International Labour Organization

The Potential Role of Exports in Promoting Formalization and Decent Job Creation for Youth in Jordan

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List of Acronyms

FDI	Foreign direct investment
KII	Key Informants Interview
FGD	Focus Group Discussion
ICT	Information and Communications Technology
ITC	International Trade Centre
JE	Jordan Exports
JEDCO	Jordan Export Development Corporation
JLGC	Jordan Loans and Guarantee Corporation
METI	Mainstreaming Employment into Trade and Investment
MSMES	Micro-, Small and Medium-sized Enterprises
NEET	Not in employment, education or training
R&D	Research and Development

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This study has been produced with the financial assistance of the European Regional Development and Protection Programme for Lebanon, Jordan and Iraq (RDPP II), which is supported by the Czech Republic, Denmark, the European Union, Ireland and Switzerland.

The ILO Partnership with the RDPP II in Jordan aims to support the Government of Jordan (GoJ) and national constituents in responding to the youth employment challenge and supporting dialogue around policies and strategies for improving the livelihoods of young Syrians and Jordanians through evidence-based research and analysis.

Under the overall guidance of Tariq Haq, Senior Employment Policy Specialist at the ILO Regional Office for Arab States (ILO-ROAS), Aya Jaafar, Labour Economist at ILO-ROAS and Eman Alaraj, Project Officer at the ILO office in Jordan, coordinated the implementation of the project. Aya Jaafar and Murad Samhouri, ILO consultant, prepared this report, with valuable contributions from the consultant's team, Hebah Aldaoud and Sharaf Obeidat.

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Executive summary

For many years, insufficient job creation and high informal employment have had a serious impact on Jordan's youth population, including the highly educated. Exports have the potential to create more and better jobs, but socio-cultural, economic and political factors have prevented the economy from adapting to major shocks or capitalizing on emerging trade opportunities. Weak enterprise development, limited marketing capacities, skills shortages and infrastructure and logistics challenges have also limited the ability of enterprises to reach their full export potential, at a time when evidence from different countries suggests that, with the right policies in place, increased participation in global trade and at higher levels of value chains can boost economic growth and promote job creation and formalization.

Trade activities are expanding in Jordan, with increasing numbers of enterprises accessing neighbouring and non-neighbouring markets, but most Jordanian exports continue to target a handful of regional and global markets. Many exports also seem to concentrate on the lower end of value chains, which offer less potential for growth, development and formalization.

The job losses and trade disruption associated with the COVID-19 pandemic increased job insecurity across the country and exacerbated youth unemployment in particular. To address these issues and improve youth employment livelihoods, targeted interventions and policy measures are needed to promote growth and the creation of decent, formal jobs, including through trade activities and increased engagement at the higher end of global value chains.

To do so, it is crucial to have a detailed understanding of the drivers of informality and the challenges hindering exports. This document therefore explores the relationship between exports and decent and formal employment and tries to identify the major factors inhibiting export promotion and formalization, specifically among enterprises producing products with high export potential.

The findings presented come from quantitative and qualitative data collection tools that were used to gather information and insights from relevant stakeholders, including and above all workers and employers operating in sectors with high export potential, but also policymakers and other relevant stakeholders in Jordan. The information collected was supplemented by an examination of policies, measures and initiatives implemented in Jordan, with a view to highlighting major opportunities to improve trade performance, support participation in high value-added activities and promote formalization in the country.

Through secondary research, nine sectors and subsectors were identified as key for export promotion and decent job creation in Jordan:

- Manufacturing
  - Clothing (textiles, garments and apparel)
  - Fertilizers
  - Chemicals
  - Pharmaceuticals
  - Food-processing
  - Plastics
- Live animals
- Agriculture - food preparation, animal feed
- Information and communications technology (ICT)

Summary of key findings

– Formality, registration and licensing are essential if an enterprise is to engage in international trade and exports. According to the employer survey and focus group discussions, all the enterprises involved in the export market are formal, registered enterprises. Registration is a requirement for enterprises to participate officially in trade activities, so a large informal sector is detrimental to trade.

– Large enterprises and enterprises established for more than ten years are more likely to be involved in international trade than smaller and more recently established enterprises.

– While a majority of the employees of both the exporting and non-exporting enterprises sampled are Jordanian, the companies that export to regional and global markets are relatively more likely to employ foreigners than those that serve only the domestic market. This is mainly driven by the availability of a large pool of migrant workers, including Syrian refugees, who are equally, if not mor e highly, skilled and more committed than their Jordanian counterparts, but accept lower wages and generally poorer working conditions. These workers are also found to match better the needs of enterprises operating at the lower end of value chains.

– Young people aged 15-24 represent less than a quarter of total employment in both exporting and non-exporting enterprises in the sample, with a relatively lower share of youth among the former. The main concerns of employers, and especially those exporting to regional and global markets, seem to be the limited experience and lower levels of skills of the youth. Employers engaged in exports said that they focus on efficiency and expertise as key factors in maintaining competitiveness at the regional and global levels.

– Exporting enterprises are more likely to provide formal jobs and decent working conditions to their workers than non-exporting enterprises.

– All the sampled exporting enterprises (all of which are also formal) provide social security to at least some of their employees, whereas less than one third (31.6 per cent) of those serving only the domestic market do so. The average share of informal workers in total employment in non-exporting enterprises is 67.6 per cent, compared to only 14.2 per cent in exporting enterprises.

– Both formal and informally employed workers in exporting enterprises tend to be better paid than those in non-exporting enterprises. Overall, informal workers in non-exporting enterprises tend to be low-paid, earning less than 300 Jordanian dinars (JD) per month, while formal workers in exporting enterprises tend to be highly paid workers, earning more than JD1,000 per month.

– Informal workers are more likely to work long hours than their formal counterparts, excessive hours of work (60 hours or more) being particularly prevalent among informal workers working in non-exporting enterprises.

– Both formal and informal workers in exporting enterprises are more likely to have written contracts than their counterprarts in non-exporting enterprises. While none of the surveyed informal workers working in exporting enterprises do not have contracts, almost one third of those in non-exporting enterprises have no contracts.

– According to the employer survey, 50.7 per cent and 52.1 per cent of the sampled formal enterprises provided paid annual leave and paid sick leave, respectively, while none of the informal enterprises did so. Exporting enterprises are more likely to provide such entitlements to their employees (both formal and informal) than formal enterprises serving the domestic market only.

– In general, formal workers working in exporting enterprises have access to a wide range of benefits, whereas informal workers in the sample have access to a limited range of benefits, with minimal cover in non-exporting enterprises.

– Among obstacles limiting the ability of enterprises to export, participants in focus group discussions mentioned limited government support, high energy prices, cumbersome government regulations, lack of a skilled workforce and lack of marketing capacities. As they try to expand their exports and participate at the higher end of value chains, exporting employers reported “stiff competition” as their main challenge, followed by “lack of market research” and “lack of a skilled workforce”.

– The main reasons for informal enterprises preferring to remain informal are, first, “the tax burden”, second, “administrative burdens”, followed by “high registration fees” and “inadequate and insufficient benefits”. Addressing these issues might increase their willingness to formalize and their potential to participate in trade and exports.

– With regard to employment formalization, participants in focus group discussions identified the cost of social security contributions as a main reason for employers’ reluctance to provide formal jobs to their employees, along with lack of awareness of the impact of formalization on productivity, their reliance on seasonal workers and the low levels of skills available.

Summary of key recommendations

The ultimate objective of the study is to make policy recommendations and provide guidance for future actions to promote exports and formalization.

- To promote exports, the recommendations are as follows:
  - Effectively monitor and follow up on the implementation of trade and export policies, including the new Export Strategy in preparation
  - Diversify export markets and products and increase investment in research and development
  - Shift towards green exports
  - Support and promote the role of export promotion agencies and entities in Jordan
  - Invest in skills development to respond better to global production processes and requirements
  - Promote e-commerce and digital marketing channels.

- To transition to formality, in addition to skills development, social dialogue promotion and access to finance, the recommendations focus on the following:
  - Simplify registration and compliance procedures for businesses
  - Increase workers' and employers' awareness of formalization
  - Extend social protection cover and address reasons for non-compliance.
  - Improve labour inspection.

1. Introduction and country brief

Situated in the heart of the Middle East, Jordan is a small upper middle- income country with a total population of around 11.3 million.[1] Jordan's economy depends largely on the services sector and on external financial support and remittances flowing into the country. The country's real annual GDP growth averaged around 2.4 per cent between 2010 and 2019,[2] with persistently high rates of unemployment and low employment-to-population ratios, reflecting the inability of the economy to translate economic growth into more and better jobs needed for the increasing size of the labour force, including the youth. While young people can offer a significant demographic dividend, this is only true when the economy creates the quantity and quality of jobs needed to employ them.

Years of regional instability and conflict and the influx of large numbers of Syrian refugees are significant factors in the weak economic and labour market performance, which was further exacerbated by the COVID-19 pandemic. The pandemic has intensified Jordan's employment and economic challenges, trade being one of the key sectors directly affected by lockdowns and supply chain disruption.

Despite being severely impacted, Jordan has begun its post-pandemic recovery, with real GDP growth of 2.2 per cent in 2021, following a 1.6 per cent contraction in 2020. The reopening of the economy, supported by carefully crafted government policies and measures, and a rebound in travel and tourism have allowed the economy to return to growth slightly exceeding pre-pandemic levels. Conversely, the labour market has been less agile and continues to register employment and labour market outcomes well below their pre-pandemic levels. As of 2021, the unemployment rate stood at 19.8 per cent, 3 percentage points higher than in 2019. The 15-24 age group was even more severely impacted, with an unemployment rate of 43.7 per cent in 2021, up from 37.3 per cent in 2019.

In view of Jordan's limited financial resources, broad-based reforms are essential to support economic growth conducive to decent job creation, especially for the youth. The export-led growth model, which was followed for years, needs to be strengthened and revitalized in a way that promotes export and market diversification, while at the same time creating more and better jobs, for young people in particular.

This paper attempts to provide a comprehensive overview of Jordan's trade and export performance in the context of the accelerated pace of globalization. It also seeks to assess the viability of export-oriented development for decent, formal and productive job creation in the Kingdom, including by examining the extent to which export-oriented sectors have increased the well-being of workers, among other things by the provision of better working conditions.

The paper identifies and focuses on several products with high export potential and illustrates the current situation of the formal and informal workforce within enterprises engaged in the production of those products. The study not only analyses the composition of the workforce of identified producers, but also draws comparisons between exporting and non-exporting enterprises to highlight discrepancies in the prevalence and nature of informality in different sectors.

Overall, the research sought to examine to what extent international trade, and exports in particular, can create jobs and support a transition to formality in Jordan. It ends with a set of recommendations that draw on the findings of the primary and secondary data analysis and proposes measures to promote exports and formal job creation for the youth.

[1] Jordan Department of Statistics
[2] World Bank Indicators

2. Overview of Jordan's trade and export performance

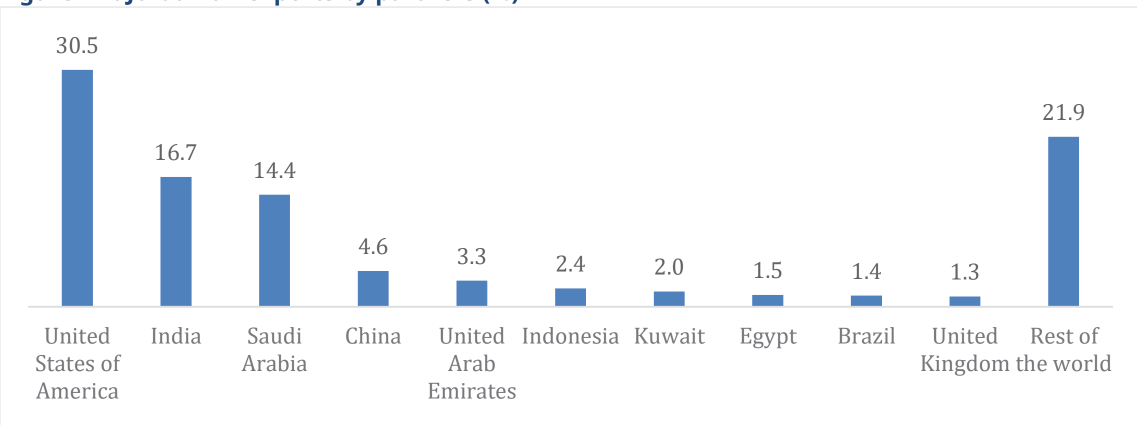
In recent decades, Jordan has sought to intensify its trade relationships and promote the growth of its exports and imports, in line with the increased emphasis the Government placed on the role of trade as a key driver of economic growth and job creation.

Some progress was made, but, in 2020, the COVID-19 pandemic brought significant challenges to the Jordanian economy: the value of total exports dropping by 4.5 per cent and GDP fell by 1.6 per cent. [3] The war in Ukraine further impacted the economy, exacerbating inflationary pressures as global energy and food prices rose sharply. Despite this, real GDP growth stood at 2.4 per cent in 2021 and registered an even higher rate of 2.7 per cent in the first half of 2022, driven by a rebound in tourism and exports. [4]

The Central Bank of Jordan reported that foreign direct investment (FDI) in Jordan increased considerably, reaching JD266.90 million in the first quarter of 2022, compared to JD72.2 million in the same period of 2021. The total value of exports has also increased significantly, growing by almost 44 per cent in the first half of 2022.[5] With an even greater increase in the value of imports, driven at least partly by the spike in energy prices, Jordan's trade flows remain characterized by consistent deficits.

Figure 2-1 shows Jordanian exports by partners, with the United States absorbing 30.5 per cent of total exports, at US$9.26 billion in 2021. India, Saudi Arabia and China are also important destinations for Jordanian exports, with the US accounting for around 66 per cent of total exports. While Jordan has tried to increase its exports to other countries, including to the European Union (EU), there remains a clear imbalance.

Figure 2-1: Jordanian exports by partners (%)



Source: International Trade Centre

In addition to this concentration on a limited number of markets, Jordanian exports are also limited to a small number of products, as shown in table 2-1. Jordan's top exporting products include textiles, fertilizers and chemical products. These are also the product groups with the largest untapped export potential (as shown in chapter 4 of this report).

[3] Central Bank of Jordan. 58th Annual Report. (2022) Available at: *https://www.cbj.gov.jo/EchoBusV3.0/SystemAssets/4cd42265-93c0-4c5a-b85e-cd5ae9ec3724.pdf*
[4] World Bank. *Jordan Economic Monitor. Public Investment: Maximizing the Development Impact*. Fall 2022 (2022)
[5] World Bank. *Jordan Economic Monitor. Public Investment: Maximizing the Development Impact*. Fall 2022 (2022)

Table 2-1: Jordan's top export products in 2021 (US$ thousand)

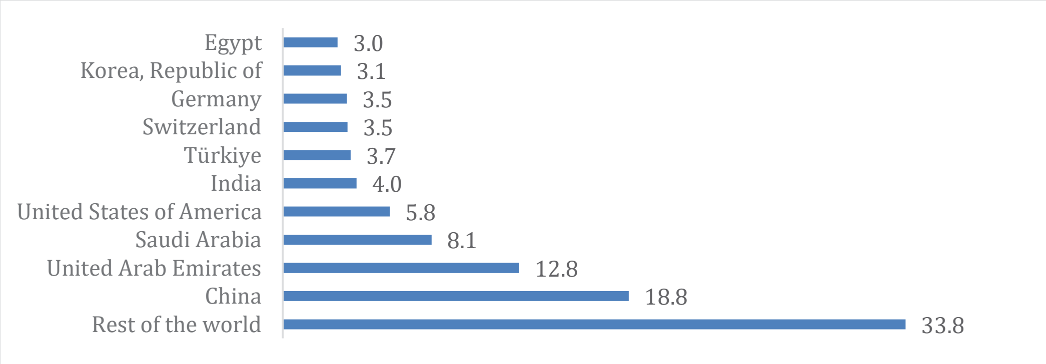
Product label	Value exported in 2021 (US$ thousand)	Share of total exports	Annual growth in value between 2020 and 2021 (%)
All products	9 262 696	100.0	21
Articles of apparel and clothing accessories, knitted or crocheted	1 779 882	19.2	31
Fertilizers	1 286 756	13.9	53
Inorganic chemicals; organic or inorganic compounds of precious metals, of rare earth metals, ...	1 167 129	12.6	46
Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad ...	681 644	7.4	-7
Salt; sulphur; earths and stone; plastering materials, lime and cement	654 716	7.1	41
Pharmaceutical products	484 172	5.2	-2
Articles of apparel and clothing accessories, not knitted or crocheted	378 190	4.1	-22
Organic chemicals	281 341	3.0	12
Edible vegetables and certain roots and tubers	259 296	2.8	21
Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	199 887	2.2	41
Edible fruit and nuts; peel of citrus fruit or melons	137 158	1.5	50
Aluminium and articles thereof	126 940	1.4	73
Live animals	99 547	1.1	-37
Dairy produce; birds' eggs; natural honey; edible products of animal origin, not elsewhere ...	91 671	1.0	26
Articles of iron or steel	88 725	1.0	104

Source: International Trade Centre

The economic slowdown in the US and China, in particular, is a challenge to Jordan's ability to maintain high export levels and, although economic growth in the Gulf Cooperation Council (GCC) countries, including Saudi Arabia, may partly offset this potential contraction, market diversification remains key. At the same time, increased efforts to promote product diversification are also needed. These require increased investments, including in skills and capacities, to enable Jordanian enterprises to withstand competition from long-established businesses in regional and global markets.

