



▶ Opportunities for extending social security coverage in Jordan

Executive Summary

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In an effort to ensure social protection, the Government of Jordan seeks to increase coverage of contributory social security among workers. Policy actions can help achieve its goal in a fiscally and politically feasible manner if they are tailored to the Jordanian context, which is in some ways distinct from the global norm. Globally, lack of access to social security is primarily associated with self-employment and daily wage labour and often impacts rural residents and women disproportionately. In Jordan, however, most of the workers who lack access to social security are employees in long-term employment arrangements, most are urban, and most are male – factors that reflect the Jordanian economy as a whole.

This report analyses the main constraints to social security coverage in Jordan and outlines a range of policy approaches to address those constraints.¹ Three key findings emerge from the analysis. Firstly, the large majority of workers lack de facto social security coverage owing to gaps in compliance and enforcement of regulations; less than a quarter of unregistered workers are excluded de jure. Secondly, citizenship is a strong determinant of SSC registration. Jordanians are significantly more likely to be registered with SSC, no matter what type of job they hold. Thirdly, apart from nationality, unregistered workers

¹ The statistical analysis in this note is based on the Department of Statistics' Labour Force Survey for 2018 wherever possible. It is supplemented by data from the Household Income and Expenditure Survey for 2017/2018. Both the LFS and the HIES are based on interviews with workers. Unfortunately, the establishment-based survey does not include informal establishments. As a result, we are unable to analyse the characteristics of establishments that do not register their employees with SSC. Information on the size of establishments that do not register their employees with SSC, for example, would be very useful as policymakers try to expand coverage. In the case of establishment size, we can only base analysis on the employees' estimates, which are indicative at best. (Among employees who are not registered with SSC, 61 per cent said they do not know the number of employees where they work, 26 per cent said that there are fewer than 10 employees, 8 per cent said there were between 10 and 49 employees, and 4 per cent said there were 50 or more employees).

broadly reflect the workforce as a whole. Workers with long-term contracts, service sector workers, and residents of urban areas comprise the bulk of unregistered workers.

This note summarizes a longer report which was prepared for the ILO Regional Office for Arab States by Susan Razzaz, under the supervision of Luca Pellerano and Meredith Byrne, in the context of PROSPECTS, the “Partnership for improving prospects for forcibly displaced persons and host communities” (PROSPECTS), which is funded by the Government of the Netherlands. The partnership brings together the International Labour Organization (ILO), the International Finance Corporation (IFC), the UN Refugee Agency (UNHCR), the UN Children’s Fund (UNICEF) and the World Bank to devise approaches for inclusive job creation, education and protection in the context of forced displacement across eight countries in East and North Africa and the Arab States.

Statutory coverage of social security in Jordan ²

The Social Security Law (No. 1 of 2014) provides for legal (de jure) coverage for schemes that fall under the mandate of the Social Security Corporation, namely, old age, disability and death insurance, work injury, maternity insurance and unemployment insurance. The law requires coverage of employees “without any discrimination as to nationality, and regardless of the duration or form of the contract” and regardless of the number of employees in the establishment. A few categories of employees are, however, excluded from mandatory (de jure) coverage based on their contract type or sector of work, namely, employees working 16 days or less per month,³ most agriculture workers and domestic workers. Own-account workers, employers and contributing family workers may obtain coverage from the Social Security Corporation if they wish, through the “voluntary programme”, although coverage under this scheme is restricted to Jordanians only.

Across the board, 26 per cent of workers operate in sectors that are excluded from the scope of legal coverage,⁴ while 41 per cent of workers in sectors that should be de jure covered are not registered with SSC. In the majority of cases, lack of access is due to non-compliance with the law, rather than a gap in legislation.

De facto coverage of workers in Jordan⁵

Employment status, sector and occupation of work, contract type and nationality are all variables that determine coverage rates among workers in Jordan. Contrary to global trends, employees are the largest category of workers without coverage; however, the relative number of employees, when compared to those with a different employment status, is high. Contributing family workers and own-account workers, who make up only 8

² Analysis of coverage rates (the share of various groups of workers who are registered with social security) is also useful and is provided in the Annex.

