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# A Jordanian case study: Potential economic effects of workers returning from the Arabian Countries

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**Abstract**
The purpose of this paper is to investigate the potential economic effects of the workers returning from the Arabian countries. This study is based on a Jordanian case study. The presence of large migrant Jordanian communities has made up the gulf cooperation council countries a lightning rod for a worker returning from the Arabian countries, immigration argument like organization for potential for economic cooperation, and country development, the GCC countries are a popular destination for people seeking a higher standard of living better business management for themselves, and their families back home. However, the unique traditional and potential economic circumstances of GCC countries lead to an internationally distinct set of outcomes for the host countries, the migrant workers and the other source countries. We provide valid evidence related to three objectives: increasing employment of Jordanian, allowing Syrian participation in the workers force, and ensuring better working conditions for all workers including migrant worker. This evidence-based on potential economic policies and programmers' that can help to these objectives.

**Keywords:** gulf cooperation council (GCC), economic potential, free trade areas, migration, economic policies

## Introduction

"The Middle East is a region of intense mobility, both voluntary and forced. It hosts some of the largest and most enduring refugee populations in the world, namely Afghans in Iran and Pakistan, Palestinians in Lebanon, Jordan, and Syria and in more or less every Arab state, and, more recently, Syrians in Jordan, Lebanon and Turkey. It is also home to the largest recipients of labor migrants in the world, the six Gulf Cooperation Council countries (GCC)". Since, "the countries of the Gulf Cooperation Council have recently launched a customs union with the objectives of enhancing regional intra-economy and advancing the process of their economic integration with the rest of the world. At the same time most gulf countries have separately signed Free Trade Areas agreements (FTA's) with the United States, and have been for long collectively engaged in negotiation with the European Union to create a Free Trade Area". In addition, "all gulf countries are now members of the Greater Arab Free Trade Area (GAFTA) and all are members of the World Trade Organization (WTO). "This proliferation of FTA's and other integration schemes in the region is part of a recent global phenomenon. Worldwide, there has been a surge in the number of regional trade arrangements created despite the increasing role of world trade organization to strengthen the multilateral economic system". More than half of the existing regional trade arrangements worldwide were established after the creation of world trade organization in 1995 (WTO 2005) [19]. "This has renewed interest in studying the trade and non trade effects of Regional Trade Arrangements (RTA's) and their merits (or nonmerits) over the multilateral trading system sponsored by WTO.

"The gulf countries are heavily dependent on trade with an export to GDP ratio varying from 74% in Bahrain to 40% in Saudi Arabia. The region as a whole exports annually the equivalent of $155 billions, out of which 83% is oil. Saudi Arabia is the most important economic trader, accounting for 47% of total region's exports and 37% of the region's imports, followed by UAE with a share of 22% and 36% respectively. Most imports comprise machinery and equipment (39%), manufacturing (17%), and food (11%). As many gulf countries members are major oil exporters, most trade is conducted with non-gulf countries, particularly Japan, EU, and USA. During the period 1993- 2004, only 4.12 % of gulf exports went to gulf markets, while 9.74% of total gulf imports originate from gulf countries. The small observed volume of gulf intra-economic is arguably attributed to the similarity of the economic structure of the gulf member countries as well as their lack of industrial diversification (Havrylyshyn and Kusnel, 1997) [9]. However supposed oil is excluded from trade, the gulf intra-exports become a significant proportion of total gulf exports (26.7%) comparable to that of successful trade arrangements like, MERCOSUR and ASEAN. This suggests that gulf intra-economic is quite intensive and the gulf economies are more trade integrated than what aggregate data (inclusive of oil) may indicate 2004 period. Asia, USA, and EU make up 21%, 9.4% and 8.8% of total gulf exports, while Arab countries (including gulf countries) make up only 6% of the regional exports.

