LABOUR MARKET AND EMPLOYMENT POLICY IN LEBANON
LABOUR MARKET AND
EMPLOYMENT POLICY
IN LEBANON
Prepared for the ETF by Hicham Abou Jaoude

PREFACE

1. OVERVIEW OF THE LABOUR MARKET
   1.1 Socio-economic context
   1.2 Impact of the Syrian crisis
   1.3 Labour market data

2. MAIN LABOUR MARKET CHALLENGES
   2.1 Low levels of job creation
   2.2 Significant role of the informal sector
   2.3 High rate of labour migration
   2.4 Skills gaps and skills mismatch

3. KEY ACTORS IN THE LABOUR MARKET
   3.1 State actors
   3.2 Other actors

4. OVERVIEW OF EMPLOYMENT POLICIES
   4.1 Labour law
   4.2 Wage policy
   4.3 Social protection system
   4.4 Labour market information
   4.5 Labour intermediation services
   4.6 Training programmes
Since 2011, the southern and eastern Mediterranean countries have experienced a succession of revolts and regime changes in what has become known as the Arab Spring. These upheavals focused attention on poor employment prospects as one of the main causes of social instability in the region and highlighted the importance of European Union (EU) cooperation with its neighbours on these issues. A structured Euro-Mediterranean policy dialogue on employment was initiated in 2008 to address this problem. Reform of the European Neighbourhood Policy in 2011 gave greater importance to job creation and inclusive growth in the region (European Commission, 2011a; and 2011b).

The European Training Foundation (ETF) has provided regular input to the European Commission (Directorate-General for Employment) throughout the process of structured Euro-Mediterranean policy dialogue on employment. It has done so via three employability reports presented in 2007, 2009 and 2011 to the Euromed High-Level Working Group on Employment and Labour in preparation for the ministerial conferences. The aim of these reports has been to contribute to policy dialogue between the EU, the ETF and partner countries. They do this by providing high-quality analysis of employment policy and employability in the region.

As part of this process, the ETF launched another round of analysis on employment policies pursued by selected countries in the region in 2013. The focus of the new country reports has moved on from an analysis of labour market trends and challenges to the mapping of existing employment policies and active labour market programmes. They include assessments of outcomes and their effectiveness in addressing employment challenges. Each report also includes a short description of the recent political context in the country. It covers issues such as the impact of the Arab Spring on the economy and employment, the emergence of new players and actors, and any recent policy changes (such as government, donors or funding).

This report was drafted by Hicham Abou Jaoude, with input from ETF experts. The desk review and statistical data analysis were complemented by input from stakeholders in government offices and civil society organisations. These included contributions from: Ministry of Labour, Ministry of Industry, National Employment Office (NEO), Bank of Lebanon, Central Administration of Statistics (CAS), Association of Lebanese Industrialists (ALI), General Confederation of Lebanese Workers (CGTL), Civic Influence Hub (CIH), Economic and Social Council, Order of Nurses, Syndicate of Owners of Restaurants and Labora (a non-profit Christian non-governmental organisation). A team of local and ETF experts interviewed their representatives in Beirut between 31 March and 4 April 2014 to obtain their perspective on employment policies. This report reflects the findings of the desk research and these interviews.

Section 1 provides an overview of the labour market and the impact of the Syrian crisis on Lebanon and Section 2 describes key labour market challenges. Section 3 provides an overview of actors in the policy environment, their roles and institutional capacities, while Section 4 provides an overview of current employment policy measures in Lebanon. Recommendations for the development of employment policies and programmes are presented at the end of the paper.

Daiga Ermsone and Sabina Nari, ETF
September 2014
1. OVERVIEW OF THE LABOUR MARKET

1.1 SOCIO-ECONOMIC CONTEXT

The Republic of Lebanon is situated on the eastern shores of the Mediterranean and covers a total area of 10 452 square kilometres, most of it mountainous. Lebanon’s mountainous terrain, proximity to the sea and strategic location at a crossroads of the world were decisive factors in shaping its history. Lebanon is one of the most densely populated countries in the world, with an average of over 400 people per square km of land. Around 90% of the population reside in an urban environment. The population was estimated to be 4 467 390 in 2013, with a growth rate of 0.1%.

The 1975–90 civil war seriously damaged Lebanon’s economic infrastructure. This has been rebuilt by borrowing heavily – mostly from domestic banks – saddling the government with a huge debt burden. Most of the pledges regarding economic and financial reforms made at separate international donor conferences during the 2000s have not been honoured. These include pledges made during the Paris III Donor Conference in 2007 following the July 2006 war (CIA, 2014).

Lebanon has a free-market economy and a strong laissez-faire commercial tradition. The government supports private investment, and public ownership has generally been limited to infrastructure and utilities. Although the government does not restrict foreign investment, the investment climate suffers from red tape, corruption, arbitrary licensing decisions, complex customs procedures, high taxes, tariffs and fees, archaic legislation and weak intellectual property rights.

In general, the Lebanese economy depends on ‘royalties’ from real estate and financial markets and other similar sectors, which do not create sufficient jobs. The last decade saw extensive infrastructure and real estate projects in Lebanon. These projects led to a Dutch disease phenomenon in the country, with a booming real estate sector inflating the price of essential non-tradable goods and services and creating job opportunities for foreign unskilled workers. Productive sectors, which could potentially create thousands of jobs, were neglected. This, in turn, depressed the demand for jobs in other sectors of the economy and provoked large waves of emigration (Chaaban, 2009).

Since 2009, the Lebanese economy has witnessed a reduction in growth due to political and security uncertainties. This economic decline has been accelerated by the Syrian crisis and refugee influx which have had a negative impact on economic growth and service provision. This has resulted in reduced foreign investment, reduced tourism and increased demand on government services, including education and health.

