

The Impact of the Syrian Refugee Influx on the Jordanian Labour Market

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About the author

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In a nutshell

- The slowdown in economic growth in Jordan predates the Syrian refugee influx.
- Between 2010 and 2016, labour force inactivity increased, employment decreased, and unemployment increased in the Jordanian labour market.
- Between 2010 and 2016, an increasing share of Jordanians worked in public sector employment and formal private wage employment.
- Less educated Jordanian male workers experienced a sharp increase in irregular (seasonal and casual) wage employment.
- Less than a fifth of Syrian refugees were working in 2016 despite the availability of work permits. Those who worked were primarily in informal employment and working without permits.
- Jordanians' labour market outcomes have not been adversely affected in areas where there has been high concentration of Syrian refugees.
- Non-Jordanian workers have experienced worse labour market outcomes in localities where there was high concentration of Syrian refugees.

Introduction

Jordan has experienced substantial demographic changes since 2011 due to the influx of Syrians. As of 2015, around 1.3 million Syrians were in Jordan, on top of an additional 1.6 million non-Jordanians residing in Jordan. This is relative to Jordan's population of 6.6 million Jordanians in 2015. (Department of Statistics 2016).

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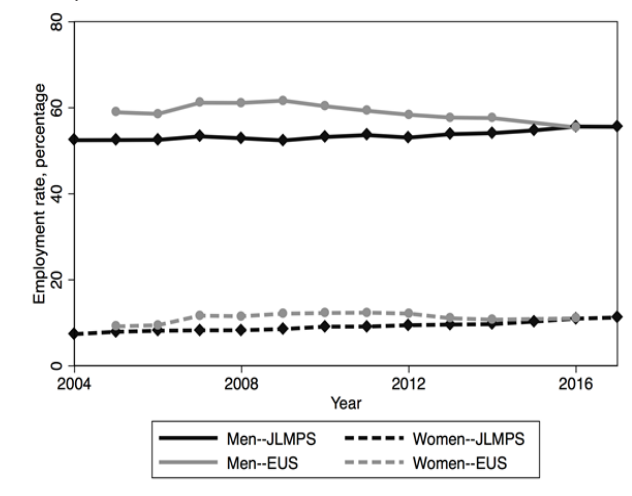
This policy brief examines the recent trends in the Jordanian labour market and the effects of the Syrian inflow on the Jordanian labour market.

Evolution of Employment and Employment Patterns of Jordanians

Jordan has faced an employment challenge in absorbing its growing young educated workforce over the last decade. The working age population of Jordanians has been rapidly increasing at a growth rate of approximately 3.7% per year between 2010 and 2016. Yet, the labour force did not grow as quickly as the population. Labour force participation rates of Jordanian men fell and those of women remained the same, despite the composition of women shifting in ways that would predict higher participation (Assaad, Krafft & Keo 2018).

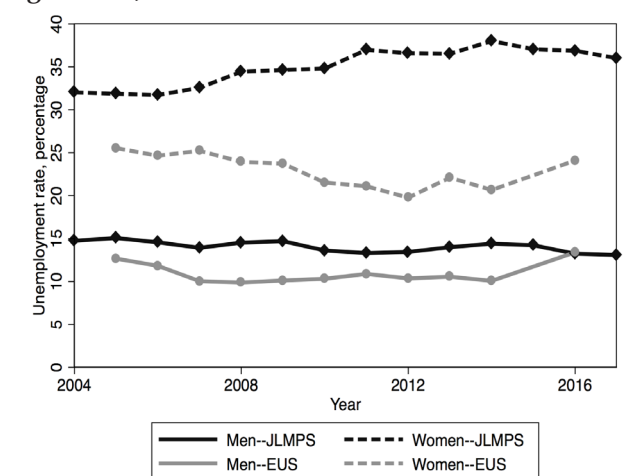
Jordan had managed to achieve fairly high rates of economic growth in the early 2000s. However, as a result of the Financial Crisis in 2008, followed by the regional instability due to the Arab Spring uprisings and culminating in the war in Syria in 2011, the economic slowdown eventually affected employment. According to the official Employment and Unemployment Survey (EUS), the employment to population ratio for the Jordanian working population has declined from 36% in 2010 to 31% in 2016, but the decline for men was higher (from 57% to 51%) compared to from 12% to 10% for women (Assaad & Salemi (2018)). Similar patterns are observed in the Jordan Labour Market Panel Survey (JLMPS) as Figure 1 shows. Unemployment rates among Jordanians increased between 2010 and 2016 (Figure 2) by around 50% in relative terms, from 11.4% to 17.5%, but the increase was much higher for women. Whether looking at employment or unemployment, and regardless of data source, the evidence suggests that the slowdown predates the refugee influx.

