

## CHAPTER I

### INTRODUCTION

#### 1.1 The Central Theme and Thesis

Jordanian economy has a labour market which is different from labour markets of many developing countries. In the case of most of the countries emigration and immigration are not simultaneous. However, in the case of Jordan, the outflow and inflow of people have taken place simultaneously resulting in a situation in which the labour market is in a perpetual state of disequilibrium resulting in unemployment. Due to inadequate domestic savings potentials, the economy is unable to create job opportunities for additional labour force. The problem is considered serious due to the fact that most of the out-migrants are qualified skilled workers, whereas most of the in-migrants are unskilled workers. In this context it is therefore imperative to examine the efficacy of the labour market theories in the case of Jordan. This is particularly important because almost all these theories have originated in the West on the basis of their socio-economic and political conditions. The thrust of the thesis therefore is on the analysis of the labour market and also on the examination of problem of unemployment in Jordan. Before embarking upon this it would not be out of place to contextualize the problem.

## 1.2 The Unemployment Problem in Jordan

During 1940 s Jordan was a peaceful country. It had well-developed agriculture and a moderate population of about 3 million only. Thus most of the people were quite happy with the adequate sources of livelihood, income and employment. Jordan used to attract a lot of tourists from the Arab world and the European countries, because of the most revered places of pilgrimage for the Muslims, like the Al Aqsa Mosque in Palestine (the close neighbour of Jordan). Jerusalem and Bethlehem (Christ's birth place) were part of the West Bank of Jordan. Mainly because of the tourist traffic and the location of country's cultivable land in the North-West corner, over 70 percent of Jordan's population is settled in this area. However, after the emergence of the new state of Israel, the political geography and the demographic structure of its neighbouring countries also changed. As Palestinians lost a large part of their homeland, many of them were driven off to Jordan and other countries of the Arabian Sub-continent.

The Arab - Israel conflict has awakened Jordan from its peaceful slumber and consequently Jordan has now woken up to the need for economic reconstruction. It started its programme of economic construction, industrialization and modernization only when during 1950 s its population suddenly increased because of the influx of the Palestinian refugees. Jordan experienced great financial strain caused by this rehabilitation and it therefore had to undertake welfare measures for the Palestinian refugees for their survival. The fraternity of Arab countries sympathised

with Jordan in its financial crisis and provided soft loans, aids and other economic support. Many other friendly countries also provided aid to the Palestinians through Jordan. This foreign aid has been the principal contributor to Jordan's economic progress since 1950. During the 50's the country started developing its industrial, mining and construction activities. It undertook measures for the growth of infrastructural and service sector facilities including banking, finance, trade, transport, tourism etc. As a result, the country could absorb its manpower in employment fairly satisfactorily. In fact, the country had to import cheap labour from the labour surplus countries like Egypt and Syria of the Arab League.

The factor which contributed significantly to the breakdown of Jordanian economy is the growth in its population. The growth rate of Jordanian population has been 4 to 5 percent for the past many decades. Thus by 1994, the population had increased to about forty lakhs. Added to this the net migration rates worsen the situation. During 1960 s more than 25 percent of the labour force numbering 0.40 million emigrated to neighbouring oil exporting countries like Kuwait, Saudi Arabia, Bahrain, Qatar and the United Arab Emirates. Due to this the problem of unemployment was not very serious. After another Israel - Arab war in 1967, the country attracted huge amounts of foreign aid. Because of the steep rise in the prices of oil, Oil-Rich Arab countries attracted a large number of Jordanian labourers during the 1970's. However, the recession in the oil industry in the 1980's brought about a sudden decline in the inflow of funds and the consequent out-flow of Jordanians to the oil rich Gulf

countries. During this period, the official rate of unemployment became an all time high of about 18.8 percent. The non-official estimates, however, claim it to be as high as 25 per cent. This situation turned worse from bad during the Gulf war of 1991, when the Jordanian labourers were forced to return home. This number forms about 10 percent of the population and nearly 40 percent of the economically active labour force of Jordan. The flow of aids and loans from Kuwait, Saudi Arabia, Bahrain and the other countries of the Arab league also suddenly stopped.