In terms of imports, data illustrated in figure 2-2 and table 2-2 show that Jordanian imports originate primarily from China, the United Arab Emirates (UAE), Saudi Arabia and the United States, which together account for 45.5 per cent of all Jordanian imports. Jordan's main imports are machinery and transport equipment, plastics, fuels, food, manufactured chemicals and electrical machines, among others.

Figure 2-2: Jordanian imports by country of origin in 2021 (US$ thousand)



Source: International Trade Centre

Table 2-2: Jordan's top imported products in 2021 (US$ thousand)

Product label	Value imported in 2021 (US$ thousand)	Share of total imports	Annual growth in value between 2020 and 2021 (%)
All products	21 265 308	100	27
Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	2 248 318	10.6	8
Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad ...	1 520 977	7.2	434
Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television ...	1 493 423	7.0	20
Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	1 426 642	6.7	16
Plastics and articles thereof	1 250 139	5.9	44
Pharmaceutical products	937 932	4.4	28
Cereals	754 917	3.5	14
Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral ...	709 697	3.3	21
Knitted or crocheted fabrics	679 341	3.2	41
Organic chemicals	412 926	1.9	21

Source: International Trade Centre

Efforts to reduce reliance on the import of these products will help reduce the size of the country's trade deficit, which stood at around US$12 billion in 2021. Focusing on renewable energy, developing local industries, increasing export capacities and attracting investments, are suggested solutions for an improved trade performance in Jordan. Foreign direct investment is particularly useful in supporting knowledge transfer and increasing innovative and productive capacity in the country, which could then ultimately support export sophistication and diversification.

Free trade agreements are used to facilitate trade and promote better trade relationships between countries. Jordan has signed multiple free trade agreements and was among the pioneers in the region to institute trade-related reforms and free trade and investment agreements. While these have led to growing exports and imports, imports grew at a much faster pace than exports, leading to widening trade deficits.

It is also noteworthy that despite the fact that many agreements have been signed, many have not been adequately and fully applied and have not necessarily achieved their desired results. On the contrary, many of these agreements have had an effect opposite to that desired and have created unfair competition from foreign products entering the country at reduced prices, thus making them more affordable and cheaper than Jordanian products.

3. Overview of Jordan's labour market and informal economy

3.1. Concept of informality

The Transition from the Informal to the Formal Economy Recommendation, 2015 (No. 204) of the ILO defines the informal economy as "*all economic activities by workers and economic units that are – in law or practice – not covered or insufficiently covered by formal arrangements*". The informal economy is often associated with poor working conditions and low levels of security and productivity.

The informal economy is diverse and comprises informal businesses, referred to as the informal sector, and informal jobs or informal employment. Informality in Jordan is a longstanding issue that continues to feature as a key policy priority requiring concerted efforts and measures to address it effectively. For many, informality is not a choice but a necessity driven by a lack of decent, formal and productive jobs.

For the purposes of this report, informal enterprises and informal workers are defined as follows:

– Informal enterprises are those not formally registered; and

– Informal workers are those not provided with social security or protection by their employers.

3.2. Snapshot of Jordan's labour market

Labour market challenges remain at the forefront of the national policy debate in Jordan and a key concern for policymakers. While Jordan's working age population has been growing, the economy has failed to create the number of jobs needed to absorb the growing labour force and continues to be beset by serious issues related to both the quantity and quality of jobs available.

Despite the multiple measures put in place, the country continues to register consistently high rates of unemployment, which stood at 18.6 per cent in the third quarter of 2022. The unemployment rate among Jordanians is particularly high, at 23.1 per cent, compared to 11.1 per cent among non-Jordanians. Women and youth are at a particular disadvantage, their unemployment rates standing at 29.1 per cent and 43.7 per cent, respectively. Young women face a double burden of being both female and young and have a staggering unemployment rate of 55.3 per cent.[6]

These high rates of unemployment persist, despite low labour force participation rates, the overall rate being 37.3 per cent, with a female participation rate of 13.4 per cent and a youth participation rate of only 23.0 per cent.[7] Youth NEET rates (not in employment, education or training) are also high, standing at 32.9 per cent in 2021, with a higher share among young women (38.3 per cent) than young men (28.3 per cent).[8]

Higher levels of education have also failed to drive down unemployment since unemployment increases with level of education and, in the third quarter of 2022, was 29.1 per cent among those with a bachelor's degree or above, the highest rate of any level of education. Unemployment among female university graduates is even higher, standing at 38.3 per cent in the third quarter of 2022.

Long-term unemployment is an even more worrying phenomenon among Jordanians, more than half of all those unemployed (54.3 per cent) having been unemployed for 12 months or more.

Taken as a proxy for labour demand, the employment-to-population ratio stood at only 30.3 per cent in the third quarter of 2022, with considerable differences between men and women (49.1 per cent and 9.5 per cent respectively).

[6] Department of Statistics, Labour Force Survey, Q3, 2022.0
[7] Department of Statistics, Labour Force Survey, Q3, 2022.
[8] ILO STAT, based on national data from the Labour Force Survey - Employment and Unemployment Survey.

That said, it should also be noted that the problem in Jordan is not simply the number of jobs available and the fact that more jobs are needed, but also relates to the quality of jobs. As of 2021, informal employment accounted for 51.6 per cent of total employment in the country, with a 55.1 per cent share among men and 32.4 per cent among women. [9]

In addition to gender-based segmentation, the labour market is also segmented on the basis of nationality. Most non-Jordanians, especially men, are in the country to work and thus have higher labour force participation rates and lower unemployment rates than their Jordanian counterparts.

Unfortunately, however, migrant workers are subject to poorer working conditions and, on average, work longer hours and are paid less than their Jordanian counterparts. According to national data from the third quarter of 2022, 61.8 per cent of non-Jordanians worked 49 hours per week or more, compared with only 18.2 per cent of Jordanians. Nonetheless, the majority of non-Jordanians (65.1 per cent) were paid less than JD300 per month, while this was the case of only 21.3 per cent of Jordanians. Only 4.3 per cent of migrant workers earned more than JD500, compared to 21.3 per cent of Jordanians.

Looking more closely at the situation of Syrian refugees in Jordan, a recent study conducted by the ILO and the Fafo Research Foundation (FaFo),[10] revealed that, while the working conditions of Syrian refugees, both with and without work permits, remain in general less favourable than those of Jordanians, those with work permits have relatively better working conditions, be it in terms of wages, availability of employment contracts and employment stability, access to social security or access to paid annual and paid sick leave.

Overall, to support decent job creation and address high unemployment rates, among the youth in particular, policies and measures are needed to promote job creation and the creation of decent jobs, in particular. The trade–employment nexus is particularly important here. If adequately developed and implemented, including through the establishment of effective institutions and industrial policies that promote structural change, trade and investment policies could help Jordan expand its productive sectors, while at the same time creating the much-needed quality jobs, including for women and youth.

[9] ILO STAT, based on national data from the Labour Force Survey - Employment and Unemployment Survey.
[10] https://www.ilo.org/wcmsp5/groups/public/---arabstates/---ro-beirut/documents/publication/wcms_820822.pdf

4. Research Objective and Methodology

The overall objective of this study is to identify the factors that inhibit formalization among enterprises involved in the production of goods with high export potential and highlight the challenges that hinder their participation at the higher end of value chains and make them more likely to engage in low value-added, informal activities. The study seeks to understand the relationship between trade and informality and highlight key barriers that hinder the ability of enterprises to expand exports, including at the higher end of value chains. Based on the analysis, a set of recommendations is provided to inform policymakers and promote formalization and decent job creation, particularly through expanded exports at the higher end of value chains.

A blend of research methods was used to assess more precisely the relationship between exports and formality, including both secondary research review and primary data and information collection. This two-pronged approach is described below.

4.1. Secondary research

Before launching the primary research phase, a secondary review of relevant studies and publications developed by national and international organizations was conducted to collect general information about Jordan's trade performance, identify products with high export potential and understand local trade policies and supportive measures. The secondary desk review also sought to collect information on international trade flows and foreign direct investment and other relevant labour market indicators to build an overview of the current situation of trade and employment in Jordan.

To identify sectors and subsectors able to support export promotion and decent job creation, this report builds primarily on data provided by the International Trade Centre (ITC) and other trade-related reports, including the ILO "Mainstreaming Employment into Trade and Investment" reports (METI). The **export**, **employment** and **growth potential** of sectors were the main criteria considered in the selection process.

i- Untapped export potential based on export potential indicator

Based on the International Trade Centre's export potential assessment methodology, Jordan has a total untapped export potential of $4.9 billion.

Table 4-1 presents the main subsectors with the highest export potential and untapped export potential. **Fertilizers ($1 billion)**, **chemicals ($726 million)**, **apparel ($560 million)**, **live animals ($477 million)** and **pharmaceuticals ($461 million) were first identified as key sub-sectors of interest,** showing the highest untapped export potential, i.e. the highest export growth potential.

Table 4-1: Subsectors with untapped export potential ranked by total export potential (first 10)

	Export potential ($ million)	Actual exports ($ million)	Untapped export potential ($ million)
Apparel	2 100	2 000	560
Fertilizers	1 800	991	1 000
Chemicals	1 800	1 300	726
Mineral resources	812	527	328
Pharmaceuticals	717	613	461
Live animals (except poultry)	584	108	477
Jewellery and precious metal articles	309	203	172
Precious metals	297	188	168
Vegetables	232	216	80
Food products (processed or preserved)	147	140	84

Source: International Trade Centre Export Potential Map

According to the ITC Model, these five sectors also have substantial employment impacts, being the top five product groups in terms of job creation. Implementing the right policies to realize the export potential of these products could generate a total of 72,046 jobs. The clothing industry is expected to create the highest number of jobs (33,713), followed by fertilizers (14,362), live animals (8,480), pharmaceuticals (8,295) and chemicals (7,196).[11]

ii- Growth and employment potential of other selected key sectors and subsectors

1- Plastics sector

In addition to the five abovementioned sectors, the **plastics sector** was also selected as a key sector with potential to promote exports and create decent jobs in Jordan. According to the Jordan Chamber of Industry, the plastics sector has shown high resilience and stability over the years, managing to grow and thrive through innovation and smart investments. Plastic products have high quality standards and can therefore compete effectively on regional and global markets.

As of 2020, more than 600 enterprises operated in the plastics sector in Jordan, an increase of 6.6 per cent since 2010. Value added in this sector reached about 30 per cent of total production and the sector contributed more than 1 per cent of GDP and accounted for 5 per cent of total industrial production. Furthermore, the sector has generated increasing numbers of jobs, total employment in the plastics sector increasing by 53 per cent between 2010 and 2020. Unlike many other exporting sectors that rely on cheap migrant workers, 80 per cent of workers in the sector are Jordanians and 6 per cent are female.[12]

Moreover, and in view of the increasing concerns around sustainability and climate change, the plastics sector should be seen as a priority sector in Jordan as it is a leading sector in the recycling industry.

2- Food processing, agrifood preparation and animal feed

Food processing and agrifood preparation and animal feed have also been selected as target sectors for this study in view of their contribution to the Jordanian economy and employment creation in the Kingdom. As of 2017, the exports of these sectors represented 10.2 per cent of total industrial exports and have created many job opportunities for a wide spectrum of the labour force. The diversified nature of these sectors and the fact that they include businesses of all sizes, including a majority of micro, small and medium-sized enterprises (MSMEs), make them particularly important for job creation and growth. The backward and forward linkages of the sectors further contribute to their increased importance as key sectors for growth and employment generation. Interestingly, and according to a GIZ (German development agency) report, these sectors have grown over the years and many related Jordanian products have completely replaced imports. The full export potential of these products and their potential to promote formal employment, including in small and micro enterprises, have yet to be reached, however.[13]

Developing these sectors is critical to ensure access to food and nutrition, support the livelihoods of farmers and others along the food supply chain and ensure the sustainable use of natural resources. By transforming raw materials into value-added products, such as canned goods, frozen foods and ready-to-eat meals, the food-processing and preparation sectors can facilitate access to a variety of high-quality and convenient food options, particularly in urban areas where fresh produce may be less available.

[11] ILO (2019). *More Trade for More Jobs: Identifying the Employment Potential of Jordan's Exports*.
[12] Jordan Chamber of Industry (2020). *Plastic Sector Profile. Industry Overview 2020*.
[13] GIZ. *Jordan's Food Processing Sector- Analysis and Strategy for Sectoral Improvement.* 2019.

3- Information and Communications Technology

The ICT sector is one of the fastest growing sectors in Jordan, contributing 3.8 per cent of total GDP.[14] Unlike many other sectors, it expanded during the pandemic and is expected to grow further as digitization and technological advance accelerate, not only in Jordan but also globally. It is therefore critical to consider this sector in terms of promoting exports and decent job creation, particularly in view of Jordan's modern information technology infrastructure and its highly skilled labour force. Jordan is a regional leader in product and technology innovation and has the potential to attract increased investment, expand exports, and ultimately spur decent job creation, for the youth in particular.[15]

The sectors selected for examination by this study are therefore:

- Manufacturing sector
  - Clothing (textiles, garments and apparel)
  - Fertilizers
  - Chemicals
  - Pharmaceuticals
  - Food-processing
  - Plastics
- Live Animals
- Agriculture - food preparation, animal feed
- Information and communications technology

4.2. Primary data collection

In addition to the secondary desk review phase, the study employed a mixed-methods approach to collect primary data and information, using both quantitative and qualitative tools.

4.2.1. Quantitative employer and worker surveys

To collect quantitative data and information on the situation of workers and enterprises operating in the target sectors and subsectors, two survey questionnaires were developed, one targeting workers and the other targeting employers.

The questionnaires included questions on formality and informality, and trade and exports, in an attempt to gain a better understanding of the relationship between the two.

[14] *Jordan - Country Commercial Guide. Information and Communication Technology*. Available at: Jordan - Information and Communication Technology (trade.gov)
[15] ILO. *The Impact of Trade and Investment Policies on Productive and Decent Work*. Country Report for Jordan, METI programme 2022

The employer questionnaire included a total of 61 questions in five sections:

1: Characteristics of respondent

2: General Information on the enterprise

3: Working conditions of workers

4: Exports and products

5: Questions for unregistered enterprises only

The worker questionnaire had a total of 48 questions in seven sections:

1: Demographic information

2: General information on the enterprise

3: Working conditions

4: Formal/informal sector

5: Formal/informal employment

6: Worker's wish to change job

7: Exports

The total sample size was 172, comprising 85 formal and informal employers and 87 formal and informal workers, all operating in the nine identified sectors and subsectors, both in exporting and non-exporting enterprises. A snowball sampling method was used during the data collection phase for the identification of potential respondents.

The quantitative fieldwork was completed over a four-week period, 1 November 2022 to 3 December 2022.

In view of the small sample size, it is important to note that these surveys were conducted only to demonstrate and illustrate some of the characteristics of employment in sectors with high export potential and are not intended to enable inferences to be drawn or make generalizations. Nonetheless, together with the information collected through focus group discussions, the survey findings can help provide sound policy recommendations for consideration by relevant stakeholders and policymakers in Jordan.

4.2.2. Qualitative interviews

In addition to the quantitative data collection, qualitative data collection tools were applied to assess the barriers enterprises face to participating at the higher end of value chains and integrating into the formal economy. Through structured and more in-depth discussions, the study sought to gather insights on challenges relating to skills, enterprise development, transport and logistics, linkages to stakeholders in external markets, local business culture and regulatory issues, among others. The different focus group discussions and key informant interviews also sought to collect the views of tripartite stakeholders on what needs to be done to promote formalization and improve the trade and export performance of enterprises in Jordan.

Three focus group discussion guides were developed targeting different groups of i) workers; ii) employers and iii) representatives of governmental entities and international nongovernmental organizations (INGOs). In total, 72 individuals participated in the qualitative phase through five focus group discussions organized between 14 November and 1 December 2022, as shown in table 4-2. Three additional key informants interviews (KIIs), two with employers and one with a worker, were later organized on 3 December 2022.

