Impact of Syrian Refugee Crisis on Jordan’s Economy

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Question

What impact has the Syrian refugee crisis had on Jordan’s economy? What are the challenges faced in relation to livelihoods for Syrian refugees in Jordan? What measures can be taken to support livelihood opportunities for Syrian refugees and poor Jordanians?

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1. Overview

There has been a massive influx of Syrian refugees into Jordan since the Syrian conflict began: the official figure is over 650,000 but the actual number is likely to be much higher (ACAPS, 2016: 1). This has placed a huge burden on public services and infrastructure (Carrion, 2015). Moreover, the highest refugee concentrations are in areas of Jordan with the highest rates of poverty and vulnerability. The refugee influx has caused increased prices, in particular food, basic commodities and rental rates, in hosting communities (SNAP, 2014). But the overall impact on employment and the Jordanian economy is mixed, with both negative and positive effects.

There is a perception that Syrian refugees are crowding Jordanians out of jobs, but the evidence indicates that the kinds of informal sector low-paid, low-skilled jobs being taken by Syrians are the kind that most Jordanians would not do. Migrant workers and poor Jordanians are the groups being adversely affected (Stave & Hillesund, 2015). The World Bank estimates the refugee crisis has cost Jordan USD 2.5 billion a year¹. However, the country has benefitted from increased consumer demand due to the refugee population, increased international assistance and presence of aid agencies, and Syrian investment in Jordan. Indeed, it is argued that the economic ‘benefits’ of the refugee influx have helped offset the losses due to regional instability and disruption of trade routes (IRC, 2016a).

The Jordanian government has severely restricted Syrian refugees’ legal access to the labour market (IRC, 2016c), forcing many to seek work illegally in the informal sector where pay is less and conditions poor. This has created downward pressure on wages in Jordan, hitting poor Jordanians the hardest (Francis, 2015). The government’s tendency to blame Syrian refugees for the country’s economic woes (ibid; Dubbaneh, 2016) – many of which predate the Syrian refugee crisis and have other causes - feeds into growing public resentment of refugees (Carrion, 2015). These are significant barriers to opening refugee access to labour markets (Lenner, 2016).

As the Syrian crisis becomes protracted, and the return of refugees in the next several years appears less and less likely, the challenges are increasing. The international community’s provision of humanitarian aid is diminishing and unsustainable over the long-term. Pressure on services and infrastructure in Jordan is growing. Refugees are becoming increasingly impoverished and desperate, with negative coping mechanisms such as child labour being seen (Save the Children & UNICEF, 2015). There are significant structural issues facing the Jordanian economy: insufficient revenue, costly subsidies and a large public sector, water scarcity, and dependence on energy imports. These continue to impact growth, and the situation of ordinary Jordanians, particularly in hosting communities, is becoming more difficult.

In recent years the international community has shifted its thinking on the management of the Syrian refugee crisis from provision of humanitarian relief to a development-oriented focus, centred on inclusive livelihood provision (Verme & MacLeod, 2016). The Jordan Compact agreed at a donor conference in London in February 2016 embodies this new approach. It is effectively a trade-off, whereby Jordan secures increased tariff-free access to the

EU market and increased international investment in job creation and growth, in return for allowing Syrian refugees to work in Special Economic Zones and in industries which do not employ many Jordanians (Lenner, 2016; Mellinger & van Berlo, 2016). The objective is to promote job creation and self-sufficiency for both Syrian refugees and local Jordanians, increase investment and growth in Jordan, and curb Syrian onward migration to Europe (a key consideration in the renewed international focus on the Syrian crisis) (ibid; Economist, 2016).

While in theory the Jordan Compact represents a ‘win-win situation’ for all parties – refugees, local Jordanians, the Jordanian government, donors - implementation and realisation of its goals faces a number of challenges (Lenner, 2016). These include the need to translate pledges into actual funding and actual trade concessions, previous limited success of such approaches to job creation and growth in Jordan, and the need to address procedural hurdles in obtaining work permits. Should the Jordan Compact overcome these obstacles and achieve its objectives, it could present a radically new approach to dealing with such crises, and could certainly be replicated in Lebanon and Turkey.

2. Impact of Syrian refugee crisis on Jordanian economy

Refugee Influx

Syrian refugees have been entering Jordan since 2011. As of 19 August 2016, there were 656,042 registered Syrian refugees (ACAPS, 2016: 1); the actual number is likely to be much higher with unregistered refugees and Syrians living in Jordan before the war\(^2\) (Carrion, 2015: 3). This is equivalent to over one tenth of Jordan’s population before the Syrian crisis.\(^3\) Only 21.5 per cent of registered Syrian refugees are living in camps; 78.5 per cent are in urban areas, distributed as follows: Amman (26.4 per cent), Mafraq (23.9 per cent), Irbid (20.7 per cent) and Zarqa (16.7 per cent) (ACAPS, 2016: 2). The greatest influx of Syrian refugees has been into Jordanian governorates bordering Syria: Mafraq, Irbid, Ar-Ramtha and Zarqa (Carrion, 2015). These are also the areas of Jordan with the highest numbers of impoverished Jordanians. In other words, refugees have largely ended up in communities with the least capacity to accommodate them.