Because of the breakdown of the economy due to the Gulf-war, resulting in the loss of exports, trade, tourism, markets for agricultural products, as well as labour, Jordan is facing the worst ever economic crisis in 1990s. In order to tide over this situation the International Monetary Fund and the World Bank, have directed Jordan to cut down its public expenditure, avoid deficit financing and arrest inflationary pressure. Jordan is finding it very difficult to implement these directives which may help tackle the problem of unemployment, and provide adequate rehabilitation to the refugees and the returnees. The problem of unemployed labour force including that of the educated youth thus remains unresolved.

Jordan in fact is in an economic mess created first by a large number of unemployed youth and secondly by the reduction in the flow of out migration. The out migration flow has been reduced, where as in-migration flow has brought millions of returnees to Jordan. Added to this mess is the problem of internal migration of people from the countryside to the cities. This has created chaotic conditions resulting in the breaking

down of the municipal services almost everywhere including the cities of Amman, Zarqua and Irbid. To top it all, the country is unable to adopt the Keynesian prescription of raising public expenditure to generate employment as it does not have enough of its own means and because of this it is dependent on the foreign resources.

The unemployment problem faced by Jordan is rather unique and typical, as it does not fit into the common types of unemployment problems faced by other less developed countries of the world. The unemployment problem in Jordan, in fact, is both a cause and an effect of the economic disaster of the country.

The unemployment problem is connected with the very 'survival' and the balance of mind of an individual and a family. Losing a job is not only an economic loss of income, it also means losing one's heart too! The conditions of mass-unemployment are, therefore, frustratingly unbearable. The challenge of apparently insoluble problem of unemployment in Jordan, will motivate Jordanians to find out the dependable and sure ways and means to alleviate it in the long-run, by way of relying on the country's own resources, infrastructural foundation to build a balanced growth of all the sectors along with the appropriate alignment of aggregate growth plan with manpower planning. The in-depth analysis of the worst ever problem of unemployment in Jordan, will not only enrich the theory of employment, but will also be helpful in revitalising and renovating the policies and programmes essential for the alleviation of the problem. Thus the problem of the present state of mass unemployment in Jordan, deserves the attention of both the policy makers of the country

and the enlightened academic world, at large. Hence, this modest attempt to address the problem of unemployment.

### 1.3 Review of Literature

Following is the review of the major works done in the area of labour market of Jordan.

The study by Al Nabawi<sup>1</sup> published by the Central Bank of Jordan in 1979, quantifies the size of out-migrated Jordanian labour force and its occupational structure for the period of 1970-1978. It has also made due analysis of the positive and negative gains of outmigration in Jordan's economy.

There are more exhaustive works done in the same area by Briks and Sinklaire<sup>2</sup>, Serajeldin<sup>3</sup>, Yahya<sup>4</sup> and Ibrahim Issa<sup>5</sup>. These studies have covered various dimensions or aspects and effects of outmigration on economic development in Jordan for the period 1960-1987.

The Ph.D Thesis of Dr. Yahya<sup>6</sup>, published in 1980, deals mainly with the economics of outmigration in the regional labour market of Arab League Countries with special reference to migration from Labour Rich Arab Countries to Oil-Rich Arab Countries (Egypt, Sudan, Yemen, Jordan, Syria and Lebanon in the former group and Saudi Arabia, Kuwait, Bahrain, United Arab Emirates, Qatar, Oman, Lybia and Algeria in the latter group). It particularly studies the effects of remittances earned by the countries and their impact on the home economies. The thesis studies a large member of countries though with little in-depth study of any country in particular with reference to its unemployment problem.

The Ministry of Labour published another work assigned to two Jordanian economists: Al Anani and Abdul Jaber<sup>7</sup> in 1981. It is related to guidelines for a policy regarding outmigration of Jordanian labour force with reference of its positive and negative effects.

The study by Zaglol<sup>8</sup>, published in 1984, also highlights the impact of remittances on Gross National Product and Balance of Payment from non-resident Jordanians employed in Gulf countries for the period 1960-1984. A similar study by Al Nabawi and Abu Al Shaar<sup>9</sup> was also published by Central Bank of Jordan in 1982.

In 1985 El Ahmad<sup>10</sup>, did an indepth analysis of the immigrant labour in Jordan for an appropriate policy-package regarding labour market. Al-Thaher<sup>11</sup> also published a book, viz., Immigrant Labour Force In Jordan based on the survey work covering 3415 immigrant workers and the interviews of government officials.

