

Towards a Fair and Sustainable Social Security in Jordan



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Phenix Center for Economic & Informatics Studies

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Executive Summary

The social security system in Jordan is the cornerstone of the social protection framework and one of the most important tools for achieving social and economic stability, as it provides protection for individuals and families against risks such as old age, disability, death, work injuries, and unemployment. The results of the eleventh actuarial study issued by the Social Security Corporation have once again shed light on the reality of this system, confirming that its financial position remains secure in the medium term, but it faces accumulated structural challenges that threaten its long-term sustainability if not addressed through well-studied policy and legislative reforms.

The actuarial study indicates that equilibrium points are approaching in 2030 and 2038, which serve as early warning indicators of structural imbalances, most notably the widening coverage gap, the significant expansion of early retirement, the low old-age retirement age compared to demographic changes, in addition to governance challenges and insurance evasion. This policy paper emphasizes that reducing reform to short-term financial measures or curtailing insurance rights will weaken the essence of the system instead of enhancing its sustainability.

This paper reveals that about 45 percent of the workforce in Jordan remains outside the social security umbrella, particularly workers in the informal economy and those in irregular employment. This reflects a structural gap between the design of the insurance system based on the traditional employment model relying on workers and institutions and the high-cost voluntary subscription. This necessitates redesigning flexible, supported, and applicable subscription tools.

The paper highlights early retirement as one of the most dangerous sources of pressure on the fund's sustainability, as early retirees constitute about two-thirds of total retirees and account for more than 60 percent of the pension payroll. It holds the government primarily responsible as the largest employer, due

to using early retirement as an administrative tool, while early retirement in the private sector is linked to low wages and high living costs. The paper calls for restricting early retirement to exceptional cases, controlling government referrals, and addressing its economic drivers in the private sector.

The paper also discusses the impact of maintaining a relatively low old-age retirement age (60 for men and 55 for women) amid rising life expectancy, and shows that gradually raising it aligns with international practices and is one of the most effective reform tools for enhancing social security sustainability, provided it is coupled with supportive labor market policies.

Additionally, the paper addresses the effects of amendments that allowed non-payment of full military contributions and linked them to economic growth rates, considering them to undermine the fund's funding base and transfer macroeconomic risks to it. It also criticizes the exclusion of youth from full coverage in some insurances, as it disrupts the principle of justice and intergenerational solidarity.

The paper affirms that true reform requires strengthening the governance and independence of the Social Security Corporation, not only in investment management but also in shaping strategic insurance policies, based on independent actuarial studies and institutionalized social dialogue. It also calls for a complementary role for the general budget in supporting the inclusion of vulnerable groups within the social security system, reducing chronic reliance on cash aid and enhancing social prevention.

The paper concludes that building a fair and sustainable social security in Jordan requires an integrated reform approach that expands coverage, regulates early retirement, gradually raises the old-age retirement age, improves governance, and establishes social security as a central tool for justice, social protection, and long-term economic stability.

Introduction

The social security system in Jordan is one of the main pillars of the social protection framework and a fundamental cornerstone for social and economic stability, providing protection for individuals and families against risks related to old age, disability, Its importance is not limited to its social dimension but extends to enhancing social justice and societal cohesion, reducing poverty and vulnerability, and supporting long-term economic stability.

In this context, the results of the eleventh actuarial study recently published by the Social Security Corporation have once again highlighted the sustainability of the insurance system in Jordan, confirming that the fund's financial situation remains safe and stable in the medium term, while pointing out future structural challenges that require legislative and policy interventions to maintain the system's continuity and delay equilibrium points.

Discussions about any reforms in the social security system usually raise legitimate concerns among broad segments of society, especially in light of previous experiences where the concept of "reform" was associated with reductive measures or burdening insured individuals with the costs of structural imbalances. These concerns have renewed following the announcement of the latest actuarial study's results, which indicated that the first equilibrium point—where direct revenues from individual and enterprise contributions equal insurance expenditures—will occur in 2030, while the second equilibrium point—where insurance revenues and annual investment returns are insufficient to cover insurance expenditures if investment returns do not improve—will occur in 2038.

However, these results, important as they are, do not represent a surprise to many Jordanian experts and specialists, and national research institutions, foremost among them the Phenix Center for Economic Studies, who have warned for years before the conduct and issuance of the latest actuarial study's results of the risks of expanding early retirement, widening the insurance coverage gap, weakening the independence

and governance of the Social Security Corporation's management, in addition to other government policies that have gradually contributed to weakening the fund's funding base and increasing pressures on its long-term sustainability.

Accordingly, what the actuarial study reveals today should not be viewed as a sudden warning but as a delayed scientific confirmation of a path of structural imbalances that have been repeatedly highlighted in national literature and policy analyses, necessitating treating reform as a comprehensive structural correction process that addresses the roots of the problem.

Based on the Phenix Center for Economic Studies' belief that the sustainability and governance of the social security system are inseparable from expanding social protection, enhancing social justice, and reducing social inequality, this paper emphasizes that any required reform must start from protecting the essence of the insurance system, expanding coverage to include all workers in Jordan regardless of the nature of their professions, economic activities, or nationalities, alongside combating insurance evasion and informal work, and addressing structural imbalances, foremost among them the expansion of early retirement, instead of burdening insured individuals with reform costs or reducing it to short-term financial measures.

