Jordan’s

National Employment Strategy

2011-2020

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Job creation is a crucial issue for any government. The task is all the more critical in Jordan because more than half of the population is under twenty years of age, and more people enter the job market than leave it each year. Employment figures in Jordan are hardly comforting: Youth unemployment rates have remained in the double digits for more than a decade, and women's participation in the labor market is among the lowest in the world. Moreover, periods of strong growth have not resulted in strong job creation for Jordanians, which clearly indicates a structural dysfunction that needs to be addressed.

The National Employment Strategy (NES) was developed in response to this challenge, to identify and prioritize the areas where intervention would have the greatest impact in rectifying unemployment anomalies and enhancing employability. For the NES to be effective, it had to meet three important conditions:

The first derives from the multiplicity of input factors that affect employment, such as social norms, education, and working conditions, as well as the various players, including labor and professional associations, business owners and their associations, and the government. Therefore, the strategy had to be developed through extensive dialogue and consensus building between the different stakeholders.

The second condition draws from Jordan's limited resources and the pressing nature of the unemployment problem. Therefore, the NES had to focus on practical solutions with quantifiable performance indicators as well as mechanisms for assessment and corrective action where needed.

Finally, enhancing employability requires a consistent and sustained effort over the medium and long term. The NES had to ensure sustainability through an institutional framework to coordinate policies and programs, and to hold stakeholders and governments accountable for implementation of its strategy and action plan.

The NES benefitted from a wealth of studies, research papers, policy reports, and pilot projects developed by the Government of Jordan, international organizations such as the ILO and UNDP, and supporting donor agencies such as CIDA, and USAID. To these organizations and to others too numerous to list here, we offer our sincere gratitude.

Dr. Jafar Hassan
Minister of Planning and International Cooperation

FOREWORD BY THE MINISTER OF LABOR

The current vision of the Kingdom of Jordan is that of a globalized and competitive economy, a vibrant private sector, a qualified and productive labor force, efficient public organizations, and a continued adherence to the principles of international human rights standards. To enable us to realize this vision, several practical steps need to be undertaken, particularly in the area of employment and labor market governance. As such, the National Employment Strategy (NES) comes as a contribution towards this national vision. The NES outlines our principles, approach, strategies, and targets for raising the quality and quantity of employment outcomes and improving labor market governance.

Despite the daunting employment challenges our country has continuously faced, no overarching employment strategy has ever been developed before, as it is usually assumed that employment is an outcome of other strategies and policies. It is true that solid economic and sectoral strategies are needed to create new jobs. However, it is obvious from where we stand today that this is not enough. Employment needs to be carefully planned, managed, monitored, and integrated in all other social and economic strategies and programs.

The NES was developed through a consultative process with our social partners and other stakeholders. Hence this document is a reflection of a consensus that was reached between the government, social partners, and other actors on how to reshape and streamline national employment and labor market policies and actions.

The NES has three main sections. The first develops the NES vision against the current reality of the labor market; the second provides a comprehensive and systematic diagnosis for the labor market; and the third presents the way forward. Overall, the NES articulates the following components:

- Gradually Replacing Foreign Workers with Jordanians
- Supporting Employment Projects and Programmes
- Enhanced Training of Jordanians According to the Needs of the Labor Market
- Supporting Vocational Education and Training
- Enhancing Investment in Employment
- Supporting an Entrepreneurship Culture
- Supporting People with Special Needs
- Decreasing Restructured Employment
- Supporting Labor Market Employment Projects
- Supporting Workers' Rights (social security, insurance, etc.)
- Supporting Tripartite Dialogue

These objectives are broad and reflect national aims that do not pertain only to employment. Therefore, the NES is about also facilitating a common understanding of the existing employment challenges and the need for collaborative efforts towards addressing them.

Dr. Maher Alwaked
Minister of Labor

Preface

Absorbing the young, increasingly educated job seekers within its small economy is a daunting challenge for Jordan. Unemployment rates have remained in the double digits over the last decade; labor force participation rates, especially among women, are among the lowest in the world; and periods of strong economic growth have not translated into equally strong job creation for Jordanians.

Though daunting, the employment problem in Jordan is solvable. Jordan has an impressive history of developing its human capital—the main ingredient in economic development today. Jordan has managed to lift its literacy rates from the bottom of the list of Arab countries (just above Yemen) to the top of the list (just below Kuwait) in the past few decades. Jordanian workers built the infrastructure of the young Kingdom and farmed its hills and valleys through the 1960s and 70s. Its generation of engineers established small consulting and construction firms which soon became the region's giants. Its pharmacists started modest pharmaceutical companies in the 1960s, the first of their kind in the region, which soon mushroomed into a formidable industry with a global presence. Jordan's software industry, though small, is among the most creative in the region. Its service sectors, including banking, insurance, health, and air transport, hold a lot of promise. Jordan's teachers, IT specialists, engineers, doctors, pharmacists, accountants, and civil servants are still in high demand throughout the region.

The task ahead requires a clear vision, a strategy, and most importantly, credible government commitment to implement the strategy over the medium and long term. It requires the government to make employment its central economic policy, along with macroeconomic stability. It also requires the government to *shift away* from short term solutions such as absorbing more young Jordanians into the public sector, opening its doors to cheap foreign labor, or sending Jordan's best and brightest to work abroad. These "solutions" to Jordan's labor market problems only exacerbate them in the long term.

Rather, generating jobs of the quality and quantity that Jordan needs requires a strategic approach that focuses on: i) economic policies that generate economic growth and quality jobs for Jordanians; ii) a well-trained and motivated labor force, especially in the school-to-work transition years; and iii) social protection for all workers, including those in small, micro, and home-based businesses. The National Employment Strategy (NES) goes into detail, spelling these goals into specific objectives and programs with an implementation timetable and measurable performance indicators. But the most important ingredient for success will be consistency. Frequent shifts and reversals in policies can be costly in an area such as employment, which requires very high levels of coordination and a long gestation period to realize strategic goals. A lot of hard work went into the NES by the able "Technical Team," representing various ministries, agencies, and donors. We hope that consecutive governments will implement, monitor, evaluate, and indeed modify the NES as time goes by and as conditions change- but that they will not abandon the effort altogether. It is also our hope that the NES will contribute, even if modestly, to making the best of Jordanian talents for a brighter future.

Omar Razzaz
Technical Team Leader

ABBREVIATIONS

ALMP	Active Labor Market Policy
BEST	Building Extending Skills Training System
BPO	Business Process Outsourcing
CBJ	Central Bank of Jordan
CEO	Chief Executive Officer
CGE	Computable General Equilibrium
CIDA	Canadian International Development Agency
CSB	Civil Service Bureau
DEF	Development and Employment Fund
DOS	Department of Statistics
DPR	Development Policy Review
DU	Delivery Unit (in the Prime Minister's Office)
ECOSOC	Economic and Social Council
EMAF	Export Market Access Fund
ERF	Economic Research Forum
ETF	European Training Foundation
ETVET	Education, Technical and Vocational Education Training
EUS	Employment and Unemployment Survey
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
GPA	Governmental Administration Unit
HCHRD	Higher Council for Human Resource Development
HSC	Higher Steering Committee
HSHT	High Skilled-High Tradability
HSLT	High Skilled-Low Tradability
ICT	Information and Communication Technology
ILO	International Labour Organization
IU	Implementation Unit (at Ministry of Labor)
IMF	International Monetary Fund
JAF	Jordanian Armed Forces
JCS	Job Creation Survey
JD	Jordanian Dinar
JEDCO	Jordan Enterprises Development Corporation
JHDR	Jordan Human Development Report
JLMPS	Jordan Labor Market Panel Survey
LGF	Loan Guarantee Facility
LSHT	Low Skilled-High Tradability
LSLT	Low Skilled-Low Tradability
M&E	Monitoring and Evaluation
MENA	Middle East and North Africa
MFI	Microfinance Institution
MOE	Ministry of Education
MOF	Ministry of Finance

MOFA	Ministry of Foreign Affairs
MOHE	Ministry of Higher Education
MOI	Ministry of Interior
MOIT	Ministry of Industry and Trade
MOL	Ministry of Labor
MOPIC	Ministry of Planning and International Cooperation
MOSA	Ministry of Social Affairs
NCHRD	National Center for Human Resource Development
NET	National Employment Training Company
NES	National Employment Strategy
NGO	Non-Governmental Organization
PEFG	Pre-Shipment Export Finance Guarantees
QIZ	Qualifying Industrial Zone
R&D	Research and Development
SABEQ	USAID Jordan Economic Development Program
SME	Small and Medium Enterprises
SSC	Social Security Corporation
TC	Tripartite Committee
TVET	Technical and Vocational Employment and Training
UAE	United Arab Emirates
UNDP	United Nations Development Programme
USAID	U.S. Agency for International Development
VAT	Value Added Tax
VTC	Vocational Training Corporation
WTO	World Trade Organization

EXECUTIVE SUMMARY

Creating jobs in adequate quantity and quality is a top priority for Jordan - a small economy with few resources other than its human capital - yet it remains a daunting challenge. Unemployment rates, especially among youth, have remained in the double digits over the last decade; labor force participation rates, especially among women, are among the lowest in the world; and periods of strong growth have not translated into strong job creation for Jordanians. Employment remains a daunting challenge not so much for lack of analysis or diagnosis of the underlying problems and their solutions, but because of a lack of consistency in following through on plans and creating the institutional environment in which policy coordination, monitoring, and evaluation are applied to achieve the desired outcome of job creation.

The challenge is to formulate a focused, credible, and sustainable National Employment Strategy (NES) that delivers measurable results. The NES gives as much emphasis to diagnosis as it does to implementable actions. Section I develops the main goal of the NES and provides a "snapshot" of the current realities of the Jordanian labor market. Section II analyzes the labor market by examining both its supply and demand sides, as well as the institutional context (laws, regulations, public agencies, and programs) in which it operates. Section III focuses on the way forward, identifying specific goals, constraints, priority actions, and implementation arrangements.

Section I: Vision versus Current Reality

This section develops the main goal of the NES based on the overall vision laid out by the National Agenda in 2005, and provides a "snapshot" of the current realities of the Jordanian labor market.

NES vision: The NES derives its vision from that of the National Agenda, albeit with a focus on employment generation: Improving standards of living for Jordanians, through increased employment, wages, and benefits, and productivity improvements. The NES uses an integrative approach that examines investment policies, fiscal and monetary policies, education and higher education, vocational training, and social welfare, all through the lens of employment. Thus, the NES tackles the issue of employment *across* the various themes of the National Agenda.

Current realities of the labor market: A snapshot of Jordan's labor market reveals the demographic challenges and opportunities facing Jordan today. Jordan is going through its "demographic gift" stage but is not yet taking advantage of it. Indeed, compared to the region and the world, Jordan's economically active population is extremely low (only around 35 percent of those of working age are working). The economically inactive are overwhelmingly female, and overwhelmingly less educated. Among the economically active, males are entering the labor market at normal rates but exiting early, while females are not entering the labor market at sufficient rates, and those who do are exiting too quickly. There are differential hiring patterns between the public and private sectors: 45 percent of public sector employees are female, but only 13 percent of private sector employees are female. The overall unemployment rate has hovered in the range of 12-14 percent throughout the last decade.

Unemployed males are overwhelmingly unskilled, while unemployed females are overwhelmingly university graduates.

The current reality suggests that the high rate of unemployment in Jordan is structural. This means that it will be difficult to bring unemployment down substantially over the short term. In fact, as signs of economic progress over the near and medium terms, the rate of job creation for Jordanians and the quality of jobs are as important to track as the unemployment rate, if not more so.

The average wage in Jordan was JD 365 per month in 2009, reflecting growth of 3 percent in real terms between 2006 and 2009. But the wage structure shows a very wide base of low wages below JD 200, which makes it difficult for households with one income earner to live beyond subsistence.

Finally, the important question of how many jobs the Jordanian economy creates per year can still not be answered accurately. Various surveys yield different results and all underestimate in- and out-migration. A better measure of job creation, one which captures jobs taken by foreign workers and also Jordanians working abroad, is needed.

Section II: Diagnosing the Labor Market

This section approaches the labor market in terms of its main components: the demand side, the supply side, and the institutional structure in which the market operates (e.g., laws and regulations defining work conditions and benefits). The NES closely examines sources of segmentation of the labor market, namely public/private, male/female, national/foreign, rural/urban, and formal/informal labor issues.

Economic growth and employment: Jordan saw strong economic growth during the first eight years of the past decade (2000-2008); GDP grew at an average rate of 6.7 percent and an estimated 457,000 net jobs were created. Unemployment rates hardly budged, however, remaining within the 12 to 14 percent range. A closer examination of jobs created helps explain this apparent paradox: of all the jobs created between 2000-2008, almost 42 percent were in the public sector. Furthermore, more than half of the jobs created in the private sector went *not* to Jordanians but to foreign workers. The NES explores the demand, supply, institutional, and market segmentation issues that could be limiting the impact of economic growth on creating jobs (employment elasticity of growth).

Labor Market Demand: Moving Towards More and Better Jobs

Macroeconomic factors and labor demand: While labor supply constraints clearly exist, they should not overshadow the considerable challenges facing the Jordanian economy on the demand side; i.e., creating enough jobs and moving up the value chain to result in better wages and working conditions for Jordanian workers. The challenges are reflected in both the macro and micro levels of the economy: macroeconomic stability is one of the most important factors in generating economic growth and demand for jobs. Jordan maintained a stable monetary policy throughout the decade with a stable exchange rate, and reserves grew from US $4 to $12 billion between 2000 and 2010. Its fiscal policy, however, was not as prudent: Jordan's budget deficits continued to widen and the country entered the global financial and economic crisis without the fiscal ability to cushion its negative impact. FDI levels were very impressive throughout the decade, but much went into real estate investment. Domestic investment remained low, keeping overall investment vulnerable to regional volatility in the oil markets. In terms of *Doing Business* and competitiveness indicators, Jordan's ranking relative to other countries in the region and the world decreased.

Sectoral structure and labor demand: The NES examines the structure of the Jordanian economy in terms of each sector's contributions to GDP and employment creation, its exposure to international competition (tradability), and the level of education required by each sector. The results show that Jordan has a largely traditional service-oriented economy, based mainly on low skilled labor. The results also show the potential of the various sectors to move: i) up the value chain, increasingly relying on higher skilled labor; and ii) towards higher tradability through better exports of both goods and services (such as insurance, health, and education). For this to happen, current economic incentives aimed at traditional sectors need to be redesigned towards improving productivity, skill content, and exports.

Firm size and labor demand: The Jordanian economy is dominated by micro and small enterprises employing fewer than ten workers. They represent more than 90 percent of all registered enterprises and employ 47 percent of workers in the private sector. They also face different constraints than medium and large enterprises, the most significant being access to finance; Jordanian banks have lent only 10 percent of their total loans to SMEs, and less than 30 percent of SMEs have access to finance.

Labor Supply: How Can the Supply Side Respond Better to Demand?

The mismatch of supply and demand in Jordan can be observed in terms of both numbers and quality. Every year, around 120,000 students take the high school *tawjihi* exam, and about 60,000 pass it. Of those who pass, around 45,000 go to Jordanian universities and 6,000 go to community colleges. Jordanian universities graduate around 40,000 students per year. But on the demand side, out of around 76,000 jobs created in 2009, only about 24,000 were taken by university graduates, while 6,500 were taken by community college graduates; the rest, around 46,000, were taken by workers with a high school education or below (and a substantial proportion of those went to foreign workers). Thus, around 15,000 new university graduates enter the ranks of the unemployed or economically inactive every year.

In terms of quality of educational output, **Jordanian students have scored well on the international TIMSS tests on science and math compared to most Arab countries.** But they still rank below average internationally. At the higher education level (community colleges and universities), the number of graduates specialized in education, humanities, and non-technical and professional fields continues to exceed demand, and employers complain through surveys that education is not "applied" enough. Ironically, compared to other countries, Jordanian employers do little internal training to fill this gap. Overall, however, community colleges and higher education in Jordan are going through a crisis in terms of quality. The causes and remedies are beyond the scope of the NES and should be addressed separately.

Technical and vocational training continues to be weak and fragmented. The challenge is not so much the diversity of the providers, but rather the poor state of governance of the sector. In spite of a strategic focus by the National Agenda and considerable donor funding, reforms are slow, coordination is lacking, and quality control is weak or nonexistent. Beyond the conventional public programs, not-for-profit and private training providers are making considerable innovations. The NES suggests that changing the way the sector is funded through the Employment, Technical and Vocational Education Training (ETVET) Fund in terms of governance and incentives will greatly improve performance. The ETVET Fund has already seen improvements in management and financing criteria, but more needs to be done.

Labor supply in Jordan is also determined by in- and out-migration. Jordan has the now well-known but rather odd pattern of being both a labor sending and labor receiving country. This dynamic of sending the "creative class" of skilled workers, professionals, and managers and receiving less skilled foreign workers has made it much more difficult for Jordan to build its human resource base towards a knowledge-based economy. For this vicious circle to be turned into a virtuous circle, both in- and out-migration policies should be revisited, with greater management of inflows of foreign labor and development of policies for reabsorbing talent in Jordan's "brain circulation."

Reducing Market Segmentation

The Public/Private Sector Divide: The public sector continues to create jobs in large numbers and is the employer of first choice for many Jordanian youth. A closer examination of public and private sector jobs reveals that the choices made by youth are not so much driven by a "culture of shame" but by important differences which make opting for a public sector job, or even waiting in line for one for several years, quite rational. In terms of entry level wages, benefits, working hours, and working conditions, the public sector offers a much more attractive package to many young job seekers. It is critical that hiring criteria and processes be reformed to meet true needs; that compensation and promotion be based on performance and not on seniority (to enhance incentives for higher productivity); and that waiting lists in the Civil Service Bureau be gradually eliminated and turned into lists for Active Labor Market Programs (ALMPs) in the private sector.

Male/Female Divide: The male/female divide manifests itself in the anomaly of high levels of female education but low levels of female labor market participation. The questions are why this is the case and how this gap can be narrowed to reflect the achievements made in female education. In addition to lingering cultural issues and employer perceptions that constrain female participation, it is increasingly institutional weaknesses that hamper greater female participation. Better access to information on job opportunities, targeted ALMPs, secured maternity benefits, and affordable and dependable childcare would greatly facilitate female entry into the labor market.

Geographic Divide: There is a continued mismatch between where people reside by governorate and where jobs are being created. Such a pattern is not unlike other urbanized countries, with most job creation in urban centers due to agglomeration economies leading businesses to co-locate. Alternative policies for reducing regional unemployment disparities include: providing incentives for land use and natural resource-intensive businesses to locate outside urban areas; focusing on micro and small enterprise finance along with assistance in marketing and transport services; and providing reliable and affordable public transportation between rural areas and urban centers.

Foreign/National Worker Divide: Jordan has followed a largely liberal *de facto* policy with regard to immigration of foreign workers. Foreign workers in Jordan tend to be low skilled/low waged, and many are undocumented and therefore do not receive social security benefits. The ample supply of low wage foreign labor results in depressed wages at the bottom end of the wage scale, leading any productivity gains to accrue to employers. The result is often a low wage, low skill, and low productivity economy in which neither wages nor productivity improve. Policies should aim at foreign labor complementing rather than substituting for Jordanian labor.

Formal/Informal Divide: The formal/informal divide relates not only to the legal status of an enterprise, but also to the legal status of workers in the enterprise. About 26 percent of employed wage workers have no contracts and no social security coverage. This creates a duality in the market such that job seekers with similar profiles and skills get different benefits, and employers in similar businesses have different labor cost structures due to informality. Addressing informality requires an understanding of its causes. Labor market segmentation along formal/informal sectors is an outcome of the interaction of formal market rules (laws, regulations, and procedures), enforcement mechanisms, and private incentives. While lack of enforcement is often blamed for the spread of informality, more often the rigidity of the formal rules and the gains to be made by violating them are the real culprits. Therefore, a formalization process that is based only on increasing enforcement and does not take into account the cost of compliance and the fragility of informal sector entities is more likely to eliminate informal jobs than to formalize them.

The Institutional/Policy Framework

The institutional section of the NES examines the following government functions: strategy guidance, execution, monitoring and evaluation, market information systems, and social dialogue. For an issue as critical and cross-cutting as employment, it is hard to see how coordination and guidance could take place without an umbrella structure that represents the supply and demand sides of policy making as well as the main stakeholders. The NES proposes establishing a Higher Council for Human Resource Development (HCHRD) for that purpose, chaired by the Prime Minister. The HCHRD would need to be supported by a small Secretariat that could be drawn from the National Center for Human Resource Development (NCHRD). To execute the NES, the roles and responsibilities of the three main Councils (Education, Higher Education, and ETVET) should be reviewed to ensure a clear division of labor/complementarity between them, especially for financing training activities, accreditation, and quality control. As for monitoring and evaluation, while monitoring is carried out by two central units (the Governmental Administration Unit (GPA) and the Delivery Unit (DU)), independent evaluation is practically non-existent in Jordan. The NCHRD is the ideal existing agency to carry out this function as evaluation of HR and employment policies is within its mandate. The NCHRD is also independent as it does not report to any of the executing ministries. It has not, however, undertaken an evaluative role in the past, so would need to build that capacity. Labor market information systems in Jordan are in a fair state, but need to be better tailored for evidence-based policy making, and also for use by end users such as job searchers, students, companies, universities, etc. Finally, effective social dialogue between the government, labor, and business requires better utilization of the Economic and Social Council

(ECOSOC) and the Tripartite Committee (TC), which represents the business sector, labor unions, and the government.

Section III: The Way Forward

This section combines the vision statement developed in Section I with the diagnosis of current challenges identified in Section II to develop a strategic plan for the future in the form of goals, actions, priorities, timetables, scenarios, performance indicators, monitoring and evaluation, and risk mitigation.

On the demand side, the strategic goal is to enable the private sector to move up the value chain and increase value added, to improve its productivity, and to expand its ability to export products and services. On the supply side, the goal is to graduate a skilled and motivated labor force armed with employable skills and technical knowhow as demanded by the labor market. Finally, the institutional framework goals are twofold: i) to enhance the ability of the government to carry out strategic planning policy implementation, monitoring and evaluation, development of labor market information systems, and institutionalized dialogue with social partners; and ii) to establish a level playing field of social protection and access to health insurance, independent of whether workers are in the public or private sector, and regardless of the size of the enterprise. These demand, supply, and institutional goals are spelled out into intermediate goals and specific program objectives, which in turn are translated into actions.

Action Plan/Implementation Plan

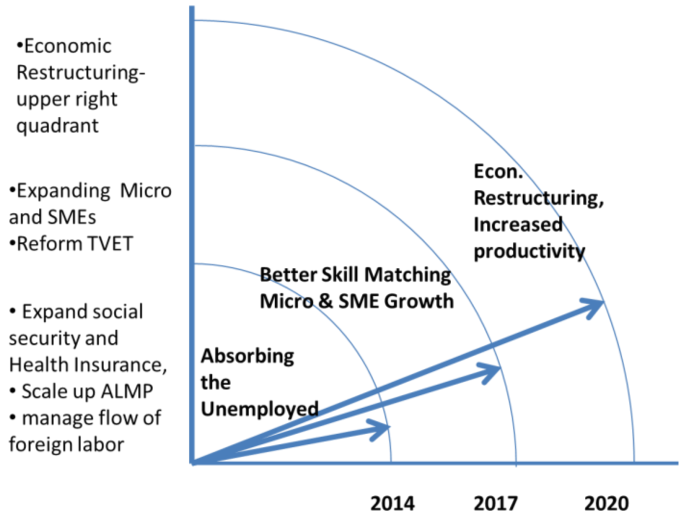
The Technical Team charged with preparing the NES identified 69 different actions[1] to be implemented during the course of the NES (see Appendix 5), selected from more than 160 actions considered according to pre-set criteria. The Action Plan outlined in a matrix format each policy area, its strategic goal, existing constraints, proposed actions, and a responsible body. The Action Plan was then further elaborated into an ”Implementation Plan” (see Appendix 6) that outlined for each action the main public agency responsible for oversight and delivery of the action, other partners in implementation, resources required, and a timetable. Finally, a draft “Project Brief” was prepared for each action (see a template in Appendix 7) to describe in further detail the action, partners in implementation, a timetable and resource allocation plan, performance indicators (input, process, and output/outcome), and risks.

Setting Priorities and Horizons

While all proposed actions represent important pieces of the overall strategy, they are not all of the same importance in terms of impact. There are also different gestation periods for different policies and programs; i.e., some will produce immediate results while others will take years, but they are all important for realizing the vision.

[1] “Action” refers here to any intervention that requires mobilization of financial or human resources, requires a decision within the public sector, and impacts directly or indirectly the strategic goals identified by the NES. Thus, an action could be a new or modified legislation, regulations, procedures, public agencies or bodies, programs and activities, analytical tools, physical projects, etc.

Transition to Productive State: Three Horizons



The three horizons presented in the figure above describe the short, medium, and long term impacts of implementing the NES. By 2014, short term actions aimed at creating employment will result in absorption of a substantial proportion of the currently unemployed. By 2017, actions aimed at better matching educational outcomes with demand as well as removing the credit constraint to SMEs and micro enterprises should start taking effect in terms of growth and higher employment rates, especially among females. Finally, by 2020, the incentives to restructure the economy towards a knowledge-based economy should start to show results in terms of higher demand for an educated and skilled Jordanian labor force. Actions leading to each horizon are described and spelled out in more detail in Section III (see the box below for a summary).

Three Horizons/Ten Actions

i) Short Term Impact (2014): Start Absorbing the Unemployed

a. Committing to a Predictable Foreign Labor Policy and Management
b. Expanding Micro and SMEs Access to Credit
c. Evaluating and Then Scaling Up Active Labor Market Programs with a Proven Record
d. Curtailing Public Sector Employment and Aligning Wage Structures

ii) Medium Term Impact (2017): Better Skill Matching and Micro and SME Growth

a. Scaling up School-to-Work Transition Programs
b. Reforming the Employment, Technical and Vocational Training (ETVET) Sector
c. Introducing Health Insurance Benefits and Expanding Social Security Coverage to SMEs

iii) Long Term Impact (2020): Increased Productivity through Human Capital and Economic Restructuring

a. Investing in the Future through Early Childhood Education
b. Pursuing Sustainable Fiscal and Monetary Policies for Economic Growth with Job Creation
c. Developing Industrial and Investment Policies towards Economic Growth with Job Creation

Economic Scenarios and Projections

Using Department of Statistics (DOS) projections of population growth and government projections of economic growth, the NES explores four scenarios of future growth and policy reforms and their combined impact on job creation. The four scenarios considered are of: i) deteriorating employment growth; ii) weak employment growth; iii) moderate employment growth; and iv) strong employment growth. The likelihood of realization of any of these scenarios depends on exogenous and endogenous factors. Jordan's real GDP growth rates for 2009 and 2010 were fairly weak, at 2.3 percent and 3.1 percent, respectively. If this performance continues in the context of short-lived governments, ongoing global economic crises, and regional political turmoil, Jordan risks falling into a "deteriorating performance" scenario. Gradual improvements in all the above, however, will allow for moderate and even strong scenarios by the second half of the decade. The moderate scenario, for example, would result in a gradual increase in the proportion of the working population from 35 percent in 2009 to 40 and 45 percent in 2020 and 2030, respectively. This scenario is within reach: it requires the creation of around 55,000 net jobs for Jordanians per year on average; a recent estimate suggests that 40-70,000 net jobs are created yearly, and this is likely an underestimate as it does not account for new jobs taken by foreign workers. This should be possible to maintain with economic growth rates of 4 to 6 percent. In the early stages of NES implementation (i.e., the first one to three years), modest efforts at substituting Jordanian labor for foreign labor in low skilled jobs could add 10-20,000 new jobs per year. Increased financing available to SMEs and micro enterprises to allow them to grow, along with various ALMPs targeting females and the young unemployed population, could add to the employment elasticity of GDP growth. In the medium and long term, improvements in educational outcomes and vocational training, combined with more jobs created for higher skilled Jordanians, should allow for gradual restructuring of the Jordanian economy to absorb more skilled vocational and university graduates. Performance indicators based on the above scenarios are provided in Table 11 in Section III.

Modalities for Implementing, Monitoring, Evaluating, and Updating the NES

Having relied on a participatory team-based approach drawn from the concerned ministries in the preparation stage, the NES can transition smoothly into the implementation stage with an "Implementation Team" composed of all ministries and public agencies in charge of implementing the various actions. The Council of Ministers has assigned the Minister of Labor to lead the Implementation Team and report to the Council of Ministers and the HCHRD (once established) on progress made. The NES is envisioned to be completely updated every three years, which requires evaluating the implementation experience as well as taking into consideration various changes in social, economic, and political factors that affect the conception of the NES itself or some of its actions/timetables. While the GPA and the DU are envisioned to keep track of implementation, a proper evaluation of the NES needs to be developed within the NCHRD.

Risk and Risk Mitigation

The main risks explored in the NES are: i) abandonment/neglect at the strategic level; ii) lack of follow-up on implementation; iii) political pressure by some stakeholders over specific controversial policy issues; iv) increased fiscal deficits under domestic pressure; v) external economic shocks; and vi) geopolitical instability. Mitigation measures are considered for each of these risks.

SECTION I: VISION VERSUS CURRENT REALITY

1.1 Introduction

Creating jobs in adequate quantity and quality is a top priority for Jordan - a small economy with few resources other than its human capital - yet it remains a daunting challenge. Unemployment rates, especially among youth, have remained in the double digits over the last decade; labor force participation rates, especially among women, are among the lowest in the world; and periods of strong growth have not translated into strong job creation for Jordanians. Employment remains a daunting challenge, not so much for lack of analysis or diagnosis of the underlying problems and their solutions, but because of a lack of consistency in following through on plans and creating the institutional environment in which policy coordination, monitoring, and evaluation are applied to achieve the desired outcome of job creation.

The challenge is to formulate a focused, credible, and sustainable National Employment Strategy (NES) that delivers measurable results. The *focus* needs to be derived from an analytical framework that identifies and prioritizes the areas of intervention likely to have the highest impact on employment. The *credibility* of the NES needs to be derived from national dialogue with all stakeholders (business owners, labor unions, educational institutions, NGOs, etc.), culminating in broad endorsement as well as accountability for delivery of the Strategy. Its *sustainability* needs to be derived from its content, including short, medium, and long term measures and the means to review them, update them, and hold consecutive governments accountable to them. Its *measurability* needs to stem from moving beyond general policy statements (such as "improving the match between supply and demand," and "enhancing labor productivity") towards actionable policies and programs (such as revising specific articles within laws or regulations, reforming specific training programs, or introducing specific programs) with measurable timelines, resources, responsibilities, and progress indicators.

In formulating the strategy, the NES did not start from scratch. It built on a long list of strategies, research papers, policy reports, and pilot projects developed in the past decade. Chief among them was the National Agenda of 2005, a mammoth attempt to develop a coherent agenda for Jordan's socioeconomic and political development. The NES also built on the ILO's "Employment Policies" paper and action plan prepared with the Ministry of Labor (ILO, 2007); ILO's "Global Jobs Pact Country Scan for Jordan" (ILO, 2011); the World Bank's "Resolving Jordan's Labor Market Paradox of Concurrent Economic Growth and High Unemployment" (World Bank, 2008); the recently produced "Jordan Human Development Report, 2011" (UNDP and MOPIC, 2011); a series of ERF papers analyzing the Jordan Labor Market Panel Survey (JLMPS) of 2010; and many other relevant reports mentioned throughout the NES. The NES also built on sectoral strategies in education, higher education, vocational training, and economic development. As for data sources, information, and analysis, the NES benefited from the extensive database produced by the Department of Statistics (DOS) based on its various surveys; from analysis by the Manar Project based at the National Center for Human Resource Development (NCHRD); from the Ministry of Planning and International Cooperation (MOPIC); and from policy reports prepared by the Ministry of Labor (MOL) in cooperation with CIDA's "BEST Project," the USAID supported "SABEQ," and World Bank project reports.

To ensure broad participation in the conception of the NES, a Technical Team was formed representing relevant public and civic agencies. The team was drawn from ministries, public agencies, the Chambers of Commerce and Industry, labor unions, private sector representatives of the Economic and Social Council (ECOSOC), and donor agencies.[2] A number of consultative sessions were held with youth groups, the private sector, labor representatives, and NGOs under the patronage of ECOSOC. The NES Technical Team benefited tremendously from being hosted by ECOSOC, whose manager, staff, and board members provided valuable input as well as administrative and logistical support.

The NES gives as much emphasis to diagnosis as it does to implementable actions. Section I develops the main goal of the NES, based on the overall vision laid out by the National Agenda in 2005, and provides a "snapshot" of the current realities of the Jordanian labor market. Section II analyzes the labor market by examining both its supply and demand sides, as well as the institutional context (laws, regulations, public agencies, and programs) in which it operates. Section III focuses on the way forward, identifying specific goals, constraints, priority actions, and implementation arrangements. More information on detailed actions, summaries, performance indicators, and other relevant material referred to in the body of the NES are contained in the appendices.

1.2 National Vision

In the last decade, the National Agenda gave new momentum to placing Jordan at the cutting edge of human development, with a competitive knowledge economy that would raise the standards of living of all Jordanians. The National Agenda's main vision was "to improve quality of life of the Jordanian citizen through improving standards of living, and providing social welfare and social security, and providing new job opportunities" (National Agenda, 2005; see Box 1). This vision was translated into short, medium, and long term goals along nine themes (Political Development and Inclusion; Justice and Legislation; Investment Development; Financial Services and Fiscal Reform; Employment Support and Vocational Training; Social Welfare; Education, Higher Education; Scientific Research and Innovation; and Infrastructure Upgrade).

[2] See Appendix 1 for a full list of agencies represented on the Technical Team, and Appendix 2 for the team's Terms of Reference.

Box 1 National Agenda Vision

"يتمثل الهدف الرئيس للأجندة الوطنية في تحسين نوعية حياة المواطن الأردني من خلال تحسين مستويات المعيشة، وتوفير الرفاه والأمان الاجتماعيين، واستحداث فرص عمل جديدة."

الأجندة الوطنية (2005)

"The main goal of the National Agenda is to improve quality of life of the Jordanian citizen through improving standards of living, and providing social welfare and social security, and providing new job opportunities."

Source: National Agenda 2005.

Implementation of the National Agenda has been spotty and varied, with some objectives moving according to schedule, but many others falling behind or completely abandoned. Specific to the "employment support and vocational training theme," it aimed over the period 2007-2012 "at eradicating structural unemployment and reshaping the skills of the labor force by significantly expanding vocational training and employment support." This was to be accomplished mainly through development of labor intensive and export oriented industries and trade services. While many such industries did emerge over the period, their track record on contributing to sustainable economic growth and employment of Jordanians is questionable and needs to be closely evaluated. The overall aims of creating 600,000 new jobs and reducing the unemployment rate from 12.5 percent in 2004 to 6.8 percent by 2017 seem farfetched if the status quo continues.

The NES seeks to renew emphasis and generate new momentum to develop and implement policies and programs aimed at employment generation. It derives its vision from that of the National Agenda, but with a narrower focus on employment generation (see Box 2):

Box 2 National Employment Strategy Vision

رؤية الأستراتيجية الوطنية للتشغيل: تحسين مستوى المعيشة للأردنيين من خلال زيادة التشغيل والأجور والمنافع والأنتاجية

Improving standards of living for Jordanians, through increased employment, wages and benefits, and productivity improvements.

To better understand the relationship between economic growth, employment, and distribution of benefits, consider the following identity:[3]

[3] The formula is an "identity" because both sides of the equation are identical:
GDP/population = (GDP/no. of workers) x (economically active/population) x (no. of workers/economically active)

GDP/capita = Labor Productivity x Ratio of Economically Active Population to Total Population x Ratio of Workers to Economically Active Population

In other words, increasing GDP per capita requires increasing the number of people working relative to the total population and also increasing their labor productivity. Increasing labor productivity, in turn, depends on investment in capital (infrastructure, technology, and equipment) and education. Most importantly, the output, GDP/capita, is an average that hides the true distribution of income in society. To ensure that productivity gains are reflected in improvement of wages, not just profits, public policies (fiscal and tax policies, social welfare policies, industrial policies, and labor policies) have to be aligned towards a fair distribution of the benefits of growth.

Not all policies relevant to employment, therefore, fit under the theme of "Employment Support and Vocational Training Theme" in the National Agenda. Addressing employment requires an integrative approach which examines a suite of investment, education and higher education, vocational training, social welfare, and fiscal and monetary policies, all through the lens of employment. Thus, the NES, tackles the issue of employment *across* the various themes of the National Agenda. It takes stock of lessons learned over the last seven years of National Agenda implementation, in addition to acknowledging that new realities pose new challenges and opportunities at the national, regional, and global levels. It hones in on the specific policies and programs that *directly* impact employment generation. So for example, while the National Agenda's education pillar provided a comprehensive approach to reforming the education sector, the NES focuses on those aspects which most directly impact preparation of students for the job market.

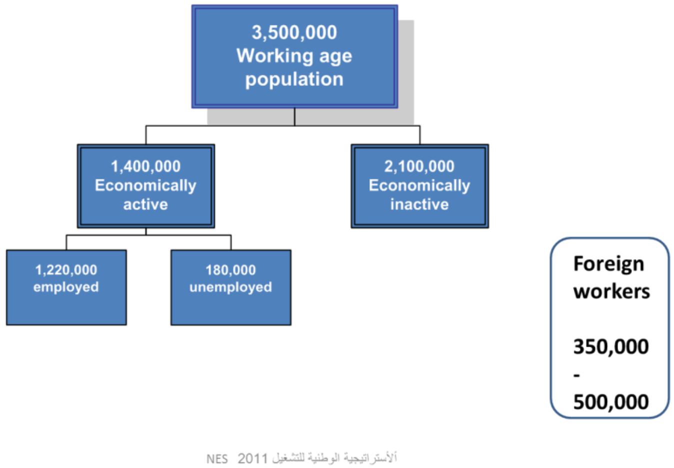
1.3 Current Reality of the Labor Market in Jordan

A snapshot of Jordan's labor market reveals the demographic challenges and opportunities facing Jordan today. As Figure 1 shows,[4] Jordan's working age population of almost 3.5 million people represents a substantial segment of the population—this is the "demographic gift" of a still young population. The challenge, however, is that less than 1.5 million of those are economically active, and more than 2 million are inactive (i.e., not even actively searching for work; see labor market definitions in Box 3). Of those who are economically active, about 180,000, or 13 percent, are unemployed. Moreover, it is estimated that there are around 300,000 foreign workers with permits; unofficial estimates suggest that the number exceeds 500,000. In a nutshell, there are 1.2 million Jordanians (463,000 of whom are in the public sector) working to support a total population of 6 million. The last decade has proven that Jordan cannot achieve its goals of higher rates of growth, translated into more

[4] Numbers are rounded to simplify presentation.

jobs, better wages, and lower poverty and income disparities, without directly tackling the issue of low labor participation and its underlying causes.

Figure 1 The structure of the labor market



Source: Manar Project database, 2009.

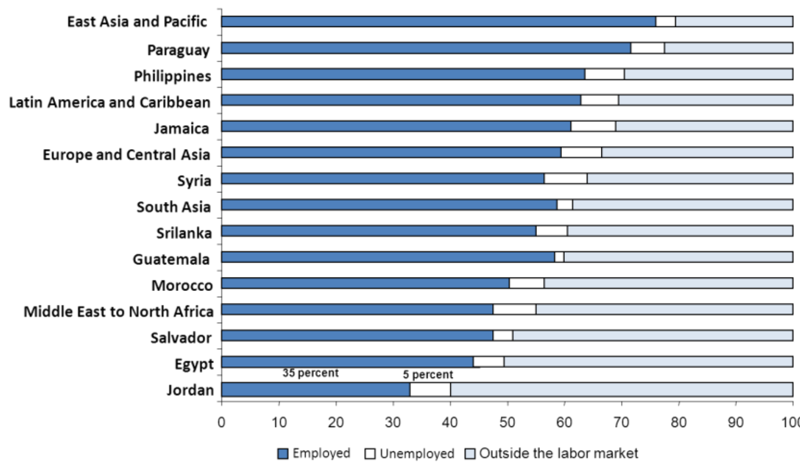
Box 3 Labor Market Definitions

1. Economic Activity Rate: refers to the share of employed and unemployed people in comparison with the working age population. It gives an indication of how many people of working age are actively participating in the labor market.
2. Labor Force: includes all of the economically active population, including employed and unemployed Jordanians.
3. Paid Employment: refers to those persons who receive wages for their work.
4. Unemployed: as adopted by the 13th International Conference of Statisticians, an unemployed person is defined as a person of 15+ years of age who is without work or a job, able to work, available for work and is looking for work, and satisfies all of the following criteria:
    a. Does not practice any work (i.e., is without work or job). In other words, he/she hasn't worked for one hour or more during the reference period and was not temporarily absent from work.
    b. Is searching for work, i.e., he/she has taken specific steps and some/all of the time in search for work in a period close to the four weeks prior to the date of interview. These steps may include: registration and applying directly to employers; searching for work at certain workers' gatherings or assembly places; placing or answering advertisements in newspapers; seeking assistance of friends or relatives, etc.
    c. Unemployed people are of two types: "ever worked" and "never worked."
5. Unemployment Rate: is the quotient resulting from dividing the total unemployed by the relevant labor force which itself is the sum of the employed and the unemployed. The unemployment rate is probably the best known labor market measure. When taken together with the employment-to-population ratio, these two measures represent the broadest indicators of economic activity and status in terms of the labor market.

Jordan is going through its "demographic gift" stage, but is not yet taking advantage of it. The working age population will increase from 3.4 million in 2009 to 4.4 million in 2020 and to 6 million in 2030. In other words, the working age population relative to the total population will increase from around 57 percent in 2009 to 67 percent in 2030. This is a "gift" because it allows a larger proportion of Jordan's population to work, save, and invest for the future when the population will start to age. But unless enough jobs can be created for Jordanians, the "gift" can turn into a "curse," subjecting the country to economic, social, and political pressure.

Compared to the region and the world, Jordan's active population is extremely low. To better understand the significance of Jordan's challenge in relative terms, Figure 2 and Table 1 compare Jordan's working age population with other countries in the region and the world in terms of employed (dark blue), unemployed (white), and inactive (light blue). It is quite evident that as significant as the unemployment problem is in Jordan, it pales in comparison to the very high inactive working age population.

Figure 2 Jordan's working age population compared to other countries (2009)



Source: World Bank 2008 (numbers updated by NES Team).

Table 1 Jordan's working age population compared with other countries

State	Economic participation rate among males	Economic participation rate in females	Gender gap
The World*	78%	52%	26%
Jordan*	**65%**	**15%**	**50%**
Syria**	88%	38%	50%
Morocco**	85%	30%	55%
Tunisia**	79%	31%	48%
Egypt*	76%	24%	52%

Note: * 2009 Data.
** 2008 Data.

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Source: Manar Database 2009; NES Team.

This reality of an almost 60 percent inactive working age population suggests that the high rate of unemployment in Jordan is structural, i.e., it is unlikely to go down significantly any time in the near future, and any increases in job creation will likely generate incentives among those in the inactive population who have given up hope to start searching again, thus joining the ranks of the unemployed. Indeed, the job creation rate for Jordanians and the quality of these jobs are at least as important to track as the unemployment rate, if not even more so, as a sign of economic progress over the near and medium terms.

To address these structural problems in the labor market, a number of questions are critical. Who are the economically inactive Jordanians and why are they inactive? How many are students or disabled persons? As for the economically active population, who are the employed and unemployed in terms of gender, educational attainment, and place of work? Who are the foreign workers in terms of skill mix? Do they replace or complement the Jordanian labor force? What is the wage structure and how has it evolved? And finally, how many jobs is the Jordanian economy generating? Answering these questions will allow for proper diagnosis and an eventual set of policies, programs, and projects to address the roots of the structural issues.

1.3.1 Who are the economically inactive and the economically active?

Comparing Jordan to other countries, it becomes apparent that while both male and female labor force participation rates are low by regional and international standards, female participation rates are extremely low (15 percent), especially given the high rates of secondary and university level female enrollment, which are the highest in the region (almost 60 percent of university graduates are female; see Figure 3).

Figure 3 Distribution of the inactive working age population by gender and education

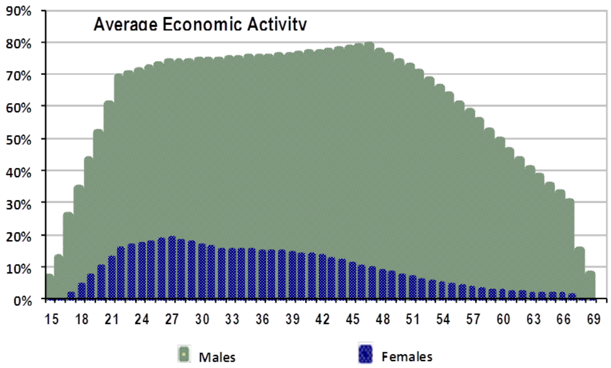
	Males	Females
Secondary or less	27 % 567,271	61% 1,281,088
Diploma or higher	3% 53,268	9% 188,106

Source: Manar Project Database 2009.

The economically inactive are overwhelmingly female and overwhelmingly less educated. The two striking characteristics of the inactive population are that it is female dominated and less educated. The inactive population is relatively evenly distributed by age, with about 70 percent under the age of thirty, which means they could still enter the labor market. Naturally, a good proportion (30 percent) of the inactive population comprises students. The rest are “stay at home females” (not necessarily married; 54 percent), and “other” (mostly early retirees; 16 percent). These two sub-populations will need to be addressed over the medium to long term to effectively reduce the economically inactive rate.

Among the economically active, males enter the labor market at normal rates but exit early, while females do not enter the labor market at sufficient rates; when they do, they exit too quickly. Figure 4 clearly shows that about 70 percent of all males of working age are active by the age of 21; this figure reaches a peak at age 45, and then declines precipitously after that. The rate of active females inches up to age 21, stabilizes at a peak age of 27, reaching only of only 20 percent of females at that age, and then starts a gradual decline.

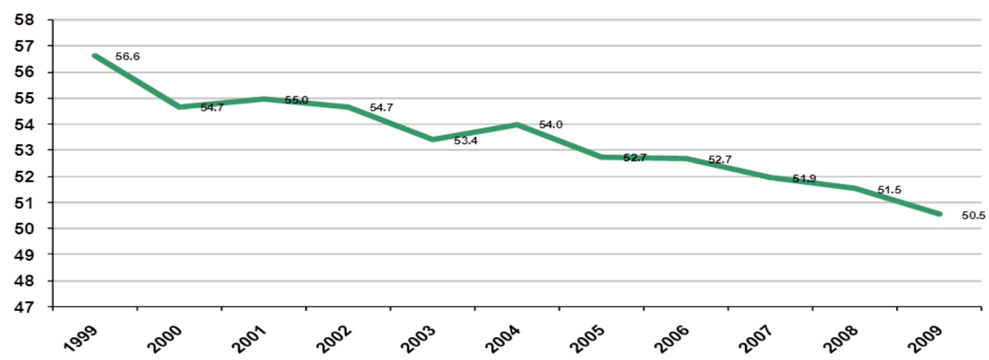
Figure 4 Economic participation of males and females by age



Source: Manar Project Database, NES Team.

