



International
Labour
Organization

Global Jobs Pact Country Scan

Jordan



International Labour Organization

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Foreword

The damage to employment created by the financial and economic crisis has caused hardship to many working women and men, families and communities, and worsened poverty. Recognizing that any recovery will not be sustainable unless decent and productive jobs are created and maintained, the Global Jobs Pact, adopted by the International Labour Conference in June, 2009 contains a portfolio of policies to promote jobs, protect people and rebalance policies in line with a more sustainable and inclusive future, based on the Decent Work agenda and a fair model for globalization. It is a framework for the period ahead and a resource of practical policies for the multilateral system, governments, workers and employers that will enable each country to formulate a policy package for a sustainable recovery.

Since the crisis started, the International Labour Organization (ILO) has been supporting member states, at their request, in their crisis response and recovery measures. This support has been organized around specific crisis-related policy measures requested by Member States and prioritized in Decent Work Country Programmes. This has involved all the areas of the decent work agenda: employment, social protection, labour standards and social dialogue.

The Government of Jordan requested assistance from the ILO to consider the application of the Pact as an integrated policy package. A key element of the ILO's strategy to support constituents in applying the Global Jobs Pact is the preparation of the "*Global Jobs Pact Country Scan*". This document is intended to provide a description of the impact of the crisis in the country, a detailed description of the policy responses using the GJP portfolio as a checklist, and recommendations on how national policies can contribute to shaping a fair and sustainable globalization. It looks at the country situation and policy responses "through the lens" of the Pact and has three essential parts:

- Part I: Overview of crisis impact on Decent Work in the country
- Part II: Description of crisis response and recovery policies
- Part III: Shaping a fair and sustainable globalization

This document provides the Global Jobs Pact Scan for Jordan. It is intended to support constituents as they extend and review crisis response policy packages and to be used as an input into national policy dialogue and implementation processes.

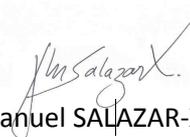
This Report was prepared jointly by experts of the Decent Work Team in the Regional Office for the Arab States (led by Maurizio Bussi, Mary Kawar and Zafiris Tzannatos with inputs from Walid Hamdan, Simel Esim, Abdullah Zouhair, Rania Bikhazi, Azfar Khan, Jean-Francois Klein, Rasha Tabara, Noura Kamel and Hadi Assaf), with contributions and comments by ILO Geneva colleagues (George Dragnich, David Lamotte, Sara Ranklove, Azita Berar, Natan Elkin, Angelica Muller, Daniel Cork, Moussa Oumarou, Wael Issa, Snezhana Bedalli, Susan Hayter, Christina Behrendt, Sangheon Lee, Federica Ninni, Mohammed Mwamadzingo, Ahmad Khalef, Gary Ryhart) and Musa Khalaf, Sameh Al-Ajlouni, and Mohammed Qaryouti (from the Ministry of Labour Policy Unit). We thank all those who were involved in creating this report.

We hope that this document will be a useful contribution to policy dialogues in Jordan.



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List of acronyms

ASE	Amman Stock Exchange
BEST	Building and Extending Skills Training Project
BSR	Business for Social Responsibility
BOT	Build-Operate-Transfer
CBJ	Central Bank of Jordan
CLS	Child Labour Survey
CIDA	Canadian Development Agency
DEF	Development and Employment Fund
DOS	Department of Statistics
ECOSOC	Economic and Social Council (Jordan)
ETVET	Employment, Technical and Vocational Education and Training
EU	European Union
EUS	Employment and Unemployment Survey
FDI	Foreign Direct Investment
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
GJP	Global Jobs Pact
ICT	Information and Communication Technology
IFC	International Finance Corporation
ILO	International Labour Organization
IMF	International Monetary Fund
IPEC	International Programme for the Elimination of Child Labour
IPP	Industrial Power Producer
ISSA	International Social Security Association
JAF	Jordan Armed Forces
JBI	Jordan Board of Investment
JCC	Jordan Chamber of Commerce
JCI	Jordan Chamber of Industry
JCS	Job Creation Survey
JD	Jordanian Dinar (1.41 USD)
JICA	Japanese International Cooperation Agency
JNCW	Jordan National Commission for Women
KAB	Know About Business
KOICA	Korean International Cooperation Agency
LLC	Limited Liability Company
LFS	Labour Force Survey

LIST OF ACRONYMS (continued)

MENA	Middle East and North Africa Region
MFI	Micro Finance Institutions
MoL	Ministry of Labour (Jordan)
MoU	Memorandum of Understanding
NAF	National Assistance Fund
NCHRD	National Centre for Human Resources Development
NCPE	National Committee for Pay Equity
NEP	National Employment Policy (Draft)
NGO	Non-governmental Organization
NTEP	National Training and Employment Project
ODA	Oversees Development Assistance
PPP	Public Private Partnership
QIZs	Qualified Industrial Zones
SEDP	Social and Economic Development Plan
SSC	Social Security Corporation
TVEC	Training and Vocational Education Corporation
TVET	Technical and Vocational Education and Training
USAID	US Agency for International Development
WEF	World Economic Forum

MEMO ITEM

1 JD = 1.41 US\$

1US\$ = .71 JD

Introduction

Jordan avoided entering a recession after 2008 as the rate of output growth remained positive. However, real GDP growth fell from 7.5 percent in 2008 to only 2.5 percent in 2009, turning Jordan from a regional over-performer to one that seems to be in the most difficult situation (Table 1). A modest rebound is expected in 2010 at 3.5 percent and forecasts bring the rate to no more than 4-5 till 2015. However, having exhibited its much higher potential at growth rates that averaged 7 percent between 2001 and 2007, the prevailing and forecast rates suggest that the risk for a severe “*growth recession*” is elevated. This is particularly worrying for the Jordanian economy whose outcomes have been dependent on fast growth in view of an annual labour force growth of more than 4 percent.

	2008	2009	2010	2011
MENA Region	5.4	2.2	4.4	4.8
GCC	6.2	0.8	4.4	4.9
Other oil exporters ¹	2.9	2.2	4.2	4.2
- of which Syria	5.2	4.0	5.0	5.5
Oil Importers with EU links ²	6.5	4.6	4.4	5.2
Oil Importers with GCC links ³	8.7	6.1	5.2	5.5
- of which Jordan	7.9	2.3	3.5	4.5
Notes: (1) Algeria, Iran, Iraq, Libya, Syria and Yemen; (2) Egypt, Morocco, Tunisia; (3) Djibouti, Jordan, Lebanon; (4) 2010 and 2011 are projections				
Source: <i>Jordan</i> : IMF Article 4 Consultations, 2010; <i>Others</i> : World Bank, 2010				

With growth relatively stalled, Jordan may enter an undesirable spiral. The unemployment rate remains high, a stern fiscal consolidation programme is under way, stock markets are still depressed, interbank spreads can widen as risk aversion increases and, indeed, credit remains low. If the economic recovery in Gulf Cooperation Council (GCC) countries—to which the Jordanian business cycle is closely linked—proves to be slower than anticipated, this may adversely affect external flows. These weak economic growth and labour market conditions may widen the output gap and cause the employment-to- population ratio, that is already low, to fall thus depressing aggregate demand.

The stability of the unemployment rates in Jordan (Table 2), even if measured accurately according to the conventional definitions, can be misleading given that the labour force participation rate of those above the age of 15 is among the lowest in the world: 64 percent for males and 14 percent for females - 40 percent overall. Moreover, the development model of Jordan has relied extensively on foreign workers whose numbers increased by more than the number of Jordanians in the private sector in the last decade and now constitute almost 50 percent of employees in the private sector, up from 20 percent only 10 years ago (Figure 1). Though scanty, the statistical evidence indicates that real wages have a tendency to decline over time, a prime indicator that foreign workers push Jordan’s already labour surplus economy towards a low skill/ low productivity/ low wage equilibrium.

Thus the pressure to increase Government employment as a last resort remains. However, the increasing need for fiscal consolidation can accentuate the “growth recession”: After the crisis, Jordan’s already-difficult fiscal position was made worse by a significant deterioration in external grants and a weakening in domestic revenues that led to a widening of the deficit by more than 3 percentage points of GDP to 8.5 percent and an increase in the debt-to-GDP ratio to about 56 percent.

Table 2: Employment and Unemployment in Jordan over Time

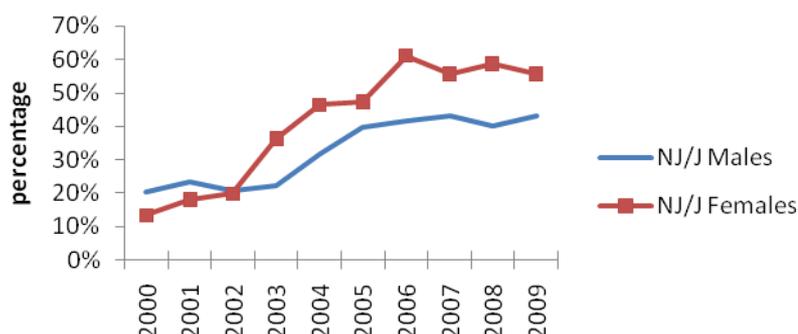
Employment Changes (number) since 2000		
	2000-08	2008-09
Public Sector	114,480	10,716
Private Sector	155,851	34,299
Other Sectors	-5,944	2,805
Total Jordanians	264,387	47,819
Total Non-Jordanians	192,745	32,383

Note: Non-Jordanians include only those with permits from the MoL (e.g. it excludes domestics, undocumented migrants etc)

Unemployment Rates 2007-09				
Quarter	2007	2008	2009	2010
Q1	14.3	14.1	12.1	12.4
Q2	10.8	12.5	13.0	12.2
Q3	14.3	12.0	14.0	13.5
Q4	13.0	12.0	12.2	..
Average	13.1	12.7	12.8	12.7

Source: Department of Statistics

Figure 1: Ratio of Non-Jordanians to Jordanians in the Private Sector, by Sex, 2000-2009



What Jordan needs is a better strategy to generate high value added jobs that would pay wages that accord the expectations of Jordanians. An estimated 600,000 Jordanians, a figure that is half the size of the Jordanian labour force at home, work abroad mostly in skills intensive jobs, an indication that the *local supply* of skills exceeds the *local demand* for skills. Addressing *this* imbalanced skills situation (that is, one that takes into account “at what wages?” and not the one that makes simplistic references to skills *shortages* in purely quantitative terms) would require an coordinated macro, industrial, trade, business, taxation and broader economic approach that would gradually shift the economy to a high productivity/ high wage equilibrium that is commensurate with the job seekers and workers skills and aspirations.

Jordan faces, therefore, the double challenge to reduce the pressure from the effects of the financial and economic crisis in the immediate future *and* to realign its economic model towards creating more and decent jobs in the medium to longer run.

Jordan has demonstrated strong resilience to dramatic external economic and political shocks in the past by maintaining focus on its comprehensive and multi-faceted development strategy that was outlined in Part II of this Report. Still the economic outlook is characterized by a high level of

uncertainty that relates to the evolution of world commodity prices, the level of foreign current and capital inflows, the regional political and security situation as well as the possibility of a “double dip” in the global economy. Irrespective of these uncontrollable external developments, Jordan can approach the future by playing up its strengths in a manner that will pave the way for addressing the labour market imbalances that have for long prevented the absorption of Jordanians into the national labour market and have kept a lid on unemployment through emigration.

Even if the worse of the crisis is over, Jordan faces the risk arising from the limited fiscal space and the need for reducing its budget deficit and public debt. This is not a unique situation for Jordan but a common one among all countries that saw their fiscal position deteriorating after the crisis in an attempt to boost domestic demand while the tax base was shrinking. Fiscal consolidation is achievable mainly through expenditure cuts, but it could come at a cost to future economic growth, especially if the burden of fiscal adjustment falls on capital expenditures, as the case seems to be in Jordan at present. As the Government is reducing expenditures on capital projects, this can have an adverse effect on long term prospects for growth¹. The freezing of hiring by the public sector can aggravate the employment situation, no matter how justified it might be on fiscal grounds. Thus the future choice of macro, fiscal and monetary policies is bound to exercise a determining effect on the Jordanian economy in terms of overall outcomes, effects on specific sectors and ability to pursue the announced priorities.

The impact of *investment policies* on employment remains uncertain and, if historical trends prevail, their employment impact on Jordanians may be small no matter how well *labour policies* are designed and implemented². Even if Jordan exceeds expectations internally, its recovery depends to an uncomfortable extent on the GCC economies with which Jordan’s economic growth and emigration opportunities are highly covariant. Regional projections about economic recovery are not as pessimistic as in other parts of the world though much depends on the intentional price of oil. Still, private employers’ expectations for hiring in 2010 were found to be the lowest in Jordan among recently surveyed employers in 14 regional economies³.

A related area of uncertainty with respect to employment impact, if not timing, is the so called “megaprojects” that rely to a significant extent to private sector participation. Though still in an early phase to allow for generalizations, public-private partnerships may materialize slower than originally planned while some other endeavors may be postponed. While there is no doubt that megaprojects can play an important role in economic growth, it is difficult to estimate their sustainable employment impact which may in many cases be rather small. In a few cases where estimates for the employment creation of megaprojects are available, the permanent employment creation for Jordanians may not exceed a few hundred workers, and this may be spread over a number of years, some in the distant future.

¹ The Government plans to reduce the budget deficit from 9 percent in 2009 to 1 percent in 2011.

² The Jordan Investment Board estimates that in first half of 2010 local investments of the order of JD 675 million in industry, amusement parks, transport, hospitals and agriculture would create only 8,678 job opportunities.

³ Kuwait Times 16/02/2010 reporting on a regional survey by bayt.com.

While it is true that employment issues are genuinely cross-sectoral, and notwithstanding the existence of a development framework⁴ that identifies a series of important pillars, themes and priorities, there does not seem to exist either an explicit employment strategy or an institutional mechanism to coordinate labour market policies and link them to the trade and industrial policies.

The Ministry of Labour is a relatively minor player and a sizeable part of the allocations for employment creation and training is expected to be absorbed by the National Training and Employment Company that benefits only a very small number of job seekers. Despite some attention to institutional reforms, labour programs are to some extent an extension of conventional employment and training initiatives that historically have had little effects and at present operate in an economy that is characterized by skilled emigration.

On the positive side, the known concern of the Government to improve governance and increase the efficiency of public spending can mitigate the impact of the fiscal tightening by enhancing the "quality" of government expenditures. One can also add that the lack of a significant upward trend in the unemployment rate is a most welcome indicator though, as argued in this Report, the monitoring of changes in the labour market is generally a rather imprecise exercise at least in the short run. This is more so in the case of Jordan where the labour market information system is rather weak, while conventional definitions of the various aspects of the labour market can only loosely apply to an economy characterized by high degree of informality and low labour force participation rates.

The next parts of this Report review the impact of the crisis and the policy responses to it from the perspective of rebalancing economic policies that would promote employment creation and build a more effective system of social protection in line with a more sustainable and inclusive growth process that requires the creation of a wider public support through social dialogue. The structure of the Report follows the SCAN guidelines⁵ that is part of the Global Jobs Pact⁶ and is organized around specific crisis-related policy measures prioritized in Decent Work Country Programmes that evolve around employment, social protection, labour standards and social dialogue.

It is hoped that the Report will enable the government and the social partners to define the priorities of the next phase which should not be confined just to crisis measures but be extended to the long-term agenda for improving the outcomes of the labour market that would meet the needs of the Jordanian citizens.

⁴ The development framework includes, among others, the Executive Programme 2011-2013, the Government Implementation Plan 2010 as well as sectoral plans such as the Business Plan of the Ministry of Labour 2010-2012 and other sectoral ministries and agencies.

⁵ ILO, July 2010.

⁶ ILO, *Global Jobs Pact*, June 2009

Part I: Overview of crisis impact in Jordan

1. Impact on major macroeconomic variables

The global financial and economic crisis on the Jordanian economy came before some structural economic and employment issues were solved despite a preceding period of high economic growth. In fact, the economy was showing some strains even in 2008 when the budget deficit started rising, the growth in industrial production started slowing down, partly because some export markets of sectors previously considered to be promising ones (such as the Qualified Industrial Zones - QIZs) weakened as production started being relocated to competitor regional economies. The locally created employment – in terms of numbers *and* quality - was not commensurate with the rate required to reduce Jordanian unemployment even under the exceptionally high economic growth years before 2008 and despite the very low labour force participation rate of Jordanian women.

At face value, the impact of the crisis on the Jordanian labour market in 2009 was not severe with official unemployment registering a modest increase from 12.0 percent in the third quarter of 2008 (just before the crisis started) to 12.2 percent by the end of 2009, a level that still has as of end-June 2010.

Below, the impact of the crisis is presented in two phases, the immediate one till the end of 2009 that has the characteristics of a relative free fall, and the subsequent one which can be said that constitutes the initial phase of a recovery process though, as this Report argues, it may prove a fragile one that would therefore require a coordinated policy response as indicated in Parts II and III.

The Immediate Impact of the Crisis: A Relative Free Fall (Till End -2009)

Though Jordan did not technically go into a recession (successive periods of negative output growth), the decline in the rate of economic growth was by all means significant. Despite the apparent built-up strength of the economy prior to the crisis, when economic growth averaged 7 percent between 2001-2007 and reached almost 8 percent in 2008, the GDP growth rate was only 2.3 percent in 2009.

The crisis created challenges for the real sector through three transmission channels. First, through declining capital flows that have been historically an important source of economic growth for Jordan. Second, the declining oil prices had a negative impact on transfers and capital account affecting remittances and exports -- notwithstanding the positive impact of the decline in oil prices on the trade deficit given that Jordan is an energy dependent country. And, third, lower global and regional economic growth that affected adversely Jordan's exports and remittances from abroad.

The effects of the crisis on Jordan might have been worse had it not been for the relatively limited impact of the financial turmoil on the Arab countries and the strong ties of Jordan with the regional economies. The Jordanian economy is highly correlated with developments in the GCC economies (Figure I-1), and the international evidence suggests that one percentage change in oil prices triggers FDI by 2 percent, 0.4 percent change in remittances and 0.9 percent change in exports⁷.

⁷ World Bank (2009).

The GDP change in Jordan in 2009, albeit positive, was the lowest the economy achieved since 1989. The crisis registered its impact across most indicators. Compared to 2008, exports were reduced by 19 percent, foreign direct investment (FDI) fell by 50 percent, foreign grants declined by around 70 percent, the capital of new registered companies fell by 76 percent for construction companies and by 62 percent for companies in the trade and services sector, the loan to deposit ratios fell from 72 percent in 2008 to 69 percent in 2009 and growth in the credit to the private sector slowed down 2.1 percent, a clear reversal over the annual growth rates of 14-28 percent observed in the each of the previous four years. The public debt starting rising again after a commendable continuous decline from 100 percent in 2001 to 62 percent in 2008, The rise in public debt was the result of the introduction of a stimulus package that by December 2009 increased the budget deficit to nearly 9 percent, that is, double its original estimate at the beginning of the year.

The following statistics summarize the changes in key macro, fiscal and monetary areas during the first year after the 2008 crisis⁸:

Fiscal Balance: Jordan's public finances came under strain as the crisis affected domestic demand and foreign cash flows including FDI, grants and remittances from Jordanian workers. Jordan's budget deficit increased to JD 1.5 billion (nearly 9 percent of GDP) in 2009 exceeding an earlier target set at the beginning of the year at JD 1.1 billion or around 7 percent of GDP. This compares with a deficit of JD 0.7 billion in 2008 and was mainly the result of a sharp drop in foreign aid and revenues while public spending remained relatively high. Revenues -- which include general sales tax, income taxes and grants -- fell to JD 4.5 billion or by 11 percent in 2009 compared to the previous year⁹.

ODA: Donor grants fell substantially. Foreign grants that came to more than one billion dollars (\$1,013 million) in 2008 declined by around 70 percent in the first eight months of 2009 compared to the same period in 2008. Overall, on a yearly basis the share of foreign grants in GDP dropped from 4.5 percent to 1.9 percent, a significant decline.

FDI: FDI inflows reached JD 310 million in the first half of 2009 compared to JD 894 million in the same period during the previous year which represents a 65 percent decline.

Inflation: The CPI reached 12 percent in 2008 but turned negative (minus 0.04) in 2009, a clear sign of deflation.

Foreign reserves: Currency substitution in favour of the dinar and "carry trade" operations (borrowing in dollar and investing in dinar-denominated assets) triggered by the sharp decline in

⁸ The statistical compilation in this section is derived from various sources including the ILO team estimates from fieldwork, the Department of Statistics, Central Bank of Jordan, Ministry of Finance, Ministry of Planning and International Cooperation, Ministry of Labour, ILO, IMF, World Bank, Bank Audi, Reuters, Bloomberg, IPS Inter Press Service, The Jordan Times and reports by think tanks and individuals.

