Shifting the paradigm: building an inclusive, lifecycle social security system in Jordan

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Executive Summary

Executive summary

Jordan is an upper middle-income country. However, with instability in the region, the ongoing threat of climate change and other pressures related to COVID-19, Jordan’s people and economy are facing increased challenges. These challenges are apparent in key economic performance indicators that have been falling over the last decade, while unemployment rates have been rising, reaching unprecedented highs. Poverty levels have also been on the rise and, according to the latest estimates, COVID-19 has pushed them up further, leaving more than one in four living below the national poverty line.

Within this context, the important relationship of trust between government and women, men and children in Jordan is at risk, with polls highlighting significant distrust among society, threatening the social contract. Despite these challenges, Jordan has remained a pillar of stability in the region. Maintaining a strong government in Jordan requires duty bearers to invest in good quality public services, including social security. It is now time for duty bearers in Jordan to unleash social security’s real potential to achieve diverse development objectives, if carefully designed.

Jordan’s current social security system

Jordan’s social security system currently leaves many behind. Despite offering, as Jordan’s National Social Protection Strategy 2019-2025 (NSPS) highlights, “a jumbled plethora of separate [tax-financed] programmes with similar goals, resulting in inefficient spending on duplicated efforts,” most low-income families receive no benefits at all. The country’s social insurance schemes are administered by the Social Security Corporation (SCC), which provides benefits during old age, disability, maternity, unemployment and to family members of the deceased. Coverage is mandatory for all workers who work 16 days or more in any given one-month period, regardless of whether employment is outlined in a written contract, and regardless of nationality. While the SSC offers a variety of schemes, more than half of all workers in Jordan are not covered by social insurance. About half of all employees, many with formal employment contracts, do not make contributions to social insurance schemes.

Current low levels of social security coverage reflect high levels of informality in Jordan’s economy. The 60 per cent majority of workers in Jordan who engage in informal labour, including those in the agricultural sector, cannot be enrolled in the social insurance contributions and benefits outlined above. This most vulnerable population must rely on fragmented tax-financed social security benefits administered by the National Aid Fund (NAF). The NAF provides tax-financed permanent and temporary support to households below the national poverty line, where the head of household is either a Jordanian man or woman. The NAF also targets additional vulnerability categories, including orphans, women-headed households, households headed by people with disabilities, older people, divorced women and families caring for persons with disabilities.

Despite high hopes placed in the NAF, its regular and permanent programmes for low-income families only reach a maximum of 32.5 per cent of Jordanians estimated to live below the poverty line, leaving the vast majority without reliable support. To close these gaps, the NSPS lays out reforms that would see forward a much-needed expansion of social insurance, but narrow the scope of tax-financed benefits to reach only the poorest in an attempt to ensure a basic level of consumption. Unfortunately, the experience of many other countries who have attempted to follow a similarly narrow poverty targeted path is one of systematic failure.
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Options for a paradigm shift in social security

Debate on the way forward for Jordan’s tax-financed schemes is indeed well placed and important. It is the design of these tax-financed schemes that will determine the extent to which they can be integrated with Jordan’s existing contributory schemes to together form a multi-tiered social security system that effectively closes in on wide gaps in coverage. At the moment, Jordan’s relatively stronger social insurance schemes are floating, unanchored, without support from their tax-financed lifecycle counterparts. As such, this paper presents duty bearers and members of civil society with the systematic failures of poverty targeting, across contexts, and provides potential solutions to incrementally build universal core lifecycle schemes that will protect all children, persons with disabilities and older persons in Jordan, on a basis of equity and equality.

This paper puts forward two options aimed at all children, persons with disabilities and older people. While both options are cost effective, Option 1 provides the opportunity to roll out core lifecycle schemes for an initial investment of less than one percent of GDP. Option 2 provides the opportunity to reach broader coverage with an investment of just over two per cent of GDP in 2022. The key differences between both options are in ages of eligibility for the various schemes, while transfer values remain similar, as follows:

- **Child benefits**: Under Option 1, the universal child benefit would begin with children aged 0-2 years in the first year of the programme and would grow incrementally year on year as no child would be taken off the scheme until their 18th birthday, while new-borns would be enrolled ever year. This approach would reach full coverage of all children 0-17 years of age by 2037. In Option 2, the universal child benefit would cover all children 0-10 from the first year of the programme, reaching all children 0-18 by 2029.
- **Old-age pensions**: Option 1 would provide a ‘benefit-tested’ guarantee that would be available to the estimated 60 per cent of Jordanians of retirement age who do not meet the requirements to receive a contributory pension. Eligibility for the guaranteed pension would start at 70 years of age and in 2022 and gradually decline to 65 years of age by 2027. In Option 2, the pension would be universally available – regardless of access to a social insurance pension – to all those aged 70 and above in 2022, while the age of eligibility would also gradually decline to 65 years of age by 2027.
- **Disability benefits** would be provided to all those with disabilities up to the age of eligibility for the old age pension in both options.

These options, and their associated levels of investment, are summarised in Table 0-1.

### Table 0-1: Two options for building a lifecycle social security system in Jordan (lower and higher cost)

<table>
<thead>
<tr>
<th>Scheme</th>
<th>Age of eligibility</th>
<th>Monthly Transfer (JOD)</th>
<th>Transfer value (% GDP per capita)</th>
<th>Cost in Year 1 (JOD million)</th>
<th>Cost in Year 1 (% GDP)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Option 1 (Modest)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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2 Relevant data sources on the number of older persons receiving contributory pensions in Jordan have been analysed by the authors to estimate the current coverage gap of 60 per cent, upon which cost and impact projections will be based.

3 While the proposed schemes would be universal, it is assumed that the child and old age benefits would have 90 per cent coverage, as there are likely to be some gaps, even if well-implemented. It is assumed that one per cent of children would access a disability benefit and 2.5 per cent of working age adults.
Executive Summary

<table>
<thead>
<tr>
<th>Child Benefit</th>
<th>0-2 in year 1 (rising to 0-17 by 2037)</th>
<th>JOD 12</th>
<th>4.8</th>
<th>JOD 90m</th>
<th>0.27 per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Child Disability Top-up</td>
<td>0-17</td>
<td>JOD 28</td>
<td>11.1</td>
<td>JOD 20m</td>
<td>0.05 per cent</td>
</tr>
<tr>
<td>Disability Benefits</td>
<td>18-69</td>
<td>JOD 40</td>
<td>15.9</td>
<td>JOD 90m</td>
<td>0.28 per cent</td>
</tr>
<tr>
<td>Pension Tested Old Age Benefit 4</td>
<td>70+ (reducing to 65+ by 2027)</td>
<td>JOD 40</td>
<td>15.9</td>
<td>JOD 80m</td>
<td>0.22 per cent</td>
</tr>
</tbody>
</table>

**Total**                                                                 | JOD 280m | 0.82 per cent |

**Option 2 (More ambitious)**

<table>
<thead>
<tr>
<th>Child Benefit</th>
<th>0-10 in Year 1 (rising to 0-17 by 2029)</th>
<th>JOD 15</th>
<th>6</th>
<th>JOD 450m</th>
<th>1.28 per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Child Disability Top-up</td>
<td>0-17</td>
<td>JOD 25</td>
<td>9.9</td>
<td>JOD 20m</td>
<td>0.04 per cent</td>
</tr>
<tr>
<td>Disability Benefits</td>
<td>18-69</td>
<td>JOD 40</td>
<td>15.9</td>
<td>JOD 90m</td>
<td>0.28 per cent</td>
</tr>
<tr>
<td>Old Age Pension</td>
<td>70+ (reducing to 65+ by 2027)</td>
<td>JOD 40</td>
<td>15.9</td>
<td>JOD 130m</td>
<td>0.39 per cent</td>
</tr>
</tbody>
</table>

**Total**                                                                 | JOD 690m | 1.99 per cent |

Figure 0-1 highlights the overall level of investment required to implement both Option 1 and 2. Option 1 will require an investment of 0.82 per cent of GDP, or JOD 280 million, in the first year of the programme, in 2022. This will increase up to 1.40 per cent of GDP in 2028, and 1.99 per cent of GDP in 2035. Option 2 will require an investment of 1.99 per cent of GDP, or JOD 690 million, in the first year of implementation. This cost would then decrease to 2.63 per cent of GDP by 2028, and, by 2035, increase to 2.84 per cent of GDP. As such, both options provide duty bearers and civil society in Jordan with options that are affordable at the outset and remain affordable over time, in particular when compared with OECD countries where spending on such programmes is 16.4 per cent of GDP, on average.\(^4\)

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\(^4\) Only those, initially above the age of 70, who do not receive contributory old age benefits will be eligible. It is estimated that 60 per cent of older persons in Jordan do not receive contributory old age benefits as 60 per cent of employed adults work in the informal sector and are not eligible for contributory benefits. Only 46 per cent of employed men and 10 per cent of employed women are covered by the contributory old age pension.

\(^5\) ILO (2021c).
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Figure 0-1: Overall level of investment required to establish the core, lifecycle social security schemes, as a proportion of GDP

Both options provide high levels of coverage over time. In 2022 Option 1 would reach 601,000 direct recipients, increasing to 2.3 million after 10 years of implementation in 2031. Option 2 would reach 2.4 million direct recipients in 2022 and 3.5 million by 2031. These direct recipients would be spread across households and the proportion of households receiving at least one core lifecycle tax-financed social security benefit would be high. As Option 1 expands over time, the proportion of the population living in a household that receives one benefit increases. In 2022, Option 1 will already reach 62 per cent of households in the lowest consumption decile, 38 per cent across the middle deciles and only 15 per cent of households in the top consumption decile. In 2031 when Option 1 reaches all children 0-12, all persons with disabilities and all older persons who do not receive other pension income above 65 years of age and above, the inclusive system will reach 97 per cent of households in the lowest decile, while reaching 33 per cent of those in the highest decile.

In 2022 Option 2, which provides coverage for children up to 10 years of age, full coverage for persons with disabilities and older persons starting at 70 years of age, will reach 95 per cent of households in the lowest decile, and 38 per cent of households in the middle deciles. After 10 years of implementation when Option 2 reaches all children up to their 18th birthday and all older persons aged 65 years and above, it will cover including 99.8 per cent of the population in the poorest decile, and 80 per cent across the middle deciles. As such, the carefully designed lifecycle social security systems outlined in this paper will provide the Government with solutions to ensure the highest levels of coverage for low-income families and other vulnerable families, while not excluding other important members of society who also contribute taxes and resources toward government revenues and are themselves vulnerable to shocks. These investments will also have immediate impacts on consumption. For example, Option 2 in its first year of implementation, will potentially increase consumption by about 17 per cent for households in the lowest decile, or over 5 days of additional average consumption a month.

Moving forward Jordan could expand eligibility to include recent refugees, therefore extending the benefits of the social contract to this important group. Provisions to encourage savings for children’s
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education and also promote gender equality through improved maternity benefits and the introduction of paternity benefits would provide further protection for families during key lifecycle risks, when they need it most. And further, with the broad foundation of coverage that these core lifecycle schemes provide, duty bearers in Jordan will be better prepared to respond to shocks more efficiently than ever before.

Conclusion

Jordan’s social security system currently leaves many behind. Despite offering, as Jordan’s NSPS highlights, “a jumbled plethora of separate [tax-financed] programmes with similar goals, resulting in inefficient spending on duplicated efforts,” a majority of low-income families receive no benefits at all. The country’s social insurance schemes also face wide gaps in coverage, leaving nearly half of all older persons without access to a pension, nearly all workers without access to income security during unemployment and half of workers without protection for common contingencies like maternity and sick leave.

To close these gaps, the NSPS lays out reforms that would see forward a much-needed expansion social insurance, but narrow the scope of tax-financed benefits to reach only the poorest in an attempt to ensure a basic level of consumption with dignity. This paper proposes an alternative approach, focusing on establishing a universal system of core, lifecycle-based tax-financed schemes as a fundamental component of an effective multi-tiered social security system. Redirecting attention to core universal entitlements – such as tax-financed child benefits, disability benefits and old-age pensions – not only better reflects the needs of the majority of women and men who are not covered by social insurance schemes but, paradoxically, is a more effective tool for reaching ‘the poor’ than so-called ‘anti-poverty programmes.

