



### C. Labor Situation

If human development means expanding people's choices by enabling them to exercise control over their lives, then enabling them to engage in productive work can be ranked among the main ingredients of human development. Labor is a major factor of production and a source of economic growth and personal gain and, hence, a principal element in combating poverty. Productive work and employment are central elements that define human identity and give meaning and dignity to people's lives.

An examination of the labor force situation raises a number of issues, of which the following are the most relevant from a human development perspective:

- The extent to which a country provides employment opportunities to its citizens;
- The extent to which a country exerts efforts to enhance the capabilities of its citizens to engage in productive work;
- The extent to which engaging in productive work enables people to cope with their living conditions;
- The extent to which the existing legislative and institutional framework provides scope for the labor force to protect its rights and participate in decisions affecting their lives.

At the outset, it is noted again that information - statistical and otherwise - on the labor situation is lacking. This includes information on the size of the labor force, participation rates and unemployment; and with respect to its demographic, economic, social and educational characteristics.

A national manpower and labor survey undertaken by the National Employment Office, in cooperation with UNDP and the International Labor Organization (ILO), is expected to be completed in the spring of 1997. This survey will provide up-to-date information on the subject. In the present report, data will be used from mainly three sources. The first is the labor force survey which was conducted in 1970 by the Directorate of Statistics, then attached to the Ministry of Planning. The second is a 1987 survey of the persons displaced as a result of the war, even though this survey was not directly concerned with the labor force. The third source concerns the population and housing survey of the Ministry of Social Affairs, the preliminary results of which were made available in October 1996, which included some information on the labor force. In addition, there are a number of topical studies and estimates by private institutions and researchers which have been resorted to.

#### 1. Employment and unemployment

*a. Size of the labor force.* The size of the resident Lebanese labor force increased from 572,000 thousands in 1970 to 923,000 in 1981 and 1.1 million in 1996. Two reasons may be offered to explain this growth: the increase in the number of those of working age, and the rise in rates of participation in economic activity to compensate for the deterioration in income of large segments of the Lebanese population.

*b. Participation rates.* As a result of faster growth in the labor force compared to the population, the rate of economic participation rose from 27 percent in 1970 to 30.1 in 1987, and was 31.6 percent of the total population in 1996.

Regarding participation in economic activity according to gender, the participation rate for males was 50 percent in 1987 compared to 43.8 percent in 1970; the corresponding rates for females were 9.5 percent and 10.2 percent. The participation rate of males reached 62.7 percent and that of females 15.8 percent in 1996.

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With respect to participation by age group, the information available for 1987 indicates a decline in the rate for the youth group (15-24 years) compared to 1970, which could be explained by the rise in school enrollment, including university education.

*c. Unemployment rates.* The 1970 inquiry showed that 8.1 percent of the labor force was unemployed. The rate of unemployment can be assumed to have remained unchanged during the first phase of the war (1975-1982) due to large - scale emigration, and the fact that economic performance was sustained at satisfactory levels by substantial remittances and transfers from abroad. The results of the 1987 survey - adequate to give an idea of the magnitude of unemployment during that period - place the unemployment rate at about 10.4 percent of the total labor force. The unemployment rate is estimated to have remained between 10 and 12 percent of the labor force during the period 1988-1990.

In the first three years of the 1990s, the unemployment rate is estimated to have risen from 12 to 14 percent. A slowdown in outward emigration and a rise in reverse emigration, fueled by the Gulf war, disturbances in some African countries and a massive return of young people from study abroad, contributed to the rising unemployment. ILO estimates put unemployment in 1995-1996 at the same level of 12 to 14 percent, which was confirmed by results from the 1996 population and housing survey. The rate of unemployment - narrowly defined to include those that previously held a job and were seeking work - is 7.3 percent but rises to 13.4 percent if the broader definition is adopted. Some of the factors contributing to unemployment in the early 1990s may have disappeared, but there are undoubtedly unrealized expectations with respect to employment creation in the productive sectors.

It should be borne in mind, however, that in Lebanon, as in other developing countries, overt unemployment is compounded by other forms of partial and disguised unemployment, as well by the prevalence of marginal occupations, under-employment and un-productive employment.

### 2. Labor force characteristics

*a. Gender.* In 1987, the labor force consisted of 83.8 percent males and 16.2 percent females. The share of females has probably risen since then as a result of the cessation of military operations and economic need. In addition, emigration affects the male population more than females. In 1996, the percentage of females in the total labor force was estimated to be around 21 percent.

*b. Education.* The standard of education of the labor force has improved considerably since 1970. At the lower end of the scale, there were sharp decreases in numbers, according to a trend which continued throughout the war period. At the upper end of the scale, increasing numbers of students had completed secondary and university education (see Table III-12).

It is worth noting that the improvement in the standard of education of the labor force is not necessarily reflected in improvements in productivity given the nature of the curricula and the weak link between education and the labor market in Lebanon.

