Social Dialogue Session on the Social Security Law

International Labour Organization, Amman, Jordan
October 13, 2021

In line with ILO's tripartite mandate and in response to requests generated by the Jordan Chamber of Industry and the General Federation of Jordanian Trade Unions during the month of September 2021, the ILO supported a social dialogue session on recently announced amendments to the Social Security Law on October 13th, 2021. The session provided an opportunity to gather comments and observations on priorities for social security reform in Jordan from workers, employers and civil society organizations. The following organizations participated in the session: Jordan Chamber of Industry, General Federation of Jordanian Trade Unions, Tamkeen, Arab Renaissance for Democracy and Development (ARDD), Workers' Centre and Phenix Centre. The ILO is committed to further engage its constituents in Jordan on the matter and promote tripartite dialogue throughout the process of reform, in line with international social security standards.

Summary of Takeaways from Dialogue

- **Amendment Process:** Participants called for the detailed list of amendments as soon as possible, and for structured consultation to be launched in accordance with the mandated process, starting by the Board of Directors of the SSC. Participants concurred that the process of development and consultation on proposed reforms had so far not been transparent, inclusive, nor appropriately structured. The fact that information provided to the public had come from Press Releases and other news sources had given room for speculation. All participants' statements converged in promoting a more transparent and open process, whereby the Board of Directors were kept abreast of draft amendments, and social dialogue brought workers, employers and civil society representatives into a structured process.
- **Evidence Based Decision Making:** Participants reiterated that legislative changes should be based on actuarial valuations. It was noted that the rationale and justification for each of the proposed amendments needed to be explicitly demonstrated and communicated on the basis of figures and studies. It was noted that the 10th actuarial valuation was being concluded and should inform legislative changes by providing an up-to-date understanding of the financial position of the SSC since the extensive measures taken in response to COVID-19. Participants reiterated the importance of evidence-based reforms – including in light of ILO Social Security (Minimum Standards) Convention No. 102 -, and the desire that results of actuarial valuations should be made public.
- **Stability of the Social Security System:** Concerns were raised concerning predictability and complexity of the social security system. The lack of legislative stability, in particular, was a key concern. In the last decade, three rounds of amendments (2014, 2019 and 2021) were introduced to the Social Security Law. Short-term programmes had also been launched under Defense Orders, which temporarily changed contribution rates, and benefits packages. As a result, workers and employers have limited ability to adjust to continuous change and engage reliably with SSC. It is important to deal with shortcomings in social security administration under the current law and could be given priority over further revisions of the law. It was noted that it is important for SSC to focus on structural reform issues that address medium/long term fundamental challenges to the social security system, and should avoid taking an excessive focus on responsive, contingent, short-term measures.

- **Diversion of focus from SSC primary mandate:** Participants expressed concern over the use of Social Security funds to finance support programmes outside the scope of the SSC's core mandate. This included withdrawals for health and education expenditures and finance to cover firm's operational costs. Participants questioned the allocation of resources, which could be put to use to extend coverage to more vulnerable groups of workers, including those in the informal economy.
- **Erosion of workers social security rights to stimulate the economy:** Participants saw some of the proposed amendments as part of a wider move to reduce labour costs at the expense of social security rights. It was not considered appropriate to promote employment at the cost of workers' benefits. Participants encouraged alternative approaches to stimulate the economy that would not come at the expense of workers' benefits. It was noted that the responsibility of the government as ultimate guarantor of the social security system should not be overlooked, and tax financing should be considered as an additional source of financing. It was noted that some of the measures suggest an individualization of risk, movement away from the concepts of solidarity and collective financing.
- **Labour market impacts of the reforms:** Participants raised concern for changes to early retirement, and reductions in contributions for young workers, which would put older workers at risk of dismissal, without mechanisms of protection. Policy makers should anticipate the consequences of such changes that have a bearing on the rights and entitlements of workers. Participants raised the need to align amendments to the Social Security Law with protections provided under the Labour Law and other rights-based legislations. A worry was raised that partial solutions that only target certain segments of the workforce (de-contribution for the youth) may lead to distortionary labor effects with no structural employment gains in the long-term.
- **Barriers to social security for MSMEs and self-employed:** All participants noted that large segments of the working population face great challenges in accessing social security, especially due to financial affordability barriers and progress on inclusion of informal workers has been limited so far. It was noted that special measures need to be put in place to ease social security burden for micro, small and medium enterprises - as well as self-employed - so to enable access to social security. Employers were opposed to any measure to increase contribution rates. A mechanism for contribution subsidies through tax revenues should be put in place for those who cannot afford. It was felt that the measures announced do not sufficiently address such structural issues.
- **Health insurance and comprehensive social security:** Participants converged on the importance of introducing social health insurance coverage for private sector workers. There is a need to include health insurance; decreasing contribution rates may be accompanied with inclusion of health care insurance. While this has not been so far included in the announced amendments the matter should be studied to determine a model that can be financially sustainable in the long term. However, more evidence and numbers are needed to support the discussion.
- **International labour standards and ILO Social Security (Minimum Standards) Convention No. 102.** Jordan is internationally committed to social security standards having ratified ILO Social Security (Minimum Standards) Convention No. 102 and must uphold such commitments.

