

Policy Dialogue on Social Protection in Jordan

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**The Jordanian social contract:
Shifting from public employment to
government-regulated private employment**

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Outline

I. Introduction

II. Is the shifting approach socially and politically acceptable as a matter of principle?

III. Is the shifting approach effective in its implementation?

IV. Conclusion

I. Introduction

Public employment

- Old age and disability insurance
- Maternity insurance (maternity leave)
- Insurance against shocks (job security implies full protection from risk)

Government-regulated private employment

- Old age and disability insurance
- Maternity insurance (maternity leave)
- Insurance against shocks (Unemployment Insurance)

I. Introduction (con't)

Government commitment to ensuring social insurance across the lifecycle and in case of sudden shocks while emphasizing that government's new role will be regulation and facilitation of social security through private employment.

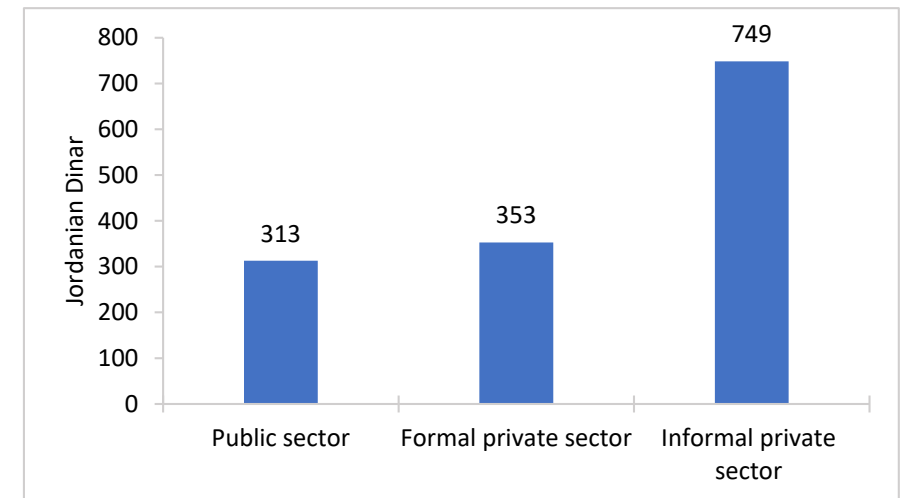
- *Jordan Vision 2025*: Ensure social security, health insurance, and maternity benefits for private workers.
- *SSC strategy*: Ensure compliance with SSC law and limit evasion.
- *Social Protection Strategy*: Make public services to firms conditional on compliance. Ensure working conditions in all sectors are appropriate for Jordanian workers.
- *National Employment Strategy*. Encourage Jordanians to obtain jobs in the private sector
- *MOL Strategy*. Increase Jordanian labor force by applying the principle of equal opportunities. Reduce violations through inspections.

II: Is the new approach acceptable in principle?

Analysis of reservation wages suggests that private employment **with social security** is acceptable

- Preference for public employment known, but over what alternative?
- What is attractive about public employment and what do people understand to be the alternative?
 - If wages are similar, private with social security is acceptable.
 - If private doesn't include social security, much less desirable and would need significant wage premium to compensate.