⁹ Nevertheless, the fiscal position had already started deteriorating since 2008. The budget deficit increased from 6.6 percent of GDP to 9.4 percent in 2008 triggered by the increasing government expenditures.

interest rates on the dollar, have been partly responsible for the increase in the Central Bank's foreign reserves.

Non-performing loans: Their share increased from 4.2 percent in 2008 to 6.7 percent in 2009.

Economy Wide Changes in 2010

Economic activity is expected to pick up in 2010 though modestly after the projected GDP growth rate was revised downward in mid-2010 to 3.5 percent. In fact, there have been mixed results in 2010 with some indicators being less promising than they originally appeared at face value. A positive reversal to the pre-crisis high economic growth rates is not immediately obvious (Figure I.1).

Moreover, the narrowing of the budget deficit may imply a reduced level of domestic demand in the future that can depress economic activity and the rate of employment creation. All in all, while domestic demand has benefited from the monetary easing in 2009 and 2010, there is little room for further stimulus as the interest differential with the US rates has fallen and inflationary pressures are emerging.

In more detailed terms, the broad fiscal changes in the first half of 2010 compared to the same period in 2009 were:

- Total revenues and grants increased by 5.5 percent.
- Domestic revenues increased by 2.9 percent.
- Current expenditures increased by 2.7 percent though total expenditures declined by 8.1 percent due to a 47 percent decline in capital expenditures.
- These fiscal developments generated a US\$219 million surplus in January-February 2010 compared to a US\$47 million deficit for the same period in 2009.

The Government intends to adopt a new debt strategy that would diversify the sources of funding while keeping the debt to GDP ratio below the officially maximum permissible threshold of 60 percent. For example, the government can seek funds from foreign markets thus benefiting from currently low interest rates and the issuance of bonds on the international market. Sukuks (Islamic bonds) is also another financial tool under consideration. In parallel, the Government is working with donors to increase foreign aid and concessional loans. For example, Jordan and the EU have signed a 3-year (2011-2013) financial aid program of €223 million which coincides with the time frame of the *Executive Program* (see Part II of this Report).

Despite the projected economic growth of 3.5 percent in 2010, the quarterly GDP growth was only 2 percent in the first quarter of 2010 at constant market prices compared to 3.6 percent during the same quarter of 2009. And though on a year-to-year basis economic growth is close to 4 percent for the first quarter of 2010, the quantity index of industrial production is continuing its downward trend (Figure I:2 including a 2.5 percent decline in the construction sector, a decrease in the manufacturing sector by 4.1 percent and in electricity production by 7.3 percent). Though the Consumer Price Index (CPI) is expected to rise to around 5 percent in 2010 (compared to one percent in 2009), the price index of industrial producers decreased by 7.2% for the four months of 2010¹⁰ while agricultural producers prices were subjected to an average decrease of 3.1 percent.

¹⁰ The change in the General Industrial Price Index of the Industrial Producers for the four months of 2010 as compared with the same period of 2009 was driven by a decrease in the manufacturing

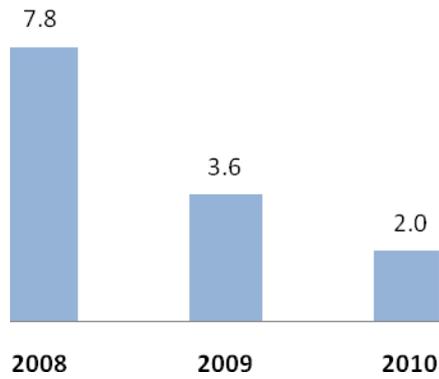
The trade deficit also increased in 2010. According to statistical data from the Department of Statistics, the value of imports increased by 6.4 percent during the first four months of 2010 compared to the same period of 2009 while the value of total exports increased only by 2.9 percent as there was a decline in exports to Iraq, USA and the non-Arab Asian countries, notably India. As a result, the trade balance deficit, deteriorated by 12.2 percent in the first quarter of 2010¹¹ with the ratio of exports to imports between these two periods falling from 52.1 percent to 49.5 percent.

industries prices by 4.8%, and a decrease by 18.5% of the prices of the Quarrying Industries, while Electricity went up by 0.5%.

¹¹ More recent data suggest that Jordan's trade deficit during the first six months of this year increased even more, by 18.1 per cent. See: Jordan Times, "Public debt increased during first six months of this year. 19 August 2010.

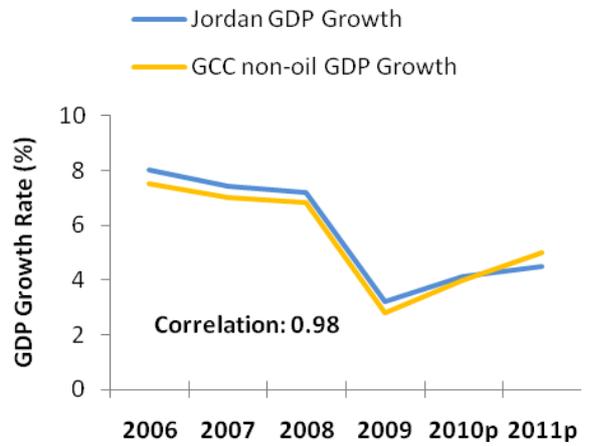
Figure I-1: Key Macroeconomic Indicators

GDP Quarterly (Q1) Growth Rates, 2008-2010



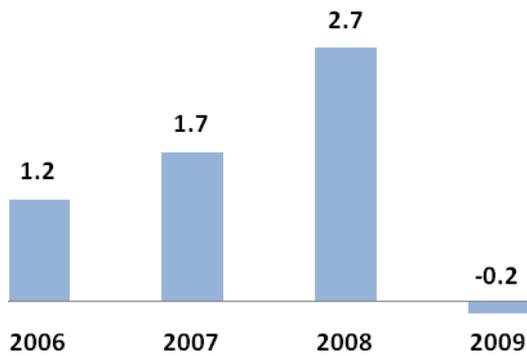
Source: Department of Statistics

Correlation between GCC Jordan Economic Growth



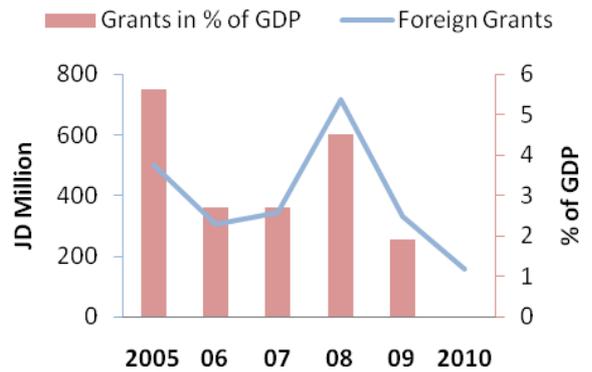
Source: IMF

Finance, Insurance & Real Estate Contribution to GDP Growth (in percentage points)



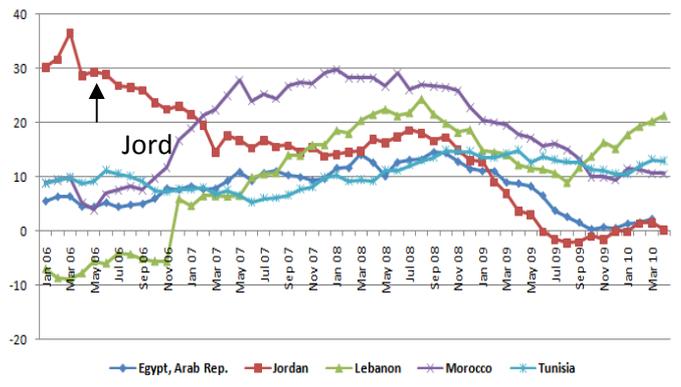
Source: CBJ Monthly Statistical Bulletin

Foreign Grants as % of GDP, 2005-2010



Source: CBJ Monthly Statistical Bulletin and MoF

Credit Growth (YoY, in percent) - MENA Emerging



Stock Market Indices - Non-GCC

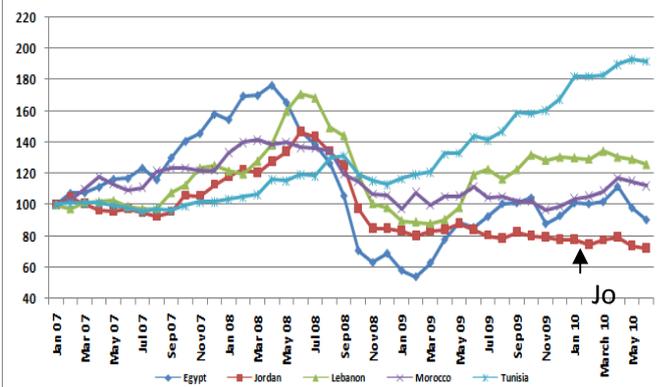
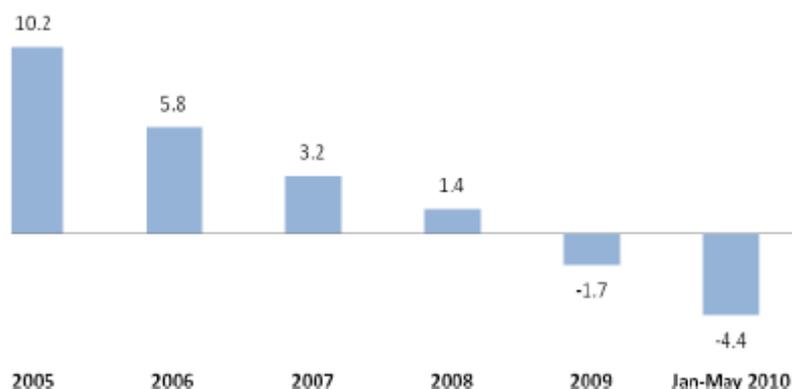


Figure I-2: Change (%) in the Industrial Production Quantity Index, 2005-2010



2. Impact on the real economy - key sectors affected and regional differences

The Sectoral Impact of the Crisis in 2009

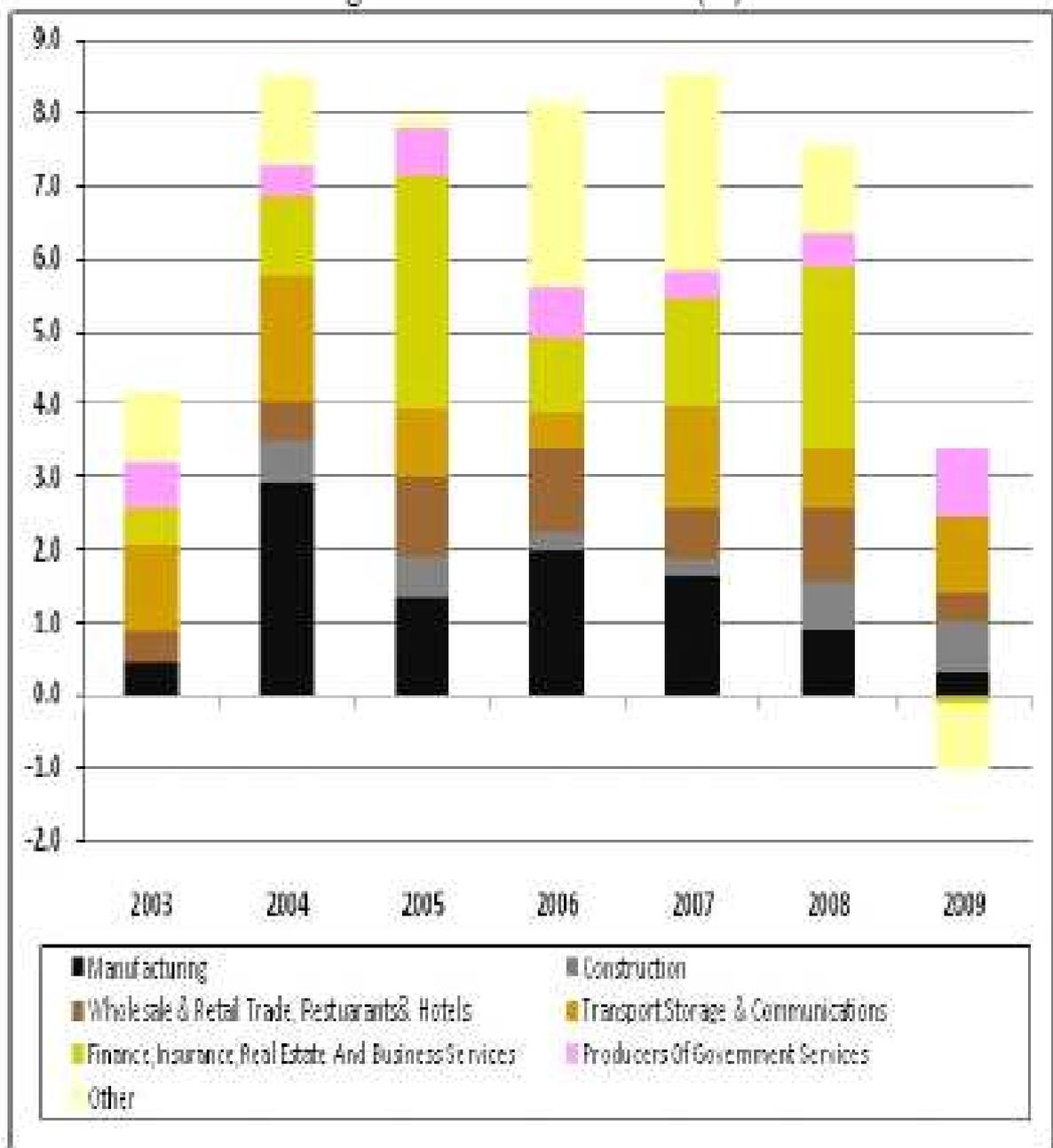
The changes in GDP by key sectors are summarized in Figure I-3 and are discussed in more detail below. As Jordan is a relatively small country in terms of size and most production and employment are concentrated around or nearby the capital city, regional geographical differences are omitted from the presentation.

Stock Market and Real Estate Prices: The Amman Stock Exchange (ASE) General Weighted Price Index decreased by 32 percent in the final quarter of 2008. Real estate and financial services declined by 50 and 48 percent respectively at the end of 2008 thus contributing negatively to the overall growth of the economy. Market capitalization dropped down from JD 29 billion in 2007 to JD 25 billion in 2008. Real estate sales dropped by 31 percent from October 2008 to end-October 2009 (US\$ 7.6 billion to US\$ 5.2 billion). In addition sales of residential apartments dropped from 18,723 to 16,719 during the same period. The capital of new registered construction companies fell by 76 percent.

The growth rate in some key sectors declined in 2009. The trade sector growth slowed down significantly from 11 percent in 2008 to 1.7 percent in 2009. The finance, insurance and business services sector experienced a contraction of around one percent against a growth of around 9 percent in 2008. The capital of new registered companies in the trade and services sector fell by three-quarters in 2009.

Similarly the manufacturing sector grew by only 2.7 percent in the first three quarters of 2009 compared to 6 percent in 2008. Exports from the QIZs declined by 20 percent and some of the slowdown had started prior to the global recession. This was the result of a substantial decrease in the exports of apparel from the Qualified Industrial Zones (QIZ) to the USA. Moreover, Jordan's QIZs are facing severe competition from similar industrial zones that are developing in Egypt where many activities previously performed in Jordan have already been relocated to.

Figure I:3 Real GDP Growth and Sectoral Contributions to Growth, 2003-2009



Sources: Official Data, IMF and World Bank estimates

In the transport sector, the drop in revenues was around 20 percent though the number of passengers dropped by only 1 percent in 2009 compared to 2008. In some cases, there were attempts by some companies, especially foreign ones, to change the benefits and working conditions of their staff. Other companies are said to be downsizing without resorting to the Ministry of Labour as provided by the law.

The tourist sector was also affected in 2009. Throughout 2009 the hotel occupancy rate of 56 percent was lower by 18 percent than in 2008. Revenue per available room in the same period decreased relatively less, by approximately 6 percent (to US\$82)¹².

There have been indirect effects of the crisis on other sectors. For example, the effects of the crisis on the banking and real estate sectors that are two of the leading advertisers in Jordan affected severely the advertising business. Overall, growth rates were reduced for practically all economic sectors with the exception of government services.

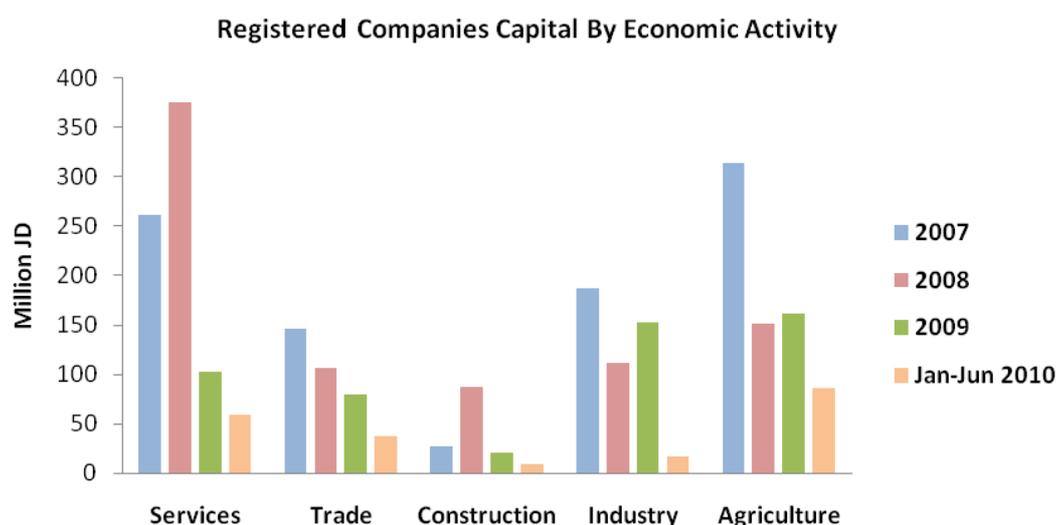
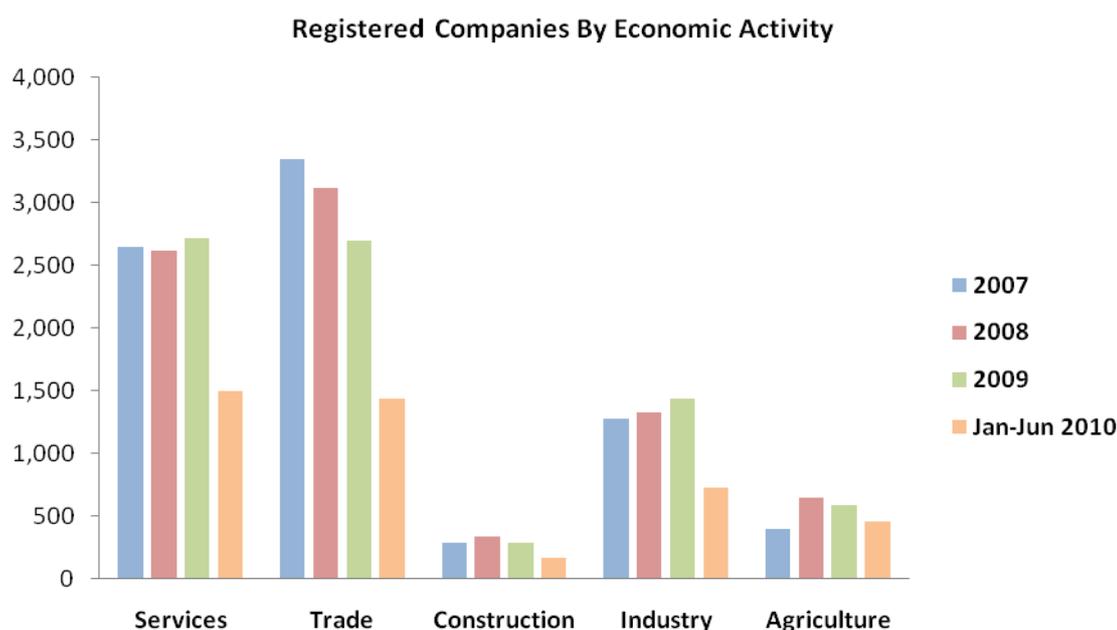
Changes in 2010

A positive sign is that, according to figures from the Jordan Investment Board, the volume of investments *registered* under the Investment promotion Law of 1995 and its subsequent amendments increased by 82 percent during the first half of 2010 compared to the same period in 2009: From JD 480 million to JD 876 million. The Law includes incentives in the form of tax exemptions for investments mainly in industry, agriculture, hotels and hospitals. However, these figures merely register intent for investment and whether these investments would actually materialize would depend on what both domestic and overseas investors would actually do amidst uncertain regional and domestic developments. In fact, Figure I:43 overleaf suggests that company activities have been generally on a declining trend even before the crisis, both in terms of number of registered companies as well as registered capital.

