

PROPELLING THE LEBANESE JOB MARKET. Challenges, Solutions and Opportunities

Identified Challenges

I. Lebanon's Economic Recession

- o Since 2019, Lebanon has been enduring an economic depression likely to rank in the top three "most severe crises episodes globally since the mid-nineteenth century", per the Spring 2021 Lebanon Economic Monitor (LEM). In effect, Lebanon's GDP sunk from \$55 billion USD to \$33 billion USD throughout the years 2018 to 2020, which translates into a loss of roughly 40%.¹
- o The situation, further exacerbated by the COVID-19 pandemic and the Beirut Port Explosion on August 4th 2020, pushed an estimated 13% of Lebanese under the international poverty line by the end of the year 2020; this figure is projected to climb to 28% by the end of 2021.²

II. Rampant Unemployment and Low Wages

- o A 2018–2019 study conducted by Lebanon's Central Administration of Statistics (CAS) in collaboration with the International Labor Organization (ILO) indicated a general unemployment rate of 11.4% among the labor force, while Covid-19 Rapid estimates by the ILO approximated 37% unemployment for 2020. Unemployment among the youth was found to be especially high, reaching 23.3%.³ These figures are expected to have worsened along with the crisis that has crippled Lebanon since.
- o This crisis is further compounded by the sharp depreciation of Lebanon's national currency, the Lebanese Pound (LBP)—which has lost 95% of its value since 2019—which trivialized wages, as well as cut hours, lower salaries, and mass lay-offs for employees whose employers can no longer afford to compensate.⁴

III. Lebanon Bleeding Out Talent and Skilled Workers

- o Following the October 17 revolution in 2019, more people started leaving Lebanon, reaching 17,720 emigrants in 2020. There has been a 150% increase in passport renewal requests as the Lebanese wish to flee Lebanon before more crises hit.⁵
- o The ASDAA BCW Arab Youth Survey found that over 48% of young Lebanese have considered or are actively trying to leave. Thus, Lebanese youth lead Arab youth in wanting to flee their country, ahead of 45% percent of young men in war-stricken Syria, and 42% of Palestinian youth living under Israeli occupation.⁶

1 Lebanon Economic Monitor, Spring 2021: Lebanon Sinking (to the Top 3)

[https://www.worldbank.org/en/country/lebanon/publication/lebanon-economic-monitor-spring-2021-lebanon-sinking-to-the-top-3#:~:text=May%2031%2C%202021-,Lebanon%20Economic%20Monitor%2C%20Spring%202021%3A%20Lebanon,Sinking%20\(to%20the%20Top%203\)&text=The%20Lebanon%20financial%20and%20economic,since%20the%20mid%2Dnineteenth%20century.](https://www.worldbank.org/en/country/lebanon/publication/lebanon-economic-monitor-spring-2021-lebanon-sinking-to-the-top-3#:~:text=May%2031%2C%202021-,Lebanon%20Economic%20Monitor%2C%20Spring%202021%3A%20Lebanon,Sinking%20(to%20the%20Top%203)&text=The%20Lebanon%20financial%20and%20economic,since%20the%20mid%2Dnineteenth%20century.)

2 Lebanon's Economic Update - October 2021

<https://www.worldbank.org/en/country/lebanon/publication/economic-update-october-2021>

3 Central Administration of Statistics - Unemployment rate

[http://www.cas.gov.lb/index.php/key-indicators-en#:~:text=Unemployment%20rate%3A%2011.4%25%20in%202019,ILO%20strict%20definition%20of%20unemployment.&text=in%20addition%20in%202012%2C%20the,%3A%20Households%20Budget%20survey%202012\).](http://www.cas.gov.lb/index.php/key-indicators-en#:~:text=Unemployment%20rate%3A%2011.4%25%20in%202019,ILO%20strict%20definition%20of%20unemployment.&text=in%20addition%20in%202012%2C%20the,%3A%20Households%20Budget%20survey%202012).)

