



## CHAPTER THREE

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## SECTORAL HUMAN DEVELOPMENT INDICATORS

This chapter examines in some detail the state of and prerequisites for sustainable human development with respect to a number of thematic areas, sectors and social groups, through review of a number of relevant indicators and facts.

### **A. Income and Poverty**

Interest in studying poverty in Lebanon is relatively recent, although the phenomenon itself is old. It is widely believed that the spread of poverty and impoverishment are closely related to the war and the unstable political and security conditions it engendered. This belief reflects only part of the picture as poverty has also structural causes and determinants that are not related to the war.

Recent attempts to study the subject remained below the scope of the internationally adopted methodology and norms. Moreover, government programmes have not, until now, provided explicitly for fighting poverty and containing its effects, except for some sectoral programmes, as in the field of health and social affairs.

Some useful data on rural poverty were generated by a survey and study undertaken in 1993 within the context of preparations for the eventual establishment of a community development fund. More recently in October 1996, two surveys were completed, the results of which will help shed light on the poverty situation in the country. The first concerns a basic survey of population and housing (ten percent sample, 70,000 households), which was carried out by the Ministry of Social Affairs with support from, and in cooperation with, the United Nations Population Fund (UNFPA). The second survey was the Lebanese sector of the Pan Arab Survey of Mother and Child (PAPCHILD), which was undertaken in cooperation with the United Nations Children's Fund (UNICEF), the World Health Organization (WHO), UNFPA and the Arab Gulf Programme for United Nations Development

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Organizations (AGFUND). The latter will enable study of the relationship between health and poverty. However, to assess poverty in a comprehensive manner, more basic surveys and specific studies are required.

### 1. Definition of poverty

The debate on the definition of poverty largely reflects differences in the perception as to the position that people occupy in the development process, and on which there are two points of view. The first considers poverty from a functional perspective, or as one of several obstacles to development; whereas the second point of view places poverty and its eradication at the center of development objectives and not merely as one among means to promote development. This second interpretation regards poverty, and what it represents in terms of deprivation, to be in essence a diminution of basic human rights; human beings ought to be the focus of development and the principal criteria by which success and sustainability are measured.

The divergence of views, however, has not prevented agreement on the importance of and need to confront poverty, to deal directly with its immediate causes, and to eliminate the economic, political and cultural mechanisms that generate it, by empowering and enabling the poor.

**Poverty** may also be defined as a state of deprivation involving one or more of the basic human needs, including food, safe potable water, sewerage, health care, shelter and education; **absolute poverty** being extreme deprivation of all these needs. Based on this, poverty is not only measured by the level of income, but also by people's ability to access basic social services, the state of health, housing conditions and the state of the environment, the extent of participation or marginalization in economic and social life, and other indicators.

The **poverty line** expresses the monetary equivalent of the totality of goods - including non-monetary incomes and transfers - that constitute the basic needs and entitlement of people. This line is used as a base line to identify poor individuals and families whose total income is below the specified monetary equivalent. Furthermore, a distinction is made between an upper poverty line - which reflects the monetary equivalent of the totality of basic needs including food, clothing, health, shelter and education and a lower poverty line which reflects food requirements only. Poverty characteristics and indicators vary from one setting to another. Hence, the need to compute a poverty line for various settings or population groups (e.g. male/female, rural/urban, the capital/other cities, etc.).

As indicated, data which have recently become available are useful to reveal certain aspects, but not sufficient for an assessment of poverty. Thus, the Housing and Population Survey will serve to undertake poverty mapping. Apart from this, available data can merely give indications as to the magnitude, spread and characteristics of poverty, see section 2. below.

To proceed further towards poverty assessment, it is suggested that first a conceptual definition of poverty be formulated, discussed and agreed upon. To adequately reveal the phenomenon of poverty in the complex, multi-cultural environment of Lebanon, it would appear that a comprehensive definition incorporating both the income and basic needs dimensions is appropriate.

