

Achieving Income Security for Older Jordanians and Refugees



Key messages

- **The Government of Jordan is committed to expanding and improving social protection as a key component of the sustainable development agenda.**
- **Older women and men in Jordan face increasing challenges to meet their income needs, given their reduced ability to work and limited and inadequate pensions.**
- **The Jordanian pension system has a limited coverage, with only 42.2 per cent of Jordanians benefiting from an old-age pension.**
- **Women are particularly penalised in the current system, as female labour market participation in Jordan is the third lowest globally – only 16 per cent of pensioners in Jordan are women.**
- **A social pension would complement the existing compulsory social security resulting in a system that would provide social protection in old age for all.**
- **A social pension, if extended to non-Jordanians, could become an important mechanism to provide effective, transparent and sustainable support to Syrian refugees and their families.**

Jordan's path to sustainable development

The Hashemite Kingdom of Jordan has been lauded for its decisive actions towards the attainment of the United Nations Millennium Development Goals (MDGs). Overall, considerable achievements were made, especially in the areas of poverty eradication, maternal and child health, communicable diseases and universal primary education.

Building on these achievements, Jordan actively engaged in shaping the post-2015 sustainable development agenda. Over 12,500 Jordanians were consulted to identify the most critical developmental issues for them, with many more articulating their views online. In addition, Her Majesty Queen Rania Al-Abdullah was one of the 27 world leaders who provided advice to the UN Secretary General on the Agenda 2030. The need to address high unemployment, especially among women and youth, expand economic and political participation of women, address the rise in non-communicable diseases, and ensure environmental sustainability emerged as priorities.¹

In September 2015, world leaders adopted the 2030 Agenda for Sustainable Development, which envisions a world with zero poverty, where all people can live in dignity throughout their lives, free from poverty, exclusion, violence and discrimination. It calls for *leaving no one behind* and to ensure that the SDGs are met for all segments of society, at all ages, with a particular focus on the most vulnerable.²

Population ageing and sustainable development

Population ageing is a major trend that affects all countries and reflects significant achievements of human development, including improved health, greater longevity and lower mortality. Preparing for an ageing population is vital for the achievement of the sustainable development agenda, with ageing cutting across most SDGs, including poverty eradication, good health, gender equality, economic growth and decent work.³

The guiding principle of the SDGs to leave no one behind, as well as the central and cross-cutting nature of population ageing in sustainable development, means that to achieve the SDGs, the rights, needs and preferences of older persons must as a be recognized, with older women and men participating as active and empowered actors in social development.

However, the importance of preparing for an ageing population and enabling older Jordanians to continue contributing to society and development is not adequately reflected in the country's policies and development strategies. For instance, Jordan's Voluntary National Review of progress against the SDGs, presented in 2017 at the High-Level Political Forum on Sustainable Development, focuses on 'Eradicating Poverty and Promoting Prosperity in a Changing World' but makes almost no mention of older people.

Social protection for older women and men in Jordan

The human right to appropriate social security and social protection throughout the life-course is well-established, captured within the Universal Declaration of Human Rights (1948), the International Covenant on Economic, Social and Cultural Rights (1966) and the International Labour Organization's Convention 102 on Social Security (1952), which has been ratified by Jordan in in 2014.⁴

Social protection is also crucial for the realization of the sustainable development agenda, as success in achieving several SDGs depends to a significant extend on the effective implementation of social protection policies and instruments. Specifically, social protection is expected contribute to SDG 1 (end poverty), SDG 2 (end hunger, achieve food security and improved nutrition), SDG 3 (ensure healthy lives and promote well-being for all at all ages), SDG 5 (achieve gender equality and empower all women and girls), SDG 8 (sustained, inclusive and sustainable economic growth), and SDG 10 (reduce inequalities).

The Government of Jordan is committed to expanding and improving national social protection policies and programmes as key components of the sustainable development agenda. The country's Poverty Reduction Strategy (2013-2018)⁵ identifies poverty and vulnerability amongst Jordanians of all ages as a continuing challenge and calls for Government to "deliver expanded, increasingly aligned and better-targeted social protection measure to members of poor and vulnerable households" in Jordan. The goal of expanding social protection is further referenced in the medium-term development framework called Jordan 2025.⁶

The National Strategy for Senior Citizens (2018-2022)⁷ reflects upon the significant numbers of older Jordanians who do not receive a pension, or one that is lower than the poverty line, and commits Government to expand the coverage and improve the adequacy of the country's pensions system.

Syrian refugees in Jordan

Since the outbreak of the Syrian crisis in 2011, the Jordanian people and government have welcomed large numbers of Syrian refugees seeking protection from devastation and violence. Jordan, as of June 2018, hosts 751,275 registered refugees, which is the second highest share of refugees compared to its population in the world (89 refugees per 1,000 inhabitants). Many more refugees are not registered. The majority are from Syria, but Jordan also hosts tens of thousands of refugees from other countries, including Iraq, Yemen and Sudan. Most Syrian refugees in Jordan live in urban areas and over 85 per cent live below the poverty line. About half of registered refugees are children, and around 4 per cent are older persons.

