



International
Labour
Organization



Co-funded by
the European Union

► Diagnostic analysis of informality in agriculture, agri-food, and construction



September 2023



This work is licensed under the Creative Commons Attribution 4.0 International. To view a copy of this licence, please visit <https://creativecommons.org/licenses/by/4.0/>. The user is allowed to reuse, share (copy and redistribute), adapt (remix, transform and build upon the original work) as detailed in the licence. The user must clearly credit the ILO as the source of the material and indicate if changes were made to the original content. Use of the emblem, name and logo of the ILO is not permitted in connection with translations, adaptations or other derivative works.

Attribution – The user must indicate if changes were made and must cite the work as follows: Diagnostic analysis of informality in agriculture, agri-food, and construction, Geneva: International Labour Office, 2024. © ILO.

Translations – In case of a translation of this work, the following disclaimer must be added along with the attribution: *This is a translation of a copyrighted work of the International Labour Organization (ILO). This translation has not been prepared, reviewed or endorsed by the ILO and should not be considered an official ILO translation. The ILO disclaims all responsibility for its content and accuracy. Responsibility rests solely with the author(s) of the translation.*

Adaptations – In case of an adaptation of this work, the following disclaimer must be added along with the attribution: *This is an adaptation of a copyrighted work of the International Labour Organization (ILO). This adaptation has not been prepared, reviewed or endorsed by the ILO and should not be considered an official ILO adaptation. The ILO disclaims all responsibility for its content and accuracy. Responsibility rests solely with the author(s) of the adaptation.*

Third-party materials – This Creative Commons licence does not apply to non-ILO copyright materials included in this publication. If the material is attributed to a third party, the user of such material is solely responsible for clearing the rights with the rights holder and for any claims of infringement.

Any dispute arising under this licence that cannot be settled amicably shall be referred to arbitration in accordance with the Arbitration Rules of the United Nations Commission on International Trade Law (UNCITRAL). The parties shall be bound by any arbitration award rendered as a result of such arbitration as the final adjudication of such a dispute.

Queries on rights and licensing should be addressed to the ILO Publishing Unit (Rights and Licensing) at rights@ilo.org. Information on ILO publications and digital products can be found at: www.ilo.org/publns.

ISBN 9789220406984 (web PDF)

The designations employed in ILO publications and databases, which are in conformity with United Nations practice, and the presentation of material therein do not imply the expression of any opinion whatsoever on the part of the ILO concerning the legal status of any country, area or territory or of its authorities, or concerning the delimitation of its frontiers or boundaries.

The opinions and views expressed in this publication are those of the author(s) and do not necessarily reflect the opinions, views or policies of the ILO.

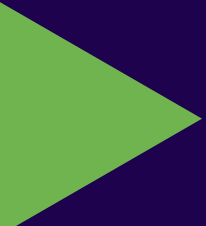
Reference to names of firms and commercial products and processes does not imply their endorsement by the ILO, and any failure to mention a particular firm, commercial product or process is not a sign of disapproval.

Printed in Lebanon.

TABLE OF CONTENTS

ACKNOWLEDGEMENTS	5
ABBREVIATIONS AND ACRONYMS	6
1. EXECUTIVE SUMMARY	7
1.1. Agriculture sector	9
1.2. Agri-food sector	10
1.3. Construction sector	10
2. INTRODUCTION	15
3. METHODOLOGY	17
4. PART ONE: REVIEW OF LEBANON'S LEGAL FRAMEWORK	18
4.1. Legal and regulatory framework for formal and decent jobs, and formalization	18
4.1.1. Existing labour legislation framework and how it limits or encourages the transition to formality	18
4.1.2. Social security system and labour protection system in Lebanon: overview and shortcomings	24
4.2. Overview of the economic environment, labour market dynamics and regulations for the formalization of economic units	28
4.3. Job market and skills gap	29
4.4. Obstacles to formalization	30
4.5. Conclusion of part one and recommendations	34
5. PART TWO: DIAGNOSTIC STUDY OF THREE ECONOMIC SECTORS	37
5.1. Agriculture sector	37
5.1.1. Economic context of the agriculture sector	38
5.1.2. Characteristics of workers in informal and formal employment: socio-demographic profile (nationality, age, gender, educational level, occupation) in the informal economy sector and beyond	40
5.1.3. Working conditions in agriculture (employment contracts, income security, working hours, etc.)	42
5.1.4. Drivers of informality in the agriculture sector	44
5.1.5. Skills gap in the agriculture sector	45
5.1.6. Perception of formalization	48
5.1.7. Past interventions to encourage formalization	49
5.1.8. Forms of organization in the agriculture sector	50
5.1.9. Conclusion	51

5.2.	Agri-food sector	53
5.2.1.	Economic context of the agri-food sector	54
5.2.2.	Characteristics of workers in informal and formal employment: socio-demographic profile (nationality, age, gender, education level, occupation) in the informal economy sector and beyond	56
5.2.3.	Working conditions in the agri-food sector (employment contracts, income security, working hours, etc.)	58
5.2.4.	Drivers of informality in the agri-food sector	59
5.2.5.	Skills gap in the agri-food sector	60
5.2.6.	Perceptions of formalization	62
5.2.7.	Past interventions to promote formalization	64
5.2.8.	Forms of organization in the agri-food sector	65
5.2.9.	Conclusion	66
5.3.	Construction sector	68
5.3.1.	Economic context of the construction sector	69
5.3.2.	Characteristics of workers in informal and formal employment: socio-demographic profile (nationality, age, gender, education level, occupation) in the informal economy sector and beyond	70
5.3.3.	Working conditions in the construction sector (employment contracts, income security, working hours, etc.)	71
5.3.4.	Drivers of informality in the construction sector	72
5.3.5.	Skills gap in the construction sector	73
5.3.6.	Perception of formalization	75
5.3.7.	Past interventions to promote formalization	75
5.3.8.	Forms of organization in the construction sector	75
5.3.9.	Conclusion	76
6.	CONCLUSION OF PART TWO AND RECOMMENDATIONS	78
7.	RECOMMENDATIONS	79
7.1.	General recommendations	79
7.1.1.	Remove legal barriers	79
7.1.2.	Facilitate the formalization of enterprises	80
7.1.3.	Incentivize formalization	81
7.1.4.	Improve skills training	82
7.1.5.	Strengthen institutional capabilities and cooperation	82
7.2.	Sector-specific recommendations	83
7.2.1.	Agriculture sector	83
7.2.2.	Agri-food sector	84
7.2.3.	Construction sector	85



ACKNOWLEDGEMENTS

This report is one of the main outputs of the International Labour Organization (ILO)'s "SOLIFEM" project, co-funded by the European Union. SOLIFEM "Social Dialogue for Formalization and Employability in the Southern Neighbourhood".

ILO National Project Coordinator Mélissa Bader oversaw development and coordination of the report. It was developed by consultant Sami Nader under the technical supervision of Daniel Cork, Florence Bonnet and Mélissa Bader. Comments were received from Aya Jaafar, Badra Alawa, Caroline Oreilly, Jad Yassin, José Manuel Medina Checa, Julien Varlin, Kishore Kumar Singh, Lea Bou Khater, Luca Pellerano, Mustapha Said, Paolo Salvai, Shaza Ghaleb Jondi.

The team is grateful to Lebanon's Ministry of Labour, the Association of Lebanese Industrialists, the General Confederation of Lebanese Workers and the National Federation of Worker and Employee Trade Unions and their members who provided extensive additional information, particularly on the situation of workers, enterprises and government procedures and institutions.

Sincere thanks are extended to all who participated in the development of the report, and to all key informants who agreed to be interviewed for the report.

This publication was co-funded by the European Union. Its contents are the sole responsibility of the International Labour Organization and do not necessarily reflect the views of the European Union.

ABBREVIATIONS AND ACRONYMS

ALI	Association of Lebanese Industrialists
AUB	American University of Beirut
BT	Technical Baccalaureate
CAGR	Compound Annual Growth Rate
CAS	Central Administration of Statistics
CCIAT	Chamber of Commerce, Industry, and Agriculture of Tripoli
CGTL	General Confederation of Lebanese Workers
FAO	Food and Agriculture Organization of the United Nations
FENASOL	National Federation of Worker and Employee Trade Unions in Lebanon
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
IDAL	Investment Development Authority of Lebanon
ILO	International Labour Organization
ISO	International Organization for Standardization
ITS	Informal Tented Settlements
IMF	International Monetary Fund
LBP	Lebanese Pound
LFHLCS	Labour Force and Household Living Conditions Survey
LFPR	Labour Force Participation Rate
LIBNOR	Lebanese Standards Institution
MENA	Middle East and North Africa
MoU	Memorandums of Understanding
MSME	Micro, small and medium-sized enterprises
NGO	Non-Governmental Organization
NSSF	National Social Security Fund
OECD	Organisation for Economic Co-operation and Development
SEZ	Special Economic Zone
SME	Small and medium-sized enterprise
TVET	Technical and Vocational Education and Training
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organization
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
US\$	United States dollar
VAT	Value added tax
WTO	World Trade Organization

1. EXECUTIVE SUMMARY

This diagnostic study is part of the International Labour Organization (ILO) SOLIFEM project, which seeks to support the transition from the informal to the formal economy through tripartite social dialogue in the countries of the Southern Neighbourhood, with a particular focus on Algeria, Egypt, Lebanon and the Occupied Palestinian Territory (OPT). This study seeks in particular to analyse the causes and characteristics of informality in three sectors of the Lebanese economy with high employment rates for youth, or with the potential to increase such rates. Informality is a serious impediment to attaining long-term economic growth and creating enough job opportunities. The expansion of the informal economy, which has been further propelled by the prolonged financial, economic and political difficulties Lebanon has faced since 2019, is an obstacle to workers' pursuit of decent, formal work opportunities.

In Lebanon, through a diagnostic study of informality, the project seeks to identify three key economic activities, with a particular emphasis on those with high employment rates for young men and women or the potential to increase such rates. The primary objective of this study is to provide input for the intervention programmes and activities planned under the SOLIFEM project. This diagnostic study will inform the design and implementation of a national formalization strategy after validation by the tripartite constituents.

The first part of the study provides an analytical overview of the drivers of informality in Lebanon. Three sectors were chosen as the focus of the study on the basis of their performance against selection criteria: (1) agriculture, (2) agri-food, and (3) construction. Consequently, this report concentrates on diagnosing the factors, characteristics, causes and circumstances of informality within these recommended activities. The study is based on desk research, interviews and focus group discussions with stakeholders from trade unions and from the private and public sectors.

► Part 1: Review of Lebanon's legal framework

Several laws govern various aspects of employment in the private sector and are designed to safeguard workers, who are considered economically weaker in the contractual relationship. Shortcomings and abuses in how these laws are applied undermine their purpose, however. For instance, the prevalence of verbal agreements—particularly in sectors with high levels of seasonal and part-time employment such as agriculture and construction—rather than written contracts means that workers have little to no protection because contracts are difficult to verify. Similarly, weekly working hours average more than the maximum of 48 laid down in article 31 of the Labour Law, especially with respect to male workers. Furthermore, annual and paid sick leave are disproportionately withheld from disadvantaged and low-income households among Lebanese, Palestinian and Syrian workers.

It is difficult to assess the impact the minimum wage has on informality as a result of the depreciation of the Lebanese pound and the limited resources of the Ministry of Labour, which hamper its ability to conduct consistent inspections. The social, economic, and legal vulnerability of the groups engaged in informal employment make the need for a minimum wage greater than ever, however. In particular, women in Lebanon are subject to discriminatory laws and regulations that may discourage them from participating in the economy: the law does not require employers or the Government to provide childcare assistance; there are no provisions for paternity or parental leave, flexible or part-time schedules or equal pay for work of equal value, among others.

Critically, article 7 of the Labour Law excludes certain categories of workers, including agricultural workers, domestic workers employed in private residences, members of nuclear families working for family-owned enterprises and casual or daily workers employed by municipal or governmental services. All are deprived of labour law protection, including the minimum wage, social protection, annual and sick leave and working hours. The fact that a sizable portion of the working population lacks access to sufficient employment is primarily due to the weak enforcement of existing laws, rights and regulations. One reason for the lack of enforcement is that some key organizations and procedures created by the legislative system have either not been activated successfully or have not been adequately equipped to carry out their duties.

Tackling the issue of social security is a key task that will ease the transition from informal to formal employment. The social security and labour protection systems in Lebanon are overburdened and underfunded. Lebanon's primary insurance mechanism, the National Social Security Fund (NSSF), does not include key social protection benefits such as unemployment insurance. It also relies heavily on subsidies from general tax revenue to cover the structural shortfall resulting from pension contributions that are insufficient relative to liabilities. It faces further challenges from the under-declaration of salaries, resulting in reduced attractiveness and benefits. Moreover, substantial sums are paid into the National Social Security Fund medical plan on behalf of non-Lebanese employees who do not receive any benefits from them, leaving a sizable portion of actively contributing employees unfairly uninsured for their health risks.

Education and training also play a key role in transitioning away from informality, as evidenced by a recent ILO survey that shows the link between informality and low-skills levels. Nonetheless, the follow-up ILO-Central Administration of Statistics (CAS) Labour Force Survey shows that even individuals with higher educational levels are struggling with unemployment. This demonstrates that the Lebanese economy is fundamentally unable to provide its labour force with high-productivity, high-skilled jobs. Moreover, enduring misconceptions regarding outdated and under-resourced technical and vocational education and training (TVET) programmes continue to deter the youth from enrolment, widening the skills gap. In addition, TVET institutions in Lebanon lack the authority and systems necessary to formally recognize skills learned outside formal training programmes and institutions. This lack of a recognition of prior learning (RPL) mechanism poses an additional challenge for informal economy workers.

Given the existing state of the National Social Security Fund, the lack of faith in government institutions and the ineffectiveness of law enforcement to curtail informality, formalization offers few benefits for most informal enterprises. Loss of time, increased fees, and taxes are some of the most important factors that influence enterprises deciding to continue to operate informally. Unfair competition from smuggling further deters formalization. Meanwhile, unions lack the resources and means for outreach efforts or assistance to workers transitioning to formal employment. Bipartite and tripartite dialogue therefore need to be promoted to ensure a smoother transition to formality for businesses, and equal protection and rights for all workers, regardless of gender, nationality or occupation.

► Part 2: Diagnostic study of three economic sectors

Informality in the agriculture sector	
Size of workforce	287,000–312,000 (4-5% of total workforce) (2022)
Informal employment (% of total)	85% (2021) of workforce
Informality in the agri-food sector	
Size of workforce	~21,000
Informal employment (% of total)	~80% of businesses
Informality in the construction sector	
Size of workforce	110,600 Lebanese, 350,000 Syrian (pre-2019)
Informal employment (% of total)	90.5% of workers

1.1. Agriculture sector

Agriculture, one of Lebanon's largest informal economic sectors, has long been hampered by long working hours, low productivity, low pay, low skills and unfavourable agricultural practices. The sector is an important source of income for rural areas (where up to 25 per cent of the workforce is employed in agriculture), bearing in mind that farmers often rely on outdated practices and basic principles, limiting their income potential. The fisheries sector employs an additional 6,500 workers and generates income for nearly 100,000 people. Farmers in Lebanon often have a very difficult time making ends meet due to high input costs and low output prices. Their traditional practices and the lack of proper training limits their production capacity and often puts them at a disadvantage.

Since a sizable portion of farming operations remain unregulated, agricultural employment has an informal status and is therefore excluded from the provisions of the Lebanese Labour Law. Furthermore, because there is no universal health coverage system, agricultural workers are ineligible for official public health coverage or retirement and pension programmes. Seasonal agricultural workers are often employed informally and are therefore more vulnerable to layoffs, wage reductions and reduced hours. The exclusion of farmers and foreign workers from the national social protection scheme worsens working conditions in the agriculture sector, disincentivizes formalization and reduces the attractiveness of this sector. Meanwhile, perceptions of formalization as entailing high costs with minimal profits deters businesses from making the transition to the formal economy.

The agriculture sector requires urgent formalization, which can be accomplished through the application of appropriate legislation. Farmers and other employees who are not covered by the present Social Security Law and Labour Law should have their legal rights protected and their social coverage expanded. It is essential to establish a legislative framework that recognizes "the farm" as a commercial entity and stipulates the minimum quantity of agricultural land necessary for its activities. It is also essential to change the present legal framework governing cooperatives to facilitate expansion of the cooperative sector and ensure that small agricultural units can obtain long-term economic benefits. Farmers need to diversify and modernize their production techniques; the curricula of educational and vocational institutions must also be supported to maintain relevance and reflect the demands of the labour market. Additionally, a skills recognition mechanism is needed to give employees access to formal job prospects. Resolving these issues will ensure that the agriculture sector is prepared to function within a formalized, well-regulated framework, resulting in increased production and overall growth.

1.2. Agri-food sector

In spite of financial and regulatory obstacles, the agri-food sector has witnessed modest development in terms of output and exports. Domestic demand for locally sourced goods has led to a rise in local consumption of agricultural products. To meet market demand, manufacturers have increased their output and introduced new product lines. Local entrepreneurial ecosystems such as Berytech, often in partnership with international development agencies, offer several programmes designed to provide financial, technical and professional assistance to agri-food start-ups. Nonetheless, the sector has been hampered by the disruption caused across the value chain since October 2019, and banks have no longer been able to meet the demand for traditional loans.

Because of the extremely low entry requirements and standards, informal employment in the agri-food sector is growing. Registration and licensing procedures are often lengthy and costly; the ubiquity of social media platforms as sales channels, and inadequate inspections by the public sector have contributed to the proliferation of unregistered businesses. Roughly 80 per cent of agriculture and agri-food small and medium-sized enterprises (SMEs) are estimated to be informal, which is a problem for the sector. The lack of quality control procedures may have serious ramifications for public health and damage Lebanon's reputation in foreign markets. Furthermore, informal firms create unfair competition and harm regular businesses. Workers in the sector, particularly at the production level, are frequently Syrian and face formalization challenges, either due to their inability to obtain a work permit, their need for multiple sources of income—which discourages them from seeking formal contracts—or unfair regulations that prevent them from receiving adequate benefits.

It is critical to equip adequately the government institutions responsible for inspections so that they can perform their duties. This would increase employer adherence to rules and discourage informality. Furthermore, to enhance the prospects of disadvantaged groups, the discriminatory rules affecting certain segments of the workforce must also be repealed. Facilitating the economic involvement of women and youth in the agri-food industry through legislative change, increased market access and capacity-building would also help to create employment opportunities, improve working conditions and reduce informality.

1.3. Construction sector

While the real estate market in Lebanon experienced a fall in demand as properties for sale came to be valued almost exclusively in “fresh dollars” (in cash or an offshore bank account), the sector nonetheless continues to play an essential role in the Lebanese economy. Informal employment is especially common in the construction sector, where an estimated 90.5 per cent of workers are informal. Informality and a lack of regulation have disastrous implications in this sector because employees are left without health insurance, leaving them exposed in the event of workplace injuries, while unregulated contractors and subcontractors who do not comply with guidelines endanger both property and individual safety.

Importantly, construction is one of the economic sectors in which limitations imposed by the Ministry of Labour do not apply and this enables Syrians to work lawfully in the sector. Due to the unpopularity of the sector among Lebanese, Syrians have therefore traditionally worked in construction, particularly at the subcontractor level. Conversely, the majority of professional positions (such as architects and engineers) are filled by Lebanese. It is important to note that the National Social Security Fund policy of reciprocal treatment means that social protection benefits are not available to most non-Lebanese construction workers, which acts as a disincentive to legal registration. Their precarious circumstances make Syrians more inclined to accept informal and insecure types of labour, such as casual and daily employment with an ad hoc contract.

Workers in the sector frequently lack proper educational qualifications, mirroring the situation in the agriculture and agri-food industries. Technical and vocational education and training need to be destigmatized through a multi-stakeholder collaborative effort—for instance, between the Ministry of Labour National Employment Office (NEO) and the private sector—and promoted as a viable career route for the long-term skilled workforce.

Trade unions and professional associations play a significant role in organizing the sector, ensuring that the best interests of employees are represented and that quality controls and standards are guaranteed. Similar organizational frameworks are not compulsory or are absent at the contractor and subcontractor levels, however. Membership of the Lebanese Contractors' Syndicate for Public Works and Buildings is optional, and consequently many operate independently at cheaper rates compared to the prices set by the syndicate. Subcontractors, meanwhile, have no organization, and lack incentives to formalize (no social protection).

Recommendations

General recommendations

Remove legal barriers

- Extend legal provision for protection of rights and social coverage to farmers, fishermen, the self-employed and other categories excluded from the current Labour Law and Social Security Law.
- Ensure that the Fundamental Principles and Rights at Work of workers in the informal economy are respected.
- Adopt a new pension law to amend end-of-service indemnities and replace them with a fully-fledged pension scheme.
- Roll out the social insurance for industrial accidents already envisaged under National Social Security Fund legislation.
- Remove the barriers preventing full participation of migrant workers in the National Social Security Fund, particularly since they are very active in these three economic sectors.
- Develop a new Investment framework for Lebanon that focuses on priority sectors. Lebanon requires a new investment plan focusing on industries such as agriculture, agri-food and construction that are competitive and create high-value-added jobs.
- Uphold the obligations of the ILO Forced Labour Convention, 1930 (No. 29), ratified by Lebanon in June 1977.
- Involve the Syndicate for National Social Security Fund workers in the discussion on informality.

Facilitate the formalization of enterprises

- Streamline registration, tax payment and inspection processes, customs declarations and the customs process, and review taxation laws for businesses in the three sectors.
- Modernize and digitize public procurement to boost competition, limit corruption, increase transparency, and incentivize greater participation of formal micro, small and medium-sized enterprises in public procurement.
- Enhance cooperation and enforcement capabilities between the inspectorates of different ministries, such as those on taxation, social security and labour, etc.

Incentivize formalization

- Raise awareness of the financial advantages of formalization among informal businesses and workers.
- Inform businesses and employees of their legal obligations and rights.
- Provide a range of incentives for formalization, including tax settlements, tax breaks, public procurement opportunities and credit lines, to promote the formalization of micro, small and medium-sized enterprises and their workers.
- Raise awareness among workers and facilitate negotiations with employers to encourage organization in trade unions.

Improve skills training

- Strengthen vocational training programmes to promote skills and qualifications relevant to market needs and recognition of occupations in the formal and informal economies.
- Develop recognition of prior learning systems that identify, document, assess and certify.
- Empower the National Employment Office to collect and disseminate accurate data reflecting the skills required in the market.

Strengthen institutional capabilities and cooperation

- Improve the ability of the Government to promote and uphold legal provisions and enforce legislation.
- Encourage bipartite and tripartite dialogue, especially between trade unions and business associations, to unify approaches to the issue of informality.

Sector-specific recommendations

Agriculture sector

Legal and business environment

1. Expand the scope of social insurance programmes to provide adequate coverage to farmers and fishermen. This will help sustain the workforce and lower worker turnover.
2. Implement supportive trade policies that remove customs tax on agricultural inputs in order to increase production and reduce costs, and adjust unfair trade agreements that put Lebanese produce at a disadvantage.
3. Improve direct access to markets to allow farmers to retain a higher proportion of the value added and improve the financial sustainability of their farms.

Incentivize formalization

4. Encourage practices such as contract farming between cooperatives and contractors as one mechanism to enable more farmers to gain a foothold in sustainable commercial farming practices, with the aim of increasing their profits, knowledge and management skills.
5. Raise awareness of innovative financing options, such as blended finance, offered by local micro finance institutions (MFIs) to encourage formalization.

Skills development

6. Provide skills development training and other forms of assistance to improve the productivity and competitiveness of Lebanese farmers.

Institutional capabilities

7. Improve the cooperative system and create digital and regulatory solutions. Reorganize cooperatives and distinguish those that are operational from those that are not in order to bring back transparency and efficiency.

Social dialogue

8. Promote tripartite social dialogue in the agriculture sector to address the issue of seasonal and precarious work, highlight the importance of the new registry for farmers and encourage farmers to register with the Ministry of Agriculture.
9. Engage in bipartite efforts to raise awareness among workers and facilitate negotiations with employers to encourage organization in trade unions.

Agri-food sector

Remove legal barriers

1. Provide National Social Security Fund coverage to seasonal workers to incentivize them to produce higher quality work and to guarantee their rights.
2. Streamline registration, tax payment and inspection processes, customs declarations and the customs process, and review taxation legislation for micro, small and medium-sized enterprises seeking to formalize. As a first step, update the information on costs and requirements on existing government websites to ease all processes. As a second step, establish a one-stop-shop to simplify and reduce formalization processes and costs.

Incentivize formalization

3. Provide a range of incentives, such as tax settlements, tax breaks, public procurement opportunities and credit lines, to promote the formalization of micro, small and medium-sized enterprises and their workers
4. Raise awareness of the financial advantages of formalization among informal businesses and workers. In view of the current state of the banking sector, international organizations and funds have been set up, particularly for agriculture and agri-food, to provide financial support to micro, small and medium-sized enterprises. Raising awareness of this could encourage many informal family-run businesses to formalize.

Skills development

5. Improve TVET training and programmes for all blue-collar jobs in agri-food.
6. Increase on-the-job training for students to improve employability.

Institutional capabilities

7. Introduce stricter inspection controls to guarantee formality, particularly in the agri-food sector, where low quality products can cause unfair competition in the market, damage the country's reputation, and, consequently, limit export markets for formal businesses.

8. Increase border and customs inspections to prevent smuggling and dumping and insure fair competition in the Lebanese market.

Social dialogue

9. Promote bipartite (employers and workers organizations) and tripartite initiatives, and collaboration with municipalities to collect accurate data on the number of informal agri-food businesses and highlight the importance of formalization for businesses, particularly in rural areas.

Construction sector

Remove legal barriers

1. Remove the barriers preventing full participation of migrant workers in the National Social Security Fund as they are very active in the sector.
2. Establish a subcontractors union to ensure quality of work, implement guidelines and support workers' rights, and require all contractors to belong to it.
3. Implement the social insurance for industrial injury already provided for under National Social Security Fund legislation.

Incentivize formalization

4. Raise awareness in rural areas of the importance of formalization and the protection it provides all those involved: owners, contractors and subcontractors.
5. Introduce restrictions on small-scale projects by setting a price margin that can be used at subcontractor level.
6. Provide tax incentives such as tax breaks to contractors that will incentivize them to register and insure their workers and subcontractors.
7. Raise awareness of public procurement opportunities to incentivize businesses, contractors and subcontractors to formalize. Public construction work is the largest segment of the market, providing decent job opportunities for formal workers. Raising awareness of such opportunities can be an incentive to formalization.

Skills development

8. Introduce a certification programme and technical and vocational education and training programmes for key blue-collar occupations in the sector, such as carpentry and slabbing.

Institutional capabilities

9. Promote bipartite (employers and workers organizations) and tripartite initiatives and collaboration with municipalities to collect accurate data on informal construction jobs and highlight the importance of formalization to businesses, particularly in rural areas.

Social dialogue

10. Engage in tripartite efforts to remove legal barriers and restrictions on worker participation in trade unions to facilitate the inclusion of informal workers, particularly migrants and refugees, in effective bipartite and tripartite social dialogue.
11. Promote a negotiated sectoral framework collective bargaining agreement (CBA).
12. Provide tax incentives such as tax breaks to contractors that will incentivize them to register and insure their workers and subcontractors.

2. INTRODUCTION

The purpose of this paper is to provide a diagnostic analysis of the drivers, characteristics and consequences of informality in selected economic sectors to inform the design and implementation of a national formalization strategy for approval by tripartite constituents. This study is part of the ILO SOLIFEM project, which supports the transition from the informal to the formal economy through *tripartite social dialogue* in the Middle East and North Africa (MENA) region. **This paper focuses on providing a general overview of informality in three economic sectors in Lebanon.** The sectors were identified following an assessment conducted on five pre-selected sectors that contribute significantly to the informal economy in Lebanon.¹ The assessment aimed to identify the three sectors that held (1) the highest potential for economic growth, (2) significant representation of women and youth, and (3) the presence of national strategies specific to each sector. It also took into consideration the technical and vocational education and training potential, investment and investment opportunities in each sector, and sectoral performance under current conditions. The sectors that obtained the highest scores were agriculture, agri-food, and construction.

The **informal economy** can be defined as economic activities by workers and economic units that are insufficiently covered or not covered at all by formal arrangements, either in law or in practice. This definition encompasses two distinct but complementary concepts: **informal employment**, that is to say, unregistered, unregulated and unprotected paid work, and unpaid work undertaken in an income-producing enterprise; and the **informal sector**, which refers to production units comprised of unincorporated enterprises owned by households, including informal own-account enterprises and enterprises of informal employers.² It is therefore imperative to distinguish between worker formalization and business formalization, since some formalized businesses might opt out of formalizing their workers due to a lack of perceived incentives, especially in view of factors such as high costs, seasonal fluctuations, and so on.

Informality is deeply ingrained in Lebanese culture. Workers in the informal economy face ongoing challenges in their quest for decent working and living conditions. Informality is a significant obstacle to achieving sustainable economic growth and providing adequate employment opportunities. Informal workers constantly face inadequate working conditions, which become more prevalent during times of crisis, since informal workers do not have access to social protection, which makes them particularly exposed to the adverse effects of social and economic upheaval. Recent crises have demonstrated that informal workers are disproportionately vulnerable to discriminatory practices, including pay cuts, increased working hours, and layoffs.³

1 The five sectors were: agriculture, agrifood, construction, daily wage workers in the public sector and fisheries. These subsectors were chosen by ILO tripartite constituents (Ministry of Labour, the General Confederation of Lebanese Workers (CGTL), the National Federation of Worker and Employee Trade Unions in Lebanon (FENASOL) and the Association of Lebanese Industries (ALI)) as part of the SOLIFEM project.

