

LABOUR MARKET AND EMPLOYMENT POLICY IN LIBYA



The contents of this paper are the sole responsibility of the authors and do not necessarily reflect the views of the ETF or the EU institutions.

© European Training Foundation, 2014.
Reproduction is authorised provided the source is acknowledged.

LABOUR MARKET AND EMPLOYMENT POLICY IN LIBYA

Prepared for the ETF by Dr Dia Sadek Abuhadra and
Dr Tawfik Taher Ajaali

PREFACE	3
1. THE LIBYAN LABOUR MARKET	4
1.1 Socio-political context	4
1.2 Recent economic developments	5
1.3 Labour market data	6
2. MAIN LABOUR MARKET CHALLENGES	9
2.1 Distortion from the public sector	9
2.2 Underdeveloped private sector	10
2.3 High unemployment.	10
2.4 Significant role of the informal sector	11
2.5 Specific needs of demilitarised fighters	11
2.6 High inflows of immigrant labour	12
2.7 Weak public employment services	13
2.8 Skills gaps and mismatches	13
3. KEY ACTORS IN THE LABOUR MARKET	15
3.1 State actors	15
3.2 Other actors	16
3.3 Donors and international organisations	17

4.	EMPLOYMENT POLICY MEASURES	19
4.1	Wage policy	19
4.2	Public employment services	19
4.3	Labour market information system	20
4.4	Special programmes for demilitarised fighters.	20
4.5	Private recruitment practices	21
5.	CONCLUSIONS AND RECOMMENDATIONS	23
	ABBREVIATIONS AND ACRONYMS	25
	REFERENCES	26

PREFACE

Since 2011, the southern and eastern Mediterranean countries have experienced a succession of revolts and regime changes, the so-called Arab Spring. The revolts served to focus attention on the lack of employment in the region – one of the main causes of social instability – and highlighted the importance of European Union (EU) cooperation with its neighbours in the field of employment. To address this problem, a structured Euro-Mediterranean policy dialogue on employment was initiated in 2008¹ and the reform of the European Neighbourhood Policy in 2011 attributed greater importance to job creation and inclusive growth in the region (European Commission, 2011a; and 2011b).

Alongside this process of structured policy dialogue, the European Training Foundation (ETF) has provided regular inputs to the European Commission (Directorate-General for Employment) through three employability reports, presented in 2007, 2009 and 2011 to the Euromed Employment and Labour High-Level Working Group tasked with preparing the ministerial conferences (Martín and Bardak, 2012). The aim of these reports was to contribute to the policy dialogue between the EU, the ETF and partner countries by providing reliable analyses of employment policy and employability in the region.

As part of this process, the ETF launched another round of analysis on employment policies in selected countries of the region. The focus of these country reports was not to analyse labour market trends and challenges, but rather to map existing employment policies and active labour market programmes and to assess the results and effectiveness of these instruments in addressing employment challenges. The reports also include a short description of the recent political developments in the country, including topics such as the impact of the Arab Spring on the economy and employment, new actors, as well as the recent policy changes (government, donors, funding, etc.).

This report was drafted by Dr Dia Sadek Abuhadra and Dr Tawfik Taher Ajaali, with editing input from ETF experts. Besides the desk review and statistical data analysis, a number of stakeholders – representatives of government offices, civil society, donors, and private companies – were interviewed between 26 and 30 May 2013 in Tripoli by a team of local and ETF experts to gather their opinions on the country's employment policies. The report reflects the findings of these interviews, including contributions from the Labour Market Committee, the National Planning Board, the Ministry of Labour and Rehabilitation, the National Economic Development Board, the Ministry of Economy, the National Investment Authority, the Ministry of Higher Education, the National Board for Technical and Vocational Education, the Warriors Affairs Commission, Libya Enterprise (a public programme for small and medium-sized enterprises (SMEs)), the World Bank, Bonatti (an Italian oil services company), and the Al-Naseem food company.

Chapter 1 provides an overview of the labour market in Libya and Chapter 2 describes key employment challenges, particularly the effect of recent economic and political developments. Chapter 3 provides an overview of actors in the policy environment, their roles and institutional capacities, while Chapter 4 provides an overview of current employment policy measures in the country. The final chapter presents recommendations for the development of employment policies and programmes.

Ummuhan Bardak, Daiga Ermsone and Mounir Baati, ETF
March 2014

¹ A Framework of Actions on job creation, employability of human capital and decent employment was adopted at the first Euro-Mediterranean Conference of Ministers of Labour and Employment held in Marrakech in November 2008, and restated at the second Union for the Mediterranean (UfM) Labour and Employment Ministerial Conference held in Brussels in November 2010.

1. THE LIBYAN LABOUR MARKET

1.1 SOCIO-POLITICAL CONTEXT

Libya is a large country with a population of 6 422 772 (2011), 90% of whom live in the coastal 10% of the land area. The population density is about 50 people per km² (130/sq. mi.) in the two northern regions of Tripolitania and Cyrenaica, but it falls to less than one person per km² (2.6/sq. mi.) elsewhere. About 88% of the population is urban, mostly concentrated in the four main cities of Tripoli, Benghazi, Misrata and Bayda². Population growth has been declining in recent years from annual growth of 2.17% in 2007 to just 1.06% in 2011. However, the consistently high growth rate of the 1990s and 2000s has led to intense demographic pressure due to the fact that under-15s form almost 30% of the population – a situation that has a significant impact on public investment in education, health, employment, housing and infrastructure. Concurrently, the working-age population (15-64) was still increasing (65%) while the 65+ category was marginal (4.88%) in 2009 (World Bank's World Development Indicators).

Libya covers an area of 1 750 000 km² and has 1 700 km of coastal frontiers, making it one of the main hubs for irregular migrants from Africa, especially those en route to Europe. A rich country with high oil revenues, it is an attractive destination for workers from the neighbouring Arab states and also from the poverty-stricken and unstable sub-Saharan countries on its southern borders. Libyan foreign policy of the late 1980s and 1990s encouraged irregular workers from African and Arab countries into Libya and their presence was permitted. However, official statistics on the number of immigrants in Libya are not necessarily reliable as they have been continuously manipulated by the Libyan government to support changing political and economic interests both national and international.

As part of the Arab Spring in 2011, a civil war in Libya ousted the dictatorial regime and a new General National Congress was elected in July 2012. These elections were the first of any kind to be held in Libya since 1965, but, more importantly, they were the first elections since the overthrow of Muammar Gaddafi, Libya's long time authoritarian ruler. The General National Congress was assigned the major task of drafting a constitution while ensuring peaceful political transition and maintaining macro-economic stability. Recent enactment of the 'political isolation law' has created intensive debate in the country. This law banned leading public figures who had held posts during the Gaddafi regime (since 1969) from standing for election or taking new high-level public posts. This was a highly contentious move given the limited human resources available for reconstruction of the country.

The transitional government has taken steps to promote a peaceful political transition, restore the rule of law, initiate a national reform agenda and establish a new system of effective governance to normalise economic conditions. The authorities face ongoing problems with security and control, still needing to restore full security, bring the production of hydrocarbons up to full capacity, exercise fiscal discipline, resuscitate the banking system and maintain macro-economic stability.

The country also faces formidable challenges in responding to the underlying causes of the revolution and in building a democratic regime within a scenario of heightened regional risk and global uncertainty. Any medium-term efforts must therefore focus on capacity building, infrastructure renewal, private sector development, improved education and job creation, and the establishment of an effective social safety net; all within a framework of a transparent and accountable Labour Market Strategy. Libya today is in need of a strategic long-term legislative policy on foreign workers in general and on private sector employees in particular.

The transitional government has adopted 10 transitional goals focusing on its priority areas:

1. providing care and support to injured revolutionaries, families of martyrs, missing persons and those affected by the conflict;
2. providing support to combatants and facilitating their integration in civil life;
3. reinforcing national and domestic security as well as maintaining country unity;
4. returning to normalcy and ensuring a dignified life for all Libyan citizens;
5. making a commitment to achieving democracy, transparency, rule of law, respect for human rights and providing support to civil society organisations;
6. reviving the national and local economy and setting the stage for a new national economic policy;
7. assessing, preserving and developing Libyan investments and assets, whether in Libya or abroad;

² Only partial population and vital statistics are available for Libya. The estimates given in this paper come from the 2010 Revision of the World Population Prospects prepared by the Population Division of the Department of Economic and Social Affairs of the United Nations' Secretariat, unless otherwise indicated.

8. achieving transitional justice and national reconciliation;
9. preparing for the next elections and convening a National Congress;
10. developing a future vision for Libya in the economic, social and service sectors.

One of the main objectives of the transitional government is the promotion of a decent labour market agenda as a key instrument for post-conflict recovery and peace building.

1.2 RECENT ECONOMIC DEVELOPMENTS

The economic infrastructure was degraded significantly during the civil war and economic uncertainty remains very high. Even prior to the Libyan conflict, the country was facing profound challenges in terms of decent work. These challenges included high unemployment rates, especially among the youth (estimates indicate rates of around 30%), inadequate rights at work, lack of freedom of association, a weak social protection system and the absence of social dialogue. These challenges deepened further following the outbreak of the Libyan conflict.

Libya is an upper-middle income country, with the highest per capita gross domestic product (GDP) in Africa as a result of the oil resources. Annual growth in GDP averaged 7.99% from 2000 to 2012 and it reached 122% in December 2012 following a fall of 60% in December of 2011 as reported by the Central Bank of Libya. Annual economic growth fell again to -6% in 2013 due to political instability, but World Bank forecasts from the World Development Index gave expected growth of 23% in 2014.

