

BAHRAIN ECONOMY EXPERTS' SURVEY



INTRODUCTION

At the start of January 2022, the Bahrain Economists Society (BES) ran its monthly survey on the Bahrain economy, with the participation of the 48 members of the Bahrain Economy Experts Panel. This month, the survey looked at migrant workers and the Bahraini labor market.

QUESTION 1: BUSINESS CONFIDENCE

Context

Panel members were asked the following primary and secondary question:

- *Excluding normal seasonal changes, do you think that the overall level of economic activity in Bahrain during the next six months will be: higher/unchanged/lower?*
- *Rate your confidence in your answer on a scale of 1-to-7.*

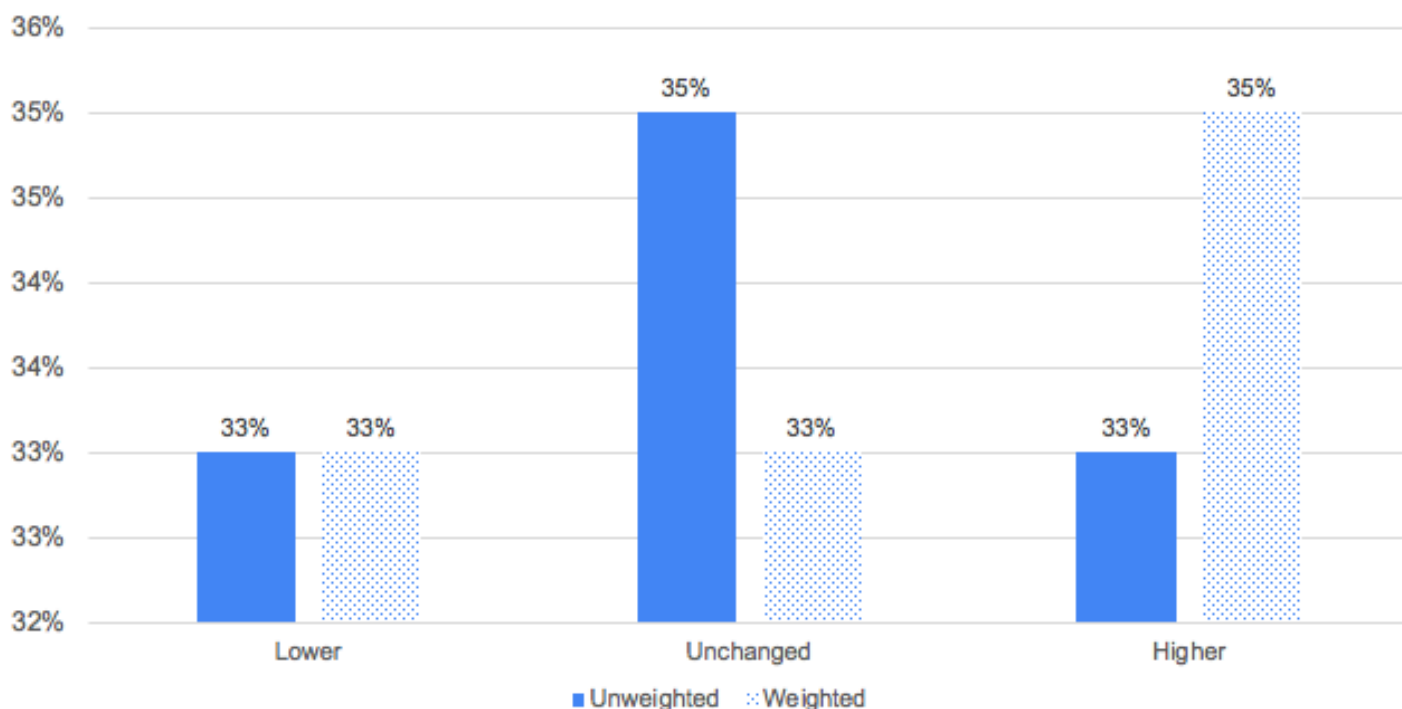
This question comes at a time of continued success in suppressing Covid-19 and elevated oil prices. The government has also launched its post-pandemic economic recovery plan.

