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A recent report by the UNDP, entitled “Mind the Gap, A Labor Needs Assessment for Lebanon” takes a closer look at the Lebanese labor market broadly and in the sectors of Agro-food, Construction and ICT.

Below is a summary of their findings.

- ✚ The influx of Syrian refugees into Lebanon congested an already- weak labor market.
- ✚ The poor job climate is especially targeting the youth.
- ✚ The “skills gap” is the main obstacle preventing economic growth and job creation.
- ✚ Areas for improvement exist.

The Syrian crisis generated tremendous pressure on the Lebanese economy. According to UNDP estimates, the closure of trade routes and the added pressure on public services generated by the entry of displaced Syrians into Lebanon, cost the economy \$5 billion between 2012 and 2014 alone. The crisis in neighboring Syria has also pushed a further 170,000 Lebanese into poverty according to the World Bank and the United Nations. The sectors of construction, real estate and tourism, key-growth drivers, have all taken harsh-hits with slow-pick-ups being registered in 2016. Hence, IMF estimates put the real growth rate of the Lebanese economy at only 1% for 2016.

The labor market has also suffered from the now 6-years long Syrian conflict. The UNDP argues that the Syrian conflict added another layer of complexity to the Lebanese labor market but it also amplified pre-existing structural weaknesses. Prior to 2011, the Lebanese economy was growing but even then creating jobs was a struggle with unemployment standing at 9%. Absent the 20% swelling of the active population induced by the entry of Syrian refugees, the “Lebanese economy would need to create 6 times more jobs to absorb the 23,000 people who enter the labor market annually”, the report notes.

In the past 20 years, low-skilled employment has gained a larger share than high-skilled employment. The UNDP highlights that “Over the past two decades there has been a long-term drift away from agriculture and industry into low-productivity service sectors (i.e. wholesale and retail, repair of motor vehicles, transportation and storage, accommodation and food services etc.) that now employ large numbers of people. Indeed, between 2004 and 2009, sectors such as ICT, finance and insurance and other professionalised industries, actually shed jobs. As a result of these dynamics, a 2009 study found that 35 percent of waged employees work in low-productivity sectors compared to 14 percent who are employed in high-productivity activities.” Amongst self-employed people, the figures show a wider gap with 61% and 3%, respectively.

Given the shift to low-skilled service sectors, Lebanon's educated youth are looking for jobs overseas. According to a UNDP study, “while young people with a primary school education could expect to earn \$600 month, this figure was only \$33 more for those with a secondary education, and \$133 more for those with a university degree.” If the young educated population does not receive enough return on its investment in education, it will migrate elsewhere. Lebanon ranks 113 out of 144 countries in the world for the degree of “brain-drain”.

According to the UNDP, the “skills-gap” is the most striking obstacle facing the Lebanese labor market. The two types of “skills-gap” apply in Lebanon's case; the first type is where there is enough supply of labor and vacancies but where the “demands and wishes” of both employers and employees diverge while the second type is a skills mismatch between supply and demand due to information asymmetries. The UNDP report concludes that although Lebanon is endowed with a high level of tertiary education compared to other countries in the region, “employers in Lebanon complain about not finding the skilled labor they need at a rate almost double the world average. Furthermore, among those who are already employed, 41 percent believe that their education is not relevant to their current occupation.”

