

Memorandum

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Memorandum To the Labor and Social Development &  
Health, Environment and Population Committees

Regarding the proposed changes to  
**the Social Security Law**  
No.01/2014 and its amendments

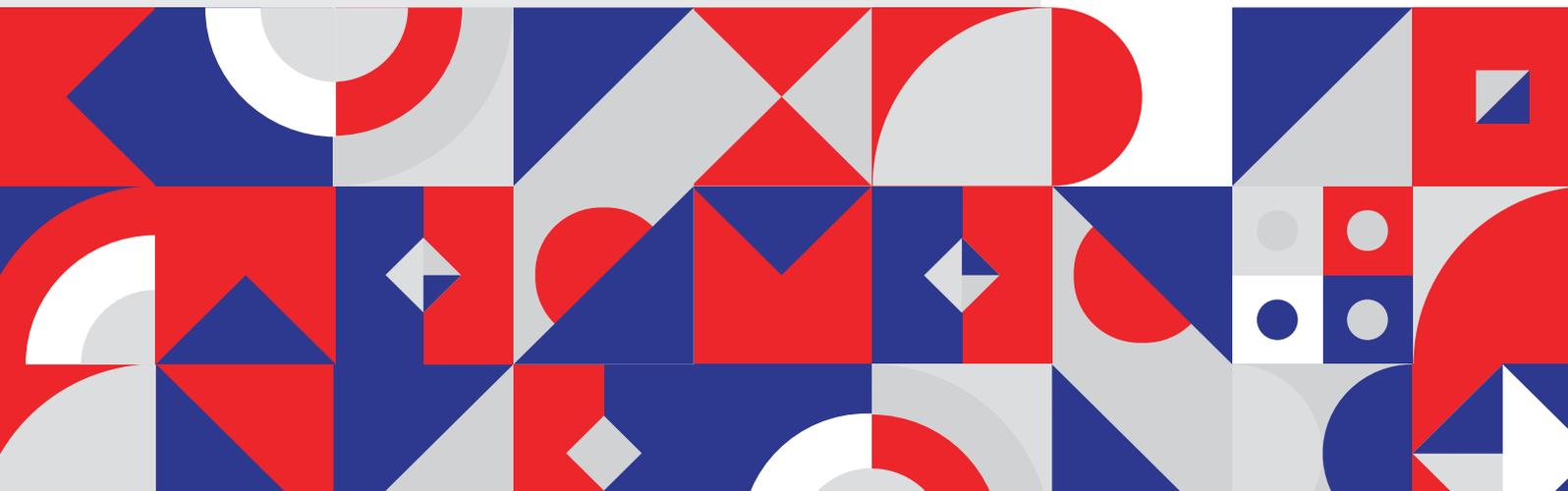
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JORDAN LABOR WATCH / / PHENIX CENTER  
FOR ECONOMIC AND INFORMATICS STUDIES

AMMAN, JORDAN  
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### Studies Informatics and Economic for Center Phenix

The Phenix Center for Economic & Informatics Studies is a nongovernmental 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.



### 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.



**Disclaimer:** Phenix Center for Economic and Informatics Studies and Friedrich-EbertStiftung are not responsible for the statements of workers and union officials cited in this report.

# Introduction

Despite the positive step recently taken by the Council of Ministers in dismissing some of the regressive proposed amendments to the Social Security Law—notably, the unfair and unsustainable new formula for health insurance, and changes to retirement and early retirement calculations which would have required additional measures to discourage early retirement, namely, a revision of wage policies with a focus on wage increases. However, additional amendments have been proposed and referred to the Lower House of Parliament, concerning social security and the minimum levels of social protection as enunciated in the ILO's 1952 Convention on Minimum Standards for Social Security—which Jordan ratified, several years ago—and in the Universal Declaration of Human Rights. Moreover, this issue is inextricably linked to the objectives and milestones of both the 2030 Agenda for Sustainable Development and the National Strategy for Social Protection 2025-2019.

With the above in consideration, the Phenix Center for Economic and Informatics Studies calls for the urgent reconsideration of some of the proposed amendments to the law, contemplating the expansion of social protections and insurances in ways conducive to legislative and social cohesion, the strengthening of social protection systems in Jordan, and the promotion of social, economic, and political stability. Moreover, the Center advises caution in the development, approval, and implementation of urgent proposals, underscoring the importance of allowing enough time for duly thorough analyses and discussions to be conducted, especially considering how the Social Security Law affects virtually every household in Jordan, across all socioeconomic strata. In this context, we hereby present the honored Labor Committees at the Parliament (Deputies and Senates) with a set of observations and recommendations concerning some of the amendments currently under deliberation, in the interest of ensuring access to a balanced a fair Social Security Law—one which provides basic social protections to all members of society, based on internationally recognized best practices and standards. Each main point is summarized below.