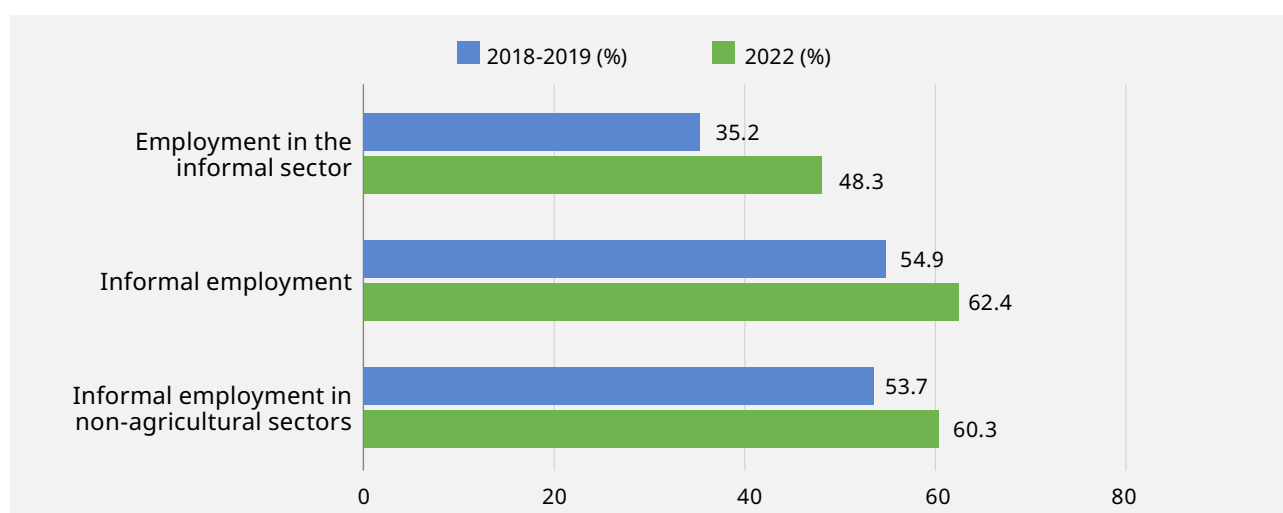
2 Distinguishing the concepts: the informal sector, informal employment and the informal economy | ILO; Resolution concerning statistics of employment in the informal sector, adopted by the Fifteenth International Conference of Labour Statisticians | ICLS, ILO (January 1993); *Guidelines concerning a statistical definition of informal employment* | ICLS, ILO (November 2003).

3 "Informality in Lebanon" Policy Brief, ILO 2021.

The problem of informality has received little attention at the policy and decision-making level and little effort has been devoted to tackling it. In fact, the policies implemented by the Lebanese Government have often been counterproductive in this respect. Informality in Lebanon has been considerably affected by the influx of Syrian refugees, the October 2019 uprising and the economic and financial collapse that followed, the Port of Beirut explosion and years of political deadlock. Indeed, long-standing conflicts and insufficient public spending have severely damaged the country's infrastructure, resulting in inadequate basic services such as electricity and water supply, sanitation, transport, waste management and telecommunications. The COVID-19 pandemic and the ensuing lockdowns further exacerbated the situation, causing 20 per cent of businesses to suspend or cease operations.⁴

The depreciation of the Lebanese pound and the diminished role of the National Social Security Fund as a result of the economic and monetary crisis have driven the economy to a higher degree of informality and intensified the emigration of skilled labour, which is likely to have adverse long-term consequences for the economy. Over the past four years, the country has experienced waves of private enterprise closures and workforce reductions, resulting in an overall increase of 18.2 percentage points in the unemployment rate. According to the Follow-up Labour Force Survey (LFS) conducted by the International Labour Organization and the Central Administration of Statistics,⁵ the unemployment rate rose from 11.4 per cent in 2018–2019 to 29.6 per cent in the first month of 2022. The same survey found that the percentage of informal workers exceeded 60 per cent of total employment in the country in 2022. As Lebanon faces one of the most severe economic crises in over a century,⁶ its informality of its economy has intensified. The Follow-up Labour Force Survey showed that employment in the informal sector had increased by 13.1 percentage points, from 35.2 per cent in 2018–2019 to 48.3 per cent in 2022. Similarly, informal employment had grown an additional 7.5 percentage points, from 54.9 per cent in 2018–2019 to 62.4 per cent in 2022. Informal employment in the non-agricultural sectors also rose, from 53.7 per cent in 2018–2019 to 60.3 per cent in 2022. The Follow-up Survey further revealed that the top three branches of economic activity with the highest percentage of informal employment were “Agriculture, Fishing and Forestry” (98.1 per cent), “Activities of Households as Employers”, i.e., domestic workers (91.5 per cent) and “Construction” (90.5 per cent).

Figure 1: Employment by informality of jobs and informal sectors, LFHLCs 2018-2019 and LFS 2022 comparison (%)

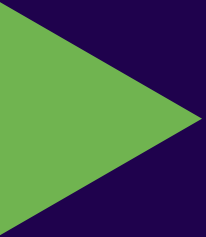


The recent series of crises has highlighted the need for robust social protection policies and programmes, including by extending social insurance coverage to workers who currently do not qualify to facilitate the formalization process, raising awareness of the importance of formalization, and enhancing collaboration between the public and private sectors.

⁴ World Bank Group, *Lebanon Economic Monitor Spring 2021: Lebanon Sinking (To the Top 3)*

⁵ Lebanon CAS ILO *Lebanon Follow-up Labour Force Survey* January 2022

⁶ World Bank Group, *Lebanon Economic Monitor Spring 2021: Lebanon Sinking (To the Top 3)*



3. METHODOLOGY

This study is based on extensive desk research of the available literature, and interviews and focus group discussions with members of the private sector, public sector, employers organizations and trade unions. For each of the three identified economic sectors, one focus group discussion and three key informant interviews were held. The focal group discussions took place in February 2023. These discussions and the key informant interviews served to fill in the information gaps in the literature and provide a more accurate and more complete understanding of the current situation regarding informality on the ground, particularly in the aftermath of the crises. The author gathered additional input and information from numerous meetings with ILO constituents.

4. PART ONE: REVIEW OF LEBANON'S LEGAL FRAMEWORK

4.1. Legal and regulatory framework for formal and decent jobs, and formalization

4.1.1. Existing labour legislation framework and how it limits or encourages the transition to formality

The Lebanese Labour Law (1946) and the Social Security Law (1963), together with their supplementary decrees, including Decree No. 7993 on Trade Unions (1952), Decree No. 1756 regulating the Employment of Foreign Persons (1964), and the Law on Collective Labour Contracts, Mediation, and Arbitration (1964), are of great importance for the regulation of employment in the Lebanese private sector. The primary objective of the Labour Law is to protect workers, who are almost always the economically disadvantaged party in the employment relationship. These laws are therefore crucial to maintaining public order and prohibit any contractual clause or restriction that would undermine the rights of employees guaranteed by law. Furthermore, article 43 of the 1946 Labour Law provides that workers shall benefit from the “provisions and regulations that are most beneficial to them if these provisions and regulations are amended”.⁷

The Lebanese Labour Law does not contain a specific definition of an employment contract but, according to the Law of Obligations and Contracts (General Civil Code of 1932), three essential conditions—work, wage, and legal “economic subordination”—must be fulfilled to classify a contractual relationship as employment (article 624). The last condition, “legal economic subordination”, is the key feature that distinguishes employment contracts from other types of contract, such as project or vendor contracts. This is because, under an employment contract, the employee operates under the supervision of the employer. For example, the employee is required to complete assigned tasks personally and is not permitted to delegate them to someone else. Consequently, consultants engaged in specific projects are exempt from application of the Labour Law since their agreements with the other party are considered project contracts, lacking the element of subordination represented by direct supervision by an employer over the completion of the work.⁸

Employment contracts

Article 12 of the Code of Labour states that an employment contract can be oral or written and, in either case, must adhere to the norms of ordinary law.⁹ Employment contracts may have an indefinite or fixed term. Written contracts are preferable because they allow for a clear delineation of the employee's rights, working conditions, leave entitlement and opportunities for career

7 LEADERS The Labour Sector in Lebanon: Legal Frameworks, Challenges, and Opportunities (2019)

8 LEADERS The Labour Sector in Lebanon: Legal Frameworks, Challenges, and Opportunities (2019)

9 Lebanese Code of Labour

advancement.¹⁰ Written contracts can also help resolve disputes between the parties. It is important to note that the absence of a written contract does not imply the absence of a contract. In case of disagreement, the existence of an oral contract must be established. There are two primary methods of establishing the existence of an oral contract: presenting evidence of consistent wage payments (such as wage slips or monthly bank transfers), and calling witnesses. However, payments are often made in cash, without documentation, making it difficult to establish the existence of an oral agreement. Workers are left with limited or no protection in such situations.¹¹ Oral contracts predominate in sectors such as agriculture and construction, which also tend to have high levels of seasonal and part-time employment. Employment contracts are not a legal requirement and can be full-time or part-time. Amending the Labour Law to require all contracts to be written would help to reduce informality.

There are no detailed national statistics on employment contracts. According to a study conducted by Oxfam in 2017 on working conditions in the Beqaa Valley in the construction, food services, and agro-industry sectors, only 17 per cent of respondents reported having a written contract, 32 per cent had an oral contract, while over 50 per cent had no contract at all.¹² Those without contracts were predominantly Syrian nationals, individuals with lower levels of education, and employees of small or micro businesses. Among Lebanese respondents, 30 per cent reported having a written contract, while only 4 per cent of Syrian respondents did. The data clearly indicates a correlation between vulnerability and informality. In a more recent study conducted by ILO, it was found that 46.5 per cent of employed workers from vulnerable households did not have a work contract, 27.5 per cent had a written contract, and 20.9 per cent had an oral agreement.¹³

Working hours

Under article 31 of the Labour Law, the maximum number of working hours per week is set at 48 hours. However, under article 32 this limit can be reduced by decision of the Minister of National Economy in “exacting and unwholesome jobs”, or increased in certain cases such as restaurants and cafés.¹⁴ Article 36 requires all workers to have uninterrupted rest periods of at least 36 hours per week. Under article 34 workers are entitled to a minimum of one hour of rest per day if their daily working hours exceed six for men and five for women. They should also have nine consecutive hours of rest within a 24-hour period, unless exceptional circumstances require otherwise, provided these conditions do not violate the aforementioned maximum limits. The number of hours worked is another essential factor in determining the quality of employment and can provide vital, time-related, information on underemployment and the amount of overtime.¹⁵ Studies have shown, however, that employees who work long hours and longer working days are no more likely to be informal than formal.¹⁶ In fact, workers who have very short working hours are more likely to be employed informally.¹⁷

10 LEADERS The Labour Sector in Lebanon: Legal Frameworks, Challenges, and Opportunities (2019)

11 LEADERS The Labour Sector in Lebanon: Legal Frameworks, Challenges, and Opportunities (2019)

12 LEADERS Dignity at Stake: Challenges to Accessing Decent Work in Lebanon (2019)

13 ILO, *Assessing Informality and Vulnerability among Disadvantaged Groups in Lebanon: A Survey of Lebanese, and Syrian and Palestinian Refugees* - ILO Technical Report June 2021

14 Lebanese Code of Labour.

15 ILO, *Assessing Informality and Vulnerability among Disadvantaged Groups in Lebanon*.

16 Colin C. Williams and Iona Alexandra Horodnic “Evaluating working conditions in the informal economy: Evidence from the 2015 Working Conditions Survey”, *International Sociology*, vol.34, issue 2, 2019

17 ILO, *Working time and the future of work*. 2018

Globally, more than 14 per cent of women in informal employment work less than 20 hours a week compared with 3.1 per cent of those in formal employment. This proportion exceeds 20 per cent in the Africa, Americas and Arab States regions. The most plausible explanation for this situation is women's burden of unpaid domestic and care work.¹⁸ According to the latest Follow-up Labour Force Survey, conducted in 2022, workers reported an average of 44.4 hours worked per week.¹⁹ The survey findings also indicated that men generally spend more time in the workplace than women, both in terms of actual and usual hours worked.²⁰ ²¹ While nearly half of all workers typically work between 40 and 49 hours per week, a higher percentage of women (7.7 per cent) than men (4.1 per cent) expressed a preference for working fewer than 30 hours. This preference is mainly driven by family and domestic responsibilities. Moreover, men were more likely than women to work more than 50 or 60 hours per week.

Paid leave and sick leave

Under article 39 of the Labour Law, employees who have worked at a given institution or company for at least a year are entitled to 15 days' annual leave.²² Article 40 of the Labour Law grants employees the right to sick leave in case of non-work-related diseases and accidents, and establishes a relationship between the number of sick days and the amount of compensation to be paid:

- Half a month with full pay and half a month with half pay for employees with between three months' and two years' service;
- One month with full pay and one month with half a month's pay for employees with between two and four years' service;
- One month and a half with full pay and one month and a half with half pay for employees with between four and six years' service;
- Two months with full pay and two months with half pay for employees with between six and ten years' service;
- Two months and a half with full pay and two months and a half with half pay for employees with more than ten years' service.²³

Under article 41, employees are entitled to sick leave based on a report from their treating physician or the company physician. The employer has the right to request confirmation of the report from another physician. Under article 38, employees are entitled to two days of paid compassionate leave in the event of the death of a parent, spouse, child, grandchild, or an ascendant relative.^{24 25}

18 ILO, *Working time and the future of work*. 2018

19 CAS and ILO. Lebanon Follow-up Labour Force Survey, January 2022

20 The Follow-up Labour Force Survey states that "hours actually worked includes time spent in a job (or work activity) in the performance of activities that contribute to the production of goods and services during the survey reference week. It includes: (a) direct hours spent carrying out the tasks and duties of the job (or work activity); (b) related hours spent maintaining, facilitating or enhancing productive activities; (c) downtime when the person cannot work due to machinery or process breakdown, but continues to be available for work; and (d) resting time of short periods for rest, relief or refreshment, according to established norms and national circumstances."

21 The Follow-up Labour Force Survey defines hours usually worked as "typical value of hours usually worked in a job (or work activity) per week, measured over a long observation period of a month, quarter, season or year".

22 Lebanese Code of Labour

23 Lebanese Code of Labour

24 LEADERS The Labour Sector in Lebanon: Legal Frameworks, Challenges, and Opportunities (2019)

25 The law does not, however, clearly define ascendant relatives and required degrees of relationship. These terms need to be clarified.

According to a 2021 survey conducted by the ILO to assess informality and vulnerability among disadvantaged groups in Lebanon, 72.9 per cent of eligible workers from vulnerable households did not have access to paid annual leave.²⁶ In comparison, 81 per cent of Palestinians and 91.2 per cent of Syrians lacked access to paid annual leave, while the figure for Lebanese workers was 51 per cent. This lack of access to paid annual leave can undermine motivation, productivity and overall mental and physical well-being. Moreover, 68.9 per cent of eligible employees in the sample reported lack of access to paid sick leave in the event of illness or injury, with Syrians and Palestinians being disproportionately affected, at 86.9 per cent and 76 per cent, respectively.

Minimum wage

Article 44 of the Labour Law concerns the minimum wage, and provides that no wage should be below the minimum pay set by an executive order of the Lebanese Cabinet, based on a recommendation by the Minister of Labour. To establish the minimum wage accurately and reflect the cost of living and the economic and social conditions in Lebanon, an objective and scientific mechanism should be used that relies on factual data and statistics. Failing to do so will severely restrict the effectiveness of social and economic safeguards. The criteria used to determine salary increases has historically been unclear, however, while enforcing the in any case inadequate minimum wage has long been challenging, particularly in informal industries. It is widely recognized that State-enforced minimum wage regulations are crucial in informal employment sectors due to the social, economic and legal vulnerabilities of those involved in such work. In view of the devaluation of the Lebanese pound, the impact of the minimum wage on informality is unknown, since the current minimum wage stands at 9,000,000 Lebanese pounds (LBP). Low wages are in fact one of the reasons why many companies are finding it difficult to retain workers, with some focus group discussion participants stating that they are willing to offer formal jobs. Skilled workers are opting for higher paid jobs abroad, however.

Recently, the Index Committee, consisting of the Ministry of Labour, economic agencies, and the General Confederation of Lebanese Workers, approved an increase in the minimum wage for the private sector from LBP2,600,000 to LBP4,500,000. It also raised transport fees from LBP95,000 to LBP125,000, and family compensations to LBP180,000 for the wife (previously LBP60,000) and LBP100,000 for each child (previously LBP33,000). In April 2023, the caretaker Minister of Labour announced a further increase in the private sector minimum wage to LBP9,000,000, representing an LBP4.5 million increment over the previous proposal.²⁷ These increases require government decrees, but the ongoing political tension and stalemate in the country regarding the constitutionality of cabinet meetings as there is no President, are likely to delay the implementation of these increases.²⁸ Despite the agreed increases, the amounts are still inadequate as they are consistently overtaken by the continuing devaluation of the Lebanese pound. At the time of writing, the minimum wage in Lebanon amounts to less than US\$50 per month at the black-market rate. Furthermore, the recent volatility in the exchange rate prompted the caretaker Minister of Economy to announce, on 16 February 2023, the application of a new pricing mechanism for grocery stores, whereby goods will be priced in dollars based on the black-market rate.²⁹

²⁶ ILO, Assessing Informality - and Vulnerability among Disadvantaged Groups in Lebanon.

²⁷ "Minimum wage to increase to LL9 million, if cabinet approves." *L'Orient Today* (April 2023)

²⁸ "Increase in wage and transport allowance approved for private sector." *Lebanon News* (January 2023)

²⁹ "February in Lebanon: Month of pain and anger." *Naharnet* (February 2023)

Gender perspectives and the Labour Law

Discriminatory laws and regulations in Lebanon do not encourage women's active participation in the economy. Neither employers nor the Government are required to provide childcare assistance, and there are no provisions for paternity or parental leave, flexible or part-time schedules, equal pay for work of equal value, a prohibition on asking about family status during interviews, protection from discrimination in selection criteria and job advertisements, or safeguards against unfair practices in accessing loans and other financial services. One positive note is that, in 2020, the Lebanese Parliament passed Law No. 205, which criminalizes sexual harassment, imposing penalties of up to four years in prison and fines up to 50 times the minimum wage for the most serious offenders.³⁰

An annex to the Labour Law prohibits women from working in specific jobs and sectors, such as the metal, energy, and fertilizer industries.³¹ Although, maternity leave has recently been extended from 40 to 70 calendar days (10 weeks), it still falls significantly short of the 18 weeks recommended by the ILO. Furthermore, women's career progression may be hindered by the uncertainty of being offered the same or a similar position upon their return to work. Implementing clear enforcement and accountability mechanisms to address these discriminatory laws and regulations would encourage more women to enter the labour market.

Women face gender-based barriers that impede their ability to create and expand their own businesses. These barriers include limited access to finance and a tendency for their enterprises to be concentrated in low-productivity tasks traditionally labelled "feminine tasks". Typically, women start business ventures using personal funds, loans obtained from family and friends, or a combination of the two, and subsequently rely on retained earnings to foster the company's growth. A 2018 study conducted by the World Bank found that a mere 3 per cent of bank loans were allocated to female entrepreneurs,³² while only 29 per cent of firms owned by women had the opportunity to access bank loans for capital or operational financing, compared to 54 per cent of male-owned firms.³³

Workers excluded from the Labour Law

Article 7, paragraph 2, in the Lebanese Code of Labour, approved by Parliament on 23 September 1946, excludes from labour law protection all agricultural workers employed by agricultural corporations that have no connection with trade or industry.³⁴ Paragraph 3 of the same article exempts family concerns employing solely family members and managed by the father, mother or guardian, which is often the case in agriculture. Similarly, article 31, which sets maximum working hours at 48 hours per week, explicitly excludes agricultural workers. As a result, these workers are deprived of protections such as social security, minimum wage, regulated working hours, annual and sick leave, among others. Permanent agricultural workers are,³⁵ however, protected against wrongful dismissal and enjoy lifelong contracts under the Lebanese Code of Obligations and Contracts (1934; articles 623-656).³⁶

30 Parliament passes Law No. 205 to criminalize sexual harassment and for the rehabilitation of its victims. Civil Society Knowledge Centre (December 2020).

31 Lebanese Code of Labour

32 World Bank, Why aren't more Lebanese women working? - World Bank Group, MENA Knowledge and Learning Quick Notes Series (May 2018).

33 This disparity was primarily attributed to the requirement for substantial collateral when obtaining loans from banks, which was a challenge for women, who had limited ownership of property. Personal status laws often favour men, leading to unequal property inheritance. These factors contributed to the proliferation of micro-enterprises engaged in traditionally "feminine" sectors characterized by low productivity, low value-added services, and limited growth prospects, such as home-based food processing, clothing and handicrafts, activities that offer minimal opportunities for formalization.

34 Lebanese Code of Labour

35 Permanent agricultural workers are workers employed for at least 260 days.

36 الجامعة اللبنانية - مركز المعلوماتية القانونية :: التشريعات قانون ال ::

Article 7 of the Lebanese Code of Labour excludes from protection agricultural employees, domestic workers working in private residences, nuclear family members employed in family-owned enterprises, and casual or daily workers for municipal or governmental services. Other groups not covered by Code of Labour protections include:³⁷

- Workers in special economic zones (SEZs): The Free Economic Zone for the city of Tripoli was established by Law No. 18 (5/9/2008), which exempts employers in the SEZ from complying with the Labour Law or from enrolling their workers in the National Social Security Fund. They are merely entrusted with the responsibility for giving them and their family members health benefits similar or superior to those provided by the beyond NSSF.
- Foreign artists: Persons who “perform in places where alcoholic beverages are sold in retail and where shows are performed with music” (i.e., nightclubs) are subject to rules governed by the Directorate of General Security without the involvement of Ministry of Labour.
- Consultants and freelancers: The Labour Law does not cover these agreements as they do not meet the requirement of “economic subordination” essential to an employment contract outlined in the Code of Contracts.

Conclusion

The prevalence of oral contracts, particularly in sectors like agriculture, are key drivers of informality. Because certain categories of workers, such as agricultural workers, domestic workers and the self-employed, are excluded from the National Social Security Fund, they are forced to work informally. The lax implementation of existing laws, rights and regulations in Lebanon is another major factor in a significant portion of the working population being unprotected by labour legislation and lacking access to adequate employment. This lack of enforcement can be attributed to the ineffective implementation or inadequate resources provided to key agencies and processes established by the legislative system. The Ministry of Labour inspectorate responsible for ensuring compliance with legal requirements on working conditions and employee protection, including working hours, wages, safety and health and child labour, has long suffered from staffing and resource shortages, which are likely exacerbated by the ongoing crisis. The increase in fuel prices also hampers inspections, as conducting inspections across different regions incurs significant costs.³⁸

37 LEADERS *Dignity at Stake: Challenges to Accessing Decent Work in Lebanon* (2019)

38 LEADERS *Dignity at Stake: Challenges to Accessing Decent Work in Lebanon* (2019)

BOX 1: The impact of informality on different stakeholders.

 Government	 Employers and businesses	 Workers and employees
A large informal economy: • Reduces the amount of tax collected. • Limits the Government's ability to provide adequate social services or public programmes for its citizens.³⁹ • Slows long-term growth, as the informal sector competes with the formal economy. • Reduces incentives to invest in new technologies, physical capital, and human capital. • Maintains income inequality and wage disparities, which could thereby raise poverty rates.	Informal businesses:⁴⁰ • Are less productive than formal companies.⁴¹ • Lack access to credit from formal credit institutions, so they have to rely on alternative, informal lending schemes that often offer smaller, more expensive loans. • Lose their capacity to finance development and make investments to enhance operations. • Cannot rely on the legal system to uphold their agreements, safeguard their property rights or settle disputes. • Are unable to export, further limiting their likelihood to expand.	Workers in the informal economy:⁴² • Are more likely to be working in precarious work situations that are not subject to official regulation, particularly relating to occupational safety and social protection.⁴³ • Are vulnerable to exploitation, due to a complete lack of third-party scrutiny or accountability. • Receive wages that are below those in the formal sector.⁴⁴ • Are excluded from the social security system and less protected against negative shocks than workers in the formal sector.

4.1.2. Social security system and labour protection system in Lebanon: overview and shortcomings

The National Social Security Fund is Lebanon's main social insurance mechanism and its purpose is to provide formally employed workers in the private and public sector with health insurance, family allowances, and end-of-service indemnities. Most hospitals (public and private) refuse third-party payments from social security institutions, including the National Social Security Fund, as they were still paying social security benefits at the previous official exchange rate of 1,500

39 According to the International Monetary Fund (IMF), government revenues are 5–10 percentage points of GDP (and expenditures are 4–10 percentage points of GDP) lower in emerging markets and developing economies with the highest levels of informality than they are in those with the lowest levels of informality. The widespread informality in emerging countries makes it even more difficult for governments to enact policies that would increase growth, such as investing in public infrastructure or implementing redistributive measures. (IMF, *Growing in the shadow: Challenges of informality*, January 2019)

40 Businesses see informality as a means of avoiding taxes, reducing the burden of registration, and potentially taking advantage of cheaper labour.

41 According to the IMF, the average company functioning in the formal sector is four times more productive than the typical informal enterprise in emerging markets and developing economies, while official sector businesses that deal with informal competition are, on average, only 75 per cent as productive as those that do not. (IMF, *Growing in the shadow*.)

42 Workers often opt for informal jobs mainly to avoid unemployment and because informal jobs usually require lower skill sets. Workers often prefer informal jobs because of the ease of transitioning from one job to another, as is commonly seen in the three economic sectors that are the subject of this study.

43 ILO, *Informal economy: a hazardous activity* | ILO's Areas of Work

44 IMF, *Growing in the shadow*.

LBP to 1 USD.⁴⁵ As a result, the greater part of the Lebanese population lacks access to adequate healthcare coverage and the bulk of healthcare expenses are borne by households.⁴⁶

A recent financial assessment of the National Social Security Fund conducted by the ILO found that the sickness and maternity liability backlog for 2020 (representing the estimated backlog for hospitalization and outpatient medical fees) was LBP300 billion.⁴⁷ Unaccounted for in-hospital fees and claims were LBP600 billion as of the end of 2019 alone. Moreover, estimated end-of-service indemnity liabilities totalled LBP9.218 billion, which included approximately LBP1,469 billion of employer settlement liabilities. The impact of the recent decree is to increase this liability by LBP3.6 trillion,⁴⁸ of which nearly LBP3.5 trillion are additional employer settlement liabilities,⁴⁹ which will have a significant negative impact on the National Social Security Fund's financial sustainability.⁵⁰ Access to healthcare insurance therefore remains a major concern for workers. Companies are compelled to pay the 23 per cent contribution to the National Social Security Fund, along with other private benefits to try to retain their workforce. One additional challenge for the Fund is the underreporting of salaries, which significantly decreases its revenues and limits its capabilities and the benefits it can provide. Tackling social security challenges is thus a pivotal factor in the transition from informal to formal employment.

National Social Security Fund benefits do not include key social protection benefits such as unemployment insurance,⁵¹ while large categories of workers, such as the self-employed, agricultural workers not in permanent employment, domestic workers, and foreign workers from countries with no bilateral social security agreement, are excluded from receiving those benefits it does offer. The healthcare scheme of the Fund does not cover work-related injuries,⁵² which is of particular concern for the construction sector, which is highly prone to such injuries.

Under article 10 of the Social Security Code of 1963, all agricultural workers employed on Lebanese soil, whether nationals or foreigners, must abide by this law.⁵³ Furthermore, Law No.74/8 (25/03/1974) stipulates that all Lebanese workers in the agriculture sector are subject to the Social Security Code and its provisions in some or all of its subbranches.⁵⁴ Similarly, Decree No.7757 (05/07/1974) required all National Social Security Fund subbranches to extend legal protection to permanent Lebanese workers in agricultural institutions on Lebanese soil,⁵⁵ but the term "agricultural institution" is not defined anywhere in Lebanese legislation, and in practice, NSSF coverage only extends to agricultural institutions that are also active in other sectors.⁵⁶

Prior to the crisis, the National Social Security Fund was only available to the formal private sector, which accounted for less than half of employment in Lebanon. Because the end-of-service indemnity is a one-time lump sum payment, it does not provide beneficiaries with economic security as they age and instead exposes them to high financial risks. The same limitations apply in cases of disability. As a result, Lebanon is the only nation in the MENA region without a

45 As of February 2023, the Central Bank, Banque du Liban, set the new official rate at LBP 15,000 to the dollar. It is important to note that, in spite of this adjustment, the black market rate (LBP94,500 at the time of writing, May 2023) remains significantly lower as evidenced by numerous parallel exchange rates.

46 ILO, *Extending Social health protection in Lebanon: The role of the National Social Security Fund (NSSF) in achieving universal healthcare coverage* (October 2020)

47 ILO, *Financial Assessment Report for the National Social Security Fund in Lebanon*. December 2022

48 Decree No. 9129 of 12 May 2022, which increased the minimum wage for private sector workers by LBP1,325,000, provided they are registered with the NSSF.

49 ILO, *Financial Assessment Report for the National Social Security Fund in Lebanon Executive Summary*, February 2023

50 ILO, *Financial Assessment Report for the National Social Security Fund in Lebanon*, December 2022

51 A draft law has been developed with the support of ILO to address this issue.

52 ILO, *Extending Social Health Protection in Lebanon*, October 2020.

53 مرسوم رقم 13955 صادر في 26 أيلول 1963 قانون الضمان الاجتماعي

54 ILO, *Extending Social Health Protection in Lebanon*, October 2020.

55 ILO, "Political and social dialogue on the extension of social insurance to workers in agriculture", ILO TOR, November 2022.

