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IMMIGRATION, EMIGRATION AND THE LABOR MARKET IN JORDAN

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Abstract

This paper uses a new and original dataset, the Jordan Labor Market Panel Survey of 2010 (JLMPS 2010), to study migration and the labor market in Jordan. The paper documents the characteristics of outward migration and describes both current Jordanian emigrants and return migrants. It then compares immigrant workers to natives. Although The JLMPS 2010 underestimates both the number of emigrants and immigrants, it is still very useful in describing the main patterns of Jordanian migration. The findings suggest that Jordan is exporting high skilled workers but importing low skilled labor. There is evidence that immigrant workers undercut Jordanian wages. However, immigrant workers are employed in low skilled jobs in the informal sector with very little benefits or security. On the other hand, Jordanian emigrants are able to earn at least four times the Jordanian wage and remit substantial amounts thereby increasing the domestic reservation wages, which might have given rise to the "Rentier State" phenomena.

ملخص

تستخدم هذه الورقة مجموعة بيانات جديدة ومبتكرة، وهي المسح التتبعي لسوق العمل الأردني لعام 2010 (JLMPS 2010)، لدراسة الهجرة وسوق العمل في الأردن. وتوثق هذه الورقة خصائص الهجرة نحو الخارج، وتصف في الوقت الراهن المغتربين الأردنيين والمهاجرين العائدين. ثم تقارن العمال المهاجرين مع السكان الأصليين. على الرغم من أن JLMPS 2010 يقلل من تقدير عدد المغتربين والمهاجرين على حد سواء ، فإنه لا يزال مفيدا للغاية في وصف الأنماط الرئيسية للهجرة الأردنية. وتشير النتائج إلى أن الأردن هو مصدر تصدير للعمالة الماهرة ولكنه مصدر استيراد للعمالة الاقل مهارة. هناك أدلة على أن العمال المهاجرين يقوض أجور الأردنيين. ومع ذلك، يتم توظيف العمال المهاجرين في الوظائف المتدنية المهارات في القطاع غير الرسمي مع استحقاقات وفوائد قليلة جدا. من ناحية أخرى، فان المغتربين الأردنيين قادرون على كسب ما لا يقل عن أربعة أضعاف الأجر الأردني وتحويل مبالغ كبيرة وبالتالي زيادة الاحتياطى الداخلى، وقد يكون هذا هو السبب فى ظاهرة "الدولة الريعية".

1. Introduction

The Jordanian economy, like most countries in MENA, has been affected by labor migration. In particular, Jordan has been a country of both labor emigration and immigration. Since the 1973 oil price increases, a significant proportion of Jordanians, mainly high skilled, have emigrated to work in the neighboring GCC countries. Estimates of current Jordanians overseas are scarce and fragmented. One estimate is that in 2008, 4.9 percent of the total Jordanian population was living abroad.[1] In the meantime, Jordan has become the recipient of unskilled and semi-skilled workers destined to fill the gaps in agriculture, construction and services sectors. In 2004, according to the Jordanian Census, 7.7 percent of the total population, or 13.2 percent of the working population, were foreign nationals. Recent figures by the Ministry of Labor (2010) estimates that in 2009, some 8 percent of Jordan's 5.98 million population were foreign nationals.

Moreover, the Jordanian economy has one of the world's highest levels of remittances as a proportion of GDP (23 percent in 2009) and remittances are a key source of income and foreign exchange for Jordan. Table 1 shows the significance of remittances for Jordan. According to the World Bank, for comparison, net FDI inflows were US$2.0 billion, net, ODA received were US$0.7 billion, the total international reserves were US$8.9 billion, exports of goods and services were US$12.4 billion in 2008. It is also worth noting that outward remittance flows are very small in comparison to inward remittance flows despite Jordan appearing to be a net immigration country.

Strong economic growth in the 1970s and 1980s was based almost entirely upon emigrants' remittances. Between 1999-2009, average annual GDP growth rate was 6.7% (The World Bank (2011) and remittances averaged 23 percent of GDP. On the other hand, this economic growth did not translate into job creation and vibrant labor market. Jordan has low rates of labor market participation. In particular, female labor force participation has always been pretty low at 16 percent in 2009 and 12 percent in 2008, whilst male labor force participation was 84 percent in 2009 (Ministry of Labour 2009). Furthermore, Jordan suffers from consistently high unemployment rates, 12.9 percent in 2009 according to the Ministry of Labour (2009). Jordanian unemployment is a youth phenomenon both in terms of absolute numbers and in terms of unemployment rates. Female unemployment rates are pretty high at 24.1 percent despite their low level of economic activity. It is also worth noting that unemployment rates are the highest amongst the most educated at around 16 percent.

2. Data

This paper uses new original data obtained from the first wave of Jordan Labor Market Panel Survey (JLMPS 10), which collected micro-level information in the period from December 2009 to June 2010. The survey was designed and administered by the Economic Research Forum (ERF) in cooperation with the Department of Statistics in Jordan (DoS) and the National Centre for Human Resources Development (NCHRD). JLMPS involves gathering detailed information on education, labor market experiences and behavior, and demographic characteristics (e.g. employment status, household composition and income, parental education, education history, ownership of assets and monetary transfers and remittances, migration and marriage history). The survey covers about 5000 households incorporating about 25,000 individuals, applying appropriate sampling methods to make gathered data nationally representative.

