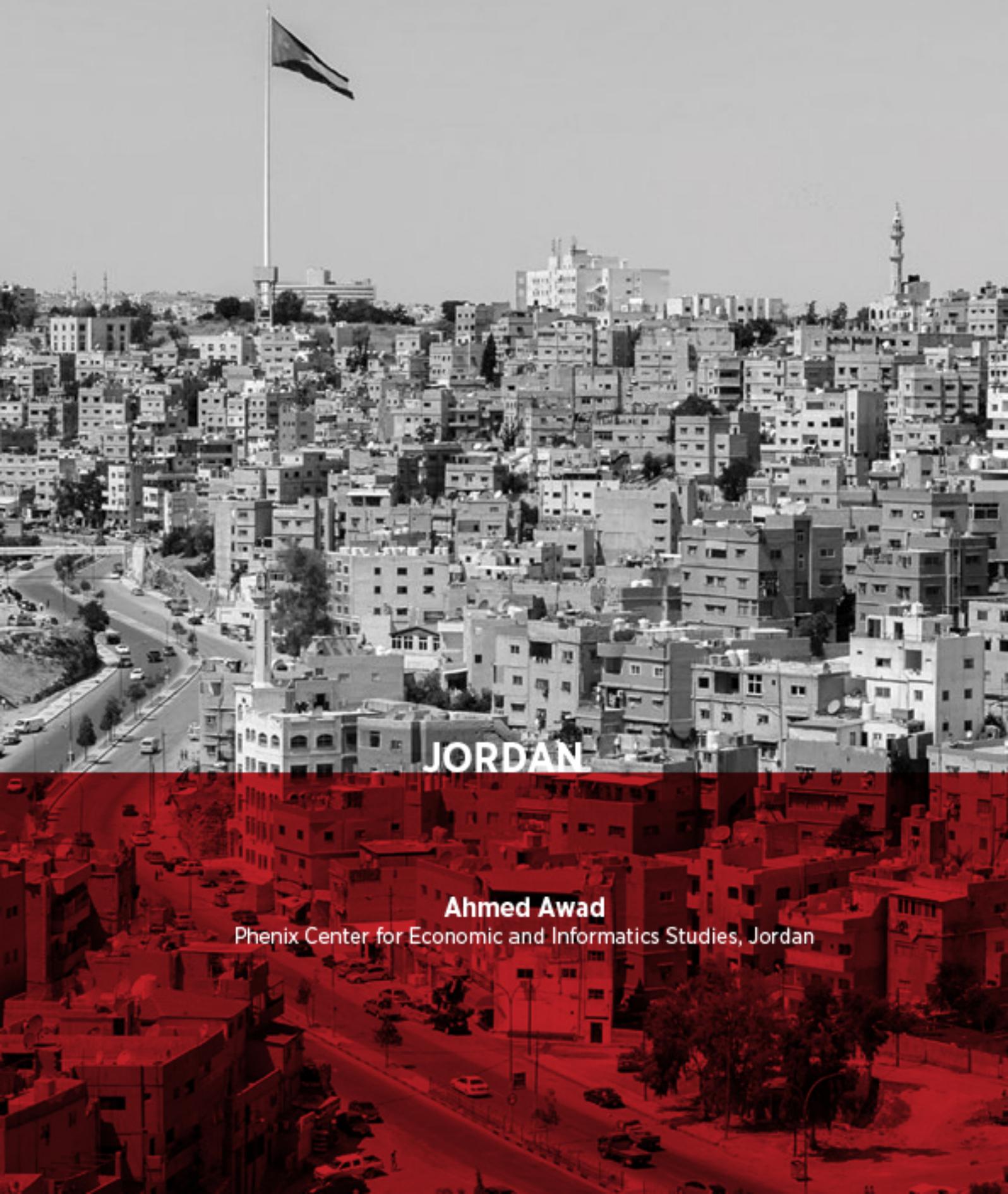


# INFORMAL LABOR



**JORDAN**

**Ahmed Awad**

Phenix Center for Economic and Informatics Studies, Jordan

## PHENIX CENTER FOR ECONOMICS AND INFORMATICS STUDIES

The preparation of this report on informal work in Jordan is part of the third Arab watch report on economic and social rights, which is generally aimed at addressing the phenomenon of informal labor, with a focus on the rights of workers in this economy. This comes in the context of identifying the most vulnerable sectors in the Arab economies, including Jordan, where the informal economy has expanded remarkably over the past few decades as an expression of the failure of many different economic policies, which has weakened the ability of national economies to generate adequate and decent jobs in the formal economy. This went hand in hand with a decline in the various indicators of economic, social, civil, political and cultural human rights, as well as deepening the levels of social inequality. The report analyzed the reality and development of informal labor in Jordan and monitored and analyzed various public policies that contributed to the expansion and/or treatment of informal labor. It addressed how trade unions dealt with this labor, as well as a number of recommendations that would promote the economic and social rights of informal workers and enable them to enjoy the known decent work standards. According to the International Labour Organisation, the informal economy refers to “all economic activities by workers and economic units that are – in law or in practice – not covered or insufficiently covered by formal arrangements. Their activities are not included in the law, which means that they are operating outside the formal reach of the law; or they are not covered in practice, which means that – although they are operating within the formal reach of the law, the law is not applied or not enforced; or the law discourages compliance because it is inappropriate, burdensome, or imposes excessive costs.” As for the informal labor, ILO defines it as «the jobs carried out in formal sector enterprises, informal sector enterprises or households. These comprise: own-account workers and employers employed in their own informal sector enterprises; contributing family workers, irrespective of whether they work in formal or informal sector enterprises; employees holding informal jobs, whether employed by formal sector enterprises, informal sector enterprises or as domestic workers employed by households; members of informal producers' cooperatives; and own-account workers engaged in the production of goods exclusively for own final use by their household.»

