

Position Paper

# Slow economic growth and education policies increases unemployment among the youth



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### **Phenix Center for Economic and Informatics Studies**

The Phenix Center for Economic & Informatics Studies is a non-governmental organization dedicated to independent policy research and measuring public opinions on impactful current and emerging issues in areas of economics, society, and its legislative environment in Jordan. The Center was founded in Amman, Jordan in 2003 under the registration number 142203. It works to promote a sustainable developmental paradigm in Jordan, rooted in human rights and the principles of democratic governance by focusing on reforming the labor policies, lifting of restrictions on freedom of association, and strengthening of social protection policies. The Center specializes in promoting inclusivity in development processes. It compiles databases of relevant actors and stakeholders, develops research, studies, papers and reports, conducts conferences and advocacy campaigns, and empowers several actors to take part in steering development through capacity building.



### **Friedrich-Ebert-Stiftung**

Is a German non-profit political foundation based on the principles of social democracy. FES was founded in 1925, it promotes international cooperation, education and research in Germany and abroad. The foundation opened its office in Amman in 1986 to support and enhance efforts of civil society organizations to become accepted partners of public bodies, enhancing further political dialogue between decision-makers from Jordan, Iraq, Germany and the region, and strengthening the participation of youth in the political process.



### **Jordan Labor Watch**

Jordan Labor Watch contributes to improving work conditions for all workers in Jordan in accordance with international labor standards. This is done through developing studies and reports covering various aspects of labor issues related to workers, uncovering violations and abuses to which workers are exposed in the work place. The program provides a comprehensive database covering various indicators related to the labor market, trade unions, labor organizations, laws and regulations, as well as governing performance. Furthermore, the program strives to present alternative policies that tackle challenges facing the Arabian and Jordanian labor market as well as conducting training programs that support upgrading skills and capabilities of advocates in the labor movement.



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## Introduction

The unexpected emergence of the Coronavirus pandemic and subsequent precautionary measures around the world have had severe effects on Jordan's already faltering economy, as it has created new challenges that have negatively affected Jordan's socio-economic context. Despite the government's considerable efforts to minimize the repercussions of the country's multiple lockdowns, Jordan continues to suffer from a continuing economic recession and weak national economic capacity to provide new job opportunities, which has caused unemployment rates to increase by more than five per cent in a single year. This has disproportionately impacted the youth. The Coronavirus pandemic has revealed the weakness of social protections for youths in the labour market. Most notably, the pandemic has exacerbated the challenge of accessing decent work for youth in Jordan. Decent work encompasses fair wages, fair working hours, health insurance and social security.

## Challenges

The Coronavirus pandemic has created new challenges as the labour market lost nearly 140,000 jobs due to the recession in the Jordanian economy. Wage levels have declined significantly as a result of the imbalance in job supply and demand, along with government Defence Orders that allowed the private sector to reduce workers' wages by nearly 25% in the sectors deemed to be "most affected" and by 50% in closed sectors. The pandemic has deepened the challenges faced by the youth in this regard, as the opportunities available to them were unprecedentedly narrowed.

Unemployment rates have risen significantly, especially among the youth. As of the first quarter of 2021 - nearly a year and a half after the Coronavirus outbreak - unemployment among youth has reached 25%, representing an increase of 5.7% from the first quarter of 2020. The unemployment rate for male youth is 24.2%, while the unemployment rate for female youth is 28.5%. The unemployment rate for male and female youth has increased by 1.1% and 4.2% respectively since the first quarter of 2020.

Unemployment among the youth was concentrated within the 1519- age group (excluding those who are attending school), at a rate of 61.5%. Disaggregated by sex, the unemployment rate for male youth within the 1519- age was 61.5%, while the unemployment rate for female youth within the 1519- age was 73.6%.

The 2024- age group also experienced an unprecedented unemployment rate of 45.7%, according to the Department of Statistics, whereas 41.9% of male youth and 64.8% of female youth were unemployed. (1)

Jordan's youth faces many barriers when making decisions for their future, due to the economic and labour policies that have been implemented over the past decades. Deflationary fiscal policies and unfair tax policies have weakened the capacity of the Jordanian economy to generate new jobs that absorb new entrants, with nearly 120,000 new job seekers entering the labour market each year. Jordan's public and private sectors generate only about 40,000 new job opportunities per year.

The majority of private-sector workers suffer from significant deficiencies in decent working conditions, and this is particularly true for the youth as new entrants to the labour market. The work conditions in most economic sectors in the Jordanian labour market are appalling for the majority of young new job seekers, due to the significant decline in real wage levels.

An assessment study on Coronavirus's impact on the youth in the labour market showed that their most prominent needs are employment opportunities in a decent working environment and skills in vocational training. (2)

The study also indicated that both during and before the Coronavirus pandemic, youth in Jordan suffered from a lack of paid and unpaid training opportunities to develop their skills before entering the labour market. Additionally, the study found that due to the high unemployment rate, the majority of the youth depended on themselves through the creation of self-employment, which is characterized by low wages and being unregulated.

