



Al Urdun Al Jadid Research Center

UN Global Compact in Jordan

*Towards Strengthening Corporate Citizenship  
in Labour Standards and Rights*

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## Table of Contents:

### Chapter 1: A General Overview of the Global Compact Initiative

- 1-1 Origins of the Global Compact initiative launched by the former UN Secretary General Mr. Kofi Annan in 1999
- 1-2 The 10 principles covering the 4 themes of Global Compact
- 1-3 Focus on the 4 principles on labour
- 1-4 The 4 principles on labour and their relationship with the Declaration of Labour Principles and Rights issued by the ILO in 1998
- 1-5 The Global Compact and Corporate Social Responsibility
- 1-6 Role of the private sector, civil society organizations, and business associations in the world and the Middle East in joining the Global Compact initiative and collectively addressing CSR issues
- 1-7 Background and objectives of the Global Compact initiative in Jordan, highlights on companies.

### Chapter 2: The Status of the Labour Environment in Jordan

- 2-1 The political, economic, legal, and social aspects of labour conditions in Jordan
- 2-2 The structure and division of the labour force in both the formal institutions and the informal sector
- 2-3 Labour conflicts reported in the past 4 years: nature and reasons
- 2-4 The role of labour legislations in securing a pro-labour working environment and a pro-investment environment

### Chapter 3: Jordanian Labour Legislations

- 3-1 Jordanian labour legislations and international labour standards: a comparative outlook
- 3-2 Business associations' perceptions towards amending the labour laws

### Chapter 4: The Business Sector and Labour Rights & Policies: Challenges & Prospects

- 4-1 How the business sector understands its social responsibility in general, and towards labour in particular?
- 4-2 Challenges and opportunities facing the private sector in implementing labour standards and policies; the cost of adopting labour rights from the perception of the private sector
- 4-3 Working conditions and labour rights in QIZ's

### Chapter 5: The Global Compact and the Private Sector in Jordan

- 5-1 Case studies on best practices of the private sector in endorsing effective labour policies
- 5-2 Recommendations

## Chapter 1: Introduction: A General Overview of the Global Compact Initiative

### 1-1 Origins of the Global Compact initiative

In response to the increased significance of companies practicing their social responsibility within the widening globalisation, the UN initiated launching the Global Compact (GC). This was when the former Secretary General Kofi Annan addressed the business leaders at the World Economic Forum at Davos, Switzerland, on January 31, 1999, calling them to join this initiative that aims at unifying the efforts of the leading companies, UN agencies, civil society organisations, and labour unions to support the GC principles on human rights, labour rights, and environment. The GC went into effect after its official launch at the UN headquarters in New York, on July 26, 2000.

This initiative aimed at pushing Corporate Citizenship forward, with the private sector playing a leading role in addressing globalization, and arriving at a global, collective and sustainable economy.

The Global Compact contains a number of principles based on internationally recognised conventions, namely,

- The Universal Declaration of Human Rights
- The International Labour Organization's Declaration on Fundamental Principles and Rights at Work
- The 1992 Rio Declaration on Environment and Development
- The United Nations Convention Against Corruption

These universal values serve as the cement binding together global corporations, since they are values that people all over the world feel an ownership of. Yet, as Annan puts it, the choice remains between a global market driven only by calculations of short-term profit, and one which has a human face; between a world which condemns a quarter of the human race to starvation and squalor, and one which offers everyone at least a chance of prosperity in a healthy environment; between a selfish free-for-all in which we ignore the fate of the losers, and a future in which the strong and successful accept their responsibilities, showing global vision and leadership.

### 1-2 The Global Compact: 4 themes and 10 principles

The GC initiative was initially formed of 3 themes; human rights, labour, and environment, covering 9 basic principles. It was later developed into 4 themes and 10 principles, by including the UN charter on anti-corruption.

## GC Themes & Principles

The GC asks companies to embrace, support and enact, within their sphere of influence, the following set of core values:

### Human Rights

- Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2: make sure that they are not complicit in human rights abuses.

### Labour Standards

- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4: the elimination of all forms of forced and compulsory labour;
- Principle 5: the effective abolition of child labour; and
- Principle 6: the elimination of discrimination in respect of employment and occupation.

### Environment

- Principle 7: Businesses should support a precautionary approach to environmental challenges;
- Principle 8: undertake initiatives to promote greater environmental responsibility; and
- Principle 9: encourage the development and diffusion of environmentally friendly technologies

### Anti-Corruption

- Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

The Global Compact is a purely voluntary initiative with two objectives:

- Mainstreaming the ten principles in business activities around the world; and
- Catalysing actions in support of UN goals.

To achieve these objectives, the GC offers facilitation and engagement through several mechanisms: Policy Dialogues, Learning, Country/Regional Networks, and Partnership Projects.

Over 70 local networks of the GC have become forceful multipliers of the initiative's impact, with regard to both the implementation of the ten principles and the achievement of broader UN goals.

Currently over fifty GC networks operate at the country or regional level, with the GC striving to increase the number of companies engaging with the initiative. Different types of country level and regional GC networks help make the initiative sustainable.

With over 3800 corporate participants from 116 countries around the world, the GC is the world's largest corporate citizenship initiative<sup>1</sup>. Yet, it is not a regulatory instrument – it does not “police”, enforce or measure the behavior or actions of companies. Rather, the GC relies on public accountability, transparency and the enlightened self-interest of companies, labour and civil society to initiate and share substantive action in pursuing the principles upon which the GC is based.

### 1-3 The Global Compact Principles on Labour

A large stake, namely, four out of the ten GC principles, are on labour standards. These principles are: the freedom of association and right to collective bargaining; the elimination of forced and compulsory labour; the abolition of child labour; and the elimination of discrimination in employment and occupation. This elucidates the strong bond existing between a stable business environment and a healthy working atmosphere.

#### PRINCIPLE THREE

Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

*Freedom of Association:* This implies a respect for the right of employers and workers to join associations of their own choice. It does not mean that workforces must be organised or that companies must invite unions in. Employers should not interfere in an employee's decision to associate, or discriminate against the employee.

"Association" includes activities of rule formation, administration and the election of representatives. The freedom to associate involves employers, unions and workers representatives freely discussing issues at work in order to reach agreements that are jointly acceptable. These freedoms also allow for industrial action to be taken by workers (and organisations) in defence of their economic and social interests.

*Collective Bargaining:* This refers to the process or activity leading up to the conclusion of a collective agreement. Collective bargaining is a voluntary process used to determine terms and conditions of work and the regulation of relations between employers, workers and their organisations.

#### PRINCIPLE FOUR

Businesses should uphold the elimination of all forms of forced and compulsory labour.

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<sup>1</sup> Global Compact website [www.unglobalcompact.org](http://www.unglobalcompact.org)

*Forced and Compulsory Labour:* This is any work or service that is extracted from any person under the menace of any penalty, and for which that person has not offered himself or herself voluntarily. Providing wages or other compensation to a worker does not necessarily indicate that the labour is not forced or compulsory. By right, labour should be freely given and employees should be free to leave in accordance with established rules.

Forced and compulsory labour can take a number of forms:

- slavery,
- child labour in particularly abusive conditions where the child has no choice about whether to work,
- the work or service of prisoners,
- labour for development purposes required by the authorities, for instance to assist in construction, agriculture, and other public works,
- work required in order to punish opinion or expression of views ideologically opposed to the established political, social or economic system, and
- exploitative practices such as forced overtime or the withholding of deposits (financial or personal documents).

## PRINCIPLE FIVE

Businesses should uphold the effective abolition of child labour.

*Child Labour:* This still remains a serious issue today in many developing countries, and in a number of industrialised countries where it occurs in some immigrant communities. Child labour has proved to have adverse effects on the economy itself, since the degradation of human capital and social stability results in insecure investments. Moreover, exploitation of child labour can damage a company's reputation, and can have strong repercussions on profit and stock value.

Child labour deprives children of their childhood and dignity. Many of the children work long hours for low or no wages, often under harmful conditions. They are deprived of education and are likely to remain illiterate and never acquire the skills needed to get a job. Child labour occurs because of the pressures of poverty and as a result of exploitation. It exists both in the formal and in the informal economy.

The worst forms of child labour are defined as:

- All forms of slavery; trafficking of children, debt bondage, forced and compulsory labour, and the use of children in armed conflict;
- Prostitution and pornographic purposes;
- The production and trafficking of drugs; and
- Work which is likely to harm the health, safety or morals of the child.

## PRINCIPLE SIX

Businesses should uphold the elimination of discrimination in respect of employment and occupation.

*Discrimination:* The definition of discrimination in employment and occupation is "any distinction, exclusion or preference which has the effect of nullifying or impairing equality of opportunity or treatment in employment or occupation", and is made on the basis of "race, colour, sex, religion, political opinion, national extraction or social origin". Discrimination may also occur on the basis of physical or mental disability.

#### 1-4 The GC Principles on Labour vs. the ILO Declaration on Fundamental Principles and Rights at Work of 1998

The above 4 labour principles are derived from international labour conventions, especially, the ILO Declaration on Fundamental Principles and Rights at Work, which was adopted by the International Labour Conference of 1998.

This Declaration reflected the concerns of the international community towards globalisation and trade liberalisation, and their adverse social impacts. This gave way to huge violations of social, economic and cultural rights on a wide scale.

Accordingly, the ILO adopted a key step towards committing its member states to respect and promote 4 basic principles. These principles include:

- freedom of association and collective bargaining (Conventions no. 87 and 98)
- elimination of forced and compulsory labour (Conventions no. 29 and 105)
- elimination of discrimination in respect of employment and occupation (Conventions no. 100 and 111)
- abolition of child labour (Conventions no. 138 and 182)

Ratifying all the 8 Conventions is the first step that all governments have to undertake to prove their determination to comply with the agreements' articles.

Jordan has ratified 7 out of the 8 agreements. Article no. 87 is still pending.

#### 1-5 The Global Compact and Corporate Social Responsibility

GC is an institutional framework of CSR, which is growing rapidly on the global level, especially in the northern part of the world. Numbers of companies, institutions and groups engaged in developing socially responsible practices by the business sector are increasing.

In the past two decades, more companies have become aware of the benefits of managing their work according to socially responsible practices. Their behaviour is based on the results of tens of field studies and opinion polls that prove CSR having a positive impact on the economic performance of the business sector. It does not harm the shareholders; indeed, it promotes the value of the shares and the reputation of the companies.

Companies have long debated the connection between CSR and financial performance. Yet, according to a study in 1999 cited in *Business and Society Review*, it was observed

that companies that comply with ethical standards and publicise their commitment have raised the market price of their shares by a 2- to 3-fold, compared to companies that do not publicise their practices.

Another study utilised another criterion; companies' annual sales and profits. Also found was that companies adopting CSR and ethical performances achieved higher figures of sales and profits than companies that did not. Harvard University conducted a series of studies across different business sectors. Findings showed that companies that pay balanced attention to all stakeholders alike accrued 4 x the growth rate and 8 x the employment growth, compared to companies that devote their interest to shareholders only. Other research papers monitored the relation between corporate performance and the stock exchange. Outcomes revealed the negative impact of unethical behaviour on stock prices.

On the other hand, socially responsible companies that practice environment-friendly policies and adopt labour rights have managed to reduce their costs, and have successfully raised productivity and efficiency levels. Recycling processes have cut waste-disposal costs and generated income by reselling recycled materials and founding new jobs. Other studies have found that companies adopting programs aimed at raising their employees' living conditions, such as offering social benefits and health insurances, have managed to reduce absenteeism from work, increase their retention of efficient employees, raise labour productivity levels, and hence, reduce hiring and training costs.

Some studies have shown that the companies that engage their employees in the decision-making process have managed to raise labour productivity and minimise faults at the workplace. Moreover, companies that provide health care programmes have managed to reduce legal claims against them for health and safety reasons by 30%.

Companies that are well-known for their good reputation and CSR practices not only manage to retain consumers who alter their consumption patterns according to companies' practices; but also manage to gain the trust of the whole business community and to attract new capital and investments. Moreover, these socially responsible companies usually succeed in getting preferential treatment from the government, which feels willing to offer additional benefits such as permissions and tax exemptions, rather than enforcing strict inspection on them.

