SYRIAN REFUGEE LABOUR INTEGRATION POLICY IN JORDAN

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Authors: Shaddin Alhajahmad and Dorsey Lockhart
Editing: Dr Erica Harper
Design: Lien Santermans
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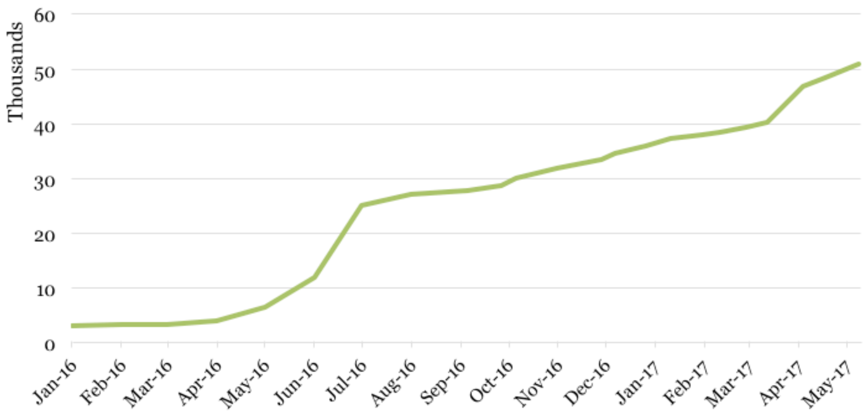
The Hashemite Kingdom of Jordan: A One-Year Review of the Syrian Refugee Labour Integration Policy

What do we know about how the policy is working?

As of August 2017, approximately 660,460 Syrian refugees have registered with UNHCR in Jordan. According to the Department of Statistics' November 2015 census, the official number may be as high as 1.265 million. Since the Government elaborated a new policy framework that extended limited labour rights to Syrian refugees in April 2016, the Ministry of Labour has granted 54,871 work permits. It has also extended the grace period during which work permit application fees are waived four times (fees range between USD 170 and USD 1,270). The number of formalised Syrian refugee workers has thus grown by a factor of 16. However, various stakeholders have expressed concern that these figures may overstate the number of work permits that are currently active. More precise information on the exact breakdown of new work permits, renewed work permits, and short-term work permits is needed.

Figure 1:
Work Permit Allocation
January 2016 - May 2017



Source: Jordan Ministry of Labour

Work Permit Distribution

Work permits for Syrian refugees have overwhelmingly pertained to the agricultural sector. The reasons for this vary, but include the establishment of cooperatives that have helped to catalyse the process of acquiring permits. According to Ministry of Labour figures, approximately 32 per cent of permits have been allocated to agricultural workers, 20 per cent to manufacturing workers, 16 per cent of wholesale and retail trade workers, 14 per cent to food and beverage workers, and 9 per cent to construction workers. The remaining nine per cent of work permits, have been allocated to utilities, transport, education, domestic, health and other administrative, professional, and service workers.

This distribution does not align with other estimates of the breakdown of Syrian refugee labour participation across sectors. Analysis of UNHCR data suggests that as many as 33 per cent of economically active Syrian refugees are employed in the construction sector, and as few as 10 per cent in the agriculture sector. The same data set suggests that only 4 per cent of economically active Syrian refugees are employed in the food and beverage sector, and 2 per cent in the manufacturing sector. While these data points are not definitive and should be viewed as one piece of a broader information set that explained the nature Syrian refugee economic participation in Jordan, the fact that formalisation efforts have not fallen in line with the underlying pattern of worker sectorial distribution suggests that significant challenges remain for certain sectors.

Informality is endemic in construction as a result of the temporary nature of work within this sector. The agriculture sector also hosts high numbers of undocumented workers, however the Ministry of Labour's collaboration with cooperatives for the distribution of work permits within this sector has proven highly effective. In August 2017, the International Labour Organisation (ILO) announced that permits for construction sector workers would be facilitated through the General Federation of Jordananian Trade Unions. This approach aims to jumpstart the formalisation of a large section of the Syrian refugee construction worker population by offering permits through a single provider as opposed to individual employers. Construction sector work permits are now attached to the sector rather than the individual employer, meaning that workers can move between employers without having to apply for a new authorisation. Agriculture sector work permits operate based on a similar modality.

The participation of female Syrian refugees in the formal workforce has remained modest since the work permit grace period was first implemented. Nonetheless, there have been considerable efforts by donor states and NGOs to raise female Syrian refugee worker awareness around the availability of work permits. At present, approximately 2,522 — or 5 per cent — of the total 54,871 work permits have been granted to female Syrian refugees. In August 2016, this number stood at 389, meaning that in one year the number of formalised female Syrian refugees workers has grown by a factor of six.

