employ them thereafter.

The following programmes were established:

- ◆ Hairdressing, benefiting 80 trainees
- ◆ Retail, benefiting 16 trainees
- ◆ Translation in the University of Bahrain, benefiting 34 trainees
- ◆ Commercial advertising at the Cambridge Institute, benefiting 52 trainees
- ◆ Computer maintenance, benefiting 32 trainees
- ◆ Industrial sewing/tailoring, benefiting 19 trainees (12 of whom graduated on 30/12/01)

**5. Training and recruitment of 500 jobseekers in travel, hospitality and tourism:** An average of 250 workers will be assisted per year, 100 of whom will qualify for a diploma degree, with the remaining 150 enrolled in short-term training programmes.

- ◆ 185 jobseekers are currently being trained in travel, hospitality and tourism. It is expected that these trainees will graduate in the second quarter of 2002.

**6. Information Technology Training:** This programme aims to train 1,000 jobseekers in the information technology sector, with an average of 500 annually.

- ◆ 332 jobseekers are currently being trained in the field of information technology.

**7. Exempting the Bahrain Training Institute (BTI) trainees** participating in the National Programme for Employing and Training Bahrainis, and those studying at their own expense, from the payment of fees. This will entail an approximate expenditure of BD 1 million. The provision of 2,000 training fellowships at the Bahrain Training Institute (BTI) for high achieving students of needy families: an average of 1,000 fellowships will be awarded annually, with a maximum of BD 600.- per fellowship.

- ◆ The exemption has been fully implemented. Its total cost amounts to BD 945,003.
- ◆ The provision of training fellowships at the BTI has not yet been implemented.

**8. Training and integrating Bahraini youth into self-sustaining projects and small establishments:** This programme aims to support 100 small establishments, with an average of 50

per year. It is expected that these establishments will provide a minimum of 4 direct job opportunities, or 200 overall, annually.

- ♦ A committee has been established for the purpose.
- ♦ 48 jobseekers have been selected and the programme is currently under implementation.

**9. Training and gaining employment for those dismissed from their jobs:** This programme aims to provide financial and practical support, as well as training, to employees retrenched as a result of restructuring, privatization, businesses closing, mergers, bankruptcy and termination of work contract for economic and other reasons. 200 citizens will benefit, with an average of 100 every year.

- ♦ 30 dismissed workers have already been employed by the private sector.

**10. Supporting, recruiting and training jobseekers with special needs and/or disabilities:** This programme aims to recruit and train 200 citizens with special needs, averaging 100 each year. The programme is for two years duration, with the Government contributing BD 150.- per month for the first year.

- ♦ A committee comprised of members of the public sector has been established.
- ♦ Private sector institutions with 50 or more employees have been selected. These institutions have now recruited 17 jobseekers with special needs and/or disabilities.

**11. Supporting Productive Families:** This project is within the framework approved by Cabinet, confirming continued support of the Productive Families and Microstart Programmes.

### **Financial support for the unemployed**

151. Programme No. 1 provides financial support for registered unemployed for a period of maximum 6 months. Married jobseekers are entitled to BD 100 per month and single persons to BD 70. Unemployed with previous work experience, school leavers and other first-time jobseekers are equally eligible to participate.

As the vast majority of the unemployed are youth, many of them school “drop-outs”, the income support programme has increased their reservation wage and their already unrealistic expectations. Withdrawal of such schemes at the end of the current phase, may prove to be politically and socially difficult.

**Experience shows that income support for school leavers tend to delay rather than speed up their integration into the labour market.** Therefore, many countries that have unemployment benefit systems or other income support programmes for the unemployed, exclude school leavers from the scheme. Where school leavers are eligible to participate, there is usually a waiting period (three to six months). Moreover, the level of their income support is lower compared with other unemployed.

### **Training programmes for the unemployed**

152. Some programmes under the NPET offer training opportunities for registered unemployed. For example, one provides support for the unemployed to undertake diploma courses or short-term courses in the field of travel, hospitality and tourism. Another provides fellowship for the high achieving students of needy families for training at the Bahrain Training Institute.

The aim of these training programmes is to enhance the skills and employability of the unemployed. Nevertheless, international experience shows that the effectiveness of training programmes is mixed. This is the case in training for the unemployed in general. The key to success is targeting. The first programme mentioned above, targets a sector whilst the second one targets a special group. Programme evaluation from industrialized countries suggests that those **schemes that target specific groups and, at the same time, are geared towards certain sectors can achieve the best outcome.**<sup>34</sup>

#### **Training combined with work experience**

153. The NPET includes a number of programmes that combine education/training with work experience. They offer either training subsidies or wage subsidies or both.

According to evaluation studies from OECD countries, **those programmes that combine school-based training with work experience are more successful than single programmes,** whether they provide only training or only subsidized employment. The reason is that, in addition to training, job placement provides access to employers. Furthermore, programme participants often receive such job specific training that increases their value to the firm.<sup>35</sup>

However, careful control must be maintained on the wage subsidy component of the programme. **Generous wage subsidies give rise to large deadweight losses and substitution effects.** These negative effects may be considered less important if the objective is to redistribute job opportunities to the targeted group, at least in the short-term.

Another issue concerns the level of salary for programme participants. In the case of graduates, for example, the NPET stipulates that a “minimum salary of BD 300 must be paid”, which includes 50 per cent wage subsidy. In practice, this criterion sets a “minimum wage floor” for the employment of graduates. Setting such a criterion needs careful consideration. Moreover, it is advisable to **ensure that programme participants also contribute to the costs** in the form of somewhat lower wages compared to what their fellow graduated who find job on their own earn.

#### **Youth entrepreneurship**

154. The programme on “Training and integrating young Bahrainis into self-sustaining projects and small establishments” aims to promote self-employment and youth entrepreneurship.

The programme is small, supporting only 100 establishments with training and start-up loans. Training provided by the Bahrain Training Institute and start up loans are arranged by the Bahrain Development Bank.

155. Support to the unemployed to start their enterprise could be a successful intervention, but only for a small group of youth, and deadweight and displacement effect can be very high. **The vast majority of unemployed youth are simply not suited to becoming entrepreneurs.** Therefore, it is essential to carefully screen the programme applicants. Training for self-employment and entrepreneurship, access to finance,

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<sup>34</sup> N. O’Higgins: *Youth Unemployment and Employment Policy*, ILO, Geneva, 2000

work place, mentor support and business networks are also important, although there is some evidence from other countries that latter the two elements are the most important factors. **Because no one can provide better mentoring and access to business networks than the business community itself private sector led youth entrepreneurship schemes are often more effective than public sector initiatives.**

156. **Given the important role of self-employment and small firms in creating jobs, the promotion of entrepreneurship should go beyond labour market interventions, but to be promoted within the over-all developed strategy (Section II.21).**
157. Close cooperation and concerted action between the education/training system and the private sector are essential. The promotion of youth entrepreneurship involves two basic steps. First, it should **create awareness of what enterprise is and what it takes to own and manage business.** This awareness should allow young men and women to consider realistically self-employment as a career option. Then, if a young person decides to explore further, or to start his or her own business, the second step – the provision of practical support services such as training, advice, access to finance, can be offered. **Youth enterprise programmes should highlight the success of young women and men in business, so that self-employment is seen as a wider career alternative. Role models and youth entrepreneur competitions** are powerful means of promoting youth enterprise and self-employment as genuine career alternative for young people, particularly as a way to achieve greater financial reward and work satisfaction, rather than focusing on self-employment as a way to escape the negative circumstances of unemployment. However, the result of awareness raising is much broader: the promotion of an enterprise culture and the development of enterprise skills and attitudes are also significant and valuable.<sup>36</sup>

#### **Programme for retrenched workers**

158. The NPET has introduced a programme that provides training, financial assistance and other services for retrenched workers. The size of the programme is modest, reflecting the composition of the unemployed. The share of displaced workers in the pool of the unemployed is small.

However, the situation can change rapidly in the future if the government accelerated the process of privatization, reduced the size of the public sector, and encourages the development of a unified, flexible and competitive labour market. Experience shows that a system of *early notice*, based on the length of service at the company, **helps redundant workers to start the adjustment before they leave their job.** This is more effective and cheaper than generous severance pay regimes. In addition, relatively older displaced workers need tailored programmes with an emphasis on job-search assistance and well targeted retraining.

#### **Monitoring and evaluation**

159. **The Mission recommends that the NPET's performance be carefully monitored and evaluated.** Monitoring helps ensure that the programmes are implemented the way they were intended, and evaluation helps measure their employment outcome. Regular programme monitoring **and a mid-term programme evaluation of the NPET would help the Ministry of Labour and Socially Affairs in the preparation**

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<sup>36</sup> S. White and P. Kanyon: “Enterprise-based youth employment policies, strategies and programmes”, IFP/SKILLS Working Paper, No. 1, ILO, 2002.

**for a new policy package that is expected to succeed the current programme in 2003.** Beyond its immediate objective of job creation and income support for the registered unemployed, it provides an invaluable “laboratory” for assessing types and characters of programmes that work better in the current environment of Bahrain. Such candid and in-depth evaluation would constitute the basis for future labour market programmes. **Institutional budgetary allocations should be made for sustaining such initiatives in the future, as pointed out in the concluding remarks.**

#### **Other labour market interventions for unemployed youths**

160. Beyond the NPET and taking into consideration the characteristics of the unemployed in Bahrain, youth with relatively low skill attainments, the following labour market interventions should be considered:

##### *Offering effective job-search assistance*

With job seekers greatly outnumbering vacancies, there are severe limits to what the employment service could achieve through its job-broking services. Two possible responses of employment services to such a situation could be to focus on active marketing (reaching-out to employers) and the provision of job-search assistance. Many unemployed people can manage their own job-search, if proper information is made available to them and if they are equipped with job search techniques.<sup>37</sup>

161. **Labour market information and job-search assistance is especially critical for youth whose knowledge of, and exposure to the world of work is limited.** Young people need information about labour market opportunities – the nature and location of jobs, wages and working conditions – and assistance in using the information. Furthermore, they need to learn basic job-search techniques such as how to identify opportunities, write a CV, contact an employer, and behave during a job interview. **Job-search assistance, often in combination with the Employment Services Bureau’ job-broking activities, can ease the transition from school to work.** Moreover, evaluation studies from some countries have shown **that job-search assistance is more cost effective than training and job creation programmes in reducing youth unemployment. Training courses for youth on basic labour market information, job-search techniques and relevant behaviour skills may be organized soon after they have registered as unemployed.** Such courses should be short (maximum one day), and they should be tailored to the background and needs of the clients.

##### *Sequencing and targeting*

162. The first step in helping unemployed youth to find work is job-search assistance. If it does not work, the next step is to place them on a labour market programme. **It is essential that the programmes are tailored to meet the needs and abilities of the specific groups and are geared to specific sectors.**

##### *Intensive and coordinated programmes for schools drop-outs*

163. However, some young people need more intensive and often individual assistance. For example, **for youth who have dropped out of school because of motivational problems,** it is unlikely that these problems would disappear in a training course. This suggests that relatively intensive and costly programmes are needed for this group,

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<sup>37</sup> P. Thuy et al.: *The Public Employment Service in a Changing Market*, ILO, Geneva, 2000.

and that **labour market policies alone cannot solve the problem. A combination of intensive counseling, education and labour market policy should be considered for this group.**<sup>38</sup> In view of the significance of school drop outs in Bahrain and amongst the unemployed, this issue should be placed high on the agenda for a coordinated policy response.

*Providing vocational and career guidance*

164. There is a need for developing vocational and career guidance services that can provide information on future educational and training choices, develop young people's understanding and realistic knowledge of the world of work and assist them to make satisfying work choices. **Vocational and career guidance should be considered for students in full-time education as well as for the unemployed.** The question is the extent to which vocational and career guidance should target specific groups and the methods through which it is delivered to the clients. The least costly method of assisting people with career choices is through universal and self-service provision.<sup>39</sup> Intensive, one-to-one guidance is very demanding and costly.

*Minimizing job creation in the public sector*

165. According to a report published last September<sup>40</sup>, Ministries had created more than 2,000 jobs for Bahraini jobseekers. This practice is rather questionable because it helps maintaining the expectation of many unemployed youth for access to well-paid public sector employment. Moreover, expanding the already overstuffed public sector has efficiency and budgetary implications. Instead, **labour market policy should give preference to the need of the private sector.** A conducive enabling environment and integrated labour market as discussed above, are keys to the job creating material for Bahrain youth in the private sector.

*Coordinating education and labour market policies*

166. **It should be stressed that labour market policies cannot make up for the weaknesses of the education system. It is the primary responsibility of the Ministry of Education to introduce education reforms to increase school enrolment rates and to decrease the proportion of any cohort leaving the school system without a certificate. Early interventions, reaching back to primary and secondary schools, can pay dividends for disadvantaged youth. Setting an age limit for compulsory education might also be useful. At the level of higher education, enrolment rates in those university programmes for which the labour market demand is weak should be reduced.**

Augmenting the quality of initial education and, especially, **reducing early exits from initial education must be of primary importance in preventing or minimizing future youth unemployment problems.** Special measures for discouraging young people from dropping out of school or encouraging early school leavers to return to regular education should be introduced. For example, needy families may receive a modest financial incentive on the condition that they keep their children in school and that they ensure that their children complete secondary education. Similar incentives

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<sup>38</sup> R.G. Fay opt. cit.

<sup>39</sup> P. Thuy at al. op. cit.

<sup>40</sup> The Gulf Daily News, 25 September 2001.

for young adults without secondary education might also be considered. Such programmes require close cooperation between education and labour market policies.

### **Community-based and area-based job creation programmes**

167. In addition to job placement and entrepreneurship development, a third avenue is area-based job creation schemes. **This option has not been yet explored in Bahrain.** ILO experience in other countries, large and small, shows the effectiveness of such schemes in creating jobs rapidly and in fostering community and municipality participation in their planning and implementation. Area-based schemes can include a gamut of activities including construction works of public interest; environment rehabilitation and provision of services to local communities (youth centres, nurseries,...). **The Mission recommends that the feasibility of introducing such schemes in Bahrain is examined. The schemes would best suit deprived urban neighborhoods which experience high levels of unemployment.**

### **II.5.2. Placement and Employment Services**

168. The Employment Service Bureau was established in 1996 as a specialized unit for placement. The ESB participated actively to the process of placement of job seekers. Around 40,000 job seekers were placed since 1996 and around 3,000 during the year 2001. The ESB provides counselling services to job-seekers and employers and plays a key role in achieving the Bahrainization goals in cooperation with other concerned MOLSA departments. The ESB is also entrusted with the implementation of the NPET.
169. In addition to the Employment Service Bureau (ESB), eight Private Employment Agencies, Training and Employment Centre (Ernst & Young) and the Bahrain Training Institute, also address placement of job seekers.
170. In spite of the above, placement services require strengthening and restructuring to be able to perform their functions efficiently with regards to the unemployment crisis. The current situation characterized by the rush of unemployed job-seekers, demonstrated the weaknesses of the system to deal with the unemployment challenge. Particularly, the assessment of the placement system shows the following:
- The labour market in Bahrain is a free market where the private sector plays a key role. More than 50% of the new recruitments are through direct recruitment (2001).
  - The Employment Service Bureau (ESB) of MOLSA contributed to the new recruitment of nationals during 2001 of around 45% (based on ESB records).
  - The Private Employment Agencies have played a limited role with around 5% placement rate.
  - The placements of the ESB are mainly unskilled workers, 80% of the placements are persons aged between 20-34 with a salary less than 150 Bahraini Dinars.
  - Achievements in placements of the ESB are mainly due to its legal focal position in the follow-up of the implementation of the Bahrainization regulations. Needs for foreign workers and renewal of work permits in Bahrainized sectors of the economy are considered by the ESB before



final approval. In addition, placements are achieved from various promotions (symposia, seminars, visits which were disrupted during the current work period).