Figure 1. Jordanians' employment rates by sex, ages 15-64, 2004-2017



Source: Fellah, Krafft & Wahba (2018) based on JLMPS 2016 retrospective data and EUS contemporaneous data. Note: No EUS data in 2004 or 2015 due to Census years.

Figure 2. Jordanians' unemployment rates by sex, ages 15-64, 2004-2017

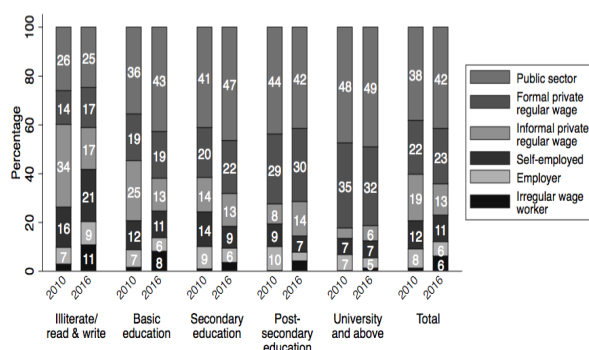


Source: Fellah, Krafft & Wahba (2018) based on JLMPS 2016 retrospective data and EUS contemporaneous data. Note: No EUS data in 2004 or 2015 due to Census years.

According to the Population Census, the share of non-Jordanians in total employment rose from 16% in 2004 to 36% in 2015, high even before the large inflow of Syrian refugees. As a result, the proportion of job creation going to Jordanians has decreased substantially since the mid 2000s, whilst the share of jobs going to non-Jordanians have increased (Assaad & Salemi, 2018)). Based on the Census, the overall rate of employment growth (i.e. the growth rate of total employment to working population) was around 6.9% per annum, which was made up of 4.4% per annum for Jordanians and 14.3% per annum for non-Jordanians. To sum up, the proportion of non-Jordanians, excluding Syrians, in the Jordanian workforce has continued to rise between 2004 and 2015.

The increasing role of non-Jordanians has had an impact on the structure of employment for Jordanian nationals. The most prominent trend that emerges since 2010 is the re-emergence of the public sector as an important employer. The share of the public sector in the employment of Jordanians has increased. Formalisation of private wage employment has also increased as social insurance coverage was extended further into small and micro enterprises, (Assaad and Salemi, 2018). On the other hand, less educated Jordanian male workers experienced worse outcomes. They have experienced no increase in public sector employment, a slight increase in formal private sector work (with a contract or social insurance), and a reduction in informal regular wage employment (neither a contract nor social insurance). More importantly, they experienced a sharp increase in irregular (casual and seasonal) wage employment, Figure 3. They have been the group most affected during the economic downturn and potentially by the increased immigration of foreign workers who tend to be concentrated in informal wage employment in the private sector (Assaad and Salemi, 2018).

Figure 3. Job type by round and educational attainment, employed Jordanian males aged 15-64 (percentage)



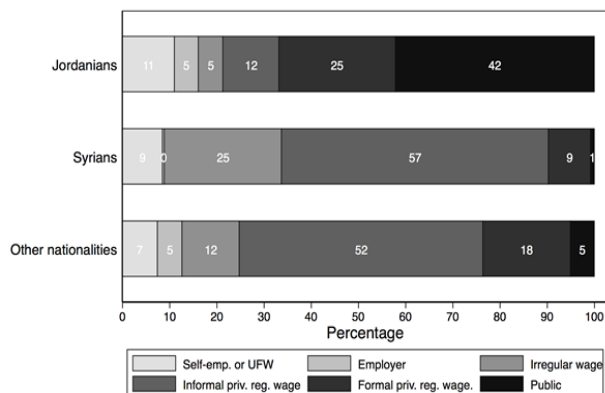
Source: Assaad & Salemi (2018) based on JLMPS 2010, 2016.

