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SPECIAL REPORT

LABOR

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By Nabila Rahhal

A BLEAK PICTURE

Job insecurity and unemployment on the rise

Businesses across all sectors in Lebanon, and the employees that are at their foundation, are suffering under a weakening economy. Indicators of this reality are in full display across the country and include the long lines in front of banks most mornings, the "for rent" signs now vying with the "70 percent sale" signs for space on store fronts, the restaurants and bars that only operate four days a week or have closed down permanently, and the reduced working hours of many factories and offices in Lebanon.

All of which, according to those interviewed for this article, is just the beginning. Although there is no reliable data regarding the current rate of unemployment in Lebanon and the impacts of the unfolding crisis (see leader page 7), the World Bank warned at the end of last year that "unemployment, especially among youth, is already high and could further rise sharply" and that the poverty rate could hit 50 percent of the population if the economic situation worsens.

Whether it is the executive who has to decide on tough measures to keep the company afloat or the employee who is bearing the brunt of those measures through pay cuts, reduced hours, or being laid off, it is clear that Lebanon's economic challenges are taking their toll on the country's workforce. Executive sat down with business owners, syndicate heads, and lawyers to better understand the complexities of the labor crisis facing Lebanon and how it can be handled in a manner that would safeguard the dignity and livelihood of employees.

LONG IN THE MAKING

The current labor crisis in Lebanon did not emerge out of nowhere. The most recent statistics come from the Labour Force and Household Living Conditions (LFHLCS) 2018-2019 survey, conducted by the Central Administration of Statistics in partnership with the International Labour Organization and funded by the EU delegations in Lebanon. While the timing of the survey meant it was unable to capture the effects of the financial crisis that hit in Q4 of 2019, it serves as the best available base for assessing the labor market reality upon which the current crisis has been unfolding. According to the LFHLCS, the youth unemployment rate in Lebanon was 23.3 percent, more than double the general unemployment rate of 11.4 percent. Among university graduates the unemployment rate was even higher, at 35.7 percent. The LFHLCS had the Lebanese labor force at 1.79 million people, of whom 1.59 million were employed and 203,600 were unemployed. There was also a stark difference in labor force participation between men and women, with the former making up just over 70 percent of all those working. Attempts by EXECUTIVE to quantify how these numbers have changed since October 2019 were unsuccessful, what can be said for certain is that the ongoing financial crisis has already exacerbated poverty and unemployment levels in the country.

What has changed in the past few months is the nature of the challenges facing businesses, especially in light of the restrictive banking policies imposed on them amid a dollar liquidity crisis that first began to show its effects at the end of last September. Nicolas Chammas, chairman of the Beirut Traders Association, explains that prior to October—and the onset of a civil *thawra* (revolution) in large measure sparked by economic pressures—traders had already been dealing with slow demand brought on by consumers' decreasing purchasing power. Since these twin economic and political crises took sway, the main challenge for traders has been the devaluation of the lira in the unofficial exchange market, which has effectively meant a 40 percent loss for businesses trying to secure the dollars they need for importing goods, as well as more recent capital controls causing immense difficulties for businesses that need to settle accounts abroad. "We are stuck between a rock and a hard place," Chammas says. "Traders don't export so they have no way of getting dollars except through sales, which have dropped even further. The drop in sales can reach 50 to 80 percent depending on the sector, with luxury and durable goods—which constitute two thirds of traders' businesses [in terms of operations]—hit the hardest."

Maya Bekhazi Noun, general secretary of the Syndicate of Owners of Restaurants, Nightclubs, Cafes, and Patisseries, says that the hospitality and tourism sector has been suffering from consumers' low purchasing power since late 2017. The lack of dollars and unofficials rates have hiked the costs of most imported goods, including foods, and so F&B operators who were already struggling prior to the October uprising were hit hard, she says, with restaurants and cafés among the first businesses to shut down or take extreme measures with their employees. (See article page 16 for more on the impacts on the hospitality and tourism sector.)

LAWYERS' RECOMMENDATIONS FOR EMPLOYEES

As the unemployment crisis shows no signs of abating in the foreseeable future, EXECUTIVE compiled recommendations by lawyers Malek Takieddine and Karim Nammour on how employees can protect their rights in cases of reduced salaries or termination.