In this framework, the paper seeks to provide a policy reading and practical proposals that balance the requirements of financial sustainability and the necessities of social justice, thereby enhancing and expanding insurance protections without detracting from them, preserving the established rights and benefits for subscribers, and maintaining the role of social security as a central tool for social protection in Jordan.

It is hoped that this policy paper will constitute an effective contribution to the national dialogue to be managed by the Economic and Social Council in the coming two months.

Gaps and Challenges Facing the Social Security System in Jordan

The following is an analysis and discussion of the gaps and challenges facing the social security system in Jordan that need to be addressed to enhance its inclusiveness, effectiveness, and sustainability:

Insurance Coverage	Early Retirement	Old-Age Retirement	Military Contributions
Youth Contributions	Insurance Evasion	Governance of the Social Security	Budget Support



First: Insurance Coverage

The insurance coverage gap in the social security system reveals a structural problem that goes beyond being an administrative flaw or weakness in law enforcement, expressing a structural gap between the design of the social security system on one hand and the deep and accelerating transformations in the labor market on the other. The existing insurance system still relies on traditional assumptions about the nature of work, involving a worker, employer, and organized institutions regardless of the number of workers in them, while the economic and social reality witnesses' rapid expansion in renewed, irregular work patterns that do not rely on a clear employment relationship between two parties.

Data from the Social Security Corporation up to the end of November 2025 indicate that the number of insured individuals is about 1.66 million, compared

to approximately 265,000 active retirees, while the number of workers in the Jordanian labor market is estimated at about three million. These figures reflect a wide insurance coverage gap, as about 45 percent of the workforce remains outside the social security umbrella, a high level that cannot be considered marginal but indicates a structural flaw in the inclusiveness of the social protection system in Jordan.

Practically, this means that about 1.3 million workers lack the minimum social protection against risks of old age, disability, death, and income loss, which contradicts principles of social justice and the right to social security as part of fair and decent work, and weakens the function of social security as a preventive tool against poverty and vulnerability. At the same time, this reality represents a direct loss to the social security fund, depriving it of contributions from a

broad segment of economically active individuals that could contribute to strengthening its funding base.

From a financial and actuarial perspective, the continuation of this gap translates into a double loss for the insurance system: on one hand, the fund loses potential insurance revenues that could support financial sustainability and delay reaching equilibrium points; on the other hand, wide segments of uncovered groups remain candidates for transformation in the future into beneficiaries of support and social protection programs through direct state financial interventions, such as the National Aid Fund and other interventions. Therefore, expanding the base of active subscribers is one of the decisive factors for enhancing the sustainability of the social security system and delaying equilibrium points, making the insurance coverage gap one of the most prominent sources of long-term actuarial imbalance that requires urgent structural treatment.

The coverage gap is distributed unevenly among labor market categories, concentrating particularly among workers in the informal economy, those on digital platforms and remote work, in addition to workers in freelance professions. These categories share specific characteristics that make their integration into the existing insurance system extremely difficult, most notably the absence of a traditional employer, irregular income, multiple sources, short or intermittent work periods, as well as the cross-border nature of many digital work activities.

In this context, voluntary subscription emerges as the only legal option available for workers in freelance professions and some non-traditional work categories mentioned above. However, this option, in its current form, suffers from fundamental problems that limit its effectiveness, foremost among them its high cost, as it obliges the worker to pay 17 percent of their income

as an insurance contribution. In light of medium or low-income levels, economic fluctuations, and high living costs, this subscription turns from an integration tool in social security into a financial burden, explaining the weak uptake and remaining low voluntary coverage rates from these categories.

This problem is compounded for workers in digital patterns and remote work, where clear mechanisms for determining income subject to subscription or collecting contributions in flexible ways suited to the nature of these works are unavailable. Also, the association of a large number of these workers with platforms or companies outside the local legal framework weakens the social security's ability to intervene, burdening the individual worker with full responsibility for social protection, which practically leads to deepening vulnerability instead of reducing it.

Any further delay in addressing the insurance coverage gap will lead to shrinking the currently available financial safety margin and accelerating the reach to equilibrium points, especially in light of other pressures facing the social security system, such as the expansion of early retirement and demographic pressures. Likewise, expansion in coverage will not be achieved without redesigning subscription tools to become more flexible, fair, affordable, and applicable.

Accordingly, the insurance coverage gap is no longer a technical issue that can be addressed with partial measures or limited awareness campaigns, but has become a structural issue touching the essence of the social contract between the state and citizens. From this standpoint, any legislative reform based on the actuarial study's results that does not place restructuring coverage tools at the core of its priorities will remain incomplete, addressing apparent symptoms without tackling the structural causes threatening the sustainability of the social security system in Jordan.



Second: Early Retirement

The policy of expanding early retirement in Jordan has become one of the most costly and impactful policies on the sustainability of the social security system, as it directly disrupts the equation of “subscription period versus benefit period,” leading to widening the funding gap between insurance revenues and pension expenditures. Data from the Social Security Corporation indicate that early retirees constitute about 64 percent of total retirees (169,072 out of 264,787) ¹, and they account for about 61 percent of the total pension payroll; these are indicators showing that early retirement is no longer an exception but has become a dominant pattern burdening the retirement fund with long-term obligations and limiting the ability to delay the equilibrium points highlighted by the eleventh actuarial study.

