

Decent Work Pilot Programme

Country Brief: Bahrain

I National Context

Bahrain was one of the first countries in the Gulf region to discover oil and benefit from the oil boom. With a population of nearly 700,000, Bahrain shares features that are common to oil-based economies. It is heavily reliant on petroleum revenues and has a large public sector. Nationals are concentrated in public sector jobs, with a large foreign workforce in the private sector. Expatriates, mainly from south and south-east Asia, account for nearly 60 per cent of the labour force and tend to work in lower-paid jobs.

With global and regional competition on the increase, the country faces a number of challenges. Declining oil reserves reinforce the need for Bahrain to diversify into other economic sectors. Rapid population growth, a high proportion of youth and dependence on foreign labour increase the pressure for job creation, training and education. At the same time the country must manage tensions linked to domestic reforms and volatility in its region.

Political Liberalization

In early 2001, Bahrain embarked on an ambitious process of democratisation, well before other countries in the Gulf region. Bahrainis overwhelmingly backed proposals to turn the country into a constitutional monarchy with an elected legislature and an independent judiciary. Sheikh Hamid bin Isa Al-Khalifah, the country's emir since 1999, became king and parliamentary elections took place in October 2002 -- the first elections of the kind in three decades. The King also has sought to improve relations with the Shia community.

Under the National Action Charter approved by voters, political and social reforms were introduced in stages, including freedom of expression and the right to organize. Bahraini women were granted political rights, including the right to participate and vote in municipal and parliamentary elections. Social reforms included rights relating to freedom of association. A new trade union law, announced in September 2002 and adopted in 2003, established the General Federation of Bahraini Workers. This was considered a major breakthrough in the Gulf Cooperation Council states.

The reforms also encouraged the formation of a broad range of non-governmental organization and community associations. More recently, however, there has been tension between the government and opposition groups over new legislation regulating political associations.

Diversifying Economy

Despite its reliance on petroleum revenues, Bahrain has had considerable success in developing other economic sectors, particularly banking and tourism. This reflects a series of investment and trade policies adopted by the government.

Bahrain is now an important onshore and offshore financial centre for the Gulf, with assets of offshore banking units reaching new heights in 2005. The country is also

aiming to become an insurance hub. Tourism is increasingly important, and the government has plans to expand the sector further. For example, Bahrain is seeking to build on its status as a Formula One Grand Prix location by developing the area around the racing circuit to attract visitors, shoppers and industry.

Nonetheless, the manufacturing sector, generally an indicator of growth in real terms, still contributes only about 12 per cent of GDP.

Economic growth has been relatively strong in recent years, with a growth rate of 5.9 per cent expected for 2005, slightly higher than in 2004 but down from 6.8 per cent in 2003. This marks a return to growth rates of the early 1990s after a more sluggish period in the late 1990s and early 2000s. However, rapid expansion in the population has cut into the rate of growth of GDP per capita.

I.1 National Priorities

Despite the sustained and targeted investments that have maintained economic growth and diversification, concern has grown about unemployment among young nationals. A study carried out by the Bahrain Centre for Studies and Research (BCSR) on behalf of the Ministry of Labour showed that as many as 20,199 Bahraini nationals were unemployed in 2004.

According to the BCSR study, Bahraini nationals accounted for 43 per cent of a total workforce of 336,400. While unemployed Bahrainis made up 6 per cent of the total workforce, joblessness among Bahraini nationals stood at 14 per cent. The findings reinforced earlier research showing that unemployment is mostly confined to Bahrainis. The population census for 2001, for example, reported an overall unemployment rate of 5.5 per cent. While the jobless rate for non-Bahrainis was 0.5 per cent, for Bahrainis it was a striking 12.7 per cent.

Added pressure on the job market comes from Bahrain's swift population growth and youthful profile. Bahrain's population more than doubled between 1971 and 1991 and increased by 36 per cent between 1991 and 2001. The World Bank projects the population will reach the one million mark by 2025. With a high percentage of young people, Bahrain's labour force is growing more quickly than the population. An estimate predicts that nearly 100,000 Bahrainis will enter the labour market in the period 2003-2013. In addition to young people, women are increasingly joining the labour force.

As a result, a key national priority is tackling joblessness among Bahrainis, particularly the young. In 2001, the Ministry of Labour and Social Affairs developed "A Strategy for Employment and Integration of the National Workforce in the Labour Market in Bahrain." This laid the basis for a range of policies aimed expanding employment for Bahrainis, including eventual reform of the labour market. At the time, the strategy was reviewed and endorsed by a tripartite committee involving employer and worker representatives.