It is vital to be aware that the JLMPS 10 underestimates labor migration in Jordan both in terms of current emigrants and immigrant workers. However, as argued by Assaad (2011), "Since JLMPS 2010 has the same sampling strategy as the regular Employment and

[1] See Di Bartolomeo et al. (2010).

Unemployment (EUS) survey conducted quarterly by the Department of Statistics (DoS), it focuses exclusively on the population residing in regular households rather than in collective residential units. This makes it equally likely as the EUS to under-sample the foreign worker population in Jordan. This version of the data makes no attempt to try to correct for this potential under-representation of foreign workers by using Ministry of Labor information on foreign worker licenses, etc. The accurate estimation of the role of foreign workers in the Jordanian labor market therefore remains a challenge, although we can get some sense of what kinds of jobs they are likely to be concentrated in."

3. Outward Migration

3.1 Current Jordanian emigrants

The JLMPS provides an opportunity to learn more about current overseas migrants. In 2010, 2.1 percent of households had at least one member working overseas. However, it is important to remember that this figure is an underestimate since it does not include migrant households who are wholly currently overseas; i.e. does not include migrants with their whole families currently overseas.

A substantial proportion, almost 38 percent of current migrants, has left in the last two years, which is expected given the temporary nature of migration in particular to the Gulf States which amounts for the majority of emigration from Jordan. Around 80 percent of migrants have visited in the last two years. Jordanian emigrants are highly educated: 62 percent have university degree highlighting the high skill nature of outward migration in Jordan. Current emigrants are predominately urban— 95 percent of their households are located in urban areas. Interestingly, current migrants were mostly employed (94 percent) before migrating and 79 percent were working in the private sector.

Figure 1 shows the overseas destinations of current emigrants. More than half the current Jordanian emigrants are in Saudi Arabia (32%) and the UAE (24%). Almost a quarter is in Western Countries, with the U.S. being the main destination (9%).

By examining the jobs of current overseas emigrants, 91.8 percent were found to be waged workers, 7.8 percent employers and the majority, 89 percent, was employed in the private sector. In addition, Figure 2.1 presents the distribution of overseas occupations of current migrants and indicates that over half of the current emigrants were engaged in skilled occupations. In terms of economic activity, Jordanian emigrants tend to be engaged in construction, wholesale and retail trade, professional and technical, and accommodation and food sectors (Figure 2.2).

3.2 Remittances

An important consequence of migration is remittances. Around 3.3 percent of Jordanian households or 4.9 percent of the Jordanian population have received remittances from household members or other relatives overseas in 2010. Almost 69 percent of household receiving remittances were from migrants in Arab countries, and 31 percent were from Western Countries. Almost all household heads receiving remittances are females and 92 percent live in urban areas. More than half the remittances were sent to either a spouse (25 percent) or an offspring (33 percent)- Figure 3. Different methods are used to send overseas remittances (Figure 4). Mail order is the most popular way (44 %) for current migrants to send remittances to Jordan. Only 27 percent of current migrants send their transfers through the banking system. Almost a third of households are sent remittances through informal channels (by hand or through friends and relatives).

The average amount of remittances over the previous 12 months, was JD2, 054.759 (median = JD1, 200). The mean amount of remittances sent by migrants in Western countries was higher than that sent by Arab migrants (JD2,254 compared to JD1,663), but the median from migrants to Arab countries was higher at JD1,200 relative to JD1,000 from migrants in Western countries). Only 5 percent of household heads receiving overseas transfers were currently employed, but this is mainly because those households are female headed and more than 55 percent of those females are above 40 years of age. In fact examining labor force participation, , there is evidence that individuals in households in receipt of remittances are less likely to participate in the labor market suggesting that remittances might lead to higher reservation wages. For example, the labor market participation rate of males above 24 years of age is 69 percent in households in receipt of remittances compared to 80 percent in households not receiving remittances. For females, the participation rate is 14 percent for those in households receiving remittances compared to 20 percent in non-recipient households. Interestingly, there is no significant difference in the educational level of individuals of both groups (Figure 5). Also, figure 6 shows that household receiving overseas transfers were more likely to belong to the top two wealth quintiles (4 and 5).

3.3 Return migration

Around 10.9 percent of the households have a return migrant, 3.8 percent of individuals aged 15 and above. Around 18 percent of the returnees returned in 1990-92 after the first Gulf War. Also, 10 percent of the returnee sample returned in 2008-10 which might be attributed to the global economic crisis. The majority of returnees (95.6%) live in urban areas. Examining the educational levels of current and return migrants suggest that current migrants are on average much better educated than returnees (Figure 7). This can be a selection issue: less successful migrants return, or an age effect, given that returnees are more likely older than current migrants. However, returnee migrants are still more educated than non-migrants, highlighting the positive selection of Jordanian emigration.

Figure 8 shows the main destinations of return migrants. Saudi Arabia was the main overseas destination followed by Kuwait and the UAE. Almost 90 percent of Jordanian overseas return workers had migrated to the GCC and other Arab countries. The main destination in the West was the US.