The influx of large numbers of Syrian refugees into Jordan has placed huge pressure on delivery of public services like education, health and WASH. The availability and quality of public services has deteriorated in the northern governorates. Water shortages have increased; local municipalities struggle to cope with the increased amounts of waste, and the need for more electricity infrastructure and roads (Carrion, 2015). The refugee influx has caused price increases in host communities: increased demand for food and basic commodities and for rental accommodation has led to both becoming more expensive. In Mafraq rents were reported to have increased by 400 percent as a result of the crisis, and demand for housing increased to 19 times the average annual need (SNAP, 2014: 12). Levels of poverty in governorates such as Mafraq and Irbid were already high, and such inflation has made life harder for local people.

\(^2\) Around 160,000 Syrian migrant workers were in Jordan before the outbreak of the war (IRC, 2016a: 1).

\(^3\) Jordan’s population was estimated at 6.4 million in 2012 (SNAP, 2014: 1).
Impact on employment

The impact of Syrian refugees on employment figures in Jordan is debated, in part because nearly half of Jordan's workforce is in the informal economy making accurate assessment difficult (Carrion, 2015: 5). A household survey conducted by the ILO and Fafo in Amman, Irbid and Mafraq in 2014 found that Jordanian unemployment in these areas increased from 14.5 per cent in 2011 to 22.1 per cent in 2014 (Stave & Hillesund, 2015: 6). In some sectors, notably construction, there was some indication of Syrians crowding out Jordanians from the job market: the share of Jordanian male workers employed in the construction industry fell from 9 to 7 percent from March 2011 to March 2014, while the share of Syrian refugee workers increased substantially (ibid). Similar signs of out-crowding were seen in the wholesale and retail trade industry (ibid). However, the ILO-Fafo study found that most employed refugees had jobs that appeared to have been created since the beginning of the crisis in an expanded informal sector (Ibid: 7). Indeed, some aid officials estimated unemployment in the northern governorates had actually fallen. Other studies, contested by aid and development officials, claim that Syrian refugees have taken 31,000 jobs that would have gone to Jordanian women (as of 2012), and that Syrian refugees have taken a total of 40,000 jobs from Jordanians between the crisis beginning and 2015 (Carrion, 2015: 5).

Syrian refugees have very limited rights to work in Jordan (see below) and most are therefore working in the informal sector. There are an estimated 160,000 Syrians working illegally in Jordan (IRC, 2016a: 1). They take low-wage, low-skilled jobs in sectors such as construction, agriculture, food services and retail – ‘all sectors not typically attractive to the majority of host workers’ and ‘seen to be undignified or poorly paid’ (IRC, 2016a: 2). Such jobs are, however, taken by impoverished Jordanians (such as those in Mafraq and Irbid) and by migrant workers from Egypt and Sudan, for example. The entry of Syrian refugees into the labour market has therefore increased competition for low wage, low skilled jobs with poor Jordanians and migrant workers – but not with the majority of Jordanians. Indeed, Karasapan comments that the Jordanian economy's dependence on low wage, low skilled workers facilitated the initial absorption of Syrian refugees.4

There are alternative explanations (to Syrian refugees) for changes in employment figures in Jordan. Unemployment, especially youth unemployment, had been rising in Jordan even before the Syrian refugee crisis, due to factors such as the global financial crisis and a mismatch between skills and demand in the labour market (IRC, 2016a). A further point is that unemployment rose in the formal sector – where, as seen, Syrians are excluded from working, but fell in the informal sector (ibid). A government report explained the rise in unemployment between 2010-2013 as due to two factors: a massive youth bulge so that ‘the working age population grew disproportionately compared with the general population, overwhelming the job market’, and fiscal consolidation measures by the government which reduced public sector jobs (Francis, 2015). ‘Thus, young Jordanians who otherwise would have entered the public workforce became jobless just as the economy contracted and the private sector faltered’ (ibid: 12).

The increased competition in the informal sector caused by Syrian refugees has disproportionately affected the poorest and most marginalised in Jordan, already working for the lowest wages. ‘Downward pressure on wages in the informal employment market threatens to make the economic situation of Jordanians who rely on them untenable. The 14 percent of Jordanians living below the poverty line rely on wages from informal employment for half of their earnings. Thus, suppressing wages…. intensifies poverty among the most vulnerable Jordanian communities’ (Francis, 2015: 13). The Syrian refugee crisis has increased marginalisation in Jordan.