- The placement rate of the ESB is around 20% of the registered job-seekers, estimated at 9,000 in 2000 and raised to 17,000 in 2002 (February).
- The current rush of job-seekers looking for employment (youth, women) generated another load of work exceeding the capacity of the ESB to manage the crisis situation. A private consultancy firm (Ernst and Young) was contracted to help the ESB and to provide training and employment for 4,000 difficult cases.
- There are weaknesses in the structure and the functioning of the ESB and lack of qualified human resources. More than 50% of the staff are not qualified and recruited on a temporary basis (28 staff members). **There is a lack of active canvassing of the labour market, the absence of an appropriate career guidance occupational information system and rigidity in the matching process.** The database on job seekers and vacancies should be analyzed and regularly updated.
- The registration, reporting and evaluation system should be improved. It is also important to improve the communication process between the ESB and job-seekers. The message delivered and information provided should be more reliable.

171. **The Mission recommends re-thinking the role and strengthening the capacity of the Employment Service Bureau along the following principles:**

- Strengthening of the public employment services by the establishment of network offices ensuring better coverage of the country;
- Responding more efficiently to the growing needs of the job-seekers;
- Strengthening job-search assistance and career guidance services;
- Networking in a proactive manner with employers;
- The development of private employment services should be considered as second priority and be based on the evaluation of current experiences.

172. More specifically, the following action should be considered in the short and medium terms:

- Train existing staff of the Employment Services Bureau in the field of employment information, vocational counseling, canvassing the labour market and marketing job-seekers, statistical and computer systems and labour market analysis and performance reports;
- Enhance the sustainability of the structure of ESB by integrating and training temporary staff;
- Improve the functioning of the Employment Services Bureau mainly the registration, the information and employment counseling system, enhance the follow-up process of the placement services and setting up a regular reporting system. Special focus should be made on canvassing labour market and marketing jobs through a

strategic planning system taking into account labour market pressure;

- Develop the functions of the ESB related to vocational guidance and information to job-seekers;
- Enhance services provided to the employers: identification of job and qualification needs, marketing of job-seekers, follow-up of the Bahrainization programme;
- Improve the coordination system between the Employment Services Bureau and the unit responsible for the recruitment of expatriate workers and the labour inspection system;
- Strengthen the relation between the ESB and training institutions (public and private) through a mid-term workplan which constitutes a contract for the promotion of training targeted to labour market needs;
- Draft and establish a guide on the mandate, structure, main functions, practices, formulas, methodology of interviews, information process, vocational guidance, etc. of the employment services which will constitute a basis for the development of services provided;
- Develop the relation between employment services and the Private Employment Agencies through a contract programme and a clear role distribution and mainly a follow-up and evaluation system devoted to public employment services. This contract programme will constitute a solid basis for better implementation of employment promotion. In this regard, we should highlight that public employment services should be considered as the focal component of the employment services network;
- Adopt an annual performance evaluation report of employment services (public and private), including a follow-up system aimed at enhancing the role of the employment services for the better management of the labour market;
- The proposed feasibility study for the computerization of the main functions of the ESB should be considered with caution and linked to the labour market information system which is being established in MOLSA;
- Evaluation of the achievements of the sub-contract with Ernst & Young in the implementation of the 4,000 job placements programme which could constitute a basis for replicating the services provided through ESB;
- Building a website in the ESB with database and CV of jobseekers, vacancies and training possibilities available, which could be consulted by jobseekers, employers and private employment offices;
- Transfer the Employment Services Bureau from the Ministry Headquarters to the field and undertake a feasibility study for restructuring the ESB by establishing two local bureaus, one in the southern region which could be specialized for the employment of graduates and another in the North which will be a multi-purpose centre. This proposal will bring closer the employment services to the field needs and improve the efficiency of services provided;

- Restructure the institutional capacity of the employment and training sector based on the objectives of the National Employment Strategy and taking into account better coordination between training and employment, flexibility of the management of the system, relations with the private sector and efficiency of services provided. An assessment of needs will be carried out for this purpose. In this regard, a feasibility study could be conducted on the establishment of specialized autonomous national agencies for training and employment which could be under the responsibility of MOLSA;
- Feasibility study on the establishment of Vocational Guidance Centre which will constitute the national focal point for vocational guidance and career development programmes in cooperation with the concerned national actors.

### II.5.3. Promoting equal opportunities for women and men

173. Article 4 of the Constitution of the Kingdom of Bahrain issued in February 2002, states:

*“Justice is the basis of the government. Cooperation and mutual respect provide a firm bond between citizens. Freedom, equality, security, knowledge, social solidarity and equality of opportunity for citizens are pillars of society guaranteed by the State.”*

Significant achievements have been made in women’s roles and status in Bahrain. This includes, high rates of education, increasing participation levels in the labour force, some improvements in the representation of women in the institutions of social dialogue, plus a conducive political and legislative environment where women will vote in the forthcoming municipal and legislative elections in 2002. Most recently the establishment of the *Supreme Council for Women* reveals new and strengthened directions for ensuring the representation of women at the policy and planning levels. This is in addition to the recent ratification of the Convention on the Elimination of all Discrimination Against Women (CEDAW) which represents Bahrain’s observance and commitment to international standards of equality of opportunity.

174. **Despite the progress that has been made, efforts are still needed to remove the obstacles that face women’s integration within the economy. Previous sections of this report had addressed gender issues within the general analysis of the mission findings and highlighted the gender differentials in access to training; the segmentation of the labour market in terms of women’s access to limited job opportunities; the unemployment rates among women which have consistently been more than double that of men’s for the last two decades and finally the wage differentials in the private sector and where women earn around 70% of the male wage.**

Bahraini women face an added challenge in finding appropriate employment than men. Beyond the gender typing of both training and employment opportunities, women, due to the protective socialization, are not as prepared for the working life.

They are disadvantaged in terms of confidence, access to proper information and the know-how in finding and keeping a job.

175. **The Mission proposes a proactive strategy on equal opportunities at two levels:**
- a) **advocacy and awareness raising at the national level; and**
  - b) **appropriate labour market policies and programmes.**

**At the national level, as more women *choose* to participate in the labour market, there will be a need to launch an awareness raising campaign on equal opportunities in training and employment; women workers' rights, on issues such as equal pay and social protection including maternity benefits and representation at both the national and institutional levels of policy formulation and implementation. In terms of labour market policies, career guidance, mentoring and training on competencies apart from vocational skill development should be more available for women. There will also be an increasing need in the provision of support services such as child care services.**

#### **II.5.4. Funding labour market programmes**

176. Since the problem of unemployment is expected to continue in the years to come, the Government may **consider putting in place a stable funding mechanism rather than relying on ad-hoc donations and short-term arrangements**. A stable arrangement would allow policy makers to plan ahead and introduce longer run programmes. Furthermore, it could demonstrate that both the Government and the society as a whole are fully committed to addressing the immediate problems as well as their root causes.
177. The critical policy questions that need to be addressed are:
- How much should be spent on labour market programmes?
  - Who should pay for it? and
  - How the financial mechanism should be “engineered”?
178. International experience in these areas is briefly mentioned. Spending on labour market policy depends on the magnitude of the unemployment problem, the availability of financial resources, and the priorities of policy makers. Total expenditure for labour market policy as a percentage of GDP varies between 0.5 and 5.0 per cent in OECD countries. In 1999, for example, the Czech Republic spent 0.5 per cent, Korea 0.7 per cent, the United Kingdom 1.2 per cent, Canada 1.5 per cent, Spain 2.2 per cent, Germany 3.2 per cent, Ireland 4.1 per cent and Denmark 4.9 per cent.<sup>41</sup>
179. The system for financing mechanism differs from country to country. In Germany, unemployment compensation and active labour market measures are organizationally and financially integrated in a single institution, which is financed through employers' and employees' contribution and for which the Federal Government covers any deficit. In other countries, both the institutional system of labour market policy and the financing system are highly fragmented, which raises the question of how in such a system the interdependence of active and passive

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<sup>41</sup> Employment Outlook, OECD, Paris, 2000.

labour market policies are coordinated. In some countries, labour market policy financing is highly integrated in the general social security system, and active labour market policy is financed from general revenues rather than from social insurance contributions. Again other countries have a more tax-financed system of labour market policy.<sup>42</sup>

180. **A crucial question for Bahrain is whether the future financing system should be based on a strict separation between active and passive labour market policy with separate funds and financing systems, or whether the system should be a unified one with pooling all resources into one comprehensive fund.** Each system has its own advantages and disadvantages. Furthermore, the size of the country and the expected changes in the labour market should also be taken into account in the choice of the system. Does a small country need two systems and the related additional administrative costs? In the light of the expected labour market changes what degree of flexibility is needed in labour market policy?

### **II.5.5. Improving labour market information system**

181. **The labour market information system in Bahrain at present is not adequate to serve the needs of informed decision making.** Several weaknesses in the labour market information (LMI) system are evident: fragmentation of existing information; lack of regular, reliable and timely information; inadequate capacity on the part of concerned government agencies and social partners to analyze, interpret and use such information.
182. Labour market information is much more than statistics, and includes both qualitative information and quantitative data. Moreover, the demand for information extends beyond general profiles of the labour market to specific information on target groups in local areas, so that government agencies and social partners can channel support to those people in need of assistance.
183. In most countries, the **statistical base of LMIS** consists of three elements:
- a. Administrative reporting;
  - b. Periodic censuses;
  - c. Sample surveys: household-based labour force surveys and establishment surveys

In Bahrain, the main source of statistical periodic data is the Census data carried out every ten years.<sup>43</sup> **The main lacuna is the absence of sample surveys, especially regular labour force surveys which can help monitor the labour market as regards trends in employment, unemployment, underemployment, hours of work, wages and earnings, etc.** These can provide objective estimates compared to data generated through administrative sources. The 10-year gap between population censuses is too long, and its coverage of labour market information is also too limited to permit monitoring labour market trends on a continuous basis.

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<sup>42</sup> G. Schmid at al.: *Unemployment Insurance and Active Labour Market Policy*, Wayne State University Press, Detroit, 1992.

<sup>43</sup> Data collected through the 2001 census is still being processed and information on employment occupations were not available in January 2002.

184. At the request of MOLSA, an ILO advisory mission on Labour Force Surveys was fielded in September 1996. **The need for conducting a regular labour force survey, on a sample basis and with the collaboration of the Central Statistics Organization, was fully recognized by MOLSA. The Mission would assign high priority for its implementation as soon as possible and for annual reviews, thereafter.**
185. Establishment surveys of businesses and enterprises are another pillar of a good labour market information system. They complement the household based labour force survey in generating reliable information on employment, hours of work, wages and earnings and labour costs, and other costs of production, etc., by industry and location. They are especially useful in monitoring economic conditions in the private and public sectors.
186. MOLSA has established a Labour Market Information System with ILO/UNDP support. The first phase has helped improve the capacity of the Labour Research and Studies Section of MOLSA in the collection, analysis and dissemination of labour market information. The LRSS publishes a monthly LMI bulletin covering some indicators, but the coverage and timeliness of these indicators are not adequate. **A major gap is the absence of wage and productivity indicators which can monitor trends in competitiveness.** The current phase is on computerization of LMI and linking major suppliers of LMI.
187. There is also a need to carry out in-depth research on important labour market issues such as unemployment and job creation, wages and productivity, the informal sector, public sector employment policies, minimum wage policy, labour migration, evaluation of active labour market policies etc. The LRSS has earlier produced some research reports with the support of technical experts. But it now lacks the capacity to carry out such analytical research. The involvement of local research centres and universities for further training of LRSS staff and undertaking research on important policy issues is very important. It should be possible to release a senior researcher from the university to work with the LRSS for one or two years. Another possibility is for graduate students to be given access to data and information to carry out research in connection with their dissertation requirements.
188. The Unit requires strengthening through:
1. The recruitment of economists and statisticians who could undertake labour market analysis;
  2. Completion of the computerized phase and expansion of coverage to include data on salary and wages, employment in the public sector (civil service), social security in the public and private sectors.
189. There is also need for much greater coordination and linkages among the major producers of labour market information, especially the Central Statistics Office, the Ministry of Planning and National Economy, the Ministry of Education, the Bahrain Training Institute, GOSI, the Civil Service Bureau, etc. It is useful to note that at least four databases in Bahrain are currently designed and are independently operating to ensure job placement in the local private sector; to manage the work permits for foreigners; to monitor social insurance activities and to handle the incoming LMIS activities. **The centralization of these programmes and networking will,**

**undoubtedly, have a positive impact on the establishment of a more efficient integrated LMIS.**

190. The CSO deserves credit for its speedy processing of census results and placing most information on the internet for easy access. Employers and Workers' Organizations also generate useful LMI information and are major users of LMI data. Regular interaction with users of LMI should be arranged to improve quality of information through feedback.
191. **The Mission recommends the setting up of a Steering Committee consisting of major producers and users of LMI to advise on the production, analysis and dissemination of timely and quality labour market information and identify areas for improvement.**
192. As a long-term measure, the establishment of an "Institute for labour studies and research" with a fair degree of autonomy within MOLSA could be considered. There are a number of examples of such institutes in other countries (Japan, India, Philippines, etc.).
193. **The production and analysis of LMI should be high on the priority agenda. This is not only the basis for informed decision making, but circulation of data and information is an essential tool for dialogue and confidence building amongst social partners on major policy issues.**

### **III. A SOCIAL PROTECTION STRATEGY**

#### **III.1. THE SOCIAL SECURITY SYSTEM**

194. In any country, the social security system will need to be developed gradually to respond to emerging needs and their relative priority to take account of the socio-economic context. Policy choices will be necessary as to which sections of the population should be covered and in respect of which contingencies. Decisions will also determine the extent to which the State should directly provide social security benefits and the respective roles and responsibilities of employers, individuals and communities. These decisions will also have a bearing on the financing of such benefits and whether they are financed by Government, by contributions from employers and workers or directly by employers. It will be necessary to review these choices from time to time, **but the social security systems in many countries are gradually changing to reflect a mix of public and private responsibility.** Under this approach, there is a tendency to a partial shift in responsibility with the public social security schemes providing the core of social protection. This represents an adequate but modest level which would, for example, partially replace lost income on retirement. But it would be supplemented by additional income derived from an occupational scheme, from a private pension plan or from individual savings: a partnership between public and private provision to ensure adequate and affordable social security.
195. Bahrain has recognised the importance of social security. It provides free health care services and has developed a social security system based on social insurance principles under which benefits are financed by contributions deducted from the

wages of workers and matched by employers. Priority has been given to providing income maintenance in respect of retirement (old age pensions) and two schemes were established in 1976 for this purpose - one for private sector workers and one for the public sector. But both schemes also administer an employment injury benefit programme which provides income replacement at a high level as a consequence of injury, disablement or death to workers as a consequence of employment related injury or disease. High replacement rates are matched with high contribution rates. The schemes are discussed in more detail hereunder. In aggregate, however, they represent a social security system which is dominated by public provision and with limited scope for the development of private or occupational provision.