ILO Role

At the request of Bahrain's government, an ILO interdisciplinary mission visited the country in January 2002. It was asked to develop an integrated framework for

addressing employment and labour market strategies, reform of the labour law and social protection. In addition, it was to propose an action programme for the short and medium term.

The mission focused on Bahrain's social and economic priorities:

- Policies to promote employment for nationals;
- Review of legislative reforms, including fundamental rights at work, which were launched by the National Action Charter;
- Review of the social protection system.

The mission also reviewed and commented on the government's own strategy for expanding employment among Bahrainis.

The report drawn up by the mission* identified opportunities for employment creation and stressed the value of promoting broad-based tripartite dialogue on social and economic policies. Through consultations with employers and workers and a forum held in March 2002, the mission encouraged consensus building between the social partners.

In its report, the mission called for a shift in focus from short-term measures regarding unemployment toward action to address the problem's root causes. This should involve structural reforms combined with targeted labour-market programmes. The report outlined an integrated and comprehensive approach to tackling joblessness among Bahrainis made up of the following components:

- Creating an enabling environment based on a clear development strategy and vision that builds on Bahrain's competitive advantage and potential. This should include adoption of a comprehensive human resource development and employment policy. In addition, labour laws need to be adapted to current priorities and realities.
- Removing distortions and segmentation in labour markets through gradual but consistent structural reforms.
- Investing in the quality of human capital by enhancing productivity, skills and employability of Bahraini youth.
- Evaluating and institutionalising labour market interventions and introducing innovative targeted programmes.
- Rethinking social protection policies.
- Taking full advantage of the democratic process and promoting social dialogue and tripartite participation in policy debates.

A key element in the report was the need to link economic and social policies. Bahrain should draw on experiences of other countries in adopting macro-economic and sectoral policies that sustain growth and create high quality jobs.

The report also described and analysed Bahrain's labour market. Some of its findings are contained in the next section.

* *Employment, Social Protection and Social Dialogue, An Integrated Policy Framework for Promoting Decent Work in Bahrain*, ILO, March 2002.

I.2 Decent Work Trends

The ILO decent work agenda provides a framework for development that promotes opportunities for women and men to obtain decent and productive work in conditions of freedom, equity, security and human dignity. It calls for policies and measures in four inter-related areas:

- Respect for, and protection of, basic human rights at work;
- Promotion and creation of opportunities for full, productive and remunerative employment;
- Broad social protection;
- Sustained social dialogue among social partners representing workers, employers and government.

The Decent Work Pilot Programme (DWPP) aims to help countries integrate decent work into their policy agenda, structures and wider society. This involves reinforcing capacities of governments, employers and workers through a range of activities. The pilot programme is developed together with these constituents and tailored to each country's specific needs.

This process includes gathering and analysing information on the decent work trends in participant countries. Such fact-finding is often a component of the DWPP, typically through the commissioning of papers by academics or other experts, discussions with the social partners and work by the ILO secretariat. In addition to helping to ensure that the pilot programme is tailored to the needs of individual countries, the research is part of the ILO's efforts to develop and test statistical indicators for decent work.

In the case of Bahrain, the DWPP was able to draw on the extensive analysis carried out by the ILO interdisciplinary mission held in early 2002.

Segmented Labour Market

The most prominent feature of Bahrain's labour market is its segmentation between national and expatriate workers. Nationals accounted for 90 per cent of the public sector work force in 2000, while two thirds of workers in the private sector were non-nationals. Foreigners make up nearly 60 per cent of the work force, a proportion that has changed little over the past 15-20 years. Most work permits issued to expatriates are for unskilled and semi-skilled workers. In 2000, for example, professional, technical, administrative and managerial workers accounted for just 10 per cent of the total.

As mentioned above, unemployment mainly affects national workers. It reflects rapid population growth, a preponderance of young people, more women seeking work and the end of oil boom policies, during which nationals were virtually guaranteed jobs in the public sector.

The need to find jobs for nationals has led to calls for "Bahrainization" of the work force. Defined broadly, this term means the creation of employment opportunities for Bahrainis. It has also been used to mean the replacement of expatriate workers with nationals.

While more Bahrainis have found private sector jobs in recent years, studies show that there are obstacles to Bahrainization. These include: inadequate workplace skills among Bahraini job seekers; their unwillingness to take up unskilled work; low wage levels, particularly in smaller companies; poor working conditions; reluctance of some employers to recruit Bahrainis; and the presence of unregistered companies.