Syrian refugees are highly vulnerable to labour exploitation and abuse. ‘The lack of access to safe and legal work exposes Syrian refugees to multiple forms of exploitation. This problem is exacerbated by the fact that many Syrians, out of fear of being caught working or facing potential deportation by the authorities, do not seek recourse against their employer when exploited, and often are unaware of their rights as workers’ (IRC, 2016a: 3-4). Syrian refugees will often be willing to work for low wages that Jordanians would not accept, and are even likely to be paid less than other migrant workers. The minimum wage in Jordan is JD 190 (USD 266) per month, but Syrian refugees are paid as little as JD 4-10 (USD 5.6-14) per day.

The willingness of Syrian refugees to accept lower wages and harsher working conditions compared to Jordanians has led to increased informalisation of the Jordanian labour market and deterioration in labour standards for everyone. It ‘encourages lack of compliance with labour standards, negatively affecting all workers, regardless of nationality’ (ACAPS, 2016: 4; Stave & Hillesund, 2015). Moreover, as the crisis drags on these negative effects are becoming entrenched. Nicholas Grisewood, an ILO Crisis Migration Technical Specialist, notes: ‘The unfortunate thing is that, with what has now become a protracted crisis, these issues are now becoming structural’ (cited in UK Parliament, 2015: 6).

Another sign of Syrian desperation and negative coping mechanisms is child labour. ‘With Syrian refugees unable to access legal work, children often become the main or only earner for the family’ (IRC, 2016a: 4). If the willingness of adult Syrian refugees to accept low wages is an incentive for employers to hire them, this is even more the case for Syrian children: children in Jordan earn between USD 2.8-7 (JD 4-10) per day. ‘Employers prefer to hire children because they are less likely to be noticed and stopped by the police than adults, accept lower wages, can be easily dispensed with and are unlikely to organise for protection and support’ (IRC, 2016a: 4). A 2015 Save the Children-UNICEF report states that 84 percent of employers interviewed admitted employing children in the past two years (2015: 11). The problem of child labour among Syrian refugees is increasing as the crisis becomes protracted and humanitarian assistance diminishes. A December 2015 UK Parliamentary report found that: ‘In Jordan, the proportion of under-aged children in work increased from 5% before September 2015 to 29% now’ (UK Parliament, 2015: 2).

**Overall impact on economy**

There is similar disagreement over the impact of the Syrian refugee crisis on the economy as a whole, as it has had both positive and negative effects. In terms of positive contribution, capital brought by Syrian refugees has been used in Jordan, for example to buy consumer goods and to set up businesses; one estimate put the total FDI coming into Jordan from Syria in 2013 at USD 1 billion (Carrion, 2015: 6). The arrival of aid agencies into the country has similarly brought money in, and created jobs for educated Jordanians. Consumer demand has increased,
benefitting local suppliers. And, as noted, house rents have increased bringing more income for landlords. An estimated 18 per cent of Jordanian housing stock was vacant prior to the Syrian crisis but is now largely rented out (SNAP, 2014: 11). Syrian refugees have also provided a cheap source of labour for Jordanian businesses and farmers.

Jordan has received significant international aid to deal with the Syrian refugee crisis: foreign grants and loans in 2012 totalled USD 3.1 billion. US economic aid to Jordan was USD 700 million in both 2014 and 2015 – almost double the amount provided in 2011 (Dubbaneh, 2016). ‘Between 2012 and 2015, Jordan received an unprecedented amount of international aid contributing to an increase in public investment buoying GDP growth’ (Francis, 2015: 14).

It is important to note the broader macroeconomic and fiscal implications for Jordan’s economy of the Syrian crisis that are separate from the economic impact of Syrian refugees, e.g. disruption of trade routes through Syria (IRC, 2016a). Indeed Francis asserts that the ‘primary destabilising economic factor was the deterioration of trade’ (2015: 14). Given this, she argues that ‘restricting the number of Syrian refugees will not fix the country’s more insidious economic challenges’ (ibid). An IRC report goes further, referring to ‘a growing body of research that evidences the vital role Syrian refugees play in stimulating host economies and even buffering host economies from some of the wider regional economic impacts of the Syrian war’ (IRC, 2016a: 7).

The literature also highlights the fact that the Syrian refugee crisis has exacerbated economic challenges that were already present in Jordan. ‘(T)he Jordanian economy was already struggling with destabilizing elements before the Syrian crisis; indeed, much of Jordan’s economic malaise does not stem from the presence of Syrian refugees but rather from pre-existing economic conditions’ (Francis, 2015: 11). Dubbaneh echoes this: ‘many of the symptoms of Jordan’s economic instability such as water shortages, shrinking GDP, high unemployment, and poverty rates all predated the Syrian crisis’ (2016).