TABLE 1.1 BASIC DATA, 2000-09

	2000	2005	2007	2008	2009
Population (million)	5.34	5.92	6.17	6.29	6.42
Population growth rate (%)	2.0	2.0	2.0	2.0	2.0
Life expectancy at birth (years)	72.5	73.6	74.1	74.3	74.5
Unemployment rate (%)		16.3	12.0		
GDP (USD billion, current)	38.2	44.0	71.6	88.9	60.2
GDP annual growth (% , constant prices)	3.7	10.3	7.5	2.3	2.3
GDP per capita (USD, current)	7 150	7 434	11 605	14 114	9 371
GDP per capita (USD, PPP)	10 947	13 653	15 714	16 336	16 502

Source: Secretariat of Planning; and General Authority for Information and Documentation

The territory of Libya (90% of which is a desert) holds the largest oil reserves in Africa, which are also among the most extensive in the world. As a result, the country's economy is heavily dependent on oil production, a highly capital-intensive industry that offers limited opportunities for employment expansion. Despite repeated efforts to diversify the Libyan economy, the hydrocarbons sector has accounted for over 70% of Libyan GDP, 94% of government revenue and over 95% of exports in recent years, while employing only 2% of the Libyan workforce. Other sectors continue to contribute a relatively low share of GDP at 6.3% for manufacturing, 2.7% for agriculture, 8.7% for wholesale and retail trade, hotels and restaurants and 8.4% for finance, real estate and the business sector. Although agriculture contributes little to GDP, it accounts for 6% of the workforce, employing more workers than the oil industry.

Oil production was disrupted during the conflict, resulting in a contraction of over 40% in GDP. However, the previous high growth rates are expected to return as income from the oil industry has already bounced back and there are signs of renewed economic activity. The conflict also hit economic activity in other sectors through the destruction of infrastructure and production facilities, disruption to banking activity, limited access to foreign exchange and the departure of foreign workers.

A World Bank assessment from 2012 identified wholesale and retail as the sector showing the greatest promise, employing around 80 000 Libyans. Nominal sector growth of around 8% has slightly exceeded nominal national GDP

growth in recent years (around 6% in 2010) and post-revolution growth overall has been tremendous, with 70% of the 4 200 new firms registered in Tripoli in the first six months of 2012 applying for an import-export license.

The construction sector also looked promising, but only in medium-term forecasts for the following two years. This sector only employs around 35 000 Libyans as the majority of workers are foreign. Nominal growth just before the revolution was extremely high, at around 26%, but only moderate growth is expected in the short term, as many of the larger government-sponsored projects have been put on hold until the political situation is more stable. In the longer term, however, the construction component of the new national development strategies may well drive the sector forward once again, with the possibility of an additional 4 000 jobs per year. If vocational training schemes are able to train Libyan replacements for foreign labourers on the larger construction projects, then the labour absorption capacity of the construction sector may rise even further.

Finally, the manufacturing sector is also worth a mention. This area employs 50 000 Libyans and has benefited from a recent government diversification strategy that has doubtless contributed to strong nominal growth of around 11%, which could translate into around 3 000 new jobs annually. Food manufacturing stands out as a particular growth opportunity, as Libya currently imports 75% of its food.

ETF interviews with the Ministry of Economy and the Ministry of Planning in May 2013 in Tripoli clearly highlighted the economic sectors considered most important for the future by Libyan policy makers.

- *Construction* – A very important sector with great development potential ready for investment in public infrastructure projects, mechanical and electrical appliances that offer many employment opportunities for skilled workers. Reconstruction will start again in Libya once oil production creates enough revenue. Plans are in place to launch large-scale national and regional infrastructure projects such as transportation (in the form of roads and airports), water treatment systems, security services, food security, energy security and housing, all of which will create thousands of new jobs.
- *Petro-chemical industry* (including oil extraction, processing and the production of by products) – Forecasts state that the oil reserves around Benghazi will be exhausted by 2040-50, but other regions in the south west have oil and gas reserves that will last at least 100 years.
- *Renewable energy* (particularly solar energy) – Estimates indicate that Libya could produce enough energy to meet all European needs given its vast land resources and intense sunlight.
- *Maritime sector and related industries* – The extensive coastline is conducive to development of a ship-building industry, ship storage and transportation services whereby Libya could become the trade hub of sea trade between Europe and Africa.
- *Air transportation and maintenance* – The vast expanse of empty land available, low levels of air traffic, oil resources and clear weather conditions for over 85% of the year make Libya a perfect place for aeroplane maintenance bases. It would be ideal as an air traffic hub for flights between Europe and Africa.
- *Agriculture and food processing* – Production in this promising sector is rather hampered by limited water resources. The aim in this area is therefore to support the domestic industry and replace imports with local produce. The animal husbandry and dairy products sectors could be developed easily and good quality products such as watermelon, fig and peach are produced relatively cheaply in the south, where water and agricultural irrigation are available.
- *Tourism* – It may also have potential given the historical heritage and desert tourism openings (and the large numbers of springs and lakes with special environmental features). But cost-effective competition with Tunisia, Morocco and Egypt would not be easy without long-term investment and a strong focus on shaping a differentiated product for the world market.

1.3 LABOUR MARKET DATA

Sound analyses of the trends and challenges facing the Libyan labour market are difficult to produce due to the lack of accurate and reliable labour market data provided by the limited Libyan labour market information system. Statistics have not been officially updated since the revolution and there is no labour force survey conducted in the country. The figures presented in this report are a compilation from various international sources including the International Labour Organisation (ILO), the United Nations, the World Bank and the CIA (Central Intelligence Agency), all of which have issues relating to limited accuracy, reliability and updating. Two-thirds of the Libyan population (4.17 million out of 6.4 million) are of working age, i.e. between 15 and 64 years of age.

According to the ILO Key Indicators of the Labour Market (KILM), activity and employment rates remain quite high compared to other countries of the region (53.4% and 49.2% respectively in 2011). Participation rates vary significantly by gender, with 77% of males and 30% of females participating in the labour force. The female labour participation rate (percentage of female population aged 15+) is relatively high for an Arab nation, and it peaked at 30.6% in 2008 after dipping to 18.2% in 1990. The employment rate of women stands at 26.3% and while many

TABLE 1.2 THE LABOUR MARKET IN FIGURES, 2004-12

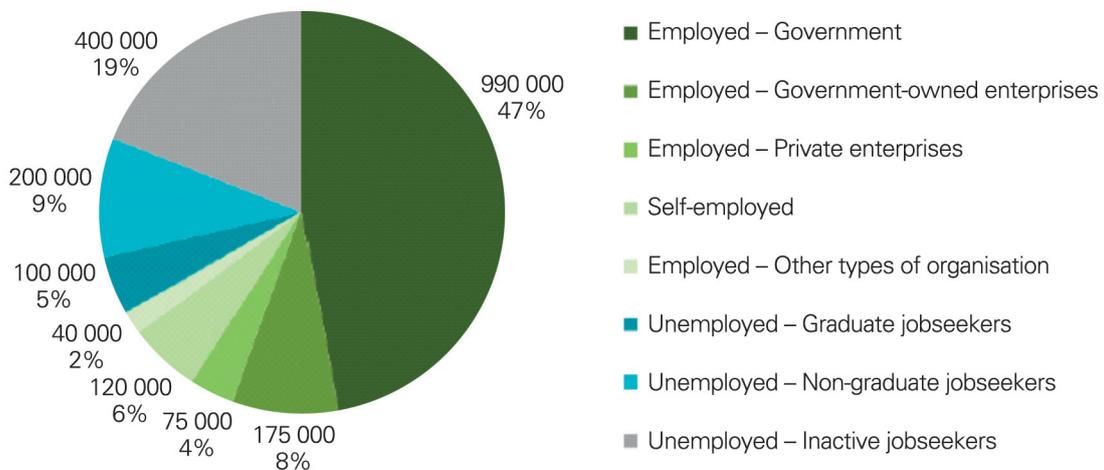
	2004	2010	2011	2012
Working age population				4 177 000
Labour force			1 252 000	1 875 000
Activity rate, total (%)		52.8	53.4	
Employment rate, total (%)			49.2	
Unemployment rate, total (%)	30.0	20.7	19.5	
Youth unemployment rate (%)			33.0	

Sources: ILO – Key Indicators of the Labour Market; United Nations; World Bank – World Development Indicators; CIA – The World Factbook

work as agricultural family workers, educated and skilled women are overwhelmingly employed as teachers or nurses. Other areas that are open to women include administrative and clerical work in banks, department stores, government offices and domestic service. Light industry, especially cottage-style activities has offered another outlet for female labour.

Libya's demographic pyramid shows a prominent youth bulge and recent data extrapolations show that 27% of Libya's population is aged between 16 and 30. However, given that the youth bulge is combined with extremely high unemployment (an estimated 33%) the labour market concerns can broadly be summarised as being related to youth unemployment.