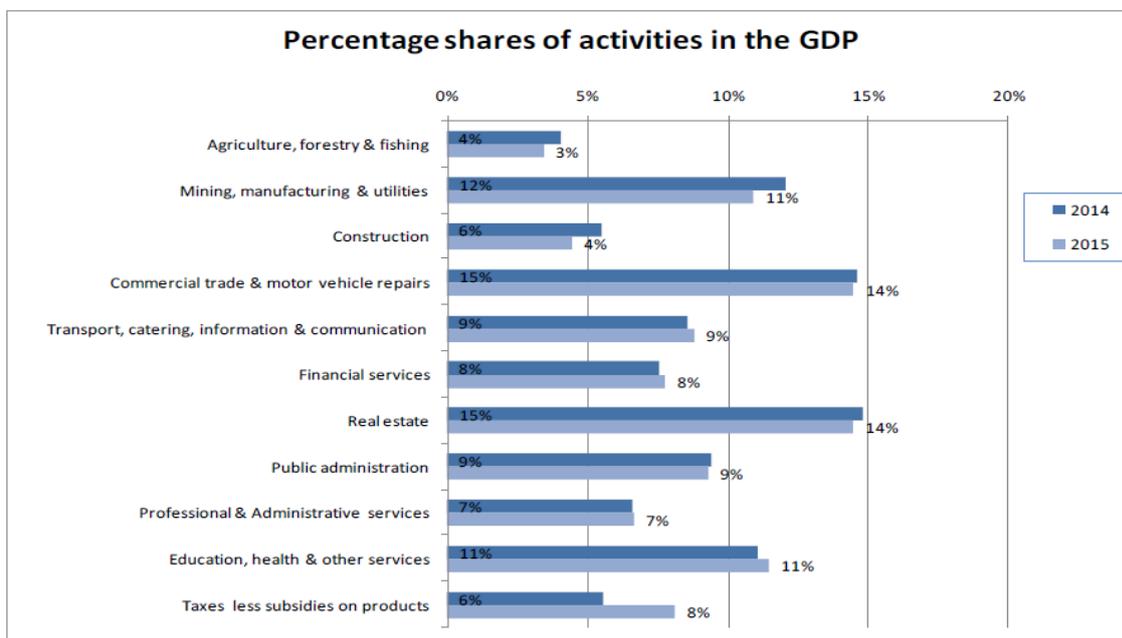
The UNDP pin-pointed a critical difficulty, that of the “middle-management” gap.

The report notes that employers are having trouble recruiting “trained professionals” and people to fill middle-management positions since “university graduates are often unwilling to accept jobs at the level of remuneration that medium to small enterprises can provide.” This hurdle creates “weak managerial pyramids” and a system of “under-developed” capabilities”.

All of the UNDP's observations lead to the conclusion that Lebanon's small and medium enterprises are important and in need of assistance. The Ministry of Economy and Trade launched “Lebanon SME Strategy: A Roadmap to 2020” back in 2014 in order to assist small enterprises. The strategy aims to “place more emphasis on the “technical expertise” and vocational training programs”, move curricula away from purely theoretical education and towards skills calibrated for **the** marketplace and targeting specific labor needs.”

Our analysis of [Lebanon's National Accounts for 2015](#) compelled us to draw the same conclusion regarding SMEs. The sector of commercial trade and motor vehicle repairs actually represented the same percentage share of 14% in GDP as the real estate sector; the commercial trade and motor vehicle repairs sector in its majority comprises small to medium businesses and its sizeable share in GDP highlights the importance and weight of small and medium businesses in Lebanon. Their size makes them the most vulnerable to fluctuations in the economic cycle and that's why they need to be offered buffers by the financial institutions and by the government. According to the Ministry of Economy, over 90% of enterprises currently active in the economy can be categorized as SMEs.

The sector of commercial trade and motor vehicle repairs held the same share in GDP as Real Estate



