



منتدى الاستراتيجيات الأردني
JORDAN STRATEGY FORUM

Education and its Role in Reducing Informal Employment in Jordan

January 2025



**Knowledge
is Power**



منتدى الاستراتيجيات الأردني JORDAN STRATEGY FORUM

The Jordan Strategy Forum (JSF) is a not-for-profit organization, which represents a group of Jordanian private sector companies that are active in corporate and social responsibility (CSR) and in promoting Jordan's economic growth. JSF's members are active private sector institutions, who demonstrate a genuine will to be part of a dialogue on economic and social issues that concern Jordanian citizens. The Jordan Strategy Forum promotes a strong Jordanian private sector that is profitable, employs Jordanians, pays taxes and supports comprehensive economic growth in Jordan.

The JSF also offers a rare opportunity and space for the private sector to have evidence-based debate with the public sector and decision-makers with the aim to increase awareness, strengthening the future of the Jordanian economy and applying best practices.

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1. Background

In 2015, the UN General Assembly adopted an ambitious set of seventeen “Sustainable Development Goals” (SDGs) whose aim is to improve economic, environmental, and social conditions worldwide by 2030. Among these goals, Goal 8, “Decent Work and Economic Growth,” stands out as it calls for promoting inclusive and sustainable economic growth and providing decent work opportunities for all.

Target Number 8.3 states: “Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services”. To measure progress in this goal, **indicator 8.3.1** that includes: “Proportion of informal employment in total unemployment, by sector and sex” is used.

The International Labor Organization (ILO) has defined the term “informal/unregulated work” as “working arrangements that are in practice or by law not subject to national labor legislation, income taxation, or entitlement to social protection or other employment guarantees.” Meanwhile, Jordan’s National Social Protection Strategy 2019-2025 has referred to informal employment as “employment not covered by social security.”

No one should underestimate the importance of **“informal employment”**. Indeed, and in addition to its **high incidence of poverty**, informal employment is characterized by **decent work deficit, inadequate social protection, and low productivity**. The transition to formal labor is critical in improving living conditions, strengthening economic growth, and in consolidating social cohesion.

Relative to informal employment, it is worth noting remembering that His Majesty King Abdullah II launched the **“Economic Modernization Vision” in June 2022**. In the published document **(Economic Modernization Vision / Unleashing potential to build the future)**, it is stated that: **“The strategic objective of job creation will be guided through 5 goals, targeting a disproportionate reduction in unemployment rate, expat employment, informal employment as well as an increase in female and private sector employment.”**

In this context, the Jordan Strategy Forum through this “Knowledge is Power” report, aims to highlight the role of education in reducing and limiting informal employment in Jordan:

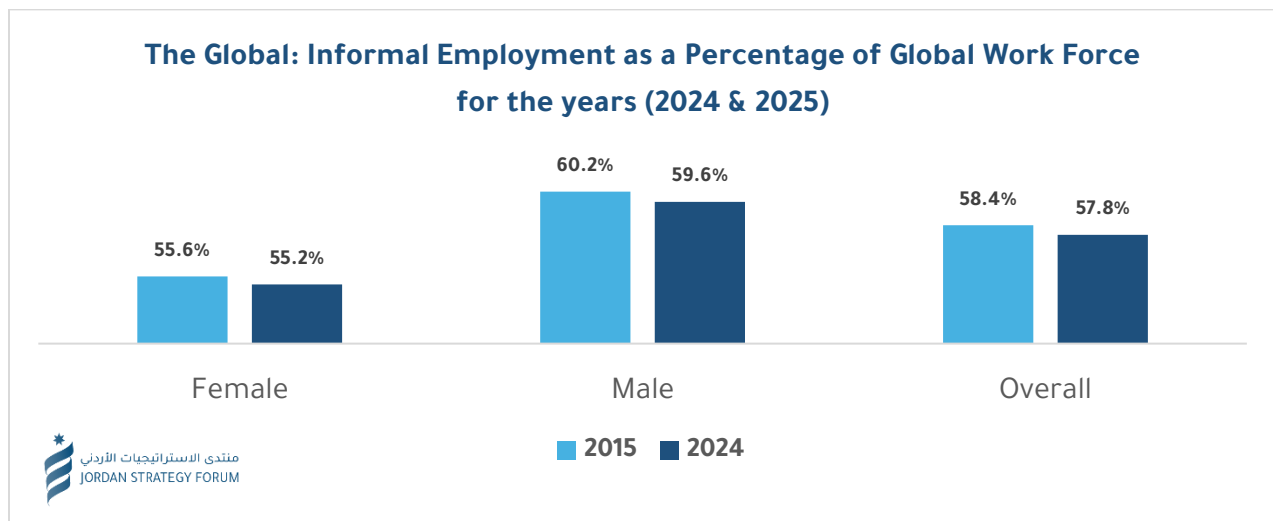
- Informal employment in Jordan compared to other countries
- The level of education and its relation to informal employment in Jordan
- Key conclusions to reduce informal work in Jordan

