



Executive Summary: The Syrian Refugee Crisis in Jordan and Its Impact on the Jordanian Economy



West Asia-North Africa Institute, March 2019

This report provides a short summary of three larger studies:

- ‘Syrian Refugee Return: Implications for the Jordanian Host State’

Principal Author - Kareem Rosshandler

- ‘The Syrian Refugee Crisis and Its Impact on the Jordanian Labour Market’

Principal Author - Dr. Salem Ajluni

- ‘Investment and Employment Trends in Jordan’s Key Economic Sectors’

Principal Author - Dr. Salem Ajluni

In light of the cessation of violence in Syria, the first report discusses the possible implications Syrian refugee repatriation might have for the Jordanian host state. The second and third reports provide an analysis of the impact Syrian refugee employment has had on the Jordanian labour market and an analysis of recent growth, employment, and investment characteristics of the sectors in which Syrians have been granted labour rights.

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This publication is generously supported with funds on behalf of UKAID and implemented by Mercy Corps. This publication reflects the views of the author only, and not necessarily of Mercy Corps.

Author: Dorsey Lockhart

Design: Lien Santermans

Cover image: © William Proby (CC0)

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

Printed in Amman, Jordan

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Manufactured in Jordan

In late 2016 — just months after the signing of the Jordan Compact — the WANA Institute and Mercy Corps set out to measure the impact of Syrian labour on Jordan’s economy. This research initiative, which has spanned two years, has resulted in several publications. Notable highlights and key conclusions from the last reports — ‘Syrian Refugee Return: Implications for the Jordanian Host State,’ ‘The Syrian Refugee Crisis and Its Impact on the Jordanian Labour Market,’ and ‘Investment and Employment Trends in Jordan’s Key Economic Sectors,’ — are introduced here.

1. Syrian Refugees in Jordan: The View from 2019

As of March 2019, there are approximately 671,000 Syrian refugees registered with UNHCR Jordan. While the Jaber-Nassib border crossing has been open since October 2018, as of mid-December 2018, only an estimated 4,000 had returned according to UNHCR.¹ Furthermore, a survey conducted by NAMA Strategic Intelligence Solutions in partnership with the Konrad Adenauer Stiftung suggests that only a small proportion of the population — 14 per cent — is committed to returning, while more than 50 per cent plan to remain in Jordan.²

UNHCR estimates that between October and December 2018, approximately 3,852 Syrian refugees had returned to Syria. The Government of Jordan estimates that approximately 4,300 Syrians returned during the same period.

What the future will hold in terms of repatriation or continued residence in Jordan remains an open question. A number of factors — including security, property rights, forced conscription into the military, and access to livelihoods — will be decisive in determining an individual’s or household’s decision to return. As the Carnegie Middle East Center has reported, several decrees that will influence property ownership have been issued.³ Such manoeuvring by the Assad regime may discourage certain households from returning.

2. The Implications of Syrian Repatriation

Since the onset of the crisis in 2012, the influx of Syrian refugees has made an indelible mark on Jordan’s social and economic fabric. The humanitarian response by international organisations and NGOs has had far-reaching effects across the Jordanian society. Between 2012 and 2018, approximately of USD339 million worth of cash assistance was distributed to Syrian refugee households. By mid-2014, the World Food Programme’s assistance to around 500,000 Syrian

¹ *The Jordan Times*, ‘Only some 4,000 Syrian refugees return since border reopening,’ December 12, 2018; <http://www.jordantimes.com/news/local/only-some-4000-syrian-refugees-return-border-reopening>

² Al Tahat, Jassar; ‘Only 14 per Cent of Syrian Refugees ‘very Determined’ to Return – Poll,’ *The Jordan Times*, December 16, 2018, <http://jordantimes.com/news/local/only-14-cent-syrian-refugees-very-determined-return-poll>.

The survey covered a sample of 1,306 Jordanians and 600 Syrian refugees; 33 per cent of those surveyed stated that they would ‘never go back,’ 24 per cent would ‘probably never go back,’ 29 per cent would ‘probably go back,’ and 14 per cent are ‘determined to go back.’