### **III.1.1. General Organisation for Social Insurance (GOSI)**

196. The scheme was established in 1976, as an autonomous body under the general supervision of the Minister of Labour and Social Affairs, through a Board of Management. The Board has 14 members - 8 from Government, 3 representing employers and 3 representing workers.

#### ***Coverage***

197. There is compulsory coverage of pension and employment injury schemes for employees of private sector employers with 10 or more workers. Foreign workers are covered for employment injury. Voluntary coverage for the self-employed and those who work for small employers for pensions scheme.
198. There were 159,214 insured persons as at 31 December 2000 with 7,252 employers. In spite of the voluntary liability, there were 4,552 registered employers with less than 10 workers and 882 voluntary self-employed contributors who had no employees. One third of the insured persons were Bahrainis. 75% of the non-Bahrainis earned less than BD 150 compared to 38% of the Bahrainis. The average monthly wage for Bahrainis BD 352: the average monthly pension is BD 284.
199. **The Old Age, Invalidity and Death scheme** requires a 12% contribution (7% by employer and 5% by worker) and provides entitlement to a pension at age 60 (55 for a women) subject to 180 months contributions or before age 60 if 240 contributions paid (but with a reduction). Foreign workers are excluded.
200. The pensions formula provides 2% of average earnings (determined over the last 2 years) with an additional 5 years credited for those retiring at age 60 or over subject to a ceiling of 30 years total period. A minimum pension ensures payment of the average earnings over the last 2 years or BD 135 whichever is less. There is provision for a supplement which ensures that each family member receives BD 25.
201. Where a contributor is not entitled to a pension, a lump sum is payable equivalent to 15% of average earnings in the last 2 years multiplied by 13 times the number of contributory years.
202. **The employment injury scheme** also covers foreign workers. The contribution rate is 3% paid by the employer.



203. **Benefits**

- Free medical care in employer owned hospital
- Temporary Disability Benefit: 100% of earnings from second day of incapacity until recovery
- Permanent Disability; 88% and 92% of earnings if totally disabled with minimum of BD135 per month. Partial disability dependent on degree of disability multiplied by percentage of earnings If 30% or less disabled, lump sum based on earnings and disability.
- Supplement for family members to ensure BD 25 for each family member
- Survivors benefit on death
- As for permanent disability with 37% of pension paid to widow and 50% divided equally between orphans: increased by supplement to BD 25 for each family member
- Death grant of 6 months earnings or pension

204. **Assessment and Recommendations**

A comprehensive review could not be carried out in view of the short duration of the mission, but a range of issues were discussed including the following:

- **The benefit structure:** some of the provisions relating to qualification for pension and the rate are inconsistent with social insurance principles and can have an adverse impact on the financing of the scheme: in particular, those providing for early retirement pension after 20 years, the different pension ages for men and women and the calculation and division of benefits for dependents in the event of death of the insured person. An actuarial valuation is currently in progress by a private organisation and it was suggested that ILO could review the benefit structure in the light of the actuarial analysis. Benefit replacement rates are high with consequences for long term financing and this situation is aggravated by generous provisions for early retirement.
- **The extension of the scheme to small employers (those with less than 10 employees):** it was said that efforts had been made to cover such employers and their workers on a voluntary basis and that 62% of such employers had been so covered: only 38% of the labour force is national and 21% is female but these figures are among the highest in the region
- **Bahraini workers employed overseas:** this was discussed in the context of the request by the Gulf Council for Cooperation for ILO assistance in designing a scheme to provide social security coverage to workers irrespective of where they lived in any of the GCC countries: GOSI are pessimistic about the GCC proposal and are enacting legislation to enable Bahraini workers overseas to contribute on a voluntary basis (see below).
- **financing of GOSI:** the contribution rate was originally set in 1976 at 21%\* for the pensions scheme but subsequently reduced in 1987 to 15% because of economic crisis in the region: the rate has not been increased then and since the scheme was established on a fully funded basis, it is now perceived as being in deficit and an actuarial valuation is being arranged (\* the rate includes the 3% contribution in respect of the employment injury scheme);
- **retirement:** although pension age is 60 (55 for women) pensions may be paid after 20 years and thus are payable in some cases to persons under age 40 (20 years insurable employment gives entitlement to a pension of 40 % of pre-

retirement earnings\* (averaged over the 2 years before retirement): there is no retirement condition: minimum pension set at BD 150 or 40% of average earnings.: there is a reduction factor at a maximum of 20% but this is considerably lower than the real cost of the pension.

(\* the pension formula is 1/50 of average earnings x years of service).

- **invalidity and death:** the qualifying conditions for pension are modified to provide entitlement after a qualifying period of at least 6 months immediately before invalidity or at least 12 months in total with at least 3 months immediately before invalidity. benefit is based on the same formula as for retirement but with an additional credit of 3 years and subject to a minimum of 40% of average earnings.
- **unemployment insurance benefit:** the possibility of a UI scheme in Bahrain was discussed GOSI is ready to play its part in administering the scheme but it was pointed out that there may be an increase in the pension contribution to restore financial balance (see above): workers are entitled under the Labour Law to a lump sum payment of 8.5% of their total salary on termination of employment.

### III.1.2. Pension Fund Commission

205. The public sector pension scheme was also established in 1975 under Pension Law No.13. This applies to about 34,000 civil servants. In addition, there is a separate scheme for military and public security forces. In 2000, the PMC paid pensions to 8,575 retired employees and 6,616 dependants of deceased employees. The structure of the scheme is similar to that of GOSI and there is also an employment injury scheme for civil servants. Retirement age is 60 for men and women but early retirement is possible from age 50. Favourable pension rights combined with special incentives result in early retirement being a major cause of termination - 32% of all new pension awards in 2000. Average pension for retirement pensioners in 2000 was BD 310 and for surviving dependants was BD 74.

### III.1.3. Social Security in the GCC states

206. The Supreme Council of the GCC states (Bahrain, Oman, Saudi Arabia, Kuwait, United Arab Emirates, Qatar- and soon Yemen) decided during its 20<sup>th</sup> session in Riyadh, in November 1999, to approve the establishment of a social security system which would preserve and transfer the social security rights of residents of member states, when they move between member states, during their working lives. It was agreed in a plan of action for 2002/3 signed by the Director General of the ILO, the Minister of Labour and Social Affairs of Bahrain and the Director General of the Executive Bureau if the Ministers of Labour in the GCC states in Manama in October 2001 that the ILO would assist in this process. It is proposed that a study will be conducted involving ILO consultants to determine the basis for a multi-lateral agreement between the GCC states on preserving social security rights. This will involve identifying the implications for GCC states of such an agreement including the financial and administrative consequences.

### **III.2. SOCIAL SECURITY FOR THE UNEMPLOYED?**

207. The social security schemes in Bahrain have not until recently sought to provide benefit to compensate for loss of earnings by the unemployed. The only statutory provision made to workers on termination of employment is under Chapter 154 of the Labour Code, whereby employers are obliged to pay an indemnity of 15 days pay for each of the first 3 years of employment and 1 month for each additional year (no indemnity is paid if employment is terminated because of misconduct). The purpose of this is to provide a leaving payment in the form of deferred wages rather than income maintenance for a period without work.
208. According to the Government statistical report for December 2001, there were 16,965 unemployed Bahrainis representing 13.3% of the Bahraini labour force. As discussed earlier in the Report, the government is committed to a programme of job creation and privatisation, but matching the expectation of the unemployed for jobs with the requirements of employers for low cost and skilled labour (provided from overseas) has proved to be a major social and economic problem.
209. As outlined in Section II.5.1., the National Programme on Employment and Training (NPET) included provision for financial support of BD 100 for married job seekers and BD 70 for single persons. This was payable for a maximum of 6 months and both school leavers and unemployed workers were eligible to participate. The programme is soon to end, apart from “Project 4000” (Ernst and Young) which has undertaken to operate an employment and training programme over two years for 4000 unemployed job-seekers. The scheme includes the payment of a BD 50 monthly subsidy for one year to the job seekers who are recruited.
210. The Mission recommends that an adequate successor programme to NPET be established at the end of this phase, as discussed under the proposed “Employment Fund”. The inclusion of an unemployment benefit financed by employers with a levy on employers of foreign workers, under such a scheme, has been proposed. This suggestion is discussed below.

#### **III.2.1. Unemployment Benefit**

211. Unemployment benefit is not a solution to unemployment and it is not so intended. Rather, it is intended to lessen the impact of a sudden but temporary loss of income. It should thus be part of a broader employment strategy and complementary to active labour market policies which assist job seekers to find employment to undergo training and skill development.
212. Unemployment benefit is normally paid as a temporary measure when a worker who is able and available for work becomes unemployed involuntarily. The objective is to provide temporary income maintenance in place of wages while the worker is seeking a new job. Unemployment benefit typically takes one of two forms - unemployment insurance and unemployment assistance- although there is often integration of both in one system and a variety of schemes have been developed in different countries.

### ***Unemployment Insurance (UI)***

213. Generally this is provided through a social insurance scheme financed by contributions from employers and workers based on a prescribed percentage of workers' earnings. Entitlement depends on the satisfaction of several qualifying conditions some of which relate to the social insurance record of the worker and some to labour market factors. Thus, it is expected that the worker, prior to unemployment, has been insured under the scheme for a specified period (at least one year) and that a prescribed number of contributions to the scheme have been paid in respect of him or her (perhaps in respect of 6 months during the 12 months prior to the commencement of unemployment). The typical UI scheme is therefore not concerned with persons who are first time job seekers (for example school leavers) or with persons who have been self employed or who for some other reason have not been active participants in the labour market. Those who support themselves through informal sector activities are typically excluded.
214. Entitlement also depends on the person having become unemployed involuntarily i.e. without fault or design or willingly. In this sense, UI benefit differs from other payments (under the Labour Code) which may be payable direct by an employer to an employee on termination of a labour contract. Furthermore, continuing entitlement is usually dependent on the unemployed workers actively seeking new employment. It is thus common for benefit entitlement and administration to be closely linked with employment services for job seekers which include requirement to register regularly for employment, to participate in training programmes, to follow up on jobs identified by the employment services office and to take any such job which is within the capacity of the worker. A failure to follow these conditions generally results in the suspension of benefit. Furthermore, since the benefit is only payable while the person is unemployed, if the person commences work entitlement will cease even work in the informal sector.
215. The benefit paid under a UI scheme is usually limited both in amount and duration. Benefit is related to average pre-unemployment earnings and according to ILO conventions should be at least 45% of previous earnings and paid for 13 weeks in any one year. (in accordance with Convention No.102 Minimum Standards of Social Security,1952. The intention is to cover frictional unemployment during time lags between jobs and the duration is often limited to no more than 6 months. Some schemes provide benefit for varying periods depending on the length of the insurance record and the frequency and duration of recent claims.

### ***Unemployment Assistance***

216. This alternative approach of unemployment assistance is financed from general taxation and not from social insurance contributions. Thus, entitlement is not based on the duration of prior employment but on the worker being unemployed and without adequate means to support himself and his family. The worker is likely to be required to register as unemployed and to seek employment and benefit may be suspended if these conditions are not met. But essentially the benefit is paid as a form of social assistance to poor unemployed workers and the amount may vary depending on the size of the family etc. It will invariably be necessary therefore for the worker to prove that his income is below a

minimum level as well as establish that he or she is not working and available for work.

217. Unemployment assistance may be closely linked with a UI scheme. Thus, persons who satisfy the labour market criteria for UI but who have not paid sufficient contributions may be protected by UA provisions. Similarly, since UI benefit is only payable for a short period it may be replaced by UA following termination of entitlement if the other conditions are satisfied. In some countries, UA is indistinguishable from social assistance/social welfare which is paid to the poor including the unemployed poor subject to a means test.

In some countries, as an alternative to UA, special labour intensive public works programmes may be established for unemployed persons who are paid a daily wage by public authorities in return for their labour. This may be linked with entitlement to UA.

### *International Experience*

218. The type of unemployment benefit scheme introduced will depend on a number of factors but in particular, on the available resources, the strength of the labour market i.e. the supply and demand for labour, the administrative capacity related to the benefit requirements described above and the consistency with social protection and employment strategies. It is probably the most difficult social security benefit to administer because it is difficult to establish and monitor entitlement and there are risks of significant fluctuations in the cost in response to macro economic and labour market changes. Increasing levels of unemployment result in decreases in contribution income and increases in benefit expenditure. UI schemes are more viable where the majority of the labour force is employed in a market economy rather than in the informal sector and where there is a capacity to contribute.
219. Unemployment insurance schemes are well established in the developed countries in particular in Europe and North America. Outside the most developed countries, unemployment benefit schemes are still uncommon. According to the 1999 edition of the Social Security Around the World produced by the Social Security Administration of USA only 69 countries out of 173 have introduced unemployment benefit schemes. The only countries in the Middle East and North Africa which have introduced unemployment insurance benefit schemes are Iran, Egypt, Algeria and Tunisia - each of these have opted for the UI scheme. It should be noted, however, that there is an increasing awareness in many countries of the risks of unemployment and countries have in recent years paid more attention to the possibility of introducing a UI scheme. 20 of the 69 countries with schemes commenced them between 1989 and 1999 and since the Asian financial crisis in 1997/8 several countries have undertaken feasibility studies - Philippines, Thailand, Nigeria. - Korea has introduced a comprehensive scheme.
220. Providing assistance to the unemployed is a difficult issue for many social security schemes in developing and middle income countries because:
- the majority of the unemployed are people who have never worked in

the formal sector labour market: they have had no opportunity to qualify for unemployment insurance if a typical scheme were to be introduced

- those who have lost their jobs in the formal sector are likely to work on a self employed or informal basis and to present any UI scheme with major administrative problems to avoid abuse of benefit: the informal sector is the safety net for the poor
- the unemployed are another category of the poor and may be seen as not meriting special attention

221. However, ILO Convention No.168 of 1988 on Employment Promotion and Protection against Unemployment, has adopted a progressive approach to coverage for unemployment benefit. It recognises in Article 26 that account should be taken of the fact that there are many categories of persons seeking work who have never been or who have ceased be recognised as unemployed or who have never been covered by schemes for the protection of the employed. Consequently at least three of the following ten categories of persons seeking work shall receive social benefits .....@ and included in these categories are young persons who have completed their studies or vocational training or who have been looking after a child or a disabled or elderly relative.