Counter perspectives highlight the cost to Jordan of hosting such a large refugee population and the enormous strain on services and infrastructure, as well as negative effects on employment for Jordanians and downward pressure on wages. Jordanian economist Khalid Wazani estimated that the aggregate cost to the Jordanian economy of the Syrian presence up to the end of 2013 was JD5 5.8 billion (USD 8.2 billion), compared to benefits of JD 4.1 billion for the same period (Wazani, 2014: 12). The World Bank estimates that the Syrian refugee influx has cost Jordan over USD 2.5 billion a year: ‘this amounts to 6 percent of GDP and one-fourth of government’s annual revenues’.6

However, donor fatigue is setting in. As of 22 June 2015 the UN had received only 22 per cent of the funding it requested for the Syria crisis in Jordan (Carrion, 2015: 8). The government’s 2015 Jordan Response Plan was only 12 per cent funded as of 28 May 2015 (ibid). Furthermore, the positive economic effects of the Syrian refugee influx do not necessarily trickle down to the poorest and most marginalised in Jordanian society, nor indeed on a day-to-day basis to ordinary people.

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5 Jordanian Dinars

Perceptions

The Syrian refugee influx into Jordan has, as seen, had both negative and positive effects on the country’s economy. Despite this, it is convenient and common for the government to place the blame for Jordan’s economic problems on Syrian refugees (Francis, 2015; Dubbaneh, 2016). Such scapegoating is done both to divert/reduce domestic anger at the government, and to attract increased aid from the international community. ‘Jordanian government officials have repeatedly overemphasised the negative impacts of the Syrian influx into the country, attributing a contracting GDP, water shortages and growing poverty and unemployment rates exclusively to the refugee crisis’ (ACAPS, 2016: 3). Related to this, the government plays up the scale of the influx: just prior to the February 2016 London donors conference, Jordan released a preliminary analysis of the 2015 census data, showing that there were almost 1.3 million Syrian refugees in the country – double the number registered with UNHCR (Lenner, 2016: 1). Conversely, the government downplays the positive effects of the Syrian influx – increased consumer demand, public investment, job creation. Aid and development officials claim the government ‘prevented international agencies from publishing studies showing that the overall economic impact of the refugees was beneficial’ (Carrion, 2015: 5).

The portrayal of Syrian refugees as responsible for Jordan’s economic woes has a receptive audience in the Jordanian public. This stems in part from Jordan’s long history of accommodating refugee populations. Large numbers of Palestinians entered Jordan after the creation of Israel in 1948 and a second wave during the 1967 Arab-Israeli war; they and their descendants are still in the country and probably form the majority group now. Following the first Iraq war some 500,000 Iraqis’ fled to Jordan and many remain settled there, with a second smaller wave coming after the fall of Saddam. For a country with a total population of around 6 million (prior to the Syrian crisis), such influxes pose serious threats and add to insecurity among the country’s ‘original’ Transjordanian population.

Despite evidence that Syrian refugees are competing with migrant workers and the poorest Jordanians for informal sector jobs that most Jordanians would not take, ‘the argument that Syrians are crowding out Jordanians from the labour market remains omnipresent in public discourse’ (Lenner, 2016: 6). A local joke reflects the public mindset: ‘The Egyptian is cleaning, the Syrian is selling, the Iraqi is buying, and the Jordanian is watching’ (Economist, 2016). Carrion points out that it is not statistical figures (e.g. about Syrian investment in Jordan) which shape Jordanian public opinion but rather ‘personal experience, media representations and word of mouth’ (2015: 6). That opinion is increasingly negative and hostile, among host communities, in the Jordanian population as a whole and in the media.

A further factor encouraging public scapegoating of Syrian refugees is that their influx took place at the same time as the Jordanian economy faltered and the government was forced, as part of a 2012 stand-by agreement with the IMF, to take unpopular fiscal consolidation measures such as cutting subsidies, curbing public sector recruitment and liberalising the economy. ‘The timing of the economic crisis and arrival of Syrian refugees fuelled public perceptions that Jordan’s economic hardships were a result of the Syrian presence, even though regional instability was the primary culprit’ (Francis, 2015: 12).

