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Impact of COVID-19 on vulnerable workers and small-scale enterprises in Lebanon

Rapid assessment

Introduction

A rapid assessment exploring the impact of COVID-19 on vulnerable workers and small-scale enterprises in Lebanon was conducted by the International Labour Organization (ILO) and the Fafo Institute for Labour and Social Research, in collaboration with the United Nations Development Programme (UNDP), the International Rescue Committee (IRC), the Danish Refugee Council (DRC), Save the Children International, Mercy Corps, Oxfam and UNWomen.

It sheds light on some of the pressing issues and concerns that workers, particularly the most vulnerable, are facing today—in terms of employment, source of income, current economic conditions, and prospects for the immediate future. Additionally, the assessment addresses the effects of the pandemic on small-scale businesses, their coping and adaptation strategies and their business prospects, including the implications for workers.

The assessment is based on data collected through a telephone sample survey of individual people and small-scale enterprises randomly selected from existing databases maintained by humanitarian and development organisations involved in the report. It covers a sample of 1,987 Lebanese nationals and Syrians refugees (of whom 70 per cent are Syrian refugees and 48 per cent are women) and representatives of 363 small-scale enterprises.

Key Findings

Impact on vulnerable workers

High degree of informal employment among both Lebanese and Syrians before the pandemic, with slightly fewer women in informal employment

- ▶ Only 2 per cent of the Syrian respondents had social security, while 14 per cent of the Lebanese workers reported social security coverage through their employers.
- ▶ Almost two-thirds of the respondents did not have any health insurance coverage.
- ▶ 95 per cent of employed Syrian refugees lacked valid work permits.
- ▶ Half of all surveyed workers had seasonal, temporary and otherwise irregular employment.

The COVID-19 crisis resulted in permanent and temporary lay-offs from jobs with strong effects on informal workers

- ▶ The majority of the respondents (84 per cent) were permanently or temporarily laid-off from work due to the COVID-19 crisis, with almost twice the share of Syrians permanently laid-off than Lebanese.
- ▶ Only 11 per cent of the respondents reported that they had worked during the lockdown.
- ▶ 60 per cent of the Syrian refugees were permanently laid-off and 31 per cent were temporarily laid-off. The corresponding figures for the Lebanese were 39 per cent and 38 per cent, respectively.
- ▶ Higher lay-off rates were found among workers who lacked written contracts, as well as among independent and self-employed workers.
- ▶ Only 2 per cent of the workers were on paid leave during the lockdown. The percentage is higher among those who had written contracts.

Visible effects of lockdown measures include reductions and losses in wage income

- ▶ Income in March 2020 decreased by more than two-thirds for both Lebanese and Syrian respondents compared to their average monthly income in the previous 12 months.
- ▶ 94 per cent of employed respondents from both nationalities reported large wage reductions.
- ▶ Cuts in wage incomes were mainly due to lay-offs (43 per cent) and reduced working hours (52 per cent). The remaining 5 per cent of the respondents had their wage rates reduced by the employers.

Limited coping capacities of households against financial challenges

- ▶ Twenty-one per cent of the Lebanese respondents reported that their households had savings, compared to 6 per cent of Syrian refugee respondents.
- ▶ Out of the relatively few households (11 per cent) that have savings, three-quarters of the Syrian households and one-half of the Lebanese households reported that their savings would not last for more than a month.
- ▶ Only 12 per cent of all respondents (18 per cent of Syrians and 3 per cent of Lebanese) reported that their households received cash assistance.
- ▶ The households of 23 per cent of all respondents (29 per cent of Syrians and 17 per cent of Lebanese) received in-kind assistance.

Large discrepancies were reported on measures taken in workplaces to mitigate the risk of coronavirus infection

- ▶ Thirty-seven per cent of Syrian refugee respondents reported that no measures were introduced at their workplaces to mitigate the risk of infection, compared to 9 per cent of Lebanese respondents.
- ▶ While 80 per cent of Lebanese workers reported that disinfection measures were introduced in their workplaces, only 37 per cent of Syrians reported the same. Similar discrepancies between Lebanese and Syrians apply to other measures, including regular handwashing, the provision of protection equipment (face masks), enforced social distancing regulations, and reduced sizes of gatherings.

During the lockdown, household duties were affected with differentiated effects for women and men

- ▶ Around 70 per cent of all respondents agreed with the statement that their “household duties had increased during lockdown.”
- ▶ 81 per cent of Lebanese women and 64 per cent of Lebanese men reported increased domestic duties, compared to 73 per cent of Syrian women and 64 per cent of Syrian men.
- ▶ Considering that a larger share of women were still working as usual compared to men, the additional workload caused by the pandemic on women compared to men is even heavier than reflected by the increase in household duties alone.

Majority satisfaction with the government’s COVID-19 response measures while concern for health and economic situation remains

- ▶ Overall, 54 per cent of respondents reported satisfaction with the measures taken by the Government of Lebanon to mitigate the impact of the COVID-19 crisis.
- ▶ The majority of the surveyed respondents (56 per cent) pointed to cash support to families who have lost their sources of income as a crucial measure to cushion the adverse impact of the crisis, while about 29 per cent mentioned in-kind food assistance as an important measure.

