

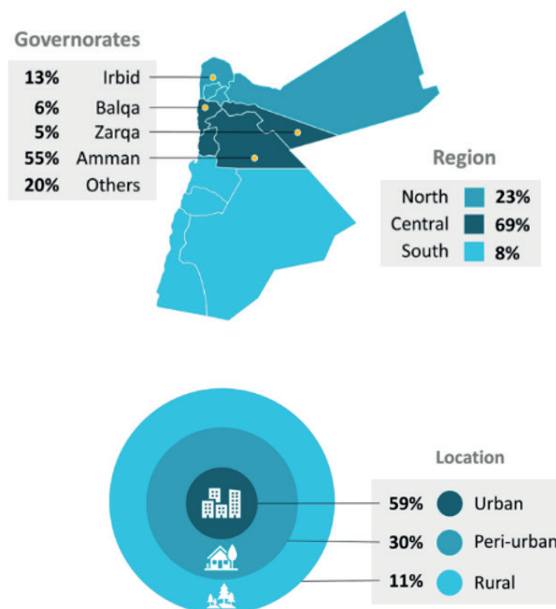


Policy brief 2021

# Impact of COVID-19 on Enterprises in Jordan: One year into the pandemic

For more than a year, the COVID-19 pandemic has had severe negative effects on people, businesses and workers around the world as well as in Jordan. In Jordan national lockdowns, border closures, and movement restrictions have forced enterprises to close or reduce their businesses as well as to lay-off employees and reduce workers' wages. In spite of the Jordanian governments' efforts to mitigate the pandemic's negative economic effects, the reported effects have been severe for businesses and workers.

The ILO, Fafo Institute for Labour and Social Research and the UNDP conducted a study on the pandemic's impacts on Jordanian enterprises one year after the first lockdown was introduced<sup>1</sup>. The study is primarily based on data collected from a phone survey of more than 2,000 Jordanian enterprises in February and March 2021, complemented by individual interviews and focus group discussions with representatives from various industrial sectors, including business



Geographical distribution of surveyed enterprises (n=2,039).

organisations, trade unions, enterprise owners, and workers. Furthermore, the report draws on data from a similar, albeit less extensive, phone survey carried out at the beginning of the COVID-19 pandemic in April 2020. About 700 of the same enterprises from the first survey participated in the more recent one.

This policy brief<sup>2</sup> presents the key findings of the study and recommendations based on the practical experiences of the ILO and UNDP.

# Key findings

## Impacts

- The COVID-19 pandemic has had negative impacts on enterprises of all sizes, and across all sectors. However, it has been particularly harmful to micro and small businesses.
- Four out of ten interviewed enterprises confirmed that they had laid off one or more employees since the outbreak of the COVID-19 pandemic.
- The greatest economic burden on enterprises during the pandemic was rent (61 per cent), wages and social security payments (51 per cent) and payment of invoices (30 per cent).
- One in five enterprises confirmed that their debt grew, taking into consideration that one-quarter of enterprises surveyed had bank loans plus more than one-third had either supplier credit or informal credit from family or friends.
- Informal workers have faced the greatest burden, exacerbating vulnerabilities. Informal daily wage workers — comprising a large proportion of the workforce in the construction, agriculture, and tourism sector — were not able to benefit from social security payments.

## Coping

- A majority of enterprises surveyed reported to be ‘just coping’ rather than proactively introducing new strategies or transforming business models.
- Overall, half of the surveyed enterprises responded that they did not introduce measures to sustain production and business continuity during the pandemic.
- Only 10 per cent of enterprises introduced e-commerce and online platforms.

## Support

- The number of enterprises accessing and benefiting from government support mechanisms seems to have declined during the year.
- Most enterprises (90 per cent) confirmed that they did not benefit from government support.
- Six in ten enterprises received government support in the form of a reduction or deferral of payroll taxes or wage subsidies through social security breaks or discounts on employers and employee contributions.

## Outlook

- Only four in ten enterprises (41 per cent) trust their economic resilience and feel confident that they will come through the pandemic as profitable and resilient businesses.
- While women-owned businesses represent only 7 per cent of the sample, respondents from women-owned enterprises were slightly more confident, with more than half expressing confidence in their ability to cope.
- The top three risk concerns expressed by enterprises in 2021 are reduced sales/demand, cash/liquidity problems, and loss of revenue.

