



International  
Labour  
Organization

## European Regional Development and Protection Programme for Lebanon, Jordan and Iraq International Labour Organization

### *Improved Livelihoods of Jordanian and Syrian Youth Research Project* *Exports for Decent Youth Livelihoods and Labour Formalization in Jordan*

The Jordanian economy has experienced over a decade of stagnated growth, coupled with a massive increase in population, primarily driven by an influx of refugees fleeing neighboring Syria. Consequently, per capita income has dipped to below its pre-global financial crisis level, while the cost of living continues to climb, leading to erosions in average purchasing power. The persistent problem of low growth can be traced back to a cascade of external shocks that have transformed the structure of the Jordanian economy, leading to reduced productivity and market access. The negative impacts of external events are compounded by structural shortcomings that stagnate the growth of high-potential sectors, including a difficult regulatory ecosystem and doing business environment. These challenges are reflected in a weak labour market, characterized by high informality, along with a historic struggle of insufficient job creation, which has remained low even during episodes of impressive economic growth (2000-2008). These issues were only worsened following the outbreak of the pandemic, which provoked economic downturn and a net job loss of 68.900 in 2020<sup>1</sup>.

Subdued job creation within high productivity sectors forces Jordan's quickly expanding labour force to compete for exceedingly scarce and low-value added job opportunities, resulting in poor employment outcomes for workers. Today, more people in Jordan are facing difficulties in securing work, with unemployment reaching 20 percent of the total labour force in 2021, and 24.1 percent amongst Jordanians, posing a major threat to social cohesion and overall stability. Outcomes are even more concerning for historically excluded segments of the population, including women, youth, and refugees. In 2021, youth unemployment rates hit 43.9 percent of the total youth labour force, and 49.3 percent among Jordanians. That same year, female youth unemployment reached 55.3 percent, and 67.6 percent among young Jordanian women. These figures point to a severe threat of inflated youth inactivity over the years to come, as youth in Jordan typically experience prolonged periods of joblessness prior to securing work. Long transitions into the world of work render many of the country's youth completely idle, with an estimated 37.4 percent classified as not in employment, education, or training (NEET) in 2020, and 42.9 percent among young females. Prolonged unemployment and inactivity can have detrimental consequences on young people's employability and well-being, leading to skills erosion, marginalization, and general social insecurity, only further excluding youth from economic participation.

In order to cope with the harsh circumstances, a growing body of youth accept substandard job opportunities, often working in positions that do not align with their educational backgrounds and

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<sup>1</sup> Department of Statistics. *Distribution of Persons Aged 15+ Years Who Joined of New Job or Left it and Net Jobs*. Annual 2020

**may expose them to unfair conditions.** Informal work has long been common amongst the country's youth, with 54.8 percent of the youth labour force being employed informally in 2020. This poses a serious case for concern, as Jordan's youth segment comprises a large share of the total population, at 19.5 percent in 2021. With far less established employment histories than their adult counterparts, youth working in the informal economy are at a far greater risk of receiving comparably poor wages or facing mistreatment.

**Promoting decent youth livelihoods and increased formality requires a structural transformation process that allows for real economic growth within high productivity sectors, as the economy must increase its capacity for supplying quality jobs.** While sufficient decent job creation cannot be guaranteed by growth alone, there are limited sustainable pathways to expanding job opportunities that do not entail a growth in the productivity and size of the private sector. However, as economic challenges have led to reduced consumption amongst the local population, further diminishing business revenues and space for growth, a focus on producing more and higher-quality goods and services for external markets could greatly benefit employers, consumers, and the workforce alike. With that said, while it is critical to introduce policies that induce labour demand through promoting private sector expansion, such policies must be meticulously crafted to support formalization. This especially true for trade policies, as the risks associated with ineffective measures are far-reaching and well documented, one of which includes the degradation of local sectors and the deterioration of job quality, at the hands of invasive competition. Nonetheless, considering the immense decent job creation potential brought by international integration and outreach, there is a need for the Jordanian government to prioritize trade, through negotiating increased market access for local enterprises, requiring that holistic and responsible amendments be made to the country's foreign trade policy.

