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The World Bank recently released a report entitled “Jobs for North Lebanon” in which it discusses the labor market in “fragile and conflict-affected” regions of Lebanon. According to the World Bank, their study draws a portrait of the investment climate and labor dynamics in North Lebanon, conducts a value chain analysis of certain sectors and offers suggestions that would boost competitiveness and job creation.

**The North has been dealing with political and social instability along with high poverty and the influx of a large number of refugees.** The poverty rate of 36% well exceeds the national average of 27%. The North including Tripoli has also been suffering from the fragility of its labor market and public services due to the influx of a large number of Syrian refugees that now amounts to more than 1.5 million individuals or a quarter of the Lebanese population spread across the country and up to 29% or 445,000 individuals housed in Tripoli alone. These challenges extend beyond the borders of the North and are present, on a different scale, on the entire Lebanese territory; it is for that reason that lessons drawn from the assessment in the North can serve as a roadmap for addressing the nation’s labor challenges.

**The World Bank highlighted major challenges in the North’s labor market.** “The working age population in the North is estimated at 610,000 individuals, of which 53 percent are inactive, leaving a total labor force of 289,000” reads the World Bank report. A sizeable share of the labor force in the North is informal; the labor force is 20% employers, 22% self-employed, 49% wage-employed and of the latter only 15% of workers are formal and finally 9% are unemployed.

**Aside from informality, labor is highly concentrated in low-productivity sectors.** According to the World Bank, the majority of jobs in the North are in “poor quality, low productivity jobs working in enterprises of less than ten employees”. In this light, it comes as no surprise that the sector that absorbs the major amount of workers is the wholesale and retail trade sector since it is branded a low-productivity sector.

**The North requires sizeable job creation if it were to maintain the same labor status and/or to close the gap with the national employment level.** According to the World Bank, sustaining the same labor market situation would require the North to create 8,000 jobs **every year**. Moreover, in order to close the gap between employment in North Lebanon and national employment, 14,000 new jobs would need to be generated in the region, the equivalent of 2,800 jobs every year for five years.

**The job creation challenge becomes more daunting if the North were to reach the employment levels typical of upper-middle income countries.** In those countries, employment rates reach more than 60% of the active population and reaching that goal in the North would necessitate more than 120,000 jobs, the equivalent of 24,000 jobs per year over five years, according to the World Bank. Whether it is maintaining or improving the labor market in the North, the growth of the working age population is not slowing down with the World Bank expecting the labor force in the North to rise from 289,000 to 362,000 by the year 2025.

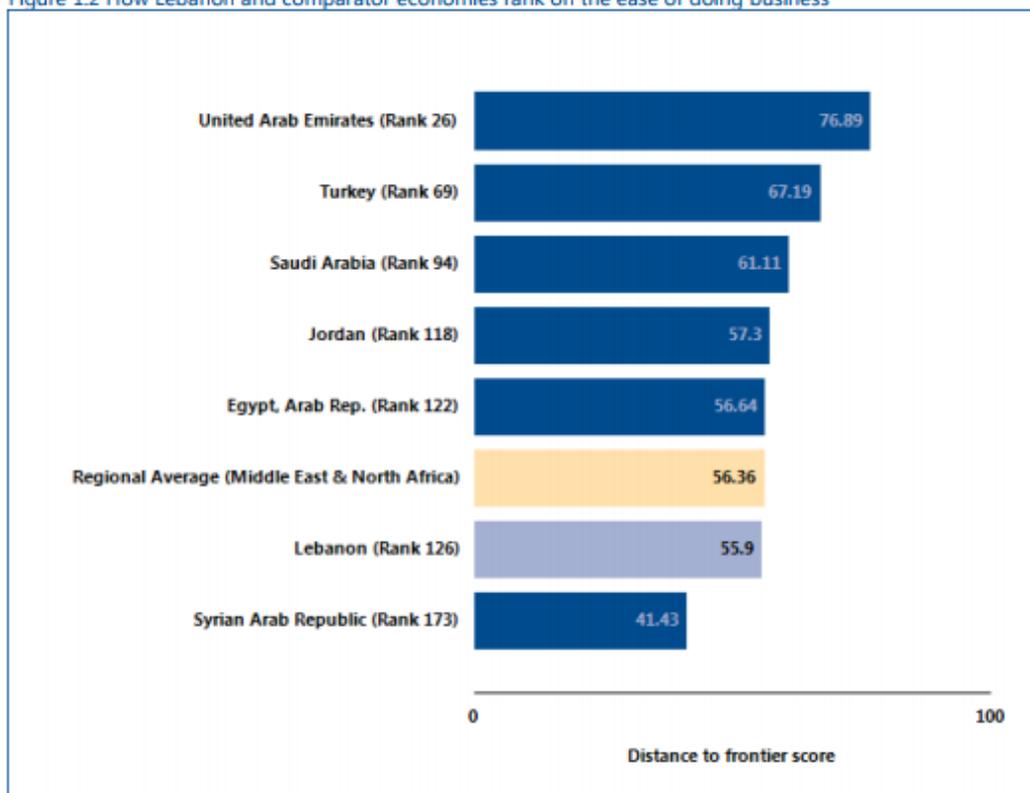
	Number	% in total working age population
<b>Total Working Age Population</b>	610,000	100%
<i>Of which:</i>		
<i>Active Population</i>	289,000	47%
<i>Inactive Population</i>	321,000	53%
<i>Unemployed amongst the inactive population</i>	26,000	9%

**The World Bank’s findings provide answers for whether labor market challenges in the North are demand or supply driven.** The World Bank considers the 22,000 unemployed in amongst the active workforce as a relatively small number. The interesting element is where the Bank notes that these unemployed individuals are “younger and better educated than the population as a whole”, therefore their unemployed status can only be explained by the fact that the problem lies in the lack of demand for quality jobs.

