



National Center for Human Resources Development



Almanar Project

***Long-Term Unemployment in Jordan's labour market for the period
2000-2007****

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1. Introduction

The proportion of the individuals who are unemployed for a long period of time, known as Long-Term Unemployment (LTU hereafter), attracts particular attention from labour market policy makers and researchers. Frequent reports on LTU are a common practice in the developed economies, such as the United States of America (USA) and the European Union (EU). The Organization for Economic Cooperation and Development (OECD) also publishes annual measures of long-term unemployment for each of its member countries. Unlike the developed countries, the developing countries focus entirely on the unemployment rates and do not pay enough attention to the incidence of LTU, which is one of the salient features of unemployment.

Unsurprisingly, unemployment has been at the centre of the socio-economic policy in Jordan, as unemployment is one of the most disturbing problems hindering the labour market and the macroeconomic performance in general as well as the individual well-being. Thousands of people become unemployed every year, while the economy grows and creates more jobs (about 70,000 in 2007), according to the Department of Statistics (2008). Some workers find employment within a few weeks or months, while many others spend years seeking for jobs. Others, who would be classified as highly skilled, switch to other jobs or employers without any intervening periods of unemployment. At the scientific research level, unemployment has been long taken into consideration as well. On the other hand, issues related to LTU have not received apparent interest at both levels of scientific research and policy-making.

This report comes as a first attempt to scrutinize LTU in the Jordanian context, considering the period from 2000 to 2007. In the next section, the report defines LTU and highlights the importance of measuring it. In section 3, the source of data and the methodology used to measure LTU in Jordan are represented. In section 4, LTU in Jordan is descriptively analyzed. Section 5 summarises the report.

2. LTU definition and importance

Generally speaking, LTU refers to the percentage of workers who have spent a *long time* in searching for jobs. Alternatively, it represents the incidence of a continuous prolonged unemployment. Different time periods of unemployment can be utilized as a cut point determining the proportion of those marked with LTU. Usually, those workers who remain unemployed for one year or longer are classified as experiencing LTU¹.

LTU is one of the salient features of unemployment and is regarded as a serious problem that must be handled. At the macroeconomic level, a higher economic growth would be achieved if the labour market efficiently and rapidly shortens the period of unemployment. At the household level, LTU affects the unemployed and their families in terms of income, which may lead to widen the incidence of poverty and socio-economic inequality. In addition, it is argued that LTU lowers competition in the labour market as it may lead many to eventually stop searching for jobs and exit the labour market. LTU depreciates the stock of human capital accumulated by unemployed in previous periods through education and on-job learning and training. The latter may result in ever-declining chances of employment and reemployment (Machin and Manning, 1999; Kupets, 2006). In the developed economies, LTU means longer period of and higher amount of unemployment benefits. The newly introduced and currently debated law of social security in Jordan involves suggested schemes of unemployment compensation and benefits. So, this adds more importance to studying this phenomenon in Jordan.

3. LTU measurement and data sources

Principally and most ideally, LTU measures should be based on longitudinal data. Such types of data have the benefit of providing unemployment information on the same individuals tracked over time. In this case, one will be

¹ Long-term unemployment is defined by OECD as that involving people out of work and looking for work for 12 months and longer. Source: <http://stats.oecd.org/glossary/detail.asp?ID=3586>

able to identify more appropriately the exact time needed for a jobseeker to get employed. As such type of data is not always readily available, other types have been utilized. Administrative records kept by governmental identities represent an outstanding alternative to longitudinal data. The latter type of data exists in most developed economies where unemployed receive frequent unemployment benefits. In turn, it is required to keep records of each compensated unemployed from the time of entering the labour force until finding a job. Cross-section labour market surveys provide an additional source of data that can be used to draw a general picture of LTU. Yet, cross-section data may be utilized only if panel and administrative data are not available. Actually, cross-section surveys present information on the stock of unemployed and on how long they have been so. Nevertheless, such a source of data, in general, does not offer information on when an unemployed would find employment. However, cross-section data is still rich regarding the issue of LTU, particularly when such surveys contain detailed information on unemployed and when they are carried out frequently.