³ As per Article 4 of the Labour Law, additional categories are excluded from mandatory coverage, including civil servants and military staff who were hired prior to the merging of the social security programme.

⁴ This reflects the total number of employees in agriculture and activities where a household is the employer, such as domestic work, divided by the total number of employees in the Jordan Labour Force Survey, 2018. Employees outside these sectors may still not be covered, based on the length of their contracts and other employment characteristics.

⁵ Analysis of coverage rates (the share of various groups of workers who are registered with social security) is also useful and is provided in the Annex.

per cent and 1 per cent of Jordan’s workforce, have coverage rates of only 22 per cent and 8 per cent respectively. This compares to a 52 per cent coverage rate among employees.

Figure 1. Employment status of workers lacking coverage.

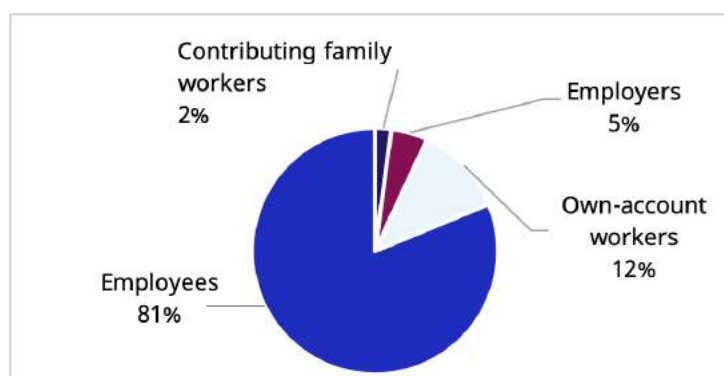


Table 1. Coverage rates by employment status.

Employment status	Coverage rate	Share of employment status among all workers
Employees	52% (48% of employees lack de facto coverage)	87% (87% of all workers in Jordan are employees)
Own-account workers	22% (78% of own-account workers lack de facto coverage)	8% (8% of all workers in Jordan are own-account workers)
Employers	30% (70% of employers lack de facto coverage)	4% (4% of all workers in Jordan are employers)
Contributing family workers	8% (92% of contributing family workers lack de facto coverage)	1% (1% of all workers in Jordan are contributing family workers)

Only a small portion (26 per cent) of those not covered by social security work in sectors that are excluded under the Social Security Law. This is partially because the share of workers in these sectors is low, when compared with the share of workers in the public sector, administration and trade. The largest majority of uncovered workers are in services, construction and manufacturing – sectors for which social security coverage is required by law.

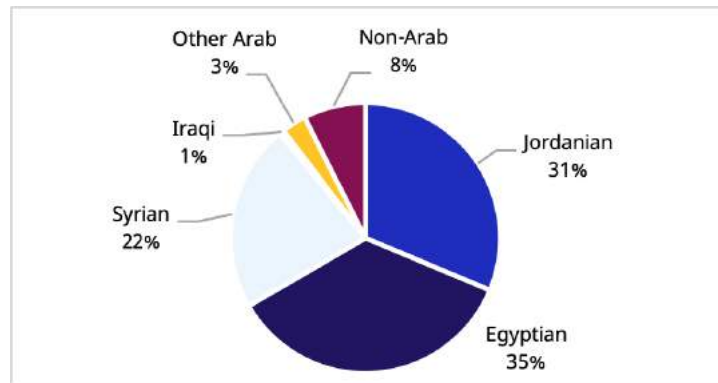
Table 2. Coverage rates by sector, from the lowest to highest coverage rates.

Sector	Coverage rate	Share of sector among all employees
Agriculture	3% (97% of agriculture workers lack coverage)	4% (4% of all workers in Jordan are employed in the agriculture sector)
Domestic work	3% (97% of domestic workers lack coverage)	10% (10% of all workers in Jordan are employed as domestic workers)
Construction	11% (89% of construction workers lack coverage)	7% (7% of all workers in Jordan are employed in construction)
Administrative and support services	11% (89% of workers in administration and support services lack coverage)	7% (7% of all workers in Jordan are employed in administrative and support services)
Wholesale and retail trade	28% (72% of workers in wholesale and retail trade lack coverage)	11% (11% of all workers in Jordan are employed in wholesale and retail trade)
Electricity and gas	90% (10% of workers in the electricity and gas sector lack coverage)	1% (1% of all workers in Jordan are employed in the electricity and gas sector)
Education	92% (8% of all workers in the education sector lack coverage)	10% (10% of all workers in Jordan are employed in the education sector)
Finance and insurance	95% (5% of all workers in the finance and insurance sector lack coverage)	1% (1% of all workers in Jordan are employed in finance and insurance)
Public sector and defence	100% (100% of workers in the public sector and defence are covered)	20% (20% of all workers in Jordan are employed in the public sector and defence)