Table III-12: Labor force classified by level of education, selected years  
(percent)

Year	Illiterate	Below elementary	Elementary	Intermediate	Secondary	University	Total
1970	29.4	35.3	15.2	9.5	6.3	4.3	100
1987	12.4	9.7	26.0	21.6	15.5	14.8	100
1996	9.3	12.0	25.6	19.8	18.1	15.2	100

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Source: Ministry of Social Affairs, The National Report to the World Summit for Social Development, March 1995; and the Population and Housing Survey.

c. *Sectoral and socio-professional affiliation* A comparison of the results of the 1970 survey with the 1987 estimates (Table III-13) shows that the share of all the major sectors in the labor force declined except services reflecting the expansion of marginal activities in this sector. The distribution has remained generally stable in the 1990s, with an improvement in the share of construction as a result of the ongoing reconstruction and infrastructure rehabilitation program.

Table III-13: Sectoral distribution of the labor force, selected years  
(percent)

Year	Agriculture	Industry	Construction	Services	Total
1970	19	18.8	6.5	55.7	100
1987	12	17.3	5.4	65.3	100
1996	7.7	19	10	63.3	100

Source: Ministry of Social Affairs, The National Report to the World Summit for Social Development, March 1995; and the Population and Housing Survey.

Table III-14 below gives the distribution of the labor force by socio- professional group of the head of household in 1987. The Table reveals an important proportion of independent workers and craftsmen (27.5 percent) and a comparatively low number of employees and laborers, excluding armed forces (less than 30 percent). There is also a low labor force participation in agriculture, indicative of the declining relative importance of the sector.

Table III-14: Distribution of the labor force by socio-professional group of household head, 1987 (percent)

Socio-professional group	Percent
Ownership of agricultural holdings	5.6
Employers, professionals and higher cadres	6.2
Middle cadres	6.6
Independent workers (in commerce and services)	14.1
Craftsmen	13.4
Employees	7.6
Laborers	16.7
Services employees	5.1
Armed forces	5.3
Other occupations and unemployed	19.4
Total	100

Source: Kasparian, R. et Beaudoin, A., La population déplacée au Liban 1975-1987, Université St. Joseph (Beyrouth) - Université Laval - Quebec (Canada), February 1992.

d. *Geographical distribution.* The war, forced displacement of the population, and the relocation of establishments contributed to change the geographic distribution of the labor force in favor of the regions as shown in Table III-15. There is no reason to believe that this pattern has changed significantly since 1987, as new activities continued to locate outside administrative Beirut.

Table III-15: Geographic distribution of the labor force

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(Percent)

	Beirut	Mount Lebanon	North Lebanon	South Lebanon	Bekaa	Total
1970	27.8	38.3	13.7	11.5	8.7	100
1987	17	42	16	13.7	11.3	100

Source: Ministry of Social Affairs, The National Report to the World Summit for Social Development, March 1995; and the Population and Housing Survey.

### 3. Major labor force issues

The pattern of economic growth in the period preceding the war was characterized by its weak capacity for absorbing labor, on the one hand, and the divergence between the educational system and the requirements of the economy, on the other. The war contributed to accentuate this divergence, in addition to lowering productivity and causing the standard of living of the majority of the labor force to deteriorate.

*a. Unemployment.* The problem of unemployment has many facets. There is first the quantitative aspect (unemployment rates); second, there is the qualitative aspect which relates to the characteristics of the unemployed; in addition to the various manifestations of unemployment (overt unemployment, disguised unemployment, partial unemployment, etc.)

Overt unemployment is currently estimated to be between 12 and 14 percent of the total labor force. Young people who are seeking employment for the first time are the category most affected. Each year between 35,000 and 40,000 people enter the labor force market for the first time. Of these a significant number are university graduates, many of which are educated in disciplines for which there are limited outlets.

The other forms of unemployment include what is referred to as disguised unemployment, partial unemployment, temporary employment and marginal occupations. For example, the number of workers in the services sector is a present approximately two and half times that of the pre - war figures, while output in the sector (in constant prices) is not much different.

The same problem is found in the public sector, with low productivity and redundant employment. It is also possible to speak of unemployment in connection with professions such as engineering, medicine, pharmacy and law practice, whose ranks have been swollen by the influx of new entrants into these professions.

*b. Technical education and vocational training* It has been observed that unemployment rates were rising while productivity was falling. One of the reasons for this disparity is that improvements in education have remained confined to the quantitative aspect, while quality in general deteriorated. The main explanation, however, lies in the predominantly theoretical nature of education, which does not give sufficient importance to technical and vocational education and training.