The other words, "the entry of Syrians into the Jordanian market has exacerbated an already challenging situation. The market is now comprised of three distinct groups – Jordanians, migrant workers and refugees –but it hasn't always been this way". Until the 1970s "Jordanians worked in all occupations and all sectors. Starting in the 1970s, many educated Jordanians left to work in the Gulf countries. At the same time, the new wealth allowed Jordan to bring in increasing numbers of migrant workers". The number of migrant workers tripled in the past 15 years, with correspondingly large effects on Jordanian workers and on the potential economy as a whole. Today, "many Jordanians, work or aspire to work in the public sector. Within the private sector, many occupations have become dominated by specific nationalities of migrant workers and the informal sector comprises a significant share of the potential economy. Adding to this already complicated market, large numbers of Syrian refugees have arrived in Jordan over the past five years. In an effort to avoid a lost generation of refugees, dependent on handouts and disenfranchised, the Government of Jordan is allowing Syrians to participate in the market".

"Jordanians are on average more highly educated than either of the other groups and this has a strong impact on their expectations. Nevertheless, a large share of unemployed Jordanians has no more education than do migrant workers. Much of the segmentation is based not on education or initial skills but rather on nationality".

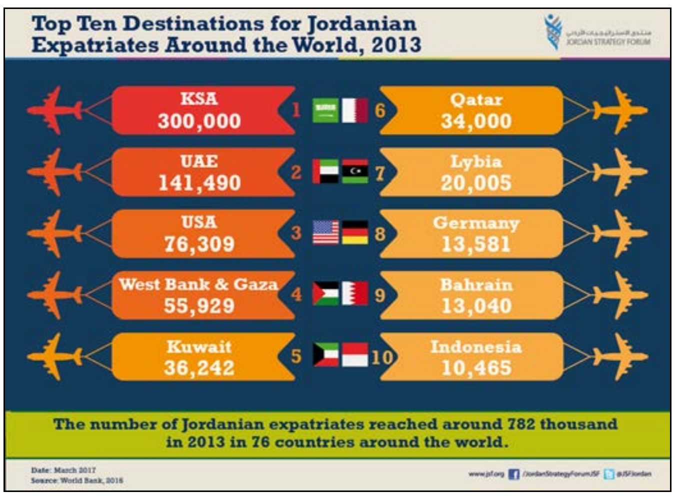



**Fig 1:** The Number of Jordanian migrants in the Top 10 Receiving gulf Countries

We can say that, "the possible return of Jordanian migrants should be seen as an opportunity in both the short and long-term development of the Kingdom. Furthermore, despite the possibility of there being initial difficulties in adjustment, the skills brought back by these returning citizens should be viewed as a previously untapped resource that can contribute greatly to the potential economic development of the country, and possibly expanding the private sector".