The paper presents the Government and civil society with the systematic failures of poverty targeting, across contexts, and provides solutions and options to incrementally build universal core lifecycle schemes that will protect all children, persons with disabilities and older persons in Jordan, on a basis of equity and equality. These cost-effective options provide an opportunity to unleash the potential of social protection to meet diverse development objectives, if carefully designed.
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<th>Description</th>
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<td>COVID-19</td>
<td>2019 Novel Coronavirus Disease</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>HDI</td>
<td>Human Development Index</td>
</tr>
<tr>
<td>HEIS</td>
<td>Household Expenditure and Income Survey</td>
</tr>
<tr>
<td>IDPs</td>
<td>Internally Displaced Persons</td>
</tr>
<tr>
<td>ILO</td>
<td>International Labour Organisation</td>
</tr>
<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
</tr>
<tr>
<td>JOD</td>
<td>Jordanian Dinar Currency</td>
</tr>
<tr>
<td>MIS</td>
<td>Electronic Management Information System</td>
</tr>
<tr>
<td>NAF</td>
<td>National Aid Fund</td>
</tr>
<tr>
<td>NSPS</td>
<td>National Social Protection Strategy</td>
</tr>
<tr>
<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
</tr>
<tr>
<td>PMT</td>
<td>Proxy Means Test</td>
</tr>
<tr>
<td>PPP</td>
<td>Purchasing Power Parity</td>
</tr>
<tr>
<td>SSC</td>
<td>Social Security Corporation</td>
</tr>
<tr>
<td>UCB</td>
<td>Universal Child Benefit</td>
</tr>
<tr>
<td>UDHR</td>
<td>Universal Declaration of Human Rights</td>
</tr>
<tr>
<td>UN</td>
<td>United Nations</td>
</tr>
<tr>
<td>UNDP</td>
<td>United Nations Development Programme</td>
</tr>
<tr>
<td>UNHCR</td>
<td>United Nations High Commissioner for Refugees</td>
</tr>
<tr>
<td>UNICEF</td>
<td>United Nations International Children's Fund</td>
</tr>
<tr>
<td>USD</td>
<td>United States Dollar</td>
</tr>
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</table>
1 Introduction

Jordan is an upper middle-income country, however with instability in the region, factors related to climate change and other pressures related to COVID-19, Jordan’s people and economy are facing increased challenges. These challenges are apparent in key economic performance indicators which have been falling over the last decade, while unemployment rates have been rising reaching unprecedented highs. Poverty levels have also been on the rise and, according to latest estimates, COVID-19 has pushed them up further. Within this context, the important relationship between government and women, men and children in Jordan is at risk, with polls highlighting significant distrust among society, directly threatening the social contract. Despite these challenges, Jordan has remained a pillar of stability in the region. It is now time for duty bearers in Jordan to unleash the real potential social security has to achieve diverse development objectives, if carefully designed.

Jordan’s social security system currently leaves many behind. Despite offering, as Jordan’s National Social Protection Strategy 2019-2025 (NSPS) highlights, “a jumbled plethora of separate [tax-financed] programmes with similar goals, resulting in inefficient spending on duplicated efforts,” a majority of low-income families receive no benefits at all. 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. To close these gaps, the NSPS lays out reforms that would see forward a much-needed expansion of social insurance but narrow the scope of tax-financed benefits to reach only the poorest in an attempt to ensure a basic level of welfare with dignity.

This paper focuses on prioritising the reform of core, lifecycle-based tax-financed schemes as a fundamental component of an effective multi-tiered social security system. Redirecting attention to core entitlements, such as tax-financed child benefits, disability benefits and old-age pensions, not only better reflects the needs of the majority of women and men in Jordan – large numbers of whom are on low incomes, and/or work in the informal economy – but, paradoxically, is a more effective tool for reaching “the poor” than so-called “anti-poverty” programmes. The paper presents duty bearers and civil society with the systematic failures of poverty targeting, across contexts, and provides solutions and options to incrementally build universal core lifecycle schemes that will protect all children, persons with disabilities and older persons over time, on a basis of equity and equality. These cost-effective options provide an opportunity to unleash the potential of social protection to meet diverse development objectives, if carefully designed.
Challenges facing Jordan that could be addressed by inclusive social security

Jordan is a lower middle-income country, however with instability in the region, factors related to climate change and other pressures related to COVID-19, Jordan’s people and economy are facing increased challenges. In 2020, the United Nation’s Development Programme (UNDP) ranked Jordan as 102nd out of 189 countries in the Human Development Index (HDI). Jordan’s HDI score has been generally declining since 2005 when the country scored 0.738, higher than the current score of 0.729. This is mostly due to a decrease in both years of schooling and GNI per capita. Jordan’s GDP per capita is USD 4,282, or USD 10,355 in purchasing power parity terms (PPP), lower than the regional average at USD 15,211. As this section highlights, Jordan is experiencing limited economic growth and high levels of informality alongside increasing unemployment, which hit record highs in 2021.

This section explores key challenges facing Jordan that could be addressed by an inclusive and lifecycle-based social security system.

2.1 Limited economic growth

In recent years, Jordan’s economy has struggled and slowed. Following the Arab Spring in 2010, instability in both Iraq and Syria has worn on their economies, and Jordan’s. Jordan’s economy once benefited from healthy trade relationships with Iraq and Syria; however, national exports have declined as Jordan’s border with both Iraq and Syria has faced extended closures. With limited trade, Jordan’s average real gross domestic product (GDP) growth fell from 7 per cent before the 2008-2009 financial crisis, down to 2.7 per cent between 2010-2014, and further down to 2.1 per cent during the period between 2015-2019. The COVID-19 pandemic only put further pressures on Jordan’s economy as GDP contracted by 1.55 per cent in 2020.7

Jordan’s gross domestic product (GDP) per capita has also stagnated and declined on average 1.55 per cent a year between 2010-2020.8 In 2020, Jordan’s GDP per capita, in terms of PPP was USD 10,355, falling below neighbouring Lebanon’s GDP per capita in PPP of USD 12,288, as well as Egypt’s at USD 12,607 and Libya’s at USD 10,846.9

While Jordan’s economy has experienced limited economic growth amid instability in the region as well as the COVID-19 crisis, it is already showing positive signs of turning around. In Q1-2021 Jordan’s real GDP grew by 0.3 per cent,10 in part helped by government stimulus packages. Without stimulus packages that included the direct transfer of cash to households across Jordan throughout the COVID-19 crisis, the economy would have likely fared much worse, and taken much longer to recover. In fact, in 2020 Jordan’s economy performed much better than in neighbouring countries, including Saudi Arabia where GDP contracted by 4.1 per cent.

Fortunately, duty bearers in Jordan can increasingly use social security to support equitable economic growth. Tax-financed lifecycle benefits, such as universal child benefits, disability benefits

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6 UNDP (2020).
7 World Bank (2021).
8 Calculations based on data available on World Bank PovCalNet.
and old age pensions, allow women, men, girls and boys to access the nutrition and basic services they need to reach their full human capital potential. Access to nutrition and basic services is an essential investment in building the skilled labour force required for Jordan to be competitive and grow in a 21st century globalised economy. Universal access to social security will also stimulate demand and consumption in Jordan, just as it has in many other countries. Inclusive social security will also create new markets for small enterprises as it results in a multiplier effect in the economy.

2.2 Low trust in government and stagnant revenues

A strong social contract is a precious resource for any country. At its heart, the social contract is an agreement between the residents of a country and its government where residents agree to contribute to the state, especially through taxation, and, in return, the government provides good quality public services to everyone. When the social contract functions well, societies are peaceful and cohesive, economies are strong, democracy can flourish, and the nation-state is robust. However, a strong social contract depends on the residents of a country being able to trust their government. Trust is built by governments using taxation to provide good quality public services to everyone, including social security.

Jordan has been a foundation of stability in a volatile region and has played an important role in providing a safe haven for refugees from neighbouring Syria. However, a weakening social contract could upend the balance that has been struck between women, men and children in Jordan and duty bearers in government. A poll in 2018 found that 72 per cent of Jordanians did not have confidence in their parliament, and 58 per cent reported that their incomes could not cover regular household expenses leading to great difficulty making ends meet. A sure way to create a bond of trust between women and men in Jordan, and the state, is through universal social security. When men and women receive real and tangible support from their government, they will be more willing to contribute back through taxes, enabling governments to invest in quality public services. This positions governments to create a virtuous circle, as illustrated in Figure 2-1.

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11 After the fall of the Soviet Union, Uzbekistan invested 4 per cent of GDP spent in child benefits to stimulate demand and boost growth. In 2009 after the financial crisis, Thailand introduced universal pension coverage to stimulate the economy. China has also invested in a massive expansion of pensions to increase consumption and demand.
12 Tran, A. et al. (2021).
Challenges facing Jordan that could be addressed by inclusive social security

Figure 2-1: The virtuous circle that could be created by investing in social security and which could generate higher government revenues

The benefits of a virtuous circle can be realised through both contributory and tax-financed social security schemes administered by the government. As such, extending benefits to all populations in Jordan is important to ensure their inclusion in this cycle of mutual obligations. One way of extending this relationship to non-Jordanians is through universal social security benefits administered by the Social Security Corporation (SSC).

Indeed, there is much space for duty bearers in Jordan to benefit from a virtuous circle as revenues have not seen sustained growth since 1990. Government revenues as a percentage of GDP have generally declined from 18 per cent of GDP in 1990 down to 15 per cent of GDP in 2019. Figure 2-2 demonstrates, national revenues are relatively low compared to many other countries in Asia and the Middle East, with Iraq and Kyrgyz Republic both reaching above 30 per cent of GDP. In fact, most high income countries have government revenues that are between 35 and 50 per cent of GDP. An effective state should aim for tax revenues that are above 30 per cent of GDP: without this, it will be challenging for any government to provide a minimum level of effective, universal public services.
Figure 2-2: Government revenues across Asia and the Middle East

Source: IMF World Revenue Longitudinal Data (WoRLD).

Despite Jordan’s relatively high expenditures on tax-financed commodity subsidies and so called “anti-poverty” programmes, trust in government is not sufficiently strong to persuade most people to accept higher taxes. As the NSPS clearly states, Jordan’s current tax-financed schemes amount to “a jumbled plethora of separate programmes with similar goals, resulting in inefficient spending on duplicated efforts.” This ‘jumbled’ system of poverty targeted programmes is not easy to understand at the community level either, where one neighbour may receive assistance, while another who may very well be worse off, does not. The arbitrary nature of selection for tax-financed schemes is unlikely to generate confidence in government.14

To strengthen trust in government – and avoid the risk of social unrest – Jordan can learn from other countries that created effective social contracts by establishing universal public services, including universal social security.

2.3 Rising poverty and widespread low incomes

The majority of the population in Jordan is living on lower incomes. Indeed, prior to the COVID-19 crisis, around 60 per cent of the population were likely to be living on less than JOD 4.05 per day.\textsuperscript{15} In fact, an illustration of the widespread low incomes across Jordan can be gleaned from a comparison of the population’s living standards with those of the USA. Figure 2-3 shows how 80 per cent of Jordan’s population has a standard of living below the poorest 6 per cent of the population in the USA – when they are compared in terms of equivalent purchasing power – and, therefore, would be considered as living in extreme poverty in the USA. In fact, the situation is likely worse since the COVID-19 crisis has further undermined incomes in Jordan, placing even greater stress on the resilience of the population. The COVID-19 crisis has increased the share of those living below the national poverty line from 15.7 per cent in 2018 to 26.7 per cent in 2021.\textsuperscript{16}

\textbf{Figure 2-3: Comparison of welfare distribution in Jordan and United States}

\begin{center}
\includegraphics[width=\textwidth]{figure2-3.png}
\end{center}

\textit{Source: PovcalNet API (accessed in Jan 2022). Note: This graph shows the percentage of the population (y-axis) whose welfare falls below a given level (x-axis) in Jordan and United States in 2010 – the latest year available for Jordan in PovcalNet. Because of differences in data, the type of welfare variable is different in the two countries. PovcalNet uses consumption expenditure data to measure welfare in Jordan, and income data in the United States.}

Due to low incomes, the majority of the population is vulnerable to falling into income poverty with any given crisis, whether it be a health crisis like COVID-19, a climate crisis, or a common household level crisis that we all face, such as job loss or illness. This population often does not have access to contributory social security schemes, available in Jordan through formal employment. At the same time, they are not eligible for poverty-targeted schemes, creating a “missing middle” that is particularly vulnerable to fall into income poverty.