Table 4-2: Schedule and distribution of focus group discussions

Date	Category	Number of participants
14 November 2022	Workers	14
23 November 2022	Employers	13
28 November 2022	Workers	15
29 November 2022	Employers	15
1 December 2022	Representatives of governmental entities and INGOs	14

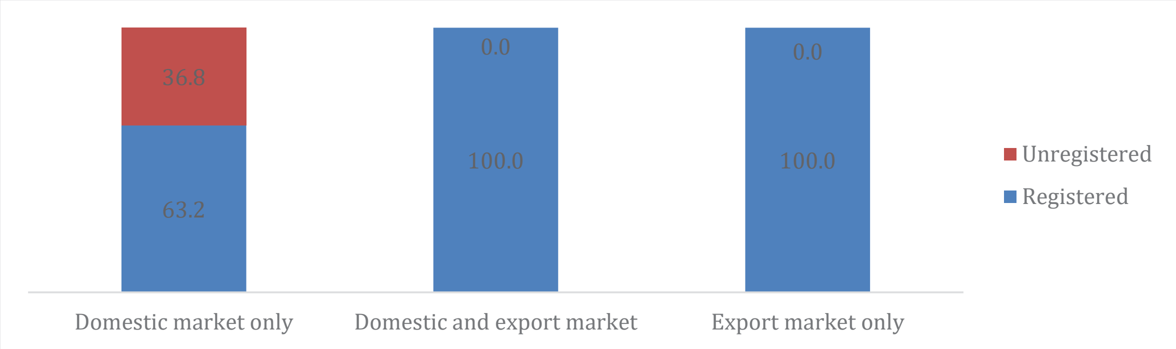
5. Findings and Data Analysis

5.1. Characteristics of sampled enterprises

The employer survey conducted as part of this study found that 44.7 per cent of the surveyed enterprises served only the domestic market and 55.3 per cent operated in the export market. All the sampled enterprises involved in the export market were formal, registered enterprises, while more than one third of surveyed enterprises serving only the domestic market were unregistered (figure 5-1).

To engage in international trade and the export market, formality, registration and licensing appear to be key, as was also confirmed by the various focus group discussions. This means that the existence of a large informal sector in Jordan may have a serious detrimental impact on exports and trade and rigid government rules and regulations that may discourage registration can ultimately retard trade and affect the country's position in the global market. Given Jordan's small domestic market, addressing the challenges that hinder export promotion, including informality, should be a priority.

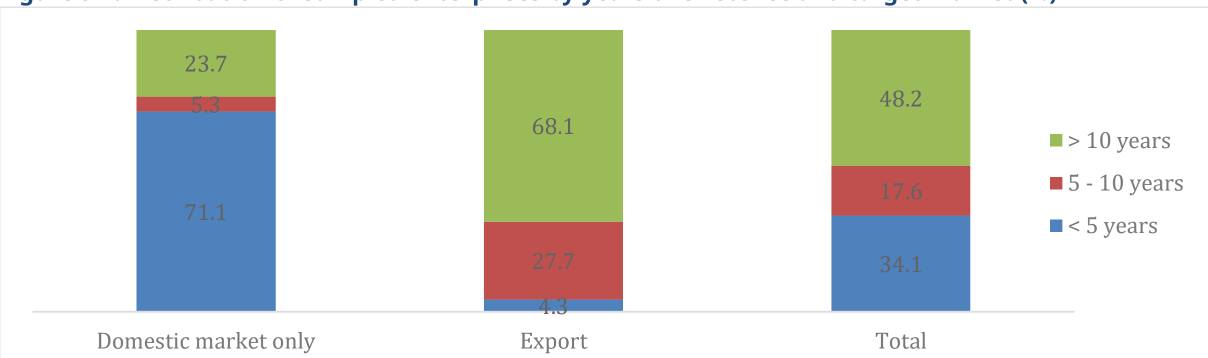
Figure 5-1: Distribution of firms by registration status and target market (%)



Source: Employer survey, 2022

While most of the sampled enterprises serving only the domestic market had been established for less than five years at the time of the survey, 68.1 per cent of exporting firms had been in existence for more than ten years, while one third had been established for between five and ten years. Only 4.3 per cent of exporting enterprises were relatively new. This is not surprising in view of the expertise enterprises have to accumulate before they are able to explore global markets and compete with international products.

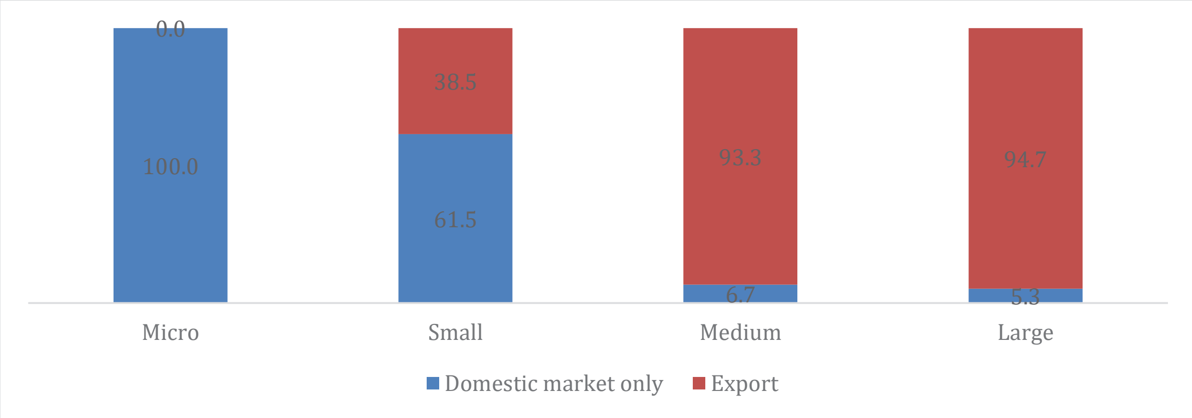
Figure 5-2: Distribution of sampled enterprises by years of existence and target market (%)



Source: Employer survey, 2022

Looking at the sampled enterprises by size, the survey found a correlation between the size of the enterprise and its exports. While none of the surveyed micro enterprises are involved in exports, 94.7 per cent of large enterprises are (see figure 5-3).

Figure 5-3: Distribution of sampled enterprises by size and target market (%)



Source: Employer survey, 2022

5.2. Composition of employment in surveyed enterprises

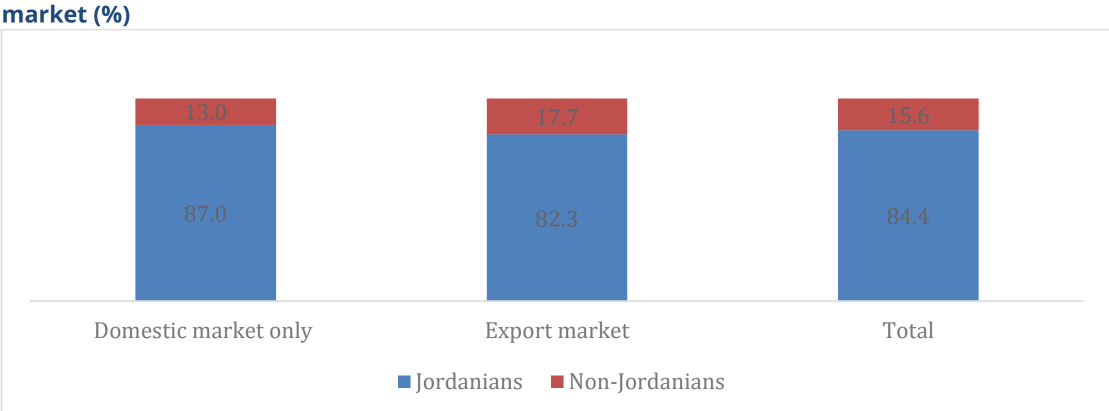
Employment by nationality

According to the employer survey, the sampled enterprises employed a majority of Jordanian workers, irrespective of whether or not they exported. The average share of Jordanian workers in the total workforce employed by the surveyed enterprises stood at 84.4 per cent. Enterprises that export to regional and global markets were relatively more likely to employ non-nationals than those that serve the domestic market only. This has been further discussed during the focus group discussions with many exporting enterprises expressing their preference for employing non-nationals, including Indians and Bengalis, rather than Jordanians, as the former are found to be equally, if not more, skilled than nationals, tend to work longer hours and often accept relatively lower wages.

Despite this preference, laws and regulations in Jordan require enterprises to employ a certain share of Jordanian workers, depending on their sector of operation. For example, in plastics manufacturing, 60 per cent of all workers must be Jordanian. Furthermore, because migrant or foreign workers come to work in Jordan for a specific and limited period of time, employers continue to look for Jordanian workers to ensure some level of sustainability and high employee retention rates.

In view of the above, the presence of both migrant and Jordanian workers appears to be key, with the former also contributing to knowledge and skills transfer to the more "permanent" Jordanian workers.

Figure 5-4: Average distribution of employment in sampled enterprises by nationality and target market (%)

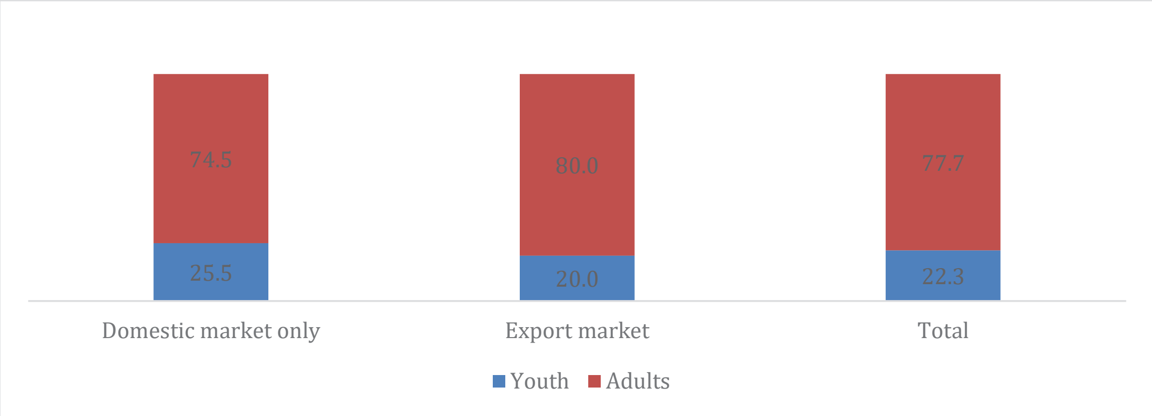


Source: Employer survey, 2022

Youth employment

In addition to nationality distribution, the employer survey also provided information on the age distribution of those working in the sampled enterprises. On average, less than one quarter of the workforce of sampled enterprises was aged between 15 and 24, while the vast majority (77.7 per cent) were 25 years and over. Data show that exporting enterprises in the sample are less likely to employ youth than those serving only the domestic market (figure 5-5). The focus group discussions shed light on the reasons for employers' reluctance to employ young people, which primarily concerned their limited skills and experience, exporting enterprises' main concerns being efficiency and expertise. Moreover, the presence of a large pool of skilled migrant workers has further hindered young people's access to employment opportunities in exporting enterprises. Employers found youth to be more of a burden in view of their training and skills development needs.

Figure 5-5: Average distribution of employment in sampled enterprises by age group and target market



Source: Employer survey, 2022

That said, it is important to note that, if adequately skilled, young people can be an asset to enterprises and contribute to their growth. Young people should be able to benefit from the job opportunities created in sectors with high export potential to ensure the survival and sustainability of these sectors and their ability to compete with more innovative products created in global markets.

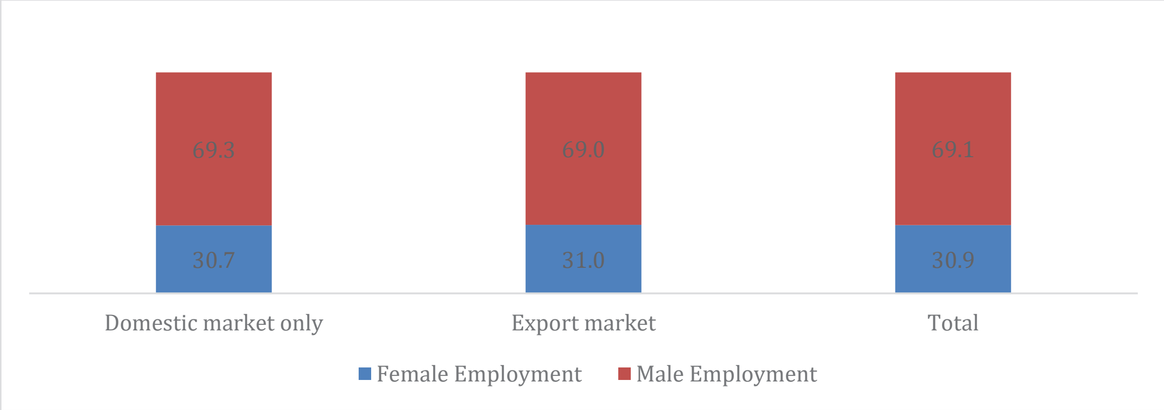
Female employment

Irrespective of whether or not enterprises in the sample target export markets, the average share of women's employment remains the same, standing at around 31 per cent (figure 5-6). Compared to a female share of 15.4 per cent in total employment at the national level in 2021,[16] the sub-sectors under study appear to provide good employment opportunities for women. This means that adequate support to these sectors can have a positive impact on women's employment, provided decent and productive jobs are created.

Women's employment and participation in the labour force more generally is constrained by a number of factors, including: societal norms and entrenched gender roles; lack of availability of safe transportation; lack of affordable and quality childcare facilities; absence of family-friendly policies; discriminatory practices in the workplace; and lack of clear anti-harassment policies requiring firm action to be taken in case of inappropriate or unsafe behaviours and practices at work. Addressing these challenges can support women's integration in the labour market, including in less traditional sectors.

[16] ILO, "Employment by sex and age (thousand) - Annual", Labour Force Statistics, ILOSTAT database, accessed 15 December 2022.

Figure 5-6: Average employment distribution by sex in sampled enterprises by target market (%)



Source: Employer survey, 2022

5.3. Comparison of working conditions in sectors with high export potential

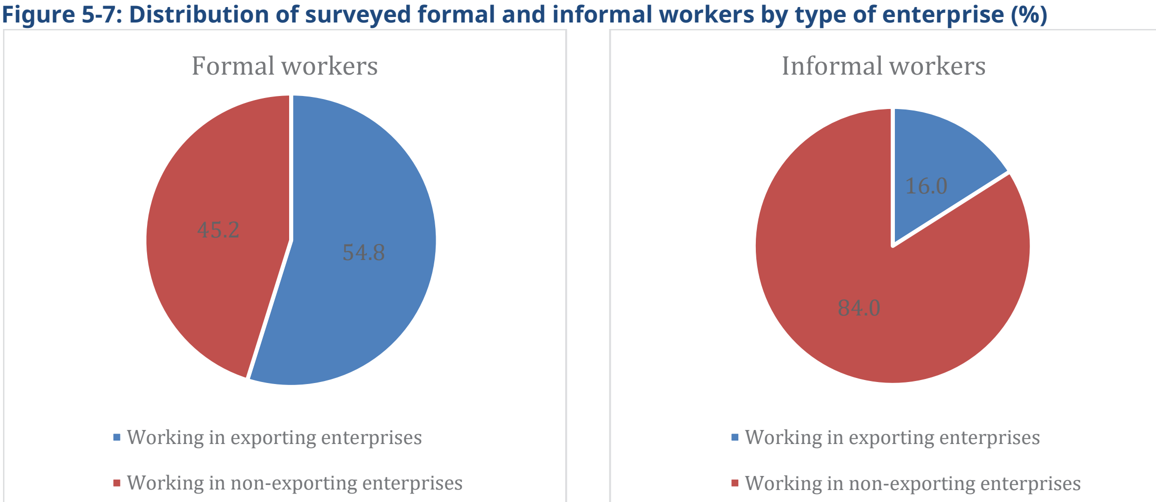
Overall, employment in sectors with high export potential is diverse, comprising both formal and informal employment. Working conditions also vary and, despite the fact that many workers work informally, the majority do so out of necessity rather than choice.

This section examines the working conditions offered to formal and informal workers in exporting and non-exporting enterprises and seeks to identify decent work deficits in order to recommend policy measures to improve working conditions in the identified sectors and subsectors and promote productivity and growth.

Formal and informal employment in exporting and non-exporting enterprises

The worker survey targeted both formal and informal workers in sectors with the potential to promote exports and create decent and productive jobs, including for the youth. Eighty-four per cent of all informal workers surveyed worked in non-exporting enterprises (figure 5-7), while more than half of the surveyed formal workers (54.8 per cent) worked in exporting enterprises.