- Employees should know their rights. They should consult a lawyer specialized in labor law if they feel they have been arbitrarily terminated or are uncomfortable with new measures being taken.
- It is a double edged sword when an employee is asked to sign an agreement about a pay reduction, even if it guarantees full compensation when the crisis passes. While the employee will have written proof that this is temporary, the downside is that in case of termination the salary would be calculated at the new rate and not the originally agreed upon amount.
- If an employee is pressured to sign any document, they should write "with reservation" clearly next to their signature or else risk not being able to file a lawsuit against their employer over any terms that they were pressured into accepting.
- Whenever possible, employees should find strength in their syndicates or in colleagues at the company. Try to deal with the situation as a group (see box page 14).
- Once an employee is fired, they have up to a month from the day they are notified—not the last day of work—to file a lawsuit or they will not be able to do so anymore. Lawsuits are free to file.

Employees pressured to sign a document should write "with reservation" by their signature.

Riccardo Hosri, CEO of security system supplier Sacotel and vice chairman of the board at the Family Business Network Levant, believes it was the abrupt halt of credit facilities that was the last nail in corporate Lebanon's coffin. "Banks took this unilateral measure without considering the other sectors, thereby completely blocking the operation of many companies which rely on these facilities for their mobility," he says. "In this context, business owners are sometimes being forced to pay out of their personal wealth to honor their commitments to their suppliers, others are closing down or reducing their staff number or giving pay cuts."

NO MONEY, NO JOBS

Given these financially challenging circumstances, business owners and managers are under pressure to cut down on their costs to stay afloat and minimize their losses.

When no amount of cost reduction can make up for losses incurred, however, Lebanese business owners are increasingly turning to reducing salaries in parallel to a reduction in working hours or—when that is not enough—laying off employees. According to Hosri, Stronger Together—an organization of 150 Lebanese CEOs that formed after the crisis to try and mitigate its effect on their businesses—estimates there will be 300,000 job losses by end of Q1 2020. This figure that does not seem unreasonable given the current situation. Hosri also says that, based on his conversations with CEOs in Stronger Together, there is an average of 40 to 50 percent reduction in salaries across the private sector balanced with a reduction in working hours.

Chammas tells Executive that paying employees' salaries in Lebanese lira—when their contract is in dollars—is already a 30 percent pay cut because of the difference between the official exchange rate and the market. But, in the many cases where businesses are almost at a standstill, he says, more drastic measures are being taken, including laying off employees—he estimates that thousands of employees have been laid off so far in the trade sector. "Simply put, when you cannot pay your supplier, your supplier will stop sending goods to Lebanon and you cannot keep your staff doing nothing," he says. "Inventories are being slowly depleted and we will reach a point whereby many businesses will just go bankrupt."

Paul Abi Nasr, CEO of Polytextile and member of the board of directors at the Association of Lebanese Industrialists, says some sectors have been so severely impacted by the crisis that even reducing salaries was not enough to make ends meet. "Some companies, especially manufacturers in the construction sector, went down to 20 percent sales and so had no choice but to let go of some of their employees," he says. "It is unfortunate but they don't have another solution and are on life support today."

TO REDUCE OR TO LET GO?

To some, a temporary reduction in salaries coupled with less working hours is a far better solution than laying off employees as it allows those employees to get at least some consistent income and to remain in the National Social Security Fund (NSSF). "I reduced the hours of the whole company by 20 percent," Abi Nasr says. "This way I am being fair to everybody. Instead of having some being taxed at 100 percent, which in this case would mean being let go, and others still being paid 100 percent. This is actually better because you also reduce costs that are not related to salaries such as electricity."

He says that by retaining employees but reducing their hours, a company can recover more quick-

"The situation is that many companies, including ours, have been losing money for at least two years now."

ly once this crisis is mitigated. "The second we find a solution, bringing back those 20 percent [working hours lost] is as easy as flipping on a switch," Abi Nasr says. "But if you let go of these employees, bringing them back is very difficult if not impossible. Either they will have moved on somewhere else, or, if they do come back, they won't identify with the company as a safe haven for them because they will think that if they let me go once, they may do so again."

