Effectiveness and Innovation Potential in the Area of Active Labour Market Policies in Jordan

SUMMARY

This is a brief summary of a country report drafted as part of a larger research project commissioned by the European Training Foundation (ETF) to the Fondazione Giacomo Brodolini about the effectiveness and innovation potential in the area of active labour market policies (ALMPs), with a focus on ETF partner countries, in the context of the Covid-19 crisis. It analyses the conditions for post-COVID recovery and the role of ALMPs in this process in Jordan. Authored by Dr. Nooh Alshyab with the support of Eamonn Davern, the report was completed in March 2021.

Jordan is an upper middle-income country facing significant challenges in reviewing and adapting its employment policies and labour market interventions to address the implications of the COVID-19 crisis. Its population is exceptionally young, which offers a good deal of upside if the right structural adjustments and institutional reforms are implemented. Yet a series of reforms dating back to the 1990s failed to put much of a dent into unemployment. Complicating factors include a persistent budget deficit, which exacerbates the already existing public debt.

A decade of declining growth preceded the pandemic, partly due to higher costs for fuel imports and the burden of receiving growing numbers of refugees from Syria. The health crisis contributed to a drop in remittances from expatriates in 2020, thereby reducing an important source of foreign currency.

The public sector employs around 40% of the workforce, compared to 15% in wholesale/retail/trade and 10% in manufacturing. Unemployment remains high, particularly among young people – despite relatively high levels of education. Other pressing issues include gender disparities, skills mismatches and negative attitudes toward certain occupations (especially among young people).

The large informal sector, estimated at 15% of the economy, translates into revenue losses for the public sector. Since the 2008 financial crisis, the government has been trying to balance the budget and control expenditures while at the same time boosting food and fuel subsides to help vulnerable citizens.

The country lacks a dedicated agency to organize and coordinate employment policy, which had been guided by the 2011-2020 National Employment Strategy (NES). Already in need of updating prior to the pandemic, employment policies require significant revisions.

The Employment Directorate of the Ministry of Labour manages the delivery of public employment services (PES). Its wide-ranging responsibilities also include intermediation and the licensing of private agencies. Capacity constraints hamper efforts to provide employment and career guidance to all jobseekers. To receive services, citizens must register with a national electronic system. On the backdrop of shortage in employment opportunities, few receive relevant job placements or referrals that match their skills.

The system is urgently in need of reforms and the first step is mapping of existing programmes to identify gaps and duplications. This data can help guide a much-needed administrative reorganization and the

development of plans to meet future demands. Efforts focused on the long-term can facilitate a shift away from the somewhat ad hoc strategy that characterised the response to the pandemic. The government`s strategy centred on stability and job retention, but a consistent and cohesive administrative framework for ALMP design and delivery could help it to do more.

Most ALMPs are provided by non-governmental organisations (NGOs). The government offers some assistance with international support, though these programmes tend to be piecemeal and temporary. Private agencies help Jordanians find jobs abroad.

On top of this, Jordan lacks a comprehensive social protection system. Several agencies offer help via a wide variety of schemes run independently from PES and ALMPs. The social security system is hamstrung by weak enforcement and compliance, resulting in low coverage.

A strict lockdown introduced in March 2020, closing all non-essential sectors until May, hit the economy hard. Government debt increased, reducing investment capacity, including for ALMPs. Public policy focused on job retention and propping up hard-hit companies. International support went to emergency social assistance, education, small- and medium-sized (SME) companies, and emergency refugee aid. PES did not change appreciably. Face-to-face services were suspended, moving online.

Jordan's post-COVID recovery will likely be slow due to high debt and unemployment and the need for structural adjustment. The crisis exacerbated pre-existing economic problems, indicating a high probability of continued dependence on aid, loans, and regional trade with similarly troubled neighbours. Prospects for the most vulnerable citizens remain bleak. Some ALMPs do in fact work, but fragile institutions provide little guarantee of effective delivery.

The report offered a series of concrete recommendations. They included:

- Measures to combat unemployment, especially among young people - First, reform the ALMPs ecosystem by streamlining employment promotion and improving overall governance. Second, invest in education, especially VET, address skills mismatches, and anticipate future trends. Both efforts should be included as part of a broader strategic reform of employment and human resource development initiatives.
- Bolster the social protection framework – Since resources are limited, policymakers must be creative to encourage employment and employability.
- Streamline and Consolidate – Employment promotion and ALMPs would benefit from clear definitions of responsibilities for stakeholders. This would improve coordination and governance, reduce duplication and close gaps.
- Consolidate International Support – Foreign and international support for ALMPs should be united under one roof.
- Monitor – The country needs a comprehensive and well-organised monitoring and evaluation system for all labour market-related interventions and data.
- Strategy for skills matches – To address skills mismatches, a major cause of youth unemployment, a long-term strategy should be developed to overhaul the educational system and change the mindsets of younger people.
- Better sharing and dissemination of data – Many services, such as counselling, in particular, would benefit from better data collection and sharing.
- Reform the professional licensing system - Even for recognised professions, licensing is often poorly implemented. The absence licensing for other relevant professions creates a vicious cycle. Uncertified professionals are poorly paid, reducing their motivation. Mandatory licensing would improve the standards of professional services and could translate into higher productivity and competitiveness at a macro-economic level.

- Overhaul PES – The pandemic highlighted some of the problems with the PES system in Jordan. With a well-structured programme, following in the footsteps of other countries, Jordan may have better navigated the pandemic. Going forward, an administrative overhaul could help align priorities, even with a constrained budget.

The pandemic exacerbated the already major challenges for the effective delivery of ALMPs. Without a fully-fleshed out strategy for job creation and related issues, improvement will be difficult. Without better cohesion in the design and delivery of ALMPS, ditto. Without better data collection and analysis, progress will be hard to come by. Better strategic planning and more administrative cohesion are both essential.