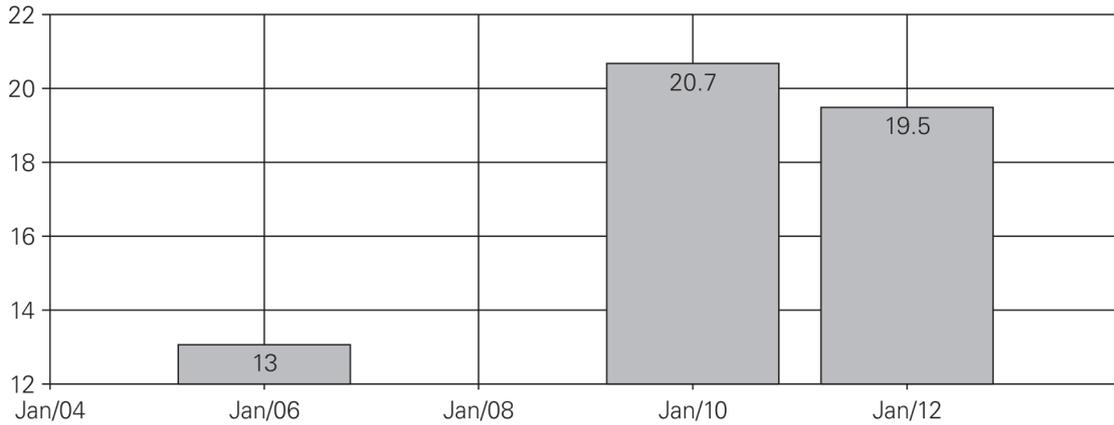
Estimates indicate that the government employs up to 70% of all salaried Libyans in the 1.9 million-strong Libyan labour force. In fact, World Bank figures from 2006 and 2012 give the number of public employees as 840 000, but a rough calculation of 70% shows the number of public employees as 1 330 000 in 2012. While this figure includes an estimated 300 000 surplus staff, the public sector is perceived as an important source of employment and stability by Libyan citizens. The private sector employs only around 4% of the labour force. Nearly 120 000 Libyans are self-employed; a classification that covers informal self-employed groups (e.g. small retail premises) and independent workers (e.g. informal sole traders).

FIGURE 1.1 THE LABOUR FORCE BY JOB STATUS

Source: World Bank, 2012

The Libyan unemployment rate averaged 17.7% between 2005 and 2011, reaching an all-time high of 20.7% in December of 2009 and a record low of 13.0% in December of 2005. However, unofficial estimates indicate that unemployment affects at least 30% of the total working age population, being particularly high among the young where it shows a trend toward increase. Data from the Ministry of Labour and Rehabilitation suggest there are 290 000 unemployed jobseekers among the 400 000 registered jobseekers. When allowing for margins of errors in figures for the unemployed and the total labour market, this gives an estimated unemployment rate of 33% ± 6%, which closely reflects Libyan Central Bank data for 2012.

FIGURE 1.2 UNEMPLOYMENT RATE, 2004-12 (%)



Source: www.tradingeconomics.com

2. MAIN LABOUR MARKET CHALLENGES

It is difficult to provide a sound analysis of the trends and challenges facing the Libyan labour market due to the unavailability of reliable, accurate and up-to-date data. Therefore a limited analysis is provided below on the basis on the available information.

2.1 DISTORTION FROM THE PUBLIC SECTOR

In Libya, the legacy of public sector employment and employment intervention under the state-led, redistributive model of development continues to exert a major influence on labour market development today. In the late 1960s, the government nationalised major companies and took direct control of economic production. Confiscation Law No 4 of 1978 formed a pivot point in the history of country, destroying the entire economic and social structure. As a result, public sector employment increasingly became the primary engine for job creation. Under state ownership, workforce regulations included job security guarantees, social security programmes, relatively high public sector wages with generous non-wage benefits (such as family allowances), and sharp restrictions on dismissal. The rise of the public sector in employment became a key factor in segmenting labour markets, with an employment structure biased toward better-educated graduates and women.

Ministry of Finance's statistics provided in the May 2013 ETF interview in Tripoli, showed that the government was paying salaries to 1.486 million public employees in April 2013, meaning that the Libyan economy maintains some of the highest levels of public sector employment in the world. According to the African Development Bank (2011), formal employment in Libya consists of just 43 000 people in the oil sector, plus the extensive public employment sector. Public services, including healthcare and education, employ 51% of the formal workforce, but only contribute 9% of GDP.

The exceptional level of public sector employment in Libya has impacted on returns to education in four main ways.

- *Reduced productivity of the human capital base* – A body of research on public sector employment argues that human capital in the public sector may actually reduce economic growth, although the degree to which Libya's exceptional public sector employment has lowered growth is not entirely clear. One particular study estimated a loss of 8.4% in GDP growth in the Middle East and North Africa region between 1985 and 1995 as a specific outcome of public administration employment (Nabli, 2007).
- *Unrealistically high wage expectations* – The wages and generous non-wage benefits offered by the public sector have resulted in inflated income expectations that have exacerbated the unemployment problem. Queuing for public sector jobs continues despite diminished job opportunities, clearly demonstrating that wages and working conditions in the civil service remain attractive. The low working hours in public sector are particularly attractive, as this allows many civil servants to undertake extra work in the private market.
- *Direct influence on educational choices* – The lure of public sector employment has influenced returns to education. By rewarding educational credentials with higher wages and additional fringe benefits in public employment, the government has encouraged investment in the types of human capital that meet the needs of state bureaucracies rather than those that meet the requirements of a modern market economy. Individuals in Libya have often sought higher degrees and certificates (in areas other than VET) to improve their chances of securing a public sector job, paying little attention to the content and quality of education, or the requirements of the private labour market.
- *Negative work attitudes to manual work* – Less demanding public sector employment (and short working hours) has influenced attitudes to labour and Libyan people are generally reluctant to undertake tough and manual jobs, or even the more demanding private sector posts. Private employers in Libya view Libyan workers as unreliable and poorly motivated, with some shortfall in both cognitive and non-cognitive skills. At the same time, healthy oil revenues have allowed the government to rely on foreign workers filling the skills requirements of the labour market. The total number of foreign workers was estimated at 2 million before the revolution.

Public sector employment is also heavily affected by a phenomenon known as 'welfare-employment' or 'ghost workers' (Braun and Jones, 2011), where salaries are paid to workers who show no presence or productivity in the workplace. Libyan government officials estimate that at least one-third of the 200 000 primary school teachers and 30 000 nurses on government payrolls are inactive, while continuing to receive monthly salaries. Working time

arrangements are also extremely favourable in comparison to the much longer working hours in the private sector, and the low time commitment of public sector employment has given rise to rampant 'moonlighting' where public servants work in their 'morning job' with the government and an 'afternoon or evening job' in the informal private sector.

There is also significant over-employment in the state-dominated sectors and companies. This situation means the number of new employment opportunities in the public sector is declining and government institutions in many areas are reducing their staff. The expectation is that these workers will be absorbed by the private sector (predominantly SMEs) although no real major change or deep-seated reform of the public sector is expected before the adoption of a new constitution and the establishment of a new government.

In the Libyan culture, it is a common practice for individuals not working in the public sector to register as unemployed, and for people working in the private sector (mostly informally) to consider themselves 'unemployed' simply because they do not have public employment. Under the current system, even individuals working in the public sector but seeking promotion, or those working on a formal contract in the private sector can go to the Labour Office and register as 'unemployed' if they wish, as there is no national database or information technology system to verify their situation. A comprehensive e-government project for a 'national identification number system' will be established in 2014, and the data collected will contribute to more accurate statistics and a truer picture of the labour market situation.

2.2 UNDERDEVELOPED PRIVATE SECTOR

The private sector is currently very small, albeit with a trend toward growth. It consists of a small number of formal private and foreign companies, and a larger number of mostly informal small and micro enterprises. Information on these enterprises in Libya is difficult to obtain although the Monitor Group competitiveness assessment (Porter and Yergin, 2006) provided some positive pointers that were used to form the basis of the country's National Economic Strategy in 2006.

The Strategy itself reported 180 000 registered private companies and a considerably larger estimated number of enterprises in the informal economy. The registered companies were small and relatively unsophisticated 70% of which reported annual sales of less than LYD 50 000 (USD 39 541 at 2012 exchange rates) and a staff of fewer than five workers. In addition, the Monitor team observed a large number of what they called 'supplementary entrepreneurs' (individuals in public sector employment supplementing income with informal private sector jobs) and 'orphan entrepreneurs' (people looking for public sector work who have reluctantly set up service businesses in the meantime).

According to the Global Competitiveness Report 2010-2011 (WEF, 2010), the most important obstacles to private sector development are insufficient government bureaucracy, policy instability and corruption. One explanation of this lies in the poor ability of the business community to contribute to policy formulation as it has limited access to information and few opportunities for mobilising change.

Skills mismatch forms another barrier. Employers in the private sector face difficulties in finding skilled and motivated Libyan graduates as the Libyan education system does not provide the competencies required to drive the economy forward, despite the high literacy levels and enrolment rates. Libyan businessmen often mention the mismatch between the competencies required on the job market and the skills brought to the table by Libyan workers, and complain of the negative work attitudes, low responsibility and excessive white-collar orientation of Libyan employees.

2.3 HIGH UNEMPLOYMENT

The issue of unemployment and limited job numbers is among the most important and urgent challenges facing the Libyan state. The leading reasons for unemployment in Libya are:

- increased population growth, where the 2000 and 2006 censuses show a growth rate of approximately 2.9%, coupled with increased growth in the labour force given the high number of young new entrants to the labour market every year;
- failure of the education and training system to provide qualified workers able to keep up with labour market needs and compete with foreign workers;

- declining role of the state as employer and job creator, both in the public service sector and state-owned and operated economic enterprises (large and small), as part of a drive to gradually withdraw from the production and services field;
- Libyan state policies that deliberately marginalised the role of the private sector in economic activity and regulations that prohibit or prevent the establishment of Libyan private sector businesses.

Structural reforms are needed to support private sector growth and economic diversification in order for the Libyan economy to create the jobs much needed by its young people. Such reforms encompass a clear system of property rights and contract enforcement, mechanisms to avoid anti-competitive behaviour, ways to promote trust and cooperation, and the shaping of social and political institutions that can mitigate social conflict. For the time being, Libya will probably need to rely on the skills of migrant workers until its human capital system can provide Libyans with the required skills and counter their unwillingness to take many types of job.