It is also important to note that poverty is not static, but dynamic. Households can move in and out of poverty, as noted above, when experiencing a lifecycle contingency, like childbirth, sickness, disability or unemployment. The majority of families in Jordan who rely on precarious work in the informal economy are particularly vulnerable to income volatility and uncertainty. Those working in construction, agriculture and other seasonal labour will experience income volatility simply with the change of a seasons. Further, there is no guarantee that those families in higher income employment in the formal economy will remain that way in the event of a household, community or

\textsuperscript{15} This figure is based on analysis of the 2012 household survey, adjusted for inflation.

\textsuperscript{16} World Bank (2020).
Challenges facing Jordan that could be addressed by inclusive social security

broader level crisis, as has been illustrated by the COVID-19 crisis. As such, there is no fixed group that can be labelled as ‘the poor.’

Evidence on poverty from Jordan supports this argument. Larger proportions of the population experiences poverty over an extended period than is implied by a single poverty estimate. This is the case as households move in and out of poverty. In 2010 for example, while poverty was estimated at 14.4 per cent, an estimated 33 per cent of the population experienced poverty for at least one quarter of the year and about 20 per cent experienced poverty for at least one half of the year. In contrast, only 6.3 per cent of the population remain consistently poor throughout the year. With data from the latest 2017/2018 Household Expenditure and Income Survey (HEIS), further analysis and visualisation of changing poverty dynamics in Jordan could potentially be drawn if data were publicly available.

2.4 Challenges experienced by people across the lifecycle in Jordan

Women, men and children in Jordan face very different challenges depending on where they are in the life course. Figure 2-4 shows the age distribution of women, men, girls and boys throughout the lifecycle in Jordan, indicating that 43 per cent of the population is 19 years of age, or younger. The majority, 53 per cent of the population, is aged 20 to 65, while only 4 per cent of the population is 65 years of age or above. This section briefly explores various challenges experienced along the lifecycle in Jordan, including for persons with disabilities.

Figure 2-4: Age distribution by gender throughout the lifecycle

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17 Knox-Vydmannov (2014).
18 World Bank (2013).
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Source: UNDESA’s World Population Prospects.

Children

Jordan’s population is very young. However, Jordan’s younger population is projected to decrease as a share of the total population. Figure 2-5 shows that by 2030, this group will account for only 36 per cent of the population, reducing further to 29 per cent by 2050. Ensuring this group has a strong start in life is essential to ensure they reach their full potential to contribute to society and the economy.

Figure 2-5: Proportion of population aged 0-19 years between 2000 and 2050

Investing in children during the first 1,000 days of life is essential as this important period will determine their capacity later in life. Undernutrition, lack of access to health and care at home during this critical period can have negative and irreversible consequences on cognitive and physical development. This, in turn, directly affects the supply of human capital and skilled labour, both of which are key inputs for any state to grow and remain competitive in a 21st Century globalised economy.

Girls and boys in Jordan are currently not supported with the investments they need to succeed in life. As indicated above, most families with children are living on low incomes. Further, prior to the COVID-19 pandemic, 20.3 per cent of children in Jordan lived in multidimensional poverty, suffering from deprivations to nutrition, health and water – each essential to address, to ensure children reach their full human capital potential in life. With poverty levels projected to increase substantially due to the COVID-19 pandemic, from 15.7 per cent to 26.7 per cent, we are likely to see child poverty levels increase dramatically as Jordan’s lower income households have many more children than those in middle- and upper-income deciles. While the data from the 2017/2018 HEIS has still not been made public, the NSPS using the latest HEIS data notes that households in the lowest consumption deciles on average consist of 7.7 members, 4.6 of whom are 19 years of age or below. Both the size of household and number of members 19 years of age and below decrease with each
wealth decile, down to about 4 members, only one of whom is 19 years of age or below in the highest decile.\textsuperscript{19}

In line with widespread low incomes among families with children in Jordan, malnutrition remains a concern. Despite the country’s middle-income status, the prevalence of wasting among children 0-4 in Jordan increased from 1.6 per cent to 2.4 per cent in the period between 2009 to 2012. The prevalence of stunting was even higher, affecting 7.8 per cent of children under 5 in 2012. While Jordan is performing better on malnutrition than many of its neighbours, it is not showing progress and is considered ‘off course’ to meet global nutrition targets.\textsuperscript{20} Malnutrition outcomes are likely to have already worsened due to the COVID-19 crisis with poverty levels set to increase, and disproportionately affect children, as discussed above.

Attending school and receiving a quality education is essential to access opportunities later in life. In this regard Jordan is performing well, with a 97 per cent enrolment rate in primary school.\textsuperscript{21} However, out-of-school rates increase after 11 years of age, reaching 9.7 per cent at age 13.\textsuperscript{22} Absence from school results in higher vulnerability, low incomes and poverty later in life, and fuels Jordan’s large working poor population, discussed further on the discussion on the working age population below. Enrolment is slightly lower for boys as greater demands are placed on them to support household incomes through child labour. However, simply attending school is not enough. The increased hunger and malnutrition levels noted above not only have physical consequences, but also create challenges for children to learn in school. Hunger, malnutrition and micro-nutrient deficiencies have been linked with lower test scores and can result in severe functional difficulties, in addition to the irreversible consequences on cognitive development discussed above.\textsuperscript{23}

Creating an environment for learning starts at home. A safe and caring home environment, with positive parental interaction from birth has been directly linked with cognitive development and learning outcomes later in life.\textsuperscript{24} Creating a positive, caring, and interactive home environment is challenging for caregivers and parents who, like most working age women and men in Jordan, are struggling to make ends meet. According to the Jordan Population and Family Health Survey 2017/2018, household violence affects 26 per cent of women, and their families, who reported experiencing spousal physical, sexual or emotional violence. The COVID-19 pandemic lockdowns have made the situation of violence in the home even worse, placing mothers and children at greater risk of physical injury as well as long-term mental illness, including depression, which also has negative consequences on learning.\textsuperscript{25}

Risks for children – linked to malnutrition, education and health – are made that much more difficult to address for children with disabilities. Approximately 500,000 children in Jordan are living with disabilities and between 85-95 per cent are excluded from the education system due to lack of funding support and social stigmas, creating barriers for inclusion.\textsuperscript{26} As a result, more than 35 per cent of persons with disabilities are illiterate, compared to 11 per cent of the total population. These lower development outcomes are linked directly to the higher cost of living children with disabilities face compared to children without disabilities. Children with disabilities, and their families, must spend more than others to access services, such as therapeutic, transportation and medical services, and face additional costs associated with insurance, equipment, and assistive devices. Within this

\textsuperscript{19} Government of the Hashemite Kingdom of Jordan (2019).
\textsuperscript{20} Global Malnutrition Report (2020).
\textsuperscript{21} Ministry of Education of the Hashemite Kingdom of Jordan (2020).
\textsuperscript{22} UNICEF (2020).
\textsuperscript{23} See e.g. Tran, A. et al. (2021).
\textsuperscript{24} Perkins, S., & Graham-Bermann, S. (2012).
\textsuperscript{25} ARDD (2021).
\textsuperscript{26} Thompson, S., (2020).
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reality, children with disabilities are likely to experience a lower standard of living as compared to children without disabilities living in a household with similar income levels. As such, a disability specific benefit for children is required to address additional costs, minimise risks and promote equality.

Making investments in child development and wellbeing is critical for the future of Jordan’s people and economy. But, investments in health and education, while fundamentally important, will not achieve child health, education and nutrition outcomes alone. Tax-financed social security for children and their families, which increases family incomes, helps ensure that children access basic health and education services and get the most out of these investments. Through establishing such tax-financed benefits, both a universal child benefit and a universal benefit for children with disabilities, duty bearers in Jordan would make a solid investment in human capital through supporting all children to reach their full potential.

Working age

Working age adults between the ages of 20 and 64 make up just over half of Jordan’s population. As Figure 2-6 indicates, the number of working age adults as a share of the total population will continue to grow from 53 per cent in 2020, to 58 per cent in 2030 and 59 per cent in 2050.

Figure 2-6: Proportion of population aged 18-64 years between 2000 and 2050

Source: UNDESA’s World Population Prospects database.

Almost 60 per cent of workers in Jordan²⁷ are employed in the informal economy and have no protection against lifecycle risks including unemployment, disability, illness, and maternity, as they cannot enter into the contributory social security system (see Section 4). These risks increase for non-Jordanians, 84.7 per cent of whom are estimated to work in the informal economy.²⁸ Between 2010 and 2016, informal employment increased by more than 10 percentage points.²⁹ This growing population lack job security and tend to have lower earnings: across sectors, before the COVID-19

²⁷ Winkler (2019).
²⁸ Sobh (2019).
²⁹ World Bank (2019).
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crisis, those who worked informally earned, on average, 15 per cent less than a formally employed worker with the same level of skills and education. COVID-19 has now exacerbated this disparity as the incomes of vulnerable workers in the informal economy have further reduced by about 40 per cent, demonstrating their increased level of exposure and vulnerability to shocks.

The COVID-19 crisis has continued to push up unemployment in Jordan, which has steadily increased between 2015 and 2020, from 11.9 per cent up to a historical high of 23.9 per cent in the third quarter of 2020. By the second quarter of 2021, unemployment had increased further to 24.8 per cent, with 1 in 4 economically active working age adults out of work. This unemployment rate is high compared to other countries in the region, with Egypt’s unemployment rate at 10.4 per cent, Iraq’s 13.7 per cent and Lebanon’s 6.6 per cent in 2020. Youth unemployment is a particularly pressing challenge: rates have risen from 37.3 per cent in 2019 to a staggering 48.1 per cent in the first quarter of 2021. Indeed, Jordan’s youth are much more likely to be unemployed than their peers in Egypt, Iraq and Lebanon, who experienced unemployment rates of 26.5 per cent, 25.2 per cent and 17.1 per cent respectively, in 2019.

Many of those working in the informal economy live on low incomes due to low levels of education. On average, only 17 per cent of working age adults between the ages of 20 to 64 have a secondary school education. Secondary school educational attainment is low across wealth quintiles, with only 6.6 per cent of those in the bottom quintile and 18 per cent of those in the top quintile having completed secondary school.

Labour force participation rates for working aged men in Jordan stood at 61 per cent in 2019. Working age women in Jordan experience one of the lowest labour force participation rates in the world, with only 14 per cent actively engaged. Labour force participation drops among persons with disabilities. Only 32.8 per cent of men with disabilities and 5.2 per cent among women with disabilities participated in the labour force in 2017. Low levels of labour force participation among working age adults with disabilities is linked to their exclusion from education earlier in life, as well as barriers associated with the higher costs of accessing employment, due to the transportation, assistive devices and other basic goods required to perform work. Opportunities for persons with disabilities are also limited due to the nature of work and community stigma. With low labour market participation, women and men of working age

Box 2-1: Promoting equity through social security

Effective measures to break down barriers that keep women from entering the labour force can be taken through carefully designed social security. While positive steps such as affordable childcare services are being introduced in Jordan, bolder policy measures such as extended paternity leaves for husbands, can help to break down barriers related to unpaid care work in the home and create the opportunity for women to seek work outside the home. Also critical, acknowledging the value of unpaid care work through pensions, and professionalisation, for caregivers can enhance the dignity of care work as a whole, and of women more specifically. Further, working age adults, and in particular women, may also indirectly benefit from pensions that allow older people to finish work in dignity and spend more time caring for their grandchildren.

10 World Bank (2019).
11 Kebede 2020).
12 Department of Statistics (2021).
13 World Bank (2022).
14 Ibid.
16 World Bank: PovCalNet.
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with disabilities are less likely than other adults to enrol in social insurance schemes and require tax-financed disability benefits.

While women of working age have very low labour market participation rates, they nonetheless carry the burden of engaging in unpaid care work at home. Box 2-1 discusses measures to break down barriers that keep women from entering the labour force.

Old age

Older people aged 65 years and above currently make up only 4 per cent of the total population although the population is ageing. As Figure 2-7 illustrates, by 2030, older people will make up 6 per cent of the population of Jordan, and by 2050 they will account for 12 per cent with steady growth projected into the longer-term future.