The government bears primary responsibility in this path as the largest employer in Jordan, having employed early retirement as an administrative tool to address functional surplus or restructuring or administrative modernization. The practical result is transferring the cost of the administrative decision from the general budget to the social security fund, meaning burdening current and future subscribers with the consequences of employment policies and human resource management that should have been handled within civil service tools and public spending. Indicators support this reading, as it is noted that 10,550 out of 17,200 early retirees in 2023 were from the public sector, i.e., more than 60 percent of all early retirees, reflecting the weight of the public sector and government decisions in fueling this path, making controlling early government referrals one of the most important entry points for financial reform to enhance the sustainability of the social security fund.

In contrast, the phenomenon of early retirement in the private sector takes a different character; it is mostly not forced referrals but a compulsory economic choice linked to low wages compared to living costs. According

to the Social Security Corporation’s annual report for 2024, 54 percent of subscribers have monthly salaries of 500 dinars or less, and 72 percent have 600 dinars or less ². These figures reflect income vulnerability and explain the economic behavior of broad worker segments, as some resort to early retirement to obtain a pension salary, then return to the labor market, often in flexible or informal jobs, to secure additional income covering family basic needs. This cycle produces compound effects, such as increasing the cost of early retirement on the fund on one hand, reinforcing informal work on the other, and increasing youth unemployment rates on a third, where the number of new job opportunities available for new entrants to the labor market decreases, with the additional pressure these places on the active subscription base and sustainability.

This problem gains greater significance when compared to international practices. According to the Organization for Economic Co-operation and Development (OECD) report, the average early retirement age in member countries is about 62.5 years, about two years below the average old-age retirement age ³; the organization also indicates that the future average for early retirement is likely to rise to 63.9 years, reflecting a general trend to restrict early exit and encourage staying in the labor market.

Accordingly, the continuation of expanding early retirement in Jordan poses a dual threat: a financial-actuarial threat through resource depletion and increasing long-term commitments, and a social threat through expanding the circle of low-income retirees and weakening the function of security as a preventive tool against poverty and social risks. Consequently, controlling early referrals, especially in the public sector, and addressing their economic drivers in the private sector, should be viewed as a central reform priority, as any reform that does not confront early retirement will remain inadequate in protecting sustainability and enhancing intergenerational justice.

¹ Social Security Corporation, Published statistical data.

² Social Security Corporation, Annual Report for the year 2024.

³ OECD. (2025). Pensions at a Glance 2025. Paris: OECD Publishing.



Third: Old-Age Retirement

The old-age retirement age is one of the most influential variables in the sustainability of social insurance systems, due to its direct reflection on the balance between subscription periods and benefit periods, and on the long-term relationship between insurance revenues and pension expenditures. International literature confirms that a low old-age retirement age compared to expected life expectancy inevitably leads to widening the actuarial gap and increasing pressures on retirement funds, especially amid accelerating demographic transformations ⁴.

In Jordan, the old-age retirement age remains set at 60 years for men and 55 years for women, a legislative arrangement no longer consistent with the current demographic and health reality, nor with prevailing global trends in retirement systems. Jordanian society has witnessed notable improvement in expected life expectancy over past decades, with data from the Department of Statistics indicating it reaches about 77 years for females and 74 years for males ⁵, meaning an increase in post-retirement life years compared to actual subscription periods.

Reports from the International Labour Organization show that one of the most prominent challenges facing retirement systems globally is the continuous increase in expected life expectancy versus stagnation or slow adjustment of retirement age, which leads to rising pension costs as a percentage of GDP and undermines the sustainability of insurance funds if not addressed through structural reforms, foremost among them gradually raising the old-age retirement age.

Data from the OECD show that the average legal old-age retirement age in member countries is about 64.4 years for men and 63.6 years for women, with a clear trend in an increasing number of countries to raise it to 66 or 67 years and automatically link it to expected life expectancy ⁶. The organization also indicates that

most member countries are moving to reduce the gap between men's and women's retirement ages, considering that continuing disparity is no longer justified economically or socially amid improved health and work indicators for women.

In this context, maintaining a relatively low old-age retirement age in Jordan is a pressing factor on the social security system, especially when coupled with the widespread early retirement. The impact of this imbalance is not limited to the actuarial aspect but extends to the macroeconomy and labor market, where widespread early exit from the labor market contributes to shrinking the active workforce size, declining overall productivity, and increasing reliance on pension transfers at early life stages, weakening inclusive economic growth potential.

International experiences and best practices in this field show that gradually raising the old-age retirement age is one of the most effective and least socially costly reform tools if implemented within a clear timeframe and accompanied by supportive labor market policies. Many international reports indicate that countries adopting this path have succeeded in improving financial sustainability indicators without causing severe social shocks, especially when reforms were paired with improving work conditions, wages, and expanding training opportunities.

In the Jordanian case, maintaining the old-age retirement age at its current levels entails clear risks, most notably accelerating the reach to actuarial equilibrium points, increasing pressure on insurance resources, and rising pension salary costs in the medium and long term, in addition to deepening the gap between changing demographic reality and regulations governing the labor market and social protection.