2.4 SIGNIFICANT ROLE OF THE INFORMAL SECTOR

The inability to create enough employment within the formal labour market has given rise to a significant expansion of informal sector jobs in Libya. The informal sector – sometimes described as the ‘non-observed’ economy – consists of employment and production outside the reach of formal regulations, labour laws and taxes. Features of the informal sector include: ease of entry, small scale activities, micro enterprises with a high proportion of family workers, limited capital and equipment, labour-intensive work, low level of organisation and cheap provision of goods and services.

As in most other regions and countries, the size of the informal sector in Libya is uncertain but large. According to the African Development Bank (2011), as much as 30-40% of the official GDP of the country is provided by the informal economy. Informal employment is estimated at about 40-60% of total employment. Even though detailed or reliable statistics are unavailable for the informal economy, senior government officials estimate a further 1.2-1.6 million people are informally employed, mainly in the agriculture, construction and retail trade sectors. Thus, informal employment represents a significant share of Libya’s job opportunities, forming an important element in labour market demand and outcomes.

The features of the informal sector (easy access, low capital requirements, low level of formal education, freedom from complex procedural control, production for low-income households) make this a dynamic and heterogeneous sector that provides employment for a large segment of the population, especially for education dropouts and those with only basic-level education. The informal sector in Libya comprises a remarkable range of activities, including:

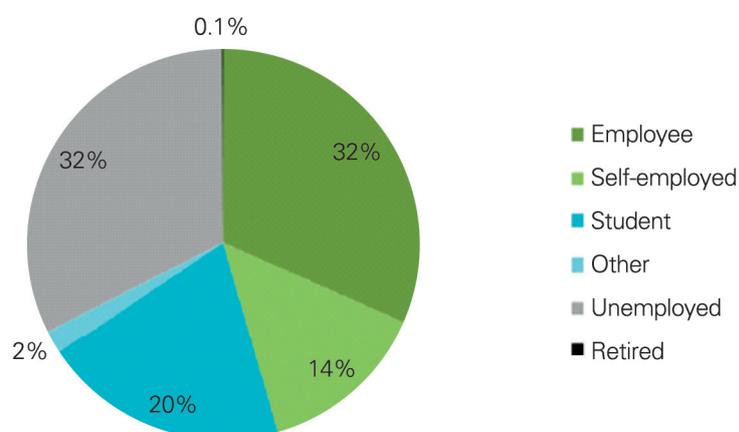
- *underground production*, defined as productive activities hidden from the authorities to avoid paying taxes or social security contributions and to sidestep laws and regulations;
- *illegal production*, prohibited by law, e.g. the drugs trade, prostitution, gambling, smuggling of arms, cigarettes, alcohol, etc.;
- *informal sector production*, defined as productive activities in the household sector, unregistered and micro enterprises, often to avoid compliance with regulations in order to reduce production costs;
- *subsistence or family production*, a sector for immediate consumption by producers and their relatives.

While the informal sector is mainly subsistence-oriented with low-skilled workers and low productivity, it also includes dynamic, growth-oriented entrepreneurs who provide a large number of urban jobs across a wide range of industries, occupations and workplaces. They build markets, introduce innovations, expand trade and generate employment by facilitating labour market flexibility, allowing entrepreneurs to tap into an adaptable workforce.

2.5 SPECIFIC NEEDS OF DEMILITARISED FIGHTERS

The recent revolution in Libya has added another complex element to the labour market, in the emergence of ‘formal’ (largely under government control) or ‘informal’ (largely out of government control) security organisations that originally arose to fight the former security institutions, but that now serve to augment or replace them.

During the conflict, around 300 000 Libyan males joined these informal organisations in a spectrum of combative roles. **FIGURE 2.1** reproduces data showing the diversity of occupational background of the 225 000 former fighters registered with the Warriors Affairs Commission (WAC). It is worth noting that a large proportion of those involved in the conflict were previously unemployed, indicating that the formal and informal security organisations may well have temporarily provided an employment opportunity for Libyan males previously unsuccessful on the labour market due to a lack of skills and motivation. Qualitative information suggests that the majority of those in employment before the conflict have now returned to work.

FIGURE 2.1 PREVIOUS EMPLOYMENT STATUS OF PEOPLE REGISTERED WITH THE WARRIORS AFFAIRS COMMISSION

Registered WAC population: 225 000 (May 2012)

Source: World Bank, 2012

According to information provided to the ETF team by WAC, 215 000 demilitarised fighters were registered on the WAC database, and many of those who actively fought in the 2011 revolution have downed weapons and returned to work or joined the government. Out of the 215 000 men registered, 50 000 have been hired into the Libyan military and police forces. The remainder are eligible for specialised vocational training, study abroad, job placement in the public sector (to be organised by the Ministry of Labour and Rehabilitation), and priority SME financing. The government has pledged LYD 520 million (USD 414 million) to support the development of SMEs for demilitarised fighters, with a target of 5 000 SMEs (see Section 4.4 for further information).

2.6 HIGH INFLOWS OF IMMIGRANT LABOUR

Libya is one of the main hubs for irregular migrants in Africa, especially those on their way to Europe. In 2011, the International Organisation for Migration (IOM) estimated the total number of foreign nationals living in Libya before the crisis at 2.5 million including 1 million Egyptians, 80 000 Pakistanis, 59 000 Sudanese, 63 000 Bangladeshis, 26 000 Filipinos, 10 500 Vietnamese and 'a large population of sub-Saharan Africans mainly from Niger, Chad, Mali, Nigeria and Ghana' (IOM, 2011). However, according to IOM estimates, 768 372 migrants fled the violence in Libya during the 2011 crisis.

Foreign labour migration was encouraged by Libyan foreign policy during the late 1980s and 1990s. However, once Libya had become an irregular migration hub, certain internal problems arose and the country found it lacked the legal instruments to deal with the situation. The Libyan government issued several new rulings in order to better organise the labour market, but laws previously issued in the 1970s and 1980s were still in force, resulting in blockages in the system and discrepancies in Libyan legislation. Libyan legislative policy has been reactive rather than strategic and this has had impacts on the labour market.

Libyan laws restrict the employment of foreigners by setting numerical limits. They also state that companies only have the right to recruit non-Libyan nationals for positions that cannot be filled by Libyan nationals. However, in reality, companies are able to request permission to employ more foreign workers in any sector where they cannot find qualified Libyan workers and there are widespread reports of abuses in this system as most employers tend to prefer foreign workers.

Under Libyan law, at least 20% of workers in foreign companies must be Libyan nationals and the companies must also provide training to an additional number of Libyan citizens every year. This 20% compulsory quota means that companies employ Libyan workers, many of whom are not qualified for the jobs, do not want to work and would rather stay at home while claiming their salaries. For training purposes, the number of Libyan trainees must total 20% the foreign workers employed by the company, and the labour offices send the names of selected trainees directly to companies. The courses are generally delivered by a registered outside training company for the period of one year and the subject matter is not specified, although English, information technology and technical skills are popular. The companies are not obliged to employ the trainees once they have completed the course.

If companies prefer not to provide this training, they must pay the cost of one year's training for the given number of Libyans to the Labour Office in the form of a penalty. This practice creates extra costs for the company and training is generally not performed effectively. Ideally, companies should be encouraged to provide training by incentives rather than by penalties.

Despite the bias of regulations in favour of Libyan workers, the mismatch between the educational system and market demand has produced a large pool of expatriate workers, typically with better-targeted education and higher productivity, although the shortage of manual labourers in Libya also means there are significant numbers of low-skilled immigrants. There are an estimated 2 million or so foreign workers in Libya, most of whom are illegal. The 'highly qualified employees' (working as managers, engineers, economists, high-tech consultants) mainly come from Western and Eastern Europe, the 'middle class workers' from India, Pakistan, Egypt, Jordan and Tunisia, and the 'unskilled workers' from Bangladesh, Nepal, Niger, Chad and Sudan.

2.7 WEAK PUBLIC EMPLOYMENT SERVICES

Public employment services should fulfil brokerage functions, matching available jobs with jobseekers. In Libya, public employment services face a number of severe problems, such as a lack of proper funding and insufficient staff, while having to operate in the very difficult environment of a demand-deficient labour market, high unemployment and significant informal employment. The Ministry of Labour and Rehabilitation, the leading government agency in the provision of public sector employment services, is unable to offer the usual range of active labour market measures such as career counselling and meaningful job training.

Instead, this entity is currently acting more as a ministry of foreign labour, assigning employers permits for foreign workers to come to work in Libya. In addition, labour market information is rarely collected and is not provided to public or private sector employers or the labour market on a timely basis. No effort is made to perform labour force surveys or to expand understanding of employment trends in the private sector.

However, employment has become the first national priority of the current Libyan government, and the authorities have expressed the intention to make quantitative and qualitative improvements to employment through the creation of new qualified jobs for Libyans as specialised workers and technicians at medium and high skills levels. The lack of an effective public employment service at a time of rapid transformation in the Libyan economy has been approached by several private sector initiatives that aimed to address worker needs, particularly in the most skills-intensive occupational areas (see Chapter 4 on employment policy measures for additional information).

2.8 SKILLS GAPS AND MISMATCHES

The Libyan labour market is shaped by the co-existence of expanding unemployment for nationals and growing numbers of foreign migrant workers: a paradoxical situation arising from a combination of skills mismatch, public sector dominance of the labour market and distaste for manual labour.

This mismatch between the education system and labour market needs is reflected in the high unemployment rate of university graduates. According to the World Economic Forum Global Competitiveness Report 2010-11, Libya performs poorly in terms of the overall quality of the educational system, ranking 128th for primary education and 138th for higher education out of 139 countries.