56 ILO, *Extending Social Health Protection in Lebanon*, October 2020.

private sector pension plan, and it is also one of only 16 countries worldwide without a disability pension.⁵⁷ Moreover, since the economic and monetary crisis have devalued the Lebanese pound by 98 per cent, any compensation that was to be received is now almost worthless, as in some cases—and depending on the region—payment timelines could exceed several months. On the other hand, the security forces and central government employees, who account for 10 per cent of total employment, are covered by the public pension. Expenditure on public sector pensions is significant and accounted for almost 3.5 per cent of GDP in 2019. As a result of inadequate pension contributions compared to liabilities, the fund is heavily dependent on subsidies from general tax revenue to make up the structural shortfall.⁵⁸

Foreign workers

Approximately one in five workers in Lebanon is a foreign national, and most are informally employed. Almost 90 per cent of foreign workers hold informal jobs, according to the ILO Labour Force and Household Living Conditions Survey 2018/19.⁵⁹ If they have legal status and a work permit, foreign workers who are employed in the formal economy are required to contribute to the healthcare schemes of the National Social Security Fund. In most cases they are not eligible to receive benefits, however.⁶⁰

For example, article 5 of the National Social Security Fund enrolment and registration system requires foreign workers to make payments to the Fund, but the same article ties their eligibility for Fund benefits to the idea of “reciprocity”. According to the reciprocal treatment principle, foreign workers who are officially registered and have valid work permits only qualify for Fund benefits if their country of origin accords Lebanese workers the same privileges. Article 9 guarantees the indemnities and compensations listed under branches⁶¹ 1, 2, and 3 of the Fund to foreign workers, but branch 4, which deals with end-of-work indemnification or compensation, deprives them of these advantages.⁶² The principle of reciprocity excludes Palestinian workers and stateless persons, except from end-of-service benefits. The problem with this is that it creates extra costs for the employer and provides no benefits for the employee. Their legal status results in many Palestinian and Syrian refugees not having valid work permits and, consequently, not receiving any benefits.⁶³

End-of-service indemnity and the current crisis

One significant problem that has emerged during the crisis is the matter of end-of-service indemnity or severance pay. The Labour Law stipulates that employees are entitled to an end-of-service

57 ILO, “Towards a Rights-Based Social Protection System for Lebanon”, December 2020.

58 ILO, “Towards a Rights-Based Social Protection System for Lebanon”, December 2020.

59 CAS-ILO, *Labour Force and Household Living Conditions Survey 2018-2019 Lebanon*.

60 ILO, *Extending Social Health Protection in Lebanon*, October 2020.

61 The NSSF, per its establishing Decree (Decree No. 13955 of 26 September 1963, or “NSSF law”), stipulates it must account for four areas: (1) Sickness and Maternity; (2) Workplace accidents and occupational hazards; (3) Family and educational allowances; (4) End-of-service indemnity. However, the NSSF fails to provide coverage for occupational health and workplace injuries to its beneficiaries as this area remains excluded from the Fund's medical plan. It is the Ministry of Public Health (MoPH) who accounts for them instead, despite the stipulations of the NSSF law. See Chapter 3 “Health System Financing” of *Health Beyond Politics* (2009) by Walid Ammar.

62 Chaden El Daif “Access to legal stay and labour for Syrians in Lebanon: status and prospects - Refugees=Partners”, Heinrich Böll Stiftung, Beirut (2022)

63 ILO, *Assessing Informality and Vulnerability among Disadvantaged Groups in Lebanon*. The NSSF medical plan receives significant contributions on behalf of non-Lebanese employees, but these funds do not translate into any benefits for them. As a result, a considerable portion of actively contributing employees are unfairly left without health insurance coverage for their risks. Based on official data from the Ministry of Labour, a conservative estimate suggests that approximately 50,000 foreign workers with regular work permits (excluding Palestinian and refugee workers) should be subject to NSSF contribution as of December 2019. However, at least 93 per cent of them would be ineligible for benefits due to the lack of a reciprocity agreement. The Fund's theoretical revenue on behalf of these workers would amount to at least LBP40 billion (US\$30 million at the previous official rate of LBP1,507/US\$1) annually, with a portion of these contributions directly deducted from employees' wages. See ILO, *Extending Social Health Protection in Lebanon*.

indemnity, which is an amount equal to one month's salary for each year of service, based on the last salary paid to the employee before termination. Subject to certain conditions,⁶⁴ this indemnity is supposed to be paid by the National Social Security Fund upon the worker's retirement or before. The problem arises because wages have had to be adjusted to inflation as a result of the crisis. This means that a person who was paid LBP1,500,000 before the crisis and now, after wage adjustment, earns LBP10,000,000 has the right to ask for end-of-service compensation based on his/her last monthly salary, a heavy expense for the employer. While labour legislation regulations remain unchangeable in terms of distinguishing between pre-crisis and post-crisis wages, it is probable that employers will not declare full wages or pay full benefits.⁶⁵

BOX 2: The benefits of transitioning towards formality for different stakeholders.

 Government	 Employers and businesses	 Workers and employees
Reducing the size of the informal sector will result in: • A wider tax base for Government and therefore increased public spending on infrastructure, education and the rule of law. • Enhanced skills and competencies of workers and increased productivity. • Improved attitudes and trust of citizens in local public institutions. • Improved overall economic development.	The benefits of formalization for businesses and employers include: • Enhanced access to formal capital, allowing firms to grow and expand. • Enhanced integration into local markets and value chains. • Improved access to foreign markets. • Reduced chance of being penalized, fined, or forcibly shut down. • Increased labour productivity.	Transitioning towards formality will result in: • Increased labour productivity. • Higher wages. • Improved working conditions. • Guaranteed decent working hours. • Protection against exploitation. • Opportunities for vertical mobility and improved prospects. • Social security and health benefits.

64 Maleek Takieddine and Lama Abou Ali, "Lebanon: Labour and Employment Comparative Guide", Mondaq (March 2021)

65 During a recent meeting of the Parliament's joint committees held in February 2023, the discussion focused on a provisional project aimed at enabling workers to promptly access retirement pensions. This project, which was supported by ILO, is currently under study and is contingent upon another Bill being reviewed by the joint parliamentary committees. The Bill concerns the transition from the system of end-of-service benefits to one of a retirement pension. The proposal for a temporary arrangement has also been tabled for approval by the Board of Directors of the Fund and the Minister of Labour, along with agreement on its financing by the Cabinet. For the next five years, it will offer beneficiaries of the Fund aged 60 to 64 the option of choosing between withdrawing their indemnities as they are or receiving a lifelong retirement pension.

4.2. Overview of the economic environment, labour market dynamics and regulations for the formalization of economic units

Lebanon's private sector is primarily driven by micro, small, and medium-sized enterprises (MSMEs)⁶⁶ and own-account workers,⁶⁷ all of which play a central role in the economy, contributing 80 per cent of GDP and employing over 85 per cent of the workforce.⁶⁸ According to the Lebanese Ministry of Economy and Trade, micro, small, and medium-sized enterprises accounted for 95 per cent of companies in Lebanon in 2017. According to the World Bank,⁶⁹ such enterprises account for 40 per cent of GDP and 60 per cent of employment worldwide. In Lebanon, micro enterprises constitute the largest portion of such enterprises, accounting for 73 per cent of the total pool.⁷⁰ Despite their potential, micro, small, and medium-sized enterprises are hampered by obstacles in accessing start-up or growth capital, insufficient awareness of the labour market, skills shortages, limited opportunities for added value and vertical integration, and complicated procedures for business registration, among others. Technical and managerial shortcomings also have a negative impact on their capacity to deal with financial management, branding and marketing, customer service, and business planning. Their productivity is constrained by various factors, including weak regulations and enforcement, inadequate access to financial services, especially for unregistered businesses and women-led enterprises, strict entry requirements to foreign markets, the small size of the domestic market, and the large numbers of skilled Lebanese professionals leaving the country.⁷¹

The regulatory framework in Lebanon poses a significant challenge to the creation of formal employment opportunities. Corruption and limited resources have led to bureaucratic inefficiencies in the Government and public administration, hindering progress. The World Economic Forum (WEF) Global Competitiveness Index identifies inefficient government bureaucracy Lebanon's second most significant hindrance to conducting business, using bribery as a means of expediting procedures.⁷² In this regard, the high rate of bribery and corruption is a significant problem when applying to register a business. The International Monetary Fund estimates that, between 1991 and 2015, Lebanon's untaxed informal economy accounted for an annual average of 31.6 per cent of GDP: it reached a peak of 36.7 per cent of GDP in 1991 and fell to its lowest point, 24.6 per cent, in 2010, then rose once more to 29.2 per cent, or US\$14 billion, in 2015.⁷³

Unfortunately, the crisis has exacerbated this predicament by paralysing the public sector with strikes, infrastructure problems and staffing deficits, thereby strengthening the obstacles to formalization. According to the World Bank *Ease of Doing Business* report,⁷⁴ Lebanon ranked 151 of 190 countries when it came to starting a business, with an eight-step process and 15 days to register a business, and a cost of nearly 42.3 per cent of per capita income in 2020. This ranking is likely to have grown worse since then in view of the lack of digitization, ongoing public sector strikes and increasing levels of bribery. Numerous issues with the licensing and permissions system burden companies unnecessarily. These issues include onerous and complicated licensing and permit-issuing procedures, a lack of risk-based licensing strategies, a lack of process transparency and predictability, and difficulty in obtaining information about licensing and permit procedures, requirements, fees and documents, as these are not always made available online.

66 Micro and small enterprises employ fewer than 50 employees, while medium-sized enterprises employ fewer than 100.

67 Term used to refer to independent workers without employees or the self-employed.

68 GIZ (German Cooperation), *Employment and labour market analysis Lebanon*, February 2019.

69 ACTED, *Labour Market Assessment in Beirut and Mount Lebanon*, January 2014.

70 Chaden El Daif, "Access to legal stay and labour for Syrians in Lebanon".

71 United Nations, *Lebanon Crisis - Response Plan (2017-2020) 2020 Update*.

72 Transparency International, "Overview of corruption and anti-corruption in Lebanon - U4 Expert Answer", October 2012.

73 LCPS, "Anatomy of Corruption in Postwar Lebanon", (May 2019).

74 World Bank Group, *Economy Profile - Lebanon | Doing Business 2020*.

Micro, small and medium-sized enterprises have long suffered from structural constraints in the Lebanese system, including difficulty securing initial capital for business start-ups. According to the World Bank's Enterprise Survey,⁷⁵ 47.8 per cent of firms identified access to finance as a major constraint on their business operations even before October 2019. Since then, Lebanon has become a country with a cash economy.⁷⁶ Banks have blocked firms' working capital and suspended basic services, thus forcing nearly every aspect of society to rely on cash for business transactions. Importers who formerly relied on credit lines for imports now rely solely on cash collateral. Lebanon's regular corporate income tax rate is 17 per cent, compared with the global average of 23.37 per cent,⁷⁷ and it is 20 per cent for oil and gas enterprises (25.43 per cent when weighted by GDP).⁷⁸ The shift to a cash-based economy weakens revenue management, which in turn encourages tax evasion.

4.3. Job market and skills gap

According to the ILO-CAS Follow-up Labour Force Survey, Lebanon's national labour force participation rate (LFPR) has plummeted by more than 5 per cent, from 48.8 per cent in 2018-2019 to 43.4 per cent in January 2022. The survey also found that men outnumbered women in the labour force, with a male participation rate of 66.2 per cent, compared with a rate of 22.2 per cent for females.⁷⁹ As the global labour market evolves, the requirements for productivity and efficiency in various industries change. This necessitates the acquisition of innovative and specialized skills in accordance with labour market demand. Consequently, the educational institutions responsible for imparting such skills can either hinder or foster corporate growth.

In a 2021 ILO survey that sought to assess the extent of informal employment and vulnerability among deprived Lebanese citizens and Syrian and Palestinian refugees living in Lebanon,⁸⁰ informality was relatively prevalent in high-skill occupations, such as managers and other professionals, registering 46.9 per cent and 42.7 per cent, respectively, but was highest among those employed in low-skill occupations, registering 92 per cent in elementary occupations. Informal work was particularly prevalent in craft work and related trades (90 per cent), as well as for those involved in elementary occupations (92 per cent) or working as skilled agricultural, forestry and fishery workers (94.3 per cent). The pattern to some extent supports the link between informality and low skills levels. It also highlights the vital role that education and training play in the fight against informality, particularly in highly vulnerable populations. On the other hand, the study found higher unemployment rates among those with higher educational attainment, a glaring example of the Lebanese economy's fundamental inability to offer high-productivity, high-skilled jobs to its working-age population, which is becoming more and more educated. Unemployment among those with a university degree or higher stood at 14.5 per cent compared with 8.7 per cent among those with an elementary education.

Outmoded curricula and the unattractiveness of technical and vocational education and training have left the labour market with a substantial skills gap. There is an oversupply of university-educated high-skilled workers for whom there was little demand and few job vacancies.⁸¹ Young Lebanese tend to associate technical and vocational education and training with inferior services and academic failure, rather than seeing it as an alternative route to a lucrative and respected profession. Youth have been deterred from enrolling in such courses at the secondary and post-

75 World Bank, *Enterprise Surveys - Lebanon 2019 Country Profile*.

76 Reuters, "Cash is king in Lebanon as banks atrophy". January 2023.

77 Tax Foundation, *Corporate Tax Rates around the World*, December 2022.

78 Deloitte, *International Tax Lebanon Highlights*. January 2022.

79 ILO, "Lebanon and the ILO release up-to-date data on national labour market", ILO Press Release, May 2022

80 ILO, *Assessing informality and vulnerability among disadvantaged groups in Lebanon*.

81 ILO, *Matching skills and jobs in Lebanon: Main features of the labour market – challenges, opportunities and recommendations* - ILO Fact Sheet, April 2017.

secondary levels as the employment it qualifies students for is often linked with low earnings, a lack of future options and unfavourable working conditions. As a result, only 26 per cent of secondary students are enrolled in technical and vocational education and training.⁸² As a comparison, an average of one third of the population in member countries of the Organisation for Economic Co-operation and Development (OECD) chose a vocational path in 2015.⁸³ Gender stereotyping significantly discourages women from pursuing certain professions and female technical and vocational enrolment is very low in male-dominated specializations such as information and communication technology, carpentry, and plumbing, among others.⁸⁴

Per the same 2021 ILO survey referenced above, 66.8 per cent of young graduates with technical, vocational or university education were outside the labour force altogether, while 17.2 per cent were unemployed, indicating a significant skills mismatch that has brought frustration and led many young people to stop seeking work.⁸⁵ Many countries, including Lebanon, have difficulty finding candidates for segments of the economy requiring highly specialized skill sets. The 2012 World Bank report *Skills, Not Just Diplomas* emphasizes how these skill shortages have an impact on a country's overall economy.⁸⁶ Skills shortages are not always linked to low levels of academic achievement: the qualifications job-seekers have—that is, their knowledge, skills, and competence—may not correspond to market needs. Lebanon is an example of this situation, a result of misguided societal beliefs about technical and vocation education and training and higher education. Technical and vocational courses are often school-based and under-resourced, leading to a disconnect between labour market, economy, and technical and vocational programmes.⁸⁷

Employees in the informal economy also encounter obstacles to accessing and engaging in formal skills programmes. These range from location-specific factors, such as poor quality of available education services in rural areas, the concentration of educational institutions in and around cities and their environs, which hinders student enrolment from more distant areas; expense; gender-related obstacles; and basic skills levels that do not match formal entry requirements.⁸⁸ In addition to this, workers are unable to earn recognition of prior learning as institutions across Lebanon lack the authority and mechanisms to certify skills acquired outside formal training programmes and institutions.⁸⁹ All these factors hinder the ability of informal economy workers to develop the necessary skills to transition to formal employment.

4.4. Obstacles to formalization

Three main issues foster informality and hamper the transition towards formality:

1. Limited enforcement of legal obligations;
2. High cost of operating formally;
3. Governance and culture.

82 Lebanon, Ministry of Education and Higher Education, *National Strategic Framework For Technical Vocational Education And Training Lebanon, 2018-2022*

83 USAID, Lebanon, *Gender Analysis of Technical and Vocational Education and Training in Lebanon*, May 2017.

84 USAID, Lebanon, *Gender Analysis of Technical and Vocational Education and Training in Lebanon*, May 2017.

85 ILO, *Assessing informality and vulnerability among disadvantaged groups in Lebanon*.

86 World Bank, *Skills, Not Just Diplomas: Managing Education for Results in Eastern Europe and Central Asia*, 2012.

87 European Training Foundation, *Work-based learning: benefits and obstacles a literature review for policy makers and social partners in ETF partner countries*, 2013.

88 ILO and UNICEF, *Community-based market assessment for skills development and economic empowerment: Adaptation of the ILO Training for Rural Economic Empowerment (TREE) methodology in Lebanon - Summary Report*, February 2022.

89 ILO, *A review of skills testing and certification in TVET in Lebanon*, December 2021.

1. **Limited enforcement of legal obligations:** This often results from poorly staffed and organized government enforcement agencies, weak penalties for noncompliance and ineffective judicial systems.⁹⁰ The loose implementation of existing laws, rights and regulations in Lebanon is an important factor in the significant portion of the working population unprotected by the legislation and lacking access to adequate employment. The prevalence of oral contracts in Lebanese society, particularly in sectors like agriculture, is also a key driver of informality. In addition, the exclusion of certain categories of workers, such as agricultural workers, domestic workers and the self-employed, from the National Social Security Fund forces them to work informally.

The lack of enforcement can be attributed to the inadequacy and ineffectiveness of the resources provided to key agencies and of the processes laid down in law. The Ministry of Labour inspectorate responsible for ensuring compliance with legal requirements, working conditions and employee protection, including working hours, wages, safety and health, and child labour, has long suffered from staffing and resource shortages, which are likely exacerbated by the current crisis. The increase in fuel prices also hampers inspections, as conducting inspections across different regions is expensive. The Ministry of Finance also lacks the resources to conduct its own inspections, so those who choose to engage in informal economic activity run little risk.

2. **High cost of operating formally:** The presence of rent-seeking bureaucracies and corruption make businesses reluctant to deal with the State and encourage them to remain informal. They would rather operate in the informal sector to avoid excessive red tape, high taxes, expensive product quality restrictions and regulations on worker safety.⁹¹ According to the International Monetary Fund (IMF), informal activity is more prevalent where the administrative or regulatory burden is greater; businesses opt for it to avoid potentially high compliance costs. The regulatory load includes the costs of both compliance (such as labour, safety and product standards legislation) and bureaucratic rules and processes.⁹²
 - a. **Regulatory framework:** The regulatory framework in Lebanon is a significant obstacle to the creation of formal employment opportunities. Corruption and limited resources have led to bureaucratic inefficiencies in Government and the public administration, hindering progress. A common themes of focus group discussions with the owners of small and medium-sized enterprises was that the complexity of administrative procedures and excessive administrative regulatory burdens affect the development and formalization of their enterprises. In addition to the difficulty of the administrative processes, such enterprises also struggle with the absence of crucial data required to register their businesses and obtain the necessary licences.
 - b. **Bribery and corruption:** The World Economic Forum Global Competitiveness Index identifies inefficient government bureaucracy as the Lebanon's second most significant hindrance to conducting business; bribery is resorted to as a means of expediting processes.⁹³ In this regard, the high rate of bribery and corruption is a significant problem when applying to register a business. The IMF estimates that, between 1991 and 2015, Lebanon's untaxed informal economy accounted for an annual average of 31.6 per cent of GDP: it reached a peak of 36.7 per cent of GDP in 1991, and fell to its lowest point of 24.6 per cent in 2010; then rose once more to 29.2 per cent, or \$14 billion, in 2015.⁹⁴
 - c. **Lengthy and costly registration process:** According to the World Bank *Ease of Doing Business Report*,⁹⁵ Lebanon ranked 151 of 190 countries for ease of starting a business, with an eight-

90 Diana Farrell, "The hidden dangers of the informal economy", *The McKinsey Quarterly* 2004 Number 3

91 Diana Farrell, "The hidden dangers of the informal economy".

92 Hilary Devine, "How Institutions Shape the Informal Economy", IMF eLibrary 2021.

93 Transparency International, "Overview of corruption and anti-corruption in Lebanon".

94 LCPS, "Anatomy of Corruption in Postwar Lebanon".

95 World Bank Group, *Economy Profile - Lebanon | Doing Business 2020*.

step process and 15 days to register a business, and a cost of nearly 42.3 per cent of per capita income in 2020. The ranking is likely to have worsened since then, given the lack of digitization, ongoing public sector strikes and an increase in bribery. Numerous issues with the licensing and permit-issuing system burden companies unnecessarily. These issues include onerous and complicated licensing and permit-issuing processes, a lack of risk-based licensing strategies, a lack of process transparency and predictability and difficulty in obtaining information about licensing and permit procedures, requirements, fees and documents, as these are not always available online. Micro, small and medium-sized enterprises have long suffered from structural constraints in the Lebanese system, including securing initial capital for business start-ups. According to the World Bank Enterprise Survey,⁹⁶ 47.8 per cent of firms identified access to finance as a major constraint on business operations, even before October 2019.

- d. **The Cash Economy:** Before 2019, the informal economy employed at least 50 per cent of the labour force and contributed 36.4 per cent to GDP. Since then, Lebanon's already inadequate digital transfer infrastructure and excessive printing of money by Banque du Liban have raised the amount of cash in circulation and significantly increased the amount of unofficial, untraceable economic activity. Cash in circulation in Lebanon increased from LBP7,305 billion in October 2019 to LBP58,943 billion in September 2022 as the value of the currency declined against the US dollar. Banks have blocked firms' working capital and suspended all basic services, forcing every aspect of society to become cash-based. Importers who formerly relied on credit lines for imports now rely solely on cash collateral. Compared to the global average of 23.37 per cent,⁹⁷ Lebanon's regular corporate income tax rate is at 17 per cent, and it is 20 per cent for oil and gas enterprises (25.43 per cent when weighted by GDP).⁹⁸ The shift to a cash-based economy weakens revenue management, which in turn encourages tax evasion.
- e. **Tax Policies:** Higher taxes lead enterprises to operate informally, raising the tax burden on the remaining formal companies, which already pay more than 80 per cent of the taxes in most developing countries. In February 2022, the Lebanese Government authorized a draft budget that raised customs tariffs and introduced new taxes. The proposal to amend the exchange rate for customs transactions on imports and the imposition of additional customs duties generated fear and apprehension among the Lebanese population.⁹⁹ As the 2022 budget came into force, the Ministry of Finance began implementing a new mechanism for calculating income tax: salaries paid in "fresh dollars" are converted to Lebanese pounds based on the price of the Sayrafa exchange platform,¹⁰⁰ and taxed according to the amended segments. The 2024 budget is currently under review, and there are fears of higher taxes. The full impact of this new legislation on the growth of the informal economy, as well as its potential to encourage fraud, tax evasion, and cross-border smuggling, remains uncertain. Compliance with accounting and tax obligations, including the timely payment of taxes when submitting income tax declarations, is required by income tax laws and regulations. The Government then verifies the accuracy of these declarations and collects any outstanding tax liabilities. The Lebanese Government periodically issues settlement options in its budget, however; these reduce the fines and value-added tax imposed under income and property tax laws, transfer fees, indirect taxes, and fees. Such policies give an incentive to companies to avoid compliance, as they can settle their tax liabilities at a lower cost. Consequently, the Government loses out on significant revenue.

96 World Bank, *Enterprise Surveys - Lebanon 2019 Country Profile*.

97 Tax Foundation, *Corporate Tax Rates around the World*.

98 Deloitte, *International Tax Lebanon Highlights*.

99 "Lebanese wary of rise of customs duties amid economic crisis", *Al-Monitor* (February 2022).

100 In September 2023, the acting governor of Banque du Liban announced plans to replace Sayrafa with a Bloomberg currency exchange platform, giving little indication of what this would mean.

6. Governance and culture: Where law enforcement is lax there is little social pressure to comply with the law. People may see evading taxes and regulations as a legitimate way for small businesses to counteract the advantages of large, modern players, and to survive in a difficult economic environment. For most informal businesses in Lebanon, the benefits of formalization are limited, especially given the current situation of the National Social Security Fund, the lack of trust in government institutions and the weak law enforcement capacity to limit informality. Moreover, unfair competition from smuggling disincentivizes formalization, while time constraints, higher fees, and taxes are among the main reasons businesses would prefer to continue to operate informally. The structural constraints of the Lebanese business and political environment ultimately create a culture of non-compliance. Polls in 2019 found that less than a fifth of Lebanese communities trusted their government institutions.¹⁰¹ Thus, a lack of trust and a crisis of governance have contributed to the increase of informality in Lebanon.

- a. Geopolitical policies also impact informality in Lebanon. In 2023, caretaker Minister of Labour Mustafa Bayram said that one of the main obstacles to formality, particularly of Syrian nationals residing in Lebanon, was the Caesar Act,¹⁰² which prevents Syrians from opening a bank account in Lebanon, making it far more difficult formally to organize their labour.
- b. The political deadlock in the country often results in slow legislation and enactment of laws that would benefit the transition to formality. For example, the Ministry of Labour submitted to Parliament an amendment to the Lebanese Labour Law on 11 April 2022 but the Bill is still under examination by parliamentary committees. The last presidential mandate ended in October 2022, but the Lebanese Parliament has so far failed to elect a new president as a result of ongoing political deadlock, putting all legislative reform on hold.

BOX 3: Three main factors contributing to informality.

 Limited enforcement of legal obligations	 High cost of operating formally	 Governance and culture
This often results from: • Poorly staffed and poorly organized government enforcement agencies. • Weak penalties for noncompliance. • Lack of or inadequate resources provided to key bodies. • An ineffective judicial system.¹⁰³	This is due to: • High rate of bribery and corruption when applying to register a business. • Lengthy and costly registration process. • The shift to a cash-based economy weakens revenue management, which in turn encourages tax evasion. • High taxes and customs duties. • Tax settlement policies.	A culture of informality results from: • Limited law enforcement. • Unfair competition from smuggling. • Structural constraints in the business and political environment. • Geopolitical effects (such as the Caesar Act). • Political deadlock resulting in slow legislation.

¹⁰¹ Arab Barometer V, *Lebanon Country Report*, 2019

¹⁰² "Caesar Act: What are the repercussions on Lebanon?", *L'Orient Today* (May 2020)

¹⁰³ Diana Farrell, "The hidden dangers of the informal economy".

4.5. Conclusion of part one and recommendations

The informal economy exerts immense pressure on the formal employment and commercial trade sectors. Industries suffer significant losses, and the State misses out on considerable amounts of value added tax (VAT) due to the large volume of smuggled goods and thriving informal trade. Lower production costs also have a notable impact on competition since it is common for businesses, both formal and informal, to employ their workers off the books. In addition to the harm inflicted on law-abiding citizens, taxpayers ultimately bear the cost of the lost social welfare contributions. This situation is likely to contribute to Lebanon's overall tax underpayment rate. The prevalent and almost routine tax avoidance practices of many businesses stem from inadequate follow-up and inspection, which push them towards informality.¹⁰⁴

Owners of informal businesses typically have modest educational backgrounds and run small, local businesses. These business owners often lack essential management or technical skills. Poor managerial abilities, a lack of access to formal banking institutions and a shortage of growth capital traditionally limit these businesses' potential for expansion. As a result of cumbersome procedures for acquiring the necessary papers and licences, these business owners do not have access to overseas markets or open tendering procedures. In a 2014 survey, the World Bank found unemployment, informality and poverty to be strongly correlated in Lebanon.¹⁰⁵ For most informal businesses, the benefits of formalization are limited, especially given the current situation of the National Social Security Fund, lack of trust in government institutions and weak law enforcement capacity to limit informality. Unfair competition from smuggling is a further disincentive to formalization, while time constraints, higher fees, and taxes are among the main reasons businesses would rather continue to operate informally.¹⁰⁶

Several actions could help reduce the obstacles and burdens faced by businesses. One would be to establish a 'commercial registry one-stop shop' that would provide an optimized, transparent, shorter and less expensive registration process, with a standardized flow of activities between the different public sector bodies. This could be developed through collaboration between business associations, the relevant ministries, such as the Ministry of Economy and Trade, the Ministry of Industry and the Ministry of Finance, with possible technical assistance from the international community. Amnesties for past and future taxes (and potential fines) should be offered to informal businesses wishing to formalize their workforce and operations.

The recent increase in poverty and unemployment in Lebanon is likely to have compelled many more workers, particularly those from vulnerable communities, to seek out informal employment and compromise on working conditions. Working informally, even for a brief period, can have a lasting impact on a worker's prospects of finding employment in the future. Evidence from other countries strongly suggests a scarring effect, particularly for young people, whose lack of experience often forces them to accept informal jobs to avoid unemployment and acquire some work experience that will enable them to develop their careers.¹⁰⁷

Informal workers are more exposed to exploitation and often face unfavourable working conditions and unstable employment. This situation eventually affects even formally employed workers in the market environment. In a highly competitive labour market with limited job opportunities, employers tend to hire workers who accept lower wages. If another worker is willing to accept a position and work informally, there is no incentive for an employer to hire legally and pay the associated costs. Additionally, the lack of proper follow-up and enforcement of regulations

104 Nicholas Rossis, *The Informal Economy in Lebanon: Dangers and Benefits*, (2011)

105 Eric Le Borgne and Thomas Jacobs, *Lebanon: Promoting Poverty Reduction and Shared Prosperity, Systematic Country Diagnostic*, World Bank (2016)

106 GIZ (German Cooperation), *Employment and labour market analysis Lebanon*.

107 ILO, "Informality in Lebanon". Policy Brief, 2021.

contributes to and often encourages such behaviour, as there are no serious consequences.¹⁰⁸ The presence of a disadvantaged and vulnerable group in the workforce will eventually lead to the spread of that state of vulnerability outside that group. This is why it is essential to ensure equal protection and rights for all workers, along with a safe and fair environment, where a socially acceptable standard of decent work is provided to all employees, regardless of their gender, nationality or occupation.

An additional reason for informality is the weakness of trade unions, which can in part be attributed to their limited resources and inadequate support for organizing and outreach efforts. The lack of resources has repercussions on the assistance that can be provided to workers, particularly in transitioning to formal employment. It is therefore important for key stakeholders to conduct awareness campaigns highlighting the risks and negative consequences of informality for workers, and its impact on their economic situation and livelihood. These awareness campaigns can be conducted by unions, in cooperation with the Ministry of Labour. Trade unions play an important role in facilitating the transition to formality, as they can reach out to workers in the informal economy, helping to reduce decent work deficits and support the transition to formality. The ILO has put together a *Compendium of Practice*,¹⁰⁹ which sets out real-life examples of actions undertaken by trade unions around the world to help draw in informal workers and reduce the decent work deficits they face in support of their transition to formality.