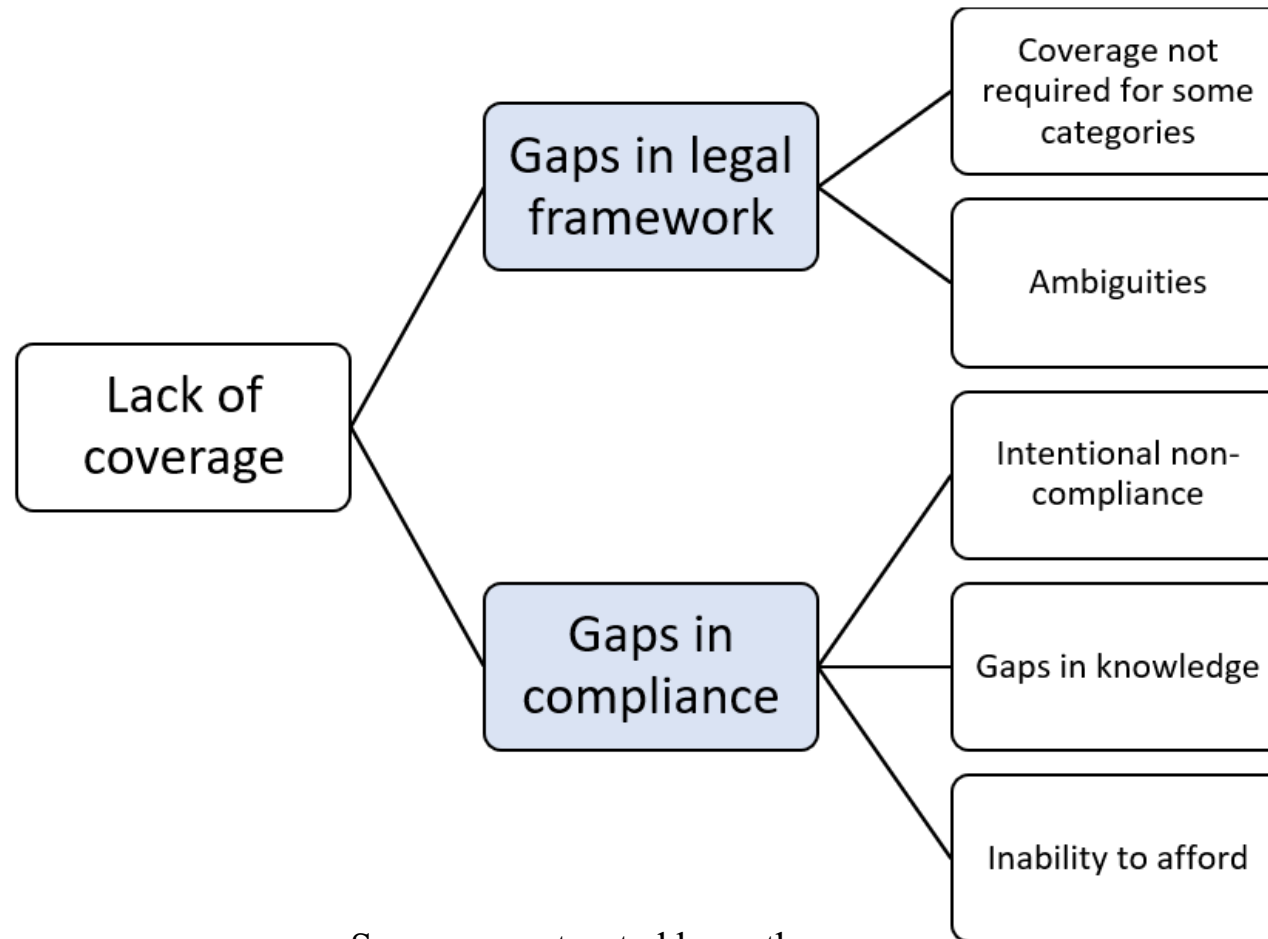
Figure 1. Average reservation wage (JD) by type of employment status, unemployed



Source: JLMPS 2016

III: Is the new approach effective?

Figure 2. A simple taxonomy of reasons workers lack coverage



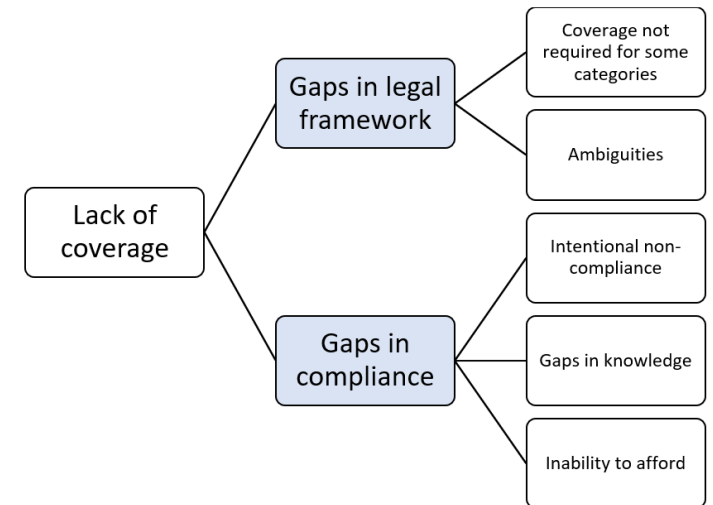
Source: constructed by authors

III: Is the new approach effective? (con't)

- The law **requires** employers to provide social security for wage workers, with exceptions:
 - for <16 days a month,
 - agriculture
 - and domestic work.

(Law requires coverage for more than 80% of wage workers.)

