



# Policy Paper

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**COVID-19 impact on women entrepreneurs  
in Libya, and how to mitigate it?**

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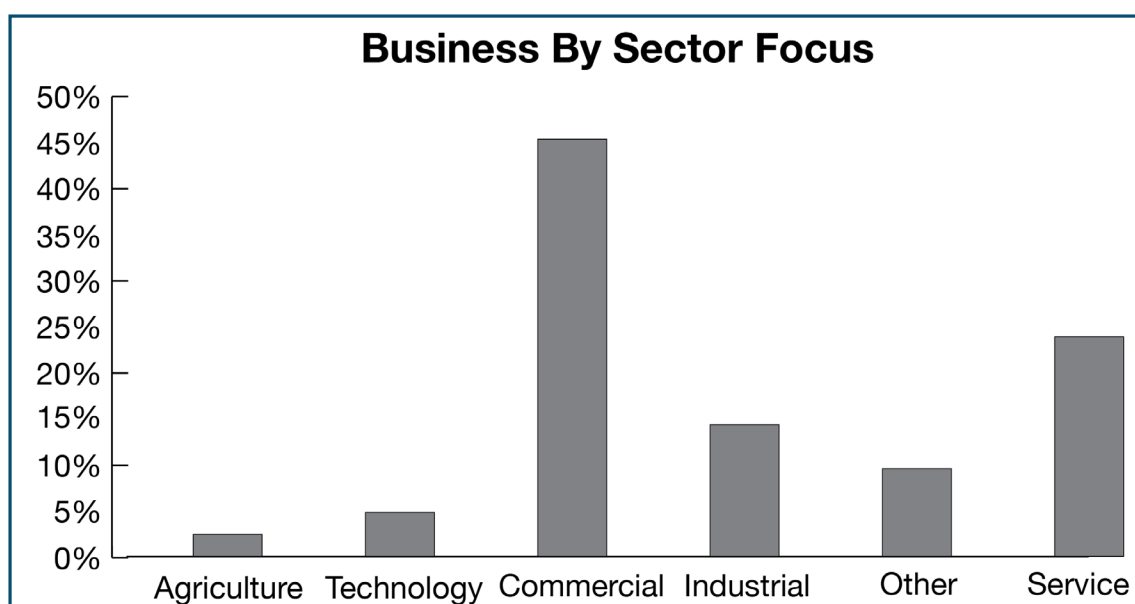
# COVID-19 impact on women entrepreneurs in Libya, and how to mitigate it?

**W**ith the spread of Coronavirus and the increasing necessity of emerging strict measures to limit the epidemic, the economic challenges are no less important than the public health challenge. Months have passed since the lockdown and business closure has been imposed in Libya, and yet no policies or measures have been issued to support the small businesses which are suffering the most from the impact of the pandemic.

In light of the efforts, made by the Jusoor Center for Studies and Development, to raise awareness about the economic impacts of the pandemic and to provide solutions that enable the Libyan economy to overcome the crisis with minimal losses. In this context, Jusoor Center developed this paper to measure the effects of the crisis and its implications on projects owned by women in Libya. The sample interviewed included 80 employers from different sectors.

The survey included questions aimed at measuring the effects of the crisis on the work of these institutions and the conditions of work and employment, to develop a set of measures to the government to reduce the burdens on businesses.