4 Lebanon's crisis, pandemic hit American University in Beirut | AP News

<https://apnews.com/article/beirut-virus-outbreak-financial-markets-ap-top-news-lebanon-00394530ef583b4b0086ea3160d1ef01>

5 Lebanese opt for new emigration destinations amid crises

<https://www.al-monitor.com/originals/2021/12/lebanese-opt-new-emigration-destinations-amid-crises>

6 Arab Youth Survey 2021: Top 10 Findings

<https://arabyouthsurvey.com/en/findings/>

- o Foreign employers situated outside Lebanon find that they can get away with exploiting the country's crisis by substantially underpaying vulnerable and desperate Lebanese workers, so long as they are providing them with fresh dollars. Being paid in fresh dollars has come to be seen as a privilege due to the increasing devaluation of the Lebanese Pound.⁷
- o According to Joseph Helou (Lebanon's Health Ministry's Director of Medical Care), over 40% of the medical workforce, or approximately 2,000 nurses and 1,000 physicians, had already departed Lebanon during the crisis, with the majority traveling to Europe and the Gulf. Much of these professionals were specialists, causing several private hospitals to close sections such as cancer, heart and bone disorders, and pediatrics.⁸
- o This is only exacerbated by an existing, severe imbalance in health-care human resources, with a surplus of medical doctors and a severe lack of nurses, paramedics, midwives, and health-care managers.⁹

IV. Poor Infrastructure Inhibiting Daily Life and Productivity

- o **Expensive Transport and lack of public transport alternatives:** Centralization of services and businesses causes mass influx to the capital city, Beirut. Road transport accounts for the largest share in passenger, freight, and commerce transport in Lebanon; using up to 25% of all energy consumption. Traffic congestion is further amplified due to lack of a well-functioning public transportation system, pushing more residents towards urban residence.¹⁰
- o **Disrupted Education:** The education of Lebanese students is further crippled by unreliable infrastructure at home. The country routinely experiences electricity cuts, which have only been exacerbated and prolonged by debilitating power shortages.¹¹ Remote learning, which has been adopted by the majority of educational institutions in the wake of COVID-19, is consequently impaired—not all students can afford costly private generators to ensure reliable access to classes and course material.¹²
- o **Business Impediment:** Businesses suffer from power cuts and high energy prices as a result of the failure of EdL, with their energy needs often being filled in by back-up generators, limiting their productivity and increasing their costs.

V. Unstable Financial, Political, and Economical Climate

- o Political instability in the country has long been a main driver of migration, and continues to be so. The region observed a flood of migrations of Arabs before World War I, in search of better job opportunities to support their families. Migration lessened between the two wars due to restrictions, but saw a boom in rates between 1980-90s (around the same time the term globalization was used frequently), in part due to seeking better opportunities abroad but mostly due to political instability and war.¹³

⁷ "Fresh dollars": A New Tool for Exploitation | Watchdogs Gazette

<https://watchdogsgazette.com/affairs/fresh-dollars-a-new-tool-for-exploitation/#:~:text=The%20only%20thing%20that%20an,the%20amount%20of%20dollars%20is.>

⁸ Lebanon's healthcare on brink of collapse amid crisis, says minister | Reuters

<https://www.reuters.com/world/middle-east/lebanons-healthcare-brink-collapse-amid-crisis-says-minister-2022-01-20/>

⁹ Country Cooperation Strategy

www.databank.co

¹⁰ A Capital Investment Plan For Lebanon

<https://www.worldbank.org/en/country/lebanon/publication/strategic-assessment-a-capital-investment-plan-for-lebanon>

¹¹ Lebanon electricity crisis: 'Disaster in the making' | Business and Economy News | Al Jazeera

<https://www.aljazeera.com/news/2021/6/11/lebanon-electricity-crisis-disaster-in-the-making>

¹² Students struggle as Lebanon crisis cripples university sector

<https://www.france24.com/en/live-news/20220113-students-struggle-as-lebanon-crisis-cripples-university-sector>

¹³ Mir, Salam. "Colonialism, Postcolonialism, Globalization, and Arab Culture." Arab Studies Quarterly 41, no. 1 (2019): 33–58

<https://doi.org/10.13169/arabstudquar.41.1.0033>.