Meanwhile, public sector involvement in the economy has a huge influence on the labour market. Libya continues to maintain one of the highest levels of public sector employment in the world, absorbing 70% of the formal workforce. The wages and generous non-wage benefits and working conditions offered by this sector have resulted in unrealistically high wage expectations from graduates of universities and vocational education and training (VET) schools, all of whom aspire to white-collar jobs. Consequently, most Libyans are unwilling to undertake manual work, leading to a gap in the jobs market currently filled by unskilled migrant workers.

The World Bank 2011 Libya Investment Climate Survey showed 30% of firms reported being unable to find sufficient workers with the necessary skills, clearly demonstrating that while massive labour immigration can provide the labour market with some of the in-demand skills, the employment perspectives for the generations coming up to working age are far from optimistic given the combination of inadequate education and continued demographic growth.

There is, in fact, a hefty disconnect between the university system and the demands of employers. Students have no access to career counselling services at university and rarely participate in internships while they study. When they

graduate, they have little understanding of expectations in the world of work and they are ill-prepared to start actively searching for jobs. From the opposite perspective, the real job markets for graduates lie mainly in the public sector, which is governed by rigid recruitment laws and regulations and is already oversaturated by excess employment, and the oil sector, which has limited employment capacity. The local Libyan private sector is relatively small, mostly comprised of SMEs that tend not to recruit university graduates.

The education system in Libya faces many challenges, not least in meeting the demands of an employment market that needs a 'job-ready' workforce (GPC, 2006). Economic experts have mentioned an urgent need for a human resources strategy in Libya including a review of the education system to achieve a better match between the skills acquired in formal education and the requirements of a modern economy (Braun and Jones, 2011). Such an approach sets the basis for a new vision of technical and vocational education and training (TVET) in Libya, where training quality should be significantly increased in order to meet labour market demands.

Current TVET provision occurs in relative isolation from the labour market. No systematic approaches or actions have been put into place to reduce the gap between skills supply and demand, and there are no mechanisms to connect with the labour market and companies at either national or school level. There have been no studies conducted into skills needs and post-graduation careers are not monitored, even though the schools recognise the importance of such studies in adapting training provision to social and economic needs.

TVET in Libya also suffers from a poor public image and the sector has long been considered a pathway to absorb low-performing students both from basic and secondary education. Data from the Libyan Statistics Bureau shows 37% of the labour force is registered as having a 'technical profession' (incorporating teachers, scientists, police officers and soldiers, etc.) and 21% with an 'administrative profession' (GAID, 2010). Less than 10% of the population is engaged in manual work such as unskilled daily labour, agriculture or the vocational trades (plumbing, painting, etc.), which strongly suggests that social norms, motivation and circumstance combine so that most of the Libyan labour force is working in 'desk jobs'.

3. KEY ACTORS IN THE LABOUR MARKET

3.1 STATE ACTORS

MINISTRY OF LABOUR AND REHABILITATION

The most important government agency overseeing Libya's labour market and providing public sector employment services is the Ministry of Labour and Rehabilitation. This ministry has undergone numerous rounds of reorganisation and rebranding in recent years, but while its mandate has been repeatedly re-defined, the entity continues to remain under-resourced. The stated goal of the ministry is to match labour supply and labour demand efficiently and effectively both in the public and private sectors, in order to accommodate both qualified local and foreign jobseekers. The ministry currently fulfils the three main functions of facilitating job placement for unemployed people; providing follow-up on the staffing of government bodies; and training and capacity building. These functions are led by separate departments, each headed by a deputy minister.

In reality, however, the Ministry of Labour and Rehabilitation is currently most engaged in processing requests for foreign workers coming into Libya, issuing their work permits and acting as the human resources department for the civil service across government ministries, with a primary focus on recruitment policies. The ministry is less active in the areas of employment and training services, and the collection and analysis of labour market information.

The ETF interview with the Deputy Minister of Labour Affairs in May 2013 in Tripoli revealed that the ministry has a total of 6 200 staff in the central ministry and the 72 labour offices spread across the country (see Section 4.2 for more information).

The Ministry of Labour and Rehabilitation is currently working on a new draft labour law with no 'red lines for employers' that aims to bring workers, employers and the government together to solve the labour market problems. The draft law will be published on the ministry's website for open public discussion prior to a workshop session where the final version of the law will be discussed with representatives of all the stakeholders. Similarly, the ministry is working on draft union and social dialogue laws on collective bargaining and strikes. These laws will apply only to the sector, as public employment is regulated by Civil Service Law.

WARRIOR AFFAIRS COMMISSION – WAC

WAC is the key body interacting with combatants regarding rehabilitation and the re-insertion of demilitarised fighters (*thuwar*) into the Libyan economy. The entity was established in early 2012 as part of the Prime Ministry. WAC has established dialogue with other Libyan institutions such as the ministries of Labour, Interior and Defence and international organisations supporting disarmament, demobilisation and reintegration. The WAC objective is to facilitate employment opportunities for former combatants, mainly by supporting training programmes (see Section 4.4 for more information on the programmes for demilitarised fighters).

The main challenges facing WAC are (i) competition with other government ministries over jurisdiction and control of resources; (ii) a lack of overall employment opportunities for the placement of demilitarised fighters; (iii) a lack of educational and training opportunities specifically for demilitarised fighters; and (iv) the continued possession and smuggling of heavy weaponry among some parts of the Libyan population.

MINISTRY OF ECONOMY AND NATIONAL ECONOMIC DEVELOPMENT BOARD

The main demand-side actor is the Ministry of Economy, whose main involvement in the labour market is the National Programme for Small and Medium Enterprises. One focus of this programme is to facilitate access to loans by simplifying the guarantee requirements. The ministry also undertakes activities at the city-council level.

The National Economic Development Board (NEDB), affiliated to the Ministry of Planning, was established in 2007 to advise the Ministry of Labour and Rehabilitation and the Ministry of Economy on strategies for boosting employment within the public and private sectors. The plan was to integrate 20 000 demilitarised fighters into the labour market

in coordination with WAC. The NEDB recently signed an agreement with the Ministry of Labour and Rehabilitation to provide support in the development of labour market policies.

NATIONAL PLANNING BOARD AND LABOUR MARKET COMMITTEE

The National Planning Board is a public body that provides support to the General National Congress. It was first established in 1951 as a Parliamentary think tank to design general policies and macro development strategies. In early 2013, approximately 340 scientists and experts were called together into 20 working committees on subjects such as: the constitution, political and legal framework, security, labour market, education, foreign investment policies, science and technology, energy, water security, vocational and technical training, etc., as part of a long-term strategy entitled 'Vision of Libya 2040'. The head of parliament supported the idea and members of parliament attend committee sessions. The outcome of this work will be presented to the parliament for approval.

Within the National Planning Board, a working group known as the Labour Market Committee was established to discuss and develop a general labour strategy within the overall framework of national reconstruction with members recruited to represent the labour, education and economy sectors. This committee has identified the leading labour market challenges as being inconsistency and incoherence in the legislative framework; the lack of involvement of social partners; illegal migration; and, the lack of reliable information and statistics. The committee is drafting a new labour law in consultation with the ILO and the Arab Labour Organisation, which will include provisions on modern labour issues such as severance payments and collective bargaining. Work is also underway on draft laws for civil servants, the participation of social partners and health and safety at work.

NATIONAL AUTHORITIES FOR TVET

TVET currently operates under the Ministry of Higher Education, within which VET schools are overseen by the National Board for Technical and Vocational Education. There are 381 intermediate vocational centres (upper secondary education from which graduates can continue to technical institutes and colleges with grades of 85% and over), 91 higher technical institutes and 16 technical colleges (from which graduates are not allowed to continue to higher education). There are currently approximately 400 000 students studying in Libyan universities, while there are only around 150 000 students in the TVET system.

The ministry is aware of the poor quality of education and training, lack of facilities and trainers, outdated curricula and the negative perception of TVET as dead-end education that decreases the attractiveness of the system. As a result, increasing the quality of TVET is a priority for them. Plans are in place to establish 'sector skills councils' in the tourism, construction and agriculture (including food processing) sectors, which those are considered most suitable for better collaboration with employers. The membership of these skills councils will include representatives of employers, trade unions and the government and they will work on skills supply and demand assessment for each of the sectors. The ministry intends to change the dead-end nature of TVET through a revised curriculum that will allow successful graduates to continue into higher education.

It should be emphasised that not all TVET schools are equal, and some offer far better quality education. Schools such as the College of Business and Finance in Tripoli, (information technology graduates and health technicians) offer higher quality education and therefore have a reputation for producing better graduates who can easily find jobs when they complete their studies. These good schools cooperate with industry and offer students a three-month practical placement in a company. In fact, graduates of these schools have better chances of employment in the labour market than university graduates in the humanities, arts, law and economics. However, engineering and medicine are still the most popular choice of faculty in university education.

3.2 OTHER ACTORS

NATIONAL PROGRAMME FOR SMALL AND MEDIUM ENTERPRISES

The National Programme for Small and Medium Enterprises is the body in charge of the oversight, planning, financing, supervision and management of the SME sector in Libya. The programme is an independent agency with honorary attachment to the Ministry of Economy. Its main objectives are to promote entrepreneurship among youth and develop employability skills, establish business incubators, prepare feasibility studies for a sample of selected projects and secure their funding.

