

Report

Layoff of Workers in Jordan

"Comparison between the current situation and announced figures"

Labor Watch Reports

Prepared by:

Jordan Labor Watch

Phenix Center for Economic and informatics Studies

In Cooperation with Friedrich-Ebert-Stiftung

March, 2010



للدراسات الاقتصادية والمعلوماتية
ECONOMIC & INFORMATICS STUDIES

Phenix Center for Economics and Informatics Studies

Is an independent scientific institute founded as a house for study, research and public opinion measurement in Amman in 2003. the Center seeks to contribute to the realisation of comprehensive development in Jordan through developing and modernising of the Jordanian community at the economic, social, political and legislative levels, working to foster democracy in Jordan on the basis of freedom and equity, ensuring basic human rights at the social, political and civil levels for all Jordanians through developing projects and conducting studies and opinion polls and reports, in addition to creating a database that covers all fields of development to help realise the centre's objectives.



Friedrich-Ebert-Stiftung (FES)

Is a German non-profit political foundation based on the principles of social democracy. FES was founded in 1925 , FES promotes international cooperation, education and research in Germany and abroad. FES opened it's office in Amman in 1986 for supporting and enhancing efforts of civil society organisations to become accepted partners of public bodies, enhancing furthers political dialogue between decision-makers from Jordan, Iraq, Germany and the region, and strengthening the participation of youth in the political process.



Labor Watch

Is a joint program between Phenix Center for Economics & Informatics and Friedrich - Ebert - Stiftung (FES). Labor Watch Works to Monitor the status of labour and trade union movements in Jordan, lobbying for the development of labour legislations in cooperation with the concerned parties and in accordance to the international labour standards, contributing to the development of work conditions in Jordan, publishing reports on the status of laborers in Jordan, to raise awareness among workers themselves, facilitating the exchange of expertise in trade unions among other Arab and foreign countries to benefit from their experiences.

Disclaimer:

Phenix Center for Economics and Informatics Studies and Friedrich - Ebert - Stiftung is not responsible about the statements of workers and their leaderships.

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Introduction

The labor movement in Jordan faces a new challenge that is the dismissal of workers. In the Jordan labor market, tens of companies have laid off and continue to dismiss workers legally and illegally. Through this report, we attempt to shed light on the issue of laying off of workers by highlighting statistics on the number of laid off workers internally and abroad. In addition, we aim to shed light on companies' justifications behind the layoffs taking advantage of article 31 of the Labour Law as well as some visions on layoff operations during the rest of 2010. The report also entails recommendations that are prone to help in curbing the dismissal of workers and reducing the impact of layoffs.

Ahmed Awad, Director
Phenix Center for Economics and Informatics Studies

Statistical aspect

In the issue of layoff of Jordanian workers, two types of analysis can be used; the first being the "statistical aspect" that highlights the registered numbers of laid off workers at the Labor Ministry, while the second is a socio-economic analysis. The second analysis, which does not highlight figures, sheds light on methods and mechanism of layoffs as several institutions laid off their workers without reporting to the Labour Ministry. Other institutions negotiated with their workers to lay them off, giving them an option to accept a settlement or receive compensation for arbitrary dismissal. Most of the times, the settlement seems like voluntary resignation not arbitrary dismissal that is registered at the concerned entities. Analyzed statistics indicate that article 31 of the Jordan Labor Law Nom. 8 for the year 1996 and its amendment, enabled institutions and factories to layoff about 3,750 Jordanian workers in 2009, in addition to some 6,900 non-Jordanians.

A total of 32 companies submitted requests to the Labor Ministry in 2009 to lay off many of their Jordanian laborers based on article 31 of the Jordanian Labor Law nom. 8 for the year 1996 and its amendments.

A total of 29 applications were approved under which 1,052 laborers were laid off. In addition, some 2,250 Jordanian workers were laid off other than those dismissed upon the approval of the 29 applications. Most of those laid off were in the textile and weaving sector and in the Qualifying Industrial Zones. In addition, some 6,900 guest workers were laid off majority of whom are Indian and Bengali. Moreover, there are hundreds of workers who were laid off without reporting to the Labor Ministry. Some of them were given the option whether to accept the compensation for arbitrary dismissal, which ranges in volume from 3-6 months of salary. This dismissal is approved by the Labor Law.

Others were given the option to voluntarily resign in return for a compensation that is more than that of those who are arbitrarily dismissed according to the article of the Labor Law. Such compensations range from a salary for six months, a year, two years or other compensations. Some of these companies forced their laborers to quit their jobs for a variety of reasons. During the first two months of 2010, 472 employees were laid off upon the approval of the Labor Ministry of one of five

applications it received for laying off. In addition, the Ministry of Agriculture laid off 256 day-laborers and this issue is still under negotiations between a committee representing those workers formed by the professional associations and the government after those dismissed staged a series of sit-ins before the Prime Ministry. The reasons behind the disparity in figures by the Labor Ministry and the actual numbers of those laid off is that many institutions completely shut down and laid off their workers without submitting applications to the Labor Ministry, especially in the Qualifying Industrial Zones.