Chammas points out to the time investment loss when employers are forced to lose staff. He explains that companies have spent years training their employees and developing their skills and so, for those who have made staff cuts, it would mean starting all over again with a new team once conditions stabilize.

While few disagree that reducing salaries and hours is more favorable than termination, the argument would be to work toward a solution that would not involve either, if at all possible. "At the end of the day people would rather work and earn their full salary then stay at home and do nothing, earning half their salary," Hosri says.

MILKING IT

The business owners and managers Executive spoke to voiced genuine frustration and sadness over having to lay off or reduce the pay of team members and it is evident that it was not an easy decision for many of those in charge of a company's bottom line to take.

Yet, it cannot be denied that some companies are using the economic situation as an excuse to downsize and let go of employees. "At the end of the day, corporations are run by humans and not computers and humans tend to be abusive" Hosri says. "But we cannot generalize, because there are a lot of decent people as well and I hope they constitute the majority."

Karim Nammour, lawyer and member of Legal Agenda, says he has seen several cases of companies that have either fired a sizable number or all of their employees, using the excuse of the current economic situation—but he believes that not all cases were justified. "Nobody can argue that the economic situation is bad but it doesn't mean the company's situation is bad," he says. "A lot of companies have the bulk of their business abroad, while many companies were not affected by the economic situation [in terms of of needing imports]. I cannot assume that just because the economic situation is bad then *ipso facto* all companies are doing badly."

Hosri asks those who express their surprise that some companies that have been making money for years crumbled so early into the crisis to remember that the economy has been suffering for years. "Company owners and management are burdened from taking these measures but they are necessary," he says. "The situation is that many companies, including ours, have been losing money for at least two years now. But back then, we had regular inflows and outflows and so could plan to get out of the crisis. Now it is different from two years ago."

EMPLOYEE RIGHTS

Here is where the law should step in to distinguish between companies that are really losing money and need to take these measures to survive and those who are just abusing the situation.

Nammour explains that article 50 of 1946 Lebanese Labor Code outlines the procedure to be followed if a company needs to lay off some of its employees due to economic difficulties or because it wants to restructure. "The article basically says that if employers want to fire employees for economic reasons, they should notify the Ministry of Labor (MoL) one month before they plan to terminate the contracts and agree on a program or procedure with the ministry that creates a framework for the restructuring of the company or the terminating of the employees," he explains. "This is very important because it grants the MoL authority to overlook whether or not this step that the company wants to take is legal and justified." He explains that, for example, the law would not consider it justified for a company that has suffered small operational losses for a year to claim it is not making profit and fire its employees.

If the law is followed, then an inspector would go through the company files case by case to see why particular employees were selected for termination, according to Nammour. This would ensure that companies do not use this as an excuse to fire employees who have been with them for a long time and whose indemnities would be very high otherwise. If the MoL agrees to laying off employees, they do not get any compensation, only the guarantee that they would be rehired within a year if the company reopens job positions, he explains.

In Nammour's legal analysis, companies independently deciding to reduce employees' pay by reducing working hours is also a violation of article 50. "If employers reduce salaries without going through the mechanism of informing the MoL and making a program, they would be changing a substantial condition of the labor contract and thus [this] can be considered a form of termination and the employee can then sue for arbitrary termination, which means they can ask for up to 12 months of compensation," he says. "As an employee, I am working for my salary and I am expecting a certain amount, so when the salary is changed it is a substantial amendment to my contract and as such is considered by jurisprudence to be an unlawful termination." Malek Takieddine, lawyer at firm Al

EMERGENCE OF ALTERNATIVE LABOR ASSOCIATIONS

Although Lebanon's labor movement was active before the civil war, it never regained its power afterwards. The reasons behind this are varied, but the most obvious impact came from the infiltration of the sectarian political system at all levels of organized political life in Lebanon, including labor associations and syndicates, which kept them dormant and ineffective, says Rima Majed, assistant professor of sociology at the American University of Beirut and one of the organizers of the independent labor movement in Lebanon, during an December interview with the Arab Reform Initiative.

It is no surprise then that, motivated by the *thawra* (revolution) and thoughts of what role they can play in it, Lebanese professionals began to organize in alternative unions. It all began with the Association for Independent University Professors (AIUP), which was announced a week into the October protests and which led a march of 6,000 teachers and students. The association includes professors from nine universities.

