The assessment of turnover in Jordan’s industrial sector

Prepared by GIZ and Amman Chamber of Industry

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Acknowledgement

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GIZ and ACI would also like to acknowledge and thank the consultancy firm, PKF Human Resource Consulting, for its cooperation in conducting the research and analysing the results.
About GIZ and ACI

About GIZ
The “Deutsche Gesellschaft für Internationale Zusammenarbeit” (GIZ) is a federal enterprise that offers demand-driven, tailor-made and effective services to support the German Government and its partners in achieving their objectives in the field of international cooperation for sustainable development.

Promoting employment has long been a key topic for GIZ Jordan, and working conditions have become a key focus for job sustainability within the GIZ Employment Cluster. The “Employment Promotion Programme” (EPP), which was commissioned by the German Federal Ministry for Economic Cooperation and Development, and the “Trade for Employment Project” (T4E), which was co-financed by the Kingdom of the Netherlands and the United Kingdom’s Department for International Development, work with different governmental and private sector partners towards increasing employment and improving working conditions in Jordan.

EPP aims to develop innovative HR instruments which are based on the needs of the private sector, and to support companies in using them to increase employee retention and satisfaction. T4E helps companies to implement strategies for personnel management and apply the HR instruments developed by EPP to show how improving employee retention and management can help to increase productivity.

Main partners are the Ministry of Labour (MoL), the Ministry of Industry, Trade and Supply (MoITS), and the Ministry of Planning and International Cooperation (MoPIC). Key partners from the private sector are the Chambers of Industry and Commerce, the Jordan Investment Commission, Jordan Enterprise Development Corporation, and Business Associations.

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About ACI

The Amman Chamber of Industry (ACI) was established in 1962 as a non-profit organization representing around 8,000 small, medium and large industrial firms in Jordan. ACI creates and develops a framework to improve its members’ industrial perspectives on economic issues in general, and industrial issues in particular. The Chamber cooperates with Jordanian governmental and non-governmental organizations, international organizations and donor agencies in areas of economic planning, industrial development, and various projects.

ACI also works to increase Jordan’s competitiveness both locally and globally by offering its members a range of technical and financial support programs and services covering different management, technical and business development areas. It organizes meetings, workshops and training programs to increase its members’ capabilities in various areas. It also leads discussions on industrial issues, and organizes exhibitions, trade delegations and promotional activities to develop Jordanian exports and promote investment in Jordan.

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Table of Contents:

1. Executive summary ................................................................. 8
2. Definitions .............................................................................. 12
3. Methodology ........................................................................... 14
4. Study challenges and limitations ............................................... 16
5. Literature findings on turnover in Jordan ............................... 17
6. Study findings .......................................................................... 19
7. Highlights from qualitative findings ......................................... 38
8. Annex I .................................................................................. 40
9. Annex II .................................................................................. 45
10. Annex III ............................................................................... 46

The assessment of turnover in Jordan’s industrial sector study
1. Executive summary

This study contains the results of an unprecedented investigation into the nature of turnover in the Jordanian context, which is a necessary input for the process of promoting sustainable jobs. While reports from both individuals and companies suggest that turnover has a significant impact on business, the actual rate and impact of turnover is unknown. GIZ and ACI therefore conducted research to assess the effect of employee turnover on businesses in Jordan’s industrial sector, and developed this document to provide useful information and guidance to help companies adopt Human Resources (HR) practices that address the challenges that the research findings have revealed.

The objective of the study was to assess the size of job turnover in the industrial sector in Jordan (in Irbid and Amman). It examined the company profile (size, sector, employee composition by gender and position), and the nature of business (export- or non-export-oriented companies). The profiling was used to measure the size of turnover against the industrial sector-specific background. Further, the impact of turnover was examined to determine how it affects the businesses’ operation (i.e. productivity, delivery, customer service, and profitability), and what it costs. Along with an assessment of prevalent working conditions in the industrial sector, the drivers of turnover were identified. Special attention was given to female workers to realise their different experiences and needs within their social role in the society.

The study presents findings on (1) turnover rates by company sector and workforce size, (2) the factors underlying employee turnover, (3) the impact of turnover on companies’ operations, (4) cost, and (5) an assessment of the companies’ Human Resources (HR) practices in relation to turnover. The study findings were embedded within the wider context of the business environment in Jordan. This was made by assessing the external legal, economic and social factors through researching national data and available studies on the topic, and analysing how it reflects on the working condition and turnover situation. The findings of the study serve as the basis for an “HR Guide to Reducing Turnover” for the use of the HR unit.

A quantitative survey was distributed to 235 industrial companies between January and April 2018. The sample covered a total workforce of 30,483 employees, of whom 19% were female. 88% of the surveyed companies are located in Amman and 12% in Irbid. 158 (67%) of the companies surveyed are export-oriented, with existing export markets. The survey was complemented by four Focus Group Discussions (FGDs) with employers and employees in Amman and Irbid (one FGD with employers and one with employees in each location). A further survey was conducted with ex-employees to capture their reasons for leaving.
Key findings

Jordan's industrial sector suffers from a high turnover rate that negatively impacts production capacity and quality (Abu Jadayil, 2011). Legally, employees' rights are protected by the Jordanian Labour Law, which has specific articles on maternity leave, minimum wages, annual and sick leave, weekly working hours, and overtime compensation.

The annual turnover rate in Jordan's industrial sector was 20.6% in 2017. Turnover in 2017 was 15% for females and 20.5% for males, meaning that females were 5% less likely to leave their jobs than men. The effect and embedded cost of turnover on companies’ operations varied according to their size. For example, although micro-companies have the lowest turnover rate, they have the highest average turnover costs.

Three common key drivers for turnover are found in all sectors and workforce sizes: (1) salary and benefits, (2) job advancement and career development, and (3) work environment/work conditions. The most common reason for employee turnover is salary, and although employers understand that the cost of living in Jordan is high and salaries are barely enough to cover their employees’ needs, economic conditions in the region prevent employers from enhancing their employees’ incomes to ease their financial situations.

Turnover has a major impact on productivity. 24% of the companies surveyed reported that turnover had a major effect on productivity, of which 74% were export-oriented. The average cost of replacing an employee who leaves a job in Jordan's industrial sector is estimated at 800 JODs. However, it has been shown that instigating proper HR practices lowers the rate of turnover and lessens its effect.

For example, turnover is 9% lower in companies that include performance standards and measures in their performance appraisals.

In Jordan, turnover is particularly significant for semi-skilled employees, who have an annual turnover rate of 67%. Salary and benefits are among the most reported reasons for turnover. While skilled and semi-skilled salaries average 310 JOD per month, which is above the minimum wage limit set by Jordanian Labour Law of 220 JD per month, employees feel that these salaries are insufficient given the high living costs in Jordan, and their responsibility for taking care of their families.

Turnover is also particularly high for new employees and youth, revealing a lack of capacity in the private sector to absorb the young generation into the working environment, and a reluctance to accommodate their wish for flexibility & autonomy in the workplace. It was found that 59% employees from all job profiles who left their companies in 2017 had worked there for less than one year.