The country's labour market is also segmented along gender lines, with women concentrated in a narrow range of occupations. More than half of the Bahraini female labour force is in the public sector, mainly in health and education. Women face additional constraints to labour market integration, as indicated by unemployment rates that have consistently been double that of men since the 1980s.

While Bahrain has achieved great strides in providing equal opportunity to higher levels of education, this is not the case for vocational training. Moreover, high education attainment does not necessarily translate into jobs. For example, 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 per cent.

Given that women have less access to non-traditional skill training and job placement opportunities, they will be particularly affected by declines in public sector employment.

Education and Training Needs

Basic education in Bahrain extends for nine years followed by three years diversified tracks in secondary education. Post-secondary education includes universities, colleges and other institutions. Figures show that enrolment tails off considerably between primary and secondary school. Out of every ten students joining the first year of the primary cycle, less than four students are expected to enrol in secondary schools. In addition, the dropout rate for secondary schools is high. There is a considerable male-female gap, with girls much more likely to finish secondary school than boys. Women also account for a higher percentage of university students.

Given the large proportion of unemployed who have not completed secondary education, the numbers of young people, particularly boys, leaving education is a major concern. Another problem is that higher performance among the female population in the schooling system is not matched with job opportunities.

Regarding training, there is a need for greater provision of technical training and better coordination between the public and private sectors. Overall, the system is fragmented and lacking a strategic view. In addition, mechanisms for assuring quality are needed.

The quality of education and training in Bahrain is of major concern for many observers and professionals. The ILO's 2002 mission was repeatedly told that graduates of all education levels, including university, do not meet required standards. As a result, it is necessary to improve the quality of education and training and to encourage more students to enrol in mathematics, science and technology. Moreover, the problem of missing links between the education system and the job market must be addressed.

Employment Services

Bahrain has created a number of programmes and services to help reduce unemployment among Bahrainis. These include placement and employment services as well as the National Programme on Employment and Training. However, there is scope for a more active, systematic, and better-targeted approach to getting the unemployed into work.

Programmes to assist young people in finding jobs need to be tailored to meet the needs and abilities of specific groups and geared to specific sectors. For youth who have dropped out of school because of motivational problems, a combination of intensive counselling, education and labour market policy should be considered.

In addition, placement services need strengthening and restructuring to meet the needs of job seekers and employers. There is 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 ILO's 2002 mission found.

Obstacles for Women

Significant achievements have been made in the role and status of women in Bahrain. These include high rates of education, growing participation in the labour force, improved representation of women in social dialogue institutions and a conducive political and legislative environment.

Despite this progress, continued efforts are needed to remove obstacles to the integration of women in Bahrain's economy. These include a higher female joblessness rate, a narrow range of job opportunities and less earning power in the private sector, where women earn about 70 per cent of male wages. The ILO mission also found that protective socialization adds to the difficulties Bahraini women face in finding appropriate employment because they are less prepared for working life than men. "They are disadvantaged in terms of confidence, access to proper information and the know-how in finding and keeping a job," according to the mission report.

Pursuing equal opportunities for women entails advocacy and awareness-raising at national level combined with appropriate labour market policies and programmes. A national campaign should raise awareness on issues such as equal access to training and employment, right to equal pay and social protection, including maternity benefits, and women's representation among policy-makers. Regarding labour market policies, career guidance, mentoring and training must be made more available and stretch beyond vocational skill development into other fields.

Unemployment Insurance

Bahrain has recognized 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. There are two pension schemes – one for private sector workers and one for the public sector. These also administer an employment injury benefit programme covering employment-related injury, disablement or death.

Until recently, the social security schemes in Bahrain have not sought to provide benefit to compensate loss of earnings due to unemployment. The only statutory provision involves a leaving payment in the event of dismissal, providing this is not due to misconduct. However, this is not meant to serve as income maintenance for a period without work.

In Bahrain, most of the unemployed are young people who have finished education and are not able to find a job that matches their expectations. They tend not to be people with a record of regular employment who are out of work for a period of time, and therefore do not fall within the scope of a typical social unemployment insurance scheme.

The ILO's 2002 mission concluded that the administrative implications for an unemployment insurance scheme would be manageable for Bahrain, given that it is a relatively compact and organized country with an efficient social security system in place. For the benefit to be meaningful, it would need to cover first-time job seekers and thus linked with education attendances and vocational training. The mission recommended that a study be carried out on unemployment insurance as part of a wider effort to consider new labour market policies.

Since then, Bahrain's government has expressed interest in establishing unemployment insurance and asked the ILO to advise on the matter. This work is part of the DWPP for Bahrain.