While the Social Security Law provides coverage to all workers, regardless of nationality or status, coverage rates are far lower among migrant and refugee workers. Jordanians comprise about a third of employees lacking coverage, with Egyptians comprising 35 per cent and Syrian refugees 22 per cent. This is significant because both nationalities represent a much smaller share of all employees, compared to Jordanians. Syrians only

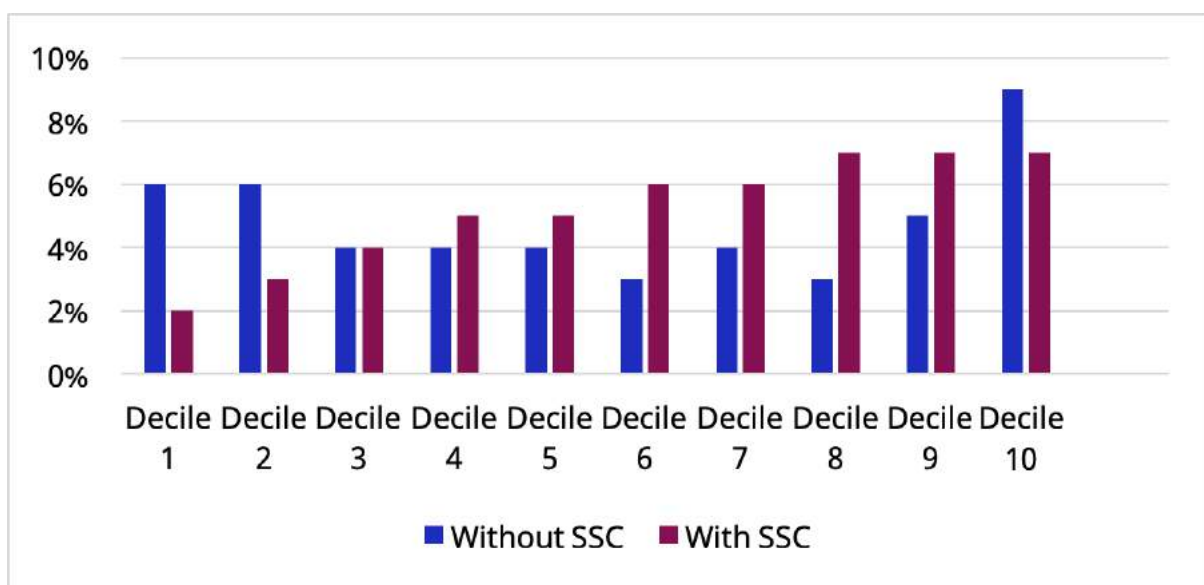
represent 11 per cent of all employees in Jordan but 22 per cent of all workers that are not covered. Nearly 94 per cent of all Egyptian workers and 96 per cent of Syrian workers lack coverage, compared with only 24 per cent of all Jordanian workers. Low coverage of non-Jordanians again reflects non-compliance with the law, rather than a gap in regulations: Jordanian labour law is based on the principle that workers of all nationalities have equal rights.⁶

Figure 2. Nationality of employees lacking coverage.