Banking, tourism and other services form the mainstay of the economy. Agriculture, although important, is becoming less significant. In 2012, gross domestic product (GDP) reached USD 41 766 billion (Ministry of Finance, 2013). The service and banking sectors accounted for more than 73.4% of the country’s gross national product (GNP), the industrial sector 20.5% and agriculture the remaining 6.1% in 2012 (World Bank, 2012). Trends show a decrease in agriculture (-2%) and industry (-8%) in favour of the services sector.

In 2013, an estimated 5 000 industrial companies employed around 90 000 workers (UNDP, 2013). The Association of Lebanese Industrialists (ALI) confirms the ability of the industrial sector to create more jobs provided the business environment is improved.

The tourism sector also has the potential for growth, as employment opportunities are not confined only to the actual sector but can lead to the creation of hundreds of jobs in cases where small and micro enterprises can be created. In the period from 2009 to 2011, businesses providing food, beverages and/or accommodation services were among the fastest growing. Figures showed there was a tendency for 40% of enterprises to expand and develop their services. In 2011, it was expected that if the trend continued there would be 20% employment growth in the tourism sector in the following three years (NEO, 2011). However, these expectations did not materialise. The tourism sector faces several obstacles. These include a lack of natural public spaces (public beaches and
The conflict in Syria is also severely and negatively impacting the Lebanese economy through far-reaching real, external and fiscal channels. Growth stood at 2.5% in 2012, and fell to 1.5% in 2013 as traditional drivers of growth – real estate-related activities, construction and tourism – were affected by increasing uncertainty and deteriorating security. Tourism, in particular, was badly hit by the Gulf Cooperation Council (GCC) countries’ advisories against travel to Lebanon, in place during the past two years (IMF, 2014).

Since March 2011, the conflict in Syria has resulted in massive influxes of refugees across the region. The crisis in Syria is having a particularly dramatic impact on Lebanon. It has created unprecedented inflows of refugees, now exceeding one million or about one-quarter of Lebanon’s population. This is the largest level among neighbouring countries despite Lebanon’s smaller size (IMF, 2014). This unprecedented number of refugees, combined with internal political and economic challenges, has contributed to increased instability throughout Lebanon. Refugees are competing with Lebanese citizens for jobs, access to public services and infrastructure and, in particular, already scarce and fragile natural resources, such as land, water and forests. The situation threatens the country’s delicate sectarian balance, institutional and political stability, and regional peace and security (FAO, 2014).
The World Bank-led report, *Lebanon: Economic and social impact assessment of the Syrian conflict*, projected that from 2012 to 2014 the crisis may push 170,000 Lebanese into poverty, reduce real GDP growth by 2.9 percentage points each year, double unemployment to over 20% (mostly among unskilled youth) and depress government revenue collection by USD 1.5 billion. Moreover, government expenditure was projected to increase by USD 1.1 billion due to the surge in demand for public services (World Bank, 2013a).

### 1.3 LABOUR MARKET DATA

Labour market data and figures are scant, incomplete, outdated and in some cases contradictory. The most recent data relating to the labour market dates from 2009. This indicates that the labour force participation rate and employment rate are 49.2% and 43.6% respectively. The labour market is male-dominated: 67.8% of all participants are male. The female activity rate stands at 25.6%, one of the lowest activity rates in the world\(^3\). The low employment and low activity rates of females are attributed to social, cultural and economic reasons.

Female employees have a higher educational attainment level: 43% of employed women have a university degree. In the case of employed men, there is no major variation in the employment rate linked to the educational attainment level. Estimates also show that educated people spend almost the same amount of time in unemployment as those who are less educated (1.4 year for secondary education graduates and 1.2 year for tertiary education graduates) (ETF, 2015).

Unemployment data is the most controversial. The World Bank report of 2012 sets the national rate at 11%; the Central Administration of Statistics (CAS) study of 2011 calculates it at 6%; and other governmental institutions including the Ministry of Labour and the National Employment Office (NEO) estimate it to be between 20 and 25% for the same period.

The youth unemployment rate is particularly high. The National Youth Policy Document, endorsed by the Lebanese government on 3 April 2012, states that the youth unemployment rate is 34%. Unemployment is higher among higher-educated youth: 21.8% among upper secondary graduates and 36.1% among university graduates.
2. MAIN LABOUR MARKET CHALLENGES

The Lebanese labour market is highly complex; its various aspects are fragmented and should be dealt with separately in order to understand them. Factors like sectarian/religious affiliation and weak national identity negatively affect the dynamism of employment and recruitment, even in the private sector.

In general, the Lebanese labour market is characterised by low activity and employment rates; a low contribution of women to economic life; a large informal sector; a high influx of foreign workers; and a large number of skilled Lebanese people seeking and obtaining employment abroad. A fundamental problem pertaining to youth unemployment is the length of time spent searching for jobs by those who want to enter the labour market for the first time. Also, young people face challenges related to permanent work and fair wages.

Before the Syrian crisis, labour market conditions in Lebanon were already dire: high unemployment rates coexisted with skills mismatch in the labour market and a high prevalence of low-quality and low-productivity jobs. The massive and continuous influx of Syrian refugees is expected to further increase labour supply by between 30% and 50% (with the largest impacts on women, young people and unskilled workers).

2.1 LOW LEVELS OF JOB CREATION

Over the last decade, the Lebanese economy has been growing but without creating enough jobs, particularly for women and youth (World Bank, 2012). The absence of an integrated development plan for the economy, which fosters the economic activities needed to create value-added jobs, is the reason for Lebanon’s poor economic performance. The estimated number of new jobs each year does not exceed 5,000, while the number of new entrants to the labour market reached 32,000 in 2013 (UNDP, 2013).

The Lebanese economy is based on private initiative. The National Accounts Committee estimates that the private sector contributes over 85% to national expenditure (Ministry of Finance, 2013). Small and medium-sized enterprises (SMEs) account for the majority of businesses in Lebanon (90%). Most of these are in the micro category as they are retail-driven and focus primarily on the local market. The self-employed make up as much as 36% of the labour force in Lebanon. Self-employment appears to be a preferred employment status in the country: 88% of self-employed people would prefer to stay self-employed, and 66% of employees wish they were self-employed (Angel-Urdinola et al., 2013).