Figure 2-7: Proportion of older people 65 years of age in the population, between 2020 and 2050

![Graph showing the proportion of older people 65 years of age in the population, between 2020 and 2050.]

Source: UNDESA’s World Population Prospects database.

Older people in Jordan experience vulnerability as frailty can increase with age, eventually making it increasingly difficult to work. Some may also lack family members to care for them. Older women are particularly vulnerable as they are less likely than older men to have experience in generating their own income and less likely to have earned pension entitlements under the contributory system. As older people require increasing levels of care, they are also more likely to place financial obligations on working age adults, many of whom are also responsible for raising children at the same time.

As people age, the prevalence of disability also increases. While current data shows that 13.9 per cent of older persons in Jordan are living with a disability, these figures are likely to be low. Generally older persons over 70 usually have a disability and will face the additional costs of living associated with disabilities, as outlined in sections above. With a higher rate of disabilities among older persons, ensuring the availability of tax-financed social insurance pension is of increased importance.

Due to Jordan’s existing contributory social security system, discussed further in Section 3, older people enjoy a relatively higher standard of living, on average, when compared to other groups.
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Fortunately, people 65 years of age or above are half as likely as those in other age groups to live below 50 per cent of median expenditure in Jordan.\(^{37}\) However, more than 40 per cent of older persons in Jordan do not receive any benefits at all and, since most are out of the labour force, are likely to have no independent source of income and struggling to get by. Many will increasingly be seen as a burden on their families and experience social exclusion and discrimination in the household. Most of those without pensions are female.

Nonetheless, those without pension have still contributed to the economy throughout their lives, via informal labour, unpaid care, raising children and paying indirect taxes through consumption. Their low wages have also subsidised the economy and generated profit for those in higher income deciles. They, therefore, also have the right to a pension. Investments in older persons – especially older women – need to be increasingly prioritised, in particular by ensuring all older people are able to access an old age pension.

2.5 The demographic opportunity and population growth

As explored above, demographic and population dynamics are changing in Jordan. The share of children is decreasing while the share of working age adults and older persons is continuing to increase. Figure 2-8 provides a breakdown of total population by age group, up to 2050, showing that the share of children is forecast to decrease while the share of working age adults and older people will increase over time.

Figure 2-8: Share of population aged 0-19, 20-64 and 65+ between 2020-2050

These projected population dynamics present an opportunity for policymakers in Jordan to further capitalise on a strengthened demographic dividend. The demographic dividend occurs when the

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The number of working age adults is higher than the number of children and older people combined, as illustrated in Figure 2-9. A demographic dividend means that by way of having less dependents, families will have time and income to invest in income generating opportunities. As discussed further in Section 4, this means government could be able to provide inclusive income security for all children at reducing costs in years to come, thus freeing up resources to increase investment in new technology, skills training and infrastructure that will position Jordan for higher competitiveness in a globalised economy.

Figure 2-9: Dependency ratio in Jordan, measuring the proportion of dependants (children aged 0-19 years and older people aged 65 and above) per 100 persons of working age (20-64 years) over time

Source: UNDESA’s World Population Prospects Database.

However, for Jordan’s people and the economy to realise the full potential of a strengthened demographic dividend, policymakers will first need to ensure those entering the labour force have sufficient access to nutrition and education and, as a result, have the human capital and skills needed to give the economy a competitive edge. While Jordan has seen increases in education enrolment, access to nutrition is still volatile for the many who live in income poverty. As such, unleashing the potential of the demographic dividend in Jordan will require an initial investment in children – through universal child benefits – complemented by gradually increasing investments in economic growth and job creation.

2.6 Climate change and environmental shocks

The population of Jordan is vulnerable to climate change. Jordan’s water crisis has deepened in recent years, with 2021 recording another severe drought. Already, more than 80 per cent of the country is unpopulated due to desert conditions, where annual precipitation is less than 50
millimetres a year.\textsuperscript{38} Climate projections do not bring hope either. Jordan’s climate is projected to become drier over time, with 91 per cent of households receiving less than 40 litres of water a day, by 2100.\textsuperscript{39} Alongside drought, increasingly extreme hot and cold weather events are also projected. As such, Jordan’s Intended Nationally Determined Contributions (INDCs) to the 2016 Paris Agreement prioritise the development of emergency and fast response plans to provide relief to those affected by the impacts of seasonal severe hot and cold conditions as well as income support programmes for families impacted by drought.\textsuperscript{40}

As the INDCs indicate, income support can play a key role in mitigating the impacts of both slow onset climate shocks, like drought, and quick onset shocks, including extreme cold and hot conditions. A social security system that create the foundation needed to respond to shocks effectively and efficiently, is entirely possible. To create a strong foundation, it is important to ensure families receive regular, predictable and reliable income transfers, through inclusive programmes with high coverage levels that are not dragged down by significant inclusion and exclusion errors. Regular transfers to families will already reduce the impact of shocks on households and the economy while providing governments and other actors with the option to vertically increase transfer values for a limited period, as further discussed in Section 4. By agreeing a triggering system, government and other stakeholders can position themselves to objectively and automatically respond to shocks in a way that can be clearly understood by all involved, including communities.

\subsection*{2.7 Large refugee populations}

Jordan has a proud history of providing refuge to those seeking safety, and already hosts more than 2 million registered Palestinian refugees, many of whom now have full citizenship and only about 18 per cent live in designated refugee camps.\textsuperscript{41} As mandated by the General Assembly, since 1951 the UN Relief and Works Agency (UNRWA) has been providing shelter, health, education, and relief and social services to its registered Palestinian refugee population. While many refugees in Jordan are integrated into society, there are segments of the population – including refugees from Gaza and more recently Palestinian refugees from Syria – for whom UNRWA offers the only source of social protection.

In the last two decades, Jordan has received refugees from Sudan, Somalia, Iraq, and Yemen and, for the past ten years, Syria. The refugee population in Jordan is currently estimated to comprise one third of the total population, with a growing number of Syrians. More than 1.36 million Syrians have been provided with refuge in Jordan since 2011, 90 per cent of whom live mixed with local communities, mainly in Amman and northern governorates.\textsuperscript{42} A further 10 per cent live in camps,\textsuperscript{43} including the Za’atari refugee camp which hosts approximately 80,000 Syrian women, men, girls and boys, making it the largest Syrian refugee camp in the world. This high influx of refugees has put pressure on already limited resources in Jordan, during a time when Jordan’s economy has experienced slow growth.

The United Nations and other international community members have put forward budget requirements of just over USD 6.6 billion to implement multisectoral efforts as part of the Jordan Response Plan for the Syria Crisis 2020-2022. This plan includes social protection and justice.
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initiatives, which have been allocated USD 1.1 billion. However, in 2020 the Jordan Response Plan only 44.7 per cent remained funded.

Given the slow economic growth and increasing unemployment, job opportunities are lacking for both refugees and Jordanians and poverty levels, particularly among refugees, are very high. Eighty-six per cent of those Syrian refugees living outside camps in Jordan, where assistance from the international community is more limited, live below the poverty line. A UNICEF study in 2018 found that 85 per cent of Syrian refugee children in Jordan were living in poverty, with 94 per cent of those under the age of five facing multidimensional poverty, lacking access to food, health services and education. Unfortunately, COVID-19 has further increased poverty among Syrian refugees living both in and outside camps.

Rights-based solutions to provide refugees with access to social security should be explored in Jordan. Further, registering refugees within the broader social security system could provide the international community with existing systems and schemes through which to deliver support, efficiently and in close cooperation with government. Such an approach is discussed further in Section 4.

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44 UNHRC (2020).
45 OCHA (2021).
46 EU (2021).
48 UNHCR, & World Bank, (2020).
3 Overview of Jordan’s current bifurcated social security system

Jordan’s vision for social protection is articulated in the National Social Protection Strategy (NSPS) 2019-2025. The strategy outlines the Government’s commitment to break the intergenerational cycle of poverty and build a social protection floor. The strategy has three pillars that aim to collectively provide all women, men, girls and boys in Jordan with a dignified and decent life. The first pillar, ‘opportunity’, aims to achieve decent working conditions and social security for all to support economic self-sufficiency. The second pillar, ‘empowerment’, aims to ensure the provision of high-quality universal education, health care and services to those with disabilities to promote integration and equal opportunity. The third pillar, ‘dignity’, aims to provide social assistance to guarantee a basic level of consumption.49

The legal framework to support the way forward for social security finds its basis in the Constitution of the Hashemite Kingdom of Jordan (1952). In Article 6, Jordan’s Constitution commits the government to ensure work, education and equal opportunities for all. Further, in Article 23, the Constitution outlines requirements for special compensation to be given to workers supporting families, and during contingencies including dismissal, illness, old age and emergencies that arise out of the nature of their work. This is further supported by Law Fund No. 36 (1986), which established the National Aid Fund, and the Social Security Law No. 1 (2014), which together outline both contributory and tax-financed social security entitlements for women, men, girls and boys in Jordan, each discussed further below.

Jordan’s social security system consists of both contributory schemes for those working in the formal sector, and tax-financed schemes for the 60 per cent of employed adults who work in the informal economy and their families. Jordan’s expenditures on social security are the highest in the region, at 9 per cent of GDP.50 However, despite this, there are large gaps and only 27.8 per cent of the population – including only 8.8 per cent of children, and 20 per cent of persons with disabilities who rely largely on tax-financed schemes – have access to at least one social security benefit, while around 40 per cent of older people, mainly women, cannot access an old age pension.51

3.1 Social insurance

The SSC administers Jordan’s social insurance system for the private sector and certain public sector workers are not covered by separate schemes. Statutory coverage of all employees, “without discrimination as to nationality, and regardless of the duration or form of the contract”51 is provided in the Social Security Law No. 1 (2014). Social insurance schemes in Jordan provide benefits during old age, disability, maternity, unemployment and to family members of the deceased. Coverage is mandatory for all workers who work 16 days or more in any one-month period, regardless of whether or not employment is outlined in a written contract, and regardless of nationality.

Contributions are currently shared between employers and employees, with insured employees contributing 6.5 per cent of gross monthly earnings, while employers contribute 11 per cent of gross monthly payroll.52 Self-employed workers, employers and their contributing family members are responsible for the full contribution of 17.5 per cent of gross monthly earnings. Those in the formal

50 International Labour Organisation (2021b).
51 Ibid.
52 ISSA and SSA (2018).
Overview of Jordan’s current bifurcated social security system

sector who contribute are entitled to protection for contingencies including maternity, unemployment, work injury, disability, survivors and old age benefits. Formally employed people are also entitled to paid sick leave under an employer liability arrangement.

Jordan’s contributory security schemes unfortunately leave many behind. As Table 3-1 shows the majority of workers in Jordan are not covered by social insurance. Forty-eight per cent of all employees do not make contributions to social insurance schemes. However, 37 per cent of those who do not make contributions and lack coverage have a formal employment contract. The large majority of those excluded are domestic workers (19 per cent), or work in wholesale and retail trade (16 per cent), construction (14 per cent), or services (13 per cent).53 Of employees lacking coverage, approximately 35 per cent are Egyptian, 33 per cent are Jordanian, 22 per cent are Syrian and about 10 per cent are from other countries.54 Own account workers, employers and the contributing family members – which, taken together make up 13 per cent of workers in Jordan – are much more likely than employees to lack social insurance, as outlined in Table 3-1.

Table 3-1: Social insurance coverage gaps in Jordan by employment status

<table>
<thead>
<tr>
<th>Employment Status</th>
<th>Coverage Gap</th>
<th>Share of employment status among all workers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees</td>
<td>48 per cent of employees lack de facto coverage</td>
<td>87 per cent of all workers are employees</td>
</tr>
<tr>
<td>Own-account workers</td>
<td>78 per cent of own-account workers lack de facto coverage</td>
<td>8 per cent of all workers are own account workers</td>
</tr>
<tr>
<td>Employers</td>
<td>70 per cent of employers lack de facto coverage</td>
<td>4 per cent of all workers are employers</td>
</tr>
<tr>
<td>Contributing family members</td>
<td>92 per cent of contributing family members lack de facto coverage</td>
<td>1 per cent of all workers are contributing family members</td>
</tr>
</tbody>
</table>

Source: ILO (2021a).

