

Overview of Jordan's social security system

Jordan's social security system consists of both contributory schemes for those working in the formal sector and tax-financed schemes. However, social security benefits reach less than 30 per cent of the population.

If the NAF's permanent programmes achieve perfect targeting, they would still only reach approximately 32.5 per cent of households living below the national poverty line. This means that 67.5 per cent of the poorest households in Jordan do not receive any of the regular and permanent benefits provided through the NAF (Figure 1).

At the same time, the country's social insurance schemes also face wide gaps in coverage, leaving nearly half of all older persons without access to a pension, and nearly all workers without access to income security during unemployment. Further, persons with disabilities continue to face exclusion from many segments of society, including from education and employment, while also facing high additional costs of living.

This leaves a "missing middle" that is alienated from the social security system, despite being vulnerable at key stages of the lifecycle (Figure 2). They are neither poor enough to qualify for the NAF, nor fortunate enough to enjoy the benefits that come with stable formal employment.

A vision for an inclusive social security system in Jordan

Ideally, everyone should have access to core entitlements like child benefits, disability benefits or old-age pensions, regardless of whether they are financed through general taxes or dedicated contributions.

A set of core lifecycle guarantees are the missing ingredients that will enable Jordan to move from the current *poor relief model* from which only the privileged or the poorest can expect to benefit when they face common risks, to a *social security model* in which everyone – regardless of their income level or labour market status – can access core benefits when they need them. Under an inclusive model, fewer people will need to rely on last-resort programmes like the NAF.

Figure 1: Author's depiction of NAF coverage among those below the national poverty line

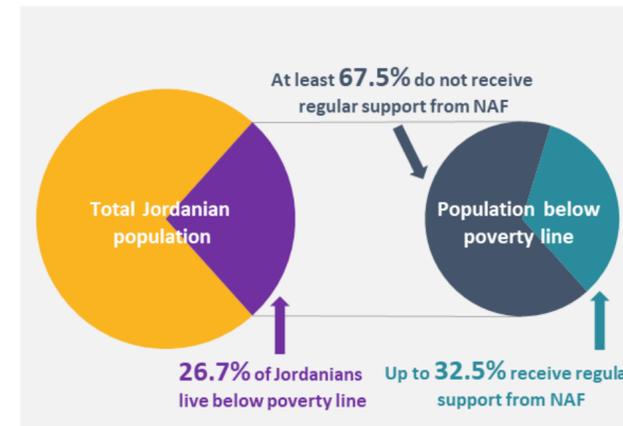
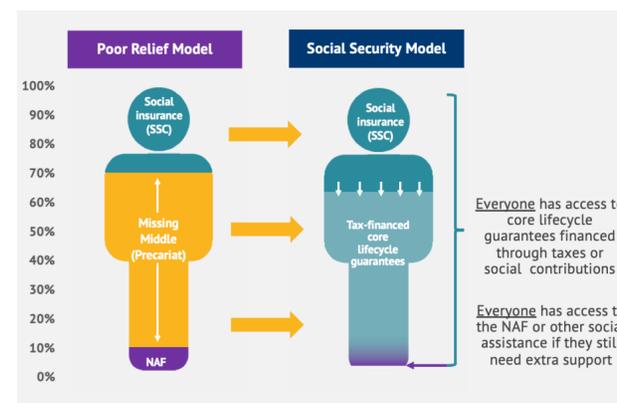


Figure 2: Shifting the paradigm from poor relief to inclusive social security in Jordan