⁴ International Labour Organization. (2014). World Social Protection Report 2024-26. Geneva: ILO.

⁵ Department of Statistics. (4202) Annual Statistical Yearbook for the year 2023, Jordan.

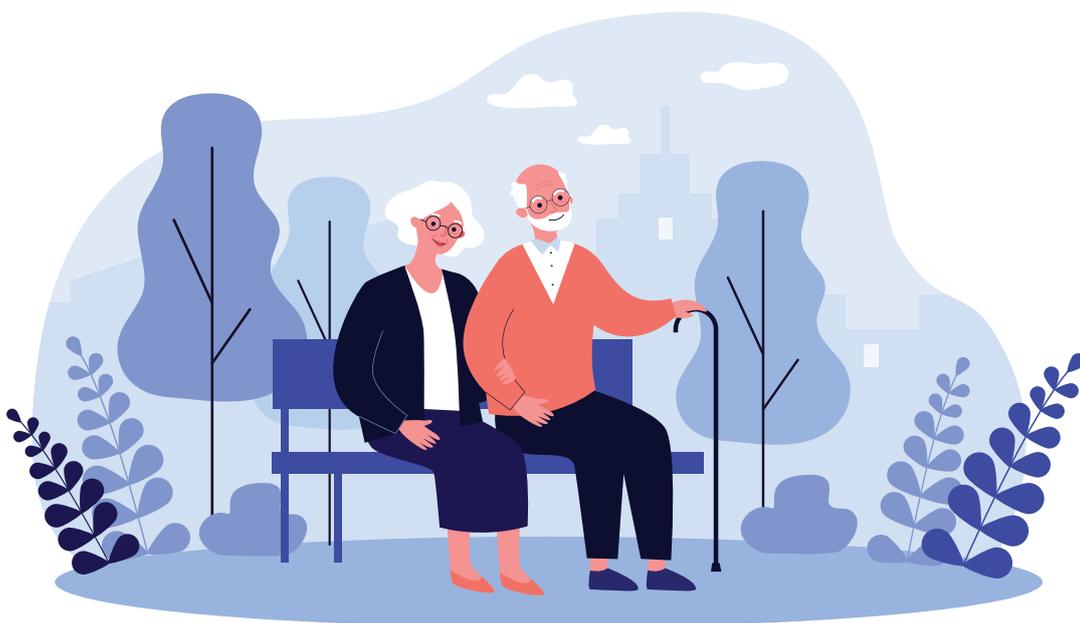
⁶ OECD. (2025). Pensions at a Glance 2025. Paris: OECD Publishing.

In contrast, gradually raising the old-age retirement age to 65 years for men and 60 years for women, and applying it to new subscribers, aligns with international trends and standards, achieving a package of overlapping benefits. From an actuarial perspective, it leads to increasing subscription years and delaying pension salary disbursement, directly reflecting on improving sustainability indicators and delaying equilibrium points. Economically, it contributes to keeping experienced workers in the labor market longer, supporting productivity, limiting early exit of competencies, in addition to its positive effect on raising future average pension salaries.

However, the success of this approach remains conditional on its gradual and fair implementation, considering differences between genders, nature of professions, and health capabilities, especially

in arduous and hazardous works, and on being accompanied by general policies enhancing the economic feasibility of continuing work, foremost improving wage levels, providing decent work environments, and expanding organized flexible and part-time work options for older age groups.

Accordingly, reviewing the old-age retirement age in Jordan should be seen as part of a comprehensive structural reform of the social security system, based on the actuarial study's outputs and international standards of the International Labour Organization and OECD, balancing financial sustainability requirements with social justice considerations and workers' rights, thereby enhancing the system's ability to continue performing its role as a fundamental pillar of social protection in Jordan.





Fourth: Military Contributions

The amendments made in 2023 to the Social Security Law, which allowed the government not to pay full contributions due for military personnel and linked their payment to economic growth rates, set a legislative precedent with direct negative effects on the sustainability of the social security system. Under these amendments, the government is exempted from paying part of military contributions if the economic growth rate is less than 5 percent, with the social security fund effectively bearing the cost of this deficit.

This amendment represents a fundamental imbalance in the principles on which social insurance systems are based, as it transfers macroeconomic risks and their fluctuations from the general budget to the social security fund, which is supposed to be an independent insurance entity based on a clear balance between contributions and benefits. Instead of the government, as an employer, bearing its full insurance obligations towards its workers, the fund has been burdened with additional loads not related to insured behavior nor to the nature of the insurance system itself.

This amendment has contributed to weakening the funding base of the social security fund by depriving it of part of the due contributions, at a time when the system is experiencing increasing pressures resulting from the expansion of early retirement, rising life expectancies, and widening insurance coverage gap. Therefore, any deduction or deferral in contribution flows, especially from an employer of the government's size, directly translates to a decline in expected revenues, acceleration in resource depletion, and reduction in the financial safety margin.

The danger of this amendment increases considering that the government is the largest employer in Jordan, and military personnel constitute a large segment of insured individuals, with long-term pension obligations due to them. Accordingly, non-payment of full contributions creates an accumulative funding gap for confirmed future obligations, which the social

security fund will bear later upon benefit entitlement, on behalf of the government, without having received the corresponding revenues at the time.