**Trade plays an essential role in driving private sector-led growth and job creation, and can be a powerful force in increasing incomes and job quality, while reducing informality.** As stated by the World Bank, adequate trade policy has the potential to accelerate economic growth for developed and developing countries alike<sup>2</sup>. Reducing or removing trade barriers can not only enable greater market access for enterprises in exporting sectors, but also lower the cost of material inputs for local companies, allowing developing economies to benefit from increased profitability across a number of sectors. Furthermore, lessening trade barriers can also increase the availability of affordable goods within the local market, providing more options for lower-income households. Trade can also support economic diversification and structural transformation, through easing the import of various technologies, and educational tools and materials, further encouraging the growth of new productive industries with high decent employment creation potential. Enhancing trade performance can not only present an opportunity to create decent livelihoods opportunities within high productivity exporting sectors, but also benefit peripheral sectors along the value chain, as the rise in sector activity leads to a higher local demand for transportation, logistics, and locally produced manufacturing inputs. Correspondingly, adequately designed and well-supported trade policies can lead to a shift in the distribution of employment within the labour market, with a higher share of total employment opportunities being created in formalized, high-productivity sectors, moving away from informal sectors and a reliance on agriculture.

**In recognition of these benefits, past efforts have been made to improve Jordan's trade performance.** To date, the country has signed a total of 55 bilateral investment treaties, 27 double taxation agreements and 7 free trade agreements, making it one of the most open economies in the region<sup>3</sup>. Jordan's major trade agreements allowed for a growth in export value, rising from US\$1.58 billion in 1997 to US\$7.84 billion in 2020<sup>4</sup>.

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<sup>2</sup> <https://www.worldbank.org/en/results/2018/04/03/stronger-open-trade-policies-enables-economic-growth-for-all>

<sup>3</sup> <https://www.jic.gov.jo/en/reasons-to-invest-in-jordan/market-access/>

<sup>4</sup> UN Comtrade Database.

This was paired with a greater diversity in exported goods and partnering markets<sup>5</sup>, as Jordan was able to increase exports into non-neighboring markets, particularly the United States (US).

**Nonetheless, the country's youth were not able to capitalize on the full employment potential of this growth, partially due to high levels of foreign labour reliance in some of the country's most productive exporting sectors.** High foreign labour reliance is mainly fueled by pervasive skills mismatches amongst the local labour force, as severe discrepancies between the skills available in the workforce, and those needed to perform job roles persist. This can be attributed to a number of structural and cultural shortcomings, including poor quality educational services, a lack of career guidance, and stark imbalances in educational attainment amongst young learners. Skills mismatches are a highly problematic issue for Jordan, particularly in the context of trade, as an economy's ability to swiftly implement the adaptations needed to benefit from open trade policies is largely dependent on the quality and variety of skills available within the local labour market. Accordingly, the effectiveness of open trade policy in promoting real growth and decent job creation is highly dependent on the provision of complementary support to local exporting enterprises, in upskilling the local labour force, accessing foreign markets, and/or tailoring products and services to meet the demands of foreign consumers. Furthermore, in order to protect local sectors from external competition and maximize gains for vulnerable groups, there is also a need to pair improved trade policy with supportive resources, directed at increasing local sectors' capacity to compete with external companies.

## **I. Rationale**

**For years, Jordan has struggled to overcome long-enduring challenges of high informality and insufficient job creation, bearing heavy consequences on the population's youth.** The persisting issues can be attributed to a number of socio-cultural, economic and political factors that inhibit the economy from adapting to major shocks or capitalizing on emerging opportunities, particularly in trade. Issues of weak enterprise development, marketing capacities, persistent skills shortages, and infrastructure and logistics challenges are some of the many factors constraining enterprises from reaching their full export potential, immensely stagnating sectors' capacity for growth and decent job creation. Considering the low consumption capabilities amongst the local population, a focus on trade is critical for improving Jordan's economic situation. Increasing participation in international trade and global value chains holds a great opportunity for promoting growth, decent job creation, and labour formalization. That being said, Jordan's international trade performance continues to lag behind those of other middle-income countries. While several enterprises have been successful in accessing non-neighboring markets, the majority of Jordan's exports remain concentrated to a handful of receiving markets, mostly situated within the surrounding Arab region. Further, exporting enterprises typically participate in lower-levels of the value chain, leading to a greater prevalence of informality. Following the COVID-19 crises, the urgency of the situation has only intensified, as widespread job losses and trade disruptions led to increased job insecurity throughout the country. In order to address these issues, and foster improved youth livelihoods and labour formalization, there is a need to implement targeted interventions and policy measures that promote growth and job creation in higher-value-added segments of the economy. With that said, doing so would require an increased understanding of the core factors that contribute to high labour market informality in Jordan, particularly amongst producers of high export-potential products. Accordingly, this document proposes an exploration of the major factors that inhibit the transition towards greater formalization amongst enterprises engaged in the production of high-export-potential goods, with a focus on issues that hinder enterprises from participating at higher-ends of the value chain.

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<sup>5</sup> UN Comtrade Database.