The programme became active in 2012, following the Libyan uprising, developing into a legally and financially independent agency. Initial investment went into capacity building for technical staff, on the basis of international

experiences in the field. This was followed by a series of talks and partnerships with national public and private institutions to identify opportunities for cooperation. More recently, management of the SME programme had gone over to a new higher level steering committee, headed by the Deputy Prime Minister and including members from the ministries of Planning, Labour, Industry, Finance and Economy alongside the programme director. This committee is awaiting activation.

TRADE UNIONS

The National Federation of Unions was formed for private and public sector employees in 1972 and only membership of this trade union is permitted in Libya. Foreign workers are not allowed to form unions.

CHAMBERS OF COMMERCE AND BUSINESS ASSOCIATIONS

Private business associations contribute to labour market development, mainly by lobbying government officials for a better business environment. Each week, members of Libya's most prominent business association, the Council of Libyan Businessmen, meet with the Minister of Economy to discuss issues of importance to them. The council is lobbying the ministry on three main issues: banking sector reform to make credit more accessible to the private sector, possibly through a Bank Loan Guarantee Fund; reform of restrictive taxation policies such as the jihad tax and the limited double taxation regime; and plans for industrial zones with guarantees for land availability and ownership (something that has caused problems for businesses in the past). The Libyan Businessmen's Association is another prominent private business association with a similar approach.

3.3 DONORS AND INTERNATIONAL ORGANISATIONS

At the request of the Libyan authorities, international donors and organisations are currently engaged in policy consultations and technical assistance aimed at maintaining macro-economic stability and developing an institutional infrastructure to promote economic diversification and employment growth.

EU

The EU provides support to modernise the TVET sector through a project aimed at improving system capacity for quality provision in Libya. The project is built around several components that aim to enhance the quality and relevance of training provision in a selected number of TVET schools. The strands will aim to meet the social and economic needs of the community in terms of qualifications; reinforce the capacity of intermediary bodies such as the National Board for Technical and Vocational Education or the centre in charge of developing occupational standards; develop the capacity of the main stakeholders; and achieve better labour market integration of the unemployed. The overall budget is EUR 6 million and the project is being implemented by a consortia led by the British Council.

ETF

The ETF is currently implementing two projects in Libya: the Torino Process and the Governance for Employability in the Mediterranean (GEMM) project.

The Torino Process is a participatory process leading to an evidence-based analysis of VET policies in a given country. It is performed in order to build consensus on the possible ways forward in VET policy and system development. This includes determination of the state of the art and vision for VET in each country, including an assessment of the progress being made toward achieving the desired results after a two-year period. Libya joined the process in 2012.

GEMM is a regional project focused on improving the governance of VET systems in nine countries of the Mediterranean region (Algeria, Egypt, Israel, Jordan, Libya, Morocco, Palestine and Tunisia)³ and co-funded by the EU. GEMM approaches the issue of governance at the national and sub-national levels with an overall aim of boosting the relevance of VET, enhancing its quality and upgrading the capacities of various stakeholders.

GIZ

GIZ (the German Agency for International Cooperation) produced an extensive labour survey in 2011 (Braun and Jones, 2011), focused on the career prospects and aspirations of Libyan youth and opportunities to improve the quality of education and secondary vocational education institutes. The survey concluded that while Libya has done well on literacy and gender parity, the quality of education here is among the worst in the world. Additionally, the

3 EU cooperation with Syria is currently suspended.

study concluded that there is an almost total rift between the education system and the economy, that many Libyans lack methodological and entrepreneurial competencies, and that external stakeholders have little to no voice in the development, curriculum or management of the educational institutes. No follow-on project has been announced since the final report was published.

WORLD BANK

In 2012, the World Bank undertook a labour market assessment in Libya (World Bank, 2012). The aim was to examine current opportunities and challenges in the labour market, evaluate labour demand and supply, and assess the growth potential of various sectors. A labour demand assessment was piloted, focusing on the six economic sectors that offer the most private sector employment opportunities (construction, hospitality, trade, agriculture, services and manufacturing). This qualitative assessment helps identify openings for short-term employment programmes to boost job creation opportunities. The World Bank has also developed a one-year employment project that covers various capacity-building activities including collaboration with the Statistics Bureau (under the Ministry of Planning) to develop labour market statistics. A labour force survey is being planned with support from the Bank. A further project involves work with the WAC and other government agencies to launch a pilot training and entrepreneurship programme for demobilised fighters (100-200 trainees).

BRITISH COUNCIL

The British Council implements the EU-funded Technical and Vocational Education and Employment Project by working with vocational schools and colleges across Libya, along with national and regional stakeholders, to establish sustainable responses to the challenges of unemployment, private sector growth and the changing role of the TVET system in the current economy. The project supports: the establishment of agro-food, construction and tourism Sector Skills Councils; the development of competency standards to ensure that training is developed to meet employer needs; and, the establishment of processes for collecting and sharing labour market information.

4. EMPLOYMENT POLICY MEASURES

4.1 WAGE POLICY

Official wages in Libya's public sector are low compared with average living expenses. The Gaddafi government raised the minimum wage repeatedly in the period just prior to the revolution in a bid to ease unrest. In mid-2012 the average public sector salary was a minimum of LYD 500 per month (USD 400) and a new minimum wage of LYD 450 was established for all sectors in 2009, although the average wage earned is far higher for both Libyans and migrants. Indeed, the monthly wages paid to migrants working in hotels in Tripoli range from LYD 500 to LYD 700. The dominance of public sector employment combined with the rigid and fixed wage system have depressed wages across the economy in a way that encourages Libyans to seek multiple sources of income.

There is also an unemployment assistance payment of LYD 500 that can be paid to one unemployed individual in each family. In addition, the government spends an annual LYD 14 billion on public subsidies for cheap oil, basic food items and electricity, although current plans are to gradually reduce subsidies in return for higher unemployment assistance. A substantial number of public employees have more than one job in the public sector and many continue to draw a salary while not actually going to work.

Public sector employees in Libya receive other benefits in addition to wages. The Gaddafi government paid public employees a sliding scale pension, heavy subsidies to cover household costs of living (rent and utilities) and government workers also received a food stipend. Moreover, there is a pervasive general belief that in the post-Gaddafi era Libya, resources will no longer be siphoned out of the country, but will instead be redistributed to the under-paid public sector workers. In a survey conducted by the International Republican Institute, a US-based organisation, in December 2011, 72% of respondents stated that 'it is very important' for the government to play a strong role in the economy and private sector, while 97% felt that the government should play a strong role in the provision of social safety nets for the poor (IRI, 2011).

The frustration of Libyan workers is exacerbated by the fact that foreign professional workers in Libya are paid higher wages than their Libyan counterparts. Census data for 2000 showed that 20% of expatriates earned over LYD 300 (USD 230) per month, compared to only 12% of Libyan nationals. Interviews with employers suggest that they prefer foreign workers because of their greater skills, higher productivity and deeper loyalty. Both foreign and private sector employers benchmark the wage levels of Libyan workers against the already suppressed public sector wages.

4.2 PUBLIC EMPLOYMENT SERVICES

Public employment service functions are performed by the Ministry of Labour and Rehabilitation and a network of 72 labour offices across Libya responsible for registering the unemployed, dealing with formalities for hiring foreign workers in the required sectors and enterprises, finding jobs for the unemployed in both the private and public sectors, and providing training programmes for the unemployed. The labour offices do not provide any career counselling services and jobseekers have no access to career counsellors, counselling brochures or handouts.

The task of the labour offices is to receive and review job applications and to insert these into a central database. The process for integrating information on job openings and jobseekers is still manual: jobseekers personally file job applications at the labour offices and the responsible staff member then enters the information into a database. The records are transferred to a central job bank in the information technology department at the Ministry of Labour and Rehabilitation's headquarters on a flash drive each week. Furthermore, the labour offices do not appear to have access to databases of training providers or national SME schemes, institutions or funding agencies.

The few computers available at the Tripoli labour office are not available to jobseekers and are not connected to the Internet. Employers (public or private) who seek workers may request a shortlist of names of jobseekers.

During the first half of 2013, the Tripoli labour office received fewer than five inquiries from public sector employers and no inquiries from private sector employers looking for Libyan job applicants. However, during the same period, it received 20 000 requests for foreign workers: typically welders, pipe fitters and heavy machinery operators. The requests mainly came from employers in the construction and oil industries, as there are few Libyan skilled workers in these occupations.

The labour offices are considered to be the least reliable source for information on job availability. Jobseekers use them only as a secondary source of job search alongside many others. Individuals are far more likely to find a job through informal means (i.e. via personal networks) or through direct approaches to public or private sector employers. Private sector employers usually rely on informal direct contact with jobseekers or they use private sector online employment services (see Section 4.5) to find employees. Once employed, jobseekers often do not update their employment status with the labour offices. Also, private sector employers do not feel compelled to notify the labour offices once job openings have been filled.

Private sector employers report that they are often exposed to the nepotism of Labour Office employees, a practice that perpetuates an even more negative image of the Labour Office and discourages employers from working with the entity. The Ministry of Labour and Rehabilitation has no formal system for monitoring or evaluation of Labour Office performance.

4.3 LABOUR MARKET INFORMATION SYSTEM

The obvious weaknesses in the public employment service are compounded by the fact that the Ministry of Labour and Rehabilitation maintains no modern labour market information (LMI) system. The current LMI system does not contain the data sets needed to build indicators or conduct research and analysis. LMI is not collected and no labour force survey is conducted. No effort is made to survey or understand private sector employment trends.

The small amount of information that does exist is merely an archive containing aggregated employment records from the ministries that provide little quantitative or qualitative information on public sector employment. The archive is mainly used to cross check the records of public sector employees who try to abuse the government incentive system by 'working' at more than one office in order to receive multiple public salaries. Although the job-seekers section of the LMI contains some information on jobseekers, this information is obsolete and has been rarely requested by private employers.