The public administration employs 30% of wage employees, the majority of them with higher education (World Bank, 2012). Civil service posts are an appealing option. This is due in part to the wages, which on average are equal to private sector wages, but also because of job security, shorter working hours, social and health insurance and retirement guarantees.

In an attempt to reduce the budget and stop ministers from recruiting without the approval of the Civil Service Board (CSB), the Lebanese government issued a decree in 1996 under which it stopped formal civil service recruitment. However, hiring continued on a contractual basis and formal recruitment resumed on a small scale in 2008. The public sector employs 110,000 workers, of whom only 30,000 are formally recruited through the CSB and benefit from social protection and health security schemes. The remaining 80,000 employees are recruited on a contractual or day-to-day basis. According to the CSB, 69.50% of formal civil service posts are vacant. The public military and security services employ 86,000 people and they also have many vacancies.
### TABLE 2.1 PUBLIC SECTOR RECRUITMENT

<table>
<thead>
<tr>
<th>Year</th>
<th>Declared vacancies</th>
<th>Jobseekers</th>
<th>Recruited</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>4 500</td>
<td>12 500</td>
<td>3 300</td>
</tr>
<tr>
<td>2009</td>
<td>7 569</td>
<td>18 623</td>
<td>5 941</td>
</tr>
<tr>
<td>2010</td>
<td>1 038</td>
<td>4 875</td>
<td>762</td>
</tr>
<tr>
<td>2011</td>
<td>853</td>
<td>11 244</td>
<td>489</td>
</tr>
<tr>
<td>2012</td>
<td>2 164</td>
<td>30 756</td>
<td>1 536</td>
</tr>
<tr>
<td>2013</td>
<td>276</td>
<td>2 955</td>
<td>276</td>
</tr>
</tbody>
</table>

*Source: Labora study, 2014*

### 2.2 SIGNIFICANT ROLE OF THE INFORMAL SECTOR

The labour market is negatively affected by the large size of the informal sector. The informal sector – largely invisible – is difficult to measure given its heterogeneity, ranging from subsistence farmers to high-level self-employed professionals. As a percentage of GDP, the World Bank estimates the level of informality to be 36.4%. In the labour force, 66.9% of employees do not contribute to any social security system (World Bank, 2011).

Around 20% of workers are informal wage employees, lacking access to social insurance and labour regulations. Another 30% of workers are self-employed, but the majority of these are low-skilled self-employed individuals who are usually involved in low-productivity activities and have limited access to formal insurance arrangements (World Bank, 2012). These dynamics call into question the current structure of the social insurance system and labour regulations, which fail to cover the majority of the labour force and provide incentives to work outside the formal sector.

### 2.3 HIGH RATE OF LABOUR MIGRATION

Migration flows are characterised by high immigration levels of foreign labour (normally low-skilled) and the emigration of Lebanese labour (normally young and educated people). Thus, Lebanon is exporting skilled labour and importing unskilled labour.

Emigration is a key aspect of Lebanese history and its socio-economic situation. The reasons for emigration are linked to family, socio-political and economic factors. Data on the number of Lebanese emigrants and their characteristics is fragmented and unclear. There have been frequent attempts to assess the total number of people of Lebanese descent, though such estimates are often politically driven.

There is a generally positive attitude (among society, government, politicians) towards Lebanese labour emigration because of the large amount of inward remittances. The World Bank estimated the value of inward remittances at USD 7.4 billion in 2012, representing 17% of GDP (World Bank, 2013b).

At the same time, Lebanon hosts a relatively large number of temporary migrant workers coming mainly from Syria and Asia. In 2013, the Ministry of Labour issued 158 000 work permits to foreigners (Ministry of Labour, 2013). It also hosts large numbers of refugees and asylum seekers, especially Palestinians and Iraqis, who make up a significant proportion of the population residing in Lebanon. Palestinian refugees are predominantly long-term exiles (post-1948): in January 2012, 436 154 Palestinian refugees were registered with UNWRA in Lebanon. Jordan and Lebanon are the countries most affected by the arrival of forced refugees fleeing Syria.

The majority of immigrant workers are unskilled, working in low-productivity economic activities as house-maids, construction workers, car repair staff or fuel station attendants, for example. Only a small percentage works in the industrial and hospitality sector. However, the characteristics of the Syrian immigrant labour force have changed. Before the Syrian crisis, the Syrian migrant workers in Lebanon were poorly educated and unskilled, but with...
the influx of refugees, well-educated, skilled workers also began to enter the Lebanese labour market. They take jobs at all levels and in most economic activities.

Despite the increasing number of migrant workers in Lebanon, regulatory frameworks are inadequate. The rights and socio-economic status of migrant workers are generally curtailed and are contingent upon changing public policies. In general, migrant workers are not covered by social insurance and health insurance schemes and therefore represent low-cost labour for employers and unfair competition for Lebanese workers.

2.4 SKILLS GAPS AND SKILLS MISMATCH

The education sector in Lebanon suffers from high costs and a high school dropout rate. Moreover, the education system does not provide the necessary training and its curricula do not correspond to labour market requirements. The Lebanese education system is fragmented and dominated by the private sector at all levels – primary, secondary and tertiary – both in general education and in vocational and technical education (VTE) (see Table 2.2).

TABLE 2.2 NUMBER OF STUDENTS IN PRIVATE AND PUBLIC INSTITUTIONS

<table>
<thead>
<tr>
<th>Education level</th>
<th>Public</th>
<th>Private</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary</td>
<td>125 945</td>
<td>335 774</td>
</tr>
<tr>
<td>Secondary</td>
<td>154 939</td>
<td>228 287</td>
</tr>
<tr>
<td>Tertiary</td>
<td>74 134</td>
<td>100 163</td>
</tr>
</tbody>
</table>

Source: CAS, 2012

The jobs created in the economy in recent years have been concentrated in low-productivity sectors that employ mainly low-skilled workers. Meanwhile, the demand for skilled labour remains lower than supply. This has led to significant skills mismatch in the labour market. The United Nations Development Programme (UNDP) conducted a study on the role of the Lebanese parliament and parliamentary committees in improving employment opportunities for young people in Lebanon. It showed that the number of vacancies resulting from the discrepancy between the profiles of jobseekers and the requirements of vacant jobs is up to 15 000 and 30 000 in the industrial and tourism sectors respectively (UNDP, 2013).

