

Perceptions of Jordanians on social and economic equality: hope for the present



Shared Prosperity Dignified Life



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Background

The Arab region suffers from the greatest inequality worldwide, which not only disrupts economic development, but also stalls progress towards achieving the 2030 Agenda for Sustainable Development and poses risks to social and political stability. Many Arab countries are trapped in a vicious cycle of conflict, low economic growth, limited social expenditure, unemployment, and rising inequality.

Given the risks of high inequality, it is important to understand people's perceptions of equality and its various manifestations. Consequently, ESCWA conducted a survey in 2022 of 10,000 respondents in 10 Arab countries¹ on social and economic equality. Across the region, half

The Arab region suffers from the greatest inequality in the world



ESCWA conducted a survey in 2022 on social and economic equality

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of those polled felt that they currently experience social and economic equality

¹ Egypt, Iraq, Jordan, Kuwait, Lebanon, Mauritania, Morocco, Oman, the Sudan, and Tunisia.

of those polled felt that they experienced social and economic equality. Similarly, half of respondents believed that social and economic equality would increase in the next five years.

Across the Arab region, respondents believed that the top three policy options to improve social and economic equality were job opportunities for young people; combatting corruption; and increased wages for workers.

Except for Lebanon (whose respondents prioritized combatting corruption), creating job opportunities for young people was the most identified need across the Arab region. To create more employment opportunities, respondents recommended creating more jobs in the private sector; providing more funding for small and micro enterprises; and reforming the education system to meet market demands.

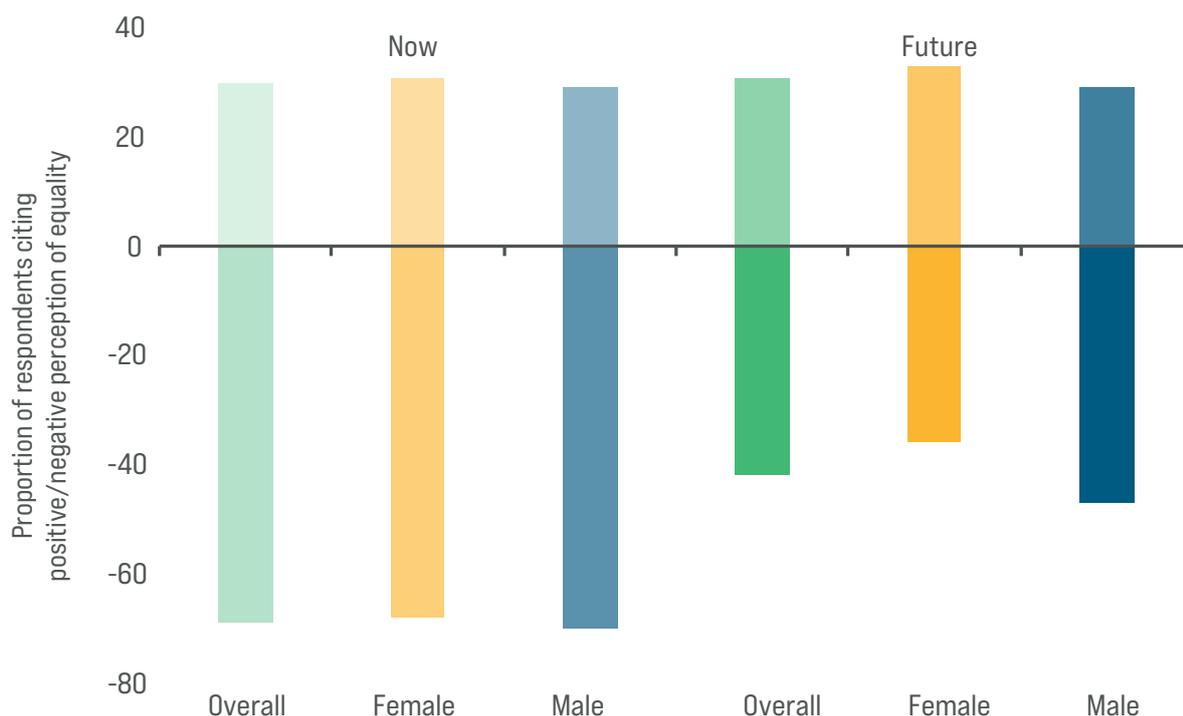
Jordanian's perceptions on social and economic equality

In Jordan, three out of five respondents believe that they currently experience positive social and economic equality. Looking forward, only one third of respondents believe that social and economic equality will increase in the next five years. On the contrary, two out of five respondents believe that equality will deteriorate. Jordanians are more pessimistic of their future than the average Arab citizen.