Examining the characteristics of returnees by destination shows no significant difference in terms of educational level. Jordanian emigrants to the West have similar educational levels to those who went to Arab countries: almost 40 percent of Jordanian emigrants to both destinations have secondary education or higher (Figure 9). Although the majority of Jordanian workers tend to be employed as waged workers overseas, almost 20 percent of those who went to the West were employers or self-employed, but this number was only 7% for those who migrated to Arab countries (Figure 10). Almost a third of Jordanian returnees were employed in the public sector in Arab countries compared to half that proportion in the West (Figure 11). There is also evidence that destination matters for the type of occupation. The biggest proportion (38 percent) of Jordanians in Arab countries was engaged in professional occupations. The highest share of Jordanians who migrated to the West (39 percent) was engaged in services and sales (Figure 12). Finally, another distinction between returnees' employment in Arab countries versus that in the West is in the overseas contract status (Figure 13). About 63 percent of Jordanian returnees had no contracts in the West. Only 26 percent had permanent contracts and 10 percent had temporary ones. On the other hand, among Jordanian returnees who worked in Arab countries, 37 percent had no contract, 33 percent had permanent contracts and 31 percent had temporary contracts.

4. Inward Migration

The JLMPS 2010, like other surveys such as the EUS in 2010, underestimate the proportion of non-Jordanians since their sample includes only traditional households and not collective places of residence (Assaad 2011). According to the JLMPS, eight percent of the working age population and 10 percent of employment are foreigners (Figure 14.1). As shown in figure

14.2, Egyptians are the largest single nationality group at around 29 percent, but the group "other Arabs", which includes Palestinians without Jordanian citizenship, is even larger. Iraqis are around 17 percent followed by Syrians at 7 percent. Interestingly, the educational levels of non-Jordanians vary. Iraqis are the most educated among the immigrant groups (Figure 15).

Table 2 shows the gender mix of Jordanians and non-Jordanians. Almost 78 percent of Egyptians are males, while for Syrians only 29 percent are males. On the other hand, Iraqis and to a lesser extent other Arabs have a balanced population. The gender composition of the non-Jordanian population, not surprisingly, has a significant impact on the respective labor market participation rates. Almost three quarters of Egyptians are employed whilst employment for other groups is much lower. In terms of marital status, there is no significant difference between Jordanians and non-Jordanians. However, it might also be the case that not all immigrants have their spouses living with them in Jordan (Table 3). Non-Jordanians also live predominately in urban areas.

Focusing on Jordanian non-migrants and the non-Jordanian labor force, we examine the characteristics of each group. It is clear from figure 16 that immigrant workers are on average less educated than native Jordanian workers. This suggests that Jordan is importing mainly unskilled workers, whilst exporting (as seen above) skilled workers. Although the proportion of waged workers among Jordanians and the non-Jordanians working population is similar at around 80 percent, non-Jordanians are less likely to be self-employed (Table 4). Whilst 40 percent of Jordanians work in the public sector, non-Jordanians are confined to the private sector with almost 96 percent being employed in that sector. Although informality is common among Jordanians with 40 per cent of workers being informally employed, among non-Jordanians twice as many (86 percent) are informally employed. This is manifest in the fact that 65 percent of non-Jordanians have no job contract compared to 38 percent among Jordanian workers. Also, not surprisingly, non-Jordanians do not benefit from paid vacations (almost 80 percent do not have this benefit). Non-Jordanians are employed in trade, services, construction, manufacturing and agriculture (Figure 17) and are heavily concentrated in unskilled occupations: elementary, craft workers, services and sales workers reflecting again their low education (Figure 18). Thus the evidence suggests that immigrants are employed in less attractive jobs compared to natives.

Finally comparing the median monthly wage from the primary job, table 5 suggests that immigrants earn less than on average than Jordanians. The median wage for an immigrant worker is JD200 compared to JD280 for Jordanian non-migrants. Also Jordanian returnees earn more than non-migrants Jordanians suggesting a possible human capital accumulation when abroad. Controlling for education and age, the same pattern is observed (migrants earn the lowest wage). Interestingly, current migrants earn around four times as much on average as stayers. The gap is much bigger for those with university degrees, almost 10 times as much, for Jordanian emigrants relative to Jordanians non-migrants.

5. Conclusion

This paper uses a new and original dataset, the Jordan Labour Market Panel Survey of 2010 (JLMPS 2010) to study migration and the labor market in Jordan. The paper documents the characteristics of outward migration and describes both current Jordanian emigrants and return migrants. It then compares immigrant workers to natives. Although the JLMPS 2010 underestimates both the number of emigrants and immigrants, it is still very useful in describing the main patterns of Jordanian migration. The findings suggest that Jordan is exporting high-skilled workers but importing low-skilled labor. There is evidence that immigrant workers undercut Jordanian wages. However, immigrant workers are employed in low skilled jobs in the informal sector with very little benefits or security. On the other hand, Jordanian emigrants are able to earn at least four times the Jordanian wage and remit substantial amount of remittances, thereby increasing the domestic reservation wages, which might have given rise to the rentier state phenomena.

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Figure 1: Destination of Current Emigrants (%)

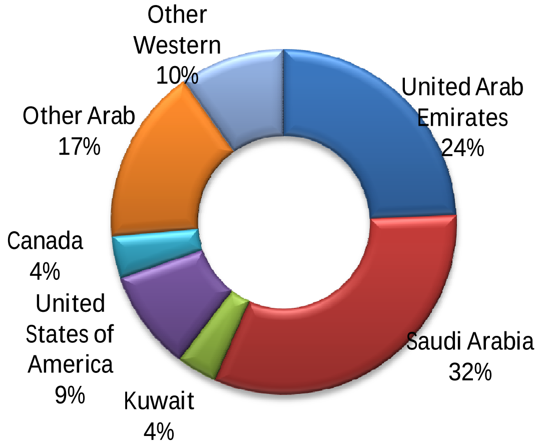


Figure 2: Overseas Occupation and Economic Activity of Current Emigrants (%)