³ Yahya, Maha; ‘The Politics of Dispossession,’ Carnegie Middle East Center, 9 May, 2018, <http://carnegie-mec.org/diwan/76290>

refugees had led to some USD2.5 million in investment in physical infrastructure by participating retailers and created more than 350 jobs in the food retail sector.⁴

The large number of refugees has forced international organisations and NGOs to ramp up capacity and brought about the integration of technology such as the iris scan and access to assistance funds via ATM machines. The ramp-up of assistance operations has created thousands of jobs within the humanitarian response sector as well as numerous indirect jobs across other sectors. The drawdown of these operations in the aftermath of a large-scale return would have profound consequences for all those who have gained employment or whose businesses have benefited as a result of the Syrian refugee population. Finally, many observers have highlighted the creativity of Syrian entrepreneurs, noting the many contributions that have been made to Jordan's business services. In the event of a large-scale return to Syria, the businesses that have been created or enhanced as a result of Syrian participation in the Jordanian labour market would inevitably be affected.

3. Syrian Refugees and the Jordanian Labour Market

Since the onset of the refugee crisis in 2012, Syrians have made substantial inroads into the Jordanian labour market. Based on the results of an August 2017 survey that was conducted across Amman, Irbid, Mafraq and Zarqa, the WANA Institute estimates that approximately 55 per cent of the 361,862 working-age Syrians are active in the Jordanian labour market. 110,509 of these individuals were estimated to be employed, and 85,951 in search of work at the end of 2016. Men account for a disproportionate share of the Syrian workforce, with an estimated labour force participation, or activity rate of 85 per cent, compared to 30 per cent for women.

In 2016, there were approximately 361,000 working age Syrians in Jordan, 55 per cent of whom were thought to be active in the Jordanian labour market. Of those economically active, approximately 110,500 were thought to be employed and 85,900 in search of work.

Syrians have penetrated several sectors of the Jordanian economy. In the largest data sample collected, other service activities, which include a broad range personal services — repair of household appliances and personal goods, cooking, washing, cleaning, hairdressing, gardening, and driving — and business services account for approximately 40 per cent Syrian employment; construction accounts for approximately 28 per cent, wholesale and retail trade 14 per cent, agriculture 11 per cent, food services 3 per cent, and manufacturing 1.7 per cent.

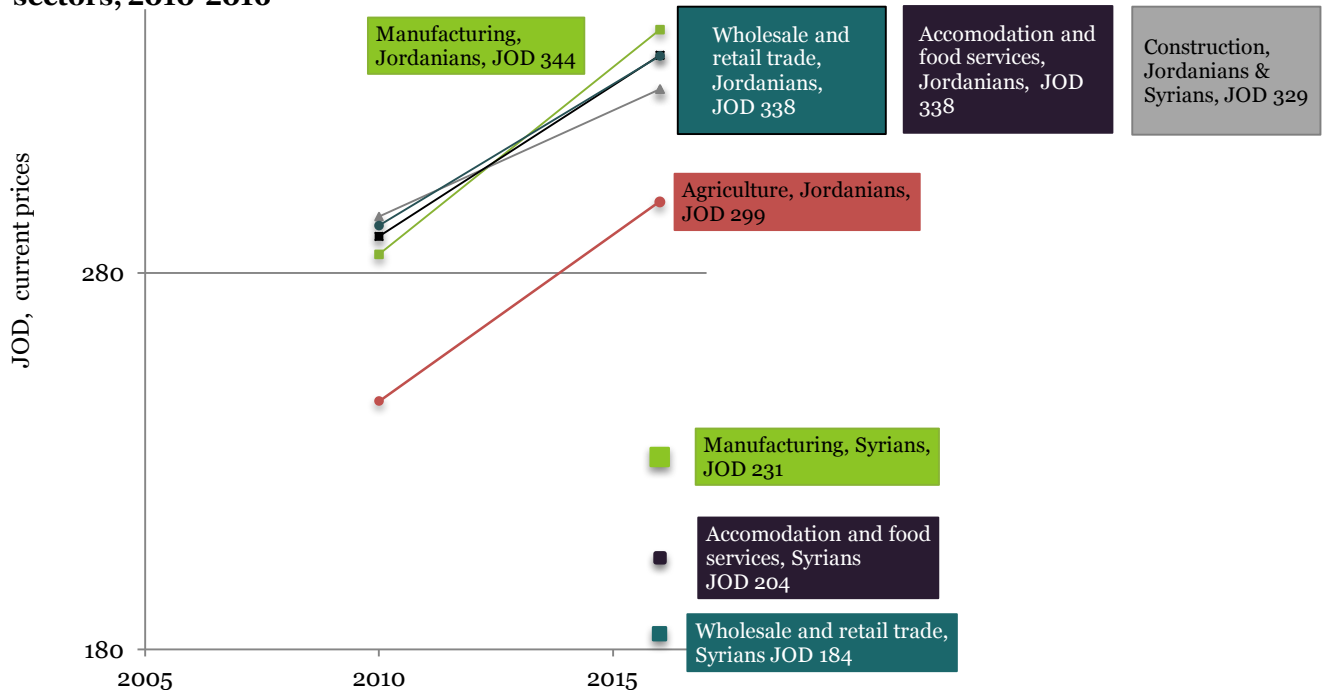
⁴ World Food Programme, *Economic Impact Study: Direct and Indirect Impact of the WFP Food Voucher Programme in Jordan*, April 2014.