Life for refugees in Jordan is difficult and, in some ways, worsening. Underfunded United Nations agencies have reduced financial and food assistance, refugees are struggling to make ends meet, given the high cost of living, and few have access to adequate healthcare, social services, decent work and social protection.⁸

Strengthening Jordan's pension system to ensure income security for older Jordanians and refugees

This policy brief sets out to provide a concise analysis of Jordan's old age pension system, followed by a set of recommendations on how improve the system to more effectively ensure adequate income security for all its older women and men. Recognizing the overwhelming need for social protection amongst Syrian refugees, as well as the likely protracted nature of their displacement, the brief includes also considers options to expand coverage to older refugees.

The brief draws on existing literature and policies, as well as quantitative data from a 2018 HelpAge International survey of the situation of older women and men in Jordan.⁹ Further, focus group discussions on wellbeing, income security and pensions were held with groups of older women and men – Jordanians as well as Syrian refugees – in Amman and Zarka in January 2019.

A changing population and challenging economy

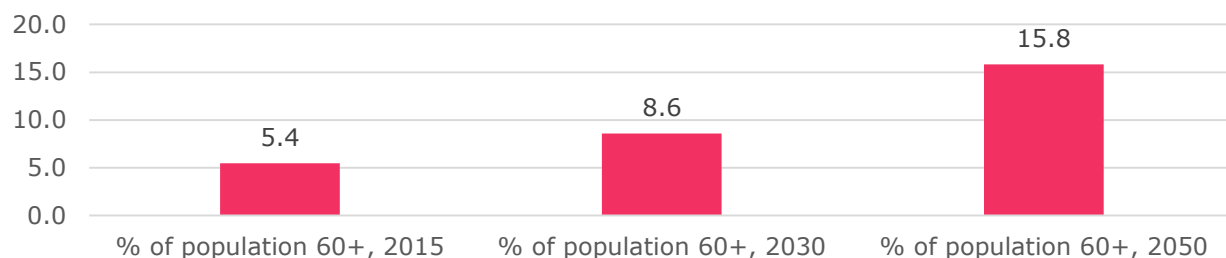
Population

The Jordanian population is growing quickly, and, under current growth rates, would double in size every 29 years. The annual growth rate of the total population during the period 2004 - 2015 was about 5.3 per cent, which been driven by relatively high-growth rates amongst the Jordanian population but especially the significant influxes of migrants and refugees over the last years.

According to the 2015 population census, Jordan has a population of 9,531,712 people, of which 47 per cent are female and 53 per cent are male, living largely in urban areas.¹⁰ There are nearly 3 million non-Jordanians living in Jordan, of which 1.3 million are Syrian refugees.¹¹

While currently characterized by a relatively young population with a median age of 22 years, the share of older Jordanians is expected to increase considerably over the next decades. According to estimates by HelpAge International, the percentage of people aged 60 and above is expected to increase from 5.4 per cent of the total population in 2015 to 8.6 by 2030, and to 15.8 per cent by 2050.¹² Figure 1 shows the estimated percentage of Jordan's population aged 60 or older. While 60-year-olds made up and estimated 5.4 per cent of Jordan's population in 2015, this percentage is expected to increase to 8.6 in 2030 and 15.8 per cent in 2050.

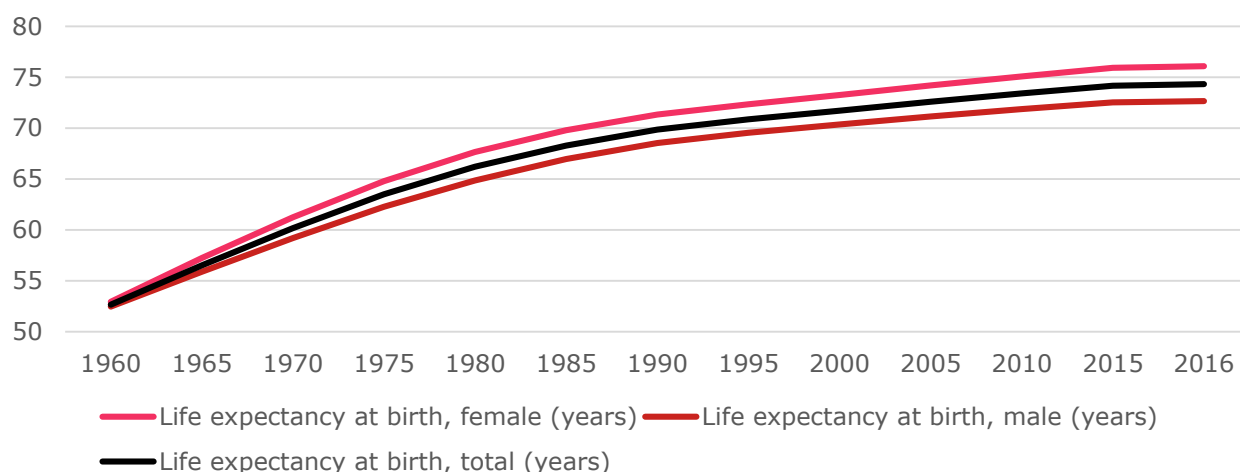
Figure 1: Estimated percentage of Jordan's population aged 60 or older, 2015-2050



Source: HelpAge International (2015). Global Age Watch Index 2015. Report Card Jordan: <https://www.helpage.org/global-agewatch/population-ageing-data/country-ageing-data/?country=Jordan>

Life expectancy at birth has increased rapidly for women and men in Jordan in the last decades, from an average of 52 years in 1960, to 60 years in 1970 and 74 years in 2016. Throughout this period, women's life expectancy at birth has consistently surpassed that of men, an advantage that has grown over time and in 2016 women could expect to live three and a half years longer than men.