Trade Union Rights

Bahrain took an important step in 2003 with the adoption of legislation recognizing the right to freedom of association. The Workers Trade Union Law allows public and private sector workers to form and joint unions, prohibits anti-union discrimination and provides for the establishment of a national centre of trade unions.

However, Bahrain has not ratified the two fundamental ILO conventions on trade union rights covering freedom of association and collective bargaining (Conventions 87 and 98). The General Federation of Bahraini Trade Unions (GFBTU) has urged the government to ratify these conventions as way of demonstrating commitment to social partnership.

The new law change is part of a wider process of democratisation taking place in Bahrain. As this continues, the industrial relations situation is evolving rapidly. The Bahrain Chamber of Commerce and Industry (BCCI), the country's main employers body, is seeking to build bilateral relations with the GFBTU. There is a need to promote and nurture dialogue between workers, employers and unions.

In common with other Gulf countries, Bahrain has not ratified all eight fundamental ILO Conventions on principles and rights at work. In addition to the two mentioned above, Bahrain has yet to ratify the Convention on equal remuneration (No. 100) and the Convention on minimum working age (No. 138).

II Focus of the Decent Work Pilot Programme

Following the ILO's 2002 mission, Bahrain's minister of labour and social affairs requested that the country be included in the ILO's Decent Work Pilot Programme. A memorandum of understanding between the Ministry of Labour and Social Affairs (MOLSA) and the ILO was signed in November 2002 providing a four-year framework for implementation of the DWPP in Bahrain.

The DWPP in Bahrain provides a real opportunity for the government, the social partners and the ILO to work together to build a model of success that could be replicated elsewhere.

Bahrain's DWPP focuses on three broad inter-related areas considered as national priorities:

- Development of coordinated, coherent economic and social policies;
- A multi-component strategy on youth employability;
- The design of a social protection strategy to support labour market reforms.

The aim of the programme is for these three pillars to be implemented through an integrated strategy, with each component reinforcing and sustaining action on the other components.

II.1 Strategy and Policy Responses

The programme seeks to support and sustain the wide-ranging reform process underway in Bahrain. A key feature of the DWPP is the introduction of tripartite social dialogue involving ministries, government agencies and institutions and the recently recognized social partners. A new approach in Bahrain, this social dialogue helps make the reform process broad-based. Moreover, the success of labour market programmes and policies depends on government, employers and workers.

An over-arching theme in the programme is the need to shift the debate on unemployment away from quick fixes and administrative measures regarding the ratio of expatriates to nationals. Instead, Bahrain must address the root causes of joblessness. These encompass economic and labour market policies as well as education and training.

Policy Environment

This involves development of coordinated, coherent economic and social policies. The aim is to support the government's reform agenda through intensive and extended tripartite social dialogue. Policies and programmes address the following areas:

- Generating and analysing data on the labour market's evolution. This includes design and implementation of the first comprehensive labour force survey.
- Management of national and expatriate labour flows.
- Human resources and skills formation strategies, coordinated with macro-economic policies and sectoral investment priorities.
- Restructuring of specific sectors and industries affected by global competition.

- Revision of the legal framework and the labour code, including provisions relating to freedom of association and working conditions.

Work in this area builds on the 2002 ILO mission report, which provided analysis and policy proposals. The social partners are now actively engaged in discussions in many of these areas. Bahrain's government has proposed establishing a new institution for social dialogue, to be known as the Human Resource Council (HRC). The ILO is advising the government on establishment of the HRC, including issues such as its mandate and membership.

The ILO's 2002 mission report stressed the need for a development strategy that moves Bahrain onto a more knowledge-based and skill-intensive growth path. This contrasts with maintaining international competitiveness based on low cost foreign labour. However, such a strategy is contingent on improving the education and skills of Bahrainis.

Youth Employability

The DWPP is developing a multi-component strategy on youth employability. This seeks to improve the ability of young Bahraini men and women to find jobs through policies and programmes regarding:

- The quality of education and skills development;
- The provision of career guidance;
- The promotion of entrepreneurship.

A key element of this strategy is reform of the system for Vocational Education Training (VET) to replace the country's fragmented qualification framework. The aim is to develop a cost-effective, demand driven and flexible VET system to embrace all vocational education and training provided by the Ministry of Labour and Social Affairs, the Ministry of Education and private training bodies.

ILO officials provided advice to the task force established by Bahrain's government to draw up plans for a new VET. An ILO mission in 2004 endorsed the framework proposed by the task force.

