

The Economic Benefits of the Massive Presence of Syrian Refugees

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Off the beaten track and away from the analyses often made about Syrian refugees and the negative impact of their presence on the country's economy, one thing is certain, though it gets little media coverage: this presence has benefits too, and considerable ones at that.

The presence of nearly 1.5 million refugees in a country of 4 million is without a doubt a burden for the society as well as the economy, but analyses, media coverage and political speeches often given on the topic in Lebanon paint a very bleak picture, and unfairly impute – to electoral ends and out of xenophobia – all the problems that the country is facing exclusively to the Syrian refugees.

The negative aspects are often highlighted, yet in economic terms, for example, this presence is more nuanced than what is portrayed. In net terms, the result may even be said to be «positive», although a qualitative study is yet to be produced to this effect.

Job Market: A Boon for Companies

One of the main benefits – albeit one that is often overshadowed – of the presence of several hundred thousand Syrian workers is the large supply of cheap labor that has allowed a large number of Lebanese companies to reduce their payroll costs and their overall costs in a particularly difficult context – which has more to do with external factors than with the massive presence of refugees – and to survive thus the successive crises that the country has witnessed since 2011, in addition to boosting the competitiveness of certain companies. According to ILO, 88% of refugees is paid 40% less than the minimum wage in Lebanon (the equivalent of roughly USD 280/month)⁽¹⁾ while children, some as young as six, are paid USD 4 a day⁽²⁾ in some areas in North Lebanon.

In addition to the multiple abuses carried out in this area, these employees do not have any medical coverage or work insurance, the fact which leads to more savings for the employers – Syrian workers are often present in markets where local labor supply is already very low (construction, agriculture, home services, supermarkets, etc.). These workers are rather competing with other foreign unskilled workers and not with the Lebanese, which also pushes down the wages in these market segments. This too benefits the Lebanese employer with regard to production costs. The educational level of the refugee population is actually structurally incompatible with any competitive setup in the sectors coveted by the majority of the Lebanese, in addition to the legal restrictions that make access to these sectors very limited.

In fact, more than half of the refugees are under the age of 24, a third of whom are illiterate, 40% have completed primary school and 3% have attended university⁽³⁾. In addition, 92% of the active population⁽⁴⁾ work illicitly. The Lebanese, on the other hand, had an enrollment rate in primary education of 106.6% and 86.3% for secondary education, and more than 46% attended university⁽⁵⁾ in 2012. This structural gap is even less conducive to real competition in the job market given that more than 83% of the Lebanese (formally active population works in the private sector⁽⁶⁾.

Local Consumption: USD 1.5 Billion Per Year

In addition to the job market, Syrian refugees consume locally at an average of USD 106 per capita (2016 figures), which represents, based on the official number of refugees registered with the UN, roughly USD 1.5 billion per year. This has boosted private consumption, which is one of the main components of the GDP, and thus contributed to economic growth, even if it has been modest in recent years. The rental market alone has a turnover of almost USD 50 million⁽⁷⁾, not to mention the rent paid to tent owners in informal camps, varying on average between USD 100 and 160 per household. The purchase of basic consumer goods in the local market by more than one million refugees has also boosted revenues from consumption taxes. State revenues thus grew by roughly USD 600 million between 2011 and 2016⁽⁸⁾, a substantial portion of which came from indirect taxation of goods and services. Refugees also beef up the Treasury through the telecommunications sector, mainly through mobile telephony, the number of subscribers having increased by about 400,000, to reach 4.3 million between 2013 and 2016. Another source of public revenues is the cost of residence permits that have been imposed since the beginning of 2015 for a fee of USD 200 per year for each Syrian citizen aged 15 and above. If only 20% of the people concerned⁽⁹⁾ renew their documents now, this would allow the State, largely



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thanks to refugees, to increase its revenues from residence fees (all categories of foreigners combined) from USD 35 million to 50 million between 2011 and 2015⁽¹⁰⁾.

Foreign Aid and Investments

Lebanon also receives roughly USD 1.5 billion⁽¹¹⁾ in humanitarian aid each year from various regional and international organizations to provide relief to refugees while several aid conferences for countries neighboring Syria have been held since 2011, in Kuwait, London, and Geneva. During the last international summit in April, Lebanon demanded a USD 10 billion package to be spread over 7 years – its disbursement, however, is still under consideration by the potential donors.

Finally, part of the bourgeoisie from Damascus and Aleppo settled in Beirut at the beginning of the crisis, while money transfers to the Lebanese banking system have taken place and contributed to a certain extent, however small, to the growth of the deposit base. Although many wealthy Syrian businessmen have opted to leave Beirut and settle in the Gulf or in certain countries of the Maghreb, or even Europe and the United States, a minority still exists and spends in Lebanon: renting housing, even buying luxury apartments and cars, schooling their children in private schools, investing in SMEs and startups, etc.

Structural Failings and State Incompetence

While there are other economic benefits to the massive presence of refugees, it is quite sensible and valid to recall that beyond all the arguments made above, some of which are backed by figures, the problem of unemployment in Lebanon and all the infrastructure shortcomings that the local population – and indeed the refugee population – suffers from existed well before the onset of the Syrian crisis as a result of State incompetence. Although it is now at 20%⁽¹²⁾, according to IMF estimates, this deterioration is linked more to the general local and regional conjuncture – which has caused growth to drop to 1% on average over the past 3 years, compared to more than 9% between 2007 and 2010 – than to the presence of the refugees. There is no denying of the fallouts relating to it. But what is dangerous and vicious is that this presence has now become a propaganda tool – sometimes overexploited to iniquitous ends, turning away from honest and constructive scientific discourse – and a pretext to mask the State's chronic incompetence. This same line of reasoning was used at the time of the Syrian tutelage. And yet we have been waiting to see any progress since 2005.

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(3) Assessment of the Impact of Syrian refugees in Lebanon and their employment profile http://www.ilo.org/wcmsp5/groups/public/-arabstates/-ro-beirut/documents/publication/wcms_240134.pdf

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