In parallel, basic survey work can be initiated, including a household survey (Greater Beirut region) and a national living standard measurement survey. These

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surveys, which are complementary, are being implemented by the Central Administration for Statistics, with support from UNDP, as of November 1996. The household survey will provide information on family income levels and expenditures patterns, as well as on the distribution of income; the latter can be used to determine the number of poor families, i.e. those whose total income falls below the poverty line, and the relative importance of the poor in the total population. The living standard measurement survey will provide detailed information on characteristics of the poor and data underlying the mechanisms of impoverishment. The results of both surveys will provide a sound basis for a national poverty assessment and for devising ways and means of alleviating poverty.

#### 2. Analysis of available information

*a. Income levels.* Available and partial data on the incomes of the Lebanese, derived from a sample survey of one thousand families undertaken in June 1994, show that the average monthly family income in mid-1994 varied between US\$ 660 in the agricultural sector and US\$ 1,684 in the non-commercial services sector, being US\$ 839 in public administration, US\$ 1,316 in industry, and US\$ 1,448 in the trade sector.

Based on the above and the share of each sector in the total labor force, the average monthly family income was computed to be approximately US\$ 1,283. This figure compares with the estimated per capita GDP for 1994 amounting to US\$ 2,300, or roughly US\$ 1,000 per month for a family of 5 persons.

Table III - 1: Distribution of families based on monthly income and sector of employment of head of household, 1994  
(Percent)

Income category (monthly, US\$)	Agriculture	Industry	Trade	Public Administration	Other services
<u>Low</u>					
Below200	40	3	1	5	1
200-500	35	23	12	26	15
500-1,00	11	32	33	48	30
<u>Middle</u>					
1,000-1,500	4	15	19	16	18
1,500-2,000	2	14	16	1	10
2,000-3,000	2	4	12	1	11
3,000-5,000	4	4	4	2	8
<u>High</u>					
Above5,000	2	5	3	1	7
Total	100	100	100	100	100

Source: Centre d'Information Stratégique et Economique, " Enquête exclusive sur les revenus des Libanais ", Le Commerce du Levant, No. 5339, 11 August 1994.

Table III-1 above gives the distribution of family income by category (low, middle and high income) and by sector. The majority of families in agriculture and public administration covered by the sample, 86 percent and 79 percent, respectively, belong to the low-income category. The situation in industry is somewhat better with 58 percent of the families surveyed falling in the low-income category, and 37 percent and 5 percent belonging to the middle-income and high-income categories, respectively. In contrast, about half of the families where the main supporter is employed in trade (51 percent) or services (47 percent) belong to the middle-income category.

The survey revealed a clear correlation between the level of income and the educational attainment of the head of the family. The large majority (86 percent) of those who did not finish elementary education belong to the low-income category, compared to 78 percent for the intermediate level, 59 percent for the secondary level, and 42 percent for the university level.

*b. Manifestations of poverty and characteristics of the poor.* Reliable data are not available to make accurate estimates of the poverty line or the number of individuals and families living in poverty in Lebanon. However, partial and unofficial information, points to considerable variations in the spread of poverty among regions and sectors. Poverty appears to be concentrated mainly among agricultural families and those whose main provider is employed in the public administration. Also, many of the poor live in the suburbs of the capital and other cities. Those who are extremely poor live mostly in rural areas; abject poverty is found mostly in the remote regions of Akkar (North Lebanon), Baalbeck, and Hermel (Bekaa region). The rest of the wretched poor are believed to live in the suburbs of the capital and other cities.

The areas where the poor live, especially in cities, are overcrowded and suffer from the effects of random urbanization, scarcity of green space, the accumulation of garbage near houses, and lack of sewerage systems or their intermixing with water distribution networks. Furthermore, some of the houses where the poor live are lacking in maintenance and badly deteriorated, even often partially damaged due to neglect or as a result of the war. Living space per person is on average less than ten square meters, which is considerably below the internationally accepted norm of fourteen square meters, considered necessary for a person's health and physical and psychological equilibrium.

