



# Nine Recommendations to Bolster the Jordan Compact

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# Nine Recommendations to Bolster the Jordan Compact

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Since its signing in February 2016, the Jordan Compact has been hailed as an innovative, holistic approach that prioritises development goals in the context of a protracted humanitarian crisis. Yet as the much hoped for growth in exports to Europe — a cornerstone of the agreement — has failed to materialise (as of July 2017 only two Jordanian companies had benefited from the relaxed rules of origin arrangement) stakeholders may be growing weary. Here are nine recommendations to recalibrate objectives and boost momentum.

## 1. Provide precise information on work permit allocation

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As of August 2017, the Ministry of Labour reports that 58,290 work permits have been provided to Syrian refugees. However, several stakeholders have suggested this figure includes original applications, renewals and short-term permits and may therefore over-represent the number of active work permits. In order to present a more accurate picture of the proportion of Syrian refugee workers who are currently formalised, entities participating in the effort should provide precise information on the number of work permits that are currently active.

## 2. Accelerate efforts to formalise workers in sectors beyond agriculture and manufacturing

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As of August 2017, approximately 33 per cent of the work permits that have been issued, pertain to the agriculture sector; 19 per cent have been issued in the manufacturing sector, and only eight per cent have been issued in the construction sector. The Ministry of Labour has signed a Memorandum of Understanding with the Jordan General Federation of Trade Unions to promote the formalisation of Syrian workers in the construction sector. Arrangements like this one should continue to be utilised in order to speed to the legalisation of workers across all sectors — especially those sectors like construction, which are prone to high levels of informality.

## 3. Continue to dispel misperceptions around work permits

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There are a host of misperceptions surrounding worker formalisation. 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.<sup>1</sup> Employers do not always respect, and sometimes deliberately avert, the rules. In some cases managers prefer to pay fines for employing

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<sup>1</sup> Razzaz, Susan; 'A Challenging Market Becomes More Challenging,' International Labour Organisation, [http://www.ilo.org/beirut/publications/WCMS\\_556931/lang--en/index.htm](http://www.ilo.org/beirut/publications/WCMS_556931/lang--en/index.htm)

undocumented workers rather than the (more expensive) work permit renewal fees. Various actors are engaged in the effort to raise awareness and dispel the misperceptions that exist around work permit arrangements. These initiatives are essential and should continue.

## 4. Prioritise job creation in those sectors that have been opened to Syrian refugees

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Many of the sectors that are considered key for Syrian refugee employment have seen little expansion in recent years. The Department of Statistics' 2015 data put agriculture's net job creation rate at 1.4 per cent, construction at 1.5 per cent, accommodation and food service at 5.1 per cent, manufacturing at 12.8 per cent, and wholesale and retail trade at 8.6 per cent. If employment creation for both Jordanians and Syrian refugees is to remain a priority, policy makers should take steps to stimulate growth and ease the cost of hiring in these sectors.

## 5. Develop a long-term plan to gradually reduce the size of the informal market

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The International Labour Organisation (ILO) defines informality as 'all economic activities by workers and economic units that are – in law or in practice – not covered or insufficiently covered by formal arrangements.'<sup>2</sup> Jordan's economy has long been hampered by such informality. In 2010, the informal economy was estimated to constitute between 20 and 25 per cent of total economic activity.<sup>3</sup> Efforts to formalise Syrian refugee labour would best be accompanied by efforts to reduce the size of the informal market in general, which can be achieved through a combination of oversight, incentives and penalties. Such a policy initiative should be carried out in a gradual and deliberate manner so as to minimise the disruption of activities that are essential to livelihoods while still widening the base of reported economic activity. Reducing informality in this manner will both widen the tax base and neutralise the forces that drive down wages.

## 6. Support refugee incomes through targeted skills development programmes

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Syrian refugee households who indicate a working family member, report higher levels of monthly income and expenditures than households without a working family member. Still, some analysts have questioned the economic return to informal labour participation, given the fact that wages for the majority of Syrian refugees remain stubbornly low.<sup>4</sup> Stakeholders should not discount the value of Syrian refugee labour participation but rather focus efforts on

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<sup>2</sup> ILO, [http://www.ilo.org/global/topics/wages/minimum-wages/beneficiaries/WCMS\\_436492/lang--en/index.htm](http://www.ilo.org/global/topics/wages/minimum-wages/beneficiaries/WCMS_436492/lang--en/index.htm)

<sup>3</sup> UNDP, The Panoramic Study of the Informal Economy in Jordan (2013), <<http://www.jo.undp.org/content/dam/jordan/docs/Governance>>

<sup>4</sup> 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

transparency and training. Greater formalisation in conjunction with targeted skills development may, overtime, serve to boost wages and improve financial outcomes.

## 7. Develop programmes to boost firms' competitiveness

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Jordan has in recent years taken broad steps to attract investment. Under Investment Law No. 30, which was passed in October 2014, the Jordan Investment Commission's mandate was expanded, making it the sole government agency responsible for attracting investments and ensuring a safe and stable investment environment. These initiatives are praiseworthy and should continue to be carried out alongside concrete efforts to promote innovation and improve firms' product competitiveness and operational capacity.

## 8. Provide technical assistance to catalyse EU exports

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Increasing exports to the EU is among the most important objectives of the Jordan Compact. Stakeholders should remember that accessing EU export markets is a challenging undertaking that requires strategy and time. If Jordanian firms are to take advantage of the favourable access provided under this agreement, government and non-government actors must find a way to help Jordanian manufacturers gain a secure foothold in EU markets. Technical assistance that helps manufacturers to meet quality standards and to identify market access channels will be essential.

## 9. Facilitate sub-national data collection

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Based on official numbers, it appears that the Syrian refugee crisis has had a very limited 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.



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