222. Some countries have already recognised the desirability of extending the scope of the unemployed. Thus several Central Asian sates such as Kyrgyzstan, and Uzbekistan cover all citizens of working age who register for work and are able for work. The UI scheme is funded by employers contributions with if necessary a Government subsidy. A similar scheme is in operation in Azerbaijan

223. **In Bahrain, the majority of those who are unemployed are young persons who have terminated their education and who have been unable top find a job to match their expectations. They are not, in general, persons with a record of regular employment who are experiencing frictional unemployment and do not readily fall within the scope of a typical social unemployment insurance scheme.**

224. However, in a relatively compact and organised country such as Bahrain, with an efficient social security system in place, the administrative implications for an Unemployment Insurance Scheme would be manageable. It would be preferable if the current threshold of social security coverage (employers with 10 workers) were to be removed. For the benefit to be meaningful in the Bahraini context, it would need to cover first time job seekers and thus linked with tighter control of education attendance and with vocational training. **The Mission recommends that an in-depth feasibility study need to be undertaken prior to this and the question be regarded and integrated within the overall context of Labour Market Policies discussed in Section II.5 of the Report.**

### III.3. MINIMUM WAGE

225. The issue of introducing a minimum wage for both national and expatriate workers in the private sector has regained momentum in Bahrain. Early January 2002, an open forum was convened by the Ministry of Labour and Social Affairs to discuss and exchange views on this issue. In February 2002, a workshop was organized by the General Committee of Bahrain Workers (GCBW) to examine the same. Introduced by the Government, the issue has received mixed reactions. The introduction of the minimum wage is supported by the workers. The private sector is generally apprehensive of such a measure which in their opinion might entail an increased labour cost affecting the competitiveness of Bahraini enterprises. The Minister of Labour and Social Affairs has stated that the primary objective of introducing a minimum wage in Bahrain, would be to increase the social protection for the most vulnerable categories of workers. The minimum wage would equally apply to Bahraini and non-Bahraini workers.
226. MOLSA is in the process of identifying and contracting consultancy services to review the wage policies including the wage structure and levels in various sectors and to advise on the feasibility and impact of minimum wage in the socio-economic context of Bahrain. Such a comprehensive and step by step approach is supported by the Mission.
227. The non-availability of wage data prevented the Mission from an in-depth examination of the issue. However, the Mission discussed the basic principles and criteria to be considered if a minimum wage was to be introduced. These are recapitulated hereunder:
228. The role of the minimum wage must be to establish a decent minimum threshold for remuneration for work and as safety net protection for those at lower income. The determination of the minimum wage levels depends on a large number of criteria that are specific to each social and economic context.

The ILO Convention No. 131 and Recommendation No. 135 (1970), retain six criteria relating to the determination of minimum wage:

- The needs of workers and their families;
- The general level of wages in a country;
- The cost of living and its fluctuations;
- Social security benefits;
- The relative living standards of other social groups;
- Economic factors, including the requirements of economic development, levels of productivity and the desirability of attaining and maintaining a high level of employment.

International experiences and practices across countries vary with respect to criteria retained, as well as regarding the manner in which they are introduced by Government decision (France, Netherlands, Portugal, Spain); as part of national collective bargaining amongst social partners (Belgium, Denmark); or through collective sectoral agreements (Austria, Switzerland).

229. In general, the minimum wage can make a positive contribution to reducing poverty and to safeguarding employment, only if it directly affects a relatively small proportion of the workforce.
230. Furthermore, a wage policy requires reliable information on the wage paid by enterprises and by the State and data on the workers paid at the minimum wage level, including demographic socio-professional characteristics, sectors of activity, types of enterprises, etc.. The information available in Bahrain is too scanty. The introduction of a minimum wage would require a more systematic data collection, as emphasized in Section II.5.4.
231. The minimum wage should be regularly adjusted in line with labour market trends. When wages, incomes and prices are raising, the protection provided by a minimum wage is rapidly eroded. Two major questions to be considered, is how frequently should this adjustment be made and what criteria should be applied to determine the size of adjustment.
232. Effective enforcement of the minimum wage would require strengthened labour inspection system.
233. In view of the specific characteristics of the labour force in Bahrain, composed of 60% of expatriate labour, the introduction of a minimum wage will impact upon the “Bahrainization” policy, as discussed in Section III.3.2. The impact may vary according to the sectors of activity. If the minimum wage is applied equally to Bahrainis and non-Bahrainis – as it is currently contemplated by MOLSA and supported by the Mission - one question would be how to reflect the real cost of expatriate labour who benefit from a series of subsidies (housing, education bonuses, medical insurance, etc.) provided partly by employers’ and partly by the State.
234. **In view of the above, the Mission supports the broad consultations initiated by the Government and recommends further dialogue with social partners on this issue<sup>44</sup>. A better informed discussion on the inter-related issues of productivity and wage policy in Bahrain would help in clearing current apprehensions and putting the question in the right social and economic perspective.**

#### III.4. SOCIAL SAFETY NETS

235. As their social protection systems develop, most countries find it necessary to distinguish between benefits which are paid as of right based on the payment of social insurance contributions and benefits which are paid in response to social need. Those persons who are not protected by social insurance schemes will be unable to sustain themselves and their families when they have no income from employment or family assets. A social safety net may therefore be provided which would provide assistance in a variety of forms to those people who are not protected by the principal social security system or by private resources. This has been recognised in Bahrain through the establishment of social assistance and social welfare provisions under the Ministry of Labour and Social Affairs. This social assistance system differs from the unemployment assistance concept described above in that it does not focus on

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<sup>44</sup> ILO Technical Assistance and advice has been specifically sought by the Bahrain Chamber of Commerce & Industry.



unemployed people and does not expect its beneficiaries to register with the ESB. In addition, the resources are limited and this is reflected in the process of determining entitlement.

236. The Ministry of Labour and Social Affairs (MOLSA) provides a wide range of social services to improve the livelihood of disadvantaged and vulnerable groups, mainly the poor, people with disabilities, members of families facing special difficulties and the elderly. These services include *interalia* cash assistance, care services for severely disabled, skill training for members of needy families, vocational rehabilitation, family guidance and awareness raising services.

#### **III.4.1. Social Assistance**

237. The MOLSA provides an annual budget of BD 4 million for social assistance programme for needy families. At present there are 10,700 such families who receive, where appropriate, rehabilitation and appropriate vocational training as well as a bi-monthly cash payment. Entitlement depends on the family being unable to support itself although a household income of up to BD 150 is disregarded. The amount of social assistance depends on the number of persons in the household: one person is entitled to BD 23, with an additional BD 5 for a second person, BD 4 for each additional person up to a total of BD 48 maximum. Each case is reviewed every two years and it is possible to verify family and employment status by access to the CPR index. BD 4 million is allocated to the programme per year and entitlement depends not only on need, but on available resource. Cash assistance programme represents the backbone of social support services being provided by the Ministry. In 2001, 10749 families with 26485 family members received monthly cash assistance averaging BD 30 per family. The total amount of BD 4.23 million (US\$ 11.25) was disbursed to these families.

#### **III.4.2. Social Services**

238. **Since mid 80's, MOLSA has aimed at enhancing its services by adopting a developmental strategy instead of the social welfare and care focused programmes.** To this effect, it has established the Social Centres, the Productive Families Programme and the Micro-Start Project. The Ministry has invested reasonable financial and human resources to support its social services. The National Programme for Employment and Training of Nationals initiated in 2001, also includes provisions to support people with special needs and beneficiaries of social assistance.
239. The **Social Centres** are the second largest social programme administered by MOLSA. This programme comprises of seven Social Centres covering different geographical locations, with a central unit at the Ministry to follow-up and provide support. The services of the Centres are mainly targeting women and needy households. Their objectives are to provide outreach services to largest segment of society; and development services for local communities; to promote family awareness; and social consciousness; to preserve traditional handicrafts and provide nursery services for children of working mothers.

240. The establishment of Social Centres was concomitant to the creation of the **Productive Families Programme**, established in 1978. The latter aims at improving family income and living conditions of needy families receiving support from the cash assistance programme as well as other low income families. Since its inception in early 80's, the programme has provided support to about 737 families. These families were, in general, provided with minimal financial support to start up home-based production of traditional handicrafts, home food, and other similar simple products. The Micro-Start Programme was initiated in 1999. The programme objective is the provision of micro loans to low income families as a means of promoting self-employment. This US\$ 1,000,000 project is being executed by UNDP. Activities carried out by this programme had an indirect positive impact on the Productive Families Programme, mainly through the introduction of basic concepts and applications of income generating activities.
241. MOLSA also provides **support services to people with disabilities** through a rehabilitation unit under the Social Department. These services are provided mainly by the vocational rehabilitation centre in Isa Town and its sheltered workshop. A new sheltered workshop for printing and photocopying services is being established. In addition, the Ministry runs several day care special education centres for disabled children. Moreover, the Ministry provides different forms of support to voluntary organizations working for people with disabilities.
242. **Social services in Bahrain are of extremely important value in strengthening social cohesion, combating poverty, and providing support for vulnerable groups. It is clear that services provided by MOLSA in addition to other governmental health and educational services, have been successful in assisting low-income earning families and individuals to secure their basic needs.**
243. Efforts of MOLSA are also complemented by a very active role of a large number of NGOs. NGOs and small local funds provide social welfare and charitable services for needy families, individuals and other target groups. With few exceptions, the NGOs' approach remains of a welfare nature, mainly through financial support for disadvantaged groups. It is recognized however, that increasingly, awareness to adopt a developmental approach is gaining ground.

### III.5. PRIORITIES FOR ACTION

The Mission recommends the following priorities for action:

244. **Social Insurance Schemes:** Review the pensions and contribution structure of both GOSI and PFC to determine appropriate future structure in the light of actuarial valuations. Issues to be considered should be:
- the desirability of maintaining a fully funded financial system;
  - creating opportunities for private pension schemes and ensuring their supervision and regulation;
  - pension age and early retirement provisions - establish the same pension age for men and women, pensions on early retirement should be reduced to reflect real cost to the scheme;

- compulsory extension of coverage to small employers and self employed;
- introduce social protection levy on employers of foreign workers to strengthen financing of GOSI;
- consider a feasibility study to preserve and transfer social security rights in respect of residents of GCC countries who move between such countries during their working live.

245. **Review of the Labour Code:** As pointed out in Section II.2.3., there is a need to review and revise the social security provisions of the Labour Code (see Annex) .The Code dates from 1976 and includes provisions relating to sick leave, maternity leave and compensation for employment injury or occupational disease. In the case of the latter they apply only to workers with employers with less than 10 employees since those who work for larger employers are covered by the more effective provisions of the social insurance scheme operated by GOSI. The liabilities placed on employers are not obliged to be covered by insurance.

246. **Unemployment Insurance:** A feasibility study is proposed for an unemployment insurance scheme which would require the services of an international consultant in social security planning and administration (1.5 months) and a social security actuary (1.5 months). The scheme would succeed the special employment programme and would focus on two groups:

- those who had lost their jobs involuntarily and were available for and seeking new employment and
- school leavers who had completed their education, were not drop-outs and were seeking employment

The latter group could be obliged to undergo training with the BTI or alternative and, after a 6 months waiting period from termination of education, could be paid a training allowance of perhaps BD 80 per month from Government funds. The other group of unemployed workers could be included in a more traditional unemployment insurance benefit scheme with benefit payable for 6 months based on 60 per cent of the worker's previous average earnings and financed from a fund derived from contributions from employers and workers and administered by GOSI.

247. **Social Assistance:** There is a need for entitlement to social assistance cash benefits to be based on clear and transparent conditions rather than on discretion and budgeting considerations. In addition, this should be complemented by a more effective screening and monitoring of applicants and beneficiaries to identify persons and families who could benefit from training and income generating support. It is proposed that the existing system should be reviewed and restructured in order to better fulfil its role as a social safety net. The level of benefit should be reviewed and linked with subsistence level incomes. In addition, there is a need to improve the quality of rehabilitation services and training for income generating activities.

Consideration could also be given to the feasibility of providing public works/environment programmes for the unemployed at the municipality level, as mentioned in section II.2.3.

248. **Social Services:** Serious efforts have been made to develop a comprehensive, developmental, forward looking, and integrated programme of social services. In support of the above-mentioned initiatives and with a view to developing a comprehensive, well articulated and practical approach to social development, the Mission recommends that:

- **Conduct an in-depth study to assess the impact** of various social programmes and to assist the needs and priorities for improving the delivery and quality of services being provided. MOLSA is maintaining a comprehensive database and statistics about various aspects of services being provided. The availability of this information is very useful for purposes of monitoring and evaluation.
- **Pursue more vigorously the policy focus on shifting from social assistance programmes to socio-economic development programmes.** Current arrangements and field practices need a major revamping in order to achieve this goal. A detailed review of the situation of Social Centres and the productive families programme should be undertaken to identify priorities for change and necessary interventions.
- **Undertake a comprehensive audit to up-grade the capacities of Social Centres to develop into community development programmes.** The main goals of the Social Centres are to provide community development services, to mobilize community resources, and to contribute to human resources development, especially of needy families. Nevertheless, these Centres have not been completely successful in overcoming the centre-based practices and in developing community-based or out-reach programmes. Services of these Centres are almost limited to training women on tailoring, needle-work, and other traditional non-marketable skills. Furthermore, the quality of training being provided is poor.
- **Provide comprehensive in-service-training programmes** for programme managers, social workers, and directors of the Social Centres in order to improve their knowledge, skills and attitudes concerning multi-sectoral and community-based integrated development. Leaders of the voluntary movement as well as officials and the staff of relevant NGOs and organizations of civil society should also benefit from the above training.
- **Revamp the Productive Families Programme** which is facing serious weaknesses limiting its impact and sustainability. These weaknesses are explained in detail in the ILO project proposal “Revamping of the Productive Families Programme”. In short the programme should be guided by business principles instead of the social welfare model. Also, proper skill training and non-financial support services should be provided (how to start and improve your business, packaging, marketing, basics of finance management etc.) in addition to access to financial support. The experience gained from the Micro-Start project is particularly valuable.
- **Provide support to NGOs to maximize their effectiveness and efficiency.** Through dialogue, training, and appropriate coordination mechanisms, NGOs may be encouraged to shift from single-project to socio-economic community based development programme; from single-organization initiative to an inter-organizational programme; from clinic based-intervention focusing on needy individuals to a community-based participatory approach which focuses on

improving living conditions of groups and ensuring access to basic needs and services.

- **Strengthen the institutional capacities of NGOs and encourage the establishment of a general council for NGOs** to ensure systematic cooperation and coordination among NGOs on the one hand, and to build broader partnerships with related governmental agencies.

