



► Policy Brief

August 2020

Rapid Diagnostic Assessment of Employment Impacts under COVID- 19 in Lebanon¹

Key points

- ▶ Lebanon has been in a state of emergency since mid-March 2020 and is struggling to cope with the COVID-19 pandemic during its worst economic and financial crisis in decades.
- ▶ Some 819,000 workers in Lebanon are employed in the six high-risk sectors: accommodation and food services, manufacturing, construction, wholesale and retail trade, real estate and business activities, and arts and entertainment.
- ▶ High-risk sectors employ almost half of the Lebanese workforce (610,000 workers) and 60 per cent of non-Lebanese workers (208,000 workers).
- ▶ Women are disproportionately exposed to significant health and economic risks, as they make up 61.3 per cent of workers in human health and social work activities, which puts them in the frontline in the fight against COVID-19.
- ▶ Prior to the crisis, half of employed young people were working in high-risk sectors and almost a quarter were not in employment, education or training (NEETs). With disruptions in education and training, and limited prospects for work due to the COVID-19 containment measures and the deteriorating economic situation, youth inactivity and NEET rates are expected to increase significantly.
- ▶ Informally employed individuals and low wage workers are among the most vulnerable groups hit by the crisis: almost two-thirds of workers in the high-risk sectors are informally employed (63.9 per cent) and 75 per cent of low wage workers work in these sectors.
- ▶ Refugees and migrant domestic workers are also particularly disadvantaged as they face exacerbated challenges and discriminatory practices that impact their employment and livelihoods.
- ▶ To address the employment and labour market challenges in Lebanon, short-term interventions are required to alleviate the economic and social pressure on households, workers and businesses, in addition to medium- to long-term measures that would help ensure sustainable employment and labour market outcomes. These include the development of a comprehensive National Employment Policy and a review of the macroeconomic framework to shift away from the current “rentier” economy towards a more productive and diversified economy that is able to create decent employment for all.

¹ This rapid assessment was jointly prepared by the ILO Employment, Labour Markets and Youth Branch (EMPLAB), Geneva and the ILO Regional Office for the Arab States, Lebanon

► 1. Background

Lebanon has been in a state of emergency since mid-March 2020 in response to the COVID-19 pandemic. The situation is compounded by the fact that the pandemic emerged during Lebanon's worst economic and financial crisis in decades, which has also induced a deep social and political crisis. Even prior to these crises, the Lebanese labour market was beset by fragility. According to the latest Labour Force and Household Living Conditions Survey (LFHLCS) conducted in Lebanon in 2018–19, 1.59 million individuals work in Lebanon, of whom 78.1 per cent are Lebanese and 21.9 per cent are non-Lebanese, comprised mainly of refugees in addition to migrant workers. The employment-to-population ratio, used as a proxy to measure the performance of the national economy in providing employment, stood at 43.3 per cent, with 54.9 per cent of workers informally employed. The composite measure of labour underutilization (LU4), taking into account unemployment, time-related underemployment and the potential labour force, stood at 16.2 per cent, with women and young people registering particularly high rates, at 21.3 per cent and 29.5 per cent, respectively.

Prior to the spread of COVID-19 and increasingly so since October 2019, the country's dire economic and financial situation had already impacted people's lives, leaving thousands of additional workers either unemployed or under-employed, with reduced wages and working hours, soaring inflation, decreased purchasing power, and highly restricted access to their dollar-denominated deposit accounts.

While the state of "general mobilization" in response to the COVID-19 pandemic was last extended until 2 August 2020, the lockdown has been eased, as the Lebanese government has implemented a five-phase plan to allow the gradual resumption of economic activity over recent weeks. The plan prioritized the re-opening of economic sectors and other activities based on the need for the services and goods of a given sector, the risks associated with resuming activities and the financial impact of closure. For instance, agro-food and agricultural activities were resumed in phase 1, whereas shopping malls were re-opened in phase 4 and the airport in phase 5.

The economic contraction and reduction in global supply and demand as a result of the pandemic is likely to affect Lebanon's ability to overcome and recover from the multiple crises it is grappling with, not only in the short term but in the medium term as well. This will put at risk the jobs and livelihoods of an increasingly vulnerable and poor population that has the largest number of refugees per capita in the world and hosts a large number of migrant workers. Radical change will be required to lift the economy out of recession, save jobs, and put the country on a recovery path towards a new and better normal. A shift from the current rentier-based economy towards more productive sectors and the development of a robust vision for the country – including a comprehensive national employment policy that is based on concerted efforts from all relevant tripartite stakeholders – will be needed to tackle the multiple crises and the challenges facing Lebanon.

► 2. Virus spread and containment measures

As of 3 August, 2020, a total of 5,066 cases and 65 deaths had been recorded in Lebanon.² Based on scenario simulations, COVID-19 is predicted to cost the health care

system an additional sum of at least 43 million US dollars (US\$) over a six-month period, which is almost 10 per cent of the Ministry of Public Health (MoPH) budget for 2020.³

² Lebanese Ministry of Information (2020). The official website for following news on COVID-19. Retrieved from <https://corona.ministryinfo.gov.lb/>

³ Institut Des Finances Basil Fuleihan (2020). The economic cost of policy action against the outbreak scenarios of COVID-19 in Lebanon. Available at: <http://www.institutdesfinances.gov.lb/publication/the-economic-cost-of-policy-action-against-the-outbreak-scenarios-of-covid-19-in-lebanon/>

The first confirmed case of COVID-19 in Lebanon was reported on 21 February 2020.⁴ Seven days later, the Government requested the closure of all schools, universities and nurseries.⁵ The number of cases continued to increase steadily, and on 6 March the virus was no longer contained.⁶ A COVID-19 operational health plan was developed, putting in place a number of measures, including the establishment of an inter-ministerial Emergency Corona Response Committee, headed by the Prime Minister, and a National Emergency Task Force headed by a representative of the Prime Minister's Office, to coordinate the response to the crisis.⁷

On 12 March, the Government allocated US\$39 million from a World Bank loan in order to equip public hospitals and increase their capacity to confront the outbreak of the COVID-19 pandemic, and initially established 29 quarantine and isolation centres across the country. On 15 March, 23 days after recording the first case, the country declared a public state of emergency, instituting a national lockdown and expanding medical treatment centres. Measures included the closure of all businesses and all public locations, including universities, sports clubs, restaurants and cafes.⁸ Citizens were ordered to stay at home and refrain from all non-essential movement, vehicle occupancy was limited to one-third, traffic was reduced by permitting odd/even license plate vehicles on the roads on alternating days,⁹ and curfews

were implemented. Beirut Rafic Hariri International Airport and all aerial, maritime and land crossings were closed.

The Ministry of Labour (MoL) also set up a hotline to receive complaints and provide guidance, and issued a circular to ensure the payment of health workers' wages during their quarantine period.¹⁰ The Ministry of Labour issued multiple circulars on occupational safety and health, including targeting the wholesale and retail trade and the industrial sectors, among others, along with guidelines to ensure compliance in the workplace in accordance with the standards recommended by the World Health Organization and the Ministry of Public Health. Recommended guidelines included social and safe distancing, cleaning and sterilization, and the use of personal protective equipment.

Originally, the Government's five-phase plan to resume full economic activity was supposed to end on 8 June. Due to a surge in cases, however, this was repeatedly extended and the government approved the latest extension of general mobilization until 2 August.¹¹ The airport officially re-opened on 1 July with a resumption of commercial flights at 10 per cent capacity.¹² The measures adopted by the cabinet, and the population's commitment to them, managed to flatten the COVID-19 curve for some months, although a sizeable uptick in transmission has been witnessed since July.