# Recommendations

The economic recovery process provides opportunities for 'building forward better' through policy reforms that ensure sustainability and greater resilience. The impact of COVID-19 on enterprises is not only shaped by the impact on the broader economy but also the policy responses the government has adopted. The ongoing downturn - now in its second year - is exacerbating already difficult business conditions. Even prior to COVID-19, businesses faced a challenging business environment with many enterprises struggling with access to finance, an unpredictable policy environment, as well as high costs of doing business including high utility costs, difficulties in starting or closing a business, obtaining construction permits and enforcing contracts.

Working together for an inclusive and sustainable reform

ILO and UNDP will work together to promote policy dialogue and design a comprehensive programme to leverage the response into structural and inclusive reforms. This will help the government, social and development partners and the private sector to design and implement policies, systems and provide direct services in support of the following recommendations.

## 1. PROTECTING WORKERS

- Promote full, productive and freely chosen employment
- Support enterprises in carefully designing and managing restructuring
- A multi-track approach including social protection and sustaining minimum wages
- Reaffirm the importance and relevance of International Labour Standards
- Incentivise investments in human resources
- Provide reliable and timely information and effective coordination
- Moving towards an integrated response programme
- Sharing good practices
- Strengthening public-private dialogue

- Support to digital transformation
- Introduce digital reforms for the business environment
- Tax reforms to support formalisation
- Embrace opportunities for social enterprises

## 2. TAILORED SUPPORT



## 1. PROTECTING WORKERS

### [Promoting full, productive and freely chosen employment](#)

The crisis is causing an unprecedented reduction in economic activities and working time with severe impact on incomes and jobs. It is leading to a significant rise in unemployment and underemployment. Going forward, the promotion of full, productive and freely chosen employment (in accordance with the Employment Policy Convention, 1964 (No. 122)) will need to include selective measures to stabilise economies and address employment problems, including fiscal and monetary stimulus measures aimed at stabilising livelihoods and income as well as safeguarding business continuity.

### [Support enterprises in carefully designing and managing restructuring](#)

Restructuring does not necessarily have to lead to lay-offs or dismissals. An enterprise may be able to adapt by other means (early retirement, attrition, re-deployment or re-skilling of workers, etc.). It is foremost about carefully examining how to make the enterprise stronger and more resilient. A well-designed restructuring could better position the company for a recovery. Although, a poorly designed restructuring could adversely affect company performance by eroding morale and trust of workers and the community, including through the loss of skilled, experienced workers with vital knowledge and know-how.

For freelancers and self-employed, the “voluntary subscription” of the Social Security Corporation should become more inclusive, more affordable, and take into consideration different employment modalities (i.e. seasonal, freelancing, consultants, etc.).

### [A multi-track approach including social protection and sustaining minimum wages](#)

A phased multi-track approach to enabling recovery should include immediate social protection and employment measures promoting, among others, local economic recovery.

In the context of an economic downturn, sustaining minimum wage levels is particularly relevant as, overall, minimum wages can protect workers in a vulnerable situation and reduce poverty, increase demand and contribute to economic stability.

The ILO’s Policy Framework for responding to the COVID-19 crisis uses an integrated approach grounded in international labour standards and social dialogue. The aim is to mitigate the socio-economic implications of the pandemic and help countries recover from it. As a basic principle, the employment of a worker should not be terminated in the absence of a valid reason or connected with the capacity or conduct of the worker. Temporary absence from work due to illness or family responsibilities do not constitute valid reasons for termination.

### [Reaffirm the importance and relevance of International Labour Standards](#)

In Jordan, there is a high number of refugees and migrant workers, especially engaged as domestic workers and working in construction, manufacturing and agriculture, and who are also particularly vulnerable. While travel restrictions affect migrant workers and limit their ability to reach their place of work or to return to their families, these groups also face disadvantages when returning to the labour market or establishing a small business. The crisis created many challenges in labour markets and legal and regulatory frameworks in which MSMEs employ staff.

It is critical to reaffirm the importance and relevance of International Labour Standards within this context, recognising how this crisis contributes to the changing patterns of the world of work. This includes protecting MSME workers and accommodating the needs of sustainable enterprises (ILO 2020<sup>3</sup>). Nurturing the effective presentation of MSME employers and workers is essential, as is the need for effective social dialogue mechanisms that can be used to facilitate an agreed response to the employment challenges created by the pandemic.