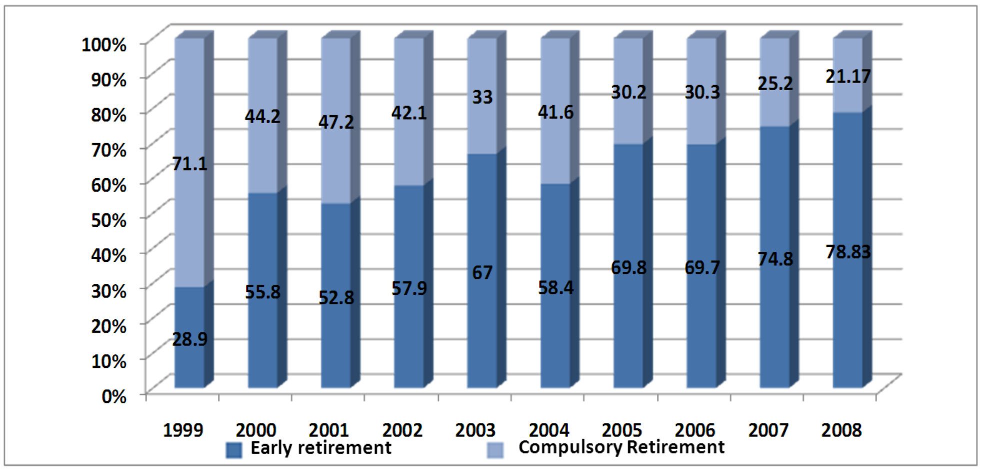
Early retirement plays a major role in early exit from the labor market. Over the last thirty years, Jordan has had some of the most lenient retirement standards in the world in terms of minimum age and vesting period (minimum years to qualify for pension). While such standards might be justified in the case of the Armed Forces (e.g., to maintain a young average age of service men), they have little justification in the private sector. The claim that early retirement reduces unemployment by opening up jobs for youth has been challenged in empirical literature as well as anecdotally in Jordan; middle age retirees tend to possess a combination of skills and/or managerial experience that cannot be replaced by that of a fresh graduate. Given the social security retirement age in the previous law (2001) of 45 years with 15 and 18 year vesting periods for females and males, respectively, and a negligible penalty for retiring early, it was only rational for males and females to retire as soon as they could. But in doing so, they exited at the peak of their knowledge, or they worked informally, at the same time exhausting social security's ability to meet future obligations. The phenomenon of early retirement became so engrained in the Jordanian mindset that early retirement jumped from 29 percent of total retirement in 1999 to almost 79 percent in 2009, while the average age of retirement went from about 57 years in 1999 to about 50 years in 2009 (see Figures 5 and 6). At the same time, health indicators and longevity were improving significantly in the country, justifying longer careers.

Figure 5 Average retirement age



Source: SSC 2010.

Figure 6 Past trends in early retirement

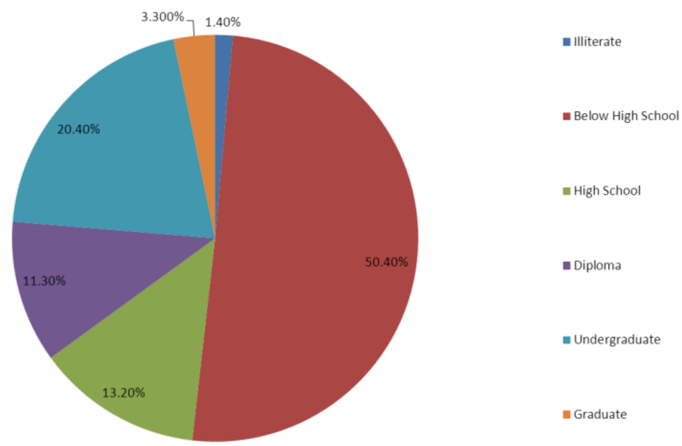


Source: SSC 2010.

1.3.2 Who are the employed Jordanians?

A profile of Jordanian workers reveals a male dominated workforce, mostly of high school education or below. Of the 1.2 million working Jordanians, 84 percent are male, and 61 percent have a high school education or below. The proportion of workers with university degrees has steadily risen, however, from 17.6 percent in 2000 to 23.7 percent in 2009 (but not as fast as the supply of university graduates; see Figure 7).

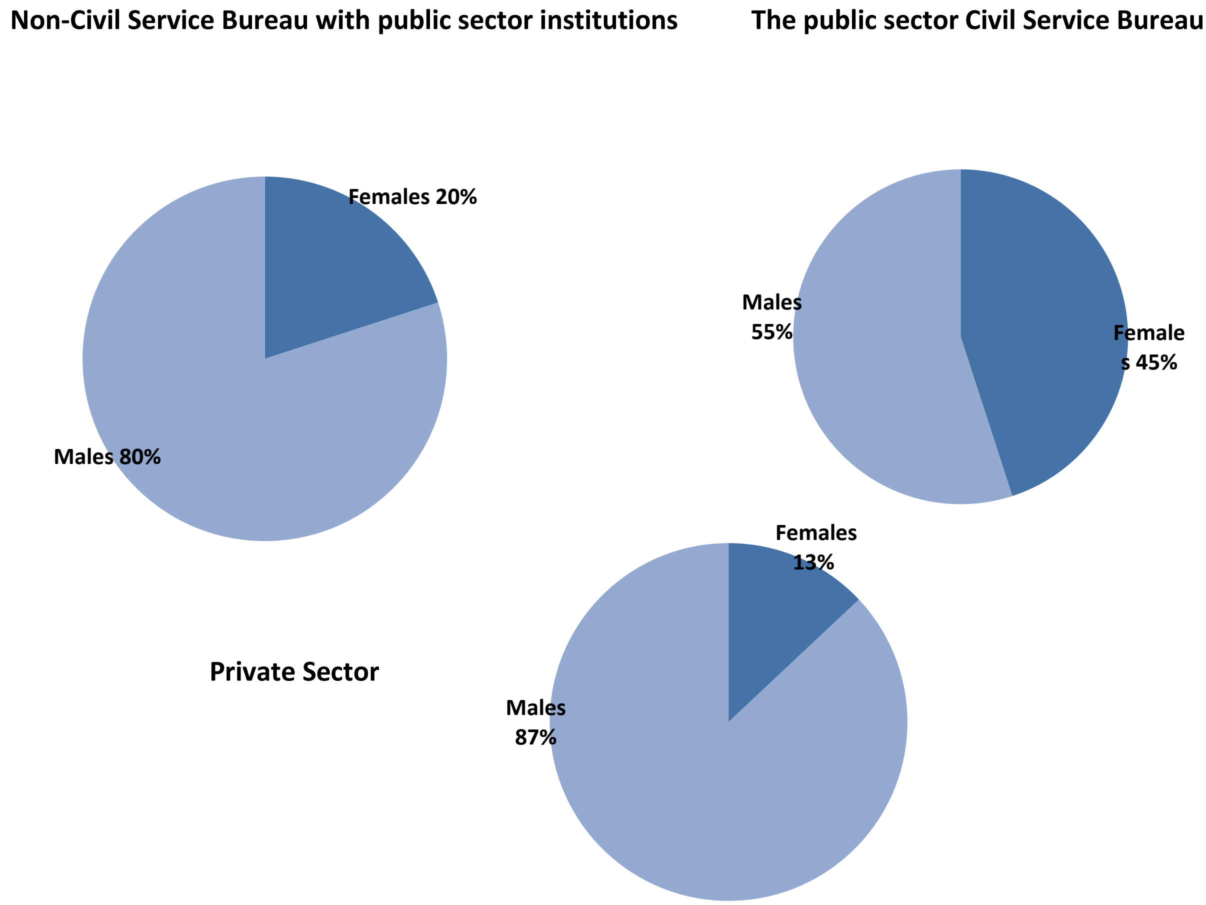
Figure 7 Distribution of Jordanian workers by education level, 2009



Source: Manar Project Database 2009.

Disaggregating the numbers by gender reveals a distinct pattern of hiring between the public and private sectors. Females employed by the government (through the Civil Service Bureau (CSB)), independent public agencies, and the private sector represent 45 percent, 20 percent, and 13 percent, respectively, of all employees. Both "pull" and "push" factors contribute to this asymmetry in public and private sector placement. Females are attracted to public sector jobs in the social fields (mainly health and education) and by the fringe benefits including job security, shorter working hours, and health insurance and social security benefits. As for the private sector, there is a strong "push" factor represented by longer working hours, limited or no health insurance benefits (more in large private enterprises and much less in medium, small, or micro enterprises; see Section 2.5.1, Figure 43); and until recently, no social security benefits in enterprises with fewer than five workers. While the Labor Law stipulates that employers shall cover ten weeks of wages for maternity benefits, the reality is that most private employers avoid this cost either by not hiring females to begin with, or by hiring them and then firing them when they get married or pregnant. Important exceptions to this rule are worthy of studying and replicating in coordination with the private sector. The recently adopted Social Security Law (No. 7, 2010) provides for maternity benefits through a 0.75 percent payroll contribution paid by the employer on behalf of both male and female employees. Distributing the cost across males and females reduces the "per head" cost and effectively "socializes" the cost across genders and reduces incentives to discriminate in hiring decisions.

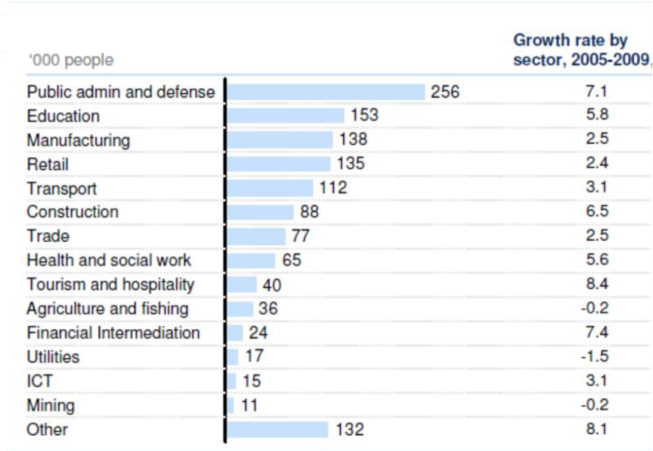
Figure 8 The composition of employment across sectors



Source: Manar Project Database 2009.

The composition of employment across sectors is slowly changing (see Figure 8). In absolute numbers, workers are strongly concentrated in public administration and defense, education, manufacturing, and retail (see Figure 9). In 2009, about 38 percent of all employees worked in the public sector, and about 77 percent worked in the service sector. Outside the public sector, growth rates have been notable in tourism, financial intermediation, construction, and health and social work, while declining in agriculture, mining, and utilities.

Figure 9 Employed people in Jordan by sector, 2009



Source: IFC and Islamic Development Bank 2011.

1.3.3 Who are the unemployed?

The definition of an unemployed person is someone who is: over the age of fifteen, not working, able to work, *and* actively looking for work. In other words, the over 2 million working age persons who are classified as economically inactive are not considered unemployed by this definition as they are not actively seeking work.

Figure 10 Unemployment among youth (aged 15-24), 2009

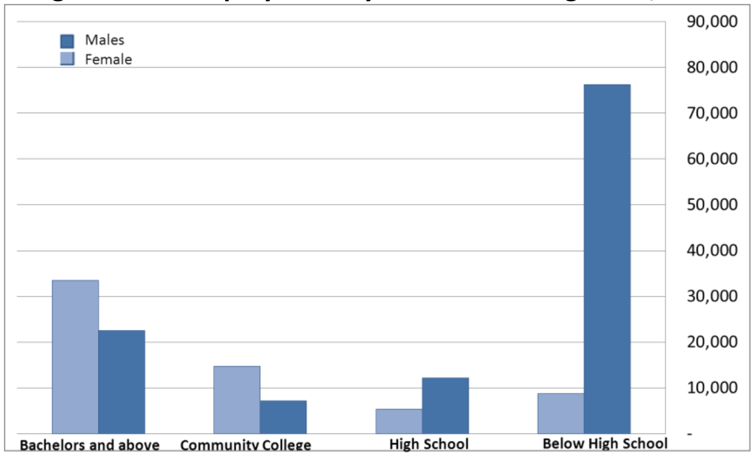
	Female Youth	Male Youth
Unemployed Youth	28,171	59,836
Employed Youth	33,188	205,045
Total	61,359	264,881
Percent Unemployed Youth by Gender	46%	23%

Source: Manar Project Database 2009.

The most evident feature of the unemployed is that they are overwhelmingly young: 49 percent are below the age of 25; 72 percent are below the age of 30; and 89 percent are below the age of 40. In absolute numbers, they are mostly males (see Figure 10), but the unemployment *rate* is 46 percent for young females compared to 23 percent for young males.

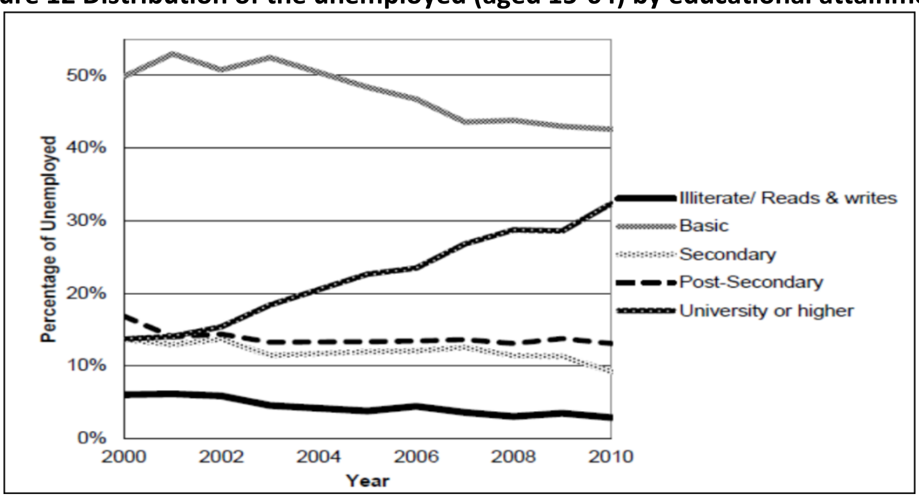
Over 75 percent of unemployed males have a high school education or below (see Figure 11). The opposite is true for females; over 75 percent of unemployed females have diplomas or higher. The low level of unemployment among less educated females cannot be taken at face value as a positive sign. The likely scenario is that less educated females tend to get demotivated, stop the job search, and join the ranks of the inactive population. As for unemployment among all university degree holders, this phenomenon is relatively new and on the rise, signaling a mismatch between specializations and skills supplied and those demanded by the market.

Figure 11 Unemployment by education and gender, 2009



With increasing educational attainment, the relative share of the unemployed with a university degree or above is also rising. This is one of the more worrisome trends in unemployment, as it indicates a growing mismatch between the output of educational systems and market demand, with the proportion of university graduates doubling among the unemployed between 2000 and 2010 (see Figure 12).

Figure 12 Distribution of the unemployed (aged 15-64) by educational attainment



Source: DOS Employment and Unemployment Survey.[5]

Assistance to young unemployed men and women in finding jobs is a clear policy priority in the short term. The longer the young unemployed wait before they get their first job, the more likely it is that they will lose hope and join the ranks of the economically inactive, especially females. The objective, therefore, should be to shorten the time youth spend searching for a job. The numbers or percentages of the unemployed, however, are unlikely to go down in the near future due to: continued entry of new

[5] For a broad discussion of the evolution of employment and unemployment, see Assaad (2011).

graduates; entry by motivated segments of the inactive population in the event of a perceived surge in programs hiring; and exit of those laid off in the current slow economic cycle.

1.3.4 Who are the foreign workers?

The true number of foreign workers in Jordan is hard to estimate.[6] The Ministry of Labor (MOL) registry estimates that documented workers (i.e., workers with work permits) increased from 111,000 in 2000 to a high of 335,000 in 2009 (an annual growth rate of 14 percent, compared to 3.7 percent for Jordanian workers for the same period). Official numbers dipped back slightly to 297,000 in 2010 as a result of layoffs in the aftermath of the global economic crisis. Estimates of the number of undocumented foreign workers range from 150,000 to 250,000, bringing the total to a range of 450-550,000 workers.

Foreign workers in Jordan mostly work in low skill, low wage sectors. Male workers come mostly from other Arab countries (73 percent) with low educational attainment (more than 90 percent have an elementary education or below). They are concentrated in the agricultural sector (27 percent); social services (26 percent); manufacturing (20 percent), trade, restaurants, and hotels (13 percent); and construction (11 percent).[7] Female foreign workers (about 55,000 registered in 2009) are mostly Asian; 90 percent of them are domestic workers.

Theoretically, a large segment of unemployed Jordanians could replace foreign workers. The number of documented foreign workers with high school education or below is around three times that of unemployed Jordanians with similar levels of education (308,000 foreign workers to 102,000 unemployed Jordanians). Theoretically at least, absorbing all the high school or below unemployed Jordanians would still leave more than 200,000 job opportunities for foreign workers. In other words, foreign labor policy can strategically identify vocations and sectors in which unemployed Jordanians could gradually replace foreign workers without sacrificing the competitiveness or productivity of the economy (see Section III).

1.3.5 What about Jordanian emigrants?

No picture of the Jordanian labor market would be complete without understanding the scale and nature of the flow of Jordanians to the Gulf region and other parts of the world. Yet household surveys tend to underrepresent emigrants, as whole households that emigrate with the head of household are not captured by household surveys. The Jordan Labor Market Panel Survey (JLMPS), conducted in 2010 by the DOS and the Economic Research Forum (ERF), suggests that 3.7 percent of households have at least one member of the family who is an emigrant, and that 81.6 percent of emigrants have secondary or higher education, while 54.9 percent have a university education or higher. The main destinations of

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[6] The DOS household and enterprise surveys tend to underestimate the number of foreign workers as those who live in workers' hostels and those who are housekeepers are missed in household surveys, while those in the informal sector are missed in enterprise surveys. The MOL registry of registered workers with permits provides a higher estimate than DOS surveys, but also leaves out undocumented workers who enter as tourists or who fail to renew their work permits.

[7] There is considerable leakage, however, from agriculture to other sectors due to lower permit fees for agricultural sector workers as well as a generous quota of foreign worker per registered plot of arable land.

emigrants are Saudi Arabia (34.8 percent), the United Arab Emirates (22.7 percent), and the U.S. (12.1 percent). Other countries in the Gulf region receive 1-2 percent each (Hailat, 2010).

The number of emigrants has been volatile over the years, affected by oil prices as well as political events. The MOL estimates that the number of Jordanians working in the Gulf region dropped from 171,000 in 2007 to 142,000 in 2008 as a result of the global economic crisis, but then partly recovered to 165,000 in 2009. Future emigration is unpredictable and dependent on the interaction of two countervailing forces: i) the "nationalization" of jobs in Gulf countries, a slow but steady process; and ii) the prospect for Jordan to join the Gulf Cooperation Council (GCC), which could, depending on the specific provision to the accession process, open up Gulf countries' labor markets to Jordanians.

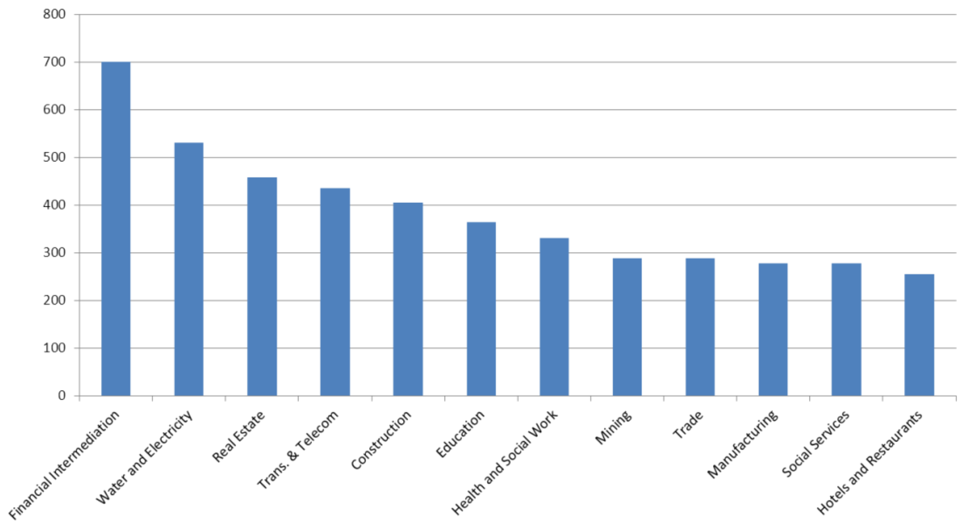
1.3.6 What is the wage structure?

The structure of wages and the relative magnitude of wages to national income provide important insights into issues of economic growth and distribution. Namely, they allow for an understanding of the returns to labor versus capital, the productivity of various sectors, the return on education, the distribution of income, the incentives to work, and equity issues in general. Some of these issues are important to explore in the context of the NES.

The aggregate wage structure in Jordan is not atypical of most middle income developing countries. On average, wages represented 33 percent of Net Disposable Income between 2000 and 2009, with operating surplus (profits) accounting for another 33 percent, and the rest going to taxes, subsidies, rents, and external transfers. The average wage in Jordan was JD 365 per month in 2009, a growth of 3 percent on average in real terms between 2006-2009. The distribution of wages reflects a very wide base of low wages, with the majority of workers making less than JD 300 per month.[8] Examining wage distribution by sector (Figure 13), financial intermediation ranks the highest, with an average wage of JD 700, while hotels and restaurants rank lowest at JD 255. By job group (Figure 14), the wage distribution ranges from an average of JD 1,136 for law makers and managers to an average of JD 232 for those in elementary occupations (e.g., drivers, deliverymen, etc.). With the exception of wages for law makers and managers, the relative differences between wages of the job groups are fairly small.

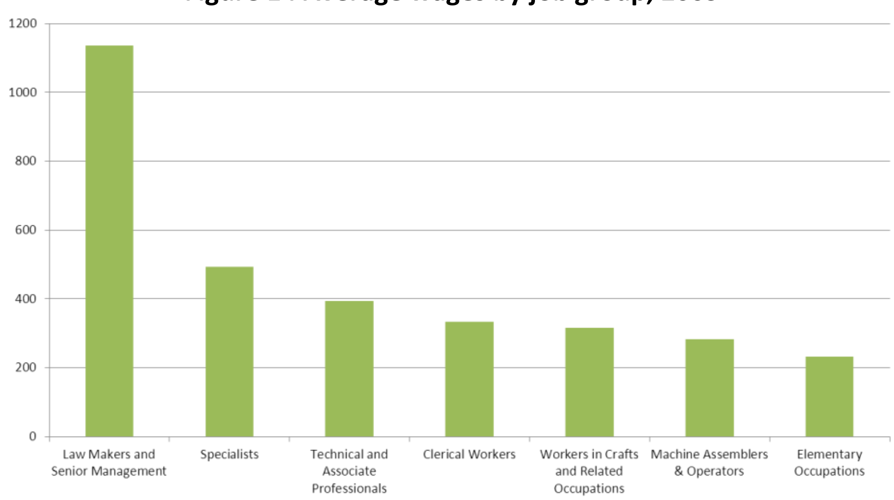
[8] According to SSC statistics, 27.1 percent of covered workers earn less than JD 200 per month and 55.6 percent earn less than JD 300. SSC records are biased upwards as they represent those working in the formal sector (medium and large firms); those in the informal and micro enterprises earn less and are underrepresented in SSC records.

Figure 13 Average wages by sector, 2009



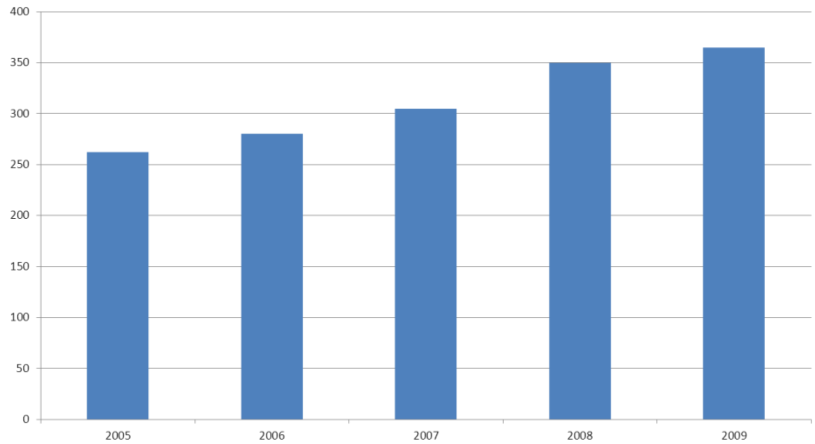
Source: DOS 2009.

Figure 14 Average wages by job group, 2009



Source: DOS 2009.

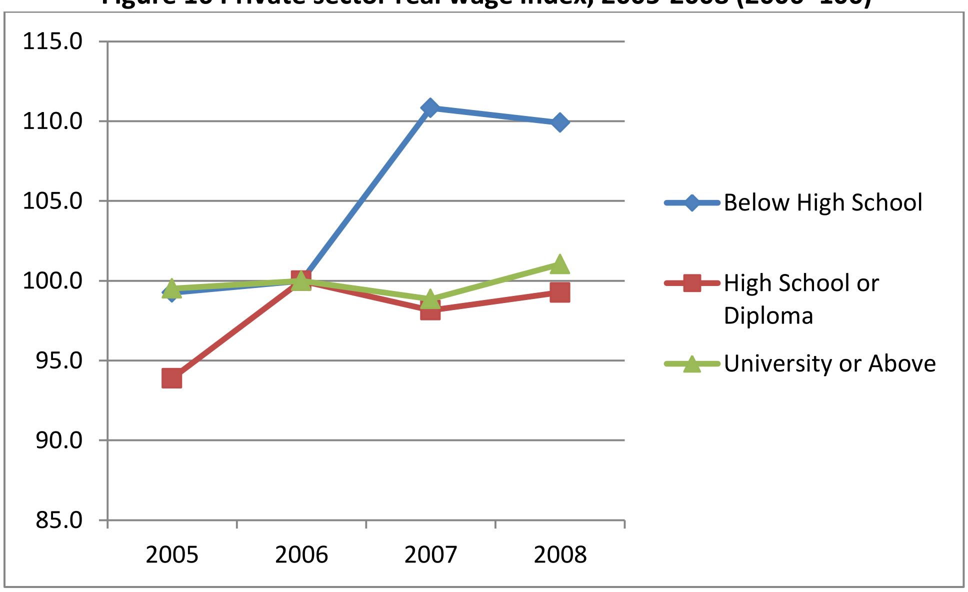
Figure 15 Average nominal wages (JD per month)



Source: DOS 2009.

Wages experienced an average increase of 9 percent per year in nominal terms (3 percent in real terms). In 2007-2008 alone, wages jumped 15 percent, reflecting the raise in the minimum wage from JD 110 to JD 150, and the raise in public sector salaries by JD 20 (Figure 15). The impact on minimum wage workers was immediate, but Figure 16 suggests that the private sector absorbed the cost partly by freezing real wage increases above the minimum wage.

Figure 16 Private sector real wage index, 2005-2008 (2006=100)



Source: DOS 2009.

These aggregate wage averages, however, hide variations within the wage structure that do not necessarily reflect variations in productivity. These variations are visible in male versus female, public versus private sector, foreign versus national, urban versus rural, and formal versus informal wages. In other words, workers with the same skill set, specialty, and experience could earn vastly different wages depending on their gender, employer, and geographic location. These market segmentation forces are discussed in more detail in Section II.

With the current wage structure, a substantial proportion of Jordanians are classified as "working poor." A minimum wage of JD 150 puts a family of four below the poverty line, and a family of six (two parents and four children) would need two minimum wage earners to barely reach the poverty line.[9] At the national level, 68 percent of working males earn less than JD 200 per month. Given the low labor participation/high dependency rates, this puts tremendous pressure on households' abilities to move beyond subsistence. The recent increase of the minimum wage to JD 190 will help minimum wage earners, but is not a substitute for increasing participation rates.

Household wages clearly need to increase to allow for better living conditions for Jordanian families. A combination of instruments could be used, including: raising the minimum wage; increasing labor participation rates (i.e., increasing the number of workers per household); restricting the currently elastic supply of low skilled foreign labor, which keeps wages from rising; and increasing Jordanian labor productivity. While raising the minimum wage may be necessary to improve the living conditions of the working poor, using it in the absence of other measures could be counterproductive (see Section II) as it could: i) result in wage increases going mainly to foreign workers who tend to dominate the low wage jobs; ii) encourage employers to evade the minimum wage by "informalizing" workers, thus denying them important legal and social security protections; or iii) lead employers to absorb the increase in minimum wage by limiting increases to wage earners already above the minimum wage (see Figure 16).

1.3.7 How many jobs is the Jordanian economy creating?

Estimating the number of new jobs created in Jordan is not straightforward. The main source of job creation data in Jordan is DOS's Job Creation Survey (JCS). Launched in 2007, JCS is a household survey carried out every six months. According to the JCS, the economy created approximately 65,000 and 69,000 jobs in 2008 and 2009, respectively. Table 2 shows the allocation of those jobs between the public/private sectors, males/females, and Jordanians/foreigners.

[9] Based on a poverty line of JD 556 per individual per year, or about JD 46 per individual per month.

Table 2 Net job creation, 2008-2009

		2008 (000's of jobs)	% of Total	2009 (000's of jobs)	% of Total
Public/Private	Private Sector	38	58.5	42	60.9
	Public Sector	27	41.5	27	39.1
Male/Female	Male	49.5	76.4	45.8	66.7
	Female	15.3	23.6	22.9	33.3
Jordanian/Foreign	Jordanian	60.2	92.9	62	90.2
	Foreign	4.6	7.1	6.7	9.8

Source: DOS 2010.

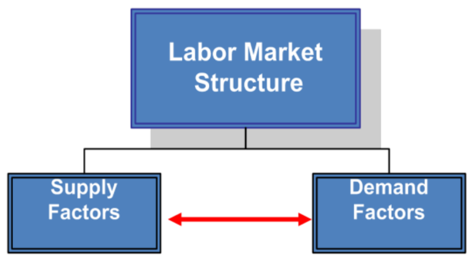
Two other DOS data sources, the Employment and Unemployment Survey (EUS) and the recently launched JLMPS, provide substantially lower estimates of net job creation, closer to 40,000 per year. All three surveys are household-based, so they underestimate the number of foreign workers, who tend to live in collective places of residence rather than in traditional households. Appendix 3 explores these three surveys, their results, and possible reasons for the discrepancies.

Given the absence of a single data source that includes both net job creation for Jordanians and foreign labor, the NES considered a range for net job creation: a lower bound of 40,000 (EUS and JLMPS) and an upper bound of 70,000 (JCS). But these are based on surveys that identify foreign labor as constituting around 8 percent of total workers—a clear underestimate. A range of 50,000 to 80,000 net jobs created is probably more realistic, assuming that foreign labor is at least twice and maybe three times as much as is captured in the survey. Given the importance of estimating net job creation more accurately, it is essential that the source of discrepancy in net job creation for Jordanians be identified and a methodology for better estimating foreign workers be developed.

2.1 Conceptual Framework

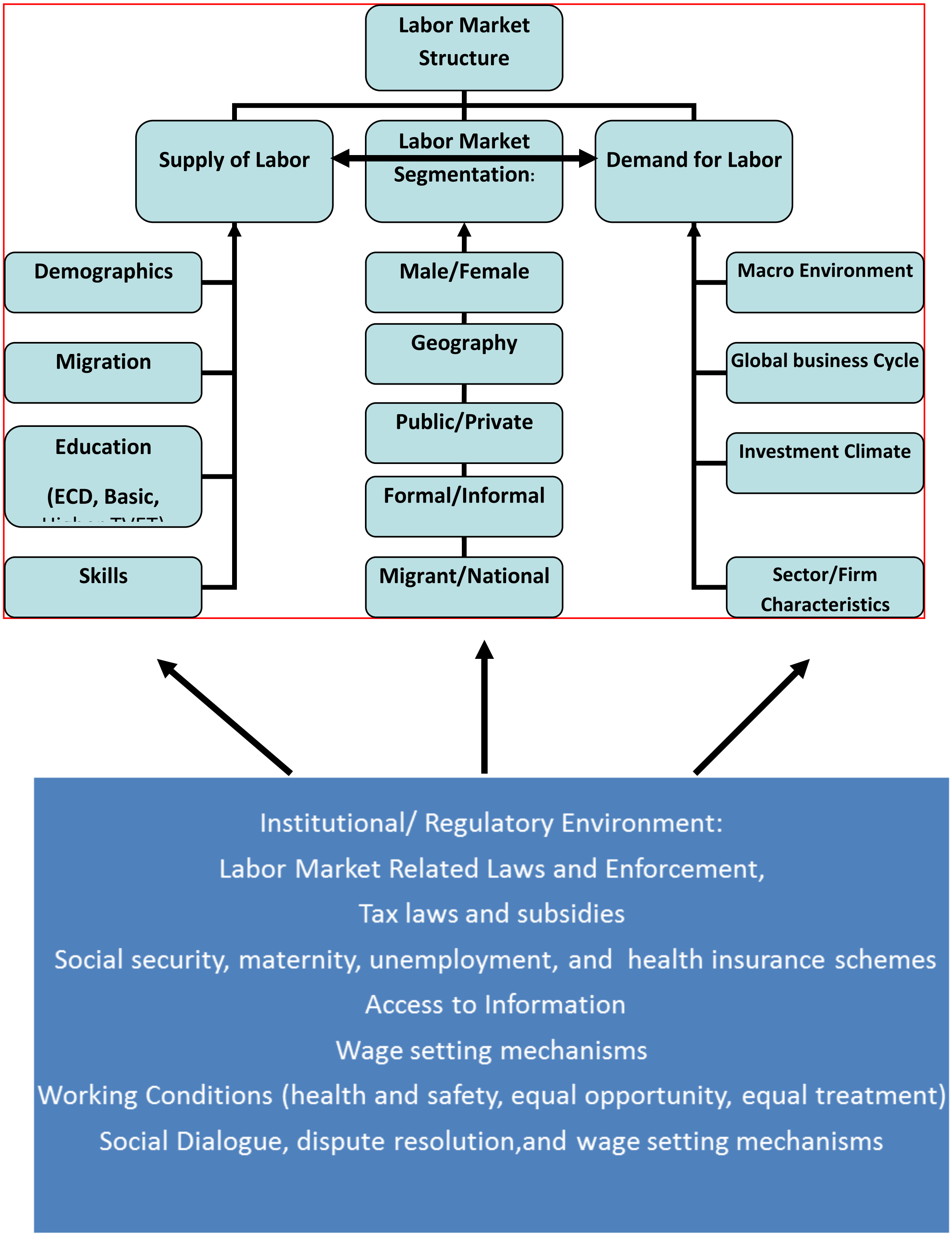
Labor markets are formed by the interaction between supply and demand for labor within an institutional/regulatory environment (see Figure 17). The factors affecting supply include demographics, education, skills, and labor migration. The factors affecting demand include the global business cycle, the macroeconomic environment of the country, investment climate, and sector/firm characteristics (labor/capital intensive, skills required, etc.). The labor market structure is the institutional framework within which rights, responsibilities, contractual arrangements, and bargaining and dispute resolution mechanisms are articulated and enforced.

Figure 17 Labor market framework



But labor markets are distinct from other markets in two important ways. First, labor is not a homogeneous factor of production; both the supply and the demand for it are skill specific. Hence unmet labor demand and unemployment can coexist if the skills supplied by job-seekers are not the skills demanded by the employers. Second, even if skills supplied and demanded do match, labor markets do not tend to "clear"; i.e., they do not reach a point where the quantity supplied matches quantity demanded at a certain wage. This is often the result of "market segmentation," the existence of multiple sub-markets for the same skill within the labor market with imperfect mobility between them. These forms of "friction" tend to prevent labor markets from clearing, resulting in sub-optimal allocation of resources. In Jordan, the labor market is segmented along public/private, formal/informal, rural/urban, male/female, and national/foreign worker divides.

Figure 18 Jordan's segmented labor market framework



In this diagnostic section, the framework in Figure 18 is used to examine supply and demand factors, the resulting skill mismatches, and the sources of labor market friction that lead to market segmentation, all in a context of the institutional environment which defines the structures of the labor market. This section will diagnose main challenges facing the labor market with three main questions in mind:

(1) How can the Jordanian economy create more and better jobs for Jordanians (the demand side), with education and training systems producing better skilled and more innovative workers, managers, and entrepreneurs (the supply side)?
(2) How can the five key sources of market segmentation (male/female; rural/urban; national/foreign; public/private; and formal/informal) be reduced or minimized to improve labor market outcomes?
(3) How can the institutional/policy framework more effectively pursue strategic objectives and be more accountable for their realization?

2.2 A Decade of Economic Growth, but What About Employment?

Jordan saw strong economic growth during the first eight years of the past decade. GDP grew at an average rate of 6.7 percent between 2000-2008 (and 8.1 percent from 2004 to 2008), compared to 4.6 percent for the region during the same period, and reached almost 8 percent in 2008. The growth was led by manufacturing (9.7 percent) and services (5.9 percent). Real gross domestic investment also witnessed a boom during the first eight years of the decade: FDI inflows increased from JD 94 million in 2001 to JD 1.385 billion in 2008. Such growth in investment and capital formation also increased labor productivity, which grew at an average 3.4 percent annually between 2000 and 2009 (Table 3). Exports of goods and services tripled from JD 2.7 billion in 2001 to JD 8.8 billion in 2008.

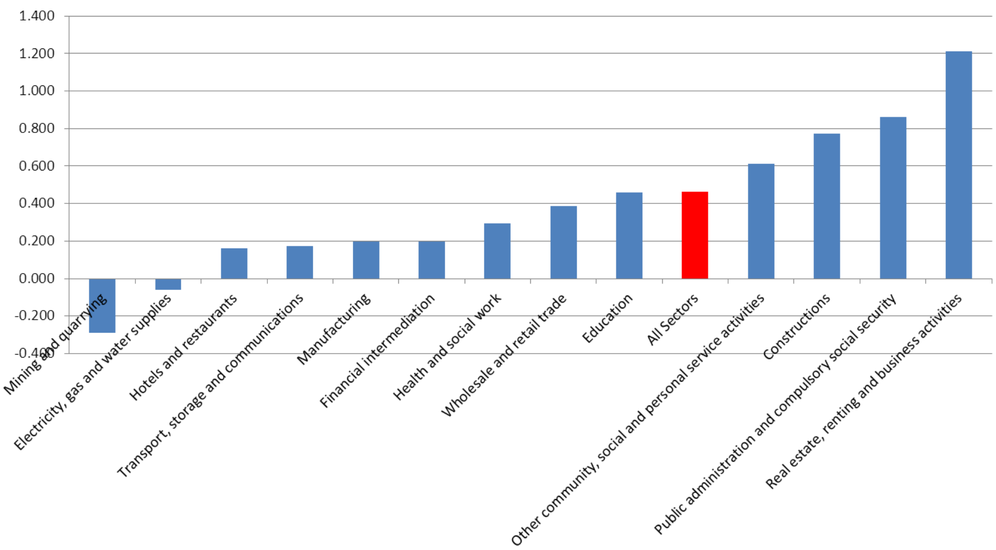
Table 3 Growth in labor productivity, 2000-2009

All Sectors	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Average
Employees	645675	637250	643661	705129	776434	778826	766431	767017	801724	835905	735805
Value added (JD million)	4660	4930	5251	5477	5953	6404	6920	7420	7913	8083	6301
Labor productivity (JD million/ employee)	7217	7736	8158	7767	7666	8223	9028	9674	9870	9670	8501
Growth in labor productivity (%)		7.2	5.5	-4.8	-1.3	7.3	9.8	7.1	2.0	-2.0	3.4

Source: DOS.

An estimated 457,000 net jobs were created during this period of economic growth (2000-2008). Employment elasticity of growth averaged 0.42; i.e., every 1 percent increase in GDP produced 0.42 percent net growth in employment (see Figure 19). This average can increase to more than 0.6 depending on the period measured, and varies widely by sector, from a negative 0.29 percent for mining to 1.2 percent for real estate. This is not surprising given that the mining sector went through a privatization process and shed part of its labor force in the process. It is also not surprising that services in general have a higher employment elasticity than industry, as value added growth tends to be driven more by productivity gains than by employment. But given the significant size of the service sector and the labor intensive nature of industry in Jordan, the 0.42 employment elasticity is on the low side; e.g., the range is 0.4 to 0.6 for countries with a small agricultural sector.

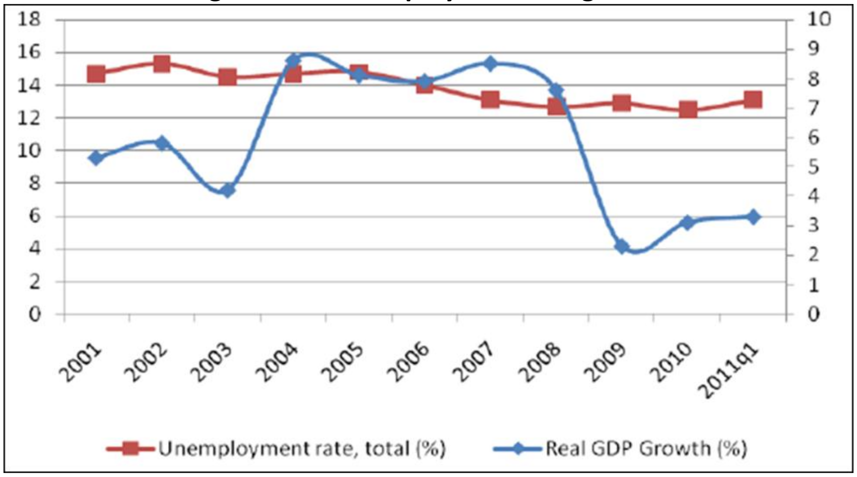
Figure 19 Employment elasticity to GDP, 2000-2009



Source: World Bank forthcoming 2012.

Unemployment rates hardly budged, however. This is a "paradox," as it goes against conventional wisdom that sustained rates of growth will generate jobs and reduce unemployment (see World Bank, 2008). Indeed, unemployment figures among Jordanians hardly changed, remaining within the low double digit range throughout the decade, and were poorly correlated with growth rates (Figure 20).

Figure 20 Real employment and growth



Source: WDI and DOS.

A closer examination of jobs created reveals a more nuanced record, however. Of all the jobs created during that period (2000-2008), almost 42 percent were in the public sector. Furthermore, most jobs created in the private sector went *not* to Jordanian workers, but to foreign workers (see Figure 21).[10] Although the ratio of new jobs going to foreign workers has decreased slightly as a result of the global economic crisis, it remains high, especially in the context of large numbers of unemployed Jordanians with similar profiles and the risk of expanding the ranks of the inactive population (ILO, 2011).

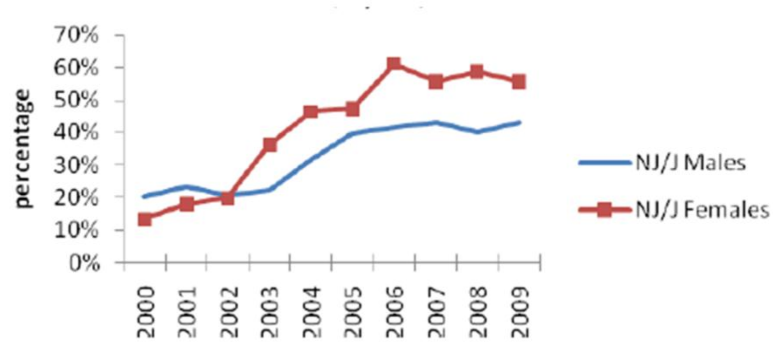
Figure 21 Job creation for nationals and non-nationals

	Jobs created 2000-2008	Jobs created 2008-2009
Total jobs (public and private) for Jordanians	264,387	47,820
Total jobs (public and private) for non-Jordanians	192,745	32,383
Total jobs created	457,132	80,203
Percent jobs for non-Jordanians to total jobs	**42%**	**40%**
Percent jobs for non-Jordanians in the private sector	**55%**	**48%**

Source: DOS and MOL on number of permits issued to foreign workers.

[10] Exact estimates vary due to inaccurate estimates of foreign workers in Jordan. Based on MOL statistics on the number of permits issued, 55 percent of jobs created in the private sector went to foreign workers. One study estimates that 63 percent of net jobs created between 2001 and 2005 went to foreign workers (World Bank, 2008). Accounting for undocumented workers would increase the estimate further.

Figure 22 Ratio of non-Jordanians to Jordanians in the private sector by gender, 2000-2009



Source: ILO Global Pact Country Scan for Jordan 2011.

2.3 Labor Market Demand: Moving Towards More and Better Jobs

Moving to a new decade of growth and job creation for Jordanians first requires a proper diagnosis of what led to the pattern of growth and employment in the last decade. It is often the case that when employment challenges are considered, the supply side of the labor market (basic education, higher education, and vocational training) is identified as the culprit. While supply side constraints clearly exist, they should not overshadow the considerable challenges the Jordanian economy faces on the demand side; e.g., creating enough jobs and moving up the value chain to result in better wages and working conditions for Jordanian workers.

2.3.1 Macroeconomic and investment policies

Jordan maintained a stable monetary policy throughout the decade, but entered the global financial and economic crisis without the fiscal ability to cushion its negative impact. Jordan's monetary policy ensured a stable exchange rate, and reserves grew from US $4 to $12 billion between 2000 and 2010. Its fiscal policy, however, was not as prudent. Instead of taking advantage of the economic growth boom to reduce the fiscal deficit, the primary balance deteriorated significantly following expansion of current spending at 16 percent annually. The overall deficit, excluding grants, increased at an average of 6.8 percent per year, faster than the impressive growth for the period. It averaged 9.3 percent of GDP, while the primary deficit averaged 6.6 percent of GDP for the same period. The ripple effects of the global financial and economic crisis were felt in Jordan; growth rates were pulled down to 2.3 percent in 2009, and to 3.1 percent in 2010, and FDI slowed down significantly. The very large fiscal deficit left little room for the Jordanian government to "stimulate" economic activity. If anything, it threatened prospects for future economic growth with the need to finance the deficit by accumulating public debt financed through internal borrowing (risk of crowding out private borrowing) or external borrowing (exchange rate risk). Indeed, 92 percent of all deposits to the banking sector in Jordan in 2009 were used to purchase government treasury notes (56 percent) and deposits with the Central Bank of Jordan (CBJ) (36 percent). Only 8 percent of deposits were lent to the private sector (CBJ, 2009).

In recent years, Jordan's ranking has fallen in some *Doing Business* and competitiveness indicators. While these indicators might not all be of the same significance in terms of their effect on investment and competitiveness, they do provide a useful yardstick for Jordan to reflect upon. In *Doing Business 2011* (World Bank, 2011), Jordan's ranking dropped from 107 in 2010 to 111 in 2011. It ranked particularly poorly in "starting a business" (rank 127), "getting credit" (rank 128), and enforcing contracts" (rank 129). The business environment for starting a business has improved recently, especially with reduced minimum paid-in capital requirements for registering a new limited liability company. But getting credit and enforcing contracts continue to represent serious constraints to the operation and growth of businesses. Curiously, the most recent Global Competitiveness Index shows that Jordan seems to fare poorly (ranking 100th or above among 139 countries) in five indicators: two are related to the fiscal deficit and the debt ratio, and three are related to labor market issues (extent of training, access to professional management, and female labor participation rates (see Table 4). The MOPIC is leading an effort to regain ground lost over the last few years.

Table 4 Indicators that pull down Jordan's rank in the Global Competitiveness Index 2010-2011

Indicator above 100	Rank/139
Government budget balance	136
Government debt	106
Extent of staff training	**101**
Reliance on professional management	**100**
Female participation in labor force	**139**

FDI reached high levels relative to GDP during the decade. Investment is the means by which capital stock per worker is built and labor productivity increased. Between 2000-2008, FDI accounted for 42 percent of gross capital formation, an impressive record by any standard (e.g., FDI represented 7.3 percent of gross fixed capital formation in lower middle income countries, and 6.1 percent in non-GCC MENA countries). But a substantial portion of FDI went to real estate investments, creating short term demand for labor in the construction sector, but few long term effects. FDI also went into the Qualifying Industrial Zones (QIZs), but as Box 4 shows, the overall economic impact of many of these investments is questionable.

Box 4 Qualifying Industrial Zones: An Example of Subsidized Investments with Limited Job Creation

QIZs were among the main engines of economic growth in Jordan in the last decade. They were established as free trade zones between Jordan and the U.S.; Jordanian goods with some Israeli content could be exported duty and quota free to the U.S., and firms located in QIZs could enjoy income and sales tax exemptions.

Focused mainly on the apparel and garment sectors, in which Jordan does not have a particular comparative advantage, there were few linkages to the rest of the economy. QIZs employed an estimated 43,072 workers in 2008, out of which only 10,529 (24.4 percent) were Jordanians. The three main QIZs were: Sahab (32 firms employing 9,186 workers, out of which 1,790 were Jordanians); Al-Hassan (39 firms employing 17,549 workers, out of which 5,189 were Jordanians); and Al-Thleil (14 firms employing 13,386 workers, out of which 5,496 were Jordanians).