Figure 2: Life expectancy at birth, by sex, from 1960 to 2016



Source: World Bank Jordan Country Data: <https://data.worldbank.org/indicator/SP.DYN.LE00.MA.IN?locations=JO>

Economy and labour market

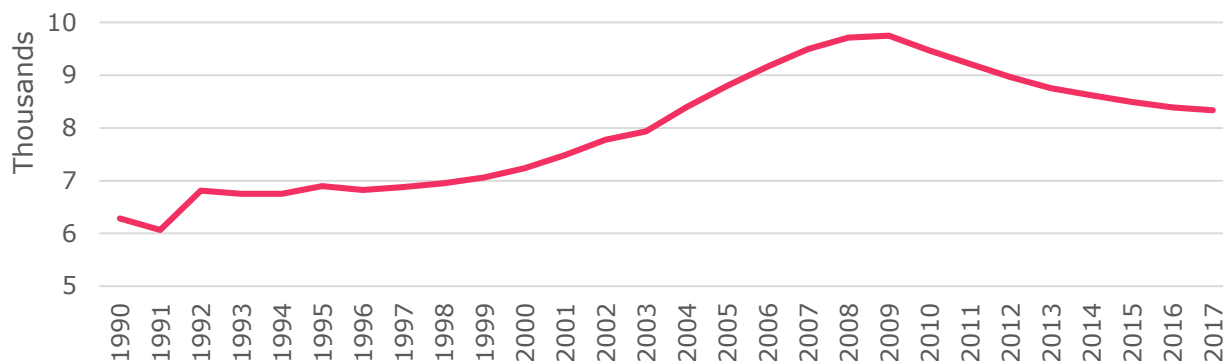
Jordan is set apart from other countries in the region through its relatively small but diversified economy that is predominantly service-oriented, with few natural resources. Services constitute two thirds of Jordan's GDP in 2014.¹³

During the past decade, the country has faced a number of economic challenges, including the impacts of the 2008 global financial crisis, the subsequent rise in oil and food prices, the continued instability throughout the region affecting investment, trade and tourism, and most importantly, the impact of the Syria crisis and resulting influx of refugees¹⁴. As a result, in 2017, Jordan was re-classified by the World Bank as a lower income country rather than an upper middle-income one.¹⁵

For the foreseeable future, the World Bank expects to Jordan's economy to remain in a low-growth scenario, with GDP expected to increase by 2.4% in 2018 and 2.5% in 2019 from 2.1% in 2017, noting that economy remains burdened with ongoing uncertainty in Syria, slow revival of economic cooperation with Iraq, and an economic slowdown in the Gulf Cooperation Council (GCC).¹⁶

Figure 3 shows the sustained growth of gross domestic product (GDP) per capita Jordanians experienced for about two decades, starting in the 1990s and coming to a halt in 2009 with the global economic crisis. Since the global financial crisis, GDP per capita has declined significantly, reflecting the increasingly perilous state of the Jordanian economy and the declining incomes of many Jordanians.

Figure 3: GDP per capita (PPP in constant 2011 USD)



Source: World Bank Country Data: <https://data.worldbank.org/indicator/NY.GNP.MKTP.KD?locations=JO>

Labour market

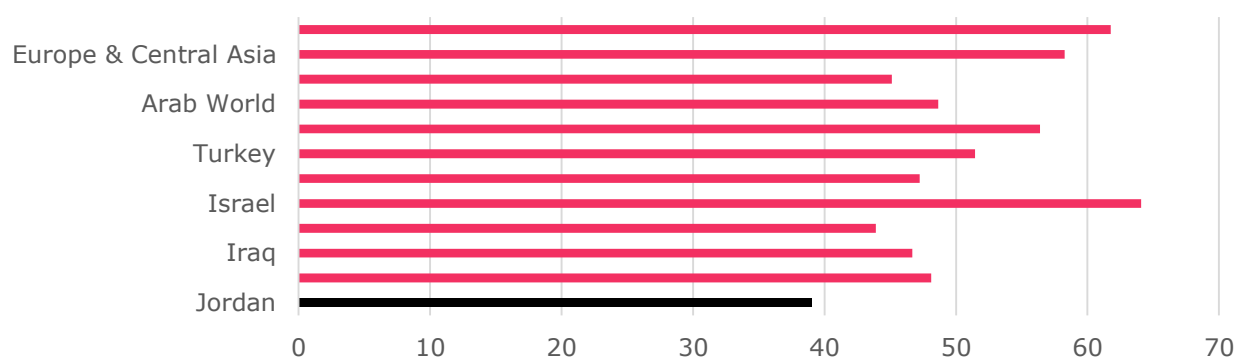
As a consequence of the economic slowdown and large population growth, Jordan’s unemployment rate has been increasing, reaching 18 per cent in 2018, with a significant marginalization of women.¹⁷ Meanwhile, Jordan’s labour force participation rate averaged 39 per cent in 2017, with female labour force participation rates one third of men’s on average. The gender gap in labour force participation is markedly higher for the most vulnerable women, i.e. those with limited formal education or from the poorest quintile.

