



**HM King Hamad bin Isa Al Khalifa,
The King of the Kingdom of Bahrain**



**HH Sh Khalifa bin Salman Al Khalifa,
The Prime Minister**



**HH Sh Khalifa bin Salman Al Khalifa,
The Crown Prince**



**Kingdom of Bahrain
Ministry of Labour**

**LEGISLATIVE DECREE NO.(78) OF THE YEAR 2006
WITH RESPECT TO
INSURANCE AGAINST UNEMPLOYMENT**

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**LEGISLATIVE DECREE NO.(78) OF THE YEAR 2006
WITH RESPECT TO
INSURANCE AGAINST UNEMPLOYMENT**

We, Hamad bin Isa Al Khalifa,
King of the Kingdom of Bahrain,

Having perused the Constitution, especially Article (38) thereof,

And Law No.(13) of the Year 1975 with respect to Organising Pensions and Retirement Benefits for Government employees, as amended,

And the Labour Law for the Private Sector promulgated by Legislative Decree No.(23) of the Year 1976, as amended,

And the Law on Social Insurance promulgated by Legislative Decree No.(24) of the Year 1976, as amended,

And the Civil Service Law promulgated by Law No.(35) of the Year 2006,

And Law No.(57) of the Year 2006 with respect to the Establishment of the Labour Fund,

And upon the submission of the Labour Minister,

And with the approval of the Council of Ministers,

Hereby Decree the Following Law:



CHAPTER ONE DEFINITION, SCOPE OF APPLICATION AND POWERS

Article 1: Definitions

In the application of the provisions of this Law, the following words and expressions shall have the meanings assigned against each unless the context otherwise requires:

1. **Ministry:** Ministry concerned with labour affairs in the private sector.
2. **Minister:** Minister concerned with labour affairs in the private sector.
3. **Organisation:** General Organisation for Social Insurance (GOSI).
4. **Board of Directors:** GOSI's Board of Directors.
5. **Account:** Unemployment Insurance Account established according to the provision of Article (4) of this Law.
6. **Office:** Administrative authority belonging to the Ministry to undertake the duties provided for in this Law.
7. **Employer:** Every natural or juristic person in respect of which the provisions of the insurance against employment injuries apply according to the Law with respect to Organising Pensions and Retirement Benefits for Government Employees or the Law on Social Insurance.
8. **Beneficiary:** Insured or first time job seeker, as the case

may be, who is eligible to receive a compensation or aid in case of unemployment according to the provisions of this Law.

9. **Worker:** Every natural person who is employed by an employer under his management or supervision in consideration of a wage of any kind whatsoever.
10. **First Time Job Seeker:** Anyone who was not previously employed in an insured job according to the provisions of this Law and fulfils the conditions required in respect thereof.
11. **Insured:** A worker in respect of whom the provisions of this Law are applicable even under probation, apprenticeship or under training.
12. **Insured Job:** A job with an employer in respect of whom the provisions of employment injuries apply according to the Law Organising Pensions and Retirement Benefits for Government Employees or the Law on Social Insurance.
13. **Compensation:** An amount to which an insured is entitled under the conditions set forth in this Law in case he is unemployed.
14. **Aid:** An amount to which a first time job seeker or an insured is entitled where he does not complete the prescribed period for being entitled to the compensation under the conditions set forth in this Law or in case either becomes unemployed.
15. **Joblessness:** It is an event where a beneficiary becomes unable to obtain a suitable job in spite of being able to take up employment, having a desire to get a job and seeks to have one.
16. **Jobless:** A beneficiary who is unable to obtain a suitable

job in spite of being able to take up employment, having a desire to get a job and seeks to have one.

17. **Wage:** A wage on the basis of which monthly subscriptions with GOSI or the Public Pension Fund Commission are calculated.
18. **Register:** The Register referred to in Article 10 (5) and Article (17) (a)(6) of this Law.

Article 2: Categories Covered by Insurance Against Unemployment

Insurance against unemployment according to the provisions of this Law shall be applicable to the following categories:

1. Civil servants employed by the Government and public corporate entities who are covered by the provisions of insurance against employment injuries in accordance with the provisions of the Law Governing Pensions and Retirement Benefits for Civil Servants.
2. Private sector workers who are covered by the provisions of insurance against employment injuries according to the provisions of the Law on Social Insurance.
3. First time job seekers.

