

## Jordan's Paradox of Growth without Employment:

### A Microcosm of the Middle East?

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The 2008-09 global economic crisis and the recent political turmoil in the Middle East have highlighted the urgent need for many economies in the region to dramatically increase the number of decent jobs. Conditions in the labour market in Jordan represent a stark microcosm of this region-wide problem.

Despite high rates of growth in the early 2000s, the Jordanian economy created relatively few new productive jobs—particularly for Jordanians. As a result, many Jordanians have remained economically inactive or unemployed, or have emigrated. Meanwhile, many of the low-paid, low-skilled jobs created by the country's economic growth have been taken by migrant workers from the rest of the Middle East or Asia. Why has this happened?

#### Some Economic History

In the late 1980s, in response to a severe debt crisis and economic collapse, Jordan embraced an ambitious program of structural adjustment and economic liberalisation. Initially this program led to a currency and banking crisis and increased capital flight out of the country. During much of the 1990s the Jordanian economy was also rocked by regional shocks, such as the Gulf War of 1990-91.

By the latter half of the 1990s, however, the economy had begun to stabilise. However, most of its growth originated from factors such as the increased inflow of migrant workers, continuance of high levels of foreign assistance and the expansion of the labour force—not from more productive and better paying jobs.

Factors such as tight monetary policies, the constraint of a small domestic market and continued vulnerability to regional instability continued to undermine domestic investment. So, by 2000 the country was again suffering from a high public debt, this time reaching 105% of GDP.

Since then, however, private foreign investment has flowed into the country, largely due to the soaring oil profits among Jordan's Gulf neighbours and the immigration of a large number of wealthy Iraqis. Thus, Jordan's annual GDP growth increased from 3.5% during 1996-2000 to 6% during 2000-05.

But this improvement in growth has failed to lead to the kind of economic diversification that could generate widespread productive employment. Instead, the Government's dominant strategy of macroeconomic stabilisation has resulted, in some ways, in more job destruction than job creation for Jordanians over the last two decades.

#### A Weak Private Sector

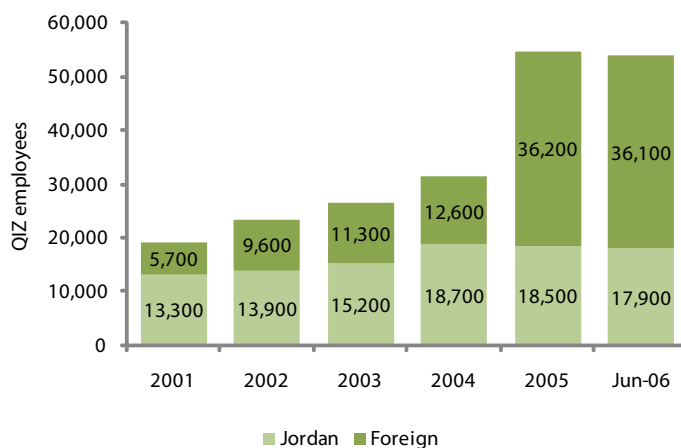
While a drive towards fiscal tightening and privatisation has resulted in reduced public sector employment, the private sector has generated few alternative job opportunities. According to the Department of

Statistics, for example, 98% of all private firms in Jordan are micro- and small enterprises, which employ only 1–4 and 5-19 workers, respectively. In addition, the private sector is unable to offer wages and social security benefits comparable to those in the public sector.

The Government has tried to deal with this problem by expanding export-oriented production, which has been concentrated in the so-called Qualifying Industrial Zones (QIZs), or special free trade zones. But since enterprises in these zones generally offer low wages and poor working conditions, the majority of their employees are migrant workers (see Figure 1). Because Jordanians are generally more educated, they tend to avoid taking such jobs.

These contradictions in the Jordanian labour market help explain the country's high unemployment rate, which has persisted at levels of 12-15% in recent years. A general mismatch between the low quality of jobs on offer in the economy and the level of skills and education of the domestic labour force has led many Jordanians to seek better jobs abroad.

Figure 1: Employment in QIZs, 2001-06



Source: World Bank, 2008:34

#### The Role of Migrant Workers

In 2009 around 180,000 Jordanians were unemployed, while more than 335,000 non-Jordanians were working in the kingdom. Between 2001 and 2005, an estimated 63% of newly created jobs in the kingdom were filled by non-Jordanians. Foreign workers now constitute around 20% of the country's labour force.

These workers have come mainly from other Arab countries, particularly Iraq, Palestine and Egypt, and also from South Asia. Most of them are young males with low levels of education and skills.