## LABOR MARKET INDICATORS AND THEIR DEVELOPMENT

In order to understand the situation of the labor market in Jordan and its development dynamics, it is necessary to take into account the very high population growth rates. The population jumped from 5.6 million in 2014 to 9.8 million in 2016, with an annual growth rate of %5.3, leading to a large number of new entrants into the labor market, especially since the proportion of young people aged between 20 and 39 years is %33.1 of the total population. This high growth is due to the natural population growth rate of %2.2, as well as the migrations and asylum operations that Jordan has suffered from as a result of the crises in the countries of the region, especially the Syrians, whether refugees or non-refugees. According to official estimates, the labor force in Jordan in 2016 was between 2.6-2.4 million workers. Of these, about 1 million are migrant workers, the majority of whom are Egyptians, Syrians and Asians. 350,000 of them have official work permits. The rest work informally and are

distributed to many economic sectors. The same indicators show that the participation rate of women in the labor market is not more than %12.4. The overall economic participation levels in Jordan are very low, reaching %24 in 2017. The revised economic participation rates (total labor force of the total working age population) have declined over the last 10 years from %39.8 in 2007 to %35.6 in 2016, due to the weak capacity of the Jordanian economy to generate new job opportunities, and the decline of women's participation to economic life, which did not exceed %13.4 in 2016. Therefore, the total number of new entrants to the Jordanian labor market per year increased. Education figures in Jordan indicate a growing number of graduates annually, reaching in 2015 about 120 thousand from the different levels of education and various disciplines, against a decline in the number of jobs from 70.1 thousand new jobs in 2007 to 48.1 thousand in 2015. This is mainly due to the decline in the capabilities of the Jordanian economy in recent years, where economic growth rates for the last five years have not exceeded %3.0. These indicators do not reflect the total number of new job opportunities in Jordan, because they are limited to the formal economy only, most of which were for Jordanians with %91 of all new job opportunities, and %26.4 for the newly created job opportunities for women, %44.4 of these in the public sector. As a result, the unemployment rate increased during the past years at a high rate, reaching %15.8 in 2016, while in 2007 it was %13.1. As noted in Table (4), the unemployment rate among women is very high compared with men, reaching %24.8 in 2016 compared with %13.8 for men. The concentration of the business sector in few cities, mainly in Amman, and to a lesser extent in Zarqa and Irbid, prompted young men and women who are seeking jobs to migrate from various regions to these governorates, particularly to Amman in search of work, and to a lesser extent to Zarqa and Irbid. Amman, Zarqa and Irbid governorates accounted for %77 of the total net jobs created.