Article 3: Ministry's and GOSI's Powers

- (a) The Ministry shall have the following powers:
 1. Registering jobless persons.

2. Determining and providing the appropriate training to job persons.
3. Deciding a jobless person's entitlement to a compensation or aid.
4. Determining the suspension of payment of a compensation or aid and deciding the forfeiture thereof.
5. Other powers provided for in this Law and the orders issued for the implementation of its provisions.

(b) GOSI shall have the following powers:

1. Collection of subscriptions provided for according to the provisions of this Law.
2. Payment of a compensation or aid.
3. Investment of funds in the account.
4. Management of the account.
5. Other powers provided for in this Law.

The Minister shall issue an Order for the formation of a committee comprising representatives of the Ministry and GOSI to undertake co-ordination between the two authorities concerning the implementation of the provisions of this Law. The Order shall determine the rules governing the Committee's activities.

CHAPTER TWO ESTABLISHMENT AND FINANCING THE ACCOUNT

Article 4: Account Establishment

The Account shall be established as part of the Social Insurance Fund as a branch of insurance against unemployment. The Account shall be separate from the other accounts.

Article 5: Account's Resources

The Account's resources shall consist of the following:

1. Monthly subscriptions provided for in Article (6) of this Law.
2. Additional amounts and accrued interest in cases of delay.
3. Grants and donations, both conditional and unconditional, which are accepted by the Board of Directors.
4. Profits arising from the investment of the Account's assets and any other income arising from its business activities.
5. Allocations set aside by the Government for the Account.

Article 6: Subscription Rates

Unemployment insurance subscriptions shall be paid as follows:

1. 1% of the wage shall be paid by the insured in each month.
2. 1% of the insureds' wages shall be paid by the employer in each month. The Labour Fund shall pay the employers' share for the insureds employed in the private sector.
3. 1% of the insureds' wages shall be paid by the Government in each month.



Article 7: Restrictions on the Account's Overheads

- a) The account shall be used to provide compensations and unemployment aid and to meet the overheads according to the provisions of this Law.
- b) The annual overheads of the Account shall not be more than 7% of the annual revenues.

Article 8: Examination and Auditing the Account's Financial Position

- a) The Board of Directors shall nominate an actuary or more for examination and auditing the Account's financial position at least once every three years and whenever necessary as shall be determined by the Minister or the Board of Directors.

- b) The Board of Directors shall publish in the Official Gazette and in at least two daily papers a summary of the actuary's report within a maximum of one month from the date of delivering it to GOSI, provided that the report shall be published in full by any of the methods to be determined by the Board of Directors so as to ensure that everyone will have access thereto.
- c) If it is found from the actuary's expert that there is a surplus in the account, such surplus shall be transferred to the Account's general reserve fund, which shall not be disposed of except for increasing the minimum and maximum amounts of the compensation and aid, or either, in the light of the consumer price index. An increase of the minimum or maximum of the compensation and aid shall be decided by a resolution of the Council of Ministers upon a recommendation of the Minister with the Board of Directors' approval.
- d) If the actuary finds a deficit in the Account's funds, he shall mention that in detail and determine the reasons for such deficit and his recommendations in this respect.
- e) If the actuary's report shows that there is a deficit in the Account and if the reserves and various allocations are insufficient for the settlement thereof, the Council of Ministers may issue a resolution upon the Minister's request for setting aside the necessary appropriations from the State Budget to make up for such deficit or increase the rates of subscriptions provided for in Article (6) of this Law according to the reasons and amount of the deficit as shown by the actuary.

Article 9: Audit of the Accounts

- a) The Board of Directors shall at the beginning of each financial year appoint an external auditor, or more, of international repute to audit the account and the Board shall fix his remuneration. The same auditor shall not undertake the audit of the account for more than three years during the five years prior to his appointment.
- b) GOSI shall not assign to the auditor any other duties, apart from auditing the accounts during the period of appointment as an auditor.
- c) The auditor shall within a period not exceeding 3 months from the end of the financial year audit the account and shall draw up a report in respect thereof according to the internationally recognized accounting standards, provided that the report shall include all the information and details showing the account's actual financial position.
- d) The auditor shall submit his report concerning audit of the Account to the Minister and Board of Directors within 3 months from the end of the financial year.
- e) The Board of Directors shall publish in the Official Gazette and in at least two daily newspapers a summary of the auditor's report within a maximum of one month from the date of its approval by the Board of Directors, provided that the report shall be published in full by any of the media to be determined by the Board of Directors so as to ensure access thereto by the general public.

