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## Lebanon fails in creating new jobs

By Sami Atallah

The World Bank office in Beirut recently released a report concluding that Lebanon needed more and better jobs. The report quantified the problem that we currently face. It is worth synthesizing some of the report's key findings.

First, the Lebanese economy has a dismal record in creating jobs. Although GDP grew by 3.7 percent per year between 1997 and 2009, the economy created only 1.1 percent in new jobs, an anomaly for a middle-income country. The economy must create six times more jobs to absorb the new graduates if they are to remain in the country. This effectively means that in the next 10 years the economy must generate 23,000 new jobs per year. So far, it has been able to create only 3,000 jobs annually.

Second, not only does Lebanon need more jobs, it needs better jobs. According to the study, the jobs demanded by the private sector are of low productivity, such as those in wholesale and retail trade, motor vehicle repair, transportation and storage. Meanwhile, jobs in the higher productivity sectors such as information technology, finance and insurance, and other scientific jobs are on the decline.

Third, the prospects of finding jobs look dim for young graduates. In fact, the study shows that there is a long transition from school to work as first-time job seekers with no formal education need 16 months to get their first jobs. Moreover, 85 percent of the Lebanese use personal contacts including family and friends to find jobs. The report goes on to say that although this method of finding a job reduces the search cost for some candidates, it does not maximize the matching of skills with the companies that are seeking them since the latter are only evaluating a smaller pool of candidates.

But, the economic cost of using personal contacts is not merely limited to inept skill matching. The reason the World Bank report stopped at that is that it did not attempt to unpack what "family and friends" entail. In other words, what type of relationships are lumped into this category? And are these relationships equivalent to each other? For instance, is using daddy's connection equivalent to resorting to politicians to find jobs in the private sector? And if they are not, who resorts to which type of connection and what are the political and social implications beyond the labor market?

A recent survey by the Lebanese Center for Policy Studies and International Alert conducted a few months ago with 300 students from selected private and public universities and vocational education and training institutions attempted to get a better grip on this issue. Our study revealed that 55 percent of students used social connections to find jobs, topping other means such as job advertisements, employment offices, and job fairs. This was not surprising in a country where families and clan ties are paramount. It was equally not surprising to find that those whose families had a higher income were more likely to resort to social connections. After all, their family members are well placed economically and it would be a missed opportunity not to tap into this network and find a job in a country where using one's connections is the rule.

What is alarming is the extensive role of political connections in finding jobs in the private sector. At least 20 percent of students say that they resort to political connections and 73 percent think that political connections are important to find jobs. Unlike their counterparts who use social connections, those who resort to political connections are not as well-off but they have larger families and their fathers are more politically active.

In other words, those who resort to political connections are capitalizing on their family's electoral weight. Those who can deliver the votes to politicians in larger numbers seek jobs for their kids in return. Such an exchange of votes for

jobs has two major consequences: It creates distortion in the labor market since now political favors trump skills and merit. Politicians with a stake in the private sector may opt to hire young graduates whose families can deliver the votes. And those with no financial base of their own will lobby the private sector to hire members of their constituents. This also distorts the meaning of elections since now voters elect politicians who find them jobs instead of voting for those who implement and design efficient policies. Effectively, this fortifies a system of clientelistic relationships, where voters ultimately give up their political rights in exchange for very narrow benefits.

The implications do not end here: Sectarianism appears to be an important component in resorting to political connections. In fact, our study shows that those who feel that their “sect defines their identity” and those “whose family have connections to religious leaders” are much more likely to resort to political connections.

Perhaps this is not surprising since those with a strong sectarian identity leverage their relationship with religious leaders to find them jobs in the private sector through their contacts with political leaders. This sheds light on how sectarianism is instrumental in finding jobs in the private sector. If so, this compounds the efficiency problem of the labor market where skills are not matched to jobs. Those lacking a sectarian identity are more likely to emigrate.

In sum, once we get a better understanding of what it means when young graduates state that they use “friends and family” to get a job, we can see that the costs of this practice on Lebanon are no longer confined to the labor market. This job-finding method constitutes a political and social problem as well, since it influences electoral behavior, perpetuates socioeconomic gaps between population groups, and shows that youth emigration is not determined by one’s sect but by how sectarian one is.

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