This approach also contradicts the principle of separating fiscal policy from managing social insurance systems, as it subjects insured rights and fund sustainability to circumstantial indicators like economic growth rates, instead of linking them to fixed legal obligations based on contributions. In periods of economic slowdown, which are cyclical and recurrent by nature, this amendment turns into a permanent tool for reducing government obligations, not a temporary exceptional measure, increasing the burden on the fund and undermining societal confidence in the fairness of the social security system.

Maintaining the sustainability of social security requires full regularity in contribution flows, expanding the contributor base, and not burdening the system with loads that do not reflect the insurance relationship nature. In this framework, continuing to operate under this amendment undermines other reform efforts and limits the impact of any measures aimed at delaying equilibrium points or enhancing the fund's financial stability.

Accordingly, canceling the amendments exempting the government from paying full military contributions is an essential step to restore balance to the social security system, correct the financial relationship between the government and the fund, and ensure each party bears its responsibilities according to the principle of insurance justice. This measure is also a necessary condition for the success of any future reforms based on actuarial studies' results, enhancing confidence that social security sustainability will not be hostage to economic fluctuations or short-term financial solutions, but based on clear and stable obligations protecting insured rights and future generations.



Fifth: Youth in the Social Security System

The amendments introduced to paragraph (c) of Article 59 of the Social Security Law in 2023, which excluded young workers under thirty from full coverage in old-age, disability, and death insurance, represent a fundamental setback in the philosophy of social security based on inclusiveness, intergenerational solidarity, and non-discrimination. These amendments not only reduced contribution costs for employers and thus reduced revenues to the social security fund but also established a path that weakens youth pension protection and undermines their right to build a comprehensive insurance path from entering the labor market.

Excluding youth from full coverage in old-age, disability, and death insurance is problematic and unfair from several angles. Socially, this approach entails age-based insurance discrimination, contradicting the principle of equality in rights and obligations among workers, and weakening young generations' confidence in the social security system as one protecting them long-term. Economically, delaying youth integration into long-term insurances reduces actual subscription years, negatively reflecting on future pension salary values and increasing their vulnerability probabilities in old age.

From an actuarial perspective, excluding youth from full coverage limits the system's ability to strengthen its funding base in the medium and long term. Youth

constitute the largest segment of new labor market entrants, and partially excluding them from basic insurances means losing regular contributions contributing to enhancing fund sustainability and delaying equilibrium points between fund resources and expenditures.

Linking youth employment to reducing their insurance rights transfers the burden of labor market policies from the government and employers to the youth themselves and the social security fund, transforming social security from a tool for protection and social justice into an indirect support tool for employment costs, confusing employment policy objectives with social insurance system goals. Global experiences and best practices show that encouraging youth employment is not achieved by curtailing their rights but through active labor market policies where the government and employers bear their costs, without touching the essence of social protection.

Accordingly, enhancing youth justice within the social security system requires reconsidering the principle of full coverage from the first day of work, ensuring youth enjoy the same insurance rights as other workers, thereby enhancing their confidence in the system, supporting its financial sustainability, and establishing the principle of intergenerational solidarity.



Sixth: Insurance Evasion

Evasion from registering workers in social security is one of the most dangerous structural challenges facing the social protection system in Jordan, due to its direct negative effects on workers' rights and the financial sustainability of the Social Security Corporation. In addition to depriving the worker of their right to protection against risks of old age, disability, death, and work injuries, insurance evasion also weakens the base of active subscribers, reduces insurance revenues, and increases future pressures on the fund. Statistical indicators from the Social Security Corporation indicate that the insurance evasion rate from organized business establishments is 22.8 percent ⁷, in addition to about 59 percent of private sector workers not subscribed, and these are large rates ⁸.

As is known, the effectiveness of social security systems does not depend only on the quality of legislation but largely on the state's ability to enforce the law, integrate monitoring tools, and ease workers' access to complaint and redress mechanisms. In more efficient systems, labor and insurance inspection is viewed as a preventive and regulatory function, not just a subsequent punitive tool, and is integrated into a comprehensive digital system relying on data exchange, risk analysis, and smart targeting of sectors and establishments most prone to insurance evasion.

In the Jordanian case, inspection and monitoring tools still face challenges related to limited human resources, the expansion of the informal labor market, and the multiplicity of insurance evasion forms, especially in labor-intensive sectors, small and medium activities, and non-traditional work patterns. Also, weak empowerment of workers themselves for safe and effective reporting on evasion contributes to the continuation of this phenomenon and limits the impact of traditional monitoring measures.

Best global practices confirm that digital transformation in inspection and monitoring is an essential entry point for combating insurance evasion, through building smart electronic systems capable of linking multiple databases, such as social security data, tax department, commercial registry, professional licenses, and work, allowing early detection of non-compliance cases and reducing reliance on traditional inspection. These practices also show that involving workers in the monitoring system, through secure and easy-to-use digital complaint platforms, enhances voluntary compliance and raises evasion costs for violating establishments.

In this context, deterring insurance evasion is no less important than detecting it, as comparative experiences and best practices show that non-deterrent penalties, or those not regularly enforced, turn insurance evasion into a profitable economic option for some establishments. Therefore, effective systems adopt a mix of escalating financial penalties, administrative measures, and linking insurance compliance to access to public services and economic facilities, making compliance with social security a basic condition for legally practicing economic activity.