## 1-6 Role of the private sector, NGOs, and business associations in the world and the Middle East in joining the GC initiative and collectively addressing CSR issues

During the past decade and the past couple of years in particular, CSR has made a firm stand on the international arena. Today, this concept is spreading in diverse sectors of the business world. CSR was on the working agenda of a number of international summits, such as the World Summit on Sustainable Development, 2002, Johannesburg, South Africa, the 3 consecutive annual CSR summits of Sydney, Australia, the 4 consecutive annual CSR summits hosted by Dubai, UAE, the GC leaders' summits, and others.

Despite this, CSR is relatively in its early stages. Out of 65 thousand transnational companies operating in all parts of the world, only 4000 report on their social or environmental performance. Only 27% of consumers in 25 countries have punished companies for irresponsible practices. This shows that a long road awaits companies on the international level to transform their CSR practices into a regular behaviour, and that consumers need to be made aware of exerting more pressures on the corporate sector.

Yet initiatives to involve businesses in sustainable development processes are on the increase year after year. The Global Compact initiative is indeed one of the most effective. Its engagement of companies in raising their profile in the 4 social areas has indeed attracted a wide list of transnational corporations, UN agencies, and organizations representing businesses, workers and other sectors, to join this initiative. On a different stance, the World Bank sponsors programs directed at promoting CSR, whilst globalization imposes new standards on companies and the business sectors to enhance their competitiveness capabilities, such as applying principles of corporate governance and social responsibility. Today, the agenda of the business world announces integrating new issues such as combating desertification, HIV/ AIDS syndrome, poverty, unemployment, respecting gender standards, etc.

Whilst increasing numbers of large national and transnational corporations are indeed engaging with the CSR 'movement', the serious challenge is to balance the scaling-up of CSR with nationalizing the CSR concept in the developing countries. The current perception and understanding of the CSR approach still face high ambiguity, and there does exist a belief that this agenda is being imposed from the West onto the region.

Given the scarce amount of research existing on CSR in the developing world, there is a need to adjust and to nationalise concepts of CSR to be more applicable to the region. The CSR agenda tends to be somewhat 'Northern-driven' with limited participation of key actors and stakeholders from developing countries. Most codes of ethics and social performance criteria and indicators have been developed originally in the developed industrial world, and do not always conform to developing countries and societies. In other words, the standards and mechanisms used in assessing principles, values, and social performance need to be improved in these countries. This involves setting up criteria for accountability, transparency, and codes of conduct that are applicable to local communities on the level of each country in the region. In short, CSR needs to reflect an indigenous concept emerging from within the region, instead of remaining an exported concept from the industrial west.

For this to be realized, several approaches need to be adopted. On the international level for example, the World Bank has established partnerships with large corporations such as mining companies, over projects that are directly linked to regional development. The UNDP program stresses the importance of companies working together with the poor communities, who live on less than 2 dollars a day. Examples also exist in Mexico, India and other places in the world where the private sector has a positive role in financing micro-scale projects.

On the other hand, some researchers have come to the conclusion that it may be beneficial to focus on strengthening relations between communities and companies rather than merely focusing on CSR practices. They suggest companies enhance Corporate Accountability and transparency in their operations, in addition to applying principles of Corporate Governance. Peter Utting from the UN Research Institute for Social Development calls upon governments to participate on the international level for initiating better mechanisms to persuade companies on being more accountable towards their citizens.

There have been numerous international initiatives lately aimed at developing standards and criteria that cover one or more aspects of corporate social responsibility. They include:

1. The Global Reporting Initiative (GRI): this was established in 1997 to prepare global guidelines for enterprise-level sustainability reports including both social and environmental indicators. The GRI is convened by CERES (Coalition for Environmentally Responsible Economies). The need to report is associated with the adoption of sound corporate governance practices and achieving transparency. GRI's vision is that *triple bottom line reporting* will become as routine as financial reporting. It addresses the economic, social and environmental impacts of a company<sup>2</sup>. Nearly 1,000 organizations from over 60 countries, from business, civil society, labor, auditing, investors, academics, governments and others, disclose their sustainability performance with reference to the GRI guidelines. Worldwide, almost 35% of the 250 leading companies have adopted GRI. In October 2006, GRI formed a strategic alliance with UN Global Compact. Despite its numerous advantages, such as protecting the company's image, developing trust with consumers and creating a platform for communication, it is not supported by all. Due to the level of detail GRI demands, successfully reporting can be both a costly and time-consuming process.
2. The Global Sullivan Principles: introduced in 1999 as a voluntary code of conduct for companies, to support human rights and equal opportunity at the workplace, including racial and gender diversity.
3. Social Accountability 8000: this is a standard that specifies requirements for social accountability, monitoring child labour, forced labour, nondiscrimination, health and safety, and freedom of association and collective bargaining. This standard was developed by the Council on Economic Priorities Accreditation Agency (CEPAA).
4. The Caux Round Table (CRT): this is based in Caux, Switzerland, and comprises senior business leaders from Europe, Japan, and North America. The CRT promotes principled business leadership and the belief that businesses have a crucial role in compiling sustainable and equitable solutions to key environmental issues. This initiative has produced "Principles for Business"; a document that promotes ethical and responsible corporate behaviour.

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<sup>2</sup> Jordan Business magazine,  
[http://www.jordan-business.net/magazine/index.php?option=com\\_content&task=view&id=129&Itemid=40](http://www.jordan-business.net/magazine/index.php?option=com_content&task=view&id=129&Itemid=40)

5. The Sunshine Standards for Corporate Reporting to Stakeholders: this is an association of individuals and organisations from environmental, consumer, and religious organisations. It covers the information that companies should routinely provide in annual reports to stakeholders. This initiative was established in 1996 by the Washington, DC-based Stakeholder Alliance.
6. The Keidanren Charter for Good Corporate Behaviour: this is a Japanese Federation of Economic Organisations; a business association that states that "corporations, in addition to being economic entities engaged in profit, must be useful to society as a whole".

GC summits work towards enlarging membership in the GC initiative and promoting GC and CSR principles. The first GC Leaders Summit took place in New York in 2004.

In a most recent step, the second GC Leaders Summit was held in Geneva in July 2007. The summit was concluded with a pledge by hundreds of business leaders from developed and developing countries to comply with labor, human rights, environmental and anti-corruption standards. Top executives of corporations such as Coca-Cola, Petrobras, Fuji Xerox, China Ocean Shipping Group, Tata Steel, L M Ericsson and Banco Bilbao Vizcaya Argentaria adopted the 21-point Geneva Declaration on the Role of Business in Society. Also launched at the Summit were a) "Principles for Responsible Investment" which seek to disseminate the tenets of corporate citizenship among capital markets; and b) "Principles for Responsible Management Education", which aim to take the case for universal values and business into business schools around the world<sup>3</sup>. The next GC Summit is scheduled for 2010.

## 1-7 Background and objectives of the Global Compact initiative in Jordan; highlights on companies joining the GC

The background of the GC initiative in Jordan stemmed from realising the local need of the private sector to focus on CSR. This came in line with the UNCCA recommendations on private sector development, capacity building with regards to human and labour rights issues, environmental management and anti-corruption policies. Hence, the GC initiative aims to increase the role of the private sector and NGOs in collectively addressing these issues.

Specifically, it was highlighted that the private sector in Jordan could benefit from an international framework such as the Global Compact. This framework ensures responsible business practices through the integration of the 10 principles into companies' strategies and operations, and promotes greater involvement of business in development. This would a) promote the development of a Jordanian business community that respects universal values, b) improve companies' business processes and c) may, in turn, enhance their reputation as well as build their competitive edge in the international arena.

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<sup>3</sup> Global Compact Summit website: <http://www.globalcompactsummit.org>

Accordingly, the UNDP Country Office in Jordan convened a round of assessment meetings throughout 2007, with relevant private and public entities. Support was given from prominent private sector entities such as Talal Abu-Ghazaleh & Co. International, Aramex Shipping Company and Nuqul Group. Consultations with other private sector companies are ongoing. A number of awareness building workshops engaging different stakeholders were held over the course of the second half of 2007. Regional experiences were highlighted, and successful local practices of companies were displayed.

In April 2007, the GC Board of Directors appointed Mr. Talal Abu-Ghazaleh as the Deputy Chairman of the Global Compact. This includes the responsibility of arranging for the establishment of national centers for the Global Compact in the Arab states.

Up until October 2007, seven entities have joined the GC initiative in Jordan<sup>4</sup>. Interesting to note is that though not a company or a business, the City of Salt is a member of the GC. This indicates that principles of responsible environments, anti-corruption, respect of human and labour rights are spreading among the non-business sector, which is a sign of increased awareness of responsibility in Jordan.

Participant	Type	Sector	Date of joining GC
RAZORView Advisors	SME	Professional, Scientific & Technical Services	12/12/2006
Schema	SME	Professional, Scientific & Technical Services	12/12/2006
City of Salt	City	--	16/1/2007
Aramex	Company	Transportation & Storage	12/7/2007
Nuqul Group	Company	Paper Products	12/7/2007
Tactix Strategic Consulting	SME	Media, Communications & Entertainment	6/8/2007
Primus – Computer Networking Services	SME	Software & IT	24/9/2007

In July 2007, the TAG College of Business/ German-Jordanian University joined the Global Compact initiative for Responsible Management Education. This initiative aims at preparing talented graduates and business leaders who can deal with the increasing demands and changing requirements of the global marketplace<sup>5</sup>.

<sup>4</sup> Global Compact website [www.unglobalcompact.org](http://www.unglobalcompact.org)

<sup>5</sup> TAG Organisation website: [www.tagorg.com](http://www.tagorg.com)

## Chapter 2: The Status of the Labour Environment in Jordan

### 2-1 The Political, Economic, Legal and Social Aspects of Labour Conditions in Jordan

#### 2-1-1 The Political Environment

Jordan is a relatively small country with an area of almost 90,000 km<sup>2</sup> and a population of 5.7 million. Yet, despite its scarce natural resources and its location at the heart of conflicts in the Middle East, amid strong neighbouring countries with larger resources, Jordan has proved its ability to maintain stability and to adjust to the fast changing regional conditions. It has also managed to absorb the military, political and economic shocks that have erupted in the region.

With the outbreak of the 1948 war, and the influx of thousands of Palestinian refugees to the west and eastern bank of Jordan, the population three-folded within one year.

The social fabric of Jordan was highly affected by the regional developments, most importantly, the Arab-Israeli wars, the gulf war and the Iraqi invasion of Kuwait, and lately, the US war on Iraq. Huge waves of migrants have since fled into Jordan, formulating a new demographic, social and economical structure. Also, impacted was the Jordanian labour market, which has always been characterized as an exporter and importer of the work force.

Since late 1989, Jordan entered a new era of political openness and legislative reform. The parliament has been active in drafting new laws that enforce political and partisan diversity, guarantee the freedom of the press, and enhance the judiciary power.

Amid these legislative reforms a new labour law was endorsed in 1996, thus replacing the old labour law which was issued over three decades ago and had remained in effect until 1996.

In 1999 Jordan entered the global sphere through its strategic openness to the world, its joining of the WTO, signing the EU partnership agreement, and ratification of a number of free trade agreements with the US and MENA countries.

Jordan's entering into the globalization sphere, its attempts at attracting foreign investment, and its opening of the labour market for foreign workforce have required an enhanced labour environment in Jordan. This labour environment serves as a critical component of the investment climate, and an essential prerequisite for sustainable development and achieving economic stability. This has vitalized the need of the government to develop labour laws and work relations.

#### 2-1-2 Socio-Economic Developments

Jordan has a free market economy which has always been dependant on the region and the world for extensive importing of its goods and services, and a limited exporting of agricultural, mining and industrial products.

The regional political instability has for long placed the Jordanian economy at a stake, by being structurally distorted and over-dependent on foreign assistance to cover budget deficit, and on foreign remittances to cover the trade balance deficit.

In the late eighties, Jordan faced a critical economic and financial crisis. It resorted to rescheduling its debts and adopting structural adjustment programs with the IMF and the World Bank until 2004. The eruption of the second gulf war (1990/1991) lead to the closure of the gulf markets to Jordanian exports and workforce. Also adversely impacted was the oil market in Jordan, which was over-dependent on Iraqi oil at free – favourable prices. Moreover, hundreds of thousands of Jordanian citizens were forced to leave Kuwait and the gulf and return to Jordan. This further exerted pressures on the scarce Jordanian resources and services during the nineties, whilst intensifying problems of poverty and unemployment.

