



Position Paper

Presented by the Jordan Economic Forum

Unemployment in Jordan: Reality, Expectations and Proposals

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Introduction

The Forum is an economic intellectual platform among whose priorities is continual monitoring of the foremost financial, fiscal and competitive indicators and developments of the Jordanian economy in all its sectors, based on an approach that promotes dialogue and partnership between the public and private sectors, with a view to achieving sustainable comprehensive growth benefiting the citizen and society alike, and which addresses the current economic challenges, most importantly the problems of poverty and unemployment. The foremost which the Forum offers is feedback to the specialized quarters in order to positively impact the formulation of economic policies which would better the conditions of the citizen while also promoting stability. It may be noted that this Forum was established in November 2019.

The essential aim of preparing this paper is to draw attention to the possible risks and adverse economic effects resulting from rising rates of unemployment, particularly in case the economic, investment and human resources strategies continue to ignore this phenomenon. A corollary of this is to draw attention to the importance and necessity of studying the main causes underlying this phenomenon, and diagnosing the forms of unemployment in Jordan by identifying the foremost attributes of the unemployed with a view to facilitating the framing of policies and suitable means for addressing and alleviating them. And finally, to endeavor to prescribe economic and investment policies alongside suitable solutions and mechanisms to mitigate the accelerating rates of unemployment, while taking into consideration the framing of partnership with the private sector and energizing it in order to enhance its capacity and to enable it to absorb Jordanian manpower, and accordingly increase rates of employment and create job opportunities, which would positively and significantly foster economic growth and sustainable development in the Kingdom.

According to what was stated in the directives of His Majesty in the Royal letter of designation for the Dr. Umar Razzaz Government on 5 June 2018, *“The main challenge standing in the way of young Jordanians, as they pursue their dreams and ambitions, is economic slowdown and the resulting drop in job opportunities. Therefore, your government must give priority to stimulating and unleashing Jordan’s economic capabilities, so that it regains its potential to grow, compete and generate jobs.”* And His Majesty called on *“The government to necessarily have administrative reform and enhancing public sector performance as a top priority and a higher national interest. There must be zero tolerance for any underperforming employee or official who impedes investment through bureaucratic measures or slow processing, thus squandering opportunities to generate jobs for our youth and help our economy grow.”*

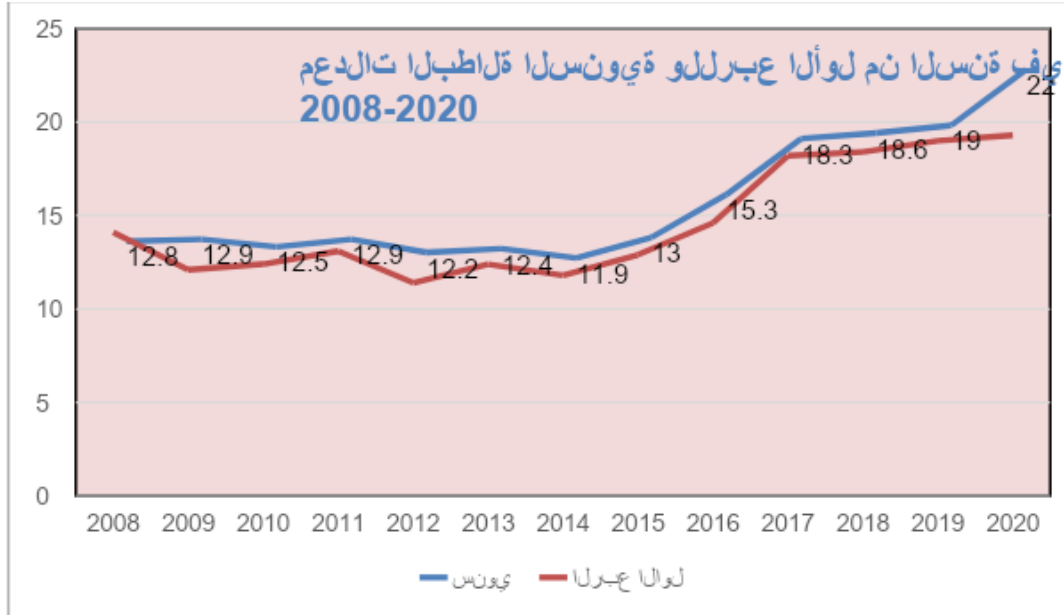
Moreover, the speech from the Throne by His Majesty King Abdullah II in the opening of the Third Ordinary Session of the 18th Parliament on Sunday, October 14, 2018 stated: “In view of the incapacity of the traditional model to face the economic challenges and meet the mounting needs of the citizens, it is incumbent on the government to act in accordance with its plans, to translate a realistic economic approach that stimulates growth, and promotes fiscal and monetary stability, that tackles the burgeoning debt, while attracting investment to provide job opportunities for Jordanians.”