Sami, Zriqut<sup>12</sup> worked on labour productivity assigned to him by the Royal Scientific Society. Smadi<sup>13</sup> worked in the similar area and analysed issues related to human resource development, manpower planning, labour productivity and national economic growth.

In the area of labour economics, the study of Hammodah<sup>14</sup> published in 1980, has a wide coverage of discussing demographic aspects, labour force participation rate, internal and external migration, occupational structure, and also the composition and problems of Jordanian labour market etc.

A comprehensive study of the Jordanian labour market by Dar-Al-Handaseh<sup>15</sup> published in 1982, though accepted as a classic and a standard work in the area, is however limited in its study only upto 1970s. It does not cover the data available in the 1979 census. Its findings are not applicable today as during the 1970s, the rate of unemployment was not as high and as critical as it is in the 80s and the 90s. This study however provides the basic framework for the present work.

Mujahed<sup>16</sup>'s study published by International Labour Organisation in 1982 dealt with the problem of female participation rate in Jordanian labour market. It has made international and interregional comparisons.

Seccombe<sup>17</sup>'s study of 1984 analyses the issue of labour migration and shortages of skill in Jordan. World Bank<sup>18</sup> study of 1986 viz 'Jordan labour problems and imbalances in Jordanian labour market', is the most recent and comprehensive study. The study has made projections of unemployment and has suggested suitable policies to be adopted in the short and long runs.

The foremost fact that has been revealed after the extensive survey of the literature is that no systematic study covering all the aspects of employment i.e., in-migration, out-migration flows and especially that of the flow of returnees after the outbreak of Gulf war has been undertaken. Hence it was felt that the analysis of the labour market should be updated and the inflow and outflow of labour should be analysed within the context of unemployment problem of Jordan.



#### 1.4 Objectives of the Study

The main objectives of the present study are as follows :

- To analyse the characteristics of the Jordanian labour market based on the data of its composition, age structure, labour force, labour participation rate, educational and technical quality of the manpower, supply and demand conditions in the labour market, sectoral composition of employment, occupational structure, wage rate, imbalances in the labour market, and organizational aspects of labour market.
- To analyse the factors responsible for outmigration of labour and to examine the impact of outmigration, immigration and internal migration on the labour market and economy of Jordan.
- To find out the factors which have aggravated the problem of unemployment in Jordan particularly to find out the role of major structural changes and supply demand fluctuations in the labour market of Jordan.
- To examine the extent to which Neo-classical labour market theories can be applicable to the labour market of Jordan.

#### 1.5 Major Thrust of the Thesis

The following are the main problems of imbalances in the Jordanians labour market on which the thrust of the thesis is based.

- i) The rate of unemployment in the last 2-3 years, being all time high, is in the range of 15 to 25 percent.
- ii) There has been a severe economic slow-down in the neighbouring Oil-rich Gulf Countries since 1982. It has affected the Jordanian economy by a) A slowdown of domestic economic activity, b) Reduction of exports to the Gulf countries, c) Contraction in the job-opportunities to emigrant Jordanian labour, d) Enormous rise in the number of emigrated labour returnees from Kuwait, Saudi Arabia, Qatar, Bahrain, United Arab Emirates during the Gulf War of 1990, and e) Reduction in the inflow of aids, grants, loans, assistance, and remittances from the fraternity of Arab countries, as well as, serious imbalances in external payments and debts.
- iii) There are sectoral and regional imbalances in Jordan. Both Agriculture and Industry, the two basic sectors are not strong enough to contribute substantially to the national income, and provide employment. The service sector alone contributes in a significant way in creating new job opportunities. The domestic rate of capital formation is low. Similarly more than 65 percent of the population occupying around 15 percent of the total area of the country sucks up most of the resources of the economy. Thus leaving little for the rural population, which lacks adequate facilities of education, training, health and modern amenities.

iv) The country produces abundant quantity of white collar labour willing to work in clerical jobs only. The majority of young labour having technical, engineering, and other skills emigrate abroad due to better earnings there. Thus while there is an excess supply of white collar labour, there also exists an acute shortage of highly skilled labour to run modern industry, banks and other managerial jobs.