According to the Population and Housing Survey of 1996, the average size of the Lebanese family was 4.7 persons. However, the trend has been to limit the size of the family. The pace of this trend has not been uniform, depending on the social environment and differing between urban and rural areas. A non-statistical field survey of a limited scope, indicated that the average size of a poor family was between 6.5 and 7 persons; and the sustenance average (number of family members divided by the number of working members) was also high, possibly attaining 4 persons, compared to a national average of 3.3 persons.

Poverty places additional burdens on women and compounds discrimination against them. The wages they earn and their incomes are below those of poor men; the same being true of the type of employment and grade. Moreover, women at the

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head of poor households are subject to continuous fatigue because of their dual responsibilities, inside and outside the house. Poor women and young girls also face discrimination with respect to access to health services and nourishment.

The level of educational attainment among the poor, men and women alike, is low. Only a minority among heads of poor households received secondary or higher education (with the exception of public administration employees), or proper vocational training.

The high national enrollment ratio at the elementary level implies that poor families, in general, send their children to school. However, the enrollment ratio is expected to be lower for the poor, as may be deduced indirectly from such phenomena as the increase of child labor. The fact that the number of public schools in poor districts is not adequate adds to the pressure on the poor who have little choice other than enrolling their children in free-of-charge schools, or schools affiliated to sectarian associations and institutions. Hence, the main problem lies in the low quality of education accessible to the poor, the high drop-out rates, and the reduced number of students who pass to higher levels (see section F below).

The high cost of primary and secondary health services restricts their availability to the poor, who are also at a disadvantage because of the limited coverage of health and social insurance schemes (see sections B and G below). Chronic and recurrent illness are common among the poor. The incidence of physical handicaps, mental retardation and sickness-related deaths, is higher among the poor than the national average due to their inability to pay for treatment, on the one hand, and negligence and ignorance, on the other.

#### 3. Mechanisms of impoverishment and empowerment

*a. Accidental impoverishment mechanisms (the war)* The incidence of poverty spread due to the effects of the war, particularly following the massive Israeli invasion of 1982 and the economic collapse which followed in the mid-1980s, reinforced by the effects engendered by the structural problems affecting the economy. In addition to the human losses and suffering, and as indicated in Chapter Two above, the period of instability and violence led to massive destruction of wealth and a major reduction in income. Significantly, the erosion of authority and the loss of business and public confidence caused a sharp decline in government revenues and activity, and in private sector activity and productivity, respectively. The country started to lag behind in technological progress and in managerial techniques.

The continuous feedback among growing public deficits, increasing inflation and deterioration of the exchange rate led to a spiral which caused economic collapse, particularly accentuated during the second half of the 1980s, as described above. In the process, incomes were chasing prices with incomes falling ever more behind. The net result was the gradual elimination of the country's middle class and the development of a bi-polar society with stark differences between an ever growing number of poor and a small proportion of very well-to-do. A reversal of this situation would not begin until 1993 when the Government succeeded in stabilizing the exchange rate and bringing down inflation in a significant manner.

Among the most serious consequences of the war were emigration and forced displacement. Symptomatic of deteriorated economic conditions, lack of employment opportunities and spreading poverty led close to one million people to emigrate during the war period and its immediate aftermath. Forced displacement

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affected about 800,000 persons; together with emigration, it had devastating effects on the economy and on the social fabric. Communities were segmented. Families broke up and their members dispersed. It was estimated that in the early 1990s a large majority of the displaced population, possibly exceeding 75 percent were poor (not able to meet basic needs), with up to 50 percent facing difficulty to meet basic food requirements.

It should be pointed out that the above estimates refer to Lebanese citizens only, and do not take into consideration Palestinian refugees and foreign workers. Poverty is a social phenomenon, however, with effects that cannot be confined within administrative or political settings. In this sense, there were 344,800 registered Palestinian refugees in 1996, of which 53.2 percent lived in twelve camps - in very poor conditions with regard to housing, availability of health services and a healthy environment, and high unemployment (40 percent unemployed). In addition, there is a large contingent of foreign workers, who also live in poor settings (see section D below). These two categories mainly live in conditions of poverty and deprivation, especially in cities; their plight can not be overlooked in attempts to tackle the issue of poverty in the country.