⁴ E. Knecht and E. Francis (21 February 2020): "Lebanon confirms first case of coronavirus, two more suspected", Reuters. Available at: <https://www.reuters.com/article/us-china-health/lebanon-minister/lebanon-confirms-first-case-of-coronavirus-two-more-suspected-idUSKBN20F225>

⁵ Al Jazeera: "Lebanon asks schools and universities to close over coronavirus" (29 February 2020). Available at: <https://www.aljazeera.com/news/2020/02/lebanon-asks-schools-universities-close-coronavirus-200229152102382.html>

⁶ Naharnet Newsdesk (6 March 2020): "Hasan says Coronavirus no longer contained in Lebanon as cases rise to 22", Naharnet. Available at: <http://www.naharnet.com/stories/en/269853>

⁷ Lebanese Ministry of Health (2020): "COVID-19 operational plan." Available at: <https://www.moph.gov.lb/userfiles/files/News/COvid%20operation%20plan-converted.pdf>

⁸ Middle East Monitor (16 March 2020): "Lebanon declares state of emergency over coronavirus fears". Available at: <https://www.middleeastmonitor.com/20200316-lebanon-declares-state-of-emergency-over-coronavirus-fears/>

⁹ GardaWorld (7 April 2020): "Lebanon: Alternate circulation policy implemented nationwide". 6 April/update 13. Available at: <https://www.garda.com/crisis24/news-alerts/329856/lebanon-alternate-circulation-policy-implemented-nationwide-april-6-update-13>

¹⁰ Lebanese Ministry of Labour (20 March 2020): Resolution No. 1/20. Available at: <https://www.labor.gov.lb/Temp/Files/8edf2a1e-1c8d-42d6-83f8-d302b8c65d80.jpeg>

¹¹ H. Dakroub (30 June 2020): "Lebanon extends COVID-19 measures till Aug. 2", The Daily Star. Available at: <http://www.dailystar.com.lb/News/Lebanon-News/2020/Jun-30/508327-lebanon-extends-covid-19-measures-till-aug-2.ashx>

¹² Garda World (18 June 2020): "Lebanon: Beirut International Airport to resume flights from July 1" /update 25... Available at: <https://www.garda.com/crisis24/news-alerts/351851/lebanon-beirut-international-airport-to-resume-flights-from-july-1-update-25>

► 3. Lebanon's ailing economy before the pandemic

Lebanon's macro-level indicators have long been pointing towards a looming crisis, driven by corruption and, dating back many years, a rentier economy skewed towards low-productivity sectors. As of December 2019, general government debt alone was 175.6 per cent of GDP, with a current account deficit of 23.9 per cent, which put Lebanon among the world's most heavily indebted countries. Remittances flowing into the country were estimated to be worth 12 per cent of GDP in 2019 (US\$ 7.5 billion), suggesting an excessive reliance of the economy on remittances for its foreign currency earnings.

After decades of corruption and fiscal mismanagement, protests began to spread across Lebanon on 17 October 2019 as a result of the deteriorating economic situation and falling livelihoods. The citizens expressed their long-standing grievances by road blockages and claiming public spaces as their own. The prime minister resigned on 29 October in response to the nationwide anti-government protests.

Although a new government was formed only three months later, the banking sector had already started to impose unofficial, but crippling, capital controls. Lebanon experienced a rapid devaluation of the Lebanese pound (LBP) and the closure of banks further restricted businesses' and depositors' access to their US dollar accounts, while prices were already soaring. The prevention of withdrawals froze the economy amidst restricted access to the international market and gave rise to a shortage of medication, fuel, and essential goods. This resulted in increased levels of unemployment and underemployment. While the Central Bank continues to maintain the official peg of the Lebanese pound at LBP 1,507.5 for US\$ 1, the black-market rate has diverged

rapidly since November 2019, and the LBP has now lost more than 80 per cent of its value against the US dollar, trading at LBP 9,100–9,300 in July 2020.

Amidst this worsening economic and financial situation, the cash-strapped government defaulted on a US\$ 1.2 billion Eurobond debt, just as the pandemic was emerging in March.¹³ In May 2020, negotiations started with the International Monetary Fund (IMF) over a US\$ 10 billion aid package.¹⁴ Although this could help to tackle the fiscal deficit, it is likely to constrain public expenditure at a critical time for a country that is already suffering from weak aggregate demand and exacerbate longstanding economic and labour market challenges.

In fact, well before COVID-19 and the rise of civil unrest, Lebanon's dilapidated infrastructure, weak institutions and governance were among a confluence of factors weighing down on the country's economic and labour market performance. The country's growth rate of GDP per capita (at constant 2010 USD) was negative in 2017 and 2018,¹⁵ and its annual growth rate of output per worker had been negative since 2011.¹⁶

Furthermore, while the labour income share as a percentage of GDP increased slightly from 46.7 per cent in 2004 to 47.5 per cent in 2017, this remains below the global average of 51.4 per cent in 2017.¹⁷ Large income inequalities prevailed, with the top decile in 2017 earning 40.2 per cent of the national labour income, whereas the poorest half of the workforce earned only 16.8 per cent.¹⁸ Since then, the situation is believed to have deteriorated significantly, with substantially increased poverty and a shrinking middle class.

¹³ C. Cornish and T. Stubbington (7 March 2020): "Lebanon to default on \$1.2 bn debt", Financial Times. Available at: <https://www.ft.com/content/951a6386-6097-11ea-a6cd-df28cc3c6a68>

¹⁴ FRANCE 24 (14 May 2020): "Lebanon brings back lockdown for four days as IMF mulls \$10 billion aid package". Available at: <https://www.france24.com/en/20200514-lebanon-covid-19-coronavirus-lockdown-imf-bailout-aid-package>

¹⁵ World Bank (2018): GDP per capita (constant 2010 US\$) [Data file], World Development Indicators. Available at: <https://data.worldbank.org/indicator/NY.GDP.PCAP.KD?locations=LB>

¹⁶ World Bank (2018): GDP per person employed (constant 2017 PPP \$) [Data file], World Development Indicators. Available at: <https://data.worldbank.org/indicator/SL.GDP.PCAP.EM.KD?locations=LB>

¹⁷ ILO modelled estimates, available at <https://ilostat.ilo.org>

¹⁸ Ibid.

Income inequalities along with the poor economic performance reflect the country's protracted suffering from structural macroeconomic problems. This is coupled with the country's inability to provide adequate protection to its population. In fact, in the pre-pandemic 2020

budget, the Government was planning to spend a mere 4 per cent of its budget on health care (LBP 686 billion), a 7 per cent decrease from the 2019 budget, even though the LFHLCs revealed that only 55.6 per cent of the population were covered by health insurance.

► 4. COVID-19 and the economic crisis: a double burden on a frail economy

The COVID-19 pandemic comes on the heels of the ongoing economic and financial crisis in Lebanon, with lockdown measures hampering economic activities and leading to increased unemployment, under-employment and working poverty, among other things. In addition, while the economic crisis had mainly hit tradable sectors, the coronavirus epidemic led to the collapse of other sectors, including tourism and transport.

Due to currency depreciation and political instability, businesses were already facing rising costs, while consumers were experiencing dwindling purchasing power. The Central Administration of Statistics (CAS) reported the year-on-year inflation rate at 89.7 per cent in June 2020,¹⁹ while the Purchasing Managers Index (PMI) showed that many businesses were facing increased overall input prices during the first few months of 2020 (January–April).²⁰ The lockdown measures exacerbated these challenges, resulting in severe disruptions to both supply and demand. Businesses have accordingly reduced staff wages and/or reduced the number of their employees, as shown by the employment index and staff cost index of the PMI. Furthermore, the dramatic drop of the PMI from 35 in March²¹ to 30.9 in April²² signals a serious deterioration in the conditions faced by businesses, the majority of which anticipated a decline in business activity over the next 12 months. This is a strong

indication that an increased number of businesses might have to shut down over the coming period, resulting in further rises in unemployment and job loss rates.

Until now, and according to a series of surveys conducted by InfoPro Research in November 2019, January 2020, and June 2020 on the impact of the twin crises on jobs and business performance, an estimated 350,000 private sector jobs were lost during the period October 2019–June 2020, 130,000 of which were lost in the first half of 2020.²³ At the enterprise level, research indicates that one-fifth of companies have closed since the beginning of 2019, and 18 per cent of establishments have ceased or suspended their operations, half of them in 2020. Despite this gloomy picture, it is thought that the impact of the dual negative shock has not yet fully materialized and a bigger wave of layoffs is to be expected in the coming months as the fragility of the private sector grows.