2. Informal Employment: Global, Regional, and Local Observations

As stated in the background section, the objective of this section is to outline several observations / statistics about informal employment in Jordan, and in a few other countries.

Informal Employment Globally:

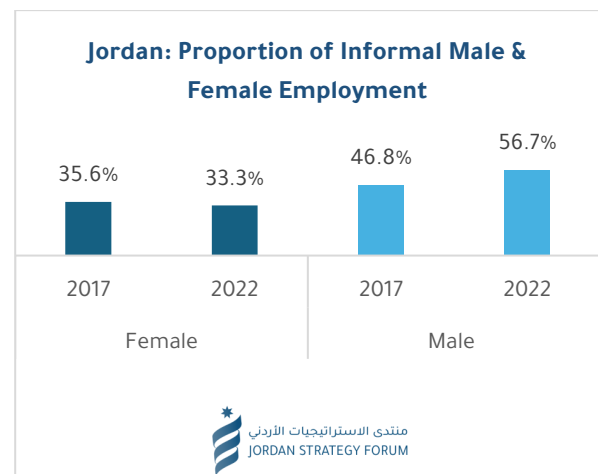
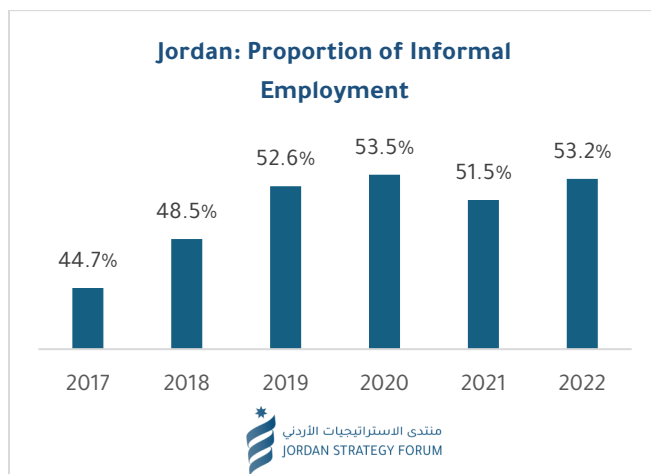
- Generally, progress on **“informality” has been disappointing**. The global share of informal employment has decreased from **58.4% in 2015 to only 57.8% in 2024**.
- The global share of female informal employment decreased from **55.6% in 2015 to 55.2% in 2024**. For male, this rate decreased from **60.2% in 2015 to 59.6% in 2024**.



Source: ILO Database.

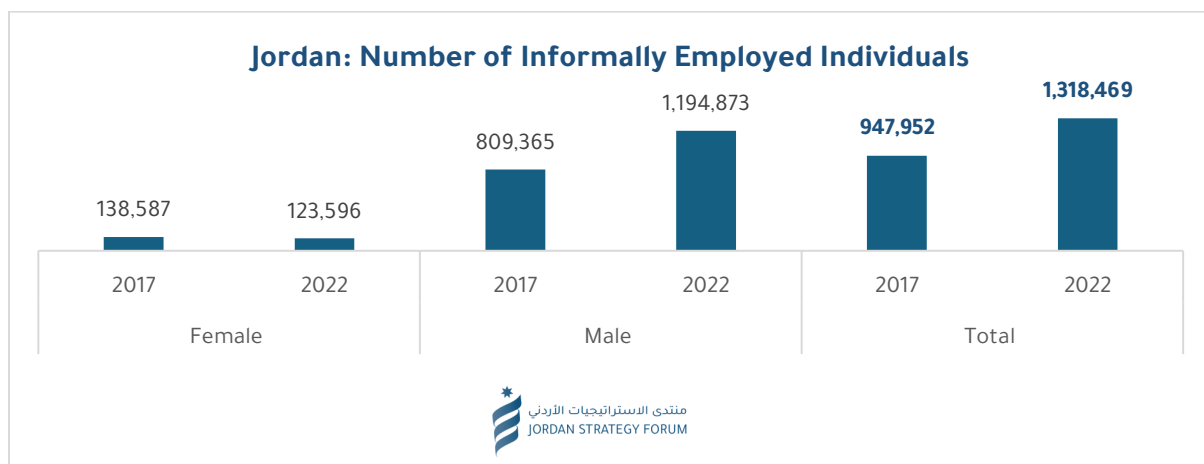
Informal Employment in Jordan:

- Based on the ILO's available data, the informality incidence in Jordan has increased from 44.7% in 2017 to 53.2% in 2022.
- Over time, while female informality marginally decreased from 35.6% in 2017 to 33.3% in 2022, male informality has increased by around 10 percentage points.



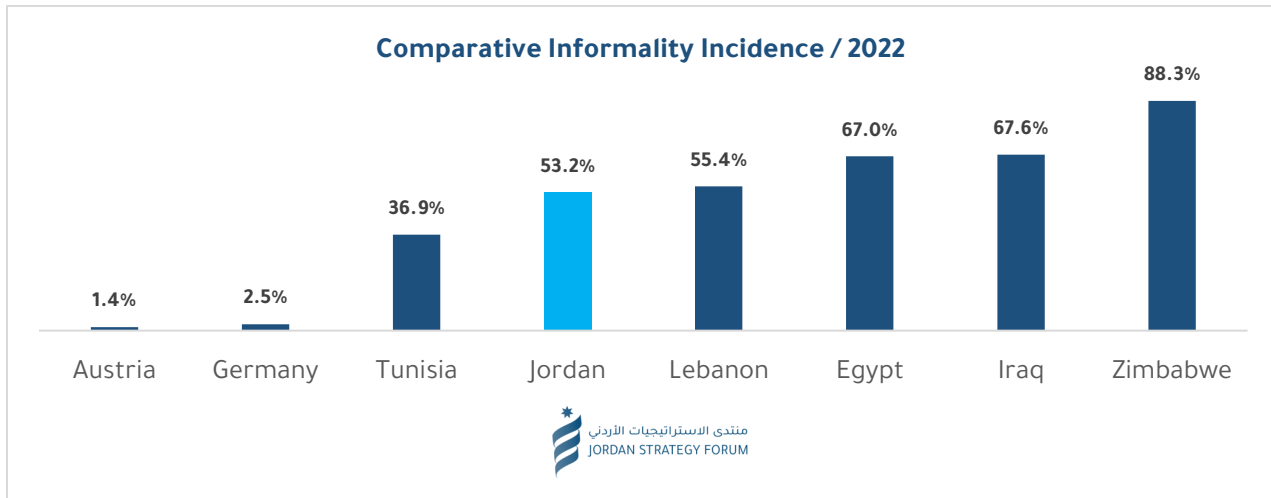
Source: ILO Database.

- In numbers, the informally employed females decreased from **138,587 in 2017 to 123,596 in 2022**. For males, this number increased from **809,365 to 1,194,873 individuals**.



Source: ILO Database.

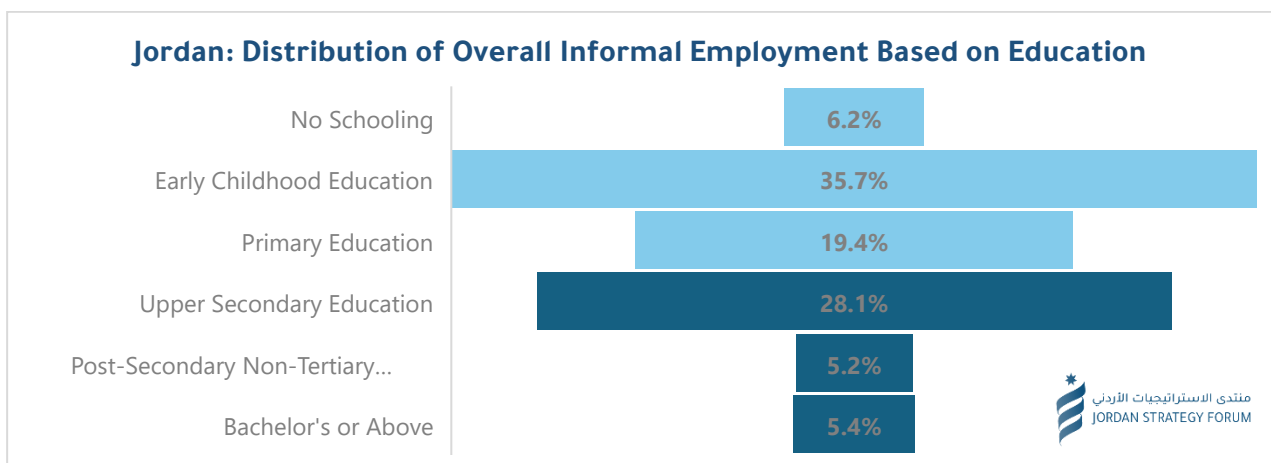
- While low relative to countries like Egypt and Iraq, Jordan's ratio is high relative to Austria and Germany.