**Migrants return & expected effects on the Jordanian potential economy**

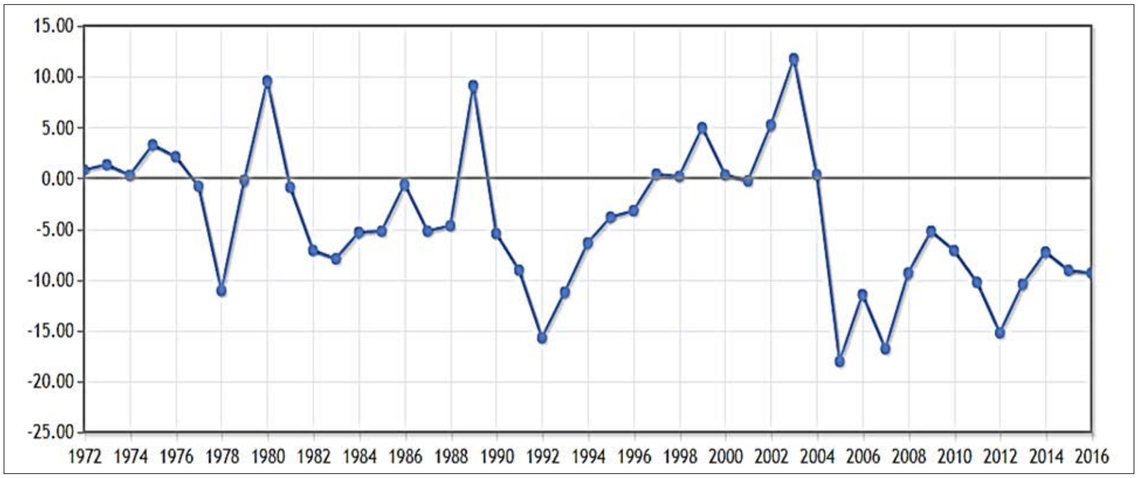
**i) Population**

"The population of Jordan as of January 24, 2017 reached approximately 9.81 million according to the Department of Statistics Population Clock. However, for the purposes of this study the population distribution by Governorate of the Population and Housing Census 2015 was more suitable. The census states the total population of the Kingdom as of December 2015 reached 9.53 million, entailing a growth of 2.97% in the past 13 months. Amman by far has the largest population among the governorates with 42.04% of the total population residing in it. The next largest governorate in terms population is Irbid, accounting for 18.57% of the population, while the third largest is Zarqa with 14.32% of the population. Together the three governorates of Amman, Irbid, and Zarqa are home to 74.93%, or 7.14 million, of the entire population of Jordan".

These statistics show the centralized nature of the country, as roughly three-fourths of the population is located in the capital, Irbid, and Zarqa. Furthermore, if the large numbers of expatriates do return, it shows the possible distribution of where these expatriates would return. "The possible return of these expatriates would place further strain on already insufficient infrastructure in the three most populated governorates, and exacerbate the issues faced in regards to the internal migrations of Jordanians from less developed governorates to these three". Moreover the return of these expatriates will place further stress on public services, including education and health services. However, there would be great difficulty in assessing to what extent the level of strain placed on these services would be. Due to the skill level possessed by these expatriates, and the elevated wages they received in the country in which they previously resided, they may opt to enroll their children in private schools and join private health insurance networks.

**ii) Potential economic (GDP)**

The sudden influx of repatriated Jordanians, and their savings, will most probably lead to a significant increase in real GDP growth. "Parallels may be drawn to the return of Jordanians from Kuwait during the First Gulf War. Figure (2) shows that real GDP growth in 1990 was a lowly 0.97%, followed by a slightly improved 1.82% in 1991. In 1992, real GDP growth rose steeply to 18.67% as Jordanians who were residing in Kuwait returned. Despite growth falling to much more subdued levels in the three years following, growth remained much higher than that of previous years".



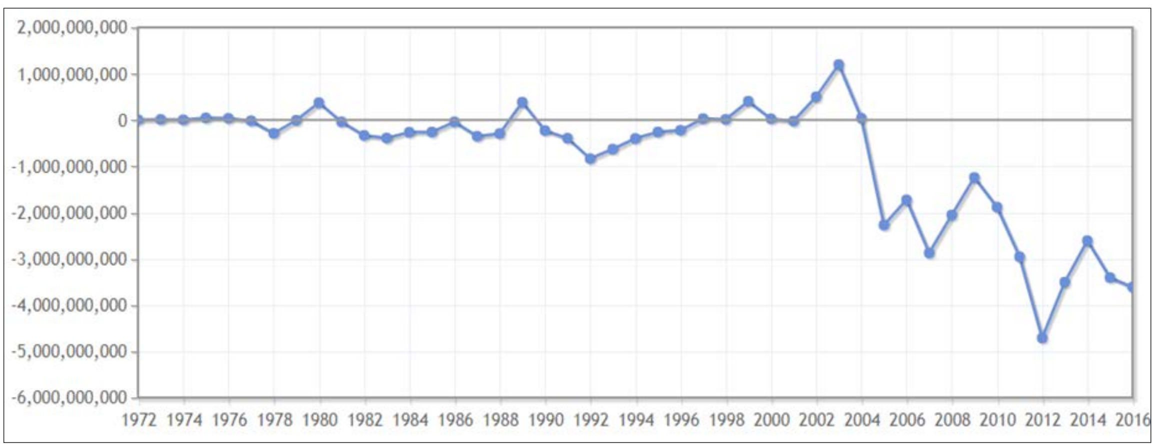

***Source*:** World Development Indicators, World Bank

**Fig 2:** below provides the potential economic (GDP) growth rate for 1972-2016 periods

### iii) Public Finance

**Government Domestic Revenues economic growth**

Domestic revenues during the 1972-2016 periods grew by approximately 82.7%, rising from JD 886.8 million to reach JD 1,602 million. The year with the highest growth rate was 1992, with growth reaching 37.72%. However the following year, 1993, domestic revenues only grew by 1.78%; but then increased to 9.56% in 1994, and almost doubled to 18.96% in 1995. Figure (3): below shows government domestic revenues economic growth during the 1972-2016 periods.