249. More immediately, the following action could be considered:

- Selection of a gender-balanced Committee for each Social Centre from the community to guide and supervise the programmes and services provided by that Centre. Committees should promote the participation of community members and organizations in the planning and implementation of activities. It should also provide for better access to community resources;
- Provision of orientation workshops to selected committees, and a training programme on community development for directors and the staff of the Centres;
- Confining the skills training provided by these Centres to skills demanded in the labour market such as computer, foreign languages, job search skills, and basic business skills needed for establishment of self-employment and income generation activities.
- A programme of action to be formulated by each Centre to improve access of community members, especially, members of needy families, to vocational training opportunities available in the community. Special attention is to be given for buying these services from the private sector and on site training etc. The existing resources available for each Centre's training programmes should be utilized to facilitate this access.
- Similarly, re-adjusting the Centres' approach towards skill training for women. The training currently provided (e.g. industrial sewing, hairdressing, tailoring) is not competitive in market terms and trainees do not obtain any accreditation or career guidance which will help them in finding employment. Instead, the Social Centres can potentially play an important role at the community level in improving the preparedness of women in general, but especially of young women, for either social integration or economic participation *per se*. These Centres can assist women in having a better knowledge of the option available to them, and facilitate their transition into the world of work through appropriate training and career guidance. In this way, the Social Centres can evolve from centres providing services to vulnerable groups to centres who are also providing effective linkages between the community and the labour market.

### III.6. DEFINITION OF A SOCIAL PROTECTION STRATEGY

250. **The Mission recommends that the Strategy for Employment proposed by MOLSA be complemented by a comprehensive Social Protection Strategy, based on the above recommendations and on the outcome of the various reviews and feasibility studies suggested.** The Strategy would need to address important issues such as the respective roles and responsibilities of the State, employers and individuals, the private and the public sector and the coverage, level and financing of social protection. Issues of equity and solidarity and equality of treatment between

men and women and between foreign and national workers would also need to be taken into account.

251. Consideration should also be given to building partnerships with other relevant Ministries, social partners, and concerned NGOs. The formulation of such policy should ensure the integration of social services with other social safety nets and set the ground for building effective partnerships and harmony with other development plans.

#### **IV. AN INTEGRATED POLICY FRAMEWORK FOR PROMOTING DECENT WORK IN BAHRAIN: PROPOSALS FOR TECHNICAL COOPERATION**

##### **IV.1. ADOPTION AND IMPLEMENTATION OF THE “STRATEGY FOR THE INTEGRATION OF THE NATIONAL WORKFORCE IN THE LABOUR MARKET IN BAHRAIN”**

252. The first priority for action is the successful conclusion of the efforts invested by MOLSA in the preparation of the draft “Strategy”, through: a) its official adoption as national policy and b) its implementation.

As stated earlier, the Strategy provides for a comprehensive and integrated framework of a range of policies and measures for the development of productive and decent work opportunities and for the management of labour markets facilitating the transition of Bahrain to a diversified skill-based economy. These policies have been commented upon by the Mission extensively and proposals for revision submitted.

253. Follow-up ILO support proposed in the following areas:
- a) Advisory services, feasibility studies and thematic evaluations and surveys in priority areas addressed by the Strategy and others identified and discussed in this Report;
  - b) Organization of fora and tripartite seminars and workshops for broad exchange of views on the above. The National Tripartite Forum on “*Strategies for the Development of Labour Markets in Bahrain: A Vision for a Better Future*” organized on 26-27 March 2002, could be followed upon by thematic discussions as required.

##### **IV.2. DEVELOPMENT OF AN INTEGRATED PILOT PROGRAMME ON DECENT WORK**

254. The Terms of Reference of the Mission, as proposed by H.E. Mr. Abdulnabi Al-Shoa’la, Minister of Labour and Social Affairs, emphasized the need for an integrated and inter-disciplinary approach.
255. The Mission identified priorities for Action in the area of 1) Rights at Work; 2) Employment and Labour Markets; 3) Social Protection and 4) Social Dialogue.
256. The Government has expressed keen interest in promoting the integrated framework on the Decent Work Agenda in Bahrain. H.E. Mr. Abdulnabi Al-Shoa’la, Minister of Labour and Social Affairs, has submitted a formal request to the ILO for the inclusion of Bahrain within the ILO’s Decent Work Pilot Programmes currently implementing the Decent Work agenda.

257. The recent policy initiators and the open-space for social dialogue provide an exceptional environment for the inclusion and implementation of the Decent Work agenda. **The Mission recommends formalization of this request and its programming within the framework of the ILO Decent Work Pilot Programmes for 2002/2003.** Such an integrated support will enhance the chances for the effective implementation of the policy reforms.

### **IV.3. SOCIAL DIALOGUE**

258. As outlined throughout the report and the Mission's findings, broad and continuous social dialogue is key to the success of new policy initiatives. ILO technical cooperation could be provided on the following priorities: a) strengthening of the capacity of social partners in assuming new roles and responsibilities and in engaging in social dialogue and b) reactivating existing tripartite bodies and promoting other tripartite mechanisms for dialogue on the range of social and economic issues.

### **IV.4. PROGRAMME AND PROJECT PROPOSALS**

#### **VI.4.1. The Employment Fund**

259. The need for an "Employment Fund" to succeed the current NPET upon its completion in 2002/2003, has been highlighted in this Report. Similarly, the importance of guaranteeing a secure and continuous funding for such a programme, beyond the ad hoc donation mechanism, has been underlined.

ILO's technical cooperation for the design and setting-up of such a Fund is proposed as follows:

- a) An in-depth evaluation of the NPET programmes upon their completion with a view to assess labour market interventions that have better chance of success in easing the problem of the "unemployed youth";
- b) Based on the above, formulation of a programme of the "Employment Fund" taking into account the following principles:
  - Secure funding and flexibility of financial reallocation of resources amongst different interventions as the need arises;
  - Expansion of the current scope of NPET by:
    - Emphasizing job search assistance and career guidance;
    - Developing integrated and strengthened programmes for the promotion of self-employment and SMEs;
    - Studying the feasibility of area-based job creation programmes;
    - Studying the feasibility and desirability of an unemployment benefit system.

#### **VI.4.2. Revamping the Employment Services**

260. The Present weaknesses of placement services and the Employment services Bureau have been discussed in Section II.5.2. of the Report.

ILO's technical assistance is proposed for the formulation of a programme strengthening the ability of ESB to perform its role and to cope with additional demands of the "Bahrainization" policy, labour market interventions and addressing the needs of the "unemployed". These principles for a major revamping of ESB, have been outlined in Section II.5.2. Study tours and fellowship to best practice examples could also be considered.

#### **VI.4.3. Youth Entrepreneurship**

261. In addition, to proposals made in the Report, focusing on youth i.e. the conduct of an in-depth survey and organization of youth fora, the Mission proposes a multi-component programme aimed at spreading the value of enterprise, fostering entrepreneurial spirit and promoting self-employment among young people as a career option. This programme could include the following:

- *Adapt the ILO's "Know about Your Business" (KAB) training material for the use by the Bahrain Training Institute and possibly by other training providers. KAB aims at creating awareness of entrepreneurship and self-employment as a career option, particularly for trainees in vocational and technical education. It provides knowledge of the required attributes and challenges starting and operating a successful business. Although KAB is not designed to prepare young people to start their own business it is a powerful training package that foster entrepreneurial spirit.*
- *Consider the introduction of the ILO's "Start Your Business" (SYB) in the ongoing youth entrepreneurship programme, which is jointly run by BTI, UNIDO and the Bahrain Development Bank. SYB aims to develop skills necessary for starting a small business. SBY uses participatory training methods and brings together basic theory, relevant information and practical activities. The course is a cost effective means to help potential entrepreneurs think systematically through the most important issues related to starting a business. One practical result of the training is a business plan for the potential business, in form that can be presented to a credit institution. Both proposals are practical steps that are intended to follow up the recent cooperation between BTI and the ILO, especially the 2001 national seminar on "Economic Growth through Small Enterprise Development and Involvement of Youth". This seminar was designed to strengthen BTI's role in small enterprise development and the promotion of youth employment.*



- *Introduce a private sector led youth entrepreneurship programme for unemployed and disadvantaged youth:* ILO has been working together with Rotary International and Youth Business International (YBI), the latter is part of the Prince of Wales International Business Leaders Forum, to mobilize the business community to help disadvantaged young people to become entrepreneurs and set up their own business. The YBI model operates in a wide range of economies, and it supported and run by the private sector. In addition to helping young people to develop their business plan and helping the successful applicants to access to finance, the core elements of the programme are strong business mentoring and business support. Business mentoring has international relevance and applicability in different economies. Mentoring provides an opportunity for business people, whether active or retired, to recycle their skills and share their experience with the wider community. In partnership with YBI and Rotary International, the ILO could introduce the model to the Bahraini business community and help interested partners to launch the programme, on basis local cultures and needs.

#### **VI.4.4. Career Guidance for Secondary School leavers**

262. In addition to the need for educational reforms and special attention to address the problem of the school drop-outs in Bahrain, the Mission emphasized the need for a career guidance programme which starts at school. ILO could provide assistance in *adapting the ILO's Youth Career Development Manual to the situation of Bahrain and introduce it in secondary schools*. The ILO is preparing a "generic" career development manual for young people in developing countries. The aim is that the manual can then be customized to meet the needs of specific countries. The "generic" manual is expected to be ready for adaptation by the second part of 2002. In the meantime, the ILO is producing a short introductory booklet, which can be used as an introduction to the comprehensive manual and/or as a stand-alone document. The booklet can be used for training purposes or for orientation for those who provide support for young people in the career development process.

#### **VI.4.5. Enhancing Social Services**

263. **1) Community Based Vocational Rehabilitation Programme (CBVR):**

The general census of 1991 indicated a total number of (3807) being people with disabilities. This figure represents 0.9% as a prevalence rate which is far below the global estimate of 10%. Meanwhile, if a conservative estimate based on a 3% prevalence rate is applied, the number of Bahraini people with disabilities who would be targeted for rehabilitation provisions would be approximately 15000.

264. Currently, there are 24 programmes providing rehabilitation services to various categories of disability. Six of these programmes are run by the Ministry of Labour and Social Affairs (MOLSA), two committees are functioning in the Ministries of Health and Educations, and sixteen programmes are run by voluntary organizations.

265. The provision of vocational rehabilitation services are provided by the only vocational rehabilitation center at Isa Town. The center provides vocational training for about 140 trainees in different trades; carpentry, upholstery, welding, mechanics, sewing, handicrafts, beautification and hairdressing, pottery works, painting and computer. The center provides also sheltered employment services through its sheltered production workshop.
266. The placement of disabled persons is being confronted with various obstacles. The labour law establishes a quota of 2% for people with disabilities, but like other countries in the region, this quota is not fully enforced. Since 1999 the employment office of the MOLSA has established a small office for the placement of disabled people. The National Institute for Disabled (NID) was established as a national body to coordinate the national response for disability issues, and to ensure cooperation between concerned NGOs and government authorities.
267. In conclusion there are serious efforts in Bahrain to provide various kinds of rehabilitation services for people with disabilities. Significant achievements were made in providing special education services, but attempts with regard to vocational training and employment services have met less success.
268. Improving coverage and quality of services being provided will be expensive under the present institutional structure of vocational rehabilitation services. Furthermore, in light of the rising level of unemployment, working opportunities for people with disabilities become more scarce and difficult to get.
269. The above required the MOLSA and the other concerned authorities to adopt and formulate new strategies for vocational training and employment of people with disabilities. Experience from other countries shows that the community based rehabilitation approach proved to be effective in utilizing the community resources for the benefit of people with disability and in encouraging the participation of community organizations in the rehabilitation process. ILO could assist MOLSA in formulating a comprehensive policy for vocational training and employment of people with disabilities. This policy should recognize and adopt the multi-sectoral and community-based approaches.
270. In addition, the above will include measures to promote self-employment and the establishment of special employment fund to support income-generating activities for disabled persons. Creating the necessary national capacities to implement and execute community based rehabilitation and the employment fund will be the main elements of the project strategy. Furthermore, special attention will be devoted for up-grading the capabilities of local expertise.
271. **2) Revamping the Productive Families Programme:**

In Section III.4., a brief assessment of the PFP is given which clearly points to the need for strengthening the essential component on Bahrain's social safety net for low-income families. ILO's assistance could be provided to strengthen the national capacity to adopt and implement a comprehensive programme for improving the effectiveness and efficiency of services. This strategy will focus on the following:

- Shifting the Social Assistance Programme to a developmental socio-economic programme.
- Maximization of the NGO and community participation in support of the Productive Families Programme.
- Improving the capacities and performance of the social centers through the provisions of restructuring and staff training.
- Establishment of a small fund for revolving loans.

272. ***3) Promoting Basic Skills' Training for Improving Young Women's Employability:***

This proposal is aimed at enhancing the services provided through Social Centres to young women by focusing on a new areas of training in Basic Life Skills and Livelihoods.

Basic Life skills and livelihoods training focuses on a full range of strategies that people use to carry out a productive life. It includes a range of support programmes and skills aimed at helping young people with the transition in their life. This means that in addition to basic vocational skill development, other competencies are needed such as knowledge and information, communications skills particularly at the workplace, self esteem/confidence building and skills related to money management and basic financial know-how, among others.

273. As outlined in this Report, young Bahraini women face an added challenge in finding appropriate employment than young men. While their education levels are high and the demand for skill training is increasing, young women in Bahrain are limited and concentrated in a narrow range of occupations. This is mainly due to social norms which women face in some types of occupations. Young women lack the confidence or access to information and the know-how in finding and keeping a job. Therefore, the main objective of this project is to set young women on a positive track in the world of work and/or for public participation in Bahrain, through the programmes carried out by Social Centres.

## **Annex I: Summary of Labour Code provisions relating to social security**

### **Maternity Leave (Chapter 9 Article 61)**

Full pay for 45 days. Additional leave for 15 days with half pay

### **Termination payments for those not covered by social insurance (Chapter 14)**

Indemnity of 15 days for each of first 3 years of employment and 1 month for each additional year. If worker terminates employment he/she receives one third of the normal indemnity if employed not less than 3 years and not more than 5. If employed over 5 years receives full indemnity

No indemnity if employment is terminated because of misconduct.

Definition of wages includes commission, benefits in kind, increments and allowances.

### **Compensation for Employment Injury (Chapter 15)**

Full wages to be paid by employer for 6 months together with cost of medical treatment: subsequently, wages at 50% of pre-accident earnings.

If totally permanent disablement, compensation at rate of 75% of earnings: if partially disabled, a reduced percentage of compensation - paid by employer in lump sum. If accident results in death compensation equivalent to total disablement is payable to dependents. Employer is not obliged to insure against risk.