The Effects of the Syrian Refugee Influx on the Jordanian Labour Market

Jordan has also witnessed a substantial inflow of Syrians seeking refuge since 2011, starting in 2012 and peaking in 2013. Although there were around 1.3 million Syrians living in Jordan, Syrians represented only 9% of the employed population in Jordan in 2016 (Fallah, Krafft & Wahba, 2018)), as less than a fifth were working (Krafft, Sieverding, Salemi and Keo, 2018). Furthermore, despite the Jordan Compact agreement allowing Syrian refugees to obtain work permits, see Salemi, Bowman & Compton, (2018), the majority of Syrian refugees who worked were still working without a permit.

As Figure 4 shows, the most common status for Syrians is as an informal (neither a contract nor social insurance) private regular wage worker (57%), compared to 12% of Jordanians and 52% of other non-Jordanians (other nationalities). Also another 25% of Syrians were irregular (casual and seasonal) wage workers, compared to just 5% of Jordanians and 12% of other non-Jordanians. Only around 9% of Syrians were formal private regular wage workers (with a contract or social insurance), much lower than the 25% share for Jordanians and 18% share for other non-Jordanians, (Fallah, Krafft & Wahba, 2018)).

Figure 4. Employment status (percentage) of Jordanians, Syrians, and other nationalities, workers aged 15-64, 2016



Source: Fallah, Krafft & Wahba (2018) based on JLMPS 2016.

Examining the effects on the Syrian refugee inflows, show that Jordanians' labour market outcomes have not been adversely affected in areas where there have been high concentration of Syrian refugees. Fallah, Krafft and Wahba (2018) examined a number of labour market outcomes: employed, unemployed and out of the labour force; formal work (with a contract or social insurance) or informal work (neither a contract nor social insurance), hours per week, and both hourly wages and monthly wages. We also looked at the sectors open to Syrians with work permits (agriculture, manufacturing, construction, food service, or domestic/cleaning work). All our results suggest that the influx of refugees has had little effect, if any, on the employment outcomes of the Jordanians (Fallah, Krafft and Wahba, 2018).

However, non-Jordanian (non-Syrian) workers have experienced negative impacts as they were more likely to be informally employed and work fewer hours and therefore received lower total wages in localities where there was high concentration of Syrian refugees (Malaeb and Wahba, 2018). Hence, the evidence suggests more competition between Syrian refugees and other non-Jordanian workers.

There are potentially several reasons behind not finding an impact of the refugee influx on Jordani-

ans' labour market outcomes. First, the number of Syrians working is small given that the majority of Syrian refugees hosted in Jordan are women and children, and when they worked, they did so informally, thus competing with non-Jordanian workers rather than with Jordanians. Secondly, the increase in the size of the refugee population created demand for goods and services that have increased labour demand. Finally, the increased aid and trade concessions provided by the European Union might have also increased the job opportunities for Jordanians, hence dampening any potential negative impacts of the inflow of Syrians.

Conclusion and Policy recommendation

Despite the massive influx of Syrian refugees in Jordan, our research finds little effect on Jordanians' employment. The downward trend in the labour market began before the inflow of Syrians, after the Financial Crisis in 2008, and less educated Jordanians experienced the brunt of that economic slowdown. After 2011, non-Jordanian workers competed with Syrian refugees in the informal labour market, and were displaced.

These results suggest that allowing refugees to work legally does not negatively impact host countries' economies as the presence of refugees creates demand for goods and services which stimulates the economy and employment. Furthermore, the financial support of international donors is likely to have also positively contributed to the economy and the labour market. In conclusion, it is vital that sufficient resources and public services are in place to support refugees and the host economy.

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