During the war years, and up to the beginning of the 1990s, the ratio of students enrolled in technical and vocational schools and centers to the total number of students enrolled at the intermediate and secondary levels varied between 8 and 11 percent. This is a low ratio compared to other countries and Lebanon's need, especially during the reconstruction phase. The sector is dominated by private schools and characterized by the failure of existing types of specialization in public schools to match the needs of the labor market. There is also absence of programmes to rehabilitate workers and technicians currently employed to fill the gaps in their

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skills. To overcome these shortcomings, the Government established in 1993 a specialized ministry and has initiated an ambitious programme for development of the sector, involving building of new vocational and technical education schools, and upgrading and developing the institutional capacity (planned allocations amount to US\$ 250 million during the plan period). Furthermore, a comprehensive study is underway on the needs of the labor market and ways to reflect these needs in the education system.

According to a study, which was undertaken towards the end of 1987, there were 138 vocational training centers in Lebanon. Not all of these centers, however, were functioning; and more than half of them were located in Beirut and surrounding areas. Most of these centers (about 80 percent) provided training for adults in low-skill occupations. Also, most of the centers were established by charitable institutions and organizations with a humanitarian orientation that was not necessarily linked to specific labor market needs.

The existing training institutions are poorly equipped and staffed. The training offered is of the traditional type, addressed mainly to females who constitute 75 percent of those enrolled (sewing courses, flower arrangement and hair dressing).

Another field study, which was carried out at the beginning of 1993, revealed that the majority of training institutions lacked the financial resources and incentives to offer training in fields requiring costly equipment and highly-skilled instructors. Also, institutions do not maintain permanent and regular links with employers, which would allow orienting their training in the directions needed, instead of focusing on training in skills that are not in line with current and future market needs. In addition, training at the work place, or through workshops coordinated with companies and firms, is either weak or absent.

*c. Living conditions* It is estimated that no less than 65 percent of the Lebanese labor force is dependent on wages and salaries, or similar forms of compensation, for their livelihood. Over the last decade, the real value, or purchasing power, of wages and salaries deteriorated sharply. In constant prices, the minimum wage in 1992 was only 30 percent of its 1974 value. Social benefits and allowances (family and health) were similarly hit by inflation. This situation has been aggravated by the fact that a large segment of the labor force is not covered by any form of insurance which, in any case, does not provide unemployment benefits.

*d. The labor law and trade unions.* The labor law in force dates back to the 1940s, except for some amendments that labor negotiated regarding separation from employment. The law has not kept up with developments, in particular with the provisions of international and Arab labor conventions, and especially those on safety and health. The inspection apparatus at the Ministry of Labor, which was ineffective during the war, has recently begun to report violations to the law on a wide scale.

Employers associations (commerce, bankers, industrialists, etc.) and professional syndicates (engineers, doctors, lawyers, etc.) enjoy a high degree of representation and participation in decisions and matters of concern to them. In contrast, other segments of the labor force are either not organized (such as public sector employees and agricultural workers), or the representation of their constituencies is weak.

Strengthening the role of trade unions requires a conducive environment and the opening up of permanent channels for dialogue with employers and the government to avoid conflict and confrontation.

#### 4. Prospects of sustainable human development at the labor force level

The experience of the last decade has shown that economic growth can coexist with high rates of unemployment, large disparities in income distribution, and other social problems and

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imbalances. From a human development perspective, the issue is not only one of growth in domestic output and productivity, but also one of growth that benefits people and enhances participation and empowerment.

Lebanon is a small country with limited natural resources; hence, the crucial role that human resources play at the economic level. The country's pre-war prosperity could not have been possible without the advantage it possessed in terms of manpower, relative to the situation in neighboring countries. This enabled it to play the role of intermediary between Arab countries and the advanced countries of the West. Now, more than ever before, the economic future of the country appears to depend on human development, given the challenges that the country is up against as a result of actual and potential transformations taking place at the global and regional levels.

In dealing with the problems of work and unemployment during the reconstruction phase, due attention must be given to the social dimension. Similar priority, as given to the goal of economic stability and to physical reconstruction, should be accorded to strengthening those productive economic sectors capable of generating employment opportunities (especially agriculture, industry and tourism), and improving the standard of living for wage earners and similar groups. By way of example, this requires:

*First:* Allocation of adequate resources and financing for the promotion and strengthening of industrial, agricultural and touristic projects, especially small and medium enterprises.

*Second:* Emphasis on the social dimension in the tax system by increasing reliance on direct taxes, especially that profits and yields (interest, commissions, real estate) have increased considerably at the expense of wages. Efforts are also needed to limit as much as possible increases in the price of basic social services (education, health, housing, transport, etc.) for those with limited income.

Recently, the government has been paying more attention to these issues, taking a number of measures that affect directly and indirectly the labor force. The steps taken include the launching of a labor force survey, reconsidering some of the social policies affecting the health sector and the social security system, and the elaboration of a plan to reform the education system, including vocational education and training. These measures, however, fall short of formulating an effective employment policy, including regulating the labor market in so far as foreign labor is concerned; enacting a wage policy in agreement with the parties involved in the production process; and reassessing the approach towards and relations with labor unions.

**DON'T STOP HERE .. THERE IS MORE TO READ IN CHAPTER THREE  
GO TO SECTION D:  
FOREIGN LABOR**