**Annex II**
**Table A1: Gross Domestic Product by Type of Economic Activity (at Constant Prices 1989 = 100)**

Unit: million Bahrain dinars

Sector	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
<b>1-The non-Financial Corporations Sector</b>	<b>1115.47</b>	<b>1117.63</b>	<b>1256.01</b>	<b>1450.56</b>	<b>1450.32</b>	<b>1493.34</b>	<b>1521.68</b>	<b>1552.41</b>	<b>1647.99</b>	<b>1736.02</b>	<b>1825.84</b>
<b>_ Agriculture &amp; Fisheries</b>	<b>14.69</b>	<b>14.10</b>	<b>15.51</b>	<b>17.27</b>	<b>17.75</b>	<b>21.10</b>	<b>23.82</b>	<b>22.03</b>	<b>21.87</b>	<b>22.46</b>	<b>23.81</b>
Agriculture	9.16	9.06	10.19	11.56	12.83	14.74	15.06	15.39	15.39	15.66	15.94
Fishing	5.54	5.04	5.33	5.71	4.93	6.36	8.76	6.64	6.48	6.80	7.88
<b>_ Mining &amp; Quarrying</b>	<b>250.50</b>	<b>245.10</b>	<b>281.78</b>	<b>317.14</b>	<b>299.67</b>	<b>306.12</b>	<b>326.23</b>	<b>337.29</b>	<b>375.57</b>	<b>419.50</b>	<b>466.27</b>
Crude Petroleum & Natural Gas	249.45	244.55	281.00	315.89	297.74	303.80	324.07	335.25	373.41	417.19	464.08
Quarrying	1.05	0.55	0.78	1.26	1.93	2.31	2.16	2.05	2.16	2.31	2.19
<b>_ Manufacturing</b>	<b>169.90</b>	<b>176.10</b>	<b>200.49</b>	<b>237.53</b>	<b>261.00</b>	<b>280.68</b>	<b>273.76</b>	<b>280.38</b>	<b>286.09</b>	<b>303.90</b>	<b>311.38</b>
<b>_ Electricity &amp; Water</b>	<b>27.99</b>	<b>27.57</b>	<b>31.64</b>	<b>35.02</b>	<b>38.98</b>	<b>41.89</b>	<b>45.67</b>	<b>43.82</b>	<b>50.59</b>	<b>50.67</b>	<b>53.35</b>
<b>_ Construction</b>	<b>83.70</b>	<b>77.33</b>	<b>99.59</b>	<b>98.38</b>	<b>92.98</b>	<b>103.51</b>	<b>88.39</b>	<b>82.93</b>	<b>83.74</b>	<b>97.95</b>	<b>99.32</b>
<b>_ Trade</b>	<b>204.80</b>	<b>207.29</b>	<b>254.03</b>	<b>333.15</b>	<b>316.53</b>	<b>305.29</b>	<b>313.64</b>	<b>320.66</b>	<b>344.99</b>	<b>323.69</b>	<b>332.06</b>
<b>_ Hotels &amp; Restaurants</b>	<b>32.91</b>	<b>35.48</b>	<b>40.06</b>	<b>40.60</b>	<b>34.92</b>	<b>38.79</b>	<b>44.47</b>	<b>49.65</b>	<b>52.68</b>	<b>55.14</b>	<b>59.06</b>
Hotels	20.33	22.94	24.23	25.55	17.91	22.75	25.79	30.76	33.18	35.50	38.53
Restaurants	12.58	12.55	15.83	15.05	17.01	16.04	18.68	18.89	19.49	19.64	20.53
<b>_ Transport and Communication</b>	<b>133.07</b>	<b>141.75</b>	<b>148.22</b>	<b>156.99</b>	<b>167.97</b>	<b>163.44</b>	<b>167.06</b>	<b>169.45</b>	<b>179.36</b>	<b>194.17</b>	<b>206.01</b>
<b>_ Social &amp; Personal Services</b>	<b>28.60</b>	<b>27.50</b>	<b>27.90</b>	<b>31.30</b>	<b>34.90</b>	<b>35.70</b>	<b>35.20</b>	<b>38.00</b>	<b>40.80</b>	<b>42.70</b>	<b>43.80</b>
<b>_ Real estate and business activities</b>	<b>169.31</b>	<b>165.41</b>	<b>156.79</b>	<b>183.18</b>	<b>185.62</b>	<b>196.82</b>	<b>203.44</b>	<b>208.20</b>	<b>212.30</b>	<b>225.84</b>	<b>230.78</b>
Real Estate	152.21	149.81	141.99	167.38	168.22	178.42	184.84	188.20	190.90	201.74	205.78
Business Activities	17.10	15.60	14.80	15.80	17.40	18.40	18.60	20.00	21.40	24.10	25.00
<b>2_ The Financial Corporations Sector</b>	<b>330.74</b>	<b>292.60</b>	<b>305.14</b>	<b>339.05</b>	<b>372.10</b>	<b>366.64</b>	<b>405.74</b>	<b>438.48</b>	<b>430.61</b>	<b>431.17</b>	<b>494.31</b>
Local Financial Institution 1	84.30	93.99	93.59	111.00	95.24	101.05	111.26	126.33	136.69	136.17	146.89
Offshore Financial Institution 2	193.34	145.81	153.91	150.95	184.47	158.57	182.49	203.50	191.85	205.14	239.28
Insurance	53.10	52.80	57.64	77.10	92.38	107.02	111.99	108.65	102.07	89.87	108.14
<b>3_ Government Services</b>	<b>231.30</b>	<b>236.20</b>	<b>237.80</b>	<b>237.00</b>	<b>233.00</b>	<b>245.30</b>	<b>255.00</b>	<b>254.00</b>	<b>272.00</b>	<b>277.70</b>	<b>281.4</b>
<b>4_ Education Services</b>	<b>73.20</b>	<b>75.30</b>	<b>76.10</b>	<b>76.90</b>	<b>79.70</b>	<b>81.00</b>	<b>83.90</b>	<b>89.50</b>	<b>78.70</b>	<b>83.00</b>	<b>90.10</b>
Government Education Services	61.30	65.20	67.30	68.60	69.90	70.60	71.90	76.40	65.30	67.90	74.6
Private Education Services	11.90	10.10	8.80	8.30	9.80	10.40	12.00	13.10	13.40	15.10	15.5
<b>5_ Health Services</b>	<b>33.10</b>	<b>36.60</b>	<b>35.80</b>	<b>39.60</b>	<b>41.10</b>	<b>44.00</b>	<b>45.30</b>	<b>48.60</b>	<b>49.00</b>	<b>49.60</b>	<b>50.70</b>
Government Health Services	29.50	32.90	32.40	34.40	36.20	38.70	39.10	42.60	42.40	42.40	43.5
Private Health Services	3.60	3.70	3.40	5.20	4.90	5.30	6.20	6.00	6.60	7.20	7.2

6_ Private Non-profit institutions serving hhs.	0.57	0.60	0.56	0.60	0.70	0.48	0.77	0.78	1.01	0.99	1.18
7_ Household with Employed Persons	11.67	12.03	12.21	12.65	13.55	13.78	14.28	14.79	15.33	15.89	16.47
8_ Less financial Intermediation Services	-(173.33)	-(130.90)	-(179.20)	-(171.36)	-(211.08)	-(181.13)	-(174.28)	-(187.38)	-(182.41)	-(173.31)	-208.52
<b>9_ GDP at Producers Prices</b>	<b>(1622.72)</b>	<b>(1640.06)</b>	<b>(1744.42)</b>	<b>(1985.00)</b>	<b>(1979.39)</b>	<b>(2063.41)</b>	<b>(2152.39)</b>	<b>(2211.18)</b>	<b>(2312.23)</b>	<b>(2421.06)</b>	<b>(2551.48)</b>
10_ Import Duties	35.99	47.63	56.19	47.33	48.05	43.52	41.10	50.15	57.58	50.62	51.73
<b>GDP in Purchaser's Values</b>	<b>1658.71</b>	<b>1687.69</b>	<b>1800.61</b>	<b>2032.33</b>	<b>2027.44</b>	<b>2106.93</b>	<b>2193.49</b>	<b>2261.33</b>	<b>2369.81</b>	<b>2471.68</b>	<b>2603.21</b>
Total Population	503'022	508'360	519'378	538'085	557'509	577'684	598'625	620'378	642'972	666'442	
<b>Per capita GDP (Bahrain dinars)</b>	<b>3297</b>	<b>3320</b>	<b>3467</b>	<b>3777</b>	<b>3637</b>	<b>3647</b>	<b>3664</b>	<b>3645</b>	<b>3686</b>	<b>3709</b>	

Source: 2000 Statistical Bulletin, Ministry of Finance and National Economy.



Table A2: Percentage Contribution to G.D.P. By Type of Economic Activity (At Constant Price), 1989 =100

Sector	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
<b>1-The non-Financial Corporations Sector</b>	<b>68.2</b>	<b>67.0</b>	<b>70.4</b>	<b>72.0</b>	<b>72.3</b>	<b>71.6</b>	<b>70.2</b>	<b>69.5</b>	<b>70.4</b>	<b>70.2</b>	<b>70.1</b>
<b>_ Agriculture &amp; Fisheries</b>	<b>0.9</b>	<b>0.8</b>	<b>0.9</b>	<b>0.8</b>	<b>0.9</b>	<b>1.0</b>	<b>1.1</b>	<b>1.0</b>	<b>0.9</b>	<b>0.9</b>	<b>0.9</b>
Agriculture	0.6	0.5	0.6	0.6	0.6	0.7	0.7	0.7	0.6	0.6	0.6
Fishing	0.3	0.3	0.3	0.3	0.2	0.3	0.4	0.3	0.3	0.3	0.3
<b>_ Mining &amp; Quarrying</b>	<b>15.1</b>	<b>14.5</b>	<b>15.6</b>	<b>15.6</b>	<b>14.8</b>	<b>14.5</b>	<b>14.9</b>	<b>14.9</b>	<b>15.8</b>	<b>17.0</b>	<b>18.0</b>
Crude Petroleum & Natural Gas	15.0	14.5	15.6	15.5	14.7	14.4	14.8	14.8	15.8	16.9	17.9
Quarrying	0.1	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.9
<b>_ Manufacturing</b>	<b>10.2</b>	<b>10.4</b>	<b>11.1</b>	<b>11.7</b>	<b>12.9</b>	<b>13.3</b>	<b>12.5</b>	<b>12.4</b>	<b>12.1</b>	<b>12.3</b>	<b>12.0</b>
<b>_ Electricity &amp; Water</b>	<b>1.7</b>	<b>1.6</b>	<b>1.8</b>	<b>1.7</b>	<b>1.9</b>	<b>2.0</b>	<b>2.1</b>	<b>1.9</b>	<b>2.1</b>	<b>2.1</b>	<b>2.1</b>
<b>_ Construction</b>	<b>5.0</b>	<b>4.6</b>	<b>5.5</b>	<b>4.8</b>	<b>4.6</b>	<b>4.9</b>	<b>4.0</b>	<b>3.7</b>	<b>3.5</b>	<b>4.0</b>	<b>3.9</b>
<b>_ Trade</b>	<b>12.3</b>	<b>12.3</b>	<b>14.1</b>	<b>16.4</b>	<b>15.6</b>	<b>14.5</b>	<b>14.3</b>	<b>14.2</b>	<b>14.6</b>	<b>13.1</b>	<b>12.8</b>
<b>_ Hotels &amp; Restaurants</b>	<b>2.0</b>	<b>2.1</b>	<b>2.2</b>	<b>2.0</b>	<b>1.7</b>	<b>1.8</b>	<b>2.0</b>	<b>2.2</b>	<b>2.2</b>	<b>2.2</b>	<b>2.3</b>
Hotels	1.2	1.4	1.3	1.3	0.9	1.1	1.2	1.4	1.4	1.4	1.5
Restaurants	0.8	0.7	0.9	0.7	0.8	0.8	0.9	0.8	0.8	0.8	0.8
<b>_ Transport and Communication</b>	<b>8.0</b>	<b>8.4</b>	<b>8.2</b>	<b>7.7</b>	<b>8.3</b>	<b>7.8</b>	<b>7.6</b>	<b>7.5</b>	<b>7.6</b>	<b>7.9</b>	<b>7.9</b>
<b>_ Social &amp; Personal Services</b>	<b>3.7</b>	<b>3.4</b>	<b>3.1</b>	<b>3.0</b>	<b>3.3</b>	<b>3.3</b>	<b>3.3</b>	<b>3.4</b>	<b>3.5</b>	<b>3.6</b>	...
Real Estate	9.2	8.9	7.9	8.2	8.3	8.5	8.4	8.3	8.1	8.2	8.0
<b>2_ The Financial Corporations Sector</b>	<b>19.9</b>	<b>17.3</b>	<b>16.9</b>	<b>16.7</b>	<b>18.4</b>	<b>17.4</b>	<b>18.5</b>	<b>19.4</b>	<b>18.2</b>	<b>17.5</b>	<b>19.0</b>
Local Financial Institution 1	5.1	5.6	5.2	5.5	4.7	4.8	5.1	5.6	5.8	5.6	5.6
Offshore Financial Institution 2	11.7	8.6	8.5	7.4	9.1	7.5	8.3	9.0	8.1	8.3	9.2
Insurance	3.2	3.1	3.2	3.8	4.6	5.1	5.1	4.8	4.3	3.7	4.2
<b>3 _ Government Services</b>	<b>19.4</b>	<b>19.8</b>	<b>18.7</b>	<b>16.7</b>	<b>16.7</b>	<b>16.8</b>	<b>16.7</b>	<b>16.5</b>	<b>16.0</b>	<b>15.8</b>	...
<b>4 _ Producers of Private non-Profit Services to Households</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>5_ Household Services</b>	<b>0.7</b>	<b>0.7</b>	<b>0.7</b>	<b>0.6</b>	<b>0.7</b>	<b>0.7</b>	<b>0.7</b>	<b>0.7</b>	<b>0.6</b>	<b>0.6</b>	<b>0.6</b>
<b>6_ Less Imputed Services Charge</b>	<b>(10.4)</b>	<b>(7.8)</b>	<b>(10.0)</b>	<b>(8.4)</b>	<b>(10.4)</b>	<b>(8.6)</b>	<b>(7.9)</b>	<b>(8.3)</b>	<b>(7.7)</b>	<b>(7.0)</b>	<b>8.0</b>
<b>7_ Import Duties</b>	<b>2.2</b>	<b>2.8</b>	<b>3.1</b>	<b>2.3</b>	<b>2.4</b>	<b>2.1</b>	<b>1.9</b>	<b>2.2</b>	<b>2.4</b>	<b>2.1</b>	<b>2.0</b>
<b>GDP in Purchaser's Values</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>GDP in Purchaser's Values (Million B. Dinars)</b>	<b>1658.71</b>	<b>1687.69</b>	<b>1800.61</b>	<b>2032.33</b>	<b>2027.44</b>	<b>2106.93</b>	<b>2193.49</b>	<b>2261.33</b>	<b>2369.81</b>	<b>2471.68</b>	<b>2603.21</b>

Source: Ministry of Finance and National Economy.