CHAPTER THREE COMPENSATION

Article 10: Eligibility for compensation

The following conditions shall be fulfilled for an insured to be eligible to receive a compensation:

1. He shall have completed the prescribed period for eligibility to a compensation as provided for in Article (15) of this Law.
2. He shall comply with the Office's instructions to be issued by an order of the Minister.
3. He shall not have left his employment by his free will.
4. He shall be able to take up employment.
5. He shall have the desire to work. An insured shall be deemed to have the desire to work if he takes the initiative of registering his name in the Register to be maintained by the Office for this purpose, provided that he shall personally visit the Office at least once every fortnight and whenever so requested by the Office.
6. He shall be looking in earnest for a job according to the terms and conditions in respect of which an order is issued by the Minister.
7. He shall not have reached the age of retirement according to the law.
8. He shall not have been dismissed from his job for disciplinary reasons.
9. An unemployed foreign worker shall be a legal resident of the Kingdom with the aim of looking for a job according to the applicable laws and regulations.

Article 11: Compensation Amount

A compensation shall be paid on a monthly basis at the rate of 60% of the insured's wage based upon his monthly wages during the twelve-month period prior to his unemployment without exceeding a sum of BD500.

If the period of unemployment includes part of a month, compensation due therefore shall be computed on a daily basis by dividing the monthly compensation amount by thirty.



Article 12: Compensation Minimum

Minimum compensation shall be BD150 per month or the average Insured's monthly wage during the twelve months preceding his unemployment, whichever is less.

Article 13: Effective Period of Entitlement to Compensation

An insured shall be entitled to a compensation according to the provisions of this Law as from the eighth day after the termination of the employment relationship if he registers his name in the Register within 30 days from the date of termination of such relationship, otherwise the compensation shall be due from the date of the application provided that it shall take place during the period provided for in Article (21) (a) of this Law.

**Article 14:
Maximum Period for Payment of Compensation**

- (a) Subject to the provisions of Paragraph (b) of this Article, the maximum period for payment of a compensation shall be six continuous or intermittent months for each time of entitlement provided for in Article (15) of this Law.

- (b) In all cases, the maximum period for payment of a compensation shall be six months every 24 months continuously commencing from the date of the first payment made during such period.

**Article 15:
Prescribed Contribution Period for Entitlement to
Compensation and Repeat Claims**

- (a) For the purposes of this Article, a compensation claim shall be considered for the first time whenever a beneficiary receives a compensation for the maximum period provided for in Article 14 of this Law.

- (b) An insured shall be entitled to a first time compensation if he is employed in an insured job for a continuous period of 12 months.

- (c) An insured shall be entitled to a second time compensation if he is employed for another time in an insured job for a period of no less than 12 months during the 18 months preceding his unemployment.

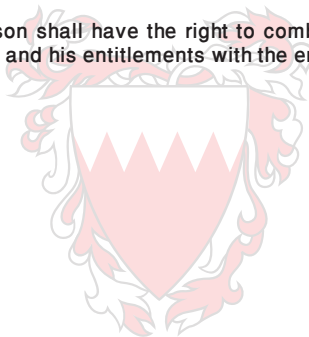
- (d) An insured shall be entitled to a third time compensation if he is employed for another time in an insured job for a period of no less than 18 months during the 24 months

preceding his third claim.

- (e) An insured shall be entitled to compensation on any subsequent occasion if he is employed for another time in an insured job for a period of no less than 36 months during the 48 months preceding his most recent claim.

**Article 16:
Combining between a Compensation and
Other Entitlements**

A jobless person shall have the right to combine between a compensation and his entitlements with the employer.