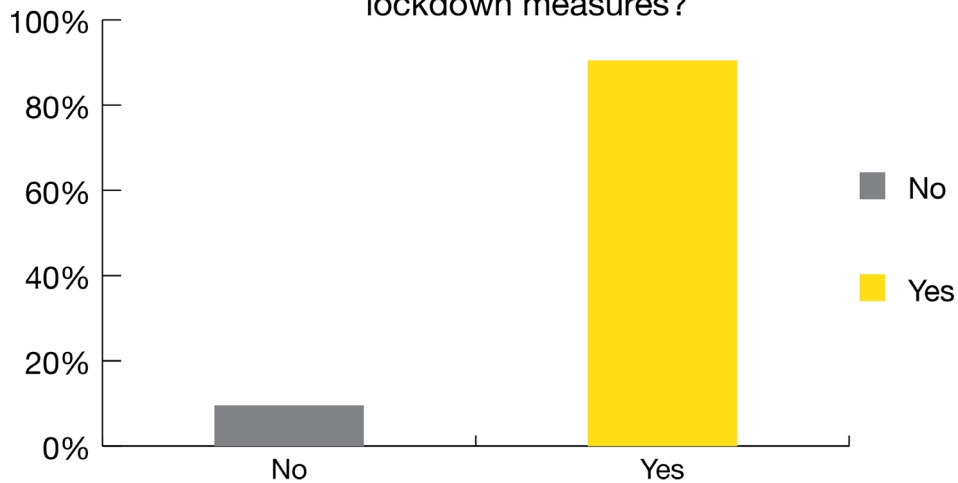
*The figure below shows the relative distribution of business enterprises by sector:*



# First, The Effect on Business Owners:

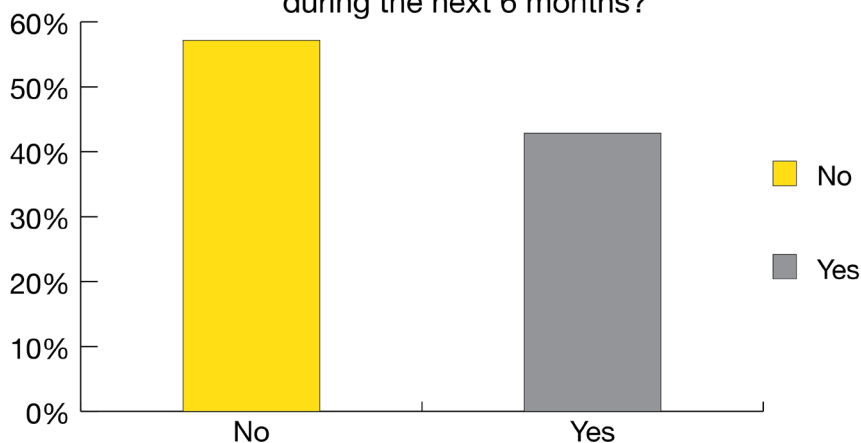
The various sectors were affected by the pandemic as a result of the complete lockdown of business, as this led to the interruption of cash flows. As a result, it caused difficulties for businesses to manage their operational expenses. The results showed that most sectors were affected by the measures imposed to combat the pandemic, 90.48% of the respondents said that their activities have been affected negatively by the lockdown measures.

**Figure 2:** Is your business affected by the lockdown measures?



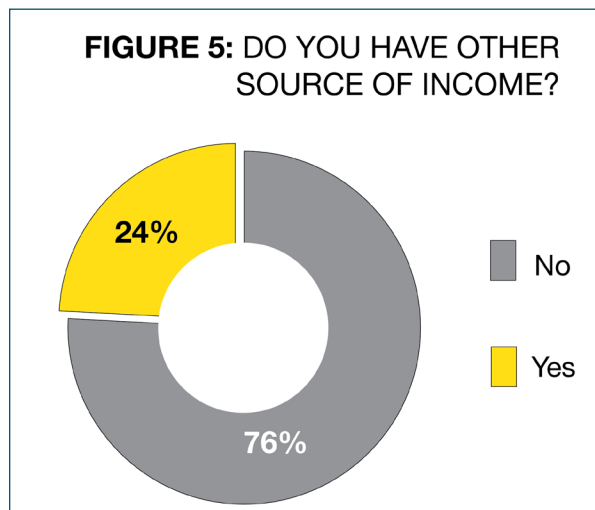
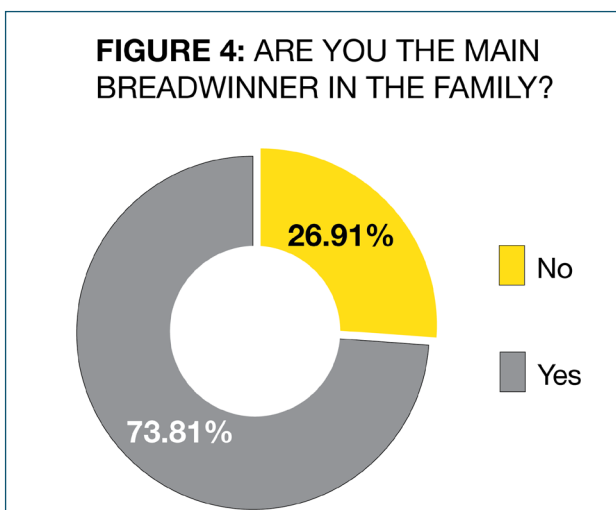
As for the impact of the crisis on business owners' decisions about whether the crisis will push them to close their business, more than half of the sample answered that they intend to keep their business as it is, while 42.86% of them said that they intend to shut it down.