## II. Objectives

**Accordingly, this document proposes an exploration of the factors that inhibit the transition towards greater formalization amongst Jordanian enterprises involved in the production of high-export-potential goods.** The study will focus on several identified high-export-potential products, while highlighting issues that hinder enterprises from participating at higher-ends of the value chain, rendering companies more susceptible to engaging in low value-added, informal activities. An immediate objective of the study, is to illustrate the current situation of the informal workforce within sub-sectors and enterprises engaged in the production of the identified goods, at any and all stages of the value chain. The study will not only analyze the composition of the informal workforce amongst identified producers, but also draw comparisons between enterprises at higher and lower ends of the value chain, to highlight discrepancies in the prevalence and nature of informality amongst various product producers. Export performance will be a major dimension of the study, in order to understand the relationship between trade and informality amongst producers, as well as highlight the major barriers enterprises face in expanding exports and participating in higher-value-added activities. The study will take into account challenges related to skills supply, enterprise development, transport and logistics, linkages to stakeholders in external markets, energy cost, water availability, local business culture, and the regulatory environment. Ultimately, the study seeks to better understand how international trade (focusing on export opportunities) could contribute to the inclusion of informal Jordanian and Syrian workers into formal productive activities. This will inform the production of recommendations for promoting greater formalization and decent job creation, through increasing the engagement of Jordanian enterprises in international trade, at higher ends of the value chain.

## III. Scope of Work

**The study will utilize a blend of research methods to examine the informal workforce amongst enterprises engaged in the production of high-export-potential goods, along with the major barriers producers face in capitalizing on high-value-added trade opportunities and transitioning toward greater labour formality.** The study will assess enterprises involved in the production of a range of products, and at multiple levels of the value chain, chosen in accordance with the results of the ILO's 2022 METI report; which highlighted several products with high potential for export in Jordan. Analysis shall begin with a thorough desk review process, utilizing reports and publications provided by national and international sources, including Jordan's Department of Statistics, the Ministry of Labour, the Social Security Cooperation, World Bank, International Labour Organization, UNHCR, along with several others. The data gathered will highlight general information on the economic performance of identified enterprises and sub-sectors, local trade policies and supportive measures, statistics highlighting international trade flows and foreign direct investments, as well as relevant labour market indicators.

**Following the desk research stage, the study will implement primary data collection methods, gathering and analyzing quantitative data on the relative size and composition of the informal workforce, by economic activity, product category, participation in international trade, and stage along the value chain.** Other factors will also be taken into account, including the average firm size per economic activity and/or product category, geographic location of enterprises, and the distribution of workers by age, education, gender, nationality, income, family size, and so on. This data will be collected through the distribution of questionnaires, surveys and other such tools amongst enterprise owners and workers. Variances in the relative size and composition of the informal workforce will be assessed, with a focus on the interaction between (i) informality and indecent employment, (ii) degree of involvement in international trade, (iii) stage of the value chain.

**Further, qualitative data collection tools will be applied to assess the barriers enterprises face in participating at higher-ends of the value chain, and integrating informal workers into formalized activities.** Through structured discussions with enterprise owners, the study will gather insights on challenges

related to skills supply, enterprise development, transport and logistics, linkages to stakeholders in external markets, energy cost, water availability, local business culture, and regulatory issues. Enterprise owners will also be questioned on solutions and supports that could potentially promote improved trade performance and facilitate participation in higher-value-added activities. This information will be accompanied by a thorough exploration of policies, initiatives and enterprise supports implemented across both the developed and developing worlds, in order to highlight major opportunities for improving trade performance and participation in high-value-added activities. All findings of the study will be verified and finalized in collaboration with various social partners and stakeholder groups involved, in order to develop data-driven recommendations for action.

#### **IV. Main Tasks & Phases of the Research**

**The process of data collection and report delivery will be aligned with the following phases:**

##### **Phase 1: Planning and methodology preparation:**

- Prepare activity action plan.
- In depth secondary research review, drawing from internationally accredited sources, building on existing ILO and UN reports to the extent possible.
- Prepare methodology, comprising a mixture of research tools, both qualitative and quantitative.
- Prepare interview outline, with clear areas of focus to guide interviews/focus groups.
- Prepare surveys and questionnaires.
- Map out relevant stakeholders, to identify potential research participants.
- Establish contact with potential participants and produce final respondent list, approved by the ILO, comprising the following composition of stakeholders:

##### **For qualitative interviews:**

- i. Employer representatives (30 minimum).
- ii. Worker representatives (30 minimum).
- iii. Government representatives (10 minimum).
- iv. Representatives of international implementing agencies, research centres, think tanks, etc (5 minimum).

##### **For quantitative surveys and collection methods:**

- i. Employer representatives (80 minimum).
- ii. Worker representatives (80 minimum).