In spite of the large numbers registered by the Ministry of Labor, the Jordanian trade unions and the media outlets, the Jordanian Labor Observatory believes that the number of those who lost their jobs in 2009 and during the first two months of 2010 is way beyond the above mentioned figures, especially in light of the structure and the conditions of the Jordanian labor market. Many small and medium-sized institutions, which represent a majority of economic institutions in Jordan, lay off their workers without announcing that and

without reporting to the Labor Ministry. In addition, most of the workers in Jordan do not contact their trade unions for different reasons, thus, they do not report their situation and these unions are unaware then of the layoffs. In light of the obtained figures, most of the economic sectors that were affected by the group layoff of workers was the textile and weaving sector as it witnessed in 2009 the dismissal of 9,432 workers of whom 2,480 Jordanians and 6,952 guest workers. Tens of companies in the Qualifying Industrial Zones closed. The second sector in the list was the construction sector, which witnessed the dismissal of 1,150 workers due to the troubled financial conditions that several companies working in the sector faced as a result of drop in the constructions sector.

In addition, some of the Jordanian factories working in the field of ceramics witnessed a drop due to the weak competition of Jordanian products with the similar imported items that saturated the Jordanian market with low prices compared to the Jordanian products. The other laid off workers were distributed in other economic sectors.

Jordanians working abroad:

There are no official or unofficial estimates about the number of Jordanians abroad who lost their jobs in 2009. Initial data, collected contacting several workers and some of those concerned in some of the Gulf countries, indicate that few hundreds of Jordanians abroad lost their jobs as these countries were affected by the global economic crisis that hit the world late 2008 and in 2009. Most of those Jordanians were in the construction, financial and IT sectors and some of them returned home while others stayed in these countries. Available information show that fear of layoffs in these countries continues to exist. Figures show that there are 600,000 Jordanians abroad of whom 141,000 work in Saudi Arabia, 19, 000 in Kuwait, 9,500 in Qatar, 3,500 in Libya and some 3,400 in Oman.

Reasons for workers' layoffs

Available information show that there are two main reasons behind group layoffs of workers in Jordan in 2009 and during the first two months of 2010. The closure of companies was the main reason behind the layoffs followed by restructuring operations by some companies that benefited from

article 31 of the Jordanian Labor Law. The law enables companies to terminate working contracts that are unspecified with periods of time or partially or fully suspending these contracts if the employer faces technical or economic conditions or replaces a production system, which is known as restructuring, or in case of complete stop of work.

Although many trade union members, workers and officials acknowledge that manipulate the law by asking for closure or restructuring, majority of the applications submitted to the Ministry of Labor in 2009 and the first two months of 2010 were approved. During the above mentioned period, a total of 37 companies submitted applications to the Ministry of Labor for restructuring or closure. A total of 30 applications, or 81 percent of them, were approved.

Different expectations for 2010

Initial analysis of the economic sector and the labor market indicate that majority of the sectors will witness a decline in terms of layoffs due to positive growth expectations. However, there are economic sectors that face major difficulties that will

lead to an increase in the layoff operations. Such sectors include the construction sector, especially in light of decline in the construction movement and drop in production performance for several companies working in the manufacturing of ceramics due to the weak competition of the Jordanian product with similar imported products that saturated the Jordanian market with low prices compared to the Jordanian products.

There are also fears that many economic

sectors in 2010 will continue to be under the impact of the economic crisis that hit them in 2009, which will force these companies to lay off more workers. There are also fears that the government continues to layoff its day-laborers as it did recently with day-laborers at the Agriculture Ministry. In addition, there are fears that plans by the government that seek to ration public expenditure in 2010 will cause a drop in some economic sectors, thus leading to the loss of many jobs in these sectors.

Recommendations

The report recommends the following:

1. Amending article 25 of the Jordanian Labor Law related to arbitrary dismissal in a manner that obligates companies to give the jobs back to workers and increase the compensation for workers in case of arbitrary dismissal as the volume of compensation in the current article is low and ranges from three to six months only.
2. Amending article 31 of the Jordanian Labor Law that allows employers to lay off workers in a manner that ensures having strict controls for employers when laying off group of workers.
3. Increasing the coverage of social security under the Social Security Corporation so it covers unemployment, especially laid off workers to reduce the negative impact they suffer when and after being laid off.
4. Creating a database for statistics related to the laid off workers, whether relying on applications companies submit to the Ministry of Labor or from companies that do not submit such requests.
5. Protecting some Jordanian industries from saturation in the market with competitive commodities that threaten the quality of local industries.