Some sectors are expected to do relatively well, such as transport and communication (with a marked increase of 7.8 percent during the first quarter of 2010), agriculture sector (an increase of 6.6 percent), the finance and insurance sector (an increase of 6.3 percent), quarrying sector (an increase of 4.7 percent), whole sale and retail trade and hotels and restaurants (an increase of 4.4 percent) and real estate (an increase of 4 percent).

¹² Travel and tourism is a significant sector in Jordan and accounted for 18.3 percent of GDP in 2009, 302,000 jobs or 16.7 percent of total Jordanian employment. See Deloitte (2010): "Analysis of 2009 Hotel Performance", http://www.deloitte.com/view/en_GX/global/press/global-press-releases-en/press-release/5a7ec6a7c4b17210VgnVCM100000ba42f00aRCRD.htm

Figure I:4



Source: CBJ; Monthly Statistical Bulletin

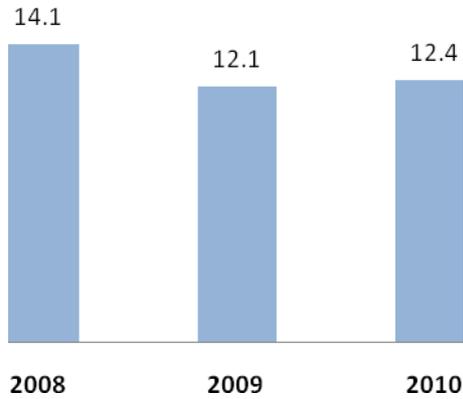
3. Impact on labour market and employment

Impact on the Labour Market and Employment in 2009

Given the absence of timely and reliable labour statistics, it is hard to be precise about the initial impact of the crisis on the labour market. The results of the *Establishments Survey*, a key source of information for the demand side of the labour market, are available only till 2007. The information derived from the *Employment and Unemployment Survey* and the *Job Creation Survey* exhibits some uncomfortable sample variation. In addition, the employment impact of adverse developments in the real economy does not usually show up immediately and, at times, it does so only with a considerable lag. For example, based on the international experience, unemployment can keep increasing for 3-4 years after a financial crisis and, in fact, this is the case today in some of the OECD economies that have been most severely affected by the current crisis.

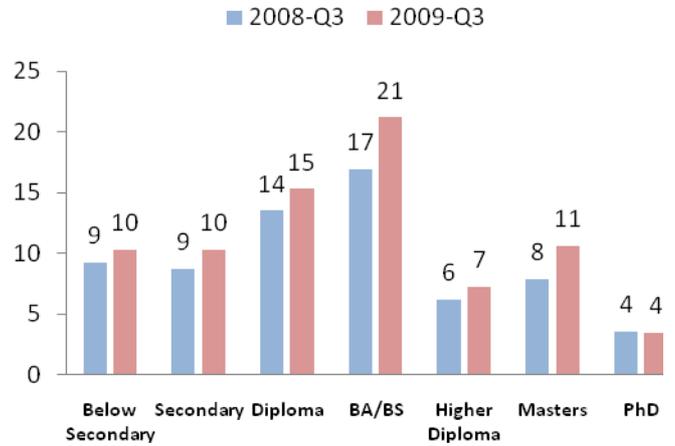
Figure I-5: Key Labour market Statistics

Unemployment Rate During Q1, 2008-2010

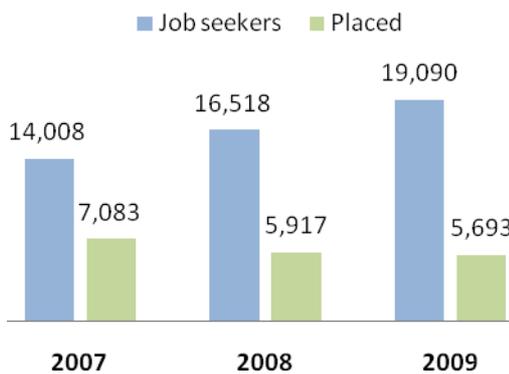


Source: DOS 2010

Unemployment Changes by Education (%)

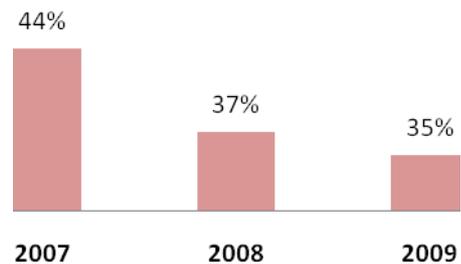


Job Seekers and Placement 2007-2009



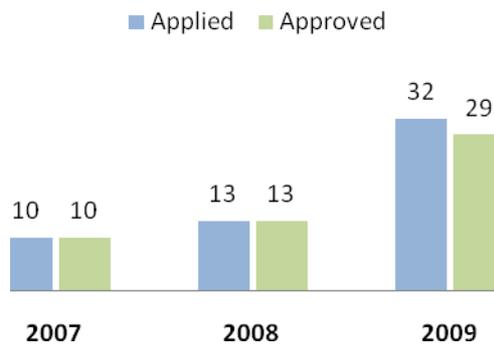
Source: Ministry of Labour

Female Placement Rate 2007-2009



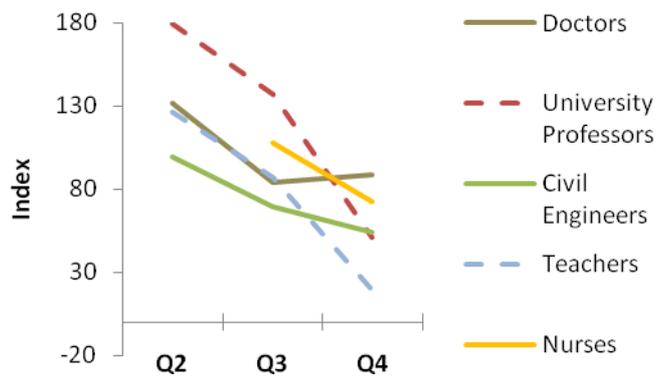
Source: Ministry of Labour

No. of Companies that Applied for Layoffs and Got Approval, 2007 - 2010



Source: Ministry of Labour, Working Relations Section

Quarterly Index (2009 Q1=100) of the five most advertised jobs abroad, 2009



Source: Al Manar Database, NCHRD, 2009

Yet in view of the various data sources reviewed in this Report, the labour market impact of the crisis in Jordan today and in the near future might have been greater than that indicated by the official statistics. Figure I:5 presents some key labour market characteristics and trends of the Jordanian economy since around the time of the crisis, which are further discussed below.

Either way, between 2008 and 2009 Jordanian employment increased by nearly 48,000 jobs (4 percent) and Jordanian unemployment by nearly 10,000 (just over 5 percent) producing a small *annual* increase in unemployment from 12.7 percent to 12.9 percent. This increase in unemployment can be subject to sampling errors and may be statistically insignificant. However, taking into account seasonal variation unemployment increased from 12 percent in the 3rd quarter of 2008 to 14 percent in the same quarter in 2009. This was a rather significant 17 percent increase despite the increase in the number of jobs held by Non-Jordanians by 29,000.

Other indicators suggest a likely deterioration in the labour market in 2009. More specifically and with reference only to Jordanian workers, the changes between 2008 and 2009 can be summarized as follows:

- Employment in Qualified Industrial Zones (QIZs) declined by 23 percent
- The number of companies that filed with the Ministry of Labour (MoL) for mass layoffs tripled, from 13 to 32
- The number of job seekers registered with the MoL's employment offices increased by 16 percent while the number of placements decreased by 4 percent, thus reducing the placement rate (placements per job seekers) by 17 percent
- The number of locally advertised jobs in a national newspaper declined by 23 percent (from the 2nd quarter to the 4th quarter of 2009)
- With respect to insured employees, in 2009 employment creation came mainly from those who left their jobs (37,210) rather than new job creation (36,100), and this represents a reversal from the situation in 2008 when the two figures were respectively 23,693 and 41,360.

With respect to Jordanian workers employed abroad, there does not seem to have been a perceptible decline in their numbers, given that most Jordanians who have migrated are engaged in relatively skilled jobs and mainly located in the Gulf Cooperation Council States where the impact of the crisis has not been very severe. In fact, anecdotal evidence suggests that repatriation has been minimal with workers being redeployed in different jobs within the country of their original destination or by moving to another country, at times accepting lower wages. Still, net employment creation outside Jordan turned negative in 2009 and the number of advertised jobs for opportunities abroad declined by 50 percent (Figure I-5). However, remittances in the first 10 months of 2009 were lower by 8.4 percent compared to 2008

Factual information on the impact of the crisis on the employment of migrants in the country is at best, anecdotal given the paucity of statistics in this area. What is gleaned is that the impact of the crisis on immigration in the country has not been very pronounced. Although some capital operating in the Qualified Industrial Zones (QIZs), which account for a significant number of migrant workers, may have moved to other locations in the wake of a slowdown, the end result has not been a disproportionate disruption of economic activity. Finally, though there are no reliable estimates of the impact of the crisis on child labour, an ILO survey conducted in 2007 revealed that the incidence of child labour was already on the rise before the crisis¹³.

¹³ ILO (2009) A Survey on Working Children in the Hashemite Kingdom of Jordan: Results of the 2007 Child Labour. Geneva.

Changes in 2010

On the positive side, the official unemployment rate declined slightly in 2010. The annualized unemployment rates averaged 12.7 percent in 2008, 12.8 percent in 2009 and 12.7 percent in 2010 (till September). The latest unemployment figure as of end-September 2010 was 13.5 percent¹⁴. Moreover, local investments amounted to JD 675 million in the first six months of 2010 compared to half that figure (JD million 327) in the same period in 2009. Between these two periods, foreign investments also increased to JD 200 million from JD 151 million. Overall, most investment took place in the industrial sector (JD 357 million), amusement parks (JD 250 million), hotels (JD 191 million), land and marine transport (JD 32 million), hospitals (JD 30 million) and agriculture (JD 15 million). Despite these positive developments, the Jordan Investment Board estimated that these investments will generate only 8,678 job opportunities¹⁵. This employment impact is rather small, even if all the impact is registered in a single year, which is typically not the case.

Even if Jordan is seen as a luckier country in terms of the overall impact on employment, the nature of the impact of the crisis in Jordan does not seem to be materially different than that observed in the most affected countries. From a sectoral perspective, the international experience so far shows that the adverse employment impact of the crisis was registered mainly through job losses in manufacturing and the broader industrial sector (for example, construction, electricity and so on) as well as in the financial, real estate and business sectors. Indeed, this was the case for Jordan in the immediate year following the crisis which still continues today¹⁶ (Figure I:5). It is therefore possible that Jordan may face the same “hysteresis” in regaining the employment momentum lost after the crisis as other countries that have been affected so far to a greater extent than Jordan with known difficulties to reduce unemployment.

Figure I-5: Change in Net Job Creation by Economic Activity 2007-2009



Source: Ministry of Labour, 2010

¹⁴ This compares favorably to 14 percent in the corresponding quarter of 2009. However, the latest count (end-September 2010) indicates that the male unemployment rate remains at 10.7 percent and the female unemployment at 26 percent.

¹⁵ Jordan Times, “Rise in Investments Positive But real Effects Remain to be Seen”, 23 July 2010.

¹⁶ In fact, as shown later on in this section, the impact of the crisis on the industrial sector seems to have accelerated in 2010.

4. Impact on systems for social protection

The Government introduced a new Social Security Law in 2010 (though this was planned and was prepared before the crisis) while, as described below, it expanded national assistance and is planning to improve targeting.

5. Impact on wages and working conditions

The global crisis in late 2008 and the need for Jordan to adopt expansionary measures took place shortly after the Government took a bold move towards fiscal consolidation that included the removal of fuel subsidies in February 2008 at a time when food prices were rising. To cushion the impact of rising cost of living on households, the Government provided subsidies to encourage local farmers to grow wheat and barley (at the production level) and fixed the price of bread, pegged the subsidized barley price until 2009 and eliminated profit margins on basic commodities sold in military and civil cooperatives controlled by the government (at the consumer level). At the trade policy level, it banned the export of eggs and some types of vegetables and fruit, and exempted 13 basic commodities, energy saving products and agricultural inputs from taxes and duties¹⁷.

The Government also increased the salaries of public sector employees, civil servant workers, military and security agencies personnel; expand social safety net transfers, including direct cash payments to non-government workers or pensioners with an average per family incomes of less than \$1400 per year. There was also an increase in payments to the beneficiaries of the National Aid Fund (NAF). The minimum wage was also increased in January 2008, from JD 100 to JD 150.

Other than this, unfortunately, the latest available information on wages ends in 2008 and therefore precludes an assessment of the effects of the crisis on wages. However, following the crisis the Government froze wage increases for public sector workers (as well as recruitment with the exception of education and medical workers).

Similarly, there is scant information on the effects of the crisis on local working conditions, for example, changes in working hours, share of informality and so on. Anecdotal evidence does, however, suggest that there has been some effects on Jordanians working abroad in the form of accepting lower wages or work in alternative jobs than those before the crisis. The amount of remittances also declined.

6. Impact on labour standards, including freedom of association and the right to collective bargaining

There have been no noticeable changes in this area following the crisis despite the expected deterioration in labour market conditions and outcomes outlined in this report (for example, in terms of Informalization, gender specific effects, changes in working conditions overall as well as for migrant workers in Jordan and Jordanian workers abroad and so on).

¹⁷ FAO, 2008; Janjua, 2008; Jaradat, 2008.

Important knowledge gaps that exist in understanding the impact of crisis which need to be filled for improved policy-making

As the earlier discussion suggests, Jordan does not have a reliable statistical mechanism in place for accurate and timely monitoring of the effects of the crisis. More broadly, even some of the statistics required for reliable policy design and implementation are also lacking (for example, information on wages, migrant workers and so on). The unemployment statistics may also need to be re-examined given their relative constancy under significant economic changes in the last decade, if not considerably longer.

All in all, policy makers are bound to face considerable uncertainty if they are to focus on the working poor and vulnerable groups. This is particularly important in the coming years as the fiscal consolidation programme under way implies that the Government will have a reduced funding space for social programs.

Prospects

While the Jordanian Government has made serious efforts to address effects of the crisis, the outcome of these measures do not depend only on what is going on in Jordan but are also affected global and especially regional developments. For example, the downshifting of credit growth in much of the Middle East in 2009, particularly in the overextended GCC, has been a major constraint on economic activity. Credit growth rates have stabilized in the GCC and have been on the rise in the Non-GCC countries since the early 2010. However, in Jordan credit growth is still hovering close to zero percent having been in negative territory during the last two quarters of 2009. Easing monetary conditions at home and abroad may not necessarily prove immediately beneficial. Several countries in the Middle East are now experiencing ample domestic liquidity, which could support asset bubbles as interest rates remain negative in real terms.

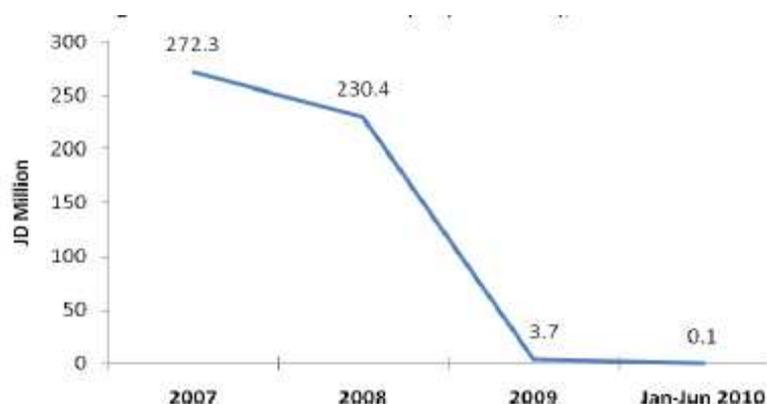
Unlike other countries, Jordan relies much more on foreign borrowing and aid while its economic performance is closely related to that in the GCC economies. The dependence on foreign investment can also strain the prospects of the economy. Some infrastructure projects, including megaprojects, may not materialize and, even if they materialized as smoothly as planned, they may have small effects on employment in the immediate future. For example, there were two failed attempts in 2009 push ahead with the Amman-Zarqa light rail transit (LRT) project. Now, a new feasibility study has been contracted for the \$1.2 billion project and the construction award is expected in 2011 under a build-operate-transfer (BOT) modality instead of the originally envisaged public-private partnership (PPP) framework in the previous two attempts.

In addition to institutional challenges involved in operationalizing the greater involvement of the private sector, be it in the form of BOT or PPP, the proceeds from privatization are drying up thus exacerbating the need to keep a lid on expansionary fiscal policies (Figure I:7). Moreover, the employment impact of privatization should not be overstated, at least in the short run. For example, *the cumulative privatization proceeds over the years amounted to nearly 13 percent of GDP, yet they created only 10,000 new jobs*¹⁸. The Government's main focus has rightly been on addressing the fiscal and macro-fundamentals of the economy. Despite the attempt to contain public expenditures while maintaining domestic demand, public debt stood at 52 per cent of GDP during the first six months of this year. The fiscal space is therefore limited and may become a long-term growth issue: The need to trim expenditures in the future may continue thus suppressing the rate of economic and

¹⁸ World Bank (2009).

employment growth in the coming years. The reduction in the budget deficit by reducing mainly capital expenditures is bound to have an impact on the long-term development prospects of Jordan.

Figure I-7: Privatization Receipts (JD million), 2007-2010



The performance of the development and more specifically the industrial/employment model of Jordan continues to depend to a large extent on foreign investment and at least *de facto* on a multi-faceted four-fold segmentation of the labour market between:

- national and migrant workers in Jordan
- the public and private sector
- men and women, and
- the balance of employment opportunities for Jordanians in Jordan and abroad.

Even if the economy reverts quickly to its previous “normal” state, it should not be forgotten that the employment creation for Jordanians was sticky before the crisis while unemployment failed to budge even during the period of high economic growth rates that prevailed in the last decade. Neither the high regional demand for services and emigration nor the large inflows of capital income and transfers into the national economy nor the consecutive rise in both private and public consumption solved the structural problems facing the Jordanian labour market. In any case, unemployment usually lags behind growth slowdown. The worst may be yet to come for the labour market while annual economic growth rates are expected to stay at only 4-5 percent till 2015. Judging from the recent experience even double that rate may not be sufficient to reduce significantly unemployment among Jordanians.

Additional challenges are also present in Jordan. Being a net food importer with extremely limited water supplies and a subsidized agricultural sector where few Jordanians are employed, Jordan is vulnerable to the increase in food prices—particularly cereals—following downward revisions in global production for 2010. Rising food prices can fuel inflation, attract government subsidies while they will be no solution to Jordan’s employment situation.

Overall, it can be concluded that Jordan faces elevated risks of at least non-improving conditions in the labour market, even if the economy picks up strongly and quickly. The reason is that the economic model of Jordan is not conducive to creating much employment for Jordanians, even is one ignores the quality of jobs being created. It is therefore important to see what policies can be conducive to creating more and better jobs and how this can be done amidst the effects of the crisis while keeping a focus to the longer term development needs of Jordanian workers and citizens.

Part II: Scan of crisis response and recovery policies

Introduction and Overview

The twin goals of reducing poverty and unemployment have long been among the government's top priorities. Accordingly, economic policies regularly invoke the objective of employment creation, as in the case of investment priorities (including mega-projects), support to self-employment and micro-enterprises (as in the case of the Development and Employment Fund), and programs and projects at the Ministry of Labour ranging from training to facilitate insertion into the labour market to employment services to help intermediation between job-seekers and employers.

A series of national and sectoral strategies as well specific plans and programs by line ministries and agencies are already in place and new ones are announced as conditions change and the economy evolves. However, despite the fast economic growth in the last decade, neither poverty nor unemployment showed any significant tendency to decline¹⁹. In fact, somewhat paradoxically, the poverty rate increased in 2008 (to 13.3 percent from 13 percent in 2008) despite the fact that this was the period of the fastest economic growth in recent years. Unemployment has remained stubbornly high at around 12-14 percent throughout the past decade and, after a small increase in 2009, the latest figures indicate, again somewhat paradoxically, a decline in 2010 despite the continuing stress from the effects of the crisis.

Nevertheless, Jordan has developed and is expanding and updating a coherent policy framework as indicated in the two main national documents that set economic and social priorities for the Kingdom and are of relevance today: The Executive Program 2011-2013 and the Government Implementation Plan 2010. These two documents are reviewed below along with some antecedents that are also relevant for setting the context of policy thinking in the areas of employment, social protection, social dialogue and labour standards. Individual programs are reviewed in Part II of this Report.