Accordingly, combating insurance evasion in Jordan requires a shift from a partial approach relying on traditional inspection to a comprehensive and integrated approach based on digital modernization, data integration, stiffening penalties, empowering workers, and linking insurance compliance to the entire economic establishment's life cycle. This transformation is an essential condition for enhancing social justice, protecting workers' rights, and strengthening the funding base of social security, consistent with long-term sustainability requirements.

⁷ Published statistical data issued by the Social Security Corporation, 2025.

⁸ Published press statements of the Director General of Social Security, 2023.

Seventh: Governance of the Social Security Corporation's Management

The importance of the Social Security Corporation's independence is not limited to shielding its investment decisions from short-term government interventions or pressures related to public finance management but extends more deeply and essentially to ensuring the independence of insurance and strategic directions that form the essence of the insurance system and determine its long-term path regarding insurance coverage, benefit structuring, balance between rights and obligations, and the solidarity relationship between generations.

Social security is not merely a financial fund or investment portfolio managed by profitability criteria alone but a social insurance system based on a social contract between the state and workers, relying on principles of solidarity, social justice, financial sustainability, and protecting the most vulnerable groups throughout the life cycle. From this standpoint, subjecting strategic insurance decisions whether concerning entitlement conditions, benefit levels, coverage and exclusion rules, or redistributing burdens between generations to circumstantial political considerations or short-term financial pressures is a direct infringement on the essence of this social contract and undermines societal confidence in the entire insurance system.

The Jordanian experience over past years shows that several amendments to the Social Security Law were not always the result of independent actuarial evaluations or comprehensive institutionalized social dialogue but sometimes came in pressing contexts related to labor market challenges, public administration, or public finance conditions. Examples include expanding early retirement, excluding categories from full coverage, and burdening the fund with loads resulting from government policies related to public sector management or expenditure control, practices reflecting a flaw in governing

strategic insurance decisions no less dangerous than interfering in the investment decision itself.

Best global practices affirm that institutional independence for social security systems must include two intertwined and complementary dimensions: first, independence in asset and investment management, ensuring long-term return maximization, risk diversification, and restricting the use of insured funds to finance government deficits or short-term policies. Second, and more important, independence in shaping strategic insurance policies, so that any amendments to entitlement conditions, benefit structuring, retirement age, or coverage rules are based on scientific actuarial studies, international social protection standards, genuine social dialogue, and evaluations of social and economic impact, not on immediate considerations or temporary financial pressures.

Global experiences in countries that succeeded in protecting social security systems from recurrent crises show that a clear separation between the government's role and independent insurance bodies was a decisive factor in this success. In these models, the government's role is limited to setting the general legislative framework and national social protection objectives, while an independent body handles managing, operating, and developing the insurance system, without using security funds as tools to address short-term labor market imbalances or as alternatives to broader fiscal and structural reforms.

In this context, exiting the traditional structure of the social security board of directors in Jordan and its chairmanship by a ministerial executive position will lead to shielding the investment decision and freeing the strategic insurance decision from overlap between daily government policies and managing long-term insurance rights. An independent board of

directors and executive management, non-ministerial, including actuarial, insurance, legal, economic, and social expertise, based on balanced representation of social parties (government, workers, employers), and led by a professional executive apparatus enjoying independence, efficiency, and vision, will be more capable of making balanced strategic decisions on sensitive issues like old-age retirement age, early retirement, coverage expansion, and benefit structuring, without submitting to political or financial immediate pressures.

Accordingly, enhancing the independence of the Social Security Corporation must be understood as comprehensive and integrated independence, including investment decision independence, strategic insurance decision independence, and technical executive management independence, within a strict framework of accountability and transparency, parliamentary oversight, independent audit, institutionalized social dialogue, and periodic actuarial evaluation.

Adopting this integrated understanding of independence, consistent with best global practices, will fortify the social security system in Jordan, enhance societal confidence in it, and ensure its continuation as a central tool for protection and social justice, not as a tool for addressing immediate crises or transferring public policy burdens to insured individuals and future generations.

Global experiences, as reported by the International Social Security Association, also show that countries succeeding in shielding social security systems from political and financial fluctuations adopted models clearly separating the regulatory political entity from the managing insurance entity, consistent with International Labour Organization recommendations on good governance for social security systems⁹.

Best global models confirm that institutional independence coupled with accountability and transparency is one of the decisive factors in enhancing the sustainability of public retirement systems and protecting insured rights.



⁹ International Social Security Association (ISSA). (2020). Good governance guidelines for social security institutions. Geneva: ISSA.

Eighth: General Budget Support for Some Social Security Programs

Achieving inclusiveness and justice in the social security system cannot rely on insurance contributions alone, especially amid expanding informal economy, low wage levels, and high number of workers exposed to economic vulnerability. In this context, the role of the state's general budget emerges as a complementary and essential element for the social protection system, through allocating clear annual appropriations to support social security programs aimed at including the most vulnerable groups, considering this a long-term social investment, not an additional financial burden.