CHAPTER FOUR

AID

Article 17: Entitlement to Aid

- a) Aid shall be given to a first time job seeker if the following conditions are fulfilled:
1. He shall be a Bahraini national.
 2. He shall not be less than 18 calendar years of age.
 3. He shall comply with the Office instructions to be determined by an order of the Minister.
 4. He shall not carry on a commercial or professional business for his own account.
 5. He shall be able to work.
 6. He shall have the desire to take up employment. A first time job seeker shall be deemed to have the desire to take up employment if he proceeds, upon successfully completing the prescribed training, with registering his name in the Register to be maintained by the Office for this purpose provided that he shall personally attend after registration at the office at least once every week and whenever he is so requested by the Office.
 7. He shall look in earnest for a job according to the terms and conditions to be issued by an order of the Minister.
 8. He shall not have reached the age of retirement according to the law.
 9. He shall join the prescribed training, ensures his regular attendance and completes it successfully.
- b) Without prejudice to the provisions of Article 19 of this Law, aid shall be given to an insured whose period of contribution to the unemployment insurance is less than

the period provided for in Article 15 (b) of this Law if he fulfils the remaining conditions provided for in Article 10 of this Law.

- c) Entitlement to aid shall not take place according to the provisions of this Law except after the lapse of 6 months from the effective date of its provisions.

Article 18: Aid Amount

An aid amount for holders of academic qualifications shall be at the rate of BD150 per month and at the rate of BD120 per month for other jobless persons.

If the unemployment period includes a fraction of the month, aid payable therefore shall be computed on a daily basis by dividing the monthly aid amount by thirty.

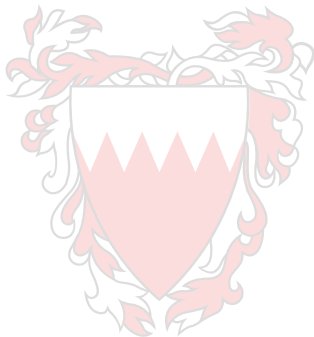
Article 19: Maximum Period for Payment of Aid

The maximum period for payment of aid shall be six months during a continuous period of 12 months. In case a beneficiary makes a claim for unemployment aid more than once during a twelve-month period, he shall be paid aid during such period for a maximum of 6 months.

Article 20: Commencement of Effective Period of Aid Entitlement

An unemployed person who fulfils the conditions provided for in Article 17 of this Law shall be entitled to receive aid as from

the eighth day following the date of applying for registering his name in the Register, provided that such application shall be filed during the period provided for in Article 21 (a) of this Law.



CHAPTER FIVE

GENERAL CONDITIONS CONCERNING COMPENSATION AND AID

Article 21: Registering Jobless Persons

- a) A beneficiary who is entitled to a compensation or aid shall file an application for registering his name in the Register within 3 months from the date of the termination of the employment relationship in case of claiming a compensation. In case of claiming aid within 3 months from the date of completing the prescribed training period if he is a first time jobseeker or from the date of termination of the employment relationship if his period of subscription to the unemployment insurance is less than the period provided for in Article 15 (b) of this Law. Such application shall be filed on the form prescribed by the Office for this purpose. The application shall be accompanied by the required documents.

An order of the Minister shall determine the details to be included in the form and the documents to be provided.

- b) A beneficiary shall give notice to the Office within a maximum of 7 days from the date of becoming aware of the following:
1. Forfeiture of any of the conditions of entitlement to a compensation or aid.
 2. Any change in the data and information provided to the Office.
- c) An employer shall furnish the Office with the information requested by the Office concerning the beneficiary's

employment and reasons for termination of the employment relationship.

Article 22: Unemployed Person's Joining of Employment

If an unemployed person takes up employment with a third party for which he receives a wage that is less than the amount of compensation or aid or if he is entitled to a pension that is less than the amount of compensation or aid, he shall be paid in both cases the difference between the compensation or aid amount payable according to the provisions of this Law and the salary or pension, as the case may be, for the remaining period of entitlement to a compensation or aid.

Article 23: Suspension of the Payment of Compensation or Aid

- (a) Payment of a compensation shall be discontinued if an unemployed person forfeits any of the conditions provided for in paragraphs (2), (5), (6) and (9) of Article 10 of this Law.
- (b) Payment of aid shall be discontinued if an unemployed person forfeits any of the conditions provided for in Sub-paragraphs (3), (6) and (7) of Paragraph (a) of Article 17 of this Law.
- (c) Payment of compensation or aid shall be discontinued from the date of the realization of the discontinuation reason. A right to payment of compensation or aid shall be restored when such reason no longer exists unless such reason continues for a period exceeding 6 months for the remaining period of entitlement according to the provisions of Articles 14 and 19 of this Law, as the case

may be.