Background

Jordan's social protection sector saw positive steps forward from the perspectives of extended coverage, finance, coordination and governance. This included the expansion of social assistance through the National Aid Fund, the adoption of automated registration and payment methods. At the same time, the Social Security Corporation expanded social insurance coverage through selfemployment regulations and agriculture workers legislation, alongside a shift to e-services and expanded presence in branch offices. There had also been further initiatives to spur institutional dialogue on social protection, convened in the context of the national response to COVID-19. These steps were rooted in a broad consensus that investments in social protection represent a crucial investment to achieve robust and inclusive economies.

The Social Security Corporation in Jordan put forward a series of revisions to the Social Security Law in 2014 and 2019, which aimed to balance the growing need for comprehensive social protection, with fiscal, administrative and other practical constraints. The legislative changes set out important parametric reforms that have a bearing on the sustainability of Jordan's social security system. Amendments introduced in 2019 ranged from increasing the early retirement age for the newly registered workers, to reducing the contribution for newly registered establishments with specific characteristics. Recommendations for such parametric reforms were highlighted by the Ninth Actuarial Valuation and reinforced through a social dialogue process. As of the fourth quarter of 2021, SSC and ILO were in the process of validating the tenth Actuarial Valuation, in parallel to the legislative changes introduced by the SSC.

While not publicly available, available information over the scope of the proposals for legislative reform suggests a range of amendments with varying degrees of impact. It focuses on four premises: sustainability, stimulus, response, and social protection. The "sustainability package", aims to address the early retirement phenomenon as well as demographic changes associated with higher life expectancies and increased ability to work at older ages, while the "stimulus package" aims to lower the cost of social security contributions for young workers and entrants to the Labor market. Furthermore, the "response package" represents a new approach to dealing with adverse business-cycle shocks, namely responding to slowing economic growth and downturns (a countercyclical measure) and the "social protection package" aimed to strengthen the social protection system for retirees, with early retirees being eligible for an annual increase directly linked to the inflation rate on a progressive basis.

The overall objective of the dialogue meeting was to provide a platform for workers, employers, CSOs, and other relevant stakeholders to discuss observations to the proposed social security reforms and in light of social security international standards and to consolidate their considerations and recommendations for the subsequent tripartite dialogue.

Common Considerations from the Proceedings of Dialogue

The below summarizes common considerations from participants on the measures so far announced by SSC.

Package proposed by SSC	**Considerations from participants**
Sustainability Package	- Concern that tightening of early retirement options may have negative impact on workers, especially in case of aged workers that are dismissed and may not find options for labour market re-entry / work informally. - Consensus that any reform of early retirement regime would have to be accompanied by: a) amendments to the labour law to enhance labour protection and avoid unfair and unjustified dismissals; b) alternative mechanism for income security in case of involuntarily termination at final stages of career. - Amendments should be discussed in conjunction with the civil service bureau laws and regulations, given large number of early dismissals in public service.

	- Consideration to low wages and the poverty line, where many Jordanian workers sit, should be given when considering amendments of early retirement.
Stimulus Package	- There is a concern that lowing contribution rates may be on the expense of lowering social protection benefits. Sustainability, employment creation and economic growth should not be achieved at the expense of workers protection. - Decreasing contribution rates seem to go exclusively to the benefits of the employer, with no mechanism to compensate reduction of benefits for workers. - Proposal to reduce contributions for the youth started under previous government and was supposed to be tested in two sectors. No meaningful impact was detected. There does not seem to be a clear ground for extending the measures until further assessment. - Unclear the measure would lead to stable employment gains due to risk of employment substitution and labour market distortions. - High rate of contribution prevents especially micros, small and medium sized enterprises from joining social security. Efforts to reduce contributions should target self-employed workers and SMES.
Response Package	- Linking activation of special provisions to economic cycles and growth rates, would affect social protection benefits. The details of this should be made clearer by the SSC. Risk with predictability of workers entitlements. - Decreasing contribution rates seem to go exclusively to the benefits of the employer, with no mechanism to compensate reduction of benefits for workers.
Social Protection Package	- Extend coverage to Gaza Strip citizens and children from Jordanian mothers is a positive step but doing so through the possibility of voluntarily contributing to SSC may not have impact. There is little incentive to encourage contribution through the voluntary scheme.