Figure 5-7: Distribution of surveyed formal and informal workers by type of enterprise (%)

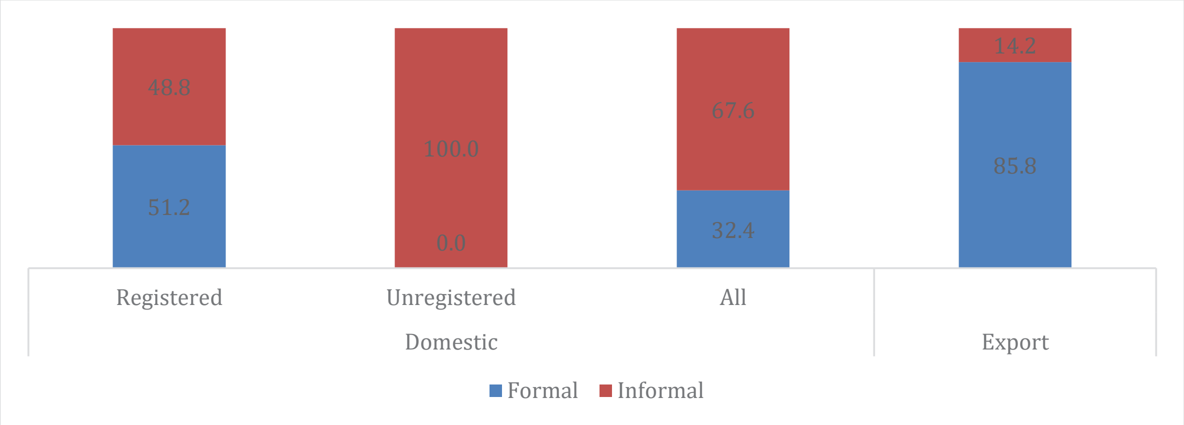


Source: Worker survey, 2022

The employer survey also examined the issue of formality and informality of employment and found that all exporting enterprises (all of which are also formal enterprises) provide social security to at least some of their employees. Conversely, 63.2 per cent of those serving only the domestic market reported not providing social security to any of their employees. None of the informal enterprises in the sample provided social security to their workers, while 58.3 per cent of formal enterprises serving the domestic market provided only some of their employees with formal employment.

On average, the share of informal workers in the surveyed non-exporting enterprises was 67.6 per cent, whereas exporting enterprises registered a much lower average share of informal employment of 14.2 per cent. All the sampled workers working in informal, unregistered enterprises were informally employed. (figure 5-8).

Figure 5-8: Average share of formal and informal employment in sampled enterprises by type of enterprise and target market (%)



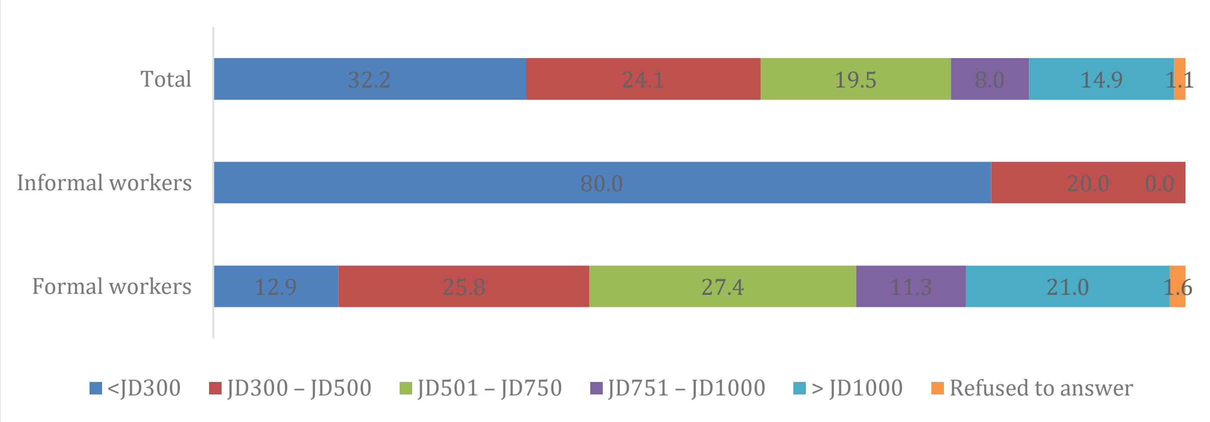
Source: Employer survey, 2022

Incomes and allowances

Wages are often the primary concern of workers and one of the key determinants of employment quality, with low and irregular wages putting individuals in hazardous situations and challenging their ability to make effective plans and commitments, including for their future and that of their families.

Figure 5-9 shows the average monthly income surveyed formal and informal workers received from their employers during the year 2021. While 80.0 per cent of informal workers earn less than JD300 per month, none of them indicated earning more than JD500 per month. Conversely, only 12.9 per cent of formal workers reported earning less than JD300 per month, while one fifth (21 per cent) reported earning more than JD1,000 per month.

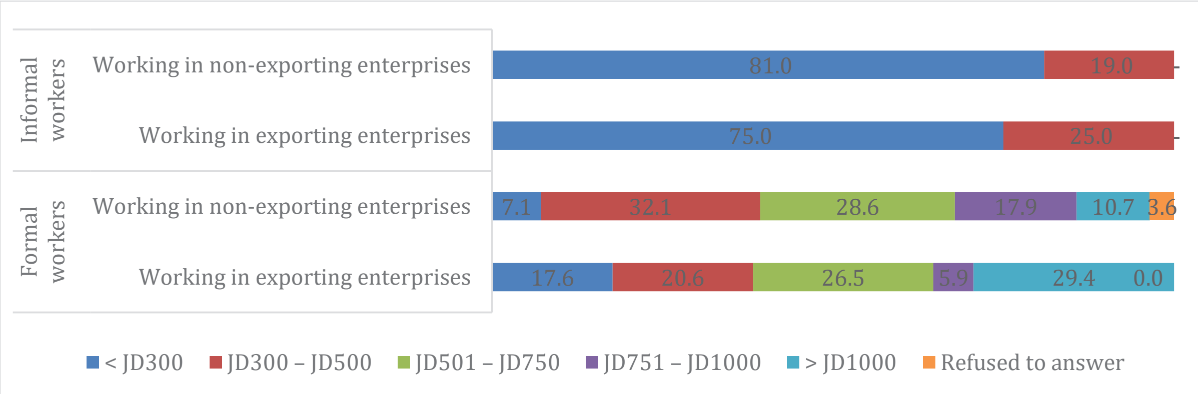
Figure 5-9: Distribution of surveyed formal and informal workers by average monthly income earned in 2021 (%)



Source: Worker survey, 2022

Both formal and informal workers in exporting enterprises tend to be better paid than those in non-exporting enterprises. While informal workers in both exporting and non-exporting enterprises are largely concentrated among low-paid workers earning less than JD300 per month, the share is relatively higher among those in non-exporting enterprises. Conversely, almost one third of formal workers in exporting enterprises are highly paid, earning more than JD1,000 per month, compared to only 10.7 per cent of those working in non-exporting enterprises (figure 5-10).

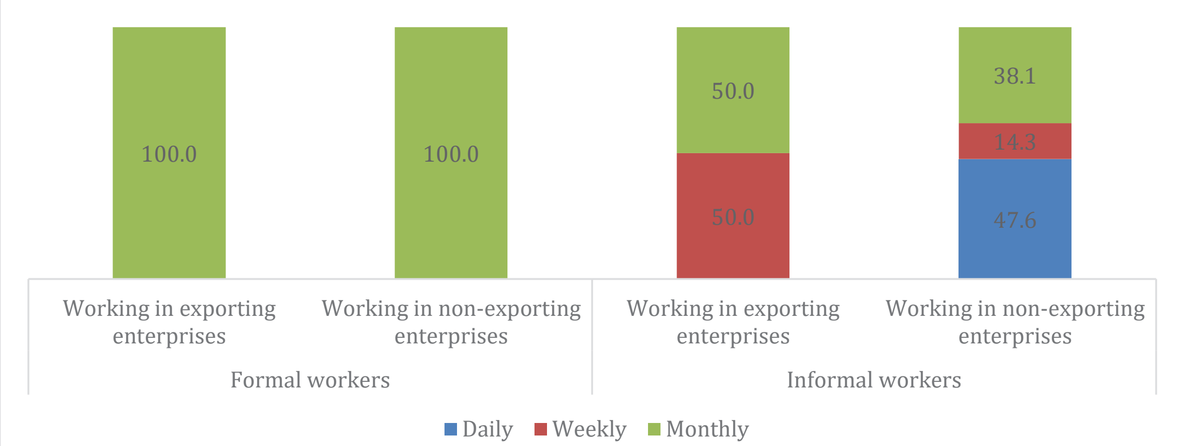
Figure 5-10: Distribution of surveyed formal and informal workers by average monthly income earned in 2021 and by target market (%)



Source: Worker survey, 2022

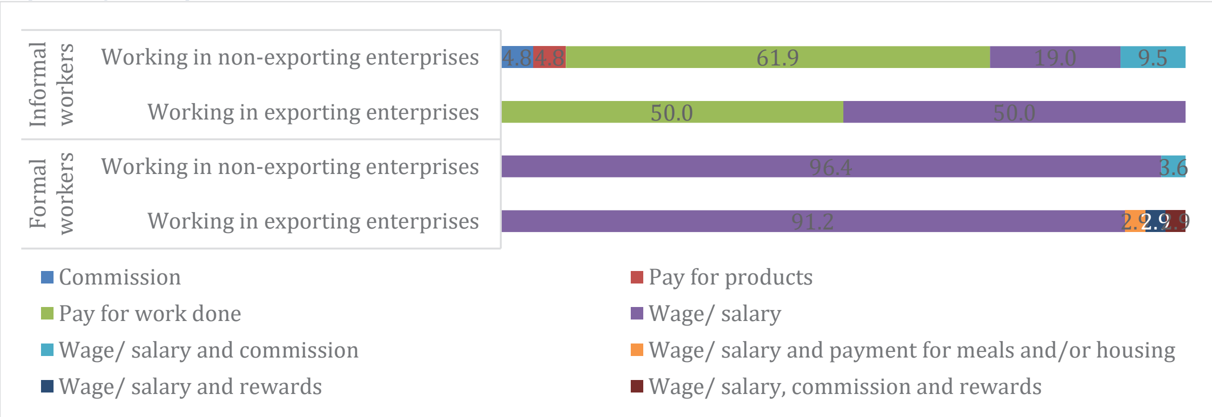
In addition to their income level, workers are also concerned about the frequency of pay. Figure 5-11 shows that all surveyed formal workers are paid on a monthly basis, irrespective of whether they work for exporting or non-exporting enterprises. Conversely, a good proportion of informal workers are paid on a weekly or daily basis: 47.6 per cent of the surveyed informal workers employed in non-exporting enterprises are daily workers subject to high levels of vulnerability and uncertainty.

Figure 5-11: Distribution of sampled formal and informal workers by frequency of pay in exporting and non-exporting enterprises (%)



With regard to payment method, all formal workers reported receiving a wage salary in exchange for their work, with or without additional benefits as shown in figure 5-12. Conversely, the most common payment method for informal workers is pay for work done: 61.9 per cent of informal workers in non-exporting enterprises reported not receiving a monthly wage and being paid on the basis of work done, while in exporting enterprises, the share of informal workers paid for work done is lower, standing at 50 per cent, and equal to the share of informal workers who reported receiving wages in return for their work.

Figure 5-12: Distribution of surveyed formal and informal workers by type of pay in exporting and non-exporting enterprises (%)

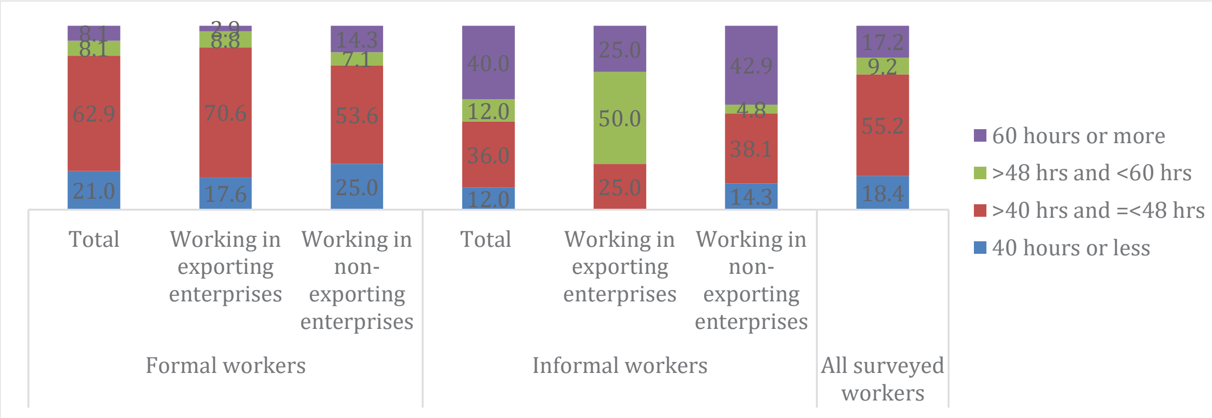


Source: Worker survey, 2022

Working hours

The other key characteristic of a quality job is working hours. In Jordan, the standard number of working hours is 48 per week, with a maximum of eight hours per day. The majority of workers in the sample reported working between 40 and 48 hours per week (55.2 per cent). As shown in figure 5-13, however, a large share of informal workers in the sample (52.0 per cent) reported working more than 48 hours per week, with a particularly large share working 60 hours or more (40.0 per cent). Excessive hours of work are particularly prevalent among informal workers working in non-exporting enterprises, the latter representing 42.9 per cent of all informal workers in the sample.

Figure 5-13: Distribution of formal and informal workers in exporting and non-exporting enterprises by number of working hours per week (%)



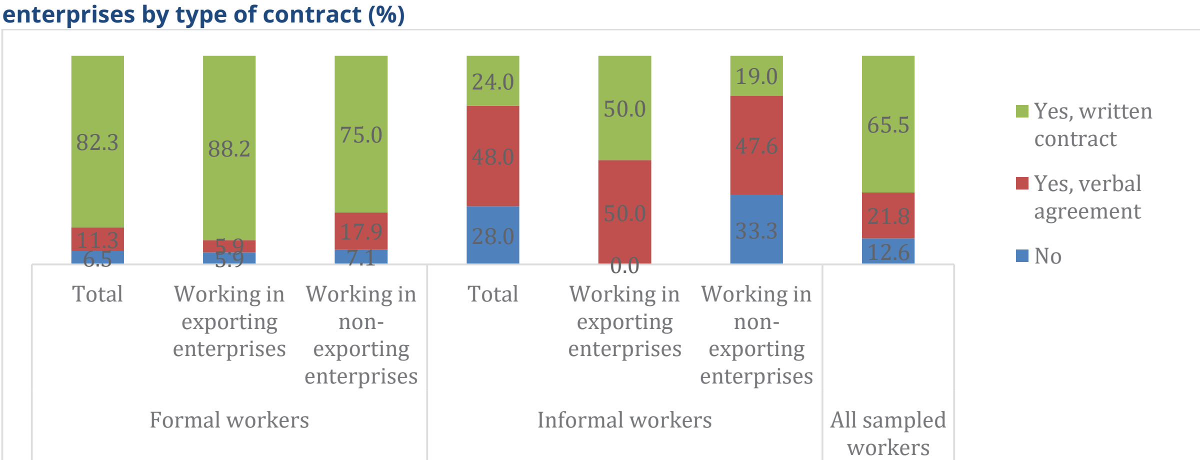
Source: Worker survey, 2022

Contracts and agreements

A third dimension that helps measure the decency of work is the existence and quality of employment contracts. Ideally, all workers should have a written contract that sets out their rights and responsibilities and details the different aspects of their job.

Figure 5-14 shows that the majority of formal workers in the sample (82.3 per cent) had a written contract, while only 24.0 per cent of informal workers did. Formal workers in exporting enterprises are more likely to have written contracts than their counterparts in non-exporting enterprises (88.2 per cent and 75 per cent, respectively). For the sample of informal workers, verbal agreements seem to prevail, with 48.0 per cent of all surveyed informal workers having a verbal agreement. An additional 28.0 per cent of all informal workers do not have any sort of contract. It is worth noting that none of the surveyed informal workers working in exporting enterprises reported not having a contract, whereas almost one third of those in non-exporting enterprises had no contract.