Not surprisingly, anger at Syrian refugees and blaming them for economic problems is greatest in the northern governorates where there are the largest concentrations of refugees and where, as noted, many Jordanians are among the most impoverished and vulnerable in the country. Local people feel their situation has become even worse because of the Syrian refugees. ‘This arises from the perceived and real impacts of the crisis on rents, prices, public services and public order’ (Carrion, 2015: 6). Tensions between host communities and refugees in the northern governorates are rising (Mercy Corps, 2012). Public anger is not confined to refugees and the government. A major grievance against the international community is that aid has only (or largely) been provided to Syrian refugees and not to needy Jordanians. Local anger caused the Jordanian government to demand that one-third of the beneficiaries of aid projects be Jordanians. This has led to a greater focus among donors on promoting resilience and development of communities hosting refugees, but actual funding for resilience and development projects has been poor (Carrion, 2015: 7).

Public perceptions are important because these influence government policy. In Jordan’s case, they have already led to the government placing restrictions on the entry of more Syrians into the country, and on their access to education and healthcare. They also limit the government’s scope to open up access to labour markets for Syrian refugees, even as the rationale for this is growing stronger (see below). ‘Anti-integrationist rhetoric overshadows those calling for official integration of Syrians into the labour force’ (Lenner, 2016: 5). ‘Frustrated citizens have demanded limited competition from Syrian refugees and constrained the Jordanian government in its ability to respond to the crisis’ (Dubbaneh, 2016). ‘Among all the debates regarding the treatment of Syrian refugees, the right to access livelihood has been the most contentious’ (ibid).

3. Livelihood provision for Syrian refugees

Government position

There is strong protection in international law for the right to work of refugees. The 1951 Refugee Convention relating to the Status of Refugees and its 1967 Protocol set out minimum standards for the treatment of refugees and include the right to engage in wage-earning employment and self-employment. Jordan is not a signatory to the Convention. Refugee rights are also provided for under Article 23 of the Universal Declaration of Human Rights and under the International Covenant on Economic, Social and Cultural Rights, though the latter allows for developing countries to determine the extent to which they will guarantee economic rights for non-nationals (IRC, 2016b). Jordan is a signatory to both, but enforcement challenges and lack of awareness of these rights mean compliance can fall short. The IRC notes a lack of willingness to hold states to these rights ‘in the context of refugees, in particular in contexts where states host large refugee populations’ (ibid: 3).

Jordanian national law has no special legislation for refugees. Rather, they are treated in the same way as other foreigners in the country. Jordan’s constitution clearly states that the right to work is reserved exclusively for Jordanian citizens. While some professions are open to non-Jordanians (migrant workers), the list of ‘closed professions’ includes most white collar work as well as many other jobs: ‘engineering, teaching, service sector jobs, clerical and telephone jobs, driving, guard jobs, industrial related jobs and jobs in the medical field’ (IRC, 2016b). There are some exceptions, e.g. doctors can work in Jordan if they are registered to practise medicine in
any Arab country and that country abides by the reciprocity principle. In general, though, legal access to labour markets for foreigners in Jordan is extremely limited.

Even where Syrians are allowed by law to work, they face other difficulties. Jordanian law requires foreigners to have a work and residency permit. Fees for work permits are supposed to be paid by employers, but Syrian refugees often have to do so themselves. Fees range from USD 170-1,270 depending on the sector. Given the high costs involved ‘it is utterly unfeasible for most Syrians to actually apply for permits’ (Lenner, 2016: 5). As well as cash, they need official documentation to obtain a permit, notably a valid passport and, for those not in camps, proper documentation of their ‘bail-out’ from a refugee camp. Since many refugees fled Syria without passports or other official documentation, they typically cannot meet the requirements to obtain a Jordanian work permit. This is a major factor pushing them to work in the informal sector, where they are vulnerable to exploitation and abuse. The IRC report comments that ‘the specific vulnerabilities and problems that come with being a refugee have been largely neglected’ (2016b: 5).

Not surprisingly, given the restrictions and challenges, very few work permits have been given to Syrian refugees in Jordan. As of July 2016 the total was around 20,000 (Mellinger & van Berlo, 2016). Much of these came about following changes introduced as a result of the Jordan Compact (see below). Since the beginning of March 2016 Jordan has allowed Syrian refugees to use UNHCR-issued asylum-seeker cards and Jordanian Ministry of Interior identity cards to obtain work permits. In April 2016 the Jordanian government announced a 90-day reprieve allowing employers in the informal sector to obtain work permits for Syrian refugees for free, thereby regularising their employment. Moreover, by regularising their Syrian workers, employers could avoid fines of between USD 280-2,100. According to a UNHCR statement, the imposition of such steep fines had led to the closure of some 70 businesses as of April 2016.8 The three month grace period was later extended to the end of the year.

The Jordanian government’s reluctance to allow Syrian refugees access to the labour market is influenced to a great extent by public opinion. ‘Politicians view the large-scale provision of work permits to Syrians as unacceptable given the already significant unemployment of local populations, and oft-reported instances of tension between host communities and refugees over jobs and resources’ (Lenner, 2016: 1). ‘(G)ranting them (Syrian refugees) formal access would mean an acknowledgement that Syrians are no longer temporary guests but will be staying for an indefinite period of time – an idea that plays no better in (Jordan) than it does in Europe’ (ibid).

