MEMORANDUM OF UNDERSTANDING

on the Implementation of the
Decent Work Pilot Programme

between

the Kingdom of Bahrain

and

the International Labour Office

2002 – 2006
Introduction
1. This Memorandum of Understanding signifies the joint commitment of the Kingdom of Bahrain and the International Labour Office to work together and with Bahrain's social partners towards the achievement of decent work for all. Decent Work provides for a comprehensive and integrated strategy to promote employment, social protection, workers’ rights and social dialogue. This Memorandum of Understanding highlights the intended areas of focus of the Decent Work Pilot Programme in Bahrain.

Background
2. Under the leadership of His Majesty King Hamad bin Isa Al Khalifa the Kingdom of Bahrain has embarked upon an ambitious process of social and political reforms. In February 2001, citizens of Bahrain voted at 98.4% in favour of the National Charter which provides the blueprint for a comprehensive range of political and social reforms that are being introduced in stages. In February 2002, Bahrain was declared a Constitutional Monarchy. The new Constitution provides for a bicameral legislature. Legislative elections are scheduled to take place on 24 October 2002.

3. The comprehensive package of political and social reforms include the granting of freedom of speech, premium to a large number of newspapers and the right to organise. The reforms have entailed a significant breakthrough in the status of women and their role in the development of the country. Bahraini women were granted political rights including the right to participate and vote in municipal and parliamentary elections. The social reforms also included a series of provisions and measures with respect to the right of association and freedom of association, which have encouraged the formation of a broad range of non-government organizations and community associations. The reforms also extend to proposed new laws providing for trade unions and the collective representation of workers. His Majesty the King Hamad bin Isa Al Khalifa announced the new trade union Law on the 24 September 2002, regarding the establishment of the General Federation of Bahraini Workers.
4. On the economic front, 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. Petroleum revenues still comprise the largest single source of revenue, although the Government's investment and trade policies aiming at diversification of the Bahrain economy have started to show results. Bahrain has emerged as a major banking and financial centre for the region, facilitating expansion into offshore banking. Similarly the tourism sector has recorded a particularly high growth path. In the manufacturing sector too, some diversification has taken place with the growth of light to medium manufacturing enterprises and capital intensive industries such as aluminium smelting and ship repair.

5. Bahrain shares the common features of oil-based economies: a large public sector; a high reliance on petroleum for income; a concentration of nationals in the public sector; and the presence of a large overseas foreign work force in the private sector. Bahrain stands out among the GCC countries in terms of: achievements in the Human Development Index; the higher female labour force participation rate; and a lesser reliance on expatriate labour. The economic growth rate, which was generally high in the early 1990s (e.g. 5.73 per cent during 1995-1999), has declined to around 3.8 per cent during the late 1990s and early 2000s.

6. In the global and regional economic environment of increasing competition, the Kingdom of Bahrain is confronted with many challenges. Bahrain has a high population growth rate (2.7 per cent for the past decade); a high proportion of youth (57 per cent below 25 years and 37 per cent below 15 years of age) in search of decent work. The unemployment rate for nationals is estimated at 12.7 per cent of the labour force. The overall unemployment rate is estimated at 5.5 per cent, which is a slight decline over the last decade.

Policy Framework

7. To address the challenges of employment of new entrants to the labour market the Government has put in place a range of policies and measure known as
"Bahrainization" of the workforce. More recently, in May 2001, the Government introduced the 25 million BD (US$66 million) National Programme for Employment and Training of Bahrainis (NPETB) to principally assist the unemployed.

8. Starting in 2001 and concomitantly with the political and social reform process, the Ministry of Labour and Social Affairs (MOLSA) developed "A Strategy for Employment and Integration of the National Workforce in the Labour Market in Bahrain." This Strategy includes a wide range of comprehensive measures aiming at significant labour market reforms for the short and medium term. The Strategy has been reviewed and endorsed by a tripartite committee involving Employer and Worker representatives.

9. At the request of H.E. Mr Abdulnabi A. Al Sho'ala, Minister of Labour and Social Affairs, an ILO inter-disciplinary Mission with a focus on Employment Promotion and Social Protection visited Bahrain in January 2002. A second round of discussions was held in February 2002. The Mission was entrusted with the task of developing an integrated and interdisciplinary framework to address the current labour market policy priorities related to employment and labour market strategies, reform of the labour law and basic rights and social protection in Bahrain. It was also required to propose a programme for action for the short and medium term.