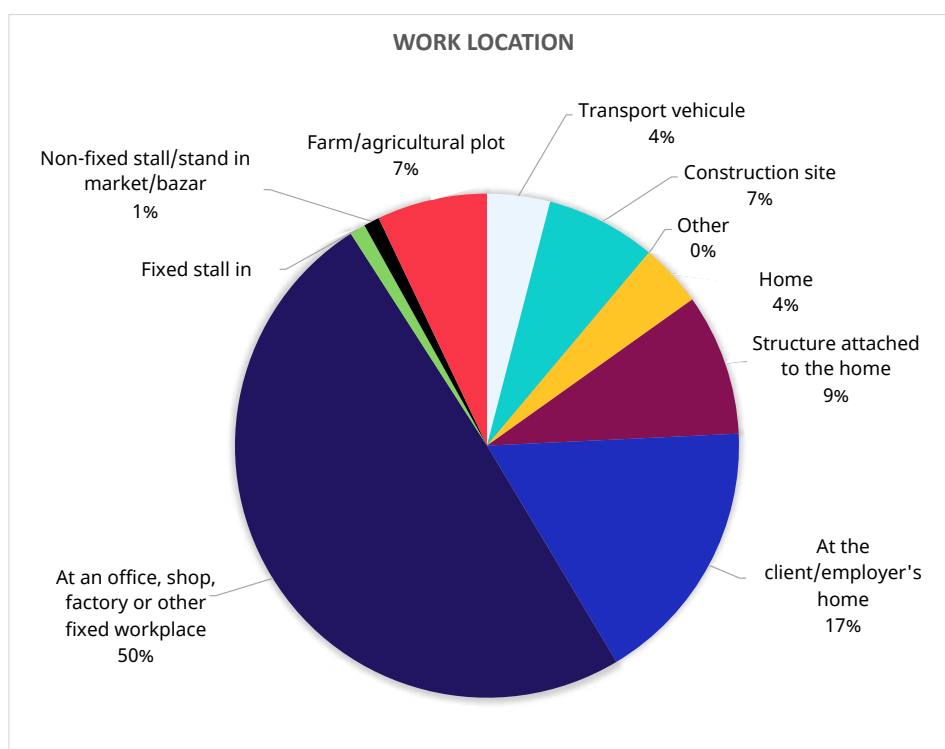
Those lacking coverage are also clustered at the poorest and richest ends of the income spectrum: social security coverage is highest among the middle class (Figure 3). This particularly reflects self-employment and temporary work arrangements that are more common among the highest and lowest classes respectively. This also means that not all uncovered workers are poor. Indeed, some with resources opt out of coverage for reasons related to poor incentives, lack of information and administrative procedures. Reflecting Jordan’s highly urbanized population, most workers who lack access to social security are in Amman and Irbid (Figure 4).

Figure 3. Social security coverage by economic class.



⁶ The exception is that non-Jordanians are ineligible for the existing optional SSC programme. See further discussion below.

Figure 4. Social security coverage by location.



The two sectors excluded from mandatory coverage – agriculture and domestic service – together constitute only 26 per cent of unregistered workers. The bulk of those who lack access to social security are in the service sector (Table 3.7). Similarly, fewer than 8 per cent of unregistered workers are excluded based on their status as day labourers: the large majority of those who lack access to social security are in long term employment arrangements.⁸

Coverage rates for Jordanian workers – the share of various groups of workers who are registered with social security – varies greatly with employment status. All in all, approximately 1 in 3 Jordanian workers are not registered with the SSC, but coverage rates are much higher for employees (more than 75 per cent are covered) compared with own-account workers and employers (less than 30 per cent covered). Among Jordanian employees, coverage rates are also lower for less stable forms of contract and for workers, and vary considerably by location of work and sector. Coverage rates are much lower for non-Jordanian workers, as only 7 per cent of them are registered in the SSC. The coverage gap between Jordanians and non-Jordanians is large for all categories of workers, including employees in long term contracts (only 10 per cent are registered with SSC). Additional detail is given in the full report.

⁷ It is important to note that coverage rates vary enormously from sector to sector. In the agriculture sector, for example, the vast majority of employees are not registered with SSC. Nevertheless, because Jordan's agriculture sector is so small, only 7 per cent of all employees who lack SSC work in agriculture. More than twice as many employees who lack SSC work in administrative and support services, owing to the fact that a very large share of employees work in administrative and support services.

⁸ By law, employees working 16 days or more are mandatorily covered by social security and are required to register.