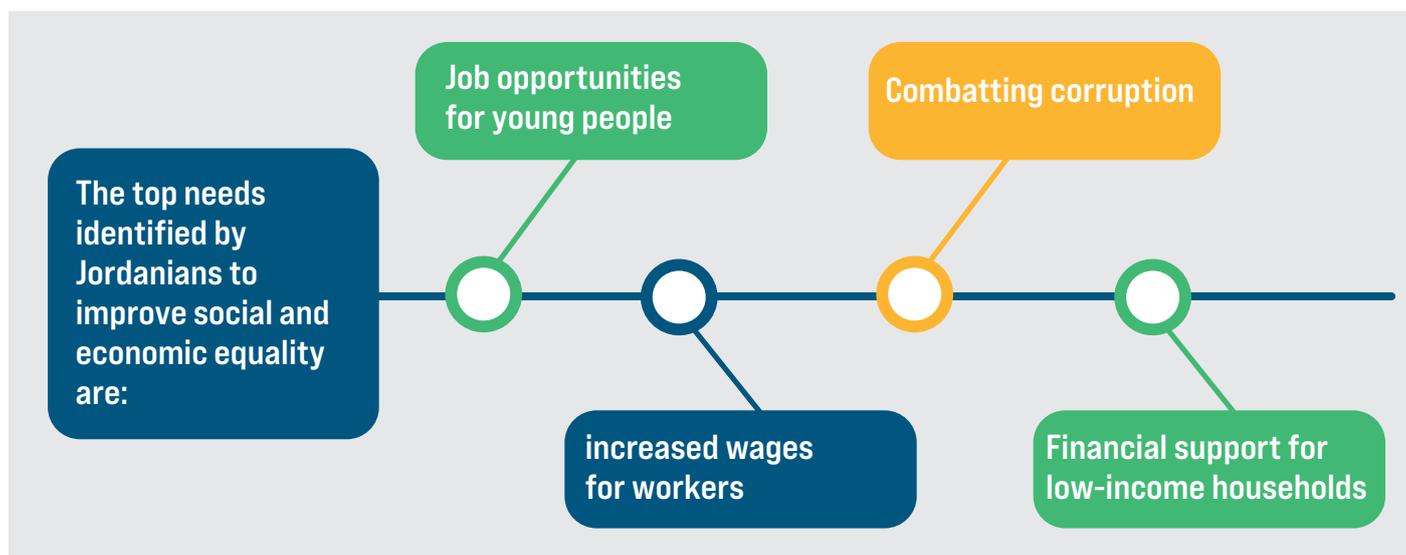
Female respondents are fractionally more optimistic than male respondents about their current experience of equality, but they agree with their male counterparts on future expectations of equality. Young people are the most optimistic: 7 out of 10 respondents aged between 18 and 24 believe they currently experience equality, although only two in five believed that equality will improve.

Jordanians are pessimistic about their future prospects of equality. Men and older persons are particularly pessimistic.

3 out of 5 believe that they currently experience positive social and economic equality



Perceptions of Jordanians on improving social and economic equality



Among the options to increase social and economic equality, Jordanians believe more strongly than the average Arab citizen in job opportunities for young people,