Results

The results are shown in Figure 1. The unweighted results are the responses based on the first question. The weighted results are the responses to the first question modified to take into account the participant's level of confidence.

- **Conclusion 1a:** *Overall, the experts are neutral about the level of economic activity in the next six months. Around 33% expect an increase, and 33% expect a decrease, with about 35% expecting no change.*

Figure 1: Excluding normal seasonal changes, do you think that the overall level of economic activity in Bahrain during the next six months will be:



- **Conclusion 1b:** The experts are very far from having a consensus on this issue.
- **Conclusion 1c:** Adjusting the responses to take into account each participant’s level of confidence does not affect these conclusions.
- **Conclusion 1d:** Optimism about the level of economic activity (0 on a scale of -1 to +1) is lower than during the previous three months (October, 0.70; November, 0.60; December, 0.41; on a scale of -1 to +1) and is trending downward.

Interpretation

By the start of January 2022, concerns about the impact of the Omicron variant on the Bahrain economy had risen considerably, with daily cases rising sharply. At the time of the survey, there was still a considerable degree of uncertainty regarding the health impacts of the new variant, and so experts were divided about its economic impact.

Question 2: Migrant Workers

Context

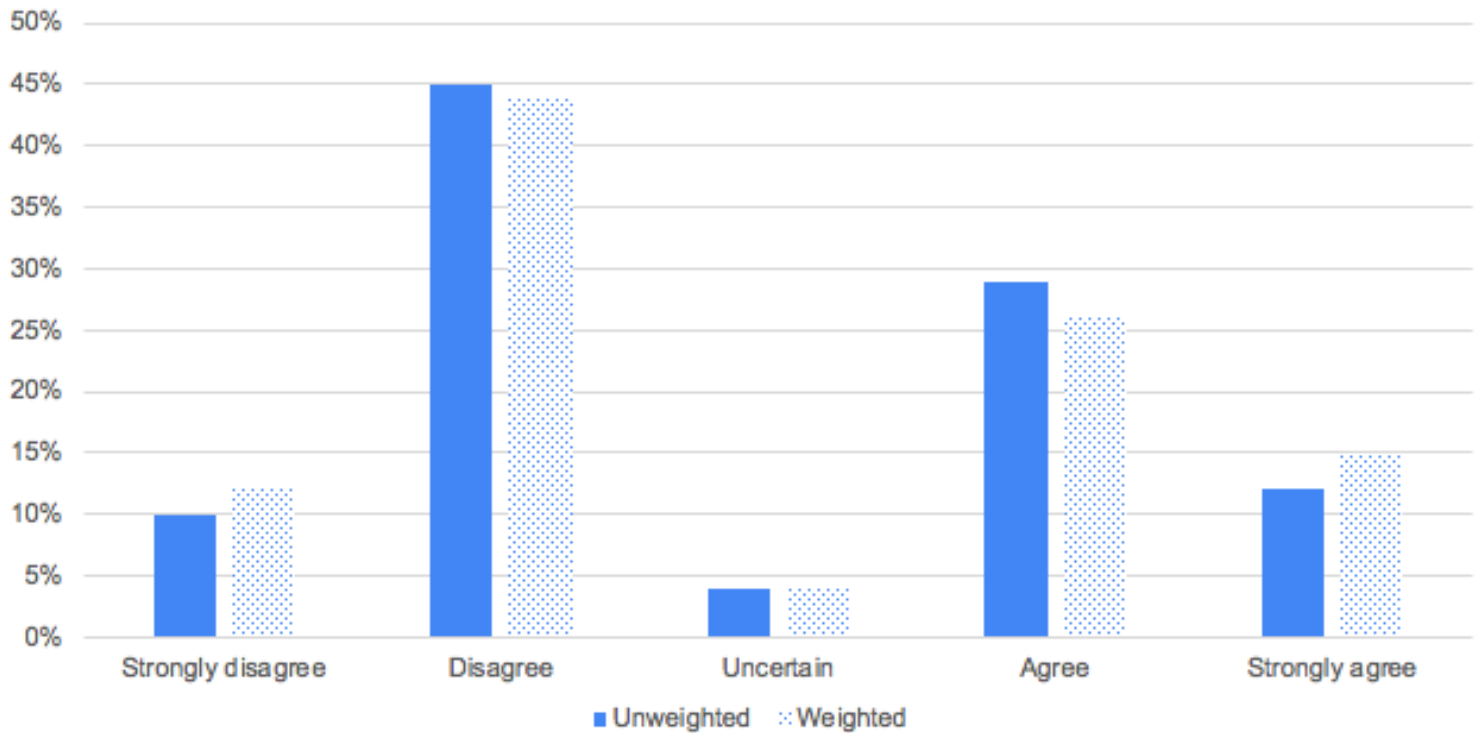
Creating jobs is a key priority for economic policymakers in Bahrain, and this is especially true given the economic damage caused by the pandemic. Many ordinary people believe that an effective way of creating job opportunities for Bahrainis is to make it harder to hire migrant workers, who currently represent approximately 75% of the labor force in Bahrain. However, given that most migrant workers earn wages that are considerably lower than those earned by Bahrainis, there is a chance that reducing migrant workers will not result in the kind of jobs that have the salaries that Bahrainis seek.