These statistics highlight a critical paradox in the country's labour market: while there is demand for labour, most job vacancies are either filled by migrant workers or remain unfilled. This implies that increasing economic growth *per se* would not succeed in reducing unemployment in Jordan. The stumbling block is the kind of jobs that Jordan's economy is producing.

The focus of government policies in recent years has been to attract enough foreign investment to generate growth to create 46,000 additional jobs per year. The goal is to reduce unemployment to 6.8% by 2017. Between 2000 and 2005, the economy did indeed create 24,000-44,000 new jobs per year. But unemployment among nationals continued to remain at around 14%.

The contradiction is that the new jobs created by the growing economic sectors, such as apparel manufacturing and construction, tend to be low-skilled and low-wage. In addition, as migrant workers accept many of these jobs, there is increased downward pressure on national wages, and a corresponding increase in both inactivity rates and 'voluntary' unemployment of Jordanian workers.

The shortage of productive private-sector jobs has meant that many new Jordanian entrants into the labour force are willing to remain unemployed while they wait for an opportunity in the public sector. In 2011, for example, about 3.5 million people between 16 and 64 years of age have been eligible for work; but only 1.4 million have been economically active while 2.1 million have been inactive (with students comprising 30% of the latter group).

The Government's recent National Strategy for Employment aims to *replace* foreign workers with Jordanian workers in a number of economic sectors. At first this would happen in such sectors as restaurants and hotels, water and electricity, health, construction, and trade. Longer term the priority sectors for such replacement would be mining, industry and agriculture.

However, instead of being preoccupied with such 'replacement' issues, the country's employment generation strategy should concentrate on expanding the economy's capacity to generate productive, higher-wage employment opportunities that correspond more closely with the skills and education of the Jordanian labour force. This is particularly important for young workers.

### Youth Unemployment and Emigration

Jordan has a predominantly young labour force that is growing by 4-5% a year. As a result, there are more than 50,000 new entrants into the labour market each year. Many of them cannot find decent jobs. For example, in 2009, when the total unemployment rate was 14%, more than 70% of the unemployed were below the age of 29 years (see Table 1).

Unemployment is especially high among relatively educated workers. More than 80% of unemployed men are educated at the secondary level or higher, while about 75% of unemployed women have an intermediate or university level of education.

Given the lack of job opportunities at home, many Jordanian workers have emigrated, particularly to the oil-exporting Gulf countries.

According to the Ministry of Labour, in 2008 around 300,000 Jordanians, or almost 5% of the total population, lived and worked abroad. As a result, their remittances represent a major source of income for Jordan.

Although various regional political upheavals, such as the Gulf War, have destabilised remittance income from time to time, it has nonetheless continued to be equivalent to at least 20% of GDP. The global financial crisis did result in about a 10% decline in Jordan's remittance income in 2009, as the Jordanian workers who remained in the Gulf countries were obliged to accept lower wages or more precarious working conditions.

**Table 1: Annual Distribution of Unemployed Jordanians, by Age**

Age group (years)	2005	2006	2007	2008	2009
15-19	15.8	13.9	13.2	13.6	13.2
20-29	59.7	60.4	59.3	61.3	58.5
30-39	15.9	15.8	17.5	15.5	16.8
40-49	6.0	6.7	7.2	7.4	7.8
50+	2.6	3.2	2.7	2.1	3.7

Source: Al Manar, 2010

Though remittances represent an important inflow of income, they can pose certain problems. For example, remittances can reduce the labour force participation rate of Jordanians by acting as a disincentive to work for other members of the recipient households. In addition, the net impact of remittances sent by Jordanians working abroad is diluted by the outflow of remittances from migrant workers labouring in Jordan.

### Concluding Remarks

The challenges facing the Jordanian labour market call for structural shifts in the Government's economic policies to maximise the generation of productive employment. Such policy shifts will need to take special account of the factors that have led to high levels of inactivity, 'voluntary' unemployment and emigration of Jordanian workers, particularly young workers.

The Government's economic strategy will no doubt have to place greater weight on the diversification of the economy away from low value-added production and exports and towards sectors that can sustain the kind of higher-quality and higher-paid jobs that correspond more closely to the skills and aspirations of the Jordanian labour force.

Accomplishing these tasks represents a major economic challenge. But as recent events in other countries in the Middle East, such as Egypt and Tunisia, have demonstrated, the persistent and widespread lack of decent employment opportunities is a major contributing factor to rising social discontent and political upheaval.

### References:

Al Manar (2010). *Employment and Unemployment Survey: Numbers of Employed Jordanians 2000-09*.

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