- o The banking sector crisis has prevented access to finance for companies and Small and Medium-sized Enterprises (SMEs), limiting opportunities for entrepreneurship and economic expansion.
- o Monetary and financial turmoil, as well as soaring inflation, has worsened living conditions in Lebanon and local salaries can no longer match the cost of living, which is driving many to migrate.

Competition with Syrian Refugees

- o Through its open-door policy, Lebanon has taken in over 1.2 million Syrian refugees since the conflict in Syria in 2011 and increased its population by a quarter; no other country accommodates more refugees on a per capita basis. However, this inflow has put Lebanon under enormous strain.¹⁴
- o Concerns over unemployment in Lebanon predated its refugee crisis: political uncertainty continuously hinders economic growth, and it is estimated that the Lebanese labor force doubled over the 1990–2010 decade due to population expansion, rising participation rates (particularly those of women), and immigration.¹⁵
- o In Lebanon, a major portion of the economy is informal-in effect, the informal sector accounts for the majority of Lebanon’s workforce. Syrians compete with Lebanese in this area, even at the lowest end of the salary spectrum.¹⁶
- o Tensions between host communities and refugees are rampant, and heighten as Syrian migrants set up competing businesses, seek lodging within the private housing market, and rely on overburdened urban infrastructure and services.¹⁷
Syrian competition is often cited by Lebanese communities as a factor in lowered wages.¹⁸
- o Employers frequently exploit Syrian workers through precarious working conditions and by underpaying them. Research demonstrates Syrian workers’ willingness to labor for 40% lower wages, more hours, and without social benefits.¹⁹

¹⁴ Struggling to survive: Slavery and exploitation of Syrian refugees in Lebanon
<https://d1r4g0yjjvcc7lx.cloudfront.net/uploads/Lebanon-Report-FINAL-8April16.pdf>

¹⁵ Towards Decent Work in Lebanon: Issues and Challenges in Light of the Syrian Refugee Crisis
https://www.ilo.org/wcmsp5/groups/public/---arabstates/---ro-beirut/documents/publication/wcms_374826.pdf

¹⁶ An intersectional perspective on social (in) security. Making the case for universal social protection in Lebanon | Civil Society Knowledge Centre
<https://civilsociety-centre.org/resource/intersectional-perspective-social-insecurity-making-case-universal-social-protection>

¹⁷ LEBANON: Selected Issues | International Monetary Fund
<https://www.imf.org/external/pubs/ft/scr/2014/cr14238.pdf>

¹⁸ Syrian Refugee Crisis: Impacts on Lebanon
<https://apps.dtic.mil/sti/pdfs/AD1108449.pdf>

¹⁹ Assessment Of The Impact Of Syrian Refugees In Lebanon And Their Employment Profile
https://www.ilo.org/wcmsp5/groups/public/---arabstates/---ro-beirut/documents/publication/wcms_240134.pdf

Recommendations

I. Business Environment that Leverages Technologies and Mega-Trends.

1. Creating an enabling business environment that fosters growth and job creation.

- o Implementing a new investment strategy geared towards the latest technologies. Lebanon needs a new investment strategy, including fiscal incentives, especially for new services and SMEs (with special emphasis on those that incorporate mega-trends such as Artificial Intelligence (A.I), 5G, food security, agri-tech, etc). A window of opportunity in the midst of the current crisis and the ensuing devaluation of the Lebanese pound is to boost industries with high export potential.
- o Enacting the competition law. This will set an antitrust enforcement framework that will match international best practices. By enforcing this law, there will be greater protection for the consumer, as well as a tool to promote a culture of competition that will drive prices down, enhance quality of goods and services, and boost innovation and creativity.
- o Streamlining the process and reducing the time and cost to establish a new business. This includes abolishing the paid in capital requirement; streamlining construction, manufacturing and other types of permits; and establishing an integrated, online one stop shop to register a business.

