



INTERNATIONAL LABOUR ORGANIZATION

Terms of Reference (ToR) for Consultant – Analysis of Labour Market Impacts of recent Social Security Reforms

March – June 2024 (tentative)

I. Background & Context

Assignment background

In collaboration with its partners, ILO will conduct analytical work on the nexus between labour markets, public finances, and the social security system in Jordan. The goal of the work is to analyse social security reform efforts from a longer-term perspective, understanding their impacts on macroeconomic trends, formalization, and implications for the social security system's structural financing position.

The focus of this research piece is analysis of recent SSC reforms that have reduced the contributory requirements for specific groups, with the aim of boosting employment. The study will estimate the labour market and social security impacts of recent regulatory changes affecting the social security contributions of different groups of workers.

Jordan and the social security system

The social security package in Jordan covers old-age, disability and death, work injury, maternity and unemployment. Monthly deductions total 21.75^a per cent of the wage, with 7.5 per cent borne by the workers and 14.25 per cent by employers. For a minimum wage salary of 260 JD, the total contribution amounts to 56.55 Jordanian dinars (around 80 USD) each month.

Jordan's economy has grown steadily in recent years, weathering the pandemic and global volatility with relative stability. Despite a generally positive outlook, there is significant weakness in the labour market with low rates of job creation and unemployment standing at 22.9% (youth and female unemployment is close to 50 and 30 percent, respectively).

Jordan's Economic Modernization Vision^b outlines the government's key priorities for the next decade. Chief among them is creating 1 million new jobs, and within this target, addressing the high rates of informality (more than 50% of Jordan's workforce operates in the informal economy).

^a The full contribution rate of 21.75 per cent is divided between the workers (total 7.5 per cent as 6.5 per cent for the old age, death and disability and 1 per cent for the unemployment) and the employers (total 14.25 per cent as 11 per cent for the old age, death and disability, 2 per cent work injury, 0.75 per cent maternity and 0.5 per cent unemployment).

^b <https://www.jordanvision.jo/en>

Jordan's Social Security Corporation (SSC) has deployed several measures in recent years to promote employment and extend social security coverage to workers in the informal economy. During the pandemic, SSC waived employee contributions for agricultural workers employed in "holdings"^c (only work injury and maternity leave employer contribution is required)^d. A legal amendment in early 2023 maintained these instructions. SSC Bylaw No. 104 of 2020 waived contribution for old-age insurance for workers in newly registered firms in the agriculture and IT sectors. The bylaw also introduced mandatory coverage of self-employed workers in certain sectors^e, establishing a tranche system for old-age contributions that permitted a selection of full or partial coverage for old-age insurance^f.

These sub-articles were subsequently cancelled in new amendments this year, although internal instructions are pending for their application. The amendments are intended to be retroactively applied, starting from January 1st, 2023. The 2023 legal amendment also added an exemption for workers under the age of 30, for up to 50% of the OADDI contribution, with the aim of boosting youth employment. This article remains in effect after the new changes.

Prior ILO engagement

In 2019, ILO issued a technical note on the labour market and social security impacts of a temporary exemption from social security contributions for young Jordanian workers. The analysis concluded that the proposal would yield, at best, small and temporary employment effects, due to anticipated indirect effects that would offset impacts on overall employment and formalization. Estimated employment elasticities do not necessarily translate into job creation in practice, in part because of the anticipated indirect effects: deadweight, job substitution, and job displacement.

Based on this analysis, ILO made recommendations to introduce the exemption policy on a test-case basis only in specific sectors, and subject it to a rigorous administrative, cost-benefit and impact analysis before considering extension to additional sectors after a reasonable period (e.g. 3 years) of implementation. ILO also advised to: a) give priority to sectors with highest social security coverage gaps and highest rates of informality where the exemption policy can be tested as a mechanism to facilitate extension of coverage, b) integrate with other demand and supply interventions to promote youth employment, c) develop a monitoring mechanism and incentive structure to discourage substitution effects and abuse.

For self-employed workers, in 2020, when measures were proposed to extend mandatory coverage to through a tranche system (later implemented through the SSC Bylaw No. 104 of 2020), the ILO presented analysis on the expected impact of these measures. The analysis showed that the new mechanism would likely result in under-reporting of earnings, in turn, affecting pension adequacy and placing financial pressure on the SSC. The analysis also showed that even

^c Agriculture Holdings are lands registered with the Ministry of Agriculture for the purpose of agriculture production. Holdings can have multiple agriculture firms on them (sub-leasing etc.), or be a single firm itself.

^d SSC Law No. (1) of 2014 and its amendments.

^e In 2020, the SSC adopted a bylaw to the Social Security Law that made coverage mandatory for self-employed workers in the agriculture, construction, transport, tourism, public service and maintenance and art and media sectors.

^f Social Security regulations specify five different pension contribution levels for which self-employed workers can contribute, at 10% of the full contribution, 25%, 50%, 75% or 100%.

without earnings under-reporting, the 10% and 25% tranches did not meet the minimum standards for the pension replacement ratio, stipulated by Convention 102.

Both schemes of the exemptions for the IT and agricultural sectors from the old age insurance for workers not exceeding 28 years of age, and the partial contributions of the self-employed mechanism were active from July 1st 2021 to January 1st 2023. The sub-article making provision for these schemes was cancelled in October 2023, with retroactive application from 1st January 2023.

The ILO has committed to support the SSC to generate evidence on the impacts of these schemes on enterprise creation, employment creation and formalization. The outcomes of the analysis will be used to inform dialogue on future initiatives and expansions considered.