Jordan has imposed successive price increases on fuels during the past couple of years. This has placed serious burdens on the low-middle income groups in Jordan, which were not compensated by similar increases in their salaries. Yet, Jordan resorted to these price increases on basic items, as a mitigating measure to face the ongoing oil price increases that placed increasing burdens on the national budget, whilst deepening its deficit to cover the oil bill and continue to subsidise some of the basic items.

The structure of the labour force in Jordan suffers from severe structural imbalances. The majority works in the service sectors with a minimal working in production sector. Jordan is still over dependent on migrant labour despite high levels of unemployment among the Jordanians, and the large numbers of the Jordanian labour force are working abroad specially in the gulf.

### 2-1-3 The Legal Framework Governing Work Relations

The Jordanian constitution refers explicitly to labour rights and guarantees “work for all citizens, provided by the state to develop the national economy”. It also stipulates that the state protects labour based on the following:

- Providing a wage commensurate with the amount and quality of work.
- Setting weekly working hours and providing paid and annual days off.
- Compensating dependent workers, and in cases of dismissal, illness, and work-related disability.
- Setting special condition for woman and juvenile employment.
- Setting health standards
- Freedom of association within legal permits.

The constitution gave way for the first legislation that approves freedom of labour association, by labour union law number 35 of 1953. Dozens of unions were created in the following year, most of which were under the General Federation of Jordanian

Trade Unions formulated in 1954. Also in 1955 another law was issued for labour compensation. Labour law 21 of 1961 was the main legislation that set working relations in the three decades to come. This law was amended in 1965 and continued to be in effect until the mid-nineties.

Up until October 2007, Jordan has ratified 23 international labour conventions, and 6 Arab labour conventions. Regarding bilateral labourforce agreements, Jordan has signed 13 agreements with Arab and Asian countries in the fields of workforce cooperation and exchange<sup>6</sup>.

Jordan has ratified seven of the eight core Conventions of the ILO Declaration on Fundamental Principles and Rights at Work of 1998. Although the current labour law 8 of 1996, and its amendments, responds to a number of labour demands, it remains far from accommodating to the fast-growing developments in work relations in Jordan. These laws no longer provide for an adequate framework to meet Jordan's international commitments, such as international labour standards, EU-Jordanian partnership, and FTA with US, which all confirm freedom of union association and collective bargaining.

Labour law 8 of 1996 contains basic articles that protect the rights to collective bargaining, union association and strikes. Yet, these articles include a number of restrictions; some worker groups are excluded from the right to union association, such as civil servants, agricultural and domestic workers. The law entails a number of restrictions on the right to strike which clearly contradicts with ILO standards. In addition, the labour law and the General Union of Trade Unions by-laws limit the labour right to being members of these.

The law explicitly excludes hundreds of thousands of non-Jordanian workers from the right to joining labour associations and collective bargaining. It excludes Jordanian workers under 25 years of age from the right to formulate unions. This strongly contradicts with Convention no. 87 on freedom of association and protection of the right to organize, which has not been ratified by Jordan until today. This also contradicts with Convention no. 98 enacting principles of the right to organise and collective bargaining.

## 2-2 The Structure and Division of the Labour Force

The population in Jordan was estimated by DoS at 5.69 million in October 2007<sup>7</sup>. Two thirds of them (69.9%) reside in the central region, while the rest (27.8%) are in the north and 9.3% are in the southern governorates. The size of the labour force in Jordan was estimated at 1.31 million in 2006. The raw participation rate in economic activity is relatively low at 23.9%; 39.6% for males and 8% for females.

The adjusted participation rate is estimated at 37.8%, with a high 63% for males and a low 12.6% for females. This is attributed to the high ratio of young people under 15 years of age compared to the overall population, the high percentage of people enrolled in education, and the low female contribution to economic activity.

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<sup>6</sup> Ministry of Labour website: [www.mol.gov.jo](http://www.mol.gov.jo)

<sup>7</sup> Department of Statistics website: [www.dos.gov.jo](http://www.dos.gov.jo)

The 2006 figures on employment and unemployment show that the employed labour force is of low educational profile, as almost two thirds of them hold a secondary school degree or less, whereas 33.3% are holders of university diploma, bachelor degree or above. On the other hand, 2.7% of the employed labour force are illiterate.

Regarding the age distribution, almost 80% of the employed are over 24 years of age. The highest concentration of the labour force exists in Amman (42.8%), followed by 16.6% in Irbid and 14.1% in Zarqa. Interesting to note that 49.5% of the female workforce are employed in Amman.

The number of unemployed people in Jordan was estimated at 170,046 in 2006, of which 71% are males and 29% are females<sup>8</sup>. This represents 13% of the entire labour force, and has been relatively stable in the past five years. The highest percentage of unemployed (49.6%) have not completed their secondary school, followed by B.A. holders and above (26%). 10.4% of the unemployed are secondary school graduates, 12.2% are diploma holders, and 1.7% illiterate.

Unemployment levels are higher in the governorates compared to Amman, where it is only 9.7%. The southern governorates have the highest employment rate; 23.9% in Karak, 17.6% in Tafilah, and 17.5% in Maan. Amman unemployment figures are also higher than the national average in governorates of Ajloun (16.4%), Madaba (16.1%), and Mafraq (15.8%).

Almost half the unemployed (49.1%), lie in the 15 – 25 years age group, and (15.9%) are over 25 years of age.

### 2-2-1 The Non-Jordanian Labour Force

The non-Jordanian labour force registered at the Ministry of Labour in 2006 were estimated at 290,000 persons<sup>9</sup>. Yet their true number is undoubtedly higher. This figure does not encompass all non-Jordanian workers, who have widely increased after the Iraqi influx to Jordan following the 2003 war on Iraq. A large segment of the foreign labour force in Jordan are not registered or do not renew their residency and work permits when expired.

The Arab workforce comprises 70.2% of the total non-Jordanian registered workforce. Egyptians constitute 70% of the total registered migrant workers.

Over half the registered non-Jordanian workers are concentrated in Amman (52%), followed by Irbid (11.5%), Zarqa (9.2%), Balqa'a (7.9%). 36% of these workers are employed in the service sector, 25.1% in industry, 23.6% in agriculture, and 15.3% in construction<sup>10</sup>.

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<sup>8</sup> Ministry of Labour Annual Report 2006, p. 16.

<sup>9</sup> Ibid., p. 17.

<sup>10</sup> Ibid., p. 74.

The Jordanian labour force working abroad especially in Saudi Arabia and the gulf are attracted by higher wages and better benefits offered therein. The non-Jordanian migrant labour force has managed to compensate for the shortage in local workers. Jordan is now over dependent on foreign workers despite the high figures of unemployed Jordanians, as there continues to be wide discrepancies in salaries and lifestyles between Jordanian and non-Jordanian labour force.

Almost all segments of the migrant workforce endure inappropriate working conditions. The Jordanian labour law is not applicable on them, and migrant labourers feel they are discriminated against in terms of their freedom of association and collective bargaining. Also in terms of working conditions and accommodation, they tend to work excessive hours exceeding the legal limits, and are deprived of weekly days off. Their salaries are lower than the national level and they are sometimes not paid on time. This has brought to the surface the issue of non Jordanian workers' rights, and has encouraged national human rights organizations and international agencies to look into these critical issues of non-Jordanian labour.

### 2-2-2 The Informal Sector in Jordan

Despite the growing recognition of the role of the informal sector in the Jordanian economy, there have been no serious attempts at studying this sector or its characteristics and contribution to the GDP. Hence, it is difficult to identify the real figures of workers in the informal sector within the overall Jordanian and non-Jordanian labour force.

The informal sector comprises projects and individuals working in legal activities that are not covered by law. They are not registered at the concerned governmental, professional or municipals institutions like the formal entities. They maintain no records of their activities and workers enjoy no labour law protection and are not included in insurances or social security.

The informal sector comprises a mixture of a) workers receiving less than the official minimum wage, b) workers at their homes, c) workers engaged in unregistered activities, and d) temporary and part-time workers.

As in other countries, Jordan excludes domestic workers, family-owned businesses, and agricultural workers from the labour law. They could not legally exercise their fundamental rights or protect them. They are not included by labour law or social security benefits, such as the minimum wage, paid holidays, sick leaves, health insurances, pensions, and disability compensations.

A significant segment of migrant workers comprise the informal economy, including domestic workers and those not carrying legal work permits or residency. Women and children constitute a large part of the informal sector where they work for long hours, in inappropriate working conditions and hazardous jobs, while receiving low wages.

The informal sector also includes a number of Palestinian refugees who have not been officially registered or computed. The informal economy also includes migrating Iraqis in

Jordan who have been engaged in marginalized jobs receiving low incomes, simply because they do not hold official residency and work permits and are not protected by their country.

Some official agencies have shown wider interest in the informal sector in the past few years. For instance, the Ministry of Labour held a workshop with the ILO in March 2004; the Department of Statistics held another workshop in July 2004, among others. Yet these efforts were not continued and did not translate into tangible changes in policies or legislations.

Since the Global Compact focuses four of its principles on labour, in terms of anti-discrimination at the workplace, combating child labour, and guaranteeing freedom of association, we perceive that it would be beneficial that informal sector-related issues are included in the activities of Global Compact initiative/ Jordan, whether in terms of awareness on the role and characteristics of this sector, or in terms of formulating special policies that help organizing this sector and formulating adequate legislations to protect its employees.

## 2-3 Labour Conflicts reported in the past four years

The socioeconomic pressures that occurred in the past few years were accompanied by unprecedented growing numbers of labour conflicts and demands. In 2004 and 2005, the official press reported 37 and 38 claims respectively. In 2006 and 2007, labour disputes continued to be on the rise, reaching 65 conflicts reported in the daily press during the second half 2006. This figure increased in the first 9 months of 2007 to reach 77.

Taking into consideration that the media does not publicize other than what it receives from the unions or reporters on these conflicts, the above figures do not necessarily represent the true number of labour conflicts breaking out in the real scene.

The most prominent cause of labour conflicts in the past few years was the workers' continuing threats to go on strike, and the labour movements' protests. A total of 9 strikes and protests broke out in 2004, and 3 in 2005. In 2006, there were 8 threats to go on strike, but the actual number of strikes and protests reached 24. The first nine months of 2007 witnessed 8 threats to go on strike, and a total of 32 strikes erupted in different sectors.

Though the nature of most strikes and protests was rather peaceful, their rapid growth signifies certain worrisome indicators; they reflect the increased deterioration of work relations between employers and workers during a short period of time. Published data by the Ministry of Labour reports proves this same phenomena; the growing number of collective resolutions reached during the last 3 years, which would not have been accomplished without the increasing labour claims movements in the same period.

Looking into the data on these conflicts and claims we find that a key portion is related to workers in the different Qualifying Industrial Zones distributed across Jordan. Many of these QIZs witnessed threats to go on strike or faced actual strikes and protests.

According to the National Labour Committee report released in May 2006, violations were depicted in 28 establishments in QIZ compounds during the preceding ten months<sup>11</sup>. (See section 4-3 on Working Conditions and Labour Rights in the QIZs).

Also realised is the increase in labour conflicts among sectors that are not allowed to form associations, such as governmental employees. The recent involvement of senior government employees in different forms of protests and strikes is a relatively new trend, which signifies that professional groups are resorting to open forums of protests; a phenomenon that was confined until recently to labour groups.

In addition to the above labour conflicts that erupted between workers and employers, new forms of disputes have emerged in the past couple of years. Labour unions are demanding the reform of labour legislations, to allow non-Jordanian workers to join unions, to improve the status of women employees in QIZs, and to develop women-related legislations. For the first time in Jordan, there are now demands for opening up and allowing the creation of new associations.

In an attempt to analyse the reasons of the increasing labour conflicts and workers resorting to strikes, an opinion poll was held in 2006. Results showed that 40.9% of the labour sample blames the government for not following up on labour claims and responding to them. 33.6% of the sample attributed the large number of labour conflicts to weaknesses in labour legislations. Interesting to note is that 20.2% of the sample blamed the labour unions for being weak in addressing issues of protecting the rights of their constituency. Only 5.3% attributed labour strikes and protests to other reasons.

#### 2-4 The role of labour legislations in securing a pro-labour working environment and a pro-investment environment

The existing labour law no. 8 of 1996 is considered a relatively new law that has come after three decades of requesting amendments to the former law of 1966. The new law includes significant developments, and was followed by a number of amending articles in the past ten years. Yet, this law and other labour legislations did not yet reach the level of international labour standards. They fail to meet the international community demands, and especially the ILO and other labour organizations.