Despite this progress, challenges resulting from a myriad of misperceptions around work permits requirements and benefits remain. Research conducted by the ILO explores why certain Jordanian employers and Syrian refugees are averse to applying for a work permit. In some cases employers prefer to pay fines for employing undocumented workers rather than the (more expensive) work permit renewal fees. In other cases, employers do not want to pay social security or simply do not believe that work permits are necessary. Some Syrian refugees fear that processing a work permit will endanger their access to food or cash assistance, while others feel it is unnecessary for temporary and short-term work.[1] A range of actors are engaged in the effort to raise awareness and dispel the various misperceptions that exist around work permit arrangements. These initiatives are invaluable and should continue.

Job Creation

According to Department of Statistics (DoS) data, between 2011 and 2015 Jordan's economy created approximately 50,000 jobs per year. This level of job creation is neither sufficient to

[1] Razzaz, Susan; 'A Challenging Market Becomes More Challenging,' International Labour Organisation, http://www.ilo.org/beirut/publications/WCMS_556931/lang--en/index.htm

absorb the estimated 60,000 Jordanians entering the job market each year, nor the number of Syrians who have arrived since 2011.

An ILO-FAFO survey published in April 2015 estimated that approximately 51 per cent of male Syrian refugees who resided outside of camps participated in the Jordanian labour market. If this same proportion is applied to 2017 figures, this means that in addition to the 60,000 Jordanian youth entering the job market each year, there are an estimated 59,000 Syrian refugees who have sought both formal and informal jobs since the crisis began in 2011.

Moreover, the sectors that are considered key for Syrian refugee employment, such as agriculture and construction, have seen little expansion in recent years. DoS 2015 data sets the agriculture sector's net job creation rate at 1.4 per cent, the construction sector's at 1.5 per cent, and the accommodation and food service sector's at 5.1 per cent. During the same year, the manufacturing and wholesale and retail trade — two sectors that also include occupations open to Syrian refugees — witnessed net job creation rates of 12.8 and 8.6 per cent, respectively. The government sector, which is generally closed to non-Jordanians, demonstrated the highest level of growth with a net job creation rate of 34.8 per cent.

This suggests that the ability of the Jordanian economy to absorb the nearly 300,000 working age male and female Syrian refugees present outside of and within the camps is severely limited.

Trade with European Union Countries

A cornerstone of the Jordan Compact is enhanced access to European export markets under a more favourable Rules of Origin (ROO) framework. According to this agreement, manufacturers operating in 18 designated Jordanian economic zones and industrial areas whose workforce is 15 per cent Syrian (25 per cent beginning in 2019) will be allowed to export to Europe under a less stringent ROO framework. As of March 2017, however, only seven companies had been authorised to export under this new arrangement.

While Jordan's exports to EU markets have, over the past decade, grown by approximately 46 per cent,[2] European Union countries accounted for less than 3 per cent of Jordanian exports in 2016.[3] In order to take advantage of the favourable access provided under the Jordan Compact, government and non-government actors must find a way to help Jordanian manufacturers gain a more secure foothold in EU markets. Some observers have called for further relaxation of the ROO framework as well as an adjustment to the requirement that 15, and later 25, per cent the manufacturers' workforce be Syrian. These considerations are valid and would be most effectively implemented alongside technical assistance that helps manufacturers meet quality standards and identify commonly-used market access channels.

Worker Rights & Refugee Welfare

The awarding of formal working rights to Syrian refugees is a landmark policy that has gained much attention amongst international donors and refugee policy makers. As would be expected,

[2] Nemeh, Bassem; 'Jordan's Burden,' Carnegie Middle East Center, March 21, 2017.
[3] Trading Economics, https://tradingeconomics.com/jordan/exports-by-country

households who indicate a working family member report both higher levels of monthly spending and higher levels of monthly income than households who do not report a working family member.