Article 24: Forfeiture of the Right to Compensation or Aid

A right to payment of a compensation or aid shall be forfeited in any of the following cases:

- (a) If an unemployed person refuses to take up employment, which the Office deems appropriate, twice without justification. A right to compensation or aid shall be forfeited as from the date of refusing an employment offered thereto for the second time. In determining a suitable employment, the following shall be taken into consideration:
 1. Abilities, qualifications and experience of an experienced person and possibility of retraining him.
 2. Age of an unemployed person, period of service in the previous job and period of remaining without a job.
 3. Wage prescribed for the job offered to an unemployed person shall equal or more than the amount of the compensation or aid.
- (b) If an unemployed person takes up employment for which he receives a wage equivalent to the amount of compensation or aid, he shall forfeit the right to a compensation or aid with effect from the date of his employment.
- (c) If an unemployed person submits a claim for payment of a compensation or aid by fraud or deceit.
- (d) If an unemployed person becomes entitled to a pension equivalent or exceeding the amount of compensation or aid in which case the right to a compensation or aid shall be forfeited as from the date of the unemployed person's entitlement to a pension.
- (e) If an unemployed person fails to apply for registering his name with the Office during the period referred to in

Paragraph (a) of Article 21 of this Law.

- (f) If an unemployed person engages in a business activity or professional practice for his own account.
- (g) If the residence of an unemployed foreign worker becomes an illegal residence according to the applicable laws and regulations or if the reason for granting him residence changes to another reason apart from looking for a job.
- (h) Final departure of an unemployed foreign worker from the Kingdom.

Article 25:

Review of the Minimum and Maximum Levels of Compensation and Aid and Contribution Percentages

The Board of Directors shall review the minimum and maximum levels of compensation and aid on a regular basis every three years according to the consumer price index, provided that a report shall be prepared in this respect to be referred to the actuary to examine and to present his recommendations concerning it and his proposals with respect to the necessary sources of finance including the amendment of the contribution percentages.

The Board of Directors shall refer its recommendations in this respect to the Minister accompanied by the report of the actuary. The Council of Ministers shall upon the submission of the Minister issue an order concerning the amendment of the minimum and maximum levels of compensation and aid and a decision concerning the provision of the necessary appropriations from the State Budget or to amend the contribution percentages.

**Article 26:
Determination of Entitlement to Compensation or Aid**

The Office shall determine entitlement to the compensation and aid, suspension of the payment thereof and their forfeiture according to the provisions of this Law and the Orders issued for its implementation.

An unemployed person may contest the Office's decision concerning entitlement to a compensation or aid, suspension of the payment thereof or forfeiture of the right thereto within 15 days from the date of becoming aware of the decision. The concerned administrative authority shall adopt a decision in respect of the appeal and shall give notice to the person filing the challenge with respect to the result of decision concerning his challenge within 15 days from the date of filing it. A petitioner may file a challenge in respect of the decision adopted for dismissal of his challenge before the competent court within 30 days from the date of receiving notice concerning such decision. The lapse of 15 days from the date of filing a challenge without receipt by the petitioner of notice concerning a decision about such challenge shall be deemed as a rejection thereof.

The Minister shall issue a decision concerning the determination of the administrative authority concerned with deciding upon the challenge and procedures for filing and determining it.

**Article 27:
Dispute Concerning Compensation or Aid**

Each of GOSI and the beneficiary may dispute the amount of compensation or aid within 3 months from the date of payment of either. Such right shall be forfeited upon the lapse of the aforesaid period except for cases of material or arithmetic error.

CHAPTER SIX

REGISTRATION AND CONTRIBUTIONS

Article 28: Registration, Forms Used, Calculation of Contributions and Objections

Subject to the provisions of this Law, registration of employers and workers with GOSI, forms used, calculation of contributions and objections shall be governed by the provisions of Articles 99 to 104 of the Social Insurance Law.

Article 29: Transfer of Contributions to GOSI

The Pension Fund Commission shall transfer the contributions due from civil servants according to the provisions of this Law in every month to the account according to the procedures and conditions which shall be determined by an order of the Minister of Finance in co-ordination with the Minister.