As 70% of employees registered in the Social Security Corporation have monthly wages of 500 dinars or less (3), the new minimum wage - which has become 260 dinars per month as of the beginning of 2021 - is still low. Additionally, approximately one-third of the Jordanian workforce is not covered by any form of social protection.

One factor that has contributed significantly to high unemployment is the significant imbalances in Jordan's education policies.

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1\_ First quarterly report of the Department of Statistics on unemployment rates for 2021 <https://bit.ly/3g3YScI>

2\_A Study on The Impact of Coronavirus on Youth in the Labor Market – Phenix Center for Economics Studies and Informatics- Unpublished

3\_Previous statements by the Social Security Corporation <https://bit.ly/3jWZzpg>

The most recent of which is the shift to distance education that leads young people who are on the verge of graduating to lose the opportunity to develop and train practical skills in the labour market. Additionally, successive governments over the past three decades have chosen to expand university education at the expense of technical and vocational intermediate education, which does not reflect the needs of the labour market.

There has been a great opportunity in opening universities in the private sector to accommodate as many secondary academic graduates as possible, as well as the expansion of government universities in parallel education programs to compensate for the decline in government support. This has led to the collapse of the educational pyramid, with the majority of young men and women enrolled in academic university education, compared to the low number of students enrolled in technical and vocational education. The number of university students is around 300,000 students compared to about 30,000 students in technical and vocational intermediate education. This led to a significant increase in unemployment rates among university graduates, with 79.6% of females and 25.1% of males.

The high unemployment rate among female university graduates indicates a disparity between women's high level of education compared to their very low economic participation in the labour market and shows that women face gender-related barriers and challenges to their entry into the labour market.

Young women and people with disabilities face additional challenges in entering the labour market as a result of delays in the enforcement of the Persons with Disabilities Rights Law, as well as because of the stereotype surrounding people with disabilities, which prevents their applications from being accepted for employment.

Additionally, low quality of public transport services leads women to face many challenges when taking means of public transportation, such as the long journeys, long waiting time in public areas, the need to use more than one unsafe means of transport, the audio pollution caused by verbal altercations in stations (2), as well as harassment in public areas.

Moreover, the quality of basic, secondary and post-secondary education reflects negatively on the basic cognitive and technical skills for youth in Jordan. The results of the university proficiency examination held periodically by the Ministry of Higher Education show that the majority of new university graduates have less than 50% of the knowledge and skills that they must possess, as well as poor hands-on internship and work-study programs. This represents further obstacles for young people to obtain decent jobs.

Government training and employment programs that aimed to fight unemployment and focused on preparing the youth and linking them with operators in the private sector have failed, as successive governments applied for several programs with different names, without paying any attention to the need to work on improving the conditions of work in the private sector. This soon led the majority of employees under these programs to leave the jobs they worked in due to the long working hours, the absence of social protection and low wage levels.

Employment opportunities in the Arab Gulf countries have declined due to the repercussions during the Coronavirus outbreak, as the labour markets in these countries annually absorbed thousands of job opportunities, especially for university graduates. This will narrow access to job opportunities for the youth. Additionally, thousands of Jordanian workers - including young men and women - are expected to return in the coming months, which will increase the challenge of obtaining employment.

## Recommendations

1-Economic policies that have been implemented in Jordan over the past decades should be reconsidered. Instead, economic policies in Jordan should move towards an expansionary fiscal policy by increasing capital investment and reducing indirect tax rates, such as the general tax on sales and private taxes. This will reduce pressure on Jordanian industries and enhance their competitiveness. Additionally, social security contributions should be reduced. These measures will lead to an increase in total domestic demand, which will boost economic growth.

2-Partnerships should be developed between trade unions, civil society organizations, employers, and the Jordanian government to develop a comprehensive plan to stimulate economic growth and increase youth employment opportunities.

3- Working conditions should be improved in the private sector. This can be accomplished by expanding the social security system to include all paid workers in Jordan, ensuring the application of labour standards through enhancing the role of trade union role, developing strengthened inspection systems in the Ministry of Labour and the Social Security Corporation, and raising wage levels to encourage the youth to work in economic sectors where they are reluctant to work - particularly in the agriculture and construction sectors.

4- Education policies must be revisited in order to expand technical and vocational intermediate education and restore the hierarchy of education to normal, as the majority of jobs created by the private sector in Jordan need these types of occupations.

5- Raise awareness among young men and women about stagnant university majors and guide them to specializations that have a future in the Jordanian labour market.

6- Wages should be increased in sectors that are looked down upon, such as working in the trades, as the mindset of the youth and their reluctance to work in these sectors must be changed, especially after the Coronavirus crisis.

7- A fund should be established to support entrepreneurial youth projects in all governorates.

8- Quality control systems should be developed in different educational institutions, to ensure the high quality of graduates in the public or private sector. Additionally, practical training and work-study programs should be enhanced

9- Public transport services should increase their efficiency and accessibility in order to enhance the participation of women and persons with disabilities in the labour market.

10- Access to education opportunities and remote education should be ensured for poor families by providing access to devices and adequate Internet access.



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