The economic contraction, along with the two-digit inflation rate, the increased levels of unemployment and income losses, as well as the steep depreciation of the Lebanese pound, are the factors underlying the substantial increase in poverty rates in Lebanon. As of 15 March 2020, the World Bank estimated poverty rates to have increased from 37 per cent in 2019 to 45 per cent (equivalent to 2.43 million people), and extreme poverty

¹⁹ Lebanese Presidency of Council of Ministers (2020): The consumer price index for Lebanon – June 2020. Available at: http://www.cas.gov.lb/images/PDFs/CPI/2020/6-CPI_JUNE2020.pdf

²⁰ BLOM Lebanon PMI (3 April 2020): "Sharpest deterioration in business conditions in survey history", Blominvest Bank. Available at: <https://www.blombank.com/Library/Files/BLOM-PMI-Report-Apr2020.pdf>

²¹ R. Chbeir (30 April 2020): "BLOM Lebanon PMI at 35 in March 2020: Sharpest deterioration in Business Conditions in Survey History", Blominvest Bank – The Research Blog. Available at: <https://blog.blominvestbank.com/33165/blom-lebanon-pmi-at-35-in-march-2020-sharpest-deterioration-in-business-conditions-in-survey-history/>

²² R. Chbeir (6 May 2020): "BLOM Lebanon PMI: Deterioration in Business Conditions Deepens during April 2020", Blominvest Bank – The Research Blog. Available at: <https://blog.blominvestbank.com/33370/blom-lebanon-pmi-deterioration-in-business-conditions-deepens-during-april-2020/>

²³ Business News (26 June 2020): "550,000 unemployed InfoPro survey shows: One third of private sector jobs have been lost". Available at: <http://www.businessnews.com.lb/cms/Story/StoryDetails/8681/550,000-unemployed-InfoPro-survey-shows>

rates from 16 per cent to 22 per cent. The pandemic and deepening economic crisis are expected to result in even higher rates of poverty.

► 5. Employment at risk: a sectoral analysis

While the future remains uncertain, the shocks from the economic crisis, COVID-19 pandemic and containment measures have had different impacts on the various economic sectors. The World Bank forecasts that there will be a significant impact on the Lebanese economy, concentrated in key sectors such as retail, food services, construction, real estate, and financial services.²⁴ Even though the partial easing of containment measures gave businesses some breathing space, this was not enough to compensate for the economic losses borne over the full lockdown period. Furthermore, while some businesses have relied on teleworking, such opportunities are not uniformly accessible across economic sectors and occupations, including for service and sales workers, craft and related trade workers, and elementary occupations, among others. Although working from home has helped to reduce business overheads, it has sometimes been used as a justification for cutting wages and has accentuated inequalities among workers with limited access to good quality home internet. Against this backdrop, and given that the COVID-19 crisis has only contributed to accelerating a trend that will likely persist after the pandemic, the Ministry of Labour has been working on promoting and regulating telework across the country, which will also support a better future for work.

In order to assess the impact of the crisis on the economy and the labour market in Lebanon, this report analyses its repercussions on different sectors, and assesses the crisis risk in each, in line with the ILO COVID-19 Monitor global risk categorization, adapted to the Lebanese economic context.²⁵ Accordingly, as shown in Table 1, six sectors were identified as high-risk, namely: accommodation and food services, manufacturing, construction, wholesale and

retail trade, real estate and business activities, and arts and entertainment.

The above risk categorization is based on the sector-based analysis presented below and provides an overview of the impact of the crisis on a number of sectors, including, but not limited to, those identified as high-risk:

The wholesale and retail trade, repair of motor vehicles and motorcycles sector employs the largest number of workers, representing 19.9 per cent of total employment in the country. At the same time, this sector employs 48,000 low-wage workers, representing 21.6 per cent (the largest share) of all low-wage workers working in Lebanon. All shops, with the exception of those considered essential – such as supermarkets, food wholesalers or retailers, pharmacies, and gas distributors – were forced to close from mid-March until mid-May 2020. Due to the decrease in people's purchasing power and the enforcement of social distancing, along with the limited online shopping coverage pre-pandemic, this sector has faced high revenue losses, with a direct impact on its workforce.

The accommodation and food services sector, which provides jobs for 69,000 workers, was also severely impacted, suffering from almost full closure of establishments due to the containment measures. Although operating at 50 per cent capacity since mid-May, restaurants and cafés also incurred increased costs and losses before the pandemic because of the economic crisis. A total of 25,000 workers are said to have lost their jobs between September 2019 and February 2020, with 784 fast-food business shutting down. Furthermore, while tourism is a key economic sector in Lebanon, the dwindling away of tourists that started with the onset of the October 2019 protests and was exacerbated by the

²⁴ World Bank (2020): "Lebanon's economic update", April 2020. Available at: <http://pubdocs.worldbank.org/en/525341554825472233/mpo-lbn.pdf>

²⁵ A comprehensive desk review was conducted to collect evidence on the economic impact of the crises on all economic sectors. Key informant interviews were held with representatives of the Government (Ministry of Labour), employers (Chamber of Commerce, Industry and Agriculture in Beirut and Mount Lebanon, the Association of Lebanese Industrialists) and workers' organizations (National Federation of Employees' and Workers' Unions in Lebanon) to validate the categorization and the findings presented in this brief.

airport closures in Lebanon and abroad, has further impacted the accommodation and food services sector. Monthly occupancy rates at four- and five- star hotels in the capital city, Beirut, had decreased from 79 per cent in

March 2019 to 10 per cent in March 2020, forcing many hotels to cut jobs and/or reduce wages amid the economic slowdown and due to the COVID-19 outbreak.

► **Table 1. Employment distribution by economic activity, level of risk and nationality, 2018-19**

Economic sectors	Expected impact of the crisis on economic output	Distribution of Lebanese employment	Distribution of non-Lebanese employment	Distribution of total employment
Utilities	Low	0.8%	0.6%	0.7%
Public administration and defence; compulsory social security	Low	12.6%	0.2%	9.9%
Human health and social work activities	Low	5.4%	0.8%	4.4%
Activities of extraterritorial organizations and bodies*	Low	0.7%	0.4%	0.6%
Agriculture, forestry, and fishing	Low-medium	3.7%	3.0%	3.6%
Mining and quarrying	Medium	0.0%	0.0%	0.0%
Financial and insurance activities	Medium	3.1%	0.1%	2.5%
Professional, scientific, and technical activities*	Medium	4.6%	0.8%	3.8%
Education*	Medium	10.8%	1.0%	8.6%
Transport; storage and communication	Medium-high	7.9%	1.8%	6.5%
Activities of households as employers; undifferentiated goods-and services-producing activities of households for own use*	Medium-high	1.2%	31.5%	7.8%
Manufacturing	High	10.7%	11.5%	10.9%
Construction*	High	6.3%	18.0%	8.9%
Wholesale and retail trade; repair of motor vehicles and motorcycles	High	21.4%	14.2%	19.9%
Accommodation and food service activities	High	4.4%	4.4%	4.4%
Real estate; business and administrative activities	High	2.1%	8.2%	3.5%
Arts, entertainment, and recreation and other services*	High	4.2%	3.5%	4.1%
TOTAL		100%	100%	100%
Total number of workers (in thousands)		1,240	348	1,588

Note: The risk categorization of sectors with a star sign departs from the ILO Monitor global categorization.

Source: Authors' calculations using the CAS and ILO Labour force and household living conditions survey 2018–2019 for Lebanon.

In the **real estate, business and administrative activities sector**, employing around 55,000 workers, distrust in the banking sector and fear of loan “haircuts” helped maintain some real estate demand, especially by wealthy Lebanese trying to release their deposits from

banks and diversify their assets. Nonetheless, overall demand fell, with the Byblos Bank Real Estate Demand Index dropping in the first quarter of 2020 to its lowest level on record. The volume of real estate transactions fell

23.2 per cent YoY in March,²⁶ while rental activities, both commercial and residential, have also been impacted, with many businesses closing down and many tenants leaving their rented apartments in cities either to move back to their villages or rent cheaper apartments. Owners, especially those relying on revenue from rent as a main source of income, are at a great disadvantage.