According to a World Bank study, 41% of wage earners perform jobs that are not within the scope of their education and skills. It found that education in its current form is an obstacle to employment. The UNDP estimates that the technical jobs filled by migrant workers, which Lebanese workers could perform if they had the required skills, were performed by 4 to 5% of the total number of workers in the industrial and tourism sectors and 25% of workers in the construction sector (UNDP, 2013). Furthermore, 55% of firms consider that the skills and education of available workers are a serious constraint to their business. In particular, employers identify the lack of soft skills, including leadership, communication and writing skills, as a major gap in the preparation of graduate recruits (Angel-Urdinola et al., 2013).

The Lebanese labour market is facing increasing numbers of university degree holders who graduate each year in specialisations that do not match the needs of the economic activities (see Table 2.3). Because of the high cost of education, graduates expect and demand wages higher than those set by the market. Therefore a high numbers of skilled graduates migrate for job opportunities outside Lebanon. The majority of workers who remain – employees and self-employed people – have only secondary education or less; around 40% have no education or only primary education. Lebanese people in general and Lebanese young people in particular are not willing to compromise and to adapt to the reality of the labour market. This widens the gap between jobseekers and job opportunities. Moreover, Lebanese young people generally have a negative attitude towards work.

The liberal professions, such as law, medicine, engineering, pharmacy and dentistry, are the most attractive professions due to their social value and status. However, the number of people working in these professions exceeds labour market needs. Consequently, a large number of those working face low incomes, a continuous flow of large numbers of new graduates every year and a small number of retirements. The gravity of the problem faced by these professions imposes negative effects on economic growth, blocks reforms that seek to match the education system with labour market needs and increases Lebanese emigration. Addressing the problem of the increasingly large numbers of people working in these professions is key to adjusting the Lebanese labour market and changing attitudes towards economic activities and productivity.
For example, the Order of Physicians in Beirut notes that its membership totals 12,300 and that there is one physician for every 300 Lebanese citizens. This exceeds by four times the World Health Organisation’s rate, which specifies one physician to every 1,200 to 1,300 citizens. According to the Order of Engineers and Architects in Lebanon, the number of engineers totals 40,000; most of them work outside Lebanon. Each year, 2,000 new graduates join the labour market; they receive degrees from 23 colleges and universities in Lebanon.

### TABLE 2.3 NUMBER OF UNIVERSITY STUDENTS BY FIELD OF EDUCATION

<table>
<thead>
<tr>
<th>ISCED classification – major groups</th>
<th>Number of students</th>
</tr>
</thead>
<tbody>
<tr>
<td>General programmes</td>
<td>695</td>
</tr>
<tr>
<td>Education</td>
<td>3,710</td>
</tr>
<tr>
<td>Humanities &amp; arts</td>
<td>38,122</td>
</tr>
<tr>
<td>Social sciences, business &amp; law</td>
<td>70,406</td>
</tr>
<tr>
<td>Science</td>
<td>29,426</td>
</tr>
<tr>
<td>Engineering, manufacturing &amp; construction</td>
<td>19,882</td>
</tr>
<tr>
<td>Agriculture</td>
<td>1,175</td>
</tr>
<tr>
<td>Health &amp; welfare</td>
<td>14,645</td>
</tr>
<tr>
<td>Services</td>
<td>2,789</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>180,850</strong></td>
</tr>
</tbody>
</table>

*Source: CAS, 2012*

At the same time, medium-level technical expertise (e.g. skilled workers, technical assistants) is extremely scarce at all levels and in all occupations in the Lebanese labour market. The lack of organisation and the negative value attributed to these occupations are the major obstacles preventing Lebanese people from learning these professions and practising them. Meanwhile, the income levels of those performing these jobs are higher than for most of the jobs attributed to university degree holders.

The VTE currently has a low social value in society. Students and parents generally consider that VTE qualifications do not add value to their professional and personal development and do not aspire to VTE-related occupations. Vocational education is seen as a last resort for students who fail in general education and who, in most cases, are not even in a position to select a training path appropriate to their capacities and potential. Those enrolled are often seeking to continue their education in the general system.

There is little cooperation between education and business. Employers and their organisations are largely absent as key partners in VTE governance. Some initial training initiatives involving employers exist in the public sector. Examples are the development of the dual system led by GIZ and the EU-led agro-food training initiative where employers and the Directorate General of Vocational and Technical Education (DGVTE) work in partnership in the management of a school. The law also provides for the establishment of joint projects; the DGVTE is involved in a number of these. Although limited in number and scope, these initiatives have engaged with new approaches to industry-supported ways of identifying training needs, more innovative curricula and cooperation with employers. However, employer involvement is still limited and not institutionalised and trade unions are weak, mostly due to their limited capacity and aims in human resource development (ETF, 2015).
3. KEY ACTORS IN THE LABOUR MARKET

3.1 STATE ACTORS

MINISTRY OF LABOUR

The Ministry of Labour governs the labour market, regulates labour relations and enforces labour law. Understaffed, with a limited budget and low technical capacity, its activities are confined mainly to administrative work and limited labour inspections. The ministry represents Lebanon in the International Labour Organisation (ILO) and Arab Labour Organisation (ALO), and directs the tripartite social dialogue. It has authority over the National Employment Office and National Social Security Fund.