Most importantly is that Jordanian labour legislations fail to provide the appropriate framework to adjust different aspects of work relations to the quick developments in the Jordanian economy and society in the past decades. They fall short of providing the necessary solutions needed by work relations in the fast changing world.

Hence, reforming the work relations environment is not a labour or union issue only; it entails a series of reforms that should include the Jordanian economic, social, and political life. The different adjustment programmes and attempts by the government in the past few years failed to address work relations and labour legislations directly or

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<sup>11</sup> US National Labour Committee, "US-Jordan Free Trade Agreement Descends into Human Trafficking & Involuntary Servitude", May 2006.

indirectly. Moreover, the committees set to formulate these programmes lacked representatives of workers or labour unions.

Jordan has been opening up to the world economy and has undergone a series of reforms towards liberating its economy, merging into globalization and attracting foreign investment. Yet, labour-related policies remain an integral element in the challenges that Jordan faces. It is now increasingly essential that Jordan develops its labour laws to comply with international labour standards and conventions, especially the ILO Declaration on Fundamental Principles and Rights at Work of 1998. Moreover, labour legislations and their applications should conform to the conditions and requests of the Jordanian – European partnership agreements and the FTA with the USAID.

Even though law no. 8 entails a number of modified articles, it still needs more amendments, especially regarding the right to establish unions and joining them. Moreover, Jordan's increased overdependence on migrant labourers has not been corresponded by recognizing the rights of these workers to organise and to join unions. Most of these migrant workers come from Egypt, Syria, and lately from Iraq. There is a big portion of Asian workers. Most of these do not enjoy any legal protection.

One of the outcomes of merging into globalization was the signing of the QIZ agreement with the USA. Thousands of Asian labourers work in the QIZs amid difficult conditions and long working hours for low wages. Male and female workers work for wages below the official minimum wage. These migrant labourers form a significant part of the informal sector in Jordan.

These conditions existing among the workforce, especially in the QIZs, should raise the concern of the ILO, US Government and labour organisations. The QIZs produce exports that go directly to international markets, especially US markets. This necessitates that the international community and consumers not ignore the fact that these products are produced in unacceptable working conditions. Pressures on Jordan have increased after signing the FTA with the USA which expanded the scope of Jordanian exports to the US market and raised investment prospects in Jordan. It is clear that many foreign investors, including multinational companies, would not risk investing in an inappropriate working environment that does not provide workers with basic rights acknowledged by international conventions.

Jordan stands today at a juncture; it cannot merge into globalization and reap its outcomes without significant reforms in its labour legislations, whilst at the same time, it has to provide its labourforce with some of the positive of outcomes of liberalisation and openness. This is basically the main challenge facing Jordan. It is now requested to endorse a reformed labour law that complies with Jordan's commitments to the ILO, and that reduces the gap between Jordanian labour legislations and applications, and international labour agreements.

The reform agenda that has been put forward by King Abdullah II to develop the political life and enhance citizenry participation and making Jordan a model in applying political reforms and spreading democracy, was not a standalone initiative. It was

accompanied by other promises to support establishing channels for social consultation and dialogue.

The ILO, through its Jordan office and other international organizations, has provided the needed assistance to develop Jordanian labour legislations and establish an economic and social consultative council, that engages the different social dialogue sides: labour unions, private sector, Jordanian government, and CSO's.

On a similar level, the Global Compact initiative put forward by the UN office in Jordan to be implemented in Jordan starting in 2007 presents an effective tool in this area. It engages different stakeholders, such as private sector, companies, institutions, and NGOs in applying the 10 GC principles and implementing joint activities with other social partners. This framework facilitates dialogue and sharing knowledge, and exchanging best practices for companies in the social sphere, especially at the level of labour rights.

## Chapter 3: Jordanian Labour Legislations

### 3-1 A Reading into Jordanian Labour Legislations

The legislative framework governing work relations comprises a number of laws, most importantly, labour law no. 8 of 1996 and its amendments, and social security law no. 19 of 2001. The regulations and bylaws of the General Federation of Jordanian Trade Unions (GFJTU) and the unified bylaws of the unions together fall under the legislative framework governing labour relations, as both of them are issued under the same labour law.

Labour law no. 8 of 1996 is the corner stone of labour relations in Jordan. It is composed of 11 chapters on labour investigation, vocational employment, labour contract, vocational training contract, group work contract, protecting wages, regulating work and vacations, work health and safety, work injuries and illnesses, labour unions and employers association, and finally resolving collective labour conflicts.

Even though the mentioned law is a relatively new legislation, it falls short of meeting international labour standards in a number of areas. This has made it subject to serious criticism by many labour unions and international organizations since its endorsement. In the last three years, labour unions supported by international organizations and local civil society, intensified and amalgamated their activities to formulate a new labour bill. Some labour union representatives say they were on the verge of drafting a new labour bill with the Ministry of Labour and with employers. However, they were then faced by the MoL formulating a new draft, which had to go through deliberations from scratch.

Although the new bill includes drastic adjustments to make it comply with international standards, it still remains far from these standards in certain areas. Labour union representatives express their fears from presenting the bill to the elected parliament of November 2007, where it might be subject to amendments that distort its already achieved pros.

MoL officials perceive the new draft bill as a key consensus that has been reached among the three work parties. Certain articles of the labour law that have not yet gained a tripartite consensus have been postponed to subsequent sessions of negotiation. These officials perceive that reforming the labour law in particular is more complicated than other legislations; first, because it requires concurrence between everlasting opposing parties, and second, because it has to comply with international labour standards.

Jordan's rejection to ratify ILO Convention no. 87 on freedom of association and protection of the right to organize endorsed by the ILO in 1948, has been the main cause of complaints by Jordanian labour unions and international organizations, especially the ILO.

If Jordan were to sign this Convention, this would open the way for perceiving tangible reforms in Jordanian labour legislations, whereby they would comply with international labour standards. Jordan would then be able to overcome what has become the *Achilles'*

*heel* in its relation with the international community, by completing its ratification of the main international agreements that form the referential ILO Declaration of Principles of Fundamental Labour Rights at Work of 1998.

From the ongoing debates and negotiations between the Jordanian government and ILO, it seems apparent that Jordan is currently seriously considering ratifying Convention no. 87. This is proved correct by the new labour bill, which includes a number of significant amendments to comply with most, if not all, the agreement standards.

On a different level, Jordanian labour legislations include certain debatable issues that need amending and modifying to comply with international labour standards and principles. These could be summarised in the following:

### 1. Freedom of Association, Unions, and Collective Bargaining

Jordan's recognition of the workers' rights to form and join unions dates back to 1953. This early recognition provided guarantees for collective bargaining and prohibited discrimination against members of the unions. Yet, the current labour law no. 8 of 1996 sets a number of restrictions on the freedom of labour unions, and excludes certain segments of workers from enjoying legal benefits, including the right to join labour unions. By this, Jordan is violating Conventions no. 87 and 98.

Criticisms are focused on a number of articles in the labour law, especially article 3 that explicitly excludes governmental employees, municipality employees, agricultural workers, domestic workers from the labour law articles, including the right to association and unions. Jordanian labour union movements and international organisations demand the elimination of these restrictions and the inclusion of different segments of labour into the labour law and right to join unions.

Article 98 of the labour law requires amendment. It outnumbers the minimum number of workers to formulate a union by setting it at 50 persons working in the same, similar, or related professions, whereas the ILO sets this figure at 20.

Moreover, this same article requires that all the founders of the union are a) Jordanians and b) above the age of 25. This contradicts with the Jordanian eligibility age of 18, thus downsizing the population eligible of forming unions. It also deprives non-Jordanians from forming unions, by confining this right to Jordanian citizens only. This explicitly excludes hundreds of thousands of non-Jordanians from a) being represented at unions, b) collective bargaining, and c) other rights provided by the labour law. According to international conventions, this is considered an act of discrimination against non-Jordanian workers.

Although Convention 87 grants "the rights to employees and employers – without any discrimination or previous registration – the right to forming the unions they choose", the Jordanian labour law puts a number of conditions and restrictions that need revision to conform to international standards. Article 98b is the most criticized article; it gives the Minister of Labour the right to define the professions and industries whose workers are eligible to form unions.

These professions and industries have been confined to 17 categories since 1976, according to the decision of the then Minister of Labour. This means that new labour unions could not be registered despite the significant changes that occurred in the labour structure and composition over those 30 years.

By prohibiting the creation of new unions in the same, similar, or related professions, both the current labour law (article 98) and the bylaws of the GFJTU disallow forming multiple unions; a right that is guaranteed by the ILO.

Convention 87 (article 35) states that "labour unions and employers have the right to set administrative bylaws and regulations, freely elect their representatives, and manage their activities". However, the current labour law not only provides the Minister of Labour the authority that outrules these rights, but also – through its article 100 – gives special privilege to the GFJTU to formulate bylaws for the unions after listening to the Minister's opinion.

## 2. Rights related to Collective bargaining and settling labour disputes

Article 12 of labour law no. 8 on settling labour conflicts defines mechanisms and procedures that allow governmental authorities' intervention in different phases of collective bargaining. This contradicts with Conventions 98 and 145 that confirm the prohibition of endorsing procedures that deter the free act of collective bargaining.

Although the labour law theoretically provides the right to go on strike, it restricts this through setting long and complicated procedures that make any act of protest ineffective if it ever were to happen.

For instance, article 134 forbids going on strike if the conflict case was transferred to the arbitrator or to the labour courts, or if the strike was to take place at the same time while the dispute is being settled.

On the other hand, article 135 does not allow strikes erupting without previous notification to the employer, at least 14 days in advance. This notice period doubles to 28 if the work was related to community services.

In practical terms, the government could intervene in the case during the period of the start of issuing the ultimatum and until its termination. It could impose its conciliation through the arbitrator or the arbitrating council which would lead to avoid going on strike. The above articles violate the essence of the ILO conventions 87 and 98.

Interesting to note is that article 97b of the labour law conforms to article 1 of ILO convention 98, by prohibiting "the employer to make the hiring of any worker conditional to his non-membership of a labour union. The employer has the right to fire the worker for his membership of a labour union". Accordingly, the ILO and ICFTU have expressed their disappointment with the interference of employers and government in labour issues, and demanded better guarantees for workers against membership

discrimination. In practical terms, there are a number of live incidents that confirm that organised workers are subject to dismissal from their work because of their union activities. The insufficient protection given to union members is a key reason that deters workers from being members in a union.

### 3. Labour Rights re: Work Conditions, Leaves, and Wages

Chapter Eight of the Labour Law deals with the issues of work conditions and vacations. The law which was promulgated in 1996 has undergone several amendments in the last few years, most of which were in favour of the employers.

The Jordanian labour law stipulates, in its article 56, the weekly working hours at 48 hours, as opposed to international conventions that specify the weekly working hours at 40.

Article 61 of the labour law provides for the right in an annual paid leave of two weeks (14 days) for each year of service. This leave is raised to three weeks only for those who serve for 5 continual years or more, while the ILO specifies the annual leave at a minimum of 3 working weeks for every service year.

Additionally, the Jordan labour law computes the public holidays, annual and religious feasts and weekends within the total of the annual paid leave, while the international convention 132 of 1970 excludes these days from the annual paid leave.

Workers' salaries are addressed in Chapter Seven of labour law no. 8. Yet, the law lacks an explicit statement that requires an annual revision of the minimum wage. Mechanisms of calculating the minimum wage are rather ambiguous, and it is not clear whether or not the wage is calculated on the basis of empirical studies on the costs of living and inflation rates.

Generally speaking, representatives of trade unions criticize the Government's decision on setting the minimum wage at JD 110 monthly, which is less than the poor families' cash assistance of JD 145. They demand raising the minimum wage to be commensurate with the Cost Price Index.

On a different level, health insurance is another major concern of workers in Jordan. This includes the Jordanian and non-Jordanian labour force. According to labour unions statistics, only 15% of the current workforce, and 3% of the retired workers, are included in the health insurance system<sup>12</sup>. The demand for health insurance has for long been at the forefront of labour unions' discussions with the Government and the Social Security Corporation. Requests were always based on applying item 4 of the social securities, which provides for social security, disability and elderly funds, and health and unemployment insurance. The latter has not yet been achieved. On the other hand, retirement pensions are too low to secure a minimum appropriate living for the retired person, not to mention to cover for his health expenses.

