



Manufacturing Employment in Jordan



West Asia-North Africa Institute, July 2019



All content of this publication was produced by Kareem Rosshandler. This publication is generously supported with funds on behalf of UKAID and implemented by Mercy Corps. This publication reflects the views of the authors only, and not necessarily of Mercy Corps.

This report draws heavily on Dr. Salem Ajluni's analysis of Jordan's manufacturing sector.

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Published by the WANA Institute, Royal Scientific Society in Amman, Jordan.

Printed in Amman, Jordan

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1. Table of Contents

1	Introduction.....	2
2	Employment in Manufacturing.....	2
3	Jordanians Employed in Manufacturing.....	3
4	Expatriates Employed in Manufacturing.....	3
5	Conclusion.....	4

1 Introduction

Manufacturing in Jordan has been growing. At JD 5.4 billion, its activity accounted for about 19.15 per cent of the inflation-adjusted value of Jordan's GDP.¹ This share was consistent over the 7 year period between 2009 and 2016, only shifting by a few per centages of a point. In contrast to other economic activities that experienced major output fluctuations such as agriculture and construction, manufacturing exhibited uninterrupted growth at 2 per cent per year. Its main sub-activities were food products (15.1 per cent); electricity generation and gas production (12.8 per cent); refining petroleum products (7.8 per cent); cement, concrete and stone products (7.8 per cent); chemicals (7.4 per cent); pharmaceuticals (7.2 per cent); tobacco products (5.9 per cent); apparel (5.4 per cent); structural and construction metal products (4.6 per cent); manufacture of basic metals (4.4 per cent), for a total gross value-added of JD 6.77 billion. Of these sub-activities, food processing was the single most important, accounting for more than JD 1 billion in value-added or about one-sixth of total manufacturing GDP.

2 Employment in Manufacturing

As the top sub-activities would suggest, manufacturing in Jordan is largely characterised by unskilled labour. Manufacturing is therefore a low-entry activity for most potential workers. However, it is still relatively more restrictive than other low-entry activities because it requires machine operation, fixed work hours, and does not attract seasonal workers.

Employment in manufacturing experienced a 77.3 per cent growth rate in the period of 2000-2016, an average of 4.8 per cent per year. In the last 7 years of this period, manufacturing accounted for an average of 17 per cent of all employment in Jordan, rounding off 2016 with a record number of 223,868 employees. Compared to other activities in Jordan, manufacturing is unique in that it is characterised by a high concentration of labour in a relatively small number of enterprises, mostly factories whose operating scales are enabled by their location in special economic zones. Only 306 establishments, or 1.1 per cent of Jordan's total share, employ more than 100 persons while 21,360 establishments, or 79.4 per cent of the total share, employ 1-4 persons. This high concentration of labour means that of the total number of employees in manufacturing in 2016 (223,869), the first type of enterprise accounted for nearly half of them (107,724), while the second type accounted for just less than a fifth (44,432). These figures indicate that, by regional standards, Jordanian - and/or foreign-owned and Jordanian-based - manufacturing enterprises have grown larger, thereby concentrating employment in fewer establishments.

¹ Unless otherwise cited, all statistics used in this factsheet are based on the internal WANA Institute document, "A Briefing on Investment and Employment Potential in Jordanian Manufacturing", conducted by Salem Ajluni.

3 Jordanians Employed in Manufacturing

Of the approximately 173,400 manufacturing employees in the period of 2000-2016, 70 per cent were Jordanians while 30 per cent were expatriates. While Jordanian employment in the activity grew annually after the new millennium by 2.6 per cent, their 70 per cent representation nonetheless marks a 5 per cent drop since then. This change in shares owes to the much higher growth rate of 20.8 per cent for expatriate employees in the activity.

One of the main obstacles to ascertaining exact labour figures for Jordanian nationals is the widespread practice of informal labour in the country. According to a 2012 study of labour informality carried out under the auspices of the Ministry of Planning and International Cooperation (MoPIC) and the United Nations Development Program (UNDP), 44 per cent of Jordanian workers across all activities were employed informally in 2010, i.e. they either lacked an explicit work contract and/or lacked social insurance coverage of any kind. Although the study is limited in that it did not account for expatriate workers, its findings might be assistive in indicating manufacturing's relatively higher labour regulations; in contrast to agriculture and construction - where Jordanian workers were informally employed at rates of 93.2 and 78 per cent, respectively - only 48.2 per cent of Jordanian workers were informally employed in manufacturing. The higher incentive for manufacturing enterprisers to formalise labour might be reflective of the higher demands the activity places on workers.