Policy approaches related to compliance and enforcement

Several different types of constraints to social security coverage can be identified, based on international experience and the analysis presented above. The major challenges are in compliance and enforcement, with legislative gaps binding for between 15 per cent and 19 per cent of those lacking coverage. The report summarizes recommended approaches in three groups: policy approaches that address legislative gaps; policy approaches that address compliance and enforcement; and policy approaches that introduce new methods for coverage. More than one approach can be pursued in parallel as part of a multipronged strategy, as approaches are meant to complement and reinforce each other.

Policy approaches related to legislative gaps

Policy approach 1: Include agriculture and domestic work in standard labour and SSC regulations

Exclusion of agriculture and domestic work from standard labour and SSC regulations has created distortions in the labour market and is identified as a key reason Jordanian workers eschew agriculture work.⁹ Eliminating this legislative gap would result in the de jure coverage of almost 240,000 additional workers that are currently excluded by legislation.

Policy approach 2: Allow non-Jordanians to participate in the existing “voluntary” SSC programme

In addition to the basic programme, the SSC has a “voluntary” programme, initially designed for the self-employed but available to all Jordanians, including those excluded based on sector or duration of employment. Non-Jordanians, however, are not permitted to participate. Eliminating this legislative gap could allow some non-Jordanian workers to access social security.¹⁰

Policy approach 3: Expand the scope of mandatory coverage for all employees employers and self-employed workers

Establish mandatory coverage of employers and own-account workers, - in line with and expanding from scope of coverage bylaws for self-employed coverage approved in 2020 so as to overcome the limited effectiveness of the current “voluntary” scheme.

⁹ A common concern about extending mandatory coverage to agriculture is that many farmers (employers in agriculture) are poor or near poor. Although households that cultivate land (including employees and self-employed) are roughly representative of the population in the economic class (8 per cent are in the bottom quintile and 11 per cent are in the top quintile), landowners are more likely to be wealthy (15 per cent in the bottom quintile and 24 per cent in the top quintile). Households that rent agricultural land are even more likely to be wealthy (13 per cent in the bottom quintile versus 29 per cent in the top quintile). (Calculations based on the Department of Statistics Household Income and Expenditure Survey 2017/2018.)

¹⁰ Although the voluntary programme was designed primarily for the self-employed (own-account workers and employers), all Jordanians – including employees, contributing family workers and even those who are not in the labour force – are permitted to participate. Among the approximately 650,000 non-Jordanian workers in Jordan, the large majority are employees – hence are generally covered in the main mandatory SSC scheme – with only 47,000 own-account workers, 4,000 contributing family workers and fewer than 1,000 employers.

Policy approaches related to compliance and enforcement

Policy approach 4: Prioritize enforcement efforts through more effective inspection systems

Develop an electronic system that provides real-time alerts regarding non-compliant employers and which prioritizes inspections based on analysis of the characteristics of employers most likely to evade Social Security regulations. Scarce resources for enforcement are most effectively used when directed to the types of establishments that have the greatest tendency to evade compliance, as well as those that are least costly to inspect. Several countries facing similar situations have developed instructions for identifying potential areas of non-compliance that have been used both in enforcement and in awareness raising.

Policy approach 5: Raise awareness

Develop an awareness-raising programme regarding Labour Law and Social Security coverage, with a focus on temporary employment arrangements and what constitutes an employment contract. A large proportion of workers in informal employment are in long-term temporary employment – and are covered by law (de jure) – but are not registered with the Social Security Corporation de facto. The extent to which employers and employees know that they are covered de jure is not known.

Policy approach 6: Enforce through other channels

Any government agency can be a convenient checkpoint for SSC compliance. Brazil verifies social security compliance for all enterprises prior to awarding government contracts. In Morocco, fishermen must be enrolled in social security in order to obtain a fishing licence.¹¹ Jordan is well-placed to implement coordination mechanisms across government entities, given the progress it has made in e-government services. In particular, the Jordanian government can develop automated verification of social security compliance as a prerequisite to receipt of government services such as subsidized water, tax exemptions, soft loans or participation in public procurement processes.

Policy approach 7: Simplify administrative procedures

Making administrative processes less confusing or less time-consuming can reduce many non-compliance problems, especially for those with low levels of education or low levels of income. Two types of adjustment have been particularly successful globally. Firstly, cell phone based payment of contributions have dramatically simplified the administrative process in Columbia, Côte d'Ivoire, Kenya, Tanzania, Turkey, Uganda, Uruguay and Zambia. This approach could easily be adopted in Jordan, considering that half of Jordanian consumers already pay bills online, at ATMs, or by cell phone. Secondly, combining SSC contributions with business taxes into a single payment has been very successful in Uruguay, contributing to ease of doing business in general and tripling SSC coverage within three years.