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<sup>12</sup> Quoted by the head of the textile workers' labour union, Al-Rai newspaper, 21/10/2007.

#### 4. Working Women's Rights:

Jordan labour law no. 8 of 1996 contains 7 articles that deal with women's rights at work. The law prohibits firing pregnant woman, as of the sixth month of pregnancy or during the maternity leave. Article 67 grants the woman who works in an institution with ten or more workers the right to obtaining an unpaid leave of a maximum of one year for child raising. Additionally, the working woman, pursuant to article 70, gets a maternity full-paid leave of ten weeks. Furthermore, the law allows the nursing mother to leave the work for one hour daily to feed her baby. The law compels institutions with over 20 married female workers to provide nurseries with qualified nursemaid to look after their children if they are less than four years old.

These articles are considered major achievements for Jordanian working women, yet these privileges gave many of the private sector institutions the pretext to abstain from hiring married women. This has led to many working women striving for the civil service. The optimal solution might be that the Government bears the responsibility of providing subsidies to working women during their maternity leave, by drawing upon a special fund financed by the Treasury.

The discrimination between male and female workers in wages and other rights constitute one of the most serious problems that the labour law disregards. This matter requires immediate action. Many studies and press reports show that the wages of some female workers hardly equal 50% of the minimum wage. Moreover, studies indicate that despite the equal workload, significant differences exist between the levels of wages earned by male and female workers.

These discriminative practices against female workers are largely manifested in QIZs, small industries, and the informal sector, where women are subject to blackmail and intimidation of replacing them with other workers if they express their protest on the low wages they earn.

To insure the adequacy of the workplace, fair treatment of workers and elimination of all forms of discrimination against female workers, Jordanian legislators have to accommodate the labour law to conform to international labour standards. This entails providing both Jordanian and non-Jordanian female workers the legal protection against discrimination. In this respect, it would be useful for policy makers to revert to the ILO 2007 reports on recommendations for implementing maternity cash benefits schemes.

#### 5. Children and Minors' Rights:

Jordan has signed the ILO Convention no. 138 on the minimum working age, Convention 182 on the worst forms of child labour, convention 29 on forced and compulsory labour, and convention 105 on the abolition of forced labour. Additionally, Jordan has amended labour law 8 to raise the minimum age of minors' hiring to 16 years old (instead of 13). It also raised the maximal age of minors to include any male or female who reached the age of 17 and less than 18. The previous definition in effect was any person whose age is 7-17 years old.

Article 74 of the labour law states the impermissibility of hiring minors who have not completed the age of eighteen to work in dangerous, harmful or health damaging jobs.

Regarding minors' medical tests, it is noted that the labour law does not require undergoing a periodical medical test, in contrary to international agreements that necessitate this for special types of hazardous jobs.

Moreover, the labour law does not tackle minors' annual vacations, while the Arab convention no. 18 stipulates that the annual leave must not be less than 21 days.

## 6. Protection against Unemployment

Jordan labour law does not address the issue of protection against unemployment or combating unemployment. This seems rather unusual in light of the increasing unemployment rates in Jordan since the nineties till today. Government sources estimate unemployment figures at 14% of the total Jordanian labour force.

The Social Security Law of 2001 addresses in its article 3 the types of insurances covered by the Social Security Law. On paper, insurance against unemployment is a type thereof, yet this has never been activated, and thus has been subject to wide criticism by labour unions. According to the head of the food industries workers' union, health and unemployment insurance was always stressed upon in the dialogues with the employers. Up until October 2007, workers have managed to gain disability and elderly pensions, but have failed to achieve neither health nor unemployment insurances<sup>13</sup>.

We perceive that this necessitates the rapidity of adding special articles to the labour law to provide mechanisms for protecting the unemployed. Yet, this does not imply ruling out the Social Security insurance against unemployment. It is indeed viable to build upon the two types of insurances; whereby the unemployment benefit would be temporary and timely, and the social security insurance would be comprehensive. The paramount is to activate the protection against unemployment in Jordanian labour legislations. In this respect, the MoL has commenced with the ILO in drafting a National Employment Policy, which provides for adopting an effective cash benefits scheme.

## 7. Legislative Coverage of the Informal Sector and Protection of Foreign Workers Against Discrimination and Forced Labour:

Despite the wide recognition of the increased numbers of workers engaged in the informal economy and its significant contribution to the GDP, Jordan legislations still run short on addressing the problems arising thereof, and on providing the legal framework for organising the sector and protecting its rights.

Early studies and workshops on the informal sector need to be materialised, publicised, and made benefit of in terms of assessing their recommendations and putting them into practice.

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<sup>13</sup> Quoted by the head of the food industries workers' labour union, Al-Rai newspaper, 21/10/2007.

The informal sector comprises male and female Jordanian and non-Jordanian workers, and includes a significant number of juveniles and children. Accordingly, it is necessary that labour legislations address the various dimensions of this labour force in Jordan.

It is recommended that legislations stipulate the following:

1. Simplifying the procedures of registering informal businesses, and encouraging their inclusion into the formal economy through tax incentives and registration fees exemptions.
2. Encouraging the workers of various formal sectors to crystallize representative frameworks, in order to voice their opinions and demands, enforce monitoring and inspection of institutions, and ensure the availability of health and safety standards thereof.
3. Establishing a department for the informal sector at the Ministry of Labour. This would conduct surveys and draft policies and legislations for organising this sector, in cooperation with municipal councils, chambers of industry and commerce, and other institutions.

Finally, it needs to be noted that any development to the labour law should guarantee to non-Jordanian workers a) the right to join labour unions, b) enjoy legal representation, and c) the right to collective bargaining. Moreover, all segments of the workforce, such as children, juveniles and domestic workers should enjoy legal protection.

In a recent step adopted by the MoL, practical steps are already underway for setting up a Migrant Labour Department at the MoL, with ILO assistance.

### 3-2 Business Associations' Perceptions towards Amending the Labour Laws

During 2006 and 2007, several meetings were held by the three working parties: the Ministry of Labour, Chambers of Industry and Trade, and the General Union of Trade Unions to consider amendments to the current Jordan labour law no. 8 of 1996.

Referring to the minutes of those meetings and the comments raised by the business associations on amending certain articles of the law, we could identify their perceptions by saying that they do recognize well the need for developing and reforming the labour law. Indeed, business associations have an interest in amending several aspects for various considerations, most importantly:

- Their willingness to enhance the transparency of the law, and to clarify the ambiguous aspects around some of its articles that lead to confusions among the working parties, including the employers.
- Their request to be legally recognized – especially by the chambers of industry and commerce – as the representatives of the employers, and their demand to have this stipulated in the new labour law. They also want to be involved in the consultations on the amendment of the labour law and its improved implementation.

- Their recognition of Jordan's interest to have a new labour law that conforms to international and Arab agreements, as well as bilateral trade agreements with states and international blocs, such as the EU–Jordanian Association Agreement and US Free Trade Agreement.

Jordan Chamber of Industry (JCI) has prepared a set of elements directing its negotiations with the Ministry of Labour and other parties concerning the amendment of the labour law. Its demands or expectations from the amendments of the new labour law can be summarized in the following:

1. Not to exaggerate in granting rights to workers to the extent that would render the employers exhausted; JCI argument is that mounting the burdens imposed on the employers would force them to expand in automation and make them rely on capital-intensive projects, as opposed to labour-intensive. This would produce less new job opportunities and may abandon current jobs.
2. Not to impose aggravating penalties on employers causing damages to workers or environment; JCI demands the annulment of imprisonment penalties for ordinary misdemeanors, and codification of imprisonment and lockout to be decided by the tripartite committee representing the three parties of production.
3. To bridge the gap between the labour law and the international conventions on labour, through drafting regulations and determining the mechanisms required to easily apply the Labour Law.
4. To allow labourers and employers to accede to unions without discrimination on the basis of citizenship, provided the reciprocity in relevant countries.
5. The call for introducing new legal frameworks and mechanisms for settling labour disputes, such as connecting the labour law to arbitrary systems in settling civil disputes.
6. The call for providing joint facilities for institutions geographically close to each other, such as providing health services and child-care centers for female workers.
7. To request the Social Security Corporation to sustain the wages of female workers during the maternity leave.
8. Request to strictly specify the holidays and national and religious feasts.
9. To clearly specify the cases of dismissal that are considered lawful or fair, and those considered unlawful or unfair.
10. Refusal of raising the financial burdens on employers, and not to increase the financial fines stipulated in penalties.

However, business associations still adopt a strict stance on certain demands to amend the labour law, despite the fact that these demands are basic from the view of the international labour standards.

Moreover, there are demands presented by the Jordan labour movement, namely, representatives of employers have demanded the following:

- To continue excluding agricultural workers, domestic workers and family workers from the application of law. These exceptions actually constitute discrimination

- against those groups, and are in effect a breach of the international labour agreements, particularly agreements 87 and 98.
- To adopt a flexible stance on the penalties imposed on employers who forcedly hire workers, such as demanding the abolishment of imprisonment penalty and reducing the proposed financial fine to the half. Same applies to issues of arbitrary dismissal of workers, or dismissal due to the worker's union activity.
  - To revise the minimum wage every two years, rather than it being an annual revision.
  - To raise the maximum daily working hours to 12 hours instead of 11 hours as per the amendments submitted by the Ministry of Labour.
  
  - Representatives of employers had reservations on the stipulation of a bylaw for businesses with five or more workers, and demanded that such obligation should apply to businesses with twenty workers or more.
  
  - Representatives of business associations rejected the amendment that suggests granting certain privileges to unions' representatives such as reducing working hours and providing them with material resources according to the size of the institution. They proposed that the same applies to those institutions with one thousand workers or more, and that union membership must be subject to the employer's approval.

An agreement has been reached during the last rounds of negotiation, thus achieving progress in several aspects of the Jordan Labour Law. It is apparent that reaching an agreement on the remaining issues needs more deliberations.

However, it seems obvious that making progress in negotiations at this level requires the availability of predetermined conditions, such as a) organizing a set of dialogue sessions that aim at building and raising knowledge on international labour standards, b) identifying best practices in work relations at local, regional and international levels, c) highlighting the role of the Global Compact initiative in encouraging voluntary initiatives and work mechanisms to meet international labour standards without resorting to legal binding force, and d) giving space for diverse businesses to voluntarily apply international labour standards.

Hence, it is important to evaluate the perceptions of business associations towards labour law issues. It is clear that many of the positions adopted by the representatives of employers on the suggested amendments were expressed by the weakest business association, i.e. small and medium enterprises that cannot afford the financial burdens of the suggested amendments. They usually adopt an expected and understandable position from the point of view of protecting the businesses against imposing burdens they cannot meet. Therefore, the importance of the Global Compact initiative is essential for spreading knowledge, gearing dialogue and debates, disseminating best practices, and building a national network of institutions that voluntarily meet the ten GC principles, with the four themes of labour rights at the lead.

## Chapter 4: The Business Sector and Labor Rights & Policies: Challenges and Opportunities

### 4-1 How the Business Sector perceives its Social Responsibility in general, and towards Labour in particular?

Research on CSR remains a new and untapped field in Jordan. In the first half of this decade, only 3 empirical studies were conducted, to be followed by a fourth one in early 2007. This section will base its analysis on these studies' findings, to tackle the degree of awareness of Jordanian companies towards their social responsibility, their incorporation of CSR into their plans and policies, their CSR budgeting, their criteria in implementing CSR policies, among other notions. The subsequent section will specifically tackle the labour dimension in the business sector's CSR practices.

#### 4-1-1 Business Sector Awareness on Social Responsibility

The first attempt was in 2004, when UJRC conducted a survey on 120 companies registered at the stock exchange. This opinion poll questioned CEOs' perceptions on corporate governance and social responsibility<sup>14</sup>. The responding figure was 115 companies.

When asked to evaluate their companies' awareness on CSR, 30.9% of the companies perceived they had high awareness, 26.6% perceived their awareness was average, whereas 11.7% perceived they had weak awareness. 30.8% did not respond to this question, which means that a major segment of companies are not aware of their social responsibility. The rest have average-to-low awareness.