Only just over half, 52.5 per cent, of workers contribute to an old age pension while only 42 per cent of older persons over the age of 65 receive a contributory old age pension.55 Work injury benefits reach only 57.5 per cent of women and men in Jordan, leaving more than 40 per cent unprotected in case of injury at work. For contingencies such as unemployment and maternity, coverage levels drop further, leaving 94.7 per cent of workers without access to income security during unemployment, and 95.2 per cent of women without access to maternity benefits.56

53 International Labour Organisation (2021a).
54 Ibid.
55 Pension Watch (2021).
56 International Labour Organisation (2021b).
Overview of Jordan’s current bifurcated social security system

Jordan’s NSPS recognises these gaps in protection and commits to expand social security to temporary and part-time workers, alongside incentives for participation in social security.\textsuperscript{57} This is expected to increase coverage and have a particularly positive impact on women for whom care responsibilities are a major factor in deciding whether to seek income earning opportunities outside the home.

3.2 Tax-financed programmes

Current low levels of social security coverage reflect high levels of informality in Jordan’s economy. Most women and men in Jordan engage in informal labour and cannot be enrolled in the social insurance contributions and benefits outlined above. This most vulnerable population must rely on fragmented tax-financed social security benefits administered by the National Aid Fund (NAF).

The main objective of the NAF, as outlined in Law No. 36 of 1986 includes the provision of regular and temporary income support to low-income families headed by a Jordanian man or woman. To this aim, the NAF’s flagship scheme, the permanent and recurring Monthly Aid Programme, is the country’s largest tax-financed income support programme. This scheme provides regular household level benefits to families living below the national poverty line of JOD 68 per person a month. The NAF also targets families through additional vulnerability categories, including families of orphans, women headed households, households headed by people with disabilities, older people, divorced women and families caring for persons with disabilities.\textsuperscript{58} The Monthly Aid Programme reaches more than 105,000 households\textsuperscript{59} and provides an average benefit of JOD 28 a person, per month.\textsuperscript{60} The secondary legacy programme administered by the NAF, the Supplementary Support Programme “Takaful 1,” provides supplementary support to low-income households facing a temporary contingency, including temporary disability, families of those who have been imprisoned and recently released from prison, and families of the missing. This temporary assistance is currently provided to nearly 89,000 households.\textsuperscript{61} Table 3-2Table 3-2 below provides an overview the NAF’s regular and permanent programmes for low-income families.

\textsuperscript{57} Government of the Hashemite Kingdom of Jordan (2019).
\textsuperscript{58} Government of the Hashemite Kingdom of Jordan (2021).
\textsuperscript{59} Ibid.
\textsuperscript{60} Government of the Hashemite Kingdom of Jordan (2019).
\textsuperscript{61} Government of the Hashemite Kingdom of Jordan (2021).
Overview of Jordan’s current bifurcated social security system

Table 3-2: Regular and permanent tax-financed social security benefits administered by the National Aid Fund

<table>
<thead>
<tr>
<th>Programme</th>
<th>Duration</th>
<th>Eligibility</th>
<th>Number of Households</th>
<th>Level of Benefit JOD/Month</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monthly Aid Programme</td>
<td>Permanent</td>
<td>Low income, head of household incapable of work</td>
<td>105,760</td>
<td>45-200</td>
</tr>
<tr>
<td>Supplementary Support Programme</td>
<td>Permanent</td>
<td>Working and &quot;relatively poor&quot; households</td>
<td>88,971</td>
<td>30-136</td>
</tr>
</tbody>
</table>


Eligibility for the NAF’s permanent schemes is determined using income-based means testing to identify those earning below the poverty line of JOD 68 per person a month. Those eligible are enrolled through the National Unified Registry (NUR), administered by the NAF. The NUR is supported by a data exchange system that is linked to the tax registry and shares information across government and non-government agencies in an effort to ensure interoperability. While this approach can be effective in identifying those in the formal economy whose income can be accounted for, identifying the majority who work in the informal sector has been more difficult. As the NSPS points out, “… targeting has relied largely on unverified (and often unverifiable) criteria. As in other countries, poor Jordanians acquire a substantial part of their income from informal sources. In this context approximately half of their income cannot be verified.” Jordan’s experience reflects that of many other countries that have attempted to effectively target “the poor” with so called “anti-poverty” programmes, as explained in Box 3-1.

In total, the NAF’s permanent schemes reach 194,700 households who are headed by, or married to a Jordanian, or approximately 8.7 per cent of the 2,170,000 of such households in Jordan.62 Yet, the poverty rate is estimated by the World Bank to be 26.7 per cent. Based on this latest poverty estimate, if NAF’s permanent programmes achieve perfect targeting, they would only reach approximately 32.5 per cent of households living below the national poverty line, as depicted in Figure 3-1. That means that at least 67.5 per cent of the poorest households in Jordan would not receive any of the regular and permanent benefits provided through the

Box 3-1: International evidence shows that high exclusion errors in poverty targeting is the norm

Jordan’s experience falls in line with mounting evidence which shows that, paradoxically, programmes for “the poor” systematically exclude low income families, confirming Amartya Sen’s (1995) assertion that “benefits meant exclusively for the poor often end up being poor benefits”. Further proving this point, a recent study by Kidd et al (2019) examined 42 social protection schemes and found that, among those targeted at the poorest, Brazil’s Bolsa Família scheme, which uses a simple means test, performed best, excluding 44 per cent of its intended recipients, while Rwanda’s Vision 2020 Programme had the lowest performance, excluding some 97 per cent of intended recipients.

62 Jordan’s total population is 10.2 million (World Bank, 2020) while the 217/2018 DHS found an average of 4.7 members per household, which would result in an average total household count of 2,170,212. As such, regular recipients of the NAF would account for approximately 8.7 per cent of all households in Jordan.
Overview of Jordan’s current bifurcated social security system

NAF. However, as discussed above, errors in targeting “the poor” are part and parcel of “anti-poverty” programmes.

Figure 3-1: Author’s depiction of NAF coverage among those below the national poverty line

Factoring in a wider lens of vulnerable people below and just above the poverty line, the ILO’s Social Security Inquiry Database suggests that 83.4 per cent of vulnerable people in Jordan do not receive any social assistance benefits at all. That means only 5 out of every 30 vulnerable women, men, girls and boys receive social assistance in Jordan.

In addition to the more permanent programmes discussed above, the NAF also administers a variety of temporary programmes to: a) current recipients of the fund’s permanent programmes outlined above with additional top-ups; and, b) additional recipients not enrolled in NAF’s permanent programmes. Table 3-3 lists the temporary schemes designed administered by the NAF, mainly responding to household, community and national-level shocks, including new programmes that were launched as part of Jordan’s COVID-19 stimulus package.
Overview of Jordan’s current bifurcated social security system

Table 3-3: Temporary and supplementary tax-financed social security benefits administered by the National Aid Fund

<table>
<thead>
<tr>
<th>Programme</th>
<th>Duration</th>
<th>Eligibility</th>
<th>Number of Households</th>
<th>Level of Benefit JOD/Month</th>
</tr>
</thead>
<tbody>
<tr>
<td>Temporary Cash Assistance Programme &quot;Takaful 3&quot;</td>
<td>Temporary (2021)</td>
<td>Households affected by COVID-19, not receiving social security</td>
<td>160,000</td>
<td>50-136</td>
</tr>
<tr>
<td>Emergency Aid Programme</td>
<td>Permanent</td>
<td>Low income households experiencing shock, including death, fire, floods, etc.</td>
<td>11,760</td>
<td>75-500</td>
</tr>
<tr>
<td>Physical Rehabilitation Aid Programme</td>
<td>Permanent</td>
<td>Individuals requiring physical rehabilitation</td>
<td>789 (individuals)</td>
<td>up to 600</td>
</tr>
<tr>
<td>Additional Aid Programme</td>
<td>Permanent, depending on financial allocations</td>
<td>Lowest income households in receipt of Monthly Aid Programme</td>
<td>9,943</td>
<td>10-40</td>
</tr>
<tr>
<td>Winter Aid Programme</td>
<td>Temporary, depending on financial allocations</td>
<td>Low-income households in receipt of Monthly Aid Programme</td>
<td>101,496</td>
<td>10-40</td>
</tr>
<tr>
<td>Bread Subsidy Programme</td>
<td>Temporary (Aug-Dec 2020)</td>
<td>Universal</td>
<td>1,068,347</td>
<td>27 (individual)</td>
</tr>
</tbody>
</table>


3.3 Main gaps in coverage across the lifecycle that undermine trust in government

As illustrated in Figure 3-2, Jordan’s social security system is floating with no foundation, without universal tax-financed schemes designed to cover key lifecycle risks. Currently the social security system in Jordan does not provide core lifecycle tax-financed benefits for children. As such, in Jordan there are no conventional child benefits, no disability benefits for children and very weak maternity benefits. This leaves the next generation vulnerable to common lifecycle risks, including reduced cognitive development, child labour and inability to access school earlier in life. Later in life, this results in inadequate skills and high levels of youth unemployment. Children with disabilities who face a higher cost of living, are also not protected within the current system, leaving them particularly at risk of not being able to access the basic services they need, including nutrition, health and education. A high proportion of older people, mainly women, have no access to a pension.
Overview of Jordan’s current bifurcated social security system

Figure 3-2: Mapping of social security system and gaps in Jordan

[Diagram showing the mapping of social security system and gaps in Jordan]

Source: Authors’ depiction.

Jordan’s current social security system reaches only around half the workforce and leaves the majority of working age women and men exposed to the risks of unemployment, underemployment, illness, disability, the death of a breadwinner, and childbirth. By design, the main recipients of Jordan’s social security system are formal economy employees and the poorest members of society. As indicated in Figure 3-3, this creates a ‘missing middle’ of the majority employed on middle – but still low – incomes in the informal economy, who are excluded from the system as they are not eligible for current so called “anti-poverty” programmes, but are also unable to contribute to consumption smoothing social insurance programmes as discussed in Section 2.
As such, it is likely that Jordan’s social security system contributes to undermining trust in the Government among the majority of society. By excluding a high proportion of the population, many of whom are struggling, the system creates a perception that the Government does not care. This is exacerbated by the poor quality of the schemes delivered by NAF, which only reach a third of those living in extreme poverty and are beset by inaccurate and arbitrary targeting. It gives the impression of a state unwilling to provide high quality services to its people. At the same time, there is growing resentment that some refugees are being prioritised for assistance, while Jordanians are being excluded.

These large gaps in coverage undermine trust in government but, oddly enough, are within a system that has one of the highest expenditures on social security in the region at 9 per cent of GDP. This has policy makers in Jordan looking at options for reform with the objective to improve effectiveness and efficiency. To this aim, in 2019, initiatives started to reform the targeting of NAF schemes, using a mechanism called the proxy means test (PMT) to build a so-called social registry. Policymakers should, however, observe and reflect on how this direction of reform has ill-served other governments in the region. For example, the proxy means tested Takaful and Karama programme in Egypt reaches only 20 per cent of the poorest wealth quintile in the country, while more than half of the benefits go to those in higher wealth quintiles. This poor performance is typical of proxy means tests and social registries. However, there are many other well-documented and evidenced risks.

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Kurdi, S., & Breisinger, H., et. al. (2017).
Overview of Jordan’s current bifurcated social security system

with poverty targeting that stakeholders in Jordan must consider, including those related to the social cohesion and the social contract, disincentives to work, and negative impacts on child nutrition (see Box 3-2).

**Box 3-2: Evidence of potential harm that could be caused by poverty-targeted social security**

With reforms on the table, there are many well evidenced risks of investing in poverty-targeted social security schemes that policy makers and civil society organisation in Jordan must consider, three are discussed here:

- **Undermining trust in government**: The proven failure of PMT schemes to accurately target intended recipients results in schemes that are overwhelmingly viewed as arbitrary or random at the community level. This can lead to resentment and even contribute to social unrest. Emergency cash transfers in Indonesia in 2005 using a PMT helped drive protests in over a third of villages nationwide, while there were threats to government and programme officers in over 15 per cent. Another study showed that the proxy means test in Indonesia caused crime to increase by 6 per cent.64

- **Disincentives to work**: Poverty targeting can discourage people from making the decision to work, and become ineligible for benefits. In Georgia, for example, women who receive the Targeted Social Assistance scheme (TSA), were 9-11 percentage points more likely to be economically inactive compared to those in non-participant households.65 In Uruguay, formal employment was 27 percentage points lower for recipients of the targeted child benefit programme, when compared with for non-recipients.