Fortunately, despite the fact that panel data do not exist in Jordan, labour market rich cross-section data are available for many years. Such data come from the Employment and Unemployment Survey (EUS henceforth). The EUS is organized by the Department of Statistics and administered quarterly. In addition to personal questions, such as gender, the EUS provides data on education, occupation, age, economic activity and the like. To facilitate measuring unemployment rates, those with age over 15 years and who are presently without jobs are asked whether they are available for employment and actively looking for work. Moreover, they are requested to report how long, in months or years, they have been unemployed or searching for employment.

The EUS data for the period 2000-2007 are used in the current report. LTU in the case of Jordan represents the fraction of the currently unemployed, relative to the total number of unemployed, who have been in that state for one year or longer.

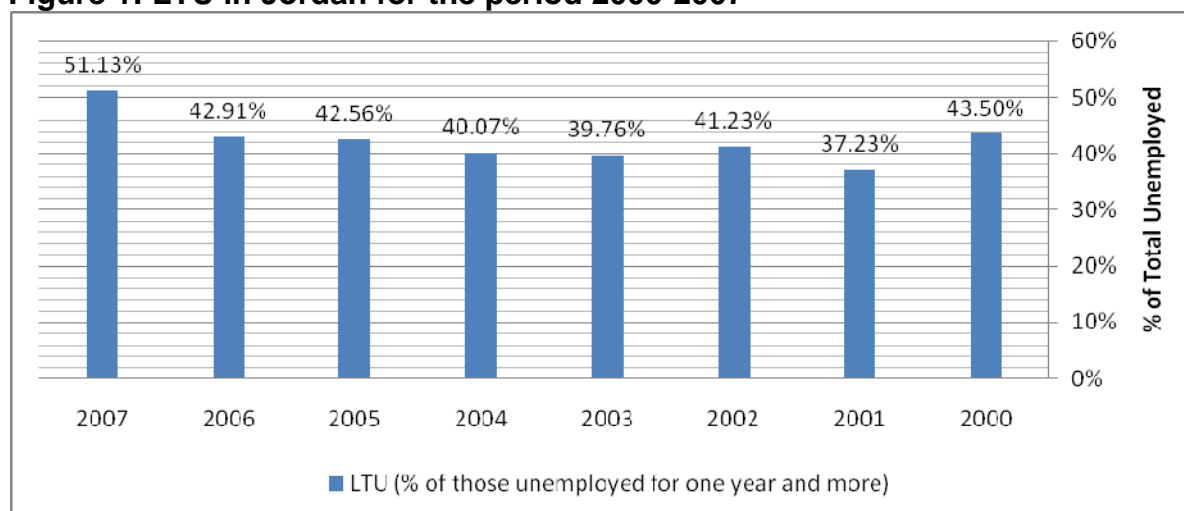
4. Descriptive analysis of LTU in Jordan

Variation over Time

LTU may change over time due to labour market dynamics and macroeconomic factors. For example, higher economic growth creates an increasing number of jobs that possibly contribute to lowering the unemployment rate and the LTU percentage. On the other hand, over time improvements in the social and health protections of the jobs created by the private sector may induce more workers to accept working in jobs outside the public sector. In effect such procedures may also decrease the searching time spent by unemployed looking for better jobs.

Figure 1 shows clearly that the percentage of those who are left without jobs for one year or longer (LTU) had not changed noticeably over the period 2000-2006, where it increased and decreased on average by no more than 5 %. In 2007, LTU increased around 9 % in comparison with 2006. This might reflect that long-term unemployed obtained an insignificant proportion of the jobs created in 2007 in contrast with previous years. More investigation is required to mold a clearer picture on why the trend of LTU changed in 2007. A possible explanation is the influence of the financial crisis which has hit the global economy over the last few years.