It is also crucial to foster bipartite and tripartite dialogue—especially between workers unions and business associations—to unify approaches to tackling informality. Further discussions are urgently needed with the Ministry of Labour on potential amendments to the Labour Law based on the demands of both workers and businesses. International organizations such as the ILO can support the facilitation of such dialogues, providing a platform to understand workers' demands, improve working conditions and determine the incentives required by business owners to facilitate the transition to formality.

TABLE 1: Recommendations to facilitate the transition towards formality

Recommendations	Stakeholders
Amend the Labour Law to require all contracts to be in writing to help reduce informality.	Ministry of Labour, Lebanese Parliament
Amend the Labour Law to clearly define “ascendant relatives” and required degrees of relationship.	Ministry of Labour, Lebanese Parliament
Amend the Labour Law to increase maternity leave to 18 weeks, as recommended by the ILO.	Ministry of Labour, Lebanese Parliament
Extend legal provision for rights protection and social coverage to farmers, fishermen, the self-employed and other categories excluded by the current Labour Law and Social Security Law.	Ministry of Labour, Ministry of Finance, Ministry of Justice, National Social Security Fund, Lebanese Parliament
Support the Ministry of Labour inspectorate to enable it to fulfil its role and duties, such as ensuring compliance with legal requirements for working conditions and employee protection.	Ministry of Labour, Government of Lebanon

108 ILO, “Informality in Lebanon”. Policy Brief, 2021.

109 ILO, *Interactions Between Workers’ Organizations and Workers in the Informal Economy: A Compendium of Practice*, 2019.

Recommendations	Stakeholders
Conduct awareness campaigns highlighting the risks and negative consequences of informality for workers, and its impact on their economic situation and livelihood.	Ministry of Labour, trade unions
Establish a 'commercial registry one-stop shop' to facilitate the registration process for micro, small and medium-sized enterprises.	Ministry of Economy and Trade, Ministry of Industry, Ministry of Finance
Facilitate bipartite and tripartite dialogue, especially between workers unions and business associations, to unify approaches in tackling informality.	Workers unions (such as CGTL and FENASOL) and business associations (such as the Association of Lebanese Industrialists (ALI))
Empower the National Employment Office to collect and disseminate accurate data reflecting the skills required in the market.	National Employment Office (Ministry of Labour), Government of Lebanon, International Institutions.
Involve the Syndicate for National Social Security Fund workers in the discussion on informality to strengthen efforts to promote the transition towards informality.	Syndicate of National Social Security Fund Workers, trade unions, Ministry of Labour.
Adopt a new pension law to replace end-of-service indemnities with a fully-fledged pension scheme.	Ministry of Labour, National Social Security Fund, Lebanese Parliament
Enhance cooperation and enforcement capabilities between the inspectorates of different ministries, such as tax, social security, and labour, etc.	Ministry of Labour, Ministry of Finance, National Social Security Fund, Lebanese Government

5. PART TWO: DIAGNOSTIC STUDY OF THREE ECONOMIC SECTORS

5.1. Agriculture sector

 THE LEBANESE AGRICULTURE SECTOR: OVERVIEW	
Key Figures	
Contribution to GDP	2.5 per cent in 2018 6 per cent in 2020-2022
Workforce participation	- Between 287,000–312,000, or 4 to 5 per cent of total workforce in 2022 – 8.1 per cent female, and 91.9 per cent male working in agriculture, forestry and fishing
Type and scale of enterprises	Majority are small (47 per cent) to medium-sized (38 per cent), artisanal and family-owned; a minority are large (15 per cent).
Social protection eligibility	No, farmers and fishermen are among categories of workers currently exempt from National Social Security Fund coverage. Available to agricultural workers hired by farmers. Not available to most migrant and refugee seasonal workers.
Percentage of informal employment	85 per cent in 2021.
Drivers of informality	- Exclusion from the provisions of the Labour Law - Reliance on seasonal workers - Lack of financing and credit lenders - Large proportion of small family-run farms - Weak access to markets by farmers - High cost of inputs - Unfair trade laws undermine competitiveness of Lebanese agricultural produce - Undiversified products, leading to overproduction or underproduction - No digitization plan and no traceability - Reluctance to transition away from traditional but inefficient agricultural techniques, especially due to high costs of machinery

5.1.1. Economic context of the agriculture sector

5.1.1.1. Growth and composition of growth

The post-war economy prioritized real estate, banking and tourism as the three main drivers of the economy, leaving out and neglecting productive sectors like agriculture and industry. In 2020, the banking and services sector (including tourism, commerce and financial services) accounted for over 86 per cent of GDP, while agriculture contributed barely 2.5 per cent.¹¹⁰ The rentier economic model proved unsustainable after the crisis erupted in 2019, leading to a spotlight being cast on the productive sectors, particularly industry and agriculture. Agriculture especially gained attention due to its role in ensuring food security. Lebanon possesses the highest percentage of agricultural land in the Middle East, with 64.3 per cent of its total land area being agricultural. The regions of the Beqaa plain, the North (specifically in Koura and Akkar), the South (which includes the coastal region from Sidon to Tyre), Mount Lebanon and Nabatiyeh are important for crops, meadows and pastures, although cultivated land makes up a lower percentage of their rough terrain. Lebanon's agricultural products can be classified into six categories: vegetables, edible vegetables; fruits, edible fruits and nuts; livestock, animals and animal products; unmanufactured tobacco; cereals, including cereal seeds; and coffee, tea, matte and spices.¹¹¹

In 2018, the sector employed 4 per cent of the total workforce of Lebanon and contributed US\$1.8 billion to the country's overall GDP.¹¹² The ILO-CAS *Lebanon Follow-up Labour Force Survey* reveals that the composition of employment has remained largely unchanged, with the employment share being 4 per cent in 2018-2019 and 4-5 per cent in January 2022.¹¹³ Rural areas rely on the sector as a significant source of income, but farmers' income potential is often limited by outdated practices. High input costs and low output prices in Lebanon make it difficult for farmers to make ends meet. Nevertheless, start-ups are leading the way to change and development in the agriculture sector through clustered approaches, for instance improving the market access of farmers by connecting them to consumers and designing solutions to optimize the allocation of agricultural inputs and resources without compromising yields.¹¹⁴ Select private sector suppliers are offering digitally enhanced agriculture technologies to Lebanese markets,¹¹⁵ and wineries such as Domaine des Tourelles are already leveraging drone technology to relay high-definition imagery to oversee water stress and monitor disease.¹¹⁶

Lebanon's high dependence on imports, coupled with consecutive government failures to implement a proper strategy to protect local farmers and producers from unfair competition, has resulted in the country importing a lot of food, particularly staples such as wheat. Imported food accounts for around 50 per cent of consumed calories and the dependence on international markets is increasing.¹¹⁷ Customs statistics show that, despite a fall in imports from US\$1.64 billion to US\$1.47 billion between 2018 and 2019, total agricultural imports reached US\$2.3 billion in 2021. This high level of imports leads to unfair competition for Lebanese farmers and often results in the wastage of their produce.¹¹⁸ In addition, imports of fish and fish products in 2019 were worth US\$150 million, while exports amounted to only US\$1.8 million.¹¹⁹ Low-value crops like olives,

110 Statista, Lebanon - share of economic sectors in the gross domestic product 2010-2020.

111 ILO, "Preliminary assessment of occupational safety and health in the agriculture sector in Lebanon", 2021 (Unpublished)

112 IDAL, *Agriculture Sector in Lebanon - IDAL Agricultural Fact Book*, (2020)

113 CAS and ILO, *Lebanon Follow-up Labour Force Survey January 2022*, Beirut.

114 AUB and World Bank Group, *Digital Revitalization of the Agri-food Sector in Mashreq - Focus on Iraq, Jordan, and Lebanon*, (2021)

115 Robinsons S.A.L and Unifert are such suppliers, offering automated and remote-controlled digitally enhanced irrigation systems. Two machine equipment manufacturing giants – Caterpillar Inc. and John Deere – are present in Lebanon, selling tractors and machinery compatible with Global Positioning System (GPS) tracking and steering, along with other precision agriculture functionalities.

116 AUB and World Bank, *Digital Revitalization of the Agri-food Sector in Mashreq*.

117 FAO, "Lebanon's agricultural sector: challenges and opportunities", Policy Brief (May 2021)

118 LBC, "Lebanese potato suffers from Egyptian and Syrian competition", (January 2023)

119 FAO, "Lebanon GLOBEFISH Market Profile - 2019".

wheat, potatoes and barley occupy over 50 per cent of the cultivated area, but contribute less than 25 per cent of total production value. Conversely, tomatoes are grown on only 1.7 per cent of arable land, while they contribute 9 per cent of the value of all products produced. Lebanon's dependence on imported agricultural equipment and inputs limits its ability to ensure good yields through self-sufficiency. It is therefore essential to support agricultural research and development (R&D) if the sector is to become more competitive and diverse.¹²⁰

On the other hand, Lebanese exporters understand product quality and customer satisfaction in regional markets. In the period between 2010 and 2019, agricultural exports grew at a compound annual growth rate (CAGR) of 2 per cent and earned US\$193.1 million. Market opportunities would be greater if suppliers adhered to international standards and followed export requirements such as sanitary and phytosanitary (SPS) and technical barriers to trade (TBT) measures.¹²¹ The Ministry of Industry oversees the Lebanese Standards Institution (LIBNOR), a public body responsible for issuing, publishing, and amending Lebanese standards. LIBNOR adheres to the World Trade Organization TBT code of good practice for the preparation, adoption and application of standards and is playing an active role in international standardization activities, although Lebanon is not a member of the World Trade Organization. The Ministry of Agriculture has authority to issue certificates of conformity for exported agricultural products.¹²² The current challenge is to transform modest, semi-subsistence farms into more productive and business-focused ones, thereby enhancing their compliance with local and international standards. Lebanon's export potential and its integration into global value chains are hampered by the lack of quality products, modern agricultural practices, proper safety standards, traceability and of a reliable certification system. The Lebanese land market also exhibits inefficiencies, such as high transaction and registration fees, transient rents, and exorbitant rents. Over-exploitation of grazing, quarrying and agriculture results from unclear roles and duties for managing common lands.¹²³ A strategy for Lebanon's agriculture system is needed to pave the way for complementary legislation and projects to improve agricultural standards, enabling farmers to improve their services for both national and international markets.¹²⁴ The Ministry of Agriculture should take on responsibility for setting and administering Lebanon's sanitary and phytosanitary measures and maintaining and improving market access.

Although agriculture plays a relatively important economic role, the overall economic contribution of the agri-food sector is far greater. Nevertheless, the social role of agriculture as a source of household resilience to shocks, especially during the current crisis, has been crucial. While agriculture accounted for only 3 per cent of GDP in 2016-2018, the agri-food sector accounted for between one quarter and one third of the economy (2018), providing employment for a quarter of the industrial workforce.¹²⁵ Agriculture and the agri-food industry are estimated to account for 24 per cent of total employment.¹²⁶

5.1.1.2. Structure of the labour market

The Beqaa plain and Akkar are the two largest farming and crop production areas of Lebanon. Over 40 per cent of land in the Beqaa plain is under cultivation. Agriculture provides employment to up to 25 per cent of the rural workforce and accounts for 80 per cent of GDP in those areas, making it a major source of revenue and employment. The Beqaa and Akkar are also among the most deprived areas in Lebanon and host a significant proportion of vulnerable Lebanese, and Syrian refugees

120 FAO, "Lebanon's agricultural sector: challenges and opportunities".

121 IDAL, *Agriculture Sector in Lebanon*.

122 United States International Trade Administration, "Lebanon - Country Commercial Guide - Standards for Trade". (July 2022)

123 FAO, "Lebanon's agricultural sector: challenges and opportunities".

124 FAO, "Lebanon's agricultural sector: challenges and opportunities".

125 World Bank Group, "The role of food and agriculture for job creation and poverty reduction in Jordan and Lebanon", World Bank Technical Note (March 2018)

126 FAO in Lebanon, "Lebanon at a glance".

because of their proximity to Syria. In the Beqaa, 80 per cent of households spend less than is necessary for subsistence, and the area has one of the lowest employment-to-population ratios.¹²⁷

Agriculture serves as an additional source of income, whether in cash or in kind, for 17 per cent of Lebanese households.¹²⁸ Even prior to the Syrian crisis, the agriculture sector relied heavily on Syrian workers and employed a significant number of seasonal agricultural workers. The challenging working conditions and low wages make these jobs generally unattractive to unemployed Lebanese, who often seek more skilled employment. Furthermore, the agriculture sector workforce is segmented, comprising both permanent and seasonal agricultural workers, as well as farmers who work on land they own or rent.¹²⁹ The estimated size of the agricultural workforce, including Syrian agricultural workers, ranges from 287,000 to 312,000 individuals. Only around 12 per cent of agricultural holdings require full-time non-family labour; the demand for such labour was estimated to be 50,000 workers before the crisis.¹³⁰

As a component of the agriculture sector, the fisheries industry offers employment opportunities to an additional 6,500 workers, thereby benefiting nearly 100,000 individuals.¹³¹ While a small number of businesses control the market, domestic production is widespread and involves a large number of individuals.¹³² According to the Food and Agriculture Organization of the United Nations (FAO) EastMed for Lebanon Data for 2016, the total full-time equivalent (FTE) crew of fishermen in 2017 was reported to be 3,700. The fisheries sector operates on a family-based model, where vessel owners directly participate in fishing activities with the help of their family members.¹³³

The majority of farms are small to medium-sized artisanal family-owned enterprises, with 47 per cent classified as small, 38 per cent as medium-sized, and 15 per cent as large.¹³⁴ Smallholder production is therefore dominant in Lebanon, with an average farm size of 1.4 hectares. This offers limited job creation opportunities and impacts agri-business and export potential through unreliable quality and supply.¹³⁵ The composition of employment has remained relatively unchanged, with agriculture, forestry and fishing accounting for between 4 and 5 per cent of total employment according to the CAS Follow-Up Labour Force Participation Survey conducted in January 2022.

5.1.2. Characteristics of workers in informal and formal employment: socio-demographic profile (nationality, age, gender, educational level, occupation) in the informal economy sector and beyond

As highlighted in the first section of this report, a significant proportion of farming activities remains unregulated, resulting in informal status for agricultural work and exemption from the provisions of the Lebanese Labour Law. Consequently, farmers and agricultural employees are ineligible for formal public health coverage or retirement and pension schemes, primarily due to the absence of a universal health coverage system.¹³⁶ Within the agriculture sector, three main roles can be identified: landowners, farmers and farm workers. Farmers are responsible for cultivating the land and making decisions about the crops to be grown. Farm workers, on the other hand, are employed by farmers to work on the cultivated land, assisting with tasks such as planting and maintenance. In Lebanon,

127 FAO in Lebanon, "Lebanon at a glance".

128 Climate Change Laws of the World, "Ministry of Agriculture Strategy 2015 - 2019 - Lebanon"

129 ILO, *Assessment of the Impact Of Syrian Refugees in Lebanon and Their Employment Profile*, (2013)

130 Kanj Hamade, *Lebanon's Agriculture: Dynamics of Contraction in the Absence of Public Vision and Policies*, (2018)

131 DARPE, "UNDP strengthens the capacity building of fishermen cooperatives in Lebanon", 2022

132 FAO, "Briefing note- Fisheries & aquaculture in Lebanon", (June 2021)

133 FAO and EastMed *Socio-economic Analysis of the Lebanese Fishing Fleet*, (March 2013)

134 FAO, "Fisheries and Aquaculture - National Aquaculture Sector Overview - Lebanon", (2023)

135 FAO, *Agriculture sector review in Lebanon - Technical Study* (2021)

136 Kanj Hamade, *Lebanon's Agriculture: Dynamics of Contraction in the Absence of Public Vision and Policies*.

it is common for farmers to hire seasonal Syrian workers, women often playing a significant role because they receive lower wages.¹³⁷

Women contribute at least one third of the labour in agricultural production,¹³⁸ making this one of the most gender-balanced sectors.¹³⁹ According to the FAO, women account for around 43 per cent of the agricultural workforce.¹⁴⁰ The work of women in agriculture is, however, often invisible and very hard to quantify. While there is limited data on child labour in the sector, it is estimated that approximately 60 per cent of child labourers are employed in agriculture.¹⁴¹ Even before the onset of the Syrian crisis in 2011, the Lebanese agriculture sector relied heavily on migrant and seasonal Syrian workers. Since then, there has been a noticeable increase in the number of Syrians working in agriculture, particularly women and children. Women and children are also present in the tobacco sector. The number of tobacco farmers in Lebanon is estimated at around 25,000, with children aged from 9 to 15 making up part of the agricultural workforce in this sector.¹⁴²

Agriculture is a sector with one of the highest poverty rates (40 per cent) and the highest percentage of informal employment (85 per cent),¹⁴³ mainly women. It is one of the largest non-formal sectors in Lebanon,¹⁴⁴ characterized by low-skilled labour. According to the ILO-CAS *Lebanon follow-up labour force Survey January 2022*, the agriculture, fishing and forestry sector has the highest proportion (98.1 per cent) of informal employment among the three main branches of economic activity.¹⁴⁵

According to a study conducted by the ILO as part of the Productive Sector Development Programme, farmers aged 65 and over account for 23 per cent of the total number of farmers and work 24 per cent of agricultural land, while young farmers under the age of 35 constitute a smaller proportion, only 13 per cent, and work about 12 per cent of agricultural land. Farmers under the age of 25, in contrast represent a mere 2 per cent of the total number of farmers and work only 1 per cent of agricultural land.¹⁴⁶ From a gender perspective, female participation in agricultural activities is typically observed among younger women with lower levels of education compared to their male counterparts.

Jobs in the agriculture sector can be divided into three groups: high-skilled, medium-skilled and low-skilled positions. Lower-skilled and seasonal employment, which offer lower wages and often involve unfavourable conditions, are predominantly filled by people of Syrian origin who are willing to work in such conditions. The Beqaa region in Lebanon has the highest concentration of child labour, with Syrian labourers being prevalent in the Central Beqaa area. Preliminary findings indicate that Syrian children are engaged in tasks such as brick collection, vegetable bagging, and cleaning pesticide-contaminated land.¹⁴⁷ The abundant supply of low-wage Syrian labour has led Lebanese farmers to rely on human resources in agriculture instead of investing in expensive machinery.¹⁴⁸ According to a study conducted by the American University in Beirut (AUB), Syrians are prepared to work in the agriculture sector in the Beqaa and Akkar regions because of the instability of jobs and limited opportunities for employment in other sectors.¹⁴⁹

137 ILO, *Unlocking opportunities for decent job creation in Lebanon's horticulture sector*, Springfield Centre on behalf of the ILO (2020)

138 UN Women, *Women's Voices in the Agriculture and Agri-Food Sectors in Lebanon*, study conducted under the UN Women's Productive Sectors Development Program (PSDP) (August 2022)

139 ILO, "Preliminary assessment of occupational safety and health in the agriculture sector in Lebanon" ILO, 2021 (Unpublished)

140 FAO, "Role of women in agriculture in Lebanon", Briefing note 21 February 2021

141 FAO and UNICEF, *Child Labour in Agriculture: The demand side – Lebanon*, July 2019

142 ILO, *Investigating the Worst Forms of Child Labour No. 17, Lebanon: Child Labour on Tobacco Plantations*, International Labour Organization, May 2002

143 FAO, *Country Gender Assessment of the Agriculture and Rural Sector - Lebanon*, (2021)

144 Jeemol Unni, "Formalization of the Informal Economy: Perspectives of Capital and Labour", *The Indian Journal of Labour Economics*, vol. 61(1). (2018)

145 CAS and ILO, *Lebanon follow-up Labour Force Survey January 2022*, (2022)

146 ILO, *Assessing Informality and Vulnerability among Disadvantaged Groups in Lebanon*.

147 ILO, *Assessing Informality and Vulnerability among Disadvantaged Groups in Lebanon*.

148 ILO, "Preliminary assessment of occupational safety and health in the agriculture sector in Lebanon", 2021 (Unpublished)

149 AUB, *Dynamics of Syrian refugees in Lebanon's agriculture sector*, Research report (January 2020)

In a study conducted by ILO in 2021,¹⁵⁰ 97 per cent of the farmers in the sample were male, with an average age of 46.7 years, and 76 per cent were over 40. Additional data gathered indicated that the average age of Lebanese farmers was 53, and there were few newcomers to the profession. The lack of adequate agricultural schools and the failure of existing schools in Lebanon to meet global standards were emphasized by the respondents. This deficiency hampers innovation and serves as a deterrent for young people considering agricultural careers. These factors, coupled with an aging farming population and a lack of new entrants, pose a serious long-term challenge to the agriculture sector.

All the interviewees in the 2021 study were Lebanese and 30 per cent of them had attended or completed university. Only 25 per cent of the farmers reported receiving any form of formal education in agriculture, either short-term or long-term. Most farmers stated that they inherited the occupation and entered it at a young age, accumulating an average of 22 years of farming experience. According to the study, an average of 23 workers were employed during different seasons of the year. Female workers outnumbered male workers on the farms, reflecting the gender distribution in farm work. Females were hired in larger numbers for tasks like weeding, harvesting and sorting, typically at lower wages. One farmer mentioned hiring 165 workers, primarily females, for a short period to harvest potatoes from a large field. Male labourers were more commonly hired, albeit in smaller numbers, for tasks such as operating machinery, applying pesticides, lifting heavy objects, and transporting produce. Only 14 of 32 farmers reported having employees on a long-term basis. On 14 of 19 farms (74 per cent), there were reports of children working. These children were either members of farming families or hired for specific tasks like weeding, harvesting or sorting vegetables.

5.1.3. Working conditions in agriculture (employment contracts, income security, working hours, etc.)

Syrian employees in the agriculture sector typically have an informal employment arrangement with farmers or agricultural owners. These arrangements often rely on oral agreements, and written contracts are rare. A 2023 ILO survey overviewing operational safety awareness among farmers and workers found that the informality of employment is primarily attributed to the seasonal nature of agricultural labour and the lack of legal status of workers.¹⁵¹ The ILO study references figures from a Vulnerability Assessment of Syrian Refugees (VASyR) conducted in 2017 by the UNHCR,¹⁵² whereby 17 per cent of Syrian refugees live in informal tented settlements (ITS), where they pay rent in exchange for basic services and amenities. In these settlements, a figure known as the *Shaweesh*, usually a man, acts as a mediator and gatekeeper, facilitating work opportunities and providing transport to the fields. The *Shaweesh* negotiates the daily wage of Syrian workers based on factors such as gender, age and tasks. They assign individuals to specific jobs, collect payment from the farmer and distribute wages individually after deducting a commission. Some Syrian refugees live on the farmer's land without or with minimal payment, on the condition that they work on the farm for a negotiated daily wage. Whether working directly or through the *Shaweesh*, these labour arrangements expose Syrian workers to vulnerability and exploitation, with limited rights and no access to health or accident insurance.¹⁵³

Excessive working hours, inadequate pay, and unsafe agricultural practices,¹⁵⁴ such as the unauthorized use of pesticides and lack of personal protective equipment (PPE) for worker safety, are common. Numerous studies have highlighted the adverse health effects of long-

150 ILO, "Preliminary Assessment of Occupational Safety and Health in the Agriculture Sector in Lebanon", 2021 (Unpublished)

151 ILO, "Preliminary assessment of occupational safety and health in the agriculture sector in Lebanon".

152 UNHCR, UNICEF, WFP, "Vulnerability Assessment of Syrian Refugees in Lebanon - VASyR 2017"

153 ILO, "Preliminary assessment of occupational safety and health in the agriculture sector in Lebanon".

154 Pesticide Action network UK, "Health Effects of Pesticides". (2017).

term exposure to harmful chemicals and pesticides.¹⁵⁵ Their precarious legal status makes Syrian refugees particularly vulnerable to such health hazards, with women and children facing the highest risks.¹⁵⁶ Women, in particular, are more susceptible to various diseases and the cumulative effects of multiple stress factors such as prolonged kneeling, repetitive actions, uncomfortable body positions and continuous stooping. The findings of focus group discussions and the existing literature indicate a clear pattern: Syrians are willing to take on jobs that many Lebanese are unwilling to do. They demonstrate a greater readiness to undertake physically demanding and high-risk, labour-intensive tasks in the agricultural sector at lower wages.¹⁵⁷ Conversations with Lebanese farmers, in particular, revealed that the Lebanese are averse to low- or semi-skilled agricultural work. As previously mentioned, Syrian migrants have historically filled a significant portion of employment positions in the agriculture sector, particularly in low-skilled roles. Apart from their willingness to work in this sector, agriculture has traditionally been one of the few economic sectors accessible to them, especially refugees.

According to Shehade Al Masri, head of the Bakery Workers Syndicate in Mount Lebanon and Beirut, tobacco production is steadily declining because the working conditions in this sector are particularly gruelling, with no social security or decent work conditions guaranteed. Low production levels result in the importation of tobacco from Turkey. He pointed out that there is a founding committee for agricultural workers that he encourages farmers to join, but many are reluctant to do so and express reservations about being labelled differently as “agricultural workers” instead of “farmers”, noting that formalization efforts have been unsuccessful. He went on to say that farmers in the tobacco sector, like farmers in livestock production, face a series of issues that worsen working conditions. For example, in the tobacco sector, the Regie Libanaise des Tabacs et Tombacs (“the Regie”), is the State-owned corporation that controls the entire Lebanese tobacco industry.¹⁵⁸ It has exclusive control over the production, distribution, importation and exportation of tobacco products, and of the purchase of tobacco leaves from regional farms. It also oversees a force that combats smuggling. To plant tobacco, farmers need a licence from the Regie, which provides licensed wholesalers with access to domestic and foreign tobacco goods at prices agreed upon with the Ministry of Finance. The Regie is the exclusive purchaser of Lebanese tobacco leaf through a price support system, whereby the Regie purchases from farmers at a set annual price and quantity decided by the Ministry of Finance.¹⁵⁹

Shehade Al Masri said tobacco licences are often distributed according to political criteria, for rent-seeking purposes. A licence allows farmers to plant up to four dunams,¹⁶⁰ and to deliver only 100 kg of tobacco per dunam. With a licence for four dunams, the farmer may sell up to 400 kgs of tobacco; if the crop exceeds that, he is unable to sell the surplus. If he does, the Regie will consider it smuggling. Often, licensed tobacco farmers who receive the licence on political grounds go on to buy farmers’ excess crop and sell them for a profit. This is evidently unfair to the farmers who invested time and resources into cultivating the tobacco. This limitation is also a disincentive to progress and creates dependency on cheaper labour. Tobacco farmers, in general, will opt for Syrian refugee workers, particularly women and children, for their willingness to do manual work in relatively precarious conditions for a low wage, creating a cycle of exploitation. Because Syrian workers and farmers are exempted from the legal protection of the Labour Law, the cycle of exploitation continues.

All agricultural workers are paid daily and only for the hours they actually work. Per the findings of

155 Californians for Pesticide Reform, “Pesticides & Human Health” .

156 PennState, Potential Health Effects of Pesticides. (June 2022)

157 AUB, *Dynamics of Syrian refugees in Lebanon's agriculture sector*.

158 Tobacco Control Research Group, “Lebanon Country Profile”, *Tobacco Tactics*, September 2023.

159 Tobacco Control Research Group, “Lebanon Country Profile”.

160 The dunam, or metric dönüm, is a unit of land area used in parts of what was formerly the Ottoman empire. One donum is equal to 1,000 square metres, or approximately 0.247 acres.

the 2023 ILO study on occupational safety in the agriculture sector mentioned above, 52 per cent of workers were classified as permanent, as they lived on the farm for little or no rent and were expected to prioritize their work on the farm.¹⁶¹ However, Syrian workers, while categorized as 'permanent' because they live on the farm where they work, do not have a contractual relationship or receive a monthly salary. Like other workers, they are paid on an hourly basis at a rate that varies according to the season. The remaining workers, known as daily or seasonal workers, move between farms and are predominantly employed through the *Shaweesh*.

The surplus of workers is a key factor contributing to the low wages in the agriculture sector. The inefficiency of agricultural unions, the absence of collective efforts to enhance working conditions and the modest incomes of the majority of farmers further exacerbate the unfavourable work environment.¹⁶²

5.1.4. Drivers of informality in the agriculture sector

Gaps in legal coverage mean that certain categories of worker, including non-permanently employed agricultural workers, are excluded from the scope of National Social Security Fund coverage. Neither farmers nor fishermen have access to it, as it does not include private sector workers on temporary or seasonal contracts, which includes agricultural workers who are not permanently employed by an agricultural corporation.¹⁶³ The exclusion of agricultural workers from the provisions of the Social Security Law and the Labour Law is a significant driver of informality. Farmers themselves are ineligible for NSSF coverage as they are not classified as "wage earners". The workers they employ permanently are considered wage earners and can therefore be enrolled in the NSSF. Many farm workers are Syrian and therefore unable to enjoy NSSF benefits, perpetuating the cycle of informality. According to an ILO report published in 2020,¹⁶⁴ 73 per cent of agricultural workers in Lebanon had no health insurance coverage, while another ILO report published in 2021 found that only one in ten agricultural workers had access to employment-related health insurance.¹⁶⁵

The agriculture sector operates in a comprehensive value chain in which the well-being of businesses ultimately affects both farmers and agricultural workers. According to insights from focus group participants, there are two essential incentives for individuals to become farmers: financing and insurance. Both are currently lacking. Agricultural inputs like insecticides and fertilizers are costly as they are predominantly sourced from outside Lebanon. The limited availability of financial products and lending institutions for farmers result in importers and input providers often functioning as lenders, although the ongoing financial and economic crisis has created a liquidity shortage, reducing the demand for agricultural inputs and impeding providers' ability to extend credit. This situation could have medium-term implications for agricultural production. It is crucial to regulate credit and loans, promote formal agreements and prohibit unsustainable practices. The financial crisis has significantly impacted the dynamics of agricultural business, as many farmers require upfront funding to cover farming expenses. Furthermore, farmers may not always own the land they cultivate, which makes land rights insecure and short-term. This further discourages tenant farmers from implementing capital-intensive improvements and sustainable long-term production systems such as land rehabilitation, advanced irrigation methods, tree planting and transitioning to agro-ecological farming as a promising strategy for climate change adaptation.¹⁶⁶

161 ILO, "Preliminary assessment of occupational safety and health in the agriculture sector in Lebanon"

162 ILO, FAO and Lebanese Ministry of Agriculture, *Skills Development for Inclusive Growth in the Lebanese Agriculture Sector*, Policy Brief (2020).