Jordan has one of the lowest labour force participation rates in the Arab region and globally, largely driven by a low, but growing, female labour force participation rate of 23 per cent.¹⁸

Likely reflecting the challenging economic situation, the labour force participation rate has been declining significantly from an all-time high in 2009 (42.5 per cent).¹⁹

Of a working age population of almost 3.5 million people, there are about 1.4 million Jordanians working, plus another 210,000 unemployed and an estimated 1.4 million non-Jordanians working in Jordan. Employment is concentrated on the public administration, defence, transportation, construction and manufacturing sectors.²⁰

Figure 4: Labour force participation rate in 2017 (% of total population ages 15+)



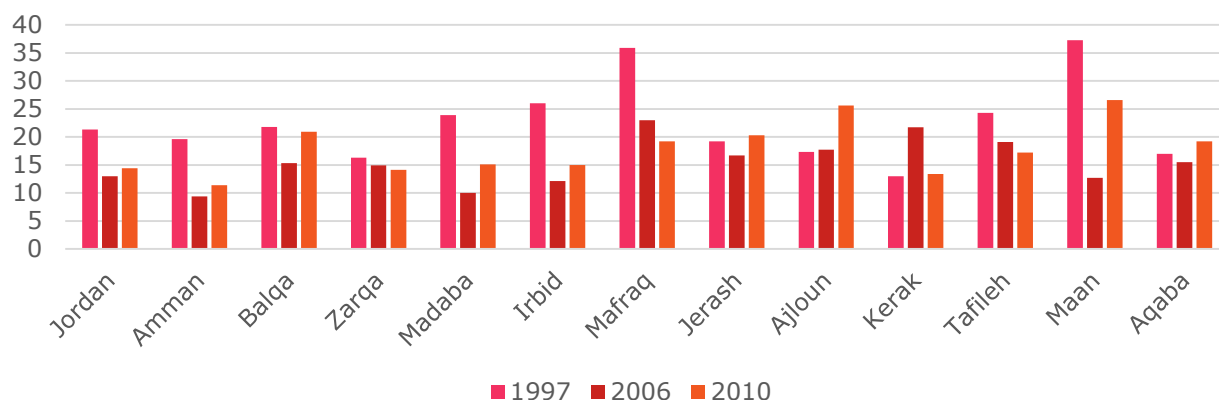
Source: World Bank (2018): <https://data.worldbank.org/indicator/SL.TLF.CACT.ZS>

Poverty

Jordan has not released poverty estimates since 2010 when the absolute poverty rate was estimated at 14.4 per cent, amounting to a total of 118,995 households (or 876,590 individuals) experiencing income poverty across Jordan, with a further 22.5 per cent of households sitting immediately above the absolute poverty line and, as such, are vulnerable to falling into poverty.²¹ According to the World Bank’s 2018 economic outlook, the poverty rate is likely to have risen since 2010, given rising inflation, increasing unemployment and slow growth over the past decade.²²

While poverty is persistent throughout Jordan, it is more widespread in rural areas, with the capital city, Amman, having the lowest poverty rates.

Figure 5: Poverty rate by governate and year



Source: Government of Jordan (2017). Jordan in Figures 2017. Department of Statistics:
<http://dosweb.dos.gov.jo/products/jordan-in-figure2017/>

Poverty, in Jordan and everywhere, is seldom static and often fluctuates significantly with changing external circumstances, such as agricultural seasons or obligations related to cultural events. In the case of Jordan, World Bank research finds that in 2015 a third of Jordan's population lived below the poverty line at some point of one year. Unlike official poverty data, which is based on a single interview during a year, researchers found that basing data on repeat visits yields a poverty rate 26 per cent greater than the official estimate.^{23 24} Reasons for this high level of 'transient poverty' are the significant percentage of Jordanians that live just above the official poverty line, as well as seasonal increases in the cost of living, especially during winter and important Muslim religious holidays.

Income security in old age

Women and men in Jordan face increasing challenges to meet their income needs in older age, given their reduced ability to work due to lack of employment opportunities and often increasing health issues; and limited and inadequate pensions. As a result, many older people, particularly older women, rely on their families for income support and survival.

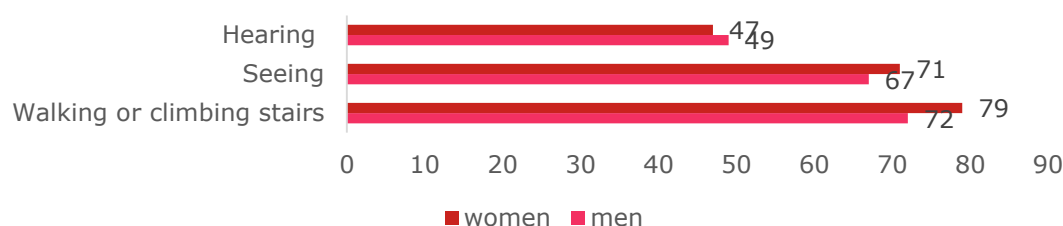
According to the 2017 Labour Force Survey,²⁵ a very limited proportion of older people are in employment – just below 6 per cent of men over 55 years are employed, and this number declines further to 1.6 per cent of men over 65 years. Older women are even less likely to be in employment – at age 55 or above, only 2 per cent of women are employed and a negligible 0.3 per cent women above 65 years are employed. This is not surprising given the low levels of labour force participation of women across all ages. Indeed, 80 per cent of women aged 60 years and above surveyed by HelpAge International had never had formal jobs.