Source: ETVET Council 2009.

Domestic investment remained low. Both FDI and domestic investment are important and complement each other. But FDI, especially regional FDI, makes Jordan vulnerable to oil price volatility. Stimulating domestic investment would enhance the resilience of the economy. This requires leveling the playing field between Jordanian SME investments and FDIs such that the incentives are not linked to the nationality of the investor but to the investments' contribution to growth and employment.

2.3.2 A sectoral map of the economy

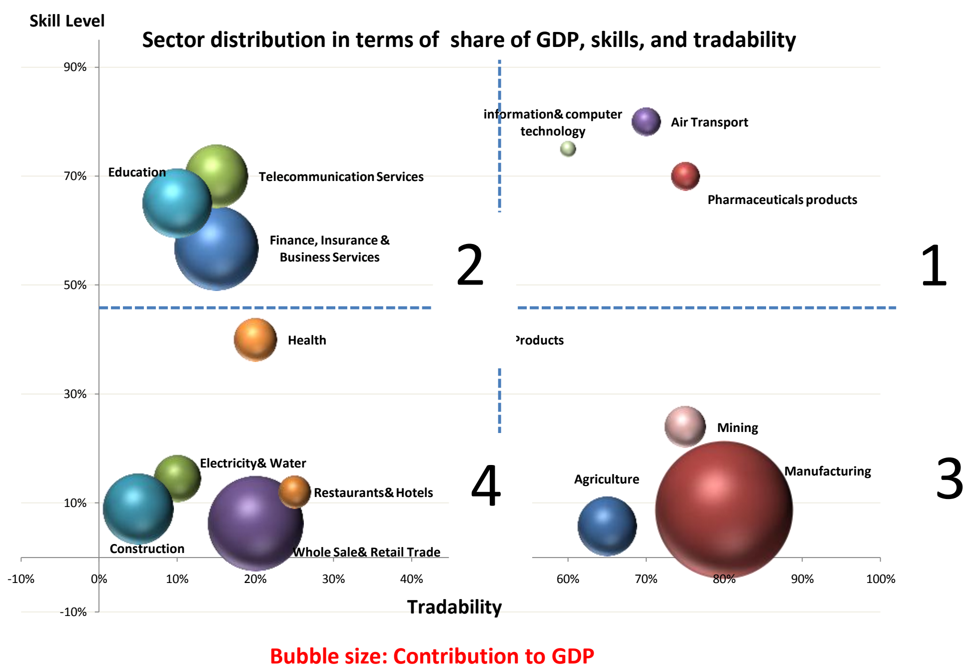
It is important to view the composition of the Jordanian economy not just in terms of its contribution to GDP, but also in terms of employment, skills, and competitiveness. Figure 23 and Figure 24, therefore, map the various sectors of the Jordanian economy to employment creation, levels of education required by each sector, and each sector's exposure to international competition. In Figure 23, the bubble size represents the sector's contribution to GDP. The x axis represents tradability, defined as the sum of imports and exports for that sector divided by the sector's gross output. The y axis represents the skill level of those employed in that sector, defined here as the number of workers with a diploma level or higher education divided by the number of total workers in the sector.[11] Figure 24 is identical to Figure 23 except that the size of the bubble represents the sector's contribution to employment rather than to GDP. The percentages (highlighted in red) near the bubbles are the ratio of foreign labor in that sector.[12]

The sectors can be grouped into four clusters/quadrants. The first quadrant represents the High Skilled-High Tradability sectors (HSHT), or those often referred to as export-oriented/knowledge-based sectors. The second quadrant represents the High Skilled-Low Tradability sectors (HSLT), mainly the service

[11] This measure is a proxy for skill level as college and university degrees don't accurately measure the level of skill.
[12] The sectoral percentages of foreign workers are not accurate, especially for the agricultural sector, as many workers get low cost permits as agricultural workers but then move to other sectors, such as construction and services.

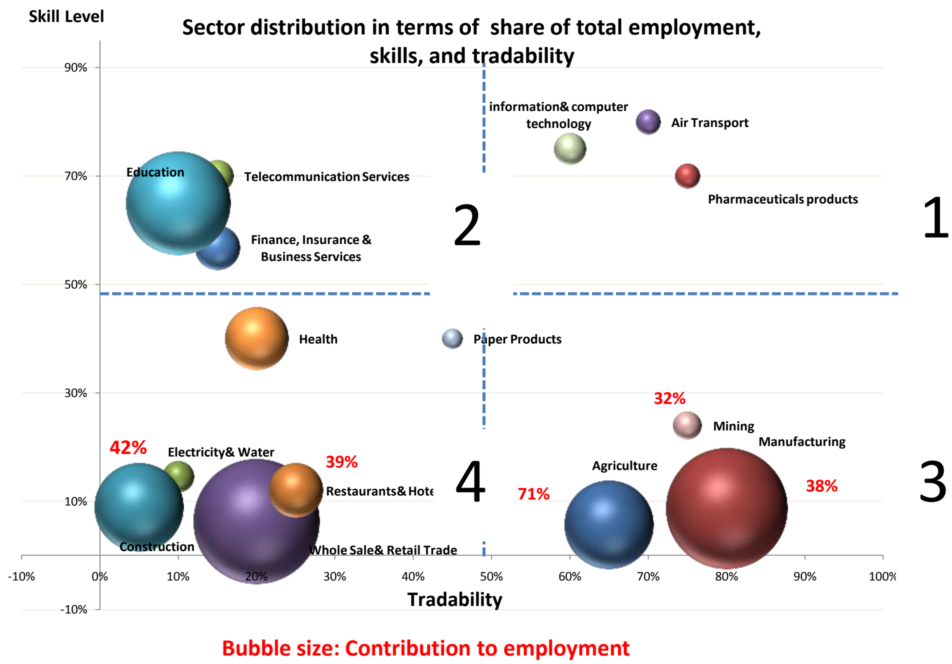
sectors which require fairly advanced skills in finance, health, and education. The third quadrant contains the Low Skilled-High Tradability sectors (LSHT), such as agriculture, mining, and "traditional" manufacturing involving unskilled or semi-skilled labor. The fourth quadrant includes the Low Skilled-Low Tradability sectors (LSLT), such as wholesale and retail trade, construction, and hotels and restaurants.

Figure 23 Various sectors of the Jordan economy by contribution to GDP, skills, and tradability



Source: NES Team calculations based on I-O Tables, MOPIC, and labor data from DOS.

Figure 24 Various sectors of the Jordan economy by contribution to employment, skills, and tradability



Source: NES Team calculations based on I-O Tables, MOPIC, and labor data from DOS.

A number of critical features about the Jordanian economy are evident from the figures above:

1. Jordan has a largely traditional economy, with most sectors falling in quadrants 3 and 4, both in terms of GDP and employment. In the short term, therefore, businesses in quadrant 4, or the innovative sectors, cannot be relied on to create sufficient jobs or to grow the economy.

2. The Jordanian economy is largely a service economy, as shown in quadrants 2 and 4, the low tradability sectors. Policies stimulating demand or supply are more likely to be effective in generating growth and employment in these sectors than in the tradable sectors.

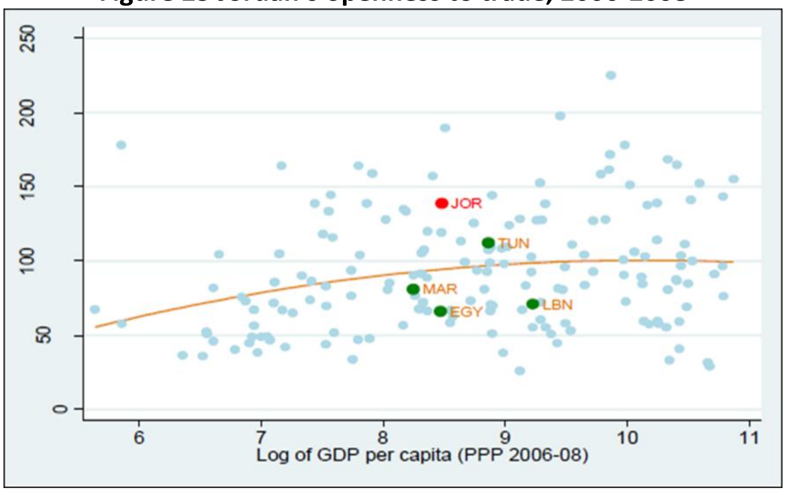
3. There is ample room for a number of sectors to move up the y axis (skills). For example, manufacturing on average is low skilled in Jordan. This "average" conceals a few industries that utilize a much higher skill set, with higher value added. There is therefore potential for manufacturing to gradually move up to quadrant 1 with the right enabling environment and incentives. The same applies to quadrant 3 and 4 sectors: construction, health, and education can increase the proportion of their skilled workforce and enhance their productivity.

4. There is also ample room for a number of sectors to move to the right along the x axis (tradability). For example, health tourism can move the health sector to the right, making it more competitive on a regional level; the same applies to tourism, education, insurance, business process management, engineering services, etc.

5. Foreign labor is dominant at the bottom of the skill level (percentages in red in quadrants 3 and 4).[13] While it might be a critical element in the competitiveness of the sectors in quadrant 3, the same cannot be said about the non-tradable sectors in quadrant 4, such as trade, restaurants, and other services which are not exposed to foreign competition.

The process of expanding exports and moving up the value chain has taken place gradually. Figure 25 shows that Jordan has become one of the most open economies in MENA, trading more than other countries with similar GDP per capita.

Figure 25 Jordan's openness to trade, 2006-2008

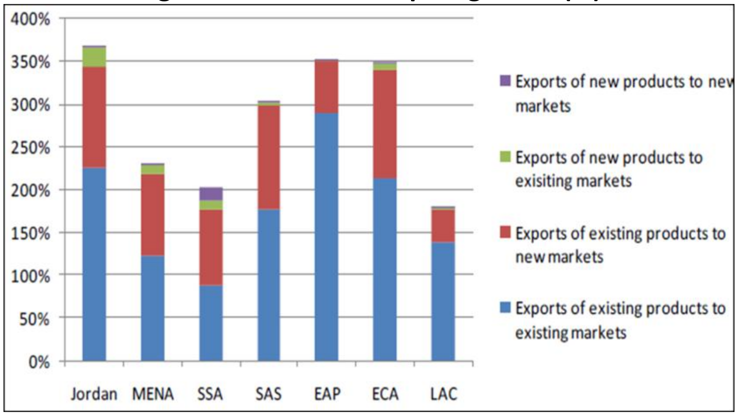


Source: World Bank DPR forthcoming 2012.

Chemical products (pharmaceuticals, in particular) represent Jordan's largest export sector (36 percent of total goods exported). Textiles and clothing also gained considerable ground between 1998 and 2006, overtaking potash as the second largest export sector due to the establishment of QIZs with duty-free access to the U.S. market (World Bank DPR, forthcoming 2012). Figure 26 shows that Jordan expanded its line of products and opened up new markets, while Figure 27 shows that the technology content of its products has also increased. The share of medium-high technology-intensive products has increased since 2006 (thanks to the rise in pharmaceutical products) while the share of low technology-intensive products has since declined (due to the decline in the share of exports of textiles and clothing after 2006). Overall, Jordan's nominal export growth between 1998 and 2008 was 1.5 times higher than the MENA average.

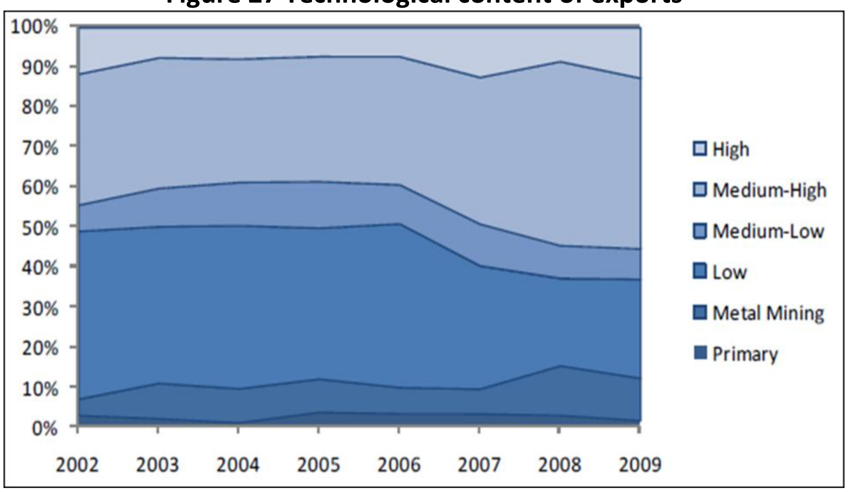
[13] The 71 percent foreign labor in agriculture is probably overstated as many foreign workers with permits in the agriculture sector move into other sectors, such as construction and trade.

Figure 26 Drivers of export growth (%)



Source: World Bank DPR forthcoming 2012.

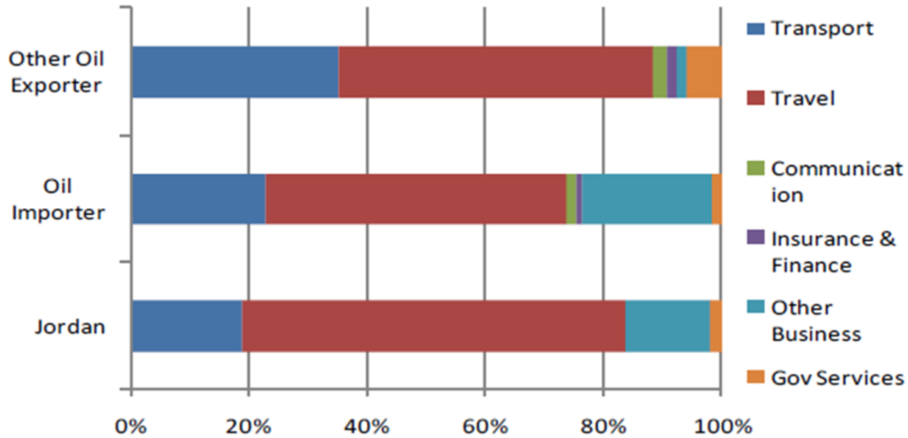
Figure 27 Technological content of exports



Source: World Bank DPR forthcoming 2012.

Going forward, export of services is likely to be as important for Jordan, if not more, than export of goods. But Jordan's service sector remains weak in export capacity. Figure 28 shows that the bulk of service exports are in travel and transport. Exports of services in health, education, finance and insurance, and business process outsourcing (BPO) are below the potential of Jordan.

Figure 28 Export of services: Jordan versus oil and non-oil exporters



Source: World Bank DPR forthcoming 2012.

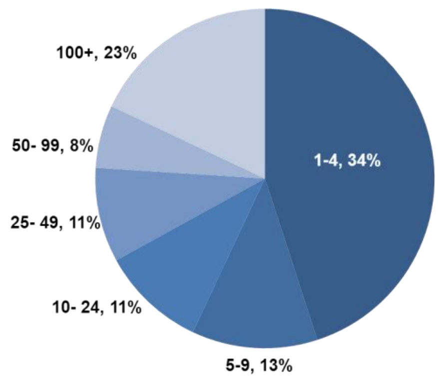
The strategic questions for Jordan are whether the growth patterns witnessed in the various sectors are sustainable and build on the country's relative strength in human capital and whether they mitigate the weaknesses associated with being water scarce and reliant on imported energy. The answers will vary by sector, dependent on each sector's competitiveness and reliance on subsidies. For example, the currently subsidized water- and energy-intensive sectors (agriculture and heavy manufacturing) will need to become much more resource efficient, focusing on high value added products to be sustainable. The apparel and textile industry, which has benefited from a preferential trade agreement with the U.S. and relied mainly on low wage foreign labor, would need to move up-market, perhaps with focus on design, and rely on a Jordanian workforce to make a contribution to sustainable growth and employment. The pharmaceutical and IT industries, in contrast, represent the best opportunities for sustainable growth and job creation for an increasingly educated workforce. These sectors have made good use of Jordan's WTO accession and U.S. FTAs to enable Jordan to participate in R&D, as well as licensing agreements.

2.3.3 Enterprise size

The Jordanian economy is dominated by micro enterprises employing fewer than ten workers (see Figure 29) which represent more than 90 percent of all registered enterprises and employ 47 percent of private sector workers. Small enterprises with 10-49 workers employ 22 percent of private sector workers. Medium enterprises with 50-99 workers employ only 8 percent of private sector workers, while large enterprises with more than 100 workers employ 23 percent of private sector workers. Trade and services account for the bulk (85 percent) of micro and SME activities, and 80 percent of micro and SMEs are owned by sole proprietors.[14]

[14] DOS Establishment Census, 2006.

Figure 29 Distribution of private sector employment by establishment size[15]



Source: DOS JLMPS.

Micro, SMEs, and large enterprises vary in their contribution to economic growth, job creation, and poverty alleviation, and face different constraints. International empirical evidence is split on the importance of micro enterprises and SMEs for economic growth and job creation. Large enterprises tend to benefit from economies of scale, invest more in R&D, and be more innovative. SMEs in East Asian countries, however, played a crucial role in economic growth and innovation. Micro enterprises are more "replicative" than "innovative," but they play an important role in job creation and poverty alleviation among the poor.[16] Such evidence suggests that public policy should create a level playing field for enterprises of various scales. Very often, this requires removing constraints faced either by SMEs or by large firms. The role of micro and SMEs is well explored in the Jordan Human Development Report, 2011.

Access to finance is a prime example of a constraint experienced differently by small, medium, and large enterprises. In the aftermath of the global economic crisis, while business demand for credit slowed down, the supply of credit slowed down even more, despite actions taken by the CBJ to lower the cost of capital.[17] The long debate on whether the slowdown in banks' lending is due to slowdown in demand or supply was explored in some detail in the IMF 2010 Article IV Consultation (IMF, 2010). While the IMF report acknowledged that demand for credit declined in the aftermath of the crisis, supply of credit declined even further, and did not recover adequately in response to monetary easing measures taken by the CBJ.[18] The report concluded that "the recent slowdown in credit activity in Jordan has been mainly driven by supply factors," and that "credit supply still has a large potential for further expansion" (IMF, 2010).

[15] Includes non-wage workers and excludes "don't knows."

[16] For an excellent review of evidence on the link between enterprise size and economic growth, see Baumol *et al*. (2011).

[17] In 2009, the CBJ lowered the compulsory reserve requirements to be held by banks to 8 percent and reduced the discount rate to 4.75 percent (from 7.5 percent in 2006).

[18] These measures included: (i) reduction of the CBJ policy rate and its differential with the Fed funds rate; (ii) elimination of the issuance of CBJ CDs and consequent accumulation of excess reserves by commercial banks; and (iii) the potential increase in deposit inflows.

SMEs bear the brunt of the credit supply constraint. In the absence of i) a credit bureau or a credit registry to provide banks with the credit history of enterprises, and ii) a registry of movable property to make it possible to use movable capital and inventory as collateral, and with iii) the limited immovable collateral (real estate) that SMEs have, it is not surprising that SMEs tend to find it difficult to obtain credit to finance exports and business expansion. Indeed, Jordanian banks lend only 10 percent to SMEs (compared with 13 percent in non-GCC countries), and less than 30 percent of SMEs have access to finance (see Figure 30).

Figure 30 Loans to SMEs and SMEs with loans

Source: ICA Assessments and MENA SME surveys.[19]

2.4 How Can the Supply Side Respond Better to Market Demand?

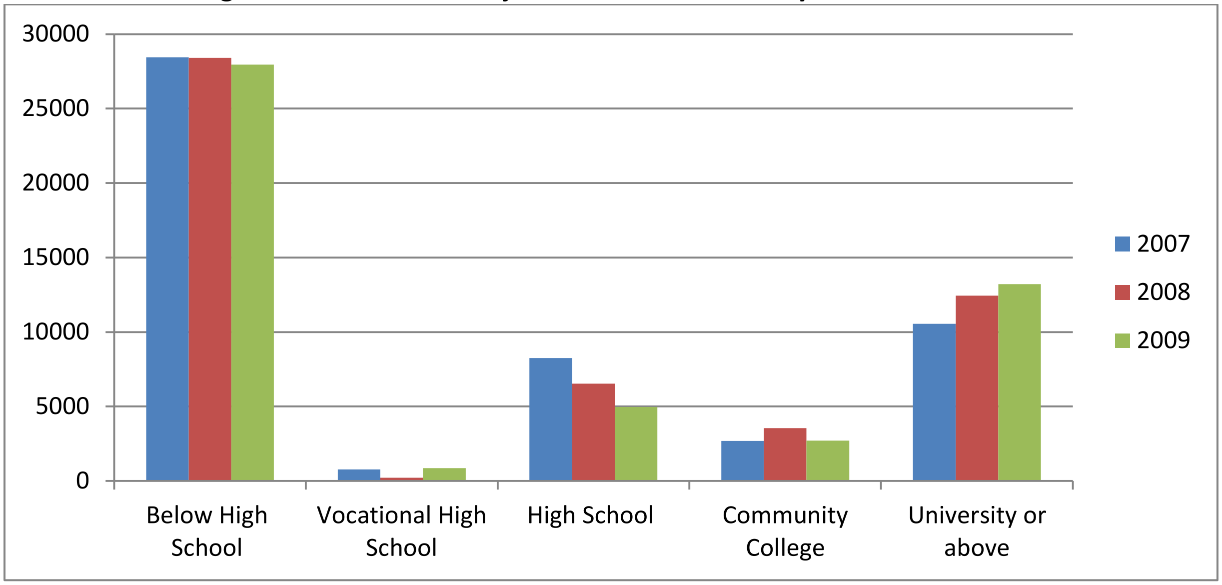
The mismatch of supply and demand in Jordan can be observed in terms of both quantity and quality. The issues of basic, vocational, and higher education are broad and complex, and go beyond the scope of the NES. The focus here, therefore, is on identifying the main quantity and quality mismatches, while building on the recommendations made in the National Agenda's Education and Higher Education Strategies for the sector. Every year, around 120,000 students take the high school *tawjihi* exam, and about 60,000 pass it. Of those who pass, around 45,000 go to Jordanian universities, and 6,000 go to community colleges.[20] Jordanian universities graduate around 40,000 students per year.

Job creation patterns vary significantly, however. Out of around 76,000 jobs created in 2009, only about 24,000 went to university graduates, while 6,500 went to community college graduates, and the rest, around 46,000, went to workers with high school or below levels of education. Thus, around 15,000 fresh university graduates find themselves without jobs every year. It should be noted that not all those leaving schools, colleges, and universities are seeking work (recall that labor participation rates are only 35 percent of the working age population),[21] and the higher the level of education, the more likely it is

[19] For further information, see Rocha *et al.* (2011).
[20] No estimates exist on the number of students who go abroad to study.
[21] In 2010, labor force participation was: 74.1 percent among university graduates, 51.7 percent for diploma holders; 27.4 percent for those with *tawjihi*; and 36.6 percent for those with less than *tawjihi.*

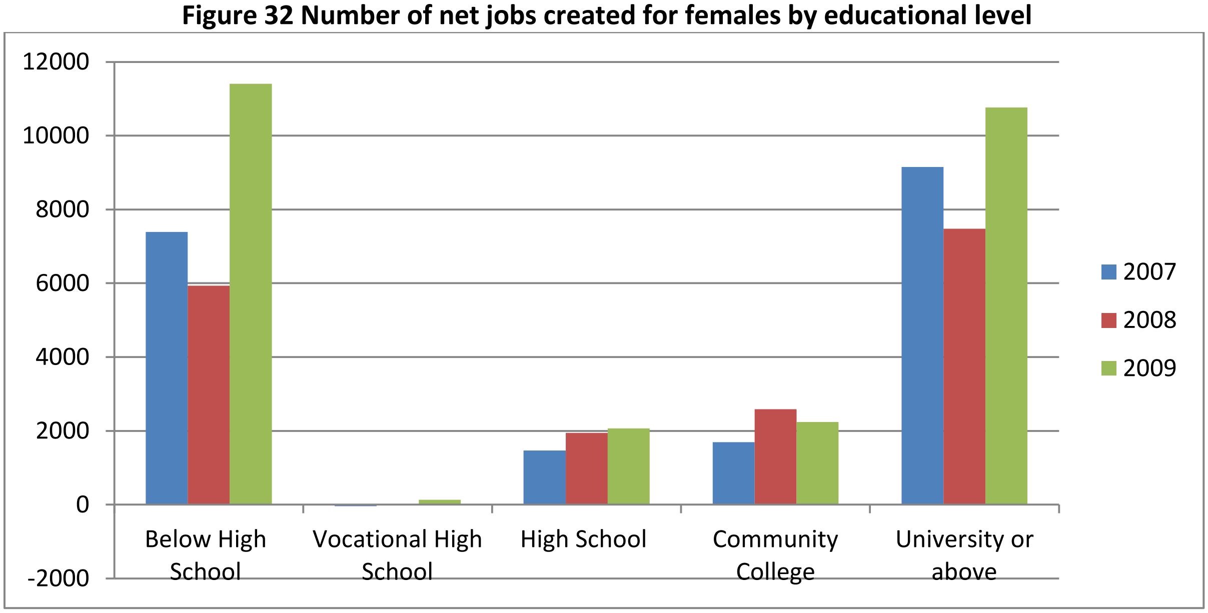
that graduates will actively seek a job. But the rapid increase in unemployment among university graduates (see Figure 31 and Figure 32) confirms the mismatch.

Figure 31 Number of net jobs created for males by educational level



Source: DOS EUS.

Figure 32 Number of net jobs created for females by educational level



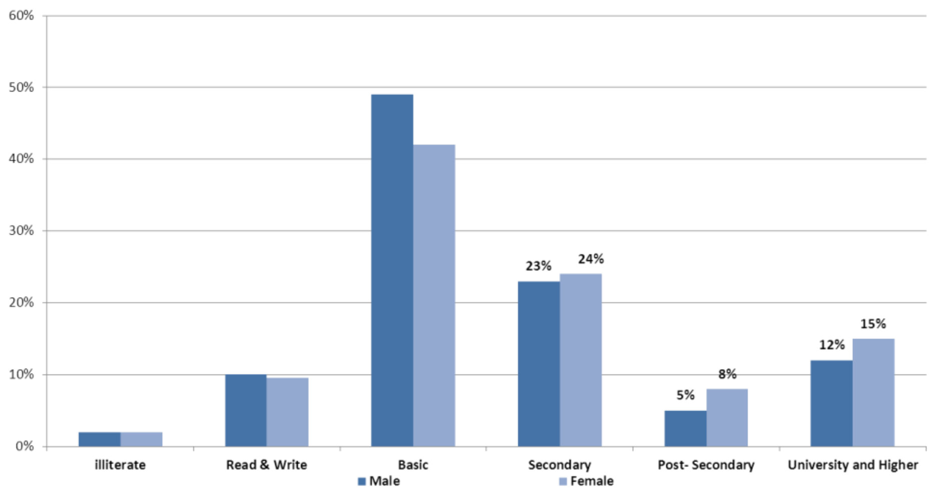
Source: DOS EUS.

Beyond these aggregate figures, better information is needed to diagnose the specific areas of skill mismatch. The discussion below, however, provides indicative areas of specialization and quality of education mismatches.

2.4.1 Educational output

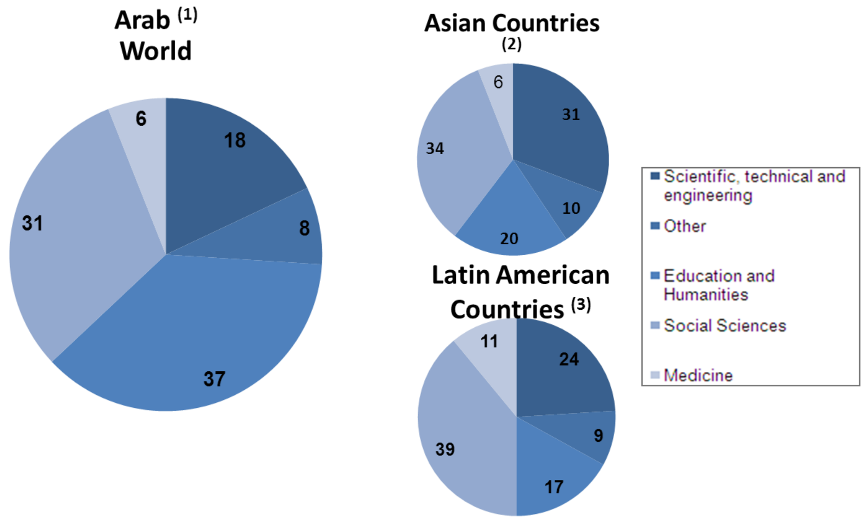
University level education in Jordan is on the increase for both males and females. Figure 33 shows that females aged 15-34 have already overtaken males in secondary, post-secondary, and university education. But males tend to dominate in applied sciences (53 percent males to 47 percent females), while females dominate the humanities (54 percent females to 46 percent males). Overall, the number of students specializing in education, humanities, and non-technical and professional fields continues to exceed demand. This is typical of Arab countries, where about 68 percent of university students major in education, humanities, and social sciences, compared to 56 percent in Latin America, and 54 percent in East Asia (Figure 34).

Figure 33 Educational attainment by gender (aged 15-34)



Source: DOS JLMPS; Amer 2011.

Figure 34 Distribution of Jordanian university students by field of study

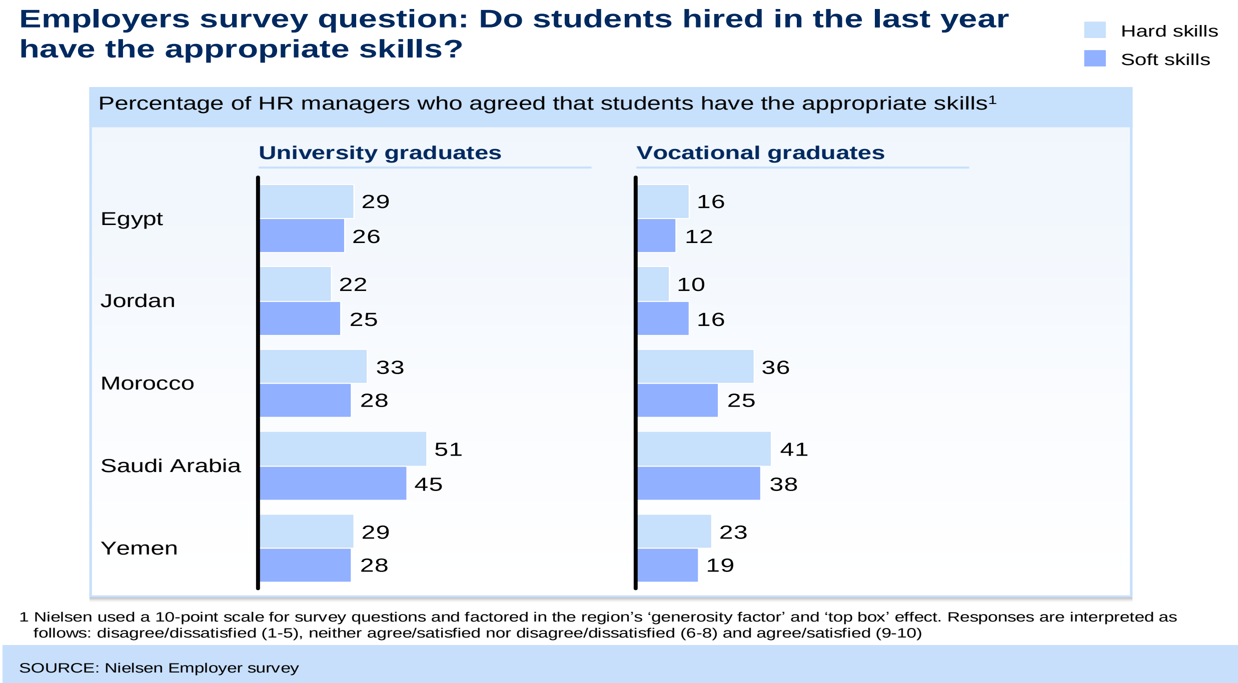


(1) Represented by: Algeria, Egypt, Iraq, Jordan, Morocco, Oman, Saudi Arabia and West Bank & Gaza
(2) Represented by: China, Indonesia, Korea, Malaysia, Philippines, Thailand
(3) Represented by: Argentina, Bolivia, Brazil, Chile, Colombia, Mexico, Peru
Source: The Road Not Travelled: Education Reform in the Middle East and North Africa (World Bank).

Community college education faces more serious challenges. Initially envisioned to provide a technically skilled workforce, community colleges have drifted into offering academic and humanities specializations and "bridging" programs to allow students who cannot get a university degree to "bridge" back to a university program. This has created an inverted pyramid such that Jordan graduates too many engineers and not enough engineering assistants/surveyors; too many dentists and not enough dental assistants; and too many pharmacists and not enough pharmacist assistants.

The mismatch is not only in quantity but also in quality. Humanities and social science students are not being provided with skills they need in the workplace. Even in the scientific, technical, and engineering fields, employers complain that education is not "applied" enough. A recent comparison of Jordan to other Arab countries provides a good indication of the lack of both "soft" and "hard" skills from the view point of employers (see Figure 35).

Figure 35 Employers' survey question: do students hired in the last year have appropriate skills?



Source: IFC and Islamic Development Bank 2011.

A more detailed and nuanced understanding is needed of the skill mismatch between labor supply and demand. A joint employer-employee survey to assess the dynamic connection between firm level productivity growth and the skill composition of employment would fill such a gap by providing key inputs on the following areas: i) the skills composition (both technical and non-technical) of the employed workforce in the formal sector; ii) the quality and productivity of jobs within firms; iii) constraints faced by firms in finding workers at the level of skills they need; and iv) the relevance of training and skill development programs. The findings would enrich the quality of policy advice on this topic.

The problems of quantity and quality in higher education are symptomatic of a deeper crisis in the higher education system. This crisis is one of finance, governance, and quality control. In financial terms, most public universities are under severe debt. Declining public finances and administrative mismanagement, such as hiring too many administrative staff relative to academic staff (Jordan's ratio is 7:1 compared to the international average of 3:1), have put a tremendous strain on universities' budgets. In governance and quality control terms, Jordan has still to find the right balance between giving universities the full autonomy they need to be innovative and controlling quality to ensure that standards of education are not compromised. While these issues go beyond the immediate scope of the NES, they are crucially important for employment, wages, and productivity. The National Agenda, followed by the Strategy for Higher Education and Scientific Research (2010-2015), goes a long way in addressing the constraints of the sector.

In basic education, Jordan has achieved measurable progress in both enrollment and quality relative to the region, but challenges remain. Its enrollment and dropout rates are among the best in the region. Jordanian students have scored well on the international TIMSS tests on science and math compared to most Arab countries, but they still rank below average internationally,[22] and some key challenges remain. First, and most important, curriculum and teaching methods still emphasize rote memorization. Critical thinking, team work, problem solving, and research skills are only integrated into learning in a few elite private schools and pilot programs. Second, uneven geographic distribution of schools and teachers creates overcrowding in some areas and empty classrooms in others. Overcrowded schools are in urgent need of upgrading and expansion.

One of the areas that requires the most attention, but whose significance is least appreciated, is early childhood education. International experience has shown that investing in early childhood education has a higher return than investing in older children or adults (Heckman, 2008). Ages 3-6 are crucial years for learning critical cognitive and social skills that become harder to master later on. Currently, only about 38 percent of Jordanian children receive public or private preschool education.[23] In 2001, the Ministry of Education (MOE) launched a preschool program in 1,285 schools serving 104,762 children. The private share of preschool education is 90.25 percent, and is mostly concentrated in Amman and secondary cities.

2.4.2 Technical and vocational training

Technical and vocational employment and training (TVET) continues to be weak and fragmented. With a crowded landscape of public, private, and not-for-profit providers, and with the exception of a few best practices, the TVET sector has yet to be viewed by the private sector as responsive to its needs. It consists mainly of four public segments: i) community colleges under the aegis of Al-Balqa Applied University; ii) secondary vocational education (grades 11 and 12) under the MOE; iii) the Vocational Training Corporation (VTC); and (iv) the most recent addition, the National Employment Training Company (NET). In addition, there are private, not-for-profit, and enterprise-based training programs, some of which are pilots sponsored with donor funding. Community colleges serve a body of around 26,000 students (although most are not enrolled in technical or vocational tracks), while the MOE runs 233 centers within 191 public schools. In the academic year 2009-2010, around 24,000 students took the national high school vocational training. VTC is the smallest in scale, with 44 vocational centers. Its student population comprises those who fail the public vocational schooling system,[24] trainees in various short term programs (health and safety, training of trainers), and other trainees. In 2010, its total student population was around 9,400, and it had graduated a total of around 5,500 students. Finally, since its inception in September 2007, the NET has attracted 9,000 young men into construction sector training, of whom about 3,600 completed the full eighteen month program (not twenty-four months as originally planned) by June 2009. Some of the most relevant not-for-profit and private programs are reviewed in Appendix 4.

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[22] The international average score is 451; Jordan's score is 427 and its rank is 31.
[23] Based on preschool enrollment of 104,762 in 2007 – 2008.
[24] But out of 5,287 students transferred from MOE schools, only 1,436 actually joined.

The challenge is not so much the diversity of the providers, but rather the poor state of governance of the sector. In spite of a strategic focus by the National Agenda and considerable donor funding, reforms are slow, coordination is lacking, and quality control is weak or nonexistent. Reforming the vocational training sector was one of eight national priorities identified in the National Agenda in 2005. It identified two problems clearly: the first was that the vocational training sector was "yielding poorly trained and uncommitted workers"; the second was that "the lack of private sector collaboration at all stages of training has widened the gap between private sector expectations and the skill set taught to vocational trainees." To address these problems, the National Agenda proposed to deal with the "fragmented programs adopted and the lack of a holistic approach in addressing this issue." It proposed restructuring the institutional framework of the employment support and vocational training and all related entities. Five specific proposals were made; none have been fully implemented yet (see Table 5).

Table 5 Progress on National Agenda proposals in the ETVET sector

National Agenda Proposal	Progress Achieved
Establishing a Higher Council for Human Resource Development (HCHRD) to serve as an umbrella for other governing councils and bodies overseeing education and training.	This proposal was never implemented, although it would have been the appropriate level to coordinate education, higher education, labor, and economic and trade policies, as well as to involve representatives of the private sector and labor. The Council of Ministers approved the establishment of the HCHRD upon the recommendation of the NES Technical Team in May, 2011.
Establishing the Employment, Technical and Vocational Education and Training (ETVET) Council. The Council's responsibilities were envisioned to include setting strategies related to vocational training, technical training, vocational education, and employment support, and overseeing their implementation.	While the ETVET Council was indeed established in 2008, it failed to play the umbrella role envisioned. The Council for Education continued to set the strategies for vocational education at the high school level; the Council for Higher Education continued to set the strategies for technical and vocational education at the community college level; and the ETVET Council was limited to setting the strategy for MOL programs, VTC, and the NET.
Creating an Outplacement Department, with the aim of matching regional and international demand with the Jordanian labor force and providing assistance to Jordanians working abroad.	This proposal was never implemented, except to place labor counselors at a number of Jordanian embassies, an effort which has not yielded much impact.
Designing an unemployment insurance scheme that increases incentives for (i) job seekers to remain in the workforce and (ii) the economically inactive to enter the workforce.	This proposal was adopted by the Social Security Corporation in its 2010 Law and went into effect in September, 2011.
Creating the Licensing and Accreditation Council for the Vocational Training sector, which reports to the ETVET Council and regulates the sector, through licensing training providers from the public and private sectors, guaranteeing fair competition amongst training providers, matching vocational training programs with market needs as per the ETVET Council strategies and directives, setting quality and performance indicators and overseeing their implementation, and providing accreditation for vocational training instructors.	The Licensing and Accreditation Council for vocational training was reduced to a unit within the MOL, and thus lacks the independence envisioned in the National Agenda to truly accredit programs or carry out quality control.

Seven years after establishment of the National Agenda, the results are modest at best, and the mission is far from accomplished (see Table 5). In addition to slow progress on the above institutional reforms, a number of existing strong institutions have deteriorated. A prime example is the NCHRD, an institution that played a major role in the 1990s and early 2000s in developing education, higher education, and training policies on HR. The NCHRD has since significantly deteriorated due to limited funding and lack of mandate.

Among the main players in vocational training, the MOE bears the brunt of the training load through its vocational training stream in grades 11 and 12. About 14 percent of high school students go through the vocational stream, or about 24,000 students in total over a two year period. Students can specialize within four main training fields (industry, agriculture, home economics, or hotel management and tourism). The vocational stream faces significant challenges: i) a stigma of "academic failure" associated with the stream; ii) inadequate facilities, outdated equipment, and unmotivated instructors; iii) not enough emphasis on applied/hands-on practice; and iv) little or no involvement of the private sector. More resources might be part of the answer, but it will be difficult to improve the image, reputation, enrollment, and quality of TVET without vocational training courses in earlier stages (e.g., primary and middle school), greater involvement of the private sector, and involvement of vocational schools in real production.

VTC is struggling to reform under difficult circumstances. The VTC has some strengths which need to be built upon, including a strong infrastructure and geographical spread and a long history of offering a variety of specializations. But it also has weaknesses and challenges it is trying to overcome, such as a constraining HR system that prevents it from attracting and retaining the best trainers, and weak responsiveness to market demand. Indeed, a survey of employers shows both good and bad news (IPSOS Loyalty, 2010). On the positive side, almost 87 percent of employers expressed willingness to hire more VTC graduates in the future. On the negative side, their assessment of VTC graduates was average at best, with weak ratings of graduates' skill-sets "indicating a problem related to the ability of graduates to effectively use operating manuals, as well as the technical and practical skills related to their areas of study." Employers' assessments were that "while [VTC graduates] do hold vocational certificates, those are not particularly relevant to businesses or market needs" (IPSOS Loyalty, 2010).

The VTC's performance is best when it goes into partnership with the private sector. It has engaged in several such partnerships: notably, it had a partnership with the hotel sector and USAID in which eleven VTC branches trained over 4,000 trainees with direct involvement of the private sector in curriculum and on-the-job training. Such best practices need to become the norm rather than the exception, and the VTC needs to be restructured into an administratively and financially autonomous agency better able to respond to labor market demand.

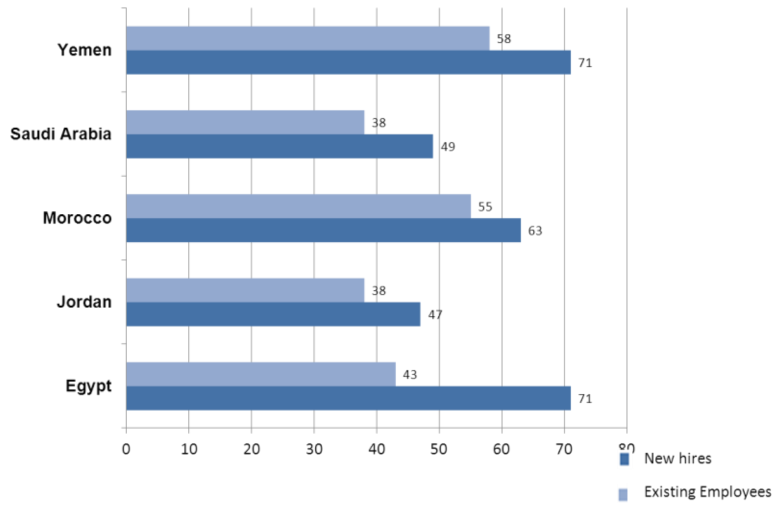
NET's performance has been mixed and its cost excessive. The NET was created by the Jordanian Armed Forces (JAF) in 2007 with the mandate to train 30,000 unemployed youth in the construction sector within a five to six year period. The model was based on recruiting unemployed trainees and providing them with a benefit package equal to JD 290 per month for one year, after which they would be placed as trainees in the construction industry. The NET has since envisioned expanding its program nationally and regionally and broadening its scope to manufacturing, industry, and services.

A recent report sponsored by the Canadian BEST program evaluated progress made by the NET and pointed to strengths and weaknesses of the company. Among the strengths were the ability to mobilize rapidly and positive feedback from the construction industry, as evidenced by the evaluator's interviews. But the significant drawbacks included: i) difficulties in meeting recruitment targets or on-the-job-placement of trainees in the private sector; ii) weak governance/administrative structure; iii) very high cost per trainee (around JD 4,800 per trainee in 2009) and depletion of most of the ETVET Fund (see below); iv) limited coordination with the ETVET Council on expansion plans; and v) discrepancies in subsidies and benefit packages for NET trainees versus trainees of the VTC and other training programs. The report acknowledged that the permissive foreign labor policy and the private sector's continued preference for foreign workers would make placement of on-the-job trainees from the NET or any other program very difficult.

There were important changes in ETVET Fund management and decision making in 2011, but more needs to be done. The operations of the ETVET Fund became much more transparent in the last year, with better accounting and auditing standards. Upon the recommendation of the NES Technical Team, the Board of Directors was disbanded and replaced by a sub-committee of the ETVET Council, which does not include training providers as members. Still, much remains to be done to ensure that the ETVET Fund is sustainable and that funds are allocated to proposals on the basis of transparent criteria (e.g., innovation, established demand, cost per trainee, placement record, etc.).

Private enterprises' training of their own employees is also limited. Even the best vocational schools are no substitute for enterprises doing their own on-the-job training to familiarize workers with processes, equipment, and standards. A recent survey, however, found that Jordan's companies rank among the lowest of Arab countries in terms of providing training to their employees (see Figure 36). It is curious that Jordan's low rate of training is close to Saudi Arabia, the only other country in the group that relies on foreign labor. While understanding the causes of low investment in training requires further investigation, it could very well be that the more a country relies on foreign labor, the less likely it is to invest in training given the relatively high turnover rates of employees.

Figure 36 Percentage of companies that provide training to employees



Source: IFC and Islamic Development Bank 2011.

Considerable innovation is taking place in the not-for-profit and private training sector. There is a rich spectrum of programs, some of which are donor supported, aimed at male and female students at various educational levels, that offer cost-effective and innovative methods of providing skills necessary for the work environment. A summary of these programs is presented in Appendix 4, but common features include a focus on: i) employable skills, not just technical ones; and ii) early employer involvement and on-the-job training. The more promising programs are those that offer a short period of employability skills training followed by on-the-job training, which can include subsidizing wages of trainees.

The ETVET Fund ought to be the engine for promoting innovation and scaling up best practices in vocational and technical training. For it to play such a role, the Fund needs urgent reform to ensure financial sustainability, better governance, and use of transparent criteria for allocation of funding. The ETVET Fund was established in 2005 to finance on-the-job training and demand-driven technical and vocational training by both public and private providers. Its financing was supposed to come from a tax of 1 percent of private sector profits, revenues from foreign workers' permits, and government contributions. Its financing decisions were made by a Board of Directors that was headed by the Minister of Labor and comprised private sector and NET and VTC representatives. The tax on private sector profits (which constituted 72 percent of the ETVET Fund) was eliminated in the Tax Law of 2009, leaving the ETVET Fund almost totally reliant on revenues from foreign workers' permits. In terms of governance, the ETVET Fund Board of Directors included the NET and the VTC, the two main training providers and recipients of funds, posing a conflict of interest. In terms of funding allocation, the ETVET Fund provided almost JD 94 million to ETVET activities between 2005-2010, but 78 percent of that went to only one entity, the NET (see Table 6). The next highest recipient was the VTC (8 percent). Less than 3 percent went to activities outside the scope of the NET, the VTC, or the MOL.

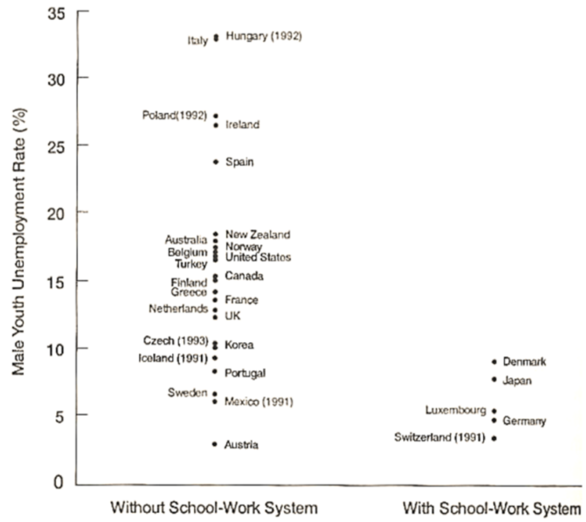
Table 6 Allocation of the ETVET Fund by implementing agency, 2005-2010

Recipient of funds	Total financed by the ETVET Fund (JD)	Percent of total
NET	73,697,302	78%
VTC	7,225,284	8%
ETVET Project	6,337,772	7%
Ministry of Labor	3,913,118	4%
German-Jordanian University	1,000,000	1%
Other	1,761,069	2%
Total	**93,934,545**	**100%**

Source: Nader 2011.