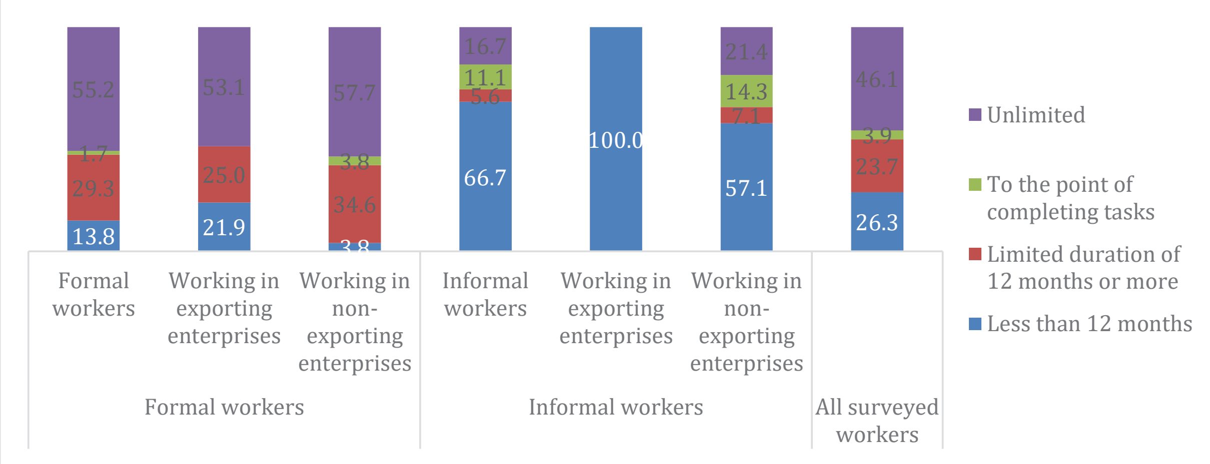
Figure 5-14: Distribution of surveyed formal and informal workers in exporting and non-exporting enterprises by type of contract (%)



Source: Worker survey, 2022

Moreover, more than half of all surveyed formal workers who reported having a verbal or written contract have a contract of unlimited duration, while almost a further third have a contract of limited duration of 12 months or more (figure 5-15). Conversely, two thirds of the informal workers surveyed have a contract of less than 12 months, while only 16.7 per cent have a contract of unlimited duration.

Figure 5-15: Distribution of surveyed formal and informal workers with contracts in exporting and non-exporting enterprises by duration of contract (%)



Source: Worker survey, 2022

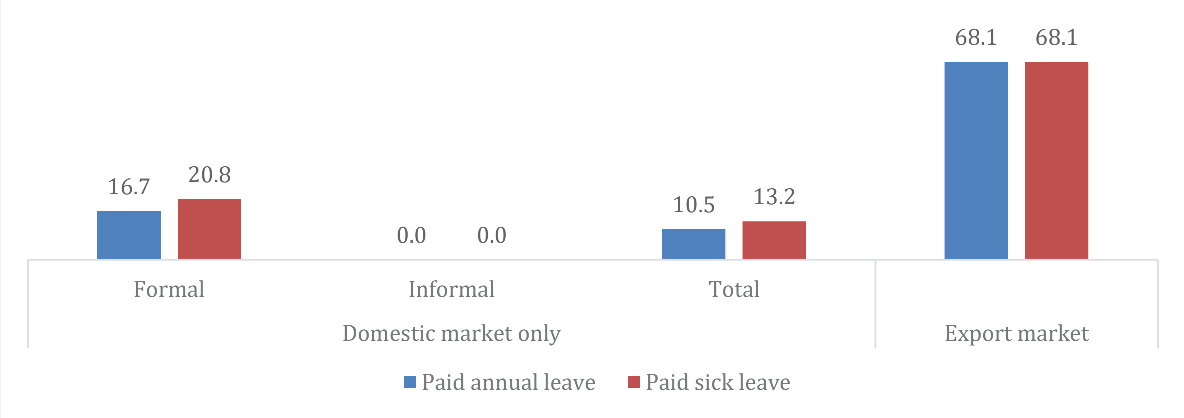
Paid annual leave and paid sick leave

Paid annual leave is the annual period during which a worker takes some time off work while continuing to receive his or her income. A break allows workers to rest, focus on their life outside work and maintain their health and wellbeing. Paid sick leave gives workers the right to be absent from work when feeling ill without any risk of losing their work or income. This is particularly important during times of crisis and has proved key during the COVID-19 pandemic, providing workers with the right to look after their health without fearing loss of job or income.

According to the employer survey, 50.7 per cent and 52.1 per cent of the sampled formal enterprises (both exporting and non-exporting) give paid annual leave and paid sick leave, respectively, to at least some of their employees, while none of the informal enterprises do.

Exporting enterprises (all of which are formal) are more likely to provide such entitlements to their employees than formal enterprises serving only the domestic market (figure 5-16). This is very much in line with the findings of the focus group discussions during which participants linked productivity of workers and their commitment to their work with the working conditions offered to them, and identified productivity and quality products as the key concerns of exporting enterprises that want to remain competitive in the global market. It also emerged from the discussions that very often international companies importing products from Jordan impose on exporting enterprises a set of conditions linked to workers' rights and the working environment offered to them. These enterprises therefore need to comply with the international standards imposed if they wish to maintain their sales and presence in the international market.

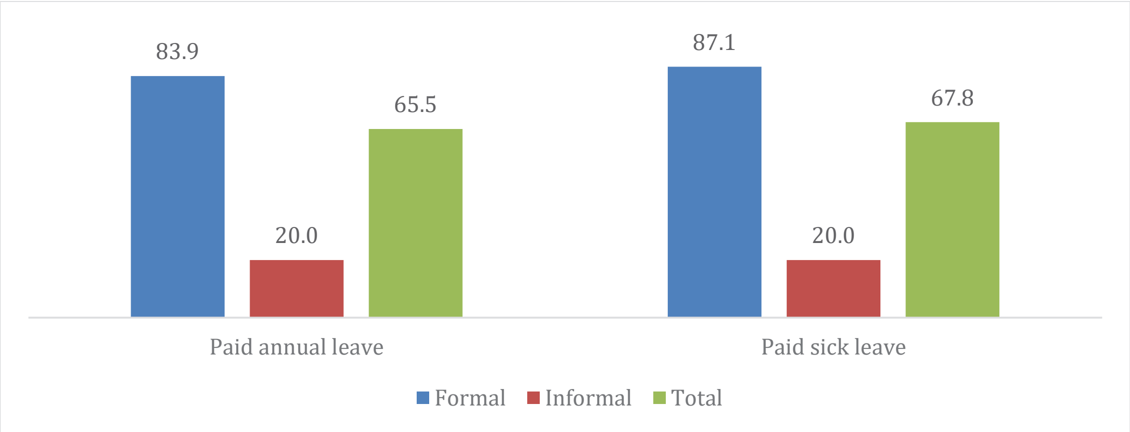
Figure 5-16: Share of surveyed enterprises providing paid annual leave and paid sick leave to at least some of their workers by type of enterprise and target market (%)



Source: Employer survey, 2022

In addition to the findings of the employer survey, the findings of the worker survey showed that 65.5 per cent and 67.8 per cent of the surveyed workers have access to paid annual leave and paid sick leave, respectively, with huge differences between formal and informal workers. Figure 5-17 shows that 83.9 per cent of the surveyed formal workers have access to paid annual leave and 87.1 per cent of such workers are entitled to paid sick leave, but only 20 per cent of the informal workers in the sample have access to paid annual leave or paid sick leave, a situation that threatens their health and wellbeing.

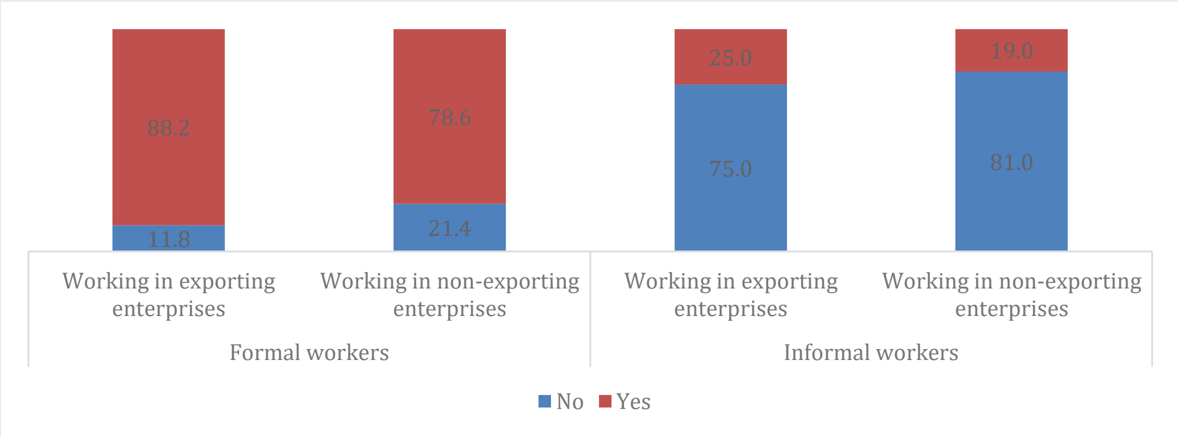
Figure 5-17: Share of surveyed workers receiving paid annual leave and paid sick leave by formality of employment (%)



Source: Worker survey, 2022

A comparison of workers in exporting and non-exporting enterprises shows that those in exporting enterprises are better off than those in non-exporting enterprises, both in terms of access to paid annual leave and paid sick leave. As figure 5-18 shows, 88.2 per cent of formal workers in exporting enterprises are entitled to paid annual leave, compared with 78.6 per cent of their counterparts in non-exporting enterprises. Similarly, 25.0 per cent of informal workers in exporting enterprises have access to paid annual leave, compared with 19.0 per cent of their peers in non-exporting enterprises.

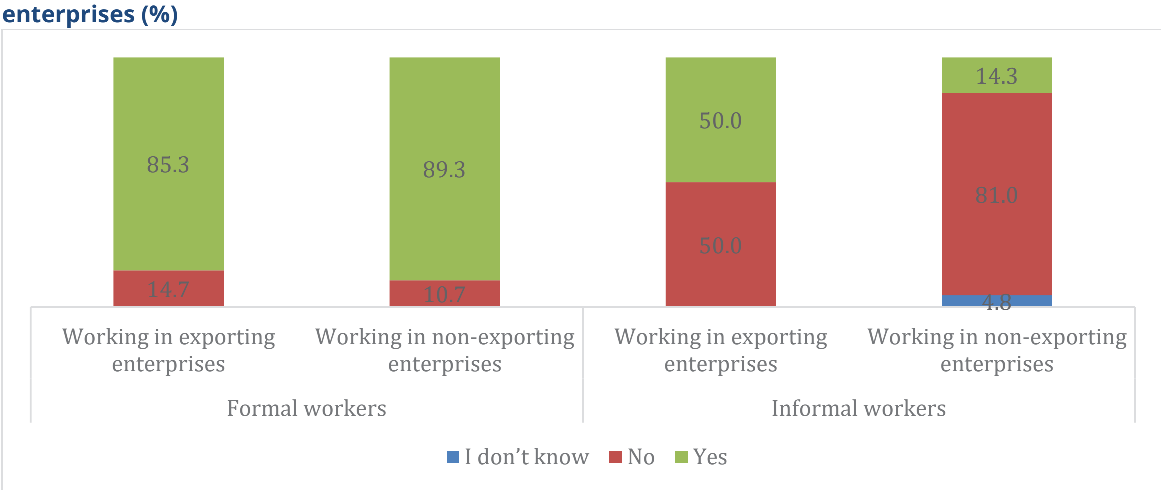
Figure 5-18: Formal and informal workers receiving paid annual leave in exporting and non-exporting enterprises (%)



Source: Worker survey, 2022

As for access to paid sick leave, figure 5-19 shows very similar rates of cover of formal workers in exporting and non-exporting enterprises. Conversely, 50 per cent of informal workers in exporting enterprises are entitled to paid sick leave, compared with only 14.3 per cent of those working in non-exporting enterprises.

Figure 5-19: Formal and informal workers receiving paid sick leave in exporting and non-exporting enterprises (%)

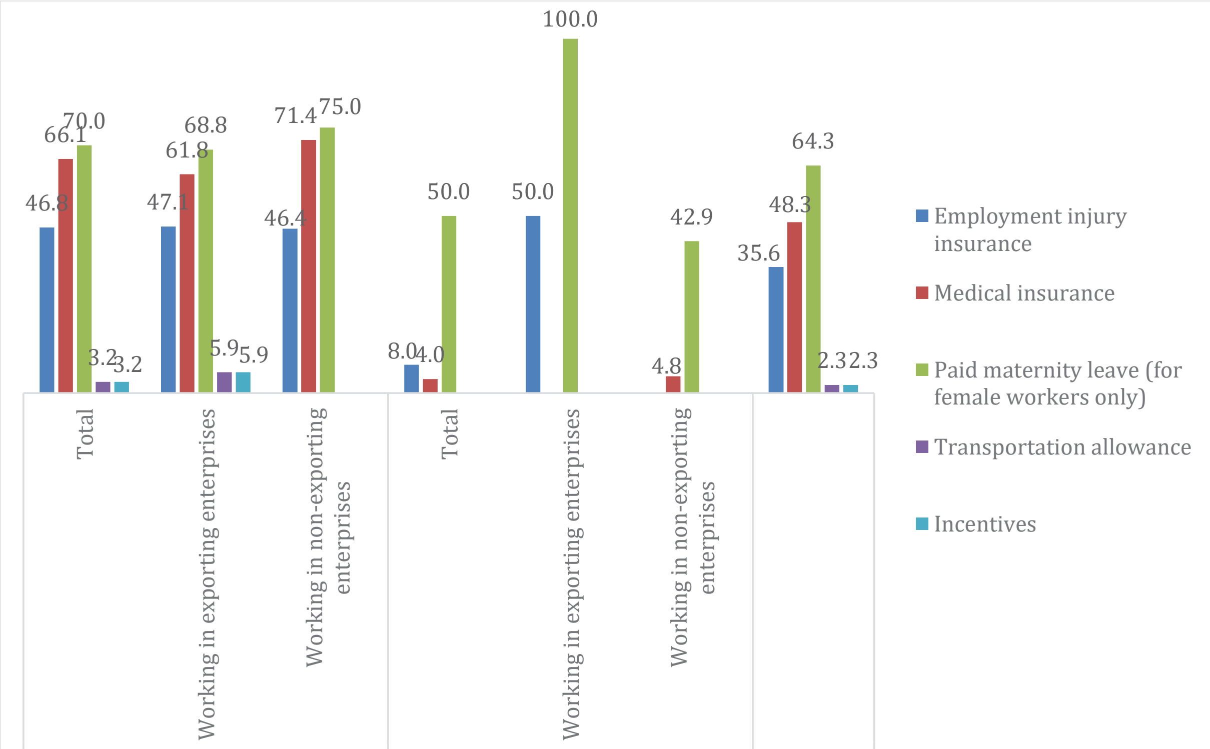


Source: Worker survey, 2022

Other entitlements and employment benefits

In general, more benefits are available to formal workers than informal workers. The findings of the worker survey show that formal workers in exporting enterprises have access to a wide range of benefits, including incentives and transportation allowances, that are not available to other workers. Conversely, informal workers in the sample have access to a limited range of benefits, with minimal cover in non-exporting enterprises (figure 5-20).

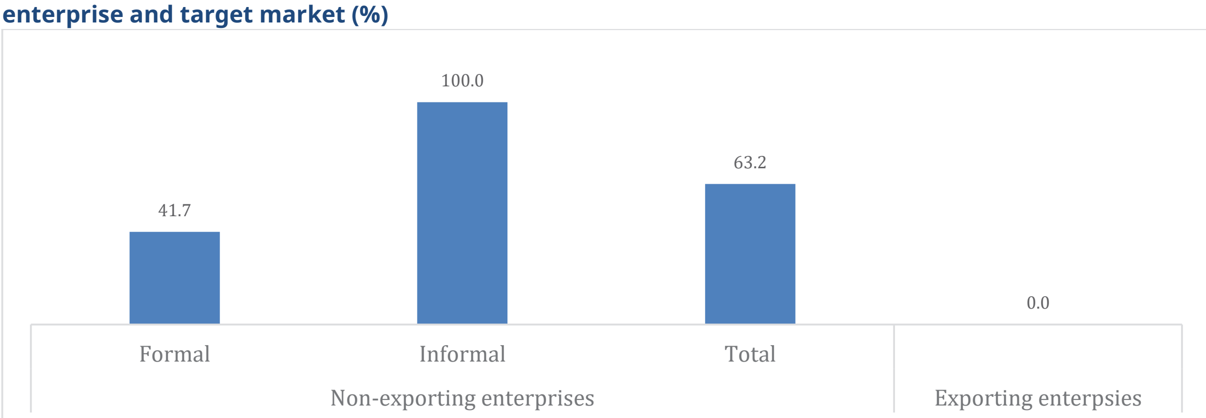
Figure 5-20: Benefits enjoyed by formal and informal workers in exporting and non-exporting enterprises (%)



Source: Worker survey, 2022

The employer survey also shed light on the types of benefits offered to workers by the sampled formal and informal enterprises. In addition to those already discussed, including social security cover and paid annual leave and sick leave, the survey found that 63.2 per cent of enterprises serving only the domestic market do not provide any form of benefits to their workers, whereas all the exporting enterprises provide benefits of some sort. All of the informal enterprises surveyed reported that they do not provide any benefits to their workers, compared to 41.7 per cent of formal enterprises serving only the domestic market.