- **Effective** coverage is only 30%. The difference between the two is compliance.



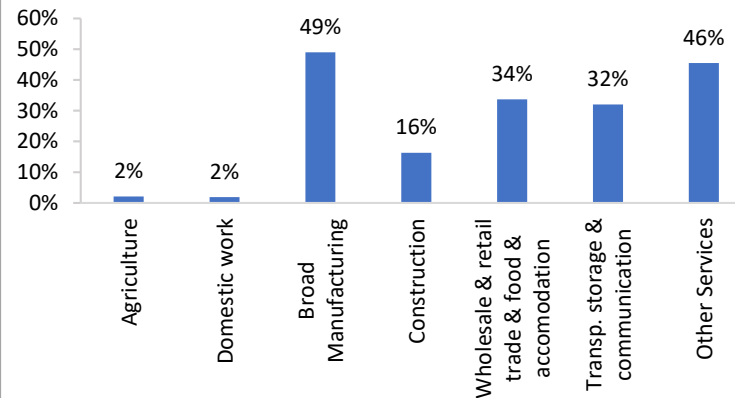
III: Is the new approach effective? (con't)

Simple variations in coverage rates

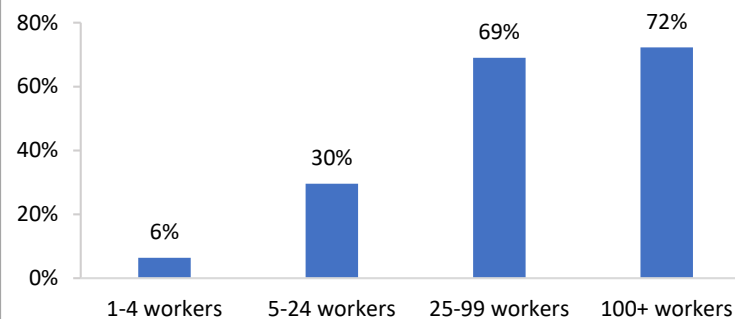
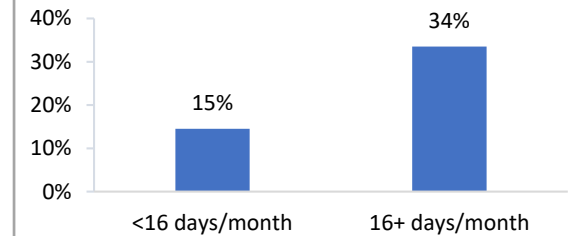
- As expected, coverage rates vary by economic activity sector and days worked per month (Panels A & B)
- Also by other variables such as sex, nationality, firm size, etc.
- If coverage rate variability for other variables is simply a matter of the legal distinctions, they are a consequence of the law. If not, the policy implications are different.

Figure 3: Coverage rates, ages 15-59, JLMPS 2016 wage workers in the private sector