#### 4-1-2 Social Responsibility Policies

In their response to whether or not their companies had a clearly-defined CSR policy, only 52.1% of the sample provided feedback. This indicates that when asked precise questions on CSR, half the companies opted not to answer. Yet, the 49 companies that replied stated that their main CSR policies lie in: training, education & scientific research (14.3%); institution & local community support (12.2%); charitable activities (10.2%); fighting unemployment and creating job opportunities (10.2%); conserving the environment (6.1%); cultural activities (6.1%); human resource development (4.1%); creating cash funds (4.1%); partnering with economic sectors (4.1%); public events (4.1%).

These responses reflect the senior managements' tendency towards applying these specific types of activities, which does not necessarily reflect the companies' policies in effect.

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<sup>14</sup> View survey results, UJRC Opinion Poll: "CEOs' Perceptions on Corporate Governance and Social Responsibility", 2004.

The same applies to the companies when asked about their plans to upgrade their CSR activities, where 8.1% replied that they are considering raising their support for to the poor and fixed-income groups; 8.1% consider setting up public facilities and supporting local community; 8.2% consider raising their participation in public events and social activities; 6.1% supporting sport and cultural activities; 4.1 supporting charity associations; 2% developing human resources and workers; 2% supporting research and student funds; 18.4% will simply raise their capital and production capabilities or improve investments.

The above implies that half the companies lack any plans to develop their CSR activities, whereas the other half showed that CSR practices reflect the subjective opinion and individual perception of their CEOs, more than reflecting any written CSR strategy.

#### 4-1-3 CSR towards workers and employees

The survey included 3 direct questions on CEOs' perceptions towards their staff. The first asked whether or not companies have a staff representative in their board of directors to help implement the companies' objectives. 56.4% said they did; 41.5% said they did not. This reflects a positive attitude among more than half the companies towards the notion of having workers' representatives in their boards. Yet at the same time this signifies the presence of a clear gap between two schools of management: a participatory and a non-participatory one.

When asked whether or not the company's board usually meets voluntarily with workers' representatives or labour unions, 27.7 % said they do; and 70.2% said they do not. Again this reflects the presence of certain management styles that do not perceive it necessary to meet the workers' representatives or unions, voluntarily or periodically, unless cases of conflict erupt.

The third question asked whether or not the company offers its workers share ownership and certain privileges. 26.6% said the company does; 71.3% said it does not. This implies that the majority of companies do not consider providing workers with unconventional benefits one of their social policies.

#### 4-1-4 CSR Distinctiveness in Large Companies

In 2005 UJRC carried out a survey of its first type in Jordan, which specifically addressed 21 selected companies known for their CSR practices and their large scale employment of over 500 workers<sup>15</sup>.

The study founded that companies' awareness on CSR – as perceived by their CEO's – ranges from average to very high. On a different note, 71% said they incorporated their CSR practices in their company's mission statement, whereas CSR was less incorporated in the company's vision, policies, and objectives. The study realized that the corporate sector has no consistent vision on CSR, and that their practices are a mixture of

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<sup>15</sup> View survey results, UJRC Opinion Poll: “The State of Corporate Social Responsibility in Jordan: Case Studies from Major Business Sectors”, 2005.

complying with laws on labour, social security, environment and taxation, and voluntary practices to serve the community. Their practices target low-income groups of workers, local communities, and students.

Regarding CSR motives, the survey concluded that companies' main driving force was gaining a positive reputation in the local market, followed by their willingness to raise their workers' efficiency.

Being large scale companies that employ several hundreds of workers, it is interesting to note that 86% said that they provide training programs for their staff as a type of CSR activities. This was significantly seen in the industrial sector and universities, followed by insurance companies and banks.

The study showed that around 45% of the surveyed companies implement CSR activities that target their employees. These were mainly the industrial companies, followed by banks, commercial and services companies.

#### 4-1-5 The Labour Dimension in the Businesses' Perception of CSR

In a recent survey conducted by UJRC in May 2007 on 223 Jordanian companies engaged in 10 sectors, the following results were found<sup>16</sup>:

Companies were asked to identify the scope that mostly reflects what CSR means to them. Interesting to note is that the majority (71.3%) of the companies considered that CSR means complying with the current laws (on labour, social security, taxes, companies, and environment). This means that the majority of these companies perceive CSR as applying and respecting laws, more than it being a voluntary or optional practice. This could be seen as a healthy phenomenon existing in Jordan, where it might be assumed, as in other developing countries, that many negative practices to break the law prevail. These might range from as tax evasion, to violating labour rights, to provoking environment protection laws, etc. This is why a number of stakeholders' representatives, especially workers, government, and NGO's, insist on the role of laws and legislation in strengthening CSR, and not making it solely dependant on voluntary practices.

Nevertheless, the surveyed companies defined the following areas as the most expressing of their CSR activities: improving the internal labour environment and providing workers' benefits (57%); customer service (53.8%); serving the community (50.7%); charity (43.9), serving local community around the company (42.2%); volunteering activities (39.9%).

When asked about their CSR incentives, more than two-thirds (69.4%) of the companies stated that their CSR incentive is gaining the loyalty of the employees. A similar percentage (67.3%) indicated that strengthening their public relations was the main CSR incentive; 64.6% said increasing sales and gaining new customers.

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<sup>16</sup> View survey results, UJRC Opinion Poll: "CEOs' Perceptions on Corporate Governance and Social Responsibility", 2007.

Regarding whether or not companies consider their employees one of their CSR beneficiary groups, 89.2% responded that they did, and 10.8% said that workers were not part of their beneficiaries. The 89.2% were asked about their CSR labour-related activities, and replied with the following:

- Providing workers with financial incentives when achieving good financial performance: 73.1%
- Providing fair and competitive wages and salaries: 72.6%
- Complying with labour laws and minimum wage legislations: 61%
- Providing training opportunities for workers: 52.5%
- Learning opportunities such as free language and computer courses: 36.5%
- Providing fringe benefits such as housing loans and scholarships: 23%
- Encouraging workers on volunteerism and community service: 21.5%

#### 4-1-6 CSR and Labour Conflicts

A panoramic look at the above results implies the existence of positive trends among Jordanian companies towards their social responsibility. It shows the increasing awareness of the corporate sector on the need to intensify its labour-related programs and activities, whether for labour law compliance or for workers' provision of additional benefits.

Yet, it seems that these positive trends contradict with the turmoil and conflicts in the labour environment that have been increasing in the past few years, and were frequently accompanied by strikes and closures in an unprecedented manner. The question that arises is that does this situation reflect a dualism within the private sector, or does it indicate a more complicated but comprehensible status?

Looking back at the labour conflicts reported in the past few years shows that most of them erupted in the following sectors:

1. The QIZs, which mainly employ non-Jordanian workers and represent a key industrial exporter to the foreign markets with no direct links to the local society. From the viewpoint of the international labour standards, QIZs remain the main source of labour conflicts and disputes. This requires immediate action to mitigate their negative impacts on the external reputation and competitive potentials of Jordan in the international markets. In the first 9 months of 2007, QIZs witnessed more than 20 strikes ranging from 1 to 20 days and engaging 10,751 workers<sup>17</sup> (29% of the total non-Jordanian labour force employed in the QIZs). However, according to a different source, the head of police /Ramtha stated in September that one of the ten QIZs, namely Al Hassan QIZ, witnessed 40 workers' strikes since the beginning of 2007<sup>18</sup>.

According to labour union sources, the main complaints and protests raised were due to:

- Low wages

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<sup>17</sup> Al-Ghad newspaper, 2/10/2007.

<sup>18</sup> Al-Ghad newspaper, 25/9/2007.

- Long working hours of 10-16 hours with no paid overtime
  - Postponement of paying wages to 3-4 months
  - Withholding of workers' passports which implies forced and compulsory labour
  - Bad workers' dormitory conditions with almost 16 persons staying in one room
  - Maltreatment and violence towards female workers
2. Governmental institutions and municipalities' workers who are not included in the labour law nor the social security law. This mainly applies to daily workers and to workers who are represented by professional unions and not labour unions. This segment includes a) daily workers in the Ministry of Agriculture, who demand improving their financial conditions and including them in the 4<sup>th</sup> scale, and b) professionals working in the public sector who demand raising their salaries and compensating them with cost of living incentives. This includes doctors, dentists, veterinaries, pharmacists, nurses, engineers and agricultural engineers. Teachers and workers at public universities have recently joined this list.
  3. Workers at companies who are either not represented in labour unions or have weak unions. This includes a) the telecommunications sector workers, and b) the pharmaceutical sector workers.
  4. Some segments of workers who have labour demands outside their unions, either because of their unions' inefficiency or their being far from the capital. This includes workers in the land transport sector, hospitals, and municipalities.
  5. Workers in the organized sectors that are covered by the labour law, and who are represented by labour unions that easily negotiate with employers' representatives and mostly succeed. These conflicts mainly arise in large private companies and large institutions with high labour concentration, such as electricity, mining, petrochemical, cement, aviation, food industries, and banks.

The above situation indicates that there lies no contradiction between the increasing CSR practices and the rising labour conflicts. The fact lies in that there is a dual situation existing: the large, exposed, export-oriented companies with young generations of management have overviewed global experiences, and have now grasped profound understanding of CSR and of the importance of fully realising labour rights and joining global initiatives. On the other hand, QIZs, small companies, informal sector businesses, unorganised sectors or sectors with weak unions, are the entities that witness most, if not all, of the labour conflicts and strikes. This indicates that the private sector is not on the same level of understanding, awareness, and applying of labour standards; there are two levels existing in Jordan: a highly matured one among a limited number of companies, and an undeveloped one among the majority of private sector entities.

#### 4-2 Private Sector Implementation of Labour Standards and Policies: Challenges and Opportunities

The Jordanian business sector capability of implementing labour policies that meet international standards is influenced by a number of factors, most importantly:

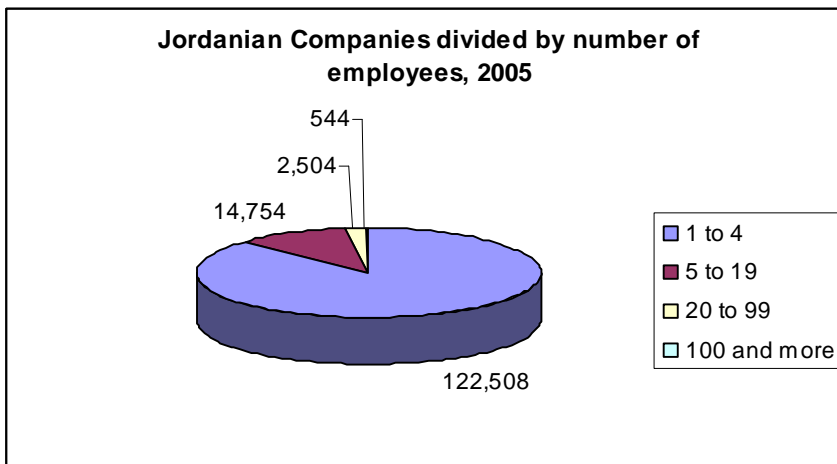
- 1) The structure of the private sector institutions, which is formed of a large number of companies, most of which are small and very small enterprises.
- 2) The presence of a large number of large companies that are export-oriented and are incorporated in one way or another in globalization.
- 3) On the high managerial level, the private is represented by large numbers of business associations which represent consecutive generations of committees and organizations representing different business sectors. These have no unified coordinative or consultative framework.
- 4) The private sector has been engaged since 2003 in the national committee for social dialogue, which includes representatives of governments, employers, workers, and Jordanian civil society. This has allowed for the formation of a consultative Economic and Social Council to support social dialogue, provide consultation on economic and social policies, and contribute to creating consensus on labour policies.

In light of these realities and developments, we will address in the following section challenges and opportunities facing the private sector in its implementation of labour standards and policies meeting international standards.

#### 4-2-1 The Structure of the Private Sector

According to the DoS 2005 employment survey, the private sector is composed of 140,340 institutions employing 610,706 workers, of which 476,784 (78%) are paid workers, and 133,922 (22%) are employers.

The majority of the private sector entities are composed of small and micro enterprises that employ less than 5 workers. These constitute 87.3% of the total number of Jordanian companies. The following figure shows the structural division of private sector enterprises by number of workers.



Figures indicate that almost 98% of the private sector companies are small or micro enterprises that employ 58% of the total workers, where employers and family workers constitute a major part. Self-owned enterprises are the most prevailing type of small and micro enterprises. This means that it is necessary to accommodate the economic costs of applying international labour standards on this sector of private institutions which has weak financial and administrative capabilities needed for meeting labour rights. It is also difficult to conduct effective inspection of working conditions in this huge number of small and micro enterprises.