Figure 5-21: Share of sampled enterprises not providing any benefits to their workers by type of enterprise and target market (%)



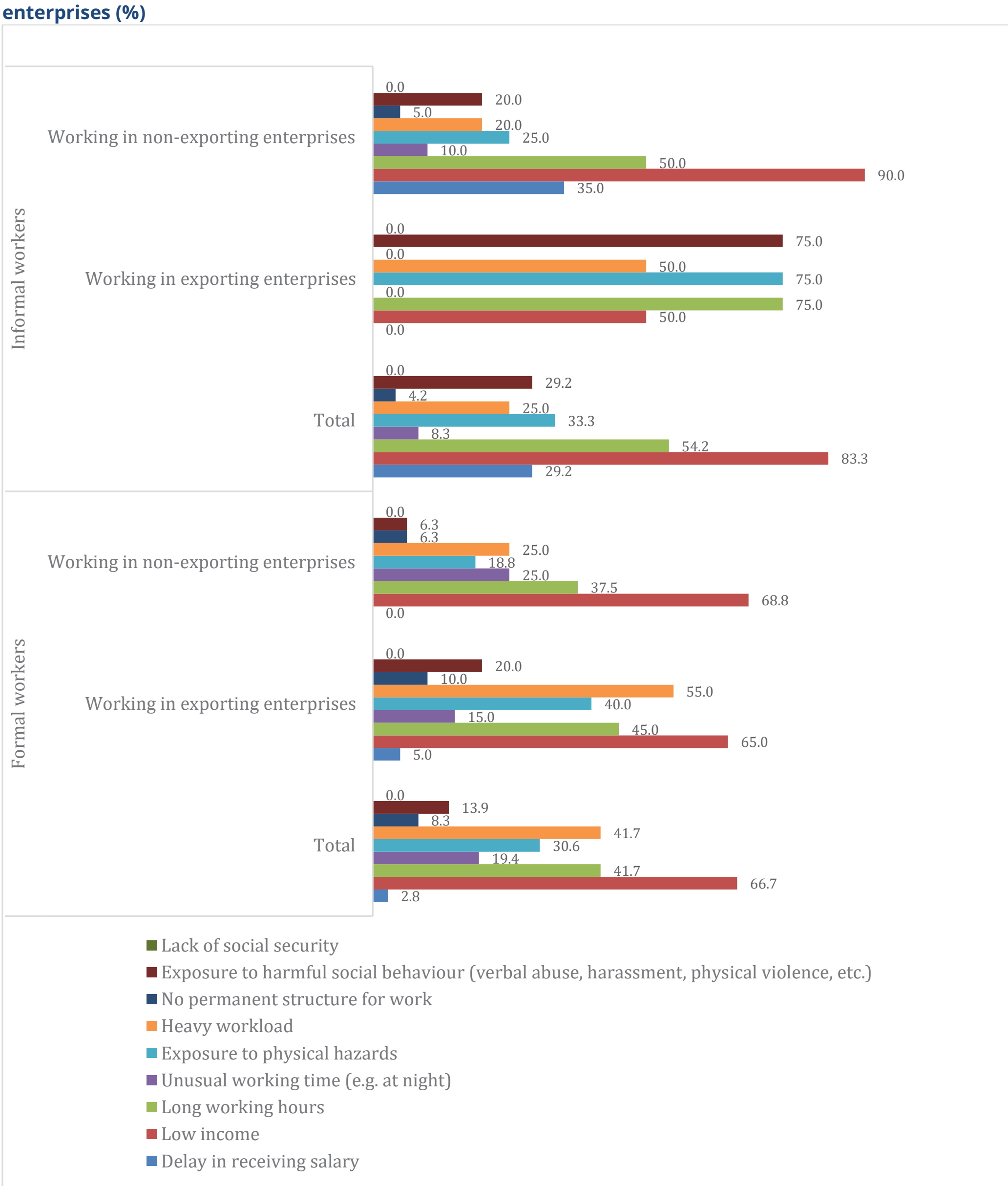
Source: Employer survey, 2022.

Key challenges and workplace difficulties

Workplace difficulties are common for workers in both formal and informal employment, though more widely reported by informal workers. The survey found that 96 per cent of the sampled informal workers reported facing difficulties in the workplace, compared to 58.1 per cent of formal workers.

Of those who reported facing difficulties, the most cited challenge was low income. As figure 5-22 shows, 66.7 per cent of formal workers facing difficulties and 83.3 per cent of informal workers facing difficulties identified low income as one of the main challenges. Second are challenges relating to long working hours and heavy workload. Exposure to physical hazards and harmful social behaviours were particularly identified as key challenges by informal workers working in exporting enterprises. Most importantly, the results of the survey make it very clear that not having social security is not a key problem or a main concern of the workers surveyed. The key challenges primarily concern income, working hours and workload.

Figure 5-22: Main challenges reported by formal and informal workers in exporting and non-exporting enterprises (%)



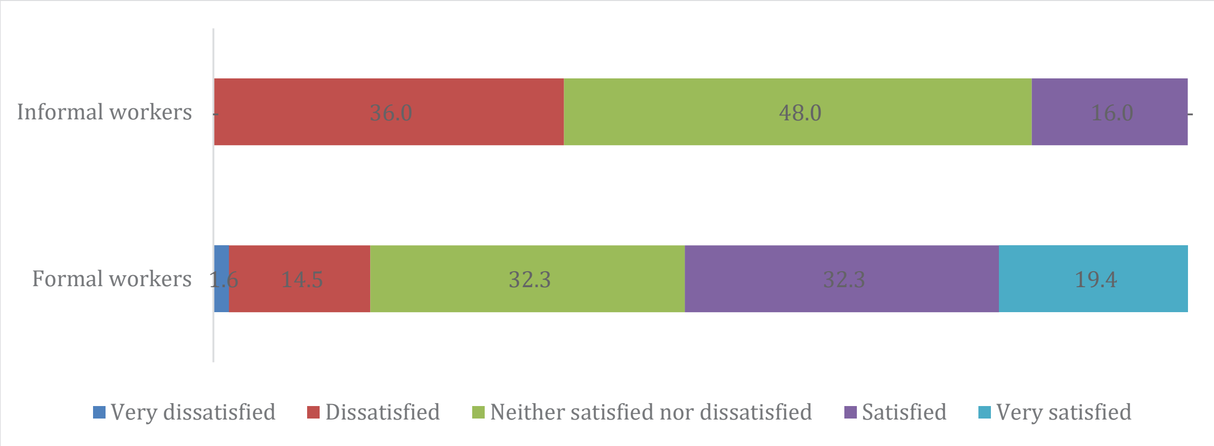
Source: Worker survey, 2022

Job satisfaction and desire to change jobs

Further to this overview of working conditions enjoyed by the sampled workers in the sectors with high export potential, the worker survey examined level of satisfaction.

Figure 5-23 shows that formal workers reported higher levels of satisfaction than their informal counterparts. Almost a fifth of formal workers in the sample were very satisfied with their working conditions, while none of the surveyed informal workers were. The share of formal workers who reported being satisfied (32.3 per cent) is also double that of informal workers (16.0 per cent). Conversely, 36 per cent of informal workers said they were dissatisfied with their working conditions, compared with only 14.5 per cent of formal workers.

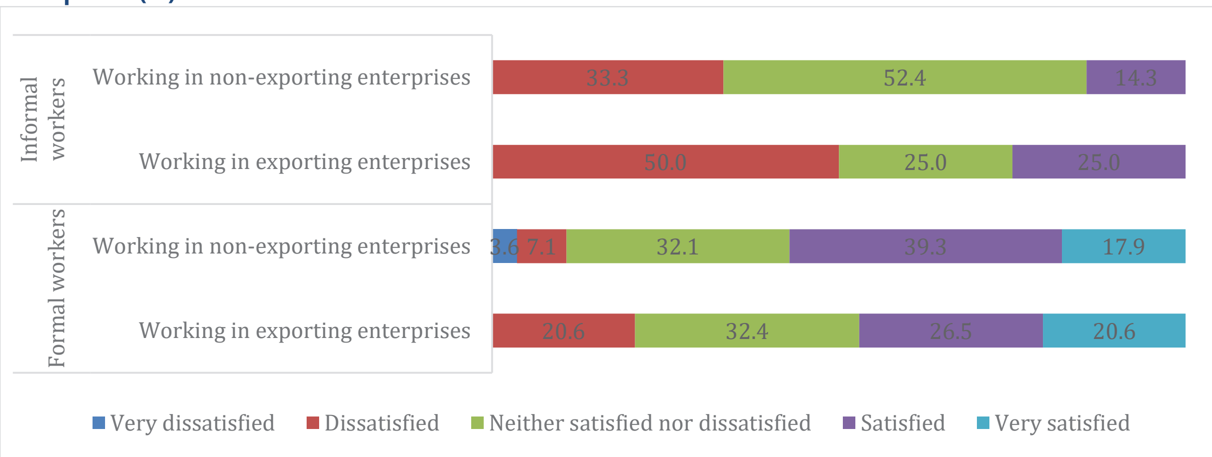
Figure 5-23: Distribution of formal and informal workers by level of satisfaction (%)



Source: Worker survey, 2022

The level of satisfaction of workers in the sample is not necessarily higher among those working in exporting enterprises, however. Figure 5-24 shows that, while formal workers are more likely to be satisfied than their informal counterparts, exporting activities do not necessarily impact their level of satisfaction.

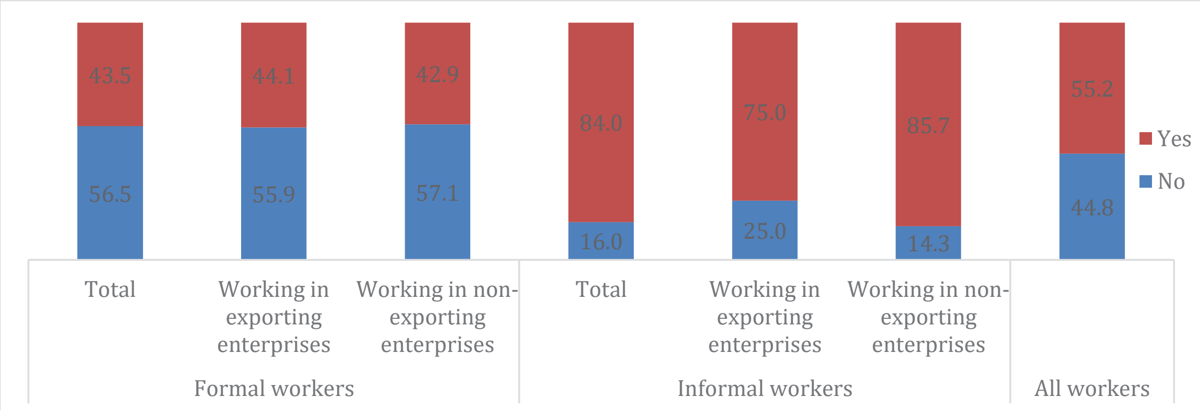
Figure 5-24: Satisfaction level of formal and informal workers in exporting and non-exporting enterprises (%)



Source: Worker survey, 2022

Closely linked to the level of satisfaction is the wish to remain in one's job of or change it. Figure 5-25 shows that, of the total number of workers covered by the worker survey, 55.2 per cent wished to change jobs. Informal workers, who also reported higher levels of dissatisfaction, were more likely than their formal counterparts to wish to change jobs: 84 per cent of them wished to do so, compared to only 43.4 per cent of formal workers. As with job satisfaction, little difference was found between the wish to change jobs of formal workers in exporting and non-exporting enterprises. Conversely, a higher share of informal workers in non-exporting enterprises (85.7 per cent) expressed a wish to change jobs than those working in exporting enterprises (75.0 per cent).

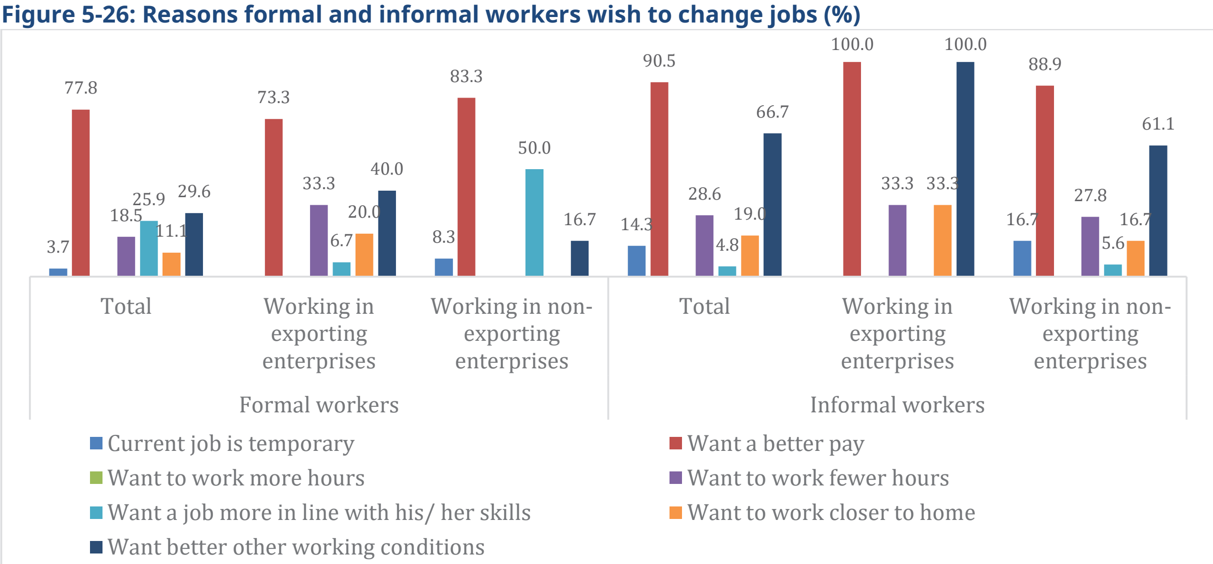
Figure 5-25: Distribution of workers by wish to change jobs (%)



Source: Worker survey, 2022

When asked about the main reasons for their wish to change jobs, the majority of workers, both formal and informal, said they wanted a better paid job (figure 5-26). This is in line with the finding presented earlier in this report that most of the workers reported low income as their main challenge and problem at work.

Figure 5-26: Reasons formal and informal workers wish to change jobs (%)



Source: Worker survey, 2022

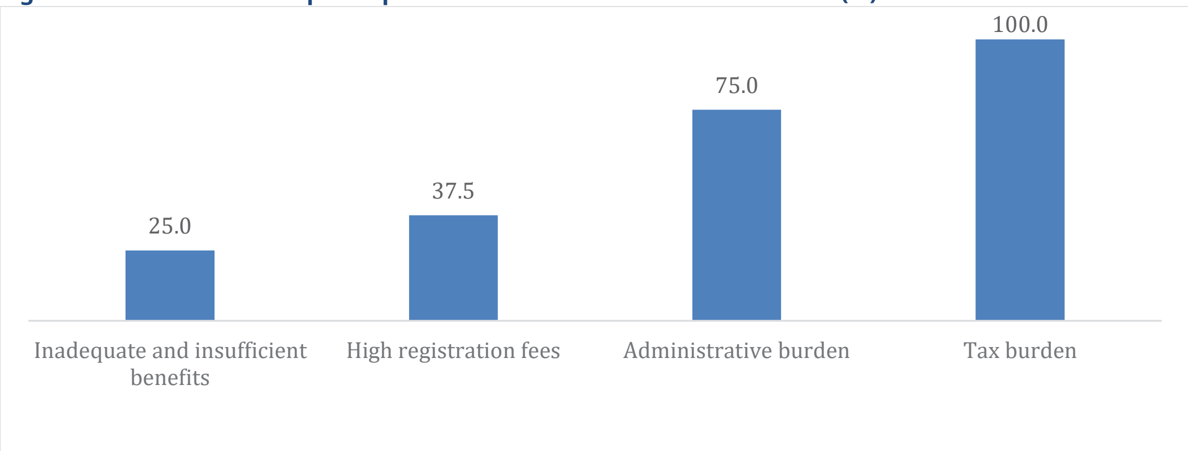
5.4. Benefits and challenges associated with formalization and export promotion

While formal work and engaging in exports have clear benefits, the participation of local producers in international trade and their engagement in the formal economy in Jordan have been hindered by a number of factors linked to regulations, capabilities and preferences, among others. This section examines the benefits and challenges associated with formalization and export promotion, based on the findings of the quantitative employer survey, the focus group discussions and key informant interviews.

Benefits of formalization and associated barriers

The employer survey found that 57.1 per cent of all enterprises operating in the informal sector expressed a preference for remaining informal. The main reason for this preference is the tax burden. In fact, 100 per cent of all surveyed employers who reported a preference for remaining informal mentioned the tax burden as a main reason. The administrative burden associated with formalization was a deterrent for 75.0 per cent of those who did not want to formalize. Other reasons were also mentioned, though less frequently, including high registration fees and inadequate and insufficient benefits (figure 5-27).