Figure 2.1 Occupation *Figure 2.2 Economic activity*

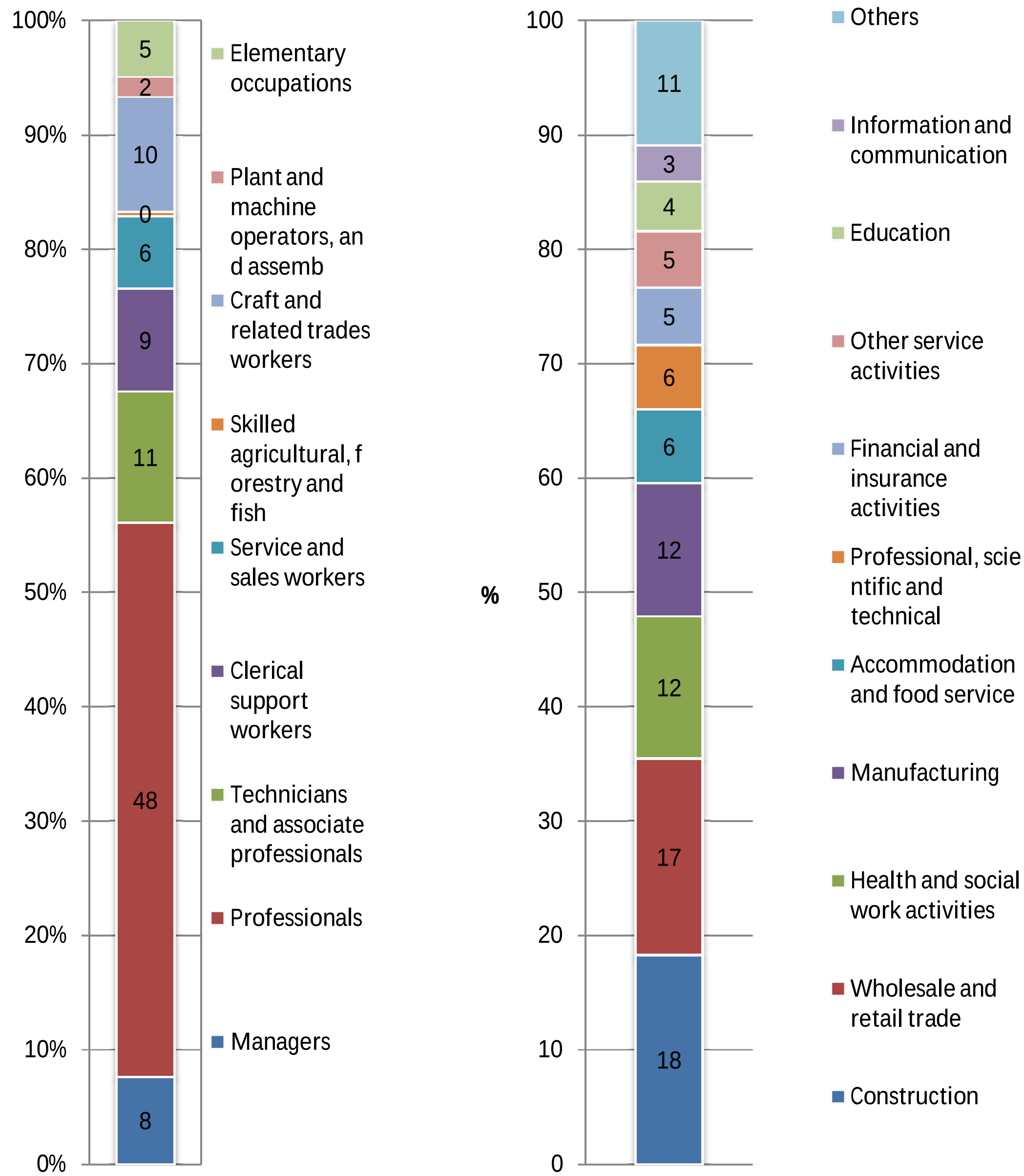


Figure 3: Relationship between Remittance Receiver and Donor

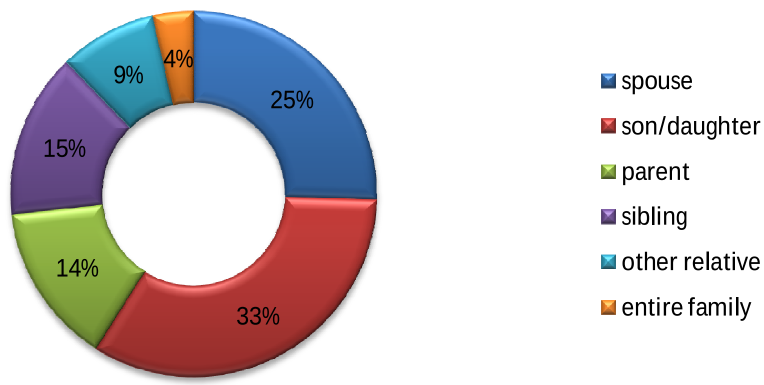


Figure 4: Method of Sending Overseas Remittances

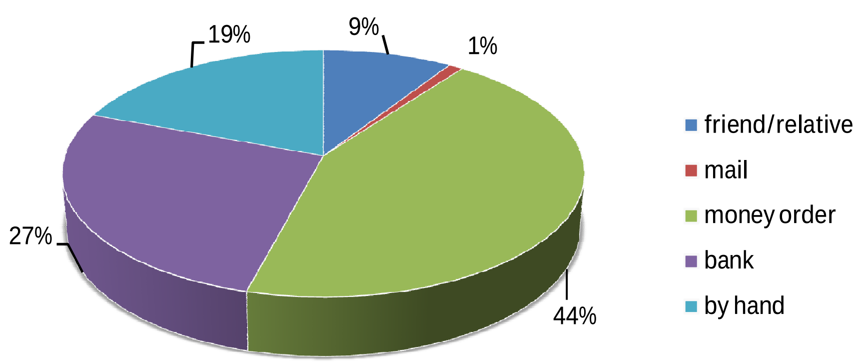


Figure 5: Educational Level of Individuals (15 years of age& above) (%)