NATIONAL EMPLOYMENT OFFICE

Established in 1977, the National Employment Office (NEO) is a financially and administratively independent agency under the authority of the Minister of Labour, who chairs its board of directors. The board includes both employer and worker representatives, as well as representatives from the education sector and academia. The NEO was initially mandated to design and implement a comprehensive national employment strategy for Lebanon. Its responsibilities therefore include conducting research on labour trends and issues; providing employment services through its employment offices in Beirut and other Lebanese regions; and improving the organisation of the labour market and the quality of the labour force.

Despite this ambitious mandate, the NEO’s role remains quite constrained, partly as a result of its limited financial and institutional capacity. In practice, its role is limited to (i) running an electronic labour intermediation platform; (ii) conducting occasional studies and labour market needs assessments, for which a small budget is reserved (around USD 33 000); and (iii) subsidising some vocational training programmes implemented by non-governmental organisations (NGOs) (Angel-Urdinola et al., 2013).

The NEO has a stagnant annual budget of LBP 2 billion (USD 1.3 million) and only three offices (in Beirut, Tripoli and Sidon). These are seriously understaffed, with only 29 employees in 2014 even though the administrative structure requires 120.

MINISTRY OF EDUCATION AND HIGHER EDUCATION

The Ministry of Education was established in 1955. It subsequently merged with the Ministry of Vocational and Technical Education and since 2000 it also covers higher education. The Ministry of Education and Higher Education is entitled to set the education policy and govern public and private educational services. It is responsible for the licensing and accreditation of private vocational training providers. In reality, the ministry has limited authority over the private education sector, which is much more developed than the public education sector. The ministry’s annual budget amounts to 7% of the national budget; in 1974, it accounted for 20%.

The vocational and technical education and training system is administered by the DGVTE. It manages policy and administrative matters including school management; curriculum and qualifications development and implementation; employment decisions; oversight of private sector training and schools; the organisation of programmes; and most day-to-day management decisions in schools and centres. It is also responsible for state examinations and the inspectorate.

In 2010, the government approved a National Education Strategy Framework and a related Education Sector Development Plan (General Education) 2010–15. The plan includes the vision of the Ministry of Education and Higher Education and more detailed strategy, policy and development objectives. The VTE was not included in this wider strategy, but a strategic multi-annual action plan for VTE reform was developed and approved in 2011 with a view to reviewing and modernising the VTE system.
CENTRAL ADMINISTRATION OF STATISTICS

The Central Administration of Statistics (CAS) is a public administration office within the Presidency of the Council of Ministers. Its task is to collect, process, produce and disseminate social and economic statistics at national level and to provide all users with evidence-based information for decision making. It also supervises the statistics produced by other ministries and public bodies and harmonises statistics. It is understaffed, employing only 94 employees out of 256 posts envisaged by the administrative structure. In 2013, CAS budget was USD 3 million of which USD 1.5 million was allocated for research and studies. However, in 2013, CAS only received USD 250 000 of this amount.

3.2 OTHER ACTORS

ECONOMIC AND SOCIAL COUNCIL

The Economic and Social Council was established in 1995. Its general assembly represents different Lebanese stakeholders (employers, trade unions, liberal professions, NGOs) and does not include any representatives from the public sector. The main task of the council is to ensure the participation of economic sectors and vocational sectors in the formulation of the state’s economic and social policy and the development of cooperation and coordination among various sectors. However the Economic and Social Council does not fully play its role. The generally assembly’s mandate expired in 2002 and since then the government has not appointed a new general assembly. This has had a negative impact on the development of the country’s socio-economic policy.

TRADE UNIONS

General Confederation of Lebanese Workers

The General Confederation of Lebanese Workers (CGTL) is considered the most representative of the trade unions. Its 58 690 members represent 2.5% of the potential membership. This explains the CGTL’s weak position when it comes to negotiating workers’ demands. It has so far focused on members’ basic rights (wages and conditions).

Union Coordination Committee

The Union Coordination Committee represents workers in the public sector and leads workers’ activities concerning salary scale adjustment. It has become very effective in the last three years.

EMPLOYERS

Association of Lebanese Industrialists

The Association of Lebanese Industrialists (ALI) is the main national association of manufacturing companies operating in Lebanon. It deals with both economic and social issues concerning business, and advocates a policy of balanced industrial development for all Lebanese regions. The association seeks to create and maintain an environment that is favourable to industrial investment, job creation, growth and development. It participates actively in policy-making consultations on a very broad range of issues, including economic and social policy; labour legislation and industrial relations; social security and health care; taxation; policies for SMEs; education; research and technology; and the environment. It has a VTE committee that deals with policy formulation matters in this area.

Chambers of Commerce, Industry and Agriculture

The four Chambers of Commerce, Industry and Agriculture (CCIA) in Lebanon (Beirut and Mount Lebanon, North Lebanon, South Lebanon and Bekaa Valley) are independent legal entities working for the public benefit to promote the development of business enterprises. The majority of their members are classified as SMEs. The CCIA’s strategy aims at stimulating all sectors of economic activity and enabling them to contribute to the development of a strong and competitive national economy. They serve Lebanon’s economy and private enterprises through a diverse range of services and activities, including the provision of business information and training.
4. OVERVIEW OF EMPLOYMENT POLICIES

Lebanon has no specific employment strategy or action plan for employment. A number of factors hinder efforts to develop evidence-based policy on labour market and skills development, including a lack of updated data, analysis of the labour market, updated and performing labour market information systems.

4.1 LABOUR LAW

The existing labour law no longer responds to the aspirations of workers or employers and it has become an obstacle to employment and hiring. In 2012, a new draft law was submitted to the parliament by the Minister of Labour. Although this draft was negotiated with workers and employers’ organisations, both parties still have remarks and objections concerning certain points and issues. Employers maintain that labour regulations represent a barrier to hiring new workers. According to the World Bank’s Miles project, 95% of the firms interviewed said they would hire more workers if the current regulations did not exist (ETF, 2015). In order for the new law to foster a more dynamic labour market, it should be flexible in terms of hiring and firing procedures, provided it preserves the rights of workers in working hours, leave, health and safety.