Discussions with employees showed that early resignations occur mainly because the actual work itself and the work environment in the companies were not what they had expected. This is specifically prevalent among young male employees (aged between 18-29 years), who favour more flexible and less regulated working conditions. The findings reveal a disparity between youth aspiration and employers’ perceptions of a “good employee”. Employers tend to consider youth as lazy, uncommitted to work, and not very capable, which affects the integration of youth into the workplace. These challenges could be addressed through an onboarding package, and an orientation for management on youth psychology.

1 A micro-company is one with less than 10 employees.
On turnover rate

- The average employee turnover rate in the industrial sector in 2017 was estimated at 20.6%.

- The majority of employee turnover (79%) is voluntary, i.e. it is driven by employee resignations rather than the termination of employment contracts.

- There was no significant difference in turnover rate between Amman and Irbid (20.9% and 18.7% respectively), or between export- and non-export-oriented companies (20.5% and 20.8% respectively).

- For turnover by sector, the highest turnover rates were found among the plastic and rubber sector (26.4%), followed by the engineering, electrical and information technology sector (24.8%).

- The sectors that had the lowest turnover rates were the therapeutics and medical sector (11.8%) and the wooden and furniture sector (7.9%).

- The turnover rate is highest among companies with 10-49 employees (23.4%), and lowest among those with under 10 employees (12%).

- Most employees who resign are semi-skilled (67%), followed by skilled (9.3%).

- Over half of the employees from all job profiles who left their companies in 2017 had worked with their employers for less than one year (59%).

Reason for turnover

Three key drivers for turnover were found:

1. **Salary and benefits**: Salary and benefits were the most common reasons given for staff turnover by both employers and employees, in both Amman and Irbid, and for all sub sectors and company sizes and for all job types (managers, sales, officers, skilled and semi-skilled employees).

2. **Job advancement and career development**: Both employees and ex-employees said that providing career paths and opportunities for career development, such as training, skills development and merit-based bonuses, was a key factor in staff retention. A lack of career development was one of the top two reasons for skilled employees across the different sectors in both governorates to leave a job, and its availability was a main factor for staying.

3. **Work environment and working conditions**: Employers said that overall workload was the second highest reason for employee turnover for all job types in Irbid (21%), but that was less significant in Amman (11%). It was the second highest reported reason for skilled and semi-skilled employee turnover in both the food, supplies, agricultural and livestock sector and the wooden and furniture sector. Work overload was the third most cited reason for turnover in the leather and garment, chemical and cosmetic, and construction sectors.

Workload was also the second most reported reason for companies with more than 250 employees.
Reasons for involuntary turnover

In discussions with employers, the most common reasons given for terminating an employee’s contract were a lack of commitment and continuous absenteeism. This was especially true for skilled and semi-skilled workers. The next most common reason was the employee’s poor attitude and poor work ethics.

On gender

The analysis showed that 15% of female employees and 20.5% of male employees left their companies during 2017. Discussions with female employees revealed that not providing children’s nurseries and forcing them to work night shifts were common reasons for women to resign.

Impact of turnover on the business operation

The study assessed the impact on the key operational areas of productivity, customer service, delays in product delivery, and business profits. 59% of the employers in both the survey and discussion sessions believe that turnover poses a challenge to their business operations due to the time and effort it takes HR personnel to maintain the companies’ staffing and productivity levels.

Best HR practices

It was found that turnover:

1. 9% lower in companies that include performance standards and measures in their performance appraisals;

2. 8% lower in companies that provide feedback to their employees on their performance;

3. 6% lower for companies who have implemented an approved benefits and allowance system;

4. and 5% lower for companies adopting an approved grade/salary structure;

compared to companies that did not.

Cost of turnover

The average cost of replacing an employee who leaves is 800 JOD.

GIZ & ACI (2018), HR Guide to Reducing Turnover is publicly available and can be sent upon request from GIZ (Thosten.metz@giz.de) or ACI (smes_manager@aci.org.jo), or downloaded on ACI’s website: www.aci.org.jo
## 2. Definitions

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Employee turnover</strong></td>
<td>Employee turnover (sometimes known as ‘attrition’) is the rate at which people leave a company (Armstrong, 2014).</td>
</tr>
<tr>
<td></td>
<td>Employee turnover rate is the number of “employees leaving” as a percentage compared to the number of those employed. The traditional formula for measuring turnover is:</td>
</tr>
<tr>
<td></td>
<td>Number of employees leaving in a specified period (usually 1 year) × 100%</td>
</tr>
<tr>
<td></td>
<td>Average number of employees during the same period (Armstrong, 2011)</td>
</tr>
<tr>
<td></td>
<td>All turnover rates presented in this study are annual rates.</td>
</tr>
<tr>
<td><strong>Compensation</strong></td>
<td>Compensation is the total amount of the monetary and non-monetary indemnities provided to an employee by an employer in return for work performed. It is a combination of the value of the salary, bonuses, benefits, allowances, overtime, vacations, and any other perk the employee may receive, such as free meals and free events (PKF).</td>
</tr>
<tr>
<td><strong>Incentives and merit-based rewards</strong></td>
<td>Incentives and merit-based rewards are monetary and non-monetary compensations granted to employees that are usually linked to their performance, such as achieving targets (PKF).</td>
</tr>
<tr>
<td><strong>Bonuses</strong></td>
<td>The sum of rewards given to an employee in addition to regular pay, usually in appreciation of work done, length of service, and good performance (Entrepreneur Small Business Encyclopaedia, <a href="http://www.entrepreneur.com">www.entrepreneur.com</a>).</td>
</tr>
<tr>
<td><strong>Voluntary turnover</strong></td>
<td>Refers to an employee’s choice to terminate their association with a company (PKF).</td>
</tr>
<tr>
<td><strong>Involuntary turnover</strong></td>
<td>Refers to the employer’s choice to terminate the employee’s association with the company (PKF).</td>
</tr>
<tr>
<td>Term</td>
<td>Definition</td>
</tr>
<tr>
<td>-----------------------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Semi-skilled workers</td>
<td>Semi-skilled workers conduct routine physical work which requires practical skills and information that covers a narrow part of the job tasks, or assignments that include routine tasks that require the use of limited hand tools and muscle effort. These skills can be acquired either through a short period of training, self-learning, or on-site training. Among the jobs classified in this category are: technical assistants (e.g. electrical technician assistant), warehouse employees, and packaging employees (Arab Standard Classification of Occupations, 2008).</td>
</tr>
<tr>
<td>Skilled employees/technicians</td>
<td>Employees whose functions require scientific and technical skills. Individuals working in this category mostly require a post-secondary education or a community college level or equivalent. Among the jobs classified in this category are: electrical technician, architectural painter, etc. (Arab Standard Classification of Occupations, 2008).</td>
</tr>
<tr>
<td>Blue collar employee</td>
<td>Blue-collar occupations are defined by their physical component, and are generally characterised by a stationary hierarchical level (typically in low ranked positions) and management by supervisors or mechanical controls (Ansberry 2003, cited in Lucas and Buzzanell 2004). In this research, blue collar employees are referred to as the semi-skilled and skilled employees</td>
</tr>
<tr>
<td>White collar employee</td>
<td>Workers who perform professional, managerial, or administrative work (Van et al., 2003).</td>
</tr>
<tr>
<td>Job tenure</td>
<td>Job tenure is typically measured by the length of time workers have been with their current employer (Armstrong, 2011).</td>
</tr>
<tr>
<td>Job evaluation</td>
<td>Job evaluation is a systematic process for defining the relative worth or size of jobs within a company in order to establish internal relativities and provide the basis for designing an equitable grade-pay structure/compensation (Armstrong, 2011).</td>
</tr>
<tr>
<td>Working Conditions</td>
<td>The working environment and all existing circumstances affecting workers in the workplace including working hours and workload, physical aspects, and job demand. (PKF)</td>
</tr>
</tbody>
</table>
3. Methodology

This study used primary and secondary data, adopted both qualitative and quantitative methods, and was carried out between January and April 2018. The study aimed to use a scientific approach to provide evidential data to enlighten the often hypothetico-theoretical debate on employment promotion and employee turnover.