#### **1.6 Hypotheses and Methodology**

There is an imbalance in the supply and demand in the Jordanian labour market as Jordan imports and exports labour force at the same time. Unemployment problem in Jordan therefore is a complex, multidimensional, and rather unique as it is caused mostly by the exogenous factors. Jordan does not have well developed agricultural and industrial sectors and investment resources to employ its entire labour force. It therefore depends on the external labour markets to solve its unemployment problem. The validity of this hypothesis is examined in the subsequent chapters. For this purpose the secondary data is used. Primary data is also collected pertaining to various aspects of the labour market so as to capture the recent labour market scenario of Jordan and to estimate returns to education in Jordan and abroad.

Various secondary data sources sometimes give conflicting information. The most serious problem which had to be confronted was that of non availability of comparable data on macro economic aggregates and on a given constant price

basis. The information which could be utilized pertains only to the period between 1970 to 1990. Hence the scope, treatment and use of econometric techniques got affected due to this lacuna. The necessity of primary data in this study is therefore to some extent overcome the shortages in the availability of accurate and upto date data from secondary sources. Also as the study deals with the human resources, it is necessary to take up an empirical study to find out specific problems. The following approach was adopted for primary data collection.

- I) The sets of questionnaires are designed so as to suit the nature of the labour market to find out the specific characteristics of labour market in Jordan. Six different sets of questionnaires are prepared for selected number of respondents following the appropriate norms to study the following: a) Jordanian employed labour, b) Unemployed Jordanians, c) Under-employed Jordanians, d) Returnees after the Gulf War of 1991, e) Emigrant labour employed in Abu Dhabi, and f) Immigrant Workers in Jordan.
- II) The size of samples depends on the size of labour force, availability of the samples and also on the time limit. The total respondents interviewed on all the sets were 1505 persons. It should be mentioned here that the size of the ultimate sample was dependent upon the response, time limit and practical difficulties involved, especially in some of the surveys related to under-employed, emigrated and returnees after the gulf war. Identification of under

employed was not an easy task. Similarly emigrated workers have migrated to various countries. Since many of them are in UAE, in the city of Abu Dhabi, the survey was conducted there. It was difficult to locate both the emigrated and returnees after 1991 gulf war hence the size of the sample was relatively small in comparison to other categories.

III) The households of the employed, the unemployed and the under employed Jordanians and the returnee workers were contacted for data collection. But for the immigrant workers in Jordan and emigrants in Abu Dhabi, they were interviewed either at their residences or at their place of employment.

IV) As far as surveys of the employed, the unemployed, the underemployed and immigrants are concerned, almost 70 percent of the respondents were from Amman, Zarqa and Irbid as they are the most populous governorates in Jordan. Ninety percent of the Returnee respondents were selected from Amman and Zarqa because after the Gulf Crisis of 1990-91, they settled mostly in these two governorates.

#### **1.7 Framework of the Survey Schedule**

After completion of the study on the Jordanians working in Abu Dhabi, surveys of Jordanian labour market were undertaken.

##### **a) Employed Jordanian Labour**

Four hundred employed Jordanians were given questionnaires which included questions relating to various aspects of the

labour market in Jordan. All the governorates of the country were covered which consumed a lot of time as in the for off places like Tafilah and Karak the collection of information used to take several days.

**b) Unemployed Labour**

It was relatively easy to find unemployed labourers, who were numerous in all the governorates of the country. Hence, five hundred forty unemployed persons were surveyed from various governorates.

**c) Underemployed Labour**

Questionnaire for the underemployed Jordanians included 13 questions on the nature and conditions of underemployed in Jordan. Underemployment depends on employment conditions, wages working hours, education and skills. One hundred sixty nine such under-employed were surveyed.

**d) Returnees of 1991 Gulf War and immigrant foreign workers**

The main problem in conducting surveys of these workers was to know the places of their residence. Home Ministry and Ministry of labour helped considerably and hence 106 Returnees and 140 immigrant foreign workers could be surveyed.

As mentioned earlier most of the Returnees happen to concentrate mainly in Amman and Zarqa. They were approached at their places of work or at their residences depending upon their convenience. Immigrant foreign workers are mostly concentrated

in Amman, Zarqa and Irbid. With the help of the employers of various establishments it was easy to identify the immigrants.