***Source*:** Yearly Statistical Data and Statistical Database, Central Bank of Jordan

**Fig 3**

### iv) The workers market and management

Jordan suffers from structural unemployment (Mansur, 2013) [13]. Structural unemployment is product of a mismatch between the skills that workers possess and the skills demanded by employers. The number of employed persons reached 1,398,030 million in 2015. Approximately 1.17 million (84%) of these were males, while only 224 thousand (16%) were females (Ministry of Labor, 2016). The public sector employs approximately 40% of all employed persons, while the remainder is employed by the private and NGO sector (JSF, 2016)".

"The workers force participation rate decreased by 2.8% in the 2011-Q3 2016 period, falling from 39.1% in 2011 to 36.3% in the third quarter of 2016. This decrease has also been reflected in both the male and female labor participation rates, which fell by 3.9% and 1.3% respectively. The difference between the male and female labor force participation rates is substantial. The average rate for females throughout the period was 13.52%, while that of males was over four times greater at 60.42%". Table 1 shown the workers force participation and unemployment rates are.

**Table 1:** Workers Force Participation Rate and Unemployment Rate

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|---|
| **Labor Force participation Rate** | | | | | | |
| Total | 38.1 | 37.1 | 38.2 | 36.4 | 35.7 | 36.2 |
| Male | 62.8 | 58.3 | 62.4 | 48.8 | 60.4 | 59.2 |
| Female | 16.2 | 15.4 | 12.2 | 12.2 | 13.1 | 13.2 |
| **Unemployment Rate** | | | | | | |
| Total | 12.2 | 11.2 | 13.7 | 11.8 | 12.8 | 14.6 |
| Male | 10.6 | 12.6 | 11.6 | 10.2 | 11.2 | 12.8 |
| Female | 22.8 | 20.8 | 23.4 | 21.2 | 21.8 | 25.2 |

***Source*:** Department of Statistics, Jordan

According to the Ministry of worker, "youth (15-24) made up almost half of total unemployed persons in 2014, and 48.3%

of unemployed persons in 2015. The next age group of 25-39 constituted 41% of unemployed persons in both 2014 and 2015. Furthermore, those included in the 40+ age group made up 8.9% and 10.5% of unemployed persons in 2014 and 2015 respectively". This should be a cause for concern as it means that close to half of the youth actively searching for jobs cannot find. In additionally, "it is more likely than not that this is the segment that provides the majority of migrants, as the emigration rates of skilled workers outstrip those of low skilled workers in virtually all countries (Docquier, 2014); further indicating that in the case that Jordanian migrates do return the gulf countries".

**The information graphs below summarize the expected effects on the potential economic indicators mentioned earlier**

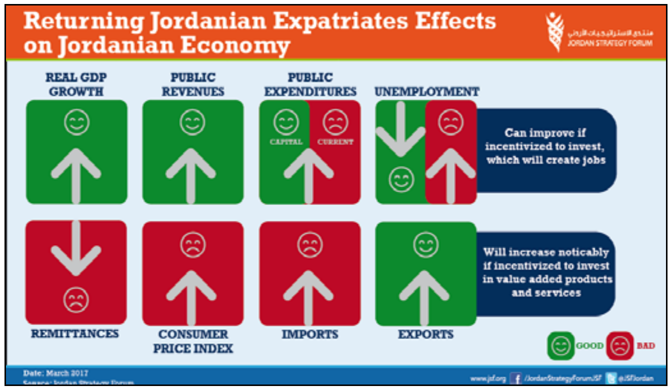



**Fig 4**

We can say that, "the Arabian Gulf countries are by far the largest source of personal remittances with the JD 4,790.34 million accounting for 34.2% of total personal remittances. Consequently, in the event that those migrants living in gulf do return, Jordan would lose its main source of remittances". For a more detailed breakdown of remittances inflows,