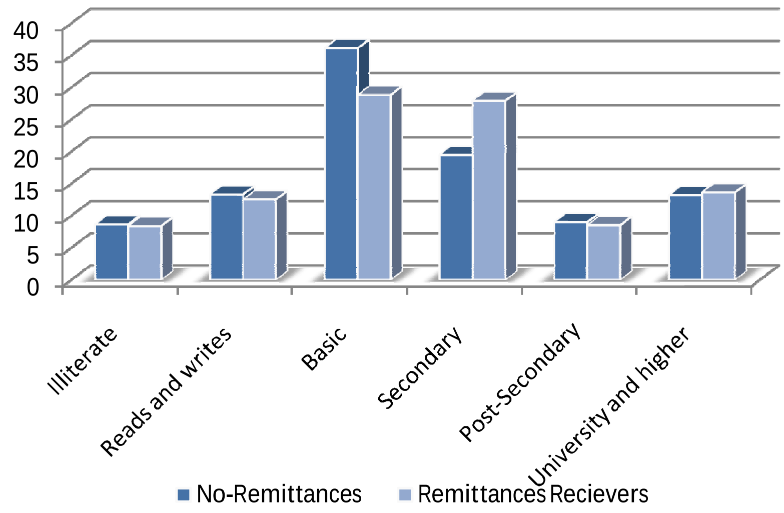


Figure 6: Household Wealth Quintile

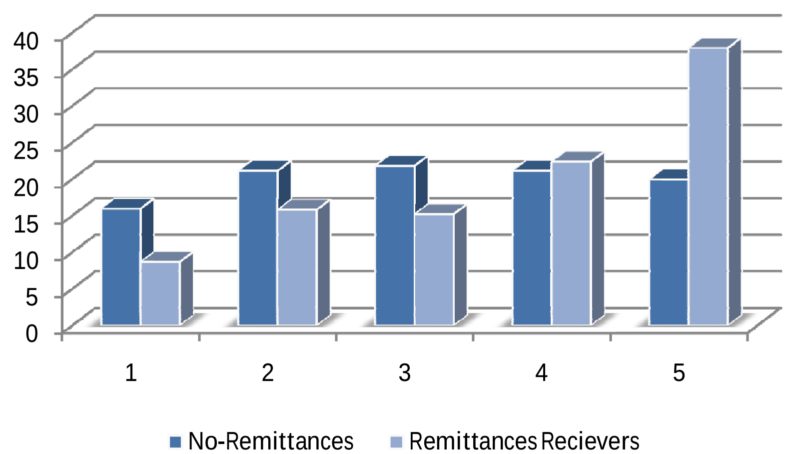
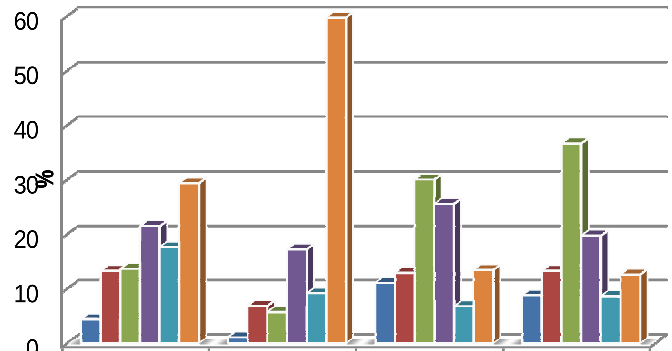


Figure 7: Educational Levels by Migration Status (%)



	Returnees	Current Emigrant	Immigrant	Non Migrant
Illiterate	4.44	1.15	11.12	8.84
Reads and writes	13.31	6.89	12.95	13.32
Basic	13.69	5.75	30.06	36.7
Secondary	21.51	17.24	25.58	19.79
Post-Secondary	17.68	9.20	6.8	8.7
University and higher	29.38	59.77	13.49	12.63