Regardless of their level of education or area of specialization, young Jordanian graduates are not adequately prepared for the workplace and spend a long time in the ranks of the unemployed. But youth unemployment is not unique to Jordan; international evidence shows clearly that countries with school-to-work transition programs tend to experience half the unemployment rates of countries with no such programs (see Figure 37). Such programs typically include internships with employers, training on employability skills, and job counseling, and take place during both high school and university years. Several public and private initiatives in Jordan have helped bridge this gap. However, an umbrella program is needed to ensure that all efforts by public, private, and NGO providers are coordinated, and that no students or regions are excluded or missed. The tremendous and valuable experience gained by private and NGO providers in Jordan should be scaled up and built upon.

Figure 37 Male youth unemployment rates in countries with and without school-to-work systems



Source: OECD Labor Force Statistics 1982-2002.

2.4.3 Labor migration and skill composition: a vicious circle

Jordan has the now well-known but rather odd pattern of being both a labor sending and labor receiving country, sending skilled and educated workers to the Gulf while attracting unskilled or semi-skilled workers to Jordan. The effects of this pattern on the Jordanian economy and society are probably the least well understood and most strongly debated in Jordan. The issue tends to create false truisms on both sides, such as “Jordan would not be competitive if not for foreign workers” or “Foreign workers are a drain on Jordan and future immigration should be banned.” The impacts of in- and out-migration on Jordan’s economy need to be better understood both conceptually and empirically.

Successive Jordanian governments have historically encouraged sending skilled workers to the Gulf and the rest of the world based on a perceived positive impact on the economy. Viewed from a short term perspective, the direct impact of remittances on supplementing gross national income, balance of payment, and household incomes is indeed positive. Moreover, migration of skilled Jordanians to the Gulf has helped reduce unemployment among university graduates (i.e., “brain waste”). The inflow of remittances has always represented a significant source of Jordan’s income, albeit at a receding pace, declining from more than one-fifth of GDP (21.6 percent) in 2003 to 14.3 percent in 2009.

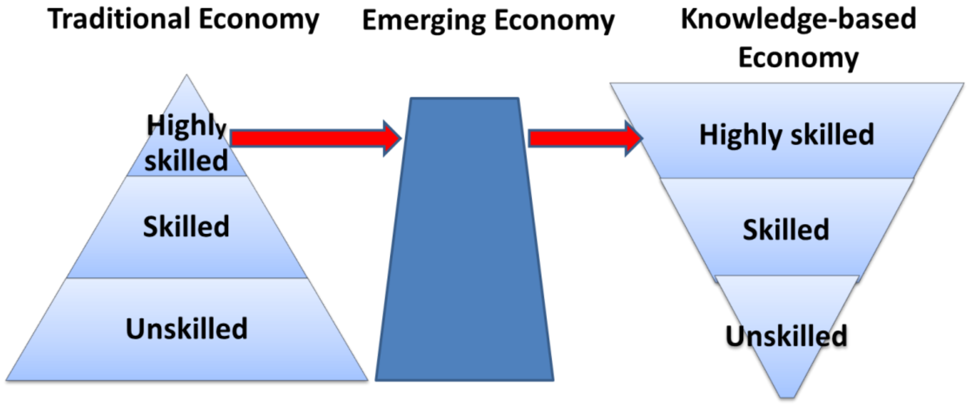
To understand the true benefits and costs of the emigration of skilled Jordanians, all impacts should be considered. There is considerable debate in the literature on the impact of migration on sending countries in terms of “brain drain” (costs) and “brain gain” (benefits), especially when emigrants are well educated.[25] The costs associated with "brain drain" include: i) transferring higher education subsidies invested in migrants to receiving countries; ii) creating labor shortages among the highly skilled and talented labor force (skilled workers, professionals, entrepreneurs, and managers), hence lowering productivity in the sending country; iii) changing consumption patterns of recipient households (saving less and consuming more as a result of unearned income); and iv) increasing reservation wages among remittance recipients (for example, making young recipients of remittances less willing to search for work at prevailing wages because they get a monthly allowance from abroad). The benefits associated with "brain gain" include: i) reducing unemployment pressures, especially among university graduates "brain in the drain"; ii) creating positive network externalities (trade, FDI, technology adoption); and iii) inducing desirable patterns of investment by recipient households, especially in building human capital. A recent study of the net effect of "brain drain/brain gain" on human capital accumulation and GDP per capita in Arab countries concluded that Jordan experiences a negative net effect from emigration, represented by a total factor productivity loss of 2 percent and a GDP per capita loss of 1.5 percent.[26] The report concluded that in labor sending countries in the region with limited talented human capital, "[t]he persons who leave may be those best able to change institutions and frameworks that hamper growth –much needed champions for change." Furthermore, "[a] best case scenario illustrates that even if all the potential positive externalities are taken into consideration, higher skilled emigration would be costly for sending MENA countries" (Docquier, 2011).

Jordan receives a large proportion of unskilled and semi-skilled foreign workers relative to the Jordanian working force. As seen in Section I, anywhere from 450-550,000 documented and undocumented foreign workers are in Jordan, working mainly in agriculture, manufacturing, trade, and services. The MOL's annual reports indicate that only 7.5 percent of foreign workers have vocational certificates and more than 90 percent of them have less than a high school education.

The dynamic of sending the "creative class" of skilled workers, professionals, and managers and receiving less skilled foreign workers has made it virtually impossible for Jordan to build its human resource base towards a knowledge-based economy. Figure 38 depicts the path taken by countries seeking higher rates of growth, better jobs, and higher wages. They strive to gradually upgrade their labor force from one traditionally dominated by unskilled workers towards one with a mix of traditional and high skill sectors (an emerging economy), and finally to one in which the highly skilled (the creative class) dominate the workforce (a knowledge-based economy). At that point, technology choices are made by investors, exponentially improving GDP per capita and other development measures.

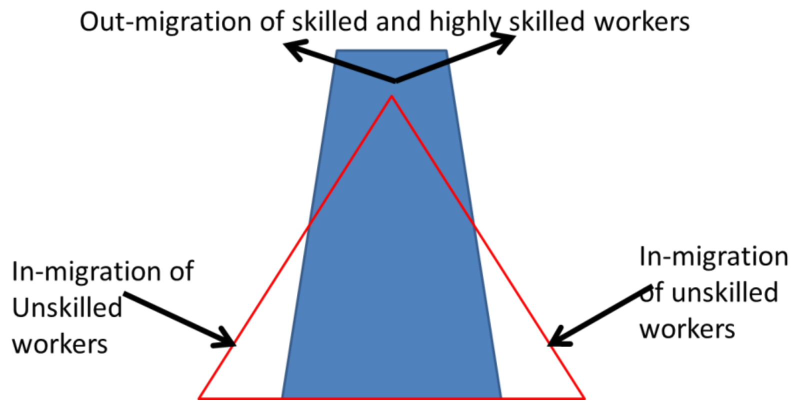
[25] For an excellent example, see the recent comparative study "Intra-Regional Labor Mobility in the Arab World," commissioned by the Arab Labor Organization (ALO), International Organization for Migration (IOM), and Partners in Development (PiD) (2011).

Figure 38 The impact of migration patterns on economic structure



While Jordan has succeeded in substantially increasing the number of female and male high school and university graduates, it has not been as successful in retaining their skills. The most skilled workers, technicians, and managers (the top of the pyramid) migrate to Gulf countries in search of better jobs and better pay. Jordan is also at the receiving end of unskilled or low skilled foreign workers (the base of the pyramid). The result is depicted in Figure 39: as much as Jordan strives to transform its labor force to provide the base for an emerging knowledge economy (the blue trapezoid), the emigration and immigration patterns return it to a traditional pyramid (red triangle). Investors decide on their future investments based on the actual composition of the labor market: an available supply of low skilled foreigners willing to work under inferior working conditions (in terms of work hours, vacations, and working conditions); a supply of Jordanian workers with academic degrees but low skills and expectations of being hired by the public sector; and a small upper tier of highly skilled specialists or managerial level workers. Faced with such a labor force, it is not surprising that investors tend to invest in low-tech, labor-intensive sectors with mostly foreign workers. They would naturally have little incentive to invest in training given the high turnover rates of foreign workers, little incentive to reflect any increase in productivity into higher wages or improved working conditions given the lack of bargaining power of foreign workers, and little incentive to upgrade to new technology given the prevailing factor prices (cheap labor). As a result, the Jordanian economy as a whole is stuck in a low equilibrium, low productivity, low wage, low skill production structure.

Figure 39 The impact of migration patterns on Jordan's economic structure



For this vicious circle to be turned into a virtuous circle, both in- and out-migration policies should be revisited. The loose foreign labor policy must be comprehensively revised to make sure that foreign labor complements rather than substitutes for Jordanian labor. As for the exodus of highly skilled Jordanian professionals, no policy could, or should, attempt to curtail it with restrictions given the very large wage gap between Jordan and the other Gulf countries. The challenge is for public policy to maximize the benefits of "brain gain," while minimizing the costs associated with "brain drain." Policies promoting the export of skilled labor[27] should be replaced with policies promoting the export of goods and services provided by Jordanian firms. This could be facilitated by encouraging "brain circulation"; i.e., motivating skilled emigrants to: i) maintain strong links with Jordan in terms of investments, exports of goods and services, and technology transfer; and ii) eventually return to Jordan during their work life to provide needed managerial and professional skills.

2.5 Reducing Market Segmentation

Neoclassical theories of a perfect labor market assume that profit maximizing employers will choose among individual workers based only on individual factors which affect their productivity at work, such as level of education, skill, physical ability, etc. As such, in a competitive environment, wages will tend to clear; i.e., reach equilibrium for an identical set of work-related attributes. In practice though, markets can be "segmented" by: i) different regulatory regimes defining contractual rules and benefits (such as public versus private and formal versus informal sectors); ii) discriminatory practices based on social biases and stereotypes rather than work-related attributes (such as gender biases); iii) transaction costs which make it more costly for some workers to find and maintain jobs than for others (such as access to information and public transportation); and iv) variation in enforcement of laws and regulations across workers (such as foreign versus national workers). Thus instead of one labor market, employers and workers engage in segmented markets, making market outcomes *less just* and *less efficient*. These sub-markets and the means of reducing segmentation are explored next.

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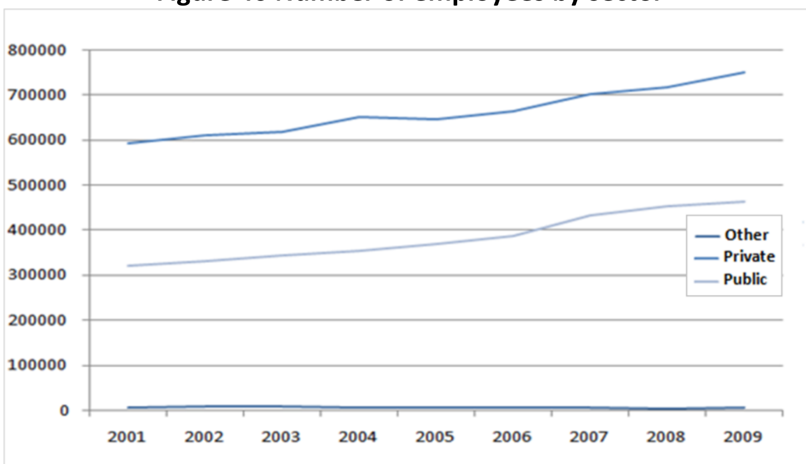
[27] Such as the ten year leave without pay from the public sector that professional public employees are encouraged to take.

2.5.1 The public/private sector divide

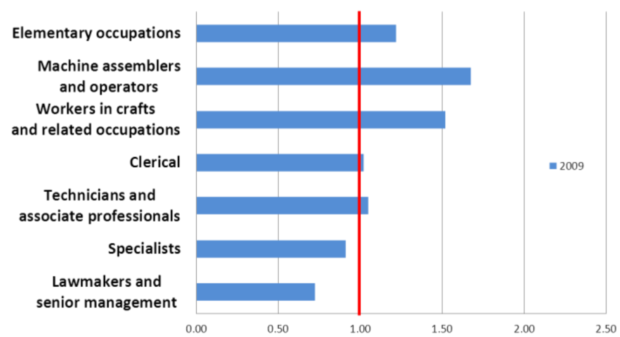
The public sector continues to create jobs in large numbers. In 2009, 37.9 percent of all workers were employed by the public sector. The public sector has kept pace with the private sector in the share of jobs offered (35-40 percent of the working population is in the public sector) and with the rate of hiring over time (see Figure 40). The expectation of landing a future job in the public sector is important; about 218,000 applicants have passed their exams and are queuing for a job in the CSB.

Figure 40 Number of employees by sector



A closer examination of public and private sector jobs reveals important differences which make opting for a public sector job, or even waiting in line for one for several years, quite rational. The average monthly wage in 2009 in the public sector was JD 412 compared to JD 338 in the private sector, but this average hides some discrepancies. Figure 41 presents the ratio of wages for specific job groups in the public sector to job groups in the private sector for 2009, and reveals that the public sector pays about 70 percent of private sector wages for managerial levels, about the same for technical levels, and about 150 percent of the private sector wages for unskilled and semi-skilled levels. Furthermore, these ratios use monthly wages, not hours worked, which tend to be lower in the public sector, both in terms of actual hours spent at work and productivity. Thus it is no wonder that young entrants to the labor market find that public sector wages are very competitive with the private sector, if not better, given the package of benefits and job security involved.

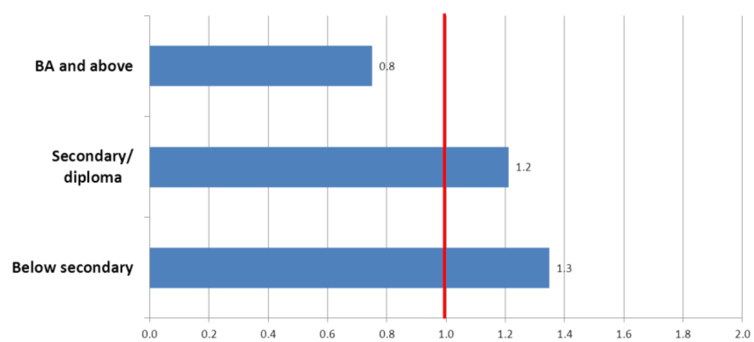
Figure 41 Ratio of public to private sector wages for specific job groups, 2009



Source: DOS.

Figure 42 shows a similar pattern in the ratio of public to private sector wages by educational attainment. Figure 43 shows that public sector workers with a diploma or below make 20-30 percent more than those with similar educational attainment in the private sector, while public sector employees with a university degree or above make about 20 percent less than those in the private sector.

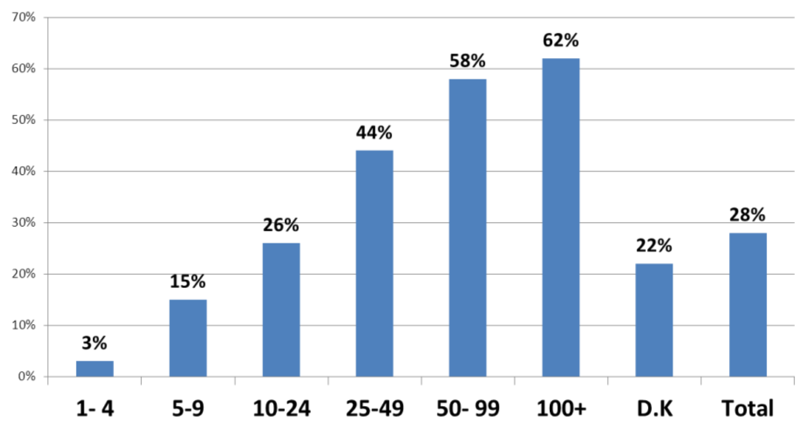
Figure 42 Ratio of public to private sector wages by educational attainment, 2009



Source: DOS.

Considering the different packages of benefits, the gap between public and private sector jobs becomes even wider. While the public sector offers social security coverage, health insurance, and maternity benefits to its workers, the private sector's coverage of these benefits varies greatly by the size of establishment. First, until very recently, compulsory coverage of social security was limited only to establishments of five workers or more, leaving more than 350,000 workers in the private sector uncovered. The recent region by region expansion of social security to establishments of one or more workers is expected to substantially increase coverage in the private sector. Second, while all public sector employees receive either civil health insurance or military health insurance, only large private establishments tend to offer their employees health insurance, leaving more than 70 percent of private wage workers uninsured (see Figure 43). Finally, female workers' entitlement to paid maternity leave is fully complied with in the public sector, but not in the private sector (see below). One downside of public sector jobs, as is the case everywhere in the world, is the limited upward mobility compared to the private sector.

Figure 43 Proportion of private wage workers with medical insurance by firm size, 2010



Source: DOS JLMPS 2010.
Note: D.K. = "Don't Know."

Thus, the preference of youth for public over private sector jobs can be mostly explained by economic and institutional factors rather than the "culture of shame" argument. The argument made by many academics and policy makers that a "culture of shame" is behind young Jordanians' preference for public over private sector jobs ignores objective factors affecting their choice. As long as the public sector continues to hire in large numbers, and as long as it offers superior benefits and competitive (if not superior) wages, it is rational for young men and women to prefer, and even wait several years for, a job in the public sector.

It is far from obvious that expanding the ranks of the public sector makes political or economic sense. Aside from legitimate needs for public sector workers in specific numbers and fields, public sector hiring has been used to ease economic and political tensions over the years. But any short term economic or political gains are bound to quickly evaporate due to widening fiscal deficits and rising expectations of further public sector hiring. The widely held perception that finding a public sector job outside the CSB processes depends more on *wasta* (favoritism) than on merit exacerbates pressure on public executives and legislators and creates tremendous frustration for those who don't succeed. This adds to the vicious circle of calls to expand public sector hiring.

In summary, given the size of the public sector in Jordan, hiring practices, wages, benefits, and promotions affect the dynamics of the whole labor market. It is critical that hiring criteria and processes be reformed to meet true needs; that compensation and promotion be based on performance and not on seniority (to enhance incentives for higher productivity); and that waiting lists in the CSB be gradually eliminated and turned into lists for Active Labor Market Programs (ALMPs) in the private sector.

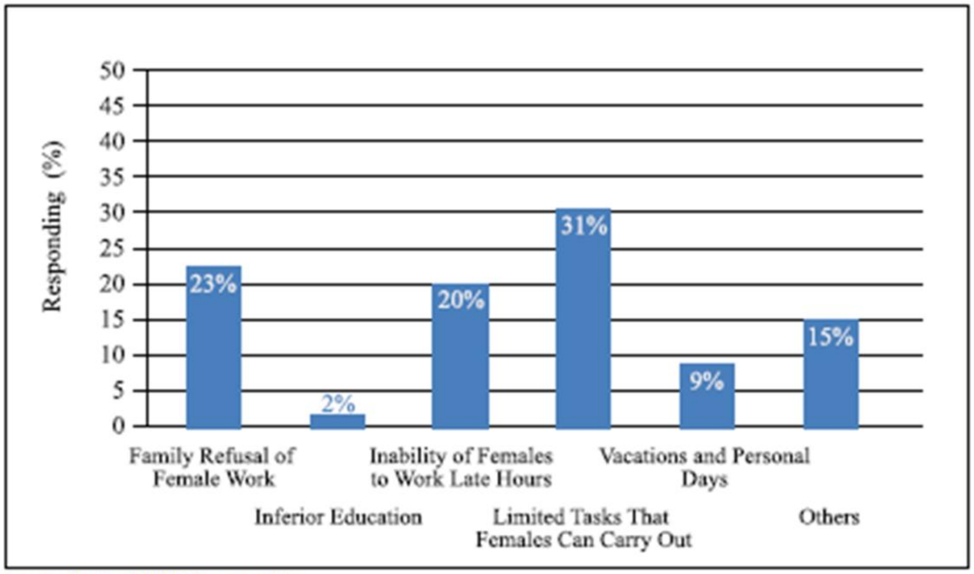
2.5.2 Male/female divide

The male/female divide manifests itself in the anomaly of levels of education versus labor participation. Females are increasingly better educated than males, but still lag behind in terms of labor participation rates, employment and unemployment rates, average wages, and promotion into higher positions. It should be emphasized that while this male/female divide exists worldwide, Arab countries as a group fare worst, especially in female labor participation rates. Except for Iraq, Jordan is behind all other Arab countries in female participation rates, even though it has one of the highest rates of education among females. The questions are why this is the case and how this gap can be narrowed to reflect the achievements made in female education.

More opportunities are opening up for women. With increasing investment in female education, Jordan has removed the biggest hurdle in the way of active female participation. Indeed, in some service sectors such as financial intermediation and telecommunications, the male/female gap has been virtually closed in terms of hiring patterns and wages. Females have gradually moved into jobs that were unthinkable for women a few decades ago, either because they were reserved for males or were seen as taboo (e.g., CEOs and managers, municipal council members, judges, police officers, stewardesses, restaurant waitresses, etc.). The “glass ceiling” limiting female promotions still exists, but it is eroding, with 18 percent of management positions in the private sector now going to females. Social values are often blamed for the low participation rates in Jordan, but values are not immutable and have changed over time. Within an enabling social, economic, and institutional context, female participation rates can increase substantially and any remaining wage gaps can be reduced.

Employers’ perceptions of female productivity still limit female labor participation, especially in small enterprises. A recently conducted survey for the Jordan Human Development Report, 2011 revealed that medium size enterprises hire more females than small ones. Figure 44 summarizes employers’ reasons for preferring male employees, the main ones being females’ limited ability for manual labor and for working late hours, and problems with families refusing to allow them to work.

Figure 44 Employers' reasons for preferring male employees



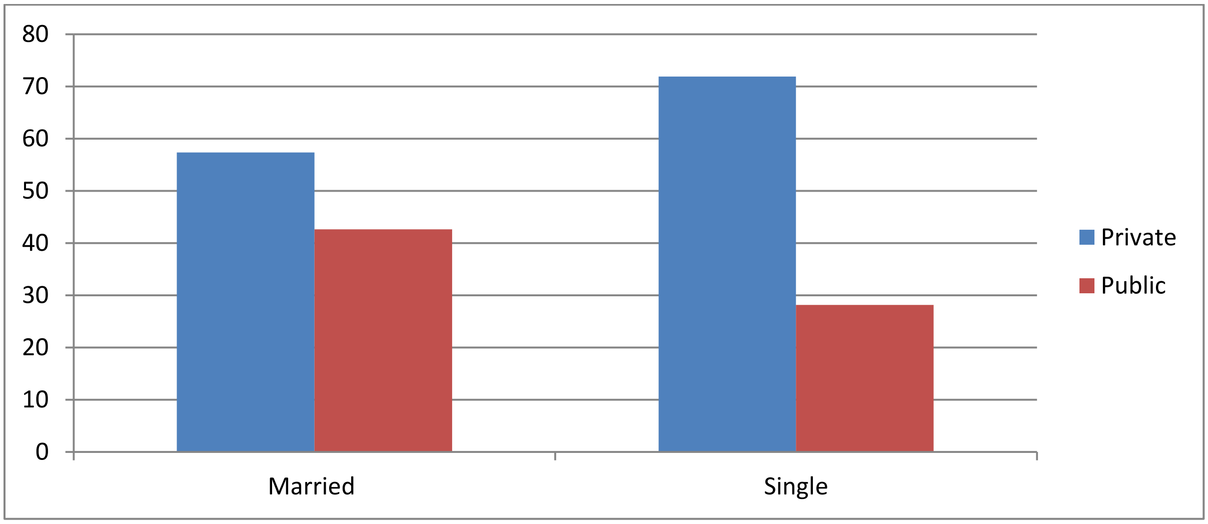
Source: Report MSME Survey, 2010
** In the above figure, 'certain tasks,' refers to such activities as heavy lifting, manual labor.*
Report MSME Survey

Increasingly, institutional weaknesses constrain female participation. Judging from the very high unemployment rate of females, there is no lack of desire to work. But real constraints faced by females are limiting their options and choices, leading many to eventually give up and join the ranks of the economically inactive. The rest of this section explores these constraints and the means of mitigating them.

Female mobility and access to information remain limited. Prospective female workers have less access to job opportunities outside their locality than male workers. They also have less access to information about job opportunities. Such information tends to flow through informal networks, which tend to be male dominated. Even with the advent of online job search programs, females with no direct access to the internet will be at a disadvantage vis-à-vis males who can more easily frequent internet cafés. Better public transportation offering reliable regional services might partly address the issue of distance for some. Mobile phone job search services, increasingly common in the Arab region, would level the field in terms of access to information. But there will always be those who are unable to commute due to family obligations and responsibilities. For those, ALMPs should be pursued, combining ICT technologies with home-based work, micro finance, part-time work, and cooperatives (see the Action Plan in Appendix 6).

Factors affecting female labor participation include marital status, maternity, childcare, and household responsibilities. Recent research based on the DOS's JLMPS suggests that for females, getting their first job in the private sector depends partly on their marital status (see Figure 45): 72 percent of single females get their first job in the private sector, compared to 57 percent of married females. This probably reflects preferences by female workers for public sector jobs which offer more benefits to mothers, as well as preferences of private employers not to hire married females. The result is that never married females enter the labor market in larger numbers and at a faster rate than married females. Indeed, about 60 percent of never married females obtain a job by the age of 30, compared to less than 30 percent of married females of the same age (Amer, 2011).

Figure 45 Percent of Jordanian females in public and private sector jobs by marital status (aged 15-34), 2010[28]



Source: DOS JLMPS 2010.

Maternity also contributes to early exit from the labor market. Working women in Jordan have *de jure* maternity benefits, but the *de facto* situation has been more nuanced. The Jordanian Labor Law grants female workers a ten week paid leave, to be paid in full by the employer. The practice in the private sector, however, reveals the unintended consequence of such a law. Married females can be seen as "less appealing" by the private sector, and if hired, they face the risk of being laid off or "encouraged" to quit before delivery. Therefore, even when females enter the labor market, they do not tend to remain for long. Social security records in 2009 show that on average, female workers spend only four years in the labor market; 77 percent of retiring females fail to qualify for pension and instead receive a lump sum payment upon retirement (only 23 percent of males fail to qualify). The new social security maternity benefits scheme (launched in September 2011) is expected to change employers' incentives, as it socializes the cost of paid maternity leave. By introducing a payroll contribution of 0.75 percent to be paid by employers on behalf of both male and female workers, it reduces the incentive to hire males to avoid maternity leave costs, and increases the likelihood of females remaining at work after their maternity leave.

Females typically face a tradeoff between additional income from work and the cost of childcare. This results in females having a higher reservation wage associated with their reproductive responsibilities. This is especially the case for mothers with young children, as they have to consider alternative arrangements such as preschool or relying on relatives or paid housekeepers for childcare. Reliance on family members is increasingly difficult as extended family structures have been weakened by urbanization, while housekeepers and preschool can be costly and parents might have concerns about

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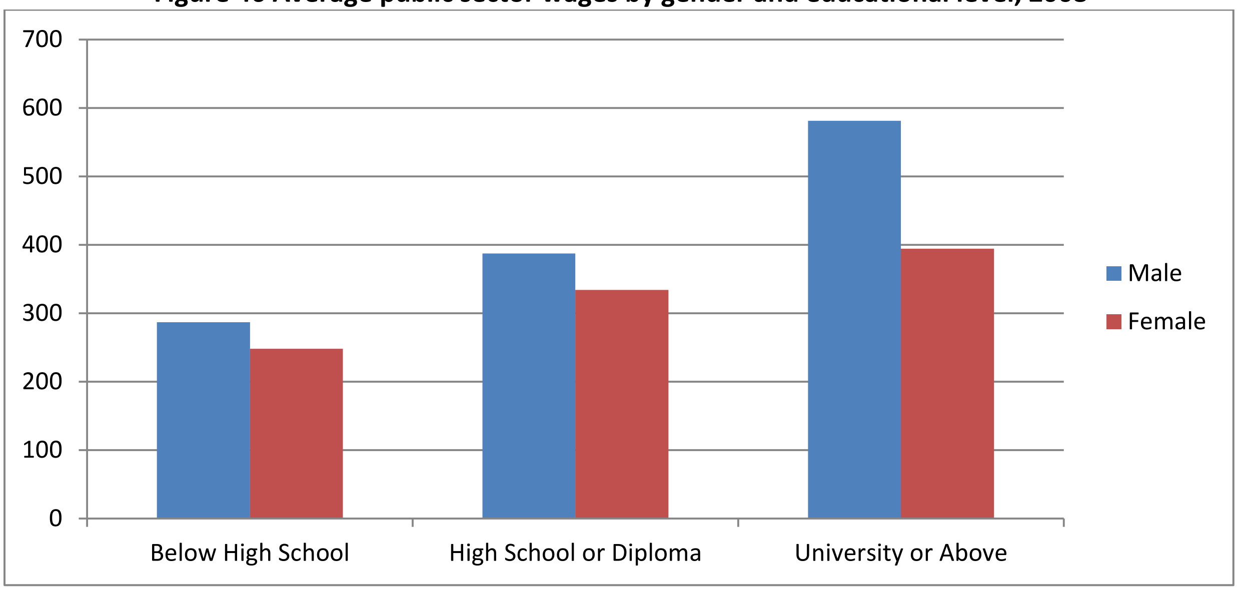
[28] Based on first job acquired, excluding female employers and the self-employed. See Amer (2011).

quality.[29] Preschool programs, if affordable, have the potential to lower the reservation wage, to provide a healthy learning environment for children at a critical age, and also to provide job opportunities for females in the education sector. To ensure that preschool programs are available not just for those who can afford private preschools, the MOE is well positioned to expand compulsory education to five-year-olds in the next four to five years, and to four-year-olds over the next decade. The private and not-for-profit sectors have an important role to play at both the kindergarten and daycare/nursery levels.[30]

There is a widely held perception, confirmed by aggregate data, of a wage gap between male and female workers. On the face of it, a wage gap between male and female workers continues to exist and is wider in the private sector (e.g., the average male wage is 1.24 times higher than the average female wage) than in the public sector (where the average male wage is 1.17 times the average female wage). Taking educational attainment into account, the wage gap is larger for university graduates than it is for graduates of community colleges, high school, or below (see Figure 46).

Figure 46 Average public sector wages by gender and educational level, 2008

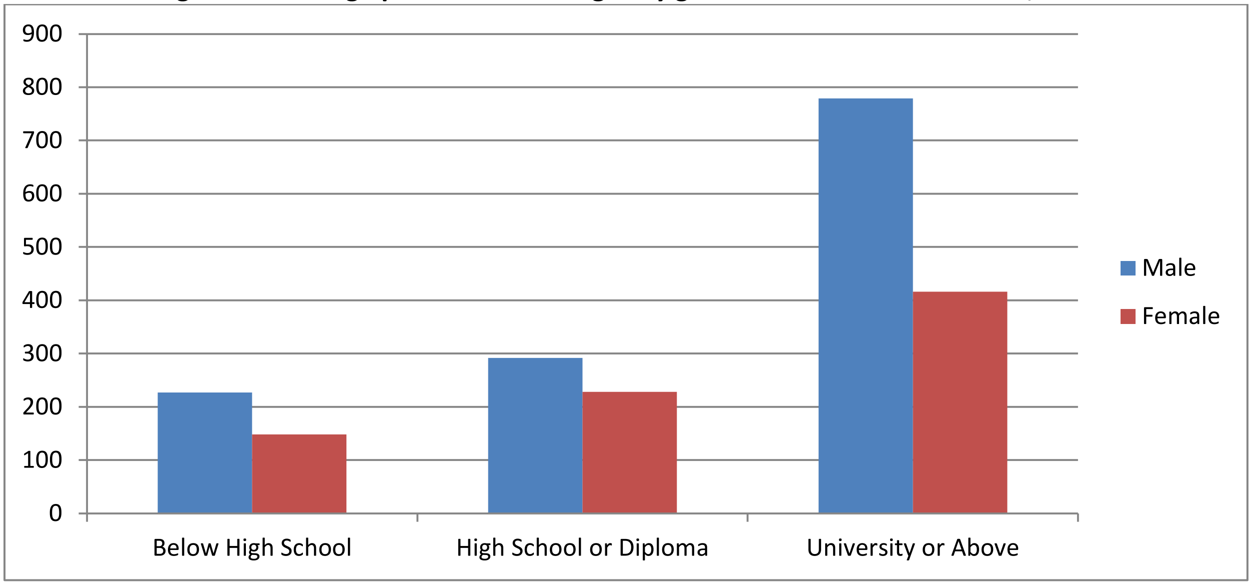


Source: DOS.

[29] In a survey carried out for SSC in 2009, quality of care of preschool programs and cost were ranked as the two highest impediments for parents to place their children in such programs.

[30] A feasibility study was prepared by SSC in 2010 for establishing a not-for-profit franchise of preschool programs in partnership with private sector employers with a large female workforce. The program would rent facilities from public agencies, banks, hospitals, municipalities, etc. at nominal rates and provide quality daycare services.

Figure 47 Average private sector wages by gender and educational level, 2008



Source: DOS.

But careful analysis reveals a more nuanced situation. Recent empirical research controlling for other variables that affect wages, such as hours worked, job title, experience, etc., finds that the "wage gap in Jordan remains compressed by international standards in the private sector and is either non-existent or even represents a premium for women in the public sector" (Said, 2011; see Figure 47).

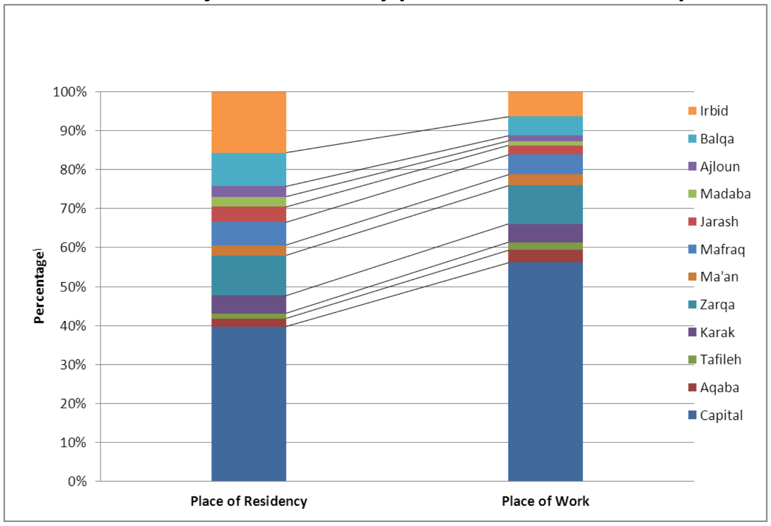
Females remain underrepresented as business owners and self-employed. Indeed, self-employed women in micro, small, and medium enterprises account for only 6.5 percent of female employment, far below the proportion of males as owners (20.6 percent of employed males). Expanding opportunities for females to start their own businesses has a multiplier effect on employment of females; when females do start their own firms, they are more likely to employ other females (Jordan Human Development Report, 2011). While traditional businesses of food, handicrafts, and beauty salons will continue to dominate, the challenge is to diversify the types of businesses females start.

Thus while there is a need to focus on constraints to active female participation in general, policies need to be developed to focus on constraints facing married females and educated females in rural areas (see below). The general constraints include: limited opportunities for on-the-job and vocational training tailored specifically for females; administrative barriers to home-based employment; the need to reform the Labor Law and the Social Security Law on part-time work; the need for maternity benefits; and the need to expand public preschool education (nurseries and kindergarten).

2.5.3 Geographic divide

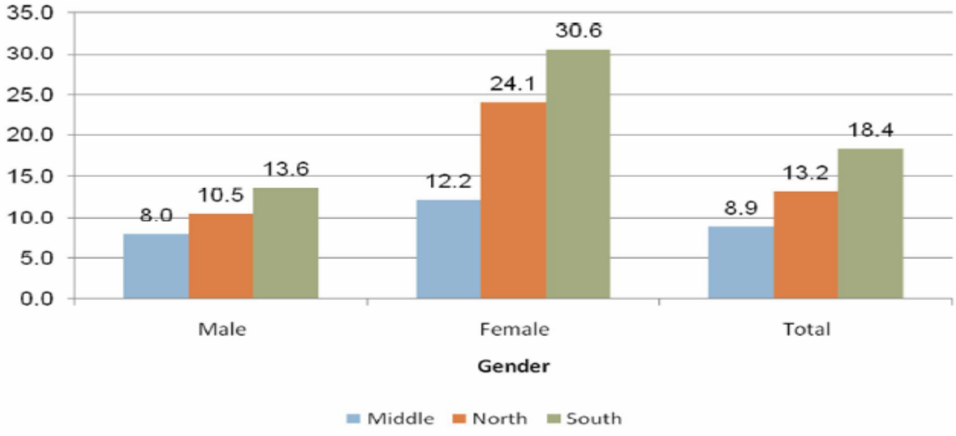
Jordan exhibits employment and unemployment patterns not unlike most urbanized countries, with most job creation taking place in urban centers due to agglomeration economies leading businesses to co-locate. About 55 percent of the jobs created between 2007 and 2010 were in Amman, Jordan's political and commercial capital, consistent with its demographic primacy. But there is a continued mismatch between where people reside by governorate and where jobs are being created (Figure 48).

Figure 48 Net distribution of jobs created by place of residence and place of work, 2009



Labor mobility remains limited, especially among females, thus the mismatch is translated into varying unemployment rates across Jordan. Here it is important to distinguish between the concentration of unemployment (i.e., where the unemployed are located) and rates of local unemployment (measured as the number of unemployed divided by the economically active; i.e., the working plus unemployed population in the locality). The bulk of the unemployed are in Amman, Irbid, and Zarqa (34 percent, 19 percent, and 15 percent, respectively). However, smaller towns and rural areas exhibit much higher rates of unemployment measured as a percentage of the economically active population in that particular locality. Figure 49 shows unemployment rates by region and gender. It is clear that although geography affects unemployment of both genders, female unemployment is disproportionately affected: unemployment rates among females in the north and south of Jordan are 24 percent and 30 percent, respectively, or almost twice and thrice the rate in the center.

Figure 49 Unemployment rate by region and gender (age 15-64)[31]



Source: DOS JLMPS 2010.

Addressing this mismatch is a major challenge not only in Jordan, but in all countries experiencing urbanization and a shift away from traditional agriculture and extractive resource sectors to modern service sectors. One alternative policy is to provide incentives for land use and natural resource-intensive businesses to locate outside urban areas. But pending a detailed evaluation, the performance of development and special economic zones at the governorate level has not been very encouraging. International experience suggests that a focus on micro and small enterprise finance, along with assistance in marketing and transport services, will help create jobs in such localities. Finally, reliable and affordable public transportation is one of the most important means of reducing regional employment and unemployment disparities. A public transportation policy based exclusively on tendering profitable lines to the private sector will deny many rural areas any reliable means of transportation to nearby towns and cities.[32]

2.5.4 Foreign/national worker divide

Jordan has followed a largely liberal *de facto* policy with regard to immigration of foreign workers. The level of stringency of policies and their enforcement has oscillated from one government to the next. The number of documented workers declined slightly in recent years in the aftermath of the global economic crisis, especially in export-oriented QIZs. But there is no indication that workers in small enterprises and the service sector are on the decline. The total number of documented and undocumented workers is believed to range from 450-550,000.

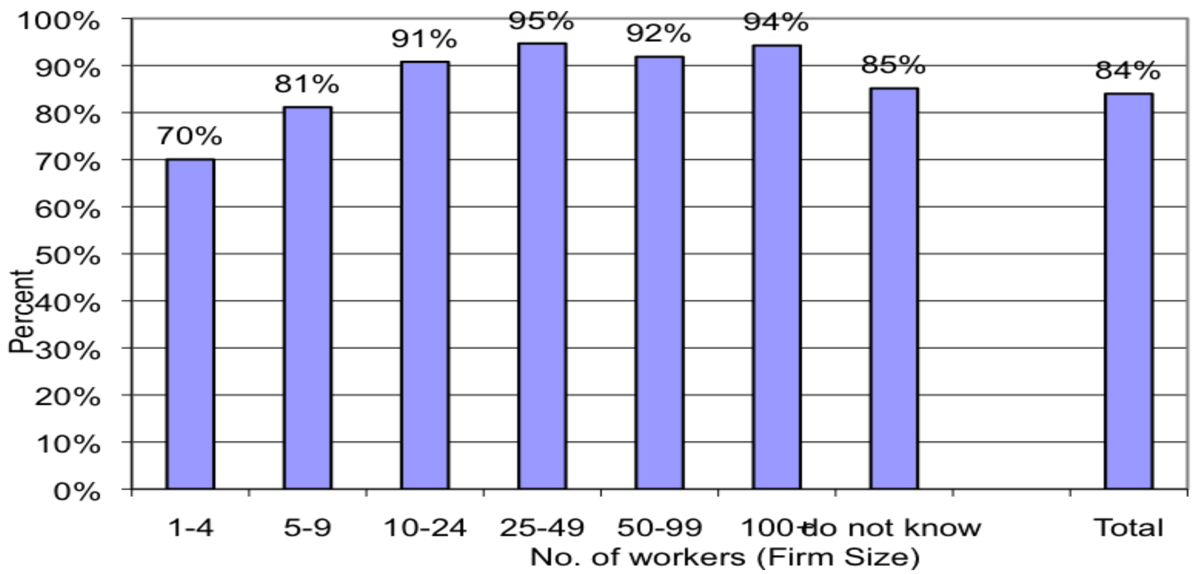
Foreign workers in Jordan tend to be low skilled and low waged, and many are undocumented and do not receive social security benefits. They can be broadly grouped in two groups: the first group mainly works in micro and small enterprises. They are predominantly Arab citizens, mostly from Egypt, who work in the agriculture, construction, and service sectors. Many work as daily laborers and therefore escape MOL or Social Security Corporation (SSC) registration. Increasingly, permanent workers are being

[31] Using standard unemployment definition and extended labor force definition. See Mryyan (2011).

[32] Currently, many bus routes linking towns and villages receive no bids by private sector bus operators and are left unserviced.

registered under the social security expansion drive underway since 2009. The second group works mainly in QIZs, in medium and large enterprises. They are more formalized in that they hold permits and are increasingly registered with the SSC. Figure 50 shows that non-Jordanian workers are concentrated (19-30 percent) in enterprises with between 1-4 and 5-9 employees, and less so (5-9 percent) in the medium and large enterprises.[33]

Figure 50 Proportion of Jordanians in private wage employment by firm size, 2010[34]



Source: DOS JLMPS 2010.

The ample supply of low wage foreign labor results in depressed wages at the bottom end of the wage scale, leading any productivity gains to accrue to employers. The prevalence of low wage, undocumented foreign workers represents an elastic supply of cheap labor in the Jordanian economy. In effect, employers do not have to offer anything above the minimum wage as long as they have access to foreign workers willing to work at minimum wage and sometimes less.[35] As foreign workers have low skills and weak bargaining power, gains in labor productivity are not likely to result in higher wages.

The result is often a low wage, low skill, and low productivity economy in which neither wages nor productivity improve. Foreign workers accept minimum wages (or even lower) as they can economize on their living expenses and work extra hours at the expense of their leisure time, given their separation from their families and lack of social obligations. Employers, wielding considerable power over foreign workers, benefit from increasing working hours beyond the legal limits set in the Labor Law, and by

[33] These surveys, as indicated above, typically underestimate foreign workers due to sampling methods, but nonetheless provide useful indicators of concentration.
[34] See Assaad (2011) for a full discussion of the structure and evolution of employment in Jordan with analysis of foreign labor participation.
[35] Foreign workers work for JD 110 rather than the JD 150 in the textile industries, as the difference goes towards housing and food.

cutting down on costs associated with a safe and decent work environment. Employers seeking higher productivity are frustrated by the low skill set and high turnover rate of workers, but Jordanian workers are less likely to accept such wages or working conditions. Increasingly, Jordanians see sectors dominated by foreign workers as demeaning and avoid them even at somewhat higher wages, given the lack of social security protection, employers' expectations of long working hours, and poor working conditions.

The relevant policy questions include: Are foreign workers complementing the Jordanian labor force or are they substituting for Jordanian workers of similar educational and skill profiles? And if they are substituting, what makes them more attractive to employers (or more willing to take these jobs than their Jordanian counterparts)? Is it vocational/technical/employability skills, or willingness to work for lower wages/longer working hours/lower social protection than Jordanian workers are willing to accept? There is plenty of evidence of foreign labor complementing, as well as substituting for, Jordanian labor, especially in specialized niches where Jordanian labor lacks the skills and training, or where skills are in short supply due to emigration. But substitution is also evidenced by the fact that there are about 88,000 unemployed Jordanian males (75 percent of all unemployed males) with a high school education or below who could replace some of the 252,000 foreign males with similar levels of education.

Policies should aim to have foreign labor complement Jordanian workers in a work environment that provides decent work. In cases where Jordanians lack the appropriate skills, there should be training programs with private sector involvement. In cases where enterprises can only compete internationally by hiring low wage foreign labor, then the question becomes "What is the value added for the Jordanian economy?" The rationale for subsidizing the industry has to be questioned if wages are not accruing to Jordanians, if technologies are not transferred (as most are labor intensive), if tax revenues are not generated (as in the case of QIZs); or if there are no significant forward or backward linkages to other Jordanian sectors.

The cycle of low wage/low skill/low productivity cannot be broken solely by raising the minimum wage. In fact, increasing minimum wage without taking other associated steps will likely result in further informality in the labor market and worse working conditions, making employers less likely to hire Jordanian workers, and Jordanian workers less likely to accept these jobs. The fact that employers have access to foreign workers willing to work longer hours, for less pay, and without demanding social security coverage and other rights granted to them by law makes the choice to hire foreign workers "rational" for employers as well. Restricting the recent minimum wage increase (from JD 150 to JD 190) to Jordanian workers only complicates matters further as it makes foreign workers more desirable to employers.

This vicious cycle contributes to the so-called "culture of shame" among Jordanian youth, but also to a "culture of submissiveness" common among foreign workers, and a "culture of exploitation" among some employers. Jordan's "culture of shame" cannot be viewed in isolation from the workplace culture that evolves between foreign workers and their employees. The vulnerability of foreign workers (as already described) leaves them with little bargaining power; the resultant "culture of submissiveness" among foreign workers is common not only in Jordan, but around the world. The huge discrepancy in power relations between employers and foreign workers can lead some employers to a "culture of exploitation" that includes denying workers their fair pay, withholding their passports and permits, and even abusing them physically. While cases of this are the exception rather than the rule, they can taint whole sectors as well as individual employers in these sectors, and create social taboos that deter Jordanian males and females from joining enterprises in these sectors.

Tighter enforcement of laws and regulations protecting workers is necessary but not sufficient. The incentives for foreign workers to obey, the incentives for employers to get more output per employee, and the incentives for Jordanian youth to escape these sectors altogether will remain very strong. The very structure of these markets and their associated labor costs need to change to reflect the true economic costs and strategic priorities of the country. Foreign labor supply needs to be better managed by a credible, long-term, sector by sector strategy. Jordanian labor supply needs to be managed by: i) downplaying expectations of being hired by the public sector; ii) expanding social security and health insurance to all sectors and enterprises; and iii) aligning educational and training programs with private sector needs (see Section III and Appendices 11 and 12).