The high levels of ill-health and disability experienced by older people also restrict their ability to earn an income. 92 per cent of women and men aged 60 and above interviewed by HelpAge International in 2018 reported having one or more chronic health conditions that required ongoing medical treatment and monitoring; while a significant majority reported significant difficulties in core functional domains (Figure 6). Likewise, more than two-thirds of participants in focus discussions amongst older women and men, conducted in 2019 by HelpAge International in Amman, Irbid, Mafrag and Zarqa, indicated they suffered from a range of non-communicable diseases (NCDs) such as rheumatism, hypertension, and diabetes. Many also reported experiencing impairments related to mobility, seeing and hearing.

High levels of ill-health and disability experienced by older people is not only a limiting factor in their ability to earn and income, but also requires medical expenses that place additional financial burdens on older people:

"I suffer from many health conditions and therefore cannot [work to] meet my basic needs. How am I supposed to access my medical care?" – older Jordanian woman

Figure 6: Percentage of older men and women reporting a lot or some difficulties in hearing, seeing and mobility



Source: HelpAge Jordan (2018). Survey of older women and men in Amman, Irbid, Mafrag and Zarqa

Sources of income in old age vary substantially between women and men, and between Jordanians or Syrians, as shown in Table 1. Reflecting very different work trajectories in their life-course, older men are much more likely to have a pension compared to women, while women more likely to depend on family support/household income. For many Jordanian women, access to a pension is limited to survivor’s pensions in the case of their husband’s death.

Focus group discussions with older Jordanian women highlighted their nearly complete reliance on their husbands or sons for their material needs. Women and men expressed deep dissatisfaction with their lack of financial independence, their reliance on support from relatives for almost every aspect of their daily lives, and frustration with not being entitled to a pension of their own, since they have never had the opportunity to work in formal employment. Older women and men frequently expressed the sentiment that their dependence on others is a source of stress and humiliation for them, and wished they had a pension, or sufficient income, to support themselves financially without relying exclusively on others.

The data also highlights the great dependence of Syrians living in Jordan on humanitarian assistance. Even though some of the refugees were entitled to pensions in Syria (particularly male refugees), they are unable to access it from Jordan.

"I wish I could live in a separate house with my husband or have an income of my own to help my children instead of being the one who needs to be taken care of" – older Jordanian women

"I continually depend on my son and on his income to survive, however, his income is not enough for the both of us" – older Jordanian man

Table 1: Main Sources of income (% , multiple answers allowed)

	Older women		Older men	
	Jordanian	Syrian	Jordanian	Syrian
Assistance from relatives	3	5	3	5
Disability allowance	6	0	3	0
Household	24	27	13	31
Humanitarian assistance	16	73	14	66
Military pension	17	0	11	0
Own business	3	0	9	2
Pension (incl. survivor pensions)	29	0	41	0
Salary	4	1	7	1
Other	7	15	7	19

Source: HelpAge Jordan (2018). Survey of older women and men in Amman, Irbid, Mafrag and Zarqa

For nearly half of older people surveyed - 41 per cent of men and 47 per cent of women - their income is seldom or never enough to cover their basic needs, with two thirds of older women and men interviewed saying they have debts (69 per cent of men and 63 per cent of women).

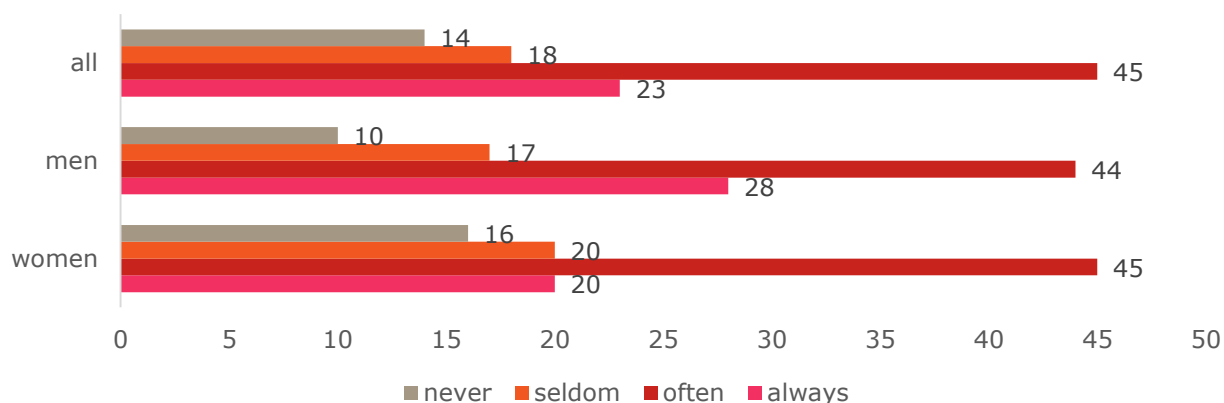
The situation is even more critical among Syrian refugees: with 72 per cent of women and 84 per cent of men reporting being in debt.

Indeed, in focus groups discussions in Amman and Zarqa many older women and men indicated that most of their concerns in life related to their inability to cover their basic expenses which resulted in dependence on others and debt accumulation.