4.2 WAGE POLICY

The minimum wage in the public and private sector is set by the government following consultation with employers and workers. It was last raised in 2012, leading to the resignation of the Minister of Labour.

In addition to the minimum wage, a salary scale also applies in the public sector. This is based on the position and rank of the respective employee. The salary scale has not been adapted for several years. In 2012, discussions about adjusting the scale began. However, the lack of transparency in the process led to confrontations between the government and the trade unions. There is a need to establish a salary adjustment system that is transparent (covering all employees and remuneration components); predictable (also for pension costs); and based on productivity and performance measures.

4.3 SOCIAL PROTECTION SYSTEM

The National Social Security Fund (NSSF) manages key elements of the social insurance system. It provides health insurance, an end-of-service indemnity and family allowances to formal workers in the private sector. Private sector workers not covered by the NSSF or the civil service (around 50% of the labour force, including informal wage earners and self-employed people) can, in principle, obtain health coverage from the Ministry of Public Health (World Bank, 2012). However, the coverage offered by the ministry is insufficient for the Lebanese population’s needs. Furthermore, no unemployment fund exists to support those who lose their job or do not find one in the first place.

Employers’ organisations consider the social contributions to be high, whereas trade unions consider them to be low. As a result, this ongoing dispute negatively affects recruitment and employment in the labour market.

The outdated regulation system, weak administration and the deficit in its three branches make the NSSF inefficient. The weak state of the social and health insurance system emphasises the inadequacy of the wages and is one of the factors motivating young people and skilled workers to emigrate and work in foreign countries.

4.4 LABOUR MARKET INFORMATION

Lebanon has no established labour market information system. No official labour market needs analyses have been carried out for several years; the last one dates back to 2004. In recent years, the ILO has supported the National Employment Office (NEO) in setting up a labour market information system. For example, in 2011,
the NEO conducted a study entitled *Employment needs assessment for the hospitality sector: hotels and restaurants in Lebanon*. With the help of the ILO, it surveyed more than 600 enterprises, hotels and restaurants employing over 13,000 workers across Lebanon. The sector was selected because of its pivotal role in economic growth and job creation in Lebanon. The ILO is also supporting the CAS in conducting a labour force survey that should be completed in 2015. Lebanon has not conducted a census for many years so the labour force survey will be based on household surveys.

The Chambers of Commerce, Industry and Agriculture also carry out specific sector surveys. However, the mechanism for transferring this information to the education and training system is extremely limited. There is no structured and consolidated mechanism for skills matching and anticipation. The limited dialogue with social partners and the business sector in particular remains a key problem in defining and implementing effective measures to address skills development and especially skills mismatch.

### 4.5 LABOUR INTERMEDIATION SERVICES

By law, the NEO is the only institution that is allowed to provide labour intermediation services. However, it does not have the human and technical capabilities to adequately perform this task. The employment services currently provided are mainly limited to registering jobseekers and available vacancies. Other services usually performed by public employment offices, such as career guidance and counselling, labour market studies or the organisation of job fairs, are not offered by the NEO (Angel-Urdinola et al., 2013).

Funded by the government of Canada through the Canadian International Development Agency (CIDA), the ILO project entitled *Support to public employment services in Lebanon: strengthening the capacity of the National Employment Authority* had a number of objectives: to increase the institutional capacity of the NEO to provide employment services; to better connect various municipalities, employers and jobseekers to a general network of employment-related information; and to promote self-employment opportunities for women and men. The NEO launched the Electronic Labour Exchange in 2012 with the assistance of the ILO. This is a free online job-matching service that provides a secure and easy way to search for work from any location that has Internet access.

Although private labour intermediation services are not officially allowed, some NGOs provide informal employment services. They do so mostly by tapping into their network of contacts to help their beneficiaries find jobs. However, labour market intermediation mechanisms, whether public or private, do not play a significant role in facilitating information exchange between employers and jobseekers, as Lebanese jobseekers rely more on their personal contacts or relations to find a job. Educational institutions help only 5% of young jobseekers to find employment; the figure for the NEO is 1%. Similarly, only 1% is employed through a private employment office. At the same time, 55% of young jobseekers resort to personal or family connections to find their first job, while another 3% are employed in their family business (Kasparian, 2009).

On the employer side, recruitment procedures vary between small, medium and large enterprises. The majority of small enterprises do not follow any particular recruitment procedures. They rely more on the salary levels they can afford to pay and the availability of workers. Medium-sized companies perform a limited search within their circle of contacts. Only large companies publicise their vacancies and follow a set of recruitment procedures.

### 4.6 TRAINING PROGRAMMES

To a large extent, training is the most widely used type of publicly provided active labour market programme in Lebanon. However, public provision is fragmented and poorly regulated: delivery schemes, training curricula and certification are not harmonised across the agencies providing training programmes. With regard to service delivery schemes, some public agencies act as direct service providers but others subcontract NGOs to provide the service. There are no common guidelines or approaches to the regulation of training provision by NGOs. Lebanon also lacks a nationwide vocational qualification framework that would set common criteria for training content and certification, thus providing employers with clear signals about the skill level and aptitudes of vocational training graduates (Angel-Urdinola et al., 2013).

The NEO is funding an accelerated vocational training programme for unemployed people and jobseekers. Until 2012, the annual budget allocated to this programme amounted to LBP 1 billion; recently it was reduced to LBP 400 million. The demand for training and the training itself come from private institutions and NGOs. According to the NEO, 800
to 1,000 trainees join the programme each year. The NEO does not have the budget to evaluate the programme and its impact on the labour market. It also subsidises vocational training for people with disabilities. The implementation mechanisms for this training are similar to those of the accelerated vocational training programme.

The Ministry of Social Affairs provides short vocational training programmes in at least 58 of its social development centres. The DGVTE’s work plan also includes the provision of continuous vocational training courses in 23 different subjects, taught at public vocational schools. In recent years, however, the DGVTE has focused on initial vocational education within the formal education track. It has been unable to provide the continuous vocational training courses because of budget constraints.