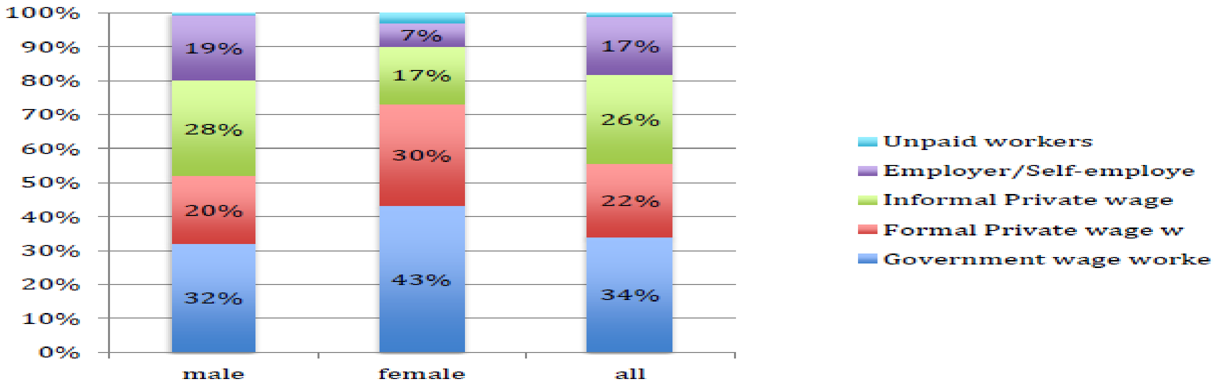
2.5.5 The formal/informal divide

The formal/informal divide relates not only to the legal status of the enterprise, but also to the legal status of workers in the enterprise. An informal enterprise is one that is neither registered nor pays taxes. An informal employee is someone who has neither a contract nor social security coverage. The two categories do not necessarily overlap: while an enterprise might be officially registered and pay taxes, and thus be considered formal, it could still hire all or some of its employees informally; i.e., without contracts and without social security coverage. Thus, an informal worker is defined in terms of his or her lack of rights and protection, regardless of whether he or she works in a formal or informal enterprise.

Informality creates a situation where job seekers with similar skills and profiles get a different package of wages and benefits depending on whether they are formally employed or not. A recent study of the structure of employment in the Jordanian labor market grouped employees into five categories: government wage workers, formal private wage workers, informal private wage workers, employers/self-employed, and unpaid family workers (Assaad, 2011).[36] The distribution of these five categories (Figure 51) shows that more males work in the informal sector and as employers or are self-employed. In total, 26 percent of employed wage workers have no contract and no social security coverage. This creates a duality in the market where job seekers with similar profiles and skills get different benefits, and employers in similar businesses have different labor cost structures due to informality.

[36] Informal private wage employment is defined as employment that takes place in the private sector with no contract and no social security coverage.

Figure 51 Distribution of employment (age 15-64) by type of employment and gender, 2010



Source: DOS JLMPS 2010.

Addressing informality requires understanding its causes. Labor market segmentation along formal/informal sectors is an outcome of the interaction of formal market rules (laws, regulations, and procedures), enforcement mechanisms, and private incentives. While lack of enforcement is often blamed for the spread of informality, more often the rigidity of the formal rules and the gains to be made by violating them are the real culprits. A formalization process that is based only on increasing enforcement and does not take into account the cost of compliance and the fragility of informal sector entities is more likely to eliminate informal jobs than to formalize them.

The duality of formal/informal employment was partly caused by social security regulations that, until 2008, made coverage compulsory only for establishments employing five or more workers. In 2009, the SSC changed these regulations and launched a governorate by governorate campaign to make coverage compulsory for establishments employing one or more workers. The new registration procedures have been greatly simplified to cut down the transaction costs incurred by employers of micro enterprises. But the process is still in its early stages and further simplifications might be needed to accommodate the needs of micro enterprises, especially with respect to daily or part-time workers.

2.6 The Institutional/Policy Framework

For any strategic initiative to be successful, it needs to be firmly grounded in an institutional framework that enables its success (see Figure 52). That institutional framework includes:

- *An overall strategic approach*, different from the strategy itself, in which the government articulates a strategic vision and an implementation plan with specific outcomes and is held accountable to it.
- *Execution* of the various elements of the strategy by relevant public agencies and private and NGO partners.
- *Independent evaluation* of progress made on the various components of the strategy.
- *Data, information, and analysis* to feed into "evidence-based" policy making at all levels.

- *Social dialogue* to ensure that the voices of business, labor, and other civil society representatives are reflected in the strategy, and that they each play their part as partners in its realization.

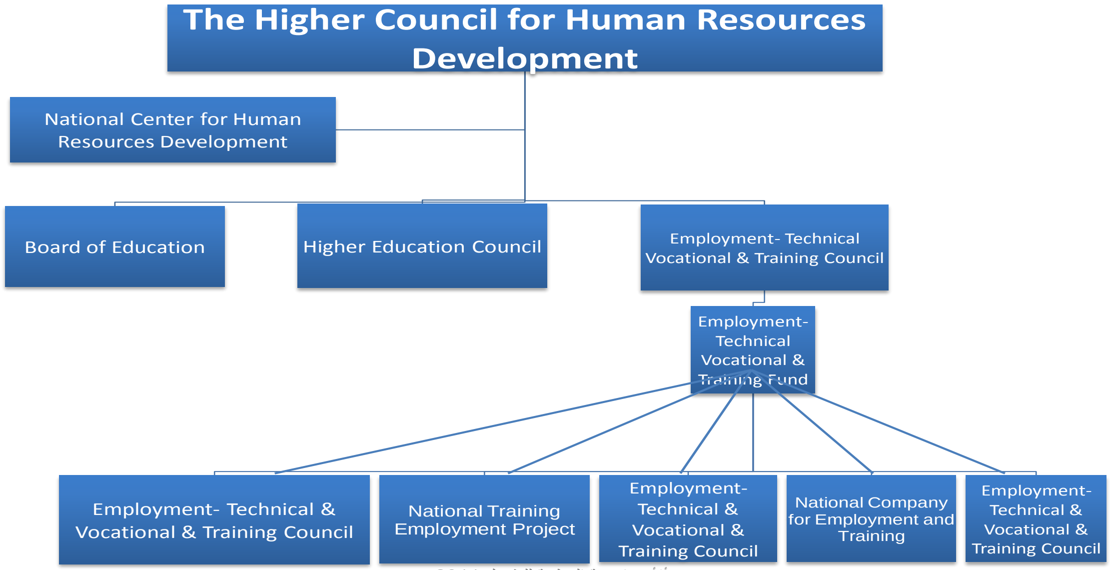
Examining the state of the above elements in Jordan reveals a number of institutional weaknesses/gaps that need to be addressed.

Figure 52 Institutional/policy framework

2.6.1 Strategic approach to employment

The NES is not the first attempt to strategically approach this multi-sector/long-range development issue. In 2005, the National Agenda addressed it through various pillars on employment and vocational training; investment; education; higher education; and social safety nets. While these pillars allowed for a focused approach to each topic, the cross-cutting issue of employment was tackled under "employment and vocational training," but did not receive adequate attention under other pillars, especially investment, which represents the demand side of the labor market. This could have been remedied had one of the main recommendations of the National Agenda, "to establish the Higher Council for Human Resource Development (HCHRD) Chaired by the Prime Minister," been implemented. It was not, and the ability to coordinate across ministries to provide continued guidance has been virtually absent. Coordination and guidance need to take place within an umbrella structure that represents the supply and demand sides of policy making as well as the main stakeholders. The HCHRD needs to be supported by a small Secretariat that could be drawn from the NCHRD to provide important monitoring or analytical needs.

Figure 53 Structure of the Higher Council for Human Resources Development



2.6.2 Execution of HR and employment policies

While execution of "self-contained" sectoral policies tends to progress relatively well in Jordan, the issues of employment and technical and vocational training fall under the mandate of several ministries and public agencies. Vocational and technical training is fragmented into three segments: the high school level vocational training is under the Education Council; community college and university level training is under the Higher Education Council; and the VTC and the NET are under the ETVET Council. The ETVET Council has not been able to effectively coordinate implementation on supply side policies (education and higher education). There is a critical need to review the roles and responsibilities to ensure clear division of labor/complementarity among them, especially when it comes to financing training activities, accreditation, and quality control.

2.6.3 Monitoring and evaluation of HR and employment policies and programs

M&E at an institutional level takes place within two governmental units, the Government Performance Administration Unit (GPA) at the Ministry of Public Sector Development and the Delivery Unit (DU) at the Prime Minister's Office. The GPA is responsible for tracking progress on National Agenda implementation based on self-evaluation by the responsible public agency. The DU monitors time-bound deliverables and submits monthly reports to the Prime Minister that are also posted on a public website. Beyond these two functions, independent evaluation as an institutional responsibility is virtually non-existent in Jordan. To the extent it does take place; it is based on self-reporting by responsible agencies. Independent and objective evaluations are sometimes carried out at the request of funding agencies for projects they finance. It is critical that this function is nested within the institutional/policy framework, and that it is carried out objectively. The NCHRD is the ideal existing agency to carry out this function, as evaluation of HR and employment policies is within its mandate.

The NCHRD is also independent, as it does not report to any of the executing ministries. It has not, however, undertaken this role in the past, and would need to build an evaluation capacity.

2.6.4 Data, information, and analysis

The supply of data, information, and analysis related to HR and the labor market is quite good by regional standards. But the demand for it in decision making and policy making has been weak. On the supply side, and with only a few exceptions related to foreign immigrants and Jordanian emigrants, the DOS does an excellent job with limited resources in producing the datasets needed for analysis. The main constraint regarding data is lack of a clear legal framework for data sharing, which would allow the DOS to get data from other public entities and share non-confidential raw data with the public for research.

There is a strong informational/analytical base upon which to build. The Manar Project, financed by CIDA and housed within the NCHRD, built a Business Intelligence system that can be easily used for analysis. It has produced valuable policy reports on labor participation, unemployment, migration, employment growth, etc. These can be further tailored for specific users (policy makers, universities, students and parents, job seekers, employers, etc.). Unfortunately, Manar, and therefore the NCHRD, lost its CIDA funding and the government has yet to close the gap. The NCHRD's funding is around JD 100,000 per year—not nearly enough to fulfill any of its functions. For the NCHRD to play this critical role, let alone to build its capacity to evaluate or provide Secretariat services to the HCHRD, it has to be revived with adequate funding and staffing according to a clear business plan.

On the demand side, there are several prospective parties interested in labor market information. First are policy makers themselves. The lack of reliance on data and analysis in past decisions makes clear the need to make information reports more accessible and relevant for policy makers as well as to instill an "evidence-based policy making" bureaucratic culture. In the private sector, universities, employers, students/parents, and job seekers should all be interested in information and analysis of the labor market, each from their own perspective. While the private sector has filled a gap in the job search process with provision of several online services, there is still pent-up demand for information tailored to the needs of the above parties.

2.6.5 Social dialogue

The government took two important steps towards institutionalizing social dialogue in the past two years. The first was establishment of the ECOSOC as a consultative body to the government, with private, labor, civil society, and public sector representatives. ECOSOC has already made its presence felt on issues as varied as education policy, social violence, the national budget, health insurance, and others. The second step was institutionalization of the Tripartite Committee (TC) representing the business sector, labor union representatives, and the government as a means of addressing labor disputes and other decisions, such as minimum wage adjustment. Both the ECOSOC and the TC should be relied on increasingly by the government as an extremely effective platform for dialogue on national issues of a strategic nature.

Section III. The Way Forward

Section III combines the vision statement developed in Section I with the diagnosis of current challenges identified in Section II and develops a strategic plan for the future. This section: i) sets strategic goals and identifies challenges at the levels of demand, supply, and institutional framework ; ii) develops a set of actions to be implemented; iii) identifies priorities among these actions and sets short, medium, and long term impact horizons; iv) identifies various growth and employment creation scenarios out to 2020; v) outlines the implementation, updating, monitoring and evaluation measures needed to ensure that progress is achieved and that the NES is updated on a regular basis; and finally vi) identifies risk and risk mitigation measures.

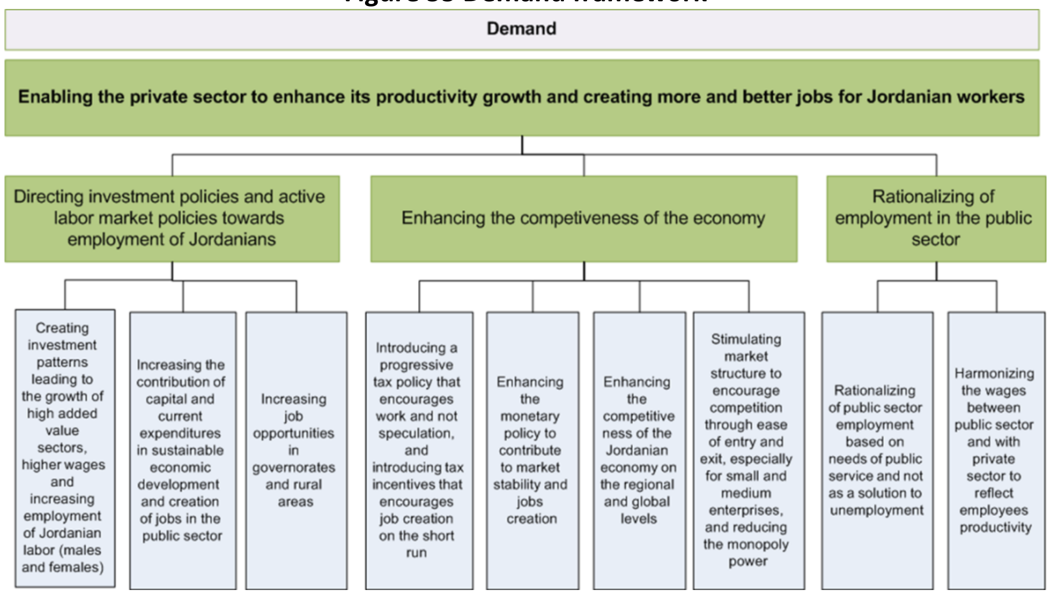
3.1 Setting Strategic Goals and Recognizing the Constraints

The vision articulated in Section I for the NES was derived from the National Agenda's broader vision for Jordan. It aims at improving standards of living for Jordanians through increased employment, wages and benefits and productivity improvements (see Figure 54). Realizing such a vision requires concerted and coordinated goals on the demand side, which creates jobs, on the supply side, which provides labor, and in the institutional framework, which provides the rules, regulations, and incentives within which markets operate.

Figure 54 The NES vision

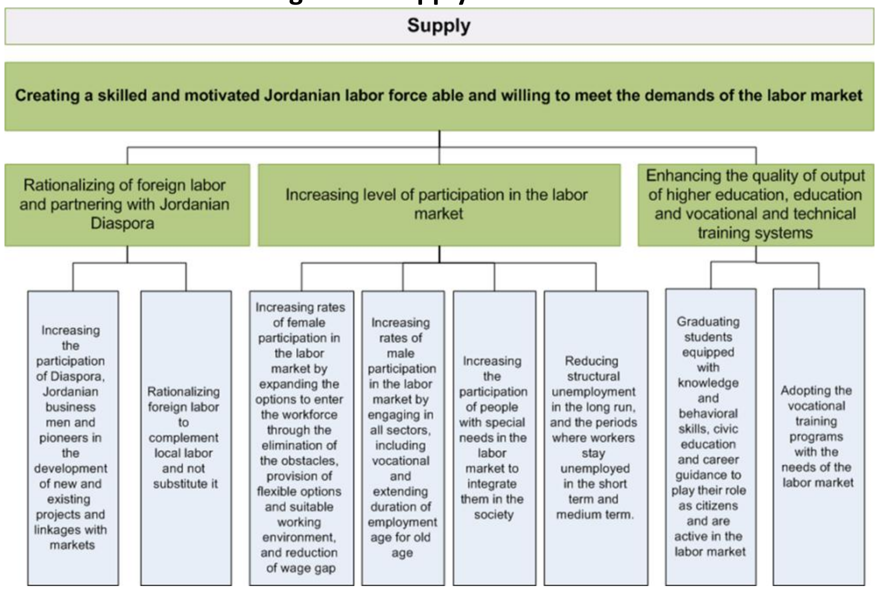
On the demand side, the strategic goal is to "enable the private sector to move up the value chain and increase value added, improve its productivity, and expand its ability to export products and services" (see Figure 55). This should be achieved by pursuing policies that: i) encourage investments that create jobs for Jordanian workers, with migration management policies that gradually ensure that foreign workers are complementing, not substituting for, Jordanian workers of similar skills; ii) promote a stable macroeconomic environment for investment (fiscal and monetary policies); iii) promote a competitive/export-oriented economy and facilitate the entry, operation, and existence of micro enterprises and SMEs; and iv) rationalize public sector recruitment and utilization of labor, as the public sector currently distorts the labor market with excessive hiring, long waiting lists, and large wage gaps at the bottom and top of the wage pyramid.

Figure 55 Demand framework



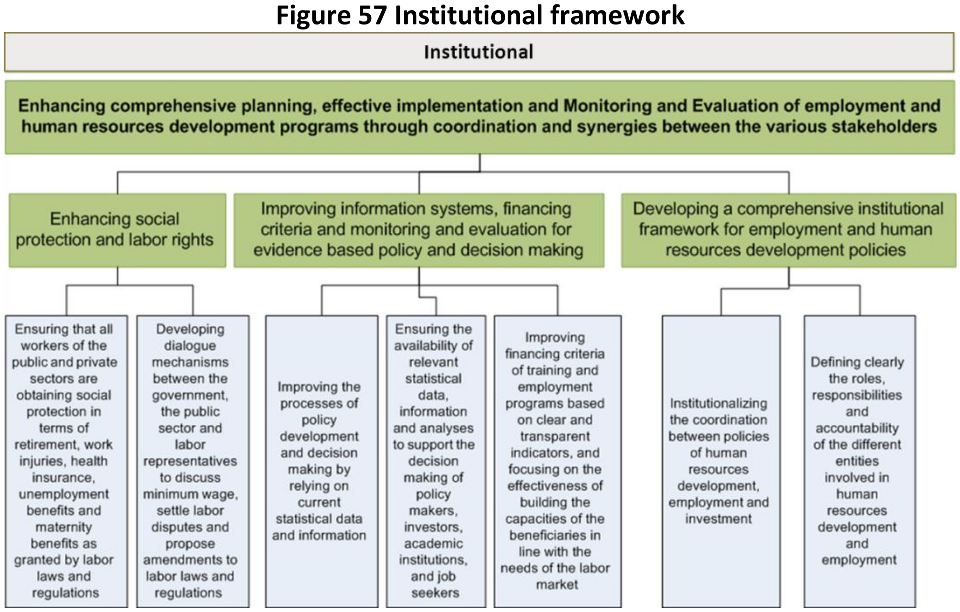
On the supply side, the goal is to graduate a skilled and motivated labor force armed with employable skills and technical knowhow demanded by the labor market (see Figure 56). This should be achieved with policies that: i) better manage the inflow of foreign labor to ensure it complements rather than substitutes for Jordanian labor and the outflow of Jordanian skilled workers to reduce the negative effects of brain drain and to promote linkages with Gulf markets; ii) increase labor participation through programs aimed at increasing female labor participation, extending male labor participation, increasing opportunities for workers with special needs, and reducing periods of unemployment; and iii) enhance the quality of educational and vocational training outcomes.

Figure 56 Supply framework



Finally, given the multi-sectoral nature of employment generation and the long gestation periods for policies to produce impacts, the institutional goals are twofold: i) to enhance the ability of the government to carry out strategic planning policy implementation, monitoring and evaluation, development of labor market information systems, and institutionalized dialogue with social partners; and ii) to establish a level playing field of social protection and access to health insurance independent of whether jobs are in the public or private sectors and regardless of the size of the enterprise (see Figure 57).

Figure 57 Institutional framework



Realizing the above goals requires a full understanding of the existing constraints to be overcome, including legal, institutional, financial, behavioral, and capacity constraints. Appendix 5 provides a matrix of constraints associated with each goal to allow the design of an Action Plan to address each constraint with specific policies, projects, and programs.

3.2 Overcoming the Constraints: An Action Plan

The Technical Team charged with preparing the NES selected 69 different actions[37] to be implemented during the course of the NES (see Appendix 5), from more than 160 actions considered. The criteria for selecting these actions were:

- Link: Clear link to realizing the outcome, or reducing/eliminating the challenge
- Impact: Significant impact on employment
- Realism: Can it be done? Is it likely to be done?
- Complexity: Who, when, and how much?

In addition, the Action Plan focused on activities that require substantial coordination across sectors and ministries and input from stakeholders. The Action Plan outlined in a matrix format each policy area, strategic goal, existing constraints, the proposed actions, and responsible body. A draft of the Action Plan was circulated to all concerned ministries; the comments and suggestions received were incorporated; and a Final Action Plan was presented to and approved by the Council of Ministers on May 14, 2011.

The Final Action Plan was then further elaborated into an ”Implementation Plan” (see Appendix 6) which outlined for each action the main public agency responsible for oversight and delivery of the action, other partners in implementation, resources required, and a timetable. Finally, a “Project Brief” was prepared for each action (see a template in Appendix 7), going into further detail in describing the action, partners in implementation, timetable and resource allocation plan, performance indicators (input, process, and output/outcome), and risks. It should be emphasized that these project briefs are in various stages of development and should be considered “works in progress” by the Implementation Team (see Section 3.5.1 on implementation mechanisms).

3.3 Setting Priorities and Horizons

While all proposed actions represent important pieces of the overall strategy, they will not all have the same impact. The rule of thumb that “20 percent of the actions produce 80 percent of the results” probably applies here. There are also different gestation periods for different policies and programs; i.e., some policies or programs will produce immediate results while others will take years, but all are important for realizing the vision. Of the 69 actions identified by the Technical Team, this section outlines the ten most important, and the horizons within which they are expected to produce the intended impact.

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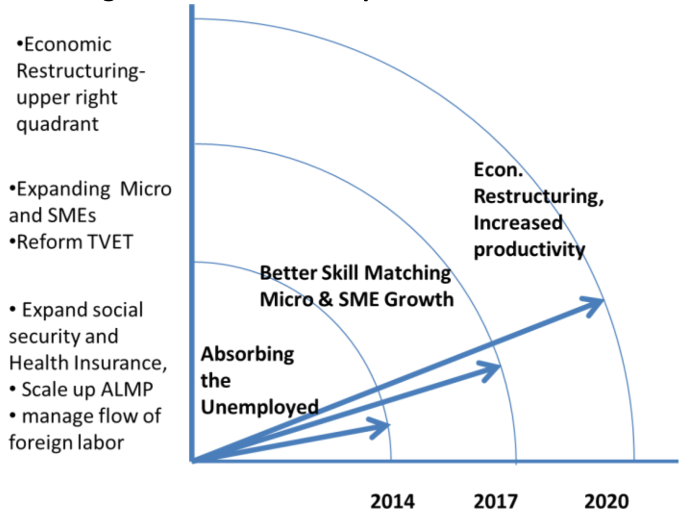
[37] “Action” refers here to any intervention which requires mobilization of financial or human resources, requires a decision within the public sector, and impacts directly or indirectly the strategic goals identified by the NES. Thus, an action could be a new or modified legislation, regulations, procedures, public agencies or bodies, programs and activities, analytical tools, physical projects, etc.

Figure 58 Transition to productive horizon



The three horizons presented in Figure 58 describe the short, medium, and long term impacts of implementing the NES. By 2014, execution of the short term actions aimed at creating employment will lead to absorption of a substantial proportion of the currently unemployed. By 2017, actions aimed at i) better matching educational outcomes with demand, and ii) removing the credit constraint to SMEs and micro enterprises should start having an effect on growth and higher employment rates, especially among females. Finally, by 2020, incentives to restructure towards a knowledge-based economy should create higher demand for an educated and skilled Jordanian labor force. Actions leading to each horizon are described next (see Box 5 for a list):

Box 5 Ten Actions Leading to the Three Horizons

i) Short Term Impact (2014): Start Absorbing the Unemployed

a. Committing to a Predictable Foreign Labor Policy and Management
b. Expanding Micro and SMEs Access to Credit
c. Evaluating and Then Scaling Up Active Labor Market Programs with a Proven Record
d. Curtailing Public Sector Employment and Aligning Wage Structures

ii) Medium Term Impact (2017): Better Skill Matching and Micro and SME Growth

a. Scaling up School-to-Work Transition Programs
b. Reforming the Employment, Technical and Vocational Training (ETVET) Sector
c. Introducing Health Insurance Benefits and Expanding Social Security Coverage to SMEs

iii) Long Term Impact (2020): Increased Productivity through Human Capital and Economic Restructuring

a. Investing in the Future through Early Childhood Education
b. Pursuing Sustainable Fiscal and Monetary Policies for Economic Growth with Job Creation
c. Developing Industrial and Investment Policies towards Economic Growth with Job Creation

3.3.1 Short term impact (by 2014)

There are four priority "short term impact" actions: foreign labor policy and management; micro and SME access to credit; ALMPs; and curtailing public sector employment. They were selected because they are likely to have a significant impact on employment in the short term and will continue to play an important role over the medium and long term.

3.3.1.1 Committing to a predictable foreign labor policy and management

Current realities and the future outlook suggest that Jordan will always rely on some combination of Jordanian and foreign labor to meet the demands of the labor market. The ultimate objective of foreign labor policy should not be to decree mechanically a reduction in foreign workers or an increase of nationals. Rather, the objective should be to create a labor market environment in which foreign workers complement the Jordanian workforce rather than substitute for it. This requires managing migration as well as changing the incentives of Jordanian employers to invest more in training Jordanians on the job and motivating Jordanian workers to build their technical and employability skills to meet needs, while the structure of the economy evolves towards higher wages, higher skills, and higher productivity.

Given the considerable substitution of foreign for Jordanian labor currently taking place, considerable gains in employment can be made in the short term from better policies. For example, anywhere from

35-45,000 jobs could potentially be created for Jordanians during the first three years of the NES by substitution. The policy chosen needs to be tailored in terms of availability of skills and exposure of the sector to international competition to ensure that it does not choke the growth or competitiveness of the Jordanian economy.

It is proposed that a bi-law on "Foreign Labor Regulation" be prepared, approved by the Council of Ministers, and enforced. The bi-law should (see Appendix 8 for more detail):

a. Emphasize the right of all economic sectors to use foreign labor to complement, but not substitute for, Jordanian labor of similar skills and profile.
b. Classify sectors and vocations/skills: i) distinguish sectors that produce tradable goods and are subject to competition (and therefore are price sensitive) from sectors that produce non-tradable goods and services and are not subject to external competition; and ii) distinguish vocations/skills that Jordanians are currently able (skill) or willing (attitude) to acquire from those they are not.
c. Develop a matrix of policies tailored to specific sectors and vocations that will: i) allow employers to use foreign workers but under the same wages and conditions of employment as Jordanian workers; and ii) increase foreign labor permit pricing gradually over a nine year period, starting with non-tradable sectors which require little training and for which Jordanians would be willing to join with better awareness and enhanced social protection (gas stations, restaurants, hotels, trade in the short term), and moving over time to sectors producing tradable goods and for which substitution with Jordanians is possible.
d. Produce a binding timetable for changing permit pricing over the medium and long terms to induce training providers as well as employers to invest in training Jordanian workers to replace foreign workers in sectors and skills with prospects for growth and wage improvements.
e. Outline enforcement procedures (including use of electronic ID cards for foreign workers specifying sectors and vocations they are allowed to work in, and penalties for employers who hire undocumented foreign workers), and coordinate enforcement between the various concerned agencies.

3.3.1.2 Expanding micro and SME's access to credit

While the microfinance sector will continue to need access to debt financing to meet growing demand, the priority is to ensure its long term sustainability by addressing the loose regulatory environment in which it operates, characterized by: i) the absence of adequate consumer protection mechanisms; ii) the absence of a data registry/credit bureau to minimize client over-indebtedness and the credit risk; iii) high transaction costs in the absence of mobile banking regulations; and iv) the absence of a supervisory authority charged to regulate the sector. A Credit Registry is almost operational now that the necessary legislation has been passed. The CBJ is also preparing mobile banking regulations which should go into effect soon.

The remaining unresolved issue is who should regulate the sector and provide consumer protection. The two most common solutions are regulation by the Central Bank and self-regulation by the industry. Both models exist regionally and internationally and each has its pros and cons. As a regulatory body, the Central Bank has the trained cadre, expertise, and oversight of the banking sector. Having it as a regulator would allow for a comprehensive framework through which well-managed microfinance institutions could evolve into deposit taking services. The risk associated with the Central Bank model is of over-regulating the industry, thus constraining its ability to innovate and compete. Successful models of Central Bank regulation have a specialized unit within the Bank with special training on microfinance regulation. A self-regulated industry, through an industry association, has the advantage of being at the cutting edge of industry in terms of modernizing regulation and practices, but runs the risk of lacking incentives to protect consumers or to monitor and discipline members for violations. Public oversight to make sure that such an association carried out its mandate would be needed. Regardless of which model the government chooses, it is critical that the choice be made and put into action in the short term; i.e., within the next few years.

Micro enterprises' access to credit

Estimates of the financing gap to meet pent-up demand by micro enterprises vary widely. Some studies emphasize the remaining potential of the market among the poor and informal sectors, with estimates reaching as high as JD 150-200 million in new lending over the next three to four years. Lower estimates which take into account the absorptive capacity of MFIs to administer more credit are in the range of JD 36-72 million over the next three to four years (JD 12-18 million per year).[38]

Increased access to microfinance will have a direct impact on employment in the form of new startups as well as expanding micro enterprises into small businesses. There is no empirical evidence to suggest the net job creation, but current anecdotal evidence from the industry is that every JD 2,500 in microcredit creates one job. If true, this is probably in gross terms (i.e., it includes the rate of job creation but not the rate of job destruction). While this rate should be verified empirically, a conservative upper range which doubles the cost of creating a new job to JD 5,000 would mean that JD 18 million of credit would create an additional 3,600 jobs per year.

SME's access to credit

To relax the constrained supply of credit to SMEs and address the financing gap, a new SME Fund was recently announced by the MOPIC, aimed at addressing the financing needs of Jordanian SMEs. As a response to the program's targeted group's requirements and needs regarding the difficulties of access to finance in Jordan, the program will provide soft loans with low interest rates that might reach an average of 4-6 percent, no annual commissions on facilities, longer repayment periods (up to ten years including a grace period), and grace periods of up to three years, while requiring minimal collateral (70-85 percent of the total loan value depending on the type of project and location).[39]

The program will be executed through: i) the Development and Employment Fund (DEF), which specializes in granting loans to micro and small enterprises ranging between JD 3,500 and 70,000; and ii) commercial banks, which will provide loans to SMEs ranging between JD 70,000 and 1 million. Jordan

[38] Estimate provided by the Development and Employment Fund.

[39] The program will benefit from a Loan Guarantee Facility (LGF) of US $500 million. The LGF will have a ten year timeline. The fees and other nominal costs for the LGF, which is extended as part of a U.S. assistance package, will be covered through a separate grant provided by USAID to the Government of Jordan.

Enterprise Development Corporation (JEDCO) will provide a supporting role to the DEF by providing necessary technical services and verification of the feasibility of projects for loans exceeding JD 35,000.

It is proposed that this program be supplemented with an export support program comprising an export market access fund (EMAF) and a pre-shipment export finance guarantees (PEFG) facility. EMAF would be a matching grant fund, centered on the following two axes: i) building the capacity of export associations and chambers of commerce to provide export assistance to their members (mainly SMEs); and ii) strengthening the export consulting sector. PEFG would encourage financial institutions to provide pre-shipment working capital financing to emerging exporters with viable export contracts (see Appendix 9).

While the expanded access to credit for investment and export financing is expected to positively impact job creation, establishing the empirical relationship requires development of a computable general equilibrium (CGE) model by the MOPIC to help assess the growth and employment impacts of various macro policy scenarios (see Appendix 10).

3.3.1.3 Evaluating and scaling up ALMPs with a proven record

Jordan has experimented with many types of ALMPs, with notable successes and also notable failures. The successes tend to be derived from either: i) vocational and employability training programs targeted towards specific sectors in which the sector representatives themselves are heavily involved in the design of the curriculum and hire their own graduates; or ii) on-the-job training in which targeted fields and students are subsidized through basic salaries/vouchers for short periods ranging from six months to one year.[40] While even the best of these programs do not guarantee job placement, they can play a crucial role in subsidizing an employer's cost of training, and provide an incentive for the unemployed to get real life training experience and payment.

The ETVET Fund, governed by the ETVET Council, is one of the main sources of financing for ALMPs. While the Fund's yearly budget has shrunk as a result of the new tax law eliminating the 1 percent earmarked tax on the profits of private firms, it still enjoys a yearly budget exceeding JD 30 million (from foreign labor permits) which could be extremely effective if well targeted. While in previous years, the ETVET Fund was poorly managed with no transparent criteria for allocation of funds and suffered from a potential conflict of interest (as described earlier), in the last year, the ETVET Fund allocated slightly larger portions to innovative vocational programs and on-the-job training activities at lower cost and with better placement rates.

It is proposed that: i) the ETVET structure be amended to ensure that no training providers are part of the decision making process; ii) transparent criteria for funding be developed and approved and open to all training providers and on-the-job training programs; iii) all funded programs be independently evaluated in terms of cost per student and placement rate; iv) all follow-up funding be based on a track record of cost per student, placement rate, and satisfaction levels of employers; and v) all training programs be directly linked to employers' demand.

[40] See Appendix 4 for a review of the numerous experimental programs in Jordan.

It is estimated that an annual fund of JD 30 million could create around 20,000 training opportunities per year.[41] While not all trainees would be placed in permanent jobs afterwards, recent experience in Jordan suggests that a well-targeted training program could achieve a 30 percent placement rate or better. Combined with subsidies for six months to a year, the placement rate could rise even further.[42]

It is highly recommended that the MOL, with external support, take stock of all current ALMPs, and incorporate lessons learned into a national training and employment program that can be scaled up to address urgent unemployment issues among university, diploma, and high school or below graduates. It is recommended that the government as well as donors augment the ETVET Fund in the range of JD 20-70 million per year for the medium and long term, depending on its performance against measurable criteria.

3.3.1.4 Curtailing public sector employment and aligning wage structures

The first three actions proposed in the short term are intended to address unemployment, but they are not likely to succeed if unemployed young men and women continue to perceive that there is a fair likelihood of getting a public sector job. Queuing for a public sector job is the result of a rational choice made between options structured by policy. The government can opt to expand the programs described with public resources, but responding to unemployment with public sector hiring achieves neither short nor long term objectives. In the short term, public sector hiring will only raise the expectations of youth, increasing applications to the CSB and JAF, and reduce youth's incentives to participate in technical and employability skill programs not perceived as relevant in the public sector. As Section II showed, there is considerable market segmentation since public sector jobs tend to pay superior wages at entry level, provide better benefits, and involve fewer working hours than private sector jobs. And the perception, true or not, that the "lucky" ones who are hired use *wasta* and nepotism adds to, rather than reduces, the sense of frustration by the expanding ranks of those who are "less lucky." The result is a spiraling cycle of higher expectations and lower overall satisfaction.

Therefore, it is proposed that any new public sector hiring should be within the current ceiling of the number of public employees (around 463,000 in 2009). Room for staff needed by various ministries and public agencies can be created by normal attrition and by reassignment across public bodies. All new hiring should receive prior allocation within the budget and be within areas of national priority (such as expanding early childhood education programs).

It is also proposed that the CSB practice of maintaining a waiting list be discontinued. Those currently on the list (218,000 were registered on the list in 2010) should be targeted for vocational or subsidized on-the-job training programs in the private sector.

Finally, the wage structure discrepancies between the public and private sectors should be reduced and better aligned with productivity. As Section II showed, public employees with secondary education or below earn 30 to 60 percent more than their counterparts in the private sector. In contrast, the public

[41] Either through on-the-job training or vocational training at an average cost of JD 1,500 per trainee per year.

sector is unable to attract highly qualified managers/experts due to its rigid wage structure at the upper levels. Public sector wages and promotions should increasingly be based more on performance evaluation and less on seniority.

3.3.2 Medium term impact (by 2017)

There are three priority "medium term" projects that are no less important than the "short term" ones, but that are expected to impact employment levels later on. These projects are: school-to-work transition programs; reform of the ETVET sector; and social security coverage and health insurance extension.

3.3.2.1 Scaling up school-to-work transition programs

The high unemployment rate among youth in Jordan is partly the result of an inability to transition from an educational environment to a work environment. Students often lack the skills, information, and guidance to help them prepare for this transition. The stakes are high for youth, as the longer they spend unemployed, the more demoralized they become and the more likely it is that they will exit the labor force for good, especially females.

In Jordan, a school-to-work program might not reduce overall unemployment among youth in the short term (as much of the unemployment is concealed in the discouraged inactive population), but it would start making an impact in the medium term (provided aggregate labor demand improved) and would certainly reduce the duration of unemployment for youth, which is critical. Based on international experience, it is expected that unemployment rates among male and female youth will start to drop once the program reaches a national scale.

Several public and private initiatives have helped bridge this gap. However, an umbrella program is needed to ensure that all efforts by public, private, and NGOs providers are coordinated and that no students or regions are excluded or missed. One possibility is to coordinate with the military service program being contemplated by the government. The "boot camp" part of the training administered by the military could remain short, with the bulk of time spent on volunteerism and team building skills, employability training, job counseling, and internships in the work place. This should be administered by a specialized public sector unit and should scale up pilots that have been proven successful by private and NGO providers. In any case, the tremendous and valuable experience gained by private and NGO providers in Jordan should be scaled up and built upon (see Appendix 4 for a summary of such programs).

3.3.2.2 Reforming the ETVET sector

While the ETVET sector has languished for some time, serious steps have been taken recently to rectify its governance and financing issues. These steps need to be supported and built upon, with an aim towards better regulation and greater demand responsiveness. The ETVET Fund Board was recently dissolved, and the ETVET Council's funding decision capacity was delegated to a sub-committee that does not include training providers (i.e., the NET and the VTC). Increasing proportions of the funding were allocated to employment and training programs other than those offered by the NET and the VTC.

This was recommended in the first NES briefing to the Council of Ministers to eliminate the potential for conflict of interest in allocating ETVET Funds.

Yet more remains to be done to ensure that the significant funding available to the ETVET Fund is optimally allocated. Going forward, the institutional framework for vocational and technical training priorities should be to:

a. Establish the HCHRD, headed by the Prime Minister, deputized by one of the ministers in case of absence of the Prime Minister, and composed of members from the main ministries concerned with HR and employment issues (Education, Higher Education, Labor, Economy and Trade), representatives of the private sector and labor unions, and some of the specialized technical institutions (the NCHRD and the High Population Council).
b. Provide the NCHRD with the necessary resources and staffing to reassume its vital role in HR and labor market information and policy analysis. Its role should include independent evaluation of all training and ALMPs.[43] It is also proposed that the NCHRD be the Secretariat of the HCHRD to ensure evidence-based-policy making, with the NCHRD providing timely information and analysis to decision makers.
c. Acknowledge the *de facto* separation of the three arms of vocational training (vocational high schools, technical colleges, and the VTC and programs under oversight of the MOL), but ensure coordination at the HCHRD level.
d. Strengthen the accreditation function by re-drafting the bi-laws and build the capacity of an independent "TVET Accreditation Council."
e. Re-consider the role of the NET along the lines proposed by an independent evaluator (see Appendix 11), given its poor performance so far.
f. Support the VTC to become more responsive to private sector needs by expanding on innovative approaches carried out by private sector associations (see Appendix 12 on employers' opinions of VTC graduates).
g. Allow the NET and the VTC to compete for ETVET Funds on equal footing with other public, private, and NGO vocational training providers on the basis of cost effectiveness, program evaluation, private sector feedback, and placement rates.[44] Better financial management of the ETVET Fund (already underway) will allow it to attract other sources, such as donor funding and government budget funding.
h. Develop the MOL's local offices' capacity to carry out employment and career guidance and counseling aimed at the unemployed for job searches, retraining, or access to micro finance.
i. Support the DOS's efforts to improve statistics on job creation, labor migration (in- and out-), and skill mismatches.

[43] The NCHRD's bi-laws include evaluation responsibilities but that function was never operationalized.
[44] This requires repealing the Memorandum of Understanding with the MOL which earmarks upfront funds for the NET.

3.3.2.3 Introducing health insurance benefits and expanding social security coverage to SMEs

The level of social protection is a prime reason for male and female youth to prefer public sector jobs over private sector jobs, and large private sector enterprises over small and micro enterprises. Until recently, only enterprises with five or more employees were covered by social security. Most employees in micro, small, and medium private sector enterprises have no health insurance. Maternity benefits, while stipulated by law, are loosely enforced in the private sector and have led to hiring discrimination against women. Many who face unemployment at mid-career are forced to seek early retirement to cover their household expenses in the absence of unemployment coverage.

To be sure, social security benefits and health insurance do not contribute directly to job creation. Their direct contribution is to a better level of welfare and protection from risks faced by workers and their families. But beyond this, having umbrella social protection systems can contribute to higher labor productivity (through better health) and can facilitate labor mobility, as benefits move with workers rather than being tied to specific employers. Most importantly, however, universal social protection systems would greatly reduce the market segmentation between the public and private sectors.

While the extension of social security coverage, maternity benefits insurance, and creation of an unemployment fund were underway in 2011, health insurance for private sector workers remains a major gap. A draft health insurance scheme was prepared by SSC to cover all social security contributors not covered by public or private schemes (see summary in Appendix 13). The SSC proposed an independent health fund (so as not to subject other schemes to additional financial risks), financed by payroll deductions of 5 to 6 percent shared by employers and employees (two-thirds and one-third, respectively); the scheme would realize cost reductions through agreements with health providers based on economies of scale. Implementing such a scheme, whether offered by the SSC or another public entity, should be a priority if the overall vision of the NES is to be realized.

While expansion of social security coverage, including maternity and unemployment benefits, is expected to reach 75 percent of workers by 2014 (from about 50 percent in 2009), a health insurance scheme would have upfront requirements in terms of systems, procedures, and protocols, and thus needs to be introduced gradually. Thus, it is not expected to reach the 75 percent target until the medium term.[45]

3.3.3 Long term impact (by 2020 and beyond)

Actions identified here will likely impact job creation after 2017. This does not mean that they are less important, nor that action on them should be delayed. It simply means that they require longer gestation periods to generate the desired impacts.

3.3.3.1 Investing in the future through early childhood education

International research has established the importance of early childhood development as a basis for future learning and performance. Neglecting crucial development and learning in the first five years of a

[45] This is assuming the scheme is implemented by the SSC. If done by another provider, it would take longer due to the need to establish the financing and administration infrastructure.

child's life can lead to long-term and often irreversible effects on education, health, and productive earnings, imposing significant costs for both individuals and societies. In other words, one of the surest ways of breaking the cycle of poverty is to provide children from poor households with access to early childhood education. In economic terms, research suggests that investing in early childhood development has a higher return than investing in older children or adults (Heckman, 2008; World Bank, 2010).

A public program of preschools is perhaps the best known mechanism to deliver consistent early childhood development and education and it is recommended that children aged three to six participate in preschools. Private preschools will continue to play an important role in providing middle and upper income households with quality childcare and education, but they are likely to be beyond the means of a significant majority of Jordanian households.

The strategy proposes an aggressive expansion of public preschool education to reach 50 percent of all children in the four- to six-year-old age group by 2012, and 60 percent of them by 2017 (National Agenda targets). It proposes to make schooling compulsory for ages five and up by 2015 and for ages four and up by 2020. In addition to having desirable effects on children's cognitive and social skills, an early childhood learning program would have a direct effect on female labor participation, as it would reduce the reservation wage for mothers (the wage below which they would not be willing to work) by providing free public preschool education and increasing their mobility and options (e.g., registering their children in schools near their workplace or allowing them to work from home). Another effect would be the jobs created for females in the preschool education sector (a specialization for which supply exceeds demand).

3.3.3.2 Pursuing sustainable fiscal and monetary policies for economic growth with job creation

Job creation requires macroeconomic stability, which in turn requires sustainable fiscal policy and stable monetary policy. This section focuses on six aspects of fiscal, monetary, and investment policies that have a direct impact on a macroeconomic environment conducive to job creation.

i. *Long term fiscal policy:* Fiscal policy should play a counter-cyclical, not a pro-cyclical, role in economic growth. It should create surpluses during economic boom periods so that it can intervene to stimulate economic activity and jobs during downturns. Jordan missed the opportunity to do that during the 2001-2008 boom years and instead widened the deficit.

ii. *Reducing the deficit:* While the budget can be balanced in many ways, such as by increasing foreign aid, reducing capital expenditure, raising revenue, or cutting current expenditures, the latter should be the focus of reform. Current expenditures in Jordan are high by any account and should be contained going forward. Overall, Jordan should aim for a budget deficit below 3 percent (before grants) in the medium term and a small surplus of 1-2 percent in the long term.

iii. *Capital expenditure and borrowing:* Cutting capital expenditures can hurt development and growth in the long term and should preferably not go below 20 percent (especially given the low domestic investment rate in Jordan). Having said that, capital expenditure also needs to be better targeted towards productive public investments in human and infrastructure capital which enhance the productivity of the economy, and less on public buildings and real estate projects. Borrowing in the long term can only be justified for financing capital expenditure (i.e., investments that create social returns). The mix of internal and external sources should ensure that private sector borrowers are not crowded out, and that the loan durations and repayment terms do not create a fiscal burden going forward.

iv. *Public revenue:* Sources of public revenue need to be revisited, not only to increase the overall revenue envelop, but also to: i) evaluate the incentives they create in the economy and their effect on a fair distribution of the tax burden; and ii) ensure a progressive redistributive function of the tax system. Differential tax treatment of different sectors still exists, often favoring traditional sectors (which rely on foreign labor) at the expense of knowledge economy sectors (which rely on Jordanian labor). It has been widely proven in empirical literature that incentives such as tax exemptions and holidays have little effect on investors' decisions to invest. If needed at all, such exemptions should be targeted to specific new sectors, R&D activities, new export oriented products, and for specific periods only. Finally, the Jordanian tax structure is regressive and encourages speculation rather than productive work: the VAT, while efficient to collect, is regressive, especially given the limited progressivity of the income tax and the absence of a capital gains tax on speculation in real estate and the stock market.

v. *Fiscal stimulus:* Stimulus packages are less likely to be effective in small open economies such as Jordan's, where attempts to stimulate the economy often result in dead-end, consumption-driven expenditures, higher imports, and worsening trade and current account balances. However, stimulus packages targeted directly at socially productive investments (see above) as well as those that motivate job creation in the private sector (e.g., on-the-job training, subsidizing social security for new hires for a period of time, etc.) are probably the best "bottom up" forms of stimulus as they get cash into the hands of those who need it most (the unemployed), provide them opportunities for training, and provide a subsidy for employers targeted at labor cost to help them withstand an economic downturn.

vi. *Monetary policy:* With its focus on inflation targeting, monetary policy provides a stable environment for future investments. It also needs to play a counter-cyclical role, "cooling" the economy during boom years by managing liquidity and exchange rates, and restoring confidence and preventing financial meltdowns during downturns. While monetary policy has largely succeeded in the past at managing macroeconomic stability, access to credit by SMEs and microenterprises is still very low in Jordan compared to similar income countries. Launching a Credit Bureau should reduce the information asymmetry, thus reducing the risk of Central Bank lending and ultimately reducing collateral requirements and interest rates. The SME Fund and monetary easing targeted at SME lending will all contribute to increasing the supply of funds and reducing the interest rate. Finally, providing a regulatory structure for microfinance institutions that enables them to accept deposits in the future and enacting mobile banking regulations will significantly enhance access to credit at lower rates for micro enterprises.

3.3.3.3 Developing industrial and investment policies towards economic growth with job creation

Most countries that transformed their economies did not simply liberalize their economies and open their markets. Instead, they instituted a range of policies aimed at encouraging exports, promoting innovation, and attracting FDI in particular sectors. Jordan's economy is one of the most open in the region and the world, while making good use of public expenditures in the form of various incentives, exemptions, tax brackets, and subsidies. However, these need to be revisited and aligned with the country's vision of transforming its traditional economy towards a knowledge-based economy. In terms of levels of skill and tradability, the economy's various sectors can be categorized into four main groups (as identified earlier) with different policy implications/recommendations (see Figures 59 and 60).

A quick glance at Figure 59 makes is abundantly clear, however, that the knowledge sectors of the economy (i.e., those in the upper part of Figure 59, such as ICT, pharmaceuticals, medical services, higher education, financial services, etc.) may still be small in relative terms, but some are growing rapidly (for example, ICT's average annual growth rate is 25 percent). In contrast, traditional sectors such as industry, construction, trade, agriculture, and mining still dominate the economy in both GDP and employment terms but are not growing as fast. While any forward-looking strategy needs to promote the "knowledge" sectors, it will also need to help the traditional sectors become more water and energy efficient, rely more on Jordanian workers, and adjust to a more competitive environment.