In order to accomplish the aims of this paper, it was divided into two basic axes: the first axis discusses and explores the reality and expectations of unemployment in Jordan; and the second axis presents some recommendations and solutions to diminish the problem of unemployment in the Kingdom.

First Axis: Reality and expectations of unemployment in Jordan

The levels of unemployment have continued to rise for the sixth consecutive year, reaching 23% in the second quarter of the present year, and it is anticipated for the rate to exceed 25% by the end of 2020, in consequence of the Corona pandemic which noticeably exacerbated the problem due to the international and domestic lock down which led to diminishing both supply and demand, thereby leading to the faltering of many small and medium companies leading to the layoff of their workers and employees despite the governmental interventions and measures adopted during the lock down period.

The economic crisis and slowdown, particularly the decline in the attraction of foreign and domestic investment, contributed to a worsening of the problem of unemployment in addition to the political and security conditions witnessed by the region which increased the influx of refugees into the Kingdom which in turn caused the influx of skilled and unskilled manpower competing with Jordanian manpower that is seeking employment, particularly those that possess academic and professional qualifications that are below high school, in addition to the entry of thousands of graduates of schools, vocational and academic training institutes and Jordanian universities into the job market who are of diverse specializations, coupled with the possibility of the return of tens of thousands of Jordanians working in the Gulf and other countries as a result of the consequences of the COVID-19 pandemic. Actually, it is anticipated that perhaps 33 thousand Jordanian workers will return from abroad by the end of 2020 or the following year.



Annual rates of unemployment in the first quarter of the year in Jordan

This level of unemployment rates is the highest historically, whether among males or females, or among governorates and diverse specializations, for they are high rates according to all standards. In reality we face a chronic economic problem of dire social consequences, given that it impinges on the life of a wide segment of citizens and Jordanian families spread out in the various regions and governorates of the Kingdom.

Therefore, the Forum shares with the intellectual and opinion leaders their concern about the ramifications and consequence of the spread of unemployment expected to engender poverty, violence, deviance, crime, theft and drugs.

Causes of rising rates of unemployment

It is the view of the Forum that it would be possible to attribute the increase in the rates of unemployment to the existence of chronic structural imbalances in supply and demand in the Jordanian job market, such as follows:

In the case of demand:

- 1- Insufficiency of the number of job opportunities created annually by the Jordanian economy as a consequence of a noticeable decrease in direct foreign and domestic investments which led to an exacerbation of the condition of economic slowdown

experienced by the Kingdom leading to a rise in the rates of unemployment. In reality the number of job opportunities created by the Jordanian economy is around 30 to 40 thousand job opportunities while around 100 thousand persons seek employment annually