- **Greater child undernutrition among non-recipients**: The Philippines’ Pantawid programme, which uses PMT, was found to increase stunting among non-beneficiary children by at least 11 percentage points compared with beneficiary children. The effect was probably due to a rise in prices of protein-rich foods, especially in villages with a higher proportion of Pantawid recipients.66

As policymakers continue to explore options for the way forward it is important to also consider the experience of poor relief programmes of 19th and early 20th Century Europe, upon which the NAF has inadvertently been modelled. These poor relief schemes undermined trust in European governments, by stigmatising recipients and excluding most of the population, including the main taxpayers. This limited trust in government, combined with a weak social contract, contributed to low government revenues and poor quality public services which in turn, facilitated the rise of social unrest, fascism, and two World Wars. Recognising the damage done by poor relief following the Second World War, Western Europe changed its social model and began to offer universal public services, including universal social security. The model was encapsulated within the Universal Declaration of Human Rights, which stipulated the right to social security for everyone (see Box 3-3). The move to universal public services – with old age pensions, child benefits and disability benefits playing a major role – contributed to the building of an effective social contract, the strengthening of democracy and prosperity.

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64 Kidd (2020).
65 International Labour Organisaton (2020).
66 Filmer et al. (2018).
Overview of Jordan’s current bifurcated social security system

With the limited reach of Jordan’s current social security system and with policy makers looking for affordable options to achieve higher coverage and higher impact, it is time for Jordan to consider the experience of Western Europe following the Second World War, by shifting from old fashioned poor relief schemes, such as the NAF, towards a modern universal social security system. Policymakers and civil society must together explore and immediately start building the type of inclusive system that has delivered income security, community cohesion, peace, and economic growth in many other countries. The next section will explore sustainable options for the way forward.
4  A vision for an inclusive social security system in Jordan

System-wide reform of both contributory and tax-financed schemes is needed in Jordan to close the wide gaps in social security coverage discussed above. While reform is needed for the contributory schemes administered by the SSC, this section of the report will focus on prioritising the reform of tax-financed schemes reflecting the needs of most women and men in Jordan who cannot make direct contributions to the SCC. Closing in on gaps in the social security system through establishing inclusive and universal schemes that rely on general government revenues will position duty bearers in Jordan to effectively, and efficiently, provide full coverage to women, men and children, when they require it most.

Protecting all during the most vulnerable stages of life, through the provision of regular, predictable, reliable and universal benefits during childhood, old age and to those with disabilities not only makes sense, but is also a human rights obligation. Through realising the recommendations and solutions outlined in this section, duty bearers in Jordan will meet obligations to fulfil the right to social protection for all as laid out in the Universal Declaration of Human Rights (1948), the Convention on the Rights of the Child (1989), and the Convention on Rights of Persons with Disabilities (2006). They will also move toward fully achieving Jordan’s commitments to build a social protection floor, as outlined in the ILO’s Social Protection Floors Recommendation 202 and SDG 1.3.

The inclusive recommendations and options outlined in this section will put Jordan on a clear path to overcome the challenges laid out in the NSPS. As the Strategy highlights, one objective is to “ensure the poor are able to maintain a basic level of consumption within the limited available public budget.” The strategy currently outlines a shift from commodity subsidies to poverty-targeted programmes to achieve this important goal but, as pointed out in the last section, paradoxically, so called “anti-poverty” schemes systematically fail in reaching “the poor” across contexts, and so it is only fair to present policymakers, civil society and the people of Jordan with other affordable options that have proven more effective, across contexts and time. The inclusive lifecycle options laid out below are simple to manage, implement and understand, both among policymakers and the public at large.

The proposals outlined here focus on prioritising the reform of core, lifecycle-based tax-financed schemes as a fundamental component of an effective multi-tiered social security system. Redirecting attention to core entitlements, such as tax-financed child benefits, disability benefits and old age pensions will effectively close in on wide gaps in coverage, ensuring that the majority of families who rely on low incomes and/or work in the informal economy are not left behind.

These benefits are the missing ingredients that help Jordan 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. As depicted in Figure 4-1, a social security model is also a more cohesive model, since core lifecycle benefits financed either from taxes or contributions (or a combination of these) are much more conducive to institutional and administrative coordination, as described in Section 4.1. But, most importantly, a social security model is a more effective way of achieving the “dignity” objectives in the NSPS by reducing poverty, while also promoting broader developmental goals, like economic growth, formalisation and social cohesion, aligned with the “opportunity” and “empowerment” pillars.
4.1 Working with, not against, social insurance

Tax-financed schemes ought to be designed to support the expansion of Jordan’s existing contributory schemes, to together form a multi-tiered social security system that effectively closes the wide gaps in coverage and removes barriers to formal employment. Jordan’s current poverty targeted benefits offered by the NAF stand in opposition to other government efforts to move toward a formalised economy with increased uptake of social insurance programmes. As discussed in section 2.4, for those who benefit from the NAF, and the many others who should benefit, actively seeking formal ‘on the record’ employment would mean forfeiting current or future benefits, considered a lifeline by many. As such, policymakers in Jordan need to consider the extent to which the NAF creates a pull factor toward informal, ‘off the record’ employment and how it stands in the way of building a more sustainable and more affordable multi-tiered system.

All lifecycle benefits can be multi-tiered in design. However, governments often start first with old age pensions. Figure 4-2 provides an example of how policymakers in Jordan could build on the existing coverage of older people through the SSC contributory pension. In this example, a first layer of foundational tax-financed old age benefits would be provided on a universal basis to all older people. This universal benefit could be provided at a lower transfer value (see section 4.2.3 below), supporting everyone to meet their basic needs. Alternatively, as illustrated on the bottom, this foundational benefit could be pension-tested (in other words, only given to those who do not have another form of state pension, although it would be gradually withdrawn from those with low value pensions). A second layer of mandatory SSC contributory pension would provide higher benefits for those who pay social insurance contributions. The higher level of benefit provided through social...
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insurance programmes preserves the incentive to join. A third layer of voluntary private pensions could then be available for those who wish and are able to make additional contributions.

Figure 4-2: Moving from fragmented components, with large gaps, to layered tiers offering universal protection

Through carefully designing an integrated and multi-tiered system with universal or benefit-tested foundations, policymakers will ensure that important investments in social insurance are not left floating without a foundation and do not erode the social contract through creating a ‘missing middle’. A stable foundation will close in on existing gaps in coverage ensuring the majority who
work in the informal economy, and their families are also protected, thereby extending a relationship of trust to the vast majority of society. Not only do many high-income countries follow this approach, many low- and middle-income countries have taken important steps to establish inclusive multi-tiered systems, including Thailand, Brazil, Mexico, Mauritius, Mongolia, Georgia, Namibia and South Africa.67

4.2 A package of core lifecycle social security benefits

Providing protection for key risks throughout the lifecycle, particularly through universal benefits for children, people with disabilities and older persons is needed to strengthen the social contract in Jordan now. This paper explores two options to prioritise lifecycle tax-financed schemes for these potentially highly vulnerable groups. While both options are cost-effective, Option 1 provides the opportunity to initially roll out core lifecycle schemes for less than one percent of GDP. Option 2 provides the opportunity to reach broader coverage with an investment of just over two per cent of GDP in 2022. The basic components of a more inclusive social security in Jordan would comprise:

- A universal child benefit would be a tangible investment in Jordan’s future generations, helping to ensure that all children can access the nutrition and services they need to thrive.
- A universal disability benefit for all children and working age adults with disabilities would enable people with disabilities to live in dignity and reach their full potential.
- A guaranteed old age pension would ensure that everyone in Jordan has income security in their final years, after a lifetime of contributions to the economy and society.

Box 4-1 summarises the high-level features of the two options.

<table>
<thead>
<tr>
<th>Box 4-1: High-level variations on a more inclusive social security system in Jordan</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Option 1 (Modest)</strong></td>
</tr>
<tr>
<td>- Universal child benefit: JOD 12 per month for all children aged 0–2 years in the first year, gradually rising by one year each year until all children are covered in 2037.</td>
</tr>
<tr>
<td>- Universal disability benefit: JOD 40 (adults) and JOD 28 (children with disabilities) per month.</td>
</tr>
<tr>
<td>- Pension-tested old age pension: JOD 40 per month for everyone aged 70 and above and not receiving a contributory old age pension. The age of eligibility is gradually lowered to include everyone age 65 and above by 2027.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Option 2 (More ambitious)</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>- Universal child benefit: JOD 15 per month for all children aged 0–10 years in the first year, gradually rising by one year each year until all children are covered in 2029.</td>
</tr>
<tr>
<td>- Universal disability benefit: JOD 40 (adults) and JOD 25 (children with disabilities) per month.</td>
</tr>
<tr>
<td>- Universal old age pension: JOD 40 per month for everyone aged 70 and above, gradually expanding to include everyone age 65 and above by 2027.</td>
</tr>
</tbody>
</table>

The key difference between the two options is in the age of eligibility for the child benefit and coverage of the tax-financed old age pension, while transfer values remain similar, apart from for the child benefit. The universal child benefit would begin in Option 1 with children aged 0-2 in the first year of the programme and would grow incrementally year on year as no child would be taken off the scheme until their 18th birthday, while new-borns would be enrolled every year. This approach

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would reach full coverage of all children 0-18 years of age by 2037. In Option 2, the universal child benefit would cover all children 0-10 from the first year of the programme, reaching all children 0-18 by 2029. The old age pension differs between the two options with Option 1 providing a ‘benefit-tested’ old age pension, reaching the estimated 60 per cent of Jordanians of retirement age who do not receive a contributory pension. The age of eligibility for this benefit tested pension would start with those aged 70 years and above in 2022, gradually reducing to 65 years of age and above by 2027. In Option 2, the pension is universal and available to all those over the age of 70 in 2022, gradually reducing to 65 years of age by 2027, regardless of whether other pension income is received through contributory schemes. Disability benefits would be provided to all those with disabilities up to the age of eligibility for the old age pension in both options.

Table 4-1 provides an overview of the key parameters of the core benefits under each option, as well as their potential costs in JOD and as a percentage of GDP per capita.

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68 Relevant data sources on the number of older persons receiving contributory pensions in Jordan have been analysed by the authors to estimate the current coverage gap of 60 per cent, upon which cost and impact projections will be based.
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**Table 4-1: Summary of parameters and costs of two options for inclusive social security in Jordan (lower and higher cost)**

<table>
<thead>
<tr>
<th>Scheme</th>
<th>Age of eligibility</th>
<th>Monthly Transfer (JOD)</th>
<th>Transfer value (% GDP per capita)</th>
<th>Cost in Year 1 (JOD million)</th>
<th>Cost in Year 1 (% GDP)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Option 1 (Modest)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Child Benefit</td>
<td>0-2 in year 1 (rising to 0-17 by 2037)</td>
<td>JOD 12</td>
<td>4.8</td>
<td>JOD 90m</td>
<td>0.27 per cent</td>
</tr>
<tr>
<td>Child Disability Top-up</td>
<td>0-17</td>
<td>JOD 28</td>
<td>11.1</td>
<td>JOD 20m</td>
<td>0.05 per cent</td>
</tr>
<tr>
<td>Disability Benefits</td>
<td>18-69</td>
<td>JOD 40</td>
<td>15.9</td>
<td>JOD 90m</td>
<td>0.28 per cent</td>
</tr>
<tr>
<td>Pension Tested Old Age Benefit 70</td>
<td>70+ (reducing to 65+ by 2027)</td>
<td>JOD 40</td>
<td>15.9</td>
<td>JOD 80m</td>
<td>0.22 per cent</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td>JOD 280m</td>
<td>0.82 per cent</td>
</tr>
<tr>
<td><strong>Option 2 (More ambitious)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Child Benefit</td>
<td>0-10 in Year 1 (rising to 0-17 by 2029)</td>
<td>JOD 15</td>
<td>6</td>
<td>JOD 450m</td>
<td>1.28 per cent</td>
</tr>
<tr>
<td>Child Disability Top-up</td>
<td>0-17</td>
<td>JOD 25</td>
<td>9.9</td>
<td>JOD 20m</td>
<td>0.04 per cent</td>
</tr>
<tr>
<td>Disability Benefits</td>
<td>18-69</td>
<td>JOD 40</td>
<td>15.9</td>
<td>JOD 90m</td>
<td>0.28 per cent</td>
</tr>
<tr>
<td>Old Age Pension</td>
<td>70+ (reducing to 65+ by 2027)</td>
<td>JOD 40</td>
<td>15.9</td>
<td>JOD 130m</td>
<td>0.39 per cent</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td>JOD 690m</td>
<td>1.99 per cent</td>
</tr>
</tbody>
</table>

The following sections examine each of the proposed schemes outlined above, followed by a summary of the overall costs of the schemes up to 2050.