For the second question, participants were asked to express the extent to which they agreed with the following statement:

- **If the Bahrain government wants to create job opportunities for Bahrainis**

Figure 2: To what extent do you agree with the following statement?

"If the Bahrain government wants to create job opportunities for Bahrainis with salaries that match the needs and expectations of Bahrainis, then an effective way of achieving that is by making it harder to hire foreigners through fees and hiring restrictions."



with salaries that match the needs and expectations of Bahrainis, then an effective way of achieving that is by making it harder to hire foreigners through fees and hiring restrictions.

They were also asked:

- **Rate your confidence in your answer on a scale of 1-to-7.**

Results

The results are shown in Figure 2. The unweighted results are the responses based on the second question. The weighted results are the responses to the second question modified to take into account the participant's level of confidence.

- **Conclusion 2a:** Overall, the experts were highly divided regarding the statement, with 41% responding "agree" or "strongly agree", 55% responding "disagree" or "strongly disagree", and only 4% responding "uncertain".
- **Conclusion 2b:** The experts are far from having a consensus on this issue.
- **Conclusion 2c:** Adjusting the responses to take into account each participant's level of confidence makes no substantive difference to the results.

Interpretation

Overall, the experts have diverse opinions regarding the extent to which restricting the

hiring of migrant workers can help in creating jobs at attractive salaries for Bahrainis. Some of those in favor of such a move argued that additional complementary steps would be necessary. For example, one of the experts agreeing with the statement made the following comment:

"... There should also be a relaxation of labor laws surrounding hiring and firing practices with Bahrainis... [to] ensure ... reducing [labor costs] for Bahrainis and increasing for expatriates."

Another expert who agreed with the statement commented:

"Encouraging the private sector to invest in technology ... would create jobs that are high value added is instrumental for the employment of locals and increasing the per capita income. Projects that are based on low skilled labor, create low added value jobs that are not attractive for the nationals nor optimal for the economy."

In contrast, those disagreeing with the statement indicated that such a move would be unsuccessful and that alternatives would be preferable. One expert remarked:

"The most optimal solution for the above is introducing policies and programs that will help Bahrainis to be equipped for high quality jobs. This includes upskilling the local workforce, and ensuring the education system is catering for the needs of the market."

Another expert commented:

"The issue is not with low paid (cheap) foreign labor and I don't believe that having those opportunities open to Bahrainis will change anything if the salaries are that slow. High paid western foreign labor is a different story and

having those opportunities available to Bahrainis might make a difference."

Further, anticipating the recent government announcement regarding golden residency permits, one expert said:

"There is a third alternative, one adopted by Singapore among other nations. Naturalize high skilled expat workers..."

Synthesizing the above, in general, experts either disagree that restricting hiring of migrant workers will create desirable jobs for Bahrainis, or they agree conditionally, as they believe additional steps are necessary.


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