II. Objective

Assignment objective

The purpose of this assignment is to analyse the reform initiatives from 2020 that reduced contribution rate requirements for self-employed persons and workers in newly registered firms in agriculture and IT, in terms of their impact on growth and their desired aim of increasing employment. Drawing lessons from this analysis, the study will estimate the impact of recent regulatory changes affecting social security contributions and benefits on participation in social security, employment and formalization.

Methods

The assignment will utilize a mixed methods approach, drawing on both quantitative and qualitative inputs, and can include the following:

- **SSC administrative data:** Analysis of SSC administrative data for new worker registrations. The study should seek to understand labour market dynamics resulting from the reform initiatives, to understand whether certain profiles benefitted more than others, and the prevalence of expected indirect effects. For the self-employed workers, the analysis should additionally identify tranche selection behaviour and earnings reporting.
- **Labour force survey data:** with qualifying workers, examine the employment outcomes of young workers during the exemption period, focusing on their mobility within and outside the identified sectors. A similar analysis can be done with qualifying enterprises, focusing on losses/gains in income, hiring and the types of jobs created, if any.
- **Survey data:** primary survey data of a sample of new workers registering under these reduced contribution rates. The survey data will build a more detailed picture of the worker profiles being impacted by the reform initiatives.
- **Qualitative study:** qualitative data collection such as interviews and/or focus group discussions. The data collection will highlight select cases of firms and workers, to offer further insights on how the reform initiatives have affected employment and enrolment

in social security.

The methods will correspond to the following main research questions:

For the exemption for workers below 28 years old in firms in the IT and agricultural sector:

1. To what extent has the exemption policy helped create enterprises and, in turn, enterprises create jobs for young workers?
2. To what extent has the exemption policy incentivized young workers and their employers to newly register in social security and therefore contributed to a reduction in informality?
3. Has the policy created any perverse incentives for enterprises that could affect the employment of other groups (e.g., older workers), i.e. evidence of a substitution effect?
4. What are the costs of the exemption (foregone contributions, administration), and are they justified by the benefits (enterprise creation, formalization, youth employment)?
5. What firm and worker characteristics within the specified groups favor up-take?
6. Do qualifying firms witness an impact on productivity that could be associated with the bylaw?

For the self-employed tranche mechanism:

1. To what extent has the tranche mechanism incentivized formalization of self-employed workers?
2. To what extent did expected behaviors in registration at the lowest tranche and earnings under-reporting materialize, and what are the implications on adequacy of benefits?

III. Key Tasks and Responsibilities:

The consultant's responsibilities will include, but are not limited to:

- Define scope of study, identifying which exemption measures to focus the analysis, based on design and data availability;
- Define the research approach and methods;
- Run quantitative analysis of administrative data;
- Design instruments for additional methods and utilize results in final analysis;
- Guide research approach of any complementary qualitative analysis undertaken;
- Produce policy brief and methodological note;
- Present findings to key stakeholders.

IV. Deliverables

1. Inception Plan:
Based on the preliminary analysis of the administrative data, the consultant is required to submit a short 2-page Inception Plan, detailing the suggested research methodology

and scope of exemptions that will be analysed.

2. Policy Brief and Methodological Note:

Based on the results of the analysis, produce a Policy Brief for national stakeholders that estimates the labour market impact of the contribution exemption measures and identifies learnings, including narrative insights from any qualitative research conducted. The submission should also include a short methodological note.

V. Timeframe

The contract is expected to span from 15th March 2024 to June 15th 2024.

Phase	Estimated Dates	Activities	Number of workdays for consultant
Preparatory work and proposed research methodology	March-April	- Kick-off call and discussion on data requirement - Preliminary analysis of administrative data - Propose research methodology and scope of exemptions to be analysed	6 days
Data analysis and scoping for further primary research	April- May	- Conduct analysis of available administrative data - Provide technical input on scope for additional primary research to complement understanding of observed impact - Design instruments for additional methods	8 days
Policy brief and methodological note	May-June	- Draft policy brief and methodological note for national stakeholder audience	4 days
Potential expansion of research scope	June	- Technical recommendation on scope for further research and academic paper	2 days
Total			20 days

VI. Payment Term

Payments will be made in instalments according to the below schedule:

- First payment:
A payment will be issued upon the submission of deliverable one (Inception Plan) to the satisfaction of the ILO and the corresponding supplier invoice.

Due by 15-APR-24

- Second payment:

A payment will be issued upon the submission of deliverable two (Policy Brief and Methodological Note) to the satisfaction of the ILO and the corresponding supplier invoice.

Due by 15-JUN-24

VII. Qualifications and Experience:

The External Collaborator is expected to have the following qualifications, experience, and competencies:

- Advanced university degree in relevant subject, such as economics, statistics etc.
- At least five years of relevant research experience in labour economics.
- Minimum of three years' experience and exposure to social security systems, contribution designs and sustainability considerations.
- Familiarity with the work of the ILO, with international labour standards and the social security standards and conventions.
- Ability to work proactively while keeping ILO officials engaged and informed.
- Excellent command of written English.

VIII. How to Apply

Interested consultants are invited to submit the below via email to nustas@ilo.org, copying sirisena@ilo.org and martinezcure@ilo.org, under the email subject "Labour Market Impacts of Social Security Reforms in Jordan". The deadline for submission is Sunday 3rd March 2024.

The email shall include:

- 1- A Curriculum Vitae (CV).
- 2- A technical proposal detailing the approach to addressing the project requirements.
- 3- A financial proposal detailing the daily rate, number of working days required for each deliverable, and implied fee for each deliverable.
- 4- A work sample for a similar assignment, if any.

Deliverables	Working days To be provided by the applicant*	Rate (USD) To be provided by the applicant*
1. Inception Plan		
2. Policy Brief and Methodological Note		