Figure 59 Moving up the value chain and tradability

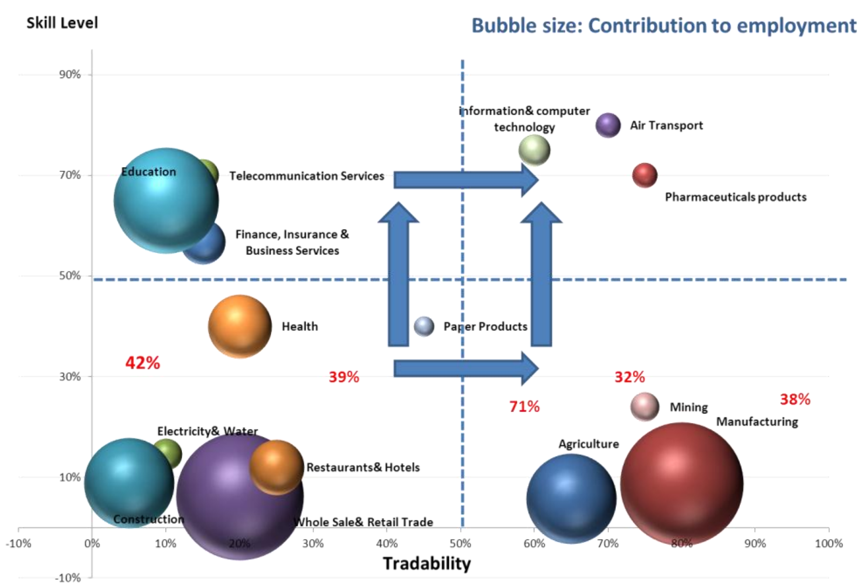


Figure 60 Policy framework for the four clusters of the Jordanian economy

2: High Skill- Low Tradability (HSLT) - Export Facility and Technical Assistance for Export Services. - Improve quality control for exported services.	**1: High Skill- High Tradability (HSHT)** - Provide time bound incentives for new products/ industries, innovation, and R&D
4: Low Skill- Low Tradability (LSLT) - Quick Labor Replacement Policies (1-3 Yrs) combined with awareness campaigns on female and male participation in selected sectors	**3: Low Skill- High Tradability(LSHT)** - Gradual Labor Replacement Policies (3-9 Yrs) combined with tailored VT training. - Incentives for efficient /energy use.

Group I: High Skill-High Tradability

This group represents the true "knowledge economy" sectors around which Jordan hopes to evolve its economy. These are the vibrant and dynamic pharmaceutical, ICT, and air transport sectors, which are export oriented and offer good wages and benefits, and whose employees are mostly skilled and educated. Unfortunately, their relative contribution to both GDP and employment is still small. These sectors need government support in removing the bureaucratic hurdles and red tape that complicate their operations. Incentives, if offered in these sectors, should be time-bound and related to specific new product lines, innovations, new markets, etc. Business incubators, an export guarantee facility, and marketing assistance would assist new startups in these sectors.

Group II: High Skill-Low Tradability

This group makes a substantial contribution to GDP and Jordanian human capital, mainly in the sectors of education, health, and financial intermediation. These service-oriented sectors manifest lower tradability of their services, even though this need not be the case. Whether in business process outsourcing, engineering, accounting, insurance, higher education, or health tourism, the potential for export of services could be substantially expanded. In areas such as health and education, quality control and accreditation continue to hamper the ability to move up the value chain and gain markets abroad. This group and Group I lose considerable talent to other Gulf countries. While reversing the "brain drain" might not be possible given the wage gap, there might be ways to allow for "brain gain" by attracting returning diaspora Jordanians as investors, or for "brain circulation" by creating linkages such as outsourcing office services and business processes from the Gulf region to Jordan. The focus for Group II is a combination of targeted technical export promotion support, and a regulatory framework to improve quality and reliability of services (especially in health, education, and insurance).

Group III: Low Skill-High Tradability

This group contributes a substantial part of Jordan's GDP and share of employment. It includes diverse sectors such as manufacturing, mining, and agriculture. Tremendous variation in competitiveness, growth potential, and implications for employment exists between and within these sectors. Some would not survive without the water or energy subsidies they receive. Some rely heavily on foreign workers, especially agriculture and textiles. But others are model farms and factories which exclusively employ Jordanian labor and compete at a worldwide scale. Given the water and energy scarcity in Jordan, many of the water-intensive agricultural products and energy-intensive industries are likely to be "sunset" sectors in the long term. They should either be assisted to become more efficient water/energy users and thereby move up the value chain of niche products and markets, or be allowed to gradually die and exit. The broad subsidies enjoyed by Group III tend to be misdirected, especially by those sectors that rely heavily on foreign labor. Subsidies, if at all justified, should be linked to an entity's proportion of Jordanian labor to total workers relative to its industry. The foreign labor policy framework proposed above will be an added incentive for employers to invest in training and hiring Jordanians.

Group IV: Low Skill-Low Tradability

This group makes a substantial contribution to GDP and employment in Jordan, and is characterized by the relative ease of entry of new businesses and high turnover rates, with more productive firms taking over market share from less productive ones. Unlike Group III, it represents sectors which produce both goods (such as construction) and services (such as trade, restaurants, and hotels) that are not exposed to international competition. The level of skills required varies from one sector to another, but generally the skills required can be attained in Jordan through on-the-job training or from specialized vocational schools. Group IV tends to rely heavily on foreign labor. But recent shifts to a greater Jordanian workforce in hotels, fast food restaurant, and some gas stations suggest that there are no insurmountable constraints on the supply, demand, or institutional fronts to preclude this group from absorbing the bulk of young male and female Jordanians with diplomas or high school or below educational attainment. The relatively rapid transition to Jordanian labor, along with extension of social security and health coverage, will allow Group IV's enterprises to compete on an equal footing. It is therefore recommended that foreign worker permit pricing be substantially increased on a sector by sector basis.[46] The aim is to reduce or eliminate gains derived from subjecting foreign workers to longer working hours or worse conditions than is permissible under the Labor Law. This way, firms can still choose to hire specialized foreign workers who would bring value added to complement rather than substitute for Jordanian workers.

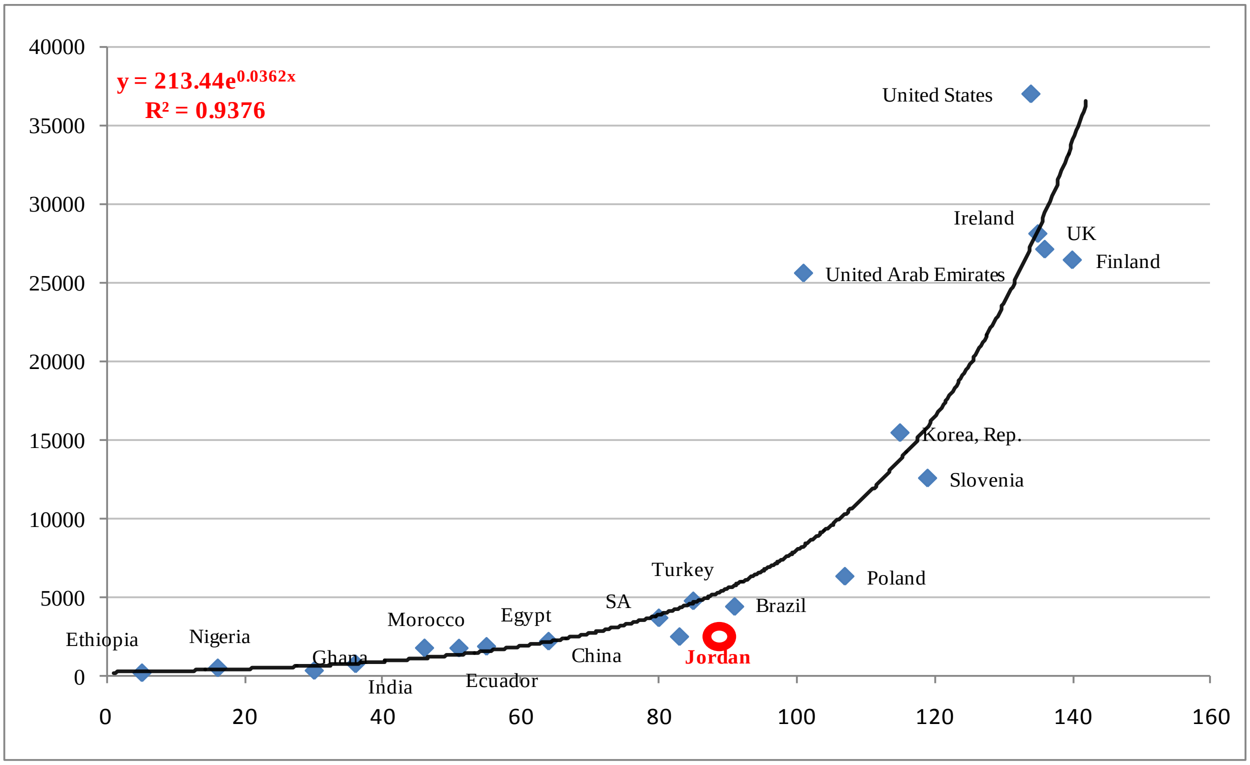
This substitution process will be critical for Jordan in the short, medium, and long run, as Jordan will still need to create jobs in labor-intensive, semi-skilled sectors (given the stock and flows expected over the next decade). In the long run, the substitution process combined with better training will help restructure the economy by changing relative rates of return on investment in different sectors and also capital/labor ratios.

In summary, a tailored approach is needed to restructure the economy away from a current low wage, low skill, and low productivity equilibrium. Implicit subsidies in the form of water, energy, and foreign labor have changed the rate of return on investment in favor of sectors that are resource intensive and use foreign labor. Following through on this approach would reduce overall subsidies, and reward higher

[46] See Appendix 8 for a proposal to start with the non-tradable sectors requiring the least amount of prior training (such as gas stations and restaurants), move next to hotels and the construction sector, and then end with tradable sectors in the medium/long term.

water/energy efficiency, higher productivity, higher exports, and more reliance on Jordanian workers in favor of knowledge-based investments. As Figure 61 shows, Jordan is at the cusp of an exponential trajectory of GDP per capita as its Knowledge Economy Index rises. With clarity of direction, Jordan can set itself on that trajectory.

Figure 61 GDP/capita and the Knowledge Economy Index[47]



3.4 Developing Growth Scenarios and Targets Leading to the Vision

To consider future scenarios for employment growth, the NES explores supply and demand variables. On the supply side, the NES relies on the DOS's protections of overall population growth and working age population growth. The DOS estimates that the population of Jordan will increase from 6 million in 2009 to around 7.5 million in 2020 and around 9 million in 2030. Correspondingly, the working age population will increase from 3.4 million in 2009 to 4.4 million in 2020 and 6 million in 2030. In other words, the working age population as a ratio of the population will increase from around 57 percent in 2009 to 67 percent in 2030. On the demand side, the NES relies on GDP projections made by the Government of Jordan along with NES team members' assumptions on the labor elasticity of growth. Four scenarios for future growth and the impact on job creation are considered next.

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[47] Knowledge Economy Index, 2009; GDP/capita, Constant $ 2000.

3.4.1 First scenario: deteriorating employment growth

This scenario is highly unlikely (see Table 7), but is included as a reminder of the consequences of "doing nothing." It is associated with a worsening macroeconomic environment and the inability of frequently changing governments to tackle challenges and constraints. Instead, a "firefighting" approach to employment is taken, usually by expanding public sector employment, a solution which cannot continue indefinitely under worsening macroeconomic conditions. It also assumes weak GDP growth (1 percent or less) in the context of a continued global economic recession and regional political turmoil. The latter could result in increasing rates of Jordanians returning from the Gulf and elsewhere. In this scenario, absolute employment numbers will continue to grow, but at a slower rate than the natural growth in the labor force. As a result, the ratio of the employed population to the working age population would slide from the current 35 percent to 32 percent in 2020, and to 30 percent in 2030. Strong government performance would greatly reduce the risks of such performance, even in an unfavorable regional and international climate.

Table 7 Scenario 1: deteriorating performance

Year	Forecasted population (million)	Population of working age (million)	Employed (million)	Ratio of employed to population of working age	Working females (million)	Working males (million)	Ratio of working females to females of working age	Ratio of employed males to males of working age
2009	6.0	3.4	1.2	35%	0.2	1	12%	59%
2020	7.5	4.4	1.4	32%	0.2	1.2	9%	55%
2030	9.0	6.0	1.8	30%	0.25	1.55	8%	52%

3.4.2 Second scenario: weak employment growth

This scenario assumes a constant but low ratio of employment to working age population (35 percent), and involves the creation of about 36,000 jobs per year. The ratio of working females and males to females and males of working age would remain unchanged (12 percent and 59 percent, respectively). This scenario could play itself out as a result of one or more of the following factors: i) a low economic growth rate of 2-3 percent annually, which would only allow for the absorption of about one-third of those entering the market; ii) an open door foreign labor policy, allowing most labor intensive/low skilled jobs created to go to foreign workers (this was the case during 2003-2009); and iii) a continued mismatch between the quantity and quality of graduates produced by the education system and those demanded by the market. In other words, a weak employment scenario could result from global and regional economic stagnation combined with weak commitment to pursue reform policies as outlined in the NES.

Table 8 Scenario 2: weak performance

Year	Forecasted population (million)	Population of working age (million)	Employed (million)	Ratio of employed to population of working age	Working females (million)	Working males (million)	Ratio of working females to females of working age	Ratio of employed males to males of working age
2009	6.0	3.4	1.2	35%	0.2	1	12%	59%
2020	7.5	4.4	1.6	35%	0.3	1.3	12%	59%
2030	9.0	6.0	2.1	35%	0.4	1.8	12%	59%

3.4.3 Third scenario: moderate employment growth

The third scenario assumes a steady improvement in the ratio of the employed population to the working age population, increasing from 35 percent in 2010 to 40 percent in 2020, and to 45 percent in 2030 (see Table 9). The ratio of working females to working age females would increase to 18 percent in 2020 and 23 percent in 2030; the ratios of working males would increase also, although less dramatically. This scenario is within reach as it requires the creation of an average 55,000 net jobs for Jordanians per year (recent estimates of net yearly jobs created are of 40-70,000, but that figure underestimates new jobs taken by foreign workers). This should be possible with economic growth rates of 4-6 percent. In the early stages (i.e., the first one to three years), modest efforts to substitute Jordanian labor for foreign labor in low-skilled jobs could add 10-20,000 new jobs per year. Increased financing available to SMEs and micro enterprises to allow them to grow, along with various ALMPs targeting females and the young unemployed population, could add to the employment elasticity of GDP growth. In the medium and long term, improvements in educational outcomes and vocational training along with more jobs for higher skilled Jordanians should allow for gradual restructuring of the Jordanian economy to absorb more skilled vocational and university graduates. Gulf countries are assumed to continue to absorb a proportion of the skilled workers, thus containing unemployment, especially among male university graduates.

Table 9 Scenario 3: moderate performance

Year	Forecasted population (million)	Population of working age (million)	Employed (million)	Ratio of employed to population of working age	Working females (million)	Working males (million)	Ratio of working females to females of working age	Ratio of employed males to males of working age
2009	6.0	3.4	1.2	35%	0.2	1.0	12%	59%
2020	7.5	4.4	1.8	40%	0.4	1.4	18%	62%
2030	9.0	6.0	2.7	45%	0.7	2.0	23%	67%

3.4.4 Fourth scenario: strong employment growth

This scenario assumes a gradual integration of the Jordanian economy with the GCC. It is consistent with the National Agenda's long term economic growth targets and is associated with an aggressive approach on both the labor demand and supply sides, and with prioritizing short, medium, and long term policies as outlined in the previous section (see Table 10). This should produce strong employment growth in the short and medium terms, which would taper off to steady growth in the long term. The scenario is associated with strong economic growth (7-9 percent) over the next decade, followed by somewhat slower growth (5-7 percent) the following decade, consistent with National Agenda targets. Such growth would be associated with an average 73,000 jobs per year, and an increase in the ratio of employed to working age population from 35 percent to 45 percent between 2009 and 2020, and to 50 percent the following decade. The scenario is also associated with a strong push to assist in the absorption of females entering the labor market (almost doubling the ratio of working females to females of working age from 12 percent to 23 percent). The rationale for this aggressive scenario is to take advantage during this decade of: i) the large reserve of unemployed, young Jordanian job seekers by absorbing them through labor substitution (which will mostly help Jordanian males); and ii) the large inactive working age population who are willing and able to work but who have given up on the job search, by absorbing them in self-employment and micro enterprises (which will mostly help Jordanian females). These early gains in employment, however, will taper over time to a sustainable rate that will absorb an increasingly educated labor force; this will require restructuring the Jordanian economy towards higher value added goods and services, higher skills, and higher wages and benefits.

Realization of this scenario depends both on exogenous variables outside the control of policy makers, such as global economic cycles, regional stability, and commodity prices, and on endogenous variables within their control. A favorable global and regional economic environment combined with a strong national commitment to employment make this scenario quite realistic and worth pursuing.

Table 10 Scenario 4: strong performance

Year	Forecasted population (million)	Population of working age (million)	Employed (million)	Ratio of employed to population of working age	Working females (million)	Working males (million)	Ratio of working females to females of working age	Ratio of employed males to males of working age
2009	6.0	3.4	1.2	35%	0.2	1	12%	59%
2020	7.5	4.4	2	45%	0.5	1.5	23%	68%
2030	9.0	6.0	3	50%	0.9	2.1	30%	70%

The relative likelihood of each scenario also depends on exogenous and endogenous factors. Jordan's real GDP growth rates for 2009 and 2010 were fairly weak: 2.3 percent and 3.1 percent, respectively. If such performance continues in the context of short-lived governments, an ongoing global economic crisis, and regional political turmoil, Jordan risks falling into the "deteriorating performance" scenario. Gradual improvements in all the above, however, will allow for realization of the moderate or even the strong scenario by the second half of the decade.

3.4.5 NES target indicators

The NES targets in Table 11 assume realization of the moderate scenario, based on the sequencing of an initially weak scenario in the first two to three years, followed by moderate and then strong scenarios in the last seven to eight years. The targets represent overall outcomes related to the main strategic objectives of the NES along the demand, supply, and institutional indicators. Project level performance indicators and the associated target levels are presented in Table 11.

Table 11 National Employment Strategy target indicators

Indicators	Base	Outlook 2012	Target 2014	Target 2017	Target 2020
Average GDP growth (%)	3.1	4[4]	5[4]	7[2]	7[2]
Public debt as a percentage of GDP	55.1	57.7[4]	55	55	55
Fiscal balance excluding grants	-7.4	-6.5[4]	-5	-3.6[2]	1.8[2]
Number of employed people to population of working age (%)	35[1]	36	37	38	40
Number of employed males to males of working age (%)	59[1]	59	60	60	62
Number of employed females to females of working age (%)	12[1]	13	14	16	18
Unemployment rate (%)	13.1	13	12	11	9
Number of workers covered by social security to total workers (%)	57.4[5]	64	69	74	78
Number of private workers covered by health insurance to total workers in the private sector (%)	28	30	45	65	75
Number of SME borrowers to total SMEs (%)	30	38	43	47	50
Number of micro credit borrowers (000's)	202[3]	265	335	446	546
Number of students going through school-to-work transition programs to total students in final year of high school (%)	16	20	40	70	100
Ratio of children attending kindergarten programs to all children 4-6 years old	KG1:16.7[6] KG2:58[6]	KG1: 20 KG2: 70	KG1: 30 KG2: 80	Compulsory education starting at 5 years	Compulsory education starting at 4 year
Monitoring, evaluating, and updating the NES	Quarterly monitoring,	Quarterly monitoring, and yearly evaluation reports	Quarterly monitoring, yearly evaluation, and updating of NES in 2014	Quarterly monitoring, yearly evaluation, and updating of NES in 2017	Quarterly monitoring, yearly evaluation, and updating of NES in 2020

[1] 2009.
[2] Targets of the National Agenda.
[3] Future growth assumes a declining schedule from 15 percent in 2011, stabilizing at 6 percent in 2020.
[4] Estimate based on Government of Jordan and World Bank staff calculations.
[5] Projection is based on Actuarial Study parameters and SSC's own projection for extending coverage.
[6] Estimate by MOE.

3.5 Modalities for Implementing, Monitoring, Evaluating, and Updating the Strategy

3.5.1 Implementation

The true test of any strategy is its implementability. The NES, having relied on a participatory team-based approach drawn from the concerned ministries in the preparation stage, can now transition smoothly into the implementation stage with an "Implementation Team" composed of all ministries and public agencies in charge of implementing the various actions. The Council of Ministers has assigned the Minister of Labor to lead the Implementation Team and to report to the Council of Ministers and the HCHRD (once established) on progress made.

The Implementation Team is expected to meet monthly with sub-teams created on sub-project groupings (demand, supply, and institutional). It is also envisioned that the Implementation Team will prepare a Quarterly Report on progress made against the timetable and indicators outlined in the Implementation Plan. The Quarterly Report will also outline any challenges/delays and propose ways to overcome them. Modifications to the Project Briefs and Implementation Plan will have to be presented to the Implementation Team and approved by the Minister of Labor. Any changes in the Action Plan (e.g., adding or dropping actions altogether) have to be submitted to the Council of Ministers for approval (as it approved the Action Plan in its initial stage). A small but highly professional Implementation Unit (IU) at the MOL is needed to help the Implementation Team carry out its functions.

Once established and fully operational, the HCHRD will review Quarterly Reports, including modifications made, and take necessary coordination action across ministries and public agencies. The HCHRD will also review a Yearly Progress Report prepared by the Implementation Team and present it to the Council of Ministers for approval if it involves changes to the Action Plan.

3.5.2 Monitoring and evaluation

M&E plays a critical role in producing needed information to support evidence-based policy making as well as any changes in policy direction. M&E will be handled by two government units, the GPA at the Ministry of Public Sector Development and the DU at the Prime Minister's Office. The GPA helped align the NES's performance indicators with those of the National Agenda and provided the Implementation Team with an automated system to update progress on each action within the NES (see Appendix 14). The GPA also provided extensive training to the team on M&E systems. The DU uploaded the Implementation Plan to its publically accessible website[48] and will produce a monthly report to the Prime Minister tracking progress on implementation.

Aside from the GPA's assistance to the Implementation Team to carry out self-M&E, there is currently no independent evaluation program in place for the NES, or for any other public strategy or program for that matter. This capacity needs to be developed in a sustainable way and in a public agency that has considerable independence from implementing ministries and agencies. The NCHRD has the mandate to evaluate HR-related programs and policies, but has never carried out such a function. It is recommended that NCHRD's capacity be developed for such a purpose.

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[48] See www.plan.gov.jo.

3.5.3 Updating
It is envisioned that the NES will be completely updated every three years, which requires an evaluation of the implementation experience as well as taking into consideration various changes in social, economic, and political factors that affect the conception of the NES itself or some of its actions/timetables. Every updated NES should extend the horizon by three more years to allow for a continued long term approach to employment generation.

3.6 Risks and Risk Mitigation
There are many risks along the road to realizing the NES's vision for employment and the larger vision of the National Agenda for the country. This section first describes the risks that are directly under the control of the government and within its domain of authority (i.e., endogenous risks). It then proceeds to risks which are beyond government control, those the government can only mitigate and manage (i.e., exogenous risks).

3.6.1 Abandonment/neglect at the strategic level
There is a strong sense of cynicism among the Jordanian public, not unjustified, about the willingness and ability of consecutive governments to commit themselves to a strategic approach to reform. The risk is that strategies drawn by one government are abandoned by the next. Even strategies not outright abandoned are often neglected and gradually forgotten. Under pressure to produce quick results, governments often want "quick wins," which could go against some of the long term recommendations made by the NES. While updating, modifying, or even completely rewriting the NES is the prerogative of the government, abandoning the NES with no strategic alternative in hand will perpetuate the status quo, and increase the likelihood of realizing the "weak growth scenario."

The consequences associated with this risk are amplified given the significance of employment generation to the social, economic, and political stability of the country. A reassuring signal is that preparation of the NES overlapped two Prime Ministers and received full support from four consecutive Ministers of Labor. Additionally, some of the early recommendations of the NES, such as the creation of the HCHRD and elimination of the ETVET Fund Board, have already been approved.

3.6.2 Lack of followup on implementation
Different from the above, this risk is of failure to monitor progress, measure progress indicators, and take necessary corrective action to ensure progress. The frequent changes in ministers increases this risk, as incoming ministers might be unaware of progress made or challenges to be overcome. The NES process was designed to minimize this risk by ensuring the participation of Secretary Generals and Heads of Departments of all concerned ministries on the Technical Team.

3.6.3 Political pressure by some stakeholders over specific controversial policy issues
The vast majority of actions proposed in the NES involve "win-win" scenarios (such as scaling up existing training programs, SME support, etc.). But some actions might incur winners and losers in the short term. Chief among them is the foreign labor policy, which recommends a gradual, sector by sector, time-bound approach to implementing a new policy allowing employers to complement but not substitute for Jordanian labor. The NES attempted to mitigate such risks by involving all stakeholders

early in the process, including the Chambers of Industry and Commerce, labor representatives, and other NGO representatives, under the umbrella of the ECOSOC. While the NES does not claim to be a consensus document, it represents a true attempt to realize its goals while minimizing or mitigating costs. It is recommended that such open dialogue with all stakeholders continue and expand to guard against narrow interests blocking reforms that serve the majority of stakeholders.

3.6.4 Increased fiscal deficits under domestic pressure

The government might find itself facing demands for expanded subsidies, public wage increases, and more employment in the public sector which would only exacerbate the growing fiscal deficit and eventually public sector indebtedness. A spiraling unsustainable deficit would undermine macroeconomic stability and all attempts at economic growth, and therefore all prospects of restructuring the demand side to create more and better jobs. Resisting fiscal spending pressures will likely depend on the ability of the government to articulate a transparent and credible reform path and to be held accountable for achieving it. Pursuing the package of political reforms, namely constitutional and election reforms, will hopefully contribute to longer tenure governments better able to implement programs and be held accountable for their performance.

3.6.5 External economic shocks

Jordan is highly exposed to regional and international economic shocks, with one of the most open economies in the region. Its vulnerability to fluctuations in food and oil prices, variable flows of remittances and FDI, and continued dependence on foreign aid all call for measures to boost the resilience of the Jordanian economy to such shocks. Building such resilience requires a long term strategic approach focused on better mobilized domestic investments, a diversified energy strategy, fiscal sustainability, and economic restructuring. This is easier said than done.

3.6.6 Geopolitical instability

Finally, Jordan has lived with and learned to manage geopolitical instability. Regional wars and conflicts for over 100 years have put Jordan at the receiving end of temporary and permanent population transfers, and their consequent effects on tourism, exports, remittances, and other vital flows. The “Arab Spring” presents its own risk of short term refugee status being sought by citizens of neighboring countries. While Jordan has always opened its arms to such refugees on a humanitarian basis, the cost of providing them with basic needs should be shouldered by the international community. Under no condition can Jordan absorb refugees in its job markets, even on a temporary basis, given the disproportionate number of Jordanians already unemployed or inactive.

APPENDIX 1. TECHNICAL TEAM OF THE NATIONAL EMPLOYMENT STRATEGY

I. Technical Team Members	
Organization/Institution	**Member**
Ministry of Higher Education and Scientific Research	HE Dr. Musatfa Al Odwan
Ministry of Planning and International Cooperation	Dr. Mukhalad Al Omari Dr. Bashar Souboh Ms.Zein Soufan Ms.Kawthar Al Zouby Ms.NourS hamout Ms.Orouba Al Sabagh
Ministry of Industry and Trade	Eng. Abeer Al Mazahrah Eng. Jawaher Al Tawarah
Department of Statistics	Mr. Mohammad Al Khreisha
Ministry of Public Works and Housing	Mr. Tayseer Al Kayed
Government Tenders Directorate	Mr. Mohammad Kheir Elyas
Housing and Urban Development Corporation	Eng. Hanan Al Khreisha Eng. Nadia Areyda
Ministry of Labor	Dr. Mousa Khalaf Dr. Mohammad Al Qudah
Social Security Corporation	Ms. Haifa Batareh Ms. Nadia Awamleh Dr. Hazim Al Rahahleh Mr. Mohammad Anakreh Ms. Saja Aqrabawy
Employment, Technical and Vocational Education And Training Council	Ms. Naderah Al Bakheet
Employment, Technical and Vocational Education And Training Fund	Mr. Qais Qatameen
Vocational Training Corporation	Mr. Majed Al Habashneh Eng.Hani Khleifat
Al-Manar Project at The National Center for Human Resources Development	Dr. Nader Mrayan Dr. Mamdouh Al Salamat
Jordan Chamber of Industry	Dr. Maher Al Mahrouk Mr. Ali Nasrallah
Jordan Chamber of Commerce	Mr. Alaa Deyranyah/ Economic And Social Council Member
Ministry of Agriculture	Dr. Malek Hadadeen Mr. Omar Al Laham
Ministry of Education	Dr. Ahmad Shadeed
Economic and Social Council / General Secretariat	H E Dr Ibrahim Saif Dr. Radi Al Otoum
Economic and Social Council / Representatives of Employers	Ms. LinaInnab Mr. Khair El Deen Shouki
Economic and Social Council / Representatives of Workers and Trade Unions	Mr. Bilal Malkawi Ms. Majd Showeiki

II. Donor Representatives	
International Labour Organization	Dr. Marry Kawar Zafiris Tzannatos
World Bank	Ms. Haneen Sayed Ndiame Diop Andras Bodor Wael Mansour
European Union	Mr. Abel Riqueras Candela
Government of Canada; Embassy of Canada (CIDA)	Enrique Madueno
SABEQ	Mr. Laith Al Qasim
Building & Extending Skills Training Systems (BEST)	Dr. John Knapp
III. Additional Support	
Prime Minister/The Delivery Unit	Dr. Tarek Arekat Mr. Iissa Al Wirr
Government Performance Administration	Dr. Waleed Farhan
Civil Service Bureau	Ms. Reem Hoseh
Development and Employment Fund	HE Mr. Omar Al Omary
Central Bank of Jordan	Ahmad A. Almajali
The Higher Council for the Affairs of Persons with Disabilities	Mohtaseb Baniali
IV. Team Management	
Chairman of the Team	Dr. Omar Razzaz/World Bank
Coordinator of the Team	Eng. Maisoon Al Amarneh/Economic and Social Council

APPENDIX 2. TERMS OF REFERENCE FOR THE TECHNICAL TEAM ON THE NATIONAL EMPLOYMENT STRATEGY

Component I: Stock Taking and Identification (September- October, 2010)

1- Use the ILO Employment Policy Report as a starting point to examine framework and proposed strategies.

2- Prepare stocktaking report of: all previous studies and reports feeding into the National Employment Strategy; employment strategies in other countries; and database and current quantitative reports regularly produced by various national agencies.

3- Update Stylized Facts sheet on supply and demand of labor.

Component II: Analysis and Diagnosis (November 2010- December 2011)

1- Prepare a framework identifying key supply and demand factors as well as key regulatory environmental factors which affect employability and productivity.

2- Identify analytical gaps within the framework and design terms of reference for the various studies to be undertaken.

3- Prepare a matrix of the main pillars of the framework, studies needed under each pillar, teams working on each, and timeframe for completion.

4- Develop the framework for a micro-level employment analysis, sector by sector (81 sectors based on input-output classification).

5- Carry out/oversee preliminary analysis of demand, supply, and labor market segmentation.

6- Identify short, medium, and long term scenarios for outcomes on key employment, productivity, and social protection indicators.

Component III: Identifying Binding Constraints and Proposed Policies and Projects (February 2011- January 2012)

1- Carry out analytical work on knowledge gaps on the demand side, skill mismatch, and growth scenarios.

2- Articulate the national strategy and its main components.

3- Identify short, medium, and long term targets on key employment targets.

4- Articulate legislative steps, policies, programs, and projects within a short, medium, and long term framework to implement the strategy.

5- Specify targets, actions, and programs at the micro level, sector by sector.

6- Propose institutional arrangements to ensure ownership and long term commitment to the National Employment Strategy.

Component IV: Consultations and Delivery (February 2011- February 2012)

1- Carry out consultations and visioning exercises with public, private, and civil society participation (January 2011- January 2012).

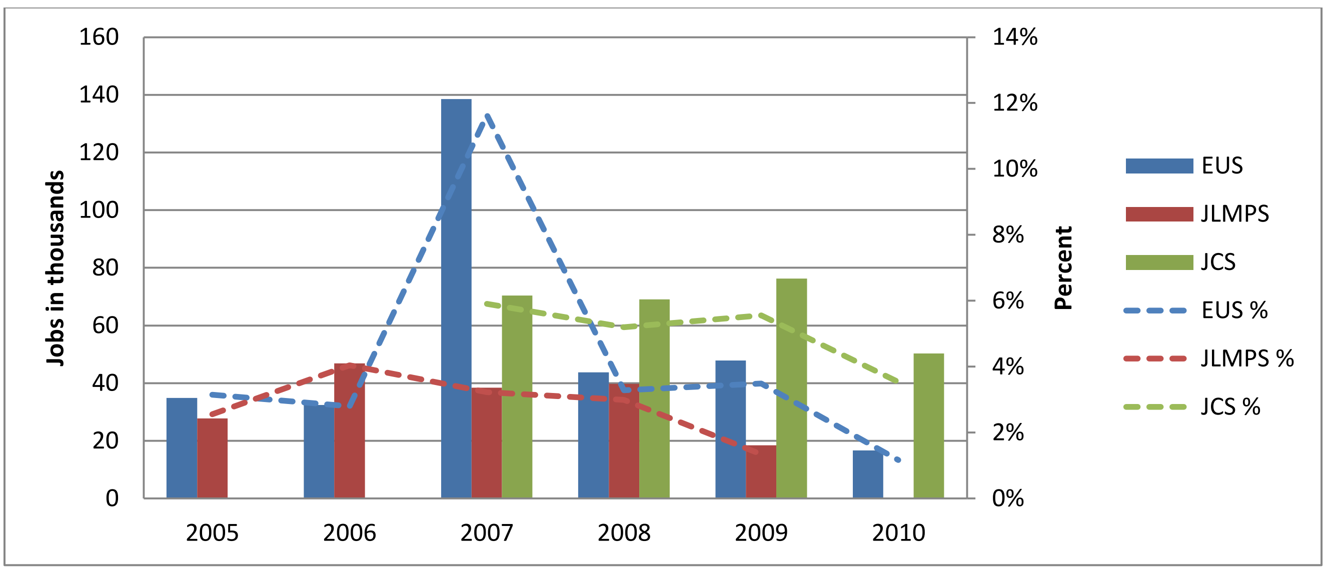
2- Present interim Power Point presentation to Ministerial Committee and Council of Ministers providing initial diagnosis, priority focus areas, and proposed projects (February 2011-March 2011).

3- Prepare and deliver report containing all outputs of the Technical Assistance activities and main findings and recommendations (December 2012).

Appendix 3. Estimates of Net Employment Growth in Jordan[49]

There are three sources of data that allow estimation of net employment growth on an economy-wide basis in Jordan, namely: (1) the Employment and Unemployment Survey (EUS); (2) the Job Creation Survey (JCS); and (3) the Jordan Labor Market Panel Survey of 2010 (JLMPS 2010). The EUS is the official source of data on employment and unemployment in Jordan and is conducted quarterly on a sample of about 12,000 households per quarter. The JCS, a relatively new household survey conducted for the first time in 2007, is carried out semi-annually on a sample of 40,000 households per round. It inquires about any new jobs, job changes, or job endings that households experience during the survey year. While the JLMPS 2010 is not designed to measure employment growth, an estimate of net job creation can be obtained by estimating the number of entries and exits into the labor market every year from the retrospective data. Data more than a few years old should be interpreted with care, however, since some of those who exited could have died or emigrated, and therefore disappeared from the survey sample. This could be particularly true of foreign workers in Jordan, who tend to leave the country when their jobs end. The JLMPS also ignores spells of employment or non-employment that last for less than six months.

Figure A3.1 Net job growth in the Jordanian economy according to three different sources



Sources: Employment & Unemployment Survey (EUS), DOS, Hashemite Kingdom of Jordan; Job Creation Survey (JCS), DOS, Hashemite Kingdom of Jordan; Jordan Labor Market Panel Survey (JLMPS), 2010.
Note: Figure from JCS 2010 is based on the first half of the year and was doubled to obtain an annual rate.

Figure A3.1 shows the net change in employment from one year to the next in both absolute numbers and as a proportion of total employment, as estimated by the three sources. While the figures fluctuate a lot from year to year and from one source to the other, some general conclusions can still be drawn.

[49] This appendix is based on Assad (2011).

With the exceptions of 2007, when the EUS produced an unrealistically high figure, and 2009, where the JLMPS produced a low figure, the estimates from the EUS and the JLMPS tend to agree with each other, suggesting a net job growth of 35,000 to 45,000 jobs per year from 2005 to 2009.[50] The estimates from the JCS appear to be consistently on the high side, providing an estimate of job growth of about 70,000 jobs per year in 2007 and 2008, and 76,000 in 2009. With the exception of 2007, the EUS estimates an employment growth rate of between 3.0 percent and 4.1 percent (see Table A3.1). JLMPS 2010 estimates similar rates of growth of between 3.0 percent and 4.0 percent between 2006 and 2008. In contrast, the rates of growth suggested by the JCS range between 5.2 percent and 5.9 percent from 2007 to 2009.

Table A3.1 Employment growth in Jordan, 2005-2010

All				**Jordanians Only**			
Employment		**Employment growth from previous year**		**Employment**		**Employment growth from previous year**	
	000s	000s	%		000s	000s	%
2005	1158.5			2005	1024.7		
2006	1190.9	32.4	2.8%	2006	1055.8	31.2	3.0%
2007	1329.4	138.5	11.6%	2007	1140.4	84.6	8.0%
2008	1373.1	43.7	3.3%	2008	1172.7	32.3	2.8%
2009	1421.0	47.9	3.5%	2009	1220.5	47.8	4.1%
2010	1437.6	16.6	1.2%	2010	1240.0	19.5	1.6%

Source: EUS.

The source of the discrepancy in the estimation of employment growth between the EUS and the JLMPS on the one side and the JCS on the other is not entirely apparent. All three surveys are household surveys and will therefore not be representative of the large number of foreign workers who do not live in traditional households. In any case, it is unlikely that job growth among foreign workers accounts for the difference, since, according to the 2009 JCS survey, 90 percent of the 69,000 net jobs created that year went to Jordanians.

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[50] The very high job growth estimate produced by the EUS between 2006 and 2007 appears to be the result of a much higher representation of Egyptians in the EUS in that period. Egyptians tend to have much higher employment rates than Jordanians since they are mostly single adult males coming to Jordan for work. The number of Egyptians showing up in the EUS sample more than doubled between the last quarter of 2006 and the second quarter of 2008. This is not likely due to a doubling of the number of Egyptians in the country. Data on work permits from the MOL show that the number of Egyptians on work permits in Jordan only increased by 10 percent from 2006 to 2007.

APPENDIX 4. SUMMARY OF NGO PROGRAMS CONCERNING EMPLOYMENT

<table>
<tr><td colspan="7">Sector: Training and Building Capacities</td></tr>
<tr><td colspan="7">Name of organization: Jordan Career Education Foundation (JCEF)</td></tr>
<tr><th rowspan="2">Project/ program</th><th rowspan="2">Location</th><th rowspan="2">Category/ targeted categories</th><th colspan="2">Number of direct beneficiaries</th><th rowspan="2">Status of project Ongoing/Closed</th><th rowspan="2">Source of finance</th></tr>
<tr><th>Male</th><th>Female</th></tr>
<tr><td colspan="7">Successful working skills training program: Different programs includes (successful working skills, computer skills, English language, vocational guidance, vocational training, tailoring, metal fusing, HVAC, Hospitality & hotels, increasing the abilities of the local institutions programs.</td></tr>
<tr><td>Specialized computer skills in addition to successful working skills
1- Al-Israa University program (graduates follow-up unit)</td><td>Amman</td><td>22-24</td><td>30</td><td>27</td><td>Closed</td><td>JCEF</td></tr>
<tr><td>2-Jabal AL-nazif pioneers program</td><td>Amman</td><td>18-24</td><td>25</td><td>12</td><td>Closed</td><td>JCEF</td></tr>
<tr><td>1- KareemRida organization of training program on specialized computer skills</td><td>Amman</td><td>18-24</td><td>16</td><td>14</td><td>Closed</td><td>Kareem RidaSa'eed Organization</td></tr>
<tr><td>2-advanced training program on computer skills (++PHP-C)</td><td>Amman</td><td>22-29</td><td>11</td><td>9</td><td>Ongoing</td><td>Youth leaders organization</td></tr>
<tr><td>Land area in addition to successful work skills
1- CCC (1)</td><td>Amman</td><td>22-26</td><td>41</td><td>0</td><td>Closed</td><td>CCC</td></tr>
<tr><td>2-CCC (2)</td><td>Amman</td><td>22-26</td><td>41</td><td>0</td><td>Closed</td><td>CCC</td></tr>
<tr><td>Teachers training in addition to successful working skills
1-training of teachers</td><td>Amman</td><td>22-26</td><td>1</td><td>8</td><td>Closed</td><td>Kareem Rida Organization</td></tr>
<tr><td>Air conditioning program training in addition to Successful working skills
1- Air conditioning program (LG1)</td><td>Amman</td><td>18-24</td><td>105</td><td>0</td><td>Closed</td><td>Middle East Partnership Initiative (MEPI)</td></tr>
<tr><td>2-- Air conditioning program (LG2)</td><td>Amman</td><td>18-24</td><td>105</td><td>0</td><td>Closed</td><td>MEPI</td></tr>
<tr><td>Forming and industrialization of gold program in addition to Successful working skills
1-program of forming and industrialization of gold</td><td>ALsalt</td><td>18-24</td><td>0</td><td>22</td><td>Closed</td><td>Training & operating program, and the private sector GZM</td></tr>
<tr><td>Hospitality and hotels program in addition to successful working skills
1-Blue Fig restaurant</td><td>Amman</td><td>18-24</td><td>30</td><td>0</td><td>Closed</td><td>National training & operating program</td></tr>
<tr><td>2-Crumz restaurant</td><td>Amman</td><td>18-24</td><td>7</td><td>0</td><td>Closed</td><td>National training & operating program</td></tr>
<tr><td>3-youth initiative (YCI)</td><td>Amman-Dead Sea-</td><td>18-24</td><td>300</td><td>53</td><td>Ongoing</td><td>Jordan River Foundation</td></tr>
</table>

	Petra-Aqaba					
1-youth for work program	Amman-Irbid	18-24	750	750	Ongoing	American agency

Sector: Training and Building Capacities					
Name of organization: International Youth Foundation					
Project/ program	**Location**	**Category/ targeted categories**	**Number of direct beneficiaries**	**Status of project Ongoing/ Closed**	**Source of finance**
			Male & Female		
Youth to work	Amman, Al-Zarqa, Irbid, AL-Aghwar, Ma'an.	15-24, failed *tawjihi*, unemployed living in the mentioned areas	9200	Ongoing	USAID

Sector: Training and Building Capacities						
Name of organization: Business Development Center						
Project/ program	**Location**	**Category/ targeted categories**	**Number of direct beneficiaries**		**Status of project Ongoing/Closed**	**Source of finance**
			Male	**Female**		
Skills for employment program	All governorates of the Kingdom in addition to branches in Amman, AL-Zarqa, Irbid, Al-Aqaba, Ma'an, Al-Mafraq	Jordanian graduates of Jordanian universities and new graduates from the universities & colleges	2450	4550	Ongoing	USAID
Jordan first program	Amman, AL-salt, Ajloun, Al-karak	New graduates from community colleges	0	600	Closed	World Bank
My job program (wazifaty)	AL-Zarqa, AL-Aqaba	New graduates from community colleges	65	68	Closed	BEST Project

Sector: Training and Building Capacities						
Name of organization: Jordan River Foundation						
Project/ program	**Location**	**Category/ targeted categories**	**Number of direct beneficiaries**		**Status of project Ongoing/Closed**	**Source of finance**
			Male	Female		
Youth to work program	Amman, Zarqa and Jordan Valley	15-24	256	298	Ongoing	USAID-IYF
Youth employment	Amman	18-22	69	3	Ongoing	IBLF, AL RIYAD investment and King

program						Abdullah the Second fund.
Building the capacity for farmers project	Maan	Farmers	29	0	Ongoing	Islamic Development Bank /Jadah
Disadvantage areas development	Zarqa, Karak, Maan, Aqapa	Communities	4191	2000	Ongoing	MOPIC
Poverty alleviation program	Balqa, Zarqa, Mafraq	Communities	1147	737	Ongoing	MOPIC
Medical plant project	Aqapa	Farmers	1126	67	Ongoing	MOPIC
KKAZMA pioneer project	Balqa	National community	66	114	Ongoing	MOPIC
Community development project	Amman, Madaba, Ajlounand, Mafrq	National community	2055	228	Ongoing	MOPIC
Start and develop your business program	All governorates	Women and men	304	772	Ongoing	USAID
Building the capacity for the development and employment fund beneficiaries	All governorates	Women and men	14	682	Ongoing	DEF
Saving water project	All governorates	Women and men	1420	601	Ongoing	USAID
Leadership program	Aqapa, Maan	Youth	10	115	Ongoing	VITAL VOICES
Prisoners’ empowerment	Amman	Women		40	Ongoing	Public security
Economic women empowerment project	Amman, BALQA	Women		128	Ongoing	CITI GROUP
Financial principles for handicraft sector	Amman Balqa	Women		155	Ongoing	CITI GROUP
CITI GROUP prize	Amman	Women and men	34	62	Ongoing	CITI GROUP
Handicraft design project	Amman	Women		162	Ongoing	USAID
Women	Aqapa	Women and	43	64	Ongoing	Aqaba Development

empowerment project		youth				Company
Iraqi refugees support project	Amman	Women		250	Ongoing	International Relief and Development
Areas development and networking	Aqapa	Youth	57	46	Ongoing	USAID
Fundraising writing	Amman, Zarqa, Madaba	National NGOs	48	26	Ongoing	UN

Sector: Training and Building Capacities

Name of organization: INJAZ

Project/ program	Location	Category/ targeted categories	Number of direct beneficiaries		Status of project Ongoing/Closed	Source of finance
			Male	Female		
INJAZ training courses:	All provinces of the Kingdom	Public school students, military school students, UNRWA students, university and community college graduates, youth centers, orphanage houses.	Total # beneficiaries of INJAZ training courses = 446,558		Ongoing	USAID
Schools (7^{th} – 11^{th} grade):						INJAZ partners from the private sector
1-ana wamoheety (me & my surrounding)						
2-amwaly mostaqbqly (my money, my future)						
3- aliqtisadllilnajah (economy for success)						
4-my work…my future						
5-economy around me						
6-Maharat al-najah-schools (skills of success-schools)						
7-travel & tourism work						
8-Idarit amwaly (management of my money)						
9-how to be a leader						
10- company program						
11-al-omor project (life time project)						
The higher education:						
12- company program						
13- al-omor project (life time project)						
14- Maharat al-najah-university (skills of success-university)						
15-work ethics.						
16- How to be a leader						
17- let's discuss economy						

18-Be a pioneer (leader)					
19-work in tourism-university					

Sector: Training and Building Capacities						
Name of organization: The Phoenix Center for Economic Studies and Information						
Project/ program	**Location**	**Category/ targeted categories**	**Number of direct beneficiaries**		**Status of project Ongoing/ Closed**	**Source of finance**
			Male	**Female**		
Develop the capacity of female municipal council members	The three regions (north, central, and south)	Elected female members of municipal council		100	Closed	Ministry of Political Development

Sector: Training and Building Capacities						
Name of organization: LOYAC company for national training and statistical consultation						
Project/ program	**Location**	**Category/ targeted categories**	**Number of direct beneficiaries**		**Status of project Ongoing/Closed**	**Source of finance**
			Male	**Female**		
Preparation to labor market program from 2008 to 2010	Amman	16-24	301	279	Ongoing	Arab Fund for Social & Economic Development
Preparation to labor market program for 2011	Amman, Irbid, AL-aqaba	16-24	500		Ongoing	Capital Bank
						Personal individuals' donation
						LOYAK Kuwait

Sector: Training and Building Capacities								
Name of organization: ICT Association of Jordan - INTAJ								
Project/ program	**Location**	**Category/ targeted categories**	**Number of direct beneficiaries**		**Start date**	**End date**	**Project/ program cost**	**Source of finance**
			Male	**Female**				
Make university visits and awareness campaigns about the sectors & their needs	All governorates	Universities with communication & information technology departments			2008	Ongoing	Ongoing	INTAJ Society
University awareness workshops	Held in Amman yearly for all universities	Universities with communication & information technology departments			2008	Ongoing	Ongoing	Almost $5000 for each work shop annually

Sector: Training and Building Capacities						
Name of organization: AIESEC in Jordan						
Project/ program	**Location**	**Category/ targeted categories**	**Number of direct beneficiaries**		**Status of project Ongoing/Closed**	**Source of finance**
			Male	**Female**		
Yearly career development seminar	Irbid	University students	220		Ongoing	Private sector
National leadership development seminar	Amman	University student	100		On going	Private sector
National leadership forum	Amman	University students	200		On going	Private sector
National leadership development seminar	Amman and Irbid	University students	100		Ongoing	Private sector

Sector: Training and Building Capacities						
Name of organization: Quest Scope for Social Development in the Middle East						
Project/ program	**Location**	**Category/ targeted categories**	**Number of direct beneficiaries**		**Status of project Ongoing/Closed**	**Source of finance**
			Male	**Female**		
Child labor	8 governorates	Children from 8-18	6425	4575	Ongoing	DOL
Informal education 1	Amman and Zarqa	Students who are dropping out of school	1000		Closed	Amman municipality
Informal education 2	Amman	Students who are dropping out of school	1500		Closed	Mercy Corp.
Informal education 3	Amman and Zarqa	Students who are dropping out of school	765		Ongoing	UNICEF
Remedial teaching	Amman and zarqa	Students who are dropping out of school	1500		On going	Mercy Corp.