4.4 SPECIAL PROGRAMMES FOR DEMILITARISED FIGHTERS

The employment and training of demilitarised fighters (*thumar*) is a priority for the current Libyan government and the Warriors Affairs Commission (WAC) was set up in 2012 to provide support to demilitarised fighters and to facilitate their integration into the labour market. WAC activities follow a five-stage cycle.

1. *Registration* – A total of 240 000 men (no women) were registered at the 29 WAC centres, where they were classified into four categories depending on their experience during the conflict – front line, logistics, community security and non-combatants. The registration stage has now been closed but it is not clear how many fighters were left out of the WAC registration process.
2. *In-depth interview* – A high proportion of those registered returned to WAC for an in-depth one-to-one assessment interview discussing their background, needs and employment aspirations.
3. *Train the trainer* – Some 300 selected former fighters were given detailed training that will allow them to provide courses to other former fighters.
4. *Training* – The training schedule and curricula were not yet fixed at the time of the assessment, but it appears that it may include vocational training, business skills and language skills training. There may be international elements to the programme and WAC is interested in gaining accreditation for these programmes.
5. *Job placement and SME development* – once the training is complete, WAC will support participants in their job search or in the establishment of SMEs.

There are three main programmes for demilitarised fighters.

1. *Ifad* (meaning 'sending') targets demilitarised fighters who want to continue their higher education abroad. Some 18 000 students will be sent abroad over a period of four to five years, although the programme faces the dual challenges of high participant expectations and a lack of language skills in English.
2. *Kader* (able) targets demilitarised fighters with no skills or qualifications and aims to get them a place on a vocational training course. Some 28 000 people have been targeted and again the intention is to send them abroad.
3. *Tamouh* (ambitious) aims to support demilitarised fighters in setting up their own businesses. It will provide technical assistance, training and seed capital to *thumar* entrepreneurs. The programme will offer support to 5 000 people.

All of these programmes are either in the design phase or at an early stage of implementation. As such, no information is yet available on their impact although some important observations can already be made on the format of the programmes.

Firstly, WAC was established to act as an intermediary body between the demilitarised fighters and other governmental institutions that could provide support to those fighters such as the SME programme, the Ministry of Labour, the National Board for Technical and Vocational Education and others. Now, however, WAC is developing programmes such as Tamouh itself, claiming that the other institutions were unable to offer the necessary support or sufficient capacity to deal with the specific situation of the demilitarised fighters.

Secondly, travel abroad appears to be a constant element in all WAC programmes to the extent that this could even appear to be the main objective. While this is what many of the former fighters seek, it will be difficult or even impossible to send all of the 150 000 earmarked men abroad. All of the support provided so far by the EU, the ETF and other international organisations has targeted existing institutions in order to reinforce their capacity to provide better services to Libyans. There are concerns that this approach will be unable to provide the immediate solutions sought to the potentially explosive situation of former fighters, many of whom are still armed.

Finally, offering training or study abroad to former fighters is unlikely to provide a definitive solution, especially in view of the characteristics of the labour market in Libya described earlier. In all likelihood, the men will return after their training to seek a public post in the country as is the established pattern in Libya.

One route to a solution could be sought by encouraging closer contact between WAC and national institutions such as the SME programme and the National Board for Technical and Vocational Education, increasing WAC awareness of existing possibilities at national level and establishing links with those better positioned to understand the specific situation of the former fighters. As these men constitute a 'vulnerable' population, the current government could give them priority in access to higher education institutions and VET schools, or in getting support to start their own businesses. Finally, the benefits offered by WAC could be made dependent upon requirements for the former fighters (completion of training in Libya prior to training abroad, etc.). Such an approach would limit the number of former fighters continuing their studies abroad and would give WAC more time to find places for them.

The government allocates substantial resources for training and had an overall budget of LYD 1 billion for the item in 2013. The Ministry of Labour alone had a training budget of LYD 300 000 in 2013 and a further line of funds is allocated under a rehabilitation budget that will provide training for 18 000 Libyan jobseekers at home and abroad. Finally, WAC has a separate budget for the demilitarised fighters (*thumar*) and the Ministry of Labour has designed a training project for 1 772 former fighters that will be provided to another cohort of 3 000 in the near future.

The absence of clear statistics and databases mean that jobseekers are randomly selected to receive training benefits from the government, and some 4 000 people have been supported so far. The only criterion is that the jobseeker must be registered as unemployed in one of the labour offices.

4.5 PRIVATE RECRUITMENT PRACTICES

Recruitment procedures vary among employers in Libya. Large companies, such as the state-owned National Oil Corporation, use formal and well-documented recruitment procedures, whereas SMEs are more likely to use informal recruitment networks and simple personal interviews. Field interviews with private and public sector employers revealed that various job search modes are commonly used, regardless of business size or economic sector. Employers indicated that they depend on word-of-mouth or walk-in jobseekers for recruiting both educated/skilled and non-educated/low-skilled workers. They also use company websites, newspaper job ads and Facebook pages to find workers. Some employers indicated that they were not satisfied with the quality of job applications received.

Recently, several new opportunities have emerged for employment service provision in the private sector in Libya as these were illegal under the Gaddafi government. Thus, small professional employment services have recently started to appear that use various approaches to link labour demand and supply. These employment services mainly target university graduates in major urban centres and seek to match them with prominent private sector and foreign employers.

Web-based employment services are widely recognised and used by Libyan and foreign private sector employers. Public sector entities use these websites mainly to advertise for applicants for higher skilled positions (e.g. deputies, directors, etc.). Some of the most prominent online employment websites are listed below.

- *LibyaInvestment.com* (www.libyainvestment.com/) – A popular website (in English) that has been intensively used by employers to find new recruits mainly among university graduates. The website advertises job openings

in Libya for local and foreign companies, allows jobseekers to post CVs and employers to post vacancies on a daily basis, and advertises training programmes available in Libya.

- *The Libyan page of OpenSooq.com* (<http://ly.opensooq.com/>) – An open forum (in Arabic) for the buying and selling of goods and job searching. Libyan companies tend to advertise on Open Sooq more than foreign companies.
- *Job.ly* (www.job.ly/) – A bilingual (Arabic and English) recruitment website launched in 2008 to help its owner, a software development company, recruit new employees. Web features have been upgraded recently to make it into a free employment website for Libyan jobseekers and expatriates seeking work in Libya. The site owner hopes to work with the Ministry of Labour and Rehabilitation on a national campaign to promote a system suitable for jobseekers and employers alike.
- *Wathifalibya.com* (www.wathifalibya.com/) – A recent entrant to the online job search market in Libya (site in English).
- *Shoghlanty.com* (www.shoghlanty.com/) – Targeted toward the entire Arabic-speaking region. There are currently 1 791 jobs advertised for Libya, as well as an extensive database for jobs outside Libya. However, when tested, many of the links were inoperable.

Job fairs are another form of recruitment that has been developing in Libya. Job fairs are typically expositions that allow for employers, recruiters and schools to meet with prospective jobseekers and to facilitate quick and smooth graduate transfer to the job market. Some companies are active on university campuses to interview and recruit university graduates but these are mainly foreign oil and construction concerns.

In 2012, private companies and non-governmental organisations owned or managed by engineering graduates of the University of Tripoli held an informal 'career expo' at the Faculty of Engineering for graduates of the faculty. The aim was to promote career development for university students and guide graduates toward technical and soft skills training, job search skills, and labour market information in order to narrow the gap between engineering graduates and employment. No analysis is available on the outcomes of this event.

From the perspective of jobseekers, while unskilled labourers principally find jobs through traditional methods, skilled labour job applicants are making increasing use of job fairs, social media and online job boards.

5. CONCLUSIONS AND RECOMMENDATIONS

The events of the Arab Spring have proved that a lack of decent employment opportunities can lead to social unrest and declining confidence in government and society as a whole. Before the global economic crisis, most countries in the region including Libya saw solid growth rates and economic reforms that were successful in some areas. However, this growth did not translate into sufficient job creation, and the jobs that were created were often low productivity posts that did not provide a realistic option for the increasing number of educated young people entering the labour force.

In many ways, these deficiencies were related to the ineffective labour market and the limited availability of decent work in the country. As a result, post-2011, the Government of Libya sought to address these challenges through the provision of decent jobs more suited to the aspirations of people, while also building the basis for a democratic and peaceful society.

The opportunity for political reform in Libya is unprecedented but structural political change cannot be dissociated from economic reform. Many interdependent structural challenges remain to be addressed including: high unemployment, low female labour force participation rates, low levels of private sector development, weak public and corporate governance, an overstuffed public sector, limited competition, and pervasive corruption. It is recognised that political reforms cannot fully respond to citizens' demands if they are not accompanied by better living standards.

The current wave of political change provides a unique window of opportunity for the introduction of transparent and accountable policies and institutions that will lead to higher employment and a better skilled workforce. Deep reforms are needed in the labour market together with an improved business environment, support for the growth of SMEs, promotion of private sector development and improved quality in the education and training systems. To truly capitalise upon its assets, Libya requires a comprehensive strategy that will encourage the creation of jobs and new livelihoods.

A number of options have been identified that would help promote economic recovery through employment in Libya, and the most important recommendations arising from this report are listed below.

