



Position Paper

On Planned Amendments to the Social Security Law

June 2021

Posotion Paper

Presented by:

Phenix Center for Economic and Informatics Studies

**To the consultative meeting
on planned amendments to the Social
Security Law**

Phenix Center for Economic and Informatics Studies

The Phenix Center for Economic & Informatics Studies is a non-governmental organization dedicated to independent policy research and measuring public opinions on impactful current and emerging issues in areas of economics, society, and its legislative environment in Jordan. The Center was founded in Amman, Jordan in 2003 under the registration number 142203. It works to promote a sustainable developmental paradigm in Jordan, rooted in human rights and the principles of democratic governance by focusing on reforming the labor policies, lifting of restrictions on freedom of association, and strengthening of social protection policies. The Center specializes in promoting inclusivity in development processes. It compiles databases of relevant actors and stakeholders, develops research, studies, papers and reports, conducts conferences and advocacy campaigns, and empowers several actors to take part in steering development through capacity building.



Friedrich-Ebert-Stiftung

Is a German non-profit political foundation based on the principles of social democracy. FES was founded in 1925, it promotes international cooperation, education and research in Germany and abroad. The foundation opened its office in Amman in 1986 to support and enhance efforts of civil society organizations to become accepted partners of public bodies, enhancing furthers political dialogue between decision-makers from Jordan, Iraq, Germany and the region, and strengthening the participation of youth in the political process.



Jordan Labor Watch

Jordan Labor Watch contributes to improving work conditions for all workers in Jordan in accordance with international labor standards. This is done through developing studies and reports covering various aspects of labor issues related to workers, uncovering violations and abuses to which workers are exposed in the work place. The program provides a comprehensive database covering various indicators related to the labor market, trade unions, labor organizations, laws and regulations, as well as governing performance. Furthermore, the program strives to present alternative policies that tackle challenges facing the Arabian and Jordanian labor market as well as conducting training programs that support upgrading skills and capabilities of advocates in the labor movement.



The management of the Social Security Corporation aims to make amendments to the Social Security Law and present it to the government as to raise the minimum age of early retirement or to abolish it. The amendments aim to review the formula for early retirement pension calculation, with a view towards increasing the number of monthly salaries under which the pension is calculated.

Over the past few years, numerous amendments have been made to the provisions of the Social Security Law, most of which have tended to increase the age of early retirement and pension calculation, to being 55 years for male insured workers, under the condition that they have a total of 252 active subscriptions, and 52 years for female insured workers, under the condition that they have a total of 228 actual subscriptions. In addition, the pension shall be calculated according to the last 60 salaries received by the employee.

Increasing the early retirement age and the number of subscriptions under which the pension is calculated, with the purpose of easing pressure on the Social Security Fund caused by the significant expansion of its use by social security subscribers, which threatens the solvency and sustainability of the Social Security Fund. However, at the same time, we believe that amendments to the Social Security Law in these directions require changes and reforms to a range of other policies to prevent the expansion of the use of early retirement as we are currently witnessing, as well as guaranteeing social protections for workers, retirees and the elderly that provide them and their families with a decent life.

Similarly, the process of comparing with the early retirement criteria and pension calculations of other countries requires a consideration of the overall system of social protections applied in these countries. As protection systems are more comprehensive and integrated in other countries, direct comparisons should not be limited to just those two standards.

We therefore call on the management of the Social Security Corporation, the government and parliament to not make any amendments to the Social Security Law that would result in an increase of age of the early retirement and an increase of the number of actual contributions included in the pension calculation, but rather to focus on other amendments to protection policies, the most significant of **which are:**

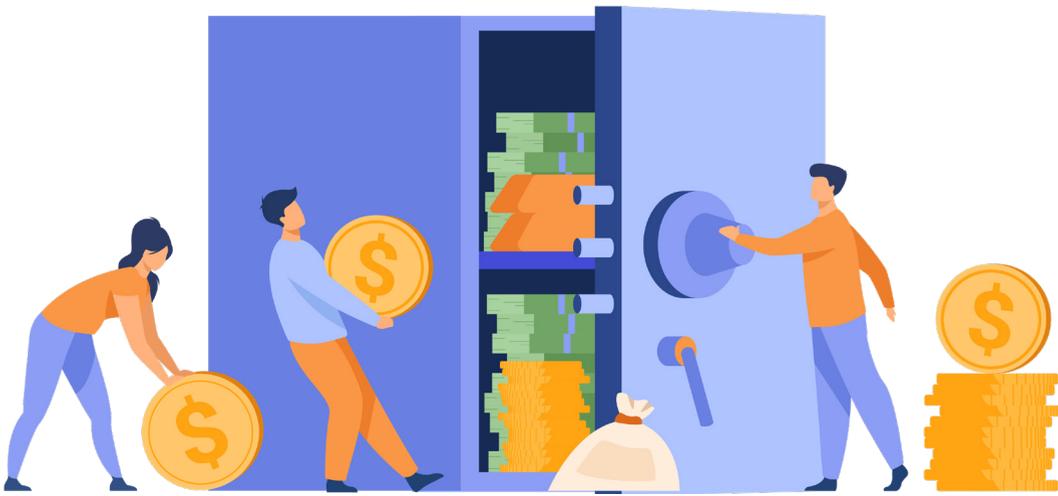


1. Revisiting wage policies with a view towards increasing wages, as one of the most important reasons why workers choose the path of early retirement is low levels of wages, which force them to retire and then re-enter the labour market to obtain additional income to cover the urgent and growing needs of their families. According to 2019 data from the Social Security Corporation, 64 percent of social security subscribers earn 500 dinars a month or less, meaning they live below the poverty line, which explains the increased uptake in early retirement.
2. The Jordanian Labour Law- particularly Article 31, , which permits private sector enterprises to suspend or terminate workers in order to begin the (legally undefined) business restructuring process - should be revised. Article 31 has been used to lay off thousands of workers who are in later stages of their careers before they reach the age of retirement. Those workers are not able to re-enter the formal labour market, thus are forced to resort to the option of early retirement so that they can provide a decent life for their families.
3. To conduct a review on the civil service system conducted towards a view of placing restrictions on the powers of the government administration to lay off public sector employees before they reach the mandatory retirement age, which has prompted thousands of workers to use their right to early retirement.
4. The Social Security Law should be amended to change the existing unemployment insurance to become more expansive, allowing workers who are laid off before reaching the age of retirement to obtain cash income that will enable them to lead a dignified life.
5. Social protections should be provided to the elderly and retired to guarantee them a dignified life. This would reduce their dependence on pensions. This should be taken as a preliminary step prior to revising the number of salaries included in the pension calculation.
6. To strengthen the social protection system and to ensure the sustainability of the Social Security Fund, whereas the Social Security Corporation should take concrete measures to enable as many workers as possible who are not covered by social security to be covered by its protections, since approximately 48 percent of Jordan's workforce is not covered by social security.



7. The enforcement of the Social Security Law should be strengthened, to put an end to different forms of insurance evasion, which will strengthen the social protection system and provide the Social Security Fund with more revenue.

Accordingly, we call on the management of the Social Security Corporation and the government to not make any amendments to the Social Security Law that would result in increasing the age of early retirement and the number of salaries included in the pension calculation before considering the amendment of the related policies mentioned above.





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