

الجمهورية اللبنانية
مكتب وزير الدولة لشؤون التنمية الإدارية
مركز مشاريع ودراسات القطاع العام

Kindly return to
UNDP.

INTERNATIONAL LABOUR ORGANIZATION



Republic of Lebanon
Office of the Minister of State for Administrative Reform
Center for Public Sector Projects and Studies
(C.P.S.P.S.)

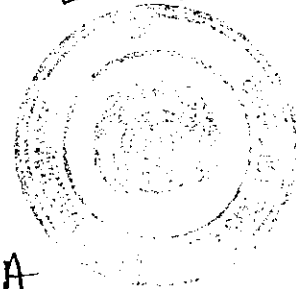
REPORT ON THE
ILO MULTIDISCIPLINARY ADVISORY
MISSION TO LEBANON
COVERING THE LABOUR SECTOR

PART II

EMPLOYERS' AND WORKERS' RELATIONS

24 FEBRUARY - 14 MARCH 1993

LEB/92/015.



3A

REGIONAL OFFICE FOR ARAB STATES

CONTENTS

	<u>Page</u>
Introduction	3
Chapter 11. Employers' Relations	4
Chapter 12. Workers' Relations	10

INTRODUCTION

This part of the report deals specifically with the conditions and prospects of the social partners in Lebanon, namely the Employers' and Workers' Organizations. This part complements the report of the Mission that was sent to the Government and proposes a course of action that would entail specific proposals for technical assistance.

The Mission was cordially received by the social partners' organisations. Discussions were frank and focussed on major issues and problems that should be addressed through a constructive and fruitful dialogue among the production partners.

The Mission would like to express its most sincere thanks and appreciation to the officers of the Employers' and Workers' Organisations for their support and their frank and extremely useful insights which proved to be crucial for the successful completion of the Mission.

CHAPTER 11. EMPLOYERS' RELATIONS

Introduction

A number of general characteristics influence the structure of the Lebanese industrial market. These characteristics are divided into the following main categories:

a) Geographical: the fact that a small country like Lebanon (10,450km²) is located along 220kms of the Mediterranean coast contributes to its overture to the outside world; furthermore, the two chains of mountains that furrow it, which are separated by the highly fertile Beka'a valley, endow the country with various kinds of climates.

b) Natural Resources: Lebanon is poor with natural resources except for an abundance of surface and underground water which can be indirectly useful to the industry through the development of agriculture, which, in turn, suffers from lack of adequate and efficient irrigation systems. Furthermore, the hydraulic energy does not generate more than 20% of the total production of the country.

c) Labour: historically, there was never a shortage of industrial labour in Lebanon. The increasing rate of unemployment from 4% (up to the 50s) to 25% (up to the second half of the 80s) and the relatively lower level of salaries in the industry indicate that the offer exceeded the demand. On the other hand, even if it is advantageous for the industry that the supply of industrial labour exceeds the demand, the shortage of skilled labour constitutes a serious handicap to the development of the Lebanese industry.

d) Finance: Lebanon was never short of capital, even during the first few years of the war. Up till 1982, the balance of payment was always positive and between 1982 and 1992 foreign debt was minimal (nearly 600 million dollars). Nevertheless, the Lebanese industry did not make use of more than 15% of bank loans up till 1977 and only around 10% up till 1992.

As mentioned in part I of this report, small enterprises are striving to negotiate attractive credit conditions. The absence of financial market forced a large number of small-scale and medium-sized industrial firms to rely on their own personal financial resources.

e) Consumption: the Lebanese consumption habits have always indicated an elasticity in the demand compared to the average revenue, which was a positive element for the development of local industries. Nevertheless, it would have been more positive if it were not for the inequality in income distribution that favored the consumption of luxurious and/or imported goods to local products. It is worth noting that the relatively low protective measures did not stimulate the desire for local products. However, since 1982, consumption habits had to change and the majority of Lebanese consumers turned to locally produced goods. In spite of various production difficulties, the local industry was able to meet the growing demand and satisfy the majority of the consumers.