(1) Secondary data

A literature review was conducted to examine the available studies on turnover in Jordan, and to define the areas that are under-researched to guide the development of the study tools. The focus of the literature review was to research the external factors surrounding employers, specifically the social and economic ones.

(2) Primary data

The primary data was provided by a mix of research tools:

(A) Survey targeting employers

The survey was designed to allow statistical analyses, cross-tabulations were performed on categorical data including the governorate, sector, size, and export and non-export oriented companies, along with other variables such as the leaver’s gender and the type of job (s)he had been doing, among other variables. These categories were analysed against the following:

• Factors behind employee turnover.

• 2017 annual employee turnover rate and trends, compared to 2016.

• The internal human resource systems and practices, working conditions and overall culture that affect job retention.

• Drivers for job retention and potential changes that can reduce turnover rates.

• Job turnover cost incurred by employers including (PKF method):
  - Separation costs: Exit interview cost includes staff conducting interview, departing employee being interviewed, pay-out of annual leave for departing employee and other separation costs (i.e. unemployment benefits).
  - Vacancy costs: It is assumed that there will be a period in which the job is covered by substitute labour, who will take some time to get up to speed. These cost elements include things such as the cost of additional overtime and/or temporary help.
  - Recruitment costs: Total cost of advertisement(s), cost of reviewing resumes/applications, cost of interviewing candidates, recruiter fees, candidate travel reimbursement costs, cost of reference checks, cost of pre-employment testing, and other recruitment costs.
  - Relocation costs
  - Orientation/administration/training/accounting costs

• Budget allocated to employees’ salaries and benefits

The survey components also included open and closed questions, multiple choices, and Likert scale questions.

(B) Focus Groups

Qualitative information was collected through FGDs addressing the areas to be covered in order to capture more qualitative information regarding employment turnover issues. These mainly included the employers’ and employees’ perceptions of the causes of job turnover, and
answers to questions such as: “do male and female employees experience job retention and turnover differently? If yes, how?”.

FGDs were conducted as below:-
1. Two FGDs targeting employers in Amman and Irbid.
2. Two FGDs targeting employees in Amman and Irbid.

A. The employees’ FGD in Irbid comprised of equal numbers of managers (including HR and PR/Admin managers) and skilled and semi-skilled employees
B. The FGD in Amman was mainly with managers, and only one skilled/semi-skilled employee participated.

(C) Other tools
1. A further survey was conducted with 19 ex-employees to capture their reasons for leaving.
2. A visit to the Ministry of Labour to discuss the procedures for inspecting working conditions in the industrial sector, and the existence of relevant laws.

Survey Sample
The percentages of various-sized companies included in the survey sample is shown in Table 1. The sampling followed a purposive approach to ensure a higher participation amongst more labour-intensive companies, while noting that micro-companies (less than 10 employees) comprise 78% of the total number of registered companies in Jordan.

<table>
<thead>
<tr>
<th>Size of workforce</th>
<th>Distribution %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro:1-9</td>
<td>20%</td>
</tr>
<tr>
<td>Small:10-49</td>
<td>20%</td>
</tr>
<tr>
<td>Medium:50-249</td>
<td>30%</td>
</tr>
<tr>
<td>Large: 250 and Above</td>
<td>30%</td>
</tr>
</tbody>
</table>

Table 1: Distribution of the original sample size from each governorate, according to size of company workforce.

However, a change in the plan occurred in the selection of the random sample from each governorate due to difficulties in collecting data from employers; further iterations of randomisation were needed due to low response rate and outdated contact details of the selected sample. The total number of companies reached in the survey was 235.

The following table illustrates the actual sample distribution per governorate and per establishment size, based on the study fieldwork. The characteristics of the sample are found in the ‘Study Findings’ section.

<table>
<thead>
<tr>
<th>Sector</th>
<th>Amman</th>
<th></th>
<th>Irbid</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Count</td>
<td>%</td>
<td>Count</td>
<td>%</td>
</tr>
<tr>
<td>Engineering, electrical and information Technology</td>
<td>24</td>
<td>10%</td>
<td>2</td>
<td>1%</td>
</tr>
<tr>
<td>Leather and garments</td>
<td>21</td>
<td>9%</td>
<td>6</td>
<td>3%</td>
</tr>
<tr>
<td>Plastic and rubber</td>
<td>46</td>
<td>20%</td>
<td>5</td>
<td>2%</td>
</tr>
<tr>
<td>Chemical and Cosmetics Industry</td>
<td>26</td>
<td>11%</td>
<td>3</td>
<td>1%</td>
</tr>
<tr>
<td>Construction Industry</td>
<td>17</td>
<td>7%</td>
<td>2</td>
<td>1%</td>
</tr>
<tr>
<td>Food, Supplies, Agricultural and Livestock</td>
<td>50</td>
<td>21%</td>
<td>7</td>
<td>3%</td>
</tr>
<tr>
<td>Mining</td>
<td>8</td>
<td>3%</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Therapeutics and medical</td>
<td>8</td>
<td>3%</td>
<td>2</td>
<td>1%</td>
</tr>
<tr>
<td>Wooden and furniture</td>
<td>7</td>
<td>3%</td>
<td>1</td>
<td>-0%</td>
</tr>
<tr>
<td>Total</td>
<td>207</td>
<td>88%</td>
<td>28</td>
<td>12%</td>
</tr>
</tbody>
</table>

Table 2: Distribution of companies per location and sector
4. Study challenges and limitations

Challenges within the operational context of the study implementation imposed a ceiling on the amount of information that could be collected:

a) Reaching out to ex-employees

It was difficult to contact ex-employees and assemble a focus group. The collaboration with the EAIIA through ACI finally succeeded in reaching out to ex-employees who had visited the Association in search for a job.