International experiences indicate that governments' contributions to financing some social security programs, especially those related to expanding insurance coverage and supporting workers in informal economic activities, are among best practices in building effective, inclusive, and sustainable social protection systems. The state, as the guarantor of the social contract, bears part of the social protection cost for categories unable to afford full insurance contributions, without interfering in managing the insurance system or undermining its independence. In this context, there are dozens of countries worldwide supporting social security funds with annual appropriations within their general budgets.

In the Jordanian case, the government's allocation of large and increasing annual appropriations to the National Aid Fund is a fundamental pillar in the state's efforts to protect poor and low-income families and mitigate poverty, unemployment, and social vulnerability effects, playing an important role in responding to urgent livelihood needs and enhancing minimum social stability. However, this role, important as it is, remains curative in essence, focusing on alleviating vulnerability results after occurrence more than addressing its structural causes, foremost job instability and absence of insurance protection for workers in informal economy and vulnerable work patterns. This necessitates, alongside continuing support for the National Aid Fund, thinking of complementary approaches addressing vulnerability roots through more sustainable preventive tools,

foremost expanding insurance coverage within the social security system.

From this standpoint, directing part of annual government support towards financing programs within the social security system, especially programs supporting contributions of workers in informal economic activities, freelance professions, and vulnerable work, can cause a strategic shift in social protection structure. Integrating these categories into social security not only provides them sustainable insurance protection but also reduces their future likelihood of becoming permanent beneficiaries of cash aid programs provided by the National Aid Fund and the Ministry of Social Development through its various programs.

This approach contributes to alleviating strategic pressure on National Aid Fund budgets in the medium and long term, by reducing the number of families permanently relying on direct cash support, and transforming part of these categories into active subscribers in the social security system. Thus, the state shifts from a post-poverty treatment model to a pre-poverty prevention model through more sustainable insurance tools.

Supporting contributions of informal economy workers through the general budget also enhances the base of active subscribers in social security, strengthens its financial and actuarial position, positively reflecting on the overall system's sustainability, and limits future pressures on public finance related to expanding non-insurance social support programs.

Accordingly, redirecting part of annual government appropriations, without affecting the National Aid Fund's role, towards supporting social security programs for vulnerable groups, is a strategic option achieving integration between social protection tools, enhancing their efficiency, and ensuring more sustainable and fair use of public resources, serving goals of poverty reduction, insurance coverage expansion, and enhancing social and economic stability in Jordan.

Recommendations

The following is a set of policy recommendations distributed by topic, whose adoption can contribute to enhancing the inclusiveness and sustainability of the social security system in Jordan, which forms the backbone of the social protection framework:

Recommendations Related to Enhancing Insurance Coverage

Based on the analysis of the existing gap, there is a need for an integrated package of legislative reforms targeting the integration of workers in new work patterns and freelance professions within the social security system, through government-supported, diverse, and affordable tools, including the following:

1. Establishing flexible and graduated insurance subscription systems, by developing new subscription tools dedicated to workers in freelance businesses and professions and those on digital platforms, based on declared income, with graduated contribution rates, and the possibility of aggregating intermittent subscription periods.
2. Redesigning voluntary subscription, towards reducing its cost, fractionating the contribution according to insurance type (old age, disability, maternity, unemployment), and allowing flexible options for partial subscription, making it a real attraction tool, not a financial burden.
3. Providing partial government support for contributions of workers in freelance professions and digital work, especially in initial subscription years, considering it an investment in the system's financial sustainability, not a burden, with support directed to low-income categories.
4. Integrating digital work platforms into the social security system by developing participatory mechanisms with local and global digital work platforms, allowing deduction of a percentage of income for insurance contributions.
5. Linking insurance coverage to tangible incentives by incentivizing subscription in social security through linking subscription to access additional benefits, such as health insurance, facilitated financing programs, or coverage against income loss risks, enhancing subscription feasibility from the worker's perspective.
6. Updating the legislative and regulatory framework by introducing legal and regulatory amendments to the Labor and Social Security Laws explicitly recognizing new work patterns and freelance professions, subjecting them to flexible social protection frameworks, consistent with best international practices.
7. Implementing specialized awareness campaigns in cooperation with labor and professional unions, employers' unions, civil society organizations, and digital work platforms, to explain new subscription options and their benefits, and build confidence in the social security system.

Recommendations Related to Early Retirement Age

1. Amending the Social Security Law to legislatively restrict early retirement and prevent forced referrals, restricting early retirement to voluntary cases and hazardous and arduous professions, preventing any forced referrals from public or private entities, especially in the public sector, and ensuring that actual subscription months for early retirement entitlement are no less than 300 months for males and females, and reducing the gap between old-age and early retirement ages to less than five years within a specified equation.
2. Reducing government powers in referring to early retirement by placing clear legal restrictions on these powers, as the largest employer, in referring its employees to early retirement, and preventing its use as a tool for administrative modernization or addressing functional surplus, with obliging the public treasury to bear any additional costs resulting from exceptional decisions instead of burdening the social security fund.
3. Approving a monitoring mechanism for early retirement by establishing a supervisory committee including representatives from the government, Social Security Corporation, workers, and employers, tasked with prior review and approval of any collective or exceptional referrals to early retirement, based on clear social, economic, and actuarial criteria, ensuring no harm to fund sustainability or workers' rights.
4. Reviewing wage policies towards increasing them, to raise the economic feasibility of staying in work by adopting a gradual path for wage increases, considering rising living costs and price levels, making continuation in work until old-age retirement age an economically viable option, and limiting workers' resort to early retirement as a means to compensate low income.
5. Enhancing incentives for staying in the labor market and linking them to retirement reform by developing financial and insurance incentives encouraging workers to continue working, such as improving pension salary calculation mechanism for additional subscription years, contributing to reducing pressure on the retirement fund and enhancing social security system sustainability.