**Table A3: Gross Domestic Product By Type of Economic Activity (At Constant Prices 1989 = 100)**  
*Annual compound growth rates, 1990-2000*

<b>Sector</b>	<b>1990-2000</b>	<b>1990-95</b>	<b>1996-2000</b>
Non-Financial Corporations Sector	4.75%	6.81%	4.76%
Agriculture & Fisheries	5.54%	7.45%	0.18%
Agriculture	6.30%	10.14%	1.31%
Fishing	4.02%	1.98%	-1.88%
Mining & Quarrying	5.75%	4.93%	9.32%
Crude Petroleum & Natural Gas	5.72%	4.84%	9.37%
Quarrying	12.33%	23.39%	1.47%
Manufacturing	6.05%	11.03%	3.38%
Electricity & Water	6.98%	9.02%	4.56%
Construction	0.81%	4.58%	4.00%
Trade	4.57%	10.11%	1.24%
Hotels & Restaurants	5.59%	2.25%	6.72%
Hotels	6.02%	-0.36%	9.46%
Restaurants	4.92%	5.93%	2.28%
Transport and Communication	3.78%	4.56%	5.55%
Social & Personal Services	4.93%	5.54%	5.54%
Real Estate & Business Activities	3.68%	3.58%	3.34%
Real Estate	3.56%	3.73%	2.84%
Business Activities	4.80%	2.17%	7.78%
The Financial Corporations Sector	4.72%	3.83%	3.78%
Local Financial Institution 1	5.28%	3.19%	6.31%
Offshore Financial Institution 2	3.34%	-0.87%	5.50%
Insurance	7.52%	15.64%	-2.60%
Government Services	2.05%	0.71%	2.86%
Education Services	3.56%	6.32%	0.67%
Government education services	3.42%	7.95%	-0.44%
Private education services	4.82%	-2.35%	6.54%
Health services	4.36%	5.35%	2.46%
Government health services	3.88%	4.87%	2.09%
Private health services	7.85%	9.15%	4.81%
Private non-profit institutions serving hhs.	7.30%	-0.94%	10.92%
Household with employed persons	3.53%	3.50%	3.57%
GDP at producer prices	4.58%	5.57%	4.31%
Import Duties	1.90%	2.30%	4.69%
GDP in Purchaser's Values	4.45%	5.34%	4.31%

Source: CSO and Ministry of Finance and National Economy.

**Table A4: Bahrain: GDP, Population and Per Capita GDP**  
Constant 1989 prices

Year	GDP Million BD	Estimated Total Population	Per capita GDP (BD)
1990	1658.71	503'022	3297
1991	1687.69	508'360	3320
1992	1800.61	519'378	3467
1993	2032.33	538'085	3777
1994	2027.44	557'509	3637
1995	2106.93	577'684	3647
1996	2193.49	598'625	3664
1997	2261.33	620'378	3645
1998	2369.81	642'972	3686
1999	2471.68	666'442	3709
2000	2603.21		

Source: Ministry of Finance and National Economy

**Table A5: Structure of GDP by Economic Sector, 1990-2000.**

Year	Agriculture	Industry	Services	Total GDP	Agriculture	Industry	Services	Total GDP
	Million Bahrain Dinars				Per cent of total GDP			
1990	14.69	532.09	1075.94	1622.72	0.9	32.8	66.3	100.0
1991	14.1	526.1	1099.86	1640.06	0.9	32.1	67.1	100.0
1992	15.51	613.5	1115.41	1744.42	0.9	35.2	63.9	100.0
1993	17.27	688.07	1279.66	1985.00	0.9	34.7	64.5	100.0
1994	17.75	692.63	1269.01	1979.39	0.9	35.0	64.1	100.0
1995	21.1	732.2	1310.11	2063.41	1.0	35.5	63.5	100.0
1996	23.82	734.05	1394.52	2152.39	1.1	34.1	64.8	100.0
1997	22.03	744.42	1444.73	2211.18	1.0	33.7	65.3	100.0
1998	21.87	795.99	1494.37	2312.23	0.9	34.4	64.6	100.0
1999	22.46	872.02	1526.58	2421.06	0.9	36.0	63.1	100.0
2000	23.81	930.32	1597.35	2551.48	0.9	36.5	62.6	100.0

Source: Based on Ministry of Finance and National Economy data

**Table A6: Summary of Foreign Trade Statistics 1991-2000**  
BD-million

End of Period	Imports			Exports				Balance of Trade
	Oil	Non-Oil	Total	Oil	Non-Oil	Re-exports	Total	
1991	645.9	901.4	1547.3	1024.7	269.2	27	1320.9	-226.4
1992	568.9	1034.4	1602.9	979.3	297.8	25.5	1302.6	-300.3
1993	515.3	935.3	1450.6	922.1	450.4	27.5	1400	-50.6
1994	448.2	961	1409.2	836.6	499.5	23.8	1359.9	-49.3
1995	500.1	879	1397.1	922.9	602.1	21.4	1546.4	149.3
1996	670.8	935.8	1606.6	1187.1	562.8	18.1	1768	161.4
1997	529.2	984.4	1513.6	1020.7	610	17.5	1648.2	134.6
1998	274	1066.9	1340.9	637	570.2	22.4	1229.6	-111.3
1999	469.1	921.2	1390.3	960.1	573.5	23.2	1556.8	166.5
2000	771.3	970.9	1742.2	1498.9	614.8	30.8	2144.5	402.3

Source: Bahrain Ministry of Finance and National Economy

**Table A7: Consumer price index by the main sections of expenditure,**  
1990-1996 base year= 1983/1984; 1997-2001 base year= 1994/1995

Main sections	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Food, beverages and tobacco	96.3	98.3	98.4	98.1	97.1	103.1	103.6	103.0	104.1	103.1	101.8	100.4
Ready made clothes, textiles and footwear	95.0	94.5	94.5	96.8	99.9	102.4	104.1	101.7	101.4	101.8	100.3	102.1
House-related, fuel lighting and water	74.9	72.9	70.3	76.5	77.5	78.0	78.0	105.5	104.0	100.5	99.6	98.9
Goods for home services	105.3	106.9	107.6	109.8	111.2	111.8	112.5	100.4	99.2	96.3	95.0	90.4
Transportation services	126.9	131.4	132.9	140.6	139.4	144.6	135.2	101.6	100.2	100.8	101.4	102.6
Educational expenses	115.3	115.3	115.3	115.6	116.1	116.7	118.0	127.2	127.9	127.6	127.4	110.0
Medical care and health services	117.9	121.1	126.0	125.9	127.1	127.5	130.3	107.1	107.7	107.8	108.4	110.9
Services requirements of personal care	98.0	97.8	97.4	99.0	103.3	104.8	105.2	92.6	90.9	89.9	90.0	87.6
Culture entertainment and recreation	98.8	99.8	99.6	98.7	99.5	102.2	103.7	111.4	112.1	112.0	111.7	114.4
Other goods and services	102.5	106.6	107.2	108.3	110.3	111.1	118.8	...	...	...	...	...
	95.9	96.8	96.5	99.0	99.4	102.5	102.3	104.6	104.2	102.8	102.1	100.9

Note: 1990-96 and 1997-2001 figures are not comparable because of different base years.

Source: 2000 Statistical Bulletin, Economic Research & Information Section, directorate of Economic Planning,  
Ministry of Finance and National Economy.

**Table A8. Bahrain: Average Monthly Wage Rates for Public and Private Sectors, 1995–2000 ((In Bahraini dinars)**

<b>Sector and category</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>
<b><u>Public Sector</u></b>						
All workers	376	385	425	431	439	446
Bahrainis	370	379	421	429	438	446
Non-Bahrainis	418	424	455	447	450	452
Males	368	376	416	421	430	436
Females	394	402	422	447	456	463
<b><u>Private Sector</u></b>						
All workers	239	247	253	252	...	...
Bahrainis	389	374	377	371	...	...
Non-Bahrainis	182	188	194	194	...	...
Males	238	246	253	251	...	...
Females	248	255	254	262	...	...
<b><u>Private Sector</u></b>						
Bahraini males	...	...	...	...	370	379
Bahraini females	...	...	...	...	238	243
Non-Bahraini males	...	...	...	...	184	186
Non-Bahraini females	...	...	...	...	219	217
All males	...	...	...	...	240	243
All females	...	...	...	...	231	233

Sources: Ministry of Labour and Social Affairs and General Organisation for Social Insurance.

**Table A8: POPULATION COMPOSITION AND GROWTH 1941-2001**

Item	2001	1991	1981	1971	1965	1959	1950	1941	
	Number								
<b>Bahraini</b>	405'667	323'305	238'420	178'193	143'814	118'734	91'179	74'040	
<b>Non-Bahraini</b>	244'937	184'732	112'378	37'885	38'389	24'401	18'471	15'930	
<b>TOTAL</b>	<b>650'604</b>	<b>508'037</b>	<b>350'798</b>	<b>216'078</b>	<b>182'203</b>	<b>143'135</b>	<b>109'650</b>	<b>89'970</b>	
	Percentage								
<b>Bahraini</b>	62.4	63.6	68.0	82.5	78.9	83.0	83.2	82.3	
<b>Non-Bahraini</b>	37.6	36.4	32.0	17.5	21.1	17.0	16.8	17.7	
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	

Growth rates annual %

Item	1991-2001	1981-1991	1971-1981	1965-1971	1959-1965	1950-1959	1941-1950
	Number						
<b>Bahraini</b>	2.30	3.09	2.95	3.64	3.25	2.98	2.34
<b>Non-Bahraini</b>	2.86	5.10	11.49	-0.22	7.84	3.14	1.66
<b>TOTAL</b>	2.50	3.77	4.97	2.88	4.10	3.01	2.22

Source: CSO, Population Census 2001; growth rates – own calculations using end points which differ from those reported by CSO (produced below). Reasons for the difference are not clear.

Nationality	Period						
	1991-2001	1981-1991	1971-1981	1965-1971	1959-1965	1950-1959	1941-1950
<b>Bahraini</b>	2.5	2.9	3.0	3.5	3.4	2.9	2.3
<b>Non-Bahraini</b>	3.1	4.8	11.5	-0.2	8.2	3.1	1.6
<b>TOTAL</b>	<b>2.7</b>	<b>3.6</b>	<b>5.0</b>	<b>2.8</b>	<b>4.3</b>	<b>3.0</b>	<b>2.2</b>

Source: CSO, 2001 Population Census Report.

**Table A9: Percentage Distribution of Population by Age Groups,  
According to Nationality and Sex-2001**

Age Group	Nationality/Sex								
	Bahraini			Non-Bahraini			Total		
	Male	Female	Both Sexes	Male	Female	Both Sexes	Male	Female	Both Sexes
0-4	12.07	11.75	11.91	3.7	7.66	4.93	8.28	10.63	9.28
5-9	12.54	12.46	12.5	3.43	7.41	4.66	8.42	11.08	9.55
10-14	12.35	11.88	12.12	2.98	6.11	3.95	8.11	10.3	9.04
15-19	11.11	10.7	10.91	2.13	4.15	2.76	7.05	8.91	7.84
20-24	9.62	9.29	9.46	7.38	10.32	8.29	8.61	9.57	9.02
25-29	7.48	7.44	7.46	16.29	15.27	15.97	11.46	9.58	10.66
30-34	6.81	7.28	7.04	18.24	16.98	17.85	11.98	9.94	11.11
35-39	6.86	7.61	7.23	15.31	13.43	14.73	10.68	9.21	10.05
40-44	5.77	6.43	6.1	13.97	9.07	12.45	9.48	7.16	8.49
45-49	4.64	4.42	4.53	9.18	5.1	7.92	6.69	4.61	5.81
50-54	3.21	2.72	2.97	4.45	2.33	3.79	3.77	2.61	3.28
55-59	2.05	2.17	2.11	1.74	1.00	1.51	1.91	1.85	1.88
60-64	1.87	2.08	1.97	0.66	0.52	0.62	1.32	1.65	1.46
65-69	1.32	1.51	1.41	0.27	0.29	0.27	0.84	1.17	0.98
70-74	1.08	1.12	1.1	0.16	0.16	0.16	0.67	0.86	0.75
75-79	0.63	0.6	0.62	0.05	0.1	0.06	0.37	0.46	0.41
80-84	0.36	0.32	0.34	0.03	0.05	0.04	0.21	0.25	0.23
85-89	0.13	0.14	0.14	0.02	0.03	0.02	0.08	0.11	0.09
90	0.07	0.08	0.08	0.01	0.01	0.01	0.04	0.06	0.05
<b>Total %</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Total number</b>	<b>204,623</b>	<b>201,044</b>	<b>405,667</b>	<b>169,026</b>	<b>75,911</b>	<b>244,937</b>	<b>373,649</b>	<b>276,955</b>	<b>650,604</b>

Figures may not add up to totals due to rounding

Source: CSO, 2001 Population Census Report.



**Table A10: Percentage Distribution of Population (15 Yrs+) by Labour Force participation, According to Nationality and Sex - 2001**

<b>Nationality / Sex</b>									
	<b>Bahraini</b>			<b>Non-Bahraini</b>			<b>Total</b>		
<b>Labour Force participation</b>	<b>Male</b>	<b>Female</b>	<b>Both Sexes</b>	<b>Male</b>	<b>Female</b>	<b>Both Sexes</b>	<b>Male</b>	<b>Female</b>	<b>Both Sexes</b>
Working	65.84	20.29	43.11	96.49	56.47	85.18	82.42	31.78	62.1
Unemployed and worked Before	3.11	1.1	2.11	0.08	0.08	0.08	1.47	0.78	1.19
Unemployed and not worked Before	4.2	4.11	4.16	0.27	0.44	0.31	2.07	2.94	2.42
Student	17.24	19.88	18.56	2.47	5.23	3.25	9.25	15.23	11.65
Home Maker	-	50.34	25.12	-	36.83	10.4	-	46.05	18.48
Income Recipient	0.28	0.16	0.22	0.05	0.06	0.06	0.16	0.13	0.15
Pensioners	6.42	0.49	3.46	0.3	0.05	0.23	3.11	0.35	2
Unable to work	0.72	0.31	0.52	0.04	0.04	0.04	0.35	0.23	0.3
Not Interested to Work	0.67	2.28	1.47	0.2	0.66	0.33	0.41	1.76	0.95
65 yrs. + and not working	1.52	1.03	1.27	0.11	0.14	0.12	0.76	0.75	0.75
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Total Population</b>	<b>128,971</b>	<b>128,490</b>	<b>257,461</b>	<b>151,942</b>	<b>59,832</b>	<b>211,774</b>	<b>280,913</b>	<b>188,322</b>	<b>469,235</b>

**Table A11: Percentage Distribution of Pop. (15Yrs +) by Highest Educational Level, According to Nationality and Sex-2001**

Highest Educational Level	Bahraini			Non-Bahraini			Total		
	Male	Female	Both Sexes	Male	Female	Both Sexes	Male	Female	Both Sexes
Illiterate/Read Only	7.51	17.03	12.26	14.79	15.18	14.9	11.45	16.44	13.45
Read & Write	6.12	6.75	6.44	14.29	19.07	15.64	10.54	10.67	10.59
Primary	14.38	10.2	12.3	10.13	8.21	9.59	12.08	9.57	11.07
Preparatory	21.25	17.17	19.22	12.43	10.64	11.93	16.48	15.1	15.93
Above Preparatory	2.81	2.04	2.43	3.78	2.91	3.53	3.33	2.32	2.93
Secondary	33.52	32.83	33.17		20	18.19	24.84	28.75	26.41
Above secondary /Diploma	4.3	4.82	4.56	3.49	6.09	4.22	3.86	5.23	4.41
B.SC. or B.A.	6.24	6.71	6.47	6.09	9.75	7.13	6.16	7.68	6.77
High Diploma	2.24	1.84	2.04	1.7	2.54	1.94	1.95	2.06	1.99
Master Degree	1.23	0.45	0.84	1.25	1.58	1.35	1.24	0.81	1.07
Doctorate Degree	0.38	0.15	0.26	0.27	0.22	0.25	0.32	0.17	0.26
Unknown	0.01	0	0	14.3	3.81	11.34	7.74	1.21	5.12
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Total number</b>	<b>128,971</b>	<b>128,490</b>	<b>257,461</b>	<b>151,942</b>	<b>59,832</b>	<b>211,774</b>	<b>280,913</b>	<b>188,322</b>	<b>469,235</b>

Figures may not add to totals due to rounding  
Source: NSO, Population Census 2001.