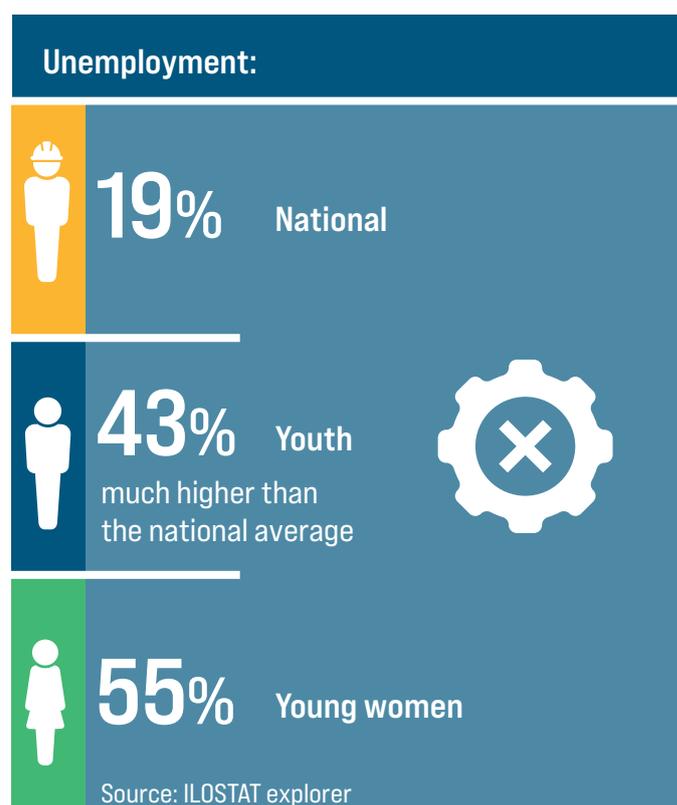
increased wages for workers, and financial support for low-income households.

Job opportunities for young people

Seven out of 10 Jordanians (equally represented across men and women) identified job opportunities for young people as a critical policy solution to address inequality in the country. The proportion of Jordanians recommending increased job opportunities for young people was higher than any other country surveyed, perhaps because Jordan has one of the youngest populations worldwide,² whose absorption into the labour force is critical for future social stability.

Although Jordanians believe more strongly than the average Arab citizen that job creation for young people is critical, they have little hope that it will materialize. Only half of Jordanian respondents believe that there will be more decent and productive jobs in the next five years. Jordanian women have slightly more confidence that there will be more decent and productive jobs than Jordanian men.

To create more employment opportunities, Jordanians recommended creating more jobs in the private sector, providing more funding for small and micro enterprises, and



² the United Nations International Children's Emergency Fund (UNICEF), Jordan: Youth – a successful transition to adulthood for every child, 2022.

reforming the education system to meet market demands. Compared with the average Arab citizen, Jordanians placed greater importance on all the above recommendations.

Private sector job creation

Three in five men and women in Jordan identified the need for private sector job creation to enhance employment opportunities. Respondents aged 25 to 30 felt particularly strongly that private sector job creation was key to enhancing employment.

The Jordanian Government's National Employment Programme (part of the country's Economic Priorities Programme 2021-2023) supports firms in recovering from the COVID-19 pandemic. It offers subsidies for wages, social security and transport to firms that create jobs (particularly for women and young people), and offers on-the-job and classroom training for workers.³ While acknowledging that the National Employment Programme requires vast resources amid a tight fiscal landscape, it should nonetheless remain a policy priority post-pandemic.

Innovative financing models, such as sustainable bonds or a wealth solidarity tax, should also be considered to support job creation.

Jordan is the second largest host of refugees per capita.⁴ However, despite an increase in the number of work permits awarded to Syrians (a record 62,000 were awarded in 2021),⁵ Syrians may only obtain a work permit if sponsored by an employer. Awarding work permits to self-employed or entrepreneurial refugees would increase the formalization of many small businesses.

The Government should concentrate efforts on promoting sectors that can create decent jobs for young people, including tourism, agriculture and the digital economy, which is also part of the Jordanian Government's Economic Priorities Programme.⁶ Improved transport infrastructure would increase the competitiveness of the tourism and agriculture sectors, and enhancing the safety of existing public transport would raise women's labour force participation. Promoting growth in the formal agricultural sector would also increase the country's food security, reducing reliance on agricultural imports and empowering (mostly rural) women.

Economic growth typically does not translate into higher formal employment in Jordan, but rather into higher informal employment.

An estimated 54 per cent of employed Jordanians worked in the informal sector in 2020. This number has undoubtedly increased owing to formal sector job losses during the pandemic. Informal employment is widespread throughout the economy, but men constitute the majority of the informal labour force (57 per cent).