The Executive Programme 2011-2013

The Executive Programme for 2011-2013 contains strategic priorities and, in addition to incorporating the developmental agenda, it reflects Jordan's intentions for policies following the global crisis. Its origin was the Kuluna al Urdun ("We are all Jordan") initiative launched by His Majesty King Abdullah II bin Al-Hussein in July 2006, engaging over 700 Jordanians representing all social strata, political parties and parliamentary blocks and aiming to develop consensus on the future reform agenda of the country²⁰. Six themes were identified as national priorities, that is:

- strengthening the internal front
- political reforms
- economic reforms
- social stability
- regional challenges, and
- Palestinian cause.

¹⁹ Department of Statistics. The number of poverty pockets, defined as areas where 25 percent or more of total residents live under the poverty line, also increased from 22 in 2006 to 32 in 2008. See Jordan Times "Poverty Rises Slightly From 2006 to 2008", 13 July 2010.

²⁰ In some sense, the "We Are All Jordan" Executive Program in its socio-economic objectives is a natural extension of previous National Plans and the National Agenda whereby increasing employment was regularly acknowledged as a key objective along with the broadening of inclusiveness by reforming the key elements of the social protection system that includes public health, social insurance and social assistance.

The Executive Programme assigns reform initiatives to different themes and links them to actions and budget allocations. It includes an array of time bound action plans, including specific projects and programs along with measurable performance indicators. It is based on or provides for the development of strategies for each sector of the economy under the umbrella of the relevant ministry in coordination with stakeholders from the private sector and civil society organizations. The sectoral priorities are envisaged across seven pillars of which two (numbered 4 and 5 below) are of particular interest for this Report:

- Legislation & Justice
- Investment Development
- Financial Services & Governmental Financial Reform
- Supporting Vocational Training & Employment
- Social Welfare;
- Public Education, Higher Education, and Scientific Research & Innovation, and
- Infrastructure Upgrade.

Within the framework of projected macroeconomic quantitative indicators for 2011-2013 and in line with the outlook for the coming ten years, the Executive Programme lists a series of policies and programs taking into the need to preserve fiscal balance and monetary stability. Of particular relevance to the present Report are the 4th and 5th pillars, that is, those dealing with employment, training and social development and assistance.

Government Implementation Plan 2010

While the Executive Programme sets the strategic priorities for the medium term and beyond, the year-to-year activities are provided in the Government Implementation Plan. The Government Implementation Plan evolves around seven strategic initiatives:

- Strengthening Government Performance and Accountability
- Encouraging Political and Civic Participation
- Enhancing the Business and Investment Environment
- Empowering Jordanian Citizens with the Skills to Succeed and Enter the Labour Market
- Feeding and Fuelling Growth and Security through Infrastructure Mega Projects
- Expanding the Middle Class and Empowering the Underprivileged
- Improving Citizen Services

A new Delivery Unit has been established in the Prime Minister's Office in order to monitor and track implementation of the Government Plan and Government performance throughout 2010. The Plan's setting of priorities, policy development, institutionalization of decision making and implementation are aided by Ministerial Committees that oversee the seven strategic initiatives. Some 2,400 projects are planned for the year 2010, but only those projects deemed to be of highest priority and greatest complexity are included in the Government Implementation Plan and will be directly monitored by the Committees of the Council of Ministers²¹.

Related Initiatives and Policies

Employment is treated as a cross-sectoral issue and is therefore not explicitly addressed as a standalone initiative in either the Executive Program or the Implementation Plan. It is, however, expected that most trade and investment policies will stimulate job creation through supporting the growth and development of new industries and SMEs as well as by improving the competitiveness of Jordan's private sector. For example, trade policies that focus on enhancing export opportunities and specialization should, at least in theory, result in job creation. Similarly, investments (including in infrastructure and megaprojects) are expected to have significant spill over effects on employment.

²¹ A list of programs and projects are listed in Part III and the Appendix

In some sense, the “We Are All Jordan” Executive Program in its socio-economic objectives is a natural extension of previous National Plans and the National Agenda whereby increasing employment was regularly acknowledged as a key objective along with the broadening of inclusiveness by reforming the key elements of the social welfare system that include public health, social security and poverty alleviation.

More specifically, Jordan’s National Agenda was adopted in 2005 to formulate the state’s development priorities²². Among other objectives, the Agenda emphasised employment creation and set extremely ambitious targets for reducing unemployment. The Agenda called for the creation of a “knowledge economy” and the “growth of labour-intensive and export-oriented industries and traded services”. The Agenda split its discussion of employment and investment/trade policies into separate “themes” very much like these two areas are envisaged in the Executive Program and the Implementation Plan today. The “Employment Support and Vocational Training Theme” of the Agenda dealt directly with labour market issues, but did not integrate trade or investment policies. The “Investment Development Theme,” by contrast, was focused on fostering a friendly investment climate and strengthening Jordan’s international competitiveness with only scant references to employment creation.

Therefore, training and investment are seen as two key policy areas for addressing employment and inclusion. With respect to training, the *Employment-Technical and Vocational Education and Training Strategy* continues to aim at the reform of technical and vocational education and training (TVET) system as initiated by the National Agenda and assigned to the leadership of the Ministry of Labour. The reform deals with many aspects of the TVET sector including the improvement of its linkages with employment and its relevance to the labour market. It also includes institutional factors such as governance, financing, efficiency and quality. The Ministry of Labour has indeed taken the lead in developing an action plan for the process which was launched in 2008 and a new Business Plan 2010-2012 was approved earlier this year. In addition, Jordan also has an array of strategies and higher councils that address specific needs of target groups such as the young people, women, the disabled and marginalized groups and so on.

With respect to investment, the key national objectives include:

- Increasing the competitive ability of the national economy and enhancing the investment environment
- The effective protection of the consumers’ rights
- Promoting the proficiency and efficiency of public sector performance

These objectives are important for enhancing economic growth though they do not directly address the labour market effects of trade and investment policies. Nevertheless, some important initiatives include the change in the company law that reduced substantially (to only JD 1,000) the minimum capital requirements for registering a Limited Liability Company (LLC) thereby lowering

²² Social and Economic Development Plans (SEDP) were previously prepared by the Ministry of Planning and International Cooperation, which prioritized development programs and set targets in several sectors including human resource development, basic governmental services, development of Governorates, and organizational policy frameworks. The last SEDP ended in 2006 at the time when the National Agenda was introduced. The SEDP, like subsequent efforts, set employment and unemployment targets to be achieved directly mainly through encouraging vocational training and indirectly through mainstream economic policies and, as such, did not provide a holistic approach for either employment creation or improving employability of people. See Jordan Draft National Employment Policy (2009).

domestic barriers to market entry and possibly facilitating some movement of business from the informal to the formal sector. The Investment Promotion Law is another initiative that includes various incentives for investments mainly in key sectors such as industry, agriculture, hotels and hospitals.

However, the development of investment, industry, trade and labour market policies takes place in somewhat parallel tracks involving different ministries and agencies strategies as discussed below starting with the case of investment, through the example, of megaprojects, and then examining in some detail the employment and social focus of related policies.

National Employment and Training Priorities

In the area of employment and training, the Executive Program envisages around 60 programs organized in 6 themes to be implemented mainly by 6 agencies. Tables II-2a/ 2b/ 2c list the available information. The dominant theme is “meeting the requirements of the labour market of qualified national technical workforce & the gradual replacement of national workforce in place of expatriates” that is planned to absorb two-thirds of the total funding (Table II-2a).

Table II-2a: Expenditures on Employment and Training, by Area 2011-13		
	Cost JD million	% of Total
Meeting the requirements of the labour market of qualified national technical workforce & the gradual replacement of national workforce in place of expatriates	253	64.9
- of which the National Employment and Training Company	186	47.8
Raising the level of coordination between agencies involved in the development of human resources	53	13.7
Encouraging females to enter the Labour Market	38	9.7
Strengthening the partnership with the private sector and civil society organizations	32	8.2
Activating policies governing the labour market	13	3.3
Harmonization of pensions schemes	1	0.2
Total	389	100.0
<i>Source:</i> Draft Executive Program 2011-2013		

The dominant implementation agency is the National Employment and Training Company, a private non-profit shareholding company owned by the armed forces and aiming to prepare around 5,000 civilians on an annual basis for employment in the construction sector using nearly half of the total planned budget for employment and training purposes (Tables II-2b and II-2c).

Among the important agencies in the area of employment is the Development and Employment Fund that was established in 1989 as a specialized independent agency for aiding mainly start-ups through micro-finance. In 2009 it disbursed JD13.4 million in the form of direct lending to support 5,600 projects that created 7,400 jobs.

Table IIb: Expenditures on Employment and Training by Size, 2011-13				
Projects & Activities	Cost JD million	% of Total	Cumulative %	Responsible Agency
National Employment & Training Company	186	47.9	47.9	NETC
Training incorporation between the private sector and VTC	27	7.0	54.9	VTC & DEF
Supporting ETVT sector	23	5.9	60.8	MoL
Financing personal projects	20	5.1	66.0	DEF
Sections Productivity Project	13	3.2	69.2	VTC
Women empowerment in rural areas	12	3.1	72.3	DEF
Continuing projects with the private sector	12	3.1	75.3	DEF
Inspection Improvement Project	11	2.7	78.1	MoL
National Employment & Training Project	8	2.0	80.1	VTC
Financing leading projects	5	1.4	81.5	DEF
Financing of social security pensioners	5	1.3	82.7	DEF
VTC regional academy for pharmaceutical occupations	5	1.3	84.0	VTC
48 other projects	62	16.0	100.0	Various
Total	389	100.0		

Source: Draft Executive Program 2011-2013

Table IIc: Expenditures on Employment and Training by Principal Implementing Agency, 2011-13		
	JD Million	% of Total
National Employment and Training Company	186.1	47.8
Development and Employment Fund	66.7	17.1
VTC and DEF	74.7	19.2
Mo Labour	49.4	12.7
NCHRD	6.6	1.7
Mo Environment	1.6	0.4
Others	4.0	1.0
Total	389.1	100.0

Source: Draft Executive Program 2011-2013

As an implementing agency, the Ministry of Labour comes effectively in the last place with a budgetary share of 12.7 percent, after 84.2 percent of the national budget for employment and training is allocated and ahead of the National Council of Human Resources Development that is to receive less than 2 percent of the total (Table II-2c). These allocations can be compared to the Ministry's of Labour Vision (see Text Box 1)

In broad terms, there have been no labour and employment programs specifically addressing the effects of the crisis. This can be justified on the apparently small impact of the crisis on the labour market so far. However, there are many active labour market programs in existence that can potentially play a useful role in mitigating the adverse effects, should such effects come into place. Table II-4 lists them in descending order of the budget they are expected to absorb over the life of the next Business Plan of the Ministry of Labour (2010-2012). The Business Plan makes reference to the earlier mentioned National Training and Employment Company whose activities are closely related to the employment and training objectives of the Ministry.

The other entries in the Business Plan are detailed in Part III and the Annex of this Report as this section focuses on the broader picture. For now, it suffices to say that:

1. Most of the employment and training effort is channeled through the National Training and Employment Company whose resulting output is rather small compared to the allocated resources
2. The activities and relative position of the Ministry of Labour reflect the broader priorities set in the national programs
3. The Ministry has a variety of policies and active labour market programs which, however, tend to be small and relatively uncoordinated.

Overall, the Ministry of Labour is a relatively minor player in the national effort for creating employment, an area that is mainly driven by the macro, trade, investment and business policies as well as an immigration policy that creates incentives for low wage employment especially among foreign workers.

Text Box 1

Ministry of Labour

The 7 Elements of the Vision to Organize the Labour Market, The 4 Themes and Main Areas of Funding Priorities

Vision

1/ The need for a study to determine the needs of the labour market of university graduates and college graduates, middle and vocational training in order to direct education and training to meet the needs of the market.

2/ Applying the principle of gradual replacement of local employment in place of expatriates by requiring employers to training certain percentage of national workforce as a precondition to accept work permits for foreign workers. Each sector separately examines and organizes conventions (replacement rates, time frame) for the gradual replacement.

3/ Contracting with the private sector to train Jordanians and employment in exchange for incentives offered by the Ministry / Employment Support and Vocational and Technical training Fund

4/ Strengthening the role of vocational training and the National Company in partnership with the private sector

5/ Financing the graduates of the Vocational Training Corporation with soft loans from Development and Employment Fund to establish SMEs

6/ Take immediate measures to control the foreign labour market through:

- Need to give immigrant worker unique number when he enters the Kingdom (this requirement under study with the relevant authorities)
- Requiring employers not to employ foreign workers who violated the labour law (fugitive)
- Requiring registration of the institutions/establishment in the social security for the purposes of granting work permits for expatriate workers
- Review of the work permit fees to remove distortions, including the imposition of fees when approving the transfer of workers from one sponsor to another to ensure compliance by employers request the actual needs of expats
- Support and develop a cadre inspection at the ministry to inspect about foreign labour, child labour, occupational health and safety and the commitment of employers to labour law.

7/ Take advantage of the maternity insurance provided for by the Social Security Act to increase the participation of women in the labour market.

Themes and Main Areas of Funding Priorities

The MoL 4 Priority Themes	The Main Areas of Funding Priorities
1/ Protecting and stimulating employment	1/ Meeting the requirements of the LM & replacement of expatriates
2/ Increasing social protection	2/ Coordination between HRD agencies
3/ Institutionalizing social dialogue	3/ Women in the labour market
4/ Partnership with the private sector	4/ Partnership with the private sector and civil society

Table II-4: Ministry of Labour Projects/Programs (Thousands JD), 2010-2012

Projects / programs	2010	Total 2010-12	% in 2010
National Training and Employment Company	25,900	77,700	65
Satellite Unites	4,500	12,500	11
Inspection Improvement Project	3,680	10,680	9
National Training and Employment Project	2,500	7,500	6
Poverty & Unemployment Alleviation	690	2,200	2
Administration	620	2,350	2
Building and Extending Skills Training Systems (BEST Project)	600	2,000	2
Skills Development Project from Employers' Perspective	550	2,800	1
Mitigating Child Labour	250	750	1
Sector Restructuring Project (ETVET)	222	822	1
Agricultural Company Project	80	920	0
Social Dialogue Project (Tripartite Committee)	72	222	0
Developing of MoL Database System	40	120	0
Decent Work	35	175	0
Labour Inspector Training Centre and Work Relations	35	135	0
Al Manar Project/ Electronic Exchange of Labour Market Information	32	132	0
Electronic Linking of Municipalities & Civil Society Organization to NES*	30	110	0
Establishment of the Higher Council for HR Development	22	92	0
Jordan Workers Abroad	10	60	0
Amendment for the Labour Law No. 48 for the year 2008	0	0	0
Total	39,868	121,268	100
*National Employment System Source: Ministry of Labour			

In fact, some of the programs have apparently limited impact and most are limited in scale to make a dent in unemployment. Overall, it may not be an exaggeration to say that these projects in their majority have yet to show their potential for accelerating the pace of employment creation and reducing the unemployment rate. For example, the vocational and training system has been under reform for more than a decade as it has been unable to match the skills requirements of employers at wages that would be acceptable to Jordanians. And while the impact of many active labour market programs is in the right direction, their quantitative impact is often small and, at times, at high cost. And among the programs that aim at institutional improvements, their result will show up slowly and only in the longer term – and one hopes they will therefore not be needed in the very short run unless the impact of the crisis takes an unexpected and unwelcome turn.

A. Accelerating employment creation, jobs recovery and sustaining enterprises

Understandably, protecting and stimulating employment is the first theme (of four) of the Ministry's of Labour employment themes. However, accelerating employment creation *for Jordanians* and sustaining enterprises remains a challenge for Jordan.

Though employment has been responding positively to GDP growth and 415,000 jobs were added to the private sector labour force since 2000 (Table 2 in the introductory section), less than half of these jobs (that is, 190,000 or 46 percent) were taken up by Jordanians. Despite the monetary easing, credit to the private sector remains lower than pre-crisis levels and this constrains enterprise growth. The market capitalization of Amman Stock exchange reached JD 29 billion in 2007 but now stands at JD 20 billion and net investment by non-Jordanians has turned negative JD 16.6 billion²³. The trade deficit during the first seven months of 2010 went up by 9.4 percent compared to the same period of last year despite an increase of local exports by 18.5 percent as imports rose faster and the value of re-exports declined by 27.5 percent²⁴.

Though Jordan did not experience negative economic growth rates post-crisis, the 5.6 percentage points reduction in the economic growth rate due to the "growth recession" in 2009 was significant. Economic recovery is slower than anticipated as projections suggest only a gradual increase in economic growth in the medium term. The uncertain global environment and structural constraints in the national economy continue to pose a risk to the economic outlook. Jordan is exposed to multiple uncertainties arising from volatility of world commodity prices, the level of foreign inflows and Jordanian remittances from abroad as well as the regional security situation.

Despite the proactive reformist stance of the Government, according to the latest Global Competitiveness Report prepared by the World Economic Forum (WEF) in mid-September 2010, Jordan came 65th on the list of 139 countries covered this year, compared to 50th out of 133 countries last year²⁵. And Jordan's overall investment climate ranking slid to 101st in the Doing Business index of 2009 from the 94th position in 2008 due to slow progress in the implementation of some investment climate reforms and the speed at which other countries have reformed. In a globalizing world it matters not only how quickly one moves but also how fast compared to others. The global crisis led to weak revenues, an increase in public debt and subsequent actions to contain expenditures. The fiscal consolidation that is underway risks constraining domestic demand and perpetuating the slow rate of economic growth. According to the latest estimates, the budget deficit is expected to be reduced from 9 percent of GDP in 2009 to 6 percent in 2010 and to only 1 percent in 2011.

The pace and nature of fiscal consolidation in Jordan can be critical for the employment outcomes. As noted in a recent paper by the IMF and ILO²⁶, it is important to maintain support for aggregate

²³ Yusuf Mansur "Raising ASE", *Jordan Times*, 28 September 2010.

²⁴ Jordan Times "Trade Deficit During First Seven Months of This Year Widens by 9.4% to JD 3.27b", 20 September 2010.

²⁵ Jordan Times "PM Urges Better Business Environment", 15 September 2010.

²⁶ IMF/ILO "The Challenges of Growth, Employment and Social Cohesion". Paper presented at the Joint ILO-IMF conference in cooperation with the office of the Prime Minister of Norway, September 2010.

demand as recovery in aggregate demand is the single best cure for unemployment: An early tightening of fiscal policies can undermine recovery. Monetary policy is also an important policy lever to support aggregate demand and should remain accommodative with due attention to inflation pressures. Carefully designed subsidies and active labour market programmes can also avoid permanent adverse effects on the fortunes of certain firms and industries as well the long lasting effects of workers and their families from prolonged unemployment.

1. Measures to boost effective demand and helping maintain wage levels through including macro-economic policies such as:

- a) Monetary policy, e.g. quantitative easing and credit expansion

The policies that the Jordanian Government adopted post-crisis included full guarantee of all bank deposits that is extended until end-2010 and pre-emptive actions such as decreases in the discount rate and reductions in obligatory reserves on deposits. The Government's guarantee on bank deposits as well as high interest rates on deposits in Jordanian Dinars resulted in an increase in foreign exchange reserves that reached almost US\$ 12 billion (or nearly 50 percent of GDP) in 2009, and this amounts to an important increase of 36 percent compared to 2008. Contrary to the declining trend in 2008 and 2009, the share of dinar deposits has been stable in 2010 with the dollarization rate of deposits hovering around 17 percent.

The Central Bank of Jordan (CBJ) adopted monetary easing policies that continue into 2010. These measures included a reduction in the policy interest rate by 250 basis points between August 2008 and July 2009, a reduction in reserve requirements from 10 percent in October 2008 to 7 percent currently, and a freeze in the issuance of CBJ certificates of deposits that resulted in an increase of extra liquidity in the banks by JD 3 billion. As a result, the liquidity position of the banking system remained comfortable.

All in all, Jordanian banks have not been directly affected by the global financial turmoil, partly because of the aforementioned measures and partly because of the limited integration of Jordan with the global financial markets. However, credit growth and stock market performance remain lower than pre-crisis levels. The banks' expected response to declining policy interest rates has been partly compromised by a growing risk aversion: While prime lending rate has been declining, the average rate on loans and advances, discounted bills and overdrafts has been increasing.