To mitigate that risk, the process was made as easy as possible for the participants by:

1. Sending the questionnaire via email or an internet link using the e-survey system.
2. Following up with phone calls to answer questions and set appointments with the HR in charge or the General Managers GM.
3. Conducting on-the-spot field visits, in which companies were more open and readier to answer the survey questions.

b) Reaching out to current employees

Focus group discussions should have considered the inclusion of employees from different backgrounds (seniority level, gender, years of service in the company, occupation, etc.). However, it was difficult to secure a well-diversified selection of employees, and to maintain levels of attendance and participation.

d) Completing the survey

The number of thematic areas and questions covered in the research meant that the initial questionnaire was perceived by some as too long, and some potential participants did not answer it. The questionnaire was therefore shortened to about 45 minutes to maximise the response rate.

c) Reaching out to employers

Researchers needed to conduct extensive follow-ups with employers to confirm participation and collect the required data. However, there was still the risk that employers would not engage in the survey due to their busy work schedules, or make their employees available to participate.
5. Literature findings on turnover in Jordan

Reasons for turnover

According to research conducted by Ghosheh (2014), the most common reasons for youth to leave and reject jobs in the industrial sector are (1) economic, (2) personal skills and ambitions, and (3) the working environment. Youth coming from lower-income families were more likely to leave jobs for financial reasons than those from higher-income families. The costs associated with working, such as transportation, were not frequently cited as a reason for refusing jobs, but when they were it was more likely to be from participants from lower-income families. Men were more likely to leave jobs for financial reasons than women, while women were more likely to leave jobs for reasons relating to the working environment, logistical issues, and social and family reasons (Ghosheh, 2014).

Research by Abu Jadayil (2011) also examined turnover in Jordan’s industrial sector, concluding that in most cases the factors causing turnover are related to financial remuneration, the job environment, interactions with management, how the workers feel about their surroundings psychologically, and the privileges that managers offer to workers. The study found that the two principal reasons why turnover occurs in Jordan’s industrial sector were work environments and salaries. The general atmosphere and the organisational climate also affects employee turnover. The study “Effect of Organizational Climate on Job Turnover of Employees at Tourism Hotels in Petra Region of Jordan” (Khasawneh, 2013) found that the influence of work-related constituents on turnover varies. They are arranged as follows: (1) Work environment, (2) Relationships between managers and employees, (3) Methods of reward and punishment, (4) Management styles, and (5) Job security.

Socio-cultural issues and gender analysis

Regarding gender, Ghosheh (2014) found that men did not mention social and family factors as reasons for leaving work, and that far more men than women listed personal skills and ambitions as reasons for resigning. Ghosheh reaffirmed that women have more restrictions on working outside their homes, while men have a greater responsibility to be breadwinners.

According to Creative Associates International (2014), employers’ preferences based on
gender stereotypes and the burdens that relevant legislation places on businesses to protect female employees, as well as social constraints on what kind of work is acceptable for women, have repercussions in the hiring process. During fieldwork conducted in Jordan by Creative Associates International (2014), employers cited low wages and high costs for transportation and childcare as serious disincentives that result in an unwillingness amongst women to take certain types of jobs.

Legal context

The Labour Law covers many aspects of employees’ rights that support their wellbeing and enhance job retention, such as weekly working hours, overtime compensation, a minimum wage (although this is seen as being somewhat low compared to the cost of living), annual and sick leave, maternity leave, and the importance of paying salaries on time. However, it was noted that some employees are not aware of the rights granted to them by the Labour Law, and that some employers may not respect these rights or apply the law. Increasing employees’ awareness of the Labour Law plays an important role in reinforcing employers’ compliance with it. The Ministry of Labour promotes the relevant awareness through media, their auditors and their website. However, some additional and useful awareness channels would be the social media, Labour unions, radio channels, NGOs, and community-based companies. There appears to be some distance between the law and its implementation, since research shows that long working hours, inflexible schedules and adverse working conditions are major reasons affecting job turnover.

The following points were raised during meetings with the Ministry of Labour representatives:

1. In the context of job retention, there are no regulations that prevent employees from leaving their current employers. However, there are laws that safeguard the employers’ rights and reduce the negative implications of employee resignations, such as the need to give one month’s notice for open-ended employment contracts, and the compensation to be paid by employees with fixed-period contracts who resign.

2. Most employees leave their current employer due to one or more of the following reasons: to improve their career status, to increase their financial income, to work in a better environment, or to achieve a higher social status.

3. One of the Ministry’s success stories in enhancing job retention in the industrial sector is the work that was conducted to help around 19 industrial establishments to open production branches in rural areas (satellite units) where most of their Labour employees (particularly women) reside. This makes it easier for employees to secure transportation and reach the workplace and so keep their job. Turnover was consequently reduced since most employees, especially females, were leaving their jobs companies due to the long commuting distance.
6. Study findings

This section presents the results for the companies that participated in the survey. The quantitative results include the average annual employee turnover rates for those companies, according to characteristics such as sector, size, and location. Reasons for the turnover from the employers’ perspective are also presented, along with the thematic areas of turnover listed above.

A) Sample characteristics

The research methodology included a field survey that covered 235 industrial companies. The distributions of surveyed companies by sector, location, company size, and export/non-export orientation are illustrated in the table and graphs below. The combined workforce of the companies surveyed was 30,483 employees, of whom 19% were female.

Most companies in the study sample (24.3%) were in the food, supplies, agricultural and livestock sector, while the mining sector and the wooden and furniture sector were least represented (3.4% each).

The distribution of companies by sector and location is illustrated in the table below:

<table>
<thead>
<tr>
<th>Sector</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chemical and Cosmetics Industry Sector</td>
<td>13%</td>
</tr>
<tr>
<td>Construction Industry Sector</td>
<td>11.5%</td>
</tr>
<tr>
<td>Food, Supplies, Agricultural and Livestock Sector</td>
<td>9.1%</td>
</tr>
<tr>
<td>Engineering, Electrical and IT Sector</td>
<td>9%</td>
</tr>
<tr>
<td>Leather and Garments Sector</td>
<td>3.4%</td>
</tr>
<tr>
<td>Plastic and Rubber Sector</td>
<td>4.3%</td>
</tr>
<tr>
<td>Therapeutics and Medical Sector</td>
<td>12.3%</td>
</tr>
<tr>
<td>Wooden and Furniture Sector</td>
<td>1.5%</td>
</tr>
<tr>
<td>Mining Sector</td>
<td>13%</td>
</tr>
<tr>
<td>Mining Sector</td>
<td>11.5%</td>
</tr>
<tr>
<td>Leather and Garments Sector</td>
<td>9.1%</td>
</tr>
<tr>
<td>Plastic and Rubber Sector</td>
<td>4.3%</td>
</tr>
<tr>
<td>Chemical and Cosmetics Industry Sector</td>
<td>13%</td>
</tr>
<tr>
<td>Construction Industry Sector</td>
<td>11.5%</td>
</tr>
<tr>
<td>Food, Supplies, Agricultural and Livestock Sector</td>
<td>9.1%</td>
</tr>
<tr>
<td>Engineering, Electrical and IT Sector</td>
<td>9%</td>
</tr>
<tr>
<td>Therapeutics and Medical Sector</td>
<td>12.3%</td>
</tr>
<tr>
<td>Wooden and Furniture Sector</td>
<td>1.5%</td>
</tr>
<tr>
<td>Mining Sector</td>
<td>13%</td>
</tr>
<tr>
<td>Mining Sector</td>
<td>11.5%</td>
</tr>
<tr>
<td>Leather and Garments Sector</td>
<td>9.1%</td>
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<tr>
<td>Plastic and Rubber Sector</td>
<td>4.3%</td>
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<tr>
<td>Chemical and Cosmetics Industry Sector</td>
<td>13%</td>
</tr>
<tr>
<td>Construction Industry Sector</td>
<td>11.5%</td>
</tr>
<tr>
<td>Food, Supplies, Agricultural and Livestock Sector</td>
<td>9.1%</td>
</tr>
<tr>
<td>Engineering, Electrical and IT Sector</td>
<td>9%</td>
</tr>
<tr>
<td>Therapeutics and Medical Sector</td>
<td>12.3%</td>
</tr>
<tr>
<td>Wooden and Furniture Sector</td>
<td>1.5%</td>
</tr>
</tbody>
</table>

Figure 1: Distribution of companies by sector

88% of the companies included in the final sample are located in Amman and 12% are located in Irbid.