Sector: Training and Building Capacities						
Name of organization: Building and Extending Skills Training Systems (BEST)						
Project/ program	**Location**	**Category/ targeted categories**	**Number of direct beneficiaries**		**Status of project Ongoing/Closed**	**Source of finance**
			Male	**Female**		
Create units at MOL to empower ETVET reforming institutionalize implementation unit and employment procedures to support reforming strategy for ETVET	Amman	MOL			Ongoing	CIDA
Develop the institutional training for the training providers	Amman	MOL			Ongoing	CIDA
Specialized computer skills in addition to successful working skills	Amman	MOL			Ongoing	CIDA
Develop training materials.	Amman	MOL			Ongoing	CIDA
Support ETVET fund	Amman	MOL			Ongoing	CIDA
Develop the technical vocational training sector	Amman	MOL			Ongoing	CIDA

Sector: On the Job Training						
Name of organization: Jordan Career Education Foundation (JCEF)						
Project/ program	**Location**	**Category / targeted categories**	**Number of direct beneficiaries**		**Status of project Ongoing/Closed**	**Source of finance**
			Male	**Female**		
Hospitality and hotels training 1- The Blue Fig restaurant	Amman	18-24	30	0	Closed	National training & operating project
Training on land area 1-united contractors	Amman	22-26	41	0	Closed	United Contractors
Teachers training 1- Teachers training	Amman	22-26	1	8	Ongoing	Kareem Rida Organization
Manufacturing and forming of gold training program	AL-Salt	18-24	0	22	Closed	National training & operating project, and private sector GZM

Sector: On-the-job Training						
Name of organization: International Youth Foundation						
Project/ program	**Location**	**Category/ targeted categories**	**Number of direct beneficiaries**		**Status of project Ongoing/Closed**	**Source of finance**
			Male	Female		
Youth to work	Amman, AL-Zarqa'a, AL-Aghwar, Ma'an	As mentioned before	9200		Ongoing	USAID

Sector: On-the-job Training						
Name of organization: Business Development Center						
Project/ program	**Location**	**Category/ targeted categories**	**Number of direct beneficiaries**		**Status of project Ongoing/Closed**	**Source of finance**
			Male	**Female**		
Training skills for employment program	All the Kingdom provinces with branches in Amman, AL-Zarqa IRBID, Ma'an, AL-Aqaba, AL-Mafraq	Jordanian graduates of Jordanian universities and new graduates from the universities & community colleges	2450	4550	Ongoing	USAID
Jordan first program	Amman, AL-Salt, Ajloun, AL-Karak	New graduates from the community colleges		600	Closed	World Bank
My job program (wazifaty)	AL-Zarqa'a, AL-Aqaba	New graduates from the community colleges	65	68	Closed	BEST project

Sector: On-the-job Training						
Name of organization: INJAZ						
Project/ program	**Location**	**Category/ targeted categories**	**Number of direct beneficiaries**		**Status of project Ongoing/Closed**	**Source of finance**
			Male	**Female**		
1-a job for a day.	Most Kingdom governorates	Public school, military, school & UNRWA students			Ongoing	USAID
2- a job for a month	Most Kingdom governorates	Public school, military, school &			Ongoing	INJAZ partners from public & private

		UNRWA students				sector

Sector: On-the-job Training						
Name of organization: ICT association of Jordan - INTAJ						
Project/ program	**Location**	**Category/ targeted categories**	**Number of direct beneficiaries**		**Status of project Ongoing/Closed**	**Source of finance**
			Male	**Female**		
Virtual ICT Academy (bridging program between academia & private sector)	Amman & all Kingdom provinces	Youth	Graduates and specialties of communication & information technology		Has not been initiated yet	Under discussion

Sector: On the Job training						
Name of organization: AIESEC in Jordan						
Project/ program	**Location**	**Category/ targeted categories**	**Number of direct beneficiaries**		**Status of project Ongoing/Closed**	**Source of finance**
			Male	**Female**		
(ABLE) Project for social innovation and the empowerment of young people with physical disabilities to develop their career path	Amman, Irbid	University students with physical disabilities	50		Ongoing	Private sector
I Green project for youth environment sustainability	Amman, Irbid	New graduates from community colleges	65	68	Closed	Best project
You can project	Amman	Governmental school students	50		Ongoing	Private sector

Sector: On-the-job Training						
Name of organization: Jordan River Foundation						
Project/ program	**Location**	**Category/ targeted categories**	**Number of direct beneficiaries**		**Status of project Ongoing/Closed**	**Source of finance**
			Male	**Female**		
Youth to work program	Amman, Zarqa and Jordan Valley	15-24	256	298	Ongoing	USAID-IYF
Youth employment program	Amman	18-22	69	3	Ongoing	IBLF,AL RIYAD investment and King Abdullah the Second Fund

Sector: Helping To Find Job						
Name of organization: Jordan Career Education Foundation (JCEF)						
Project/ program	**Location**	**Category/ targeted categories**	**Number of direct beneficiaries**		**Status of project Ongoing/Closed**	**Source of finance**
			Male	**Female**		
Successful working skills Training (successful work achievement skills) 1- Al-Israa University program (graduates follow-up unit)	Amman	22-24	30	27	Closed	Learning for Employment American
2-Jabal AL-nazif pioneers (PILOT) program	Amman	18-24	25	12	Closed	(Rowad)-ARAMEX
Specialized computer skills in addition to successful working skills						
1- KareemRida organization of training program on specialized computer skills	Amman	18-24	16	4	Closed	Kareem RidaSa'eed Organization
2-advanced training program on computer skills (++PHP-C)	Amman	22-29	11	9	Ongoing	Youth leaders organization
Land area in addition to successful work skills 1- CCC (1)	Amman	22-26	41	0	Closed	CCC
2-CCC (2)	Amman	22-26	41	0	Closed	CCC
Teachers training in addition to successful working skills 1-training of teachers	Amman	22-26	1	8	Closed	Kareem Rida Organization
Air conditioning program training in addition to successful working skills 1- Air conditioning program (LG1)	Amman	18-24	105	0	Closed	MEPI
2-- Air conditioning program (LG2)	Amman	18-24	105	0	Closed	MEPI
Manufacturing and forming of gold program in addition to successful working skills	ALsalt	18-24	0	22	Closed	Training & operating program, and the private sector GZM

1-program of forming and industrialization of gold						
Hospitality and hotels program in addition to successful working skills 1-Blue Fig restaurant	Amman	18-24	30	0	Closed	National training & operating program
2-Crumz restaurant	Amman	18-24	7	0	Closed	National training

Sector: Helping To Find Job
Name of organization: International Youth Foundation

Project/ program	Location	Category/ targeted categories	Number of direct beneficiaries		Status of project Ongoing/Closed	Source of finance
			Male	Female		
Youths for work	Amman, AL-Zarqa'a, Irbid, AL-ghwar, Ma'an.	As mentioned before	9200		Ongoing	USAID

Sector: Helping To Find Job
Name of organization: Business Development Center

Project/ program	Location	Category/ targeted categories	Number of direct beneficiaries		Status of project Ongoing/Closed	Source of finance
			Male	Female		
Training skills for employment program	All the Kingdom provinces with branches in Amman, AL-ZarqaIRBID, Ma'an, AL-Aqaba, AL-Mafraq	Jordanian graduates of Jordanian universities and new graduates from the universities & community colleges	2450	4550	Ongoing	USAID
Jordan first program	Amman, AL-Salt, Ajloun, AL-Karak	New graduates from the community colleges		600	Closed	World Bank
My job program (wazifaty)	AL-Zarqa'a, AL-Aqaba	New graduates from the community colleges	65	68	Closed	BEST project

Sector: Helping To Find Job
Name of organization: INJAZ

Project/ program	Location	Category/ targeted	Number of direct	Status of project Ongoing/Closed	Source of finance

		categories	beneficiaries			
			Male	Female		
INJAZ exhibition for recruitment and training	Capital (Amman)	Universities, colleges & youth centers	20,000		Closed	USAID INJAZ partners from public & private sector

Sector: Helping To Find Job						
Name of organization: Dajani consulting in cooperation with MOPIC						
Project/ program	**Location**	**Category/ targeted categories**	**Number of direct beneficiaries**		**Status of project Ongoing/ Closed**	**Source of finance**
			Male	**Female**		
A work program for community colleges' female graduates	Jordan-governorates	Community colleges' female graduates (new graduates)		450	Ongoing	World Bank

Sector: Helping To Find Job						
Name of organization: ICT association of Jordan - INTAJ						
Project/ program	**Location**	**Category/ targeted categories**	**Number of direct beneficiaries**		**Status of project Ongoing/ Closed**	**Source of finance**
			Male	**Female**		
Higher education portal (connect students & social companies in manners)	Amman - all provinces	Communication & information technology students			Ongoing	Ministry of Communications INTAJ society

Sector: Helping to Finance Micro Projects and Economic Feasibility Study						
Name of organization: Jordan Career Education Foundation (JCEF)						
Project/ program	**Location**	**Category/ targeted categories**	**Number of direct beneficiaries**		**Status of project Ongoing/ Closed**	**Source of finance**
			Male	**Female**		
Films club	Amman	18-24	80	15	Ongoing	USAID

Sector: Helping to Finance Micro Projects and Economic Feasibility Study						
Name of organization: International Youth Foundation						
Project/ program	**Location**	**Category/ targeted categories**	**Number of direct beneficiaries**		**Status of project Ongoing/ Closed**	**Source of finance**
			Male	**Female**		

Youths for work	Amman, AL-Zarqa'a, Irbid, AL-ghwar, Ma'an	As mentioned earlier	9200	Ongoing	USAID

Sector: Helping to Finance Micro Projects and Economic Feasibility Study						
Name of organization: Business Development Center						
Project/ program	**Location**	**Category/ targeted categories**	**Number of direct beneficiaries**		**Status of project Ongoing/ Closed**	**Source of finance**
			Male	**Female**		
Training skills for employment program	All provinces with branches in Amman, AL-Zarqa, IRBID, Ma'an, AL-Aqaba, AL-Mafraq	Jordanian graduates of Jordanian universities and new graduates from the universities & community colleges	2450	2550	Ongoing	USAID

Sector: Helping to Finance Micro Projects and Economic Feasibility Study						
Name of organization: Jordan River Foundation						
Project/ program	**Location**	**Category/ targeted categories**	**Number of direct beneficiaries**		**Status of project Ongoing/Closed**	**Source of finance**
			Male	**Female**		
Al Tafelah governorate development initiative	AL Tafelah	National NGOs	71	40		MOPIC
AHL EL HIMEH initiative	Karak	National NGOs	5	17		Queen Rania office
Al aghwar el janoubeyah initiative	Karak	Youth NGOs	250	91		MOPIC
Debeen village development	Jarash	National NGOs	192	86		Monyah Company
Rasoun village development	Ajloun	National NGOs	176	318		ORANGEI
Disadvantage areas development	Zarqa, Karak, Maan, Aqapa	Communities	4191	2000		MOPICI
Poverty alleviation program	Palqa, Zarqa, Mafraq	Communities	1147	737		MOPIC
Medical plant project	Aqapa	Farmers	1126	67		MOPIC
QUADORAT program	Irbid, Ajloun, Jarash, Balqa, Maan, Aqapa	National NGOs	4320	1672		MOPIC

KKAZMA pioneer project	Balqa	National community	66	114	Ongoing	MOPIC
Community development project	Amman, Madaba, Ajloun, Mafrq	National community	2055	228	Ongoing	MOPIC
Start and develop your business program	All governorates	Women and men	304	772		USAID

Sector: Internship Program						
Name of organization: Jordan Career Education Foundation						
Project/ program	**Location**	**Category/ targeted categories**	**Number of direct beneficiaries**		**Status of project Ongoing/Closed**	**Source of finance**
			Male	**Female**		
Internship program 1-teachers training	Amman	22-26	1	8	Closed	Kareem Rida Organization
Hotels & hospitality 2-Blue Fig restaurant	Amman	18-24	30	0	Closed	National training & operating program
3- youth initiative	Amman, Petra, Dead Sea, AL-Aqaba	18-24	300	53	Ongoing	Jordan River Foundation
Specialized computer skills 1- Kareem Rida Organization of training program on advanced computer skills	Amman	18-24	16	4	Closed	Kareem RidaSa'eed Organization

Sector: Internship Program						
Name of organization: International Youth Foundation						
Project/ program	**Location**	**Category/ targeted categories**	**Number of direct beneficiaries**		**Status of project Ongoing/Closed**	**Source of finance**
			Male	**Female**		
Youths for work	Amman, AL-Zarqa'a, Irbid, AL-ghwar, Ma'an	As mentioned before	9200		Ongoing	USAID

Sector: Internship Program						
Name of organization: Business Development Center						
Project/ program	**Location**	**Category/ targeted categories**	**Number of direct beneficiaries**		**Status of project Ongoing/Closed**	**Source of finance**
			Male	**Female**		

Training skills for employment program	All provinces with branches in Amman, AL-Zarqa, IRBID, Ma'an, AL-Aqaba, AL-Mafraq	Jordanian graduates of Jordanian universities and new graduates from the universities & community colleges	2450	4550	Ongoing	USAID
Jordan First Program	Amman, AL-Salt, Ajloun, AL-Karak	Local community organizations		600	Closed	World Bank

Sector: Internship program

Name of organization: INJAZ

Project/ program	Location	Category/ targeted categories	Number of direct beneficiaries		Status of project Ongoing/Closed	Source of finance
			Male	Female		
Summer training program	All governorates	New graduates or last year's undergraduates			Ongoing	USAID INJAZ partners from private sector

Sector: Internship Program

Name of organization: LOYAK company for national training and statistical consultation

Project/ program	Location	Category/ targeted categories	Number of direct beneficiaries		Status of project Ongoing/Closed	Source of finance
			Male	Female		
Summer jobs Program from 2008-2010	Amman, Irbid, AL-Zarqa'a	16-24	218	202	Ongoing	Individual donors LOYAK Kuwait USAID King Abdulla the Second for Development Fund
Summer jobs Program for 2011	Amman, Irbid, AL-Zarqa'a, Aqaba	16-24	500		Ongoing	Individual donors LOYAK Kuwait USAID King Abdulla the Second for Development Fund

Sector: Internship Program

Name of organization: AIESEC in Jordan

Project/ program	Location	Category/ targeted	Number of direct beneficiaries	Status of project Ongoing/Closed	Source of finance

		categories	Male	Female		
National Ambassadors' Programme	All governorates	University students with physical disabilities	20		Ongoing	Private sector
Global internship programme	All governorates	University students	100		Ongoing	Private sector

Sector: Internship Program						
Name of organization: ICT Association of Jordan - INTAJ						
Project/ program	**Location**	**Category/ targeted categories**	**Number of direct beneficiaries**		**Status of project Ongoing/ Closed**	**Source of finance**
			Male	**Female**		
Internship program for ICT graduates	Mainly Amman but open to all locations	New ICT graduates who have been unemployed for 2 years or less	Almost 1200		Ongoing	Government, donors & other sources

Sector: Local Community Organizations Training Program						
Name of organization: Jordan Career Education Foundation (JCEF)						
Project/ program	**Location**	**Category/ targeted categories**	**Number of direct beneficiaries**		**Status of project Ongoing/Closed**	**Source of finance**
			Male	**Female**		
Youth to work program Training the organizations of local community Increasing the abilities of local community organizations by training for employment	Amman-Irbid	18-24	Number of benefited employees is 73		Ongoing	USAID
European Union (EU) program	AL-Zarqa'a	18-24	20		Ongoing	EU

Sector: Local Community Organizations Training Program						
Name of organization: Jordan River Foundation						
Project/ program	**Location**	**Category / targeted categories**	**Number of direct beneficiaries**		**Status of project Ongoing/Closed**	**Source of finance**
			Male	**Female**		
Al Tafelah governorate development initiative	AL Tafelah	National NGOs	71	40		MOPIC
AHL EL HIMEH initiative	Karak	National NGOs	5	17		Queen Rania office
Al aghwar el janoubeyah initiative	Karak	Youth NGOs	250	91		MOPIC
Debeen village development	Jarash	National NGOs	192	86		Monyah Company
Rasoun village development	Ajloun	National	176	318		ORANGEI

		NGOs				
QUADORAT program	Irbid, Ajloun, Jarash, Balqa, Maan, Aqapa	National NGOs	4320	1672		MOPIC
Fundraising writing project	Amman, Zarqa, Madaba	National NGOs	48	26		UN
Building the capacity for the NGOs	All the governorates	National NGOs	14	682		DEF

APPENDIX 5. NATIONAL EMPLOYMENT STRATEGY ACTION PLAN

I. Demand Factors

Policy Area	***Objectives***	***Existing Constraints***	***Proposed Projects To Address Objectives/Constraints***
Investment strategy	Creating investment patterns leading to the growth of high added value sectors, higher wages, and increasing employment of Jordanian labor (males and females)	Current legal and regulatory environment does not adequately incentivize investments in sectors with high value added that are export oriented and that employ skilled Jordanian workers.	Comprehensive development of the current investment incentives with a focus in the coming period to stimulate investment in the sectors accommodating Jordanian labor and the expansion of the service sector, export of services, and laying the foundations for building the knowledge economy.
			Revise the investment law to create incentives for investment in the knowledge economy and the expansion of domestic investment as well as foreign direct investment and connect investment incentives to create job opportunities for Jordanians.
			Prepare a computable general equilibrium (CGE) model as a guide for policy makers.
Fiscal policy	Increasing the contribution of capital and current expenditures in sustainable economic development and creation of jobs in the private sector	Large and unsustainable deficit resulting from increasing current expenditures over the past 6-7 years, and high exposure to regional and international economic volatility.	Review fiscal policy from a development perspective to determine spending priorities in development field (social, economic, and investment) and identify financing sources.
		Public sector procurement gives no preference to suppliers/contractors using Jordanian workforce. This creates a bias towards contractors hiring cheaper foreign workers.	Amend procurement regulations to give preference in public tenders to suppliers and contractors employing a larger proportion of Jordanian labor.
	Introducing a progressive tax policy that encourages work and not speculation, and introducing tax incentives that encourage job creation in the short run	Differential tax treatment of different sectors still exists, although less than before, often favoring traditional sectors. Re-distributive function of taxes has not been adequately addressed.	Reconsider the current tax structure in terms of i) the investment biases it creates across sectors and ii) its distributional impact.

Policy Area	Objectives	Existing Constraints	Proposed Projects To Address Objectives/Constraints
		Fiscal stimulus packages in small, open economies like that of Jordan very often result in higher imports and a worsening trade and current account balance.	Develop fiscal incentive policies in terms of their effectiveness in creating job opportunities for Jordanians.
Monetary policy and financial sector	Enhancing monetary policy to contribute to macroeconomic stability and job creation	Jordan has enjoyed a generally stable monetary policy and a solid financial sector. But interest rate policies and monetary easing have not translated into easier access to credit by SMEs or MFIs, critical for job creation.	Accelerate establishment of the Center of Credit Information (Credit Bureau), which would reduce the problem of information asymmetry between the parties, and facing small and medium sized businesses in obtaining credit.
			Create a credit facility program (credit line) to enable banks and specialized financial institutions to increase loans to small and medium businesses.
			Facilitate the access of small and medium businesses to finance.
			Set the regulatory framework to permit the development of the finance sector and expansion of micro finance.
			Expand the scope of banking services through mobile phones to allow an effective cash flow for individuals and small enterprises.
Demand factors in the governorates and remote areas	Increasing job opportunities in governorates and rural areas	Most capital intensive and knowledge intensive businesses prefer to locate in urban areas. Land and labor intensive businesses could be incentivized to locate out of urban areas. Finance and marketing services to SMEs and micro enterprises are still limited.	Evaluate the experiences of the development areas and production branches in the governorates.
			Increase rates of microfinance in the provinces with technical support in the production and marketing in partnership with the private sector.
			Develop agricultural, craft and service cooperatives.

Policy Area	*Objectives*	*Existing Constraints*	*Proposed Projects To Address Objectives/Constraints*
The competitiveness of the Jordanian economy	Enhancing the competitiveness of the Jordanian economy relative to regional and global levels.	Jordan has been slipping in its competitiveness ratings. While this should not be the only measure of the competitiveness of the economy, it cannot be ignored as it affects perceptions of investors.	Monitor and evaluate the implementation of the roadmap, which includes all of the measures proposed to improve the business environment in Jordan in order to lift up Jordan's ranking within international reports and indicators.
			Implement the "strategic industrial policy" prepared by the Ministry of Trade and Industry, with greater emphasis on incentives for direct investment in the knowledge economy, export of services; expand the funding available for exports, and investments with higher added value that uses skilled Jordanian labor force.
			Expand the pilot programs funded by donor agencies to link small and medium-enterprises to foreign markets. Provide technical support for startups and small and medium-sized businesses, including accounting, human resources, banking services and marketing.
Market competition	Market structure stimulating competition through ease of entry and exit, especially for small and medium enterprises, and reducing monopoly power	Several sectors retain monopolistic structure with considerable market power. While in a small economy this will be hard to completely eliminate, a clear anti-trust competition policy and regulation should be pursued in critical sectors.	Approve the Law Amending the Law on Competition and Consumer Protection.
		Access of small companies is still very limited due to high upfront costs.	Expand the registration of home-based businesses to all governorates of the Kingdom.
			Expand the programs funded by donors that provide technical support for startups and small businesses including accounting, human resources, banking, and marketing services.

Policy Area	*Objectives*	*Existing Constraints*	*Proposed Projects To Address Objectives/Constraints*
Public sector demand	Rationalizing of public sector employment based on needs of public service and not as a solution to unemployment	Public sector hiring is frequently used to reduce unemployment, creating an expectation for many young Jordanians that they should stay unemployed until they can be hired by the public sector.	Enact policy to ensure that all public sector hiring is in line with HR plans in the budget and within the contained limits to gradually shrink the size of public employment relative to employment in the private sector.
			Reduce the Civil Services' waiting lists for appointment, and promote training and employment services for those on the waiting lists to assist with finding alternative jobs.
	Harmonizing the wages within the public sector and with the private sector to reflect employees' productivity	Public sector wages for unskilled civil servants are significantly higher than wages for those in the private sector. The reverse is true for managers and specialists where the public sector is often unable to attract or retain quality managers and specialists (doctors, engineers, financial specialists, etc.).	Develop methodology which takes into consideration the wage differential between public and private sectors and levels of productivity in determining the minimum wage and increases to the salaries of the public sector.

II. Supply Factors

Politics	*Objectives*	*Existing Constraints*	*Proposed Projects To Address Objectives/Constraints*
Education	Graduating students equipped with knowledge and behavioral skills, civic education and career guidance to play their role as citizens and active participants in the labor market	Students leave their educational institution without being adequately prepared in terms of employability skills, job experience, and information on job opportunities. Almost all students who pass t*awjihi* national exam go to universities, in numbers and specializations which exceed the demand of the economy.	Implement school-to-work transition programs to reduce the time spent unemployed for new graduates.
			Review military service program taking into consideration a focus on community service work, volunteer work, and employability training for students.
			Expansion of vocational guidance: Activate vocational guidance in the basic stage. Direct more students to the vocational field at the secondary level. Reconsider the mechanism of the distribution of tenth grade students and work to develop it.

Politics	*Objectives*	*Existing Constraints*	*Proposed Projects To Address Objectives/Constraints*
		Almost all students who pass *tawjihi* national exam go to universities, in numbers and specializations which exceed the demand of the economy.	Expand employability skills (Injaz, Maharat, etc.).
			Expand national education programs to enforce good citizenship.
			Follow-up and evaluate National Agenda projects on education and higher education.
			Stimulate the development of internship programs as part of graduation requirements.
			Re-consider the admission criteria and standards of selection for higher education, not relying exclusively on *tawjihi* grades as the only means of evaluation.
		Limited opportunity for cognitive development in the early years of childhood, documented to be the most important years in long term learning.	Expand the preschool program by the MOE so that it is compulsory as of the age of 5 by 2015, and compulsory as of the age of 4 by the year 2020. Establish a private non-profit organization to provide preschool services in facilities provided by public and private sector employers.
Vocational and technical training	Ensuring that vocational training programs are demand driven to meet the needs of the labor market in quantity and quality terms	TVET training programs are only slowly moving from being supply driven to becoming demand driven. No accreditation of TVET and weak quality control systems in place.	Review the composition of the ETVET board with the aim restructuring it with extensive participation of the private sector. Expand the scope of the accreditation board of the supervision on the vocational training sponsors.
		Strong negative stigma of failure and underachievement is associated with those who pursue the vocational track.	Expand awareness campaigns to improve the image of vocational and technical education and training.
		Very little on-the-job training takes place.	Expand the current pilot programs that allow direct on-the-job training with the private sector for both males and females.

Politics	***Objectives***	***Existing Constraints***	***Proposed Projects To Address Objectives/Constraints***
Immigration policy	Rationalizing foreign labor to complement rather than substitute for Jordanian labor	Systems and migration policies are inadequate and suffer from inadequacy of information, conflicting policies for foreign workers, and poor implementation.	Managing foreign labor: Create foreign labor management bi-laws to update data base system for foreign workers including identity cards and foreign labor regulations tailored to specific sectors and vacations according to a predetermined timetable. Train Jordanian labor to replace foreign labor under a gradual plan.
	Increasing the participation of diaspora Jordanian business men and pioneers in the development of new and existing projects and linkages with foreign markets	Immigration policies and systems are deficient, suffering from inadequate information, haphazard policies, and weak enforcement. The Jordanian labor market is unable to retain its best and brightest professionals and entrepreneurs due to “pull” incentives by Gulf countries paying higher wages. There is untapped potential for better linkages with the Jordanian diaspora to attract them back to work or to invest in Jordan and link products and services with foreign markets.	Enhance the ties with the Jordanian diaspora to encourage circulation through the promotion of investment in Jordan in high-skill sectors (such as information technology and communications, water and energy, and support operations and remote business services). Support the salary scales of skilled workers in the public sector and remove current incentives in the public sector for professionals and managers to migrate.
Male participation in the labor market	Increasing rates of male participation in the labor market by engaging in all sectors, including vocational and extending duration of employment age for old age	The proportion of male participation dramatically decreases after the age of 45.	Implement the unemployment insurance scheme within the Social Security Law No. 7 of 2010.
Participation of workers with special needs in the labor market	Increasing the participation of people with special needs in the labor market to better integrate them in the society	Although labor laws require firms employing more than 50 employees to employ 2 percent with special needs, enforcement is weak.	Review and update policies, legislation, and procedures relating to people with special needs and develop a general framework to achieve its qualitative programs and services to keep up with global developments. Develop an information system which includes the service programs provided to them.

Politics	*Objectives*	*Existing Constraints*	*Proposed Projects To Address Objectives/Constraints*
			Prepare specific programs to raise the professional competence of people with special needs.
			Activate the role of the media and educational institutions in raising community awareness.
Unemployment (male and female)	Reducing structural unemployment in the long term; reducing the periods in which they stay unemployed in the short and medium term	About half of the currently unemployed are young people under the age of 25, male and female alike, at different levels of education, and they do not have any work experience.	Implement the program of transition from school to work to reduce time spent by new unemployed graduates (see above). Expand pilot programs that allow direct on-the-job training with the private sector and employment of males and females (see above).
		About half of the unemployed are over the age of 25 and have previous work experience, but they face difficulty in the search for work and have immediate family expenses.	Implement the unemployment insurance scheme within Social Security Law No. 7 of 2010 (see above).
		About 20 percent of the unemployed live in rural areas with low employment opportunities.	Expand micro finance opportunities, self-employment, cooperatives to facilitate access to markets, and reliable public transport from rural to urban areas (see more details on the demand side).
	Increasing rates of female participation in the labor market by expanding the options to enter the workforce through elimination of the obstacles, provision of flexible options and suitable working environment, and reducing the wage gap for the same jobs held by males	Formal/informal divide is still too large, often giving females limited choice of either working full time outside the house or not working at all.	Review laws and regulations that affect the availability of jobs appropriate for females, including working conditions, part-time jobs, work from home, and social protection, and remove regulatory obstacles associated with them.
		Females still face discrimination in hiring and firing practices in the private sector related to their maternity status and cost implications.	Implement maternity insurance (as stated in the Social Security Act No. 7 of 2010) to reduce discrimination in the labor market and enable women to return to work after maternity leave.

Politics	*Objectives*	*Existing Constraints*	*Proposed Projects To Address Objectives/Constraints*
Female participation in the labor market			
		Social and cultural taboos remain on female participation in some targeted sectors.	Increase media awareness about the participation of female labor in some integrated sectors (agriculture, nursing, commerce).
		Not enough TVET and on-the-job training targeting female youth.	Increase opportunities of educational, vocational and technical training and training in the workplace aimed at females.
		Access to information on job opportunities and training is still limited for females (with more limited access to informal work network and internet cafés).	Evaluate job search and employment programs in the current public and private sectors, and utilize mobile phone-based job search programs to facilitate access by females.
		Females with children face the constraint of adequate and affordable childcare in case they decide to work outside the house.	Expand preschool program by the MOE (see above).
			Establish a private non-profit organization to provide preschool services in facilities provided by public and private sector employers.
		Laws and regulations permitting early retirement reduced the average age of retirement in Jordan from 57 in 1999 to 50 in 2009.	Apply the Social Security Act No. 7 of 2010 to reduce early retirement and encourage the use of unemployment insurance instead of early retirement for those who have lost their jobs and are eligible for retirement.

III. Institutional and Regulatory Framework

Policy area	*Objectives*	*Existing Constraints*	*Proposed projects to Address Objectives/Constraints*
The coordination of human resources policies and operation	Institutionalizing the coordination between policies of human resources development, employment and investment among all relevant public and private stakeholders	Employment-related policies are pursued sectorally with no "umbrella" structure to ensure that policies affecting future demand and supply of labor are coordinated.	Establish and activate the HCHRD to oversee the NES and update it every 3 years.
		There is a lack a strategic outlook affecting the medium and long term human resource development and employment creation	
	Enabling evidence-based policy making and decision making by relying on current statistical data and information	The NCHRD, which had traditionally carried out analysis of HR and labor market issues, has not been integrated into policy making, and is at an all-time low level of funding and staffing.	Enable the NCHRD to restore its vital role in the development of human resources, data on labor markets, and policy analysis.
Delineation of executive roles	Defining clearly the roles, responsibilities, and accountability of the different entities involved in human resources development and employment	Considerable overlap in scope and responsibilities between ETVET and the two other HR Councils (Education and Higher Education).	Accelerate the approval of amendments to VTC bi-laws in accordance with the recommendations of the national agenda and the vision of the private sector.
		Accreditation and quality control remains institutionally weak as a department of the MOL with no autonomy.	Ensure that accreditation and quality control functions are independent.
Funding of employment programs	Improving financing criteria of training and employment programs based on clear and transparent indicators, and focusing on the effectiveness of building the capacities of the beneficiaries in line with the needs of the labor market	ETVET Fund was poorly managed in previous years with no transparent criteria for allocation of funds to various agencies and activities.	Link funding by ETVET fund to performance and set transparent criteria for funding on the basis of efficiency, cost, program evaluation, feedback from the private sector, and employment levels.

Policy area	***Objectives***	***Existing Constraints***	***Proposed projects to Address Objectives/Constraints***
		Current governance structure of ETVET Council and ETVET Fund Board includes public training providers on the Boards of both, which creates a potential conflict of interest and weakens the voice of the demand side, i.e., the private sector.	Revise the composition of ETVET Council and ETVET Fund Board to remove conflict of interest and increase private sector participation to restructure the broad participation of the private sector.
Labor market information and human resource analysis related to policy evaluation	Ensuring the availability of relevant statistical data, information and analyses to support the decision making of policy makers, investors, academic institutions, and job seekers	No existing legislation requires public agencies to share data with DOS.	Develop legislation on information sharing and the right to obtain information.
		Job search modalities are still hampered by limited access to information.	Expand job search, employment services, and counseling aimed at the unemployed.
			Encourage usage of modern means of job opportunities and connect job finders and suppliers. Enable searches through mobile phones.
		Analytical reports are not geared towards use for decision making.	Develop a list and a format of reports that are issued regularly to help decision-makers in the public and private sectors.
		Future projections on economic growth by sector and employment demand are not available.	Prepare a CGE model to provide guidance on expectations of employment growth.
		There is inadequate and anecdotal understanding of the skill mismatch for various sectors and various skills.	Conduct a joint survey for employers and employees, and tracer studies to evaluate the vital relationship between the demand of the company and the composition of employment in terms of skill.
		Data are weak on migration inflows and even weaker on Jordanian migration outflows to the Gulf and other countries.	Develop surveys to capture in- and out-migration dynamics.

Policy area	*Objectives*	*Existing Constraints*	*Proposed projects to Address Objectives/Constraints*
Social protection and employee rights	Ensuring that all workers of the public and private sectors are obtaining social protection in terms of retirement, work injuries, health insurance, unemployment benefits, and maternity benefits as granted by labor laws and regulations	Social security coverage of micro-enterprises is proceeding well governorate by governorate, but special initiatives needed for certain sectors, such as agriculture, commercial and taxi drivers, and part time and daily workers' insurance, are not available to most labor in the private sector who are working in micro businesses and small and medium enterprises.	Complete "expansion coverage of social security based on geographical extension by the year 2011" project and introduce special programs for the inclusion of non-represented groups such as taxi drivers, agriculture workers, and construction workers.
		Health insurance is not available for most workers in the private sector working in micro, small, and medium enterprises. Public sector health insurance is not financially sustainable in its current design. Private sector health insurance is available mainly for large private enterprises but has very limited penetration in small and medium enterprises.	Establish a new sustainable health insurance scheme with sustainable sources of finance (see options in Appendix 13).
		Maternity Benefits Insurance is legislated but not effective yet.	Fully implement maternity insurance .
		Unemployment Insurance is legislated but not effective yet.	Fully implement unemployment insurance.
		Labor rights and work place safety and health standards are not adequately enforced.	Improve enforcement of laws and regulations related to health and safety with focus on most hazardous sectors (heavy industry, mining and construction).
Social dialogue	Developing dialogue mechanisms between the government, the public sector and labor representatives to discuss minimum wage, settle labor disputes and propose amendments to labor laws and	The ECOSOC and TC (MOL, Employers, and Labor Unions) are not fully utilized.	Activate the ECOSOC to host and utilize the TC to negotiate wages and settle disputes.

Policy area	***Objectives***	***Existing Constraints***	***Proposed projects to Address Objectives/Constraints***
	regulations		

APPENDIX 6. NATIONAL EMPLOYMENT STRATEGY IMPLEMENTATION PLAN

Framework	Policy	Project	Responsible Entity	Start Date	Finish Date
Demand framework	Monetary policy & financial sector	Accelerate the establishment of the Center of Credit Information (Credit Bureau), which would reduce the problem of information asymmetry between the parties, and facing small and medium sized businesses in obtaining credit	CBJ	Initiated	31/12/2012
Institutional & regulatory framework	The coordination of human resources policies & employment	Enable the NCHRD to restore its vital role in the development of human resources, labor market data and policy analysis.	HCHRD	1/1/2012	31/12/2012
Supply framework	Female participation in labor market	Implement maternity insurance (as stated in the Social Security Act No. 7 of 2010) to reduce discrimination in the labor market and enable women to return to work after maternity leave.	SSC	30/9/2011	30/9/2012
Supply framework	Vocational and technical training	Expand the scope of the accreditation board of the supervision on the vocational training sponsors.	HCHRD	01/01/2011	01/01/2015
Demand framework	Demand factors in the governorates & remote areas	Evaluate the experiences of the development areas and production branches in the governorates.	NCHRD	01/01/2012	31/12/2012
Demand framework	Monetary policy & financial sector	Expand the scope of banking service through mobile phones that will allow an effective cash flow for individuals and small enterprises.	CBJ	01/01/2012	31/12/2014
Demand framework	Competitiveness of the Jordanian economy	Implement the "strategic industrial policy" prepared by the Ministry of Trade and Industry, with greater emphasis on incentives for direct investment in the knowledge economy, export of services, expand the funding available for exports, and investments with higher added value that uses skilled Jordanian labor force.	MOIT	2010	2014
Demand framework	Monetary policy & financial sector	Create a credit facility program (credit line) to enable banks and specialized financial institutions to increase loans to small and medium businesses.	MOPIC	2011	2021
Demand	Market	Expand programs funded by donors that provide technical support for	MOIT	2011	2017

Framework	Policy	Project	Responsible Entity	Start Date	Finish Date
framework	competitiveness	startups and small businesses including accounting, human resources, banking, and marketing services. Expand the registration of home-based businesses to all governorates of the Kingdom.			
Supply framework	Education	Expand the preschool program by the MOE so that it is compulsory as of age of 5 by 2015, and compulsory as of the age of 4 by the year2020. Establish a private non-profit organization to provide preschool services in facilities provided by public and private sector employers.	MOE	2011	2017
Demand framework	Public sector demand	Reduce the Civil Services waiting lists for appointment, and promote training and employment services for those on the waiting lists to assist with finding alternative jobs.	CSB	06/01/2011	31/12/2016
Supply framework	Education	Expand employability skills (Injaz, Maharat, etc.)	MOE	08/01/2011	30/06/2015
Supply framework	Education	Implement school-to-work transition programs to reduce the time spent unemployed for new graduates.	MOE	Initiated	30/06/2014
Supply framework	Education	Stimulate the development of internship programs as part of graduation requirements.	MOHE	08/01/2011	30/06/2013
Supply framework	Vocational & technical training	Expand current pilot programs that allow direct on-the-job training with the private sector for both males and females.	MOL	2011	2013
Demand framework	Demand factors in the governorates and remote areas	Develop agricultural, craft and service cooperatives.	MOPIC MOA	2011	2013
Institutional & regulatory framework	Labor market information and human resource analysis related to policy evaluation	Develop a list and a format of reports that are issued regularly to help decision-makers in the public and private sectors.	DOS	Initiated	30/09/2012

Framework	Policy	Project	Responsible Entity	Start Date	Finish Date
Supply framework	Female participation in labor market	Review laws and regulations that affect the availability of jobs appropriate for females, working conditions, part-time jobs, work from home, provide social protection, benefits associated with wages and additional benefits, and remove regulatory obstacles associated with them.	MOL	2011	2012
Demand framework	Monetary policy & financial sector	Set the regulatory framework to permit the development of the finance sector and expansion of micro finance.	MOPIC	06/01/2011	31/12/2011
Demand framework	Competitiveness of the Jordanian economy	Monitor and evaluate implementation of the roadmap, which includes all of the measures proposed to improve the business environment in Jordan to lift up Jordan's ranking within international reports and indicators.	MOPIC	01/01/2011	31/12/2011
Supply framework	Education	Re-consider the admission criteria and standards of selection for higher education, not relying exclusively on *tawjihi* grades as the only means.	MOHE	Initiated	30/06/2015
Supply framework	Education	Expand vocational guidance: Activate vocational guidance in the basic stage. Direct more students to the vocational field at the secondary level. Reconsider the mechanism of the distribution of tenth grade students and work to develop it.	MOE	01/01/2012	01/01/2014
Demand framework	Investment strategy	Prepare a CGE model as a guide for policy makers.	MOPIC	01/01/2012	30/03/2013
Institutional & regulatory framework	Labor market information and human resource analysis related to policy evaluation	Prepare a CGE model to provide expectations on employment growth.	MOPIC	01/01/2012	30/03/2013
Institutional & regulatory framework	Labor market information and human resource analysis related to policy evaluation	Conduct a joint survey for employers and employees and tracer studies to evaluate the vital relationship between the demand of the company and the composition of employment in terms of skill.	DOS	01/01/2012	31/12/2012

Framework	Policy	Project	Responsible Entity	Start Date	Finish Date
Institutional & regulatory framework	Labor market information and human resource analysis related to policy evaluation	Develop surveys to capture in- and out-migration.	DOS	01/01/2012	31/12/2012
Supply framework	Education	Review military service program taking into consideration a focus on community service work, volunteer work, and employability training for students.	HCHRD	06/01/2011	06/01/2012
Supply framework	Education	Expand national education programs to enforce good citizenship.	MOE	07/01/2011	07/01/2012
Supply framework	Education	Follow-up and evaluate National Agenda projects on education and higher education.	GPA	Initiated	31/12/2020
Supply framework	Vocational & technical training	Review the composition of the ETVET Fund Board with the aim of restructuring it with extensive participation of the private sector. Expand the scope of accreditation board of the supervision on the vocational training sponsors.	HCHRD	06/01/2011	31/12/2011
Supply framework	Vocational & technical training	Review the efficiency and cost effectiveness of training programs offered by public and private sectors, and the training provided at the work place at the private sector.	HCHRD	06/01/2011	31/12/2011
Supply framework	Vocational & technical training	Expand awareness campaigns to improve the image of vocational and technical education and training.	ETVET Council	01/01/2012	31/12/2015
Supply framework	Immigration policy	Manage foreign labor: Create foreign labor management bi-laws to update the database system for foreign workers including identity cards and foreign labor regulations tailored to specific sectors and vacations according to a predetermined timetable Train Jordanian labor to replace foreign labor under a gradual plan.	MOL	01/01/2012	12/01/2020

Framework	Policy	Project	Responsible Entity	Start Date	Finish Date
Supply framework	Immigration policy	Enhance ties with the Jordanian diaspora to encourage circulation through the promotion of investment in Jordan in high-skill sectors (such as information technology and communications, water and energy, and support operations and remote business services). Support the salary scales of skilled workers in the public sector and remove current incentives in the public sector for professionals and managers to migrate.	MOFA	01/01/2012	12/01/2013
Supply framework	Immigration policy	Support the Jordanian labor market to retain the skills of workers through the enhancement of leadership and rationing service incentives for both administrative and skilled Jordanian labor in the direction of migration.	CSB	01/01/2012	12/01/2014
Supply framework	Female participation in labor market	Increase media awareness about the participation of female labor in some integrated sectors (agriculture, nursing, commerce).	ETVET Council	01/01/2012	31/12/2015
Supply framework	Female participation in labor market	Increase opportunities of educational, vocational and technical training and training in the workplace aimed at females.	ETVET Council	01/01/2012	31/12/2013
Supply framework	Female participation in labor market	Evaluate job search and employment programs in the current public and private sectors, and utilize mobile phone-based job search programs to facilitate access by females.	MOL	06/01/2011	06/01/2012
Supply framework	Female participation in labor market	Apply Social Security Act No. 7 of 2010 to reduce early retirement and encourage the use of unemployment insurance instead of early retirement for those who have lost their jobs and are eligible for retirement.	SSC	30/09/2011	30/09/2013
Supply framework	Participation of workers with special needs in the labor market	Review and update policies, legislation and procedures relating to people with special needs and develop a general framework to achieve its qualitative programs and services to keep up with	MOSA	06/01/2011	31/03/2012

Framework	Policy	Project	Responsible Entity	Start Date	Finish Date
		global developments.			
Supply framework	Participation of workers with special needs in the labor market	Develop an information system that includes the service programs provided to these workers.	MOSA	06/01/2011	31/12/2012
Supply framework	Participation of workers with special needs in the labor market	Prepare specific programs to raise the professional competence of people with special needs.	MOSA	06/01/2011	2015
Supply framework	Participation of workers with special needs in the labor market	Activate the role of the media and educational institutions in raising community awareness.	MOSA	06/01/2011	31/03/2013
Demand framework	Investment strategy	Comprehensively develop current investment incentives with a focus in the coming period to stimulate investment in the sectors accommodating Jordanian labor and the expansion of the service sector, export of services and laying the foundations for building the knowledge economy.	MOIT	01/01/2012	01/01/2013
Demand framework	Investment strategy	Revise the investment law to create incentives for investment in the knowledge economy and the expansion of domestic investment as well as foreign direct investment and connect investment incentives to create job opportunities for Jordanians.	MOIT	06/01/2011	31/12/2011
Demand framework	Fiscal policy	Review fiscal policy from a development perspective to determine spending priorities in development field (social, economic and investment) and identify financing sources.	MOF	06/01/2011	06/01/2013
Demand framework	Fiscal policy	Amend procurement regulations to give preference in public tenders to suppliers and contractors employing a larger proportion of Jordanian labor.	MOF	06/01/2011	31/12/2011
Demand framework	Fiscal policy	Reconsider the current tax structure in terms of i) the investment it creates across sectors and ii) its distributional	MOF	06/01/2011	06/01/2012

Framework	Policy	Project	Responsible Entity	Start Date	Finish Date
		impact.			
Demand framework	Fiscal policy	Develop fiscal incentive policies in terms of their effectiveness in creating job opportunities for Jordanians.	MOF	06/01/2011	06/01/2012
Demand framework	Monetary policy & financial sector	Facilitate the access of small and medium businesses to obtain finance.	MOPIC	07/01/2011	31/12/2020
Demand framework	Demand factors in the governorates and remote areas	Increase rates of microfinance in the provinces with technical support in the production and marketing in partnership with the private sector.	DEF	01/01/2012	31/12/2014
Demand framework	Competitiveness of the Jordanian economy	Expand pilot programs funded by donor agencies to link small and medium-enterprises to foreign markets. Provide technical support for startups and small and medium-sized businesses, including accounting, human resources, banking services and marketing.	MOIT	2011	2019
Demand framework	Market competition	Approve the Law Amending the Law on Competition and Consumer Protection.	MOIT	01/01/2012	06/01/2012
Demand framework	Public sector demand	Enact policy to ensure that all public sector hiring is in line with HR plans in the budget and within the contained limits to gradually shrink the size of public employment relative to employment in the private sector.	MOIT	06/01/2011	06/01/2012
Demand framework	Public sector demand	Develop methodology which takes into consideration the wage differential between the public and private sectors and levels of productivity in determining the minimum wage and increases to the salaries of the public sector.	MOIT	01/06/2011	31/12/2011
Institutional & regulatory framework	Coordination of human resources policies and operation	Establish and activate the HCHRD to oversee the NES and update it every 3 years.	HCHRD	06/01/2011	01/01/2012
Institutional & regulatory framework	Delineation of executive roles	Redefine the roles of the three councils in terms of goals, major tasks and laws and amend the regulations accordingly.	HCHRD	01/01/2012	01/01/2014

Framework	Policy	Project	Responsible Entity	Start Date	Finish Date
Institutional & regulatory framework	Delineation of executive roles	Accelerate the approval of amendments to VTC bi-laws in accordance with recommendations of the national agenda and the vision of the private sector.	VTC	06/01//2011	12/01/2011
Institutional & regulatory framework	Funding of employment programs	Link funding by ETVET Fund to performance and set transparent criteria for funding on the basis of efficiency, cost, program evaluation, feedback from the private sector, and employment levels.	MOL	01/01/2012	01/07/2012
Institutional & regulatory framework	Funding of employment programs	Revise the composition of ETVET Council and ETVET Fund Board to remove conflict of interest and increase private sector participation to restructure the broad participation of the private sector.	MOL	06/01/2011	12/01/2011
Institutional & regulatory framework	Labor market information and human resource analysis related to policy evaluation	Develop legislation on information sharing and the right to obtain information.	MOPIC	06/01/2011	06/01/2013
Institutional & regulatory framework	Labor market information and human resource analysis related to policy evaluation	Activate and expand services and rules of employment, vocational guidance and counseling (employment offices / sponsoring organizations for training) targeting the unemployed within foundations and specific criteria.	MOL	01/06/2011	31/12/2012
Institutional & regulatory framework	Labor market information and human resource analysis related to policy evaluation	Encourage use of modern means of job opportunities to connect job finders and suppliers. Enable job searches through mobile phones.	MOL	2011	2015
Institutional & regulatory framework	Social protection and employee rights	Complete "expansion coverage of social security based on geographical extension by the year 2011" project and introduce special programs for the inclusion of non-represented groups such as taxi drivers, agriculture workers, and construction workers.	SSC	Initiated	31/12/2013
Institutional & regulatory	Social protection and employee	Make gradual compulsory health insurance coverage for all employees working in companies not covered by	Council of Ministers	01/01/2012	31/01/2020

Framework	Policy	Project	Responsible Entity	Start Date	Finish Date
framework	rights	any insurance plans.			
Institutional & regulatory framework	Social protection and employee rights	Establish a new sustainable health insurance scheme with sustainable sources of finance (see options in Appendix 13).	Council of Ministers	07/01/2011	07/01/2013
Institutional & regulatory framework	Social protection and employee rights	Improve enforcement of laws and regulations related to health and safety with focus on most hazardous sectors (heavy industry, mining and construction).	MOL	01/01/2012	31/07/2017
Institutional & regulatory framework	Social dialogue	Activate the ECOSOC to host and use the TC to negotiate wages and settle disputes.	MOL	06/01/2011	

APPENDIX 7. TEMPLATE TO BE USED FOR A "PROJECT BRIEF"

The Strategy of the Project

Policy Area	
Objectives	
Expected Outcome	
Performance Indicators for the Expected Outcome	

Details of the Project

Name of the Ministry or Institution			
Project Name			
Project Objectives			
Project Description			
Indicators to Measure the Performance of the Project Long-term			
Indicators to Measure the Performance of the Project Short -term			
Duration of the Project	Start date	End date	Total period
Geographical Location			
Project Cost (JD)			
Funding Resource			
Ministries and Institutions Responsible for Implementation			
Project Beneficiaries			
Risks and Constraints			

APPENDIX 8. DRAFT FOREIGN LABOR MANAGEMENT MATRIX FOR DISCUSSION

Sector/Subsector	Tradable/Non-Tradable	Complement/Substitute and Training Requirements	Working Conditions/Social Protection	Social Stereotypes	Recommendations
Wholesale and retail, hotels & restaurants Retail business	Non-tradable	Mostly substitution by foreign workers given the limited skills required.	Limited social security coverage in smaller enterprises. Expand social security protection.	Limited stereotypes, depending on vocation, especially for females. Awareness campaign needed.	*Short term (1-3 years):* - Unify permit fees for all workers without exception to any nationality. - Provide social protection for workers, such as health insurance & social security. -Increase work permits renewal by 10% -20% per year gradually. - Increase new recruitment fees to JD 1200 (to limit recruitment on skilled labor only). - Enhance inspection mechanisms to monitor work conditions in sectors. -Coordinate among institutions and concerned parties to finance small & medium size businesses. - Prepare awareness & media campaign to encourage Jordanian workers to access labor market of this sector. - Conduct partnership agreements between the government and employers to train & recruit unemployed Jordanian labor. - Present incentives to employers that encourage them to recruit Jordanian trainees.