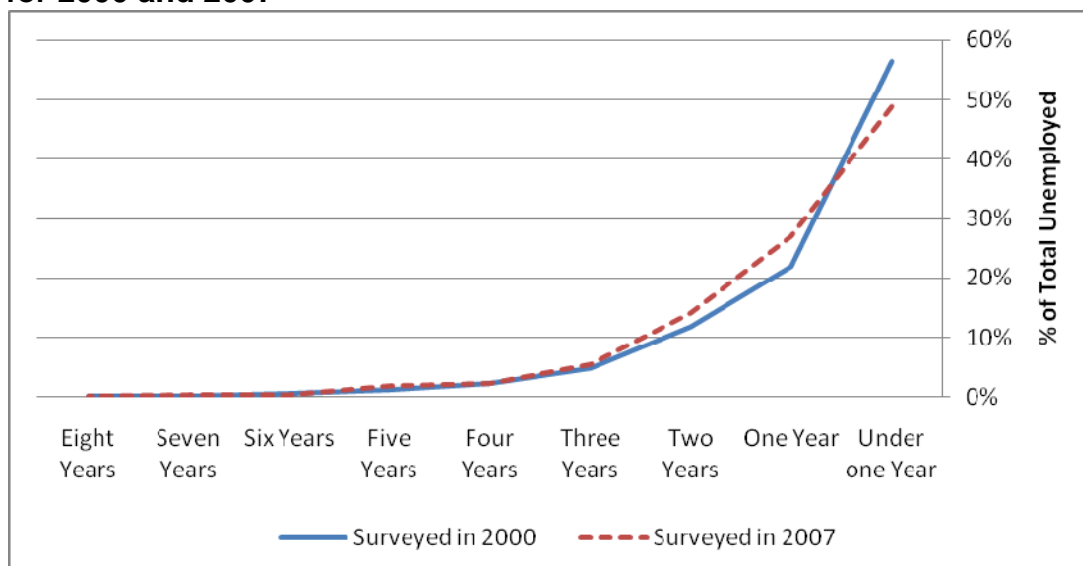
Figure 1: LTU in Jordan for the period 2000-2007



To delve more into the overtime trend of LTU, a graphical contrast between

2000 and 2007 is carried out in Figure 2. Similarly, the distribution of the unemployed by unemployment period emphasizes that LTU increased in 2007. More jobseekers experienced LTU. Logically, on the other hand the proportion of unemployed with an unemployment period under one year declined in 2007 (see Figure 2 where the point representing the percentage of under one-year period on the blue line of 2000 is significantly higher than the detached red line of 2007). In 2000, the proportion of those unemployed for less than two years amounted to around 92 %, while it became 90 % in 2007.

Figure 2: A comparison of LTU and unemployment duration in Jordan for 2000 and 2007



LTU Gender gap

One of the most imperative dimensions of the labour market, that attracts particular attention, is the gender gap between male and female workers regarding issues such as earnings and participation. In Jordan, such gaps exist in favour of males. LTU may as well concentrate among workers belonging to a specific sex, more intensively than among their counterparts from the other sex; as expected in this case, it concentrates more among females. To examine this possibility, the unemployment period and the incidence of LTU are analyzed for each gender jointly and separately. To

investigate the progress in LTU for males and females, the years 2000 and 2007 are taken into account. Figures 3 and 4 describe the LTU by sex for 2000 and 2007.

Figure 3: A comparison of LTU and unemployment duration in Jordan between males and females in 2000