This is why the current labour law differentiates in a number of its chapters and articles between small and micro enterprises, and between large scale companies, and does not impose the same duties and commitments on them.

This necessitates conducting tangible studies on the burden of effectively applying international labour standards on different private sector institutions, along with setting a timeline for implementation. At the same time, there is a need to study the required forms of technical, administrative and financial assistance by the government to apply these standards which have financial costs and burdens.

Assuming that medium and large scale enterprises which employ almost 42% of the workforce are capable of meeting labour policies and standards, they are the most likely to quickly apply effective policies that meet international labour standards.

#### 4-2-2 Business Associations in Jordan

The Jordanian private sector is largely represented by a wide network of national and sectoral organisations. The main bond of the business associations are the chambers of industry and commerce, which were established in 1962 and 1923 respectively. According to a 2003 temporary law, the Jordan Chambers of Industry and Commerce were established.

There are currently 17 labour unions and 42 employers' unions in Jordan<sup>19</sup>. Representatives of both employers' and workers' unions together formally participate in Jordan's delegations to the ILO meetings. However, it is uncertain whether or not the mechanism of selecting employers to these ILO meetings allows the transfer of international experiences, knowledge and information to other employers' unions. It is widely noted that local employers' unions are not exposed to international successful practices.

On the other hand, though there are many diverse organizations representing the private sector, there remain doubts on how much these organizations are engaged in the ongoing debates on labour standards and rights. These dialogues and consultations are usually confined to the Ministry of Labour on the one hand, and representatives of Jordan chambers of industry and commerce and labour unions on the other.

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<sup>19</sup> Ministry of Labour Annual Report 2006, p. 39.

It is widely realised that Jordan's increased integration into globalization and opening up to global markets has not been reflected on changing the perception of business associations to their roles and to upgrading these roles that have for long been defined.

It is most probable that any attempt by the private sector to revise its policies on labour rights to comply with ILO standards will be faced by the existing norms and practices of the private sector. Only an elite circle of business associations' representatives have had the opportunity of developing its experiences and knowledge of international labour standards.

Nevertheless, the presence of this wide network of business associations should smooth the progress of transferring global knowledge, skills, and practices to different business sectors in Jordan. This places on the current working agenda an immediate advocacy program for building the business associations' capacities in human rights, and especially in the four labour principles in the Global Compact.

#### 4-2-3 The Private Sector and Social Dialogue

In May 2003 the Jordanian private sector entered the National Committee for Social Dialogue, which includes representatives of government, employers, and labour unions. In 2005 this committee was broadened to include representatives of civil society and members of parliament.

In 2000, the ILO launched the Social Dialogue project. This now engages representatives from over 50 countries, and includes different forms of negotiation, consultation and information exchange. This social dialogue takes the form of either 2-way collective bargaining between representatives of employers and workers, or could sometimes be tripartite and include government representatives.

Social dialogue aims at encouraging building consensus and achieving a democratic participation of the different workers' parties. This allows solving economic and social problems, encouraging good governance, achieving peace and social stability, and advancing economic development.

The National Committee for Social Dialogue began with a project to strengthen the capacities of the social partners. This allowed the workers sides to learn, gain knowledge and overview international experiences, through engaging experts, conducting joint seminars and holding visits to European countries. This created joint awareness and a common language on developing labour legislations to meet international labour conventions. This was culminated by forming an economic and social consultative council for managing social dialogue and achieving consensus on labour policies and other socioeconomic policies.

Finally it ought to be said that these initiatives are essential for improving the productivity of the Jordanian economy and raising its competitiveness at the international markets, whilst creating a pro-investment environment. The economic and social consultative council bill was submitted to the Prime Ministry in 2005, but has not yet been discussed at the parliament.

#### 4-2-4 The Role of the Government

We could derive from the above that the Global Compact initiative, and especially the four principles on labour, is an appropriate framework for incorporating companies' CSR practices within their labour policies. This will make them more responsive to international labour standards, and will fill the gap between these diverse CSR practices and a labour environment that lacks the necessary conditions for achieving stability, growth, and sustainability.

Yet, once again we state that the dominance of small scale industries has been the major factor preventing the Jordanian private sector from comprehensively applying labour standards. It is recommended that the government plays a role in indirectly strengthening micro enterprises. This could be achieved through the following measures:

- Providing partial funding for establishing joint services and facilities for women workers. This could be done jointly with the private sector and the social security corporation, to establish child care centers, funds for maternity leaves, etc.
- Combating child labour through: a) compensating the families of the children workers by paying them cash allowances equivalent to the income given up, b) paying the expenses of these children's schools, uniforms, stationary, etc. these measures will reduce child labour.
- Conducting advocacy campaigns that target consumers and highlight boycotting products that involve child labour in any stage of their production.

#### 4-3 Working Conditions and Labour Rights in QIZ's

##### 4-3-1 Background

Signed between Jordan and the US in 1997, the Qualifying Industrial Zones (QIZ) agreement was designed to promote normalized relations between Israel and Jordan through joint economic gains. QIZs were specified by the US government and designated by local authorities as enclaves, where produced merchandise enters the US markets without payment of duty or excise taxes, quota free, and without the requirement of any reciprocal benefits.

Jordan's first QIZ was Al-Hassan Industrial Estate in Irbid, quoted by the US trade representative as "the world's first QIZ"<sup>20</sup>. Currently, there are thirteen QIZs in Jordan; three of which are governmental while the rest are owned by the private sector. The industries of these zones are mainly in the garment and textile sector. As of October 2006, there were approximately 111 garment factories in the QIZs in Jordan<sup>21</sup>.

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<sup>20</sup> Jordan Foreign Ministry website, [http://www.mfa.gov.jo/pages.php?menu\\_id=69](http://www.mfa.gov.jo/pages.php?menu_id=69)

<sup>21</sup> Joint Labour Assessment and Training Project, "Working Conditions in Jordan's Garment Sector", MoL & USAID, Amman, Jordan, 2007, p. 9.

QIZ products can include materials from any part of the world. Qualification merely requires that a product derives at least 35% of its appraised value from the West Bank, Gaza Strip, Israel, or a Jordanian QIZ. Appraised value is defined as the cost or value of material contents, plus the direct costs of processing operation.

Of the 35% value added requirement:

- One-third (11.7%) must be added in Jordan.
- 8% must come from Israel (7% for high-tech products).
- The remainder may be fulfilled by any combination of production in the QIZ, West Bank/Gaza Strip, Israel, or the US (up to 15% in the case of the US).

Exports for key apparel commodity categories for 2006 were \$882.2 million and have increased in 2007 to well over \$394 million from January to June 2007<sup>22</sup>.

#### 4-3-2 Labour in QIZs

In May 2007, QIZs employed 15,819 Jordanian and 36,610 foreign workers<sup>23</sup>. Not all of these workers are legally employed, as a large number of them hold no work or residency permits. There is an estimated 5000-7000 illegal workers in Jordan.

In May 2006 allegations appeared in public concerning labour rights violations of migrant workers, including trafficking, in Jordan's garment sector. These were reported specifically in the QIZs, and were released in a National Labor Committee's report. The government of Jordan, in particular, the Ministry of Labour and the Ministry of Industry and Trade, immediately took action to determine the validity of these allegations. In May, the MoL admitted that there are violations of workers' rights in the kingdom's QIZ-based factories. This was appreciated by the spectators, who expected the ministry to deny the allegations and pretend all was well at the factories. As evidenced in their report quoted here by The Jordan Times<sup>24</sup>:

*"Violations do exist in some factories in terms of overtime hours. Workers work above the legal maximum and they are not paid according to the legal overtime, which is 125% of the hourly wage. In addition, some establishments do not observe the official holidays/weekends in terms of wage calculation for these days, while several establishments do not comply with social security laws and, instead, deduct the employers' contribution from the workers' wages,"* according to the report. The ministry's inspectors also found that some QIZ establishments employ migrant workers without work permits or with expired work permits.

However, according to The Jordan Times, the MoL said some of the allegations found in the NLC report were unfounded. The ministry report said that in many of the factories in question, child labor, seven-day working weeks, and physical abuse allegations were not verified.

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<sup>22</sup> Central Bank of Jordan, Monthly Statistical Bulletin, September 2007.

<sup>23</sup> From an interview with a senior staff at Jones Apparel Group, September 27, 2007.

<sup>24</sup> The Jordan Times, May 19, 2006.

The specific labour rights required are 1) the right of association, 2) the right to organize and bargain collectively, 3) a prohibition on the use of any form of forced or compulsory labour, 4) a minimum age for the employment of children, and 5) acceptable conditions of work with regard to minimum wages, hours of work, and occupational safety and health.

Accordingly, the MoL began taking steps to address these allegations. The government of Jordan and the US agreed that an independent assessment of the labour condition in the QIZ would be better. As a result, the MoL and USAID developed the framework for the Joint Labour Assessment and Training Project. The Project visited 70 factories for its assessment, over the period of September to December 2006. These 70 factories employed a total of 45,000 workers.

Due to the significant findings depicted by the assessment report, we will summarise the most important in the following:

### A) Working Conditions

Regarding employment contracts, which are stipulated by article 2 and chapter 4 of the labour law, it was found that in 14 of the 70 factories, no written contracts were concluded for all or some categories of workers.

Regarding working conditions, in particular the presence of internal regulations specifying terms and conditions of employment, it was found that 66 of 70 factories had internal regulations – 4 did not have any internal regulations.

Regarding the minimum wage which was raised to JD110 starting of January 1, 2007, the following was found:

In only 7 of the 70 factories, workers received the wages they were entitled to by law.

In 69 factories, workers did not understand their wage calculations.

In 31 factories, wages were routinely not paid on time.

Regarding hours of work, articles 56, 57, 59 and 60 and ministerial regulations specify that normal working hours shall be 8 per day and shall not exceed in any one week 48 hours over a maximum of 6 days. A worker may undertake excess working hours, in return for a legally stipulated overtime rate.

In 47 of 70 factories, normal working hours amounted to 8 hours.

Workers in 64 of 70 factories indicated that they did not undertake overtime.

Regarding article 61 of the labour law which sets the annual paid leave at 14 days for every year of employment, it was found that in 32 of 70 factories, workers were not provided with paid annual leave.

Regarding article 65 of the labour law which entitles every worker to 14 days of sick leave with full pay based on an approved medical report, the following was found:

In 27 of 70 factories, paid sick leave was provided on submitting a medical report.

In 13 factories, paid sick leave was not correctly provided.

In 30 factories, indications are that paid sick leave is not provided.

Regarding articles 292-295 of the 1960 Criminal Code, anyone who commits an act of sexual harassment will be subject to punishment. It was found that in 64 of 70 factories, workers indicated they were not subjected to any form of sexual harassment.

Regarding article 6 of the 1952 Constitution and ILO Convention 111, which prohibit discrimination between Jordanian nationals on the basis of race, language or religion, the following was found:

60 of 70 factories engaged in some sort of discriminatory practice, as follows:

In terms of differential treatment of Jordanian and migrant workers:

In 14 factories, Jordanian workers worked only 8 normal hours while migrant workers worked 10 normal hours.

Regarding articles 2, 73-76, and the 1997 ministerial decision, no minor under 18 shall be employed for work involving danger, hardship, or health hazards. It was found that in 61 of 70 factories, there were no indications that child labour was utilised.

Regarding the numerous laws on forced labour, including trafficking, it was found that in 64 factories, workers indicated they are forced to work overtime. In 63 factories, they are not paid the correct wages. In 40 factories, workers' passports are taken from them by employers. In 27 factories, workers indicated they were insulted, threatened or yelled at.

## B) Safety and Health

Regarding articles 78 and 79 and the 1998 ministerial instructions, on providing specific requirements as to the required lighting level, it was found that in all factories, lighting was of an appropriate level.

Regarding articles 78 and 79 and the 1998 ministerial instructions, on protecting workers from dangers related to the work environment, including specific noise limits, it was found that in 66 of 70 factories, the noise level was within appropriate levels.

Regarding article 78 of the labour law on taking necessary precautions and measures to protect against hazards and diseases, it was found that in 29 of 70 factories, cleanliness was of an appropriate level, while in 41 it was not. In terms of availability of drinking water, indications in 43 of 70 factories showed that the water provided was not of an appropriate quality and/ or quantity.