The quality and content of publicly provided training programmes pose a concern in terms of their potential impact on the labour outcomes of participants. Most publicly provided training programmes are supply-driven and tend to be disconnected from private sector demands. As a result, curricula are generally considered to be outdated, raising concerns about the relevance of the skills provided through training. In addition, courses consist mainly of in-class training and are rarely linked to on-the-job training or internships. Targeting of training programmes is either non-existent or weak. Programme monitoring is basic and unsystematic and programme impact evaluations are virtually non-existent (Angel-Urdinola et al., 2013).

The various private institutions and NGOs also provide overlapping courses of different durations. However, their value in the labour market is unknown. The government does not monitor the quality of these programmes, as regulation is limited to licensing at the time of establishment and certification of curricula.

4.7 SUPPORT FOR ENTREPRENEURSHIP

Providing support for SMEs is an important focus of the government, which seeks to address a major challenge for the Lebanese economy – creating high-quality jobs for the country’s youth. Accordingly, the government has facilitated the establishment of a number of institutes and organisations that offer financial assistance, incubation, technical support and training services.

One example is the Integrated SME Support Programme (ISSP), which was launched in 2004 with EU assistance and funding. The Ministry of Economy and Trade and the Ministry of Finance are jointly responsible for administering the programme, whose aim is to formulate policies conducive to the growth of SMEs. The programme supports access to non-financial services through three business development centres (Berytech, BIAT, and SouthBIC) established across Lebanon. The centres provide a range of services to start-ups, existing SMEs and entrepreneurs. These services include business skills training, technical advice and assistance on finance, accounting, marketing, sales, exporting, mentoring and networking opportunities, incubation opportunities and company hosting (Angel-Urdinola et al., 2013).

Kafalat, a public financial company, provides loan guarantees. Its aim is to assist SMEs to access commercial bank funding. Kafalat helps SMEs by providing loan guarantees based on business plans and/or feasibility studies that show the viability of the proposed business activity. It targets SMEs and innovative start-ups in five economic sectors: industry, agriculture, tourism, traditional crafts and high technology. Loans guaranteed by Kafalat benefit from an interest rate subsidy. This is intended to mitigate the crowding out effect of the high interest rates in Lebanon caused by public sector borrowing. Interest rate subsidies are financed by the Lebanese treasury and administered by the Central Bank of Lebanon.

According to Kafalat’s latest report, 356 portfolios were accepted during the first five months of 2014. These portfolios are estimated to generate job opportunities at a ratio of two to three per project. The geographical distribution of these projects shows that they are mainly in the governorate of Mount Lebanon (42.42%). The governorates with higher rates of unemployment and poverty (South, North, Nabatiyeh, Bekaa and Aakar) have the lowest number of portfolios (Assafir, 2014).

In February 2013, the World Bank granted a USD 30 million loan to the government to support innovation in SMEs through a Public/Private Equity Fund, which will provide grants and equity investments to SMEs, manage programmes and provide training facilities to the business community. The project aims to encourage the supply of early-stage investment finance for innovative, new and existing financially viable companies.
4.8 YOUTH EMPLOYMENT POLICIES

Youth employment is the most challenging issue for the Lebanese government. It faces intense social pressure to find solutions for unemployed and emigrant young people. The National Youth Policy Document provides the government’s policy for national youth development. This comprehensive document includes a vision of all the actions that the state intends to take in order to improve the living conditions of young people, ensure their access to welfare and other services and create an enabling environment so they can access decision-making positions in the public sector.

The National Youth Policy Document defines young people as those aged between 15 and 29, representing 27% of the total population. Young people, especially new entrants to the labour market, face a long period of unemployment. They must contend with a number of obstacles when looking for a job, notably low skills and a lack of the necessary expertise. To stimulate the private sector to employ these first-time jobseekers, the Ministry of Labour issued decree No 8691. This provides incentives for employers who recruit first-time jobseekers, covering the social security contributions and providing some tax reductions. However, the decree was not implemented.

Instead, the Ministry of Labour launched the New Entrants to Work (NEW) programme in 2012. Its aim is to improve the employment prospects of first-time jobseekers. The NEW programme is expected to have a budget of USD 2.2 million. This will be managed by the NEO under the supervision of the Ministry of Labour with technical and financial assistance from the World Bank. The NEW programme will offer unemployed, first-time jobseekers life skills training, counselling and placement services, together with 12 months on-the-job training in a private firm. Coaching and job-search techniques will help participants improve their soft and life skills. Employers who employ first-time jobseekers will be reimbursed fully for the 12 months of social security contributions that they would have paid to the NSSF. The combination of financial incentives for employers, targeted training for workers (especially in life skills) and intermediation (placement in jobs) is expected to have a positive impact on the employability of first-time jobseekers. At the time this report was drafted the project was not yet implemented and is facing delays.

When developing its youth policy, the Lebanese parliament asked the UNDP to conduct a study on the parliament’s role in job creation for young people. Based on the findings of the study, the parliament adopted a number of recommendations. These include:

- establishing an economic strategy that favours the productive sectors and the development of an employment strategy;
- reforming the NSSF;
- adopting a new law that enhances the role of the NEO as a regulatory body governing the labour market;
- implementing decree No 8691 regarding first-time jobseekers, including making the necessary amendments to the labour law and the laws regulating the NSSF and taxes;
- reforming the education system to increase the role of the VTE and stop granting licenses for new universities;
- giving more incentives to employers to encourage them to provide more training to their new employees;
- organising all professions, especially those requiring medium-level technical expertise, into a bar system in order to protect them from illegal competition and to ensure that migrant workers are covered by the social security system.
5. CONCLUSIONS AND RECOMMENDATIONS

In general, the Lebanese labour market suffers from structural problems caused by the absence of four major components that regulate and enhance its activity: an economic policy that stimulates the productive sectors; a social protection policy that protects the Lebanese labour force; an education policy that matches economic activities; and an employment policy. To be effective, the employment policy requires concerted action in all four policy areas. Moreover, the correlation between these policy areas makes each one of them a crucial factor for the success of the others.