### **Objectives of the Survey**

- (1) The major objective of the survey of different groups of people which were the main constituents of the labour market of Jordan was to highlight the micro level characteristics of labour market of Jordan, as such characteristics are helpful in formulation of the labour policies.
- (2) The nature and extent of unemployment problem of Jordan is closely related to emigration and immigration of people. The exogeneous factors such as war and other political problems give shocks to Jordanian economy, which have implications on labour market of Jordan. To capture the effects of all these different groups of people were surveyed.
- (3) Outflow of labour is the result of expectation of higher earnings abroad. Since most the emigrants are with relatively high human capital component, it was imperative to estimate returns to education in Jordan and abroad.
- (4) To evaluate the efforts of government in its various five year plans to tackle the problem of unemployment.

### **Main observations of the survey work**

The following observations are based on the primary data :

- The labour market in Jordan is in a perpetual state of disequilibrium. Unemployment problem continues to be one of the most severe economic problems facing the Jordanian labour market. Most of the unemployed are young educated labourers generally under longterm unemployment.

- The problem of underemployment in Jordan is a result of lower wage level, few working hours and a mismatch between education and jobs.
- There is an out-flow of relatively highly skilled Jordanian workers to the Gulf Arabian countries.
- The employed Jordanian labour force mostly comprises young males occupied in white collared jobs in big cities in Jordan.
- The influx of the Returnees as a consequence of Gulf War of 1990-1991, is the main factor responsible for aggravating unemployment and adversely affecting the economy during the period of 1991-1993.

#### 1.8 Secondary Data Sources

The secondary data on various aspects of Jordanian economy are not available in detail. They are even less than that of other developing countries. These data include the areas of labour mobility, various types of Unemployment, time series data on labour status (Wage/Salary earners, employers, self employed etc.). Hence the present work is based on whatever relevant information was available to the researcher.

The following contribute the secondary data sources for this research.

- 1) Demography and industrial/agricultural census government documents.



- 2) Household, economic and social studies conducted by the Census Department.
- 3) Statistical bulletins and annual reports published by the Central Statistics Department.
- 4) The Census Reports of 1952, 1961 and 1979 providing facts and figures regarding sex, marital status, age structure, income-occupation classification, Characteristics of population/Rural-Urban ratios, Jordanian-Non Jordanian population ratio, employment status, classification based on the qualificalational and occupational positions etc.
- 5) Labour force census published in 1970 and 1975.
- 6) Agricultural Labour Surveys of 1953, 1965, 1975 and 1983.
- 7) Industrial surveys of 1959, 1965, 1975, 1979 and 1985.
- 8) Demographic survey of 1976, family and health survey of 1983.
- 9) Labour force surveys of 1963, 1966, 1967, 1982-83.
- 10) Studies on outmigration, in-migration and internal migration of 1967.
- 11) Reports of Ministry of Education, Ministry of Health, Labour and Planning.
- 12) Annual reports of all universities in Jordan giving data of their products, specialization and achievements and research.
- 13) Studies conducted by Arab Labour Organisation.
- 14) Expert Committee Reports appointed by Economic Arab Unity Council and ESCWA, i.e., Economic and Social Committee of Western Asia. One book of ESCWA, viz, Labour Force and Employment in Arab countries some Important Problems -

Beirut 1979 serves as a manual for researches in Labour Economics.

- 15) Bulletins, surveys, reports published by International Labour Organisation (ILO).
- 16) World Bank Experts' Surveys and reports, such as Jordan Issues of Employment and Labour Market Imbalances Vol. I and II, Feb. 1986.
- 17) Annual statistical handbooks and bulletins published by the U.N., UNESCO and UNIDO.

#### 1.9 Chapterisation Scheme

The Scheme of Chapterisation is as follows;

Chapter 1 : Introduction.

Chapter 2 : Historical Correlates and The Contextual Profile of Jordanian Economy.

Chapter 3 : Labour Market of Jordan.

Chapter 4 : Nature and Extent of Unemployment in Jordan.

Chapter 5 : Outflow of Labour to Oil-Rich Countries.

Chapter 6 : Nature, Extent and Effects of Inflow of Immigrant Labour in Jordan.

Chapter 7 : Internal Migration in Jordan.

Chapter 8 : A Socio-Economic Situational Analysis of Jordanian Labour Market.

Chapter 9 : Manpower Planning in Jordan.

Chapter 10: Summary and Conclusions.

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