Dormitories for migrant workers has always been a public raised issue and a major concern in Jordan. It has been reported that many dormitories are below generally accepted standards on issues such as space, cleanliness, facilities and overcrowding. While both have requirements pertaining to dormitories, neither the MoL nor the Ministry of Health (MoH) have the specific authority to inspect dormitories.

The ministerial regulations on workers' conditions in QIZs and the MoL Golden List requirements on housing require that workers have 1.7 m<sup>2</sup> living space available. Yet it was found that in 17 of 70 factories not enough space was provided per worker.

Requirements laid down by the MoH at a later date require that workers have 3.7 m<sup>2</sup> of space. The MoH also requires that there is 1 washing machine available for every 20 workers – a requirement the MoL does not stipulate. This lack of communication and coordination between Ministries leave employers and workers wondering what their rights and responsibilities are.

### C) Labour Relations

Regarding article 135 and the 1998 ministerial regulations on strikes and closures, it was found that in 19 of 70 factories visited, at least one strike occurred during the preceding period of 6 months.

The reasons given by workers for going on strikes, either as individuals or groups, were non-compliance by employers with various provisions of the law, worker treatment by management, the non-provision of work and residence permits, wage issues, reduction in overtime hours, food and accommodation issues, withholding passports, non-provision of praying and break fasting time during Ramadan.

#### 4-3-3 Government Procedures:

On March 30, 2007 the Government of Jordan published a plan of action outlining steps undertaken and planned to improve oversight and compliance with Jordanian Labour Law and international labour standards, as well as to improve the general framework for labour administration in Jordan. The plan of action outlines a 3-pronged approach, focusing on:

- 1- Directly improving working conditions.
- 2- Enhancing institutional capacity.
- 3- Increasing Jordanian employment opportunities.

The MoL is now publishing regular reports on its website containing detailed information on progress made with regard to inspection issues, including its findings on specific factories where public allegations of violations have been made.

A core inspection force was formally established at the MoL in March 2007. Teams of this force of 9 persons operate across the country and are responsible for undertaking all Golden List inspections, all intensive inspection surveillance list inspections (IISL), and other special inspections.

Revisions to the Golden List procedures took place during April and May 2007, by undertaking further consultations with the private sector.

In July 2007, the MoL started issuing special IDs to around 6000 QIZ workers, whose work and residency permits had expired or who were stranded without pay by companies that closed down. Several companies have brought workers into Jordan, but then went out of business due to financial problems and left the country without paying their employees' salaries.

In a more recent step in October 2007, the MoL and the Ministry of Interior have agreed to a proposal to exempt QIZ workers from paying fines<sup>25</sup>. This came in an effort to protect workers' rights, and ease the burden off indebted QIZ workers who owe huge fines for expired work and residence permits. The said proposal will be submitted to the prime minister in late October.

Only workers who received temporary ID cards from the MoL will be included in the exemption, since the accumulation of fines was not their fault. The ID card gives workers 3 months to renew their documents, during which card holders will not be pursued by MoL inspection teams or police.

The Government of Jordan is confident that it is well on its way to establish strong compliance in the QIZ sector. It maintains continued commitment to the development of sound labour administration and social dialogue systems that will benefit both employers and workers in Jordan. One practical step to highlight the government's commitment could be to enlarge the Golden List proposed by the Ministry of Labour, to include all types of companies and not to be confined to QIZs. This will announce best practices, and might be used as a motive and incentive to the companies to publicly announce their practices.

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<sup>25</sup> The Jordan Times, 11/10/2007.

## Chapter 5: The Global Compact and the Private Sector in Jordan

### 5-1 Case study on best practices of the private sector endorsing effective labour policies

This section will shed light on Aramex serving as an example of a private sector entity pursuing successful practices on labour policies in Jordan.

#### Aramex as a case study

In 2006 Aramex published its first Sustainability Report, which coincided with the company's 25<sup>th</sup> anniversary. The report details Aramex's progress on key performance indicators and initiatives, and highlights the company's strategic goals on sustainability<sup>26</sup>.

The report overviews a number of areas that lie within the interests of Aramex. It identifies the current achievements, and outlines the desired goals in the short and long runs. These areas cover a wide range of issues, such as customer relationships, business partners, environment, economic values, and labour. Our paper's focus on the labour dimension will make us give explicit attention to Aramex's practices in this area specifically.

First, in the area of HUMAN RESOURCES DEVELOPMENT, Aramex has identified its slogan as "Our business success will ultimately only be sustained by the quality of our people". Accordingly, it has worked in 2006 on 5 parallel lines, as follows:

#### a) Putting Sustainability at the heart of Aramex culture

- Aramex has conducted benchmarking against global best practices, and has established key priorities.
- It established a Sustainability Team and formulated key working groups.

#### b) Engaging Employees

- Aramex conducted the first ever ground operations conference.
- It conducts an annual employee conference.
- It conducted two courier surveys.

#### c) Opportunities for Development

- Aramex provided significant increases in training opportunities.
- Groundwork is already laid for Aramex Corporate University.

#### d) Global Workplace Conditions

- Aramex conducted a survey on working hours of couriers.

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<sup>26</sup> Aramex Sustainability Report 2006, [www.aramex.com](http://www.aramex.com)

#### e) Employee Satisfaction

- Aramex provided significant increases in training opportunities.
- Groundwork is already laid for Aramex Training University.
- Aramex continues to encourage healthy lifestyles among employees.

Second, in the area of HEALTH, SAFETY, AND SECURITY, Aramex has stated its slogan as "We are committed to the health and safety of all our employees, customers and all persons affected by our operations". Accordingly, it has worked in 2006 on 3 concurrent lines, as follows:

#### a) Create a Safety Culture

- Aramex established a Health and Safety Working Group at GSO.
- It conducted a first companywide survey to determine safety incident data and primary causes, prioritize safety risks, concerns, and identify opportunities for improvement.

#### b) Health and Safety Management Systems

- Aramex established Key Performance Indicators for Health and Safety.
- It identified key gaps in data collection.

#### c) Achieve Dramatic Performance Improvement

- Aramex expanded 'Healthy Back' training.
- It identified key gaps in training.

The principle of "reporting" in itself is one of the key practices needed to establish corporate transparency with the aim of implementing sound Global Compact principles. This is based on "sustainability"; a key notion of GC practices, which implies that the company performs good practices on the long and sustainable run, and not only for short and instant purposes. GC and corporate governance spans all aspects of a company, from the board of directors to internal audits and sustainability reporting. This is also known as *triple bottom line reporting*, mentioned earlier in our paper.

## 5-2 Recommendations

### 5-2-1 Legal Reform

1. Amend Jordan's laws to be consistent with the Fundamental Human Rights Conventions of the ILO. This includes women workers, child and minors' labour, and domestic workers.
2. Work towards the ratification of ILO Convention No. 87 concerning Freedom of Association and Protection of the Right to Organize.
3. Amend Jordan's laws to be consistent with the International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families.
4. Work towards the ratification of the International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families.

### 5-2-2 Reform of the Ministry of Labour

5. Strengthen and reform inspection procedures at the Ministry of Labour.
6. Accelerate the setting up of a Migrant Worker Department in the MoL to look into migrant workers' issues.
7. Conduct impact studies on the burden of effectively applying international labour standards on different private sector institutions, along with setting a timeline for implementation.
8. Identify the required forms of technical, administrative and financial assistance by the government to apply these standards which have financial costs and burdens.
9. Strengthen labour-related laws through strict law enforcement and judicial measures.
10. Establish a department for the informal sector at the MoL. This would conduct surveys and draft policies and legislations for organising this sector, in cooperation with municipal councils, chambers of industry and commerce, and other institutions.

### 5-2-3 Labour-related Measures

In its intention to indirectly strengthen micro enterprises, the government should apply the following:

11. Provide partial funding for establishing joint services and facilities for women workers. This could be done jointly with the private sector and the social security corporation, to establish child care centers, funds for maternity leaves, etc.
12. Combat child labour through: a) compensating the families of the children workers by paying them cash allowances equivalent to the income given up, b) paying the expenses of these children's schools, uniforms, stationary, etc.
13. Conduct advocacy campaigns that target consumers and highlight boycotting products that involve child labour in any stage of their production.
14. Clarify the methods of calculating the minimum wage; strict inspection and enforcement of minimum wage; annual revision of the minimum wage and comparison against CPI.

15. Activate the inclusion of all Jordanians into the health insurance system.
16. Activate the adoption of the National Employment Policy by the MoL, whilst working on securing parliamentary approval of the unemployment cash benefit scheme.

#### 5-2-4 Business-related Measures

17. Simplify the procedures of registering informal businesses, and encourage their inclusion into the formal economy through offering tax incentives and registration fees exemptions.
18. Formulate special policies that help organise the informal sector and formulate adequate legislations to protect its employees.
19. Encourage workers in various formal sectors to formulate representative bodies that would voice their opinions and demands, enforce monitoring and inspection of institutions, and ensure the availability of health and safety standards.
20. Enlarge the Golden List proposed by the Ministry of Labour to include all types of companies and not to be confined to QIZs. This includes announcing best practices, and serves as a motive and incentive to the companies to publicly announce their practices.

#### 5-2-5 Consultation and Dialogue Channels

21. Initiate programs to build bipartite relations between employers and workers at the company level.
22. Organise a set of dialogue sessions that aim at a) building and raising knowledge on international labour standards, and b) identifying best practices in work relations at local, regional and international levels.
23. Activate the economic and social consultative council bill, and work towards its essential endorsement at the upcoming parliament of 2008.
24. Encourage holding social dialogue meetings that engage the different sides: labour unions, private sector, Jordanian government, and CSO's.

#### 5-2-6 Building a Jordanian Global Compact Network

Building a GC network in Jordan involves different roles to be undertaken by the different GC actors.

First: Role of the big companies that are already GC members:

25. Diversify and balance the membership of the GC national network to include small and medium scale companies, to overcome the notion that the "GC network is a club for the large-scale and elite companies in Jordan".
26. Hold awareness and advocacy workshops for small and medium companies to learn on the GC initiative and network.
27. Build the capacities of small and medium companies to qualify to becoming members in a national GC network.

28. When targeting small and medium companies for GC membership, address, as a first stage, SMEs involved in high-tech industries, as they usually are more attracted to new global initiatives than smaller traditional industries.
29. Build the capacities of new members on how to become signatories, how to assess their performance and report on it.
30. Target the Jordanian factories operating at the QIZs to become GC members. These have special concern on improving their image and reputation among the markets and the government.

#### Second: Role of the GC Steering Committee:

31. Hold roundtable discussions and seminars on the GC implementation in the Jordanian context, and ways of linking GC with legislations and corporate practices.
32. Conduct, with the association of business associations, public awareness campaigns and promotional efforts to encourage the mainstreaming of Jordanian companies in the GC national network.
33. Hold consultation and dialogue meetings with companies' boards of directors to engage them into the GC network and identify their companies' roles.
34. Train and qualify companies' staff on internal audits and sustainability reporting and *triple bottom line reporting*.
35. Simplify technical procedures of joining the GC.
36. Extend technical support for small and medium companies to become eligible for GC membership.
37. Formulate tangible incentives for companies to join the GC initiative.
38. Design a website for the national GC network, publish a periodical/ newsletter that highlights network objectives, activities, and regional and international experiences of national networks.
39. Coordinate with national initiatives and efforts that already exist in Jordan, such as the socio-economic consultative council. This will not only avoid duplication, but will merge GC into the society, instead of it being perceived an imported, standalone initiative.
40. Include informal sector-related issues in the activities of Global Compact initiative.
41. Identify tangible benefits and incentives to make GC membership attractive to Jordanian entities. Highlight comparative advantages, added value, preferential treatment, exemptions, etc. to be achieved, compared to other local corporate governance initiatives, such as the Golden List.

#### Third: Role of the UN:

42. Reformulate the GC national network Steering Committee by diversifying its membership to include think tanks, civil society organisations, labour unions especially those involved with QIZ workers, social entrepreneurs, CSR activists, etc.
43. Simplify procedures of subscribing and gaining membership in the GC initiative.
44. Simplify technical requirements that are costly to small and medium companies, such as highly complicated auditing systems and softwares, etc.

45. Formulate tangible benefits and incentives to make GC membership enjoy comparative advantage and bear an added value over other global corporate governance initiatives.