1 This percentage is based on the average female workforce size for all companies that reported on female recruitment.
Of the employers’ representatives who answered the survey, 28% were HR managers and 17% general managers/directors. The remaining 55% worked in finance, procurement and other administration jobs. 

The results show that female workers represented 19% of the total workforce of the companies surveyed.

The majority of the workforce are Jordanians (79%). 3% are Syrians, and 18% are from other nationalities. This is illustrated in the table below:

<table>
<thead>
<tr>
<th>Nationality of employees</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jordanians</td>
<td>79%</td>
</tr>
<tr>
<td>Syrians</td>
<td>3%</td>
</tr>
<tr>
<td>Other nationalities</td>
<td>18%</td>
</tr>
</tbody>
</table>

Table 3: Distribution of employees by nationality

67% of the surveyed companies have export markets, while 31% of the companies only sell their products domestically.

23% of the companies reported that their export markets comprise more than 70% of their total targeted markets.
59% of the respondents said that they were not aware of their companies’ revenue. The vast majority of those who did provide an answer did so reluctantly, although the enumerators assured the respondents that all information would be handled with full confidentiality. This result was expected as most companies consider their sales revenues to be “classified information”, and most respondents were either unaware of the information or were not authorised to provide it.

B) Annual employee turnover rates 2017

The analysis shows that the average employee turnover rate in 2017 was 20.6% Employers reported no significant change in the turnover rate from the year before. In comparison, international statistics, taken mainly from data published by the United States Department of Statistics, report a turnover rate of 30.4% in the manufacturing sector in 2017 (both voluntary and involuntary), and a global voluntary turnover rate of 9.6% (Catalyst, 2018).

While turnover rates in both governorates and across export- and non-export companies were similar, there were differences in turnover rates across the different sectors and company size.

C) Turnover rate by job profile

Most employees who resign are semi-skilled employees (67%) followed by skilled employees (9.3%). The lowest turnover is amongst office employees (5%).
D) Turnover rate by employment tenure

The research also shows that turnover is highest among new employees. **59% of all employees who left their job in 2017 had worked for their employers for less than one year.**

Discussions with employers and employees showed that most early resignations occurred because employees felt that working in the company differed from what they had expected. Young employees are not used to working in a disciplined environment and value flexibility and autonomy, and working codes often failed to understand the youth psychology.

From the discussions, employers clearly perceive a disparity between what youth want from a job, and what employers want from their workers. The discussions also highlighted the employers’ continued dissatisfaction with youth’s readiness to work. Further, employers felt that the education system should prepare youth for working environments, offer career guidance, and instruct them on work ethics and professional behaviour.

E) Turnover rates by sector:

The highest turnover rates were in the plastic and rubber sector (26.4%), followed by the engineering, electrical and information technology sector (24.8%).

The sectors that had the lowest turnover rates were the therapeutics and medical sector (11.8%) and the wooden and furniture sector (7.9%). However, these were the smallest sectors in the sample (4% and 3% respectively), which may have affected the generalisation of the turnover rates.

<table>
<thead>
<tr>
<th>Sector</th>
<th>Turnover Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plastic and Rubber Sector</td>
<td>26.4%</td>
</tr>
<tr>
<td>Engineering, Electrical and IT Sector</td>
<td>24.8%</td>
</tr>
<tr>
<td>Leather and Garments Sector</td>
<td>22.9%</td>
</tr>
<tr>
<td>Mining Sector</td>
<td>21.3%</td>
</tr>
<tr>
<td>Food, Supplies, Agricultural and Livestock Sector</td>
<td>18.8%</td>
</tr>
<tr>
<td>Chemical and Cosmetics Industry Sector</td>
<td>18%</td>
</tr>
<tr>
<td>Construction Industry Sector</td>
<td>15.6%</td>
</tr>
<tr>
<td>Therapeutics and Medical Sector</td>
<td>11.8%</td>
</tr>
<tr>
<td>Wooden and Furniture Sector</td>
<td>7.9%</td>
</tr>
</tbody>
</table>

Figure 11: Turnover rates by sector

1 Most staff resignations occur during the first year of service after the first 3 months
2 Most resignations occur within the first three months of employment
3 Unknown
4 Most resigned employees have worked for 2-3 years of service in the company
5 Most staff resignations take place after the third year of service
6 Job turnover rates are almost the same for most employees
7 Not applicable

1 Note: Throughout this chapter, "Not applicable" means that employee turnover did not occur unless otherwise stated.
F) Turnover rates by size of company workforce

Turnover rate was the highest amongst companies with 10-49 employees (23.4%), and lowest among companies with less than 10 employees (12%). The lower turnover rate for companies with 1-9 employees might be because most small companies are family-owned businesses, and people who work there are either the owners or family members.

![Figure 12: Turnover rates by company size](image)

There was no significant difference in turnover rate between Amman and Irbid (20.9% and 18.7% respectively), or between export- and non-export-oriented companies (20.5% and 20.8% respectively).

G) Turnover by gender

The analysis revealed that 15% of all female employees and 20.5% of all male employees left their jobs during 2017.\(^1\)

The focus group discussions identified several factors that influence women’s economic participation. One of the most important factors, for both the women and their families, was the need to work in a safe environment. Transportation was also a serious concern for most female employees. Discussions with female employees revealed that not providing children’s nurseries and forcing them to work night shifts were common reasons for women to resign.

Discussions with employers also revealed that some avoid recruiting women to avoid paying for day-care and maternity leave. Most employers agreed that women were more committed to their work and more patient. Some also felt that women were less likely to worry about financial returns and career advancement, even though they often earned less than men. However, some still avoided employing women because they felt it would mean an extra financial burden.

H) Reasons for the annual turnover

The survey shows that most employees leave their companies voluntarily (79%), and the number of employees whose contracts are terminated is not significant.

![Figure 13: Reasons for leaving the company](image)

---

\(^1\) The calculation for turnover by gender is based on the companies which both reported recruiting female workers (not all companies have female employees) and provided a breakdown for resignation by gender (not all respondents offered such data). The calculation for the industry turnover rate was taken from a different sample to that used for the gendered turnover rate.

Note: “others” in the above figure includes reasons for turnover such as employees pursuing education, immigration of Syrian Labour to western countries, and enrolling in the military.
The following section discusses the reasons for resignations in further depth.