The **construction sector**, providing employment for a total of 141,000 workers, has been hard hit and continues to suffer from a sharp slowdown. This slowdown started long before the 2019–20 twin crises, when the housing loans subsidized by the Central Bank were halted in 2018, affecting the main path to home ownership for low-income households.²⁷ The demand for real estate from Gulf-state citizens and Lebanese expatriates also plummeted after the onset of the Syria war in 2011 and the oil-slump in 2014, and has been on the decrease ever since.²⁸ In January 2020, the total number of construction permits slumped by a yearly 29.7 per cent to 591, according to the Orders of Engineers in Beirut and Tripoli. The Construction Area Authorized by Permits (CAP) faced an annual 64.4 per cent decrease, a reflection of the limited interest from investors in undertaking new projects.²⁹ The environment is un conducive to long-term investments and the cost of construction materials has increased significantly due to inflation, leading to suspension of existing projects and a reluctance to undertake new projects.

In parallel, the **manufacturing sector**, which provides jobs for 173,000 workers, has witnessed a series of negative shocks since October 2019. On 30 March 2020, the Government approved a set of recommendations put forward by the Association of Lebanese Industrialists, related most notably to allowing this sector to continue to function during the lockdown, conditional on abiding by COVID-19 health and safety guidance and national curfew hours. Despite the relaxation of strict measures, the COVID-19 crisis could not but worsen the situation in an already fragile cash-strapped sector that is unable to meet

its import needs. Furthermore, while this sector has played a key role in the production of COVID-19 related protective and medical equipment, it continues to face a bumpy road with limited access to financing of raw materials, rising costs and weakened demand, also because of the closure of a large number of establishments and enterprises.

The **arts and entertainment sector** is the sixth hard-hit sector in Lebanon, employing 13,000 workers. Theatres, cinemas, museums, archaeological sites, public parks, and entertainment and sports venues have been closed for more than three months, leading to huge losses incurred by businesses and severe repercussions for the workers ordinarily employed in such activities.

Overall, **these six hard-hit sectors were found to employ 819,000 workers in Lebanon, corresponding to around half of the Lebanese workforce (610,000 workers) and 60 per cent of non-Lebanese workers (208,000 workers)**. Individuals employed in high-risk sectors are more susceptible to wage reductions and temporary or permanent job loss, suggesting a huge impact of the COVID-19 crisis on the Lebanese labour market.

Further to the abovementioned sectors, identified as severely impacted by the COVID-19 crisis, other sectors are also affected, as we shall see.

The Government's decision to close down the Beirut-Rafic Hariri International Airport impacted the **transport, storage, and communication sector**, which employs 104,000 workers. Aircraft activity registered 521 take-offs and landings in April 2020, down by 74.1 per cent from March (2,013 take-offs and landings) and by 91.4 per cent from April 2019.³⁰ Land transportation and taxi drivers have also been hard hit by the lockdown and curfew measures. Demand for ICT services has increased in 2020, however, in response to the increased numbers of employees and students being encouraged to work or

²⁶ General Directorate of Land Registry and Cadastre, Number of Real Estate Transactions. Available at: BRITE; <https://brite.blominvestbank.com/series/Number-of-Real-Estate-Transactions-3443/>

²⁷ J. Arbid (4 October 2018): "What happened to Lebanon's Iskan housing loans?", Executive Magazine. Available at: <https://jeremyarbid.com/2018/10/04/what-happened-to-lebanons-iskan-housing-loans/>

²⁸ N. Houssari (10 December 2018): "Lebanon's property market 'on the brink of collapse'", Arab News. Available at: <https://www.arabnews.com/node/1418221/business-economy>

²⁹ R. Chbeir (23 March 2020): "Number of construction permits hit an all-time low of 591 in January 2020", Blominvest Bank – The Research Blog. Available at: <https://blog.blominvestbank.com/33074/number-of-construction-permits-hit-an-all-time-low-of-591-in-january-2020/>

³⁰ Byblos Bank (11–16 May 2020): Lebanon this week, Issue 632. Available at: <https://www.byblosbank.com/Library/Assets/Gallery/Publications/LebanonThisWeek/Lebanon%20This%20Week%20632.pdf>

study from home in order to combat the spread of COVID-19.

On the other hand, the **education sector**, which is highly privatized in Lebanon – private schools cater for almost half of all students nationwide – is particularly susceptible to the impact of the double crisis.³¹ While the impact on this sector has remained tolerable for some educational institutions, the situation is becoming increasingly gloomy amidst parents' deteriorating financial situations and their increasing inability to pay tuition fees in expensive private schools and universities. The potential decrease in educational enrolment, along with the fact that many schools and institutions (which are not necessarily ready to move towards e-learning) will be forced to close if online learning has to continue for some time before students return to school, will have serious employment implications. As a result, while this sector employed 8.6 per cent of total employment in Lebanon prior to the dual crisis, it is estimated that around 10,000 teachers were set to lose their jobs in July 2020.³²

As for the **agriculture sector**, which employs 57,000 workers with a high rate of informality (88.1 per cent), there has been a move towards a low input system, which will probably result in a decline in yields and marketable production.³³ Agriculture business owners report falling revenues and demand. Although the global economic

slowdown resulting from the pandemic has compressed diesel prices, buffering some of farmers' increased costs, they continue to face increases in the cost of supplies and production, and lack liquidity to purchase the needed inputs, with serious potential implications for employment in this sector.

Looking more closely at employment by sector from a workers' nationality perspective, the highest share of Lebanese employment is in wholesale and retail trade, where more than a fifth of total Lebanese workers are employed; 10.8 per cent of Lebanese workers are in education and risk has increased the challenges they are likely to face over the coming year or two, while 10.7 per cent of the Lebanese workforce is employed in manufacturing, another hard-hit sector.

One-third of non-Lebanese workers, on the other hand, are employed in household activities and are at a particular risk of abuse and job loss due to the coronavirus pandemic and the current financial crisis in the country (see section on migrant domestic workers for further details). Construction, wholesale and retail trade, and manufacturing, which are all considered hard-hit sectors with high risks of layoffs and cuts in wages or working hours, are next in line, constituting – respectively – 18 per cent, 14.2 per cent, and 11.5 per cent of total non-Lebanese employment.

► 6. Impact on specific groups

While the country has been in crisis mode for nine months now, there were already signs of faltering in the Lebanese labour market prior to October 2019. Based on the latest national labour force and household living conditions survey, there was an estimated net loss of 19,400 jobs

between mid-year 2017 and the survey period 2018–19.³⁴ Total job losses have increased since then in the wake of the financial crisis and the COVID-19 pandemic, with particular challenges imposed on specific population groups.

³¹ N. Nehme (25 April 2020): "Corona increases the migration to public education: is there a plan for next year?", Al Akhbar. Available at: <https://al-akhbar.com/Community/287668>

³² N. Nehme, (13 May 2020): "Towards alternative schools under the management of parents and municipalities", Al Akhbar. Available at: <https://al-akhbar.com/Politics/288516>

³³ Food and Agriculture of the United Nations (2020): GIEWS country brief: Lebanon. Available at: <http://www.fao.org/giews/countrybrief/country.jsp?code=LBN>

³⁴ CAS and ILO (2019): Labour force and household living conditions survey 2018–2019, Lebanon. Available at: <http://www.cas.gov.lb/index.php/demographic-and-social-en/laborforce-en>

