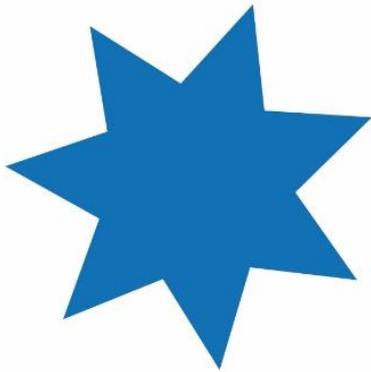




منتدى الاستراتيجيات الأردني
JORDAN STRATEGY FORUM

Growth Rate In The Wages of Public & Private Sectors In Jordan

October 2019



#Policy_Brief

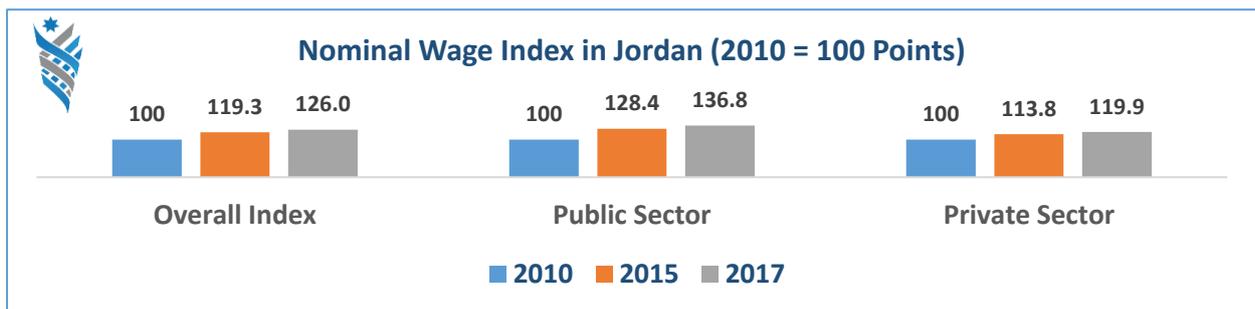
1. Introduction

Wages constitute the core element in income for most economically individuals in Jordan. Indeed, salaried-individuals in Jordan constitute about 87% of the total number of employed individuals (Department of Statistics 2018). Average wages is an important economic indicator. For example, the growth rate of average wages informs policy-makers how the living standards of workers are changing. Growth rates in wages are also useful in knowing whether employers face rising costs that might cause inflation.

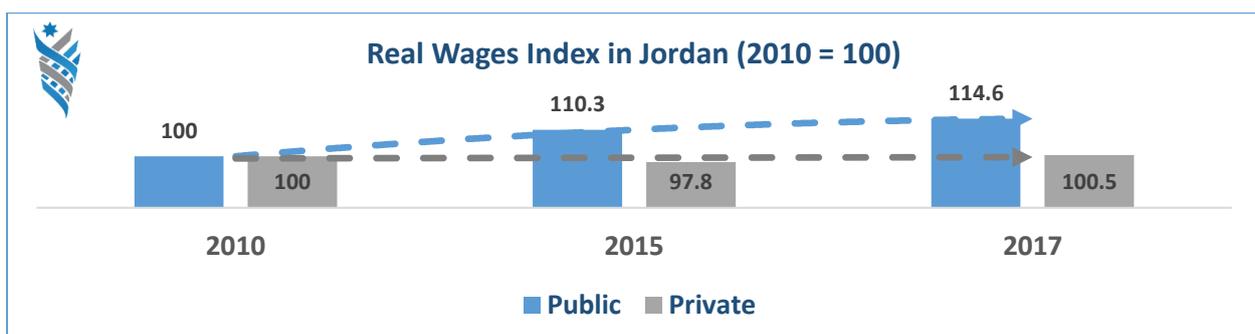
2. Some Observations

Given the various reasons to be informative about wage growth, it is interesting to note that the Department of Statistics has been publishing “**Wage Indices**” since 2008. The 2017 wage indices have recently been published (June 2019). This publication contains many interesting observations.