#### Incentivise investments in human resources

Incentivise enterprises through business scale-up tax breaks and deferrals to invest in employee training, upskilling and job creation.

Enable home-based work and formal part-time contract arrangements, given that companies reverted to reducing wage-related costs.

#### Provide reliable and timely information and effective coordination

The government should provide up-to-date reliable and timely information through e.g. one portal summarising the government's defence orders and effects on particular sectors/economic activities with latest forecasts and updates of support measures and mechanisms of support.

#### Moving towards an integrated response programme

Strengthen, streamline and align government pandemic business support services through an integrated response programme and strategy that focuses on SMEs to plan, realign business models, financial and business planning, accelerate digital transformation and enable access to new export markets and trade services through chambers. The Jordan Investment Commission (responsible government entity for export promotion), Jordan Enterprise Development Corporation and Development Zones can enable access to new markets and online e-commerce platforms and trade lead databases.

#### Sharing good practices

Provide guidance to companies on good restructuring practices in response to the COVID-19 crisis, consistent with the provisions of international labour standards. Enterprises restructure for a variety of reasons, including to respond to business downturns, to reduce costs, or to adopt new work methods, new technologies, new investments. Mergers and acquisitions are another reason. The nature of business is dynamic. Similarly, there are a variety of benefits to restructuring, including reviving a declining business, increasing a company's value, preparing the company for sale, gaining a competitive advantage, or positioning itself for growth – in short, to maintain business survival and success.

#### Strengthening public-private dialogue to ensure greater responsiveness of mitigation measures to needs of enterprises and to enable sustainable socio-economic recovery

Allow greater space for business associations, chambers, industry, banks, SME networks and private sector representatives to inform and provide feedback on the COVID-19 response measures, and to enable supportive legislation. This will remove barriers and encourage investment.

For certain priority sectors, establish sectoral public-private task forces to inform and develop sector-specific recovery plans to build back from the pandemic, maximising support for employers and employees.

## 2. TAILORED SUPPORT

Design sector-recovery strategies and plans that can be rolled-out through decentralised and demand-driven response programmes focused on enterprise size and geographic needs. These strategies should be owned by line ministries and industry task forces with greater roles for private sector, industry associations and chambers in defining priorities and gaps.

Specific, tailored support for micro and small businesses is needed to ensure rapid, widespread employment generation opportunities. Government response measures need to be more inclusive taking into consideration entrepreneurs, start-ups, and young firms (from all sectors) coupled with a national small enterprise and start-up response program for COVID-19 that offers technical and financial support.

Enterprises operating in the informal economy have limited capacities and resources to cope with the impacts of the crisis. They operate in saturated markets with very limited profits and poor chances of survival. Given that they are often outside the purview of common government policies and programmes, tailored responses are needed to reach and support them in dealing with the shocks and to pave the way for transitioning to the formal economy, including social protection systems. Challenges in reaching informal units through conventional channels and processes need to be taken into account when designing programme delivery mechanisms.

Local administrations and regional authorities should consider introducing incentives for severely impacted sectors to reduce vocational licensing fees, enable shared offices leasing legislations, and develop small business centres and co-working spaces to reduce rental and property tax overheads on tenants. Nearly four in five of surveyed enterprises do not own the premises from which they operate.

Include SMEs in the investment promotion through incentives such as reducing costs of doing business and licensing fees for micro and small businesses (i.e. vocational licensing fees, incorporation fees, audits, legal, regulators, etc.). This will encourage small enterprises to register and benefit from government services and support packages, while stimulating the local economy at the same time.

### Support to digital transformation

Offer tax breaks and financial incentives for training and human capital development for companies and promotion of internships and apprenticeship programmes to enhance productivity, packaging and new business models through youth innovation and entrepreneurship.

### Introduce digital reforms for the business environment

The digitalisation of legal and regulatory procedures make compliance more accessible, transparent and rule-based, while reducing the cost of compliance to businesses. They also allows better access to markets and digital trading while removing or significantly reducing the need for physical contact. This can increase the access MSMEs and their workers in remote areas have to government services.