When the AIUP gained momentum and grew, professionals in other fields were inspired and began to form their own initiatives. The Alternative Press Syndicate is one example, as is the Association of Independent Engineers and Architects. Other professional fields that have formed newly independent associations include medicine, pharmaceuticals, and law.

An umbrella organization, called the Association of Professionals in Lebanon, was eventually created on October 28 for all these initiatives. Broadly speaking, the APL has two main aims. The first is efficient political work to drive forward the thawra and its demands for structural reforms against what they see as the neoliberal system of the country. Within this context, they have already organized several marches and talks.

The second aim is a longer term one and looks to regain the power of syndicates and associations and create alternative unions that would effectively represent Lebanon's workers. The APL is still in its early stages—our request for an interview was denied due to pending elections for the APL that would result in the appointment of a media representative—but it is nonetheless a promising indicator of effective representation for Lebanon's labor force.

Source: Information for this box was largely obtained from a video interview with Rima Majed for the Arab Reform Initiative

Jad, notes that, even without resorting to article 50, breaking a significant term of an employment contract—in this case working hours and pay—is against the law. Whether these legalities are understood or followed by business owners is less clear. Hosry tells Executive there is no transparency around the labor law, which makes it difficult for companies to know what is expected from them in this crisis. "How will the public institutions deal with corporations once this crisis is over?" he asks. "Now we are all on survival mode and no one cares if you make mistakes or not, but at some point things will settle down. When we make a decision [regarding our staff], we have to really consider the repercussions because we might pay the price later."

Takieddine says that although the Lebanese labor law generally protects employees well, what lies between the letter of the law and the situation on the ground is a thousand shades of grey. He says many companies do not resort to article 50 because they have not paid their dues to the MoL or the NSSF and are not in good standing with them. Although he does not have precise figures, Nammour says there is a big discrepancy between the number of people fired, which he says is close to 160,000, and the submissions for termination received at the MoL.

What is happening on the ground, according to Takieddine, is that employers are not involving the ministry but instead agreeing on a pay cut with their employees—often by playing on their emotions and their fear of losing their job (see box page 11). "In principle, the contract signed by both parties should be honored," he says. "But companies say we will either have to lay you off or close down, or you have to bear with us in this tough period."

In the case of termination, Takieddine says it is hard to prove that it is illegal. "Companies should not be biased against any specific employee but practically this is open to discretion and interpretation and we cannot assume that it will be fair in terms of which employees get terminated," he says. "If an employee feels he has been wrongfully terminated, he can sue but it is hard to prove especially if the company followed all legal procedures."

Even if an employee had a strong case for wrongful dismissal against an employer, Nammour says that the labor courts are overwhelmed and that labor cases take an average of three and a half years to be processed, which is very problematic for someone who has been unlawfully laid off. Moreover, even if more companies do follow the letter of the law and submit employee termination claims, Nammour says the MoL does not have enough inspectors to go around the businesses. "It is not enough to have a good law, you need it and the judiciary to be effective," he says.

A BLACK HOLE

All those interviewed for this article agree that this is just the beginning of a labor crisis that threatens to topple Lebanon's already fragile economy and—arguably more importantly—its social fabric. "My biggest worry as a Lebanese is the social impact of the crisis, not now, but in June or July when we will have unemployment rate exceeding the 40 percent," Hosri says. "When we have hunger—and we will have hunger. When the crime rate will shoot up because people will find themselves in a situation where they have to be aggressive to feed themselves and their children. When people will be out of schools and universities because their parents will be unable to pay tuition. When education is hit the future of the country will be hit, and we would have eliminated the possibility of any real growth for the country. If nothing happens very fast, at least for our generation, we can forget seeing a country we can live in."

Labor cases take on average three and a half years.

Facing the labor crisis is like standing at the edge of an abyss but there is time to avoid free falling into a pit of bottomless despair if action is taken fast. The government needs to formulate a strategy that would create jobs to reintroduce those who have been laid off to the work force and to provide opportunities for fresh graduates within their own country. And it needs to do so fast.