¹¹ See FAO (2019).

Policy approaches to providing new methods

Policy approach 8: Subsidize social security contributions for those unable to afford existing contribution rates

The fact that certain employees, employers or the self-employed may not be able to afford to participate in the standard social security programme does not mean that they are totally unable to make contributions. Many Jordanian workers fall into what is sometimes called the “missing middle” – those who are unable to afford the contributions of existing social security programmes but are not poor enough to qualify for anti-poverty programmes like the National Aid Fund. Schemes to subsidize social security contributions for certain categories of workers are common around the world. Subsidies are sometimes explicitly funded from the public budget and sometimes implicitly built in the design of the system through solidarity amongst members.

Policy approach 9: Redefine contribution-benefit relationship – particularly for long-term retirement pension

Ensuring with priority full and mandatory coverage of short-term benefits such as unemployment, sickness and maternity coverage for all workers currently excluded can respond to immediate needs, vulnerabilities and preferences of workers, as well as demonstrate the value of social security and build trust in the system.

Considering that the largest share of social security contributions is allocated to financing long-term retirement benefits, another approach to addressing lack of contribution affordability is to create multi-tier retirement schemes that allow for lower contributions along with corresponding lower benefits.

Policy approach 10: Collect contributions from other stages in the production value chain

In principle – and as evidenced in the empirical literature – social security contributions could be collected from anywhere along the value chain. The full cost of the final product is paid by the consumer, no matter where compensation is paid along the value chain.¹²

Several countries address challenges in collecting contributions by shifting the place where the contributions are collected in the value chain. In the Indian construction industry, for example, collection of contributions is cumbersome, owing to employment arrangements that involve several levels of subcontractors as well as a large amount of day labour. To address this challenge, contributions are collected in the form of levies paid by principal contractors based on the total value of the construction contract, successfully reaching more than 70 per cent of workers.¹³ Another successful approach has been to collect

¹² See Atkinson and Stiglitz, 1980; Kotlikoff and Summers, 1987; Fullerton and Metcalf, 2002. Extensive literature has empirically examined the impact of collecting social security from the employer versus the employee. Although there are variations (presumably related to awareness), the literature generally finds little impact on the total compensation received by the worker. That is, when contributions are taken from the employer, cash compensation (wages or salaries) are correspondingly lower and vice versa.

¹³ By collecting contributions from larger and more formal enterprises (further along the value chain) India's Worker Welfare Funds that collect social security contributions succeed in high compliance and simple enforcement. Coverage of construction workers reaches more than 70 per cent in many states, and similar programmes have been developed for agriculture and transport sectors in some Indian states.

contributions from recruitment and placement agencies, as done for Filipino migrant workers in several countries.

Policy approach 11: Develop approaches to ensure all residents of Jordan are covered by social security – whether through the Jordanian system or through their home country systems

Many countries require workers who are not citizens to be covered by social security – through local programmes or programmes in the worker’s home country.¹⁴ Coverage under host country systems is generally simpler and easier to verify. Some governments require use of host country systems even for seasonal workers as part of their overall efforts to control the number of migrant workers and their impact on the host economy.¹⁵

Where migrant workers are covered by host country systems, it is important to establish mechanisms to ensure migrant workers can become eligible to, and benefit from, social security despite the challenges that result from their mobility. Bilateral and multilateral Social Security Agreements (SSAs) are mechanisms adopted to enable coordination between social security schemes of two or more countries to ensure portability of social security entitlements accrued or in course of acquisition.

¹⁴ German legislation, for example, requires that migrant workers participate in the German social security programme unless they can prove they are covered in their home country. Belgium also requires coverage, with the option to use home country systems for workers who are in Belgium five years or less.

¹⁵ The Korean programme, which provides social security to seasonal migrant workers with contributions paid by both employers and employees, won the UN Public Service Award for its transparency and successful anti-corruption efforts.