Figure 8: Overseas Destinations of Return Migrants

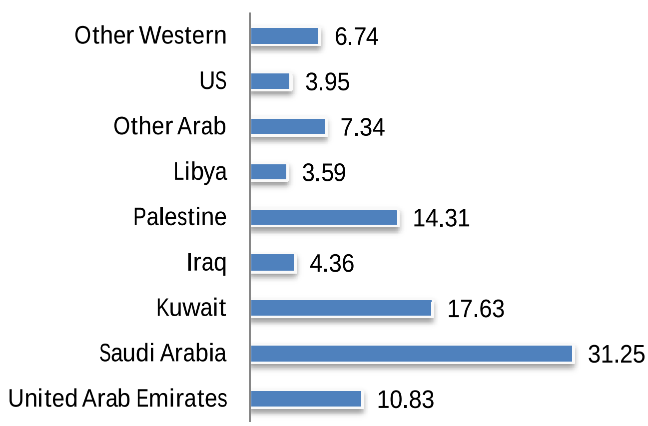
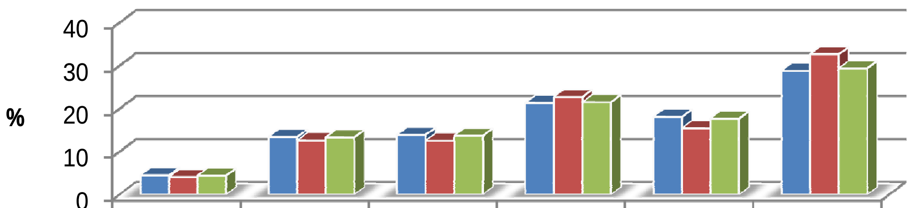


Figure 9: Educational Level of Returnees by Previous Overseas Destination (%)



	Illiterate	Reads & writes	Basic	Sec	Post-Sec	Univ. & higher
Arab	4.5	13.43	13.9	21.3	18.09	28.78
West	4.09	12.61	12.55	22.68	15.44	32.63

Figure 10: Overseas Employment Status of Returnees by Destination (%)

Figure 11: Overseas Sector of Employment of Returnees by Destination (%)

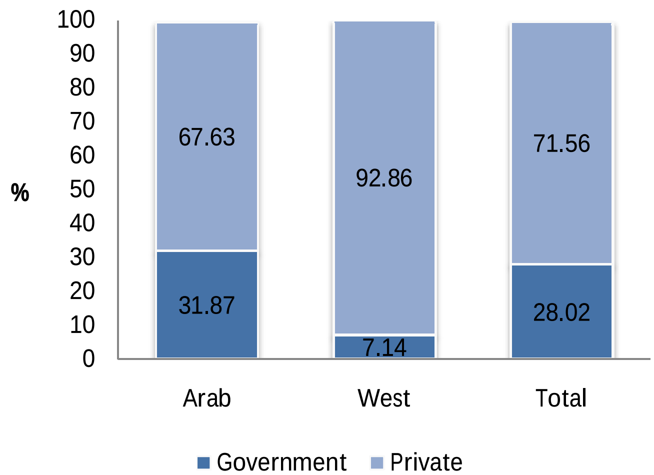


Figure 12: Overseas Occupation of Returnees by Destination (%)

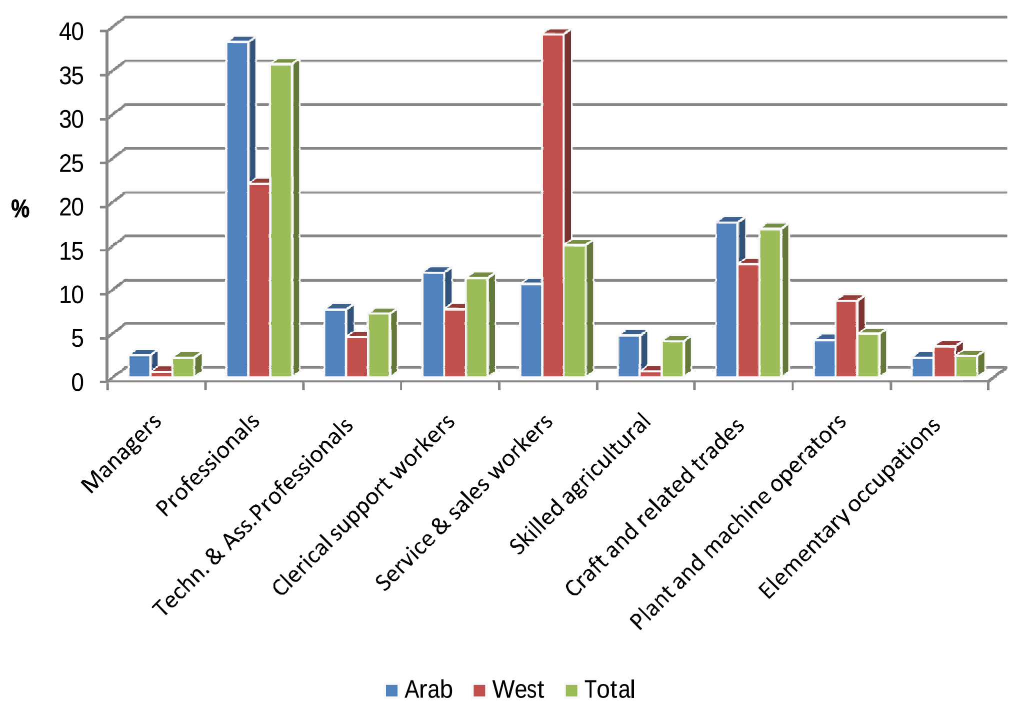


Figure 13: Overseas Contract Status of Returnees by Destination (%)