"I suffer from extreme poverty; all the accumulation of debt is burdening me and there is nothing I can do about it" – older Jordanian man

"I live with barely anything. I do not have enough money to meet the basic requirements of life. Therefore, I live with my son because living is very expensive in Jordan" – older Jordanian man

Figure 7: Percentage of older men and women able to meet their financial needs



Source: HelpAge Jordan (2018). Survey of older women and men in Amman, Irbid, Mafrag and Zarqa

Pension system in Jordan

An international symposium organized by the Arab Monetary Fund and the World Bank in 2017 concluded that pension systems in the Arab region share a range of common themes, including young populations, but also rapid ageing, low female labour force participation rates, fragmented systems, often with generous benefit formulas (particularly for public sector employees), easy provisions for early retirement, generous survivorship programs and underdeveloped private pensions.²⁶ This is an apt description of Jordan’s pension system.

The current Jordanian pension system is shaped by the Social Security Law No. 1 of 2014 and its amendments. Its main component is a compulsory *Pay As You Go* (PAYG) pension scheme covering formally-employed private sector workers, self-employed, civil servants and military personnel.¹ The contribution rate is relatively high at 21.75 per cent of the employee’s salary, of which 7.5 per cent is paid by the employee and 14.25 per cent by the employer. According to SSC figures²⁷, the number of mandatory active insured person was 1.215 million in 2017 (885,000 men and 330,000 women), about 64% of all employees. Non-Jordanians represent 12 per cent of subscribers (around 145,000).

Retirement age is 60 for men and 55 for women, with at least 15 years of coverage, including 7 years of paid contributions. Those covered before 2009 also have the option of early retirement at age 50 for both men and women with at least 25 years of contributions for men or 22 years for women.

Jordanian citizens who are not covered by the compulsory system can join the Voluntary Scheme, which allows Jordanian citizens aged between 16 and 59 years for males and 16 and fifty-five for females to sign up to social security with a contribution rate of 17.5 per cent. The number of active voluntarily insured people reached 69,024 in 2015 (48,352 men and 20,672 women), or about 6 per cent of all active members of the social security system. By 2017, the number of voluntary contributors has slightly increased to about 73,000, according to the SSC.

¹ Except those individuals already enrolled in the Civil or Military Pension systems which are being discontinued administered by the Social Security Corporation.

Given the high contribution-levels of the voluntary scheme, it is likely to attract better paid workers. Indeed, the average wages of voluntary insured people in 2015 was 25 per cent higher than mandatory coverage average salary (JOD 643 compared to JOD 484). Self-employed workers at the lower end of the income scale tend to have less stable income, and often struggle to contribute consistently. **The voluntary system also appears to be beyond the reach of most women and hence unable to bridge the large gender gap in the Jordanian pension system,** with women representing less than a third of the actively voluntarily insured.

Limited coverage

The Jordanian pension system has a limited coverage, with only 42.2 per cent of the Jordanian population above the statutory retirement age benefiting from an old-age pension.²⁸ According to the 2015 Social Security Corporation's Annual Report, the number of old age pensioners in 2015 was 138,024, of which 84 per cent were men. The level of coverage is unlikely to increase substantially in the coming years given the current low levels of active contributions to the social security system (low contribution density). Low labour market participation rates, especially among women, high rates of unemployment and informality contribute to low coverage. Although the number of active insured persons covered under the provisions of the Social Security Law has been increasing, less than a quarter of the economically active population contributes to social security; this is very low especially considering that from Jordan's working age population of almost 3.5 million people, less than 1.5 million are economically active (the economic inactive include those who are of working age but are housewives, students, not working/ seeking work for other reasons).

Limited levels of labour force participation, coupled with high and persistent unemployment, results in very low employment rates - just over half of Jordanian men work and only one in ten Jordanian women do. These rates are very low even compared to other Arab countries, for which the average employment rates are 81 per cent for men and 27 per cent for women.²⁹

Moreover, a large number of those in employment are informally employed. A 2013 UNDP study estimated that the informal economy reached 10 per cent of the 2010 nominal GDP and that informal employment constituted 44 per cent of the total employment in Jordan in 2010 (the number of workers in the informal sector in the Jordanian labour market was estimated at 487,861 compared with 744,724 workers in the formal sector).³⁰ Since the pension system largely caters to public and formal private sector workers, large numbers of workers are excluded from the social security system.

Women are particularly penalised in the current system, which closely links social protection to formal employment, as female labour market participation in Jordan is the third lowest globally. Jordanian women often remain outside the labour market altogether for cultural reasons and because of care responsibilities. The 2017 Labour Force Survey indicated that female activity rate stood at 17 per cent, compared to 61 per cent of male. Therefore, the majority of Jordanian women are not entitled to social security coverage. This situation is unlikely to change substantially under the current system as women represent only 27 per cent of the actively insured under the compulsory scheme and voluntary contributions from women are equally low - in 2015 less than 30 per cent of the active voluntarily insured were women.

Not surprisingly, UN Women found in a 2014 study on the socio-economic progress of women worldwide that Jordan has the largest gender pension gap (tied with Egypt).³¹

Under the current system, most women only benefit from the social security system as beneficiaries of survivor pensions, which cover widows and all dependent daughters if unmarried, widowed, or divorced; dependent sisters; and parents. The number of active survivors entitled to pensions as a result of the death of the insured or pensioner reached 87,447 in 2015, of which 79 per cent were female. This has implications for the sustainability of the system since the inclusion of these beneficiaries greatly extend the length of time which are paid to multiple decades.