Impact on small-scale enterprises

Enterprise sample characterised by women-owned and young enterprises

- ▶ Women tend to own smaller enterprises compared to men. Three-quarters of the home-based businesses were owned by women, while all surveyed medium-sized enterprises were owned by men.
- ▶ Women mainly owned younger enterprises than men. Almost half of the enterprises less than one-year-old, were owned by women. Meanwhile, 95 per cent of all enterprises older than 10 years, were owned by men.

Indications of high informal employment in registered enterprises

- ▶ 58 per cent of the surveyed enterprises were legally registered (46 per cent of home-based businesses and all medium-sized enterprises).
- ▶ Only a minority of the enterprises in the sample provided Social Security (31 per cent) or health insurance (23 per cent) to their employees. While a few of the smallest enterprises in the sample offered such benefits, 93 per cent of the largest enterprises covered Social Security for their employees, and 63 per cent provided health insurance.
- ▶ Only 14 per cent of all enterprises (but 30 per cent of all medium-sized enterprises) operated with written contracts for their employees.

Economic crisis in Lebanon was adversely affecting enterprises before the onset of the COVID-19 crisis

- ▶ Prior to the lockdown, only one-third of the enterprises in the sample reported they were profitable, reflecting the realities of the economic crisis that was already affecting the country at the time.
- ▶ Forty per cent of the enterprises were breaking even, while 26 per cent of the enterprises were operating at a loss. This pattern was quite similar for all enterprises regardless of size.
- ▶ Forty-three per cent of all enterprises in the sample had some type of financial commitment prior to the lockdown: 20 per cent had bank loans; and 13 per cent had micro-finance loans. The load of financial commitments increased with the size of the enterprise.

The COVID-19 crisis has further worsened the economic crisis for enterprises

- ▶ About half of the enterprises in the sample (51 per cent) had stopped operations temporarily due to the COVID-19 pandemic and associated lockdown measures.
- ▶ As a consequence of the COVID-19 pandemic and lockdown, 40 per cent of the enterprises in the sample were operating with reduced working hours, a reduced number of workers (36 per cent), or other types of reductions (4 per cent), while only 9 per cent of the enterprises were operating as before the crisis.
- ▶ The main economic implications of the lockdown for small-scale enterprises is reduced sales and revenue loss.
- ▶ Lack of access to cash (40 per cent), increased production costs (28 per cent), and problems with importing materials needed for operations (19 per cent), were also cited as major negative implications of the lockdown.

Workers in small-scale enterprises experience lack of payments, lay-offs, and worsening working conditions

- ▶ Sixty-four per cent of the workers who were unable to go to work due to the lockdown did not receive any payment from their employers. Twenty per cent received a portion of their normal wage, while 16 per cent received full payment.
- ▶ In the 363 surveyed enterprises, 281 employees were permanently laid-off and 574 employees were temporarily laid-off due to the situation caused by the COVID-19 pandemic and lockdown. This means that one-third of the 2,579 workers employed by these enterprises prior to the lockdown have since been laid-off.

Limited awareness on support measures for businesses while enterprises pursue own strategies

- ▶ Only 18 per cent of all surveyed enterprises were aware of any support measures offered by the government or other actors. Out of those, the most common kinds of support were government subsidies, tax relief, delayed loan payments or reduced interest rates. However, only 5 per cent of the enterprises received any such support.
- ▶ To tackle the current circumstances, the surveyed enterprises had considered a variety of measures to continue operating. The most widely considered course of action was developing new business models for production and sales (35 per cent). Other measures included introducing e-commerce, introducing new products, increasing prices, and negotiating delays of payments to banks and creditors.
- ▶ The most preferred types of support that the enterprises would like to receive are direct financial support and wage subsidies (mentioned by 63 per cent in total).

Grim prospect for viability of small businesses if the present situation continues to be compounded by the COVID-19 crisis

- ▶ If the current situation, compounded by the COVID-19 crisis lasts for more than three months, only 39 per cent of all surveyed enterprises believe they will still be in operation, and only 19 per cent of them expect to be able to keep paying wages to their employees.
- ▶ Reduced sales, restrictions on foreign currency and low liquidity are considered the most serious challenges facing enterprises in the coming months, if the current situation continues.
- ▶ In the months to come, political and social instability were cited as major challenges for the enterprises.

Key Recommendations

- ▶ Address the high-unemployment situation that is compounded by multiple crises through a provision of measures that are effective in the short-term, including decent job creation, in coordination between the international community and the Government of Lebanon.
- ▶ Ensure provision of health and social protection systems, which are critical in supporting workers and enterprises in times of crises.
- ▶ Provide swift, continuous and expedited government support to vulnerable enterprises, whether SMEs or businesses operating in the informal sector or in the most affected sectors.
- ▶ Ease procedures of work permits for Syrians in specified sectors.
- ▶ Address and formalise the informal economy and reduce informal employment through strong partnerships and social dialogue.
- ▶ Build strong partnerships for an efficient and effective response.



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