Source: ILO Database.

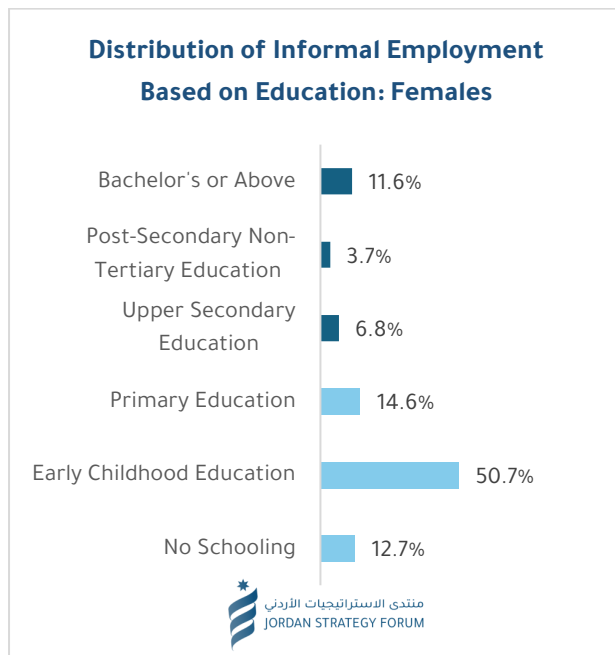
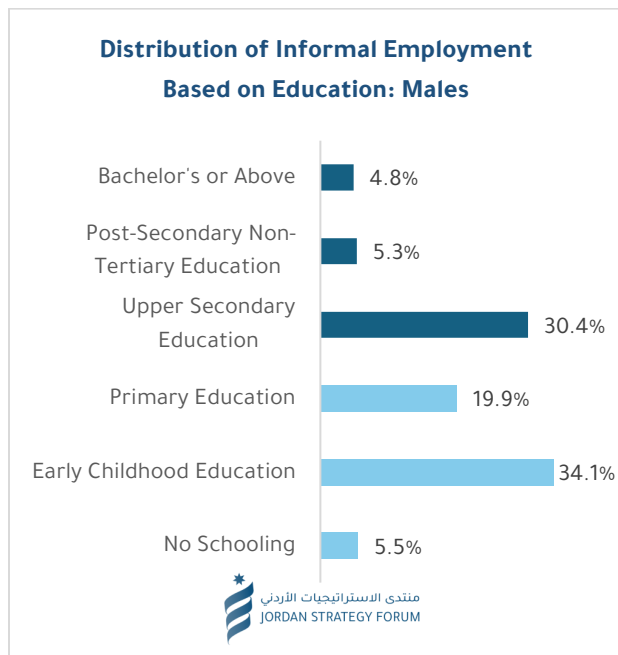
3. Education and its Role in Informal Employment:

- Based on education, **61.3% of the informally employed have less than secondary education.**