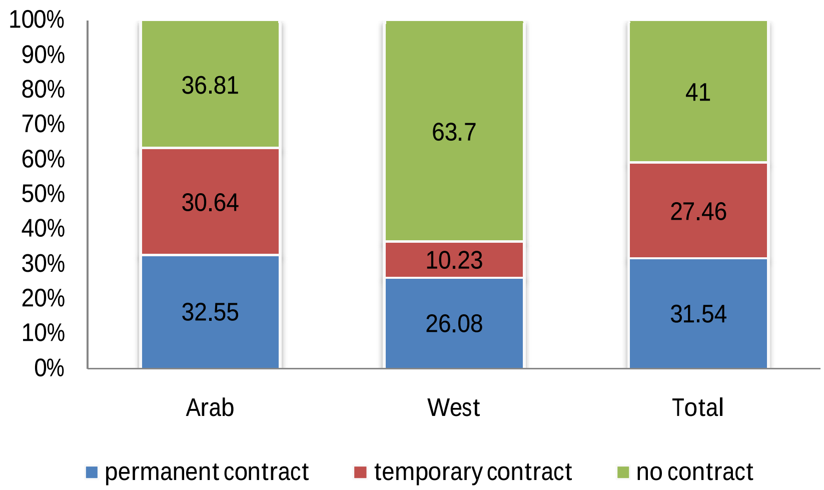


Figure 14: Nationality of Working Population (%)

Figure 14.1 Jordanians and non-Jordanians

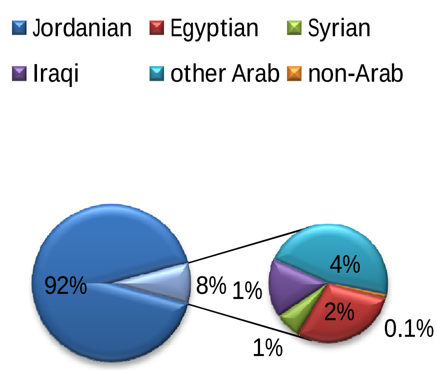
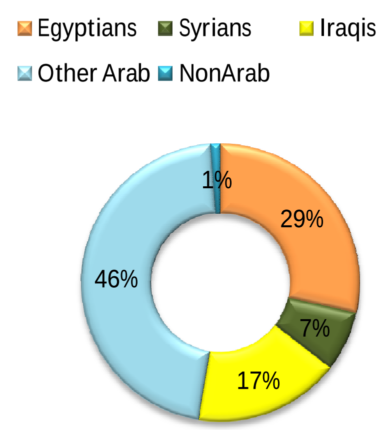


Figure 14.2 Nationality of immigrants



NB: Immigrants 15 years and more of age.

Figure 15: Educational Level of All Immigrants by Nationality (%)

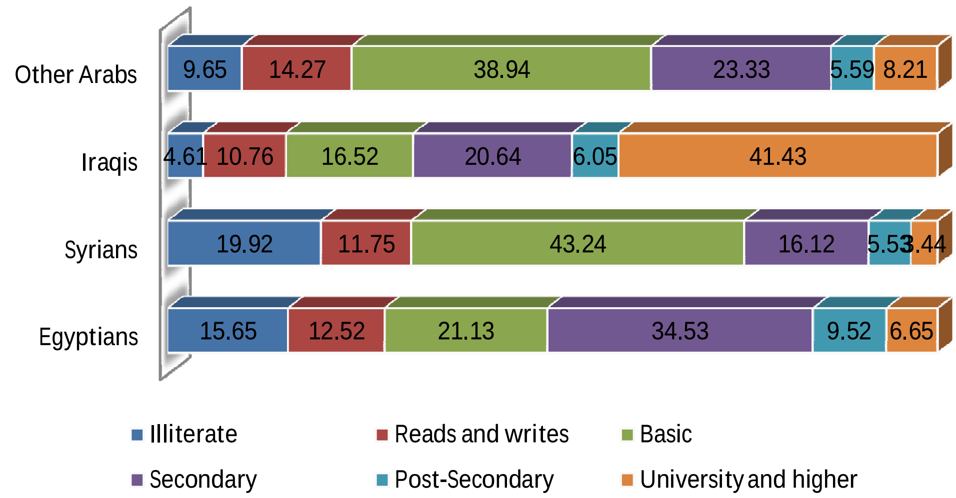


Figure 16: Educational Levels of Immigrants and The Jordanian Labor Force (%)

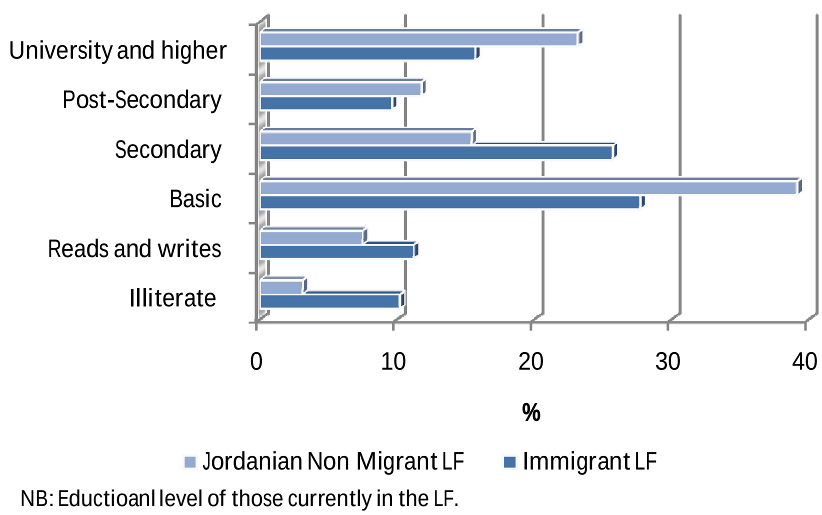


Figure 17: Economic Activity of Jordanians and Immigrants (%)