The mission also stressed the need for technical capacity building among those involved in running the new VET and for suitable institutional arrangements. If the VET system is to be effective, its managers and decision makers need a detailed understanding of: the education system's performance; the current and future demand profile for the domestic and sub-regional workforce; and linkages between supply and demand in the labour market, including policies and institutions.

The new VET system is expected to lead to "portable" skills that are evaluated in line with a national recognized qualifications framework, irrespective of how they were acquired.

Social Protection

The DWPP is helping Bahrain to design a social protection strategy to support labour market reforms. This involves reviewing existing social protection mechanisms with the aim of promoting a streamlined and well-targeted approach.

As mentioned earlier, the government is contemplating the establishment of an unemployment insurance scheme to provide welfare benefit for jobless Bahrainis. As part of the DWPP, the ILO is advising the government on the matter. ILO experts have stressed that the unemployment insurance scheme should be designed so that equal attention is paid to financial compensation, job-search assistance and re-training. It should not be planned or managed as a passive programme, but as a proactive scheme that provides benefits to job seekers who are firmly engaged in an effective job search and/or in effective efforts as improving their employability.

II.2 Programme Implementation

Bahrain's DWPP benefited from the information, analysis and proposals contained in the report of the ILO's interdisciplinary mission, published in March 2002. This provided a basis for the programme's focus on the three interrelated issues of economic and social policies, youth employability and social protection.

The programme itself began with a series of extended preparatory activities, setting the stage for surveys regarding youth employability as well as awareness-raising and capacity building with the social partners. The war in Iraq, a change in government and legislative elections somewhat slowed the momentum behind the country's reform agenda. Nonetheless, through consultations, workshops and research, the programme continued to lend support to the reform process.

Economic and Social Policies

The DWPP has contributed to widening the debate over economic reform. In this vein, the DWPP organized a number of workshops involving employers and workers. They discussed economic and social changes in specific sectors, as well as Bahrainization and labour law reform. Further, there has been extensive advocacy with the social partners as well as discussions of and exposure to best practices on technical issues. Workshops have covered issues such as social dialogue, collective bargaining and gender mainstreaming.

The DWPP has also facilitated tripartite dialogue on key issues, such as reform of the VET system. It is closely involved in the design of the Human Resource Council, the new institution for social dialogue proposed by the government.

In parallel to the DWPP, the ILO has contributed comments to Bahrain's labour law reform, which for the first time involved tripartite dialogue.

Youth Employment

The programme began with surveys, analysis and discussions on improving the employability of young Bahrainis. In the next stage, the ILO has worked closely with the Bahraini government and its task force on reform of the system Vocational Education Training. The DWPP has ensured that unions and employers are involved in discussions of the reform.

Advisory work includes defining the needs of the new system and helping with planning for its introduction. In this, the DWPP has drawn on experiences of other countries as well as the expertise of the ILO.

At the same time, the DWPP has helped to bring to the fore problems regarding Bahrain's education system. The need to improve the quality of education is now on the agenda.

In addition, a youth entrepreneur programme was initiated jointly with the Prince of Wales Foundation.

Social Protection

The social protection component has benefited from UNDP funding. The DWPP completed studies reviewing Bahrain's system and options for reform. These included:

- A national survey on family household expenditure and the millennium development goals.
- A case study to evaluate the cash assistance programme.
- Assessment of the existing social development and social centres.
- Assessment of the role of non-governmental organizations working in the field of social services and social protection programmes.
- Needs assessment for welfare and social maintenance services for the elderly, disabled persons and children in difficult situations.
- A study on women in development.

The DWPP has evolved to reflect the priorities of the Bahraini government, which is considering setting up an unemployment insurance scheme. At the government's request, the ILO carried out a preliminary review of this issue in 2004 and concluded that conditions merited further investigation of the government's proposals. It recommended technical work to ensure the smooth introduction of any unemployment insurance system. The review also stressed the need for an eventual scheme to be proactive, with equal emphasis on financial compensation, job-search assistance and re-training. The ILO is continuing to advise the government on unemployment insurance as well as other issues linked to social protection.

References

Employment, Social Protection and Social Dialogue, An Integrated Policy Framework for Promoting Decent Work in Bahrain, ILO, March 2002.

Decent Work Pilot Programme Country Briefs, ILO, July 2003.

Report on an ILO Mission to Bahrain, March 2004.

Reforming Bahrain's Labour March, Workshop Pre-Reading, Bahrain Economic Development Board, September 2004.

Memorandum of Understanding on the Implementation of the Decent Work Pilot Programme between the Kingdom of Bahrain and the International Labour Office, 2002-2006.

Bahrain Country Report, Economist Intelligence Unit, September 2005 and December 2005.