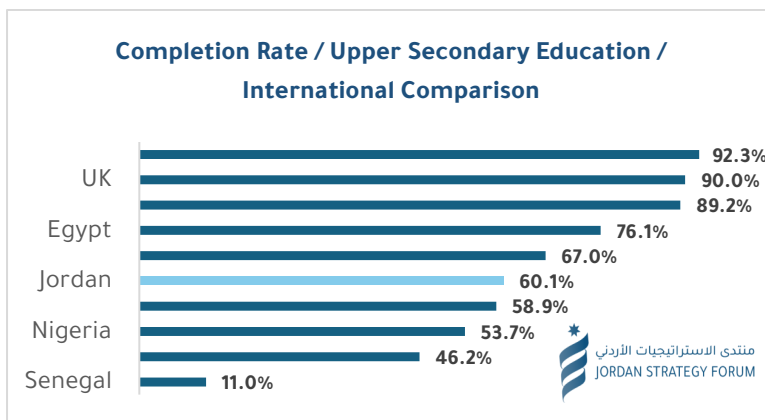
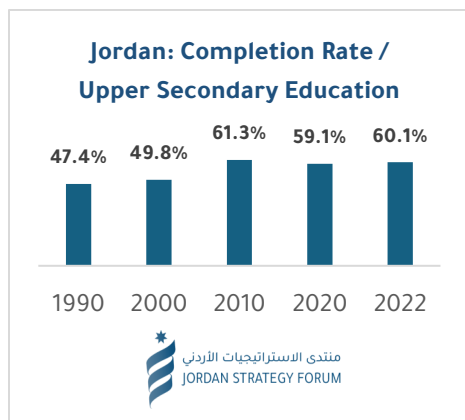
Source: ILO Database.

- Based on education, **78% of the informally employed females have less than secondary education**. For males, however, this proportion is equal to **59.5%**.



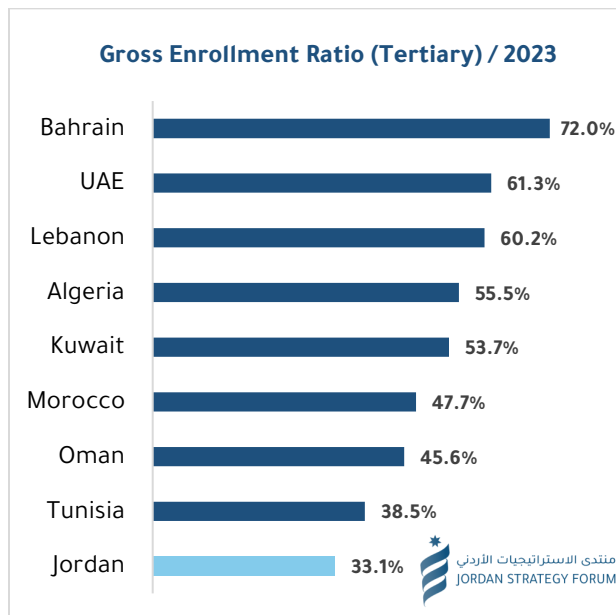
Source: ILO Database.

- In addition, it is worthwhile to note that the **completion rate of upper secondary education in Jordan has increased from 47.4% in 1990 to 60.1% in 2022**. However, while this rate (60.1%) is higher than in, for example, Algeria, Nigeria, and Kenya, it is much lower than in Switzerland, UK, and Finland.



Source: ILO Database.

- Relative to the above-mentioned observations about informal employment, it is interesting to note that the gross enrollment ratio (ratio of total enrollment, regardless of age, to the population of the age group that officially corresponds to tertiary education / formal post-secondary education, including public and private universities, colleges, technical training institutes, and vocational schools) in Jordan is relatively low. Indeed, Jordan's ratio is low relative to several Arab countries, and extremely low relative to several advanced economies.



Source: UNESCO Database.

4. Key Conclusions

To reduce the size of informal employment, governments can improve their regulations **(tax system, social security contributions, labor and social protection, streamlined procedures to officially register companies, and even enhance financial inclusion)**. However, in Jordan, we also need to **invest in more and better in accessible, equitable, and quality education (school and tertiary)**. We need to **prevent school dropouts and increase gross enrollment in tertiary education**.

Education and Human Capital are the foundations to reduce informality in the labor market.

Informal workers are more low-skilled and, therefore, are paid less than formal workers. If we do not develop capacities, skills, and confidence of the most vulnerable groups of Jordan's sons and daughters, it will be extremely difficult, if not impossible, to include them in our formal labor market and consequently, we will not be able to reach an equitable and sustainable growth.

Finally, **we need Jordanians with higher upper secondary completion rates and higher enrollment rates in tertiary education** who are digital-age literate, communicative and cooperative, creative, inventive, critical and problem-based thinkers, and finally, responsible and confident. This is a sure way to reduce informal labor in the country.



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