Despite common assumptions, analysis of Department of Statistics data suggests that the influx of Syrian labour has had little impact on the wages of formal Jordanian and expatriate workers. Between 2010 and 2016, the activity-weighted average nominal wage for Jordanians increased by 22 per cent, while real wages appeared to grow at a similar rate.

In 2016, the activity-weighted average monthly wage for Jordanian workers was JOD377.50, compared to JOD147.1 for Syrian workers. Jordanian workers enjoyed a wage advantage over Syrians of 156.6 per cent.

Over the same period, the wage advantage of formalised Jordanians to formalised non-Jordanians increased from 116 to 130 per cent. In 2016, formalised Jordanians enjoyed a weighted relative wage advantage over Syrians of 156.6 per cent. In the same year, the activity-weighted average monthly wage of other formalised non-Jordanian workers was 12 per cent greater than that of formalised Syrian labour, suggesting that as a group and on an individual basis, Syrians were the lowest paid workers in Jordan. While there is evidence that wages in the informal sector — where the vast majority of Syrians have found employment — have been adversely affected by the Syrian refugee crisis, precise figures on wage compression and resulting poverty rates are not available.

Figure 1: Average monthly wages for Jordanians and Syrians, selected sectors, 2010-2016

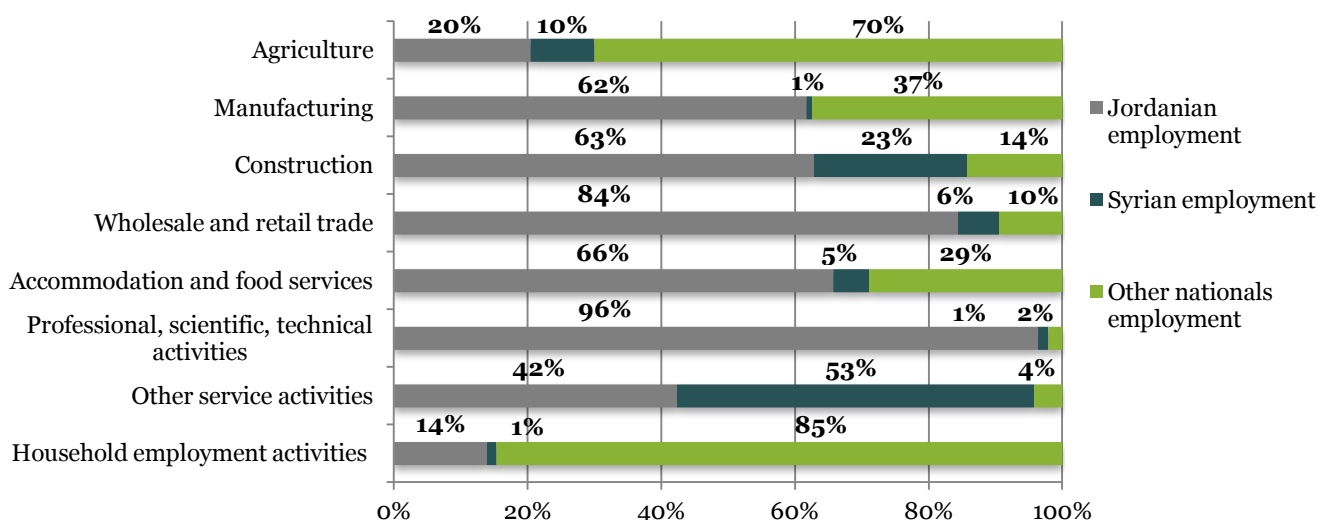


Based on the estimates discussed above, as many as 110,509 Syrians were thought to be employed in Jordan in 2016. This represents approximately 7.8 per cent of total Jordanian employment and about 6 per cent of all persons — Jordanian and foreign — working across the country. The unemployment rate of Syrians is greater than that of their Jordanian counterparts. The official

unemployment rate of Jordanian workers averaged 15.28 per cent in 2016.³⁸ In 2017, the proportion of economically active Syrians who described themselves as unemployed and looking for work was 44 per cent.

The sectors in which Syrians have made the most notable inroads are other service activities and construction, where Syrian employment accounted for a respective 53 per cent and 23 per cent of total employment. Commonly referred to as employment density of activity, this measurement represents the proportion of overall employment in a given sector that is occupied by a given population group.