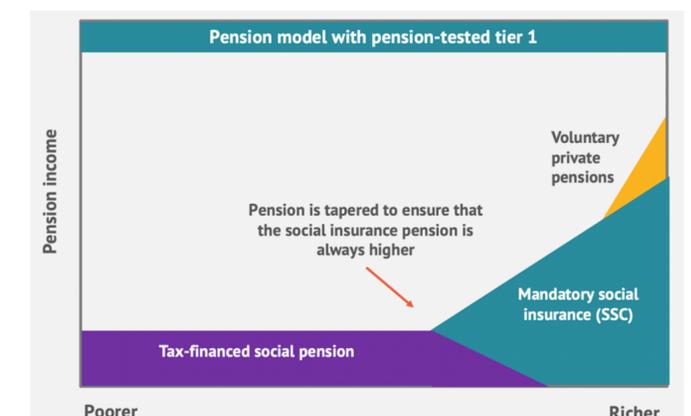
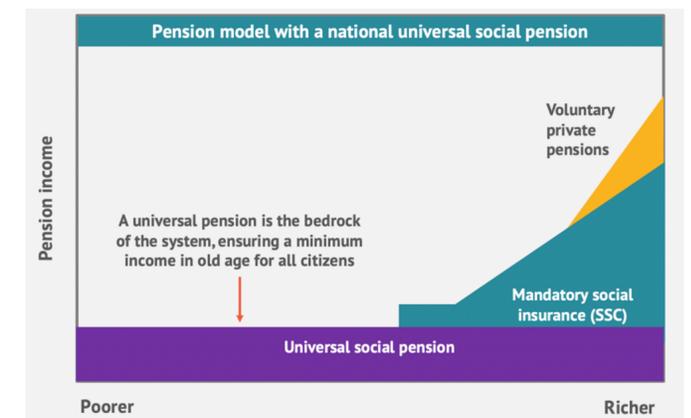
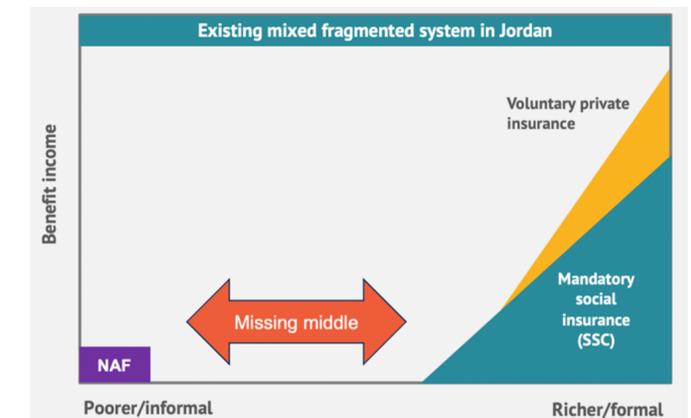


Moving from fragmented components with large gaps to layered tiers offering universal protection

Tax-financed universal or benefit-tested lifecycle guarantees will also ensure that Jordan's important investments in social insurance are not left floating without a foundation. Poverty targeting leaves gaps and is incompatible with Jordan's growing social insurance system.

But, an effective "multi-tiered" social security system achieves universal coverage by combining similar types of lifecycle tax-financed and contributory schemes, such as old-age pensions, into a coherent whole (Figure 3).

Figure 3: Moving from fragmented components, with large gaps, to layered tiers offering universal protection



Moreover, international evidence suggests that inclusive social security:

- Respects human rights
- Strengthens the stability of the social security system
- More effectively reaches "the poor"
- Contributes to economic growth and employment, and
- Incorporates the "missing middle" to strengthen the social contract.

Shifting the Paradigm in Jordan

The fiscal space for investing in core social security

A set of core lifecycle guarantees is affordable.

Table 1 presents the parameters for two options for gradually introducing a more inclusive social security system in Jordan. Under both options, eligibility for a universal an old-age pension would begin at age 70 and gradually decline to age 65 by 2027, and universal disability benefits would be provided to all children and working age adults with disabilities. Under Option 1, child benefits would be introduced gradually to reach universal coverage by 2037.

A “pension tested” old-age pension would be paid only to those who are not receiving a pension through the SSC. Under Option 2, universal coverage of all children would be achieved more quickly – by 2029.