By Nabila Rahhal

WHEN THE PARTY DIES DOWN

Lebanon’s economic crisis weighs heavy on F&B outlets and hotels

In Lebanon’s service-oriented economy, the hospitality and tourism sector is largely considered a beacon of strength. Its direct contribution to GDP by end of 2018 was 6.5 percent (according to the World Travel and Tourism Council) and it employs 150,000 people, the biggest employer after the public sector, per the tourism syndicates of Lebanon (the Syndicate of Owners of Restaurants, Cafes, Nightclubs and Patisseries [SORCNP] and the Syndicate of Hotel Owners in Lebanon).

Throughout the frequent periods of regional political instability and local insecurities in Lebanon, the hospitality and tourism sector has been among the first sectors to bounce back, demonstrating its resilience numerous times. The current economic crisis, however, is unprecedented in recent memory, and is stretching the industry to its limits, according to those to whom Executive spoke.

NO SIGN OF LET UP

A month into the *thawra* (revolution), in mid-November 2019, Executive spoke with both F&B and hoteliers to gauge the impact of the situation on their businesses.

Restaurateurs told Executive they had been feeling the belt tighten since late 2017. Among the factors at play was an oversupply of venues and an increase in taxes on some imported foods under the 2018 budget, which had negative impacts on the already dwindling purchasing power of local Lebanese and increased the costs on F&B operators.

Several hotel managers, however, told Executive that they had been having a record 2019 up until mid-October, when thawra-induced street protests impacted tourism levels and hotel occupancy rates fell to single digits almost overnight.

The situation has not improved much since, despite hopes that the holiday season of December would help the hospitality sector bounce back. Georges Ojeil, area general manager of Le Gray Beirut and Campbell Gray Amman, tells Executive that the former hotel’s location in close proximity to the protests is now a curse whereas, in better days, it was an asset to be in the heart of Downtown Beirut.

Maya Bekhazi Noun, general secretary of the SORCNP, says that F&B operators were hopeful that December would bring with it some expats

In January, 241 F&B outlets closed and only 99 opened, a net loss of 142 outlets.

and an increase in nights and meals out. As such, operators who could, waited until 2020 to judge whether they would be able to sustain business in the long run or be forced to shut down. Others were not able to ride out the immediate impacts of the ongoing financial and dollar liquidity crisis. Figures from online restaurant directory Zomato recorded 108 closures in October alone, followed by a further 56 in November and 78 in December. Come January, a further 241 outlets had closed.

NO CALL TO RAISE A GLASS

Operators who were betting on a successful December to save their business were met with disappointment. Bekhazi says that although sales in the F&B sector were higher in December 2019 than they were in October or November, they were still nowhere near what is typical for a December in Lebanon. "It was a very, very shy month—not the usual festive month season at all—and we did not have the kind of activity that could make a big difference in the long run," she says.

The main challenge the sector is facing, she explains, is one being faced across the Lebanese economy: the dollar liquidity crisis and increased price of the dollar in the unofficial foreign exchange market, which is impacting both the ability of businesses to secure necessary funds to pay importers and their bottom lines. "Today, as restaurant owners, we spend most of our day identifying which suppliers take Lebanese lira versus dollar or checks versus cash," Bekhazi says. "Most of them are now asking for cash in dollars while very few of our customers are paying their restaurant bills in dollars anymore—and when they do it is by credit card, not cash. So, we are having to buy dollars at the market exchange rate, which can reach LL2,400 to the dollar on some days, while as restaurants we follow the official rates of LL1,515 on our POS." She explains that restaurants cannot increase their prices by much for fear that consumers will no longer dine out, and so this is a losing situation for the sector.

DOORS SHUTTERED

Given all these factors, it is no wonder then that 241 F&B outlets closed and only 99 opened in January 2020, with a net loss of 142 outlets. The high number of closures versus openings is indicative because the Zomato compiled data (see figure page 18) indicates that from June to December 2019 the numbers of outlets closing ver-

LEBANESE F&B OUTLETS CLOSURES AND OPENINGS

	Jun'19	Jul'19	Aug'19	Sep'19	Oct'19	Nov'19	Dec'19	Jan'20
CLOSED	101	143	202	129	108	56	78	241
OPENED	146	171	145	103	81	50	56	99

Source: Zomato

sus opening have by and large equaled out. This high turnover could have been down to a variety of factors such as operators migrating from a location that is losing popularity to the latest hotspot or a restaurant owner replacing an unsuccessful concept with a new one in the same location. As such, it was not a very concerning when it came to employability nor could it be read as a negative trend in F&B.