54% of employed Jordanians worked in the informal sector in 2020



57% of the informal labour force are men



³ World Bank, Jordan: US\$112 million to finance national employment program in the private sector, focused on jobs for youth and women, 2021.

⁴ Norwegian Refugee Council, These 10 countries receive the most refugees, 2022.

⁵ The United Nations High Commissioner for Refugees (UNHCR), Jordan issues record number of work permits to Syrian refugees, 2022.

⁶ World Bank, Jordan Economic Monitor: Global Turbulence Dampens Recovery and Job Creation, 2022.

Increase funding for small and micro enterprises

Half of Jordanians (divided equally between men and women) identified the need to increase funding for small and micro enterprises to support employment. Respondents aged 25 to 30 felt particularly strongly that increased funding to micro and small enterprises was key to enhancing employment.

Micro, small and medium-sized enterprises (MSMEs) have considerable employment creation potential, yet their potential is constrained by their informality and a lack of access to capital. Formalization, assistance from the Jordan Loan Guarantee Corporation, and increased uptake of financial technology (fintech) can increase MSMEs access to finance.

The formalization of informal businesses and workers is essential to increasing access to capital, and to creating decent employment. Governments efforts to encourage formalization could include reducing the costs associated with formalization, such as business registration costs; streamlining registration and tax payment procedures; and expanding access to finance.

In 2020, the Jordan Loan Guarantee Corporation created the Special SMEs Finance Facilitation Programme to support small and medium-sized enterprises through the pandemic, which capped interest rates on SME loans at 2 per cent and provided a loan guarantee of up to 85 per cent, under the condition that companies accessing such credit were not allowed to fire workers during the duration of the loan. Post-pandemic, this requirement could be changed to encouraging employment creation or to attending business development courses, for example. The Special SMEs Finance Facilitation Programme was likely depleted during the pandemic, and will require recapitalization. Given the tight fiscal landscape, the Jordanian Government will have to seek innovative financing models to replenish the fund. Public-private partnerships, whereby the Government shares the risk of MSMEs with larger businesses in the same value chain, could be one innovative solution.

Fintech has enormous potential to promote financial inclusion and MSME development, and provided an enabling environment for innovative solutions during the pandemic.⁷

MSMEs account for 98 per cent of all private sector entities in Jordan. However, a lack of access to markets, technology, skilled labour and finance has constrained MSME growth. Almost all firms that were small in 2016 remained small in 2019. Within MSMEs, micro enterprises are particularly vulnerable to the low productivity trap, yet they provide 43 per cent of all private sector employment (of which 80 per cent is informal).



of all private sector entities in Jordan are MSMEs



⁷ Central Bank of Jordan, FinTech Regulatory Sandbox, 2021.

The Jordan National FinTech Hub and the Central Bank's FinTech Regulatory Sandbox have been instrumental in promoting innovation in fintech and facilitating regulatory approvals to support their integration into financial markets.⁸ In parallel, policymakers should continue to target those most at risk of being left behind with fintech innovations.

Education system reform

Two out of five Jordanians (divided equally between men and women) believed that education system reform, in line with labour market needs, would improve employment opportunities.

To address the mismatch between skills provided by new entrants to the labour market and those demanded by firms, the Jordanian Government must work with the private sector and the education system to invest in the skills demanded by the private sector. Education reform must primarily focus on understanding the needs of the labour market. The ESCWA Skills Monitor provides an up-to-date picture of the skills demanded from current online job advertisements in Jordan, and can be used to understand labour market dynamics.

Young people should also be encouraged to study subjects in demand by the private sector, in addition to those demanded by the public sector. Public-private partnerships could subsidize the cost of degrees demanded by the private sector. Similarly, sandwich schemes for young people can encourage greater uptake in subjects relevant to the private sector. University courses that include a one-year placement within a relevant industry can help the private sector identify competitive graduates and can increase the competitiveness of students upon graduation, in addition to providing them with an opportunity to earn an income while studying.