*b. Economic mechanisms of impoverishment and economic and social policies* There is a direct and close correlation between economic growth, on the one hand, and improvement in living conditions and alleviation of poverty, on the other. For example, there is no doubt that the rapid growth of GDP in the 1960s was a major factor which contributed to reduce the number of the poor which constituted around half the Lebanese population at the end of the 1950s. Although necessary, growth by itself is not sufficient to alleviate poverty. This calls for a study of disparities in the distribution of the benefits of growth among various regions, sectors and factors of production. In this connection, it is pointed out that high growth in recent years was mainly realized in the rental component of the national economy.

A close connection can also be discerned between unemployment and poverty. The size of the labor force grew rapidly, from about 900,000 in 1987 to 1.1 million in 1995, and will continue to grow at high rates as a result of the slowing down of , and return from, emigration and the rise in the number of persons seeking jobs, 35,000-40,000 a year (see section C below). Wage earners constitute about two-thirds of the labor force. The labor market is open, without any effective regulation, to foreign labor, especially in the sectors of agriculture, construction, hotel services and marginal activities (peddlers, small commerce, household services, etc.). Changes in the structure of the labor market and the spread of poverty have tended to move together: the volume of marginal activities, prevalence of disguised unemployment, and the high rate of job-turnover relative to stable employment and accumulation of experience, all increasing with poverty. These factors compound the pressures on the labor market and raise rates of overt and disguised unemployment and partial employment - phenomena that are associated with poverty.

The lack of access to resources, including land, credit, information, etc., often prevents the poor from engaging in productive activities, including small or medium income-generating projects. Such projects provide distinct possibilities for creating new job opportunities, given the saturation in the traditional sectors. The poor encounter great difficulties in access to banking and financial facilities. The structure of banking credit is concentrated to such an extent that a mere 0.2 percent of borrowers obtained 21.4 percent of total credit extended in the first quarter of 1993, while 77 percent of borrowers did not collectively obtain more than 6.5 percent of the total.

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Agricultural holdings do not necessarily offer an escape from poverty unless their size and soil productivity and marketing outlets are adequate to generate sufficient value added. It is estimated that the number of agricultural holdings dropped from 127 thousands in 1961 to 64 thousands in 1981, and the share of the labor force employed in the sector from 19 percent in 1970 to 11 percent of the total towards the end of the 1980s. These trends have continued since. At the same time, returns from farming were eroded by inflation. A related observation pertains to owners of small-scale land and real estate (bound by old rental contracts), which were trapped into poverty as a result of the freeze of rents during the war period which caused revenues to shrink to negligible amounts.

There are no specific policies in place designed to combat poverty. **Economic and social policies** do not yet have poverty alleviation as a specific policy objective. The Government has tended to treat poverty as an undesirable situation, the effects of which should be dealt with. Accordingly, the Government has tried to deal with its manifestations rather than trying to remove the causes and mechanisms generating it. Main elements of government policy in the realm of poverty alleviation are outlined below.

**Employment creation** Access to remunerative employment is a potent means to escape conditions of poverty. The level of employment has been largely left to be determined by market forces. Given the openness of the labour market and the relatively large numbers of first-time job-seekers year after year, it is necessary to adopt more systematic approaches to promote employment. This would involve measures and action to protect the labor market, to create new job opportunities to absorb the unemployed and the young seeking employment for the first time, and to rehabilitate those already employed to raise their productivity. An important contribution in this respect could come from existing small enterprises, and from promoting the establishment of new ones, considered to be more capable of creating new jobs; and through the rehabilitation of so-called marginal employment and types of work currently left to foreigners.