163 ILO, *Extending Social Health Protection in Lebanon*.

164 ILO, *Extending Social Health Protection in Lebanon*.

165 ILO, *Vulnerability and Social Protection - Lebanon: A microdata analysis based on the Labour Force and Household Living Conditions Survey 2018/19, Summary Report*, (February 2021).

166 FAO, "Lebanon's agricultural sector: challenges and opportunities".

Furthermore, the agriculture sector has experienced an increase in smuggling due to the high cost of inputs, which, if not effectively controlled, will have severe consequences for the health of workers and consumers and have a negative impact on Lebanon's reputation. Participants in focus group discussions mentioned that raw materials like fertilizers and medicines are smuggled into the country and offered at lower prices attractive to farmers, particularly amid the economic crisis. These products often fail to meet Lebanese health and safety standards, let alone international standards, resulting in health issues at the local level. Many farmers have few skills and lack formal education and have inherited their trade. Representatives of Fair Trade Lebanon also highlighted this concern, emphasizing that, despite the provision of training sessions and marketing courses to farmers, many revert to traditional farming methods, primarily because of concerns that adopting new techniques may impact their yields. Farmers can be reluctant to embrace change, and many find themselves trapped in debt, relying on loans to purchase inputs, the uncertainty of crop production being a constant anxiety. Poor agricultural practices, such as the use of unsuitable crop varieties and excessive pesticide and fertilizer use, among others, often affect quality.¹⁶⁷ Awareness of international standards of farming practices is limited,¹⁶⁸ while post-harvest practices are also insufficiently implemented.

Focus group participants highlighted the lack of long-term vision in production as a significant issue, leading to the overproduction or underproduction of certain food items, while the absence of digitization, particularly in terms of traceability and maintaining agricultural records, was identified as a major problem for both businesses and farmers. Participants emphasized the need for the Government to establish a programme to monitor farmers' compliance with International Organization for Standardization (ISO) standards and to determine which products can be exported to which destinations. Collaborative efforts between professionals with high skills levels, such as agricultural engineers, research centres, and farmers, would help ensure improved quality and greater export potential. In the case of Syrian workers, their informal employment status results in lower wages, insufficient protection of workers' rights,¹⁶⁹ and exposure to highly hazardous situations that pose risks to their health. As will be explored further in the following section, skills mismatches are ubiquitous across all agricultural subsectors, suggesting that agricultural technical schools and training programmes do not meet market needs and fail to produce workers able to meet the increasingly specialized needs of employers.

Moreover, access to education and skills is limited, especially in rural areas. With respect to agriculture specifically, in spite of the sector's importance to the economies of rural areas in terms of employment and income-generating opportunities, historically it has been overlooked by Government, receiving little expenditure: roughly 0.5 per cent of the total budget since 1994.¹⁷⁰ Consequently, technical and vocational education and training institutions have been able to do little to improve their programmes to satisfy the demands of the labour market.¹⁷¹ Furthermore, for the workers in the informal economy who do have skills, the lack of a skills recognition mechanism hampers their transition into formal employment.

5.1.5. Skills gap in the agriculture sector

During the academic year 2017-2018, enrolment figures in higher education programmes revealed that 4,210 students (2 per cent of the total) chose agriculture, fishing and veterinary sciences, while 30,225 students (14 per cent) chose engineering, industrial transformation and production

167 Such as poorly managed animal feeding operations, overgrazing, ploughing, fertilizer and improper, excessive, or badly timed use of pesticides.

168 The ISO sets standards for agriculture that cover all aspects of farming, from irrigation and GPS to agricultural machinery, animal welfare and sustainable farm management.

169 ILO, "Preliminary assessment of occupational safety and health in the agriculture sector in Lebanon" ILO, 2021 (Unpublished).

170 Ministry of Agriculture, ARDP, European Union, *Ministry of Agriculture Strategy 2015-2019*, (November 2014)

171 ILO, FAO and Ministry of Agriculture, *Skills Development for Inclusive Growth in the Lebanese Agriculture Sector*, Policy Brief, (2020).

programmes. An additional 6,769 students (3 per cent) opted for IT and telecom programmes.¹⁷² These numbers indicate the potential for young Lebanese talent to drive a transformation in the agriculture sector, taking it from traditional practices to agri-tech tools. This transition necessitates a combination of IT expertise and agricultural engineers, as digitization and the adoption of cutting-edge technologies play a crucial role.

The Ministry of Agriculture, either independently or in collaboration with non-governmental organizations (NGOs), is responsible for the development of curricula, programme implementation, assessment and certification in agricultural training programmes, but there is a notable lack of established structures or standardized arrangements for agricultural training, including aspects such as the number of training hours, curricula content and certification procedures. According to an ILO report on TVET in Lebanon, some NGOs conduct agricultural training programmes independently, without consulting or seeking certification from the Ministry.¹⁷³ Focus group participants highlighted the fact that NGOs often offer similar training programmes to the same target audience without considering specific needs or previous training experiences.

To support the development of technical and vocational agriculture schools, the Ministry of Agriculture initiated a rehabilitation programme for seven institutions to provide suitable learning environments for over 2,000 students majoring in agriculture-related fields.¹⁷⁴ Considering the current state of the Lebanese education system,¹⁷⁵ it is uncertain how well these schools are performing. The Ministry of Agriculture has implemented a work-based learning (WBL) programme as part of the curriculum for its Technical Baccalaureate (BT),¹⁷⁶ and short-term courses in agriculture, with assistance from FAO, ILO, the AVSI Foundation, and the Welfare Association for Research and Development (WARD). To provide students with practical experience, a coalition of 21 employers/companies has agreed to support the training.¹⁷⁷ In June 2020, a memorandum of understanding (MoU) was signed between the Ministry and employers, establishing a framework for collaboration to support the implementation of work-based learning, including apprenticeships, internships and traineeships for students enrolled in programmes accredited by the Ministry of Agriculture.

According to the 2021 dashboard of Inter-Agency Coordination in Lebanon, a total of 125 youth (46 per cent girls) between the ages of 15 and 25 were enrolled in agricultural schools in the formal education system. A further 129 youth of the same age group (75 per cent Lebanese and 25 per cent Syrian) participated in TVET short-term training courses focusing on agricultural skills,¹⁷⁸ basic numeracy and literacy. Furthermore, 40 adults aged 25 and over (70 per cent of whom were women) received TVET agricultural training. Farmers and field workers have different skill requirements. Small-scale farmers must balance their needs for competencies and equipment based on factors such as land access, land tenure, family size, and value chains, while the training and educational choices of field wage workers are primarily influenced by labour market opportunities and wage levels.

The ILO research on skill demand and supply trends in the agriculture sector,¹⁷⁹ revealed that employers face challenges in finding employees with the necessary skills at a reasonable cost. The study also identified specific technical and life skills that graduates of technical, vocational and

172 IDAL, *Agriculture sector in Lebanon*.

173 ILO, *A review of skills testing and certification in TVET in Lebanon*.

174 IDAL, *Agriculture sector in Lebanon*.

175 LBC, "Teachers strike continues: Uncertainty surrounds students' return to school". (March 2023)

176 The Technical Baccalaureate (*baccalauréat technique*, BT) is taken by students after completing the vocational brevet (BP); preparation lasts three years and it is awarded to students on successful completion of the technical stream of upper secondary school or technical school. European Training Foundation, *National Qualifications Framework-Lebanon*. (2021)

177 ILO, FAO and Ministry of Agriculture, *Skills Development for Inclusive Growth in the Lebanese Agriculture Sector* Policy Brief (2020).

178 Inter-Agency Coordination Lebanon, "End of Year Sector Dashboards-Food Security and Agriculture". (2021)

179 ILO, FAO and Ministry of Agriculture, *Skills Development for Inclusive Growth in the Lebanese Agriculture Sector*.

training programmes lacked, including crop and animal husbandry skills, and craft-related skills. The same study reviewed the educational backgrounds of BT graduates and found that, although 40 out of 50 firms were willing to hire them, only 30 per cent did so. Employers expected graduates to be prepared for work but found they had to provide on-the-job training. It was reported that graduates took over a year of work-based training to achieve an acceptable level of productivity and efficiency, with 86 per cent of employers stating that it took more than six months. The BT curriculum for general agriculture does not align with employers' expectations for specialized skills as it is designed to provide a broad-based training across sectors.

According to focus group participants, the acquisition of low-skilled workers has become increasingly challenging in the aftermath of the crisis and the devaluation of the Lebanese pound. The scarcity of Syrian labour has also become an issue for farmers, many pointing out that many Syrians receive international assistance and are now less unwilling to work for wages below a certain threshold, which is often unaffordable for small-scale farmers. Lebanese labourers are not available, participants mentioning their unsuccessful attempts to recruit unemployed youth from their hometowns for agricultural work. Despite all efforts, Lebanese youth generally show no interest in agriculture-related jobs.

In a 2022 study conducted by the ILO titled "Community-based market assessment for skills development and economic empowerment",¹⁸⁰ the firms surveyed reported greater difficulty hiring for elementary occupations in the agriculture sector than other sectors. The development of skills is vital in order to modernize agricultural production processes and enhance the living conditions of farmers. Many farmers do not adopt practices that comply with ISO standards, which hinders their ability to engage in export activities.

There is a generally negative perception of TVET schools and systems, which discourages youth from pursuing careers in these fields. Many students choose alternative paths instead. Furthermore, successive budgets allocated by the Ministry of Agriculture have provided inadequate funding for agricultural technical education and specialized short-term training courses. As a result, educational institutions and training programmes lack the necessary practical training facilities and plots, their curricula remain outdated and do not align with the evolving demand for skills in agribusiness and farm management.

Similarly, the shelf price of produce does not adequately reflect the actual cost of production, leaving many farmers in a disadvantaged position. Lebanon's agricultural supply chain faces numerous challenges, including weak cooperatives and limited negotiating power for farmers in market transactions.¹⁸¹ These factors contribute to the presence of unfair trade practices and an imbalance in market power. Farmers do not always possess the necessary negotiating and business skills to secure fair returns on their products. They also struggle to meet ISO standards, which hinders their ability to access foreign markets and secure fresh funds. In contrast, larger farming operations that are vertically integrated enjoy higher profit margins, as they have the flexibility to respond to market price fluctuations and easily reach export markets. They also benefit from technical expertise. On the other hand, small-scale farmers, who constitute the majority, are more vulnerable to market fluctuations and rely heavily on wholesalers. These farmers face challenges in adopting capital-intensive technologies,¹⁸² hiring specialized labour and investing in acquiring new skills and techniques. This is mainly due to low profit margins and limited access to capital.

Moreover, focus group participants highlighted the fact that wholesalers and distributor networks are in a dominant position and often use their position as a leverage over small-scale less organised farmers. Consequently, farmers often must sell their products at unfair and low prices.

¹⁸⁰ ILO and UNICEF, *Community-based market assessment for skills development and economic empowerment*.

¹⁸¹ FAO, "Lebanon's agricultural sector: challenges and opportunities".

¹⁸² ILO, FAO and Ministry of Agriculture, *Skills Development for Inclusive Growth in the Lebanese Agriculture Sector*.

To address this issue, it would be beneficial to enhance transparency in wholesale marketplaces and among distributors and devise new tools to allow farmers direct access to the market rather than leave them vulnerable to wholesalers. Improving the cooperative system and implementing digital and regulatory solutions could contribute to achieving such transparency.¹⁸³ The regulatory framework needs to be updated and revised and the registration and monitoring procedures for cooperatives and farms simplified. Additionally, facilitating connections between industrialists and cooperatives, promoting value chain integration through new sales channels, and providing training programmes prior to the establishment of new cooperatives are strategies that could help to enhance the role of cooperatives. By strengthening the role of cooperatives, farmers could gain better access to new technologies and skills training, specifically related to production methods that meet international standards, and marketing and negotiation skills.

Despite youth participation being low at the processing and cultivation level, focus group participants pointed out that the crisis had played a role in generating interest among the youth and facilitating the introduction of new technologies into the sector. Young people are entering the agricultural sector and exploring techniques like hydroponics, composting, permaculture, integrated crop management and technology-related fields. However, most older farmers in Lebanon, are reluctant to embrace change or adapt to climate change. It is essential to enhance training initiatives and allocate increased support, both financial and in terms of manpower, to develop new TVET schools or provide assistance to existing ones. Moreover, in order to benefit from the newfound interest of the youth in agricultural technology, greater linkages across the agriculture value chain are needed.

5.1.6. Perception of formalization

Focus group participants perceive informality as a consequence rather than the primary problem in the agriculture sector. Currently, farming is unprofitable due to high energy prices and the seasonal nature of work, both of which contribute to the prevalence of informal labour. Participants also observed that businesses in the formal economy are more adversely affected than those in the informal economy, experiencing higher costs with minimal profits. The participants emphasized that the foremost concern for farm workers is access to health insurance. Consequently, farmers have to provide health insurance for their workers, despite not being eligible for NSSF coverage themselves. This cycle poses a significant challenge to the sector's viability. Although participants initially expected an increase in Lebanese workers after the crisis, very few actually pursued manual labour occupations. They also noted that other countries in the MENA region, such as Jordan, commonly employ foreign agricultural workers, a high percentage coming from Egypt and Syria. In Egypt, many workers come from Sudan. The crisis in Lebanon has brought about a shift in perspectives regarding agriculture, leading to reinvestment in farming and small-scale projects in agri-development. Participants suggested that, if similar efforts had been made between 2005 and 2010, the impact would have been far greater.

The imposition of high customs duties on inputs for productive sectors and the lack of an import strategy to address unfair competition present significant challenges to formalization. The depreciation of the local currency only affected labour costs by reducing their relative weight, while operational expenses increased as a result of the dollarization of the economy. Farmers therefore have little incentive to formalize, especially as long as they and their workers lack access to the NSSF. This will have repercussions for vulnerable populations working in agriculture, most of which are informal, as their wages were already lower before the crisis. As vulnerable workers become more desperate, many will be willing to accept informal arrangements, thereby rendering themselves extremely vulnerable to exploitation and being forced to accept poor working conditions and precarious work arrangements. At the same time, in light of the high competitiveness and weak

¹⁸³ FAO, "Lebanon's agricultural sector: challenges and opportunities".

governance regulating the job market, employers are more likely to opt to hire workers informally at lower cost rather than bear the costs associated with formal employees.

Farmers today are concerned with access to healthcare, and cooperatives have the potential to help in this regard. For instance, one focus group participant mentioned that their cooperative established a mutual fund to assist farmers, covering a certain percentage of their healthcare expenses. Currently, the cooperative encompasses 20,000 farmers and supports approximately 100,000 families. Nevertheless, the mutual fund strives to maintain coverage without raising subscription fees for its members. Some cooperatives struggle to survive, however. Focus group participants emphasized the pivotal role cooperatives should play in Lebanon, highlighting their underdeveloped and disorganized state. Cooperatives should assume a larger role in terms of quality assurance, skills development, access to finance and health coverage. Turkey was mentioned as an example: there, cooperatives are recognized as a vital organizational model for strengthening the competitiveness of small enterprises and facilitating necessary modernization and market adjustment.

Additional information on formalization initiatives can be found in subsection 1.6 of the agri-food section.¹⁸⁴

5.1.7. Past interventions to encourage formalization

In 2011, the Minister of Agriculture, Hussein Hajj Hassan, proposed granting fishermen access to benefits provided by the NSSF. However, after a substantial number of individuals began registering as fishermen,¹⁸⁵ the initiative was suspended due to inadequate organization and lack of capacity. A similar initiative was undertaken for the agriculture sector, with a similar result. A key informant interviewee, Gloria Abou Zeid of the General Directorate of Cooperatives, announced that the Ministry of Agriculture was planning to launch an initiative in March 2023 whereby farmers would be able to register and take a step forward in the formalization process. On 2 March 2023, the Ministry of Agriculture and the FAO jointly announced the launch of the Farmers' Registry programme,¹⁸⁶ which aims to gather various types of data, including parcel and location identification, farmers' livelihood conditions, and their household, socio-economic and demographic information. In order to raise awareness of the importance of the registry and encourage farmers to register, the Ministry, in collaboration with the FAO, launched a national advertising campaign. This campaign invites farmers to visit their nearest agricultural centre affiliated with the Ministry, after scheduling appointments through a dedicated platform accessible on the Ministry website. The initiative is an important step towards supporting the transition of informal workers to formal employment, with no specific registration conditions or costs. It is a self-registration process in which the registration of a farmer will help the Ministry acquire accurate information about all aspects of the agriculture sector, cultivated areas and the quality of crops, and thus improve its ability to determine quantities of production. While the registration process offers benefits, such as helping the Government identify the farmers most in need of social protection and agricultural interventions, participation remains voluntary rather than compulsory.

Donor initiatives generally link access to funds and financial support to formalization, whereby businesses benefiting from such funds need to be formal or at a certain stage of the formalization process. These include the BEEIL initiative,¹⁸⁷ projects operated by Fair trade, the French Development Agency (AFD) and Kafalat. In an interview conducted by the ILO, Khater Abi Habib,

¹⁸⁴ DGRV, Turkey Project Description (2019)

¹⁸⁵ Participants said that numbers reached around 500 people per day.

¹⁸⁶ United Nations, Lebanon, "Register your farm, protect your rights! Launching of the Farmers' Registry", Press Release, 6 March 2023.

¹⁸⁷ The BIEEL initiative is one that aims to create an environment conducive to business development and empowers 100 Lebanese small and medium-sized enterprise and cooperatives by boosting their international competitiveness. BIEEL | What is BIEEL

Chairman of Kafalat, revealed that three of their programmes, specifically Kafalat Plus and Kafalat Innovation, were only accessible to formally organized enterprises in the agriculture and other sectors. The objective is to provide an incentive for small enterprises and start-ups to fully formalize their operations and structure. Similarly, in an interview conducted on 2 August 2022, a representative of Amideast said that the organization gave priority to supporting formalized labour and businesses, with no discrimination based on nationality, provided the beneficiaries were residents of Lebanon.

5.1.8. Forms of organization in the agriculture sector

A significant proportion of cooperatives are active in the agriculture sector. Currently, there are a total of 1,350 officially recognized cooperatives, of which 1,086 are agricultural cooperatives. Lebanon also has 12 federated agricultural cooperatives.¹⁸⁸ The General Directorate of Cooperatives is actively evaluating the registered cooperatives, ensuring their compliance with the law and operational status. Any non-compliant or non-operational cooperatives are dismantled to maintain the integrity of the cooperative system.

As for the composition of cooperative membership, the majority (81.5 per cent) are men, while only 18.5 per cent are women. However, in agro-food cooperatives, particularly those involved in food processing, the percentage of women members is higher,¹⁸⁹ reaching 35.3 per cent. In contrast, in exclusively agricultural cooperatives, the number of women members is considerably lower, at 10.7 per cent, indicating a significant gender gap in agricultural participation. It is worth noting that the percentage of women members in agricultural cooperatives slightly exceeds the percentage of registered women farmers, which stands at 8.6 per cent. This suggests that cooperatives are relatively more successful in attracting women than the overall registered farming population.

About 60.5 per cent of agricultural cooperative members are over 40 years old, reflecting the aging demographic of farmers in Lebanon. It is important to point out that the proportion of farmers over 40 years old in the total farming population is higher, at 76.4 per cent. Nonetheless, cooperatives show promise in engaging younger individuals, as approximately 10.2 per cent of agricultural cooperative members are under 30 years old, and 29 per cent fall within the age range of 30 to 40. This indicates the potential of cooperatives to attract and involve younger generations in the agriculture sector.¹⁹⁰

According to the General Directorate of Cooperatives, agri-food cooperatives, encompassing various sectors such as livestock, produce, beekeeping, fisheries, crafts and artisanal commodities are predominantly formed by women. These cooperatives focus on agro-processing, marketing and rural artisanal produce. In terms of productivity and geographic distribution, women agri-food/agricultural cooperatives are, according to Gloria Abou Zeid, the most productive and most widespread across the country.¹⁹¹ The capacity of these cooperatives varies according to size and region. Sylvana Gerges of the Ministry of Agriculture, another key informant interviewee, emphasized the formality of all cooperatives and highlighted their importance in promoting formalization within the sector.

According to a study conducted by the ILO on the cooperative sector in Lebanon in 2018, almost 70 per cent of cooperatives do not have full-time employees,¹⁹² and a similar proportion (76 per cent) do not have part-time employees. With respect to the cooperatives that do hire employees, the average number of full-time employees is four, and the average number of part-time employees is 6.4.

188 FAO, *Country Gender Assessment of the Agriculture and Rural Sector - Lebanon*.

189 FAO, *Country Gender Assessment of the Agriculture and Rural Sector - Lebanon*.

190 ILO, *The co-operative sector in Lebanon, What role? What future?* (2018)

191 KII, representing the General Directorate of Cooperatives.

192 ILO, *The co-operative sector in Lebanon*.

Ultimately, it is the type of cooperative that dictates the type of employment: for instance, part-time employment is significantly more prevalent among cooperatives working in vegetable production (which employ an adjusted average of 31.2 part-time employees and 2.7 full-time employees) due to the labour-intensive nature of the work, whereas fruit cooperatives, in which workers are involved in cold storage and packaging centres (usually the main investment of cooperatives working in fruit production), will have a higher number of full-time employees (an adjusted average of 9 full-time and 4.8 part-time). This indicates the diverse nature of the sector, with the majority of cooperatives having limited economic activity and only a small percentage being economically viable and competitive.

Only 4.5 per cent of farmers are members of agricultural cooperatives, indicating a relatively low participation rate. This can be attributed to two main factors: existing cooperatives are often unappealing to farmers, failing to provide sufficient incentives for membership; and many cooperatives do not adhere to the principles of open membership, limiting their accessibility.

The perception of cooperatives among farmers is often unfavourable. Both cooperative members and non-members tend to view them primarily as channels for government or donor funding, rather than as organizations driven by membership involvement and guided by business priorities. This perception undermines the appeal and credibility of cooperatives, discouraging farmers from actively participating in them.

5.1.9. Conclusion

The lack of proper regulations, weak cooperatives, and poor economic conditions have long plagued the agriculture sector in Lebanon. The sector is one of the largest informal economic activities in the country, characterized by low skills, long working hours, low productivity, poor remuneration, child labour and unfavourable agricultural practices. Chaotic and adverse labour conditions, including unregulated pesticide usage and lack of safety equipment, have a detrimental impact on its competitiveness.

Farmers are reluctant and often lack the means to invest in productivity-enhancing technologies that could improve their outputs, reduce losses and increase exports. Many farmers have not invested in modern productivity-enhancing technologies that would alleviate low productivity. Seasonal workers in agriculture experience high levels of informality and are therefore more vulnerable to layoff and reductions in wages and hours of work. The exclusion of farmers and foreign workers from the national social protection scheme worsens working conditions, disincentivizes formalization and reduces the attractiveness of the sector.

The agricultural sector requires immediate attention in terms of formalization, which can be achieved through the implementation of appropriate regulations. The legal provision for protection of rights and social coverage should be extended to farmers and other categories of workers excluded from the current Social Security Law and Labour Law. It is essential to establish a regulatory framework that recognizes “the farm” as a commercial entity and specifies the minimum amount of agricultural land required for its operation. Moreover, it is crucial to revise the existing legal framework governing cooperatives to facilitate the growth of cooperative structures and ensure that small farming units can achieve sustainable economic returns. From a skills perspective, farmers must transition away from inefficient production practices by diversifying and modernizing. Educational and vocational institutions must be supported and their curricula kept up-to-date to satisfy labour market demand. Skills recognition systems must also be implemented to enable workers to access formal employment opportunities. Addressing these matters, would make the agriculture sector better equipped to operate within a formalized and regulated framework, leading to enhanced productivity and overall development.¹⁹³

193 ACTED Lebanon, *Lebanon Olive Value Chain Analysis Report*, (May 2018)

TABLE 2: Recommendations for the promotion of formalization in the agriculture sector

Recommendation	Stakeholders
Amend the Labour Law to require all contracts to be in writing to help reduce informality.	Ministry of Labour, Lebanese Parliament
Extend legal provision for rights protection and social coverage to farmers, fishermen, the self-employed and other categories excluded from the current Labour Law and Social Security Law.	Ministry of Labour, Ministry of Finance, Ministry of Justice, National Social Security Fund, Lebanese Parliament
Revise the existing legal framework governing cooperatives.	Ministry of Agriculture
Encourage organization through trade unions.	Ministry of Labour, trade unions
Conduct awareness campaigns highlighting the risks and negative consequences of informality for workers, and its impact on their economic situation and livelihood.	Ministry of Labour, trade unions
Support the Ministry of Labour inspectorate to enable it to fulfil its role and duties, such as ensuring compliance with legal requirements for working conditions and employee protection.	Ministry of Labour, Government of Lebanon
Encourage practices such as contract farming between cooperatives and contractors	Ministry of Agriculture, cooperatives, business associations
Provide training and other forms of assistance to improve the level of productivity and competitiveness of Lebanese farmers.	TVET schools, NGOs, the international community
Facilitate bipartite and tripartite dialogue, especially between workers unions and business associations, to unify approaches to tackling informality.	Trade unions (such as CGTL and FENASOL) and business associations (such as the Association of Lebanese Industrialists)
Empower the National Employment Office to collect and disseminate accurate data reflecting the skills required in the market.	National Employment Office (Ministry of Labour), Government of Lebanon, international institutions.
Uphold the obligations of the ILO Forced Labour Convention, 1930 (No. 29), ratified by Lebanon in June 1977.	Ministry of Labour

5.2. Agri-food sector

 THE LEBANESE AGRI-FOOD SECTOR: OVERVIEW	
Key Figures	
Contribution to GDP	2.9 per cent
Toal workforce	Est. 21,000. No up-to-date official data on the sector workforce.
Contribution to exports	In 2019: • 11.7 per cent of total exports; • 12.4 per cent of industrial exports.
Top exports	In 2019: • Dried fruits and nuts (10 per cent of total) • Processed chocolate (8 per cent of total) • Other vegetables and food preparations (7 per cent of total)
Type and scale of enterprises	1,245 registered manufacturing enterprises as of 2018. • Baked goods and sweets (40 per cent) • Dairy products (11 per cent) • Alcoholic beverages (6 per cent) • Oil (5 per cent)
Social protection eligibility	Available to those employed by an agri-food company for a wage or salary. This often requires proof of employment through a contract, which seasonal agricultural workers prefer to avoid. Not available to the self-employed.
Percentage of informal enterprises	80 per cent of agricultural and agri-food small and medium-sized enterprises are estimated to be informal.
Drivers of informality	• Weak public sector • Lengthy and often costly registration and licensing procedures • Lack of know-how and incentives to formalize • Exclusion from the Labour Law in certain cases, unless employed by an agri-food company for a wage or salary • Exclusion of migrant workers from National Social Security Fund coverage, despite employers having to contribute to the Fund • Reliance on unregistered seasonal Syrian workers • Lack of proper strategy for the sector, and knowledge/awareness of proper management practices

5.2.1. Economic context of the agri-food sector

The agri-food sector is composed of all stakeholders engaged in the primary production of agricultural products, including both food and non-food items. It encompasses a wide range of interconnected activities that add value to these products. This sector primarily involves activities such as storage, aggregation, post-harvest handling, transportation, processing, distribution, marketing, disposal and consumption of all food products, regardless of their agricultural or non-agricultural origins.¹⁹⁴

5.2.1.1. Growth and composition of growth

The agri-food industry has shown resilience and expansion despite the economic recession. The depreciation of the local currency has led to an increase in local manufacturing driven by changing consumer preferences for more affordable locally produced goods. This has resulted in the establishment of new production lines and an increased demand for personnel. Exports of fruits, nuts, and grapes have experienced significant growth in recent years,¹⁹⁵ increasing 5.6 times from 2019 to 2021, reaching US\$404 million. Grape exports have also surged, reaching US\$234 million in 2021, from just US\$14.5 million in 2019.¹⁹⁶

The agri-food sector plays an important role in the Lebanese economy, contributing significantly to the industrial sector output and GDP. According to the Investment Development Authority of Lebanon IDAL, in 2018, it accounted for approximately 38 per cent of the industrial sector¹⁹⁷ output and around 2.9 per cent of the GDP. Over the period of 2010-2018, the sector's added value experienced¹⁹⁸ a Compound Annual Growth Rate (CAGR) of 9.5 per cent, reaching an estimated size of US\$1.6 billion in 2018. According to the Investment Development Authority of Lebanon (IDAL), the agri-food sector also contributes to industrial exports,¹⁹⁹ with agri-food products accounting for 11.7 per cent of total exports and 12.4 per cent of industrial exports in 2019. It contributes 5 to 7 per cent of GDP and employs approximately 11.5 per cent of the labour force.²⁰⁰

The sector encompasses a large number of industrial establishments. Agri-food enterprises account for the largest share of industrial establishments in the country, with 26 per cent of enterprises or 1,245 companies involved in agri-food activities. This highlights the sector's importance and its potential for local and international growth and expansion, which could lead to job creation across various skills levels. However, despite the opportunities, the agri-food industry faces significant challenges that hinder its development.²⁰¹ Expensive production costs, impediments to entrance and market access, and employment issues have all been exacerbated by the economic crisis. These are significant obstacles to the industry's growth and sustainability.