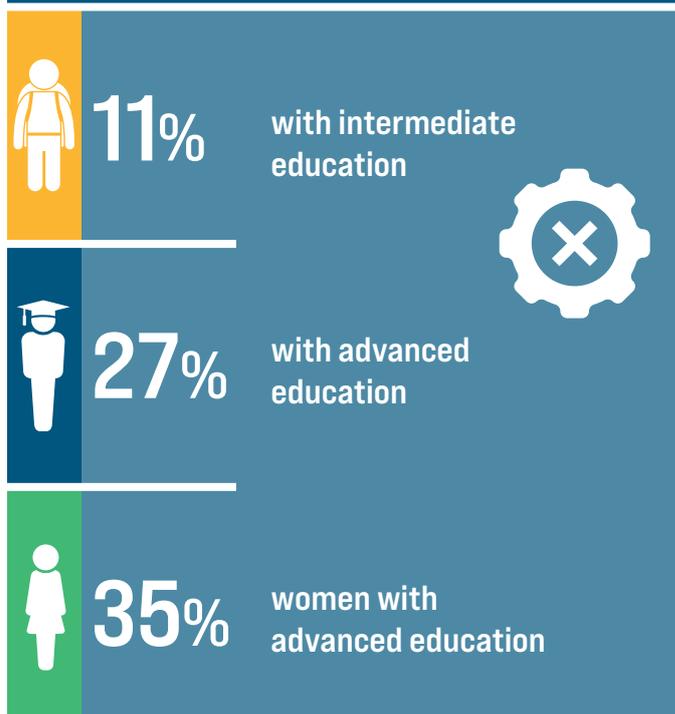
Technical and vocational education and training (TVET) are also critical to enhancing employment opportunities, especially among young people from low-income families. However, vocational education should be modernized so that it is no longer associated with lower education outcomes, but instead seen as more forward looking, and should embrace technological advances. This is not an easy task as it requires changing perceptions of vocational training.

Collaboration between TVET institutions and the private sector should be strengthened to provide graduates with skills relevant to the labour market, with a regular feedback mechanism to ensure a continual supply of in-demand skills. Similarly, greater coordination between government ministries, in particular the Technical Vocational Skills Development Council, the Technical Vocational Skills Development Commission and the ministries of labour and education, would support a uniform approach to skills development.

A lack of high-skilled formal employment creation amid an increasingly educated population has triggered an increase in unemployment amongst educated youth: only 11 per cent of Jordanians with intermediate education are unemployed, compared with 27 per cent with advanced education. Around 35 per cent of women with advanced education are unemployed.

A skills mismatch (53 per cent of working young people do not have qualifications matching their occupation) also affects the employment status of well-educated youth.

Unemployment:



⁸ European Union, Jordan Regulatory Sandbox – fintech in COVID-19 and beyond, 2021.

Increased wages for workers

Two thirds of Jordanians (divided equally between men and women) identified increased wages for workers as a critical solution to address inequality in the country. As with increased job opportunities for young people, the proportion of Jordanians recommending increased wages for workers was higher than any other surveyed Arab country. Mid-career respondents (those aged 25 to 30 and 31 to 45) felt particularly strongly that policies needed to address workers' wages.

At present, the minimum wage applies to all formal workers in the public and private sectors. In 2020, the minimum wage was set at 260 Jordanian dinars per month, but annual increases have been postponed owing to the poor economic situation caused by the pandemic. In addition, the minimum wage is not comprehensively implemented: textile workers, loading and unloading service workers, and domestic workers are excluded from the policy.⁹ Noting the tight financing landscape for the Government and businesses, employers should nonetheless be encouraged to apply the minimum wage policy to all workers in the country.

Formalization should increase access to affordable finance and a firm's growth potential, which in turn should increase workers' wages. At the very least, formalization

Jordan has largely eliminated working poverty, with less than 0.1 per cent of employed Jordanians living in extreme poverty. However, Average monthly wages stand at just \$497 per month, and women earn slightly less than men (\$457 versus \$507 per month). The agricultural sector remains the most vulnerable: average monthly wages amount to only \$364, or \$281 for women.

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should create decent employment. However, many companies are reluctant to formalize owing to the costs involved. Governments should strengthen efforts to encourage formalization and reduce related costs.