4 Expatriates Employed in Manufacturing

Figures on expatriate workers are easier to ascertain because they draw more extensively from documentation. According to the Ministry of Labour, there were nearly 341,000 registered expatriate workers in the country in 2017. Of the 22 per cent increase in the total number of registered expatriate workers between 2012 and 2017, a full half of these work permits were in manufacturing (about 93,400 or 27.4 per cent of all registered expatriates). This is indicative of growth in the manufacturing sector. Interestingly, most of these permits were issued to workers from beyond Jordan's neighbouring countries - who are also highly represented in agriculture and construction. About 25 per cent were Egyptians (23,423) and another 5 per cent were Syrians (4,715), for a total of 30 per cent of registered workers. Despite their official preference being second only to Jordanian labour, Arab expatriates thus comprise a relatively small share of the manufacturing labour force.

The relatively small share of Arab expatriate labour in manufacturing is in part due to the existence of 18 special economic zones (see WANA factsheet: Backward Linkages in Jordan). These enterprises are mainly engaged in pharmaceuticals, apparel, and textile production. They employ over 70,000 workers, of whom 54,215 or 78 per cent are non-Jordanian, mainly from India, Sri Lanka, Bangladesh, Nepal, and Myanmar. Notably, women comprise about 70 per cent of Jordan's manufacturing workers from these South and Southeast Asian countries. However,

because these industrial estates and special economic zones produce for Jordan's less prominent sub-activities (namely pharmaceuticals and apparel) and also operate within exceptional international trade and labour agreements, their employment patterns are not necessarily representative of manufacturing in its entirety.

Observers conjecture that Jordanian preference for non-Arab expatriate labour is largely attributed to the lower wages non-Arabs demand, their backgrounds in manufacturing, and their women's more relative willingness to work. Certain aspects of Arab expatriates' work profile make their labour less appealing. Although Egypt boasts significant manufacturing activity, most of the roughly 600,000 Egyptians in Jordan tend to come from its agricultural and pastoral areas. In terms of Syrians, while Aleppo hosted a sizeable garment district, most of its refugees went to Turkey and Lebanon rather than Jordan.² Despite some NGO promotion of manufacturing activity, manufacturing only accounts for some ten per cent of Syrian refugee employment in Jordan. Syrian refugee ability to find employment in more lucrative service activities coupled with their different backgrounds (only 1.3 per cent worked in manufacturing in Syria) has meant they tend to avoid manufacturing work.³

5 Conclusion

For now, it seems that manufacturing in Jordan will continue to rise. However, because it is the most capital intensive activity with the lowest profit margins, it is also highly sensitive to income taxes – which stand at 14 per cent, the lower end of Jordan's corporate tax rate – but are expected to rise to 20 per cent.⁴ With little maneuverability to increase prices against weak Jordanian purchasing power, manufacturers will usually lower input costs by reducing employees. As has already happened with some notable food processing manufacturers, this reduction often involves relocating less profitable assembly lines to neighbouring countries, usually Turkey or Egypt.⁵ The risk of this strategy is that, if manufacturing costs continue to rise, the entire enterprise will eventually relocate abroad.

² Al-Jack, Sanaa. "Syrian Refugees in the Baqaa Fear Returning." *Al-Sharq Al-Awsat*. May 13, 2019. Accessed June 27, 2019. <https://bit.ly/2vVr2Pw>.

³ Alhajahmad, Shaddin, Katrina Barker, Dorsey Lockhart, and Jenny Shore. Publication. WANA Institute. April 2018. Accessed June 27, 2019. http://wanainstitute.org/sites/default/files/publications/Publication_SyrianRefugeeEmploymentTrendsJordan_English.pdf.

⁴ Mikadze, Maria, and Shaddin Alhajahmad. Publication. WANA Institute. 11. November 2017. Accessed June 27, 2019. http://wanainstitute.org/sites/default/files/publications/Publication_InvestmentAndBusinessJordan_English.pdf.

"The Manufacturing Sector: New Tax Legislation Adds New Burdens to National Manufacturing." *Alrai*. May 26, 2018. Accessed June 27, 2019. <https://bit.ly/2XyKGQU>.

⁵ "The Parliamentary Economic Committee." 429 Factories Closed Down in 2018. February 20, 2019. Accessed June 27, 2019. <https://www.almamlakatv.com/news/429-2018-14497>.



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