Government support could include the following measures, possibly delivered in collaboration with employers' organisations:

- Facilitating access to ICT tools and platforms for sourcing locally and for maintaining communications with customers;



- Setting up platforms to network with peers, to share information and avoid isolation;
- Providing web-based training on digital marketing and service delivery to increase online capabilities;
- Supporting both vendors and consumers to use digital channels for paying wages and/or goods.

Reduce cost of access to high speed internet for small enterprises and start-ups by reducing the sales tax, particularly in the remote areas where both cost and the availability of high-speed bandwidth are challenges. This can be accelerated through incentivising internet service providers to offer tailored SME e-commerce solutions and fibre optic infrastructure to small business incubators and accelerators.

The quickest payment channels, including mobile money and other digital payment services, should also be explored and quickly operationalised.

### [Tax reforms to support formalization](#)

Support tax reforms that encourage the transition to formalisation (ILO Recommendation 204<sup>4</sup>) and stimulate new industry development. While the government in Jordan introduced tax relief measures for businesses in the immediate crisis, new improvements to tax administration can be introduced in the medium-term, making procedures simpler, more transparent and easier to follow and comply with for micro and small enterprises.

### [Embrace opportunities for social enterprises to play an expanded role in recovery](#)

Social entrepreneurship could form a key pillar in the recovery process. In addition to boosting the economy it can support the social fabric, provide innovative services and products, promote sustainability and create jobs. Social enterprises can address environmental, social and market challenges, protect livelihoods, drive movements for social inclusion and sustainability, and provide improved access to health, sanitation, education and energy.

### [Engage MSMEs in the economic recovery](#)

Bring forward infrastructure development and industry transition programmes that will increase the demand for products and services, while improving public procurement policies and procedures that enhance MSME participation.

---

### Endnotes

1. The study is initiated by the ILO and implemented in collaboration with the United Nations Development Programme (UNDP) in Jordan with Fafo Institute for Labour and Social Research (Oslo, Norway) providing the technical and scientific support in the conceptual design and implementation of the study.

2. This brief is based on the publications:

-Tewodros Aragie Kebede, Svein Erik Stave, Åge Tiltnes; Maha Kattaa; and Michaela Prokop, Ramzi Maaytah, Silke Handley. (2021) Impact of the COVID-19 pandemic on enterprises in Jordan. [https://rebrand.ly/ILO\\_WCMS4](https://rebrand.ly/ILO_WCMS4)

-Tewodros Aragie Kebede; Svein Erik Stave; Maha Kattaa and Michaela Prokop (2020) Impact of the COVID-19 pandemic on enterprises in Jordan. [https://rebrand.ly/ILO\\_WCMS1](https://rebrand.ly/ILO_WCMS1)

3. Interventions to Support Enterprises during the COVID-19 Pandemic and Recovery [https://rebrand.ly/ILO\\_WCMS2](https://rebrand.ly/ILO_WCMS2)

4. Recommendation No. 204 concerning the Transition from the Informal to the Formal Economy [https://rebrand.ly/ILO\\_WCMS3](https://rebrand.ly/ILO_WCMS3)



Authors:

**Fafo:** Tewodros Aragie Kebede, Svein Erik Stave, Åge Tiltnes

**ILO:** Maha Kattaa

**UNDP:** Michaela Prokop, Ramzi Maaytah, Silke Handley.

©2021 United Nations Development Programme  
All Rights Reserved

The views expressed in this publication are those of the author(s) and do not necessarily represent the official position of the United Nations, including United Nations Member States and the United Nations Development Programme.



Regional Office for the Arab States

Aresco Centre -  
Justinien Street - Kantari  
P.O.Box 11-4088 Riad  
Solh 1107-2150  
Beirut – Lebanon  
[www.ilo.org](http://www.ilo.org)

International  
Labour  
Organization

Fafo Institute for Labour and  
Social Research

Borggata 2B  
P.O. Box 2947 Tøyen  
NO-0608 Oslo  
[www.fafo.no](http://www.fafo.no)

United Nations Development  
Programme  
UNDP Jordan Office

P.O.Box 941631 Amman 11194 Jordan  
Ishaq Al Edwan street Building no.  
16 Telephone: 00962/6/5100420  
Email: [registry.jo@undp.org](mailto:registry.jo@undp.org)