**4.2.1 Universal Child Benefit**

Childbirth is arguably the biggest lifecycle challenge many households experience. The first 1,000 days of childhood are particularly vulnerable and are the most significant period in a child’s

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69 The proposed universal schemes are assumed to reach 100 per cent of children, 60 per cent of older persons in option 1, and 100 per cent of older persons in option 2. It is assumed that 1.5 per cent of children would access a disability benefit, and 3 per cent of working age adults.

70 Only those, initially above the age of 70, who do not receive contributory old age benefits will be eligible. It is estimated that 60 per cent of older persons in Jordan do not receive contributory old age benefits as 60 per cent of employed adults work in the informal sector and are not eligible for contributory benefits. Only 46 per cent of employed men and 10 per cent of employed women are covered by the contributory old age pension.
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development. Without sufficient access to nutrition and care during this vital period, children will never reach their full potential due to the irreversible consequences of micro-nutrient deficiency, stunting and wasting on cognitive development.

Universal child benefits provide families with an income supplement, allowing them to make important investments in the wellbeing and development of their children from the earliest years of life. Once children reach school age, universal child benefits (UCB) enable parents to send children to school, reducing the risks associated with engaging in harmful child labour activities to support family income. Such benefits also ensure children do not attend school hungry, in turn increasing learning potential. Further, income supplements designed for children better enable parents to invest in care at home, providing an environment that supports wellbeing. This is achieved in many ways, but most importantly through increased time for interaction between children and their parents who are less likely to face income-related stress. Reduced income stress has also been associated with reduced violence in the household, creating a safer and more stable environment for a happy childhood to flourish.

In Option 1 the child benefit is valued at JOD 12 (USD 16.90), on a monthly basis, equivalent to 4.9 per cent of GDP per capita.\textsuperscript{71} Option 2 proposes a benefit valued at JOD 15 (USD 21.15), on a monthly basis, equivalent to 5.6 per cent of GDP per capita. The benefit can also be indexed to inflation to maintain its intended purchasing power over time.

The two options vary in the age of eligibility in the initial year of roll-out. Option 1 is provided at lower cost as it would initially be provided only to children aged 0-2 years in the first year of implementation. This would then increase year on year as new-borns are enrolled each year and not taken off until their 18\textsuperscript{th} birthday, as illustrated in Figure 4-3. Through this incremental approach, Option 1 would reach all children until they reach the age of 18 by 2037.

Figure 4-3: Illustration of Option 1 and 2, where children enter the child benefit at a young age and remaining on the scheme until their 18th birthday

\textsuperscript{71} Child benefit values around the world vary significantly. Average monthly values range between 4-6 per cent of GDP per capita.
As illustrated in Figure 4-4, initial investment for Option 1 will require 0.27 per cent of GDP, or JOD 90 million, in 2022, rising to 1.13 per cent of GDP in 2035, by which time all children up to 16 years of age will receive monthly benefits. Option 2 proposes to reach all children 0-10 years of age from the outset of the programme, covering all children up to 18 years of age by 2029. This remains a cost-effective option at 1.28 per cent of GDP, or JOD 450 million, in the first year, increasing up to 1.7 per cent of GDP in 2029, before falling to 1.57 per cent by 2035.

Figure 4-4: Level of investment required for the proposed Universal Child Benefit, as a proportion of GDP

Proposed costs for these options are comparable with child benefits provided by governments in various contexts. The level of investment proposed for Option 1 is well below the global average of 1.1 per cent of GDP, while higher-cost Option 2 remains less than half of expenditures on child benefits in European countries, which invest 2.5 per cent of GDP. At an initial investment of 0.27 per cent of GDP for Option 1 and 1.13 per cent of GDP for Option 2, both proposed options are in line with the successful approaches and strategy many other countries have taken to build comprehensive and universal child benefits schemes.

4.2.2 Universal Disability Benefits

Jordan should prioritise the provision of disability-specific benefits for children and working age adults with disabilities to ensure they can meet the additional costs of living with a disability. Persons with disabilities need to spend more than people without disabilities to facilitate access to basic services, such as therapeutic, transportation and medical services. People with disabilities also face additional costs associated with insurance, equipment, assistive devices and even food and electricity. As such, people with disabilities are likely to experience a lower standard of living than others who may be on a similar benefit or wage level. Disability benefits are needed, in some cases, on top of other benefits, to address the additional costs associated with disabilities to more effectively level out inequalities.

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72 To estimate costs into the future, it has been assumed that the economy will grow by 2.7% in 2022, 3.1% in 2023 and 3.3% from 2024 onward in line with IMF projections.

73 ILO (2017).
With disability benefits being an essential core lifecycle social security benefit, it is proposed that such benefits are provided to all children with disabilities up to 17 years of age. Child disability benefits provide children with disabilities, their families and caregivers with an income supplement that is vital to ensure their additional costs to access basic services such as education including the assistive devices and special transportation that may be required to attend. Because the aim of child disability benefits is different from universal child benefits, they need to be offered in addition, and as a top-up, as proposed in both Option 1 and 2.

Following the child disability benefit, all working age adults with disabilities would receive an adult disability benefit up to the age of retirement, when they become eligible to receive the old age pension. Disability benefits for working age adults aim to cover the additional costs of living and remove barriers to engage in the labour market, which also incurs the extra costs associated with travelling to and from work, and any assistive devices that may be required to perform duties at work. However, in some cases adults with disabilities are unable to work for a variety of reasons. Severe disabilities can stop adults from working, while in other cases their disabilities earlier in life stopped them from accessing education, making them less able to compete for employment opportunities on an equal basis. It is important to note that benefits for persons with disabilities must not stop at retirement age. Accordingly, the benefit-tested and universal pension options, discussed below, will provide coverage to all older people with disabilities as well as older people without disabilities.

Both options reflect the necessity to provide people with disabilities with regular, predictable and reliable benefits to absorb some of the additional costs of living, associated with disabilities throughout the lifecycle. Both options provide a total amount of JOD 40 (USD 56) per month equivalent to 16.3 per cent of GDP per capita to all people with disabilities, throughout their life. For children with disabilities the total of JOD 40 per month is reached through a combination of the universal child benefit plus a child disability benefit, as a top up. While this level of benefit may in some cases be lower than current levels provided by the NAF, it is in line with the level of a typical benefit in other upper-middle income countries where values range from 10 to 20 per cent of GDP per capita. Malaysia, for example, provides a benefit level equivalent to 11 per cent of GDP per capita, while Armenia provides a benefit of about 18 per cent of GDP per capita.74

As outlined in Figure 4-5, Option 1 and 2 have similar costs, with child and adult disability benefits requiring an initial investment of only 0.33 per cent of GDP and 0.32 per cent of GDP, both costing roughly JOD 130 in year one. This level of investment remains very cost-effective in comparison to over 80 per cent of high-income countries, where investments in disability benefits are at least 1 per cent of GDP or higher. Seven low to middle income countries – Brazil, Georgia, Kyrgyz Republic, Mauritius, Namibia, South Africa and Uzbekistan – invest more than 0.3 per cent of GDP in disability benefits. However, when social insurance benefits are factored in, some countries spend much more; Brazil, for example, invests 1.5 per cent of GDP in disability benefits while Uzbekistan invests 1.4 per cent of GDP.75

74 ILO (2019).
4.2.3 Old Age Pension

Reliable income security in old age is key to ensuring dignity for all women and men in Jordan throughout the lifecycle. Without access to a regular, predictable and reliable income in old age, women and men in Jordan will risk not being able to meet their basic needs, live autonomously and be healthy. While pensions are essential to guarantee a minimum income and autonomy in old age, international evidence shows that the benefits of pensions are shared throughout extended families, with pensioners allocating a significant portion of their income to support grandchildren. For example, in South Africa pensions received by older women had a significant impact in stunting and wasting outcomes for girls, to the extent that pensions fully closed the gap in physical stature between the average South African and American girls. A reliable minimum income in old age also enables older persons to make investments in income generating opportunities suitable for them, while also continuing to contribute to aggregate demand. As such, a combination of universal tax-financed and contributory pensions must be considered part of every country’s core lifecycle programmes and, indeed, many governments make their initial investments in social security count toward guaranteeing income security in old age. At least 113 high, medium and low-income countries provide a minimum income in old age, with 78 countries offering coverage of over 90 per cent of those above retirement age.

In line with the experience of many other countries, both options proposed ensure a minimum income for all older persons in Jordan. Option 1 provides a slightly lower cost approach through proposing a benefit-tested pension, offering benefits to the estimated 60 per cent of older persons over the age of 70, who do not currently receive contributory old age benefits. Option 2 proposes to provide benefits on a universal basis to all older persons over the age of 70, regardless of whether they receive other contributory pension income. Both options reduce the age of eligibility from 70

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76 To estimate costs into the future, it has been assumed that the economy will grow by 2.7% in 2022, 3.1% in 2023 and 3.3% from 2024 onward in line with IMF projections.
78 Tran, A., (2021).
down to 65 in 2027, and both provide a benefit level of JOD 40 (USD 56) equivalent to 16.3 per cent of GDP per capita.

This proposed transfer level is in line with countries like Ireland, Italy, Tajikistan and Timor-Leste where pension benefits are between 15 and 20 per cent of GDP per capita.46 As Jordan invests in a much needed expansion of the social insurance pension administered by the SSC, over time a growing number of older people will receive contributory pension income through this multi-tiered system, providing an opportunity for policymakers in Jordan to explore reducing costs through the benefit-tested approach outlined in Option 1.

As illustrated in Figure 4-6, Option 1 would require an initial investment of 0.22 per cent of GDP, or JOD 80 million in year one. When the age of eligibility gradually reduces to 65 in 2027, costs will increase to 0.40 per cent of GDP. Option 2 would require an initial investment of 0.39 per cent of GDP, or JOD 130 million, in year one, increasing to 0.67 per cent of GDP in 2027 when the age of eligibility reduces to 65 years of age. This falls below much higher levels of investment among high-income countries, but also below the expenditure of many countries across the Global South where investments are typically more than one per cent of GDP.

**Figure 4-6: Level of investment required for a Universal Old Age pension, as a proportion of GDP**  

Source: ISSPF costing tool (2022).

### 4.2.4 Overview of the proposed core lifecycle social security benefits

Establishing a core lifecycle, tax-financed social security system that protects all children, persons with disabilities and older people in Jordan can be done incrementally to provide full coverage over time, or at a faster pace, as outlined in Options 1 and 2 above, respectively. Figure 4-7 highlights the overall level of investment required to implement both Option 1 and 2. Option 1, which proposes an incremental approach to roll out child benefits starting with coverage from 0-2 years of age, and a benefit-tested pension, will require an investment of 0.82 per cent of GDP, or JOD 280 million, in the

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46 ILO (2019).

80 To estimate costs into the future, it has been assumed that the economy will grow by 2.7% in 2022, 3.1% in 2023 and 3.3% from 2024 onward in line with IMF projections.
first year of the programme, in 2022. This will increase to 1.33 per cent of GDP in 2027, and 1.99 per cent of GDP in 2035. Option 2, which proposes an incremental approach to roll out child benefits starting with all children 0-10 and a fully universal tax-financed pension will require an investment of 1.99 per cent of GDP, or JOD 690 million, in the first year of implementation. This cost would then rise to 2.53 per cent of GDP by 2027, and, by 2035, to 2.84 per cent of GDP. As such, both options provide duty bearers and civil society in Jordan with options that are affordable at the outset and remain affordable over time. For example, Nepal, a much poorer country than Jordan, currently invests around 1.6 per cent of GDP in its tax-financed schemes while South Africa, which is similar in wealth to Jordan, invests 3.4 per cent of GDP.