Nonethless, there is a considerable body of research that suggests that the informal work of one family member has little impact on the welfare of the entire family. A World Bank study entitled 'The Welfare of Syrian Refugees: Evidence from Jordan and Lebanon 2016' questions the value of informal work concluding that returns are so low that participation in the informal economy has little statistical impact on a household's chance of surpassing the poverty line.[4]

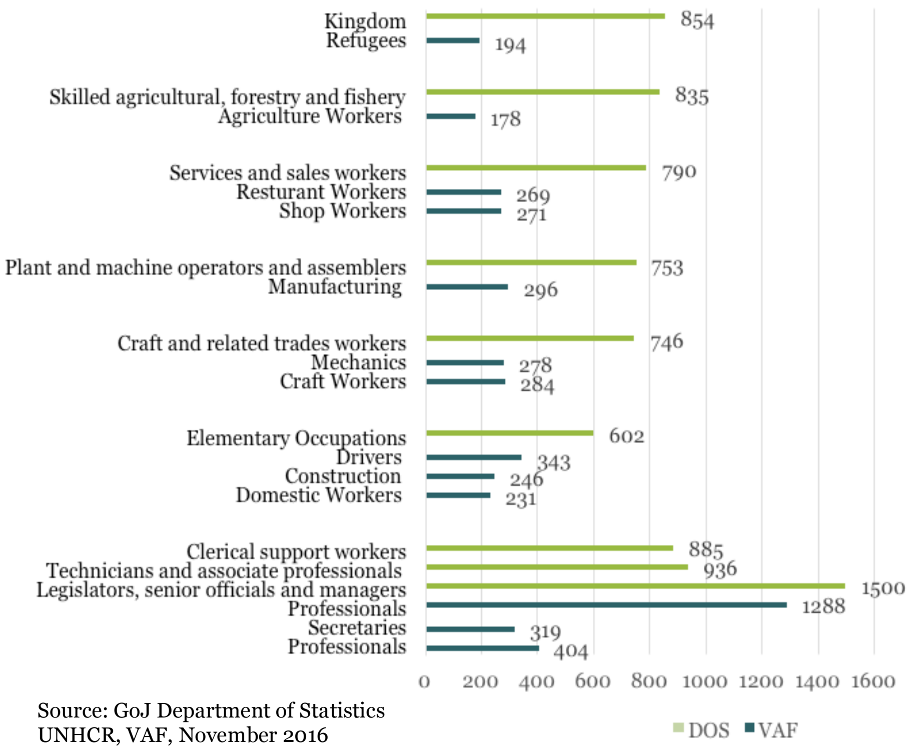
The data available through UNHCR's Vulnerability Assessment Framework partly corroborates this; among households reporting a working family member, incomes are tightly clustered around the median monthly wage of 150 JD (US$ 212). For households that include more than one family member, this level of monthly income is unequivocally low.

Monthly Expenditures Across Sectors

As is evident from comparisons of surveys assessing Kingdom-wide financial outcomes, Syrian refugee income and expenditure levels fall well below those of their Jordanian counterparts. On average, Jordanian household expenditure is four times higher than that of Syrian refugee households.

This disparity is unambiguous when viewed at the occupational level. Differences are most pronounced in the agricultural sector and are least pronounced when comparing Syrian refugee drivers to elementary occupations. There also appear to be considerable differences in monthly expenditures between Syrian refugee households with family members employed in the manufacturing, retail trade, and restaurant sectors, and their Jordanian counterparts.

Figure 2:
Mean Expenditure Across Occupational Sectors, (Kingdom Average vs. Syrian Refugee Average, JOD)



Source: GoJ Department of Statistics
UNHCR, VAF, November 2016

These comparisons corroborate the need for continued cash and food voucher assistance programmes that work to smooth monthly spending capacity alongside formal working rights.

[4] Paolo Verme, et al, "The Welfare of Syrian Refugees: Evidence from Jordan and Lebanon," The World Bank, (Washington DC: 2016); https://openknowledge.worldbank.org/bitstream/handle/10986/23228/9781464807701.pdf

While intial efforts to provide Syrian refugees with formal work opportunities represents an essential first step to allow for sustainable livelihoods, continued efforts to ensure the smooth integration of Syrian refugees into the formal workforce will remain important going forward.

Leading Economic Indicators

The influx of more than 660,000 registered Syrian refugees has coincided with a general slowdown in the Jordanian economy. Between 2005 and 2009, Jordan enjoyed consistently high rates of GDP growth. However, beginning in 2010, in the aftermath of the global financial crisis, these rates went into consistent decline. Between 2010 and 2016, Jordan's quarterly GDP growth rate averaged 2.6 per cent and did not surpass 3.1 per cent.

Alongside slowing GDP growth, Jordan's unemployment rate has steadily risen since the middle of 2015, reaching 18.2 per cent in first quarter of 2017, the highest rate since the series began in 2005. Many link this to the deterioration in Jordan's external trade position resulting from the adverse political situation in the West Asia-North Africa region.

