INFORMALITY IN LEBANON - DIAGNOSIS AND ANALYSIS

Rabih Fakhri
Independent Researcher, Lebanon
INTRODUCTION

The report defines informal labor as the labor resulting from "the economic activities of workers and economic units, which are not fully or sufficiently covered - by law or practice - by regulatory arrangements, including the activities, especially service provision, or producing, selling, owning, or using illegally protected goods, including the illicit production and trafficking of drugs, human trafficking, and money-laundering, as defined in the relevant international treaties." (International Labor Organization, Recommendation, 2010)

The report is composed of three parts. In addition to this introduction, we present first a detailed analysis of the political economy of the post-Taif period and its impact on the labor market in Lebanon. The second part presents the features of the labor market, and the roles of the informal sector and the public sector in the economy, and even in the public sector. It also examines the situation of workers and employees who are not permanent civil servants in the Lebanese public sector. The third part ends with concluding remarks, in which we present the role of civil society organizations in approaching informality in Lebanon and pushing towards reducing their impact on labor relations, and thus on people’s daily lives.

Govermental policies

The priorities of the emerging government focused on rebuilding the destroyed infrastructure and achieving economic growth; a series of economic and financial policies that contributed to the return of a boom were adopted (Trabolsi, 2016), and financial sectors and revenues were inflated, generating decent and regular jobs. The public debt service reached about ₮10 billion in 1994, and about ₮126 billion in 2005. In 2002, the public debt service consumed 9% of the total public revenues, while in 2004 it consumed about a percentage of the Gross Domestic Product (GDP), reaching a maximum of 10% in 2006, and dropped to 2.5% in 2019, while it decreased to 1.7% in 2016. The main objective of the borrowing policy was to finance reconstruction and provide the necessary liquidity to support the government’s discretionary monetary options. This policy involved the exchange rate and controlling inflation, with the resulting consequences on the overall productivity of the economy. As for government investment spending, it is significantly stimulating economy’s productivity and the creation of new jobs, it has declined significantly since 2000 and continued its downward trend to ₮2 billion in 2005, Below which the availability rate reached 1.7% of GDP, knowing that much of it was allocated as current expenditure to maintain and maintain the infrastructure built in the 1990s (ibid., P. 8).

In the end, the profits of the banking sector had ballooned; banks’ combined capital went from ₮13 billion in 1990 to about ₮3 billion in 2003. The sector generated huge profits. For example, the profits of the banks increased between 2005 and 2006 (Trabolsi, 2016, P58). This governmental financial strategy, supported directly by Banque du Liban, led to the so-called process of deregulation and privatization, and hence job creation. The ratio of loans to total deposits in Lebanon (1.7%) is one of the lowest in the world, while the deposits ratio reached about 327 of GDP (Bank Audri report on the banking sector, 2011). The volume of newcomers to this labor market was expected, enabling them and will maintain an important growth rate estimated by the World Bank report (2012) at approximately 19,000 new young workers annually. For example, only one year if estimations related to increasing women’s economic participation levels supported by high levels of education among them are added.

LEBANESE LABOR MARKET

The data available on the Lebanese labor market is largely unable to reflect the reality of job supply and demand, especially since most data are based on statistics issued by the Central Administration of Statistics in 2009. The challenge here is not only to improve the statistical part of the evidentiary value due to time factor, but also because the Lebanese labor market has undergone significant structural changes since 2000. From World Bank estimates that the proportion of migrants reached 11% of the total labor force in 2010. The same report states that the flow of Syrian refugees into Lebanon began in 2013 into the peak around 13.5% within no more than 5 years. (Le Borge E., Jacobs T, 2016, P33-35). Therefore, we are faced today with a composition of the labor market that is completely different from what we can find in different literatures and research methods. Thus, pending the completion of the labor force survey prepared by the Central Administration of Statistics in cooperation with the International Labor Organization, which is expected to be completed in 2019, we can only rely on the available data and analyze the employment patterns established by the political economy that governed and is still governing production relations during the past two decades in Lebanon.

WORKERS

Workers constitute about 45% of the total population (15 years and above), and the majority of them are men (67%) compared to 33% of women. If they were to be more than half unemployed, it turns out that the unemployment rate is the highest among women (about 11%), which is double the rate among men (6%) and even younger workers (targets). (ibid., P. 39-36). Figures show a large gender gap in terms of employment between men (67%) and women (25%), and this gap tends to the maximum among young workers (39-44 years).

INFOMAL LABOR RELATIONS

Lebanese informality grew at an annual rate of 10.86 between 2000 and 2007, a period which began with difficult economic conditions leading to Paris III Conference in 2001 in which the Government re-inspired the production capacity and labor market. This period was also witnessed the biggest political shock in Lebanon’s post-Taif history, i.e. the assassination of Prime Minister Rafik Hariri, the government’s inability to react to most political crises, but also the July 2006 war. In comparison with the countries in the region, informality has been growing at a faster pace than Egypt (9% of employees and % of self-employed). The latter category consists mainly of individuals providing sales and marketing services to insurance and telecommunications companies, most of them do not enjoy any protection or social benefits, especially as they are registered in the Ministry of Economy and Trade as independent entrepreneurs. Consequently, those employees are reclassified as service providers. Hence, work relations in Lebanon are dominated by formality and not by contractual relationships or even the informal category, which supports the opinion that informality is outside the scope of any sector, job, and even specific area.