**The information graph below shows the top 10 sources of personal remittances**

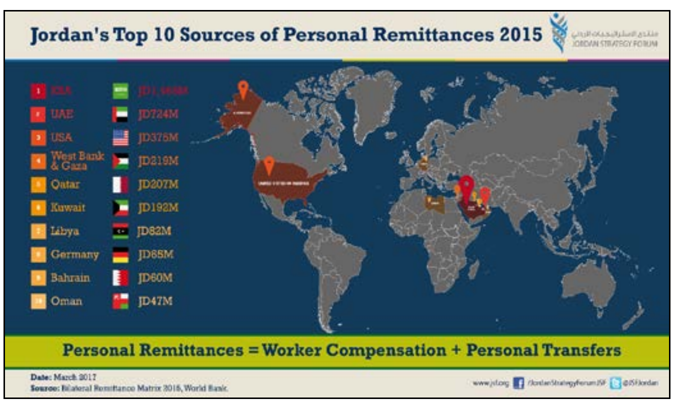



**Fig 5**

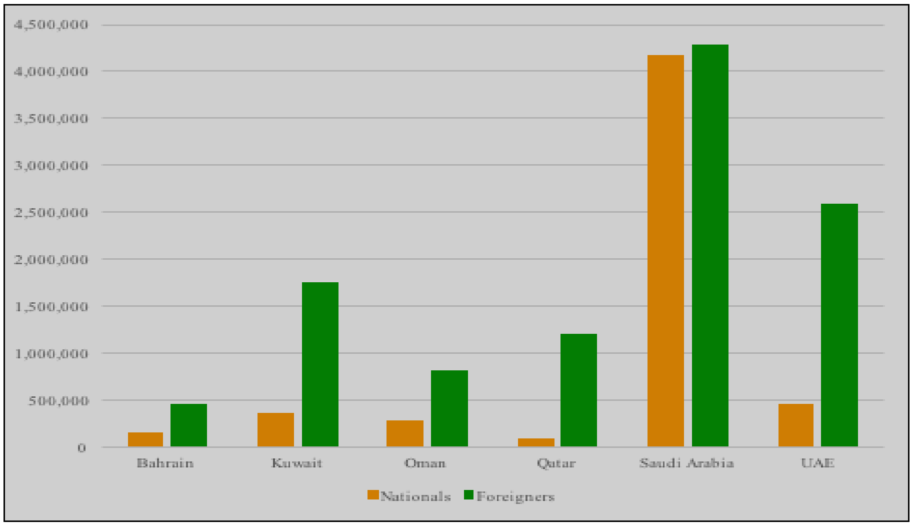
"The main competition of migrant sending countries in regards to attracting the earnings of their migrants, is the favorable investment climate and developed financial intermediation present in the generally developed migrant receiving countries" (Bobeva, 2006). Globally, "only a small percentage of remittance inflows to developing countries are utilized for employment and income generating activities, with the majority going towards increasing living standards and consumption spending" (Bobeva, 2006). Consequently, a country such as Jordan should recognize the investment potential of remittances and encourage the investment of these substantial inflows. However, in the creation of a relevant policy, it must also be recognized that balance of payments inflows are formulated from a large number of smaller sums.

**v) Researching migration of potential economic in the Gulf**

In the field of researching migration of potential economy studies, "the Middle East hosts phenomena that are often presented as exceptional. Within refugee studies, the Palestinian diasporas has long been studied as both an exception and an epitome of diasporas politics and diasporas lives: alongside the paradigmatic Jewish and Armenian diasporas, the Palestinian diasporas stands as an ideal type marked by a luminal 'catastrophe', world dispersion, the imaginary of the lost mother land", as Cohen analyses (1997). "Within migration studies, workers migration in the GCC has long been ignored by the literature and hardly featured as model or paradigm in migration studies from a sociological, economic or political angle concerning countries of high immigration (the United States, Canada, Australia, the European Union etc.)".

"In the field of Middle Eastern studies, the Gulf has long been considered an 'exception' and migration was hardly ever addressed in depth in authored books or edited volumes on Gulf countries3. In political sciences notably, most studies include the Gulf countries in a regional or global focus on security issues (terrorism, diplomacy), the nature of regimes and their opposition and the potential economy of oil and rentierism, overlooking social endogenous and transnational dynamics of Gulf societies.

"Research on migration in the Gulf monarchies is fairly recent. In the 1980s and 1990s, the limited research available devoted much attention to the macro-economic determinants of migration overlooking the social and potential dynamics involved in both migration management and migrants' communities. Since the 2000s, a new avenue of research has provided empirically-grounded sociological and anthropological work which started renewing the academic stance on migration to the GCC".