Political unrest, has had a significant impact on the industry, causing disruptions in exports to important markets and delaying formalization due to ongoing strikes in the public sector. Moreover, competition in the agri-food sector is growing in the Gulf Cooperation Council (GCC) countries, which are among the top destinations for Lebanese products, as more goods from Asia, Europe, and the Levant reach retailers in Saudi Arabia and the United Arab Emirates,²⁰² the two

194 FAO, *The State of Food and Agriculture - Making Agrifood Systems More Resilient to Shocks and Stresses*, (2021)

195 The top three exported agri-food products in 2019 included dried fruits and nuts (10 per cent of total), followed by processed chocolate (8 per cent) and other vegetables and food preparations (7 per cent).

196 Fair Trade Lebanon Business Innovation and Enhance Exports for Lebanon (BIEEL), (July 2022)

197 Ministry of Industry, *The Lebanese Industrial Sector Facts and Findings 2007*

198 ILO, *Key challenges and opportunities facing entrepreneurs in the agriculture and agro-food sectors in North-Lebanon and Akkar – Needs assessment report under the Productive Sectors Development Programme* (2022)

199 IDAL, *Sectors in Focus - Agri-Food Fact Book* (2021)

200 MORE CAPITAL, "Agri-Business in Lebanon - Sector Perspective" (November 2020)

201 UNIDO, "ROAD Map for the Agro- food Sector in Lebanon" (2019)

202 ILO, *Key challenges and opportunities facing entrepreneurs in the agriculture and agro-food sectors in North-Lebanon and Akkar*.

biggest markets in the region. In 2020, the Ministry of Agriculture adopted a strategy covering the period from 2020 to 2025. Although the strategy seeks to address every aspect of the developing crisis, implementation is improbable in the absence of any follow-up and without the explicit engagement of relevant stakeholders. Moreover, the strategy does not address the systemic and structural issues in the industry. One concerning issue is the lack of coordination between the agriculture and agri-food value chains, as some agri-food products depend on agricultural outputs that are not consistently available.²⁰³

Addressing these challenges and strengthening the agri-food sector's performance will require coordinated efforts from all relevant stakeholders, and the implementation of effective strategies that enhance market access, promote formalization, and improve overall value chain integration.

5.2.1.2. Structure of the labour market

According to the latest available data, the agri-food sector in Lebanon comprises 1,245 registered manufacturing units engaged in the manufacture of agri-food products. These establishments are mainly concentrated in Mount Lebanon Governorate and employ an average of 28 persons.²⁰⁴ Micro and small establishments dominate the sector, with 95 per cent of establishments employing fewer than 10 employees, as revealed in a United Nations Industrial Development (UNIDO) report in 2019. The sector is estimated to provide employment for approximately 21,000 people, based on a survey conducted by the Ministry of Industry over a decade ago. However, in view of the significant increase in unregistered micro businesses in the agri-food sector since 2019, the current number of people working in the sector is not available.²⁰⁵

IDAL reports that, in 2020,²⁰⁶ the agri-food sector accounted for 25 per cent of the industrial sector workforce, while a study by UNIDO indicated that only 15 per cent of agri-food establishments were registered and formal in 2018.²⁰⁷ About 40 per cent of agri-food businesses are engaged in the manufacture of baked goods and sweets, making it the largest segment. Dairy products constitute 11 per cent of businesses, followed by alcoholic beverages at 6 per cent,²⁰⁸ and oil producers, primarily olive oil, at 5 per cent.

Although specific employment data for the sector are not available, academic enrolment figures provide an indication of the potential labour supply. In 2018, approximately 30,000 students were enrolled in engineering and agri-food studies, suggesting a pool of cost-effective labour for the development and growth of the agri-food sector. Geographically, agri-food activities are concentrated in Mount Lebanon (48 per cent),²⁰⁹ followed by the Beqaa region (18 per cent), North Lebanon (9 per cent), Baalbek-Hermel (6 per cent), South Lebanon (6 per cent), Nabatiyeh (6 per cent), Beirut (5 per cent) and Akkar (2 per cent). It is worth noting that many agri-business activities throughout the value chain (such as farming, processing and packaging, distribution and retail) are carried out by local players within Lebanon.²¹⁰ This local participation demonstrates the involvement and contribution of domestic actors in the agri-food industry, supporting the development and sustainability of the sector within the country.

203 ILO, *Key challenges and opportunities facing entrepreneurs in the agriculture and agro-food sectors in North-Lebanon and Akkar*.

204 ILO, *Skills Development for Inclusive Growth in the Lebanese Agriculture Sector*.

205 During the agri-food sector focus group discussion, participants raised concerns about the high number of unregistered businesses in the sector following the crisis.

206 IDAL, *Sectors in Focus - Agri-Food Fact Book* (2021)

207 UNIDO, "Road Map for the Agro- food Sector in Lebanon" (2019)

208 IDAL, *Sectors in Focus - Agri-Food Fact Book* (2021)

209 IDAL, *Sectors in Focus - Agri-Food Fact Book* (2021)

210 MORE CAPITAL, "Agri-Business in Lebanon - Sector Perspective".

5.2.2. Characteristics of workers in informal and formal employment: socio-demographic profile (nationality, age, gender, education level, occupation) in the informal economy sector and beyond

According to a LEADERS survey conducted in the Beqaa Valley,²¹¹ the age group with the highest labour participation in the construction, food services, and agro-industry sectors was 25-39 years, accounting for 37 per cent of the workforce. Among the sectors studied, agro-industry had the highest percentage of women workers (39.7 per cent). The survey revealed that 41 per cent of agro-industry workers were of Syrian nationality, and that only a maximum of 12 per cent of agro-industry workers held university degrees. While 8.6 per cent of workers had written contracts, 31.5 per cent had oral agreements, and 59.9 per cent had no work contract at all. The agri-food sector is similar to the agriculture sector, in that both rely heavily on Syrian labour. The latest available data from the Ministry of Industry and UNIDO suggests that women represent 17 per cent of the formal industrial workforce, but their actual participation is thought to be higher, since this figure excludes workers and business owners in the informal economy. The findings of a 2023 ILO gender mapping survey conducted on member companies of the Association of Lebanese Industrialists (ALI) show further evidence of women's presence in the sector. An estimated 5,252 employees, accounting for 36.6 per cent of the total of 14,353 employees, were determined to be employed in "Food and Alcoholic Beverages" companies, the sector with the highest level of employment. Of these 5,252 employees, 34 per cent were female and 66 per cent were male. This suggests that women play an active role in the sector; their contribution must be recognized and supported. Shehade Al Masri, head of the Bakery Workers Syndicate in Mount Lebanon and Beirut, reported that 85 per cent of workers in bakeries are of Syrian nationality. However, 93 per cent of workers registered with the National Social Security Fund are Lebanese, indicating a trend of underreporting the actual workforce involved in the sector. Bakery owners often take advantage of the lack of inspections to keep workers unregistered. For example, according to Al Masri, on 1 November 2022, the Ministry of Labour issued a decree enforcing the Labour Law on all bakery workers, but employers have continued to avoid registering their workers, taking advantage of the limited resources of the Ministry, which hinder rigorous inspections. This form of informality has a triple impact. First, it harms the Government by depriving it of revenue. Second, it adversely affects workers, as they are not entitled to labour law protection, resulting in longer working hours, lower wages, and limited social and health benefits. Third, it creates unfair competition between Syrian and Lebanese workers, whereby Syrian workers are more inclined to accept informal labour than Lebanese, since they cannot benefit from the NSSF in any case and they are more likely to receive support from alternative sources.

Moreover, focus group participants noted that, before the crisis, the majority of blue-collar workers were Syrian or other non-Lebanese but, since, a small number of Lebanese have also joined the workforce, particularly people in public sector jobs seeking additional income (which further contributes to informality and vulnerability). Foreign labour, particularly vulnerable groups such as Syrians, is cheaper and more available.²¹² Such foreign workers tend to be concentrated in Lebanon's main agricultural areas, such as the Beqaa and the North, agriculture being one of the few sectors accessible to Syrians under Lebanese Government regulations.²¹³ Unfortunately, few or no inspections are carried out in these rural areas and, according to focal group participants, daily agricultural workers often lack knowledge about their labour rights and how to ensure

211 LEADERS, Working Conditions in the Construction, Food Services and Agro-Industry Sectors in the Beqaa Valley, Leaders For Sustainable Livelihoods (2017).

212 According to the ILO, wages for Lebanese in permanent employment in the agriculture sector are higher than for Syrians (US\$500-550 per month for Lebanese male workers compared to US\$450-470 for Syrian male workers at the rate of LBP1,500/US\$1). Discriminatory patterns are also more pronounced for semi-skilled/limited skilled seasonal workers: while the daily rate for a Lebanese male unskilled labourer used to be US\$20- US\$25, Syrian male unskilled labourers used to earn an average of US\$10-US\$15 per day, while Syrian women and children used to earn as little as US\$7 and US\$4, respectively.

213 ANERA, "Six Years On, Syrian Refugees Forge Futures in Farming", (2023)

their protection. Informality is widespread among disadvantaged Lebanese and Syrian refugee populations: a recent ILO study revealed that 77.8 per cent of employment among vulnerable groups in Lebanon is informal.²¹⁴ Vulnerable groups often have a high demand for work and are willing to accept informal employment,²¹⁵ and are more likely to have low skills and work in sectors with high informality. Informal employment exacerbates their vulnerability and hinders social mobility. During economic downturns, informal workers are often the first to lose their jobs due to the ease of terminating their employment, as they lack workers' benefits, workers' representation and social protection.

The current Labour Law and existing labour regulations contribute significantly to the worsening of informality by depriving entire segments of the workforce of employment-related rights and indirectly pushing them into informality. While legal means exist for Syrian workers to obtain a work permit in specific sectors such as agriculture, the legal costs of doing so are prohibitively expensive and the procedures cumbersome, so many end up working informally.

The gender gap in entrepreneurial activity in Lebanon is minimal compared to other countries in the region. While men were almost twice as likely as women to be starting or running a new business in Lebanon in 2018,²¹⁶ the country had by far the highest level of women-led start-ups in the MENA region. More than one in six women in Lebanon were starting or running a new business in 2018, and youth and women are encouraged to start their own businesses in agriculture and agro-food processing.²¹⁷ In a 2015 assessment of the agri-food industry in Lebanon, the European Union (EU) concluded that access to finance was a major impediment to the development of the sector, with many producers reporting their inability to access funds and thus develop their business due to lack of knowledge of existing financial schemes, bank branches' lack of risk assessment capacity and lack of a proactive role on the part of banks. Microfinance institutions such as Al Majmoua, Vitas, and Ibdiaa, and the subsidized loan system with a Kafalat guarantee, used to be major players in micro, small and medium-sized enterprise development, but have shrunk considerably due to lack of funding and because their borrowers' economic circumstances dramatically worsened with the crisis. Nonetheless, some financial schemes are burgeoning, one example being Cedar Oxygen, but these cater to larger, well-established companies, with high tickets and tailored debt funding, making them inaccessible to smaller businesses.

This was especially true for women who faced (and continue to face) land and property rights issues, limiting their ability to access funds.²¹⁸ An unpublished study by the National Observatory for Women in Agriculture and Rural Areas (NOWARA) on women in rural areas (who were mainly involved in agriculture and agro-processing activities) found that 93.8 per cent of women in the 18-29 age group had no capital, and women in general complained of poor access to productive resources.²¹⁹

Despite this, the agri-food sector has a significant presence of women, with 125 registered women cooperatives. These cooperatives, mainly producing traditional Lebanese foods, are managed by women and include several agro-processing cooperatives.²²⁰ Female focus group participants emphasized that their cooperatives were established to empower women, provide income opportunities and preserve Lebanese culinary culture. Cooperatives play an important role in preventing rural-urban migration by keeping women engaged in beneficial initiatives that

214 ILO, *Assessing Informality and Vulnerability among Disadvantaged Groups in Lebanon*.

215 ILO, "Informality in Lebanon", Policy Brief (Unpublished), December 2021.

216 Global Entrepreneurship Monitor, *GEM Lebanon 2018 Report*.

217 Robet McKelvey, "Revolutionising Lebanon's agriculture sector as food runs out", Al Jazeera 6 July 2021.

218 ESCWA, *Study on Gender Mainstreaming, Social Inclusion, Human Rights Processes and Outcomes of Access to Energy in Targeted Local Communities in Lebanon*, 2020

219 Productive Sector Development Project (PSDP), "Lebanon Recovery Fund Call for Proposals" - UNDP, 2020

220 ILO, *The co-Operative sector in Lebanon*.

contribute to the national economy and protect rural areas. Women-led cooperatives are facing challenges during the current crisis, however, especially with the impact of the Covid-19 pandemic. One representative mentioned that, before the pandemic, women could earn reasonable incomes, but were now experiencing financial difficulties. International aid and support often require formalization and organization, which attracted many women to join cooperatives at a certain time. In the Baalbek and Zahle districts, traditional food-processing cooperatives have provided job opportunities for Lebanese women.²²¹ A major concern is the lack of healthcare coverage for women in these cooperatives,²²² however. The main challenges faced by cooperatives now relate to financing and the high price of agricultural inputs, such as medicines and fertilizers.

5.2.3. Working conditions in the agri-food sector (employment contracts, income security, working hours, etc.)

According to findings from the focus group discussions, wages in the sector have fallen by an average of 60 per cent, leading to a severe labour shortage, particularly in skilled blue-collar positions. Despite some routine inspections, labour regulations are seldom enforced properly. The agri-food industry still has a significant level of informal employment, with micro, small and medium-sized enterprises failing to register employees, pay minimum wages or provide health insurance. The informal economy has expanded with the entry of Syrian workers, making it challenging to include them in the formal labour market. Agrarian industries rely heavily on seasonal migrant workers, making it difficult to obtain permanent work permits and hindering long-term formalization efforts.²²³

According to focus group participants, daily wages in the agri-food sector vary from LBP600,000 to LBP700,000 for a 7 a.m. to 1 p.m. shift,²²⁴ many workers being informally employed. These wages are unaffordable for some businesses, which opt to operate at the family level. The shortage of skilled blue-collar workers and their inconsistent availability also pose major challenges. Ensuring quality in the sector is difficult as seasonal workers often refuse formal contracts, which impacts quality assurance when harvesting. They refuse formal contract because of the high seasonality of the jobs available, which pushes them to search for better paying jobs throughout the year, and because businesses are not likely to pay workers a full year's wage for only seasonal work. For example, a member of the Delta group said that they have eleven full-time employees, and seasonal Syrian workers, relying on oral contracts due to the workers' preference for mobility between jobs.

It is important to raise awareness among workers of the advantage of a written contracts for safeguarding their rights. Companies should be informed by business associations and trade unions of the various types of agreements they can establish with seasonal workers to ensure greater labour security. Dollarization is pushing up wages, including those of the Syrian workers.

The ILO interview with the representative of the inspection division at the Ministry of Labour revealed a distinction between agricultural workers in agricultural enterprises and agri-food companies, and seasonal work for farmers. Labour and social security laws apply to employees in agricultural enterprises and agri-food companies, but farmers are not subject to these laws as their temporary and immediate tasks do not meet the conditions of "economic subordination", fixed wages, and fixed time as outlined in article 624 of the Law of Obligations and Contracts. Farmers are also explicitly excluded from application of the Labour Law (article 7), making it

221 LEADERS, *Working Conditions in the Construction, Food Services and Agro-Industry Sectors in the Beqaa Valley*.

222 UN Women and World Bank Group, *The Status of Women in Lebanon - Assessing Women's Access to Economic Opportunities, Human Capital Accumulation & Agency*. (2021)

223 ILO, "Review of relevant registration and compliance procedures and institutional actors for the formalization of small economic units and their workers in Lebanon", 2022, (Unpublished)

224 At the time of the focus group discussions, the dollar was trading at LBP82,000 to US\$1.

difficult to determine their employment status and resulting in their exclusion from the benefits of labour and social security laws. Furthermore, the absence of an ongoing working relationship for at least one year and the explicit exclusion from application of the Labour Law, complicates verification of the status of agricultural workers and denies them access to legal safeguards and social security benefits.²²⁵

Therefore, irrespective of nationality, farmers and agricultural workers are not legally recognized, except when employed by agri-food companies and receiving a wage or salary. This exclusion from labour legislation denies them essential rights, including social security, maternity leave, sick leave, working hour protection and end-of-work compensation as outlined in the labour and social security laws.

5.2.4. Drivers of informality in the agri-food sector

Focus group participants unanimously identified government policies, the collapsing public sector and culture as the driving forces and main triggers of informality. They specifically mentioned concerns about income settlements, inconsistencies in labour legislation, and the impact of the new tax law (see Current government policies in Part 1 of this paper). Many businesses, already struggling to retain skilled personnel, do not fully disclose employee compensation, especially if it is in dollars. Mounir Bsat, President of the Syndicate of Lebanese Food Industries (SLFI), considered that, in the absence of political and security stability, the economic crisis, exchange rate instability, high energy and irrigation costs and other production costs, in addition to the scarcity of skilled and unskilled labour, smuggling, and the tax evasion practices of informal institutions, were the main barriers hindering the formalization process.²²⁶

According to Zaher Radwan, founder of Green Hand and president of the Syndicate of Craftsmen, a lack of proper strategy and awareness in the sector is driving informality and chaos. To address this issue, Green Hand is collaborating with multiple ministries, cooperatives and municipalities on the “Authentic Aley” strategy in Aley region. This initiative aims to bring order to the sector in the region.

Lina Assi of the Ministry of Industry highlighted the lack of capacity to measure the size of the informal economy in the sector. She emphasized the need for stronger cooperation between the Ministry of Industry and municipalities to regulate the sector effectively. The Ministry is currently partnering with UNIDO on a project in the North of the country to provide agri-food businesses with training in marketing strategies, production methods, feasibility studies and pollution reduction measures to facilitate exports.

FENASOL board members emphasized that the absence of bipartite and tripartite social dialogue has long been a brake on transitioning away from informality. Bipartite dialogue and collective bargaining are of particular importance in establishing working conditions and terms of employment and overseeing relations between employers and workers, and between employers organizations and workers organizations. They further stressed that the absence of trade union representation exposes workers to greater vulnerability, and that the limited resources of unions hinder their ability to reach out to a larger workforce and raise awareness of the importance of formality for achieving decent work.

As for potential drivers of formalization, focus group participants identified access to finance as the main potential incentive for formalization of both enterprises and jobs. Micro, small and medium-sized enterprises would be better able to obtain financing if they were formalized as they

225 ILO, “Review of relevant registration and compliance procedures and institutional actors for the formalization of small economic units and their workers in Lebanon”.

226 ILO, “Review of relevant registration and compliance procedures and institutional actors for the formalization of small economic units and their workers in Lebanon”.

would have access to a variety of loan programmes offered by service providers, governments and donors.²²⁷ As they gradually achieve the standards for formalization and have connections with organizations or semi-formal financing providers and the formal banking system, formalized businesses may benefit from access to larger loans, training and registration support for small businesses.²²⁸ In view of the total collapse of the financial sector in Lebanon and the fact that banks have stopped giving loans, it is important to note that access to finance is conditional upon an enterprise being formalized. Over the past few years, a number of projects to provide finance to the agricultural sector have been launched.²²⁹

The Lebanese Government has done nothing to organize the labour market in order to benefit from the additional workforce and resources. This has had detrimental impacts on Lebanese and Syrian workers alike. In 2009, the General Directorate of the Ministry of Labour stated in its annual report that most Syrian workers in Lebanese territory were daily or seasonal workers in agriculture, agri-food and construction and did not have a permanent employer. It suggested that a way should be found of issuing work permits to them as that would allow the treasury to collect fees from Syrian workers and gain a better understanding of their numbers in the country. The report went on to recognize that the requirement for employers to declare Syrian workers to the National Social Security Fund was an additional burden on employers that made them reluctant to seek work permits for their employees. This can be read as willingness on the part of the Ministry to differentiate between work permits for seasonal Syrian workers and registration in the Fund.

5.2.5. Skills gap in the agri-food sector

The Census of Establishments conducted by the Central Administration of Statistics identified the agri-food sector as the largest employer in the industrial sector,²³⁰ offering employment opportunities to both low- and high-skilled labour.²³¹ The sector currently faces a shortage of skilled labour, exacerbated by the economic crisis that has led to the migration of skilled and unskilled workers to other sectors. Focus group participants specifically mentioned difficulties finding blue-collar workers, such as factory and machine workers. A survey by the United Nations Development Programme (UNDP) in 2016 revealed a skills gap in the agri-food industry, particularly in marketing and retail skills.²³² Companies emphasized challenges in market research, advertising and effective marketing techniques, especially for export purposes, including lack of awareness of quality requirements for specific markets, thus highlighting the need for awareness campaigns.

The skills required in the agro-food sector vary depending on company size and production type, but there is also a significant demand for unskilled labour. According to an ILO study published in 2017, small and medium-sized agri-food businesses opt for on-the-job training to reduce labour costs, instead of hiring overqualified graduates of vocational schools. Unskilled workers

227 Although not an ideal type of financing, in view of the current situation and given the lack of alternatives, donor support could be seen as an opportunity. Other advantages of donor support concern quality assurance, certification and decent working conditions, all of which bring agricultural products into line with international standards, thus facilitating access to foreign markets through exports, quality certification and so on.

228 ILO, "Review of relevant registration and compliance procedures and institutional actors for the formalization of small economic units and their workers in Lebanon".

229 USAID currently supports eight key microfinance organizations in Lebanon by lending capital and providing technical management and planning support: Association du Développement Rural (ADR), Association d'Entraide Professionnelle du Liban (AEP), Al Majmoua, Ameen, Lebanese Cooperative for Development (CLD), Emkan, Entrepreneurial Development Fund (DEF) and the Makhzoumi Foundation. Additional measures to support micro, small and medium-sized enterprises are provided by the United Kingdom Lebanon Tech Hub, Berytech, Bader Youth Entrepreneurs Programme, Start-up ESA, the diaspora network LebNet, Kafalat and the Economic and Social Fund for Development. In 2020, BDL launched the Lebanese Economy Oxygen Fund initiative to raise US\$750 million and establish a sustainable and scalable lending programme of US\$3 billion per year to finance small and medium-sized industrialists' raw material imports.

230 Thomas Farole and Joanna Corzo, "Tackling job creation in North Lebanon through investment in value chains", - World Bank Blogs (December 2017)

231 UNIDO, "Road map for the agro- food sector in Lebanon".

232 Blominvest Bank, "Key Findings from the UNDP's Mind the Gap: A labour Needs Assessment for Lebanon" (April 2017)

are typically paid the minimum wage, resulting in high turnover rates. Highly skilled employees are primarily needed in marketing, finance and occasionally production departments. Skilled machinery operators and unskilled and semi-skilled workers are in high demand for production. Studies highlighted a shortage of trained workers, particularly technicians proficient in automated processes, making it difficult for agro-food enterprises to find suitable candidates.²³³ The study identified demand for four categories of qualifications in new hires: education and experience, specific technical skills, soft skills (work readiness and commitment) and absence of a specific skill (unskilled labour). Based on focus group responses, occupations such as technicians, both on the factory floor (factory and machine workers) and at harvesttime, were more likely to be informal. Companies also said it was difficult to find skilled technicians. These positions are often filled by Syrian workers who do not always have access to formal skills recognition systems. According to respondents, the migration of skilled blue-collar workers considerably impacted their final products. Investing in measures to increase the productivity and incomes of blue-collar workers by providing access to skills development and training, in particular to improved technical and vocational education and training, could help these workers transition towards formal employment.

In terms of education, respondents highlighted the TVET school in Qab Elias, in the Beqaa region, which focuses on teaching food safety to blue-collar workers. The school, intended as a hub with advanced technology and pilot plants, is currently managed by the Ministry of Education, but lacks vital maintenance and support. Graduating only between 10 and 20 students annually, the school faced enrolment challenges even before the crisis, indicating a career guidance mismatch. Public sector strikes pose a risk to public education, including TVET. Agri-food businesses interviewed for the 2017 ILO study expressed dissatisfaction with the graduates, who showed little seriousness and preferred to seek work abroad. At the same time, an unforeseen consequence of the economic situation is the emergence of a “lack of will to work” among some Lebanese youth. Focus group participants mentioned the challenge of offering competitive salaries, as eligible workers pursue easier money-making opportunities or rely on support from expatriate relatives. This leads companies to turn to more committed Syrian workers for technical occupations.²³⁴ Jobs are often informal as the work is seasonal and the legal regulations surrounding employing Syrians are complicated. A World Bank report emphasized the mismatch between labour force supply and private sector needs, particularly in North Lebanon. Moreover, in terms of technical and vocational training, Caritas Lebanon offers agro-processing vocational training as part of a livelihoods project,²³⁵ while USAID works with chambers of commerce to enhance domestic sales and exports of high-value agricultural products by building the technical capacity and volume of domestic greenhouses to convert to hydroponic production and strengthen their ties with the horticulture export market, improve laboratory accreditation and establish one-stop export shops. These initiatives alone are insufficient to ensure an adequate supply of skilled workers in the long term, however.

In 2016, surveyed enterprises in the sector reported that lack of communication skills hindered the effective functioning of 90 per cent of them, while 60 per cent identified a lack of technological skills as a constraint. A 2016 UNDP-commissioned assessment of the labour needs in the construction, agro-food, and ICT sectors emphasized skills shortages among semi-skilled workers, professionals, and managerial staff.²³⁶ Findings suggest that it is important to focus on industry-related technologies, quality and cost control, and monitoring and evaluation. These challenges require intervention by policymakers and stakeholders.

233 ILO, “The agro-food sector in Lebanon: Challenges and prospects: A skill-need based analysis”, 2017.

234 ILO, “The agro-food sector in Lebanon: Challenges and prospects A skill-need based analysis”.

235 Caritas Lebanon 2022

236 UNDP, *Mind the Gap: A Labour Needs Assessment for Lebanon* (UNDP, 2016)

In this sector, businesses require candidates with better knowledge of marketing theory, improved advertising skills and a deeper understanding of market research than currently available. Language and communication skills, particularly in English, pose a major challenge for food scientists and other professionals, limiting their access to laboratory research and the latest advances. The primary difficulty businesses face is training semi-skilled employees in new technology, quality control methods, and monitoring and assessment processes. One focus group participant from Fair Trade Lebanon confirmed the challenge of training blue-collar workers in new techniques as most are only familiar with traditional methods.

5.2.6. Perceptions of formalization

It is important to distinguish between business formalization and worker formalization, as even some formalized micro, small and medium-sized enterprise do not see any advantage in formalizing their workers because of seasonal fluctuations and the high costs involved. However, all enterprises acknowledge the need for improved working conditions in the agriculture sector for Lebanese, Syrian, and Palestinian workers alike.²³⁷

In focus group discussions, participants agreed that social media and the economic crisis have intensified the issue of informality in the sector, with social media making it easier for smaller, home-based informal businesses to operate. The first group revealed that there are an estimated six to seven thousand unregistered businesses, while the second group confirmed that over 80 per cent of businesses operate without proper registration. A recent study conducted by the ILO further supports this,²³⁸ indicating that the majority of the study's sample of micro, small, and medium-sized enterprises in the agriculture and agri-food sectors (80 per cent) were not formalized. These businesses rely heavily on seasonal Syrian workers who are also not registered, mainly due to their temporary employment status.

There are limited incentives for farmers and micro, small and medium-sized enterprises to formalize. Enterprises, particularly those in the agri-food sector, exhibit less interest in formalization, often because they are family-owned or home-based businesses and lack the resources, knowledge and motivation needed to undertake the formalization process. They face bureaucratic obstacles without adequate support, and the costs of formalization exceed their revenues. Many enterprises thus lack the human, technical and financial capabilities to pursue formalization.

During a focus group sessions, one participant, who is a new entrepreneur, shared her experience of starting a business in 2020 and expressed frustration at her inability to obtain a government trademark for her business name. This delay was attributed to the ongoing strikes, understaffing and infrastructure issues of the authorities. As a result, she had already had to change her business name three times due to instances of other businesses on Instagram stealing and using the name of her business.

Establishing a business in Lebanon involves a lengthy, complex process. Before launching a micro, small, or medium-sized enterprise, entrepreneurs must carefully consider the most suitable business structure that aligns with their anticipated objectives, especially in the agri-food sector. While there are alternative legal forms available for starting an agri-food business,²³⁹ it is strongly recommended to choose among the three main options: commercial establishment, sole proprietorship company, or limited liability company (LLC). Another viable option worth considering is the formation of a cooperative, which offers economic benefits to the workforce.

237 ILO, "Review of relevant registration and compliance procedures and institutional actors for the formalization of small economic units and their workers in Lebanon".

238 ILO, "Review of relevant registration and compliance procedures and institutional actors for the formalization of small economic units and their workers in Lebanon".

239 ILO, *The co-operative sector in Lebanon*.

Registering a limited liability company involves a minimum of eight steps, which in the past took an average of 15 working days. Participants reported that the process can now take several months, however. This prolonged registration process contributes to the proliferation of corruption and bribery, resulting in increased costs for small family-run businesses. The current state of the public sector serves as a significant deterrent registration. In the absence of effective follow-up and law enforcement mechanisms to address the growing informal sector, the Government has not implemented preventive measures to curb informality. Furthermore, even when companies successfully complete the registration process, there is a lack of quality control oversight. Focus group participants noted that governmental authorities do not apply any standards before issuing licences. Informal employment in the agri-food sector is on the rise, primarily as a result of the low entry requirements and lax standards, since the crisis has significantly limited the Government's ability to uphold proper inspections and quality control. The Ministry of Labour is primarily responsible for this, but staffing and logistical difficulties impede its ability to perform adequately.