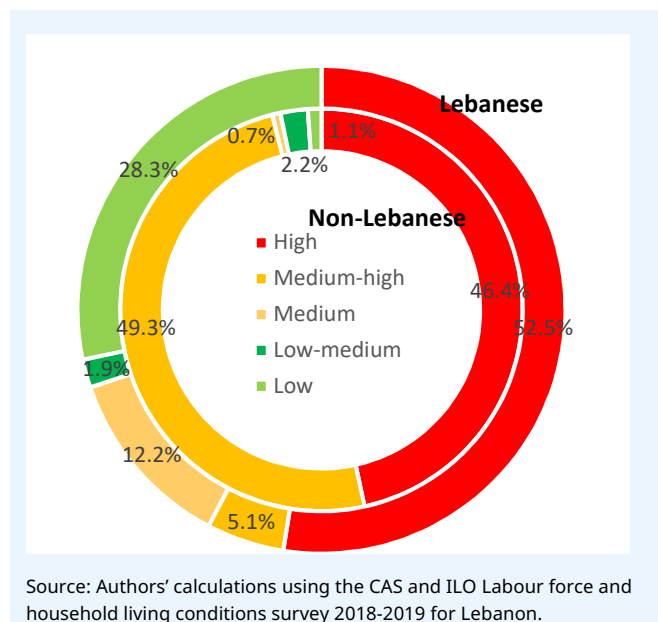
6.1 Employment of young people, both male and female, in the COVID-19 crisis

From an age perspective, half of employed young people – 127,000 – were employed in 2018–19 in the six high-risk sectors, corresponding to 53 per cent of Lebanese young people and 46 per cent of non-Lebanese young people (Figure 2). While young people constitute 16 per cent of total employment in the country, they make up more than a quarter of total employment in accommodation and food services activities, the latter being greatly impacted by the crisis. Looking at occupational distributions, it is also worth noting that almost a third of working young people (31.6 per cent) are employed in elementary occupations with limited teleworking opportunities and high levels of informality. While the COVID-19 pandemic has undoubtedly affected young people, it is important to note that it has only exacerbated pre-crisis youth employment challenges, with youth unemployment rate registering 23.3 per cent prior to the crisis, more than twice the general unemployment rate of 11.4 per cent. Young people were also facing long unemployment spells, with 50 per cent seeking work for more than 12 months. Almost a quarter of young people (22 per cent) were not in employment, education or training (NEETs), and young women even more so (26.8 per cent).³⁵ With formal education and technical and vocational education and training (TVET) suffering massive disruptions due to containment measures, and rising inequalities in digital access, youth inactivity and NEET rates are expected to increase significantly. Similarly, rates of unemployment and underemployment among young people, whose employment prospects are more sensitive to changes in demand, are expected to rise, with additional challenges faced by young women.

In fact, in addition to their youth, young women face a second burden being female and report poor employment outcomes similar to those reported by the total female working-age population in the country. Overall, female labour force participation rates remain low, at 29.3 per

cent, compared with the labour force participation rate of men (70.4 per cent) in 2018–19.³⁶ This is driven by various factors, including discouragement and unequal treatment in employment and occupation.

► **Figure 1. Distribution of employed youth by risk sectors, 2018-19**



Furthermore, women, irrespective of age, face multiple barriers in the world of work, including social norms and cultural constraints, family care and household responsibilities, and more limited access to promotion opportunities and access to funding (for women entrepreneurs).³⁷ Of those already in the workforce, almost one-third are working in high-risk sectors; 23.8 per cent in household activities, another medium to high-risk sector; followed by 20.5 per cent of female employment in the education sector. Interestingly, women, both young people and adults, make up, respectively, 72.4 per cent and 45.1 per cent of workers in the education and financial activities sectors, both of which are medium-risk sectors that face potential restructuring and downsizing risks, expected in the coming six months, due to the deteriorating economic situation and banking crisis.

Furthermore, while women account for only 30.5 per cent of total employment, they make up 61.3 per cent of

³⁵ CAS and ILO (2019): Labour force and household living conditions survey 2018–2019, Lebanon. Available at: <http://www.cas.gov.lb/index.php/demographic-and-social-en/laborforce-en>

³⁶ CAS and ILO (2019): Labour force and household living conditions survey 2018–2019, Lebanon. Available at: <http://www.cas.gov.lb/index.php/demographic-and-social-en/laborforce-en>

³⁷ W.R. Avis (2017): “Gender equality and women’s empowerment in Lebanon”. Available at: <https://reliefweb.int/sites/reliefweb.int/files/resources/175-Gender-Equality-and-Womens-Empowerment-in-Lebanon.pdf>

workers in human health and social work activities. This puts them in the frontline of the fight against COVID-19 and exposes them disproportionately to significant health and economic risks. In addition, although the Ministry of Labour issued Decision No. 1/20 on 20 March 2020 to ensure that all medical professionals put in isolation are paid their full salary during quarantine,³⁸ the inability of the Government to reimburse public and private hospitals with their shares of the National Social Security and military health funds has threatened the ability to pay staff since the beginning of the economic crisis.³⁹

6.2 Low-wage workers prevalent in high-risk sectors

Further to the above gender and age analysis, it is also worth noting that 75 per cent of low wage employees⁴⁰ work in high-risk sectors, a total of 165,000 workers. This share increases to 86 per cent for non-Lebanese employees compared with 63 per cent for Lebanese employees. This shows that the COVID-19 crisis will have a dramatic impact on the poor, resulting in increased poverty and extreme poverty rates, as suggested earlier in this report. Given that employers in these sectors will opt to survive either by laying off workers (who will ultimately have no income), or reducing their salaries and working hours, this will make the already low-paid even poorer.

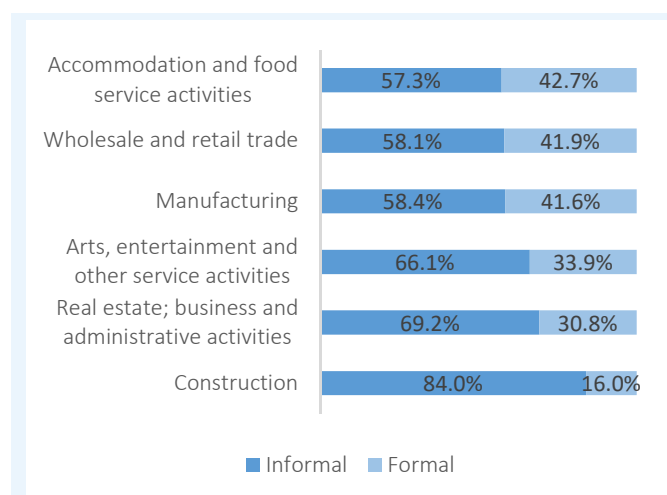
6.3 Impact on informal workers

Another particularly disadvantaged group includes workers in the informal economy. They are likely to be hit especially hard as they are often not subject to the labour code, do not receive social benefits (such as social security, paid annual and sick leave) and are not represented and supported by trade unions. Some 55 per cent of all workers in Lebanon were informally employed in 2018–19, prior to the COVID-19 crisis, with a 55.4 per cent informality rate among women and 54.8 per cent among men, suggesting little gender difference in

informality. The difference is, however, much starker, when comparing Lebanese with non-Lebanese workers, with the informal employment share registering 43.8 per cent and 94.6 per cent, respectively.

In the high-risk sectors more particularly, almost two-thirds of workers are employed informally (63.9 per cent). The highest rate of informality is found in the construction sector, at 84 per cent, followed by accommodation and food services (69.2 per cent) and real estate, business and administrative activities (66.1 per cent). Informal workers will therefore be particularly hit by the COVID-19 crisis in Lebanon, resulting in worsening employment and livelihoods.

► **Figure 2. Informal employment in the hardest hit sectors, 2018-19**



Source: Authors' calculations using the CAS and ILO Labour force and household living conditions survey 2018-2019 for Lebanon

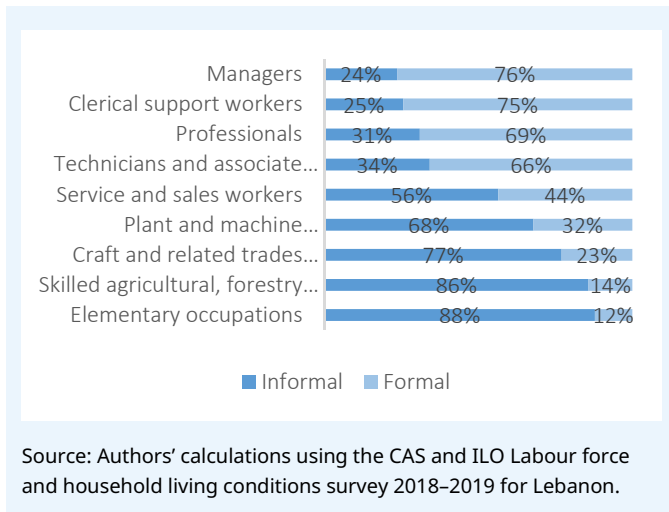
Looking at occupational distributions, informality seems to be highest among workers in elementary occupations (87.8 per cent), and decreases at more skilled occupational levels. Sales and trade workers and those working in agriculture also experience high levels of informality, in line with the sectoral analysis provided above, and are thus at a higher risk of layoffs or reductions of wages and/or hours of work.