**The root of the scarcity in the quality and quantity of jobs lies in the low participation rates and low education levels.** According to the World Bank, “the participation rate in North Lebanon is amongst the lowest in the country, while the actual labor force is amongst the biggest given that the majority of its population is of working-age”. This is explained by the World Bank as the result of the particularly low participation rates of women and youth. The World Bank notes that “only 1 in 5 working age women participate in the labor market as opposed to 73% among working age men”. Moreover, most of the participating women are wage-employed while for men self-employment is predominant.

A robust investment climate is crucial for creating jobs. For Lebanon as a whole, the investment climate is deficient. According to the World Bank’s Doing Business Index, Lebanon registers a poor performance in 8 out of 10 of the different doing business indicators. Moreover, “even in the two areas where Lebanon has made some progress — starting a business and getting credit — it remains far from the frontier of the best performers. Moreover, Lebanon has not made progress in any other Doing Business Indicator since 2006” reads the World Bank report.

Figure 1.2 How Lebanon and comparator economies rank on the ease of doing business



Note: The rankings are benchmarked to June 2016 and based on the average of each economy’s distance to frontier (DTF) scores for the 10 topics included in this year’s aggregate ranking. The distance to frontier score benchmarks economies with respect to regulatory practice, showing the absolute distance to the best performance in each *Doing Business* indicator. An economy’s distance to frontier score is indicated on a scale from 0 to 100, where 0 represents the worst performance and 100 the frontier. For the economies for which the data cover 2 cities, scores are a population-weighted average for the 2 cities. Source: *Doing Business* database.

The deficiencies in the North’s investment climate, albeit common with the national ones, are even more pronounced. According to World Bank statistics, while on the national level only 57% of firms report competition with informal firms and 21% of firms expect to pay bribes to public officials, those numbers rise to 84% and 62%, respectively in the North. The infrastructure in the North, as in the country as a whole, is lacking. More specifically, the World Bank highlights that electricity connections in the North take double the time taken in the rest of Lebanon.

**The informality and size of the firms in the North negatively impact their access to finance and the possibility of exporting their output.** According to the World Bank, “smaller and more informal enterprises have significantly less access to finance than large firms, disproportionately impacting a region dominated by such firms”. Moreover, a firm positioned as a large exporter allows for higher job creation since the World Bank estimates that around “60% of all jobs in Lebanon are accounted for by large exporters”. Meanwhile, “only 6% of firms in the North export only 1% of their sales directly”, states the World Bank. The hurdles to firms in the North exporting their output are many such as quality standards and disruption of traditional trade routes especially due to the Syrian war.

**The World Bank evaluated two channels for potential job creation.** The first evaluated value chain was the potato sector and the second value chain is solid waste/recycling. The World Bank settled on the potato sector since it is one of the largest agricultural activities in the North while solid waste and recycling was chosen given that the Office of the Minister of State for Administrative Reform (OMSAR) is making “substantial investments in solid waste and sorting facilities across the North”.

**In the potato sector, new jobs can be created through an expansion of exports and new large-scale investments.** According to the World Bank, an expansion of exports would translate into Akkar farmers “taking half of the EU quota of 50,000 Metric Tons (versus none at present) over and above existing domestic and other export markets”<sup>1</sup>. This solution would generate 350 additional permanent jobs and 1,550 seasonal jobs. However, we have a different view, whereby the farmers could group themselves into a cooperative that would then as an entity explore more creative solutions for operating in the agro-industry and exporting output. Moreover, the World Bank estimates that new large investments have the potential to generate around 2,200 new permanent jobs. The World Bank nuances these figures by underlining the fact that the extent and quality of job creation will depend on the nature of the investment and the capital /labor mix decided on by firms.

**As for solid waste management and recycling, the potential for new jobs is substantial.** According to the World Bank, there are currently 1,300 workers employed in this value chain but it holds an employment capacity of around 4,600 workers. Female participation is subdued in this segment of the North’s economy standing at 6.7% while foreign workers represent around 30% of the value chain.

**The World Bank concludes with a tripartite response.** The first is a short-term agenda which is based on offering new forms of finance in order to support Micro, Small and Medium Enterprises (MSMEs) through new forms of finance, entrepreneurship support and programs targeting female and youth business start-ups. The second is a long-term approach that builds on the value-chain analysis according to which market opportunities need to be well identified and paired with infrastructure and labor force development. The third stresses the need to enhance the competitive position of the North by continuing investments for the development of the Port of Tripoli, investing in transport infrastructure, industrial infrastructure (special economic zones) as well as urban infrastructure and by investments that would allow Tripoli to support the reconstruction in Syria once the war is over.

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Exports of potatoes from Lebanon to the European Union were banned until August 2013. In August <sup>1</sup> 2013, the EU announced that Lebanon can benefit from a quota of 50,000 metric tons of potatoes duty- free.

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