**Figure 3:** Do you intend to suspend your activities during the next 6 months?



In the recent years, women's role as a breadwinner has started to be more recognised. Women have established more micro businesses to generate income to support their families and reach financial independence. The data suggested that 73.81% of business owners are considered the primary source of income to support their families.

Due to the lack of security and the ongoing conflict, women are experiencing new restrictions on movement that forced many of them to work from home or within their area, which limited their opportunities to receive formal employment. The data suggested that almost 74% of the respondents to the interview are in the informal sector as they are not registered in the Ministry of Economy database. It also showed that 76% of the respondents have no other source of income besides their private businesses, these numbers indicate that the lockdown measures will harm these businesses. Also, with their inability to qualify for any social support schemes, women will struggle to support themselves and their families.



# Secondly, The Effect on Employment

In North Africa,<sup>1</sup> informal employment is the norm, due to the slow job creation in the private and public sector, making it difficult to start a business in countries like Libya, which makes it less favorable for the micro and small businesses to join the formal economy. As a result, most private-sector workers will work without formal contracts offering job security and hence will struggle to support their families in the worst-case scenario.

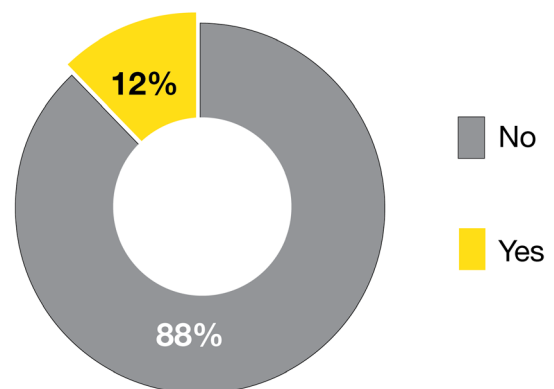
Coronavirus came in times where the Libyan market is unable to generate job opportunities to accommodate job seekers in the private and public sectors, due to the economic crisis which has poisoned the country in the last few years. The data showed that 60% of the businesses have 3 employees, while 30% have between 3-5 and only 8% have more than 5 members of staff.

In a recent update<sup>2</sup> issued by the International Labour Organisation, we can see that as a result of the economic crisis created by the pandemic, almost 1.6 billion informal economy workers have suffered large collateral damage to their jobs. This data shows that informal workers will be left behind if the lockdown measures continue, and more businesses will be forced to shut down, the government won't be able to support them if they do not develop innovative and inclusive support measures to ensure their protection in these exceptional times.

The respondents indicated that only 11.8% of their employees have signed a contract and 89% have no contracts that legally bind them with the business owners. For the employees to get the full protection that the Social Security law guarantees, they will need to pay monthly fees to the Social Security Fund.