**Documenting resignation reasons – the use of exit interviews**

The research shows that 70% of companies keep track of the reasons for employee turnover through conducting exit interviews with employees who leave their companies. This high percentage enhances the credibility of the answers provided regarding the reasons for the turnover. Paradoxically, while documenting reasons for leaving demonstrates the private sector’s concerns about turnover, they continue to find it challenging to introduce measures to improve working conditions and so reduce the number of resignations.

**I) Reasons for annual voluntary turnover**

While there are many reasons for employees to resign, and these vary from person to person, the survey identified three key factors for employee retention: (1) salary and benefits, (2) job advancement and career development, and (3) work environment/work conditions.

**1) Salary and benefits:** Salary and benefits were the most common reasons given for turnover by both employers and employees, in both Amman and Irbid, and for all subsectors and company sizes.

According to the focus group discussions, both skilled and semi-skilled employees felt that salaries were too low compared to their workloads and the cost of living. Some employees thought that it made no economic sense to work, since their salaries did not cover the high cost of work-related expenses such as transport and childcare. Financial or other benefits such as transportation allowances are one of the main reasons for female employees to decide whether to stay in a job or not.

Employers in the discussions also believed that the main reasons behind the turnover are the salary and benefit systems, along with cultural-related issues. It also emerged that, while employers understand that salaries are often barely enough to cover housing and, therefore, cannot cover school tuitions and other life expenses, the economic situation in the region prevents employers from increasing their employees’ incomes.

**2) Job advancement and career development:** A lack of career development was one of the top two reasons for skilled employees across the different sectors in both governorates to leave a job, and its availability was a main factor for staying. During the discussions, both employees and ex-employees mentioned that providing career paths and opportunities for career development, such as training,
skills development and merit-based bonuses, was a key factor in employee retention.

During the discussions, some of the employers also expressed their belief that semi-skilled labour employees do not have a long-term vision for their career, seeing a job as a source of short-term income to buy non-essential items such as mobile phones and cigarettes, and resigning as soon as they have bought them. According to these employers, youth rarely took responsibility for their actions, and sometimes got their parents to come to the workplace to resolve problems.

(3) Work environment and working conditions 1:
Employers believed that overall workloads were the second highest reason for employee turnover for all job types in Irbid (21%), but that was less significant in Amman (11%). It was the second highest reported reason for skilled and semi-skilled employee turnover in both the food supplies, agricultural and livestock sector and the wooden and furniture sector. Work overload was the third most cited reason for the turnover in the leather and garment, chemical and cosmetic, and construction sectors. Workload was also the second most reported reason for companies with more than 250 employees.

The below figures show turnover rate by 2:

Reasons for turnover by governorate and job type
Reasons for turnover by sector for managers / office employees / skilled and semi-skilled employees / sales employees

Reasons for turnover by sector and job type

Reasons for turnover by size and job type
Reasons for turnover by sector for managers / office employees

Reasons for turnover by job governorate and job type

Figure 15: Reasons for manager turnover by governate

1 The study often cited working conditions and the physical intensity of the job.
2 Note: “Others” in the following figures include: Lack of employee commitment and sense of responsibility
Figure 16: Reasons for office employee turnover by governate

Salary and Benefits
- Other: 21%
- Not Applicable: 7%
- Job Advancement: 16%
- Work Conditions – Overall workload: 14%
- Working Relationship with supervisor: 21%
- Unknown: 4%
- Inflexible work schedules: 7%
- Marriage: 3%
- Conflict with colleague: 7%
- Work conditions – health and safety concern: 2%
- Family responsibilities / insufficient child care services: 7%
- Job not suitable for my social status: 7%
- Working with other nationalities with different cultures and value: 3%
- Company location/difficulty securing transportation to or accommodation around the workplace: 2%
- Family uncomfortable with mixed environment: 2%

Irbid: 54%
Amman: 51%

Figure 17: Reasons for skilled and semi-skilled employee turnover by governrate
The assessment of turnover in Jordan’s industrial sector study
Figure 21: Reasons for skilled and semi-skilled employee turnover by sector

Figure 22: Reasons for sales employee turnover by sector
Reasons for turnover by company size and job type

Figure 23: Reasons for manager turnover by company size

Figure 24: Reasons for office employee turnover by company size
On salaries

The average salaries of different jobs in the participating companies were calculated. The tables below illustrate the average monthly salaries paid to employees by job type and size of company.

While no salaries were below the minimum wage limit set by the Jordanian Labour Law (220 JDs), the salaries of semi-skilled and skilled employees are low in comparison with the cost of living in Jordan, with an overall average of 310 JD for semi-skilled and 563 JD for skilled employees. This might in turn have contributed to an increase in the turnover rate, since the analysis above shows that low wages are the main reason for employees to leave their jobs.

The external economic context, particularly the increasing cost of living, is by far the most important cause of employee turnover. This is highlighted by this analysis of average wages compared to the national poverty line. While companies are encouraged to tackle the issue of uncompetitive, inequitable or unfair pay systems, there is a limit to how much employers can pay their employees, especially considering the current financial and profitability challenges which Jordanian companies are facing.

Salaries for each job type are similar across the different sizes of company except for managers’ salaries in large companies, which are nearly double those of managers in medium, small and micro companies.

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1 In 2013, UNDP set the poverty line in Jordan at 336 JOD per household, per month. The Jordan Department of Statistics (DOS) set the poverty line for an individual at JD 813.7 per year in 2010.

---

Table 4: Average salaries for managers

<table>
<thead>
<tr>
<th>Size of company by number of employees</th>
<th>Average monthly salary (JOD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-9</td>
<td>1450</td>
</tr>
<tr>
<td>10-49</td>
<td>1670</td>
</tr>
<tr>
<td>50-249</td>
<td>1585</td>
</tr>
<tr>
<td>Large: 250 and Above</td>
<td>3186</td>
</tr>
<tr>
<td>Average salary</td>
<td>1973</td>
</tr>
</tbody>
</table>

Table 5: Average salaries for skilled employees

<table>
<thead>
<tr>
<th>Size of company by number of employees</th>
<th>Average monthly salary (JOD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-9</td>
<td>283</td>
</tr>
<tr>
<td>10-49</td>
<td>310</td>
</tr>
<tr>
<td>50-249</td>
<td>304</td>
</tr>
<tr>
<td>Large: 250 and Above</td>
<td>341</td>
</tr>
<tr>
<td>Average salary</td>
<td>310</td>
</tr>
</tbody>
</table>

Table 6: Average salaries for semi-skilled employees

<table>
<thead>
<tr>
<th>Size of company by number of employees</th>
<th>Average monthly salary (JOD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-9</td>
<td>400</td>
</tr>
<tr>
<td>10-49</td>
<td>522</td>
</tr>
<tr>
<td>50-249</td>
<td>567</td>
</tr>
<tr>
<td>Large: 250 and Above</td>
<td>500</td>
</tr>
<tr>
<td>Average salary</td>
<td>497</td>
</tr>
</tbody>
</table>

Table 7: Average salaries for sales employees

<table>
<thead>
<tr>
<th>Size of company by number of employees</th>
<th>Average monthly salary (JOD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-9</td>
<td>543</td>
</tr>
<tr>
<td>10-49</td>
<td>568</td>
</tr>
<tr>
<td>50-249</td>
<td>558</td>
</tr>
<tr>
<td>Large: 250 and Above</td>
<td>583</td>
</tr>
<tr>
<td>Average salary</td>
<td>563</td>
</tr>
</tbody>
</table>
K) Impact of turnover

59% of the employers in both the survey and discussion sessions believe that turnover poses a challenge to their business operations, due to the time and effort it takes HR personnel to maintain the companies’ employment and productivity levels. Nearly all the employer representatives agreed that employee turnover, particularly amongst semi-skilled employees, has a negative impact on the morale and workload of the employees who remain.