**Rationale for refugee access to labour markets**

*Diminished donor funding and rising refugee poverty*

Donor funding for the Syrian refugee crisis is diminishing as the crisis drags on and donor fatigue sets in. ‘The World Food Programme (WFP) has been forced to reduce its overall food assistance by 30% in 2015 due to cuts, with over 355,000 vulnerable refugees in Jordan and Lebanon losing their assistance entirely, and those designated extremely vulnerable receiving

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only half the food assistance that they did at the end of 2014’ (UK Parliament, 2015: 1). As of November 2015, roughly USD 1.07 billion had been committed to the Jordan Response Plan\(^9\), corresponding to just 36 percent of funding requirements (Govt. of Jordan, 2016).

Cuts in donor assistance directly impact Syrian refugees, and are leading to rising levels of poverty among them. In Jordan, where poverty levels among refugees are greater than among refugees in Jordan, this has increased by several percentage points between 2013 and 2015: in 2014 seven out of every ten registered Syrian refugees could be considered poor (WB-UNHCR, 2015: xvi). A recent study showed that nine out of ten Syrian refugees outside camps were living below the Jordanian poverty line of USD 87 (JD 68) per capita per month.\(^10\)

Increased poverty leads to increased desperation; in particular, it increases the likelihood of Syrian refugees seeking work in Jordan, which will likely mean them working illegally in the informal sector. ‘As humanitarian assistance decreases, it is inevitable that increasing numbers of refugees will be depending on work opportunities to survive’ (UK Parliament, 2015: 6). Other ‘options’ are to attempt migration to Europe – a dangerous and expensive undertaking – or even to return to Syria: some are so desperate they are going back to their homeland\(^11\) (Lenner, 2016: 2).

Opening up the labour market in Jordan to Syrian refugees would help them provide for themselves, reduce poverty and avert negative coping mechanisms such as child labour. It would also be beneficial to the Jordanian economy: increasing consumer demand, creating employment, supporting growth. The IRC notes that restricting their access to formal work is ‘undoubtedly paralysing the increased economic contribution Syrian refugees could make if permitted to work’ (IRC, 2016a: 7). Refugees themselves want the right to work rather than aid.

In the words of one female Syrian refugee in Jordan: ‘We don’t want… an aid package here and there. We want to work, to produce. We want to live a normal life, like other people’ (IRC, 2016c: 1).

**International thinking**

The protracted nature of the Syrian refugee crisis poses considerable challenges for the international community. A UNHCR paper notes that the international community ‘is well equipped to manage humanitarian crises in the short-term and reasonably capable at managing repatriation and reconstruction operations in the long-term’ but less well-equipped to manage over the medium-term (anything from two to 40+ years). Humanitarian funding over such periods is both unsustainable and does not enable a transition to better economic prospects (Verme & MacLeod, 2016: 3).

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\(^9\) ‘The Jordan Response Plan for the Syria Crisis 2016-2018 represents a three-year programme of high priority interventions to enable the Kingdom of Jordan to respond to the effects of the Syria crisis without jeopardising its development trajectory’ (Government of Jordan, 2016).


International thinking on the Syrian refugee crisis has in recent years moved from an exclusively humanitarian focus to one that combines humanitarian relief with development interventions (IRC, 2016c). ‘We are facing a long-term crisis that needs to be managed through long-term solutions and engagement sustained by a continuum of humanitarian and development actions’ (Launch\textsuperscript{12} of WB-UNHCR, 2016). Much of this is to do with the protracted nature of the Syrian conflict: ‘Five years into the crisis the prospects for a prompt return of the millions of Syrian refugees to their home country are remote’ (Government of Jordan, 2016). There is recognition that provision of relief assistance is not sustainable and that a new approach is needed to lift refugees out of the poverty trap they are currently in (Verme & MacLeod, 2016). Access to labour markets is seen as especially important (ibid and Lenner, 2016). ‘Policies for refugees must move toward self-reliance, focusing not only on transfers and better access to public services, but also on facilitating access to the labour market and fostering economic inclusion’ (WB-UNHCR, 2016: xvi).

The shift in international thinking has also been prompted by increasing Syrian migration to Europe and the desire to curb this. Thus motives are not entirely altruistic (Economist, 2016). ‘The realization that it takes more than keeping people alive to stop them from migrating has moved the question of employment to centre stage’ (Lenner, 2016: 2). A UK parliamentary report states that ‘it is only the prospect of a better future that will prevent refugees from leaving the region’ (UK Parliament, 2015: 6) and ‘will prevent people having to make the difficult choice to risk their own lives and those of their families by leaving the region’ (UK Parliament, 2015: 8). It identifies three reasons why it is better for refugees to stay in the region: one, it is more cost-effective for donors to provide them support there than bringing them to Europe; two, it is better for refugees as they want to return to their homeland; and three, cuts in humanitarian assistance are driving migration to Europe (ibid).