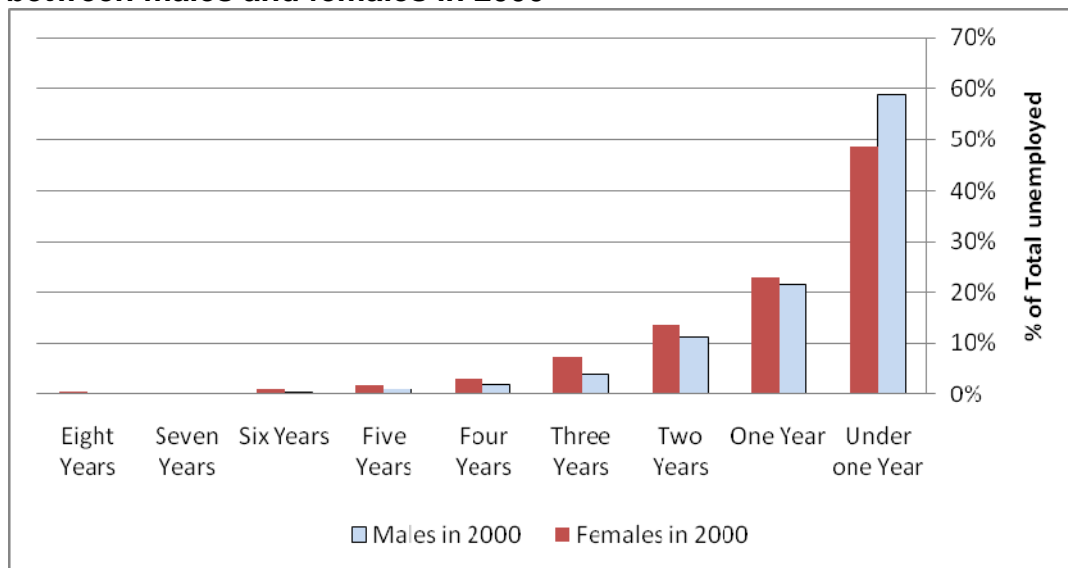
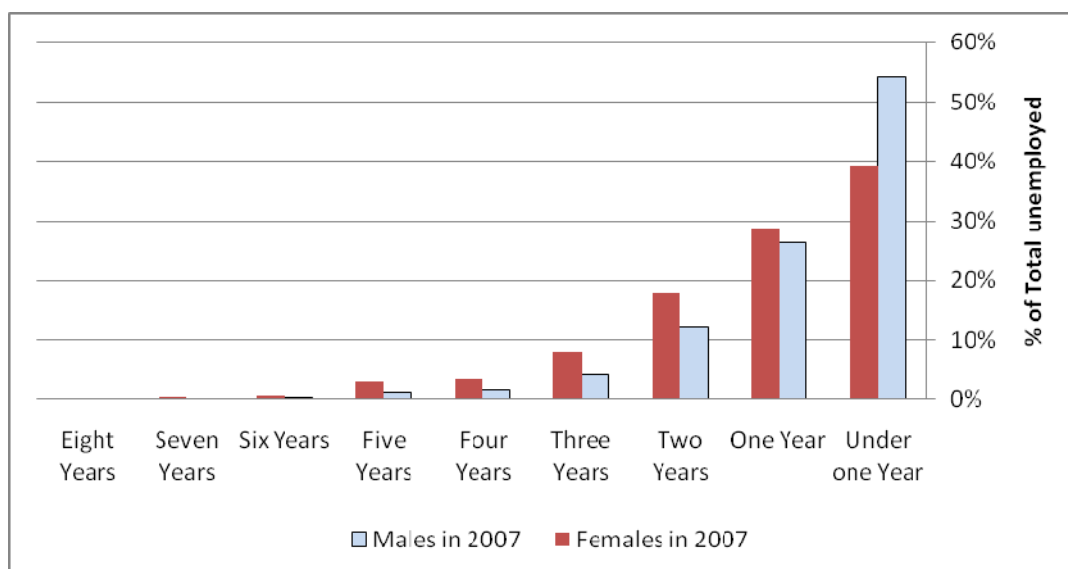


Figure 4: A comparison of LTU and unemployment duration in Jordan between males and females in 2007



Both Figure 3 and Figure 4 show that there has been a continual LTU gender gap in Jordan’s labour market. Male job seekers tend to spend shorter unemployment periods than their females counterparts. In 2000, around 52 %