Though the diverging evolution between interest rates on deposits and lending to the private sector is increasing the profit margin of the banks, the credit growth to the private sector has decelerated with a rise of 4.6 percent in 2009 against 15.8 percent in 2008. More recent data indicate that credit has started recuperating in the first 7 months of 2010 with a growth of 4.5 percent compared to 1.7 percent for the same period in 2009. However lending remains below pre-crisis levels while the stock exchange remains severely affected: The Amman Stock Exchange (ASE) general index continued dropping with a decline of 12.2 percent between end-2009 and August 2010. Some credit expansion is nevertheless under way in specific sectors. For example, in September 2010, the Council of Ministers endorsed a bylaw for the Military Credit Fund for the Jordan Armed Forces and Security Apparatus that will provide financing services for the Jordan Armed Forces (JAF) and employees at security agencies²⁷. Credit for microenterprises is also increasing through specific projects and the Development and Employment Fund (see relevant sections below).

²⁷ Jordan Times "PM Urges Better Business Environment", 15 September 2010.

2. Fiscal policy, e.g. stimulus packages

The Jordanian Government adopted a proactive response to the crisis in terms of fiscal stimulus and institutional and regulatory improvements. The response included an increase in public sector wages and *ad-hoc* one-off payments to vulnerable groups (partly to compensate for a reduction in subsidies around the time of the crisis) and tax reductions across most sectors. However, these developments increased the budget deficit that is now being expected to be reduced through rigorous fiscal consolidation measures.

Jordan's public finances have come under strain as the crisis has adversely affected domestic demand and foreign cash flows including FDI, grants and remittances from Jordanian workers. Jordan's budget deficit increased to JD 1.5 billion (nearly 9 percent of GDP) in 2009 exceeding an earlier target set at the beginning of that year at JD 1.1 billion or around 7 percent of GDP. This compares with a deficit of JD 0.7 billion in 2008 and is mainly the result of a sharp drop in foreign aid and revenues while public spending remained relatively high. All governmental institutions were subsequently requested to cut their operating expenses by 20 percent, including cutting down the salaries of the ministerial team. Furthermore, new recruitment in public sector is currently frozen with the exception of the education sector and the health sector.

Following an increase in domestic revenues and foreign assistance in 2010 coupled with reduced expenditures, the budget deficit for the first seven months of this year fell to less than half the figure recorded during the same period last year from JD 641 million at the end of July 2009 to JD 283 million during the same period in 2010. More specifically, total expenditures, which amounted to JD 3.1 billion in the January-July period of 2010, were 6.2 percent less than those recorded in the same period last year. Calculated together, domestic revenues and foreign assistance reached JD 2.8 billion compared with JD 2.6 billion during the same period of 2009, an increase of 5.9 percent. Specifically with respect to foreign assistance, Jordan received JD 208 million during the January-July period of 2010 compared with JD 103 million in the first seven months of 2009. Domestic revenues rose by 2 percent to JD 2.6 billion. Inflation accelerated in 2010. The Consumer Price Index (CPI) for the first 7 months of 2010 averaged 4.9 percent compared to -0.04 percent during the same period in 2009. This pattern reflects movement in the international prices of oil and food, which started increasing after the third quarter of 2009. Overall, the announced strong fiscal discipline - keeping debt increases below the rate of growth of the economy - are expected to bring the debt ratio back to its pre-crisis levels by 2013.

3. Social stabilizers

The monthly minimum wage was increased significantly in January 2009 from JD 110 to JD 150. The new Social Security Law has introduced an indexing mechanism, which provides for annual adjustments of pensions in payment to the inflation rate, so that pensions will retain their purchasing power. Unemployment benefits are planned to be introduced as a result of the new Social Security Law (see below).

4. Investment in infrastructure, public services, green production, and R&D

The Public Private Partnership program (launched in 2008) is a key component of the Government's Executive Plan 2011-2013. It aspires to adopt a more strategic approach to capital formation, accelerate the efforts to improve the investment climate and attract/encourage private business investment, promote Public Private Partnerships (PPPs) for selected infrastructure investments, and reserve the Government's investment only for general public goods. Jordan is pursuing medium-size PPPs in transport, housing, energy, water and education.

Significant reforms are envisaged in the energy sector. The Government's energy strategy (2007-2020) calls for enhancing energy security through diversification of energy imports and stronger regional trade of gas and electricity, development of renewable energy, promotion of energy efficiency, development of domestic energy resources including oil shale and nuclear energy.

The new energy law approved by the Cabinet in 2008 envisages the creation of a single regulatory agency for electricity, oil, and gas. In the electricity sector, the strategy calls for the development of additional gas-based independent power producer (IPP) contracts. The strategy emphasizes the need to develop renewable energy and an institutional framework for the promotion of renewable energy and energy efficiency. For this purpose, the Renewable Energy Promotion Law was approved in February 2010. Investment, and more broadly domestic trade and industrial policies, drive labour demand. This section refers mainly to investment focusing on the significant case of megaprojects but Text Box 2 highlights the inherent difficulties in trying to balance industrial and trade policies from an employment perspective.

As mentioned earlier in Part I, in the first half of 2010 local investments of the order of JD 675 million in industry, amusement parks, transport, hospitals and agriculture were estimated to create only 8,678 job opportunities. This employment impact is rather small, even if all the impact is registered in a single year, which is typically not the case. In fact, the slow employment creation *for Jordanians* is something that, if no attention is paid to, can become a structural feature of the economy.

Substantial infrastructure investments are expected to take place via the megaprojects. For example, the country's water deficiency is alarming while its dependency on imported energy sources is crippling the balance of trade. The need for such important investments (called mega projects because of their expected size) is therefore beyond question: The economic returns of such investments, that are bound to form the bulk of investments for some years to come, are to be large if properly funded and implemented.

As part of its overall responsibility for employment and training, the Mo Labour created a Megaprojects Unit and appointed a "Megaprojects Coordinator" in June 2009 with the view to undertaking a situational analysis of the Megaprojects and determining the scope, size, human resource needs and timelines of each of the Megaprojects. The ultimate objective is to develop a strategy to respond to the needs for a trained workforce for the existing and upcoming Megaprojects. An in-depth training needs assessment is planned that which will help determine appropriate training responses. Table II-1 summarizes the main ongoing and planned Megaprojects.

Text Box 1

Not All Employers Have the Same Interests: The Challenge of Industrial, Trade and Employment Policies

The typically distinction between employers and workers masks many diverse interest that exist within each group. For example, a modern industrialist (say in the capital intensive electronics sector) faces different issues than a traditional one (say, in a labor intensive industry such as textiles) and both have differences from an employer in wholesale or retail trade. From a worker's perspective, a self-employed professional (say, a lawyer) is very different from the owner of a small shop.

The decision by the Jordanian Ministry of Industry and Trade in 2010 to impose a JD 0.75 fee on each square metre of imported ceramic tiles makes the distinction between employers clearer. The fee is expected to remain in force for three years. The decision was in line with the National Production Protection Law and aims to protect local ceramic manufacturers who have for long been calling for a reduction of imported tiles that are produced with lower costs than in Jordan due to high energy prices in Jordan.

Though the importation of tiles is seen as harmful to local producers, it is considered as a legitimate source of income by local traders. Accordingly the Jordan Chamber of Commerce (JCC) urged the government to reconsider the decision on the basis that "local manufacturers put their personal interests before the interests of the people [and] the fees will be reflected directly on consumers who will pay the price of supporting local ceramic production at a time when this industry has proved futile and incapable of development and improvement over the past two decades".

There is fine line between protection of local production in strategic areas and the dependence of industries on government support that stalls modernization and reduces national competitiveness. Either way, industrial policies, whether for protection or promotion, can have significant implications for employment and not only within the industrial sector but also in the trade sector and beyond. For example, according to the JCC, over 10,000 workers are engaged in the commercial sector dealing with ceramics. And when local manufacturers are large registered companies whose shares are publicly traded, there can also be effects on the local stock market.

Source: Adapted from Omar Obeidat "Fee on Imported Ceramics Pits Importers Against Manufacturers", *Jordan Times*, 24 August 2010

It is difficult to estimate the employment impact and skills requirements of these megaprojects as most of them will be implemented through a Build-Operate-Transfer (BOT) agreement with a private investor/operator²⁸. Moreover, most of these projects are simply planned or can be delayed because

²⁸ Under the scheme the private investor will be responsible for financing, implementing and operating the project, in addition to developing the human resources plan and hiring and training the project's staff. Some projects will be implemented through concession agreements between the GOJ and private operators. In any case, the information available to policy makers is limited and this will certainly be the case until the construction of the Megaproject starts. In fact, in the few cases of Megaprojects that have already started, the Ministry of Labour was not involved in the negotiations. This was partly addressed in August 2009 whereby Ministries and Agencies involved with Megaprojects were instructed to involve the Ministry of Labour in the negotiations and discussions related to megaprojects in order to increase the 'Jordanization' of the workforces of these projects.

of the crisis or other reasons²⁹, for the few that are already under way, information is scattered across many Ministries, Agencies and private investors. Finally, many projects have unique characteristics and manpower requirements, for most projects the technology that will be used to operate them has yet to be defined, and for some others (such as the airport expansion and the Aqaba port expansion projects) the currently employed workers may increase or decrease depending on the new operational modalities.

However, according to a Mo Labour study, these megaprojects are expected “to generate *significant* numbers of employment opportunities during their construction and operation phases” and “a *huge demand* on various generic skills such as metal trades”³⁰, electrical/ electronic/ instrument trades, all kinds of engineering professions, etc. as well as a smaller number specific skills related to each megaproject”. As the Ministry of Labour study acknowledges “As for the operation and maintenance of the megaprojects, it seems that this phase will require fewer workers than the construction phase”.

Table II-1: Ongoing and Planned Megaprojects

Project	Estimated Starting Date	Estimated Completion Date	Value \$	Labour Impact (Construction/Operation)
Airport Expansion Project	2008	2011	\$ 700 million	Not estimated / 350
The Disi Water Project	2009	2013	\$1 billion	Not estimated (though large numbers expected)
The Oil Shale Project	2009	<20 years	\$ 6 billion	New training and educational centre for the oil shale industry plus university scholarships
Uranium Exploration Project	2009	2010		Not estimated
AQABA Port Expansion	2010	2013	JD 500m	Not estimated
Light Railway, Amman-Zarqa	2010	2013	n.a.	Not estimated / 200
Red-Dead Canal Project	2010 / 2011	2015-2018	n.a	n.a
The Nuclear Power Plant	2013	2018	n.a.	4,000 / 1,000
GAS Distribution Project	n.a,	n.a.	n.a,	n.a,
Oil Refinery 4 th Expansion Project	n.a.	n.a.	n.a.	n.a.

Source: Madanat (2009) for the Ministry of Labour

²⁹ For example, Part I mentioned the case of the Amman-Zarqa light rail transit (LRT) project that was originally slated as a public-private partnership (PPP). This did not materialize and now new arrangements are sought with a project delay so far of two years.

³⁰ Raed Madanat (2009). Megaprojects Status Report. Ministry of Labour: Development Coordination Unit, September

Indeed, the new airport is expected to need around 350 employees whose skills will mainly relate to operations management, maintenance management, quality assurance management, security management, commercial & marketing management, human resources, specialized engineers and technicians for IT systems, airfield lighting, high voltage systems, low voltage systems, mechanical systems, air conditioning, building, pavement, water treatment plant, safety supervisors and officers, environmental supervisor, finance and accounting and legal staff. It is probable that such specialized skills may not be available in Jordan partly because similar ventures are under way in the regional labour markets (for example, the GCC economies) where wages are more attractive than in Jordan. As the Mo Labour study acknowledges, Jordanians “tend to prefer academic jobs rather than trades ... [and] employers often prefer to hire foreign labour over Jordanian labour because they could be assigned more tasks and longer working hours”.

In fairness, Megaprojects are a relatively new concept in Jordan and their impact on employment is hard to predict. However, megaprojects are typically complex and made of several smaller projects assigned to subcontractors who are accountable to deliver high quality outputs and on time. In many cases, management brings along their own workforce, often from abroad. It is unlikely that these projects will involve many Jordanians at the construction phase, while they require minimal employment and of very specialized skills during the operation phase. There is no doubt that Megaprojects can play an important role in economic growth. However, their direct employment impact might be minimal in the next few years. In this respect, it will be imperative to improve the linkages between the Megaprojects and local subcontractors, and to seek greater cooperation of the labour, education and training authorities with the investors while pursuing on-the-job skills development and, when possible, anticipated future needs in specific skills that are likely to be appealing to young Jordanian job seekers.

5. Protection of employed workers through employment retention measures through well-designed schemes implemented through social dialogue and collective bargaining. These could include work-sharing and partial unemployment benefit

There is no government involvement in this area as measures such as work time reductions and wage reductions are subject to negotiations between workers and workers representatives and employers. The dominant practice for determining terms of employment is, however, through direct employer-employee contracts.

6. Help workers find employment through active labour market measures like³¹:

a) Public employment services

Previous and ongoing initiatives at the Ministry of Labour can be useful for cushioning the effects of the crisis while contributing to employment creation. For example, the Ministry of Labour recently reorganized its internal divisions, labour directorates and offices while it established a new directorate for employment and training and created seven new employment offices. More than 6,500 Jordanians have secured jobs via the Ministry’s training and recruitment projects since its inception in 2002.

³¹ Looking broadly at active labour market measures, including public spending on these measures, it is evident that most Jordanian initiatives are in line with the Employment Policy Convention (No. 122) and Human Resources Development Convention (No. 142).

The Ministry of Labour has three employment offices in Amman and one in each Governorate³². There are also a further sixteen divisions operating through labour directorates and offices supporting the employment of Jordanians. In 2009, the Amman offices placed 1,665 job seekers against 8,309 active registrants. This represents an increase in the number of job seekers registered with the Ministry of Labour's employment offices by 16 percent compared to 2008. However, the number of placements decreased by 4 percent in 2009, thus reducing the placement rate (placements per job seekers) by 17 percent. The placement rate for registered female job seekers was reduced from 44 percent in 2007 to 37 percent in 2008 and further to 35 percent in 2009.

These changes suggest a tightening of the labour market since the crisis started as does also the latest number of registered job seekers. According to the Ministry's of Labour database, 18,195 job seekers registered their names since the beginning of 2010 compared to 4,590 applicants during the same period last year. On the demand side at that time, 443 companies were registered at the Ministry's online database offering 11,291 positions. Against a total number of job seekers estimated at around 80,000, the Ministry expects to secure jobs for 9,000 before the end 2010.

b) Special youth employment measures

Such measures are pursued in a variety of forms and scale by the education and vocational authorities and components in various employment/unemployment projects as described in other parts of this Report. For example, the *National Employment Centre* mentioned below in section (d) includes in its operations job matching, interviewing, developing core work skills courses and career guidance. Practically all active labour market programs in Jordan, from training to micro-credit, target the youth in some way or another (see other sections in this Report as well as the description of the main programs in the Annex).

Under the programs targetted in the Least Fortunate Areas, projects will promote training and employment through the Youth Work Program Injaz, Eradah, Qudorat as well as through the continuation of other support to students. Overall, training will be provided to 14,000 males and females, while students will be supported to initiate small business ventures with capital up to JD 10,000. Moreover, the Private Sector-Funded Student Support Project is expected to provide 512 grants.

The National Training and Employment Company was established in 2007 as a private non-profit shareholding company owned by the armed forces. It aims at hiring civilians below the age of 30 in the armed forces to work and be trained in construction activities. The company expects to employ and train 30,000 persons during a period of six years with expected total cost of JD 266 million. During the training period, the trainee is entitled to a rather generous monthly salary (JD 191), health insurance and social security as well as transportation, housing, food and clothing allowances (see also the description of the Company in the Annex).

c) Incentives/subsidies to hire

This is an area covered by multiple initiatives as the Government sees the merit of reducing labour costs during the crisis by meeting some of the employers' outlays for (a) training, (b) social security contributions and (c) wages. As indicated in many parts of this Report, incentives and subsidies to hire

³² There are also 45 private employment agencies up from 40 last year.

are channelled through various employment and training funds, the agricultural sector, specific components in active labour market programs and so on.

The Ministry of Labour has started targeting agriculture and construction with incentives and subsidies for companies to hire Jordanians in the hope that Jordanian job seekers would start replacing the large numbers of migrant workers employed in these sectors. The aforementioned National Employment Company is active in the construction sector. In the agricultural sector, subsidies take the form of covering part of or the total share of the employees' contributions to social security for up to four years (see more details in the specific entry on agricultural measures below). This initiative targets 1000 employers each year. The Ministry's of Labour cooperation with the private sector is expected to secure jobs for 500 male nurses and 500 IT university graduates. Under these programmes the Ministry pays 50 percent of salaries during the first 12 months of employment and 25 percent over the following six months.³³

Another targeted employment program is the *Project to Combat Poverty and Unemployment*. The Ministry of Labour has introduced the slogan "a Jordanian for Every Job Opportunity". The project is pursued through two components. First, the *National Employment Project* that is an agreement signed by the Ministry of Labour with the administration of Sahab Qualified Industrial Zones and some investment companies. The project was funded by the United States Agency for International Development (USAID). It aims to attract job-seekers in remote areas suffering from high rates of poverty and unemployment and employ them in the Qualified Industrial Zones. It pays minimum wages to the workers (in addition to any applicable overtime allowances), provides free meals (paid by the Ministry of Labour for 6 months, then by the enterprise), free housing (paid by the enterprise) and free transportation to and from the worksite.

Second, the *National Employment Centre* that was established in 2004 and provides job-seekers and employers in the private sector with employment services (job matching, interviewing, developing core work skills courses and career guidance). The Government provides benefits to textile factories located in poor areas that include free premises and pays contributions for social security and health insurance (each for five years) as well as transportation allowances and 30 percent of salaries (each for 18 months). The new *Jordan Valley Company* aims to employ unemployed women in "middle Aghwar" area with 1,000 women expected to benefit in the first year. The company will pay wages no less than JD 150 (the minimum wage in Jordan) in addition to social security, health insurance and transportation. The Ministry of Labour commits to the following: (1) supply the company with the premises; (2) pay social security and health insurance for 5 years (3) pay transportations for 18 months. An MoU between the Ministry of Labour and the National Training and Employment Project (NTEP) includes targeted training of women for self-employment, especially in remote and vulnerable areas.

d) Skills development, skills upgrading and re-skilling to improve employability

The Vocational Training Corporation (VTC) with its 35 centres is the key player in skills development. Annually, it provides programs for around 7,000 youth (mainly aged 16-17 years) in

³³ Jordan Times, "Over 6,500 Benefit From Recruitment Drive", 14 July 2010.

different specializations. A Training Fund financed through 1 percent tax on firms' profits has not been active since its inception 4 years ago though it continues to accumulate resources.

According to the Government's Implementation Plan for 2010, vocational education is expected to move into an advanced technological level, extending technological inputs and providing training for teachers that would correspond to the needs of the labour market. Along with this move it is envisaged that the percentage of students enrolled in vocational training will increase to 15 percent while 800 teachers in the areas and specialties of vocational education and modern technological systems will receive training. In the area of skills upgrading, an agreement has been signed between the Vocational Training Corporation (VTC) and Globe Williams Corporation to prepare the better - trained workers to engage in real estate management including technical maintenance s well as in the areas of security, recycling, food and beverage and energy supply.

Also within 2010, in the area of general education, the Government plans to develop further the building of a knowledge economy project by implementing an already developed national model in 227 schools and 3 education directorates. It also aims to review of programs and policies in the area of vocational education and develop a relevant policy framework for the Ministry of Education.

Through the establishment of a Royal Centre for the Development of Education with separate departments for curricula, training and performance assessment, the Government will implement new requirements for qualifying new teachers, train 10 percent of the new teachers in cooperation with the private sector and prepare performance indicators and a quality control system for vocational education. New curricula are expected to be developed as well as new standards and a plan for curriculum review, a framework for general and specialized curricula as well as a competencies matrix for linking education with skills formation. Also in 2010 the Government will develop qualitative assessments and examinations to test student performance aiming at completing criteria and performance indicators for at least 20 percent of the relevant areas and at least 50 percent of the creation of an examination questions bank. A classroom computer initiative aims to integrate procedures, responsibilities and the requirements of various partners so as to commence the execution of the initiative in 2011. The "School to Career" project will be deployed in 78 schools covering 29,550 students from eighth to eleventh grade in its first year of implementation. In the area of higher education, Jordan is among the most active countries in the region, and many reforms are expected to be implemented in the next five years (2010 – 2015).

Some key activities include, first, the establishment of a student loans bank and the initiation of directives for the creation of a deposit account. Second, the identification of infrastructure projects for the universities attracting JD 20 million. Third, the establishment of a Jordanian Academy for Technical Education that will include community colleges. And, fourth, 300 scholarships for Jordanians to acquire degrees at PhD level abroad. Higher education is also to benefit from new curricula and teaching methods, a new and clearer mechanism for the Higher Council of Education to recognize and equalize the academic, scientific and technical degrees, and appropriate modifications to university teaching plans that would ensure technological education methods as well as skills are well defined.