![Figure 25: Distribution of responses “To what level do you agree or disagree that turnover is a business challenge?”](image)

To determine the impact of turnover on the business and the companies’ operations, respondents were asked to rate its effect on productivity, profitability, delivery times, and customer service using a 4-point Likert scale ranging from “1. No effect”, “2. Minor Effect/damage that can quickly be recovered”, “3. Moderate Effect”, to “4. Major Effect”.

Impact of turnover on productivity

42% of respondents believed that employee turnover has a moderate or major effect on productivity. The remaining respondents did not report a significant impact. Of those companies that reported a major effect on their productivity level, 74% are export-oriented companies.

![Figure 26: Assessment of overall impact on productivity](image)

It is difficult to maintain output levels when employees are constantly leaving, mainly because new employees need time to train and get used to their work before reaching full productivity. Employees with a long tenure in a company have what is known as institutional knowledge. They not only understand how the equipment, technology and business process work; they also understand what exactly is needed to achieve their targets and produce results. High employee turnover weakens this advantage.

Besides the training cost, companies with higher turnover rates require much larger investments in recruiting and hiring new employees. Depending on how intensive the hiring process is, management and line supervisors must devote a percentage of their time to sorting through applications, interviewing and hiring candidates, and handling paperwork. This gives them less time to devote to proactive duties that can boost productivity.
Impact of turnover on customer service

36% of the survey respondents believed that employee turnover has a major or moderate effect on the provision of service to customers before, during and after purchase. The remaining respondents did not report turnover having significant impact on customer service. Customer perceptions of the success of such interactions are highly dependent on employees, since they are the ones who can adjust the business processes to the needs of the customer.

Impact of turnover on delay of product delivery

35% of the respondents believed that employee turnover majorly or moderately affected product delivery times. The remaining respondents did not report turnover having a significant impact on product delivery.

Impact of turnover on business profit

35% of the respondents believed that employee turnover had a major (18%) or moderate (17%) effect on profit margins. 79% of the companies who reported that employee turnover has a major impact on their profitability level were export-oriented. The accumulated consequences that can result from high turnover may cause a firm to generate less profit. Anything that tends to increase costs or reduce productivity or revenue will tend to reduce profit.
I) Cost of turnover

Only 18% of the companies surveyed had previously calculated the cost of employee turnover, while another 6% provided estimation during the course of the survey, making a total of 24%. This represents 57 companies, who came from the following sectors:

<table>
<thead>
<tr>
<th>Sector</th>
<th>Number of companies providing an estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chemical and Cosmetics Industry</td>
<td>10</td>
</tr>
<tr>
<td>Construction Industry</td>
<td>6</td>
</tr>
<tr>
<td>Engineering, Electrical and Information Technology</td>
<td>5</td>
</tr>
<tr>
<td>Food, Supplies, Agricultural and Livestock</td>
<td>15</td>
</tr>
<tr>
<td>Leather and Garments</td>
<td>6</td>
</tr>
<tr>
<td>Mining</td>
<td>0</td>
</tr>
<tr>
<td>Plastic and Rubber</td>
<td>10</td>
</tr>
<tr>
<td>Therapeutics and Medical</td>
<td>3</td>
</tr>
<tr>
<td>Wooden and Furniture</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>57</strong></td>
</tr>
</tbody>
</table>

Table 8: Companies providing an estimate of turnover cost by sector

While a response rate of 24% of the surveyed companies for the cost of turnover limits the generalisability of this finding, the costs illustrated below can still be indicative.

The study revealed that, on average, the estimated total turnover cost per year per company equals 7,300 JODs, and the average cost of turnover per resigning employee is 800 JDs.

Although survey respondents were guided through the different factors of the turnover cost to allow them to better estimate the cost of turnover, it is still likely that respondents considered only direct costs such as the vacancy, advertising and orientation costs, and have not considered indirect costs such as training new employees and the loss of output while they are acquiring the necessary knowledge to reach capacity.

Figure 30: Average annual turnover cost by sector

The assessment of turnover in Jordan’s industrial sector study 33
Number of company employees | Average annual cost of turnover (JOD)  
---|---  
1-9 | 12,125  
10-49 | 6,244  
50-249 | 9,105  
More than 250 | 2,341  

Table 9: Average annual turnover cost by company size

![Bar chart showing average annual turnover cost by company size](image)

Company orientation | Average annual turnover cost per company (JOD)  
---|---  
Non- export companies | 7,356  
Export companies | 6,244  

Table 10 Average annual turnover cost for export & non-export orientated companies

M) Assessment of HR practices and their correlation with turnover rates

The research investigated the extent to which companies implement good HR practices in an attempt to find correlations with employee turnover rates.

Among the 15 practices researched, it was found that performance appraisals are the most influential factor on turnover and retention, and that turnover was:

1. 9% lower in companies that include performance standards and measures in their performance appraisals;
2. 8% lower in companies that provide feedback to their employees on their performance;
3. 6% lower for companies implementing an approved benefits and allowance system;
4. And 5% lower for companies adopting an approved grade/salary structure; compared to companies that did not.

The full assessment of 15 practices on turnover are included in the Annex I.

![Pie chart showing distribution of companies by having a performance appraisal system](image)

34 GIZ & ACI (2018)
The assessment of turnover in Jordan’s industrial sector study
N) Benefits, allowances, incentives and rewards offered to employees

Participating companies were asked to specify the benefits, rewards, and allowances they pay their employees. The figure below illustrates the frequency of responses for each type of remuneration.

Figure 38: Distribution of companies by the benefits offered to employees

Figure 39: Distribution of companies by the allowances offered to employees
0) Drivers of change

When employers were asked which HR tools they found most helpful in retaining employees, their answers were consistent with the main reasons they gave for turnover. 78% of respondents stated that they need a compensation system (salaries, incentives, bonuses) which can help them overcome the most significant reason behind turnover, followed by a performance evaluation system (56%) which, as mentioned above, is a key tool for improving retention. 54% of respondents also suggested developing and implementing a training and development system that enables employees to grow within the company and achieve their career advancement goals.

99% of companies offer local social security, which is mandated by the Jordanian Labour Law. 80% of companies offer annual inflation collective increases. The least common allowance offered is providing a nursery facility near the workplace (4%), and the allowances most commonly provided are a transportation allowance (66%) and a mobile allowance (40%).

The most common incentives are the monetary individual incentives/bonuses (74%) and non-monetary incentives such as “employee of the month”, and appreciation letters or trophies (60%).