## Notes on the proposed

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1. Reconsider the proposed amendments related to the appointment of the Chairperson of the Social Security Corporation's Board of Directors. Relevant procedures should be revised and expanded with the goal of cultivating and bolstering institutional independence, notably in matters concerning the management of the SSC's investment fund, to prevent any interference or misappropriation of the funds by other governmental institutions, for purposes other than the expansion of social protection coverage, improving the institution's financial solvency, and protecting the funds specifically allocated to social security. The appointment of a different minister to take over the responsibilities of the Ministry of Labor in this regard—contemplated in the proposed amendments to Articles 2 and 9 of the original Law—will not improve governance and accountability among the institution's leadership, as both are appointed by the Prime Minister. Indeed, these amendments paved the path for the dissolution of the Ministry of Labor, as proposed by the Committee for Administrative Modernization. Instead, a good model of institutional independence in Jordan is the Central Bank; as such, Phenix Center recommends the adoption of a similar administrative structure for the SSC.
2. The proposed amendments to Article 59 of the Social Security Law—which would enable private businesses to reduce monthly contributions toward old-age and disability pensions and life insurance for all employees under 30 not previously covered by the provisions of the law, leaving the percentual reduction and economic sectors covered subject to executive discretion—would weaken the protections provided to young people to the point of constituting a blatant and unequivocal deprivation of a basic right. Moreover, these amendments would negatively impact the future pensions of young workers, undermining the government's own efforts to encourage and stimulate labor market engagement, and provide an incentive for private businesses to replace their workers over 30 with younger workers, to save on contributions to the Social Security Corporation. In turn, this would likely push more young workers to demand employment in Jordan's long-saturated public sector—a saturation largely owed to the contrasts and gaps in social protections between the public and private sectors—all while eroding confidence in the social security system among the youth at large. Overall, there is no evidence to suggest that reducing social protections for young people would boost youth employment. If the government means to incentivize the hiring of young workers in the private sector, this can be achieved through the reduction of indirect taxes—such as the general sales tax, flat taxes on oil derivatives, and customs duties—and the introduction of additional, employment-promoting tax incentives; not through the reduction of social protections.

3. Revise the proposed amendments to Article 59, para. 1.d., to ensure workers in agriculture are fully insured, in accordance with the Social Security Law—as opposed to benefiting only from insurance against workplace injuries—and call on the government to reactivate the Agricultural Workers Regulation of 2021, facilitating the inclusion of agricultural workers under the Labor Law and, by extension, in the Social Security Law. Once workers in this sector are entitled to social protections which guarantee minimum living standards, Jordanians ought to be encouraged to consider agriculture as a possible avenue for employment; this would simultaneously bolster food security in Jordan as a whole. In the current environment, Jordanians are reluctant to work in this sector due to the limited social protections provided, in comparison with other sectors.
4. Reconsider the second clause added to Article 72 of the original law, which pegs the percentual contributions of the armed forces and security services for the insurance of military personnel—covering old-age, disability, death, and work injuries—to the Kingdom’s economic growth rates. Such a measure would compromise the financial solvency and sustainability of the Social Security Fund, the very existence of which would come into question should growth rates remain below the five-percent mark. The government must commit itself to ensuring full social security coverage for servicemen in the armed forces and security agencies, whose role and mission is to safeguard Jordan’s security from the various risks it is exposed to.



## **Additional recommendations for the improvement of the Social Security Law:**

5. Amendments to the Social Security Law should include provisions related to the design of decent and sustainable health insurance for all social security subscribers, pensioners, and beneficiaries, based on fair framework whereby the burden of cost is shared equitably between the government, business owners, and beneficiaries. This would strengthen the social protection system in Jordan, in line with the stipulations of the ILO Convention<sup>102</sup>- on Minimum Standards for Social Security of 1952—ratified by Jordan several years ago—which establishes the provision of health care as an essential component of any social security system.
6. Provisions should be included in the proposed amendments contemplating the development of legislative insurance tools to enable workers in the informal economy (whether self-employed or working in small and microenterprises), who make up nearly half of the country’s total workforce, to be brought under the umbrella of the SSC. They are currently deprived of any form of social protection, with the only option available to them being “voluntary subscription”—which is ultimately more costly than some private insurance plans, as it costs workers %17.5 of their wages.

7. Amend the law to include a provision preventing public sector employers to force employees into early retirement. Referring workers to early retirement has become a common and widespread practice in Jordan—allegedly as a disciplinary measure, or absent any justification at all—for the purpose of replacing employees or reducing costs. This is detrimental to workers, who are less likely to find employment at older ages, and pushes many families below the poverty line.
  
8. Amend the mechanism for calculating retirement pensions for female workers, to account for whether they are the main providers in their household, and whether or not they are married. Whereas the law presupposes that fathers are the household heads who provide for their children, in reality, many women are their children and families' main providers.
  
9. Amend provisions of the Labor Law pertaining to maternity leaves, namely the article which stipulates the length of maternity leave to be 70 days, and extend said leave to 90 days, bringing it into line with the maternity leaves enjoyed by female workers in the public sector, who are subject to the same law.
  
10. Include amendments to the provisions pertaining to the disbursement of insurance funds to non-Jordanian workers, waiving the requirement of a work permit and regulating cases in which the employer has failed to fully pay the required contributions prior to the worker's departure from the country.



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