Figure 2: Employment density of activity for Jordanians, Syrians, and other nationals, 2016



Formal employment of Syrian refugees in Jordan is limited to five economic activities designated as ‘open sectors’ under the Jordan Compact — including agriculture, construction, food and beverage services, manufacturing, and wholesale and retail trade. In reality, it appears that formalised work, where Syrians hold a work permit, accounts for a small proportion of overall Syrian refugee employment.

At the sectoral level, work permit figures vary significantly in comparison to estimated employment figures. For manufacturing, agriculture, and accommodation and food services, the number of permits active at end-2017 exceeded estimated employment in those sectors. In the remaining open sectors — construction, wholesale and retail trade, and other service activities — the number of active permits lags behind estimated employment by significant margins. At the aggregate level, the number of work permits in 2017 constituted approximately 42.3 per cent of total estimated Syrian refugee employment in 2016.

4. Investment and Employment, 2011-2016

Several observers have wondered what might have happened with Syrian refugee employment if there had been more targeted investment in key sectors. In order to explore this question, Department of Statistics (DoS) data on sector-level GDP, employment, and capitalisation was

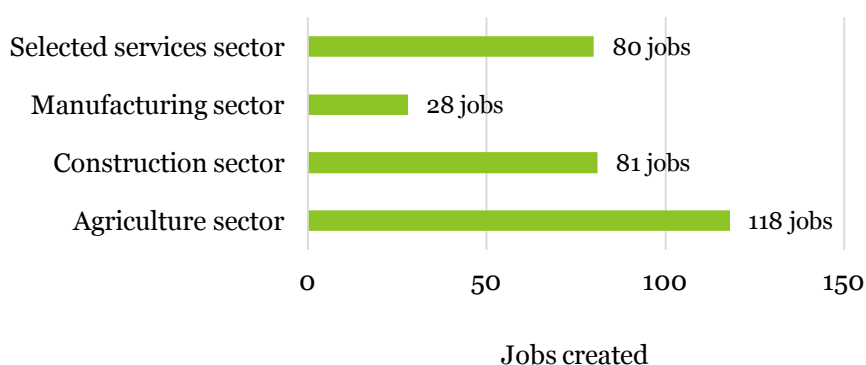
reviewed and analysed. In the period between 2011 and 2016, agriculture, construction, manufacturing, and selected services all have exhibited varying patterns of GDP, employment, and investment growth.

The agriculture sector experienced real GDP growth (14 per cent), accompanied by a large reduction in employment (-49 per cent) and capital depletion (-19 per cent). The construction sector experienced real GDP growth (5 per cent), alongside a large reduction in employment (-24 per cent) and high capitalisation growth (24 per cent). The manufacturing sector experienced real GDP growth (15.2 per cent), employment growth (22 per cent), and capitalisation growth (40.8 per cent). Finally, the selected services sector — which includes food and beverage services, accommodation, wholesale and retail trade, and motor vehicle repair — experienced real GDP growth (17.7 per cent), as well as employment growth (19 per cent) and capitalisation growth (55 per cent).