Next Steps

In conclusion, the participants agreed on several concrete actions that the ILO could take to inform the amendment process. In this regard, the ILO re-iterated that it would serve the requests of its constituents.

- Document the proceedings of the meeting, as a workshop report that can be shared with the Social Security Corporation.
- Facilitate further tripartite meetings between workers, employers, civil society, the SSC and GoJ to advance on social dialogue on the proposed amendments.
- Work with SSC to test proposed amendments on the basis of the 10th Actuarial Valuation and use results as a foundation for further dialogue.
- Prepare a legal note on the draft amendment's alignment with Convention 102 and international social security standards.
- Engage SSC Board Members in capacity building, including in relation to international social security standards and C102.

Annex

Proceedings of Meeting

After opening remarks by the International Labour Organization, participants were invited to state their views on the proposed amendments. However, because the amendments had not been shared at the time of the meeting, participants based their input on statements put out the Senior Management at the Social Security Corporation, and general observations about reform trends over the last several years.

Specific points made by different delegations - in addition to the general points mentioned above - are reported below:

General Federation of Jordanian Trade Unions

- The representatives of the Federation called on the Social Security Corporation to make a detailed list of amendments available, so that institutions could develop informed positions on the proposed changes. They further called for structured dialogue on the proposed amendments and to avoid using the media to "leak," different elements.
- The Federation was squarely opposed to any amendments that would affect workers benefits and their rights to social protection. They were opposed the removing the early retirement age, in the absence of stronger labor or income protection mechanisms.
- The representatives of the Federation raised concerns over early retirement and waiving contributions for new labor market entrants. They viewed a risk that older workers would be dismissed without compensation, as the Labour Law did not provide protection against unfair dismissal. If workers were dismissed without compensation, there was also the possibility that many would reach out to the National Aid Fund (NAF) for social assistance.
- The Federation expressed concern over legislative stability, after the 2014 and 2019 amendments to the Social Security Law. When the terms and conditions of social security benefits and contributions changed regularly, the public's distrust in the SSC as a provider of protection weaned.
- The Federation proposed that amendments be informed by actuarial valuations. They further requested that the valuations be made available, so that the public could be informed of the funds' sustainability.
- The Federation had concerns over reportedly low returns on the investments of the Social Security Fund.
- The Federation supported amendments that would reach veterans, and those that linked pension payments to the inflation rate.
- The Federation supported the development of a health insurance scheme but called for contributions to be made from both workers, and employers.
- The Federation requested the ILO to contact Social Security Management with an official request for the proposed amendments.

Jordan Chamber of Industry

- The Chamber highlighted a need for stability in legislation, which would otherwise generate workers and employers' distrust in the Social Security Corporation.
- The Chamber called for a focus on structural reform issues, rather than responsive and contingent measures that addressed immediate/short-term issues.

- The Chamber requested a clear justification and rational for the proposed amendments. These should cite studies and empirical evidence on the issues the amendments would resolve. They reiterated the importance of a sound empirical base on which such amendments should be grounded.
- The chamber expressed concern that proposed de-contribution measures will lead to labour market disruption – job substitution - and not be effective to support job creation in a sustainable manner. The Chamber raised concern over coverage in the informal sector. Measures needed to target SMEs and address high contribution rates that dissuaded enterprises from joining social security.
- The Chamber noted the impact on productivity which early retirement had on firms. More experienced workers were needed to keep production strong. The Chamber supported increasing the retirement age.
- The Chamber is impartial toward adopting health insurance in the benefits package while keeping it optional for employers but requested a feasibility study for its long-term sustainability. Also, the Chamber refuses the increasing of the subscription fees for employers.

Phenix Centre

- The Phenix Centre representative expressed concern over regressive reforms to social security. These were in line with wider labour market reforms that tried to relax labour protections, enable more flexible hiring/ dismissal and reduce the costs of employment.
- The representative saw the reduced contributions to be at the expense of worker's benefits.
- The Phenix Centre representative questioned why workers were retiring early. It was common practice to receive early retirement but continue working informally. New measures should consider how this provides a perverse incentive.
- The representative also called for more rigidity in dismissing workers, particularly older workers. Reforms to the social security law needed to consider the content of related legislation and potential ramifications on rights, including those protected or unprotected by the Labour Law.
- The Phenix Centre representative took note of the previous government's attempts to reduce contributions for young workers, as an incentive to hire them and generate jobs. However, reduced contributions also had impacts on future pensions, and there was not sound evidence that reductions would generate any new jobs.
- The representative noted that by linking contributions to growth, the social security system was serving interests of employers. It was not clear how reduced contributions impacted workers' benefits.
- The Phenix Centre supported linking pension payments to the inflation rate.
- The Phenix Centre representative called on the SSC to base any change on the actuarial valuation.
- The Phenix Centre representative favored expanding coverage for social security as a base for increasing the pool of contributions. They noted that the voluntary scheme had been unsuccessful in expanding coverage.
- The representative requested that contribution rates be reduced for the self-employed and to use contribution subsidies and tax revenues only for those who could not afford contributions.
- The Phenix Centre representative raised concerns over interference from International Finance Institutions in social protection and labour legislation, which aimed to create more

flexible hiring/firing. There was risk to have the middle class move into poverty without better targeting and protections.