"Although I was a teacher, I now have no income and I feel embarrassed because I live with my sister's children" - older Jordanian woman

"If only I had social security, I could now have all the things I need. However, it is still a dream for me." - older Jordanian woman

Despite progressive policy reforms, Syrian refugees remain virtually excluded from the social security system. Although the social security system is open to non-Jordanians, and refugees are allowed to work legally, the vast majority of refugees in Jordan are not working or work in the informal sector and are thus largely excluded from the social security system. The 'Jordan Compact' between the Jordanian Government and the European Union features provisions to support Syrian refugees in Jordan, including the issuance of a limited number of work permits, which are mandatory in Jordan for refugees to be legally employed. The work permits cover only certain sectors, such as agriculture, construction and manufacturing, and must be renewed annually.

By January 2018, 87,141 permits had been issued to Syrian refugees since the initiative's implementation in March 2016³², falling considerably below the Compact's target of 200,000 permit³³. Limited uptake of work permits amongst refugees is due to a wide range of issues relating to their costs and benefits. Theoretically, work permits provide refugees with greater legal protections in the workplace, such as contracts and a minimum wage. At the same time, the work permits that refugees receive typically tie them to a specific employer, which may leave them with little recourse when employment conditions are poor or deteriorate. Syrian refugees also worry that registering to work will lead to a loss of social assistance, despite informational campaigns to explain otherwise.³⁴

Initially, legal employment of Syrian refugees not only required valid work permits but also enrolment in Jordan's social security system, a requirement that was eventually replaced with mandatory private employment injury insurance for Syrian workers.

Given the relatively limited uptake of work permits and no requirement to contribute to social security, it is not surprising that, at the end of 2018, only about 11,000 Syrian refugees are contributing to social security.

Even though a significant proportion of older Syrians (mostly men) were entitled to social security in Syria, they are unable to access it from Jordan. Older refugees spoke about their frustration of no longer having a pension and the difficulties they face as a result.

"The process to access pension here is so difficult and thorough that it means you have to go back to Syria to get the correct documents which is impossible for most of us to do." - older Syrian woman living in Jordan

"Having access to my pension would allow me to get back some dignity and live a dignified life and I wish for it every day." - older Syrian man living in Jordan

Adequacy of pensions

The adequacy of pensions can be assessed in terms of poverty reduction and wage replacement. In 2015, the average old age pension was JOD 391 for men and JOD 331 for women, which is about 5 times the absolute poverty line.² It is also above the minimum wage of JOD 268 per month and about three quarters of the average salary workers contribution to mandatory social security.

In line with other pension systems in the region, Jordan's social security scheme offers relatively generous replacement rates of 2.5 per cent of the insured's average monthly earnings in the last two years of service. The maximum replacement rate is 75 per cent of the insured's average monthly earnings in the last 2 years.³ Dependent supplements can further increase by 10 per cent for the first dependent and 5 per cent each for the second and third, up to 20 per cent of the pension. However, for many, this is not enough, as Jordan, and especially Amman, ranks amongst the most expensive countries and cities in the Arab world and beyond.³⁵ Average annual food and non-food expenditures of a small Jordanian household (with one or two members) was JOD 9,179 in 2017, which is about double a men's individual annual pension.³⁶ In sum, low

² Based on the Household Expenditure and Income Survey of 2010 the absolute poverty line in Jordan is JOD 814 per individual per year or JOD 68 per month.

³ The ILO Convention 102 on minimum standards in social security stipulates that, if basic income security is to be provided, the minimum replacement rate of 40 per cent of previous earnings should be guaranteed after 30 years of contributions.

pensions are largely a reflection of low wages, rather than a lack of generosity of the social security system.

Closing the pension gap and realizing old age income security for older women and men in Jordan

In sum, the current social security system is closely tied to formal employment and hence insufficient to offer security in the current economic and social context of high unemployment and informality, very low economic participation of women, and large numbers of Syrian refugees.

Jordan has taken important steps in building a comprehensive and sustainable social security system. Nevertheless, the current system lacks the mechanisms to close the coverage gaps resulting from structural socio-economic issues; individuals not covered by the compulsory or voluntary schemes are not protected.

A non-contributory pillar consisting of a social pension to complement the existing compulsory social security pillar would solve the coverage gap issue, resulting in a system which would provide universal social protection in old age.

Non-contributory pensions or social pensions are tax-financed cash transfers paid regularly to older people regardless of their social security contributions. Social pensions are a key element of social systems in high income countries and have emerged as an increasingly prominent approach to expanding pension coverage in low- and middle-income countries in the last two decades.

A comprehensive pension system needs to combine effective contributory schemes along with tax financed elements. The non-contributory pillar serves to set a floor under the income one can expect at retirement age, independent of one's previous labour market attachment, guaranteeing minimum income security in old age for all, while the second pillar, consisting of a mandatory public PAYG scheme, focuses on an adequate pension in terms of the replacement rate and consumption smoothing in older age. A non-contributory pillar would also facilitate some of the adjustments that need to be made to the contributory pillar to enhance its sustainability.

Some population groups with little labour market attachment will rely heavily on the first pillar for their pension income. This is particularly the case of Jordanian women. **Government financed social pensions are detached from assumptions about continuous participation in paid formal employment and therefore more accurately reflect the gendered nature of the life-course.** Indeed, social pensions play a key role in ensuring that women can access at least a basic pension and enjoy a minimum standard of living in old age.