4. Jordan Compact

The change in international thinking from a humanitarian to a development focus, centred on livelihood provision for refugees, and the increasing migration (and deaths en route) of Syrian refugees to Europe, was the backdrop to the ‘Supporting Syria and the Region’ conference held in London in February 2016. The three previous pledging conferences had fallen significantly short in mobilising funds to address the Syrian refugee crisis (‘barely scraped together the necessary funding to keep Syrian refugees in the neighbouring states alive’ (Lenner, 2016: 1)). The London conference differed in that it was successful in terms of fund-raising, and it took a radically different approach focused on allowing Syrians access to labour markets as well as to education. Of the three neighbouring states hosting Syrian refugees – Jordan, Lebanon and Turkey – Jordan was seen as the most promising for trying a new refugee assistance approach (Lenner, 2016).

The ten-year Jordan Compact agreed in London effectively offers a trade-off to Jordan: in return for opening access to labour markets for Syrian refugees, the country will have increased access to European markets and increased support for job creation programmes, benefitting both refugees and Jordanian citizens. Tariff free access to the EU market will be given as long as the

\textsuperscript{12} http://www.cmimarseille.org/highlights/launch-wbunhcr-report-%E2%80%9C-welfare-syrian-refugees-evidence-jordan-and-lebanon%E2%80%9D
products being exported are produced within Special Economic Zones (SEZs) (see below) by a labour force that is at least 15 percent Syrian (to reach 25 percent in the next three years) (Mellinger & van Berlo, 2016). Indeed, the conference declaration estimated ‘that up to 1.1 million jobs will be created for refugees from Syria and host country citizens in the region by 2018’ (Lenner, 2016: 3). For Syrian refugees specifically, the agreement will allow up to 78,000 to be granted permission to work (Mellinger & van Berlo, 2016).

Jobs are to be created by setting up or re-purposing Special Economic Zones (SEZ) focused on manufacturing. SEZs are designed to attract foreign investment because they are minimally taxed and face few bureaucratic hurdles’ (Mellinger & van Berlo, 2016). ‘Composed of international and Syrian companies employing both Syrians and Jordanians, such an endeavour would purportedly not only solve the issue of Syrian employment but simultaneously help Jordan to finally become a serious player in manufacturing, thereby killing two birds with one stone’ (Lenner, 2016: 3). Syrian refugees would also be allowed to work in industries that do not employ many Jordanians. The envisaged interventions would be useful in rebuilding the Syrian economy, post-conflict, as it would allow Syrians to develop the skills needed for this (Economist, 2016).

Jordanians point to a serious flaw in the traditional way of dealing with refugees: host countries, such as Jordan, are obliged under international law not to expel refugees facing a genuine threat of persecution, yet rich countries are not obliged to support them in doing so (Economist, 2016). The Jordan Compact represents what many hope will be a new way of dealing with refugee problems by ‘turning the Syrian refugee crisis into a development opportunity’ (Mellinger & van Berlo, 2016). The impetus for the Jordan Compact came from Oxford professors, Paul Collins and Alexander Betts, ‘who recognised that a development agreement could mutually benefit both Jordan’s stalling economy and Syrian refugees who were limited with no legal employment opportunities’ (ibid).

The Jordan Compact appears to offer a ‘win-win situation’ for all parties involved: Syrian refugees, the Jordanian government, local people and donor countries. However, Lenner highlights a number of challenges with implementation of the Compact and achievement of its goals:

- Actual funding by donors has consistently fallen short of pledges in past years;
- The facilitation of EU trade regulations and similar concessions are mere statements of intent so far: it is unclear what actual compromises will look like to what they will actually change;
- The creation of tens of thousands of jobs will depend on much more than EU concessions and market access: it will also require measures on the part of the Jordanian government. Past attempts to spur economic growth in this way (e.g. Qualified Industrial Zones, special development zones, free trade agreements, etc.) did not meet many of the hopes and expectations placed in them;
- Jordanian employment in existing Qualified Industrial Zones (QIZs) – set up to provide jobs for locals – has remained low because Jordanians are not willing to work for low wages in sweatshop conditions; hence it is mostly South Asian migrants who work in those – the same could happen with SEZs, indeed they could end up creating few jobs for Jordanians or Syrian refugees;
- QIZs typically employ single, female migrant workers who live on site and have few in-country expenses. The situation of Syrian refugees is very different, and this model might not be feasible for them.
• Problems faced by Syrians in securing work permits – need for proper ID, fees – still apply, meaning that changes are needed not just at legal level but also in the minutiae of the application process.