- Improvements are needed to the business environment to unlock the economic activity potential of small businesses and address the current situation of unemployment and limited jobs that is mainly the outcome of an inefficient public sector. If Libya is to react successfully to the challenges of globalisation it needs to change the engines of growth toward a market economy driven by the private sector. Reforms facilitating investment in the business sector could combine with national SME development programmes – including those providing support for the growth of existing SMEs – to greatly boost job creation.
- A dynamic private sector cannot be created without a comprehensive reform of current public administration system. Despite the political difficulties involved, rationalisation of public sector employment and the streamlining working conditions between the public and private sectors seems unavoidable given the extremely high share of public employees (70%) in the country. One key policy would be to reduce the dichotomy between the public and private sectors, offering comparable benefits for both public and private sectors (e.g. job safety, working hours, and social protection). Such an approach entails addressing the rigidities of the public sector alongside the vulnerabilities of the private sector. If the situation remains unchanged, many Libyans will continue to prefer lower-paid but secure public sector jobs and will remain reluctant to work in the private sector despite the higher wages.
- The inconsistent and incoherent legislative framework poses a further challenge, as many laws issued in the 1970s and 1980s are still in force in a way that is clogging up the system. A full review of Libya's labour laws, labour rights and labour organisations should be performed, relating the situation to international commitments, the procedure in other Arab countries in the region and 'de jure' versus 'de facto' application. Also, opportunities for flexible labour market legislation (flexible working hours, part time work, and working from home) should be considered in order to reduce disincentives to hire Libyans.
- Currently Libya has no labour market information system in place. Even basic information sources such as the labour force surveys, establishment surveys and public registry of the unemployed are either missing or not analysed fully. This lack of accurate, reliable and up-to-date data means that no hard evidence is available for labour market analysis or sound policy making for either Libyan nationals or foreign workers. The Statistics Bureau and the Ministry of Labour must work together to address these labour market information gaps and to develop information tools.

- Encouragement is needed for the creation of democratic organisations to become involved in tripartite social dialogue including: workers' organisations for key economic sectors (e.g. the oil and hospitality sectors), involving both Libyan and foreign workers; employers' associations; and, government representatives. Further tripartite social dialogue should be launched on a variety of labour-related topics, e.g. the nature of work, public and private sector employment, wages, working conditions, foreign labour etc.
- Public employment services must be enhanced and public-private partnerships promoted as key reform elements. These should aim to improve the Ministry of Labour and Rehabilitation's capacity for labour market analysis and integrated active labour market policy packages. The following activities can be recommended: creation of carefully selected pilot programmes such as a regional public works (i.e. roads, rails, telecommunications, construction of schools, health clinics) to provide jobs and to test whether Libyans are willing to take such jobs; development of a pilot programme to build capacity in career guidance services for education institutions in particular and the labour market in general; development of a pilot programme to enhance private employment services by providing competitive grants to promising initiatives (e.g. web employment systems, job fairs).
- Systematic actions should be developed and implemented to reduce the gap between skills supply and demand. The current low quality and lack of relevance of education and training to the needs of the Libyan economy result from the absence of mechanisms to analyse labour market needs and consequently align education and training provision. A programme to promote student placements and internship programmes in the private sector should be developed and implemented, including strategies for integrated school-to-work transitions, in-company (firm-based) vocational training, job coaching programmes and job seeking services through the public and/or private providers.
- VET has long been considered a pathway serving low-performing students from both basic and secondary education. The attractiveness of vocational education and training should be significantly increased in order to encourage more families and learners to opt for technical and vocational qualifications. Actions would include improving school facilities, revising curricula, training trainers, creating pathways between general and vocational education, increasing the quality of education, and better collaboration with employers. Greater emphasis should also be placed on good governance of vocational education and training systems, through active partnership between various decision makers and stakeholders, including workers' and employers' organisations.
- Cultural views in Libya must also move on to adapt and evolve to the new economic realities. Lively debate is needed of issues such as: what is considered 'acceptable' work for young Libyans entering the workforce; the role of the state as guarantor of employment and social benefits; the role of women in the world of work; and, child care from non-traditional (i.e. non-family) providers in order to keep up with the changing social and economic conditions.
- Support from the international community, particularly in terms of technical assistance, is important in ensuring the rapid stabilisation, recovery and transition needed for the sustainable development of Libya. It is advisable for donor and international organisations to coordinate activities in order to avoid the redundancy of initiatives and to present a coordinated set of options to the Libyan government.

ABBREVIATIONS AND ACRONYMS

ETF	European Training Foundation
EU	European Union
EUR	Euro
GDP	Gross domestic product
GEMM	Governance for Employability in the Mediterranean
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit (German Agency for International Cooperation)
ILO	International Labour Organisation
IOM	International Organisation for Migration
LMI	Labour market information
LYD	Libyan dinar
NEDB	National Economic Development Board
PPP	Purchasing power parity
SMEs	Small and medium-sized enterprises
TVET	Technical and vocational education and training
USD	US dollar
VET	Vocational education and training
WAC	Warriors Affairs Commission

REFERENCES

- African Development Bank, 'Libya: Post-war challenges', *Economic Brief*, AfDB, September 2011.
- Al-Sharif, A.M., 'The expansion of education and training and labour market requirements', *Journal of Economic Research*, Vol. 11, Issue 1-2, 2000, pp. 75-104.
- Beneria, L. and Floro, M., *Labour market informalization and social policy: Distributional links and the case of house based workers*, Poughkeepsie, New York, 2004.
- Braun, G. and Jones, A., *Libya – Building the future with youth: Challenges for education and employability*, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), 2011. Last accessed April 2014 at: www.giz.de/en/downloads/giz2013-0297en-libya-youth.pdf
- Economist Intelligence Unit, *Libya country profile 2008*, London, 2008.
- Elyagubi, M., *Report on intermediate and higher vocational training centres*, Tripoli, 2009.
- European Commission and High Representative of the Union for Foreign Affairs and Security Policy, *A new response to a changing Neighbourhood*, COM(2011) 303 final, Brussels, 2011a. Last accessed April 2014 at: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2011:0303:FIN:en:PDF>
- European Commission and High Representative of the Union for Foreign Affairs and Security Policy, *A partnership for democracy and shared prosperity with the southern Mediterranean*, COM(2011) 200 final, Brussels, 2011b. Last accessed April 2014 at: http://eeas.europa.eu/euromed/docs/com2011_200_en.pdf
- Ibaarih, A.B.M. and Lance, A.C., *The general environment for administrative development in Libya*, Research paper presented at the 'First national conference for the development and management training', 28-29 October 2007, National Institute of Administration, Tripoli, 2007.
- International Centre for Migration Policy Development, *A comprehensive survey of migration flows and institutional capabilities in Libya*, ICMPD, 2010.
- IOM (International Organisation for Migration), *Libyan crisis: One month into IOM's response*, IOM, 2011. Last accessed April 2014 at: <http://iom.int/jahia/webdav/shared/shared/mainsite/media/docs/reports/MENA-One-Month-Report.pdf>
- IRI (International Republican Institute), *Public opinion poll from Eastern Libya*, 2011.
- Keibah, M.S., 'Higher education and the labour market in Libya', *Journal of Economic Sciences*, Vol. 9, Nos 1-2, 1998.
- Malcolm, P. and Losleben, E., *Libya*, Marshall Cavendish, 2004.
- Martín, I. and Bardak, U., European Training Foundation, *Union for the Mediterranean regional employability review: The challenge of youth employment in the Mediterranean*, Publications Office of the European Union, Luxembourg, 2012. Last accessed April 2014 at: www.etf.europa.eu/web.nsf/pages/UfM_regional_employability_review
- Mosali, A.-H., *The informal sector in the Libyan labour market*, Workshop 'Labour in Libya', Tripoli, 2008.
- Nabli, M.K., *Breaking the barriers to higher economic growth: Better governance and deeper reforms in the Middle East and North Africa*, World Bank, 2007.
- Porter, M.E. and Yergin, D., *National economic strategy: An assessment of the competitiveness of the Libyan Arab Jamahiriya*, Monitor Group, Cambridge Energy Research Associates (CERA), 2006. Last accessed June 2014 at: www.scribd.com/doc/82005872/Libya-Economic-Strategy

United Nations Development Programme, *Human development report 2013 – The rise of the South: Human progress in a diverse world*, UNDP, 2013. Last accessed April 2014 at: http://hdr.undp.org/sites/default/files/reports/14/hdr2013_en_complete.pdf

Waniss, A.O. and Erling, K., *The Libyan economy: Economic diversification and international repositioning*, Springer, 2007.

WEF (World Economic Forum), *The global competitiveness report 2010-2011*, WEF, Geneva, 2010. Last accessed April 2014 at: http://www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2010-11.pdf

World Bank, *Socialist People's Libyan Jamahiriya: Country economic report*, World Bank, July 2006.

World Bank, *Libya: Investment climate*, World Bank, 2011.

World Bank, *Rapid assessment of the Libyan labour market*, World Bank, 2012.

World Bank, *World development indicators*, [online]. Last accessed February 2014 at: <http://data.worldbank.org/data-catalog/world-development-indicators>

OFFICIAL REPORTS AND DATA

GAID (General Authority for Information and Documentation), *Statistical yearbook 2006*, GAID, Tripoli, 2008.

GAID (General Authority for Information and Documentation), *Statistical yearbook 2010*, GAID, Tripoli, 2010.

General People's Committee for Planning, *Socio-economic development achievements during the Thirty Years*, Tripoli, April 2000.

GPC (General Planning Council), *Libya at the dawn of a new era: Improving competitiveness in the global economy*, GPC, Tripoli, 2006.

CONTACT US

Further information can be found on the ETF website:

www.etf.europa.eu

For any additional information please contact:

European Training Foundation
Communication Department
Villa Gualino
Viale Settimio Severo 65
I – 10133 Torino

E info@etf.europa.eu

F +39 011 630 2200

T +39 011 630 2222