Informality is largely concentrated among poor workers. For example, 8%-0.5 of the poorest individuals (the poorest 20% of the population) reside in informal sectors, which is double the rate among the 1%-13.5% of the wealthiest. They either maintain their vulnerable informal work or switch to another classification, to not incur the expenses of another worker who helps them to work. This conclusion is actually based on the fact that about 5%-5% of these employees employ 1 and 2 workers, whereas companies employing 3 workers account for 25%-37% (ibid., P. 45). By examining the ownership of these “companies” and their economic activities, and the way they are historically present in the Lebanese market and constitute a major player in labor supply. Below is the breakdown of these informal companies according to the nature of their employers. Starting with the Lebanese, more than half of these companies (567) were established by Lebanonis between 1983 and 2010, and still exist until 14/2015, while the percentage of companies established between 2011 and 2014 was about 29% (ibid., P. 47). It is worth noting the great acceleration in establishing these enterprises between 2011 and 2014, which indicates the emerging informal labor as the most prominent employer in economic crises. The situation is similar to the case of Syrian refugees living in Lebanon. The number of newcomers to Lebanon from Syria between 2011 and 2014 is about 166% of the total informal employees as of 2010. This supports our hypothesis that informality has increased dramatically over the last five years in Lebanon, and that informal activities are the reference classifications of workers, i.e. the number of their work before starting the study period.

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Formal employees</td>
<td>40.8%</td>
</tr>
<tr>
<td>Informal employees</td>
<td>59.2%</td>
</tr>
<tr>
<td>Self-employed</td>
<td>24%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
</tr>
</tbody>
</table>

Figure 4: Probability of shift across different labor relations (monthly classification follow-up between December 2007 and December 2009)

6 INFORMAL COMPANIES

Informal companies are relatively small in size; their business (including their profits) does not exceed 2,455 per month, i.e. these enterprises are considered small enterprises in Lebanon (Le Borge E. & Jacobs T, 2016, P45). This is explained by the operational size of these companies, which are actually small and informal enterprises. These enterprises are allowed to incur the expenses of another worker who helps them to work. This conclusion is actually based on the fact that about 56% of these companies employ 1 and 2 workers, whereas companies employing 3 workers account for 25%-37% (ibid., P. 45). By examining the ownership of these companies and their economic activities, and the way they are historically present in the Lebanese market and constitute a major player in labor supply. Below is the breakdown of these informal companies according to the nature of their employers. Starting with the Lebanese, more than half of these companies (567) were established by Lebanonis between 1983 and 2010, and still exist until 14/2015, while the percentage of companies established between 2011 and 2014 was about 29% (ibid., P. 47). It is worth noting the great acceleration in establishing these enterprises between 2011 and 2014, which indicates the emerging informal labor as the most prominent employer in economic crises. The situation is similar to the case of Syrian refugees living in Lebanon. The number of newcomers to Lebanon from Syria between 2011 and 2014 is about 166% of the total informal employees as of 2010. This supports our hypothesis that informality has increased dramatically over the last five years in Lebanon, and that informal activities are the reference classifications of workers, i.e. the number of their work before starting the study period.
represent the largest employers of refugees in Lebanon. The proportion of informal enterprises owned by Syrians and located near Syrian residential communities increased from 9% in 2010-2011 to 11% in 2012. In this context, it is important to note the fundamental role played by local and international NGOs, which provided great facilities for refugees in terms of helping them to establish their own work or access to financial facilities (small loans).

**INFORMALITY OF REFUGEES AND MIGRANT WORKERS**

**Syrian refugees**

We cannot talk about informality in Lebanon without addressing the labor relations of migrant workers and the Syrian refugees, knowing that we have excluded the Syrian labor from this analysis due to the lack of clear reliable data. However, it is certain that the vast majority of all semi- and unskilled Syrian refugees, are of course informal and have no social rights or guarantees. As mentioned earlier in this report, the World Bank (2015) estimates that the labor force in Lebanon has increased by about one-third in the last five years due to the influx of refugees from conflict areas in Syria. According to UNHCR, the total number of registered Syrian refugees is about 1 million refugees, composing 235,004 families. This number does not reflect the real figure, since the Lebanese State has stopped registering new refugees, around 115,000. The figure excludes some 27,000 contracted teachers in the various educational sectors (except for the contracted professors at the Lebanese University) and workers with informal contracts in the sense that these contracts are not fixed-term ones and do not grant them any social benefits or guarantees for end of service or continuity. They often do not benefit from coverage of work accidents. They are divided into the following categories: contractors, daily workers, workers on demand, and others. Their number has surpassed around 6,880.

Military personnel represent about 17% of the total labor force in the reported years and above, with an average income of US $ 20,498. The unemployment rate of refugees was less by 3% compared to their Lebanese counterparts. The average income of refugees (US $ 17,938) is around one-third in the last five years due to the influx of refugees from conflict areas in Syria. According to UNHCR, the total number of registered Syrian refugees is about 1 million refugees, composing 235,004 families. This number does not reflect the real figure, since the Lebanese State has stopped registering new refugees, around 115,000. The figure excludes some 27,000 contracted teachers in the various educational sectors (except for the contracted professors at the Lebanese University) and workers with informal contracts in the sense that these contracts are not fixed-term ones and do not grant them any social benefits or guarantees for end of service or continuity. They often do not benefit from coverage of work accidents. They are divided into the following categories: contractors, daily workers, workers on demand, and others. Their number has surpassed around 6,880.

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