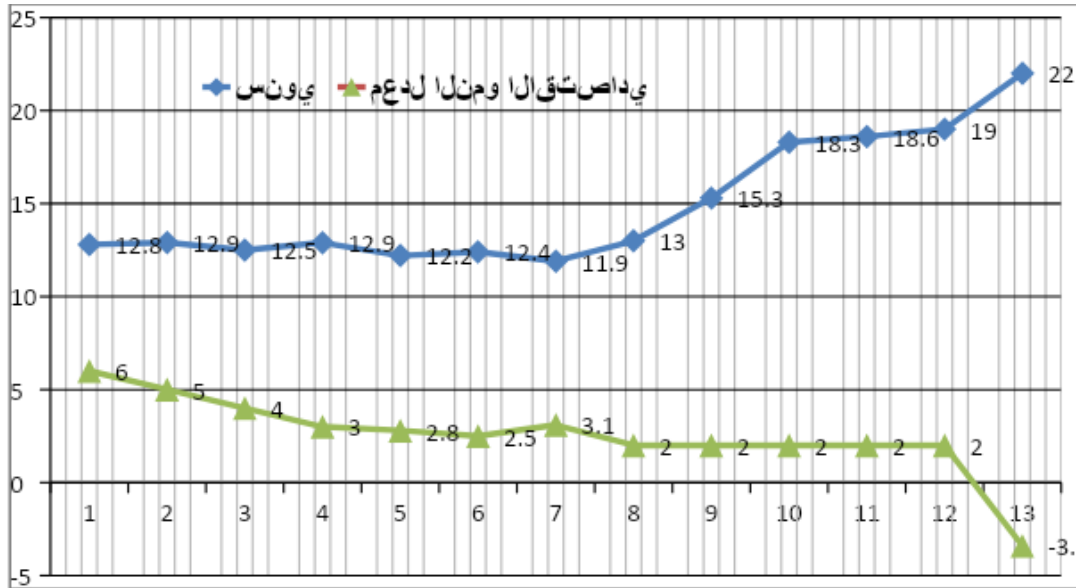
- 2- Enhanced bureaucratization of the public sector and its diminished role in incentivizing the private sector to create new job opportunities, associated with the increased costs of business for the private sector.
- 3- Gaps in the levels of development between the governorates, and development being concentrated in three main cities- Amman, Irbid and Zarqa.
- 4- The bias of foreign investments for employing non-Jordanian manpower.
- 5- Increase in the phenomenon of expatriate manpower which is in breach and in competition with Jordanian manpower due to its acceptance of lesser wages, and a more difficult environment and work conditions in the shadow of the inability of the private sector to offer better work conditions which may increase the costs of production and the prices of products.

In the case of supply:

- 1- Not attracting labor-intensive investments.
- 2- Lack of incentives for employing Jordanians.
- 3- Lack of consonance between the outputs of education and vocational training with the the needs of the Jordanian job market.
- 4- Lack of desire of employers at times to employ Jordanian workers due to their low productivity and their high wages compared to foreign workers.
- 5- Lack of acceptance of Jordanian manpower of working in some areas due to the work conditions, such as wages and work environment, or due to social factors.

Relation between economic growth and unemployment

To analyze the impact of economic slowdown (the first point in the causes of unemployment in the case of demand) on the rates of unemployment, chart number (2) was prepared which indicates that there is a clear negative correlation between the slowdown of the rates of economic growth and the rise in the rates of unemployment in Jordan in the period 2008-2020. In this context we must focus on the direction of the causal relationship between the two variables: is the impact of economic growth on the rates of unemployment a consequence of the decrease in the profits of companies whereby the companies are inclined to layoff employees or decrease their number, or from unemployment to economic growth; in other words, does the rise in the rates of unemployment lead to decline in macroeconomic growth due to a decline in the size of manpower in the market and hence a decline in the productivity of companies?



Annual rate of economic growth

Moreover, it would be possible to study the possibility of applying Okun's Law which describes the quantitative influence of change in the rate of unemployment on the rate of growth of the gross product, such to estimate the required rate of growth of the economy to reduce the rates of unemployment to the normal unemployment levels- reckoned usually to be around 4%. Thus, according to Okun's law, in case unemployment rises by one percent it is anticipated for the real domestic product to decrease by two percentage point. In other words, if the gross domestic product rises by one percentage point (1%) the rates of unemployment decrease by half a percentage point. This means that to reduce the present rate of unemployment in Jordan from 19.3% to 4% we need for the economy to grow by 30%. And herein lies the difficulty of reducing the rates of unemployment in the short and medium term.

Nevertheless, due regard should be given to the fact that there are some academic studies related to the Jordanian economy which studied the relationship between growth and the rate of unemployment and which found that this law does not completely apply to the Jordanian case, and in fact warned the Jordanian government that total focus on economic growth solely will not necessarily lead to a decline in the rate of unemployment, and this could be the reason why during the years 2000-2008 in which Jordan witnessed very high rates of growth it also experienced high rates of unemployment.

Relation between foreign investment and unemployment

The Forum recognizes that tackling the issue of Arab expatriate manpower is associated with sensitive political aspects where it is difficult for governments to adopt decisions which may

lead to a rapid replacement of expatriate manpower with indigenous manpower. However, this problem should be an incentive for the decision maker- through innovative initiatives- to focus on enhancing direct foreign and domestic investment and consolidating the existing investment based on the free trade agreements of which Jordan avails to the exclusion of others, and which were offered to support the economy and to employ the citizens, and to offer facilities and incentives with a view to employing Jordanians. In effect, there is no solution to unemployment except through direct foreign and local investment and the consolidation of existing investment or through exporting manpower.