Finally, staff development is also a priority area especially in the nuclear science and technology fields with the view to building and operating a critical mass at Jordan University of Science and Technology. A site will be selected for a nuclear research reactor while there are plans for offering masters and doctorate studies to competent Jordanians through scholarships, programs and aid provided by the countries who have signed collaboration agreements with Jordan.

The aforementioned plans necessitate the development of an appropriate legislative and regulatory framework. Within 2010 the plan is to amend the Jordanian Universities Law, the Higher Education Law and the Higher Education Institutions Accreditation Law with accompanying changes in the specific laws under which Jordanian universities operate as well as amendments to or introduction of new bylaws.

e) Entrepreneurial skills development programmes

Various activities in this area are included in many active labour market programmes including those aiming at micro-enterprises (see below).

7. Address youth unemployment through the provision of vocational and technical training and entrepreneurial skills development

In 2010 the Government plans to offer specialized vocational training in many different fields to 10,000 nationals across a range of disciplines³⁴. Nearly 8,000 are expected to graduate while training will also be offered to 250 trainees with special needs. Training will also be delivered to 1,000 supervisors and professional coaches in technical fields as well as in cross-cutting standards for occupational safety and health.

As part of the national training and employment effort, 2,670 new trainees are expected to enrol in different training and employment programs, including training programs for wage employment and self-employment for females, and technical courses for new university graduates in the fields of nursing and information technology and communications. Continuing training and employment assistance is also planned to be offered to 1,230 who were enrolled in similar programs in past years. With collaboration from the private sector, four new academies and training centres will be established in the areas of pharmaceuticals and food, information technology, printing and energy. Ongoing activities are expected to complete 20 percent of a training centre for the professions affiliated with water, and 25 percent of the hospitality and tourism training academy.

The creation of an accreditation centre and the development of quality control systems, as well as analyses of job descriptions for the priority sectors, will aid the development of skills from the perspective of business owners.

A Joint Committee has been formed to implement his Majesty the King's initiative to encourage employment in the agriculture sector and employing those with less than high school education. To attain this goal, the Government will cover the social security contributions (see also the section on agriculture below). Another initiative is to increase offer employment to unemployed workers with less than high school educational education (about 46 percent of unemployed). A subsidy will be paid to 20,000 unemployed lasting for two years. The Government will pay the social security contribution of the worker (5.5 percent of deductible salary up to a maximum of JD 200) plus half the contribution of the employer.

8. Other targeted programmes such as public employment guarantee schemes, emergency public works, and other direct job creation schemes

No specific programs in this area though there are other job creation schemes as indicated in this part of the Report.

³⁴ The identified fields covered effectively most specializations in both production industries and services as they include construction, welding and general mechanical maintenance, electricity, vehicle and machinery maintenance, electronics, oil and petrochemicals, sales and trade services, food industries, traditional crafts industry, air conditioning and plumbing, carpentry, upholstery, textile and leather industries, printing and binding as well as personal services, information technology, décor, hospitality and tourism,

9. Support to public and private enterprises (including cooperatives) and micro-entrepreneurs through measures like:

- a) Credit facilities, access to credit, guarantees, payment facilities

Under the programs targetted in the Least Fortunate Areas, students will be supported to initiate small business ventures with capital up to JD 10,000. Pensioners are to get subsidies totaling up to JD 5 million from the Social Security Corporation for loans to establish micro-projects.

Two Memorandums of Understanding (MoUs) have been signed between the Development and Employment Fund (DEF), the National Company for Employment and Training and the National Training and Employment Project (NTEP) to encourage trainees to start up businesses financed by the DEF. Moreover, the signed MoU with the NTEP includes targeted training of women for self-employment, especially in remote and vulnerable areas.

Discussions are currently held between the ILO, the Ministry of Education and the National Company for Employment and Training to include an entrepreneurship education project inserting Know About Business in vocational and technical education. Of special interest in this area is the Development and Employment Fund (described also in the Annex). Originally established in 1989, it is a specialized independent agency that focuses mainly on start-ups through micro-finance and has provided financial support to around 48,000 Jordanians who initiated projects that created 65,000 work opportunities³⁵. The DEF was included by Forbes Magazine as one of the top 50 microfinance institutions and supports individuals seeking to improve their skills in order to obtain jobs or borrow to start their own businesses.

The DEF offers credit as well as insurance, capacity building, and technical training, including accounting and management skills for entrepreneurs. It provides loans both to MFIs as well as entrepreneurs directly. Annual loans to MFIs can amount to a maximum of US\$ 1.4 million. The DEF mandates that 30 percent of this amount goes to borrowers in rural areas. In addition to wholesale loans to MFIs, the DEF also provides direct loans to individuals to a maximum of US\$ 2,100 per borrower, as well as group loans. In 2009 it disbursed JD 13.4 million in the form of direct lending to support 5,600 projects that created 7,400 jobs. By July 2010, the DEF also implemented 24 training courses for 430 participants in poverty pockets³⁶.

The demand for microcredit is expected to increase as a consequence of the economic slowdown. Indeed, since the financial crisis the DEF has seen an increase in applications by aspiring Jordanians to set up their own businesses (see Annex). It recorded an increase of 28 percent in lending volume up to the first quarter of 2009. The Credit Reporting Law (originally drafted in 2000 and released by the

³⁵ There are many other financial institutions that provide credit of other forms of finance, often in combination with other support (such as business development services), including the Jordan Upgrading and Modernization Program (JUMP), the National Fund for Enterprise Support (NAFES), the Industrial Scientific Research and Development Fund, the National Support Program, the Jordan Innovation Center (JIC) all of which provide grants, the Enhanced Productivity Program (EPP) which provides small grants, the Business Development Centre (BDC) which functions as a channel for grants, the Euro-Jordanian Action for the Development of Enterprises (EJADA) which provides loans, and the Business Development Service Company (BDSC), which fosters linkages between SMEs and financial institutions.

³⁶ Jordan Times "Supporting DEF Key to Continued Poverty Reduction – King", 8 September 2010.

Ministry of Industry and Trade in 2003) is still pending review and ratification by the House of Parliament. If the Law is passed, it will be perceived as a notable achievement towards removing a major constraint in financing the SME sector, especially for the banking sector, since banks and lending institutions will then have the right of access to credit information and history about those applying for loans.

b) Access to public tenders

SMEs and micro-enterprises are to be given full access to public tenders following the Prime Minister's instructions after the crisis.

c) Subsidies of various sorts (non-wage labour costs, export credit facilities)

The Government's obligations towards the WTO restrict possibilities for subsidies but, as indicated in several parts of this Report, there are many programs that provide for a reduction in non-wage labour costs. In its efforts to attract investments and raise the competitiveness of manufacturing sector, the Ministry of Industry and Trade announced during the Irbid First Conference for Manufacturing in July 2009 that it will subsidize and provide help to this sector.

To improve the investment climate and facilitate procedures, the Ministry of Industry and Trade also announced that Jordanian free zones and QIZs will come under the umbrella of development zones, in addition to supporting and subsidizing small investors in Jordan industrial estates by reducing factor input costs to ensure the sustainability of those projects.

Overall, a wide range of subsidized services is on offer, with many organizations or projects providing similar services. Given the institutionalization of the main programs, and the Government's and donors' apparent commitment to their continuation, business service provision can be considered relatively stable and sustainable. Given the distortion of the market by subsidies, though, there is a significant risk that services are not sufficiently demand oriented. In addition, the available services continue to be enterprise focused rather than taking a broader view of the market systems and ways it should be improved to better facilitate SME growth. More holistic and effective methodologies in private sector development that have been emerging elsewhere around the world, such a value chain development, market-based local economic development, and facilitation of public-private dialogue at all levels, have not yet been taken up in Jordan

d) Facilities for training programmes, skills development, upgrading and re-skilling

The prime actor in this area is the Vocational Training Corporation (VTC) described in other parts of this Report. The VTC as well as most initiatives in this area deal with first-time job-seekers who also form the bulk of the unemployed.

e) Special measures for SMEs, micro-enterprises, and cooperatives

The majority of the enterprises in Jordan are considered SMEs and, in some sense, there are no special measures for small enterprises.

Nevertheless, as part of its effort to facilitate the necessary financing for emerging, small and medium-sized companies to achieve a higher rate of growth and to increase the competitiveness of Jordanian companies in the domestic and in targeted foreign markets, the Government plans to support 50 emerging, small and medium-sized companies within 2010 and to provide financial support in the form of bank loans through loan guarantees, export financing and/or in the form of shareholders' equity. Moreover, benefits are to be provided to 30 small and medium-sized industrial companies and 60 supporting services to sectoral institutes. Similarly, the services sector will be

provided with benefits to 25 small and medium-sized service companies and 50 supporting services to related institutes.

f) Tax reductions

A new Income Tax Law was issued by the government as a temporary law and has been implemented as of January 1, 2010. The new Law (No. 28/2009) has repealed 8 different tax laws and removed tax provisions in a further 8 laws to produce a single transparent system. Reduction in both individual and company taxation has taken place. Corporate tax has been reduced to 25 percent on telecommunication, insurance and financial services companies with the exception of banks which will pay 30 percent. All other sectors, including the previously exempt agriculture sector, will be taxed at 14 percent. The sales tax on hotel accommodation services is to be reduced from 16 percent to 8 percent.

The major impact on SME sector is that the General partnership companies are now considered legal persons. Previously, income tax was levied on the personal income of the partners as individuals. This will reduce the tax burden. Other amendments to the current tax law aim to enhance the investment environment and spur economic growth as well as create a simpler tax system. Taxpaying for businesses has eased with the introduction of an online filing and payment system and a simplification of form filing. The income tax on banks has been reduced from 35 percent to 30 percent while transfer fees for registering property have been cut from 10 percent to 7.5 percent of a property's value.

The annual tax-exempt part of personal income is set at around JD 12,000 (and depending on family conditions it may reach JD 24,000 per annum), a level that can be considered high for a low income country like Jordan.

g) Supportive regulatory environment conducive to job creation through sustainable enterprises

Progress in the business environment has been made in several areas³⁷. First, with respect to trade facilitations, a risk-based inspection regime of post-destination clearance for preapproved traders was introduced and was accompanied by a reduction to 30 percent the share of containers subject to physical inspection. In addition, implementation of new software allowing online submissions of customs declarations has reduced customs clearance times by two days for exporters and three days for importers.

Second, contract enforcement was improved by setting up special commercial courts and equipping them with computer-aided case management systems. A higher threshold for the lower conciliation court is expected to result in better distribution of cases.

Third, in the area of business registration, Jordan eased the process for dealing with construction permits by extending the services of the one-stop shop in Greater Amman to medium-size commercial construction projects. Additionally, business start-up was eased by offering a single reception service for company registration at the company registrar.

Under the Program "Supporting Economic Sectors and Enhancing their Competitiveness" the Council of Ministers is expected to approve a new industrial policy within 2010. In parallel, a series of regulatory reforms are expected to be presented to the Council of Ministers in 2010 with the view to stimulate investment and trade. These include amendments to or new provisions in the Industry and Trade Law, Competition Law, Standards and Metrology Law, Consumer Protection Law and so on.

³⁷ Source: Doing Business 2010 Country Report.

It is also envisaged to have a new Insurance Law and a new Companies' Law that would permit the creation of new types of companies. In July 2008, Jordan reduced the minimum capital for registration of a limited liability company from JD 30,000 to JD 1,000. However, registration continues to be relatively centralized in the four main urban centres, which constitutes an extra burden on rural enterprises. In the same spirit, an Insolvency Law is to be drafted within 2010. Legislation for litigation is expected to be improved by drafting in the first instance State Cases Administration Law and a Public Prosecution Law as well as amending the Civil Procedure Law, the Independence of the Judiciary Law, the Formation of Civil Courts Law, the Criminal Procedure law, and the Evidence Law.

In addition, a new Investment Promotion Law has been approved. The law transforms the Jordan Investment Board into a pure investment promotion agency without any kind of registration activities. Figures from the Ministry of Planning suggest that the value of investments that benefited from the new law was US\$2.6 billion in 2009 compared to US\$3.2 billion in 2008.

The legislative infrastructure for investment has been strengthened in Jordan and was designed to enhance development and growth across different regions outside the capital Amman. The new Economic Zones Law has been approved. The law rationalizes the management of the zones, defines the incentives provided for investors, and proposes an organizational framework for the establishment of a single authority that will merge the tasks of overseeing the activities of three existing categories of zones (development, free and industrial zones). The law has opened up the door for establishing 3 development zones (in Irbid, Maan and Marfaq areas), initiating construction of 4 new industrial zones (in Madaba, Zarqa, Aqaba and Tafileh areas), and developing free zones in different regions such as Karak and Zarqa. This is expected to increase employment opportunities but remains to be seen to which extent these opportunities will be appropriated by Jordanian nationals or migrant workers. The extensive court reform initiative that was implemented in the country included the creation of a commercial court division at the level of first-instance and conciliation courts. This is contributing to better contract enforcement.

In 2009, the Greater Amman Municipality extended its one-stop-shop, which was created to deal with handling and provision of building permits for projects in high density, mixed use, intense development corridors and industrial zones. As a result it will deal with mid-size construction projects as well. The one-stop-shop reduced the (theoretical) processing time by 20 days. This should reduce at least some of the regulatory burden with respect to construction permits. As for registering property, in May 2009 the Government of Jordan passed a temporary 6 months reduction of property transfer fees from 10% of the property value to 7.5%. In addition, 120 square meter apartments were temporarily exempted from registration fees. Under the e-government initiative of Jordan, the income tax department implemented an on-line tax filing and payment system. Legislation was amended to accept electronic payment transactions in the country.

Continued reform efforts in the Jordan Customs Department that included the adoption and implementation of a risk-based inspection system along with the activation of on-line submission of customs declarations, resulted in reducing customs clearance by 2 and 3 days for exports and imports respectively, which in turn improved overall trading across borders. The Third Tourism Project, funded by USAID, provides for developments in urban, tourism and heritage areas development and is expected to protect the heritage environment of the five cities, repair several heritage buildings, initiate tourism projects to attract visitors and create a fund for repairing heritage buildings in Al Salt. Moreover, there will be efforts to position Aqaba as a capital for Arab tourism by preparing a promotional plan and starting the plan's execution. In the transport sector, increased flexibility in the use of airspace is expected to increase air traffic by 3 percent.

At a more specific level, the ICT sector is to benefit from a gap assessment of current laws and bylaws that regulate telecom and information technology sector accompanied by amendments to the relevant laws and bylaws. The development of marketing and promotion of investments in Petra is expected to increase the number of visitors to 800,000 visitors per year. Additional technical and financial support is expected for 7 business incubators within the Jordan Innovation Centres network and 8 emerging companies³⁸.

10. Support job creation across sectors of the economy, recognising the value of the agricultural sector and the need for rural infra-structure, industry and employment

The agricultural sector remains heavily subsidized and relies significantly on migrant workers. In addition to various other subsidies³⁹ (e.g. water), the Government supports farmers to promote higher yields compared to increasing the planting of more land. Moreover, the Government buys wheat and barley from farmers at the international price plus 50 percent of the price, plus the cost of transportation⁴⁰.

A Joint Committee has been formed to implement his Majesty the King's initiative to encourage employment in the agriculture sector and employing those with less than secondary education. To attain this goal, the Ministry of Labour will subsidize labour costs to Jordanians employed in agriculture by topping up the salaries of Jordanians by JD 80/month for up to six months and paying fully or in part the employees' social security contributions. The agriculture sector initiative targets two groups of Jordanians. The first group is permanent employees (5,721 workers) and the second group is workers in family agriculture, many of whom are women. For the first group, the subsidy will last for four years; for the first two years the Government will cover the total share of the employees' contribution (5.5 percent of deductible salary not exceeding JD 200 monthly) plus half of the employer's contribution (5.5 percent). In the third and fourth year the Government will only cover the employers' contribution (5.5 percent of deductible salary not exceeding JD 200 monthly). For the second group the subsidy will take the form of voluntary coverage within the social security system. In the first two years, the Government will pay 10 percent out of the monthly voluntarily coverage percentage which is 14.5 percent based on the minimum wage criteria (JD 150) while the worker will pay the remaining percentage 4.5 percent. In the third and fourth years, the Government will pay only 5 percent. This initiative targets 1,000 employees each year.

The National Project for Fodder Cultivation and Livestock would provide 10,000 tons of fodder and create 80 job opportunities, while the Fighting Poverty through the National Development Program will expand the ongoing operation of 29 projects in 20 municipalities by the addition of 5 projects in 2 municipalities. Agricultural workers and home workers are now included in the provisions of the new

³⁸ See Government Implementation Plan, 2010.

³⁹ See Jordan Draft National Employment Policy 2009.

⁴⁰ Still, according to the Department of Statistics, Jordan's agricultural production is far short of its needs. For example, Jordan produced only 12,500 tonnes of wheat in 2009 that correspond to 2 percent of the country's average annual need. Its livestock consumes 520,000 tonnes of barley fodder but production is only 17,100 tonnes. See Hani Hazaimah "Cereal Production Meets a Fraction of Local Needs", Jordan Times, 24 September 2010.

Provisional Amended Labour Law (approved by Cabinet and pending ratification by the post-November 2010 Parliament of Jordan).

B. Building social protection systems and protecting people

Social protection policies and reforms are high on the Government’s agenda. Key areas of reforms are social insurance, social assistance and public health care.

In fact, increasing social protection is the 2nd theme (of four) of the Ministry of Labour. A new Social Security Law was passed in April 2010 that made provisions for unemployment insurance, maternity insurance and increasing the coverage of the health insurance. Moreover, the new Law plans to increase the social security coverage by including all companies regardless of their workforce size. And the new Provisional Amended Labour Law provides for covering agricultural workers and home workers, introducing benefits for the social partners, improving inspection procedures and enforcement without discrimination, and revisiting the fees for migrant workers.

On poverty alleviation, the Government aims to strengthen social safety nets through improving the targeting mechanism of the cash assistance programs under the National Aid Fund (NAF) and by more accurately identifying poverty pockets in Jordan. In the area of social assistance and social services, the Executive Program 2011-2013 envisages around 60 programs organized in 6 themes to be implemented mainly by 4 agencies. Tables II-3a/ 3b/ 3c list the available information while Text Box 3 provides a snapshot of poverty in Jordan.

The dominant theme is “linking financial aid to the poor with condition to empower them and improve their standard of living” followed by “creating national system for guiding and serving disabled persons” (Table II-3a). Both programs aim more or less directly to the needy while the remaining ones focus on institutional reforms.

The dominant implementation agency is the National Aid Fund (NAF) though the Ministry of Social Development and the Supreme Council for Disabled Persons also play a significant role. (Tables II-3b and II-3c). As an implementing agency, the NAF is leading agency reaching approximately 70,000 families with an annual budget of nearly JD 100 million and a share of nearly 80 percent (Table II-2c).

Table II-3a: Envisaged Expenditure on Social Welfare by Area, 2011-13

	Cost JD Million	% of Total
Linking financial aid to the poor with condition to empower them and improve their standard of living	415	81.8
Creating national system for guiding and serving disabled persons	38	7.6
Raising the capabilities of non-governmental actors & the private sector to contribute to the provision of social protection services & social care	19	3.8
The provision of care services and social protection	19	3.8
Improving the quality of housing, infrastructure services to poor areas and low-income population	14	2.8
Activating and increasing the level of coordination between institutions working in the area of poverty reduction	1	0.2

Total	507	100
Source: Draft Executive Program 2011-2013		

Table II-3b: Envisaged Expenditure on Social Welfare by Size, 2011-13

Projects & Activities	Total Cost (JD Million)	% of Total	Cumulative %	Responsible Agency
Recurrent financial aid	358	70.6%	70.6	NAF
Aid program of disabilities care	18	3.6%	74.1	NAF
Support the establishment of the Academy for the Blind	18	3.5%	77.6	Supreme Council for Disabled Persons
Support the services cost provided to disabled persons	16	3.2%	80.8	
Associations support fund	15	2.9%	83.7	MoSD
Building & maintaining poor families accommodation project	11	2.2%	85.9	MoSD
Health Insurance	8	1.6%	87.5	NAF
Strengthening social protection project	7	1.5%	89.0	MoSD
Recurrent cash aid	7	1.4%	90.4	Zakat Fund
Other programs	49	9.6%	100.0	Various
Total	507			
Source: Draft Executive Program 2011-2013				

Table II-3c: Envisaged Expenditure on Social Welfare by Agency, 2011-13

	Cost (JD Million)	% of Total
NAF	391	77.1
MoSD	59	11.6
Supreme Council for Disabled Persons	39	7.6
Zakat Fund	15	2.9
Orphans Financing Development Fund	3	0.6
The coordinating body for social solidarity	1	0.2
Total	507	100
Source: Draft Executive Program 2011-2013		

As indicated below, social insurance is also an important priority in the area of social protection and is covered separately below under individual headings. These social reforms have significant fiscal implications and it will be interesting to see they might be affected by the fiscal consolidation that is under way following the impact of the global crisis.