³⁸ Le Commerce du Levant (30 April 2020): "L'épidémie du Covid-19: Un bouleversement inédit du droit du travail." Available at: <https://www.lecommercedulevant.com/article/29791-lepidemie-du-covid-19-un-bouleversement-inedit-du-droit-du-travail>

³⁹ Human Rights Watch (10 December 2019): "Lebanon: Hospital crisis endangering health." Available at: <https://www.hrw.org/news/2019/12/10/lebanon-hospital-crisis-endangering-health>

⁴⁰ Defined as employees with monthly earnings from their main job of less than two-thirds of the median monthly earnings of all employees.

Figure 3. Informal employment by occupation, 2018-19



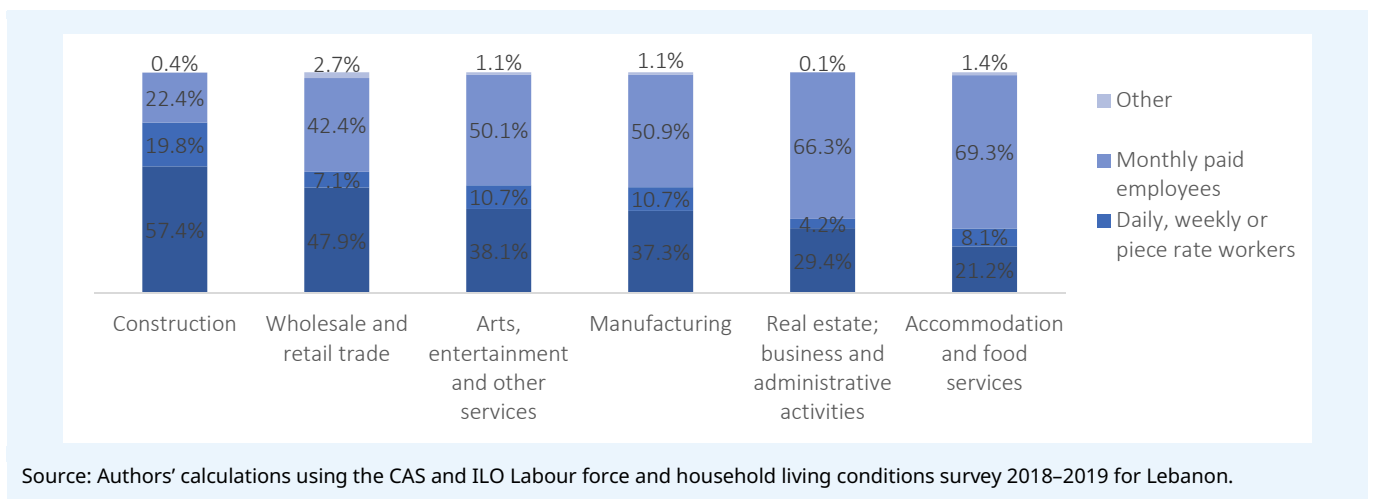
that the COVID-19 crisis is affecting sectors in which own-account workers and daily, weekly or piece rate workers are prevalent. Among the most affected sectors, construction has the highest share of vulnerable employment, followed by wholesale and retail trade. Own-account workers and daily, weekly or piece rate workers have a lower likelihood of having formal work arrangements, and are therefore more likely to lack elements associated with decent employment, such as stability and adequate social security, making them especially vulnerable to the impact of the dual crisis.

Further to the six sectors identified as particularly hit by the crisis, it is worth noting that own-account workers constitute the highest share of workers in agriculture, representing 75.4 per cent of total Lebanese employment in this sector. In sectors such as transport, storage, and communication, people who rely on daily wages, such as taxi and bus drivers, have been negatively affected because of the confinement measures, during which their work has been brought almost completely to a halt.

6.4 Employment in crisis affected sectors, by employment status

Based on data provided by CAS, and looking at Lebanese employment (see Figure 4 below), it is also noteworthy

Figure 4. Lebanese employment by status in employment in hard hit sectors, 2018-19



► **Box 1. Impact on refugees**

The onset of the Syrian refugee crisis in 2011 led to an influx of refugees to Lebanon and neighbouring countries, leaving the country with the world's largest per capita refugee population, approximating nearly a quarter of the Lebanese population. The Lebanese Government estimates that nearly 1.5 million Syrian refugees are currently in the country, of whom 892,310 are registered as refugees with the United Nations High Commissioner for Refugees (UNHCR).⁴¹ The country is also home to more than 200,000 Palestinian refugees and 18,500 refugees from Ethiopia, Iraq, Sudan, and other countries.⁴²

Even prior to the economic crisis and the outbreak of COVID-19, the majority of refugees lived in difficult socio-economic conditions, with constrained access to the labour market and limited livelihood options. An estimated 73 per cent of Syrian refugees,⁴³ 65 per cent of Palestinian refugees from Lebanon and 89.1 per cent of Palestinian refugees from Syria⁴⁴ live in poverty.⁴⁵ With a labour market largely shaped by informality, pay precarity, sectoral and occupational restrictions on employment, and inconsistent enforcement of regulations, refugees were subjected to hazardous work, job irregularity, and even arrest and detainment before the pandemic.^{46, 47}

Refugees have been subjected to discriminatory measures imposed by several municipalities during the lockdown. Such measures include stringent refugee-specific curfews, complete prohibition of leaving their homes, including for food and medical needs, and confiscation of identity documents in case of violations.

This created additional hindrances to refugees' already faltering access to a highly informal and precarious labour market and threatens their ability to meet their most basic food and non-food needs. In fact, according to a recent ILO assessment of the impact of the COVID-19 crisis on vulnerable communities in Lebanon, 95 per cent of employed Syrian refugees in the sample were found to lack valid work permits suggesting that the majority of them work in the informal economy. In addition, 60 per cent of the sampled Syrian refugees were found to have been permanently laid-off and 31 per cent temporarily laid-off as a result of the COVID-19 crisis.⁴⁸ It has also undermined the country's public health response, as refugees, who live in densely populated camp and non-camp settings, cited fear of further discrimination and stigmatization as a deterrent from seeking medical care if they ever experience symptoms.⁴⁹ UNHCR and other organizations support refugees in accessing and implementing the required protective measures and have worked on the isolation of cases in crowded areas, provision of additional hospital beds, ICUs and vacant spaces to convert into makeshift health centres.

⁴¹ Government of Lebanon and United Nations (2019): Lebanon crisis response plan 2017–2020 (2019 Update). Available at: <https://reliefweb.int/sites/reliefweb.int/files/resources/67780.pdf>

⁴² UNHCR Lebanon Fact Sheet – Lebanon | Global Focus (2020). Available at: <http://reporting.unhcr.org/node/2520>

⁴³ United Nations High Commissioner for Refugees, United Nations International Children's Emergency Fund, & World Food Programme (2019): Vulnerability Assessment of Syrian Refugees in Lebanon - VASyR 2019. Available at: <http://ialebanon.unhcr.org/vasyr/#/>

⁴⁴ Palestinian refugees from Lebanon have been in Lebanon since 1948, and are differentiated from Palestinian refugees from Syria, who have only recently taken refuge in Lebanon as a result of the Syrian crisis in 2011.