## EXPANSION FACTORS OF THE INFORMAL LABOR

The failure of economic policies in strengthening economies and generating enough jobs for the new entrants to the Jordanian labor market, as well as the deformation of education policies and their isolation from labor policies and the jobs required by the labor market, with the significant expansion of university education to the detriment of technical and vocational education, and the lack of coordination between education and labor policies, as well as the loose official measures taken to monitor the implementation and respect of different labor standards, and the development of an investment-friendly environment at the expense of working conditions, resulted in the expansion of enterprises that do not apply decent labor standards and fundamental principles at work. The policies depriving most of the workers in Jordan from trade union organization and the right to collective bargaining led to a remarkable decline in the working conditions, which expanded the proportion of informal workers. In addition, the high financial and tax obligations resulting from the registration of enterprises, including small ones, have led many employers not to register their enterprises officially. Moreover, many workers are willing to work in jobs other than their main jobs due to low wage rates and continuously rising costs of living. The changing concept of employment in many sectors cannot be neglected, and many people tend to work freely in many professions such as plumbing, maintenance, electricity, mechanics, painting and other professions like electronic programming. This has resulted in the expansion of the informal economy and labor in Jordan. Although there are no recent statistics to reflect

this expansion, the official indicators issued in 2012 show that the size of the informal economy accounts for %25 of the Growth Domestic Product (GDP). As for the informal labor in the informal or formal economy, the official indicators for 2012 show that it accounts for %44 of the total labor force in Jordan. Although these indicators are high, they do not reflect the realities of the informal economy or the informal labor. Since 2012 and until the date of the present report, in the first semester of 2017, many changes occurred in the Jordanian labor market. The Jordanian economy's ability to grow and create jobs has declined, and the country received approximately 1.3 million Syrians, about half of whom are registered as refugees. According to official estimates issued by the Ministry of Labor, the number of Syrians in the labor market is close to 150,000, most of them are informal workers.

## INFORMAL LABOR CONDITIONS

It is worth noting that, according to the various decent work indicators universally recognized, employment conditions in Jordan are weak for the vast majority of waged workers. This applies to workers in both the formal and the informal economy. However, large groups of informal workers suffer from working conditions weaker than those of other workers in other sectors. A review of the basic standards of decent work reveals the characteristics of informal workers employment, whether employed in the formal or the informal economy. They are deprived of trade union organization and collective bargaining. Only %5 of all workers in Jordan are organized; they are the social group with decent working conditions. In addition, low wage levels are among the most important challenges faced by workers in the Jordanian labor market for various formal and informal workers, especially in the informal labor. This is creating a great pressure on waged workers, especially organized ones, for that the majority work on a daily and seasonal basis. Therefore, there is no employment stability. Those are highly present in the sectors of construction, transport and agriculture. The wage rates in Jordan for males are 472 dinars per month and for females 437 dinars per month. In addition to the clear wage gap between males and females in favor of males, this level of wages is very low, compared to absolute poverty levels in Jordan. The official figures dealing with poverty levels in Jordan indicate that the absolute poverty line is 813.7 dinars per capita per year as per official indicators for 2010. It is known that it has increased over the past six years due to high inflation, and the poverty line of the standard family of five has reached 360 dinars per month. Large segments of the waged workers, especially in the informal sector, receive monthly wages below the minimum wage, especially among female workers in the professions of female nurses, workers in beauty salons and support health professionals. None of the informal workers enjoy any form of social protection and social security. Informal workers also face other violations such as the non-application of labor legislations, regulations and instructions. Large numbers receive monthly wages after the seventh day of the following month (salary entitlement) - not as provided by the Labor Law. They are also deprived from annual, sick and official leaves. In addition, there are many economic sectors where workers work beyond the eight hours specified by the Jordanian Labor Law, without additional work allowances. A wide range of enterprises, especially small and medium ones do not apply occupational safety and health standards, causing annually thousands of occupational accidents and dozens of deaths. It can be said that all child labor is restricted to the informal sector. According to ILO statistics, the number of working children is close to 100,000, almost half of them are Syrian refugees.