The first set of interviews highlighted the rapid proliferation of informal primary producers, a concern confirmed and reiterated by the second set. The lack of follow-up and regulations in this sector can lead to serious health issues, while the absence of standards and regulations poses a risk to the country's reputation, as it could hinder future trade deals and damage Lebanon's access to existing export markets. Many local primary producers lack formal education, exacerbating the regulatory challenges. Moreover, municipalities should assume a greater role in regulation, particularly since informal workers often operate at the local level, where municipalities have better access to them. Informal companies face difficulties in exporting their products due to issues such as quality control, agricultural agreements, the absence of an agricultural agenda and the limited competitiveness of local agricultural and agri-food products.²⁴⁰ It is important to establish product standardization and enhance competitiveness to promote exports. On a positive note, focus group participants mentioned that some companies are opting for formalization to facilitate exports, driven by the need for "fresh dollars" in the context of the crisis.

The Leadership, Entrepreneurship and Employment's Development (LEE) Experience conducted a study of agriculture and agri-food micro, small and medium-sized enterprises,²⁴¹ with a sample of 12 enterprises, four formalized and eight non-formalized. Formal enterprises saw the benefits of formalization, including enhanced credibility, product quality and more opportunities for exports, but only one of the four believed that the benefits outweighed the costs, such as taxes and National Social Security Fund contributions. These enterprises also faced the challenges mentioned by focus group participants, such as public sector strikes and corruption leading to additional fees.

The survey showed that registered enterprises required support with:

- Legal expenses and fees to facilitate the formalization procedure.
- Financial support and working capital.
- Transitioning to solar power or expanding into organic vegetable production to enhance accessibility of premium products for consumers.

Four out of the eight unformalized enterprises were unaware of the procedures and benefits of formalization. The study shows that none of the unformalized enterprises run by Syrian refugees were aware of the benefits of formalization. Four of the enterprises were not interested in proceeding

240 ILO, "Review of relevant registration and compliance procedures and institutional actors for the formalization of small economic units and their workers in Lebanon".

241 ILO, "Review of relevant registration and compliance procedures and institutional actors for the formalization of small economic units and their workers in Lebanon".

with a formalization process, noting that they did not see the need to formalize given the very small scale of their business, which did not require company registration. Key challenges in pursuing formalization included:

- **Administrative impediments:** Corruption and the added costs it entails, public sector strikes and bureaucracy.
- **Awareness level:** Lack of information on the registration process, particularly costs and associated benefits.
- **Legal obstacles:** Foreigners need to be legally resident, which prevents many from registering their businesses.
- **Legal fees:** Registration requires the services of a lawyer.
- **Challenging requirements:** Difficulty acquiring the necessary documents, including property certificates.
- **Miscellaneous costs:** Mainly transportation and administrative costs.

Syrian owners of micro, small and medium-sized enterprises face additional challenges, including lack of the legal documents needed to register their businesses with the Lebanese authorities, and lack of awareness of the process as a whole. The study noted that none of the eight non-formalized enterprises received any kind of support or assistance to comply with regulations and formalization procedures.

Before the economic crisis, demand for skilled and unskilled workers was particularly high, especially in the agriculture and agri-food sectors. Aside from the lower salaries of the Syrian workforce, vocational competence gave them an advantage in specific employment categories.²⁴² Declining economic activity has lowered demand for labour in these industries, leading to higher unemployment rates and longer-term unemployment for both Lebanese and Syrians.²⁴³ As a result, workers are becoming more reluctant to formalize, especially in highly seasonal sectors such as agri-food, because they prefer to accumulate jobs in order to ensure more income. In other words, companies cannot guarantee a stable salary for seasonal workers, which in turn drives workers towards informality, as they seek to secure several sources of income. Moreover, temporary and seasonal employees should, in theory, be covered by law,²⁴⁴ but the Social Security Law has suspended their entitlements from the National Social Security Fund pending a decree from the Cabinet, which has not yet been issued. In practice, coverage of part-time employees is also limited. Employers are required by law to register employees during the first 10 days of employment, but focus group participants stated that the short periods for which seasonal workers are hired discourages employers from doing so.

5.2.7. Past interventions to promote formalization

Linda Sultan, the head of the commercial department at the Chamber of Commerce, Industry, and Agriculture of Tripoli (CCIAT), highlighted in an interview the many benefits of formalizing businesses, including improved positioning, exposure and visibility, resulting in opportunities for financial and technical support from international NGOs, incubators and donors. She added that formalization also fosters product uniformity, competitiveness, market access, and exports. Similarly, Said Jedeon, vice chairman of the Chamber of Commerce, Industry, and Agriculture of Zahle,²⁴⁵ emphasized that formalizing micro, small and medium-sized enterprises enhances sector

242 ILO, *Assessing Informality and Vulnerability among Disadvantaged Groups in Lebanon*.

243 Long-term unemployment is defined as having been unemployed for 12 months or more. (Long-term unemployment- *OECD Factbook 2016*)

244 ILO, *Extending Social Health Protection in Lebanon*.

245 ILO, "Review of relevant registration and compliance procedures and institutional actors for the formalization of small economic units and their workers in Lebanon".

organization, export capabilities and traceability. It was raising awareness of those benefits that was promoting formalization, as more businesses and workers understood the opportunities it unlocked.

In March 2022, UNIDO launched the “Lebanon Export Academy”, inviting micro, small and medium-sized enterprises in the agri-food and agriculture sectors to apply. The academy, the first of its kind in Lebanon, provides women and youth-led enterprises and cooperatives with the know-how and practical export skills needed to scale up operations and foster export readiness. Applicant enterprises must be registered as international organizations and programmes make formalization a condition of support for enterprises, be it financial, technical or capacity-building. An interview conducted by the ILO with Khater Abi Habib, chairman of Kafalat and Amideast, revealed that registered businesses alone have access to donor funds. Several focus group participants stated that the main reason they sought to formalize was the increased chances of access to finance, especially after the paralysis of the banking sector.

In November 2022, a joint initiative by the ILO and UNICEF, the Youth Agri-Market,²⁴⁶ was launched in Tripoli, the Beqaa and Beirut. It is a venue for workshops and exhibitions that enables Lebanese and Syrian youth and entrepreneurs to showcase their products, pitch their business plans to experts, receive technical guidance, establish linkages and potentially receive financial support. Initiatives such as these encourage businesses and workers to move towards the formal economy because of the opportunities they present. They also help focus on job creation by encouraging self-employment and micro, small and medium-sized enterprises as a means of addressing the high levels of unemployment and vulnerability, and to promote an enabling environment for inclusive and decent job creation for women and youth.

5.2.8. Forms of organization in the agri-food sector

A frequent complaint expressed in focus groups was the lack of organization in the sector, particularly concerning informal labour. Follow-up conversations with trade unions confirmed that their limited presence and the general lack of organization of workers in the sector contributes to worker vulnerability and informality, especially given the challenges associated with weak law enforcement. Cooperatives have been proposed as a means of establishing standards and facilitating exports. To be recognized by the Lebanese Federation of Cooperatives and enter the formal economy, agrifood cooperatives must register and comply with hygiene regulations. Social media have provided new opportunities for businesses, some of which now operate solely online without formal registration.

Much needs to be done to increase trade union involvement in the sector, especially in view of the widespread and continuing growth of the informal economy and the regulations preventing certain segments of the workforce from participating in labour organizations. The agrifood sector falls under the purview of three ministries: the Ministry of Agriculture, the Ministry of Economy and Trade and the Ministry of Industry. Trade unions and associations, such as the Association of Lebanese Industries (ALI), the Association of Lebanese Farmers, the Lebanese Association for Urban Agriculture, the Union of Cooperatives in Lebanon, the Syndicate of Agrofood Traders in Lebanon and the Syndicate of Lebanese Food Industries, are active in the sector. Ongoing collaboration with ALI, specifically regarding the formalization of the sector, plays a crucial role in reducing the extent of informality.

The increasing importance of access to finance driving businesses to pursue formalization has become more evident. The role of the ILO and social partners should involve reaching out to informal businesses, raising awareness of the benefits of formality for both enterprises and workers, facilitating formalization processes and providing capacity-building and skills training.

246 ILO, “Youth Agri Market: a launching platform for entrepreneurs in Lebanon”.

It is important to update and effectively communicate legal frameworks to businesses and individuals, particularly in rural areas, to encourage registration and adherence to established codes and standards. It is also essential to enhance cooperatives, improve working conditions and facilitate the transition to formality. Efforts are currently under way at the Directorate General of Cooperatives to enhance the overall reputation and standards of cooperatives, but the Directorate is hampered by limited human and financial resources, which hinders its ability to provide technical support at the governorate level. Insufficient funding has also impeded its capacity to acquire necessary equipment,²⁴⁷ including IT equipment and a centralized database.

5.2.9. Conclusion

The Lebanese agri-food sector is diverse and holds significant potential for exports, but it lacks regulation at both the business and the worker levels. After the events of autumn 2019, the sector faced considerable challenges as access to finance across the value chain was disrupted. Banks were no longer able to accommodate the need for traditional loans by the retail, middle market, corporate and agriculture sectors.²⁴⁸ Despite these obstacles, there has been some growth in production and exports in the agri-food sector. The local consumption of agricultural products has increased as consumers have shown a greater preference for locally sourced goods. This has prompted farmers and manufacturers to boost their production and introduce new product lines to meet market demand. In addition, various initiatives have emerged to support agri-food start-ups, providing technical, professional, and financial assistance to small businesses in the sector.²⁴⁹

The prevalence of social media platforms as sales channels, coupled with a stagnant public sector and limited inspections, has facilitated the growth of informality. This level of informality in the sector poses significant risks on various fronts. The lack of quality control measures can have severe consequences for public health and tarnish Lebanon's reputation in international markets. Furthermore, informal businesses create unfair competition, negatively impacting formal enterprises. Many workers in the sector, especially at the production level, are Syrian and face challenges with formalization, either because they are unable to obtain work permits, they need more than one source of income, which discourages them from seeking formal contracts, or because of unfair regulations that prevent them from receiving decent benefits. Nonetheless, international donors and NGOs are actively investing in the development of the agri-food sector, recognizing its potential for economic growth and job creation, particularly for women and youth. Improving the enabling environment to support the economic participation of women and youth in the agri-food sector through legislative reforms, greater access to markets and capacity-building would help create job opportunities, enhance working conditions and reduce informality.

It is also essential to equip and resource inspection and enforcement bodies adequately. This would discourage informality and promote employer compliance with regulations. Discriminatory regulations affecting specific worker segments must also be eliminated and addressed to improve the prospects of vulnerable communities.

247 ILO, The co-operative sector in Lebanon.

248 Hanns Seidel Stiftung, "Lebanon agri-food initiatives mapping and gap identification", November 2021

249 For example, Berytech is encouraging agri-food start-ups through the Scaling-up Agri-food Innovations (SAFI) project; the Productive Sectors Development Programme, sponsored by the Government of Canada, includes the Lebanon Export Academy and is implemented by UNIDO and UNDP Lebanon in collaboration with Berytech. Berytech also runs the Agritech Accelerator Programme.

TABLE 3: Recommendations to promote the transition towards formality in the agri-food sector

Recommendation	Stakeholders
Equip inspection and enforcement bodies of the Ministry of Labour and the Ministry of Finance adequately.	Government of Lebanon, Lebanese Parliament, Ministry of Labour, Ministry of Finance
Remove the barriers preventing full participation of migrant workers in the National Social Security Fund, particularly since they are very active in three economic sectors.	Ministry of Labour, Ministry of Finance, Ministry of Justice, National Social Security Fund, Lebanese Parliament
Modernize the national vocational training programme and support TVET schools to provide market-relevant skills and qualifications in the agri-food sector.	Ministry of Education and Higher Education, Directorate General of Technical and Vocational Education and Training, Ministry of Agriculture, business associations and the private sector, Ministry of Labour, Lebanese Parliament.
Provide national career guidance programmes to incentivize participation in TVET.	Ministry of Labour, National Employment Office, business associations, the media
Encourage organization in trade unions.	Ministry of Labour, trade unions
Conduct awareness campaigns highlighting the risks and negative consequences of informality for workers, and its impact on their economic situation and livelihood.	Ministry of Labour, trade unions
Provide micro, small and medium-sized agri-food businesses with a simplified registration process or mechanism with reduced costs and procedures to streamline their registration.	Ministry of Economy and Trade, Ministry of Industry, and Ministry of Finance
Promote bipartite (employer + worker organizations) and tripartite initiatives and collaboration with municipalities to collect accurate data on the number of informal agri-food businesses and highlight the importance of formalization to businesses, particularly in rural areas.	Trade unions, business associations, Ministry of Labour, Ministry of Interior, Ministry of Economy and Trade

5.3. Construction sector



THE LEBANESE CONSTRUCTION SECTOR: OVERVIEW

Key Figures

Contribution to GDP	16 per cent in 2019
Workforce	460,000 in 2016 • 110,600 Lebanese workers • 350,000 Syrian workers Gender distribution in 2022: • 98.9 per cent male workers • 1.1 per cent female workers
Type and scale of enterprises	3,400 companies, in 2016 • Micro enterprises, i.e., fewer than 10 workers (56 per cent) • Medium-sized enterprises (14.6 per cent) • Small enterprises (0.8 per cent)
Social protection eligibility	Yes, but nebulous for subcontractors (prevalence of oral contracts) Not available for majority of non-Lebanese construction workers.
Percentage of informal employment	90.5 per cent (mainly at the subcontractor level)
Drivers of informality	• Temporary nature of work • Lack of enforcement of labour rules and regulations • Lack of legal protection • Prevalence of unregistered Syrian workers, who are often issued temporary health insurance • Lack of knowledge and awareness of health insurance, particularly outside urban areas • No organizational ability for subcontractors, no trade unions to manage them • Lack of incentives for subcontractors to formalize (no social protection)

5.3.1. Economic context of the construction sector

5.3.1.1. Growth and composition of growth

The real estate and construction sector in Lebanon is significant for the economy, contributing to 16 per cent of GDP in 2019. The construction sector alone accounted for 3.76 per cent of GDP in 2017 and combined with real estate,²⁵⁰ constituted 20 per cent of GDP in the same year. In September 2020, bank loans for construction, building, and housing comprised approximately 39 per cent of total bank loans to the private sector. Between 2019 and 2021, loans for construction and contracting increased by over 57 per cent, rising from US\$6.3 billion to US\$9.9 billion. During the same period, housing loans experienced a substantial increase of 171 per cent, surging from US\$4.5 billion to US\$12.2 billion. However, the economic and financial crisis had a significant impact, leading to a decrease in construction and contracting loans to LBP6.8 billion and housing loans to US\$10.7 billion. The real estate sector slumped, witnessing a substantial fall in the value of residential and commercial units. In an effort to stimulate sales, contractors offered discounts of up to 40 per cent in November 2019. Before the outbreak of the coronavirus in February 2020,²⁵¹ the market was thriving, leading to a 5–10 rise in real estate prices.

In 2022, the real estate market experienced a fall in demand following a shift towards valuing properties exclusively in “fresh dollars”.²⁵² Buyers were no longer able to use bank cheques at the bank foreign exchange rate for real estate purchases. The dollarization of the market limited the number of interested buyers since not everyone had access to cash dollars, and bank loans ceased. Property sales in 2022 were valued at US\$14.4 billion based on the previous official exchange rate of LBP1,507.5 to the dollar. This represented a 7.6 per cent fall in the total value of property sales compared to 2021, when total sales amounted to US\$15.6 billion. The average value per property in 2022 was US\$179,542, a 27.1 per cent year-on-year rise from 2021, while the number of transactions fell by 27.3 per cent year-on-year.²⁵³

Although the value of sales transactions has increased in most regions of Lebanon year-on-year, the supply of residential buildings in the market has been sluggish. Many construction projects have been halted since the onset of the crisis in 2019, leading to a fall in purchasing power for both developers and customers as a result of rising construction costs. Cement deliveries rose by 10 per cent in the first nine months of 2022 compared to the same period in 2021, totalling 1,547 thousand tons. This marks the first upward trend since 2019, but remains lower than pre-crisis levels.²⁵⁴

5.3.1.2. Structure of the labour market

According to the ILO-CAS Labour Force Survey, 90.5 per cent of workers in the construction sector are informally employed,²⁵⁵ while a joint study by the ILO and UNICEF notes that construction has the highest share of vulnerable employment.²⁵⁶ The decline in construction projects is evident in the ILO Follow-up Labour Force Survey conducted in 2022, which shows a significant fall in average weekly working hours in the sector (from 46.3 hours/week in 2018-2019 to 39.1 hours/week in 2022). According to the Lebanese Contractors Union and Construction Contractors Syndicate, the construction sector employs approximately 460,600 people, including 110,600 Lebanese and 350,000 Syrians, as reported by the UNDP in 2016. The study also identified 3,400 construction

250 GIZ (German Cooperation) *Employment and labour market analysis Lebanon*.

251 Chamber of Commerce Industry and agriculture, *Economic Report* - CCIB 2020

252 Notably cash dollars that circulate outside the banking system after the crisis of 2019.

253 Bank Audi, *Lebanon Economic Report*, (4th Quarter 2022)

254 Bank Audi *Lebanon Economic Report*, (4th Quarter 2022)

255 CAS-ILO, *Lebanon Follow-up Labour Force Survey January 2022*

256 ILO and UNICEF, *Synthesis of the crisis impact on the Lebanese labour market and potential business, employment, and training opportunities*, (June 2022)

companies.²⁵⁷ The construction sector in Lebanon has historically played a significant role in the national economy and experienced a boom between 2005 and 2014. During that period, there was high demand for skilled and unskilled construction workers, resulting in challenges in finding and hiring skilled labour with relevant training and experience. Skills shortages in the industry stem from factors such as the adoption of new technologies, an aging workforce, the limited interest of young people in the industry, insufficient opportunities for skills upgrading, low wages and the prevalence of temporary and daily hiring practices.²⁵⁸

In the LEADERS survey, the majority of construction enterprises (56 per cent) were classified as micro enterprises with fewer than 10 workers.²⁵⁹ Medium-sized enterprises accounted for 14.6 per cent of enterprises and small enterprises for only 0.8 per cent.²⁶⁰ The construction sector primarily consists of developers, contractors and subcontractors. General contractors and construction developers both play significant roles in the sector, contractors being responsible for the actual construction work and developers focusing on project planning and design.

Subcontractors may be independent individuals, such as a plumber hired by a building contractor, or large national organizations. For example, a contractor may enlist a subcontractor to handle the electrical wiring of a construction project. The contractor remains accountable to the client for the entire project, including the work completed by the subcontractor. Subcontractors may work under task-based agreements with no set end date, long-term agreements that can be terminated at any time or contracts with set durations. It is important to note that in some occupations subcontractors are more likely to be informal than in others.

5.3.2. Characteristics of workers in informal and formal employment: socio-demographic profile (nationality, age, gender, education level, occupation) in the informal economy sector and beyond

Because the sector is unattractive to Lebanese, Syrians have traditionally worked in construction in Lebanon, where it is one of the few sectors open to them.²⁶¹ A 2017 ILO study conducted in the North of the country revealed that Syrians made up 30 per cent of the skilled workforce and 55 per cent of the unskilled workforce in Akkar and the Beqaa Valley.²⁶² This percentage has increased significantly: by 2012, Syrians accounted for 70 per cent of both skilled and unskilled workers. Most professionals, such as engineers and architects, are Lebanese (95 per cent in 2010 and 93 per cent in 2012). According to an ILO survey conducted in 2021, which sought to assess the extent of informal employment and vulnerability among the most deprived Lebanese citizens, and Syrian and Palestinian refugees, Syrians were the group most likely to be employed in the construction sector, accounting for 23.9 per cent of the sample. In contrast, only 4.5 per cent of Lebanese respondents and 10.4 per cent of Palestinians reported working in construction.²⁶³ It is worth noting that the survey specifically targeted the “most vulnerable” individuals from all three groups, indicating a limited willingness among Lebanese to engage in construction work. Lebanese workers

257 GIZ (German Cooperation), *Employment and labour market analysis Lebanon*.

258 Anthony D. Azar, Constantin Militaru and Claudia P. Mattar, “Labour Skills Shortage in the Construction Market: An In-Depth Study of the Lebanese Local Market”, *International Journal of Scientific & Engineering Research*, vol. 9, issue 8, August 2018.

259 The Lebanese Ministry of Economy and Trade differentiates between a micro and a small enterprise and defines small and medium-sized enterprises as follows: micro: less than LBP500 million turnover and fewer than 10 employees; small: less than LBP5 billion turnover and fewer than 50 employees; medium: less than LBP25 billion turnover and fewer than 100 employees. Other institutions may use different definitions, e.g. the Lebanese Central Bank defines a small or medium-sized enterprise as a company that has a turnover of less than LBP15 billion, while for Kafalat it is a company with fewer than 40 employees.

260 LEADERS, *Working Conditions in the Construction, Food Services and Agro-industry Sectors in the Beqaa Valley*, Leaders For Sustainable Livelihoods (2017)

261 In December 2014, the Ministry of Labour issued a circular limiting Syrian refugees to working in construction, agriculture and cleaning (which includes waste collection).

262 ILO, “Labour Market Information Review and Analysis: In-focus on Northern Lebanon” (September 2017)

263 ILO, *Assessing Informality and Vulnerability among Disadvantaged Groups in Lebanon*.

predominantly occupy “white collar” occupations, while Syrians tend to hold “blue collar” jobs. The earnings of both skilled and unskilled workers have declined throughout the country over the years, as the traditional willingness of Syrians to work for lower pay than their Lebanese counterparts has driven wages down. Furthermore, the predictability and duration of employment have steadily declined over the years. In a focus group discussion, participants emphasized that the perception of Syrians as “cheaper” labour has driven many Lebanese subcontractors out of the market.

According to a 2017 survey conducted by the LEADERS Consortium,²⁶⁴ Syrian nationals with low educational levels are more likely to have informal contracts and work in construction and agro-industries, primarily in small enterprises. Gender differences in contract type were not significant. In the construction sector, only 13.2 per cent of workers had written contracts, while 23.3 per cent had oral agreements and 63.5 per cent had no contract at all. The prevalence of contracts of undetermined duration highlights the vulnerability of workers in this sector, with 81 per cent having such contracts. In addition, 21 per cent of construction workers were monthly wage-earners, while 49.2 per cent were daily wage earners, making it the sector with the highest proportion of workers receiving irregular salaries (20 per cent at the time).

Focus group participants noted that informality is primarily observed among subcontractors in the construction sector. The crisis has led many skilled blue-collar workers in the construction sector to leave the country. Many of them were foreigners and either returned to their country of origin or sought better job prospects in the Gulf or Europe. This has created a shortage of skilled construction workers and increased the skilled labour gap in the country. As a result, the construction sector has shifted to paying exclusively dollarized wages. There are now fewer large-scale development projects than before and a prevalence of smaller-scale construction projects. Another contributing factor to the shift to dollarization in the sector is the availability of dollars other than from Lebanese banks, allowing individuals who can afford it to build new private residences and purchase imported construction materials.

Most developer companies and contractors are registered with the National Social Security Fund, according to focus group participants, but this is less common at subcontractor level. Construction site workers, who are typically engaged on a daily or monthly basis depending on their agreement with the employer, are not registered with the NSSF, which makes their activity informal. The LEADERS survey found that 53 per cent of workers in the construction sector reported being registered with the Fund.²⁶⁵ The ILO *Labour Force and Household Living Conditions Survey 2018/19* found that only one in ten construction workers had access to employment-related health insurance, mainly due to the prevalence of non-standard forms of work and foreign workers in the sector. The same study indicated that only 11.3 per cent of workers in the construction sector had access to employment-related social insurance, 71.8 per cent of them Lebanese and 10.7 per cent non-Lebanese.²⁶⁶

5.3.3. Working conditions in the construction sector (employment contracts, income security, working hours, etc.)

Before the crisis, wages in the construction sector were below the minimum wage (LBP675,000), with the LEADERS study showing that 16.7 per cent earned LBP400,000 or less; 29.2 per cent earned between LBP400,000 and LBP500,000; 17.5 per cent earned between LBP500,000 and LBP600,000; 13.3 per cent earned between LBP600,000 and LBP700,000; 12.5 per cent earned between LBP700,000 and LBP800,000; and only 10.8 per cent earned more than LBP1,000,000.²⁶⁷ These wages, which were already unattractive before the crisis, have now lost their insignificant

264 Composed of ACTED, Danish Refugee Council, CARE, Oxfam, the Makhzoumi Foundation and Save the Children.

265 LEADERS, *Working Conditions in the Construction, Food Services and Agro-Industry Sectors in the Beqaa Valley*.

266 ILO, *Vulnerability and Social Protection – Lebanon, Summary Report*.

267 LEADERS, *Working Conditions in the Construction, Food Services and Agro-Industry Sectors in the Beqaa Valley*.

purchasing power. Focus group participants noted that most wages in the construction sector are now dollarized, indicating that it is nearly impossible to find skilled labour without paying in dollars. As for working hours, most construction workers exceeded the official eight-hour day, with 43 per cent working between nine and ten hours and 19 per cent working more than ten hours. The construction sector was found to have the highest proportion of workers who did not receive weekly days off (35.4 per cent) and the largest share of workers denied paid leave (84 per cent).

Many subcontractors in the construction sector are independent workers, and focus group discussions brought out their lack of incentive to register legally. This is especially true for Syrian workers, who would not benefit from the NSSF medical scheme under its policy of reciprocal treatment (see section 3.1.2). Combined with the paralysis of the National Social Security Fund and the lack of trust in the Government, there is little incentive for workers to shift towards formal employment. In fact, registration would essentially mean paying taxes without receiving any benefit in return. Moreover, there is no trade union or other organization for subcontractors, leading to a hazardous market with no established criteria or authentic permits granted. The focus group highlighted the significant role played by occupational associations in organizing the sector. Professional bodies, such as the Order of Engineers and Architects, can influence policy decisions, collaborate with the competent authorities, propose technical specifications and regulations and provide guidance for engineering curricula.²⁶⁸ Focus group recommendations emphasized that contractors are required to be members of the Syndicate of Contractors, which aims to protect the interests of members and improve their professional, material, and socio-cultural conditions. Participants called for the organization of subcontractors, given the risks associated with the sector, both in terms of hazardous working conditions and the potential consequences of non-compliance with proper standards and regulations.

The construction sector is overseen by various ministries, including the Ministry of Public Works and the Ministry of the Environment, which provide technical support services. Enforcement of regulations is the responsibility of institutions such as the Lebanese Standards Institution. Independent organizations such as the International Federation for Consulting Engineers, work towards implementing international standards. Local municipalities are responsible for monitoring and issuing construction permits. The Order of Engineers and Architects, offers broad guidelines, upholds a code of conduct, issues work licences for engineers, and advocates for changes to laws relating to construction.²⁶⁹ What distinguishes the Order of Engineers and Architects from other trade unions is that it is one of only three 'orders' in Lebanon, the other two being for lawyers and physicians. Unlike a trade union, an order defines the interests of its professional members and has authority to discipline those who act against those interests. Importantly, an order's council has the power to make administrative decisions; this sets it apart from trade unions, which governed by private law.²⁷⁰

5.3.4. Drivers of informality in the construction sector

Contractors have an incentive to provide temporary health insurance to construction workers employed on a temporary basis, as this helps mitigate the risk of accidents and any ensuing legal issues. Temporary insurance only covers work-related injuries, however, meaning that workers are not covered in the event of any other illness. According to focus group participants, contractors in urban areas provide coverage for their workers, but the challenge lies in rural areas, where there is a lack of awareness and understanding of the importance of insurance.

The Syrian refugee workforce, although lacking formal qualifications, possess skills in various construction-related trades such as plumbing and painting. These skills are acquired through early apprenticeships that offer practical experience and expertise.

268 Order of Engineers and Architects, "Our mission"

269 UNDP, *Mind the Gap: A Labour Needs Assessment for Lebanon*.

270 L'Ordre n'est pas un syndicat ; ils ne sont pas en opposition.....

The sector exhibits a degree of organization, as engineers are required to join the Order of Engineers and Architects and there is an active contractors' syndicate. The situation is different for subcontractors, who are not required to join the union. Focus group participants emphasized the challenges this poses, particularly in terms of maintaining quality control. Subcontractors, who are often of Syrian nationality, lack any form of organization. This contributes to the prevalence of informality in the sector. Moreover, again according to focus group participants, companies have an incentive to formalize to give themselves legal protection, because of the risk of serious accidents in the sector. Informality is especially prevalent when builders bypass developer companies and engage subcontractors directly since subcontractors have little incentive to formalize as they would incur more costs than benefits and would not be guaranteed any rights. Although subcontractors could potentially register as freelancers, the lack of benefits and additional expense this would involve result in informality being prevalent at the subcontractor level.

The focus group suggested providing social protection benefits, including health care and retirement compensation as an incentive for subcontractor registration. Before the crisis, Lebanese subcontractors faced intense competition from Syrian workers, which drove many Lebanese away from the subcontracting field.

5.3.5. Skills gap in the construction sector

A study of labour skills shortages in the Lebanese construction market found that workers in occupations such as artisans do not enrol in training courses for higher qualifications,²⁷¹ and that the lack of training programmes in the construction sector for artisanal workers is creating a skills shortage in the local market.²⁷² The relatively high number of informally trained artisans was also related to practices promoted by contractors who try to maximize profits without taking into consideration quality. The study found that, although artisan skills could be partially learned on site wherever a clear skills acquisition system was taking place, most contractors did not care about the certificates and proof of qualification of labourers and preferred to limit their expenses by paying lower wages and promoting a culture of cheap labour.

In 2016, a UNDP-commissioned study found similarities in labour demand between the construction and the agri-food industries.²⁷³ Challenges were identified among management and support staff, particularly in terms of siting knowledge,²⁷⁴ waste disposal and green building practices. Of the companies surveyed, 43 per cent said that knowledge of siting was a problem for management, 59 per cent encountered this problem among professionals and 76 per cent encountered it among their semi-skilled workforce.