2. Modernizing and opening up the financial market.

Capital markets could play a greater role in financing the real economy, especially given the current lack of confidence and paralysis in the banking sector. This will also help channel diaspora funds towards investment projects. As the macroeconomic environment stabilizes, then capital markets could potentially play a larger role in financing to key strategic sectors, including infrastructure and SMEs financing.

II. Quality Education for Market Needs:

3. Involving the private sector in curricula development to ensure developed skills match market demand to promote employment and job retention.

Engaging the private sector in curriculum development is essential not only to improve the relevancy of the curriculum, but also to improve its legitimacy.

- o Despite high graduation rates, university education has not led to better labor market outcomes, and the growing mismatch between education supply and labor market demand has resulted in high youth unemployment rates,²⁰ with 37% expressing an aspiration to work abroad permanently; this is prior to the sequence of events that overtook the country over the past 2 years. In many developed countries, education reforms have led to greater emphasis on labor market analysis, which means focusing on improving the relevancy of training, assessment, curricula development, delivery, and developing partnerships with industries. There is international consensus that training programs alone are not sufficient to address the skill shortages and skill mismatches a country might be facing. They do nothing to guarantee skills, utilization, employment or retention. Skills development is more likely to prove successful when taking a sectoral approach to curriculum development.²¹

²⁰ In 2019, according to the Labor Force and Household Living Conditions Survey, the youth unemployment rate was 23.3% compared to general unemployment rate of 11.4%, and was higher amongst university graduates at 35.7%.

²¹ Engaging the Private Sector in Skills Development

<https://sesricdiag.blob.core.windows.net/sesric-site-blob/files/article/600.pdf>

4. Moving from general vocational training schools to specialized centers of excellence providing expertise in specific vocational fields.

Vocational training can become an essential pillar for economic growth if it manages to supply the necessary skills demanded of the economy. Countries with strong vocational training traditions, such as Austria, Germany, Sweden, Denmark, Switzerland, Canada, South Korea, etc... have reformed their systems towards meeting development goals.

- o Modernizing vocational training also involves implementing a hybrid system which practically trains students in parallel to their academic studies in collaboration with the industrial sector and with a clear predetermined base scale.²²

This approach's main objective is to promote employability in a changing workplace by creating a relationship between firms and their apprentices. This also gives the private sector insight into their potential workforce, as well as orientates students towards self-development and specialization.

III. Modern Infrastructure for Sustainable Development

5. Investing in critical infrastructure necessary to endure the process of economic reform aimed at jumpstarting the economy.

Rather than being an effective tool that can boost exports and enable businesses to prosper, Lebanon's infrastructure actually acts as an impediment to development and reduces productivity. Remediating this would encompass the installation of the latest internet infrastructure (for instance, fiber optics), cheap, accessible, and reliable public transportation, and the switch to sustainable, clean renewable energy (such as solar) independent from fluctuating oil prices.