The number of openings in January, however, was less than half the number of closures, and those in the industry predict that this gap will only get wider. This has grave implications for the sector's 150,000 employees, many of whom now find themselves jobless, Bekhazi says. According to a February press release by the SORCNP, 25,000 employees have already been laid off since early September 2019. She estimates that an even larger figure has seen their hours—and so their pay—reduced, with some venues now closing several days a week or shutting down sections of their hotel or restaurant to cut down on costs. Ojeil says that due to the very low occupancy rates they have not been able to pay salaries in full at Le Gray and have introduced a 40 percent pay cut. "We had to do this because it is now a game of how much cash we have in the bank and how we can manage with that," he says. (For more on pay cuts and reduced working hours, see article page 10).

The situation is bleak, but despite this Lebanon's hospitality and tourism sector is still managing to draw on its famed resilience to support some employees in these difficult times. Many Lebanese F&B operators have businesses in the Gulf or Levant—be it a consultancy or an expansion of their outlets—and so are benefitting from that cash flow to sustain their venues in Lebanon, Bekhazi says. They are also using these locations and the networks they have developed in the region to secure jobs for some of their Lebanese employees.

Some hotels are also benefiting from sister properties by sending their employees to work there, thereby reducing their cost and ensuring that at least some of their staff is getting fully paid. Ojeil tells Executive that they will soon be sending 10 percent of their workforce to Campbell Gray properties in Zurich, Bahrain, Liberia, Scotland, and Amman, where they will stay for an initial three-month period.

The main indicator of Lebanon's economic crisis, namely the weakening of the Lebanese lira to the dollar, could also act as a pull for tourists, as a more favorable exchange on the dollar will work to their advantage and increase their purchasing power. This was seen in Turkey in 2018 and in Greece after 2016, where the low costs drove tourism from the EU.

With spring comes the time for summer planning, and so it would do well for tourism stakeholders in Lebanon to devise a marketing strategy that can attract visitors—and their hard currency—to the country once again. As the sector that has proven the quickest to bounce back after a crisis, the hospitality and tourism sector is best placed in terms of recovery. For Lebanon's hotels and restaurants who can afford to wait out this period, bluer skies could be as close as summer 2020.

A NEW WINE FROM OLD VINES

Château Ksara, Lebanon's leading winery releases Carignan varietal

After the international success of its Merwah varietal, Château Ksara, Lebanon's leading winery, has once again honoured its roots and produced the country's first Old Vine Carignan varietal. Carignan has been cultivated in Lebanon since the mid 19th Century, when the Jesuits who founded Château Ksara planted the variety in the Bekaa Valley. In doing so, they laid the foundations of the modern Lebanese wine industry.

Château Ksara's Carignan is grown on 60-year-old vines at over 1,200 meters, an altitude that gives freshness and flavour to the wine's fruity and floral aromas. The grapes are dry-farmed, and hand harvested at low yields in mid-September.

"The launch of our Old Vine Carignan is yet another exciting landmark of Château Ksara," said Chairman Zafer Chaoui. "After creating Lebanon's first Merwah varietal in 2017, we have once again delved into our 160-year old heritage and are honouring a grape that has been the backbone of our sector for over 160 years. We are celebrating our roots in every sense!"

Château Ksara is no stranger to working with the grapes that define the taste of Lebanon. Obeideh, which along with Merwah is the country's other indigenous grape, can be found in Blanc de L'Observatoire, while the red Le Prieuré has, along Cinsault and Grenache, varieties introduced into Lebanon by the Jesuits at the same time as the Carignan, and which are also fermented in concrete tanks that are over 100 years old.

Mr Chaoui added: "We are also responding to demand from international consumers who increasingly want wines that reflect a terroir or that have a sense of identity. In a dynamic and competitive global market, we cannot rest on our laurels."