11. Cash transfer schemes

The existing recurrent financial assistance program under the National Aid Fund (NAF) offers social assistance to nearly 71,000 families (see also section 9 below on helping vulnerable groups). With a view to achieving a more effective alleviation of poverty, the Government aims to improve the targeting mechanism of the cash assistance programs under the National Aid Fund (NAF) and by more accurately identifying poverty pockets in Jordan.

Text Box 3
Poverty in Jordan

According to the Department of Statistics (DOS), the 2008 poverty line in Jordan was JD 57 per person per month or JD 624 per year. In terms of an average household with 5.7 members, the poverty line was JD 323 per month and JD 3,876 per year. The annual poverty gap (the amount to be given to all those below the poverty line to bring them to the poverty line) was JD 101 million. For comparative purposes, foreign aid in 2008 was JD 718 million. According to DOS estimates, the percentage of Jordanians living below the poverty line increased from 13 per cent in 2006 to 13.3 per cent in 2008, which is equivalent to 75,000 more people. The number of poverty pockets (areas where the poor constitute 25 per cent or more of the population) increased from 22 in 2006 to 32 in 2008.

At face value it seems that neither fast growth nor reductions in unemployment were able to halt an increase in poverty. The increase in poverty is somewhat surprising as the 2006-2008 was a period of high economic growth with GDP rising in real terms by 8.8 percent in 2007 and 7.6 percent in 2008. Similarly, official unemployment declined during this period barely by one percentage point.

In fact, poverty might have reached 21 percent had the Government not injected JD585 million in 2008 to address poverty that year in the form of JD 74 million increased budgetary allocation to the National Aid Fund, another JD 123 million for higher salaries of government employees and retirees, a JD 75 million in the form of an onetime payment of JD 100 to every employee and retiree of government, JD 40 million also as an onetime assistance to private sector employees whose incomes were less than JD1,000 per annum, JD 175 million in the form of wheat subsidies, JD 63 million for general increases in public sector salaries. That year lower sales tax and customs on 13 commodities amounted to JD 35 million.

The poverty rate might have increased even more had it not been for substantial increases in credit facilities before the crisis. According to some accounts, credit increased by 25 percent in 2005, 26 percent in 2006 and its growth remained above 16 percent in 2007 and 2008. These high rates are one of the reasons for the sudden correction that took place in 2009: Despite the expansionary monetary policy of the Central Bank after 2008, economic growth declined from 7.9 percent in 2008 to 2.3 percent in 2009. And despite the low interest rates charged by the Central Bank and the high growth of deposits, the interest margin widened and credit to the private sector declined.

In fact, an increase in borrowing may be relevant for explaining why the average (that is, not only the poor) household in Jordan spent JD7,057 per year but earned only JD6,166, an over-spending of JD 890. This may be a statistical anomaly or due to lower reporting of incomes, sale of assets or, as mentioned, borrowing.

The current count of poverty rate is not known but the exhaustion of one-time Government payments, the post-crisis efforts to consolidate the fiscal debt, the reduction in foreign aid, reduced borrowing and lower prices of real assets might have increased poverty after the crisis probably by some significant amount.

Sources: Department of Statistics and adaptation from Yusuf Mansur "Poverty in Jordan", *Jordan Times*, 3 August 2010; Fanek "Is the Central Bank Responsible for Economic Growth?", *Jordan Times*, 2 August 2010.

12. Building adequate social protection for all, drawing on a basic social protection floor

In the context of Jordan's long-standing efforts to extend social security a new Temporary Social Security Law (No. 7) was approved in April 2010 (though it was planned well before the onset of the crisis). The law provides for a reform of the pension scheme⁴¹, the introduction of maternity insurance and made provisions for the introduction of unemployment savings accounts and health insurance. Together with the measures described above, the extension of social security coverage provided for in the law constitutes an important step forward towards adequate social protection for all, including a social protection floor.

On public health care, the Government intends to achieve universal health insurance. A new study on the implementation of health insurance through the Social Security Corporation will be completed in 2010 as well as a new bylaw that would provide health insurance to workers in the private sector.

The law, which is currently a Provisional Amended Law, will expand coverage to all firms irrespective of size as well as to workers irrespective of employment status (for example, it covers employers, self-employed and home-workers on a voluntary basis). More specifically, the Social Security Corporation (SSC) started extending coverage in Aqaba (as of November 2008) and Irbid (as of January 2009) whereby small enterprises became covered by the new Social Security law (until then participation in the scheme was mandatory only for enterprises with five workers or more). By October 2010, this campaign for the extension of coverage succeeded in registering close to 15,000 enterprises in eight governorates. The SSC plans to complete coverage to all governorates by the end of 2011.

The reform of the pension scheme introduced an annual indexation mechanism for pension benefits based on inflation rates, which will help to preserve the purchasing power of pensions. The reform also includes a limitation of the possibility of early retirement, and curtailed both contributions and pension entitlements for high-income earners. However, the latter measures will take effect only in some years' time.

The new Social Security Law also provides for the introduction of maternity insurance benefits. The new insurance branch, which is foreseen to be implemented as of 1 January 2011, will replace the liability of individual employers by a social insurance financed by employer contributions of 0.75 per cent of the deductible wage of all workers (men and women). Through this risk-pooling mechanism, it is expected that this measure will help to remove obstacles to the employment of women. This reform was designed, with the support of ILO, before the crisis, and it is expected that it will have a positive impact on future employment and social policies.⁴²

⁴¹ An earlier temporary law (adopted in October 2009) introduced a ceiling on the wage considered for pension contributions and restricted the possibilities for early retirement for new entrants of the scheme.

⁴² See ILO, 2007: *Feasibility Study on the Implementation of a Maternity Cash Benefits Scheme; Report to the Government of the Hashemite Kingdom of Jordan* (Geneva and Beirut: International Labour Office), <http://www.socialsecurityextension.org/gimi/gess/RessFileDownload.do?ressourceId=2531>.

The Government intends to achieve universal health insurance. A new study on the implementation of health insurance through the Social Security Corporation will be completed in 2010 as well as a new bylaw that would provide for the introduction of health insurance to workers in the private sector.

The SSC also adopted a decision in cooperation with the Ministry of Health to cover SSC's pensioners and their dependents by the health insurance on voluntary basis.

13. Extending duration and coverage of unemployment benefits

Though there is a provision in the new Social Security Law for unemployment benefits, this has yet to be implemented.

The law does, however, provide for establishing an unemployment savings accounts scheme. Under the scheme workers upon losing their job would be able to draw on the savings they generated while working, or to borrow against their pensions an equivalent amount to 3 months worth of prior unemployment wages if they did not accumulate enough resources on their individual accounts. While these provisions, once implemented, enhance unemployment protection for workers who had the possibility of accumulating sufficient resources, there may be a negative long-term effect on pension entitlements in the long run for those workers who are unable to accumulate sufficient resources in their individual accounts. It is foreseen that the unemployment savings accounts scheme will start being implemented by 1 July 2011.

14. Ensuring the long-term unemployed stay connected to labour market

No specific measures in this area other than sporadic sub-components for re-skilling, self-employment support and related active labour market programs in projects described elsewhere in this Report.

15. Providing minimum benefit guarantees in countries with inadequate funding

No specific measures in this area other than occasional sub-components in projects described elsewhere in this Report.

16. Measures to improve pension fund design to protect workers' savings

While the impact of the global financial and economic crisis on pension funds was relatively limited due to its restricted international exposure, there have been concerns about a narrow risk portfolio and the increasing weight of the pension fund in the national economy {the volume of the pension fund is equivalent to more than 40% of GDP if I remember correctly}.⁴³ There are considerations about increasing the proportion of funds invested abroad in order to diversify risks⁴⁴.

43 See ISSA, 2010: Crisis country case study: Jordan (Geneva: International Social Security Association), <http://www.issa.int/content/download/129029/2632867/file/2Jordan.pdf>; Sharaf, F., 2009: "Sustainability of social security funds: Jordan case study," Geneva, 24-25 April 2009, <http://www.issa.int/News-Events/Videos/Sustainability-of-social-security-funds-Jordan-case-study> and www.ssiu.gov.jo.

⁴⁴ See also the earlier sections referring to pensions and unemployment savings accounts and the sections below on supervisory and regulatory measures for the financial sector.

17. Providing adequate coverage for temporary and non-regular workers

The new Social Security Law gives the right to these groups to be covered by the social security on a voluntary basis, yet it remains to be seen how actual coverage rates are going to develop in the future.

18. Helping vulnerable groups most hard hit by a combination of income support, skills development and enforcement of rights to equality and non-discrimination

In addition to the operations of the earlier described National Aid Fund (NAF) and the Development and Employment Fund (DEF), the Government plans an array of activities to enhance the protection, wellbeing and rehabilitation programs for children, women, the elderly and the disabled. In broad terms, programs in this area comprise of cash benefits to the poor and vulnerable, social care services for women and children in need of protection, persons with disabilities, and the elderly, and economic empowerment programs aimed at enhancing the income capabilities of the poor and vulnerable. Overall, approximately 1 percent of GDP is spent annually on such programs reaching about 8 percent of the population⁴⁵.

Within 2010 the Government's Implementation Plan envisages that there will be:

- Provisions of integrated institutional care services for children, including follow-up on domestic violence cases and violence against women and children, as well as negligence against the elderly (12,000 cases)
- Psychological support services
- Diversified care, rehabilitation, psychological and social services for 6,500 children found or suspected for breaking the law
- Research into the status of 7,000 inmates at the correction and rehabilitation facilities and providing the required services for 500 of their families
- Residential care and/or training for 2,000 members of the disabled community and/or their families in order to acquire the basic life skills and independence after diagnosing their conditions
- Two foster homes (Al Hanan, Amman/ Al Hashmi) that would provide care for children based on the family order as well as rehabilitation of two homes (Al Hussein Social Institution, Al Khansa')
- Training for staff in professional social work.

Housing support will be provided to 100 underprivileged households who will benefit from medium-size (55 m²) houses. Under a physical rehabilitation program, 500 households are expected to benefit from an expansion of the program.

Seasonal in-kind assistance is expected to be provided to 14,500 families and will include charity bread, charity banquets (Mawae'd Al-Rahman), school bags, clothing and food. In emergencies, urgent aid is expected to cover 10,000 households.

Under the Program of "Protecting the Underprivileged's Access to Basic Commodities at Competitive Prices", the Government plans to improve the services provided by the Civil Service Consumer Corporation through the procurement and storage of commodities worth JD 100 million, the modernization of Tafilah, Ramtha, Subaihi, al-Mazar Alshamali, and Zarqaa markets, and the opening of 13 markets for the Civil Service Consumer Corporation. These activities are expected to bring customer satisfaction to 80 percent. In addition the Government aims to maintain 300,000 tons wheat and barley in warehouses.

⁴⁵ A number of civil society organizations are involved in the social care services provision with significant financing coming from the government budget.

A project aiming to increase the Income of Underprivileged Rural Families (Hakourah Project) would target 950 such families through income generating projects that are expected to increase the incomes of beneficiary families by more than 80 percent that is on average equivalent to JD 500 per year (and in some cases the increase may reach JD 1,400 a year).

19. Measures to avoid deflationary wage spirals through social dialogue, collective bargaining, statutory or negotiated minimum wages.

Though some related measures exist or are planned, most are done through Government initiatives in the relative absence of the conventional elements required for the social dialogue.

20. Measures to regularly review and update minimum wages

The monthly minimum wage was increased significantly in January 2009 from JD 110 to JD 150. This is in conformity with ILO Convention No. 131 which considers that minimum wage systems are necessary to protect wage earners against unduly low wages and calls for setting levels that take into consideration not only the needs of workers and their families but also economic factors including the requirements of economic development, levels of productivity and the desirability of attaining and maintaining a high level of employment.

The new Provisional Amended Labour Law includes provisions for the creation of a tripartite committee for determining minimum wages at national or regional level as well as by specific profession or age group.

21. Measures to ensure that negotiated wage rates in procurement contracts are respected

No specific measures in this area as contract enforcement comes under the general provisions of the Labour Law.

22. Measures to narrow gender pay gap

Jordan has a longstanding commitment to gender pay equity. The Equal Remuneration Convention (No. 100) was ratified in 1966, the Discrimination (Employment and Occupation) Convention (No. 111) in 1963 and the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW) in 1992.

The Jordanian National Commission for Women (JNCW) is addressing issues of gender discrimination at work. Since 2007, the ILO Regional Office for Arab States (ILO-ROAS) has been working in partnership with JNCW in promoting the agenda of pay equity in Jordan, initially through the preparation of a Background Paper on Pay Equity in Jordan and more recently through the drafting a Policy Brief on Pay Equity in Jordan⁴⁶.

During a policy roundtable in March 2010, JNCW requested that the roundtable's report is published and subsequently used for the formulation of the National Action Plan for Pay Equity in Jordan. It announced its commitment to the formation of a National Committee on Pay Equity (NCPE), to be co-chaired by JNCW and the Ministry of Labour. The NCPE is envisaged as a tripartite-plus

⁴⁶ Jordan is a target country for Outcome 17 of the ILO's Programme and Budget 2010-2011 also presents an opportunity to develop ILO RO-Beirut's work with JNCW on the issue of pay equity.

committee which will take the lead in coordinating and implementing a National Action Plan for Pay Equity in Jordan⁴⁷.

In early 2010, ILO prepared a proposal titled “(Re)valuing Women’s Work: A Pay Equity Pilot Project Initiative for Jordan”. The proposed project aims specifically to enhance the capacity of the Ministry of Labour to monitor and implement employment and migration policies and of the social partners to implement sound wage policies, working conditions and social protection for workers, including vulnerable groups, improved through the improvement of the legislative framework and its enforcement, and improved access of women to the labour market. This project proposes to contribute to the effective implementation of ILO’s Equal Remuneration Convention No. 100 as well as the Discrimination (Employment and Occupation) Convention No. 111 in Jordan.

In addition, plans include (a) the greater coordination between the Ministry of Labour, the ILO and the Jordanian National Commission for Women, and (b) the establishment of a complaint bureau for women also at the Jordanian National Commission for Women.

23. Measures for domestic and international migrant workers, protection and support in receiving countries, or measures ensuring the protection of migrant workers in the case of return.

Migrant Workers in Jordan

In regards to foreign workers in Jordan, there are three migration streams which characterize immigration into the country. The first is the long-standing migration of Egyptian -and to a lesser extent, Syrian- workers who are mainly to be found in agriculture, construction and service sector activities. The second is the stream which emanates mainly from the South and Eastern Asian countries, contracted to work in the QIZs, essentially in the garment sector. The third stream of prominence is women domestic workers from the Asian countries of the near and far east, which is a relatively recent phenomenon. The new Provisional Amended Labour Law would better organize and regulate the employment of non-Jordanians, and includes clauses on domestic workers. However, while under the new Social Security Law all workers in Jordan can be potentially covered by social security regardless of their nationality, this does not seem to benefit domestic workers – and many of them are migrants. Given that the number of migrant workers is relatively large, the Government is engaging in efforts improve their work conditions. There are plans to provide contracts in the language of the signatories. Similarly, the Government is to establish a 24-hour (toll-free) hotline in 6 foreign languages (main migrant workers’ languages). The Ministry of Labour is currently working on issuing a special set of regulations for domestic workers. Finally, bilateral cooperation agreements are being sought with labour sending countries (primarily Egypt, Indonesia and Philippines).

24. Jordanization⁴⁸ of the Labour Force

The Ministry of Labour started targeting agriculture and construction as promising sectors where Jordanians can start replacing migrant workers (e.g. by topping up the salaries of Jordanians by JD 80/month for up to six months and paying fully or in part the employees’ social security contributions). In addition to agriculture, the Ministry of Labour started targeting other sectors with

⁴⁷ The Policy Roundtable on Pay Equity in Jordan was a joint ILO/JNCW event with the participation of national stakeholders. The Roundtable discussed recommendations for moving the issue of pay equity forward in Jordan and complemented Jordan’s development goal of increasing women’s labour market participation.

⁴⁸ The term refers to policies and policies that will increase the employment of nationals through substitution of migrant workers.

an expected potential to replace migrant workers by Jordanians. For example, in the cleaning services sector, the Ministry contracted a local private company to hire Jordanians with a monthly wage of JD 250 where the company pays JD 170 and the Ministry pays the difference for six months (after which the company will pay the full amount). It is expected that paying higher wages would motivate Jordanians to work in sectors that are otherwise filled with lower paid migrants. Among the QIZs, any company that hires a new Jordanian is eligible to hire two migrant workers with an exemption of permit fees. Finally, through partnerships with the private sector, the Ministry of Labour plans to work on a number of agreements with some of the occupational sectors to facilitate the replacement of migrant workers with Jordanians by setting some targets for the shares of these two groups in company workforces.

25. Jordanians working abroad

Though the Government does not appear to promote actively the return of migrants as they support the balance of payments through their inward financial transfers, it has undertaken measures for their protection:

- A *Social Security Ambassador Project* is expected to increase the social security membership of Jordanians living abroad by approximately 5 percent in each country where Jordanians are employed⁴⁹
- The Ministry of Foreign Affairs and the *Ombudsman Bureau* signed a memorandum of understanding in August 2010 that would facilitate the filing of complaints by Jordanians working abroad. Under the agreement the Bureau will provide guidelines pamphlets and complaints forms to the Ministry of Foreign Affairs that would then be available to Jordanian diplomatic missions abroad
- The Ministry of Labour launched a project targeting the labour attachés abroad. The main theme of the project is protecting Jordanian migrant workers and resolving labour disputes that may face migrants in Qatar, UAE, Saudi Arabia, Kuwait, Libya, Oman and Egypt. To that end the Ministry will bear all legal costs if a worker loses the case and the Ministry will retrieve the costs of the case if the worker wins the case.

C. Strengthening respect for International Labour Standards

Jordan has ratified 24 international conventions including all but one of the eight fundamental conventions (the remaining one is C87 – Freedom of Association). The big challenge is to give the law and the ratified conventions full effect in practice.

In general, Jordan has not taken specific measures or put any specific programs following the crisis, though a number of actions are being carried out as indicated in other sections of this Report. These actions need further development and more improvement. On the other hand, the Government of Jordan has set up a golden list and a black list for multinational, mainly textile, enterprises in the QIZs that respect or violate the international labour standards. This can encourage the enterprises to improve the conditions of work. These measures have been taken before the crisis and need to be more effective in order to contribute to the reinforcement of the international labour standards and help accordingly in facing the impact of the crisis in the world of work. These measures can also be extended to national enterprises. In fact, the new Provisional Amended Labour includes provisions for compliance with international labour standards with respect to freedom of association and combating human trafficking and force labour. It also includes provisions for the creation of a

⁴⁹ This practice has been in place since 2007. See ISSA, 2009: *Social security: Outreach to all (Strategy of extending social security coverage): A case of the Social Security Corporation* (Geneva: International Social Security Association), <<http://www.issa.int/aiss/content/download/82378/1596308/file/2%20-%20Jordan-JSSC3.pdf>>

tripartite committee at national level that would deal with the adherence to international labour standards. Increase vigilance to achieve the elimination and prevention of an increase in forms of forced labour, child labour, trafficking, and discrimination at work.

1. Increase vigilance to achieve the elimination and prevention of an increase in forms of forced labour, child labour, trafficking, and discrimination at work

In partnership with the ILO and the IFC, Jordan launched the “Better Work” programme in 2007, which aims to improve both compliance with labour standards and competitiveness in global supply chains (see Text Box 4). Jordan has ratified the Abolition of Forced Labour Convention (No. 105) and has made significant progress in this area. An ILO project (*Eliminating Forced Labour and Trafficking in Jordan 2008-2010*) raised awareness among all stakeholders (inspectors, police officials, magistrates, employers, non-governmental organizations, etc) of the problems. During the life of the project, the Parliament passed an anti-trafficking law in May 2009. An Inter-ministerial Committee was also established that developed the National Strategy Against Trafficking in Persons adopted by the Jordanian Government in February 2010. The new Provisional Amended Labour includes clauses on combating trafficking. A new administrative section was added to the Ministry of Labour dealing with trafficking, a related decree was issued by the Ministry of Justice in April 2009 while a shelter has been created. It is expected that a joint unit between Ministry of Interior and Ministry of Labour will be established and tasked with overseeing strategy implementation. To improve the capacity of this unit, a delegation from the Ministry of Labour and Public Security Directorate visited Italy and the Netherlands to get exposed to international practices and technical advice in related issues.