Combatting corruption

The third most demanded solution to reduce inequality in Jordan varied by gender. While men identified the need to combat corruption as important to reducing inequality, women placed greater emphasis on providing financial support to low-income households. Given that women are less likely to engage in corruption and are therefore less likely to experience it,¹⁰ women ranked corruption as a weaker obstacle to social and economic equality than men.

Overall, two out of five Jordanians highlighted the need to combat corruption; half of men and one third

of women. The importance of combatting corruption increased with age.

Anti-corruption institutions, including the judiciary, should be strengthened and made independent. Specialised on-demand training and mentorship opportunities for corruption investigators and integrity judges would strengthen their capacity to combat corruption.

Civil society organizations should also be strengthened and allowed to operate without obstruction, and an independent press should be encouraged.¹¹

⁹ The Jordan Times, Minimum wage increase deferred due to COVID crisis – Labour Ministry, 2022.

¹⁰ Transparency International, Gender and corruption: are women less corrupt?, 2020.

¹¹ Transparency International, CPI 2021 for Middle East and North Africa: systemic corruption endangers democracy and human rights,

Furthermore, youth disaffection with mainstream politics should be addressed. Young people have proven to be catalysts for change: they are more likely to demand their rights, and their use of social media facilitates greater transparency. Efforts to restore young

people's confidence in politics would bring greater youth engagement, which in turn could increase whistleblowing and transparency. At the very least, greater youth engagement would promote popular engagement in democratic values.



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Financial support for low-income households

Two in five Jordanians (divided equally between men and women) believe that increased financial support for low-income households would improve social and economic equality. Financial support for low-income households was a more pressing need among older participants. Again, the proportion of Jordanians identifying the need for financial support for low-income households was higher than any other Arab country surveyed.

To increase financial support to low-income households, the National Social Protection Strategy should be fully realized to ensure a more comprehensive social protection system that includes the self-employed and informal workers. This will require better use of data, including regularly updated

The Jordanian Constitution guarantees the right to basic social and health services for Jordanian citizens. In 2019, the National Social Protection Strategy was launched.

The large refugee population is also vulnerable and in need of support. A donor-funded cash transfer programme for Syrian refugees and host communities exists, but is underfunded given that it was initiated as an emergency humanitarian response.

multi-dimensional poverty indices. Greater analysis of multidimensional poverty in Jordan, to understand its drivers and the most excluded populations, will improve the effectiveness of social protection programmes, thus enabling more efficient targeting of beneficiaries and reducing potential leakages.¹²

Extending social insurance, such as health insurance and pensions, to informal workers is important to increase their benefits and protect them from unexpected shocks. *Estidama* and *Estidama++* will provide income support and subsidized contributions to Jordanian and non-Jordanian workers, including refugees, under the Social Security Corporation.¹³ It is critical that this programme is sufficiently financed to reach the most vulnerable workers, and that the initiative continues after the programme ends. Innovative financing methods will therefore be required. Debt management agreements could create fiscal space for increased social insurance uptake, and expediting the digitization of social protection systems would increase the efficiency of existing programmes.

Greater coordination between the National Aid Fund and the Zakat Fund will make social protection in Jordan more efficient, helping to reduce double counting. Greater coordination would also reduce the administrative costs of running two similar programmes.

The Government of Jordan should advance efforts to make social protection systems more shock-responsive and adapted to life-cycle risks.¹⁴ The social protection system should have the capacity to be quickly scaled up or down in response to emergencies. Quick scaling up ensures that households receive assistance rapidly in an emergency

and are protected from poverty, while quick scaling down prevents wastage and protects the country's limited resources. Moreover, increased protection against life-cycle risks, such as ill health, unemployment or old age, will prevent vulnerable households from falling into poverty.



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¹² United Nations Economic and Social Commission for Western Asia (ESCWA), Multidimensional poverty in Jordan, 2018.

¹³ International Labour Organization (ILO), Jordan and ILO sign agreement to support the extension of social security coverage and promote formalization, 2021.

¹⁴ ILO, Social Protection: Jordan, 2022.



Shared Prosperity Dignified Life



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MISSION: Committed to the 2030 Agenda, ESCWA's passionate team produces innovative knowledge, fosters regional consensus and delivers transformational policy advice. Together, we work for a sustainable future for all.

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