Although social pensions cannot be expected to reverse years of discrimination, detaching at least one pillar of the pension system from labour markets ensures that accumulated, and often gendered, inequalities are not transferred into the pension system. Social pensions can also address gender and age specific risks, such as a widow's loss of assets or child care responsibilities, particularly in skipped generation households. Social pensions can also be seen as an effective way of recognising the value of women's non-remunerated work within the household and community. Social pensions are therefore a more gender equitable way of achieving income security in old age and are particularly important in contexts with high informality and low pension coverage, as is the case in Jordan.

Moreover, a non-contributory pillar, if extended to non-Jordanian citizens, could be an important mechanism to support Syrian refugees and their families in Jordan. Given the observed limitations of ensuring income security for older refugees through social security that is tied to formal employment, at least in the medium-term, as well as the likely protracted displacement of Syrian refugees, a social pension provided to older refugees could be crucial in ensuring their material and psychosocial wellbeing, while reducing negative coping mechanisms and ensuring wellbeing of separate children, which are mainly supported by grandparents.

A Social Pension for older Jordanians and refugees

A social pension should be designed to eliminate old age poverty while paying attention to preserving incentives to contribute to contributory social security. This implies setting pension levels high enough to ensure no older person has to live in poverty, but also considering how a social pension would interact with the country's contributory social security system.

Social pensions that are either offered to all (universal) or exclude only those in receipt of other pensions (pension-tested) have particular advantages over means-tested approaches in terms their ability to effectively reach everyone, including the poor and marginalized; simplicity of administration; incentives to work, invest and save; and usually high levels of political and social support. For these reasons, social pensions have for a long time been crucial building blocks of developed countries' pension systems and are increasingly rolled-out in lower and middle-income countries as well.

The goal of the non-contributory pillar is to avoid old age poverty and therefore the value of its benefits should be set with this goal in mind. Therefore, benefit levels are usually identified according to different benchmarks relevant in the national context – such as the national poverty line. A benefit level set at the Jordanian poverty line (which currently stands at approximately JOD 69 per month) would be equal to around 20% per cent of GDP per capita. This is in line with most other low- and middle-income countries that have non-contributory pension. The average in Africa and Latin America is 17 per cent of GDP per capita, and 15 per cent in Asia. Egypt's MOSA Social Solidarity social pension has a benefit of around 16 per cent of GDP per capita. The adequacy also needs to be maintained over time through proper indexation, which is particularly important for women, as they tend to live longer than man.

The cost of a social pension would vary significantly depending on the parameters chosen. Table 2 presents the estimate cost of a universal pension for Jordan in 2017 prices, calculated using population projections for 2017 (from UN/DESA World Population Prospects) and economic data from the IMF World Economic Outlook database. Administration costs are assumed to be 5 per cent of the total cost of the transfers. The results show that – depending on benefit level and age of eligibility - the costs will vary substantially. At one end of the scale, a benefit at the poverty line (JOD 69) to all over 60s would cost JOD 500 million, or 1.21 per cent of GDP. At the other end of the scale, a benefit of JOD 52 (15 per cent of average income) to over 70s would cost just JOD 160 million, or 0.39 per cent of GDP. Identifying which scenarios are feasible in the short, medium- and long-term means taking account of the potential to create “fiscal space”.

Table 2: Cost of a universal social pension for Jordan (2017 prices)

Monthly benefit JOD	% of GDP per capita	Age of eligibility	Cost JOD (million)	% of GDP	% of govt expenditure
52	15%	60+	370	0.91%	3.11%
		65+	250	0.61%	2.08%
		70+	160	0.39%	1.32%
69	20%	60+	500	1.21%	4.15%
		65+	330	0.81%	2.77%
		70+	210	0.51%	1.76%

Source: HelpAge International calculations

Besides being a critical pillar of the pension system, a social pension would be a good fit to the Jordanian social protection system. Jordan has a relatively well-developed social protection system, but it faces challenges of fragmentation, resourcing and coverage. A social pension would strengthen the social protection system by complementing and creating synergies with existing programmes implemented by the National Aid Fund (NAF), the Ministry of Social Development, and the Zakat fund, and helping to achieve coverage targets in a cost-effective way. As such, a social pension should be considered as an important component of the new Jordan National Social Protection & Poverty Reduction Strategy (2019-2025).

A universal social pension paid to all older people residing in Jordan could also play a key role in current efforts to harmonize social protection provision to Jordanian national and refugees. The Social Protection pillar of the 2018-20 Jordan Response Plan for the Syria Crisis³⁷ focusses on integrating Syrian refugees into national protection systems, as well as implementing quality social protection interventions prioritizing the most vulnerable (persons with disabilities, persons with legal and protection needs, the elderly, and the socio-economically vulnerable). A social pension shared by refugees and host communities would enhance transparency, potentially helping to create a sense of equity and strengthening social cohesion.

*"If I had pension I would feel much better and live with dignity not with embarrassment"
- older Jordanian man*

*"Having access to my pension would allow me to get back some dignity and live a dignified
life and I wish for it every day." - older Syrian man living in Jordan*

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HelpAge International is a global network of organisations promoting the right of all older people to lead dignified, healthy and secure lives.

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