Jordan ratified the Minimum Age Convention (No. 138) in 1998 and the Worst Forms Of Child Labour Convention (No. 182) in 2000. To this effect, the Ministry of Labour conducts inspection campaigns for child labour including a referral system to social centres and applies punishments against infringements of child labour regulations. In 2009 the Ministry also signed an MoU with CHF International (Cooperative House Foundation, an American NGO) to build the capacity of inspectors in collecting data about child labour that would enable the Ministry to set proper policies to eradicate child labour. A new database for child labour is being developed. The Government is currently discussing technical assistance with the ILO to harmonize the legal framework with international standards related to child labour, mainstream specific child labour programs into broader policies, expand and include child labour concerns in relevant human development efforts and establish and improve a child labour monitoring system (CLMS).

Text Box 4 **The Better Work Jordan**

The emergence of the garment industry has presented Jordan with challenges in assuring the effective application of local labour laws and international labour standards. In response, the Government of Jordan has developed a broad programme of action to improve labour administration and compliance. An important component is the project *Better Work Jordan* (BWJ), a partnership between the MoL, the ILO and the IFC.

BWJ was launched in February 2008 and aims to improve compliance with Jordanian labour law and the ILO's core labour standards while enhancing economic performance at the enterprise level. The main objective of the project is to ensure that labour standards are adhered to across the global supply chain.

Various assessments of the project were carried out in 15 factories between March 2009 and February 2010. These factories employ a total of 13,500 workers, of whom 75 percent are migrant workers and 56 percent are women. Non-compliance was assessed against the ILO core labour standards (child labour, forced labour, discrimination, and freedom of association and collective bargaining) and the national law regarding working conditions (compensation, contracts and human resources, occupational safety and health, and working time). The major findings are as follows:

Occupational Safety and Health (OSH) – Fully 65 percent of the non-compliances were related to occupational safety and health issues, 70 percent of which were related to dormitory conditions.

Work Hours – Excessive work hours and compulsory overtime were observed and there is concern that weekly work hours are rising as the sector recovers from the global economic crisis.

Freedom of Association – Given that at the time of the assessments the labour law prohibited migrant workers from forming or joining a labour union, all factories were in non-compliance with international labour standards regarding freedom of association. This was also the case for Jordanian workers in those factories.

Advisory services have begun in all 15 factories. Joint labour/management committees have been formed at each factory for the purpose of overseeing the implementation of an improvement plan tailored to issues identified in the assessment report. Regular progress reports are to be issued during the 4th and 8th months of each factory's annual subscription to BWJ.

In March 2010 the Jordanian Cabinet approved a recommendation of the MoL to require the participation of all factories in the garment sector in BWJ. And in July 2010 an agreement was signed between *BWJ* and the MoL that included, among others, a "Human Rights Violation Protocol" whereby the Ministry commits to investigate any human rights violation reported by the Project within 24 hours, and a "Training for Labour Inspectors" whereby the Project provides both class room and on-job- training exposing them to the project's approach and methodology.

Source: ILO and IFC (2010) Better Work Jordan: Garment Industry: 1st Compliance Synthesis Report. Geneva

With respect to broader labour inspection, the Ministry of Labour is planning to strengthen its activities through:

- A training program for inspectors in cooperation with the Department of Statistics in an attempt to provide more systematic information on the location of establishments
- Computerization and building a relevant database.

Jordan has also ratified the Labour Inspection Convention (No. 81) and has made available increasing financial and human resources for its application. The Inspection Improvement Project started in 2008 and is expected to continue till the end of 2010 with a budget of JD 3.7 million. Its objective is to protect labour rights, improve health and safety and more generally assist in the creation of a sound work environment for both Jordanian and migrant workers. The rationale of the project is that there are multiple and recurrent violations of labour laws and regulations, a shortage and low efficiency of the already weak resources that are available for inspections, a multitude of relevant administrative and supervisory responsibilities within the Ministry of Labour and lack of information to monitor the improvement of work conditions. The project is expected to conduct a study on the relation between the improvement of work conditions and the creation of job

opportunities for Jordanians, draft an inspection strategy in line with the provisions of national laws and international standards and provide technical information and advice to employers regarding health and safety. Under the project a Hot Line is to be established to receive relevant complaints from Jordanian and migrant workers and also handle these complaints in a clear and effective way.

In collaboration with civil society organizations, the Government plans to enact international standards and implement new laws regarding female participation in the national workforce.

2. Measures to increase the respect for freedom of association, the right to organize, and the effective recognition of the right to collective bargaining.

As mentioned earlier, the new Provisional Amended Labour included improvements in the areas of freedom of association and collective bargaining. It contains some recommendations made by the ILO supervisory bodies but there are others which need to be translated into the national legislation and practice. That would help in making possible the ratification of the Convention No. 87 on Freedom of Association

In the area of migrant workers, the new Provisional Amended Labour removed a restriction upon them joining a union though its implications are unclear. For example the Article stipulates that ‘no trade union or employer’s organization may be established whose purpose or goals are to engage in any activity that is based on ethnicity, religion, religious school of thought, just as it is forbidden for any such union to practice such activities after it is established’ and that the founder of any union must be Jordanian. Nevertheless, some trade unions, such as the textiles trade unions, have interpreted this as no objection for migrant workers to join a labour union.

3. Measures that recognise the relevance of international labour Conventions and Recommendations

As mentioned earlier, expanding the coverage of Social Security and Health Insurance is already under way. Though full coverage is yet to be achieved, Jordan’s commitment to the extension of social security coverage, which is reflected in the recent reforms, is reflected in preliminary consultations regarding a possible ratification of the Social Security (Minimum Standards) Convention, 1952 (No. 102). Jordan would be the first Arab country in the Middle East to ratify this convention⁵⁰.

In addition, the vocational safety and health directorate at the Ministry of Labour is expected to be merged with the labour inspection directorate to improve efficiency of the relevant activities.

4. Measures to promote the application of the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, including to enterprises in the supply chain.

As mentioned earlier, a partnership between the International Labour Organization (ILO) and the International Finance Corporation (IFC), the Better Work Jordan project was launched in February

⁵⁰ Measures for other areas covered in this section were mentioned in earlier parts of this Report.

2008. The programme aims to improve competitiveness of the garment industry by improving compliance with Jordanian labour law and the ILO's core labour standards, and enhancing economic performance at the enterprise level. The main aim of the project is to ensure that labour standards are adhered to across the global supply chain. In April 2010 the Second Buyers' Forum was held in Amman facilitated by the Business for Social Responsibility (BSR). This was followed by a Multi-stakeholder Forum where the Government of Jordan also attended. The end result was that the Ministry of Labour announced the Cabinet's decision to require all apparel factories in Jordan to participate in the Better Work Jordan self assessments.

D. Social dialogue: identifying priorities, stimulating action, bargaining collectively

The new Provisional Amended Labour includes provisions for the creation of a tripartite Committee on Employment at national level that would deal with all labour issues. Though this Committee has been created, it has not held any meeting so far. This Committee should be activated and strengthened to assist the promotion of international labour standards and fundamental principles and rights at work in law and in practice which could contribute to limiting the impact of the crisis. The new Provisional Amended Labour also includes the creation of a separate tripartite committee that will be responsible for the determination of minimum wages at national and regional levels as well as for different economic sectors and age groups. The importance of creating an effective minimum-wage fixing mechanism cannot be over-stated, particularly given the widely-shared need for escaping from the current "low skill/low productivity/low wage equilibrium". Experience shows that successful minimum wages require strong and transparent social dialogue based on solid wage statistics and analysis⁵¹. An Economic and Social Council was established in 2009 that is expected to discuss and facilitate the dialogue on economic and social policies, including employment policy. Members of the Council were selected in consultation with social partners though there is concern that workers are under-represented in numbers and capacity⁵². The Council is one of the key achievements of the ILO's Social Dialogue Project.

1. National agreement through tripartite social dialogue

Among the more recent provisions in the new Provisional Amended Labour are those related to the freedom of association and union regulation – including membership of migrant workers, allowing union activities and regulating the relationship between workers and employers.

The activities of the Tripartite Committee on Labour Relations will be to:

- Resolve individual and collective disputes
- Express opinion in matters concerning conditions of employment
- Examine and evaluate issues relating to Arab and international labour standards
- Launch codes of conduct and encouraging meetings between the partners (workers and employers), which would serve to organize and stabilize relations at the enterprise level.

⁵¹ In addition, Jordan can consider the creation of this new tripartite committee as a means to further ensure pay equity between private and public sector. See C. Dougherty (2010), A Comparison of Public and Private Sector Earnings in Jordan. ILO: Conditions of Work and Employment Series No. 24.

⁵² The composition of the ECOSOC consists of 44 members divided into 11 from Governmental ministries, official agencies and 3 experts; 11 employers including different employers' associations; 11 workers representatives and 11 civil society representatives. The ECOSOC is divided into 4 committees which are: Economic policies, social policies, employment policies and educational policies. All committees have a tripartite plus civil society representation.

2. Collective bargaining agreements at all levels

This is an area of limited activity in Jordan.

3. Tripartite monitoring mechanism of policy implementation

There are no institutionalized mechanisms to this effect. However, the above-mentioned tripartite Committee on Employment has the potential to take on this role in the future.

4. Strengthen capacities for labour administration and labour inspection

Improvements in the labour environment and working conditions are planned to result from an increase by 10 percent of the number of monitored and inspected institutions, the creation of a specialized national database to support monitoring and inspection, the availability of tools for measuring work environment pollutants, and the creation of a Complaints Office that will support women in the workplace. The Ministry of Labour is currently preparing a training program for inspectors in cooperation with the Department of Statistics (DoS). The program will focus on developing the mechanisms already used by DoS in geographical surveys to facilitate the process of inspection on establishments.

The Ministry of Labour is also taking actions to computerize the inspection process by providing inspectors with computers and building a database that will contribute to facilitating the inspection process. The role of inspectors is expected to become more active through setting a national strategy for inspection and the policies needed for implementation.

More broadly, labour inspections are planned to be strengthened by:

- Recruiting 60 new inspectors
- Establishing an inspectors training centre
- Establishing a 2 months training program for the inspectors
- Specialized training courses (for the inspectors) like child labour, human trafficking, safety and health, and English language
- Building an inspection database (will be delivered within 3 months)
- Motivating inspectors by incentives
- Establishing the criteria for a “golden list” and an “intensive inspection” list.

5. Have the social partners been involved in shaping and implementation of crisis response measures?

Partnership with the private sector is the fourth (of four) theme of the Ministry of Labour. The Ministry aims to involve the private sector in the governing bodies of institutions responsible for policy formulation and enable it to contribute to the preparation and implementation of vocational training programs according to its needs. The Ministry of Labour also sees as one of its roles to serve senior businessmen and investors to facilitate procedures within the Ministry.

The Government consulted the Jordan Chamber of Industry about pre-emptive measures that might be taken to mitigate the impact of the global crisis. A number of meetings took place in the Ministry of Labour with the social partners to discuss possible impacts of the crisis, especially the possibility of return of migrants.

Finally, the Ministry of Labour is preparing a national strategy on recruitment, based on partnering with the private sector and official bodies in an attempt to regulate the labour market⁵³.

Part III: Shaping a fair and sustainable globalization

This part of the Country Scan is based on Section IV of the Global Jobs Pact. It recognized that the inseparable, interrelated and mutually supportive nature of the four strategic objectives in the Global Jobs Pact is increasingly looked to, not only as an effective crisis response and recovery strategy, but as the framework of a new social and economic development paradigm, characterized by employment-centred and income-led growth with equity.⁵⁴

A. Policy coordination, coherence and cooperation between government ministries

The report outlined the plans and policies included, among others, in the Executive Programme 2011-2013, the Government Implementation Plan 2010 as well as sectoral plans such as the Business Plan of the Ministry of Labour 2010-2012 and other sectoral ministries and agencies (for example, industrial, education and so on). The coordination and coherence of the resulting activities is taken place at the Cabinet level and its subcommittees. With respect to the labour market, the Cabinet in 2010 appointed a team to prepare a National Employment Strategy.

In early 2009, the Government put together an inter-ministerial Steering Committee to develop the seven pillars of a new Executive Program and sector strategies to underpin the Program. The ongoing Executive Program will address the effects of the global economic downturn on the Jordanian economy. In April 2009, the cabinet approved an economic plan for (a) enhancing the investment environment; (b) improving the role of the private sector in the economic activities to boost aggregate demand; (c) reviewing the mechanisms of financial resources allocation to control spending; (d) reviewing and revising legislation related to investment promotion, tourism, petroleum and minerals, taxation, housing, insurance and Qualified Industrial Zones (QIZs) and real estate property.

The Government formed a high level committee to study the impact of the global crisis on the economy. The Committee is headed by the prime minister and is composed of the ministers of planning and international cooperation, labour, finance, public works and housing, as well as the governor of the Central Bank, the head of the Jordanian Securities Commission, the head of Association of Banks in Jordan and the General Manager of Deposit Insurance Corporation.

Specifically in the area of child labour, a US Department of Labour supported project aims to improve country capacity for policy coherence through IPEC by contributing to the: 1) harmonization of Jordan's legal frameworks with international standards related to child labor, 2) mainstreaming of

⁵³ Petra News Agency "Ministry of Labour Preparing National Strategy on Recruitment" 17 August, 2010.

⁵⁴ ILO: *Report of the Committee for the Recurrent Discussion on Employment*, International Labour Conference, 99th Session, Geneva, June 2010.

child labor issue into specific policies or programs at the national, regional, or sectoral level, 3) expansion of child labor concerns in relevant national development policy frameworks, 4) establishment and/or improvement of a child labor monitoring system (CLMS). As such, applicants proposed capacity building actions must be coordinated with IPEC to avoid duplication.

B. Policies that promote efficient and well-regulated trade, and markets that benefit all and avoid protectionism. Varying development levels of countries must be taken into account in lifting barriers to domestic and foreign markets

The Government's diverse approach to industrial and trade policies and the use of import and export measures were described in earlier parts of this Report⁵⁵.

C. Policies, including industrial policies, that enhance economic diversification by building capacity for value added production and services to stimulate both domestic and external demand

These policies were outlined in Part II of this Report.

D. National supervisory and regulatory framework for the financial sector, so that it serves the real economy, promotes sustainable enterprises and decent work and better protects savings and pensions of people

Under the program "Enhancing the Performance of Financial Institutions and Maintaining the Integrity of the Banking System", the Government intends to draft a Credit Information Law within 2010 as well as an amendment to the Securities Law.

It also plans to initiate the implementation of the Basel II criterion by drafting the relevant rules and regulations for the second Strategic Initiative of the Basel II, as well as to do a gap assessment of current procedures and issue new rules and regulations in order to amend licensing and inspection instructions for financial services companies.

Another gap assessment accompanied by relevant recommendations is planned for the amending the rules and regulations of financial solvency and the financing for brokerage companies as well as the preparation of a manual for financial services inspection. Finally, the Government plans to endorse rules and regulations for separating customers' capital from brokerage companies.

⁵⁵ This section can benefit from trade specialists.

E. Policies that contribute to building adequate social protection for all, drawing on a basic social protection floor including: access to health care, income security for the elderly and persons with disabilities, child benefits and income security combined with public employment guarantee schemes for the unemployed and working poor

The measures that Jordan has undertaken to extend social protection to all, starting before the onset of the global crisis, will help to move forward to balanced economic and social development. It is hoped that these social reforms, which obviously have fiscal implications, will enjoy priority even during a possible fiscal consolidation following the impact of the global crisis. Regular monitoring mechanisms will help to evaluate the economic and social impact of reforms, and adjust policies and institutional structures if necessary. A continuation and further development of the national dialogue process on social protection policies, involving the government, social partners and other stakeholders, will help to refine the national social protection strategy and ensure its coordination and integration with related policy areas. This is particularly relevant with respect to policy measures that can help to further develop a social protection floor which should guarantee a minimum level of income security and access to services to all.

F. Policies that ensure that young women and men have the appropriate education, skills and opportunities to participate in the economy.

Consistently the national development framework including the National Agenda, Kuluna El Urdun, the Government Implementation Plan highlight human resources development as a national objective. Indeed there has been a focus on expanding and reforming education and skills development at all levels as presented in Part II, Section A of this Report. The establishment of the ETVET Council, which is chaired by the Ministry of Labour and includes social partners and other stakeholders, for example is a demonstration of the need towards achieving policy coherence in a critical area. What needs to be highlighted in the evolving context of the Crisis in particular, is the fact that while the social partners are represented in almost all of the bodies of the various skills development bodies, often these representatives either lack sufficient capacity to actively engage in policy making in specific areas or their respective organisation does not have its own position on the specific technical matter at hand (or both). This will indeed affect any dialogue leading to any response in terms of skills development

G. Policies that address informal employment, in urban and rural areas, and promote the transition to formal employment in order to reduce inequalities and promote more inclusive economies

No new policies have been announced in this area though related projects were discussed in Part II of this Report.

H. Policies that facilitate shifting to a low-carbon, environmentally friendly economy that helps accelerate the jobs recovery, reduce social gaps and support development goals and realize decent work in the process

No specific measures announced in this area as mentioned in the relevant areas above. However, the Government's energy strategy (2007-2020) includes provisions for the development of renewable energy and the promotion of energy efficiency.

I. Policy measures, such as minimum wages, that can reduce poverty and inequity, increase demand and contribute to economic stability

These policies were discussed in Part II of this Report.

J. Strategies to create fiscal space to put in place systematic, well-resourced, multidimensional programmes to create decent work opportunities and sustainable enterprises

As discussed in Part II, in 2008 the Government offered compensatory measures to households to cushion the costs of the removal of various subsidies, which amounted to \$552 million of the budget (or 4.3% of GDP). This and the policies after the crisis raised the budget deficit to 9 percent of GDP in 2009 that is now planned to be reduced to only 1 percent of GDP by 2011. As noted earlier in this Report, both the IMF and ILO⁵⁶ are of the view that it is important to maintain support for aggregate demand and avoid an early tightening of fiscal policies that can undermine recovery and prolonged unemployment. It would therefore be advisable for the Government to try to create the necessary fiscal space for enterprise creation, higher and sustainable employment and more and better public services and social assistance. The fact that the current freeze in the public sector does not apply to the education and health care sectors is a good step in this direction.

⁵⁶ IMF/ILO "The Challenges of Growth, Employment and Social Cohesion". Paper presented at the Joint ILO-IMF conference in cooperation with the office of the Prime Minister of Norway, September 2010.

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Annex: Persons and Organizations met:

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H.E. Mr. Samir Murad, Minister
H.E. Dr. Ibrahim Amosh, former Minister of Labour
Mr. Mazen Odeh, Secretary General
Dr. Mohamad Qudah, Director, Employment Section
Ms. Etaf Halaseh, Director of Gender
Ms. Asma Abuazzam, Director, Migrant Workers Department
Mr. Raed Madanat, Megaprojects Coordinator
Dr. John Knapp, BEST
Mr. Ghazi Al-Daboubi, Director, Development and Coordination Unit
Mr. Jihad Ahmad Jadallah, Working Relations Department
Ms. Yasmeen Abu Hazim, Working Relations Department
Ms. Diane Jaber, Work Permit Statistics
Mr. Majdi Abu Sa'an, Head of Labour Market Information
Ms. Nadia Awartani, Migration Statistics
Mr. Abdel Fattah Nsour, Statistics Section
Eng. Adnan Rababaa, Inspections Section
Mr. Hamada Abu Nijmeh, Legal Department
Mr. Musa Khalaf, Director, Policy Unit
Mr. Sameh Al-Ajlouni, Policy Unit
Mr. Mohammed Qaryouti, Policy Unit
Ms. Rawan Abu Sal, Policy Unit

Ministry of Finance

Mr. Izzeddin Kanakrieh, Secretary General
Dr. Metri Madanat, Senior Economist

Mo Planning and International Cooperation

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Mr. Basim Kanaan, Monitoring and Evaluation Unit

Ministry of Industry

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Ms Gina Farraj, Advisor to the Minister

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Dr. Haidar Freihat, Director

Dr. Kamal Saleh, Assistant Director General
Mr. Mohamad Al Jouni, Head of Labour Force Section
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Mr. Mohammad Khrais
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Association of Banks in Jordan
Dr. Marwan Awad, Chair

Vocational Technical Corporation

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Mr. Ibrahim Tarwneh

Jordanian Trade Union Confederation

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Mr. Mohammad Nabulsi, Director of Communications
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