

Country Development Strategy Statement

FY 1984

POVERTY IN JORDAN

ANNEX VI



Jordan

January 1982

Agency for International Development
Washington, D.C. 20523

BEST AVAILABLE

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ANNEX VI

AGENCY FOR INTERNATIONAL DEVELOPMENT

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Poverty in Jordan

Despite Jordan's rapid growth and the apparently wide distribution of remittance income, poverty still exists in Jordan. The FY 1983 CDSS identified four causes of poverty, in one of which there may have been some changes over the last year. Information on the actual extent of poverty is less clear, and there are differing interpretations of who the "poor" are. USAID's thoughts on the subject are given in this annex, drawing on useful data on income distribution generated by the study on women's employment opportunities made under the Vocational Training project.

A. Causes of Poverty

1. Jordan's inadequate natural resource base constrains the potential for domestic resource-based production and growth, for income generation, and for raising living standards. The deficiencies are most serious in water, arable land for agriculture, and energy. Consequently, Jordan must rely to an unusually heavy degree for the medium term on its human resources and on external sources of employment and income. Only in this way can Jordan maximize for the long run domestic production from its mineral resources, irrigated agriculture, light industry, and the commercial and other talents of its people.

2. Rapid population growth, at 3.8% annually, taxes Jordan's available but limited natural resources and diverts a growing share of such resources from productive, income-generating purposes. With 53% of the population below age 15 and a dependency ratio of 5-to-1, low-income families are

hard pressed to meet their basic needs for food, water, shelter, education, and better health. The population growth rate has created high and growing demands for social services and for employment. Demand for jobs already exceeds the ability of the domestic economy to meet. These demands, if unmet, potentially could be destabilizing, especially given their concentration in the greater Amman urban region where about 60% of the country's populace resides.

3. Access to opportunity has increased considerably for all Jordanians as a result of expanded education, improved health, rapid urbanization, introduction and adoption of new technologies, and availability of well-paying jobs in the Arab oil states in combination with the opening up of employment opportunities in Jordan's own rapidly growing economy. But, the widening of such opportunities has generated demands for even further progress while heightening the aspirations of individuals for themselves and their families. Those areas where demands are most important are for training in technical, professional and managerial fields, for good jobs, for better housing, for a higher standard of living, including a more adequate supply of water, and for expanded access to new, modern technologies.

4. A large and growing labor force and wage differentials between the public and private sectors and between Jordanian and foreign labor were considered a fourth factor in poverty. In the last year the nature of the problem may have changed with potentially unsettling social and economic consequences.

About 300,000 Jordanians now work in the Gulf and Saudi Arabia with another 447,000 working in Jordan. Domestically, the exodus has created full employment in Jordan since about 1975 and has generated some skills shortages, especially in the technical and managerial categories. Such shortages have, in turn, opened opportunities for Jordanian women to participate in the work force and have led to the importation of foreign laborers, who now number about 100,000 and are especially numerous in unskilled jobs in construction and agriculture. Government has raised Civil Service salaries and plans further increases which reportedly are to eliminate the wage differential existing between the public and private sectors within the country.

The number of Jordanians departing for the Gulf seems to have fallen significantly over the last year, possibly by as much as 50%. Presumably, this is because of the decline in oil revenues, the slowing of economic activity there, and some replacement of Jordanians by cheaper Asian workers. Despite the continuing wage differential between Jordanian and foreign workers, jobs in Jordan still are attractive to foreigners. With Jordan's continuing high birth rate, falling employment in the Arab oil states, and any shortfalls in meeting Plan growth targets, the prospect of a return to the high pre-1975 unemployment levels (14% in 1970) could become a very real possibility. A factor which may affect future employment conditions is the perception that foreign workers in many cases may be filling jobs which Jordanians no longer find acceptable. Because the data and the extent of this phenomenon are still unclear, the Mission can

only caution that employment prospects will need to be monitored carefully.

B. Extent of Poverty

There are no comprehensive and reliable data on the extent of poverty in Jordan or income distribution. The IBRD has estimated that perhaps no more than 15%, or 345,000, of Jordan's population falls below the absolute poverty income level, i.e. that income below which a minimal nutritionally adequate diet plus essential non-food requirements is not affordable. (Per Table I USAID has some concerns about these figures although we concur with the Bank that poverty in Jordan is primarily an urban phenomenon with the majority of the poor residing in the Amman urban region.) By contrast the macro-economic analysis (Annex I) noted that up to half of Jordan's families may have mean per capita incomes which are 67% or less of the national per capita income figure.

A 1981 USAID-supported study on female employment opportunities covering households in the Amman-Zarqa corridor may provide the best data available on income patterns. Since the corridor contains about half Jordan's population, some conclusions can be drawn about income for the country as a whole. The survey indicates that 5.5% of all households have an income of less than JD 600 per year (\$340 per capita per year), a level which is considered to represent absolute poverty. Another 24.5% of the households earn between JD 600 and JD 1,200 per year (\$340-\$680 per capita per year). The study shows the median income to be JD 1800 per year (\$900 per capita per year).

While no data exists on income distribution in other parts of Jordan, it is expected that incomes in other urban centers (with the exception of Irbid), and in rural areas are lower than they are in the Amman-Zarqa corridor, and that the distribution is more skewed toward the poorer sector of the population. Poverty lines, however, are also smaller in these areas, perhaps going to half the figure used above in rural areas. This may lead to an estimate that country-wide, about 5% of the population live in absolute poverty, and 25% live in "relative poverty."

USAID uses "relative poverty" to define that income group which is above the absolute poor category. Their change in status is assumed to be recent in origin and the income and standard-of-living gains may still be fragile and susceptible to sudden reversal due to changing economic conditions. This group is more numerous than the "absolute poor" and one with whom AID should be concerned for socio-economic reasons but also for their potentially destabilizing influence. With the "poor" population so highly urbanized "conspicuous consumption," of which Amman offers an increasing number of examples, is a highly visible phenomenon. This could be especially unsettling to those with low incomes, yet with high expectations regarding improving their standard of living just as has occurred among friends and relatives since 1975. The "relative" poor group might include secondary school graduates unable to find work and returnees from the Gulf whose incomes have declined sharply. Meeting the aspirations of the relatively poor may emerge as a crucial concern for Jordan in the 1980's. However one defines poverty, it is clear that poverty remains a problem in Jordan and one reflected in both the Plan and AID's program.