- o In addition to its cheaper cost and its ability to ensure energy security, solar energy has the potential to enable local development and boost innovation in rural areas and across the country. Installing solar and other kinds of renewable energy projects requires well situated land capacity, areas such as in Hermel, Ras Baalback, Tfail, the Chouf, Rachaya, Aqoura, and Taraya. These regions are some of the poorest in the country, and allowing for Power Purchase Agreement (PPA) projects to take place in these regions would not only help with their development, a study conducted by the Lebanese Foundation for Renewable Energy (LFRE) found that approximately 2700 permanent jobs can be created from RE projects, with 2/3 being in underdeveloped areas.
- o Opening up the telecom market is essential for more competition and to drive costs down and improve services. The government should adopt a clear and unified vision for the Information and Communication Technologies (ICTs) sector considering it is the main driver of the knowledge economy. The sector should be open to competition in order to spur creativity and competitiveness and engage in reforms to attract investments.
- o Infrastructure programs should prioritize developing and expanding industrial and special economic zones (SEZ) with their own regulatory authority. Special Economic Zones are widely utilized in most developing and many developed economies. In these geographically delimited areas, governments assist industrial activity through fiscal and regulatory incentives and infrastructure support. Incentives can be dedicated to firms located in the SEZ such as low customs duties, unrestricted capital and profit repatriation, one-stop shopping for registration, and tax incentives. These zones will manage to attract Foreign Direct Investment and encourage multinational corporations to open offices in Lebanon, as well as provide an opportunity for job creation, export promotion, introducing new technologies into the domestic economy and allow domestic firms to integrate into global value chains.

IV. Prospects of Revealed Comparative Advantage

6. Enacting policies aimed at actively promoting investments in sectors with the highest growth potential.

Policies such as the provision of smart and time limited tax holidays and other time limited incentives to firms that would set up facilities in Lebanon, primarily for export.

²² The base scale applies to the minimum wage that employers have to pay students. It also sets the maximum amount of hours' students can work in order to avoid any form of abuse.

- o In a Lebanese Center for Policy Studies (LCPS) study conducted in 2017, 337 products out of 1147 were classified as having a comparative advantage, making up 30 percent of total exported products and valued at USD 2.7 Billion, 70 percent of total exports in 2017. The products were distributed along 16 sectors, of which agro-food and chemical products were deemed to have the highest export growth potential.²³
- o It is important to further promote these services' exports and build on Lebanon's **value added** industries. Many services sectors have witnessed prominent growth with some constituting ideal sectors for investment, particularly ones that have to do with the knowledge economy, given their **export oriented** nature, low capital requirements and robust regional and international demand such as the ICT sector that incorporates ICT services and Manufacturing, Hardware Retail, and Telecommunications.²⁴
- o The Ministry of Economy and Trade should revise previous calculations regarding Lebanese products' comparative advantage given the devaluation of the Lira. Lebanon has the potential to develop a dynamic competitive economy if it prioritizes sectors where it holds a comparative advantage and utilizes its skilled and unskilled labor force properly. Improving the quality of technical and vocational training and education would not only improve Lebanon's productivity levels, leading to an increase in its comparative advantages, but would also allow for a reduction in unemployment among semi-skilled labor.

V. The Lebanese Global Network

7. Leveraging the Lebanese's deposits in banks and turning them into equities and Special Purpose Vehicles (SPVs),

dedicated funds that invest in the Lebanese economy to stimulate economic activity, as well as provide the diaspora with fruitful returns.

8. Stimulating the diaspora's investment in Lebanon by incentivizing projects and initiatives aimed at supporting their own hometowns.

The diaspora can play a key role in supporting egalitarian regional development, where special fiscal incentives can be utilized to encourage these regional investments according to the economic strengths and needs of each particular area. It is a means to allow the diaspora to play an active role in their community.

9. Organizing international trade fair hubs to promote Lebanese culture, businesses and talents.

Fairs and expositions in countries that have a significant Lebanese diaspora can be a tool to create exposure, fostering cooperation and partnerships between countries, and getting ideas about the latest market trends. The Ministry Foreign Affairs can sponsor these expositions and fair hubs as a means to also increase tourism and capitalize on improving the image of the country.

²³ In Need of a New Economic Approach: The Case for the Manufacturing Sector
<https://www.lcps-lebanon.org/>

²⁴ IDAL, 2020
https://investinlebanon.gov.lb/en/sectors_in_focus/ict