Figure 5-27: Reasons enterprises prefer to remain in the informal sector (%)

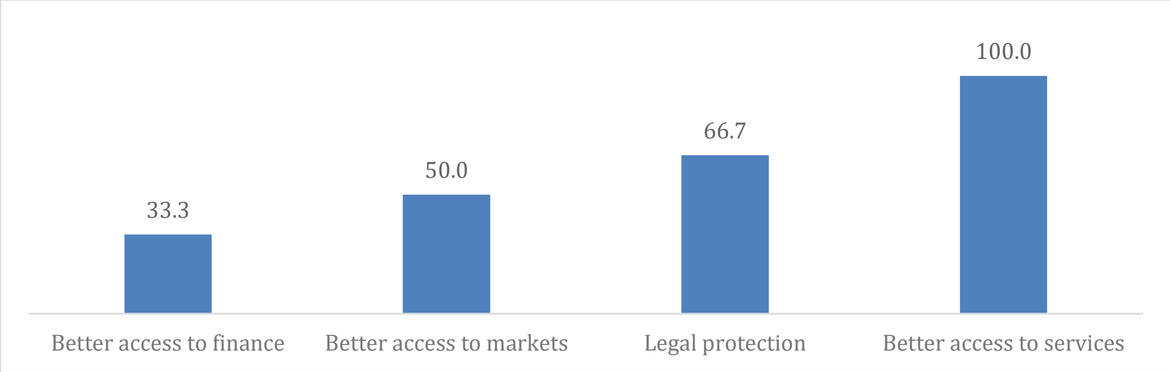


Source: Employer survey, 2022

The findings of the survey align perfectly with the focus group discussions, in which participants cited taxes as the main reason for enterprises' reluctance to register and formalize.

While more than half of the sampled informal enterprises preferred to remain informal, 42.9 per cent expressed interest in formalization, all reporting "better access to services" as a main reason. The second most cited reason was "access to legal protection" (66.7 per cent), followed by "better access to markets" and "better access to finance" (figure 5-28).

Figure 5-28: Reasons enterprises wish to transition to the formal sector (%)



Source: Employer survey, 2022

In addition to enterprise formalization, focus group discussions and key informant interviews discussed employment formalization, which is often associated with improved employment conditions for workers. Participants agreed that there was a correlation between formal employment and productivity and that formalization ultimately had a positive impact on the profitability of enterprises and their ability to produce high quality products and compete in international markets.

Nonetheless, many enterprises are unaware of the advantages of formal employment and focus solely on the short-term benefits of their ability to employ workers informally. The high costs associated with the social security contributions imposed on employers were given as a main reason for employers' reluctance to formalize the employment situation of their employees. This was particularly the case of small enterprises and those that operate locally and have a small domestic market to serve, with limited opportunities to expand and grow. In addition, and with the laws and regulations imposing specific employment conditions, including the legal minimum wage, many employers prefer to rely on less formal and cheaper manpower. Many employers also rely on seasonal workers or workers taken on to perform specific tasks and therefore see no value in employing them formally. On the contrary, it is seen as crucial to have no employment liability towards such workers.

In addition to these preferences, the lack of commitment of workers themselves and their low skills levels make many employers reluctant to provide them with formal employment opportunities. In fact, while employers are often willing to pay high wages and provide decent working conditions to employ and maintain highly skilled and productive workers, they do not necessarily have the same attitude to workers with few skills or whose productivity is low, or inexperienced workers, including young people, many of whom end up with poor working conditions in informal jobs.

Benefits of expanding exports and the associated barriers

While exports can bring benefits and opportunities to businesses, they also come with a number of challenges that enterprises need to consider carefully when making export decisions.

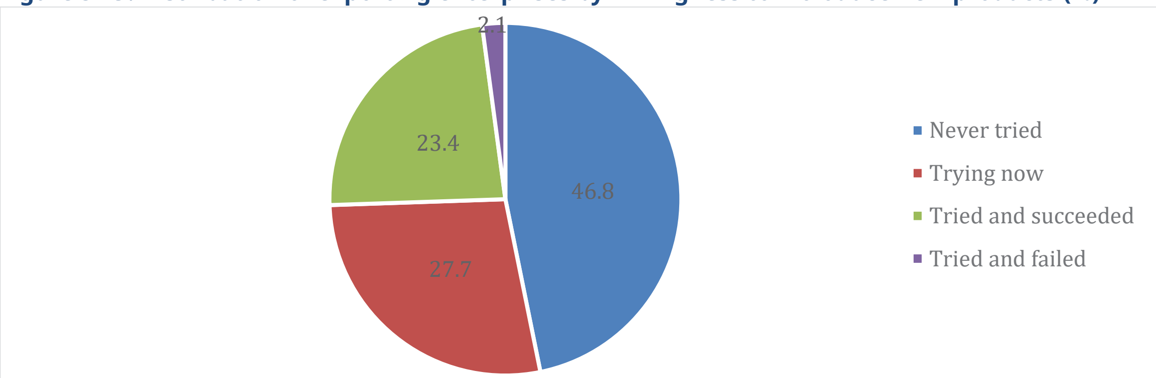
As mentioned earlier in this report, the market in Jordan is small for local products so expanding overseas is critical for business sustainability, growth and development. Diversification of products, markets and sales channels can generate higher incomes for enterprises, lead to increased demand for their products, support job creation, including decent work, and help mitigate the risks associated with potential decreased demand for a given product in any given market, be it local or foreign.

All exporting enterprises covered by the employer survey confirmed that exporting helped increase their business income, 91.5 per cent also reported that exports had a positive impact on the number of employees, and 97.9 per cent said that engaging in exports can lead to an improvement in the quality of jobs created.

Focus group discussions also highlighted the high quality of products needed to compete in global markets and the efforts made by exporting enterprises to learn new innovative approaches and production methods that can help them increase their competitiveness vis-à-vis other enterprises operating in regional and global markets. Export activities were also said to encourage efficiency, productivity and effectiveness.

Whether or not enterprises strive to expand their exports depends on a number of factors that the employer survey sought to identify. The findings show that 46.8 per cent of enterprises involved in exports have never tried to introduce new products for export, 27.7 per cent are currently trying to do so, 23.4 per cent have tried to do so and succeeded, and only 2.1 per cent had tried but failed. In general, enterprises seem reluctant to expand and introduce new export products unless they have conducted the necessary research and are confident that they will not fail, otherwise they tend to content themselves with what they have and avoid taking risks.

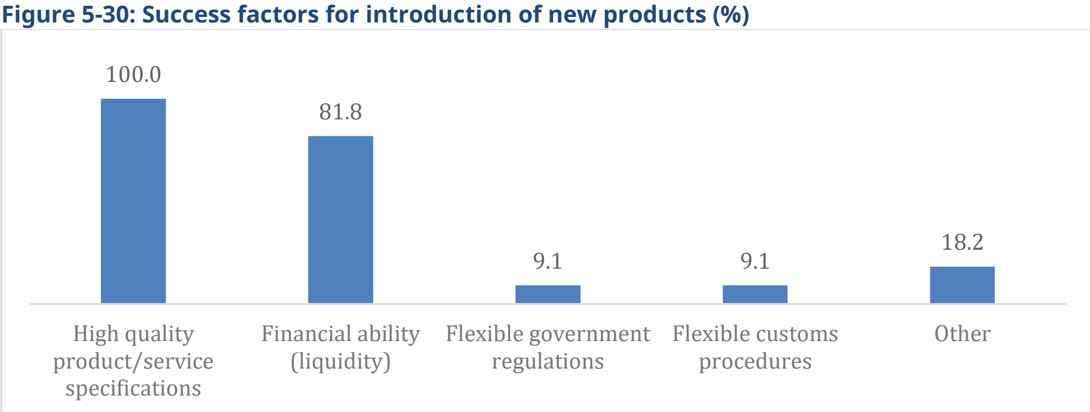
Figure 5-29: Distribution of exporting enterprises by willingness to introduce new products (%)



Source: Employer survey, 2022

When asked about the main success factors, all the enterprises that had managed to introduce new products identified high quality products and services as key, while 81.8 per cent cited financial ability and liquidity as another important factor. Other factors had less impact on enterprises' ability and willingness to introduce new export products (figure 5-30).

Figure 5-30: Success factors for introduction of new products (%)

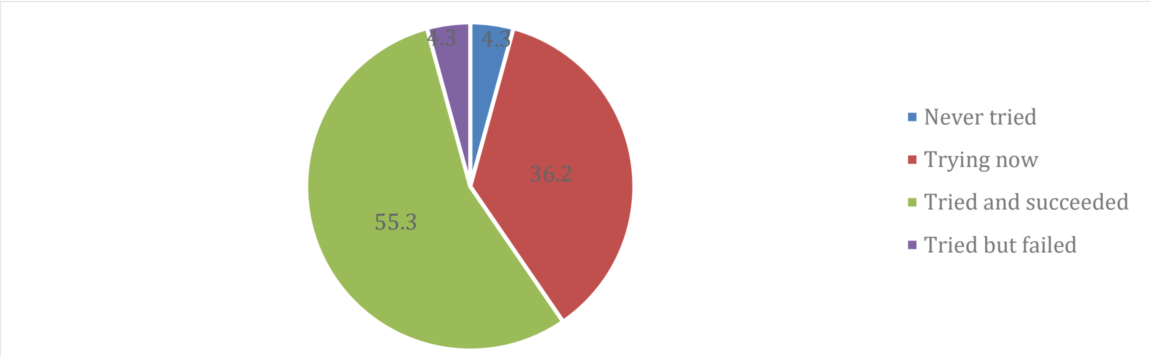


Source: Employer survey, 2022

The survey also asked about enterprises' efforts to expand into new markets. Unsurprisingly, to increase exports, enterprises seem to rely more on expanding to new markets and less on introducing new products. A very small share reported not having explored new markets before (4.3 per cent), compared to 46.8 per cent who had not tried to introduce new products. This is because engaging in new markets requires less investment by the enterprise and is associated with relatively lower risks, as the know-how and skills needed to produce the relevant products and services are already available and simply need to be directed towards and adapted to new markets. Conversely, to introduce new products, enterprises must be able to acquire the necessary skills and produce high quality products capable of competing on the global market.

More than half the exporting enterprises had already expanded to new markets and an additional 36.2 per cent reported currently trying to do so (figure 5-31).

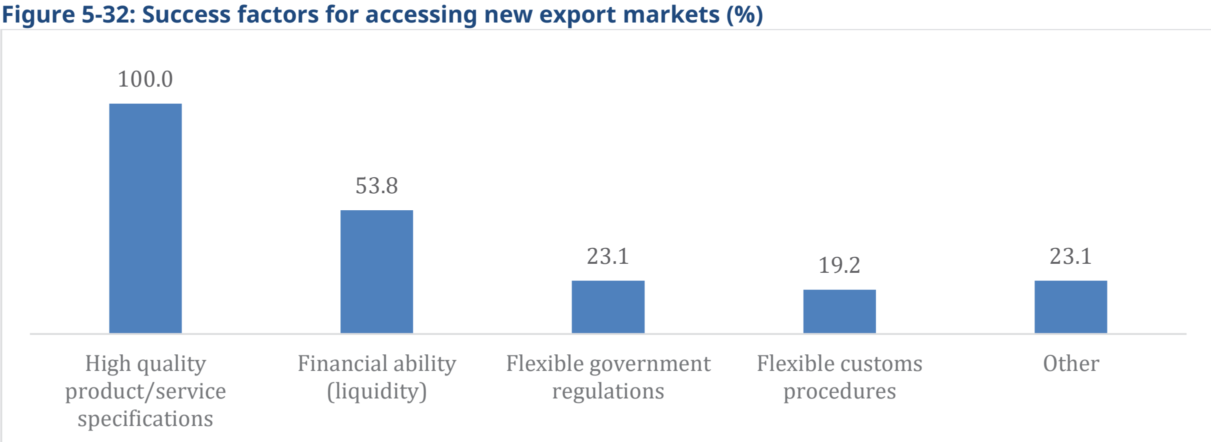
Figure 5-31: Willingness of exporting enterprises to access new markets (%)



Source: Employer survey, 2022

When asked about the main success factors, all the enterprises that had successfully entered new markets cited the high quality of their products or services as the key enabler, while 53.8 per cent also cited their financial ability or liquidity. Flexible government regulations and customs procedures were less frequently cited (figure 5-32). Almost one quarter of enterprises cited other factors, including having a clear strategic plan, strong marketing capacities and good connections and contacts as key success factors that helped them enter new markets.

Figure 5-32: Success factors for accessing new export markets (%)

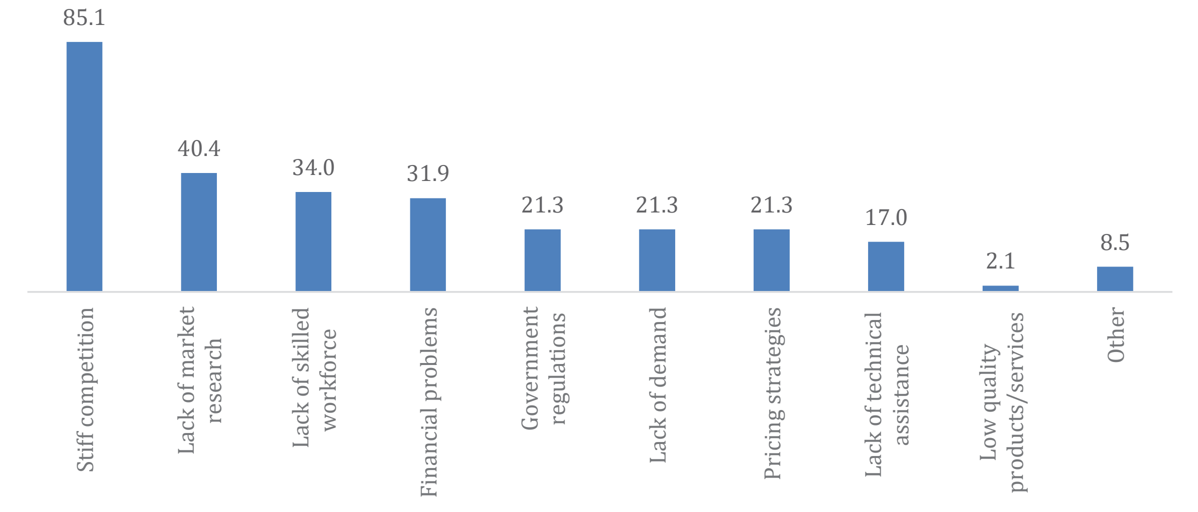


Source: Employer survey, 2022

While some enterprises have the capacity to expand their exports and perhaps move up the value chain, others are constrained by several factors, which both the employer survey and focus group discussions sought to assess.

Figure 5-33 is based on the findings of the employer survey, according to which 85.1 per cent of the sampled exporting enterprises considered stiff competition a key factor hindering their efforts to expand exports and participate at the higher end of value chains. Next came "lack of market research" (40.4 per cent), followed by "lack of a skilled workforce" (34 per cent) and "financial problems" (31.9 per cent). Regarding market research in particular, when asked about its availability, 70.2 per cent of exporting enterprises said there was not enough research on either regional or international markets.

Figure 5-33: Difficulties hindering expansion of exports and participation at the higher end of value chains (%)



Source: Employer survey, 2022

The focus group discussions also investigated major obstacles limiting the ability of companies to export and participate in higher levels of the value chain. Those mentioned included:

- Limited government support
- Stiff international competition
- Limited production capacities and high operational and production costs, including energy costs
- Cumbersome administrative procedures
- Lack of modern machinery in local enterprises
- Difficulty accessing finance
- Stringent regulations imposed on Jordanian products by importing countries
- Difficulty complying with international standards
- Lack of knowledge of export policies and regulations
- Lack of ability to reach out to customers in regional and international markets
- Lack of protection of local products from cheap imports.
- Poor quality of presentation and packaging of local products and inability to compete with those from other countries
- Weak marketing capacities
- Lack of investment in e-commerce
- Lack of skilled labour.

6. Local trade policies and supportive measures and entities

Over the past decade, Jordan has taken steps to try to position itself better in the global market and ensure access to neighbouring and non-neighbouring countries, as a means to increasing its exports in view of the small size of its domestic market. This section provides an overview of key policies and measures introduced by the Government of Jordan to support export promotion, and identifies some of the key entities that play a role in export promotion. Ultimately, this should help identify gaps, including with regard to the policy framework, and devise policy recommendations that build on past and ongoing efforts.

Jordan's Economic Modernization Vision

Launched in 2022, Jordan's Economic Modernization Vision is to be implemented over a ten-year period with the aim of improving the economic and employment landscape in the Kingdom. It aims, in particular, to promote economic growth, including through the promotion of exports, which are seen as a major driver of growth and development.