Table 1: Summary of parameters and costs of two options for inclusive social security in Jordan (lower and higher cost)

Scheme	Age of eligibility	Monthly Transfer (JOD)
Option 1 (modest)		
Child Benefit	0-2 in year 1, gradually rising to 0-17 by 2037	JOD 12
Child Disability Top-up	0-17	JOD 28
Disability Benefits	18-69	JOD 40
Pension Tested Old Age Benefit ¹	70+, gradually reducing to 65+ by 2027	JOD 40
Option 2 (more ambitious)		
Child Benefit	0-10 in Year 1, gradually rising to 0-17 by 2021	JOD 15
Child Disability Top-up	0-17	JOD 25
Disability Benefits	18-69	JOD 40
Old Age Pension	70+, gradually reducing to 65+ by 2027	JOD 40

In 2022, Option 1 would cost less than one per cent (0.83 per cent) of GDP, or JOD 280 million, while Option 2 would achieve broader coverage with a larger investment of just under two per cent of GDP, or around JOD 690 million (Figure 4 and Figure 5).

Shifting the paradigm to an inclusive social security model is the right choice for an upper middle-income country like Jordan and makes good economic, social and political sense. The costs of not investing are simply too high.

Figure 4: Option 1 projected annual cost (% of GDP), by programme(s), 2022 to 2035

Total cost:
Year 1: 0.83 (% of GDP)
Year 10: 1.66 (% of GDP)

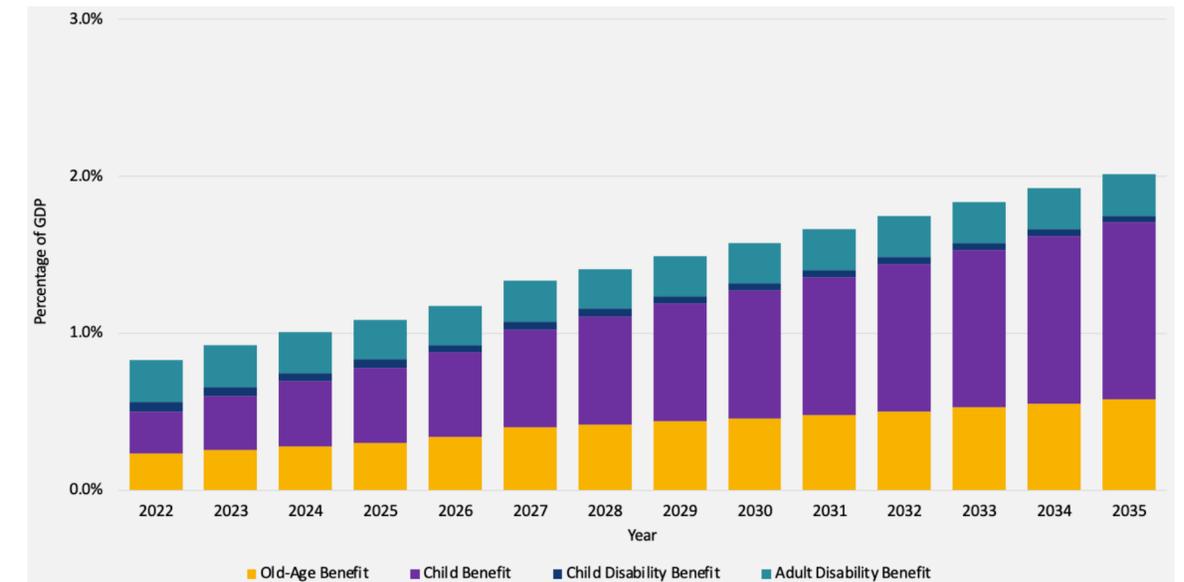


Figure 5: Option 2 projected annual cost (% of GDP), by programme(s), 2022 to 2035

Total cost:
Year 1: 1.99 (% of GDP)
Year 10: 2.73(% of GDP)