Article 30: Dates of Payment of Contributions and Delay Interest

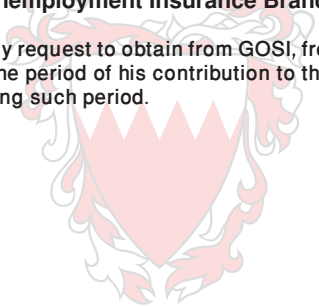
Subject to the provisions of this Law, there shall be applicable in respect of the rules of determining the unemployment insurance contributions, dates of their payment and additional amounts payable in case of non-contribution to insurance or contributing on the basis of unreal wages and the relevant matters the provisions of Article 18, Articles from 21 to 29 and Article 31 of the Social Insurance Law.

**Article 31:
Guarantees of Collection, Payment and Control**

Subject to the provisions of this Law, the provisions of Articles 113 to 118 and Articles from 120 to 127 of the Social Insurance Law shall be applicable in respect of guarantees of collection, payment and control with respect to unemployment insurance.

**Article 32:
Requesting Statement of Contribution to
Unemployment Insurance Branch**

An insured may request to obtain from GOSI, free of charge, a statement of the period of his contribution to the account and his salary during such period.



CHAPTER SEVEN PENALTIES

Article 33: Penalties

Without prejudice to a severer penalty provided for by the Penal Code or any other law:

1. A penalty of a fine of no less than BD100 and no more than BD500 shall be inflicted upon each beneficiary who violates the provision of Article 21 (b) of this Law.

The penalty shall be doubled in its minimum and maximum levels in case of recurrence.

The court shall rule for compelling the judgement-debtor to refund the amounts unlawfully received.

2. A penalty of a imprisonment for a period of no less than one month and no more than six months and a fine of no less than BD100 and no more than BD500, or either penalty, shall be inflicted every person who is proved to have knowingly provided untrue information with the aim of obtaining for himself or another a compensation or aid to which he is not entitled according to the provisions of this Law.

The penalty shall be doubled in its minimum and maximum levels in case of recurrence.

The court shall rule for compelling the judgement-debtor to refund the amounts unlawfully received.

3. A penalty of a fine of no less than BD100 and no more than BD500 shall be inflicted upon everyone who vio-

lates the provision of Article 21 (c) or the provision of Article 36 (b) of this Law.

**Article 34:
Stay of Execution of Financial Penalties**

No mitigating circumstances or reasons shall result in stay of execution of the financial penalties awarded in respect of the crimes provided for in this Law. No discretionary mitigating reasons shall lead to reducing the prescribed minimum according to the Law.

**Article 35:
Proceeds of Fines**

The proceeds of fines awarded according to the provisions of this Law shall belong to the account and payment from such proceeds shall take place according to the terms and conditions set forth in an Order of the Minister.

CHAPTER EIGHT

MISCELLANEOUS PROVISIONS

Article 36: Inspection

- (a) The inspectors, who are Ministry officers, who are nominated by the Minister shall be empowered to undertake inspection duties and to ascertain the implementation of the provisions of this Law and Orders issued for its implementation. They shall have access to business premises, branches and offices of employers and such other related business premises. They shall have the right to have access to the records and to request the details, documents and information that enable them to undertake the inspection duties.
- (b) Employers shall not obstruct the Ministry's inspectors from carrying out their duties and shall provide them with the correct documents, details and information upon request.

Article 37: Providing the Office with Information, Details and Statistics

GOSI, Pension Fund Commission, Central Informatics Organisation and any other government authority shall provide the Office with any requested information, details or statistics available therewith to enable the office to carry out its duties according to the provisions of this Law.

Article 38: Implementing Orders

The Minister shall issue the necessary Orders for implementing the provisions of this Law.

Article 39: Revocation

Every provision which violates the provisions of this Law shall be revoked.

Article 40: Effectiveness of the Provisions of the Law

The Prime Minister and the Ministers, each in his respective capacity, shall implement the provisions of this Law, which shall come into effect from the first day of the month following the lapse of 6 months after the date of its publication in the Official Gazette.

Signed:
Hamad bin Isa Al Khalifa,
King of the Kingdom of Bahrain

Khalifa bin Salman Al Khalifa,
Prime Minister

Dr. Majeed bin Mohsin Al Alawi,
Minister of Labour