The National Export Strategy (2014-2019) and the new strategy currently in preparation

The National Export Strategy was adopted in 2014 to cover the period 2014-2019. Despite impressive efforts exerted to develop it, its implementation was only partial and it lacked effective monitoring and follow-up.[17] It nonetheless outlined the main challenges facing local exporters and hindering their ability to compete in global markets, including, among others:

1) limited ability of local producers to compete in the global market and meet the quality standards of certain developed markets
2) limited research and development efforts
3) local producers' inherent unwillingness to connect with foreign buyers
4) poor quality and costly utilities, including transportation, energy and ICT
5) Industrialists' lack of awareness of free trade agreements, trade facilities, and World Trade Organization (WTO) regulations
6) High costs associated with exporting through the port of Aqaba
7) Limited availability of trade information.

A new export strategy is in preparation as part of the executive programme of the Economic Modernization Vision. If properly implemented, it should help to promote the role of exports and support decent job creation in export-oriented sectors, taking into account the challenges and key obstacles hindering export promotion efforts in the country.

Jordan Exports (JE)

Established in 2020, Jordan Exports is a public-private export institution that aims to promote exports. It provides a wide array of services aimed at promoting and developing national exports, including through:

- Export market information: JE conducts research and market studies on countries and sectors to help (potential) exporting enterprises identify new markets worth exporting to and new products with high export potential.

[17] ILO. *The Impact of Trade and Investment Policies on Productive and Decent Work*. Country Report for Jordan, METI programme 2022

- Export finance information: JE can also assist enterprises in applying for financial assistance and provides them with information on institutions that support exports and the necessary documents and requirements, among other things.

- Jordan Trade Portal: This portal acts as a one-stop shop for trade-related information in Jordan.

- Export readiness assessment: This service helps potential exporting enterprises assess their readiness to export and identify areas that require improvement.

- Inbound and outbound trade missions: These are trade events that take place either on-site or virtually, in Jordan or abroad, and offer opportunities for Jordanian enterprises to promote their activities and network with relevant officials and business representatives from other countries.

Jordan Enterprise Development Corporation (JEDCO)

JEDCO is a government-funded organization that aims to enhance the competitiveness, productivity and marketing capabilities of small and medium-sized enterprises (SMEs) in Jordan. JEDCO’s services include:

- Business counselling and training, to help SMEs improve their business skills.

- Access to finance, to support SMEs in accessing credit and other forms of finance, such as grants and guarantees.

- Access to markets: this includes helping SMEs connect with potential customers and partners, both domestically and internationally, through participation in trade fairs and exhibition, and matchmaking services.

- Business incubation, including providing SMEs with office space, equipment, and other resources to help them launch and grow their businesses.

- Networking, events, workshops and other activities organized by JEDCO to bring SMEs together and help them share knowledge and experience.

Jordan Loan Guarantee Corporation (JLGC)

The Jordan Loan Guarantee Corporation (JLGC) supports exports by providing loan guarantees to local companies. The loan guarantee programme helps exporters secure financing from commercial banks by reducing the risk to the lending institution. This is done by guaranteeing a portion of the loan, which allows the lender to offer more favourable terms to the borrower.

The JLGC’s loan guarantee programme is designed to support small and medium-sized enterprises (SMEs) engaged in exporting goods and services. It helps SMEs to access the credit they need to expand their businesses and increase their exports. The loan guarantees can be used for a variety of purposes, including working capital, purchase of machinery and equipment, and investment in marketing and distribution.

The JLGC also provides other services to support exporters, such as export credit insurance, trade financing, and market research. The company also works closely with other government agencies and organizations that support exports, such as the Jordan Exporters and Producers Association and the Ministry of Industry, Trade and Supply.

By providing loan guarantees and other services, the JLGC helps to reduce the risks and costs associated with exporting for Jordan's SMEs and makes it easier for them to access the credit they need to grow their businesses and increase their exports.

Industry Development Fund

The Industry Development Fund, the establishment of which was one of the commitments made under the Economic Priority Plan 2021-2023, aims to promote exports and investments in the manufacturing sector. The Fund is housed within the Ministry of Industry, Trade and Supply and is responsible for financing: JEDCO's industry upgrading programme and Jordan Export's export development programme; the outcome-based incentives programme implemented by Ministry of Industry, Trade and Supply Fund; and easing access to export credit guarantees (implemented by the Jordan Loan Guarantee Corporation) and to new supply chain finance products.

Jordan Industrial Export Services (JIES) unit in the Jordan Chamber of Industry

Jordan Industrial Export Services was established to promote and facilitate industrial exports from Jordan to other countries. It provides services and support to local companies wishing to expand their international reach, including market research, trade fair participation, and assistance with export documentation and logistics. Its goal is to help increase the competitiveness of Jordanian companies in the global marketplace and support the country's economic growth through exports.

Other trade support measures have also been introduced to promote export growth and development in Jordan, including:

- **Free trade agreements** with several countries such as the United States, EU member states, the GCC, Egypt, Morocco, Tunisia, Turkey, Canada and others.

- **The Jordan Free Zones Law,** which provides a legal framework for the establishment and operation of free zones in the country. It aims to promote foreign investment and encourage economic development by offering various incentives such as tax exemptions, customs duties exemptions, and less stringent labour regulations to companies operating within the free zones. The law seeks to create a favourable business environment for companies, attract new investment and support the growth of export-oriented industries.

- **The Jordan Investment Act** is designed to promote foreign and domestic investment and provide a favourable business environment for investors. It offers various incentives, such as tax exemptions, streamlined regulatory processes, and protection of foreign investments. The aim of the Act is to encourage investment in key sectors of the economy and support economic development in the country.

- **The Qualifying Industrial Zones (QIZ) Agreement** is a trade agreement between Jordan, Israel, and the United States. Goods produced in designated qualifying industrial zones can be exported to the US without tariff or quota restrictions provided they contain a certain percentage of inputs from both Jordan and Israel. The Agreement has been instrumental in boosting Jordan's exports and has played a significant role in the growth of its garment and textiles industries.

7. Conclusion and Policy Recommendations

Since the global financial crisis of 2008/2009, Jordan's economy has been characterized by sluggish growth, low employment-to-population ratios and high unemployment rates, among youth and women in particular. The large share of women outside the labour force and the high youth NEET rates suggest the existence of a substantial untapped human capital that could otherwise contribute to the nation's growth and development.

Employment in Jordan does not necessarily guarantee decent lives. On the contrary, a large share of the workforce is informally employed and has poor working conditions, including long hours, low wages and insufficient levels of protection. Therefore, even if they are employed, many workers are unable to lift themselves and their families out of poverty.

This is to a great extent the result of the significant reliance of the economy on low-productivity, low value-added sectors, and its limited success in creating the number and quality of jobs needed for the increasingly educated labour force. Despite structural transformation efforts, the Government of Jordan has only partly succeeded in harnessing the potential of its skilled labour force, including through providing them with decent, formal and productive jobs. Exports have the potential to support such endeavours, provided the right policies are put in place. A key concern in Jordan is the size of the informal sector, which puts a brake on the ability of the Jordanian economy to benefit from trade and engage in exports.

The findings of the employer and worker surveys point to the fact that export-oriented enterprises are more likely to provide their workers with formal employment and decent working conditions than those serving only the domestic market. This is at least partly driven by the high levels of competition in global and regional markets that push employers to provide their workers with a minimum level of benefits that will keep them satisfied and committed to their jobs.

Nonetheless, many enterprises, including those that export, remain hesitant to provide formal jobs to their employees, and the research sought to identify the reasons for this. Key challenges highlighted include lack of employer awareness of the importance of employment formalization, the costs associated with social security contributions, and liability evasion. Informality also tends to be correlated with the skills level of workers, low-skilled workers being more likely to be informally employed. It is also important to note that enterprises operating at the lower end of value chains are more likely to create informal jobs than those operating at the higher end of value chains.

The surveys and focus group discussions also found a number of challenges that limit enterprises' ability to export and participate at the higher end of value chains, including stiff competition in global markets, limited government support, lack of clear growth strategies, difficulty in accessing finance, high energy costs, lack of availability of skilled labour, tax burdens, and limited marketing capacities, among others.

Furthermore, the results of the surveys and discussions show limited interest on the part of exporting enterprises in employing young people, for a number of reasons, including:

1. the need to invest in young people's skills

2. employers' need for immediate high production efficiency, said to be unavailable among youth with little experience

3. the presence of foreign workers with more experience than Jordanians.

Overall, and despite the introduction of policies and measures to promote exports and formalization, Jordan still has a long way to go before it can fully harness its trade potential and promote, through pro-employment trade policies and export-led development strategies, the creation of more and better jobs, including for the youth.

Recommendations to promote exports and move up value chains

Promoting exports in countries constrained by the size of their domestic market is a key enabler of economic growth, and increased sales, profits and job creation by enterprises. The right policies need to be put in place before this connection is guaranteed, however. In Jordan, exports can also be seen as supporting structural transformation efforts, provided the sectors and industries targeted have high value-added potential. The policy recommendations below focus on export promotion and should be considered by Jordanian policymakers with a view to better positioning Jordan in regional and global markets.

- ***Effectively monitor and follow up on the implementation of trade and export policies and strategies***

The domestic market in Jordan is too small to allow enterprises to reach their full potential and provide sufficient decent and formal jobs to the growing labour force. If adequately developed and implemented, pro-employment trade and export policies and strategies can provide great potential for economic growth and job creation.

It is recommended that such efforts, including the export strategy currently in preparation, are clear on the roles and responsibilities of the different stakeholders involved in their implementation and are clearly communicated to the public so that everyone is aware of their content, objectives and targets. Continuous monitoring and evaluation are also key to ensuring effective and successful implementation and to making the necessary adjustments. Export promotion measures need to be evaluated and their impact assessed, including with regard to their ability to create decent and productive jobs for the different population groups, such as youth, women, refugees, low-skilled and highly skilled individuals, among others.

- ***Diversify export markets and products and increase investment in research and development***

The study found some correlation between exports and employment creation, and decent and formal employment in particular. Since Jordan's exports are concentrated in a limited number of goods and destinations, efforts to identify opportunities for export promotion and product and market diversification are key.

The identification of new products or sectors with export potential should be based on a detailed analysis of available data and statistics, building on Jordan's unused or underused export potential. The sectors identified as part of this study could be targeted for further export promotion in Jordan, in addition to other less exploited areas and sectors. When identifying target industries, one criterion worth considering is the linkages particular industries have with the rest of the economy as this can ensure the creation, not only of direct jobs in the target industry, but also indirect employment in sectors that provide inputs to it. In general, a great deal of consideration should be given to the potential of the target sectors to create jobs, including for women, youth, skilled and educated individuals and refugees, among others.

Detailed market research is essential for market diversification. This could be led by export promotion entities to identify the countries and regions where the products and services Jordan produces are in high demand and have a competitive advantage. Research should be made available to all (potential) exporters in Jordan and supplemented with the measures and incentives needed to capitalize on the opportunities identified.

Investment in research and development is also critical to improve the competitiveness of domestic products and services.

• *Shift toward green exports*

As the world is increasingly looking for green and sustainable solutions, efforts to promote green trade and green exports are key to enabling Jordan to remain globally competitive and keep up with new global trends. This is crucial as markets for green products are expanding significantly faster than traditional ones. With heightened concerns about the cost of energy and the scarce resources available in Jordan, green processes also help enterprises reduce brown costs and save their resources for better and more efficient use.

To successfully promote green exports, supportive policies and measures are needed. It is essential to first increase investment in research and development in order to identify high-demand products or services with low environmental impact, invest in green infrastructure, technology and innovation and raise enterprises' awareness of the need to shift to green exports. Related information and services should be provided, including by export-promoting entities in Jordan (see recommendation below), and consideration should be given to helping companies certify their products to demonstrate their environmental and social responsibility. Channelling investment, including foreign direct investment, into renewable energies and green sectors and providing incentives for enterprises to adopt green processes and produce green products and services, can bring many benefits for both the environment and the economy. However, this requires the development of the skills needed for this transition. In fact, the adoption and dissemination of clean production methods and technologies requires a set of skills in technology application, adaptation and maintenance, which may not be widely available at present.

• *Support and promote the role of export promotion agencies and entities*

Export promotion agencies exist in Jordan to help companies to export goods and services. They provide a variety of services, including market research, trade fair and trade mission participation, and assistance in finding and connecting with foreign buyers. Their goal is to help companies increase their exports and expand into new regional and global markets.

To promote the role of these agencies, it is essential to increase companies' awareness of their services. Supporting the funding of these agencies is also critical to ensuring their sustainability. It is also recommended that companies provide feedback to export promotion agencies on the services they have received and suggest areas for improvement. Sharing export success stories can also promote the role of these agencies and attract new clients. Lastly, technical support should be provided to export promotion agencies, as needed, to enable them to effectively assume their role, including with regard to undertaking export market research, building enterprises' ability to address new and sophisticated export markets and navigate the regulations and logistics of exporting, and connecting companies already exporting with new export markets, among other things. Export-related information, including with regard to policies, regulations and measures, should be easily accessible to and shared with all enterprises to promote exports in Jordan.

• *Invest in skills development to respond to global production processes and requirements*

To support enterprises in realizing their export potential, diversifying their exports and moving up value chains, it is essential to identify measures that can help remove some of the obstacles that hinder their ability to export, expand their exports or operate at the higher end of value chains. Global evidence suggests that human capital is a key determinant of a country's ability to diversify exports and upgrade quality. In order to promote exports, make use of new and advanced technologies and introduce new products, including green products, jobseekers with skills matching the requirements of export markets are required. It is therefore critical to develop training and education programmes, policies and strategies, including in partnership with the private sector and exporting enterprises, to help develop the skills of individuals in line with export market needs and in response to the global transformations taking place, such as technological advance and the green transition. A responsive skills development system and the promotion of lifelong learning are essential to help the economy meet current and anticipated future skills needs. It is also beneficial to provide financial incentives, such as grants and loans, to help businesses invest in skills development and export-related activities.

- ***Promote e-commerce and digital marketing channels***

Increased investment in e-commerce can play a significant role in promoting exports by providing firms, and small and medium-sized enterprises in particular, with virtual access to global markets. Through e-commerce platforms, SMEs can reach customers abroad, can have access to cost-effective ways to market and promote their products, and can better address trade barriers. Easier access to information on global trade regulations and other trade-related information could also be provided through such platforms.

Providing businesses with the necessary financial, technical and capacity-building support is essential to enable them to use e-commerce platforms and applications. A sound regulatory framework and awareness of it are also key to boosting e-commerce growth. This can ultimately provide employment opportunities to the increasingly educated youth in particular.

Recommendations to promote formalization

The transition from the informal to the formal economy can greatly benefit export promotion efforts as it makes it easier for firms to comply with regulations, control quality, attract and maintain highly skilled workers and promote their products in international markets. Formalization can benefit both workers and employers, leading to high levels of productivity, innovation and competitiveness, which can better position Jordan's exports in regional and international markets.

The recommendations below are designed to support the formalization of both enterprises and jobs. These, together with other skills development efforts, enhanced social dialogue and increased access to finance, among others, can ultimately help promote Jordanian exports.

- ***Simplify registration and compliance procedures for businesses***

Cumbersome registration procedures are one of the main barriers that discourage employers from registering. Therefore, reducing the number of documents required to register a business, streamlining the process of obtaining licences and permits, and making it easier for businesses to comply with regulations are important steps towards encouraging enterprise formalization. In Jordan, formalization is key for enterprises wishing to expand into global markets and engage in exports. Increased awareness of the specific registration requirements is also needed to support businesses and ease the formalization process.

- ***Increase workers' and employers' awareness of formalization***

It is essential to raise the awareness of both workers and employers of the importance of formalization and labour legislation. Employers need to be aware of the benefits of formalizing their businesses, including the greater opportunities of access to credit and other financial services it affords, and of the benefits of formalizing jobs in their enterprises as a means of attracting skilled and highly educated workers and increasing worker satisfaction, commitment and productivity. Increased labour productivity gives high returns to employers, outweighing the costs of registration and social security contributions.

Similarly, workers need to be made aware of their right to access a decent, productive and formal job and should be sufficiently educated to know the laws and regulations pertaining to employment in Jordan.

• ***Extend social protection coverage and address reasons for non-compliance***

Lack of social security coverage is a main driver of informality. Various factors contribute to non-compliance, including enterprises' financial difficulties and inability to pay social security contributions, non-compliance driven by companies' wish to avoid the costs associated with social security contributions and complex regulations, among others. To address these, innovative approaches should be considered to expand coverage, reduce the financial burden on employers and increase enforcement.

• ***Improve labour inspection***

Labour inspection plays a key role in addressing informality and detecting decent work violations. An efficient labour inspection system that also uses digital tools and platforms can help enforce labour laws and regulations and detect informality, including by comparing data and information from different sources. A strong labour inspection system can support the actual formalization of jobs and also the improvement of working conditions of informal workers, including their right to fair compensation and protection against unsafe working conditions.

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