f) Infrastructure: up till 1974, the development of basic infrastructure witnessed a large expansion, particularly in international transport and telecommunication services. Nevertheless, most of this expansion centered in Beirut and in the surrounding suburbs at the expense of other cities. This led to the fragmentation of the internal market and to a concentration of the industry around the capital at the expense of the "less attractive" rural areas. It is estimated that the cost of rehabilitation of the basic infrastructure amounts to 1,184 million dollars for roads, 521 million for electricity, 281 million for sewers and 140 million for telecommunications.

g) Taxes and Custom Tariffs: Non-salaried Lebanese have always avoided paying income taxes and have, in general, succeeded in doing so. Up until 1974, income taxes constituted 10% only of the total fiscal returns. On the other hand, Custom returns constituted the major resource for the government revenues up till 1974 (35% of the fiscal returns). Although certain protective tariffs were imposed to protect local industry, yet they were mostly very low that they did not act as a positive element vis a vis the local production. Lebanese industrialists have tried to put pressure for a more severe protective measure but without great success.

h) Type of Industrial Property: the dominant legal type of industrial property in Lebanon is the private property. The industrial censuses taken between 1955 and 1985 indicated that more than 50% of industrial establishments were private properties. In addition, during the 60s and 70s, nearly 70% of the industrial establishments operated in Beirut and its surroundings. These were employing nearly 70% of the industrial labour force and producing roughly 70% of the value added.

Main Developments of the Lebanese Industry, 1954 - 1985

The number of Lebanese industrial enterprises increased from 7,946 in 1955 to 17,667 in 1985, over 70% of which are small enterprises (handicrafts) employing five or less workers. Industrial enterprises employing 50 workers and above amount to approximately 6% of total industrial establishments.

The number of workers in the Lebanese industry increased from 51,442 in 1944 to 115,000 in 1985. It is important to note that the number of workers has reached 126,000 in 1974 but the work force decreased since then because of the war situation.

On the other hand, the number of workers in industrial enterprises (other than the handicrafts) fluctuated during the same period due to two factors (a) the mechanization of the industry; and (b) the relatively sliding scale of salaries and the obsolescence of industrial machinery.

The annual growth rate for the Lebanese industry reached 6.6% between 1955 and 1985 while the rate of growth of industrial labour reached 4.8% during the same period.

It is important to mention that the rate of growth of the industrial exports (mainly to Arab markets) reached 32.4% between 1970 and 1974, which constituted 80% of total exports. This rate decreased in the early 80s but has increased again up to over 80% of total exports by the end of 1989.

The Role of the Association of Lebanese Industrialists in the Development of Private Enterprise in Lebanon

The structure of the Lebanese market offers a favorable environment for the development of the national industry.

The Association of Lebanese Industrialists, in coordination and cooperation with other employers' organizations, seeks to maintain this favorable atmosphere. Considering that industry in Lebanon, except for cigarette manufacturing, is entirely private, the Association's role becomes even more marked and highly important.

In order to be able to assume its growing role, particularly as one of the Lebanese social partners responsible for the reconstruction and development of the economy, and to be able to defend and protect the interests of employers, the Association is in the process of modernizing its organization chart (organigramme) in order to enhance its administrative machinery and develop the managerial and professional capacities of its human resources.

In this regard, the Mission feels that assistance to reorganize the Association is urgently required. Furthermore, and in the same context, training and retraining of senior staff and members of the Association in the form of fellowships, study tours and other training activities are areas for urgent consideration.

Technical Cooperation Activities with Employers' Organizations

The activities of the Association could be divided into two main aspects:

- (a) "Micro" Services Activities
- (b) "Macro" Services Activities

(a) The activities falling under the "Micro" category are mainly services rendered to members individually. They cover, inter alia, the following categories:

- i) certification of invoices;
- ii) various types of attestations;
- iii) market information;
- iv) legal advice; and
- v) intervention vis-a-vis a third party.

(b) Being recognized as the spokesman for Lebanese Industry, the Association has been playing an ever increasing "macro" role, both at the national and international levels.

The Association's domains on the national level cover a very wide range of activities including, in particular, vocational training, technical education, promotion of marketing techniques (both internal and external), rehabilitation of infrastructure, development of managerial skills, etc.