10. Throughout the process of design and adoption, the Mission reviewed and provided detailed comments and advice on the "Strategy for Employment and Integration of the National Workforce in the Labour Market in Bahrain." The Strategy was officially adopted by the Government on 17 April 2002. Extensive consultations were held with H.E. Mr Abdulnabi A. Al Sho'ala, senior staff of MOLSA, Employer and Workers' organisations, Ministry of Finance and Economy, Ministry of Education, Central Statistics Organisation, General Organisation for Social Insurance, Bahrain Training Institute, Bahrain University and other institutions, the Resident Representative of the UNDP and an IMF team visiting Bahrain.
11. The Mission focussed its work in relation to current social and economic priorities in the Kingdom of Bahrain:

- Foremost is the policy challenge of the promotion of employment for nationals;
- The review of the legislative reforms including fundamental rights at work that have been set in motion by the adoption of the National Charter; and
- 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 a platform for social dialogue, the Mission identified the opportunities and stressed the value of promoting broad-based tripartite dialogue on social and economic policies. Furthermore, throughout the process of consultations, support was provided for bringing the views of social partners closer and for promoting an integrated national policy and strategy. A tripartite Forum on "Strategies for Development of Labour Markets in Bahrain - A Vision for a Better Future" was jointly convened in March 2002, to discuss the priority policy issues. The final report of the Mission, "Employment, Social Protection and Social Dialogue - An Integrated Policy Framework for Promoting Decent Work in Bahrain" takes into account the comments received and was submitted in April 2002.

Decent Work Pilot Programme

12. Endorsing the conclusions and proposals of the above-mentioned Missions and consultations, H.E. Mr. Abdulnabi A. Al Sho'ala, Minister of labour and Social Affairs, officially requested the Director-General of the ILO, Mr. Juan Somavia, that the Kingdom of Bahrain become one of the countries included in the ILO's Decent Work Pilot Programme. The Director-General, officially welcomed Bahrain to the group of Decent Work Pilot Programme countries during the International Labour Conference in June 2002.
13. It is deemed strategic that the wide-ranging reform process underway in the Kingdom be sustained and supported through an integrated and multifaceted programme on Decent Work at the national level. The implementation of the national reform agenda and the recommendations of the ILO Mission through a pilot programme on Decent Work will further consolidate the advocated integrated and interdisciplinary approach at the national level.

14. The Decent Work Pilot Programme in Bahrain will focus on three broad areas considered as national priorities:

   a) The development of co-ordinated and integrated economic and social policies;
   b) A multi-component and integrated programme focussing on youth employability and development; and
   c) The development of a social protection strategy to support labour market reforms.

Extended social dialogue involving the major line Ministries, government agencies and institutions and social partners will constitute a prominent feature of the Programme in all three areas.

The development of co-ordinated and integrated economic and social policies

15. Through the development and implementation of a set of coherent and co-ordinated social and economic policies and programmes, the Pilot Programme will support the introduction and further development of the reform agenda, as outlined in the Strategy. This process will be developed through intensive and extensive tripartite social dialogue. The policies and programmes will address the following areas of action:

   a) The management of national and expatriate labour flows;
   b) Human resources and skills formation strategies, co-ordinated with macro-economic policies and sectoral investment priorities;
   c) Restructuring of specific sectors and industries affected by global competition;
d) Generation and analysis of data and information related to the evolution of the labour market including the design and implementation of the first comprehensive labour force survey; and
e) Revision of the legal framework and the labour code, including provisions relating to freedom of association and working conditions.

A multi-component and integrated programme focusing on youth employability and development

16. To face the challenge of an increasing number of new entrants to the labour market, a multifaceted program for enhancing the employability of Bahraini youth, men and women will constitute the second major thrust of the Decent Work Pilot Programme. The Programme will address policies and programmes related to facilitating the transition from school to work:

   a) The quality of education and skills development;
   b) The provision of career guidance; and
   c) The promotion of entrepreneurship.

The development of a social protection strategy to support labour market reforms

17. The review of the existing social protection mechanisms with the view to streamlining the strategy and resources of the various schemes, will constitute the third pillar of the Decent Work Pilot Programme. Such a review is considered a priority in order to enhance effectiveness and coherence of various schemes to better respond to present day challenges of protection of vulnerable groups affected by the global economic environment and the reform process.

Commitment

18. The above three pillars of the Decent Work Pilot Programme will be implemented through an integrated strategy, each component mutually reinforcing and sustaining action on the other components. A detailed work plan covering the period of 2002 to 2006 will be developed during forthcoming programming missions. A tripartite advisory committee or committees, involving major governmental and
19. It is also noted that a Plan of Activities (2002/2003) was agreed upon between GCC Ministries of Labour and the ILO in Bahrain in October 2001. The Decent Work Pilot Programme in Bahrain, the first of its kind in the GCC States, will provide the basis and a focal point for organising a series of regional and sub-regional advocacy activities for integrated approaches to promote Decent Work policies in the region.

20. MOLSA and the ILO will jointly mobilise the necessary national and international resources and expertise for the implementation of the Decent Work Pilot Programme. The Policy Integration Department in collaboration with the Regional Office for Arab States in Beirut, will co-ordinate the provision of ILO technical inputs and support to the process of social dialogue, by the relevant Departments.

This Memorandum of Understanding is signed by

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Mr. Abdulnabi A. Al Sho’ala
Minister of Labour and Social Affairs
On behalf of the
Kingdom of Bahrain
on November 2002

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Mr. Juan Somavia
Director-General
On behalf of the
International Labour Office
on November 2002