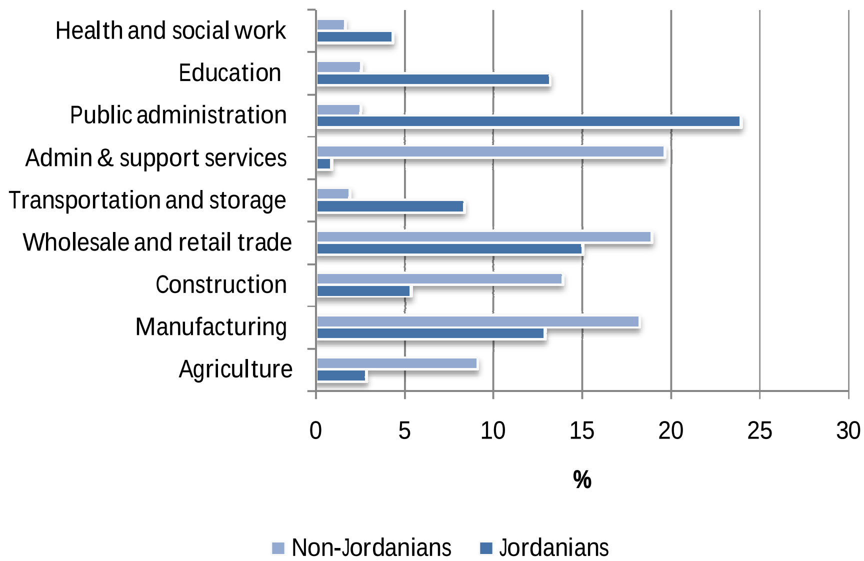


Figure 18: Occupation of Jordanians and Immigrants (%)

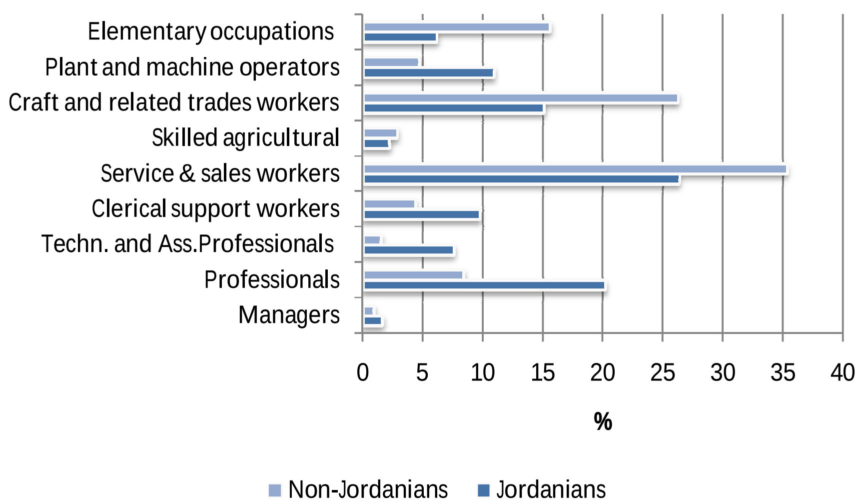


Table 1: Remittances Flows

US$ millions	2003	2004	2005	2006	2007	2008	2009
Inward remittance flows	**2,201**	**2,330**	**2,500**	**2,883**	**3,434**	**3,794**	**3,597**
of which							
Workers' remittances	1,981	2,059	2,179	2,514	2,994	3,159	3,119
Compensation of employees	220	272	321	369	440	635	478
Migrants' transfers	—	—	—	—	—	—	—
Outward remittance flows	**227**	**272**	**349**	**402**	**479**	**472**	**502**
of which							
Workers' remittances	200	240	308	354	423	416	443
Compensation of employees	27	32	41	47	57	56	59
Migrants' transfers	—	—	—	—	—	—	—

Source: The Migration and Remittances Factbook 2011, the World Bank.

Table 2: Characteristics of Jordanians and non-Jordanians by Nationality

	Jordanians	Egyptians	Syrians	Iraqis	Other Arabs	Total Non-Jordanians
Gender						
Male	49.24	77.7	28.7	50.78	54.28	58.42
Female	50.76	23.3	71.3	49.22	45.72	41.58
Employed						
Total	41.89	76.92	30.02	27.57	44.7	49.78
Male	66.95	97.73	92.10	44.04	68.42	76.54

Note: 15 years of age or above.

Table 3: Demographic characteristics of immigrants and Jordanians

	Jordanians	Non-Jordanians
Marital Status		
Single	39.06	38.03
Married	55.63	58.03
Other	5.3	3.94
Location		
Urban	81.19	90.16
Housing		
Apartment	68.01	78.01
House/*dar*	31.22	21.39

Table 4: Employment Characteristics of Immigrants and Jordanians

	Jordanians	Non-Jordanians
Employment status		
Waged employee	81.07	79.35
Employer	7.38	10.77
Self-employed	10.62	2.81
Sector		
Public	38.83	2.29
Private	60.3	96.42
Formality		
Informal	40.11	85.77
Formal	59.89	14.23
Contract		
Perm. contract	54.29	17.4
Temp. contact	8.22	18.11
No contract	37.5	64.49
Paid vacation		
No	38.64	79.16
Yes	61.36	20.84

Table 5: Median Monthly Wages (Primary Job) of Natives and Migrants (in Jordanian Dinars)

	All educational levels	University Graduate	Above 40 years of age
In Jordan			
Non Migrants	280	350	300
Returnees	350	470	358
Immigrants	200	260	217
Overseas			
Emigrants	1000	4000	….