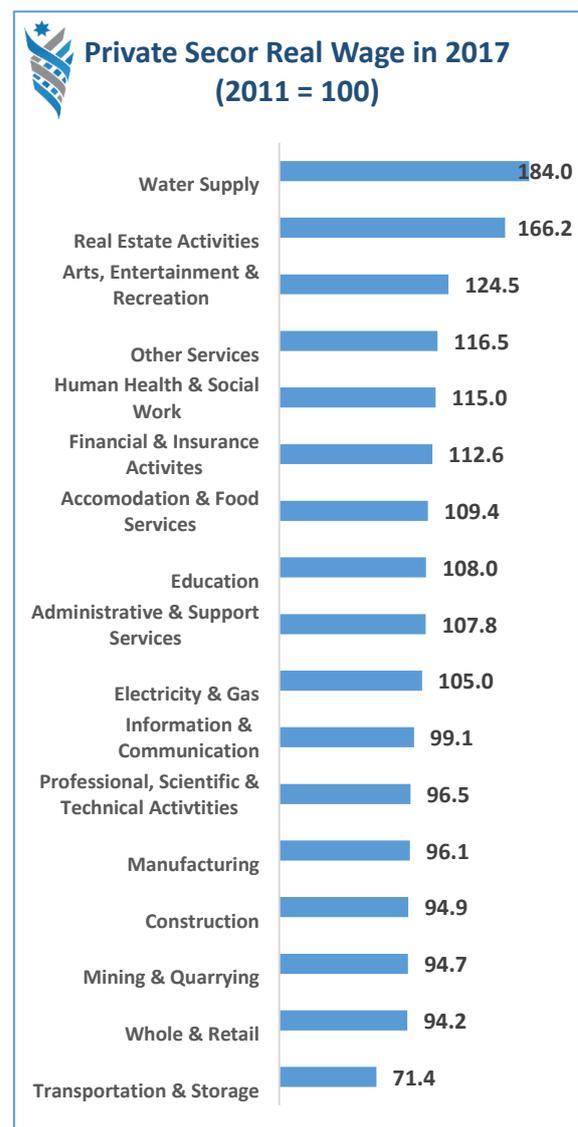
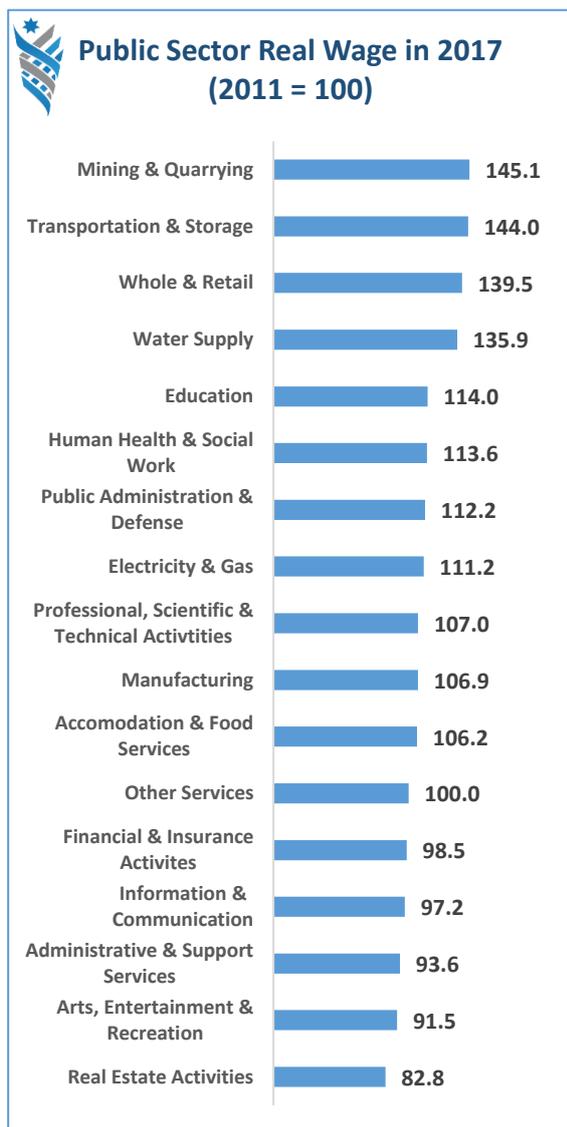
A) While the overall nominal monthly wage index has increased from 100 points in 2010 to 126.0 points in 2017, the public sector’s wage index increased to 136.8 points. However, the private sector’s wage index increased to 119.9 points. This means that nominal wages in the public sector witnessed a larger increase than that in the private sector.



B) As far as the real monthly wage index is concerned (after discounting the inflation rate), it is interesting to note that the public sector’s mean monthly real wage index increased from 100 points in 2010 to 110.3 points in 2015, and to 114.6 points by the end on 2017. The mean real wage index of the private sector, on the other hand, increased from 100 points in 2010 to only 100.5 points in 2017! This implies that wages in real wage increase in the private sector has been limited despite the increases in the cost of living. Within this context, it is important to note that this comparison does not take into consideration the wage levels in the public and private sectors.



C) The real monthly wage index in the public and private sectors by economic activity reflect some significant differences. For example, the public sectors that enjoyed the largest real wage increases are mining and quarrying, transportation and storage, wholesale and retail, and water supply. Naturally, it is not surprising that these public sector activities (sectors) are more attractive for Jordanian employees. The private sector real highest real wage increases are in the water supply, real estate activities, arts and entertainment, and other services sectors. Again, this implies that the dynamics of the labor market in the private and public sectors are different, and this is reflected in the growth of real wages.





3. In a Nutshell

Whilst public sector employees enjoyed much higher wage increases than their counterparts in the private sector, it is important to note that wage dynamics (changes) are determined by labor productivity, and factors such as labor supply. Indeed, greater supply of labor in some sectors (activities) limits wage increases and weakens the negotiating strength of such labor. The fact that the transportation and storage, wholesale and retail, mining and quarrying, construction, manufacturing, professional, scientific and technical services, and information communication sector are the largest private sectors employers, and witnessed real wage decreases, one might ask: Do these sectors suffer from “labor productivity”? The answer is yes.

First, Conference Board labor productivity measures, published by the JSF, show that labor productivity in Jordan was equal to -1.0% (2010-2017), -1.4% in 2017, and -0.2% in 2018. To improve real wages, labor productivity must be increased. This can be done by more capital spending and improving the quality of human capital.

Second, based on the Central Bank of Jordan’s published data, during the past few years, labor wages have been stable around the 34% to 35% of GDP mark. This observation implies that while this amount remains constant, it is being distributed among a larger number of employees and this indicates excess supply of labor, and hence, lower labor productivity.



منتدى الاستراتيجيات الأردني
JORDAN STRATEGY FORUM

Tel: +962 6566 6476

Fax: +962 6566 6376

info@jsf.org

www.jsf.org

 /JordanStrategyForumJSF  @JSFJordan