***Source***: Labor Immigration and Labor Markets in the GCC Countries: National Patterns and Trends." Kuwait Programme on Development, Governance, and Globalization in the Gulf countries

**Fig 6**

## Conclusion

This article has examined the potential economic effects of workers and labor returning from the gulf countries, organizations and practices involved in the potential economic, management, and control of migration and migrants in the Gulf countries in a historical perspective. The general discussion, "transnationalism has been generally associated with migrants' transnationalism, with rather liberal values associated to an individual agency across borders and beyond country control". This article we explored the effects of the potential economy and practices that are shaping migration flows and migrants' lives as 'broadly refer to multiple ties and interactions associating people or country across the borders of nation-states' (Vertovec 1999). The Gulf countries, migrants have been strongly alienated by organizations and practices designed.

In short, we concluded that GCC countries' "immigration policies are highly effective methods for combating global inequality because of the massive increases in earnings experienced by the migrant workers compared to the alternative of remaining in their home country". A GCC immigration economic policy is far more effective than foreign aid and human rights campaigning, and that it is worth tolerating the undesirable corollaries of such economic policies in light of their power in reducing inequality.

## Key Findings

The key findings of the study are derived from, reputed journals, books, and review of literature concerning migrants and migrant remittances; as well as from assessing the effects of similar migrations of a huge amount of people to Jordan:

- Approximately, "three-fourths of the population is located in Amman, Irbid, and Zarqa; consequently, it may be expected that these three governorates are where these expatriates would return. Moreover, the return of the expatriates will place further stress on public services and the infrastructure in these governorates".
- "The sudden influx of repatriated Jordanians, and their savings, will most probably lead to a significant increase in real GDP growth. This is deduced from observing the 18.67% growth experienced in 1992 with the return of expatriates from Kuwait, and the four consecutive years of 8% growth or higher experienced in the 2004-2007 period brought on by the arrival of Iraqi nationals".
- "Jordan is heavily reliant on imports, especially in regards to satisfying its food and energy needs. Consequently, it is to be expected that any large increase in the population, such as the return of expatriates, will necessitate increased imports".
- "The Consumer Price Index may be expected to increase as prices rise. However, to offset the rise in prices, the increased size of the market and spending power will prove a boon for local businesses".
- The worker market in its current state will most probably be unable to absorb any large amount of returning expatriates from the gulf countries; these migrants would be returning with their savings, and therefore, at least a segment of them, will have the ability to become entrepreneurs and should be encouraged to do so.
- Though payment do provide benefits for receiving countries, such as allowing receiving families and persons to increase their standard of living, spend on education and investment in inheritable assets; they also have detrimental effects on receiving countries.

## Recommendations

The paper to examine the potential economic of workers return of migrants from the gulf countries could prove a boon for Jordan if dealt with correctly. The increased population equates to increased consumption, and increased investment. The following section will outline a set of recommendations for how best to prepare for the return of expatriates. It is worth noting that the recommendations will also be targeted at enticing migrants to return and invest in Jordan. The labor market, management, and workers cannot absorb such a large amount; it is of paramount vital to view the return of so many migrants as an opportunity to encourage an entrepreneurship. Directing these repatriated Jordanians to set up businesses, better management will have a series of highly beneficial effects including, but not limited to: the provision of employment opportunities, possibly increasing domestic exports, providing the government with a larger tax base, and a more vibrant economy from which it can extract funds, services among others. These recommendations are:

- Expats should be encouraged to invest part of their payment scales
- Direct expatriate investments towards portfolio investments. Returning expatriates should be directed to portfolio investments composed of high value added economic activities. Therefore, Jordan should facilitate the establishment of such funds.
- Jordan Investment Commission (JIC) incentives and other incentives available to investors. This must be stated in both a clear and concise manner.
- Provide a list of the business incubators, venture capital firms, and mentoring associations present in the country.
- Utilize civil society organizations in the remote areas of the governorates as sources of information and for the facilitation of the recruitment of human capital.
- Benefits for returning expatriates should be reviewed and some benefits similar to those given to foreign investors needs to be considered to ensure that the savings they return with are not wasted on low value added activities such as the purchase of real estate.

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