⁴⁵ J. Chaaban, N. Salti, H. Ghattas, A. Irani, T. Ismail and L. Batlouni (2016): Survey of the socioeconomic status of Palestine refugees in Lebanon 2015. Available at: https://www.unrwa.org/sites/default/files/content/resources/survey_on_the_economic_status_of_palestine_refugees_in_lebanon_2015.pdf

⁴⁶ ILO (2014): Assessment of the impact of Syrian refugees in Lebanon and their employment profile. Available at: https://www.ilo.org/beirut/publications/WCMS_240134/lang--en/index.htm

⁴⁷ L. Bou Khater (2017): "Labor policy and practice. The Peace Building in Lebanon", Issue 16. Available at: <https://www.undp.org/content/dam/lebanon/docs/CrisisPreventionRecovery/SupplementArticles/16Supp/PEACE%20BUILDING%2016%20july%202017%20p4.pdf>

⁴⁸ ILO (2020): Facing multiple crises: rapid assessment of the impact of COVID-19 on vulnerable workers and small-scale enterprises in Lebanon. Available at: https://www.ilo.org/beirut/publications/WCMS_747070/lang--en/index.htm

⁴⁹ Human Rights Watch (2 April 2020): "Lebanon: Refugees at risk in COVID-19 response". Available at: <https://www.hrw.org/news/2020/04/02/lebanon-refugees-risk-covid-19-response>

► **Box 2. Female migrant domestic workers (MDWs) – among the most marginalized in society**

Women make up 92.7 per cent of workers involved in domestic work or household goods and service producing activities for own use. They are largely non-Lebanese (88.2 per cent) and informally employed (97.2 per cent). Migrant women are employed in Lebanese households to perform household tasks such as cleaning, cooking, and taking care of children and the elderly. They come mainly from Ethiopia, Bangladesh, Philippines and Sri Lanka.⁵⁰

At present, the legal and policy framework that governs the basic rights of migrant domestic workers in Lebanon violates the ILO Domestic Workers Convention, 2011 (No. 189). The rights and obligations of migrant domestic workers in Lebanon is governed by the Kafala system, an abusive migration sponsorship system which places the residency and work permits under the control of the employer and prohibits such workers from seeking any legal action against employers through the existing national labour laws.⁵¹ During confinement, migrant domestic workers have been increasingly subjected to exploitative and abusive work conditions and forced labour.

The compounded economic and COVID-19 crises have had aggravating effects on migrant domestic workers, who have been facing termination of contracts without prior notice as a result of fears from the outbreak and xenophobia, business closures or households' inability to pay their salaries or cover their living expenses.⁵²

Prior to the airport closure, they were also subjected to forced departures before contract due dates, sometimes

without getting paid their wage arrears.⁵³ Furthermore, migrant domestic workers send on average 75 per cent of their incomes to their home country (in US\$) to cover the living expenses of their families.⁵⁴ With the dramatic depreciation of the Lebanese currency against the US dollar, salaries of domestic workers, paid in dollars, have become unaffordable for many Lebanese households. As employers, the majority of whom continue to receive their incomes in Lebanese pounds, are forced to buy US dollars at unprecedentedly high rates many have either forced lower pay on domestic workers or have negotiated a reduced amount, if they pay them at all. As a result, many domestic workers are now receiving a reduced salary and are hence able to send less money to their families back home.

In December, the Philippine embassy in Lebanon stated that more than 1,000 Philippine workers had lost their jobs since October 2019.⁵⁵ Due to the intensifying economic crisis and continued lockdown, migrant domestic workers find themselves trapped in the country, sometimes homeless, without pay, and with no means of returning home. Over the past few weeks, representatives from multiple consulate and embassies (Ethiopia, Bangladesh, Philippines) have met with the Ministry of Labour to initiate the voluntary repatriation of migrant domestic workers.⁵⁶

⁵⁰ ILO (2016): "A study of working and living conditions of migrant domestic workers in Lebanon "Intertwined: the workers' side"." Available at: https://www.ilo.org/beirut/publications/WCMS_524143/lang--en/index.htm

⁵¹ ILO (2016): "A study of the employers of migrant domestic workers in Lebanon: Intertwined". Available at: https://www.ilo.org/beirut/publications/WCMS_524149/lang--en/index.htm

⁵² ILO (2020): "Impact of COVID-19 on migrant workers in Lebanon and what employers can do about it." Available at: https://www.ilo.org/beirut/publications/WCMS_741604/lang--en/index.htm

⁵³ ILO (2020): "Impact of COVID-19 on migrant workers in Lebanon and what employers can do about it." Available at: https://www.ilo.org/beirut/publications/WCMS_741604/lang--en/index.htm

⁵⁴ ILO (2016): "A study of working and living conditions of migrant domestic workers in Lebanon "Intertwined: the workers' side"." Available at: https://www.ilo.org/beirut/publications/WCMS_524143/lang--en/index.htm

⁵⁵ A. Majzoub (6 March 2020): "Life for Lebanon's migrant domestic workers worsens amid crisis: From bad to worse", Human Rights Watch. Available at: <https://www.hrw.org/news/2020/03/06/life-lebanons-migrant-domestic-workers-worsens-amid-crisis>

⁵⁶ Lebanese Ministry of Labour (16 May 2020): General Security announces the start of organizing voluntary return flights to evacuate foreign workers. Available at: <https://www.labor.gov.lb/LatestNewsDetails.aspx?newsid=16312>

► 7. Recommended employment, social and economic measures

The COVID-19 containment measures exacerbated the already deteriorating economic situation in Lebanon. A series of decisions and policies were implemented by the cabinet and the Central Bank in an attempt to alleviate the economic and social pressure on households, workers and businesses.

On 30 April 2020, the cabinet announced its financial recovery and rescue plan, which aims to build a more sustainable economy and resolve the financial and fiscal imbalances. The plan includes reforms such as conducting a comprehensive review of the pension law, introducing universal health coverage to all citizens, reviewing the macroeconomic model and growth strategies, reducing the inefficient public sector wage bill, boosting job creation, including through a reduction of the National Social Security Fund (NSSF) contributions for newly employed persons under the age of 30, among other things. The Government is in ongoing negotiations with the International Monetary Fund (IMF) to secure essential loans to stimulate the economy.

Furthermore, along with the recently enacted law governing electronic transactions and personal data in early 2019,⁵⁷ and the COVID-19 lockdown measures, which have helped accelerate the growth of e-commerce in Lebanon, the Ministry of Labour has been working on ways of capitalizing on the growing need for e-commerce during the pandemic, with the aim of promoting e-commerce-based businesses. This not only supports businesses and workers during the pandemic but also prepares the ground for a better future for work amidst increased digitalization and a faster shift towards telework and online activities.

Despite all these efforts, the situation remains complicated and implementation is particularly challenging. The Ministry of Labour has accordingly requested ILO support and advice on how to best address

the employment and labour market repercussions of the pandemic and the financial crisis.

Some of the main recommendations and actions are listed below. Many are in line with those recommended under the Government's economy and recovery plan.

7.1 Short-term measures

- 1. Strengthen mechanisms for monitoring compliance with labour market regulations and labour disputes.** The Ministry of Labour has already issued circulars on the coverage of wages and other entitlements for workers and female domestic workers during periods of sickness, quarantine, and inability to work due to the economic lockdown.⁵⁸ There remains a need, however, to establish a permanent platform for social dialogue between government, workers', and employer's organizations on priorities and key mechanisms for labour market regulation and to revitalize the existing labour disputes prevention mechanisms.
- 2. Introduction of strong active labour market policies to support employment and earnings.**
- In March 2020 the Central Bank issued Circular 547, which involves issuing exceptional loans to clients that are unable to pay their bills for the months of March–June 2020 as a result of COVID-19 measures. The Circular covers private sector employees, businesses, and self-employed clients affected by the measures who could cover the loan over a five-year period. Given banks' track record of being risk averse, however, little has materialized to date. Hence, emergency wage subsidies, along with other active labour market policies, should be designed to promote employment and act as an incentive for employers to retain employees in times of uncertainty.