These dynamics were associated with changes in productivity that present a host of implications and cost-benefit scenarios for GDP growth, employment creation, and return on investment. Within the agriculture (125 per cent) and construction sectors (38 per cent) productivity rose significantly, but declined within the manufacturing (-6 per cent) and selected services sectors (-1.3 per cent). The decline in productivity in the latter sectors occurred despite significant capitalisation growth.

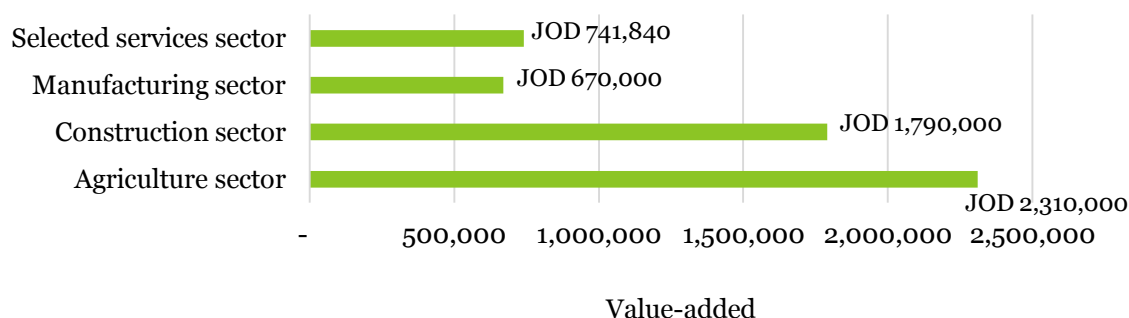
Based on the resulting capital-to-labour and GDP-to-labour ratios, it appears that investing in agriculture is the most cost-effective way to boost employment and GDP while investing in manufacturing is the least effective from a cost-benefit perspective. Construction and selected services rank a respective second and third within this framework.

Figure 3: Employment created with JOD one million investment by sector



Assuming that an additional 118 workers would be employed for a full year, an investment of JOD1 million would therefore lead to an additional JOD2.31 million in GDP or value-added. Assuming the full-time employment of workers in the newly created jobs, the same investment would lead to an additional JOD1.79 million in GDP in the construction sector, JOD741,840 in GDP in the selected services sector and JOD670,000 in GDP in the manufacturing sector.

Figure 4: Value-added created with JOD one million in sector-targeted investment



5. Conclusions, Lessons Learned & Future Research

The three reports that follow this Executive Summary review a broad range of quantitative and qualitative data on the Syrian refugee crisis and the Jordanian labour market. This section tentatively explores a few of the key conclusions, lessons learned and areas for future research that are spelled out in more detail in those reports.

Sustaining the benefits brought by the Syrian refugee crisis

The benefits brought by the influx of Syrian labour have been frequently noted but little measured. In interviews, observers consistently make note of the creativity of Syrian workers and their positive contributions to Jordan’s food service and other sectors. Efforts to understand the number, scale, and location of these contributions would create a platform for their preservation in the event of a large-scale Syrian refugee return.

Stakeholders have also highlighted the large number of Jordanians that have obtained employment in the humanitarian response sector as well as the advanced application of technology within this sector’s major operations. Programmes that facilitate the transfer of the skillsets and technologies cultivated through the crisis to other areas of the Jordanian economy — particularly the private sector — should be developed.

Syrian inroads into the Jordanian labour market: jobs vs. income generating activity

Since 2012, Syrians have made notable inroads in certain sectors of the Jordanian labour market — namely other service activities and construction. Their participation across the Jordanian economy has likely affected the wages of informal workers but appears to have had little effect on the wages of formalised workers. Within the context of the efforts to formalise Syrian employment under the Jordan Compact, it should be noted that the activities in which most Syrians are employed are contingent in nature and highly prone to informality. A key lesson of the Jordan Compact has been the challenge of formalising workers in contexts in which all other market forces appear to encourage informality. Similarly, the part-time, contingent nature of work in these sectors cannot be discounted. Donors, policy-makers, and NGOs might move away from the

focus on job placement and develop tools to measure and enhance job quality, business creation and income generating activity.⁵

Such an approach would be in line with the global paradigm shift referred to as ‘the changing nature of work.’⁶ This shift will necessitate an improved system of social security as the workforce becomes more fragmented, business processes become more disaggregated, and growing numbers of freelance workers conduct contingent, project-based assignments for multiple employers, as opposed for full-time, regular work for one single employer.