**Technical education and vocational training** The development of skills is a means of empowering the poor to obtain productive jobs and to raise their income. The most serious shortcoming in this respect is the low enrollment ratio in the technical education and vocational training sectors (only 8.8 percent), see sections E and F below.

**Small enterprise development** As for encouraging the establishment of small enterprises to expand the labor market, some steps can be discerned which relate mainly to access to credit . However, the credit facilities made available to small enterprises have so far remained of marginal importance, benefiting mainly women and widows, and originating with international bodies or non-governmental organizations; while the banking sector still has to show sufficient interest.

**Development of the productive sectors: agriculture, industry** Available information relating to agriculture indicates that there are real opportunities for expanding output and improving the situation of farmers if adequate investment and support are given to the sector, or to promote complementarity between agricultural production and the processing of agricultural commodities, which could create new job opportunities and improve the position of the sector in overall economic activity. Similarly, efforts to promote and strengthen the industrial sector could be a rewarding option in terms of economic growth and increasing employment opportunities.

**Price policy.** To curb the rise in the cost of living is an important option to fight

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poverty. As indicated above, the gap between incomes and prices widened dramatically during the war years; prices rose four times faster than incomes. After 1992, the Government succeeded in stabilizing the currency and actually improving the rate of exchange of the Lebanese pound against foreign currencies, and in reducing the annual rate of inflation drastically. The social implications of these positive developments have been important. However, the price level remains high because of the structure of the economy. To deal with the high level of prices, there have so far been only limited initiatives on the part of the Government, such as the setting up of a public office for popular markets and the activation of price supervision mechanisms from time to time.

**Wage policy.** In general, wages in the private sector are set by agreement and according to supply and demand, except for the minimum wage level and periodic corrections which are determined by the government (each year or every few years). Wage policy is a major element in the fight against poverty because the real value of wages was eroded by inflation during the past two decades. The real minimum wage, in Lebanese pounds, lost some 70 percent of its value between 1974 and 1990. At the same, the decline in the mean wage exceeded that in the minimum wage because of the scale used in correcting wages, where the percentage of increase declines as wages rise. As a result, poverty increased among wage earners, especially those employed in the public administration. It is important to observe that the monthly minimum wage increased from a low level of US\$ 64 in 1992 to US\$ 121 in 1994 and US\$ 155 at the end of 1995 (compared to US\$ 140 in 1984 and US\$ 200 in 1983). Real average wages also increased in recent years, even though much less than the minimum wage due to both budget constraints in the public sector and low levels of productivity in both the public and private sectors.

**Tax policy.** The Government reduced income tax to a maximum of 10 percent and corporate tax to a single rate of 10 percent (from progressive rates as high as 40 percent), which implies increased reliance on indirect taxes and fees. Pricing of public services has been brought to levels reflecting market prices, which has added considerably to the burden of households. Thus, it would appear that government tax policy favors holders of capital and raises the share of the average citizen in financing public expenditures.

**Safety nets.** Their role in dealing with the effects of poverty and in alleviating poverty is important. Government action has tended towards direct, on the spot and temporary transfers, monetary and in kind, rather than assuming the role of the welfare state (see section B below).

It can be concluded from the above that the Government in the past years has redressed the worst socio-economic effects engendered by the war. However, to deal with the magnitude and the different manifestations and dimensions of poverty is a long-term task. It will require in priority a correct, detailed assessment of the situation, the results of which will enable the formulation and implementation of a comprehensive programme of poverty alleviation. The key objective and central theme of such programme would be the achievement of sustained and rapid increases in economic and social productivity - perfectly matching the basic goals of the national programme of reconstruction and development. The *ad hoc* measures taken to relieve the pressures and growing needs of the poor did not meet expectations and have led to frustration. Increased participation and empowerment of poor categories, and of vulnerable and economically disadvantaged groups, along with improved access to resources, would open new perspectives in the short to medium term.

**DON'T STOP HERE .. THERE IS MORE TO READ IN CHAPTER THREE. GO TO**



**SECTION B: Social Safety Nets**

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