Conclusion

A combination of complementary policy approaches will undoubtedly be needed to address the diversity of challenges that exist in Jordan. For example, filling regulatory gaps and clarifying ambiguities is undoubtedly important, but will not address challenges that are due to inadequate compliance and enforcement. A comprehensive strategy for the extension of social security coverage is required and will allow to articulate and prioritize key recommendations and measures at the different levels into a coherent action plan.

In developing such a strategy, it will be crucial in going forward that further effort is placed on two types of actions. Firstly, additional analysis will be needed to determine the extent to which workers and employers accurately understand their rights and responsibilities and to determine the financial implications of the various approaches. Secondly, and more importantly, public discussions – including government agencies as well as representatives of workers and employers, and particularly those representing workers in the informal economy – need to be held. Such discussions are essential to building a shared agreement on which policy approaches are consistent with Jordanian values and which are feasible, given Jordan's institutional and financial capacity.



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Statistical Annex

Percentages of each group lacking SSC coverage

	Jordanian	Non-Jordanian	All nationalities
Employment status			
Contributing family workers	90 %	99 %	92 %
Employers	65 %	96 %	70 %
Own-account workers	70 %	98 %	78 %
Employees	24 %	93 %	48 %
All employment status	31 %	93 %	52 %
Duration of employment agreement			
temporary daily agreement	98 %	99 %	99 %
temporary weekly agreement	99 %	100 %	100 %
temporary monthly agreement	64 %	98 %	84 %
temporary less than one year agreement	50 %	97 %	77 %
temporary one year or more agreement	43 %	94 %	72 %
permanent contract	14 %	87 %	30 %
Main industry (sector) of work			
Agriculture, forestry and fishing	91 %	98 %	97 %
Mining and quarrying	21 %	82 %	38 %
Manufacturing	37 %	90 %	55 %
Electricity, gas, steam and air conditioning supply	10 %	21 %	10 %
Water supply, sewerage, waste management and remediation activities	41 %	85 %	57 %
Construction	75 %	96 %	89 %
Wholesale and retail trade; repair of motor vehicles and motorcycles	62 %	92 %	72 %
Transportation and storage	54 %	81 %	56 %
Accommodation and food service activities	48 %	85 %	65 %
Information and communication	10 %	39 %	13 %
Finance and insurance activities	5 %	100 %	5 %
Real estate activities	32 %	NA	32 %
Professional, scientific and technical activities	19 %	65 %	24 %

¹⁷ As mentioned earlier, this data is based on surveys of employees, not of enterprises. For this reason, as well as the fact that 61 per cent of employees said they did not know how many employees are at their workplace, this data should be considered indicative only. ▶ 12

Administrative and support service activities	30 %	96 %	89 %
Public administration and defence; compulsory social security	0 %	8 %	0 %
Education	5 %	67 %	8 %
Human health and social work activities	8 %	71 %	14 %
Arts, entertainment and recreation	31 %	78 %	47 %
Other service activities	64 %	94 %	76 %
Activities of households as employers; undifferentiated goods and service-producing activities of households for own use	91 %	97 %	97 %
Activities of extraterritorial organizations and bodies	28 %	78 %	61 %
Estimated number of employees at the workplace¹⁷			
<10 persons	65 %	98 %	85 %
10–19 persons	23 %	97 %	41 %
20–49 persons	10 %	89 %	21 %
50–99 persons	5 %	88 %	19 %
100 persons and more	5 %	51 %	15 %
Gender⁹⁷			
Male	27 %	93 %	52 %
Female	11 %	88 %	29 %
Age			
15–19	59 %	96 %	77 %
20–24	30 %	91 %	46 %
25–29	23 %	93 %	48 %
30–39	19 %	94 %	49 %
40–49	22 %	93 %	47 %
50–59	24 %	85 %	42 %
60	35 %	92 %	56 %
Education			
Elementary or less	53 %	95 %	83 %
More than elementary but not more than secondary	31 %	94 %	53 %
More than secondary	10 %	83 %	23 %
Nationality			
Egyptian	NA	94 %	NA
Syrian	NA	96 %	NA
Iraqi	NA	68 %	NA
Other Arab	NA	76 %	NA
Non-Arab	NA	88 %	NA