The primary concern is the lack of effective communication skills, particularly in English (reported by 41 per cent of businesses) and the absence of industry-specific expertise in waste management (54 per cent of businesses), effective business practices and siting (38 per cent). In terms of professional occupations, engineers faced difficulties arising from inadequate training in waste management (67 per cent), environmental awareness (62 per cent), scientific methods (58 per cent), green building practices (57 per cent), communication skills and applied mathematics (55 per cent). Over half of construction companies struggled to find professionals with these skills.

The largest skills gap was observed among semi-skilled professionals involved in subcontracting tasks. They exhibited weak academic and general workplace competencies. Companies reported

271 Also referred to as subcontractors. These occupations include carpenters, plumbers, electricians, and roofers.

272 Azar, Militaru and Mattar, "Labor Skills Shortage in the Construction Market".

273 UNDP, *Mind the Gap: A Labour Needs Assessment for Lebanon*.

274 "Siting" in the context of occupational safety refers to a specific type of hazard assessment that quantifies the amount of risk in industrial processing workplaces; in other words, it assesses possible harm that hazardous occurrences (fire, explosion, etc.) may bring to all occupied buildings in the work area.

several challenges with the ability of workers to problem-solve (80 per cent) and use and maintain tools (78 per cent) and had difficulty finding skilled workers in plumbing, heating, ventilation, air conditioning, electrical wiring, carpentry and health and safety. Developing these vocational skills is therefore an essential area for labour market intervention. According to focus group participants, however, there is no TVET certification for key subcontracting jobs such as carpentry and concrete slabbing, which are key tasks in the construction sector. The lack of proper certification and skills is a main inhibitor of the sector's growth.

A more recent, 2022, ILO study confirmed the need for professionals, managers, and skilled technicians in the construction sector.²⁷⁵ Vacancies were found to be highest in general management and engineering. The study also highlighted the demand for foremen, engineers, site engineers, project managers, mechanical and electrical engineers, technicians, machine operators, accountant, sales and marketing and operations managers in public infrastructure projects. Machine operators, wastewater technicians, and safety experts were in higher demand than heating, ventilation and air-conditioning or lighting technicians.

The study emphasized the importance of advanced IT skills and other soft skills, oral communication, problem-solving, and specific technical skills. Computer-aided design and modular construction were identified as emerging trends. Conversely, it noted an oversupply in general management and engineering because of the limited number of projects. Regional variations were observed, with more opportunities anticipated in the Beqaa and South Lebanon

The construction sector is incorporating new technologies such as advanced machinery, software and digital components. Employers prioritize the improvement of advanced IT skills in the current workforce, followed by soft skills, oral communication, problem-solving and specific technical abilities. The emphasis on computer literacy reflects the growing trend of computer-aided design in project design and construction. Another emerging trend is modular construction, whereby components are prefabricated in factories before being transported to the construction site. In order to meet technological requirements and foster a skilled workforce, technical occupations, including in the mechanical and electrical fields, should be strengthened and developed. TVET occupations should be promoted to incentivize students and destigmatize non-academic career paths.

The study also found that the demand for engineering positions in Lebanon currently exceeds the supply due to recent economic and financial developments and a limited number of construction projects. The situation is not identical throughout the country, however, establishments in the Beqaa and South Lebanon anticipating more opportunities in general management and engineering roles than other areas. Staff are expected to be in demand in the future in general management, engineering, technical positions, marketing and sales, information technology and digital transformation. As the construction industry adopts new technologies, personnel will need adequate technological skills to operate machinery. Information technology is not limited to the telecommunications industry but also plays a significant role in water and road infrastructure construction, where cutting-edge technology is integrated into project planning and execution. To meet international standards, technical occupations requiring a TVET background, such as mechanical and electrical technicians, should be strengthened and developed. Promoting TVET as a viable career path is crucial for the long-term skilled workforce and should be destigmatized. Workers in the industry often lack formal educational certification, just as they do in the agriculture and agri-food sectors.

²⁷⁵ ILO and UNICEF, *Synthesis of the crisis impact on the Lebanese labour market and potential business, employment and training opportunities*.

5.3.6. Perception of formalization

As stated earlier, the motivation for developers to formalize their operations is twofold. First, they are often bound by the influential Order of Engineers and Architects, which limits their ability to operate outside its regulations. Second, the inherent risks in the profession, with potential health hazards resulting from improper work implementation, make formalization necessary. However, in an attempt to reduce costs, some landowners and clients choose to bypass developers and work directly with contractors. Focus group participants explained that contractors have less incentive to formalize as affiliation with their syndicate is not compulsory. Consequently, some contractors, particularly in rural areas, operate independently below the union rate. Participants suggested that requiring all contractors to join the syndicate would be a crucial step in promoting formalization.

Daily workers and subcontractors working on construction sites are often employed temporarily. To entice these workers and alleviate the burden of workplace injuries, companies and contractors may provide optional health insurance, which is factored into the overall construction job cost. This practice explains the fact that a significant number of daily workers are registered. In remote areas, however, contractors are often unaware of the importance of providing insurance. In such cases, project owners are more motivated to offer insurance to avoid liability for work-related injuries. The focus group emphasized the high risk of accidents in rural areas and the need for greater awareness among subcontractors of the importance of proper insurance and safeguarding in their working conditions.

Currently, there is no trade union or organization to protect and advocate for the rights of subcontractors, which exposes them to exploitation, as they are unaware of the contracts they are entitled to demand. Focus group participants suggested drafting a standard contract to be shared with all subcontractors so that they know their rights and can negotiate improved working conditions, particularly in terms of wages and working hours. At present, subcontractors see no benefit in formalization, as they believe they are unlikely to receive any advantages in return.

5.3.7. Past interventions to promote formalization.

According to focus group participants, the Government has never sought to encourage formalization in the construction sector, but it emerged from an interview with Khaled Shmait, a representative of the Ministry of Public Works, that the new public procurement law requires small-scale contractors for municipality projects to be registered. This is a positive step towards formalization and transparency.

5.3.8. Forms of organization in the construction sector

As explained previously, the Order of Engineers and Architects is the largest and most influential organization in the construction sector. It plays a key role in legislative and organizational matters concerning the professions. According to its mission statement,²⁷⁶ it ensures the protection of its members' legitimate material rights and interests. It also works towards resolving disputes between engineers or between engineers and their clients. It also establishes guidelines for tariffs and fee collection, and upholds the moral obligations of the engineering profession by taking disciplinary action against those who violate professional regulations, trade union regulations, or moral duties. The Lebanese Contractors Syndicate for Public Works and Buildings serves as the main organizational body for contractors. Its primary function is to safeguard the interests of its members, advocate for their rights, and strive to improve their professional, material, social and

²⁷⁶ Order of Engineers and Architects, "Mission Statement".

cultural conditions. It also seeks to promote and support the trade union movement in Lebanon. It collaborates with government institutions, professional bodies (particularly the Order of Engineers and Architects) and business owners to improve standards of work and foster close cooperation and mutual understanding.²⁷⁷ Subcontractors have no organizational structure, however.

5.3.9. Conclusion

Construction, once one of Lebanon's largest economic sectors, has lost its former prominence but still occupies an important position in the country's economy. Informality and lack of regulation in the sector have dire consequences. Workers are left without any form of health coverage, making them vulnerable to injury, while unregulated contractors and subcontractors operate outside standards, presenting risks to personal safety. Like the agriculture and agri-food sectors, construction relies heavily on foreign workers, particularly Syrians, at the subcontractor level. Unlike other sectors, the Ministry of Labour does not impose restrictions to protect Lebanese workers, allowing Syrians to work legally in the sector. Competition between Syrian and Lebanese workers, with the perception that the Syrian workforce is cheaper, has driven many Lebanese out of the sector, especially at the contractor and subcontractor levels. Their vulnerable situation makes Syrians more willing to accept informal and precarious forms of work, and many work in construction as casual and daily workers with contracts of undetermined duration.²⁷⁸

Professional bodies and trade unions are important in raising awareness of and protecting workers' rights, and ensuring quality control and standards, but are absent at the subcontractor level for a number of reasons. Legal restrictions prevent workers from forming organizations, and workers do not see the advantages of organization. Addressing informality in the construction sector requires a change in policy and regulations and strong collaboration among various stakeholders to safeguard workers' rights and health.

TABLE 4: Recommendations to promote the transition towards formality in the construction sector

Recommendation	Stakeholders
Engage in tripartite efforts to remove legal barriers and restrictions on worker participation in trade unions to facilitate the inclusion of informal workers.	Ministry of Labour, trade unions, Lebanese Parliament
Strengthen vocational training programmes to promote skills and qualifications relevant to the market in the construction sector.	Ministry of Education and Higher Education, Directorate General of Technical and Vocational Education and Training, business associations and the private sector, Ministry of Labour, Lebanese Parliament.
Introduce a certification programme and a TVET programme for certain key blue-collar occupations in the sector, such as carpentry and slabbing.	Ministry of Education and Higher Education, Directorate General of Technical and Vocational Education and Training, business associations and the private sector, Ministry of Labour, Lebanese Parliament.

²⁷⁷ Lebanese Contractors Syndicate for Public Works & Buildings, "Who we Are",

²⁷⁸ ILO, *Interactions Between Workers' Organizations and Workers in the Informal Economy: A Compendium of Practice*.

Recommendation	Stakeholders
Establish a subcontractors trade union that can ensure quality of work, implement guidelines and support workers' rights.	Ministry of Labour, National Social Security Fund, Lebanese Parliament
Raise awareness in rural areas of the importance of formalization and the protection it provides all those involved: owners, contractors and subcontractors.	Ministry of Labour, trade unions, the media, Ministry of Public Works, Ministry of Interior.
Promote a negotiated sectoral framework collective bargaining agreement.	Ministry of Labour, trade unions and workers syndicates, business associations, Ministry of Finance
Introduce restrictions on small-scale projects by setting a price margin that can be used at the subcontractor level.	Ministry of Labour, Ministry of Finance, Ministry of Public Works, trade unions

6. CONCLUSION OF PART TWO AND RECOMMENDATIONS

Tackling the root causes of informality presents significant challenges and will require substantial time and effort. This paper underscores several contributing factors to informality, notably the influence of the institutional and economic environment, inadequate regulatory frameworks, and governmental institutions that face challenges in ensuring transparency and accountability. Achieving formalization requires fair treatment of employees and the provision of adequate labour and social protection for decent work. It would be an important step forward to extend legal protections to groups currently excluded, such as agricultural workers, fishermen, seasonal workers and migrant workers. Effective enforcement of laws is essential to reducing informality. Interviews conducted for this study revealed a fundamental problem of accountability and law enforcement in Lebanon. The persistence of informality without serious consequences has reinforced its integration into the economic culture of the country.

For businesses, the process of formalization entails bringing them under the legal umbrella, encompassing the associated advantages and obligations. The formalization of businesses and effective monitoring will also have a positive impact on their employees. In order to encourage businesses to transition to formality, a conducive business environment needs to be fostered and collaboration between the private and public sectors enhanced. The public sector should consider the needs of the private sector and overall economic well-being, while the private sector should embrace the benefits of formalization for both parties.

Social dialogue is an essential prerequisite for progressing towards formalization. It is imperative to engage in discussions involving workers' and employers' organizations, particularly when addressing the informal economy, conducting diagnostic assessments, developing action plans and formulating policies tailored to specific groups of workers and enterprises. Encouraging tripartite²⁷⁹ mechanisms and consultations²⁸⁰ would facilitate this process. The transition towards formalization requires coordination between several ministries, trade unions and cooperatives. Collaboration between the Government and international institutions, particularly those providing financing options for businesses, is also vital. By leveraging these partnerships, the necessary support and resources can be mobilized to facilitate the transition towards formalization.

279 ILO, *Interactions Between Workers' Organizations and Workers in the Informal Economy: A Compendium of Practice*.

280 ILO, *A diagnostic of the informal economy in Iraq*, (2021)

7. RECOMMENDATIONS

7.1. General recommendations

7.1.1. Remove legal barriers

- 1. Extend legal provision for rights protection and social coverage to farmers, fishermen, the self-employed and other categories excluded from the current Labour Law and Social Security Law.** On 11 April 2022, the Ministry of Labour submitted to Parliament an amendment to the Lebanese Labour Law, but the Bill is still under examination by parliamentary committees. Lobbying efforts by trade unions and business associations could help to ensure that the amendment goes through. Additional efforts are needed to implement article 10 of the National Social Security Fund Law that stipulates that all agricultural workers employed on Lebanese soil, whether they are nationals or foreigners, must abide by this law.
- 2. Ensure that the Fundamental Principles and Rights at Work (FPRW) of workers in the informal economy are respected.** As a starting-point, negotiated bipartite and/or tripartite framework agreements should be developed.
- 3. Adopt a new pension law to amend end-of-service indemnities and replace them with a fully-fledged pension scheme.** A bill and proposed transitional arrangement to reform Lebanon's private retirement programme was recently drafted by the Ministry of Labour, National Social Security Fund and relevant parliamentary committees, with technical assistance from the ILO. The draft national social protection strategy has also recommended introducing a non-contributory, tax-financed social pension pillar to complement a contributory social security system that would result in a system that can ensure income security for all Lebanese in old age.²⁸¹
- 4. Roll out the social insurance for industrial accidents already envisaged under National Social Security Fund legislation.** This is especially critical to safeguard the well-being and safety of labourers working in agriculture and construction.
- 5. Remove the barriers preventing full participation of migrant workers in the National Social Security Fund, particularly since they are very active in three economic sectors.** The Social Security Law (1963/20890) provides that all foreign workers in Lebanon are subject to all Social Security obligations, but further provides that they can only receive social security benefits if (1) they have a work permit, and (2) there is a reciprocity agreement with their country of origin. Substantial sums of money have been paid into the National Social Security Fund medical plan on behalf of non-Lebanese employees, many of whom have not received any benefits in return, leaving a huge number of actively contributing employees unfairly uninsured for their health risks. This was highlighted in all three economic sectors as

²⁸¹ ILO, "Towards a Rights-Based Social Protection System for Lebanon", (December 2020)

one of the main factors in the persistence and growth of informal labour. Waiving the need for reciprocity in health coverage would enable foreign workers who are subject to National Social Security Fund contributions to enjoy the benefits of the Fund. This would encourage employers to register seasonal Syrian workers, bring in revenue for the Government and ensure greater protection for all those involved.

6. **Develop a new Investment framework for Lebanon that focuses on priority sectors. Lebanon requires a new investment plan focused on industries such as agriculture, agri-food and construction that are competitive and create high-value added jobs.** These industries also have high export potential and the devaluation of the Lebanese pound provides an opportunity to boost these industries. The review and update of investment legislation should also include the protection guarantees required by foreign investors. Attracting foreign investment is key for the creation of new job opportunities, and Lebanon needs to leverage its diaspora to this effect. The creation of high-value jobs will ultimately bring about a shrinking of the informal economy, as the incentives to join the formal economy, such as social benefits and workers' rights protection, are guaranteed.
7. **Uphold the obligations of the ILO Forced Labour Convention, 1930 (No. 29), ratified by Lebanon in June 1977.**²⁸² Article 25 of the Convention stipulates that any member who ratifies this Convention is required to ensure that the sanctions set by law are sufficient and are strictly enforced to prevent illegally extracting coerced or involuntary labour. Any forced labour shall be penalized as a criminal offence. The Lebanese State must strengthen actions to properly oversee the prevention of conditions amounting to forced labour.
8. **Involve the Syndicate for National Social Security Fund workers in the discussion on informality** in order to increase efforts to promote the transition to informality.
9. **Implement the National Social Protection Strategy recently developed by the Government in collaboration with the ILO.** The Government of Lebanon recently finalized a National Strategy for Social Protection with the goal of having an integrated contributory and non-contributory system that can achieve broader and more inclusive coverage.²⁸³ In order to create a social protection floor for the nation, a set of core lifecycle social grants must be designed and implemented. Additionally, social insurance benefits must be maintained, amended and expanded, and structural changes to the health financing system must be made to move the nation towards universal social health protection. Bipartite and tripartite advocacy efforts are needed and can help move this strategy forward.

7.1.2. Facilitate the formalization of enterprises

10. **Streamline registration, tax payment and inspection processes, customs declarations and the customs process, and review tax laws for businesses in the three sectors.** Strikes in the public administration and the infrastructure problems brought about by the ongoing crisis have increased the need for digitization of forms and procedures to reduce paperwork for businesses. Establishing one-stop shops where businesses can submit the necessary forms to all relevant government bodies in one location would be an important step towards facilitating registration and incentivizing formalization. A reduction in the financial cost of formalization by amending the cost of registering a business is also a key step. In the meantime, the information on costs and requirements on existing government websites needs to be updated to ease all processes.

²⁸² ILO NORMLEX, Ratifications for Lebanon.

²⁸³ Passed on 1 November 2023.

- 11. Modernize and digitize public procurement in a manner that is in line with international standards and best practices to boost competition, limit corruption, increase transparency, and incentivize greater participation of formal micro, small and medium-sized enterprises in public procurement.** A sound public procurement system needs to have good procurement laws and regulations. It should instil in people the confidence that taxpayers' money is used in appropriate and efficient ways. A new public procurement law was passed by the Government of Lebanon in 2021. The next step is to deploy an electronic public procurement platform and build a procurement database. The online hub would boost competition, limit corruption and substantiate indicators related to transparency, efficiency and economic activity. The greater transparency, the more likely the culture of tax evasion and informality is to subside. Having online marketplaces promoting competition in low-value contracts will also help increase the participation of micro, small and medium-sized enterprises in public procurement. Online marketplaces with simple online bidding whose use does not require specialized training and that remove red tape from public procurement, combined with new technologies, would reduce barriers to entry, and encourage such enterprises to participate in public procurement.
- 12. Enhance cooperation and enforcement capabilities between the inspectorates of different ministries, such as tax, social security and labour, etc.** Coordination between government departments participating in the formalization process, including in the SOLIFEM project and other ILO efforts, could be improved in order to increase enforcement.

7.1.3. Incentivize formalization

- 13. Raise awareness of the financial advantages of formalization among informal businesses and workers.** International organizations such as the ILO can play a key part in highlighting the financial advantages of formalization, of which some groups may not be aware. Given the current state of the banking sector, international organizations and funds have been set up, particularly for agriculture and agri-food, to provide financial support to micro, small and medium-sized enterprises. Highlighting this fact could encourage many informal family-run businesses to formalize.
- 14. Inform businesses and employees of their legal obligations and rights.** Coordination between government agencies, social partners, and the private sector can shed light on the importance of formalization and its benefits for businesses and workers.
- 15. Provide a range of incentives, such as tax settlements, tax breaks, public procurement opportunities and credit lines, to promote the formalization of micro, small and medium-sized enterprises and their workers.** It is also important to strengthen transparent, rule-based enforcement mechanisms and penalties to deter non-compliance and avoid tax evasion.
- 16. Raise awareness among workers and facilitate negotiations with employers to encourage organization in trade unions.** It is important for key stakeholders to conduct awareness campaigns highlighting the risks and negative consequences of informality for workers, and its impact on their economic situation and livelihood. These awareness campaigns can be produced through collaboration between unions and the Ministry of Labour. Trade unions play an important role in facilitating the transition to formality as they can reach out to workers in the informal economy, helping to reduce decent work deficits and support the transition to formality. The ILO has put together a Compendium of Practice,²⁸⁴ a compilation of real-life examples of actions undertaken by trade unions around the world to help draw in informal workers and to reduce the decent work deficits they face in support of their transition to formality.

²⁸⁴ ILO, *Interactions Between Workers' Organizations and Workers in the Informal Economy: A Compendium of Practice*.

17. Ratify the Freedom of Association and Protection of the Right to Organize Convention (No. 87). This convention ensures that workers and employers have the right to establish and join organizations, federations and confederations. Once this convention is ratified, bipartite and tripartite efforts should ensue to guarantee the adoption of implementing legislation. The right to organize is among the fundamental labour standards upheld by the ILO and an integral part of a free and open society.

7.1.4. Improve skills training

18. Strengthen vocational training programme to promote skills and qualifications relevant to market needs and recognition of occupations in the formal and informal economies.

19. Develop a recognition of prior learning system that identifies, documents, assesses and certifies formal, non-formal and informal learning against standards used in formal education and training to enable the formal recognition of prior learning and relevant experience. This should be complemented as required by the inclusion of supplementary skills training intended to fill identified skills gaps.

20. Empower the National Employment Office to collect and disseminate accurate data reflecting the skills required in the market. The National Employment Framework serves as a platform for online labour exchange and is the Ministry of Labour's only statutory organization in charge of employment and data gathering. Key quantitative facts, including employment rates by age group, gender and industry and unemployment rates, should be included. The National Employment Office is currently a relatively feeble institution and has long been understaffed and underfunded. Very few businesses and job seekers in Lebanon are even aware of its existence. In 2019, the Office had a stagnant annual budget of LBP2 billion and only three offices, in Beirut, Tripoli, and Sidon. These offices are severely understaffed, approximately 70 per cent of posts being vacant.²⁸⁵ To establish a regularly updated labour market information system with key quantitative statistics, increasing the budget of the National Employment Office should be discussed with the Ministry of Labour, and technical support provided to assist the office to perform its tasks fully.

7.1.5. Strengthen institutional capabilities and cooperation

21. Improve the Government's ability to promote and uphold legal provisions and law enforcement. There is a need to increase Government's capacity to produce current statistics on the size and makeup of the informal economy, facilitate registration processes (for both businesses and employees), promote good employment possibilities, raise the awareness of businesses and workers of their rights and obligations and ensure that both parties are motivated to formalize. Cooperation between government agencies, municipalities, ILO social partners and others is needed to guarantee a consistent and comprehensive approach to the formalization process.

22. Encourage bipartite and tripartite conversations, especially between workers unions and business associations, to unify approaches to the issue of informality. Further conversations with the Ministry of Labour on potential amendments to the Labour Law based on workers and businesses demands could ensue. International organizations can facilitate this dialogue, which is of fundamental importance for understanding the demands of workers and what is needed to improve their working conditions, and to see what incentives business owners need to ease the transition to formality.

²⁸⁵ European Training Foundation, *Labour Market and Employment Policy in Lebanon*, 2015

7.2. Sector-specific recommendations

7.2.1. Agriculture sector

Remove legal barriers

1. **Expand the scope of social insurance programmes to provide adequate coverage to farmers and fishermen.** These workers are currently excluded from social insurance programmes by regulatory, compliance or cost constraints. Advocacy and cooperation should increase until these constraints are removed, since formality and decent work cannot be fully implemented in the agriculture sector as long as farmers and agricultural workers are excluded from social insurance coverage.
2. **Implement supportive trade policies that remove customs duties on agricultural inputs in order to increase production and reduce costs, and adjust unfair trade agreements that put Lebanese produce at a disadvantage.** Cooperation between the Ministry of Agriculture, Cooperatives the Ministry of Finance and other relevant bodies should increase to address the needs of farmers, reduce unfair competition and create better working conditions.
3. **Improve direct access to markets** to allow farmers to retain a higher proportion of value added and improve the financial sustainability of their farms.

Incentivize formalization

4. **Encourage practices such as contract farming between cooperatives and contractors** as one mechanism for more farmers gaining a foothold in sustainable commercial farming practices, with the aim of increasing their profits, knowledge and management skills.
5. **Raise awareness of innovative financing options, such as blended finance offered by local micro finance institutions, to encourage formalization.** Such financial solutions have become increasingly widespread following the banking crisis, and are expected to continue to increase as financial reforms are implemented.

Skills development

6. **Provide skills development training and other forms of assistance to improve the level of productivity and competitiveness of Lebanese farmers.** To maximize its effectiveness, training should be developed in a way that corresponds to the educational level and average age of farmers in Lebanon. Moreover, cooperation between international institutions, NGOs, the Directorate General for Technical and Vocational Education and Training, ALI and other training providers should be enhanced in order to minimize duplication, set long-term goals and visions, and develop a more holistic training programme at the national level.

Institutional capabilities

7. **Improve the cooperative system and create digital and regulatory solutions.** Reorganize cooperatives and distinguish between those that are operational and those that are not in order to bring back transparency and efficiency. Cooperatives play an important role in supporting farmers in terms of inputs and technologies; reorganizing the sector can reduce competition between cooperatives and potentially increase the financial capabilities of each cooperative. The regulatory framework needs to be updated and revised, and the registration and monitoring procedures for cooperatives and farms simplified. Facilitating connections

between industrialists and cooperatives, enhancing value chain integration by opening up new sales channels and training programmes before the introduction of new cooperatives are among the strategies that might increase the role of cooperatives.

Social dialogue

- 8. Promote tripartite social dialogue in the agricultural sector to address the issue of seasonal and precarious work, and highlight the importance of the new registry for farmers to encourage farmers to register at the Ministry of Agriculture.** Work should continue to ensure that greater benefits ensue from this process, such as access to social protection, the right for workers to form unions of their choosing and supporting trade unions to organize workers in agriculture.
- 9. Engage in bipartite efforts to raise awareness among workers** and facilitate negotiations with employers to encourage organization in trade unions.

7.2.2. Agri-food sector

Remove legal barriers

- 1. Provide National Social Security Fund coverage to seasonal workers** as an incentive to produce higher quality work, as well as to guarantee their workers' rights.
- 2. Streamline registration, tax payment and inspection processes, customs declarations and the customs process, and review tax laws for micro, small and medium-sized enterprises seeking to formalize.** As a first step, update the information on costs and requirements on government websites to ease all processes. As a second step, establishing a one-stop-shop would greatly simplify and reduce formalization processes and costs.

Incentivize formalization

- 3. Provide a range of incentives, such as tax settlements, tax breaks, public procurement opportunities and credit lines, to promote the formalization of micro, small and medium-sized enterprises and their workers.**
- 4. Raise awareness of the financial advantages of formalization among informal businesses and workers.** Given the current state of the banking sector, international organizations and funds have been set up, particularly for agriculture and agri-food, to provide financial support to micro, small and medium-sized enterprises. Highlighting this fact could encourage many of the informal family-run businesses operating within this sector to formalize.

Skills development

- 5. Improve TVET training and programmes for all blue-collar jobs in the agri-food sector.** Programmes need to be developed to keep up with the most recent technologies applied in the sector, and blue-collar worker certification can have a significant positive impact in terms of job opportunities. TVET schools need to be well-equipped, with incorporated work-based learning programmes to facilitate the transition into the workforce. Moreover, an awareness campaign should be launched across the country to incentivize the youth and women to undertake these TVET jobs, particularly by showing the benefits and potential job opportunities these specializations can offer. TVET is still seen in a negative light by the Lebanese and a nationwide campaign is needed to change that perception.

- 6. Increase on-the-job training for students to improve employability.** Work-based learning opportunities for students that offer a framework with rules on timeframes, subject matter and the role and duties of firms and supervisors can be a powerful vehicle for developing workplace skills that are market-based and promote the productivity of the labour force.

Institutional capabilities

- 7. Introduce stricter inspection control to guarantee formality,** particularly in the agri-food sector, where low-quality products can cause unfair competition in the market, damage the country's reputation and consequently limit export markets for formal businesses.
- 8. Increase border and customs inspections in order to prevent smuggling and dumping and ensure fair competition in the Lebanese market.** Smuggling and hoarding of goods have become increasingly prevalent amidst the current negative socio-economic landscape.

Social dialogue

- 9. Promote bipartite (employers and workers organizations) and tripartite initiatives, and collaboration with municipalities to collect accurate data on the number of informal agri-food businesses and highlight the importance of formalization to businesses, particularly in rural areas.** Tripartite efforts can raise awareness of the formalization process, and provide incentives such as tax deductions to informal businesses willing to formalize.

7.2.3. Construction sector

Remove legal barriers

- 1. Remove the barriers preventing full participation of migrant workers in the National Social Security Fund,** particularly since they are very active in construction activities.
- 2. Establish a subcontractors trade union that can ensure quality of work, implement guidelines and support workers' rights, and require all contractors to belong to the union.** The union could also put in place a draft subcontracting contract to be applied to all business endeavours to guarantee workers' rights.
3. Roll out the social insurance for industrial accidents already envisaged under National Social Security Fund legislation.

Incentivize formalization

- 4. Raise awareness in rural areas of the importance of formalization and the protection it provides all those involved, owners, contractors and subcontractors.** Trade unions have a role to play in educating workers about their rights and the importance of having a formal labour contract, and in promoting awareness about occupational safety and health in this sector.
- 5. Introduce restrictions on small-scale projects by setting a price margin to be used at the subcontractor level.** The purpose of the price margin is to protect the subcontractor and ensure a certain quality of work.
- 6. Provide tax incentives such as tax breaks for contractors, which will encourage them to register and insure their subcontractors.** Since the employment of subcontractors on construction sites is often temporary, contractors might not feel the need to register them or

provide any form of social protection. Providing tax incentives to contractors in an effort to increase worker registration is a possible option, but this needs to be followed through with proper labour inspections and penalties for non-compliance.

7. **Raise awareness of public procurement opportunities** to incentivize businesses, contractors and subcontractors to formalize. Public construction work is the largest segment of the market, increasing decent job opportunities for formal workers. Raising awareness of such opportunities can be an incentive to formalization.

Skills development

8. **Introduce a certification programme and TVET programme for certain key blue-collar occupations in the sector, such as carpentry and slabbing.** Diversifying specialization of experts in different TVET trades helps adapt to market needs and secure formal job opportunities for skilled individuals.

Institutional capabilities

9. **Promote bipartite and tripartite initiatives, and collaboration with municipalities to collect accurate data on informal construction jobs** and highlight the importance of formalization to businesses, particularly in rural areas.

Social dialogue

10. **Engage in tripartite efforts to remove legal barriers and restrictions to encourage worker participation in trade unions to facilitate the inclusion of informal workers**, particularly migrant and refugee workers, in effective bipartite and tripartite social dialogue.
11. **Promote a negotiated sectoral framework collective bargaining agreement** to secure safe working conditions and ensure Fundamental Principles and Rights at Work, including wages, working hours, annual leave, freedom of association, collective bargaining, occupational safety and health, for all constructions workers—formal, informal, nationals, and migrants.