Source: Central Administration of Statistics, National Accounts 2015

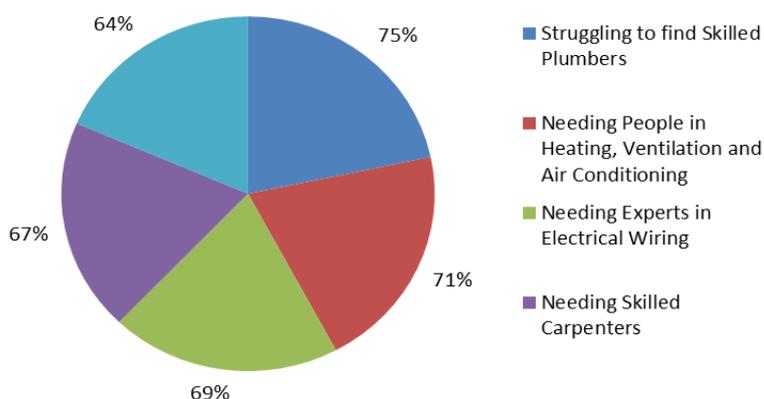
UNDP Survey Results Agro-Food Industry

Concern	% of respondents expressing concern
Among Managerial and Support Staff	
Identification and Recruitment of Qualified Staff	40%
Lack of Market Research Knowledge	54%
Lack of Knowledge of Advertising	52%
Poor Use of effective marketing techniques	46%
Lack of strong written communication abilities	40%
Among Professionals such as food scientists and engineers	
Shortage of Written and Oral Communication skills	over 90%
Struggle of employees to use new technologies	60%
Struggle of employees to conduct quality control	60%
Struggle of employees to undertake effective monitoring and evaluation	50%
Struggle of employees to employ techniques of cost control	50%
Timekeeping among employees	76%

Construction Industry

Concern	% of respondents expressing concern
Among Managerial and Support Staff	
Inability of employees to communicate effectively, particularly in English	41%
Lack of industry-specific knowledge about siting	43%
Lack of industry-specific knowledge about waste management	54%
Lack of industry-specific knowledge about efficient business practices	38%
Among Professionals such as engineers	
Difficulties in term of waste management	67%
Difficulties towards Awareness of environmental impact	62%
Difficulties in Use of scientific methods	58%
Poor Knowledge of green building practices	57%
Difficulties in communication skills	55%
Difficulties in applied mathematics	55%

% of Companies...



ICT Industry

What ICT Companies want from their staff	% of respondents expressing concern
Among Managerial and Support Staff	
Show greater appetite for learning	34%
Take initiative more often	31%
Better generate and implement alternatives	31%

Capabilities that need to be developed in the ICT Industry	% of respondents citing this capability
Understanding the needs of different user groups	55%
Gain skills in the field of virtualization and cloud computing	52%
Conduct training about the latest technologies	49%
Manage Internet Security and Risk effectively	49%

The UNDP concludes that “grasping user needs and market dynamics in a timely and effective manner” is a difficulty for all three sectors. The UNDP recommends a better integration of the marketing skill-set into the labor market, especially that many Lebanese university graduates are trained in this field. This goal can be achieved through conducting workshops and training programs for micro and small and medium enterprises.

According to the report, the construction sector in particular is in need of specialized technical knowledge and green building knowledge. The industry is in need of qualified foremen for administering construction sites but also workers who are better versed in green construction. The UNDP recommends that the necessary training can be operated through the National Energy Efficiency and Renewable Energy Action (NEEREA), a financing mechanism initiated by the Central Bank of Lebanon in order to finance green energy projects in Lebanon.

In the agro-food industry, the main deficiency is research and development. The UNDP concludes that the sector needs skilled technicians with good knowledge of the new research and development practices in order to improve the quality of the produce and boost the sector's productivity. The report also notes that these efforts can benefit women since they constitute a large share of the semi-skilled workforce in this sector.

The ICT sector needs stronger management practices. The UNDP notes that strengthening management practices would allow the companies to scale –up effectively. With the Central Bank's 331 circular allowing banks to invest in venture capital funds and/or in startups, the financing for ICT companies is there. However, the UNDP also mentions that the industry could benefit from integrating ICT skill-sets such as cloud computing and coding in the programs of the Lebanese University which will then allow ICT companies to recruit graduates who have earned these skills.

The UNDP also highlights the importance of information in improving the labor market's condition. The UNDP recommends that “ministries and industrial associations provide universities with information about the labor market and encourage them to modify their courses accordingly”. According to the report, universities should also give students real life cases to better understand the dynamics of the real job market. Broadly, the UNDP suggests that all labor-related information be published on a dedicated information website for the benefit of all stakeholders.

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