Forms of unemployment in Jordan

Based on a review of the most prominent characteristics of the unemployed, it may be stated that the types of unemployment in Jordan are diverse and include the following:

Structural unemployment or cyclical unemployment (which results from the cycles of the capitalist system which oscillates between recovery and economic expansion and recession and economic crisis which results in diminished employment and relieving the crisis by laying off workers), and frictional unemployment (which is basically temporary cessation of work resulting from moving from one job to another or temporary cessation in search of another job or for the sake of academic study and so forth), and behavioral unemployment (which is unemployment resulting from manpower refraining from participating in the productive process and involvement in a particular job due to the social perception of those jobs), and imported unemployment (which is unemployment that faces a portion of the local manpower in a particular sector due to the monopoly or replacement of the non-domestic employees in this sector, such as the agricultural and construction sectors).

Second Axis: Recommendations (proposals) for limiting the deterioration of the problem of unemployment

- The restoration of military service (conscription) in its new form will inevitably add new principles and skills to the job market and will fill a gap among those enlisted in this program. (Nonetheless it is the view of the Forum that there is no alternative to solving the increasing problem of unemployment except through genuine efforts to promote and bolster existing investments and thence to attract new investments, thereby creating job opportunities for the graduates of this initiative and other unemployed persons.

- The Forum calls for one of the higher polices of the state to be for all its institutions and departments to adopt the principle of combating unemployment and creating new job opportunities, and to preserve existing jobs, whereby this principle becomes the spirit of any law or regulation or decision of whatsoever type and form. Moreover, the Forum emphasizes the importance for the rates of unemployment and the numbers of new job opportunities to be the main standard for measuring the success of governments.
- The necessity of modernizing the national strategy for developing human resources 2016-2025 given that, after the passing of four years since the launching of this strategy, some of the assumptions have become unrealistic, not to mention what the Corona pandemic did to the international economic models which requires modernizing the strategy in accordance with new realities.
- Considering the marketing of Jordan as an investment destination based on the standard and modern methods which the country deserves is a commitment which must be translated into reality: The Jordan Investment Commission (JIC) is the quarter responsible for this aspect, which is something that necessitates supporting the Jordan Investment Commission (JIC) with the staff and budgets and what it needs to enable it to perform its role in the best possible manner, particularly the professional and innovative marketing operations and processes.
- What differentiates between the countries which possess advanced economies and other countries which suffer from difficult economic conditions is the genuine partnership between the public and private sectors, and understanding should be reached that the interests of the two sectors materialize through the success of both. (Inclusive economy vs. Extractive economy).
- Expedite the activation of the law of partnership between the public and private sectors to accomplish the projects in accordance with comprehensive developmental standards.
- Among the effects of Covid-19 on the global economy are the changes in the global supply chain in terms of several aspects, one of which is to secure alternative countries for those chains, which requires for Jordan to take the lead to secure an opportunity within those alternative countries (Just in time vs. Just in case)
- It is the view of the Forum that the inclination for bolstering the participation of the industrial sector, particularly under the canopy of the free trade agreements, will contribute to creating new job opportunities and reducing unemployment which requires a review of the costs of business to enhance the competitive capacity. Actually, this economic model proved its success in reducing the rates of unemployment.
- Introduce a new concept for vocational training during apprenticeship which opens the door for the high school graduates to acquire skills in professions

such as accounting, data entry, customer and computer service and other professions, where they would receive salaries like other employees and may enter the job market armed with practical experiences without there being a need for university degrees.