**Table A12: Labour Force Size by Nationality and Sex (Absolute numbers and intercensal growth rates)**

Nationality and Sex	2001	1991	1981	2001	1991	1981
<b>Bahraini</b>	<b>Numbers</b>			<b>Annual Growth rates</b>		
Male	94'353	73'118	51'949	2.58	3.48	3.77
Female	32'768	17'544	9'250	6.45	6.61	17.51
Both Sexes	127'121	90'662	61'199	3.44	4.01	4.96
<b>Non-Bahraini</b>						
Male	147'123	113'739	74'230	2.61	4.36	13.52
Female	34'097	22'047	6'855	4.46	12.39	17.22
Both Sexes	181'220	135'786	81'085	2.93	5.29	13.79
<b>Total Labour Force</b>						
Male	241'476	186'857	126'179	2.60	4.00	8.31
Female	66'865	39'591	16'105	5.38	9.41	17.38
Both Sexes	308'341	226'448	142'284	3.14	4.76	9.02

Source; CSO, Population Census 2001, 1991; CSO, Statistical Abstract, 1999.

**Table A13: Work permits Issued for Non-Bahrainis by Occupations (1996 - 2000)\***  
% of total permits

Occupations	Year				
	2000	1999	1998	1997	1996
1. Professional, Technical & Related workers	6.58	7.69	7.67	8.26	8.44
2. Administrative, Executive & Managerial workers	1.70	1.59	1.40	1.80	2.16
3. Clerical Workers	0.84	0.75	0.78	0.79	0.89
4. Sales Workers	4.11	3.45	2.14	1.42	1.20
5. Farmers, Fishermen, Hunters & Related workers	1.32	1.35	1.46	1.34	1.38
6. Craftsmen & Production, Transport & comm.. workers	42.52	43.65	49.48	43.94	40.79
7. Services, Sports & Recreation workers	42.93	41.53	37.07	42.46	45.14
<b>8. Total</b>	100.00	100.00	100.00	100.00	100.00
9. Sum of 6 and 7	85.45	85.18	86.54	86.39	85.93
Total number of permits	53,912	51,472	60,631	50,100	40,920

\* CSO data mentions this as labour license, but they are work permits.

**Table A14: Labour Permit renewals by Major Occupation (1992 - 1999)**

Major Occupation	Year							
	1999	1998	1997	1996	1995	1994	1993	1992
Professional, Technical & Related Workers	4844	4'186	3'883	3'692	4'755	4'102	3'831	3'265
Administrative, Executive & Managerial Workers	1131	1007	906	897	1'008	907	834	732
Clerical Workers	722	697	550	730	871	1'043	1'034	891
Sales Workers	1757	1'633	1'855	1'807	2'900	2'472	2'063	1'798
Farmers, Fishermen, Hunters & Related Workers	1275	1'390	1'393	1'336	1'712	1'348	1'135	1'090
Craftsmen & Production Process Workers*	28536	28'464	28'366	25'614	40'038	32'396	28'329	25'619
Services, Sports & Recreation Workers	13146	12'671	10'299	11'756	13'541	11'103	9'791	9'173
<b>Total</b>	<b>51'411</b>	<b>50'048</b>	<b>47'252</b>	<b>45'832</b>	<b>64'825</b>	<b>53'371</b>	<b>47'017</b>	<b>42'568</b>

\* Transport & Communication Workers Added  
to Craftsmen & Production Process Workers.

**Table A15: Distribution of workers registered under the Social Insurance Scheme (GOSI) by nationality**

	Workers employed					
	Bahraini		Non-Bahraini		Total	
(1) Occupation	(2) No. of workers	(3) % of total	(4) No. of workers	(5) % of total	(6) Total workers (2)+(4)	% Bahrainis in each sector ((2)/(6))*100
Professional, Technical & Related Workers	6923	13.0	11817	11.1	18740	36.9
Admin., Exec. & Manager Workers	2178	4.1	2695	2.5	4873	44.7
Clerical Workers	11221	21.1	3621	3.4	14842	75.6
Sales Workers	3075	5.8	4505	4.2	7580	40.6
Farms, Fishermen & Hunters Workers	337	0.6	545	0.5	882	38.2
Miners, Quarrying Workers	80	0.2	154	0.1	234	34.2
Transport & Communication Workers	4996	9.4	3548	3.3	8544	58.5
Craftsmen, Production and Process Workers	14387	27.1	51923	48.9	66310	21.7
Services, Sports & Recreation Workers	3798	7.2	14484	13.6	18282	20.8
Others	6104	11.5	12823	12.1	18927	32.3
Total	53099	100.0	106115	100.0	159214	33.4

Source: GOSI; CSO

**Table A16: Workers by Monthly Wages Group & Occupation Covered by the Social Insurance System - Non-Bahraini – 2000**  
(Per cent of total workers in each group)

Monthly Wage Group	Total	Others	Services, Sports & Recreation Workers	Craftsmen, Product, Process Workers	Transport & Communication Workers	Miners, Quarrying Workers	Farms, Fishermen & Hunters Workers	Sales Workers	Clerical Workers	Admin., Exec. & Manager Workers	Prof'nal, Technical & Related Workers
L.T. 50	17.09	19.94	21.27	22.62	8.85	6.49	7.16	2.91	1.33	0.33	1.66
50 – 99	43.17	59.95	42.29	51.32	48.25	59.09	66.06	30.52	16.57	1.56	9.85
100 – 149	12.82	10.41	16.39	12.32	23.34	14.94	13.03	15.94	15.93	2.75	10.20
150 – 199	5.92	2.94	9.11	4.16	9.36	5.84	6.97	9.50	12.40	3.15	9.21
200 – 249	3.43	1.47	4.03	2.12	3.89	3.90	2.39	7.13	10.85	3.34	6.86
250 – 299	4.12	1.51	2.30	2.85	2.79	3.25	2.02	10.57	10.55	5.42	10.55
300 – 349	3.01	1.17	1.51	1.60	1.32	1.95	0.55	7.15	6.99	6.68	10.01
350 – 399	1.57	0.34	0.71	0.71	0.59	0.65	0.55	3.82	4.67	4.49	5.60
400 – 449	1.41	0.39	0.55	0.56	0.28	0.65	0.18	2.64	3.34	5.64	5.72
450 – 499	0.82	0.16	0.30	0.31	0.25	0.65	0.18	1.66	2.49	2.93	3.25
500 – 599	1.24	0.30	0.41	0.38	0.28		0.18	2.06	3.98	6.53	5.06
600 – 699	0.91	0.20	0.21	0.24	0.17	0.65	0.37	1.02	2.84	5.23	4.09
700 – 799	0.69	0.18	0.14	0.17	0.08		0.18	1.00	1.96	4.27	3.12
800 – 899	0.50	0.13	0.07	0.11	0.06		0.18	0.60	1.80	3.34	2.17
900 – 999	0.36	0.12	0.12	0.12		0.65		0.38	0.72	2.63	1.45
1000+	2.95	0.78	0.59	0.40	0.48	1.30		3.11	3.59	41.71	11.20
<b>Total</b>	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Total number	106115	12823	14484	51923	3548	154	545	4505	3621	2695	11817

Sources: Calculated from statistics provided by GOSI, CSO.

**Table A17: Distribution of Workers by Monthly Wages Groups, Nationality & Sex Covered by the Social Insurance System - 2000)**

Monthly Wages Group	Nationality/Sex								
	Total			Non-Bahraini			Bahraini		
	Total	Females	Males	Total	Females	Males	Total	Females	Males
L.T. 50	18'310	2'983	15'327	18'131	2'830	15'301	179	153	26
50 - 99	52'237	5'095	47'142	45'805	834	44'971	6'432	4'261	2'171
100 - 149	27'796	3'837	23'959	13'604	860	12'744	14'192	2'977	11'215
150 - 199	13'444	2'267	11'177	6'285	1'098	5'187	7'159	1'169	5'990
200 - 249	7'390	1'209	6'181	3'644	593	3'051	3'746	616	3'130
250 - 299	6'922	792	6'130	4'373	319	4'054	2'549	473	2'076
300 - 349	5'845	756	5'089	3'190	235	2'955	2'655	521	2'134
350 - 399	3'679	549	3'130	1'665	139	1'526	2'014	410	1'604
400 - 449	3'567	546	3'021	1'498	175	1'323	2'069	371	1'698
450 - 499	2'615	406	2'209	866	115	751	1'749	291	1'458
500 - 599	4'225	718	3'507	1'315	180	1'135	2'910	538	2'372
600 - 699	2'866	526	2'340	965	155	810	1'901	371	1'530
700 - 799	2'057	360	1'697	735	142	593	1'322	218	1'104
800 - 899	1'296	183	1'113	527	69	458	769	114	655
900 - 999	1'018	151	867	380	48	332	638	103	535
1000-1499	3'248	265	2'983	1'557	91	1'466	1'691	174	1'517
1500+	2'699	120	2'579	1'575	62	1'513	1'124	58	1'066
<b>Total</b>	<b>159'214</b>	<b>20'763</b>	<b>138'451</b>	<b>106'115</b>	<b>7'945</b>	<b>98'170</b>	<b>53'099</b>	<b>12'818</b>	<b>40'281</b>

Source: GOSI

**Table A19: Workers Registered in Civil Service Bureau by Nationality & Sex (2000 )**

Ministry	Total			Nationality/Sex					
				Non-Bahraini			Bahraini		
	Total	Females	Males	Total	Females	Males	Total	Females	Males
Finance & National Economy	1'980	189	1'791	27	3	24	1'953	186	1'767
Commerce	326	51	275	15	0	15	311	51	260
oil & Industry	166	36	130	4	0	4	162	36	126
Education	10'592	6'111	4'481	971	200	771	9'621	5'911	3'710
Foreign Affairs	242	35	207	1	0	1	241	35	206
Health	6'844	3'684	3'160	1215	922	293	5'629	2'762	2'867
Housing, municipalities & Environment	577	159	418	80	13	67	497	146	351
Cabinet affairs & Information	836	261	575	66	6	60	770	255	515
Justice & Islamic Affairs	651	23	628	35	0	35	616	23	593
Labour & Social Affairs	518	310	208	26	22	4	492	288	204
State for Legal Affairs	0			0			0		
Ministry of state(2)	10	1	9	2	0	2	8	1	7
Transportation	1'678	90	1588	57	2	55	1'621	88	1'533
Works & Agriculture	2'109	192	1'917	313	7	306	1'796	185	1'611
Electricity & water	3'534	313	3'221	417	18	399	3'117	295	2'822
General org. for youth & sports	238	63	175	11	1	10	227	62	165
The prime minister's court	46	1	45	4	0	4	42	1	41
Civil Service Bureau	218	62	156	10	1	9	208	61	147
Broadcasting &Tele.corp.	560	143	417	42	4	38	518	139	379
Pension Fund Commission	156	65	91	5	0	5	151	65	86
Ministry of state(1)	12	4	8	3	3	0	9	1	8
<b>Total</b>	<b>31'293</b>	<b>11'793</b>	<b>19'500</b>	<b>3'304</b>	<b>1'202</b>	<b>2'102</b>	<b>27'989</b>	<b>10'591</b>	<b>17'398</b>

Source; CSO, Civil Service Bureau.

**Table A20: Numbers of Establishments & Workers By Economic Activity  
Covered By the Social Insurance System - 2000**

<b>Employment Size</b>	<b>Number of establishments</b>	<b>%</b>	<b>Cumulative %</b>	<b>Number of Workers</b>	<b>%</b>	<b>Cumulative %</b>	<b>No. of workers per enterprise</b>
1-4	3'487	45.3	45.3	7'451	4.7	4.7	2.1
5-9	1'506	19.6	64.8	10'044	6.3	11.0	6.7
10-19	1'304	16.9	81.7	17'588	11.0	22.0	13.5
20-49	890	11.6	93.3	27'281	17.1	39.2	30.7
50-99	260	3.4	96.7	17'798	11.2	50.3	68.5
100-199	128	1.7	98.3	17'672	11.1	61.4	138.1
200-599	109	1.4	99.8	35'612	22.4	83.8	326.7
600-999	11	0.1	99.9	8'923	5.6	89.4	811.2
1000+	8	0.1	100.0	16'845	10.6	100.0	2105.6
<b>Total</b>	<b>7'703</b>	<b>100.0</b>	<b>200.0</b>	<b>159'214</b>	<b>100.0</b>	<b>200.0</b>	<b>20.7</b>

Source: Based on GOSI statistics 2000



**Table A21: Workers Registered in Civil Service Bureau  
by Nationality & Sex (2000 )**

<b>Item</b>	<b>Total</b>	<b>Per cent of total</b>
Total Workers	31'293	100.0%
Females	11'793	37.7%
Males	19'500	62.3%
Non-Bahraini workers	3'304	10.6%
Females	1'202	3.8%
Males	2'102	6.7%
Bahraini workers	27'989	89.4%
Females	10'591	33.8%
Males	17'398	55.6%

Source: CSO, Bahrain Civil Service Bureau

**Table A22: Estimation of workers by sector of employment, nationality and sex, 2000/2001.**

Item	Workers Registered in Civil Service Bureau	Per cent of total	GOSI registered workers	Per cent of total	Population Census 2001-working	Per cent of total	Total CSB and GOSI	Per cent of total	Informal employment (5-7)	Per cent of total
	1	2	3	4	5	6	7	8	9	10
Total Workers	31'293	100.0%	159'214	100.0%	291'376	100.0%	190'507	100.0%	100'869	100.0%
Females	11'793	37.7%	20'763	13.0%	59'853	20.5%	32'556	17.1%	27'297	27.1%
Males	19'500	62.3%	138'451	87.0%	231'523	79.5%	157'951	82.9%	73'572	72.9%
Non-Bahraini workers	3'304	10.6%	106'115	66.6%	180'391	61.9%	109'419	57.4%	70'972	70.4%
Females	1'202	3.8%	7'945	5.0%	33'787	11.6%	9'147	4.8%	24'640	24.4%
Males	2'102	6.7%	98'170	61.7%	146'604	50.3%	100'272	52.6%	46'332	45.9%
Bahraini workers	27'989	89.4%	53'099	33.4%	110'985	38.1%	81'088	42.6%	29'897	29.6%
Females	10'591	33.8%	12'818	8.1%	26'066	8.9%	23'409	12.3%	2'657	2.6%
Males	17'398	55.6%	40'281	25.3%	84'919	29.1%	57'679	30.3%	27'240	27.0%

Source: CSO; GOSI, CSB, own calculations