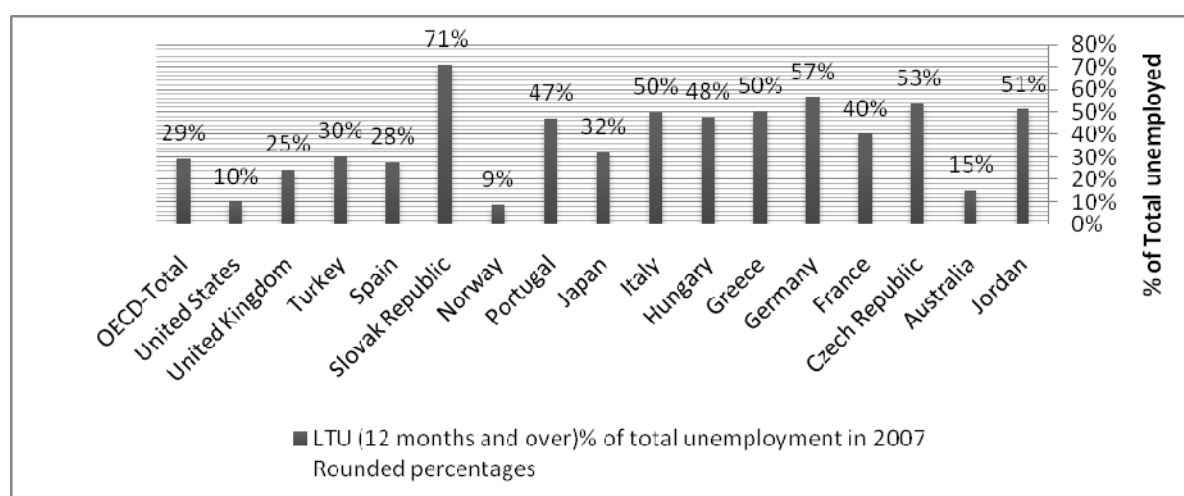
of the unemployed females had been unemployed for one year or more, in comparison with around 42 % for unemployed males. A similar trend prevailed in 2007. However, LTU levels had increased in 2007 for both sexes (about 61 % and 46 %, for females and males respectively).

No sign of convergence between males and females was furthermore detected as the LTU gap increased from about 10 % in 2000 to around 15 % in 2007.

International comparison

Differences in LTU across countries may appear due to many economic variables (e.g. size of the economy, economic growth, international job opportunities available for local workers, efficient job search mechanisms, training and education schemes and policies, etc.). Nevertheless, international gaps in the LTU may also result from discrepancies in the methodologies used in various countries to measure unemployment. The type of data applied in calculating the LTU should be borne in mind when one considers the divergence in LTU across countries. For example, in the current study we apply cross-section data, while in the case of USA typically longitudinal data are utilized.

Figure 5: LTU in Jordan and selected OECD countries in 2007



Source: the LTU percentages of OECD countries obtained from OECD Employment Outlook 2007 Stat Annex available at: <http://www.oecd.org/dataoecd/29/27/38749309.pdf>

Figure 5 graphs the LTU percentages for Jordan and selected OECD countries for 2007. In general, in terms of LTU, Jordan appears to lag behind many countries and has a level of LTU above the average level prevailing in the OECD group. This difference may reflect economic issues and data methodology as mentioned above.

5. Summary

One of the most important aspects of unemployment is the incidence of LTU. LTU is usually measured as the percentage of unemployed who spend one year or more looking for jobs. Prolonged periods of unemployment bring harmful effects for both the economy as a whole and the individuals and their families. At the macroeconomic level, for example, higher economic growth would be achieved if the labour market efficiently and rapidly shortens the incidence of long unemployment. On the other hand, LTU may lead to drive many unemployed and their families into poverty because of the loss of income, and may deteriorate employability of individuals.

Examining the LTU problem is a widespread practice in the developed economies, while it is not so in most of the developing countries. Therefore, this report comes as the first attempt to examine LTU in Jordan through focusing on providing a general view of such a problem. The report carries out a descriptive analysis of data obtained from the Employment and Unemployment Survey (EUS) for the period 2000-2007.

The analysis shows that LTU has not changed noticeably over the period 2000-2006, where it changes on average by no more than 5 %. Yet, it increased markedly in 2007 (about 9 %) in comparison with 2006. This is possibly a result of the economic crisis hitting the global economy nowadays.

A persistent LTU gender gap exists in Jordan's labour market. The LTU level is higher for female job seekers than for male job seekers; the latter tend to have shorter unemployment periods. Also, no sign of convergence between males and females is detected as the LTU gap has increased from about 10

% in 2000 to around 15 % in 2007.

In general, in terms of LTU Jordan appears to lag behind many countries and has a level of LTU above the average level prevailing in the OECD group.

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