The law obliges the employer to pay 35 % of the monthly fees, the Public

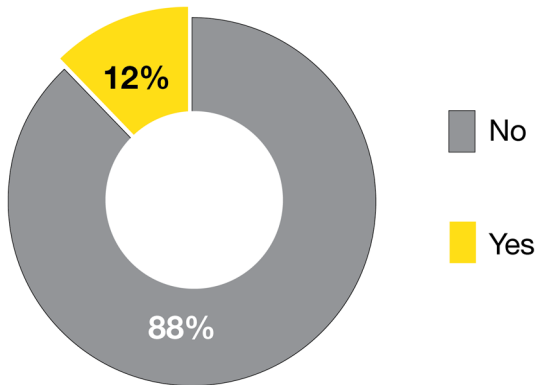
**FIGURE 6: DO YOUR EMPLOYEES HAVE SIGNED CONTRACT?**



<sup>1</sup> See: Max Gallien (2018): Understanding Informal Economies in North Africa: From Law and Order to Social Justice. Friedrich-Ebert-Stiftung, Dep. for Middle East and North Africa.

<sup>2</sup> See: ILO Monitor (April,2020): COVID-19 and the world of work. Third edition.

**FIGURE 6: DO YOUR EMPLOYEES HAVE SIGNED CONTRACT?**



Treasury shall pay 40% of the fees, and 25% will be the responsibility of the employees, from the data we collected we found that 73.2% of the business owners confirmed that their staff do not pay the social security fees. The rest of the owners stated that they do not know if their employees pay the fees. This indicates that the employees do not pay their social security allowance at all.

# What should be done?

**T**he job and businesses are facing difficult times, however many policies like social security allowances, salary subsidies and tax relief are directed to formal businesses and employment, these policies will fail to address the needs of more than half of North Africa's<sup>3</sup> labour force who is employed in the informal economy, typically working without contracts, unions, or access to social insurance schemes.

The one advantage of coronavirus pandemic is that it has revealed how weak our current systems are in providing protection to the civilians, and this has to be an opportunity to shed a light and advocate for better policies and benefits for both women and men; but vulnerable groups should be prioritised, and to reduce their vulnerability, the following measures should be taken into consideration by the policy makers:

## **1. Social Protection Schemes**

For the short term the executive authorities must develop a mechanism to extend social security protection to the informal workers. A long-term strategy would be legislation reforms to enable informal workers to register at the social protection schemes in the country, similar to the scheme we have for self-employed in Libya. We should protect the workers in the formal and informal sector from the implications of economic recession, the policy makers should consider activating article No. 11 from the social security law which grants the beneficiaries from the fund an allowance in times of pandemic and crisis.

## **2. The Trade Unions**

The trade unions played a passive role in these times, thus, more efforts are required from the trade unions to ensure that workplaces are equipped and protected to minimise the transmission of this pandemic, also unions must work to issue response plans and calls for action to protect the rights of the workers in the private and public sectors.

<sup>3</sup> See: Max Gallien (2018): Understanding Informal Economies in North Africa: From Law and Order to Social Justice. Friedrich-Ebert-Stiftung, Dep. for Middle East and North Africa.

### **3. Stimulus package**

Ease the access to credit to help MSMEs provide liquidity for firms to survive the disruption. Example: Activate the work of the Guarantee Fund regulated under Decree No. 205-2019, in addition to establishing with immediate effect the SMEs Finance Unit in all bank addressed in CBL Decree No. 1-2020.

### **4. Economic Reform**

Expediting structural reforms through and beyond COVID-19. The immediate effect examples: Implement the digital reform and financial inclusion. Long term plans: the government has to address the private sector inequality, not only the private sector owned by large capital but also low-income companies, especially the one's owned by women.



## Jusoor Center for Studies and Development

Jusoor Center for Studies and Development is an independent Libyan not-for-profit think and do tank registered in 2015. Jusoor is committed to economic and social development through women empowerment and developing innovative policies. Jusoor aims to promote research, critical thinking, open discourse and innovative solutions with a special focus on women's issues.

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