**Investment and
employment
generation: tools for
assessing competing
priorities**

The third report, ‘Investment and Employment Trends in Jordan’s Key Economic Sectors,’ reviews the patterns of GDP, employment, and investment growth that have defined Jordan’s agriculture, construction, manufacturing, and selected services sectors, in the period between 2011 and 2016. This report illustrates how different sectors are characterised by different

levels of capitalisation per worker. The figures that capture the relationship between GDP, labour and capitalisation, to some degree, indicate the degree of sophistication of the sector. In sectors where per-worker capitalisation levels are low, investors have the potential to make a greater impact on employment and GDP for a smaller upfront cost. This is unequivocally the case with Jordan’s agriculture sector.

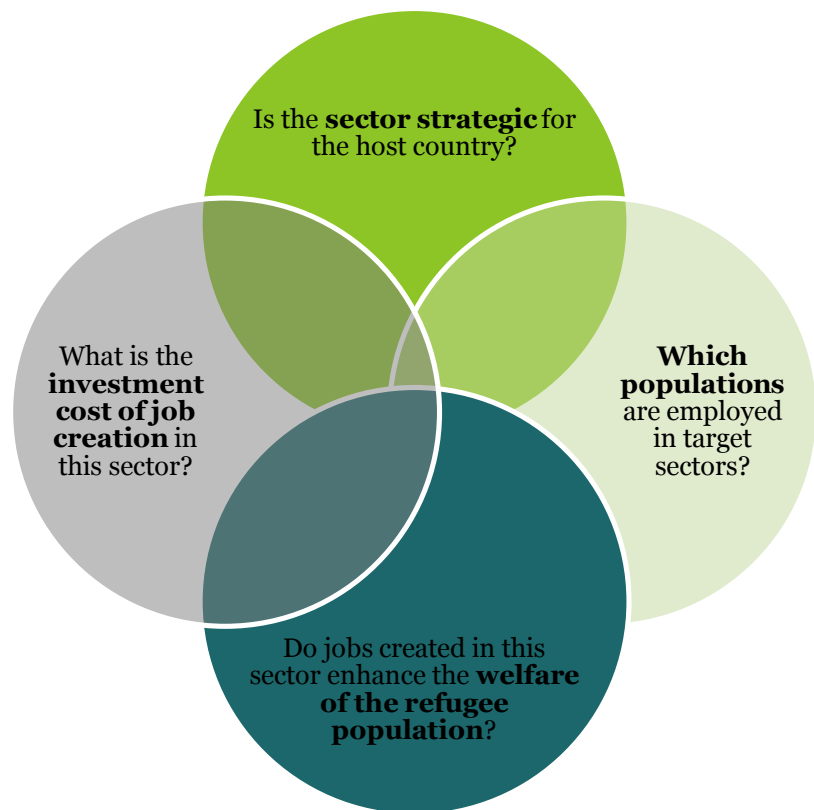
However, in each context there are various factors to be considered and it should be noted that all sectors are subject to changing dynamics. In all sectors reviewed, capital investment and capital accumulation outpaced employment growth, resulting in higher capital-to-labour ratios over time. This logically raises the initial average investment level need to employ additional workers.

⁵ This recommendation was mentioned by University of Bath-based Researcher Katharina Lenner, in a February 2019 conversation with the WANA Institute. Lenner has published extensively on the Jordan Compact. See, <https://researchportal.bath.ac.uk/en/persons/katharina-lenner>

⁶ See takeaways from the Economist’s Future of Work conference, <https://www.a-connect.com/acknowledge/everything-you-need-to-know-about-the-changing-world-of-work-according-to-the-economist/>

As policy-makers, donors, and international organisations consider how to maximise the impact of donor aid, how to prioritise investment in refugee hosting contexts is a worthwhile question. However, the investment cost of job creation should not be the only consideration. Decision-makers must also consider which populations — host or foreign — would benefit from increased employment in the target sector, potential wage-levels in the target sector, and how investment in target sectors aligns with the strategic priorities of the host country.

Factors to Consider When Investing in Refugee Host States





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

info@wana.jo
www.wanainstitute.org