LEBANON: SKILLED WORKERS FOR A PRODUCTIVE ECONOMY?

Nabil Abdo
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Demographics of the Labour Market

Growing Lebanese Labour Force: 2.2% growth between 2004 and 2010

Half of the growth is explained by growing working age population and by an increase in the level of education among women

19 000 entrants to the labour force each year
DEMOGRAPHICS OF THE LABOUR MARKET

- LPR: 66.9% men, 21.1% among women, aggregate: 44%
- 77% of the Labour force are men; 23% are women
- 64% work in the service sector, 15% industry, 12% in construction, 9% in agriculture.
- 85.4% work in the private sector, 13.3% in the public sector and 1.3% in other sectors.
EDUCATION AND THE LABOUR MARKET

- Educated labour force: 58% have attained more than primary education, and 32% tertiary.
- Employed females have higher education (45% university degree) than employed males (18.3%)
- Unemployment rate is at 11%, found mostly amongst youth (34%) and educated (29%), and women (18%) compared to 9% for males.
- Fresh graduates take an average of 10 months to find a job, it can take up to one year for women.
LEBANON: LOW PRODUCTIVE ECONOMY

- High prevalence of informal work, around 50% (informal wage employees and own-account workers)
- Most job creation is in low productive sectors whereas high productive sectors are shedding jobs
- 35.4% of wage employees work in low services, whereas 14% work in high productive sectors.
- Workers with university degree are equally present in low service and high productive sectors (10%).
LEBANON: LOW PRODUCTIVE ECONOMY

- 32% of informal workers have a university degree.
- Amongst formal workers, the median earning of workers with university degree below the age of 35 is only 62% higher than the minimum wage. And it is only 15% higher than those with secondary education. The difference becomes considerable (42%) only after the age of 34.
- Median earning for a university degree graduate is 800$, whereas the poverty line is at 573$.
- Labour costs are very low in Lebanon (average 800 USD) almost double the minimum wage.
LITTLE SPACE FOR SKILLED WORKERS

- Scarcity of entry-level opportunities for young people in productive sectors
- Lack of decent employment opportunities
- Discouraging recruitment practices of employers
- Long university to work transition
- Low return of costly investment in education
- Mismatch between skills and the labour market needs.
- Mismatch between workers’ wage expectations and low market rates
EMIGRATION AND IMMIGRATION DYNAMICS

- 15 to 20 thousand Lebanese emigrate every year
- 27% of emigrants are in GCC, 46% are in USA, Australia and Canada
- 76% are between 15-34 and 46% are between 23-34 of age
- 85% of graduates in the field of electricity, gas and water supply emigrate, as well as 57% of graduates in the field of transportation and communication
- Almost 50% of emigrants have secondary education and more, 25% have attained tertiary education.
EMIGRATION AND IMMIGRATION DYNAMICS

- Almost 500 thousand Syrian workers
- Almost 200 thousand migrant domestic workers
- Almost 100 thousand Palestinian refugees in the labour force
- Non-Lebanese almost equate Lebanese workers
EMIGRATION AND IMMIGRATION DYNAMICS

- The vast majority of migrant workers are low-skilled and work in the informal economy.
- They do not compete with the Lebanese labour force due to the nature of their jobs, required skills and qualifications.
- This dynamics of inwards and outwards migration flows are the result of the informalization of the Lebanese economy.
THE VICIOUS CYCLE OF MIGRATION

- The prevailing economic model encourages these trends as it's based on the growth of low productive and rentier activities on the account of industrialization and high productive sectors.
- Remittances from emigrants are consumed by daily household consumption rather than direct investment. They amount to double the FDIs.
- Remittances fuel real estate and services (non-tradable goods) investments increasing the demand for unskilled migrant workers.
THE VIOLENT CYCLE OF MIGRATION

- This is coupled with low labour costs (low wages, lack of social protection, etc)
  - no incentive for technological advancements towards high productivity.
- Low return for education
- The economy does not generate jobs that match with the requirements of high-skilled workers.
- Workers do not have bargaining power due to restrictions on freedom of association
- Emigration is deflating unemployment in Lebanon, providing additional income for residents and feeding into profitable sectors → no incentive for policy reform.
WAYS FORWARD

- Encouraging high productive sectors through selective targeting, investment in innovation and research and tax incentives for infant industries (agro-food industries, information technology, etc.)
- Disincentives for rentier activities through high taxation
- Investment in energy, communication and green industries in general fuelling demand for available high-skilled workers and crowding in productive investments.
Ways Forward

- Encouraging linkages between the Government, enterprises on one hand and the universities on the other hand to establish research and development centers.
- Providing cheap domestic credit to encourage the creation of medium enterprises that would absorb skilled labour.
- Intervention for reforming the public sectors towards creating skilled public sector jobs.
- Advanced and coordinated vocational training and apprenticeship systems linked to high-productive activities.
WAYS FORWARD

- Access for low-skilled migrant workers to vocational training opportunities to develop their skills providing them with better chances at home
- Reforming the labour governance towards fostering wage-led growth by sustaining and boosting consumption.
  - Higher wages linked to productivity increase and inflation
  - Universal social protection
  - Unemployment allowance
  - Restoring equitable and inclusive social dialogue based on fundamental labour rights.