- Reconsider the working methods of the Civil Service Bureau which hinder the economic activity of society in terms of the waiting of many seekers of employment for years in accordance with the procedures of the Civil Service Bureau. It is worthy of mention that this point requires comprehensive tackling given its significant impact on the culture of society.
- Review of the classification of jobs in the Civil service system (first, second and third categories) which reinforces the cultural impression that university education is superior to vocational training, and present alternative models that are grounded in job skills and knowledge that are a basis for evaluation in the quest for a stage whereby it would be possible to identify the job occupants as a worker irrespective of the educational or vocational or industrial level.
- Establish new vocational training programs of a high standard and in compliance with international standards, by availing of the German model in creating a distinguished model for vocational training which encouraged a large number of German youth to pursue vocational training rather than higher university studies. Actually, the German vocational educational system is considered to be among the best in the world, where this dual system of vocational training is based on a study period ranging between two to three years, and the professions and the training programs are selected based on close cooperation between the government and the local authorities and the chambers of commerce and industry. And it is continually developed in response to the emergence of new professions based on the demands of the job market.
- Establish specialized academies for each sector such as industry, agriculture, construction and the services sector such as the Royal Academy for Culinary Arts where the aim is to train the trainee under real work conditions such as those he will face subsequently in the job market.
- Open unconventional job markets for Jordanians abroad, whereby jobs are generated for Jordanian graduates and also some Jordanians manpower is exported in a systematic manner through economic, investment and academic agreements.
- The encouragement of the establishment of small and micro-enterprise substantially contributes to reducing the rate of unemployment. And to make this succeed, it is necessary to reconsider the microfinance sector in accordance with transparent and fair standards, while creating backward and forward linkages for them with big projects.
- Notwithstanding the awareness of the Forum of financial challenges, expansion in establishing major public works projects for purposes of sustainable development contributes to limiting the problems of poverty and

unemployment, given that those projects employ large numbers of workers with wages that are close to the minimum limit and for temporary periods. It is necessary for the government to provide some incentivizing services such as the transport services or some social and educational services, such under the rubric of three types of projects: the first is infrastructure projects, whether economic infrastructure such as the building of roads, ports, dams, railroads and otherwise, or infrastructure concerned with providing water and sewage services such as projects for providing freshwater resources, construction of irrigation channels, as well as social infrastructure insofar as the building and rehabilitation of schools, hospitals and health centers, and installations that offer public social services. The other type of projects is projects for the reclamation and rehabilitation of lands and water resources such as the water of rivers and the national reforestation programs, and the third type of projects are the social services and voluntary works projects. And among the other major projects which will have a considerable economic and social impact on the citizens is the accomplishment of a railroad connecting all the regions of the Kingdom.

- Create a labor market information system which details the saturated specializations and those where there is a deficiency in human resources while also indicating the average salaries, and such so as to follow up and continually monitor the job market, and also to frame determinants for the educational institutions and to draw the map of the future for the persons who seek education and what they should do.
- Support manpower in the agricultural and construction sector with the benefits of health insurance and social security to create an environment that is attractive to Jordanians manpower, given that with the passage of time, the Jordanian worker has proven that he can work in any profession in case it secures for him the minimum good income while offering to him the basic benefits available in any other job. For example after the drafting and reformulation of some of the legislation related to the workers of the homeland the workforce has now become 100% Jordanian and there are lots of successful Jordanian experiences.
- The economic and investment policies and all the instruments of fiscal and monetary policies must be biased for the job market with a view to employing Jordanians; for example, to offer low interest rates to enterprises of diverse sizes in case they employ Jordanians, which would contribute to increase demand for employing Jordanians, provided that this policy exists in parallel with programs for the rehabilitation and training of that manpower whereby they are consonant with the requirements of those investments. And insofar as the taxation policy tax incentives should be given to the companies and enterprises which employ Jordanian manpower while taking into consideration the sectoral and geographic distribution.
- Encourage international companies that are focused on technology to enhance investment in Jordan, and grant them the necessary facilities on

condition that they employ Jordanian manpower, and this includes networking with universities to feed those companies also with qualified graduates.

- Establish entrepreneurial projects involving partnership between entrepreneurial youth and provide them with support and financing and expand their activities, in addition to offering an incentives program to all the big companies whereby these incentives are offered on the basis of the new job opportunities.
- Promote the Jordanian business environment as an outsourcing hub such as the centers of communication, translation, consulting, studies and research, tax and legal consulting, contracts drafting, programming, management of electronic sites, advertising campaigns, design activities and otherwise.
- Allow the emergence of entrepreneurial companies that are minimally regulated in order to give them opportunities (organic business), where the tourism sector in Ireland has endeavored to afford the opportunity to numerous installations based on minimal regulation in order to create products which support the sector and positive results were achieved. Actually, Jordan had experiences in such a scenario in the wake of the economic crisis of 2008 and the appearance of Uber and Karim applications, ecommerce, rest stops and desert shops on the roadsides, ladies who provide catering from home, the rental of farms and houses as a source of income and other examples. Examples of such sectors which adapt to the size of supply and demand should be supported based on an approach of minimal regulation but not to an extent which could lead to lack of sustainability.