⁵⁷ A. Sewell (4 May 2019): "First e-commerce hub launched in Lebanon", The Daily Star. Available at: <https://www.pressreader.com/lebanon/the-daily-star-lebanon/20190504/281496457711132>

⁵⁸ Lebanese Ministry of Labour (2 June 2020): "The Ministry of Labour asks employers to consider the duration of the quarantine period for employees and domestic workers as a paid sick leave." Available at: <https://www.labor.gov.lb/LatestNewsDetails.aspx?newsid=16319>

4. **Establish an unemployment insurance scheme and introduce an emergency income support scheme** to provide temporary income support to workers registered in the NSSF and other social security systems and to vulnerable uninsured workers, respectively. This is particularly key for Lebanon where more than half of total employment is informal.
5. **Immediate introduction of cash transfer schemes to vulnerable groups to meet their immediate needs and to alleviate economic hardship.** The Ministry of Social Affairs, in collaboration with other ministries, distributed a solidarity basket of food and sanitizers for vulnerable families.⁵⁹ In mid-April, the Government rolled out the first phase of emergency cash transfers targeting families most in need. The transfer amounted to LBP 400,000 (or less than US\$ 100 at the current market rate) and targeted families of mine accident victims, families with children enrolled in public schools, public transportation drivers, families with members with disabilities, and families registered in the National Poverty Targeting Programme (NPTP) database. A second round is being prepared and aims to expand the outreach of the programme to target around 200,000 families and provide them with a monthly payment till the end of the year.⁶⁰ The scaling-up of the cash transfer programme should build on existing programmes and databases, such as the NPTP, and rely on a targeting approach that accounts for structural life-cycle vulnerabilities and provides specific support to marginalized groups, such as the elderly, people with disabilities, and single parent or female-headed households.
6. **Promote economic activity through support to businesses. This includes the suspension of tax and rent payments and the suspension of debt repayment instalments to all commercial banks against business loans among affected businesses.** Payments for social security contributions by affected businesses should also be deferred with no penalties. The exemption of contributions should come with no prejudice to insured workers, who should remain

eligible for benefits provided by the system with no modification of eligibility conditions. All forms of support for affected businesses should be conditional on maintaining current employment levels and registration of all workers with the NSSF. On that front, the Lebanese Central Bank has provided banks with foreign currency to finance the import of basic food items and a list of raw materials for the agro-food industry set by the Ministry of Economy and Trade.⁶¹ The Government has also postponed the payment of taxes for all productive sectors.⁶²

7.2 Medium to longer term measures

Additional actions need to be taken by the Lebanese Government in the medium to longer term to tackle the more structural labour market and economic problems. Given that the Lebanese labour market is largely characterized by underutilization of labour, large-scale informality, inadequate pay and poor working conditions for many, there remains a need for a comprehensive National Employment Policy that tackles all employment-related issues, on both the demand and the supply side of the labour market.

The overall macroeconomic framework also needs to be revisited to encourage a shift away from the rentier economy to a more productive and diversified economy that is able to create decent employment for all. In this regard, macroeconomic, trade and sectoral policies need to be employment-centred to enhance labour demand. Interestingly, reviewing the overall macroeconomic framework and implementing a comprehensive package of structural reforms to unlock Lebanon's growth potential and create a productive economy is one of the measures planned under the financial recovery plan. Accompanying measures are listed below and fall under the four strategic objectives of the Decent Work Agenda:

⁵⁹ ILO (2020): "Country policy responses – Lebanon: COVID-19 and the world of work". Available at: <https://www.ilo.org/global/topics/coronavirus/country-responses/lang--en/index.htm#LB>

⁶⁰ Arab News (5 June 2020): "Lebanon extends coronavirus regulations until July 5". Available at: <https://www.arabnews.com/node/1685136/middle-east>

⁶¹ M. Wehbe (28 May 2020): "Dollar for food products at 3200: the capital of dealers from people's pockets", Al Akhbar. Available at: <https://al-akhbar.com/Politics/289217>

⁶² ILO (2020): "Country policy responses – Lebanon: COVID-19 and the world of work." Available at: <https://www.ilo.org/global/topics/coronavirus/country-responses/lang--en/index.htm#LB>

1. **Guaranteeing rights at work**
 - a. Review of the national minimum wage and an increase in worker coverage.
 - b. Fast-track the Labour Law revision.
 - c. Support the National Employment Office of Lebanon (NEO) in facilitating firms' and individuals' adjustment to changing labour market conditions.
2. **Extending social protection**
 - a. Extending NSSF incentives for companies hiring new Lebanese workers, whereby the Government would pay employers' dues for four years instead of two years, including companies that formalize.
 - b. Development of a more comprehensive social protection system and a universal social protection floor.
3. **Creating jobs**
 - a. Public investment in infrastructure, through emergency public works with employment-intensive techniques.
 - b. Provision of incentives and investments in energy-efficient technologies and green jobs.
 - c. Provision of incentive schemes for the expansion of existing projects through new investments for economic growth and job creation.
 - d. Supporting local production and industry, and increasing competitiveness of local products.
 - e. Supporting enterprises, particularly small and medium-sized enterprises (SMEs), in accessing credit and overcoming cash-flow problems.
 - f. Providing entrepreneurship training and support to facilitate business start-ups, especially among young people, as well as training and advisory services to existing SMEs to enhance their competitiveness.
4. **Promoting social dialogue**
 - a. Coordination among all policy actors and stakeholders involved directly or indirectly in employment creation is a must, involving in particular the ministries of labour, finance, education, social affairs, agriculture and industry.
 - b. Involvement of the social partners such as trade unions and other workers' and employers'

organizations is crucial for the development of inclusive and equitable policies.

While the above-listed measures and recommendations are focused primarily on the labour market, the lack of fiscal capacity and financial resources needed to implement the proposed policies constitutes a major bottleneck that merits serious consideration.

Lebanon's insolvent banking sector, the significant currency depreciation and the unsustainability of the public debt have greatly exacerbated the situation, necessitating serious reforms to the fiscal and monetary policies that have been pursued over the years. The country is in urgent need of external financial support in order to adequately navigate the current aggregated crises.⁶³ Parallel efforts to reduce the budget deficit and strengthen the country's financial position can no longer be delayed, however.

Against this backdrop, the Government of Lebanon should consider various reforms,⁶⁴ including ones aimed at **increasing public revenues and reducing unnecessary spending**. Rethinking tax policy and considering the introduction of a progressive tax system, while exerting efforts to reduce tax evasion and enlarge the tax base, are key to increasing public revenues, while at the same time ensuring fairer redistribution of wealth in a country in which poverty and extreme poverty rates are increasing, the middle-class is rapidly shrinking and wealth remains concentrated in the hands of a few. Equally important is the *rationalization of public expenditures*: serious reforms are needed to restructure a number of sectors and fight corruption and mismanagement of public services, including electricity, a sector that has witnessed huge amounts of unnecessary spending over the years while remaining one of the most inefficient sectors. Corruption in the public sector, which is characterized by "disguised unemployment", should also be addressed, including through the merger or elimination of redundant public institutions, and the use of the associated funds to instead support the private sector and the move towards increased productivity and diversification.

These efforts to promote productive growth would, however, also require **investment in infrastructure**. This

⁶³ The huge explosion that occurred at the Port of Beirut on 4 August 2020, causing billions of dollars of damage to property and infrastructure across the capital city, in addition to the extensive human suffering, has added a further layer of need for humanitarian and financial assistance.

⁶⁴ The reforms listed here are not comprehensive but are meant instead to show how a holistic and integrated approach is needed also to address the broader challenges related to the national economic and financial crisis, which will hamper any efforts to address the country's labour market and employment challenges in the absence of the needed liquidity and financial resources.

has long been neglected and is largely hindering efforts to boost economic activity and create jobs. Improving public investment management is of the utmost importance and should be coupled with more transparent procurement processes that comply with international labour standards.

Reform measures and options need to be carefully examined and assessed based on, at least partly, their social impact. Any reform that can potentially increase social inequalities or further impoverish the poor or increase their vulnerabilities should be disregarded to

avoid further deterioration of living standards, livelihoods and employment conditions.

Similarly, as external support is deemed necessary to support and stimulate the Lebanese economy and labour market, in the absence of national resources, the Government should also examine the social aspect of any funding and its potential impact on the economy and labour market. Respecting international labour standards and the broader human and social rights of citizens should be prioritized when entering into agreements with external stakeholders.

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