About: *Château Ksara, is situated in Lebanon's famous Bekaa Valley, the center of the country's wine making industry. It is Lebanon's oldest and largest producer, with an annual production of 3 million bottles. It makes 16 wines, an arak and two eaux de vie. The winery welcomes over 100,000 visitors a year. Château Ksara is available in more than 40 countries.*

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By Lea Bou Khater

BRING BACK THE STATE

Lebanon must move toward universal social protection

Decades of social and economic injustice were a driving factor in the social unrest that burst onto Lebanon's streets in mid-October 2019, unfolding into a revolution. Lebanese had been pushed to breaking point by the effects of a longstanding economic malaise that has since worsened into a ongoing financial crisis with job losses, lowering of wages, and informal capital controls preventing people from accessing their money. But while the immediate, painful effects of the crisis are being debated widely in the Lebanese discourse, less attention has been paid to long-term risks. Most significantly, the impacts on the levels of poverty in the country and the state's ability to care for those left behind.

Lebanon has long been an unequal country in terms of wealth. A study covering 2005 to 2014 by Lydia Assouad, a fellow at the World Inequality Lab, found that 10 percent of the Lebanese adult population had captured 45 percent of wealth. More recently, data from a leaked 2020 document by the Banking Control Commission of Lebanon showed that 1 percent of depositors held 52 percent of deposits in 2018. The country is a textbook case of a neoliberal state: a rolled back welfare state that maintains a *laissez faire* relationship with businesses and investments at the expense of the well-being of residents whose social protection becomes secondary. In other words, the state's laissez faire relationship with the private sector—illustrated by regressive taxation policies or the floated privatization of public enterprises—dismantles the commitments of the welfare state in guaranteeing social and economic justice through progressive taxation and the provision of public services and universal social protection.

LEFT BEHIND

As it stands, Lebanon's current system lacks developmental logic, resulting in inefficient social protections that exclude a significant portion of the population—44 percent of residents do not benefit from any form of social protections according to 2018 figures from the Central Administration of Statistics (CAS). The inability of the Lebanese government to provide these protections is a breach of the social contract between the state and its citizens. Formal social protection devices are restricted to health insurance, family allocations, and end-of-service indemnities through the National Social Security Fund (NSSF). In addition, public sector employees—estimated by CAS at around 300,000 people, including the army and security forces—are covered through different institutions. Excluded from existing social protections are unemployment insurance and insurance for disability and work accidents. These fragmented and uncoordinated schemes leave many behind, including those working in the informal economy such as seasonal laborers, construction workers, and domestic workers, as well as the self-employed, unemployed, and retirees.

In lieu of the states' role, there is a heavy reliance on services provided by organizations that further weaken the ties between citizens and the state while conversely maintaining the pervasiveness of traditional sectarian patron-clients relationships—what Professor of International Affairs Melani Cammett dubs "compassionate communalism." The Ministry of Social Affairs (MoSA), for example, has been outsourcing social services to around 250 civil society organizations (CSOs) that are in charge of delivery for around 40,000 beneficiaries. In other words, the MoSA funnels around 60 to 70 percent of its annual budget—public funds—to CSOs that tend to have sectarian denominations. Partnerships between the state and CSOs require strong governmental oversight, with clear procedures for contracting and monitoring—this is not currently the case. It is necessary to reconsider the extent of delegation of social services in order to secure effectiveness, efficiency, and equity.

Lebanon does have a National Poverty Targeting Program (NPTP), implemented by the MoSA with the support of a World Bank loan, which is used to deliver direct cash assistance as well as other services and exemptions to some 42,000 poor households selected from a database of 140,000 households. With the backdrop of the financial crisis, the NPTP has been scaled up with a $400 million loan that was earmarked in the 2020 budget. However, currently the only anti-poverty policy of the government, the NPTP requires a great deal of revision with the aim of improving its administrative structure, household database, benefit package, use of its financial resources, and oversight.

Before assessing the needs of impoverished Lebanese, it is also necessary to determine how many citizens live below the poverty line. Yet this has proven difficult. A report by the CAS and the World Bank in 2011/2012 had 27 percent of the population under the poverty line but dedicated most of its pages to explaining why it could not be compared to previous studies and its many methodological limitations such as a high non-response rate. Working without data has long been the norm in Lebanon, impacting the state's ability to provide for its citizens' needs. Without accurate data of the levels of poverty in Lebanon, this situation will only get worse.