One of the major challenges facing the Lebanese economy is the creation of jobs for young people, namely graduates. The economy must make use of the skills, expertise and talents available in Lebanon in order to achieve high and sustainable growth rates, which in turn will improve productivity, reduce migration and reinforce coexistence and civil peace. To resolve some of the concerns related to high youth emigration, young people need to have viable alternatives to remain in the country. This means addressing root causes such as poverty. It also requires that young people are provided, through education and skills training, with the knowledge and confidence to become successful participants in the labour market. The most important recommendations arising from this report are listed below.

- Enacting a national employment strategy is of central importance for the country, as the passive policy of ignoring labour market and migration dynamics is threatening the Lebanese economy. A new labour law and wage policy mechanism must be drafted. This is a necessary step for a country aspiring to integrate more effectively in the globalising economy. Updating the labour law and modernising labour relations should be done with a view to benefiting workers while incurring the least cost for the labour market. Pension schemes and social security contributions also need to be reformed by providing some form of unemployment insurance, which will provide more generalised worker protection against the risk of unemployment.

- There is a need for renewed (and reformed) public intervention through carefully designed programmes. These can promote the creation of job opportunities for skilled workers within competitive clusters, which would ideally be set up through public-private partnerships. These clusters could focus on information technology, agro-food industries for high value-added crops and other sectors where Lebanon has a comparative advantage.

- Lebanon currently has no labour market information system in place. This lack of accurate, reliable and up-to-date data means that no hard evidence is available for labour market analysis or sound policy making for education and training systems. The Central Administration of Statistics, the Ministry of Labour and the National Employment Office (NEO) must work together to develop and implement measures to reduce the gap between skills supply and demand and to establish sustainable mechanisms to analyse labour market needs and consequently align education and training provision.

- The capacity of the Ministry of Labour and the NEO must be enhanced. These should aim to improve NEO capacity for labour market analysis and its core functions such as job search assistance, placement and intermediation services as a priority. This would need increased budget allocations and higher staffing levels.

- The NEO should develop and implement active labour market measures, particularly incentives to employers to hire first-time jobseekers by improving and implementing decree No 8691.

- Vocational and technical education (VTE) is an important area for reform in the country. Programmes that are in tune with labour market needs must be established and strengthened. The VTE has long been considered a pathway serving low-performing students from both basic and secondary education. The VTE attractiveness should be significantly increased to encourage more families and learners to opt for technical and vocational qualifications. This requires work in two areas. Firstly, the VTE quality needs to be improved by revising curricula. Training programmes need to be more responsive to labour market needs. They should be flexible, diversified and customised to address the divergent needs of different groups of young people. Second, tools need to be developed to classify qualifications and set up procedures for recognising skills and qualifications and evaluating non-formal learning.

- Greater emphasis should also be placed on more effective governance mechanisms for VTE systems, through active partnership with various decision makers and stakeholders, including workers’ and employers’ organisations. Collaboration between the representatives of employers and the public agencies and training providers can lead to better intelligence on labour market skills trends and needs, a more active role in developing and implementing strategies for skilling learners appropriately and a greater commitment by employers to provide various aspects of training.
# ACRONYMS

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>ALI</td>
<td>Association of Lebanese Industrialists</td>
</tr>
<tr>
<td>CAS</td>
<td>Central Administration of Statistics</td>
</tr>
<tr>
<td>CCIA</td>
<td>Chambers of Commerce, Industry and Agriculture</td>
</tr>
<tr>
<td>CGTL</td>
<td>Confédération générale des travailleurs libanais (General Confederation of Lebanese Workers)</td>
</tr>
<tr>
<td>CSB</td>
<td>Civil Service Board</td>
</tr>
<tr>
<td>DGVTE</td>
<td>Directorate General of Vocational and Technical Education</td>
</tr>
<tr>
<td>ETF</td>
<td>European Training Foundation</td>
</tr>
<tr>
<td>EU</td>
<td>European Union</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross domestic product</td>
</tr>
<tr>
<td>GIZ</td>
<td>Deutsche Gesellshaft für Internationale Zusammenarbeit</td>
</tr>
<tr>
<td>ILO</td>
<td>International Labour Organisation</td>
</tr>
<tr>
<td>ISCED</td>
<td>International Standard Classification of Education</td>
</tr>
<tr>
<td>LBP</td>
<td>Lebanese pound</td>
</tr>
<tr>
<td>NEO</td>
<td>National Employment Office</td>
</tr>
<tr>
<td>NEW</td>
<td>New Entrants to Work programme</td>
</tr>
<tr>
<td>NGO</td>
<td>Non-governmental organisation</td>
</tr>
<tr>
<td>NSSF</td>
<td>National Social Security Fund</td>
</tr>
<tr>
<td>SME</td>
<td>Small and medium-sized enterprise</td>
</tr>
<tr>
<td>UNDP</td>
<td>United Nations Development Programme</td>
</tr>
<tr>
<td>USD</td>
<td>United States dollar</td>
</tr>
<tr>
<td>VTE</td>
<td>Vocational and technical education</td>
</tr>
</tbody>
</table>
IN ENGLISH AND FRENCH


ETF (European Training Foundation), Torino process 2014: Lebanon, ETF, Turin, 2015.


MPC (Migration Policy Centre), Migration profile: Lebanon, 2013. Last accessed January 2015 at: www.migrationpolicycentre.eu/docs/migration_profiles/Lebanon.pdf


CONTACT US

Further information can be found on the ETF website: www.etf.europa.eu

For any additional information please contact:

European Training Foundation
Communication Department
Villa Gualino
Viale Settimio Severo 65
I – 10133 Torino

E info@etf.europa.eu
F +39 011 630 2200
T +39 011 630 2222