One of the major services that the Association renders to its member enterprises is to assist in dealing with a specific question that is of common interest. In this context, the Association believes that ILO's experience in the fields of personnel management, industrial relations, environmental management, marketing policies and safety and health in industrial enterprises is needed; the Association, therefore, expressed the wish that the ILO should consider organizing national seminars in cooperation with the Association of the Lebanese Industrialists and other local partners concerned to provide the opportunity for representatives of national enterprises to meet and discuss with international experts on issues that are of specific interest to the Lebanese entrepreneurs, particularly at this crucial moment of rebuilding the national economy.

The Association pursues its efforts through its representation in permanent institutes and organizations or in ad hoc committees. Of the more important permanent bodies in which the Association plays a direct role are the following:

- the Economic Consultative Committee to the Prime Minister;
- the Social Security Fund;
- the Industry Institute;
- the Lebanese Norms and Standards Institute;
- the Courts of Labour Arbitration;
- the Official Committee of Trade Agreements;
- the Vocational Training Center for Adults;
- the High Council of Professional and Technical Education;
- the Customs Sectorial Assessment Committees; and
- the Lebanese Association for Technical Education at all Levels.

The Association participates also in all meetings and discussions pertaining to industrial activities, whether at the governmental or private sector level.

The Association has shown great interest in the proposal contained in Part I of the report to organize as a matter of urgency a manpower survey which would allow for a comprehensive identification of skills needed for the industry. The Association has promised to cooperate with the ILO and other concerned national partners to develop skill oriented curricula appropriate for such needs.

As specified in part I of the report, employers' organizations dealt bilaterally with many problems and questions related to the labour market functioning and labour relation issues throughout the years of the war. It is also true that the dialogue between the Association and the Chambers of Commerce and Industry, on the one hand, and the General Confederation of Lebanese Workers (CGTL), on the other hand, was never interrupted during the war and is still continuing.

The Association concurs that the absence of any coherent and up-to-date statistical information and data at the national level is a major handicap to any employment and manpower development.

In the discussions with the ILO Mission on the afore-mentioned subject, the Association and the Chamber of Commerce and Industry in Beirut expressed interest in contributing financially to the survey cost and, therefore, will emerge as potential collaborators in producing and disseminating useful statistical data on employment and labour market issues.

Small Enterprise Development

A number of major constraints that hinder the development of small enterprises in Lebanon were highlighted in part I of the report. The consensus of the Mission was that the banking system in Lebanon proved to be apt in international trade finance but, at the same time, not fully adapted to the requirements of small scale enterprises. The Mission, therefore, recommends the creation of a local guarantee fund for the promotion of such enterprises. The proposed fund will have two major functions, clearly separated in their operations. This would undoubtedly need the association, support and contribution of the various social partners. In this context, it is proposed that a project outline on the development of managerial capacity of the small scale enterprises be designed in consultation with the employers' organizations, business and management institutions and other local banking circles.

The proposed project will be designed in conformity with the recommendations made by the Mission with a view to providing the beneficiaries with a range of technical services and training activities in areas such as marketing, personnel management, planning, maintenance, finance, productivity, safety and health and environmental management.

Conclusions

Based on the afore-mentioned analysis, technical cooperation with the employers' organisations may take the following two forms:

Direct assistance: the Mission strongly recommends the provision of:

- a) advisory services to be provided as a follow up to the Mission.
- b) assistance in the reorganization of the Association.

Technical Assistance: the Mission feels that for the appropriate development of human resources, the following technical assistance would be required:

- a) formulation of a project proposal on development of managerial capacities of small scale enterprises; and
- b) negotiations for the implementation of the project within the proposed ILO programmes.

CHAPTER 12. WORKERS' RELATIONS

Introduction

The General Confederation of Lebanese Workers (CGTL) was founded in 1958 by 3 labour federations. It actually embodies all the 23 labour federations existing in the country.

The CGTL consists of two functional bodies, namely, the Executive Council and the Board of Delegates.