Figure 40: Distribution of companies by incentives offered to employees

Figure 41: % of companies who felt that the following tools would help them to retain employees
7. Highlights from qualitative findings

The attractiveness of migrant workers
Employers also agreed on a preference for hiring migrant employees for skilled and semi-skilled jobs. Although their employment is associated with higher monthly costs such as residency fees, accommodation and lodgings, employers believe that migrant employees are more productive and committed. However, when it comes to white-collar jobs, employers prefer Jordanian employees.

An HR manager from a garment company stated in one of the FGDs that 70% of their employees are either Indians or Bengalis, who they felt were more committed and more competent than local staff, and that the factory only recruited nationals as 30% of their workforce to adhere to the quotas in Jordanian labour laws. Managers from the garment sector said that the nature of work in their factories is laborious and demanding and needs concentration and physical endurance, so they mostly use migrant employees who, compared to what they can earn in their own country, are happy with the salaries in Jordan. Jordanians are mostly employed in support jobs so that their absence will not affect the production process. Some participants in the FGDs felt that migrant employees are also more focused on their job than Jordanian employees as they do not have family occasions and social obligations to manage and do not use their annual vacations, whereas Jordanian workers use their full allocation of annual and sick leaves.

It was also noted by some employers that Jordanian employees are becoming less likely to be influenced by the social stigma attached to certain jobs as living conditions in Jordan get harder, and the need to earn money to keep pace with the cost of living increases.

Employers also stated that even if they increased salaries, they are positive that a Jordanian employee will not commit to work as strongly as a migrant employee.

It is also worth mentioning that migrant employees work longer hours than national employees. While Jordanian employees work 8.5 hours a day, in one garment factory migrant employees work 10.5 hours and in the other 13.5 hours, and sometimes 15.5 hours in peak seasons.

Employees’ voices
All participants in the focus groups agreed that turnover is a real problem for their companies. They discussed several reasons why turnover occurs, and the most common reason given was low salaries compared to workloads. Some employees mentioned the time and difficulty involved in commuting to work. Also, work-related expenses can make work uneconomic for some people. As an employee in one FGD said, when living expenses are higher than they can earn through working, “why bother to work and commit to a job?”.

Most participants agreed that employees are not aware of their rights under the Labour Law, and that their companies’ internal systems were not properly explained when they were recruited. Although 75% of companies stated that they do communicate their HR policies, procedures and internal
systems to their employees, as claimed in the quantitative research findings, focus groups discussions revealed that many employees are not aware of the internal systems of the companies they work for.

For ex-employees, the highest dissatisfaction rates were associated with the lack of annual salary increases. Employees were also significantly dissatisfied with general safety conditions, and the lack of medical clinics and social activities. There was considerable frustration with overall workloads and the way that tasks and responsibilities were distributed, and ex-employees were also unhappy with the lack of opportunities for career advancement.

Several solutions were offered by both current and ex-employees to enhance job retention. The solutions below are presented in order of how frequently they were suggested, and how influential they were expected to be:

1. Providing merit-based rewards (rewards or bonuses based on employee performance).
2. Enhancing employees' salaries and benefits
3. Enhancing teamwork, the work culture and social environment in the workplace. Providing leisure time, and creating a friendly atmosphere; like monthly social activities and frequent breaks for socialising during working hours.
4. Empowering people. Increasing the sense of ownership among employees by engaging them in decisions related to their own work.
5. Improving job security.
6. Employees, especially skilled and semi-skilled labour, find routine daily tasks demotivating, employers should consider providing them with breaks from routine work by assigning them more challenging tasks.
7. Making better recruitment decisions – appointing the right person to the right place.
8. Working on influencing a positive change in Jordanian culture by initiating programs that target people at a young age and raise their awareness about the work environment and work ethics. This would be very beneficial when the new workforce is introduced into the labour market.
9. Providing transportation for employees who have to commute for long distances.
10. Ensuring a healthy overall workload for employees and improving health and safety conditions.
11. Creating clear paths for job advancement. Providing training courses and opportunities for employees to learn and develop.

**Conclusion**

The study found that the three key drivers for retaining employees are (1) improving salary and benefits, (2) providing clear job advancement and career development paths, and (3) enhancing the work environment and working conditions. Although these drivers were common across all areas and occupations within Jordan’s industrial sector, their influence on employee retention varied according to job type, duration of employment, the employee’s age and gender, the specific sector, and the degree to which employers have adopted relevant HR practices.

Based on these findings, GIZ & ACI have developed an [HR Guide to Reducing Turnover](#) which offers practical recommendations on aspects that employers can do to reduce their turnover rate and so lower its impact on their business and, most importantly, promote better working conditions in Jordan’s industrial sector.
Annex I: HR Practices Assessment

Salaries/ benefits/ allowances according to market surveys

Figure 42: Distribution of companies by setting salaries/ benefits/ allowances according to market surveys

- Yes: 45%
- No: 50%
- Unknown: 1%

Turnover rates for companies that do or do not set salaries/ benefits/ allowances according to market surveys

- Yes: 23%
- No: 18%
- Unknown: 28%

Linking salary increases to performance

Figure 44: Distribution of companies by linking salary increases to performance

- Yes: 64%
- No: 36%
- Unknown: 0%

Turnover rates for companies that do or do not link salary increases to performance

- Yes: 21%
- No: 21%
- Unknown: 30%

Performance appraisal system

Figure 46: Distribution of companies by having a performance appraisal system

- Yes: 57%
- No: 42%
- Unknown: 1%

Turnover rates for companies that do or do not have a performance appraisal system

- Yes: 18%
- No: 23%
- Unknown: 25%
Benefits and allowances system

Figure 48: Distribution of companies by having a benefits and allowances system

Figure 49: Turnover rates for companies that do or do not have a benefits and allowances system

Communicating performance results to employees

Figure 50: Distribution of companies by communicating performance results to employees

Figure 51: Turnover rates for companies that do or do not communicate performance results to employees

Linking performance to predetermined standards

Figure 52: Distribution of companies by linking performance to predetermined standards

Figure 53: Turnover rates for companies that do or do not link performance to predetermined standards
Identifying training needs

Figure 54: Turnover rates by identifying training needs

Career Path

Figure 56: Distribution of companies by having career development /career development strategy/planning for career development

Documented HR policies

Figure 58: Distribution of companies by having documented HR policies

GIZ & ACI (2018)
Communicating HR policies to employees

Figure 60: Distribution of companies by communicating HR policies to employees

Setting a training budget

Figure 62: Distribution of companies by setting a training budget

Having an induction plan for new employees

Figure 64: Distribution of companies by having an induction plan for new employees
Satisfaction surveys

Figure 66: Distribution of companies by conducting satisfaction surveys

Job Description

Figure 68: Distribution of companies by having job description for all jobs

HR Unit

Figure 70: Distribution of companies that have an HR function/unit

Figure 67: Turnover rates for companies that do or do not conduct employee satisfaction surveys

Figure 69: Turnover Rates for companies who have or do not have job descriptions

Figure 71: Turnover rates for companies that have or do not have an HR function/unit
Figure 72: Reasons for turnover by company workforce for skilled and semi-skilled employee
Annex III

References


• Catalyst, (2018), Quick Take: Turnover & Retention.