## GENERAL POLICIES AND INFORMAL LABOR

There are many legislations and policies that have led to the expansion of the informal economy and labor, foremost of which is the Jordanian Labor Law, as it excludes some categories of workers, such as the employer's family members who work in its projects without pay. It also excludes agricultural workers. Although these provisions were amended in 2010 to include domestic workers, cooks and agricultural workers, this was linked to issuing regulations for this purpose. Until the date of the present report, the regulation for agricultural workers was not issued. These policies have led some 60,000 agricultural workers, mostly women, to work on an informal basis, depriving them of their various labor rights, including social protection. In addition, the Labor Law places severe restrictions on waged workers to form their own unions, which has weakened the ability of informal workers to defend their interests, thereby depriving hundreds of thousands of workers, especially those who are not organized, of their most basic rights. In fact, trade unions contribute effectively to law enforcement and to the detection of violations. The same applies to the Social Security Law which did not establish an appropriate mechanism for the involvement of workers in the social security system, and the only options available to them by law are limited to the so-called «voluntary participation», i.e. the person pays about %15 of his salary as a social security contribution, knowing that this high rate prevents their participation. On the ground, as a result of high levels of unemployment and poverty, successive governments in Jordan have encouraged unemployed people to set up small and micro enterprises by granting them loans directly or through other lending institutions. And here we can notice that practicing any available job is encouraged.

As a result of the large expansion of the informal economy and labor, the government, in collaboration with the ILO, issued a «national framework for the transition to the formal economy in Jordan» in 2014. It was completed by a national team consisting of the Ministry of Labor, the Ministry of Planning and International Cooperation, Jordan Chamber of Industry, the General Federation Jordanian Trade Union, the Social Security Corporation, the Department of Statistics, and King Abdullah II Fund For Development (KAFFD). The objective of this framework was to limit the expansion of the informal economy. The framework emphasized a set of principles which included respect for the rights of individuals, families and groups to engage in special work, and respect for basic labor rights for all workers, including those in the informal economy. The framework also identified a range of areas of intervention for the transition to the formal economy, which were to promote growth and create decent job opportunities, to improve labor market management through trade union organization and social dialogue on working conditions, as well as to expand social protection (social security).

However, since its inception three years ago, the framework has not been systematically and clearly implemented, with the exception of campaigns by the Social Security Corporation to expand the social security base. There have been numerous attempts to establish trade unions over the past five years for some workers in sectors of high informal economic activity, such as construction workers, drivers and agricultural workers. The independent union of construction workers was unable to continue working under security pressure, while the independent union of drivers, founded in 2012, continues to operate until now. All its members are informal. They have carried out many protest movements to defend their interests, the most important being their adherence to social

security. The union of male and female agricultural workers was established in 2015, and all its members are male and female informal workers (the vast majority are women). The union has been working since its establishment to pressure the government to issue a special regulation guaranteeing its inclusion in the Labor Law.

## RECOMMENDATIONS

The following is a set of recommendations that I believe would reduce the spread of the informal economy and labor, and mitigate the violations and vulnerability to which informal workers are exposed:

- Implement the national framework developed by the government in collaboration with the International Labor Organization and social partners for the transition to the formal economy in 2014;
- Review the economic model applied in Jordan, based on the human rights perspective and protecting the interests of all parties;
- Stimulate the national economy by encouraging investment in labor-intensive productive sectors to alleviate unemployment and generate adequate and decent job opportunities;
- Stimulate the business environment to encourage the expansion of the formal economy by facilitating the establishment of workers' institutions and reducing tax burdens;
- Review and link educational policies to labor policies and labor market needs;
- Re-enact the provisions of article 3 of the Labor Law so that all waged workers are covered by the Labor Law, and that agricultural and domestic workers are not linked to special regulations;
- Review article 98 of the Labor Law, so that all restrictions limiting the establishment of trade unions for all workers in Jordan are removed;
- Review the mechanisms of involving employees in the Social Security Law, in a way to facilitate their involvement at a lower and affordable cost, with a view to providing social protection;
- Activate Labor Law enforcement processes to ensure that all labor standards are applied to all waged workers in Jordan;
- Activate the enforcement of the Social Security Law to ensure that it applies to all waged workers in Jordan;
- Activate the application of health insurance in the social security system at reasonable costs to employees and employers;
- Review wage policies in order to raise the wages so that employees do not have to work in other jobs.