Recommendations Related to Old-Age Retirement Age

1. Amending the Social Security Law to gradually raise old-age retirement age for new subscribers, consistent with global best practices, to reach 65 years for men and 60 years for women, through clear and pre-announced annual time stages, starting from 61 then 62 then 63 then 64 then 65 annually.
2. Gradually reducing the gap between men's and women's retirement ages by adopting a gradual convergence path for retirement age between genders, consistent with international best practices, while maintaining specific exceptions related to arduous works or caregiving responsibilities according to clear and controlled criteria.
3. Maintaining a lower retirement age for workers in arduous and hazardous professions, based on precise professional and health definitions and criteria updated periodically, with preventing unjustified expansion in these exceptions, to preserve justice among workers and the financial sustainability of the social security system.
4. Linking raising retirement age to incentives and policies supporting staying in the labor market by linking raising old-age retirement age to an accompanying policy package making continuation in work an economically and socially viable option, including: improving pension salary calculation ratios for each additional subscription year after the current age, developing financial and insurance incentives for older workers.

Recommendations Related to Military Contributions

1. Canceling the 2023 legal amendments related to linking military contributions to economic growth rates, which allow the government not to pay full contributions due for military workers if the economic growth rate is less than 5 percent, and reaffirming full and unconditional commitment to paying due contributions.
2. Obliging the government to pay full contributions with immediate and continuous effect by explicitly stipulating in the law the government's obligation, as an employer, to pay full military contributions on their specified dates, without delay or deduction, ensuring regular financial flows to the social security fund.
3. Fortifying the security system from fiscal policy fluctuations by introducing legislative texts establishing the principle of separating social insurance management from short-term fiscal policies, and preventing linking insured rights or fund sustainability to circumstantial economic indicators like growth rates or budget conditions.

Recommendations Related to Youth Contributions

1. Amending the texts amended to the Social Security Law in 2023 leading to canceling depriving youth under thirty from some insurances, and restoring the principle of full and equal coverage in old-age, disability, and death insurance for all workers, regardless of age.
2. Separating youth employment policies from the social security system, and adopting alternative tools to encourage employers to employ youth, not touching their insurance rights, such as tax incentives, wage support from the public treasury, or supported training programs.

Recommendations Related to Insurance Evasion

1. Updating digital inspection systems by developing smart electronic systems, linking social security databases with tax department data, commercial registry, professional licenses, enabling proactive detection of insurance evasion cases.
2. Enhancing targeted field inspection by increasing the number of inspectors, directing them towards sectors and activities most prone to evasion, instead of relying on random inspection.
3. Launching a secure and effective digital complaints platform empowering workers to report insurance evasion with complete confidentiality, providing protection mechanisms for reporters and ensuring follow-up of complaints within specified time periods.
4. Stiffening penalties on violating establishments by imposing escalating financial fines and deterrent administrative measures, reflecting the true cost of insurance evasion.
5. Linking issuance and renewal of commercial registry, professional licenses, and government facilities to proving actual worker inclusion in social security, making insurance compliance a basic condition for continuing economic activity.

Recommendations Related to Governance of the Social Security Corporation

1. Amending the Social Security Corporation Law to adopt an independent and non-governmental governance model, so that the board of directors' chairmanship is not linked to any ministerial position. This includes establishing an independent board chaired by an independent professional figure, with clear powers separating the government's role in setting general social protection policies from the corporation's role in managing, operating, and developing the insurance system.
2. Fortifying asset and investment management by separating asset and investment management from government financial pressures through setting clear legal ceilings for government lending from social security funds, and linking any investment in government debt instruments to announced investment portfolio criteria.
3. Enhancing the independence of the Social Security Corporation's executive management by adopting a competitive and transparent mechanism for appointing the director general and senior executives, based on efficiency and professional experience, with contracts specifying objectives and clear performance indicators. Continuation in position is linked to periodic professional evaluation, with defining clear institutional accountability lines ensuring independence of daily technical decision and protecting executive management from non-institutional interventions.

Recommendations Related to the Role of the General Budget in Social Security

1. Including an annual financial item in the general budget to support contributions of workers in informal economic activities, freelance professions, and vulnerable work, aiming to expand insurance coverage and increase active subscribers in social security.
2. Adopting a gradual path to redirect part of National Aid Fund appropriations to support contributions of work-capable categories within the social security system, reducing chronic reliance on cash aid and alleviating long-term pressure on its budget.
3. Launching integrative programs between the Social Security Corporation and National Aid Fund to support contributions of work-capable aid beneficiaries for specified periods, linking support to economic integration plans and periodic evaluation of social and financial impact.
4. Requiring that government support leads to actual increase in subscriber numbers and improvement in actuarial indicators, with periodic evaluation measuring its impact on reducing reliance on the National Aid Fund and enhancing social protection system sustainability.

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