Working without data has long been the norm in Lebanon, impacting the state's ability to provide for its citizens' needs.

Moreover, there is a consensus among social protection practitioners that targeted cash assistance can only be effective in reducing poverty when accompanied by universal social policies that encompass the population at large. Ideally, funds allocated to different health protection schemes, including those targeting healthcare under the NPTP, should be consolidated into a universal health coverage scheme. Lebanon pays too much for relatively too little in terms of healthcare. Poor households spent around 12.7 percent of their income on health in 2012, a high proportion by international standards (the World Health Organization defines a large health expenditure as one that exceeds 10 or 25 percent of the total household expenditure or income).

DISTORTING EFFECTS

With restricted and inadequate social protections, the Lebanese diaspora has long been playing the role of social security for their families—in 2018 the World Bank estimated remittances to Lebanon at $7.2 billion. However, this safety net has social consequences. Alenjandro Portes, director of the Center for Migration and Development at Princeton University, argues that remittances tend to have a palliative effect on the country to which they are being sent, consolidating the ruling elite despite increasingly deteriorating political and economic conditions—with the result of taming or at least delaying the struggle for change. As soon as remittances drop, poverty previously cushioned by migrants' transfers hits hard. Remittances to Lebanon have decreased five times year-on-year and expanded three times in the 2010 to 2017 period, with 2017 noting a drop of 7 percent that has yet to be recovered. With the current crisis and the lack of trust brought on by opaque capital controls, it remains to be seen what impact this will have on remittance levels moving forward—and by extension if it will have an effect on poverty levels in the country.

BLEAK HORIZONS

The unfolding economic crisis is expected to further deteriorate living standards with the now *de facto* depreciation of the national currency, the unofficial capital controls, hidden haircuts, and ensuing price inflation. Looming austerity policies aimed at streamlining state expenditures and increasing revenues—those suggested in the 2019 Article IV consultation by International Monetary Fund (IMF) such as raising value-added tax, increasing fuel excises, and eliminating subsidies to the state electricity utility Electricitié du Liban—would have the greatest impact on the poor and middle classes that are already struggling to make ends meet. These proposed indirect and regressive taxes would put additional strains on economically vulnerable Lebanese and the few social protection schemes that exist.

The crisis and expected austerity policies are also likely to increase underemployment, unemployment, and informal employment (see article page 10). Unemployment was estimated at 11.4 percent of the total labor force in 2018, and 55 percent of workers are not registered at the NSSF, falling under the informal economy, according to a 2019 CAS labor survey. While there are no firm figures, since October 2019 Lebanon has already witnessed business closures, layoffs, salary cuts, and the decrease in real value of wages. The decrease of state revenues will also make it very difficult to pay the public-sector wage bill for the estimated 300,000 public sector employees.

IN NEED OF OVERHAUL

It is important to implement wage-indexation and protect the value of NSSF end-of-service indemnities—which after 40 years of work would only cover a former employee for just over three years, excluding health insurance. In fact, today the state owes the NSSF sickness-maternity fund the staggering amount of LL2.4 trillion. In addition, the Lebanese public sector needs to be restructured in a way that streamlines excessive employment while protecting wages and benefits. Drawing upon critical phase of reforms and austerity policy, it is also necessary to launch the much-needed reforms of the labor code that would guarantee the rights of currently excluded workers and would sanctify the freedom of association that is crucial in the present and imminent struggle for social and economic justice. Labor reforms should urgently include the abolition of the *kafala* system which will exponentially improve the working and living conditions of migrant workers, particularly during the current financial crisis (see Last Word page 48).

> It is necessary to question and reconsider our harsh neoliberal economic model.

At this important juncture, the demands of protesters converge into bringing back the state for the protection of all its residents and the livelihoods of families, students, workers, elderly, and retired. For this, it is necessary to question and reconsider our harsh neoliberal economic model and its accompanying targeting protection schemes that foster and maintain deep-seated sectarian clientelism that in turn consolidate the autocracy of the ruling elite. We need to bring to the fore universal social protection, putting the state in front of its responsibilities *vis-à-vis* its residents, which is imaginable if we efficiently redesign our social protection policy. Reforms to social policy should be designed in tandem with the structural reform of our failing economic policy in order to ensure fair and sustainable development.

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