Some observers have attributed macroeconomic indicators to the Syrian refugee crisis. But while the region's political situation has created the conditions for sluggish growth, refugee influxes have, not in and of themself, led to a worsening of Jordan's macroeconomic situation. Despite this, a range of international organisations and NGOs have raised interest around the question of whether certain economic indicators have been impacted by the Syrian crisis. The relationship between the recent performance of certain indicators and the influx of Syrian refugees is explored as follows.

Labour Force Participation

The concern that the informal employment of Syrian refugees was pervasive enough to drive down wages was central to the push for formal working rights. The economic research concludes, however, that the negative effects of the refugee crisis are more closely linked with a shrinking labour force participation rate of Jordanians, than they are with declining wage levels. Indeed, an ILO-FAFO survey conducted in 2014 found that Syrian refugees' were more willing to accept lower wages and harsher working conditions than Jordanians. Syrian refugees thus do not directly drive down wages, but rather claim new, low-wage jobs and thereby crowd out potential Jordanian entrants.

Consistent with this, Jordan's employment rate has hovered between 30 and 35 per cent throughout the period between 2007 and 2016. A slight downward trend can be noted beginning in 2012, and the most recently recorded number is 30 per cent, the lowest since 2009. It is worth noting that the average employment rate for OECD countries is approximately 67 per cent, more than two times the rate observed in Jordan.

GDP per Capita

Jordan's GDP per capita levels went into a period of steady decline beginning in 2010. The fact that this trend began prior to the escalation of tensions in Syria suggests that this was not, at least initially, the result of the adverse political situation. However, the subsequent border closures with Syria and Iraq, the shrinking levels of commerce in the region, and the sudden population growth resulting from the influx of Syrian refugees all contributed to the steady deterioration of this figure.

Components of GDP

A wide range of stakeholders are eager to observe any relevant changes in Jordan's output that may result from the country's recent population surge of nearly 15 per cent. Department of Statistics data tracks quarterly GDP for selected sectors of the economy including agriculture, construction, manufacturing and services. None of these sectors have registered a significant increase that can be confidently linked to incoming refugees.

GDP from agriculture appeared to be on a positive trajectory until 2012 when this figure contracted by nearly 10 per cent, most likely as a result slowing trade with Iraq, Jordan's most important trade partner for agriculture exports. GDP from construction also experienced steady growth between 2007 and 2009 that was in turn followed by steady decline that began in 2010 and continued into 2015. GDP from manufacturing has neither grown significantly nor experienced a precipitous decline, although this sector may be approaching a period of stagnation. Finally, GDP from services has witnessed modest but consistent expansion. Current growth rates for this sector exceed the national average, further substantiating the claim that services is a highly active economic sector.

Human Development Index

Jordan's Human Development Index (HDI) has not experienced any notable change as a result of the Syrian refugee crisis. Since 2010, HDI has remained consistent, witnessing only a minor decrease in 2011, followed by a recovery in 2012, and then a slight improvement in 2014. While this steady performance suggests that Jordan's HDI has not been adversely affected by the refugee population, the country's positioning in comparison to similar countries has dropped by six places.

Moving Forward

Despite the Syrian refugee crisis' apparent neglible impact on Jordan's leading macroeconomic indicators, the possibility that the influx of so many people has had no effect on economic conditions is unlikely. In order to optimise stakeholders' understanding of the evolving situation, changes in output, consumption, employment rates, and prices would best be assessed at the governorate and municipal rather than the national level. Such an approach would create the evidence base for more targeted interventions by government, international organisations, and NGOs.

On the whole, the implementation of the Jordan Compact remains a work in progress, particularly as it relates to the expansion of industrial exports to European Union countries. Stakeholders would be well advised to accept that, as with all bilateral agreements, the arrangement contains certain limitations that can, with proper engagement from both sides, be overcome.

As noted above, some observers have called for further adjustments to the ROO framework as well as the phased requirements around the hiring of Syrian refugees. This type of recommendation is constructive and should be the subject of further policy discussion. Similarly, parties on both sides should recognise that advancing trade relations with Europe is no small task and will require both the longterm commitment and investment of industrial leaders.

The notable progress that has been made in the formalisation of Syrian refugee labour should be applauded, and programmes by the Ministry of Labour, the International Labour Organisation and NGOs to formalise Syrian refugee workers and to ensure that day-to-day labour conditions remain up to standard should continue. By reducing informality, these efforts will serve to neutralise the forces that drive down wage levels and working conditions for all workers in Jordan, not just Syrian refugees.

WANA
INSTITUTE

West Asia-North Africa Institute
Royal Scientific Society
70 Ahmad Al-Tarawneh St
Amman, Jordan

info@wanainstitute.org
www.wanainstitute.org