Figure 4-7: Overall level of investment required to establish the core, lifecycle social security schemes, as a proportion of GDP

Both options provide high levels of coverage over time. In 2022 Option 1 would reach 601,000 direct recipients, increasing to 2.3 million in 2031. Option 2 would reach 2.4 million direct recipients in 2022 and 3.5 million by 2031. These direct recipients would be spread across households and the proportion of households receiving at least one core lifecycle tax-financed social security benefit would be high. As shown in Figure 4-8, as Option 1 expands over time, with the percentage of the population living in a household that receives one benefit increasing. In 2022, during the first year of implementation, Option 1 will already reach 62 per cent of households in the lowest consumption decile, while reaching 15 per cent of households in the top consumption decile. In 2031 when the Option 1 reaches all children 0-12, all persons with disabilities and all older persons who do not receive other pension income above 65 years of age and above, the inclusive system will reach 97 per cent of households in the lowest decile, while reaching only 33 per cent of those in the highest decile.

In 2022 Option 2, which provides coverage for children up to 10 years of age, full disability coverage and old age coverage starting at 70 years of age, will reach 95 per cent of households in the lowest decile, and 45 per cent of households in the highest decile. After 10 years of implementation when Option 2 reaches all children up to their 18th birthday and all older persons 65 years of age and above, 99.8 per cent of the population in the poorest decile and 78 per cent of the population in the highest decile will be reached. As such, the carefully designed lifecycle social security systems
outlined in this paper provide policymakers in Jordan with solutions to ensure the highest levels of coverage for low-income families and other vulnerable families, while not excluding other important members of society who also contribute taxes and resources toward government revenues.

**Figure 4-8: Percent of population living in households receiving benefits in various years of expanded implementation, by consumption decile**

![Coverage of households by consumption decile](image)

*Source: 2013 HEIS.*

Not only will the proposed options allow duty bearers to ensure the highest levels of coverage among low-income households, but they will also see the highest impact on consumption among Jordan’s lowest consumption deciles. For example, as shown in Figure 4-9, households in the lowest consumption deciles will see a 10.6 per cent potential increase in overall consumption under Option 1 in 2031. In this same scenario, households in the highest consumption decile will experience a potential increase of only 0.4 per cent. Within this scenario, the potential consumption growth from baseline is more than 20 times higher for households in the lowest decile than for households in the highest decile. Option 2, in its first year of implementation, will potentially increase consumption by about 17 per cent for households in the lowest decile and 1.8 per cent for households in the highest decile. For households in the poorest decile, this could add up to nearly a week of additional average consumption a month.
While this additional consumption will automatically cushion the impact of shocks at the household level, the broad extent of coverage of these options achieve will provide the Government of Jordan with a strong foundation to respond to health, climate, economic and social shocks. Putting the proposals outlined in this paper in place prior to a crisis will leave the Government better prepared and with more options to respond quickly and efficiently through scaling up what is already in place, as discussed in Section 4.3.

4.3 Additional measures to consider for a more equitable system

With core inclusive lifecycle schemes in place for children, persons with disabilities and older people, the Government can provide further tailored support options according to current and future development objectives. This section explores four additional considerations that could be rolled out depending on the fiscal space and political environment.

Extending coverage to refugees

As discussed in Section 2.7, Syrian refugees comprise 13 per cent of the population of Jordan and, alongside the Government of Jordan, the international community plays a key role in providing protection, resettlement and assisting women, men, girls and boys from Jordan to meet their basic needs.

Jordan’s contributory social security schemes for working age adults are currently mandatory for everyone working in Jordan’s formal economy. While this provides a great start, most non-Jordanians, nearly 85 per cent of whom work in the informal economy, are unable to contribute to these important schemes. As such, the Government should explore options to extend social security to this particularly vulnerable population. The three tax-financed programmes proposed above could initially be rolled out for Jordanians and permanent residents, expanding thereafter to registered...
refugees. As such, refugees who are children, persons with disabilities or older people would be eligible for the schemes on the same basis as others.

With cost-effectiveness a key concern for duty bearers in Jordan, this option could be rolled out in close cooperation with the international community. While this important cooperation could take many forms, one way forward could be to engage the Government’s systems to store recipient data while using existing systems and funding mechanisms of international organisations to deliver monthly benefits. This approach could support a well-coordinated effort that avoids duplication and ensures government ownership, thereby extending the social contract to refugees.

**Personal Independence payments for persons with disabilities**

The options presented above include disability specific benefits for children and working age adults. The disability benefit for children is provided as a top up to the universal child benefit, designed to cover the additional costs of life of living with a disability. This same approach, referred to as a personal independence payment, could be provided throughout the lifecycle to all persons with disabilities, of all ages. For example, duty bearers in Jordan could consider providing personal independence payments to older persons with disabilities, as a top up to the universal old age pension, providing support to cover the additional costs of life associated with disability.

**Savings for continuing education**

As Jordan’s economy grows, increasing enrolment in post-secondary, technical, and vocational education will become necessary to enhance the productivity of the labour force. As universal child benefits end at 18 years of age, creating savings schemes to support continuing education is important to encourage access and build a workforce with the skills needed to ensure the competitive edge needed in a 21st Century globalised economy.

One option the Government could consider is establishing tax-free savings accounts in which parents and caregivers can make tax-free deposits up to a specified and eligible amount. These accounts could receive interest at the national rate or grow in value to offset inflation through investment in bonds and other options. All investment earnings and withdrawals could remain tax-free provided they are allocated to educational expenses, such as university or technical and vocational education and training tuition fees.

This option will encourage and help families to plan for this important investment in their future, and in the economy, while allowing them to continue to meet their basic needs during this period.

**Extending parental and childcare benefits**

As discussed in Section 2.4, working age women in Jordan experience one of the lowest labour force participation rates in the world, with only 14 per cent actively engaged. Women’s labour participation has remained low even during times of economic expansion with women continuing to perform unpaid work in the home. While this is partially due to cultural norms, a recent study found that for more educated women, low labour force participation and high levels of unemployment is driven by the lack of opportunity for women in a small and undiversified private sector that is unable to accommodate women’s need for work and family balance. As such, the extension of parental benefits, including maternity benefits and universal childcare could directly address this barrier for women. While the extension of maternity benefits, and universal childcare, needs to be prioritised for women in Jordan, they alone will not fully address barriers to access paid work opportunities.

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81 Semiray, K., et al. (2019).
outside the home. Paternity benefits are also an important part of the solution. Providing both parents with equitable benefits can promote gender equality.

Prevention and preparedness

The core lifecycle schemes proposed above provide a platform for prevention and preparedness for crises, including those related to health, like COVID-19, as well as climate, economic and social shocks. Inclusive lifecycle schemes build in a level of prevention to cushion people and the economy from the full brunt of shocks, as illustrated in Figure 4-10. Through supporting aggregate demand, social security acts as a macro-economic stabiliser, cushioning the impact of various shocks and promoting a faster recovery.

Figure 4-10: Diagrammatic representation of how a large-scale stimulus packages based on an expansion of the social security system would support economic recovery from the COVID-19 crisis.

Establishing a comprehensive social security system prior to a crisis will leave duty bearers in Jordan with more options to respond quickly through scaling up existing schemes. With a foundation of core lifecycle social security schemes in place that protect children, persons with disabilities and older people, duty bearers in Jordan will need to agree on early warning indicators to monitor and set thresholds upon which to trigger different types of scale-up. This could, for example, be done by monitoring market prices and setting an inflation-based threshold upon which vertical top-ups are provided. This can be implemented by geographic area according to where market price volatility is occurring and, potentially, in real time. Another example includes monitoring rainfall or other climate data in agriculture-dependent areas against thresholds and timelines historically required for

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82 This graph is a modified version of a graph that appeared in World Bank (2020).
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a successful harvest. Instead of waiting for the economic fallout to hit families and communities, a top-up to various schemes could be provided to avoid it altogether.

This is another space where the Government can cooperate with the international community, particularly to jointly mobilise additional funds for response, and coordination on the monitoring of agreed indicators included within a national early warning system.
5 The fiscal space for investing in core social security

Even within a context of high budget deficits in Jordan, both options provide the opportunity to achieve savings while improving the quality and coverage of the social security system in Jordan. As outlined in Table 5-1, the latest publicly available data from 2018 indicates that the Government of Jordan allocated 0.3 per cent of GDP to NAF programmes, 0.6 per cent of GDP to bread subsidies, also within the scope of the NAF, 1.5 per cent of GDP to electricity subsidies and 1.7 per cent of GDP to water subsidies. As such, a total of 0.9 per cent of GDP was allocated to programmes within the scope of the NAF in 2018 and an additional 3.2 per cent was allocated to meeting other basic needs, for a total of 4.1 per cent of GDP.

Table 5-1: Jordan Central Government Expenditures in 2018

<table>
<thead>
<tr>
<th>Scheme</th>
<th>Per cent of GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Aid Fund Schemes</td>
<td>0.3</td>
</tr>
<tr>
<td>Bread Subsidies</td>
<td>0.6</td>
</tr>
<tr>
<td>Electricity Subsidies</td>
<td>1.5</td>
</tr>
<tr>
<td>Water Subsidies</td>
<td>1.7</td>
</tr>
<tr>
<td>Total</td>
<td>4.1</td>
</tr>
</tbody>
</table>


While expenditures from 2018 can provide an indication of current expenditures, it must be noted that, in 2019, the NAF introduced the new Takaful programme, which has increased the coverage of NAF’s permanent programmes by almost 90 per cent. As such, the NAF budget is much higher today. Great care has been taken to provide and design proposals and solutions to meet the objectives of the NSPS while fitting within existing cost structures. To this aim Option 1, at 0.82 per cent of GDP in the first year, falls below 2018 expenditures on programmes associated with the NAF. In line with Jordan’s increasing national debt concerns, Option 2, at 1.99 per cent of GDP has been designed to create substantial savings on 2018 expenditures on the NAF and other subsidies.

Considering that the NAF’s expenditures will have increased from 2019 onwards, these proposals provide the Government with the option of achieving cost-efficiency while also dramatically increasing coverage and protection for women, men, girls and boys in Jordan with programmes they can easily understand. The simple design of lifecycle social security schemes, that provide rights-based benefits, contribute to their sustainability over time. When compared to poverty-targeted schemes, inclusive, lifecycle social security schemes increase fiscal space for social security as a whole as they generate broad public support. As such, they also offer higher value transfers to recipients and have much higher quality implementation. Particularly in democratic contexts like Jordan, politicians can benefit politically from inclusive schemes, meaning they are more likely to invest in them over time. This is unlikely to happen if social security schemes are targeted only at those living in poverty, who are the least likely to vote. If implemented, the cost-effective proposals in this paper will go much further than addressing poverty and in a more comprehensive way than it has ever been addressed in Jordan before, enabling the Government to unleash the potential of social security to meet a variety of diverse development objectives, including through strengthening the social contract and driving greater economic growth.

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84 See Kidd, S. (2015) for an analysis and further evidence on the political economy of targeting and discussion on how universal lifecycle schemes increase fiscal space for social security.
6 Conclusion

Jordan’s social security system currently leaves many behind. Despite offering, as Jordan’s NSPS highlights, “a jumbled plethora of separate [tax-financed] programmes with similar goals, resulting in inefficient spending on duplicated efforts,” a majority of low-income families receive no benefits at all. The country’s social insurance schemes also face wide gaps in coverage, leaving nearly half of older persons without access to a pension, and nearly all workers without access to income security during unemployment. To close these gaps, the NSPS lays out reforms that would see forward a much-needed expansion social insurance, but narrow the scope of tax-financed benefits to reach only the poorest in an attempt to ensure a basic level of consumption with dignity.

This paper proposes an alternative way forward, focusing on prioritising the reform of core, lifecycle-based tax-financed schemes as a fundamental component of an effective multi-tiered social security system. Redirecting attention to core entitlements on a universal basis – such as tax-financed child benefits, disability benefits and old-age pensions – not only better reflects the needs of the majority of employed women and men in Jordan, most of whom cannot make contributions to social insurance schemes. Further, it will be a more effective tool for reaching “the poor” than so-called “anti-poverty” programmes. The paper presents the Government and civil society with the systematic failures of poverty targeting, across contexts, and provides solutions and options to incrementally build universal, core lifecycle schemes that will protect all children, persons with disabilities and older persons in Jordan, on a basis of equity and equality. These cost-effective options provide an opportunity to unleash the potential of social protection to meet diverse development objectives, if carefully designed.


Bibliography


Bibliography


Bibliography