Sector/Subsector	Tradable/Non-Tradable	Complement/Substitute and Training Requirements	Working Conditions/Social Protection	Social Stereotypes	Recommendations
					Medium term (3-6 years): -Increase new recruitment work permits to JD 1800 and raise them by 10% -20% annually (to limit recruitment to skilled labor only). - Create training programs that meet the current & future demands of the labor market. - Make any required regulatory/legal amendments to accommodate abovementioned recommendations.
Wholesale & retail trade, hotels and restaurants/ Hotels & restaurants	Non-tradable	Substitution of jobs with basic skills, such as waiters, by foreign workers. Complementarity of special skill jobs,s such as Chefs and hotel managers.	Limited social security coverage in smaller hotels, restaurants. Expand social security protection.	Social stereotypes gradually receding, but awareness campaign still needed.	*Short term (1-3) years:* -Unify fees for all workers without exception to any nationality. -Provide protection to workers such as health insurance & social security. -Increase work permits renewal by 10% -20% per year gradually. -Increase new recruitment fees to JD 1200 (to limit recruitment on skilled labor only). -Enhance inspection mechanisms to monitor work conditions in the sectors. -Prepare awareness & media campaign to encourage Jordanian workers to enter labor market of this sector. -Conduct partnership agreement between the government and employers to train & recruit unemployed Jordanians. -Present incentives to employers that encourage them to recruit Jordanian trainees.

Sector/Subsector	Tradable/Non-Tradable	Complement/Substitute and Training Requirements	Working Conditions/Social Protection	Social Stereotypes	Recommendations
					Medium term (3-6 years): -Increase new recruitment work permits to JD 1800 and raise them by 10% -20% annually. -create training programs to meet the current & future demands of the labor market. -Make any required regulatory/legal amendments to accommodate above.
Wholesale and retail trade, hotels and restaurants/ Vehicle repair & maintenance, selling fuel	Non-tradable	Substitution by foreign labor as all skills are limited.	Limited social security coverage in smaller hotels, restaurants. Expand social security protection	Low demand for Jordanian labor .	*Immediate and short term:* -Stop issuing new work permits. -Gradually increase work permits by 10%-20%. -Take immediate actions to encourage unemployed Jordanians & provide them with minimum training. -Launch organized publicity and awareness campaigns throughout the year. -Expand the coverage of social security. -Coordinate with labor union sectors. -Enhance inspection mechanisms to monitor work environment and conditions for each sector. -Develop national qualifications as a reference to obtain practice certificate. -Design curriculums & training courses suitable to obtain practice certificate. -Make any required regulatory/legal amendments to accommodate above.
Construction (building & construction)	Non-tradable	Foreign workers both complement Jordanian workers in low-pay, labor-	Limited social security coverage, as most workers have	Low appeal for Jordanian labor given the working	*Short term (1-3 years):* - Require firms carrying out public works to have a minimum of 30

Sector/Subsector	Tradable/Non-Tradable	Complement/Substitute and Training Requirements	Working Conditions/Social Protection	Social Stereotypes	Recommendations
		intensive unskilled work (which Jordanians avoid), and substitute for them in skilled jobs that pay well for which Jordanians can be trained to provide.	temporary contracts as daily workers.	conditions and lack of coverage and job security. Awareness campaign will only succeed in association with formalization of the sector and better working conditions.	percent Jordanian labor to foreign labor in the construction sector (increasing yearly to 70 percent). - Develop professional licensing requirements and training programs for different vocations. -Improve work environment conditions through better enforcement of health and safety conditions on construction sites. -Better control foreign labor entry into the construction sector from other sectors by coordinating with the concerned parties, such as MOL, MOI, construction companies & unions. *Medium term (3-6 years):* -Increase new work permits to JD 1800 and raise them by 10% -20% annually (to limit recruitment on skilled labor only). -Provide productivity improvement programs for rehabilitation of Jordanian labor which makes the replacement process much easier. *Long term (6-9 years):* -Increase new recruitment work permits to JD 1800 and raise them by 10% -20% annually (to limit recruitment on skilled labor only). -Create integrated and various training programs that meet the current & future demands of the labor market.

Sector/Subsector	Tradable/Non-Tradable	Complement/Substitute and Training Requirements	Working Conditions/Social Protection	Social Stereotypes	Recommendations
					-Make any required regulatory/legal amendments to accommodate above.
Community, social and personal services	Non-tradable	Mostly complement given the low pay and reluctance of Jordanians to enter this sector. Skill requirement limited.	Most are foreign workers with short term contracts and some daily workers. No social security coverage.	Low appeal to Jordanian labor, especially for females who find the idea of working as live-in housekeepers unacceptable. Awareness campaign only possible with the development of formal cleaning firms providing daytime services to homes and establishments.	*Medium term (3-6 years):* -Unify fees for all workers without exception to any nationality. -Improve working conditions & environment. - Gradually increase work permit fees by 10%-20% per year. -Enhance inspection mechanisms to monitor work environment and conditions for each sector. -Increase recruitment fees for female household workers to JD 1200 and JD 1800 for facilities workers and increase them annually by 10%- 20%. -Encourage the establishment of private agencies that provide cleaning and social services and provide social security coverage to the employees. *Long term (6-9 years):* -Cover all domestic workers by social security.
Agriculture, hunting & forestry	Tradable	Mostly substitution with some complementarity. Most work involves low skills by foreign workers who substitute for unskilled female and male Jordanian workers. Some medium skills required, especially in poultry and animal husbandry.	Most workers are sharecroppers (*tadamun*) or daily workers which makes it difficult to extend social security coverage.	Significant potential for encouraging male and female participation in agriculture if working conditions are improved and social security is	*Short term (1-3 years):* - Unify fees for all employees without exception to any nationality. -Develop labor bi-laws for the agricultural sector (currently not covered by Labor Law). -Expand protection for farmers, with health insurance and social security. -Launch a media campaign encouraging both males and females

Sector/Subsector	Tradable/Non-Tradable	Complement/Substitute and Training Requirements	Working Conditions/Social Protection	Social Stereotypes	Recommendations
				provided.	to work in the agricultural sector. -Improve working conditions and environment in this sector. -Coordinate between concerned parties like unions and agricultural co-operatives. - Design and implement training for high skilled professions for which no training is currently available. -Enhance inspection mechanisms to monitor work environment and conditions for this sector. *Medium term (3-6 years):* -Increase new recruitment work permits to JD 1800 and raise them by 10% -20% annually (to limit recruitment on skilled labor only). -Make any required regulatory/legal amendments to accommodate above.
Industrial sector/ Manufacturing industries, includes: 1-engineering industry 2-wood & furniture 3-construction industry 4-supply, food & animal industry 5-garments & leather industries 6-packing, paper, cardboard & office	Tradable	Foreign workers both complement and substitute for Jordanian workers given that skill requirement vary considerably between and within sectors. Most training is job specific and needs to involve basic vocational training plus on the job training. Specialized foreign workers can be instrumental in training of Jordanians.	Expand social security protection to small enterprises.	Minimum stereotypes in this sector. With social security coverage, health insurance, and adequate training, Jordanian participation can increase in these sectors.	*Short term (1-3 years):* -Conduct partnership agreements between the government & factories (such as clothing factories) to train & employ unemployed Jordanians. - Offer incentives to employers to encourage them to hire the new Jordanian trainees. -Add a new item on the golden list that motivates employers to train & hire Jordanians. -Expand social security & health insurance. *Medium & long term:*

Sector/Subsector	Tradable/Non-Tradable	Complement/Substitute and Training Requirements	Working Conditions/Social Protection	Social Stereotypes	Recommendations
supplies industry 7-plastic & rubber industry 8-medical industries & supplies					- Increase new recruitment work permits to JD 1800 and raise them by 10% -20% annually (to limit recruitment on skilled labor only). -Prepare sector survey for qualitative & quantitative needs for different sectors. - Develop private sector driven training programs tailored to their needs. - Enhance inspection mechanisms to monitor work environment and conditions for this sector. -Make any required regulatory/legal amendments to accommodate above.
Money, finance, real estate & business services/ Mediation sector. Real estate, rental & commercial services activities.	Non-tradable	Workers in this sector are mostly Jordanians. Foreign workers are likely to be highly skilled in finance/banking or insurance and thus complement rather than substitute for Jordanians.	Most enterprises are covered except for small money exchange and investment establishments.	No social stereotypes in this sector. Salaries are above average and supply exceeds demand (although quality issues remain).	-Support trends in increasing female participation in this sector through maternity insurance scheme. -Support efforts of on-the-job training and continued education by employees to meet the increasing sophistication of these sectors.
Transport, storage & communications/ This sector is composed of the following sub-sectors: 1-transport 2-storage & supporting activities, most of them loading, unloading &	Mostly non-tradable although some services open to external competition	Transport sector is mainly Jordanian. Storage, loading and unloading involves low skilled foreign workers who largely complement Jordanian workers. Postal and telecom are mainly Jordanian workers except for high skilled foreign workers who complement the workforce.	Poor social security coverage in transport sector due to fragmented nature of sector and taxi drivers not considered "employees" legally. Poor social security coverage for workers	No social stereo types in these sectors although social protection needs to be expanded in transport and storage, and training improved to meet telecom demand.	*Immediate & short term:* -Unify all fees without exception to any nationality. -Provide social protection for workers, like health insurance & Social Security. -Improve working conditions & environment. - Increase work permit renewals by 10% -20% annually. - Increase new recruitment fees to JD 1200 (to limit recruitment to skilled

Sector/Subsector	Tradable/Non-Tradable	Complement/Substitute and Training Requirements	Working Conditions/Social Protection	Social Stereotypes	Recommendations
storage workers 3-postal and telecommunication sector			in the storage sector, especially daily workers in loading and unloading . Good social security coverage and private health insurance in post and telecom sector.		workers). -Encourage trends in increasing female participation in the post and telecom sector through maternity insurance scheme. -Support efforts of on-the-job training and continued education by employees to meet the increasing sophistication of post and telecom sectors. *Medium term (3-6 years):* -Increase new recruitment work permits to JD 1800 and raise them by 10% -20% annually (to limit recruitment to skilled labor only). - Develop private sector driven training programs tailored to their needs - Enhance inspection mechanisms to monitor work environment and conditions for this sector. -Conduct agreements to train & hire the graduates of training institutions within the enterprise. - Conduct partnership agreement between the government and employers to train & recruit unemployed Jordanian labor. - Encourage the establishment of agencies that provide loading & storage services workers that provide social security to their employees.

Sector/Subsector	Tradable/Non-Tradable	Complement/Substitute and Training Requirements	Working Conditions/Social Protection	Social Stereotypes	Recommendations
Mines & quarries	Tradable	Combines large firms such as phosphate, cement, and potash, as well as small quarries. Reliance on Jordan workers in larger industries and heavy reliance on foreign workers in quarries due to low skill/ low wage and poor working conditions.	Quarries: poor social security coverage as most are daily workers. Also poor health and safety standards.	Quarries: Strong stereotypes arising from poor working conditions and lack of social security coverage.	*Short term (1-3 years):* For large mining companies: - Circulate the experience of the golden list to cover all industrial sectors and add a new item on the list that encourages employers to increase training & hire more local labor. For quarries: - Inspect health and safety standards. -Expand social security coverage. - Make any required regulatory/legal amendments to accommodate above. *Medium & long term:* -Increase new recruitment work permits to JD 1800 and raise them by 10% -20% annually (to limit recruitment on skilled labor only). - Plan sector survey for qualitative & quantitative needs for different sectors. - Make any required regulatory/legal amendments to accommodate above.
Electricity, gas and water	Non-tradable (other than regional cross-border agreements)	Combination of substitution and complementarity depending on the skill requirement.	Jordanian workers largely covered by social security, while daily workers, who tend to be foreign, are not.	No social stereotype but poor training, coverage and working conditions.	*Short term (1-3 years):* - Conduct partnership agreement between the government and employers to train & recruit unemployed Jordanian labor. -Circulate the experience of the golden list to cover all industrial sectors and add a new item on the list that encourages employers to increase training & hire more local labor.

Sector/Subsector	Tradable/Non-Tradable	Complement/Substitute and Training Requirements	Working Conditions/Social Protection	Social Stereotypes	Recommendations
					- Expand social security protections & health insurance. - Make any required regulatory/legal amendments to accommodate above.

Appendix 9. Pre-shipment Export Finance Guarantees (PEFG) Facility

Operating Principles

1. PEGF encourages financial institutions to provide pre-shipment working capital financing to emerging exporters with viable export contracts. Eligible sub-loans financed by the PEFG facility are guaranteed for up to 90 percent of the outstanding principal amount, which represents nonperformance risks of SMEs and emerging exporters which the participating financial institutions must bear for up to 180 days (and in cases where the period of production is high, up to 300 days).

2. The facility would be available to all Jordanian SMEs and emerging exporters in all manufacturing, processing, and service activities (except those sectors on a negative list) that are unable to access pre-shipment export finance from commercial banks, provided that these exporters submit confirmed export letters of credits (L/Cs), other export orders backed by export credit insurance, back-to-back domestic L/Cs, or international subcontract fee payment guarantees that ensure the self-liquidation of the underlying pre-shipment export finance guaranteed by buyers’ payment within the loan and PEFG’s maturity.

Management

3. PEGF staffing would be small: one finance/guarantee specialist, one public relation specialist and one assistant. The team would report directly to the head of COTUNACE, the Foreign Trade Insurance Corporation. The latter is in charge of approving the work program, the targets, and the public relation activities.

APPENDIX 10. EXPORT MARKET ACCESS FUND (EMAF)

1. *EMAF is a matching grant fund.* EMAF can be centered around the following two axes: (a) building the capacity of export associations and chambers of commerce to provide export assistance to their members (mainly SMEs); and (b) strengthening the export consulting sector.

Operating Principles

2. *Funding mechanisms.* EMAF covers, on a temporary basis, part of the cost of technical and marketing services by local and foreign experts required to enable enterprises to enter export markets. It aims to provide temporary technical/marketing assistance (a) directly to a pilot of 100 firms to improve their export performance, and (b) indirectly through selected professional associations that assist groups of exporters or build their own capacity to achieve specific export results. EMAF would co-finance 50 percent of individual export development plans and 70 percent of capacity building for professional associations using non-repayable grants. In doing this, EMAF would continue to stimulate the use of foreign and local business and export development services by private firms.

3. *Instruments*. The main instruments of the EMAF would consist of:
   (a) Non-reimbursable matching grants (50 to 70 percent of expenditures), payable to beneficiaries of the EMAF for eligible activities undertaken within the framework of an export plan;
   (b) Technical assistance to clients of the program in the preparation of their export plan; and
   (c) Facilitating technical assistance and training during implementation of export plans.

4. *Activities co-financed and maximum support.* The EMAF would offer its services solely in response to private sector demand on a nondiscriminatory basis. The assistance would be provided once an export plan has been developed at the firm or association level and the firm or association has shown commitment to implementing it. A maximum of US $100,000 grant would be available to each firm or professional association for the implementation of approved export plans.

5. *Size of the EMAF.* Grant funds would finance 50 percent of the total costs of individual firms and 70 percent of the total cost of professional associations. A fund of about US $7-10 million raised through international grants and concessional loans would allow the pilot of 100 firms or more to start.

6. *Temporary support and exit policy.* The scheme involves temporary support to reduce market failures, such as insufficient knowledge and information on buyers and market requirements, and would provide assistance to an enterprise association only up to the maximum support ceilings established in the Manual. Experience has shown that once firms are introduced to the benefits of the activities that the EMAF would support, they will use these services at their market prices.

7. *WTO compatibility.* The EMAF II is comparable to similar funds of many national, provincial, and state governments that facilitate the provision of information about overseas markets to firms

within their jurisdictions. It is also consistent with the framework of the World Trade Organization (WTO). The grants are non-actionable subsidies as defined in Article 8 of the Agreement on Subsidies and Countervailing Measures. In accordance with Article 8.3, WTO has been notified of the program.

8. *Eligibility*. Matching co-financing support would be provided to individual private firms in Jordan and those associations in manufacturing and tradable services that have qualifying export plans.

9. *Eligible export plans*. An export plan is the basis for all EMAF assistance and would be prepared by the firm or professional association. Such plans would include a set of activities focused on developing: (a) new export products; (b) new export markets; and/or (c) new exporting firms. The basis for the export plan is a written statement, which demonstrates that the firm has given serious consideration to the planning issues involved.

Appendix 11. Summary of National Employment Company Evaluation Report [51]

General Conclusions

NET has proven its ability to mobilize resources and to provide basic training in selected construction sector trades to unemployed Jordanian youth. As an employment and training program, NET has succeeded in recruiting more than 9,000 young men into the Jordanian Armed Forces (JAF) NET Program since September 2007, of whom 3,000 will have completed the full 18 month program (not 24 months as originally planned) by June 2009. Though this is well below the originally planned 15,000 recruits by the end of 2008, a number of internal and external factors as described elsewhere in this report have limited NET's capacity to meet its original recruitment objectives. To address this gap, NET management set more realistic recruitment goals for the next two years, and has undertaken a number of measures to help achieve them.

However, to meet its recruitment and employment goals, NET's plans to expand its mandate beyond basic training in construction sector trades may have far-reaching effects on its long-term financing and sustainability and on the overall vocational training sector in Jordan. It is therefore imperative that the Higher Steering Committee (HSC) and the ETVET Council address this evolution in NET and jointly determine the future direction and mandate of the NET program to ensure that NET remains consistent with the National Agenda on employment and vocational training. Factors to be considered when addressing this issue include:

1) The overall governance structure and jurisdiction governing NET's mandate, vision, and strategic planning;
2) The impact of NET's supply-driven approach to vocational training as opposed to a demand-driven approach, which responds better to market needs;
3) The impact on diversifying NET's training into other sectors such as manufacturing, especially as Jordan is in the midst of reforming and upgrading the quality of vocational training in its current institutions, such as the VTC and Al-Balqa Applied University;
4) The cost to the Jordanian government to maintain the trainee incentives (i.e., salaries and benefits) beyond the original four year or 30,000 trainees mandate of the NET program; and
5) The capacity of NET to continue to recruit up to 6,000 unemployed young men each year to participate in an 18 month employment and training program and to ensure adequate and complete on-the-job training in the appropriate sectors.

Finally, it is evident that NET has a dynamic, dedicated, and efficient management team and that the NET Program is making a social, attitudinal, and financial difference for the several thousand Jordanian youth and their families who have benefited so far from the training program. NET has accomplished a great deal in a short period of time. However, NET's enthusiasm and capacity to move quickly carries several risks, including:

- Alienating important stakeholders;
- Driving up costs beyond the current capacity of the Government of Jordan and other donors; and

[51] This appendix is based on Comerford and Shawareb (2009).

- Pursuing initiatives outside the wider strategic national plans for vocational education and training.

Summary of Recommendations

A. <u>Core Recommendations</u>

i. Given the satisfactory results of NET in delivering basic vocation training in construction sector trades to two batches of recruits totaling approximately 7,600 previously unemployed youth, and in partially succeeding with on-the-job training with the first batch of recruits, the Consultant recommends that the NET program continue to be supported by the Government of Jordan in its original mandate to employ and train up to 30,000 unemployed youth in construction sector trades over a 4-6 year period;

ii. Given the high level of investment required to support the current NET program, including payment of salaries and incentives to all NET trainees, the Consultant recommends that the Government of Jordan limit the annual budgets of NET to confirmed and approved revenues from all sources and that these revenues be used exclusively in support of NET's original mandate;

iii. Given the depletion of the European Training Foundation (ETF) resources to support the NET program, the Consultant recommends that NET's high level of dependence on the ETF (fund) be gradually decreased over the life of the current NET program and that all future ETF contributions to NET be based on the ETF 's financial capacity and on its mandate to support innovative employment and training programs from other potential clients in Jordan;

iv. Given the intention of NET to expand beyond its original mandate and to become a permanent provider of vocational training and education in Jordan and given the major reform happening in the TVET sector in the Kingdom, the Consultant recommends that the NET fall under the umbrella of the ETVET Council, which would replace the Higher Steering Committee's role upon completion of NET's original mandate or upon the official approval of NET's new mandate to expand into other sectors and to become a permanent training institution, whichever is first;

v. In light of the above recommendations, the Consultant recommends that NET's recent Agreements with the Ministry of Labor and the ETF (fund) be revisited and adjusted to reflect the eventual outcome of this report.

B. <u>Supporting Recommendations</u>

1. Governance and Administration

i. That the mandates of the HSC and NET be reviewed, clarified, and applied to ensure clear and transparent governance of NET and to ensure that NET evolves in a way that is coherent with overall Government of Jordan policy and programs in social security, employment, and vocational training.

ii. That the Government of Jordan invite an ETVET Council representative in addition to the Minister of Labor to sit on the HSC during the life of the current NET program and mandate.

iii. That a balanced representation on the NET Board, including equal distribution of voting rights from construction industry associations (rather than individual companies), workers associations, JAF, and the ETVET Council, be considered by the HSC.

iv. That the NET General Manager sits on the Board *ex officio* without voting rights.

v. That NET’s objectives to focus on employment for the NET trainees be reinforced and clarified as its primary purpose.
vi. That NET clearly develop and communicate a long term strategic plan and vision to the HSC based on the approved mandate and orientations approved by the HSC in close consultation with the ETVET Council.
vii. That a formal mechanism of communication and consultation be established between NET and the ETVET Council and that they address the apparent lack of linkage of NET to the overall ETVET sector and the reform directions being taken under the guidance of the ETVET Council.
viii. That NET seek to ensure greater involvement of the private sector in the overall NET governance, administration, program development, and delivery, including a more active involvement of the private sector with regards to policy and determination of industry needs.

2. Economics of NET

i. That NET clearly show in its financial reporting the in-kind contributions from the JAF, including the portion of salaries covered for military personnel, additional health coverage for staff and trainees, the market value of the "rental" of the facilities at Camp Schwier, and any other contributions covered by the JAF budget for all personnel and trainees.
ii. That NET show the in-kind contribution from the ETVET Fund for the value of the rental of the NET HQ Amman and for any other in-kind contributions from other sources not already identified.
iii. That government funding for current and new programs at NET take into account available and planned financial resource allocation to all providers of the vocational education and training in Jordan.
iv. That major capital expenditures of NET be clearly rationalized and outlined in a multi-year NET Business Plan approved by the NET Board and endorsed by the HSC and that this plan be consistent with the long term strategic plan of NET as approved by the HSC in consultation with the ETVET Council.
v. That NET's core funding for operations and capital expenditure for construction of any NET facilities be covered under the GOJ's annual budgetary allocations to the training and education sector.
vi. That funding from the TVET Fund should be targeted to specific expenditures of NET aimed at supporting innovative and new initiatives of NET with the private sector and that core funding of NET from the fund should be staggered on a decreasing basis over the duration of the current 6 year program.
vii. That capital expenditures in NET be amortized over the life of the buildings and equipment and recorded as depreciation in the financial reports and that the value of all buildings and equipment be reported as assets in the corporate balance sheet.
viii. That the cost per trainee at NET take into consideration the following factors:
    - Categorize costs similar to other organizations (VTC provides a good framework);
    - Apply amortizations to capital expenses (should vary based on type of capital);
    - Use other indicators to measure efficiency, such as cost per graduate (factors in attrition); cost per training hour; training hour per student; percent of expenses spent on instructors, advertising, utilities, etc.; and

- Focus on internal benchmarking (compare year to year) instead of to other organizations since the NET Program is unique.

3. NET Delivery Model

i. That NET's plans to diversify training into other sectors be considered within the context of the broader strategic plans for vocational training in Jordan and that implementation be premised on approved multi-year funding from the appropriate ministries to support the employment focus of the program.
ii. That NET's vocational training component complement and not supplant the vocational training mandate of the VCT, which should provide the higher level, accreditation level training requiring more than 4 months of in-house vocational training theory and practice.
iii. That within the mandate of NET, its delivery model be clarified and confirmed; i.e., is it a 6 year employment and basic training program or is it a vocational training institute in which college level training and certification will be offered in a number of sectors in addition to construction trades?
iv. That, as per its original mandate, upgraded training may best be offered at "vocational training" institutes / centers across the country in the context of articulation agreements in which other institutes recognize and provide accreditation to NET trainees for the additional training provided.
v. That the NET model reinforce the "employment" focus of the program by limiting the training to basic skills and focusing much more on the job creation side.
vi. That an assessment be done of the capacity of the Jordanian construction sector to absorb on-the-job trainees before recruitment targets are set.
vii. That due to the difficulty of placing large numbers of graduates on-the-job training for one year, NET should review and redesign this component of the training taking into account:
    - The need to decrease the OJT period;
    - The possibility to provide more flexibility to trainees to secure their own placements wherever they are able to do so;
    - The potential for more private initiative in developing the OJT placements;
    - The need to reduce overall costs for salaries, benefits, and residency costs during OJT, especially for those recruits for whom no placement has been secured;
    - Realistic estimates for the replacement of foreign workers currently in the construction sector in Jordan; and
    - The possibility of transferring trainees into other training institutes in Jordan following their initial 4 month basic skills training at NET.

4. Quality of Processes

i. That NET initiate and improve current and ongoing trainee and trainer formative evaluations of its programs and training approach to enable it to better assess and respond to the impact of its programs on trainees, trainers, and employers.

ii. That NET conduct full Graduate and Employer Tracer Studies approximately one year after completion of the on-the-site training of the first cohort (batch) and 4 months after the second cohort (batch) to further measure the success of the training program and the challenges that still need to be addressed, such as replacing foreign workers.

iii. That basic skills required in each trade be identified and used as benchmarks for each batch of trainees. Selection of trainees should also identify their skill levels compared to the benchmarks set before the program begins.

iv. That NET seek more input from the Jordanian construction sector to make the training programs more relevant to Jordan.

APPENDIX 12. SUMMARY OF EMPLOYERS' SATISFACTION WITH VOCATION AND TRAINING CORPORATION TRAINEES [52]

This research effort was aimed at understanding employers' satisfaction levels with the caliber of vocational training offered by "Vocational Training Centers" available in the different governorates around Jordan, namely: Marka, Zarqa, Irbid, Karak, Mafraq, and Tafilah. Results of this research will allow the Ministry of Labor to determine employers' baseline satisfaction levels prior to the planned reform effort. The findings will enable the Ministry to determine the progress and success of the reform effort by tracking the satisfaction levels of employers across time, benchmarking them against the baseline results.

Research Findings

Firm Graphics

The vast majority of employers interviewed in this study owned/worked in companies belonging to the private sector, with only 1.7 percent of companies belonging to the public sector. Furthermore, the nature of the work done by the 60 respondents interviewed ranged from 'Car Mechanics' to 'Hair Salons,' with the highest percentage identified as 'Car Mechanics,' 'Tailors/Clothing Factories,' 'Carpenters,' and 'Sweets-Shops.' The majority (51.7 percent) of businesses had fewer than 4 employees, roughly 18 percent employed more than 100 employees, and the rest of the businesses interviewed employed between 4 and 100 employees.

General VTC Training Information

Over half (55 percent) of the respondents claimed that they had no current employees who had graduated from a VTC, while 96.7 percent claimed that they had no current employees who had received *any* training from a VTC. Almost half (45 percent) of employers interviewed indicated that they had had input into the design of VTC programs in the past, while the rest had not. Employers' input included issues such as focusing on the practical aspect of the training, providing constant training courses for the instructors who work in VTCs, and having experienced trainers constantly informing employers of the courses currently on offer. Other issues included focusing on the relevance of training courses offered by creating bespoke training programs tailored to the needs of the market, as well as issues related to the quality of the courses offered, by making training courses more thorough, teaching students how to operate up-to-date tools and machinery, whilst giving them access to such tools for practice purposes, and increasing the duration of the training courses.

Employers' Assessment of VTC Training

Employers were asked to rate different components related to VTC training courses. The main findings may be summarized as below:

Overall Satisfaction with Vocational Training Centers

Based on call-backs made to respondents specifically asking them the question "Overall, and using a scale from 1 to 5 whereby 1= not satisfied at all and 10= very satisfied, please rate your overall

[52] This appendix is based on IPSOS Loyalty (2010).

satisfaction with Vocational Training Centers," the overall average spontaneous satisfaction level was found to be 3.26/5. This question was asked of 57 respondents. The value of the overall computed satisfaction score for all respondents who had generally assessed VTC graduates (Section1; N=45) revealed a slightly lower satisfaction score of 3.07/5.

Employers' Assessment of VTC Graduates

When employers who currently employ VTC graduates, or who have employed them in the past, were asked to rate different statements related to their perceptions of VTC graduates, the statement "VTC graduates are well-prepared to improve their skills through on-the-job training" received the highest mean score of 3.75/5, followed by "VTC graduates have good theoretical concepts in their areas of study" (3.53/5). The third highest-scoring component was "VTC graduates apply the skills they've acquired in a practical way" (3.38/5). Although these were the three highest-scoring components, their satisfaction scores were generally average, indicating low satisfaction levels across the board.

On the other end of the scale, "VTC graduates can use instruction guides and operating manuals effectively," "Graduates of VTCs are trained in up-to-date- technical skills," and "VTC graduates have good practical skills in their areas of study" were the three lowest scoring components (2.31/5, 2.49/5, and 2.78/5, respectively).

Employers' Overall Assessment of VTCs

All respondents were asked to rate their "Overall Satisfaction with VTCs" in terms of a number of different components, and similar to the satisfaction levels of employers with VTC graduates, even the highest satisfaction levels were average. "VTCs have adequate equipment and tools to offer training relevant to our business," "VTC training is available for upgrading employee skills in areas that our business requires," and "VTCs offer adequate practical training for students and trainees" claimed the highest mean scores at 3.78/5, 3.77/5, and 3.72/5, respectively. However, the lowest scoring components were "VTCs in our area offer an adequate number of graduates with relevant skills" (2.92/5), "VTC training of the appropriate duration is available when our business needs to train employees" (3.37/5), and "VTCs deliver customized training as per our business needs" (3.37/5). Thus the perceived problems of VTCs were mainly related to: the availability of certain components pertaining to the VTC programs; the availability of relevant and bespoke training courses that cater to the needs and wants of businesses; the availability of graduates whose training background is relevant to the market's needs; and the availability of training courses that fit the timeframes of businesses in that area. However, given that "VTCs in our area offer an adequate number of graduates with relevant skills" received a much lower satisfaction score than the other two components, there clearly is a problem with regards to the skill-sets of graduates, in that while they do hold vocational certificates, those are not particularly relevant to businesses or market needs.

Future Intentions

When respondents were asked whether they would be interested in hiring more VTC graduates, the vast majority of respondents (86.7 percent) reported positive intentions to do so, while the rest reported that they would not. These respondents attributed their negative intentions mainly to the perceived low caliber of the training offered by VTCs, or due to issues relating to situational factors of businesses themselves (lack of vacancies, poor financial situation, etc.). Of those who reported positive intentions to hire VTC graduates, some of them reported reasons related to the quality of VTC training programs ("Students are skilled, experienced and familiar with the job's requirements," "They are certified," "VTC centers are the best place to learn electricity related tasks"), while a significant percentage of those with positive intentions attributed their intentions to factors unrelated to the quality of VTC training programs, but instead related to the skill-set, expertise, and traits of the individual employee; for instance, some employers gave responses such as "If they are well-behaved," "They know how to operate machinery," "As long as they are 18+," "As long as they are not convicted," "If the trainee is good in what he does," etc. Some employers even reported that they would hire VTC graduates and provide them with "Further training once recruited," or that "Graduate will be hired as an assistant due to limited experience." In addition, one employer reported that he would hire strictly based on whether the company needed employees, regardless of whether employees had received training. Thus, while some employers did see the added value of hiring VTC graduates, a good portion of them based hiring decisions on the skills of the employee regardless of his training history, and on situational factors of the business itself.

Furthermore, when respondents were questioned about their intentions to send their employees for training at VTCs, the sample was split evenly: 51.7 percent reported they would not send their employees for training at VTCs, while 48.3 percent would. When respondents were asked about their unwillingness to send employees for training, the largest percentage reported that they trained employees themselves (35.5 percent) or that their employees were already skilled (16.1 percent). Additionally, some respondents complained of the irrelevance of VTC training courses to the needs of the market or to the line of work of the business. Some employers would also not send their employees for training because of the uncertainty they have towards the employee's commitment to the company, either because the employee was not local or due to potential employee turnover. However, those with positive intentions attributed it to their desire to gain employees with up-to-date skills and experience, by developing employees' theoretical and practical knowledge in addition to making use of the training programs most relevant to the requirements of the business.

<u>Conclusions</u>

Research findings revealed that the majority of satisfaction scores for all components were average, with a few exceptionally high- and low-scoring components, which indicates the existence of some shortcomings in some criteria pertaining to the program offerings provided by VTCs today. This is where the reform program to be implemented by the Development Coordination Unit comes in.

Generally, some recurring themes consistently appeared in the findings. For instance, while most respondents expressed a need for a more practical approach to vocational training, others demanded a more theoretical approach. Thus, perhaps a combination of the two would provide an optimal solution. Furthermore, while some respondents encouraged the use of new, innovative, and up-to-date machinery for training purposes, others supported the use of older machinery that is currently used in the market. Regardless of such differences among the sample, the general consensus was that VTCs should focus on building capabilities within these training centers, whether in terms of providing training courses for instructors, exercising consistent quality controls, or providing the relevant machinery for training purposes, etc.

On another note, respondents also stressed the importance of catering not only to the needs of employees, but also to the needs of businesses within the Jordanian market. This can be done by not only studying the current needs within the market, but also by offering a wide variety of vocational specializations that could be undertaken by students of the VTC, which will improve their job prospects whilst enhancing their relevant skill sets.

Such average satisfaction levels are likely due to the abovementioned shortcomings which are all related to the quality, relevance, and availability of vocational training programs. Only when the local market is truly catered to will there be a real appreciation of the services offered by the VTCs.

Furthermore, employers have stated their inability to send their employees for training due to a lack of financial resources, something which is expected and understandable in today's turbulent economic climate. For instance, some respondents have discouraged training foreign employees and would prefer replacing them with skilled Jordanian labor, stating that they are only willing to hire Jordanian graduates/trainees given that they do not require work permits. Thus, financial expenses of training courses need to be addressed throughout the reform effort.

If all the above shortcomings and criteria are addressed appropriately through the planned reform effort, the result will undoubtedly be an increase in the satisfaction levels of employers of VTCs around the Kingdom.

APPENDIX 13. SUMMARY OF HEALTH INSURANCE OPTIONS CONSIDERED BY SOCIAL SECURITY CORPORATION, 2009

When the Social Security Corporation (SSC) was expanding its coverage to small enterprises employing fewer than five employees, it was well aware that the most immediate risk facing workers in such enterprises is lack of access to health insurance. Indeed, SSC's own estimates suggested that the vast majority of its existing contributors who benefit from neither the public health insurance nor the military scheme have no access to health insurance. Only upper income employers, the self-employed, and those working in large enterprises could afford private insurance. These numbers were later corroborated by the Jordan Labor Market Panel Survey, 2010, which showed that about 84 percent of workers in the private sector have no health insurance.

SSC examined and presented various available options for covering private sector workers who are not covered by either private or public schemes. The first option is to expand the public health care insurance to cover all workers, not just those in the public sector. But this requires major reforms to make public insurance financially sustainable, with clear sources of revenue to match coverage over the short and medium terms. It also requires building a database and a collection mechanism of contributions (if from payroll), or considering deficit implications if financed fully from general taxes.

The second option is to use the private health insurance sector to cover all private enterprises by making health insurance compulsory to all enterprises. A proposal was presented by the Insurance Commission along these lines. While the proposal would help expand health insurance among large and medium enterprises, there are risks of "cream skimming," i.e., health insurance firms competing for the least risky enterprises (white collar, young, and highly paid groups, working in safe environments such as banks and telecoms), and avoiding the most risky enterprises with either much higher premiums or complex procedures (blue collar, older, lower paid groups working in riskier environments). Finally, the private health proposal has no plan for insuring workers after retirement, when they need insurance the most.

The third option developed by SSC insures SSC contributors, retirees, and their families who are not currently covered by other public or private schemes. The advantages are that SSC law already provides for health insurance coverage (although it was never implemented); and that SSC already has the collection infrastructure to collect contributions from employers and employees through payroll. The cost is estimated to be 6 percent of payroll (1 percent paid by government, 1.5 percent by the employee, and 3.5 percent by the employer). SSC would contract with public and private health providers to cover the contributors for in-patient and outpatient services.

The drawbacks of such an option include: (1) the scheme will impose a large cost on the private sector; (2) the costs of health insurance will be hard to manage and the scheme will either have to go into deficit or raise its contributions; and (3) if deficits occur in the health insurance scheme, other social security schemes (old age, disability, etc.) might be negatively affected. In this last case, the SSC health insurance will need to be a legally independent scheme so as not to transfer any liabilities to other SSC schemes. Otherwise, these are all valid risks that need to be addressed in any scheme selected. The cost of doing nothing, however, has significant financial, fiscal, and productivity costs which will leave employers, employees, and the government worse off in the long term.

APPENDIX 14. NATIONAL EMPLOYMENT STRATEGY MONITORING AND EVALUATION MATRIX

I. Supply Framework

Objectives	Proposed Indicators
Graduating students equipped with knowledge and behavioral skills, civic education, and career guidance to play their role as citizens and active participants in the labor market	-A national program to enhance cognitive and behavioral skills, civic education, and vocational guidance is adopted -Ratio of students covered by the proposed national program -Percentage of children enrolled in governmental kindergartens at the age of 4 and 5 years
Ensuring that vocational training programs are demand driven to meet the needs of the labor market in quantity and quality terms	-Level of employers' satisfaction from the skills and competencies of graduates who hold higher education and vocational education and training (from the MOE and VTC) -Percentage of graduates hired during a specific period after completion of the program
Rationalizing foreign labor to complement rather than substitute for Jordanian labor	-Approving foreign labor regulation by cabinet -Percentage of Jordanian workers versus foreign workers (according to sector within the targeted sectors)
Increasing the participation of diaspora Jordanian business men and pioneers in the development of new and existing projects and linkages with foreign markets	-Percentage of exports of goods and services to the countries of Arabian Gulf
Increasing rates of female participation in the labor market by expanding the options to enter the workforce through elimination of the obstacles, provision of flexible options and suitable working environment, and reduction of wage gap for the same jobs held by males	-Female labor participation rate -Female employment rate -Percentage of female to male workers (by sector) -Ratio of female to male owned businesses -Ratio of female to male average wages (by sector and occupation) -Percentage of females enrolled in social security
Increasing rates of male participation in the labor market by engaging in all sectors, including vocational, and extending duration of employment age for old age	-Male participation rate in the labor market -Ratio of males enrolled in social security to total employment of males -Sectoral share of employment -Participation rate of males over the age of 45 years in the labor market -Average years of service at retirement (calculated from SSC's statistics)
Increasing the participation of people with special needs in the labor market to integrate them more in the society	-Ratio of people with special needs in the labor market
Reducing structural unemployment in the long run, reducing the periods where workers stay unemployed in the short term and medium term	-Average period of unemployment of graduates who never held a job before -The participation rate of (male / female) over the age of 45 years old -Unemployment rates of youth males and females (19-24) -Unemployment rate according to the level of educational attainment -The ratio of beneficiaries (male / female) of unemployment insurance to total contributors

II. Demand Framework

Objectives	Proposed Indicators
Creating investment patterns leading to the growth of high added value sectors, higher wages, and increasing employment of Jordanian labor (males and females)	-Growth rate of high added value sectors -Percentage of added value in exported goods and services or growth of high added value exports -Growth of exports of goods and services -Change in total factor productivity by sector
Increasing the contribution of capital and current expenditures in sustainable economic development and creating jobs in the private sector	-Private sector employment and output multiplier of government expenditure (I-O tables)
Introducing a progressive tax policy that encourages work and not speculation, and introducing tax incentives that encourage job creation in the short run	-Amended tax law towards more progressive income -Consider tax structure on speculative versus productive activities • Tax incidence among different sectors and income groups • Growth of employment or "ratio of employment to output, GDP"
Enhancing monetary policy to contribute to macroeconomic stability and job creation	-Inflation rate -Public dept./GDP -Fiscal balance before grants -Share of SMEs with total access to credit to total SMEs -The size of micro-lending (according to sector and geographical area) -Share of private bank lending to SMEs to total lending
Increasing job opportunities in governorates and rural areas	-Growth in net jobs created by governorate -Share of governorates in job creation over a period of time -Ratio of net jobs created by each governorate to the size of its labor force
Enhancing the competitiveness of the Jordanian economy relative to regional and global levels	-Classifying Jordan in the Competitiveness Report -Classifying Jordan in *Doing Business* report -Share of Jordan in the inflow of FDI to the region
Changing market structure to stimulate competition through ease of entry and exit, especially for small and medium enterprises, and reducing monopoly power	-Approval on the Law Amending the Law on Competition and Consumer Protection -Jordan's ranking in *Doing Business*
Rationalizing public sector employment based on needs of public service, not as a solution to unemployment	-Percentage of jobs created in the public sector to total jobs created -Public sector's added value per public employee (or number of employees needed to generate million JD in added value)
Harmonizing wages within the public sector and with the private sector to reflect employees' productivity	-The wage ratio in the public sector to the private according to education and job title

III. Institutional and Regulatory Framework

Objectives	Proposed Indicators
Institutionalizing the coordination between policies of human resources development, employment, and investment among all relevant public and private stakeholders	-Establishment of the HCHRD -Frequency of meetings of the Council -Number of HCHRD decisions and tracking of implementation by DU
Enabling evidence-based policy making and decision making by relying on current statistical data and information	-Number and frequency of reports issued by the NCHRD and the others presented to the HCHRD -Percentage of decisions based on reports
Defining clearly the roles, responsibilities, and accountability of the different entities involved in human resources development and employment	-Assess the laws and regulations of the three councils in terms of overlapping mandates and restructure to eliminate overlaps or lack of clarity
Improving financing criteria of training and employment programs based on clear and transparent indicators, and focusing on the effectiveness of building the capacities of beneficiaries in line with the needs of the labor market	-Adopt a list of criteria to evaluate the proposals submitted to the Training and Employment Fund -Adopt a list of criteria to evaluate performance of existing programs (placement rate, average cost per trainee, etc.) -Ratio of capital funding compared to the total funding offered by the Training and Employment Fund -Ratio of overhead funding compared to the total funding from the Training and Employment Fund -Volume of funding offered to the high value sectors (according to geographic region and capital of the company)
Ensuring the availability of relevant statistical data, information, and analyses to support the decision making of policy makers, investors, academic institutions, and job seekers	-Number of users of human resources databases -Number (coverage and frequency) of periodical reports about labor market data issued by the DOS and NCHRD -Ratio of job seekers registered in the national electronic system of employment (according to gender, geographic region, education, and qualifications) to number of unemployed -Ratio of registered companies in the national electronic system of employment according to sector, geographic region, and capital) to total registered companies -Number of jobs recorded on the national electronic system of employment and percentage of jobs placed through the system (by sector, geographic region, qualifications, and required skill)
Ensuring that all workers of the public and private sectors are obtaining social protection in terms of retirement, work injuries, health insurance, unemployment benefits and maternity benefits, as granted by labor laws and regulations	-Ratio of enterprises covered by social security -Ratio of employees covered with social security to the total employed -Ratio of beneficiaries of compulsory health insurance to population of Jordanians -Ratio of beneficiaries of maternity insurance (according to geographical area, educational qualification/skills and sector) to number of working mothers -Percentage of unemployment insurance beneficiaries (according to geographical area, educational qualification/skill level, sectors and gender) to total

	unemployed -Number of complaints received about workers' rights, safety standards, and health criteria (according to sector, geographic region, type of violation, degree of violation) -Coverage rate of inspection visits for high-risk sectors
Developing dialogue mechanisms between the government, the public sector, and labor representatives to discuss minimum wage, settle labor disputes, and propose amendments to labor laws and regulations	-Number of dialogue sessions published by the ECOSOC and the TC -Number of policy papers issued by ECOSOC

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