Luck points out an additional issue, that the Jordan Compact remains dependent on international funding (2016). Officials in the Ministry of Planning ‘have already conceded that the number of jobs that might emerge based on the anticipated investments might be much less than officially projected’ (Lenner, 2016: 5).

Some implementation of the Jordan Compact is already being seen: as noted, over 20,000 work permits have now been issued for Syrian refugees, and documentation requirements have been relaxed, and a grace period provided for regularisation of employment without fees. Funding pledges to the Jordan Response Plan were significant – around USD 700 million in grants - at the London conference, mostly for priorities outlined in the resilience component of the plan targeting host communities (Government of Jordan). Germany and Britain have increased their promised funding for the next three years (Lenner, 2016: 2) and multilateral development banks have announced around USD 40 billion in loans, a small percentage of these (around 4 percent) at highly concessional rates (ibid). Should the Jordan Compact overcome the many challenges in implementation and deliver its ‘win-win situation’ it could ‘constitute a blueprint – or even an archetype – for future policy making in the fields of migration control and humanitarian aid’ (Economist, 2016). Certainly, similar agreements could follow in Lebanon and Turkey.

5. Recommendations for inclusive livelihood promotion

A UNHCR paper lays out initial pillars for a model to manage refugee crises beyond initial stabilization and subsistence support, and promotes economic inclusion of refugees and economic opportunities for hosting communities. These pillars include (Verme & MacLeod, 2016):

• An appropriate national legal framework that defines the economic rights of refugees including securing access to the labour market, credit, investment opportunities and professional education;
• A suitable financial architecture, whereby financial resources are available to create conditions for economic growth, e.g. concessional financing, investment projects in sectors impacted by high numbers of refugees, credit lines for small and medium businesses;
• An overall management, planning and implementation framework that can accommodate a complex set of programmes and projects at central and local level;
• Economic policies and programmes to achieve economic growth and inclusion. These could include programmes to address long-term development challenges of hosting countries; boost regional trade and integration; build a business environment conducive to economic growth; capture capital flight; scale up public services such as health and education; match existing labour demand and supply; and upgrade human capital.

The international community could support Jordan and other hosting countries in all these areas, e.g. helping them design an appropriate legal framework, investing in professional training to build human capital; and setting up labour market information systems to match refugees with existing jobs (ibid).
The IRC stresses the importance of livelihood opportunities to enable refugees and host communities to meet their basic needs and support their families: ‘Accessing safe employment remains one of the most pressing challenges for communities affected by displacement’ (IRC, 2016c: 1). Its key recommendations for host country governments, humanitarian actors and donors to address the barriers to sustainable livelihoods in Jordan and Lebanon include (IRC, 2016c: 1-2):

- Refugees and the communities that host them, should have access to supportive legal frameworks that facilitate livelihood opportunities;
- It is critical to provide refugees and host community members with the resources and support to start their own businesses;
- Governments and humanitarian organisations must work to ensure refugees and host community members are protected from exploitation and abuse.

A brief prepared by the Jordan INGO Forum (JIF) lists the measures needed to achieve the livelihood goals of the Jordan Compact (JIF, 2016):

- Support Syrian refugee small business and entrepreneurship to drive job creation in Jordan;
- Develop employment creation policies for Syrian refugees and host communities;
- Simplify access to work permits with clearer procedures and removal of fees;
- Address structural barriers for Syrian refugee women to access livelihoods (transport, child care, safe working environment, GBV and technical and vocational education);
- Allow skilled Syrian labour, not only semi-skilled labour, to work;
- Improve the protection environment of Syrian refugees to access livelihoods (e.g. legal status, freedom of movement, decent working conditions);
- Broaden the understanding of right-to-work for Syrian refugees which goes beyond access to work permits only.

Finally, promoting livelihood opportunities for Syrian refugees and hosting communities also requires a knowledge base of such opportunities. As one expert told a UK House of Commons select committee, ‘We need to find areas of economic growth and we need to do that through broader economic data analysis, and that is something that has not really happened so far. We lack data. We lack knowledge. We lack understanding in terms of where potential opportunities are’ (Nicholas Grisewood, ILO Crisis Migration Technical Specialist, cited in UK Parliament, 2015: 7).
6. References


Key websites

- International Rescue Committee: https://www.rescue.org/country/jordan

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About this report

This report is based on five days of desk-based research. The K4D research helpdesk provides rapid syntheses of a selection of recent relevant literature and international expert thinking in response to specific questions relating to international development. For any enquiries, contact helpdesk@k4d.info.

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