The Executive Council includes 46 members: 2 members from each of the 23 affiliated federations. These members are nominated by each federation and are usually the President and the General Secretary. In this way policy and major decisions of the CGTL are taken by decision making officers on the basis of the federation's social, economic and political priorities. The Executive Council elects an Executive Office for a period of two years. The executive officers are the President, Vice-President, General Secretary, Treasurer and Public Relations Officer.

The Board of Delegates consists of 92 members (4 members assigned by each of the 23 affiliated federations). The 4 members usually include the two members assigned to the Executive Council. The Board of Delegates elects for a period of two years an Administrative Office composed of a Chairman, Vice-Chairman and two Secretaries.

The 23 affiliated federations include all the unions existing in Lebanon. These unions consist either of members employed in one factory or company and their branches, or of members working in the same profession but with different employers. Membership in all these unions is voluntary and unions are free to affiliate to the federation of their own choice.

The actual composition of the 23 federations can be classified into the following four categories:

1. Federations grouping workers engaged in one industrial sector.
2. Federations grouping workers from different industrial sectors.
3. Federations grouping workers engaged in semi-public enterprises.
4. Federations grouping unions located within one geographical jurisdiction.

According to a study carried out in 1986 by the Lebanese Institute for Research and Consultation, trade unions affiliation can be summarized as follows:

<u>Sector</u>	<u>Percentage of affiliation in the sector</u>
Agriculture	-
Industry	13.4
Electricity, water & gas	9.5
Construction & public works	9.5
Commerce, hotels & restaurants	13.6
Transport & warehousing	28.6
Banks, finance & insurance	19.5
Other services	14.3

Main Issues

Reorganization of the Lebanese Trade Union Movement

The Ministry of Labour has prepared a draft law reorganizing the structure of the Lebanese trade union movement. This draft has been examined by the Mission. It was concluded that, although the Freedom of Association and Protection of the Right to Organize Convention (No. 87 of 1948) is not ratified by Lebanon, a number of provisions of the draft law may lead to a violation of the spirit of that Convention. In this context, attention is particularly drawn to Section 32 of the draft law which makes most financial activities of trade unions conditional to the approval of the Ministry of Labour. For example, the unions have to communicate to the Ministry of Labour the sources of, and reasons behind, any financial assistance to be received; also section 58 of the draft law stipulates that unions' elections are not valid unless ratified by the Ministry of Labour; etc.

The CGTL has commented on the above draft law and prepared a counter proposal which has also been examined by the Mission. In general, the draft seems to be in line with ILO's general policy and principles relating to the freedom of association except as regards section 4 para.(a) which limits the constitution of a union to a minimum of 300 members. The required number is too high and may constitute an obstacle to the establishment of workers' organizations .

Follow up on ILO Project Proposals

The Mission briefed the officers of the General Confederation of Labour on its work and achievements and gave an account of the different project proposals which are under preparation. The Mission emphasized the importance and necessity of the participation of workers' and employers' organizations in any future implementation process. Moreover, the Mission brought the attention of the CGTL to Ministerial Decision No. 370/1 of

30.9.1992 creating within the Ministry of Labour a tripartite body dealing with technical cooperation. In addition to six Government, the tripartite body includes two representatives from workers' and two from employers' organizations. The main task of the tripartite body is to ensure the maximum utilization of technical assistance provided to Lebanon by international and Arab funding agencies, particularly UNDP.

Conclusions and Recommendations

Based on the above, the Mission recommends:

- a) that the draft law concerning the reorganization of the Lebanese trade union movement be revised in the light of ILO's general policy and principles relating to the freedom of association. The Mission proposes that the draft be communicated to the ILO for review and comments;
- b) that Ministerial Decision No. 370/1 of 30.9.1992 setting-up a tripartite body dealing with technical cooperation should be put in force without delay to enable the participation of workers' and employers' organizations in any process involving technical cooperation as provided for in the above-mentioned Decision.

الجمهورية اللبنانية
مكتب وزير الدولة لشؤون التنمية الإدارية
مركز مشاريع ودراسات القطاع العام

Republic of Lebanon
Office of the Minister of State for Administrative Reform
Center for Public Sector Projects and Studies
(C.P.S.P.S.)