##### **Phase 2: Data collection and the production of findings:**

- Coordinate with stakeholder to schedule interviews/focus groups/other data collection methods.
- Distribute surveys and quantitative data collection tools across enterprise owners and worker representatives.
- Conduct **in person field visits** with various stakeholders, maintaining adequate record of outcomes.
- Conduct interviews/focus groups with stakeholder groups, maintaining adequate record of outcomes.
- Transcribe interview/focus group outcomes.

##### **Phase 3: Data analysis & validation:**

- Clean and process data to extract relevant information and identify key trends and/or anomalies, applying statistical and/or logical techniques to illustrate, simplify and evaluate data.
- Contextualize outcomes through measuring findings against both regional and global trends.
- Validate findings with stakeholders and identify potential areas of contradiction and/or those requiring further investigation.

#### Phase 4: Report generation and recommendations for action:

- Prepare report on the factors that inhibit the transition towards greater formalization amongst Jordanian enterprises involved in the production of high-export-potential goods, including (i) an assessment of the size and composition of the informal workforce amongst identified product producers, (ii) an assessment of the major barriers impeding local producers from engaging in international trade at higher-ends of the value chain, (iii) an exploration of potential policies, initiatives, and supports for promoting labour formalization through promoting trade. The report shall cover the following main sections, among others:

#	Section
1	Introduction & economic overview, with a focus on Jordan's trade performance, labour market outcomes and the potential for trade to promote inclusive growth and livelihoods promotion.
2	Characterization of key sub-sectors and product categories under the study.
2	Research methodology, target respondents, interview questionnaire.
3	Situational analysis on the size and composition of the informal workforce amongst identified product producers.
4	An assessment of the major barriers impeding local producers from engaging in international trade at higher-ends of the value chain.
5	An exploration of potential policies, initiatives, and supports for promoting labour formalization through increasing trade.

- Validate research through consultations with relevant government and private sector employers.
- Consult with employer and government representatives to produce recommendations for improving trade performance for inclusive growth and livelihoods promotion.

## V. Outputs and Deliverables

The research project is expected to require 85 working days for completion, and is planned to start on July 1st 2022 and is expected to be completed no later than October 15th 2022. The deadlines in the table below are a suggestion. However, it is preferable to abide by the starting date and finish date of the assignment.

**Table 1: Outputs and deliverables.**

#	Phase	Deliverable	Due Date	# of Work Days
1	<b>Planning and methodology preparation</b>	i. Research activity action plan. ii. Secondary research review. iii. <b>Report section 2:</b> Methodology iv. Final respondent list, approved by the ILO. v. Brief on Jordan's trade performance, labour market outcomes, and the potential for trade for inclusive growth and livelihoods promotion. vi. Questionnaire/interview outlines.	28/07/2022	20
2	<b>Data collection and the production of findings</b>	vii. Distribute surveys and quantitative data collection tools.	10/09/2022	30



		viii. Schedule interviews/ focus groups/ other collection methods. ix. Transcriptions of field visit/ focus group/ interview results. x. Brief on the size and composition of the informal workforce amongst identified product producers. xi. Brief on the major barriers impeding local producers from engaging in international trade at higher-ends of the value chain.		
3	<b>Data analysis &amp; validation</b>	xii. An exploration of potential policies, initiatives, and supports for promoting labour formalization through increasing trade.	25/09/2022	15
4	<b>Report generation and recommendations for action</b>	xiii. Draft final report. xiv. Revised final report, based on ILO feedback and comments.	15/10/2022	20

## VI. Payment Schedule

<b>Payment 1</b>	Upon the submission and approval of <b>Output (phase) 1 &amp; 2</b>
<b>Payment 2</b>	Upon the submission and approval of <b>Output (phase) 3 &amp; 4</b>

## VII. Applicant's Profile

Candidate wishing to apply for this assignment, shall have the following qualifications

1. A minimum of a Master's degree or equivalent in economics, macro-economics, econometrics global political economy, international relations or other relevant fields.
2. At least 5 years of relevant professional experience in macroeconomic and/or socio-economic research.
3. Proven experience in carrying out trade related research and knowledge of trade data and tools.
4. Experience working with UN Agencies or other international agencies is considered an asset.
5. Excellent writing and communications skills.
6. Fluency in English and Arabic, both oral and written, is required.

## VIII. Application Process

Experts wishing to apply to this assignment must send an email to [mesmar@ilo.org](mailto:mesmar@ilo.org) The email shall include:

1. Up-to-date resume
2. Proposed work plan
3. Financial offer (daily rate in US\$)

#### 4. Work sample

**Emails must use subject title:** RDPP\_Research\_02.03

The deadline for receiving applications is 29/06/2022 COB. Only applications that fulfil the requirements indicated above will be considered.