- The representative took note of Jordan's commitment to Convention 102 and called for it to uphold its responsibilities.
- The Phenix Centre called on the ILO to provide guidance to the reform process that would protect against neo-liberal reforms that would come at the expense of workers.
- We should understand better how the workers in the informal sector, the SMEs and self-employed are not willing or able to join. What can be put in place for them to join?

Workers House

- The representative of the Workers' House noted the lack of clear methodology used to draft the new amendments, which did not reflect structured consultations or review. They called for amendments to be informed by actuarial valuation.
- The representative requested a broader reflection on the part of the Social Security Corporation, concerning its financial position and sustainability plans. Rational for the proposed amendments needed to be made publicly available and clear.
- The representative expressed concern over the lack of accountability in Defense Order measures that used social security funds for purposed outside of their primary function.
- The representative highlighted a tradeoff between sustainability and protection, but the primary importance of protection for all.
- The Workers' House representative requested that the amendments be made publicly available in hard copy, and different alternatives that would accomplish what the Social Security Corporation is aiming to achieve.
- The representative noted shortcomings in administration, which would need to be addressed prior to any revision to the law.
- The Workers' House representative called for alternative solutions to address unemployment in old age. A large number of early retirees were former government employees, who had be given early retirement to reduce the payroll. Around 30% of early retirement from Government Jobs. Government is asking them to retire but at the same time, the Gov complains that people are retiring early.
- There are alternatives to the proposals that the DG of SSC has provided. There is a possibility to reduced contribution to 20% without affecting the SP.
- The representative also expressed concern about the large number of occupations on the list of hazardous work. The current list allowed for a large number of workers to enter into early retirement and had a significant financial impact.
- The Workers' House representative expressed the opinion that benefits and contributions were set primarily for employers, without consideration of the benefits workers receive. Reduced contributions should be possible, without compromising workers' protections.
- The representative noted a general neglect for dialogue in drafting the amendments.
- The representative saw shortcomings in universality of social security and had not seen progress on the inclusion of informal workers in social security. Further, he noted that only 16% of migrant workers are covered by SS. Increased share of migrant workers would increase the liquidity and improve protection for all.
- The representative did not see voluntary contributions to be a logical or affordable means to extend coverage to the self-employed.

- The Workers’ House representative highlighted the role of the Government as the ultimate guarantor of social security. Tax financing should be considered as an additional source of revenue for social security.
- The Workers’ House representative raised concern over the perceived move away from solidarity, and toward individualized risk. They wished to see the State take on its role as the ultimate guarantor of social protection.

Tamkeen

- The Tamkeen representative called for alternative mechanisms that would protect older workers from dismissal, should changes to early retirement be made.
- The representative expressed concern over the depletion of social security funds due to spending on areas outside of the SSC’s traditional mandate (education, health, Kindergartens).
- The Tamkeen representative noted that high contribution rate for both workers and employers, which encouraged informality. They raised particular concern among SMEs. She further noted that the migrants and young people are reluctant to join the SSC, and many do not have the culture of savings.
- The Tamkeen representative was opposed to reducing contribution rates for particular age groups. This would introduce substitution and labor market distortions. It was doubtful that there would be any positive, long-term benefit on the labour market.
- The representative encouraged a gradual approach to the extension of coverage. In the process, awareness raising on social security rights, and work permits, needed to take place.
- The Tamkeen representative was supportive of health insurance, as an additional benefit to Social Security.

Arab Renaissance for Development and Democracy (ARDD)

- The representative from ARDD called for greater support to the self-employed workers.
- The ARDD representative raised concern over the use of Social Security Funds to finance benefits that were outside the traditional schemes, including the payment of Kindergarten’s operational costs.
- The representative perceived the amendments to be incentives for employers, but to risk depletion of social security reserves.
- The ARDD representative perceived that while coverage to Gaza Strip citizens and children from Jordanian mothers is a positive step, doing so through the possibility of voluntarily contributing to SSC may not have an impact. Among other considerations, voluntary contributions may be perceived as too costly to be reasonably affordable.