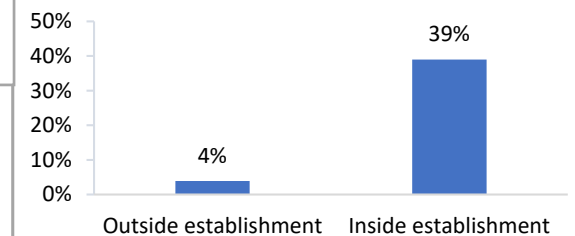
Panel A: by economic activity sector



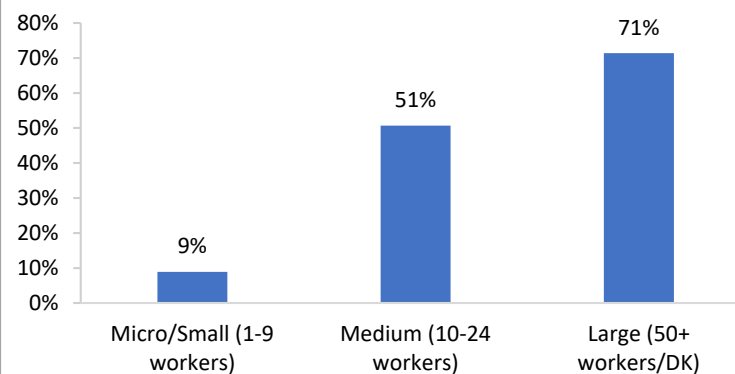
Panel B: by days per month



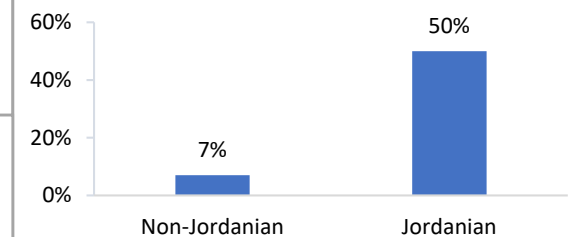
Panel D: by job site category



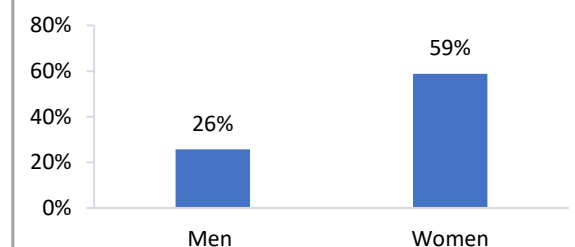
Panel F: by firm size



Panel E: by nationality

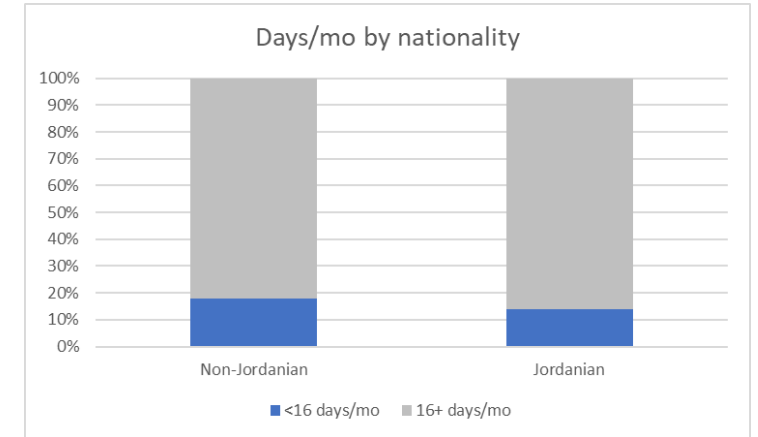
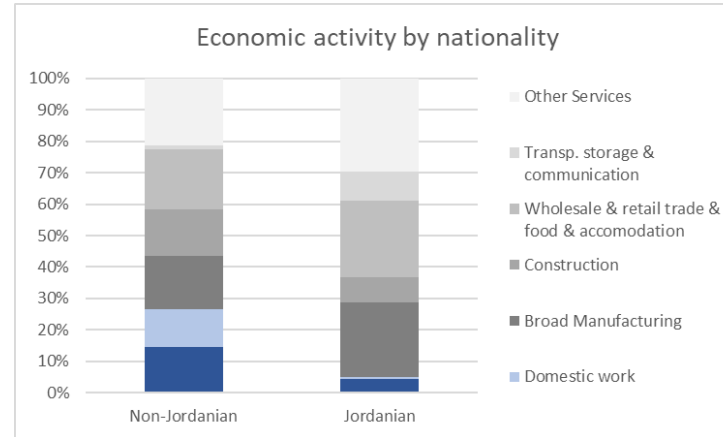
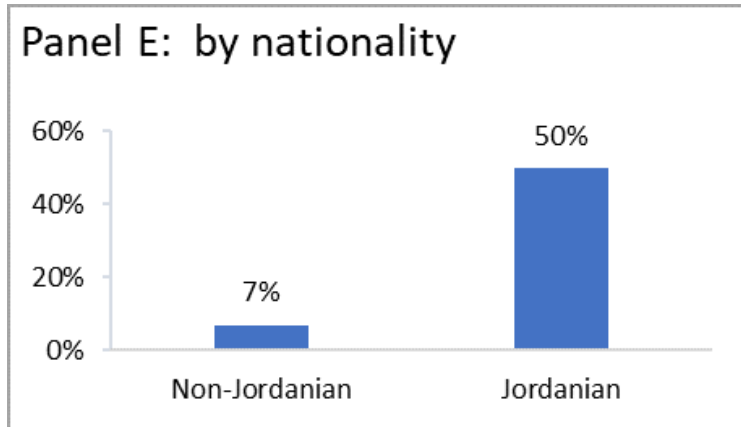


Panel G: by sex



III: Is the new approach effective? (con't)

Example 1: Nationality



Example 2: Firm size

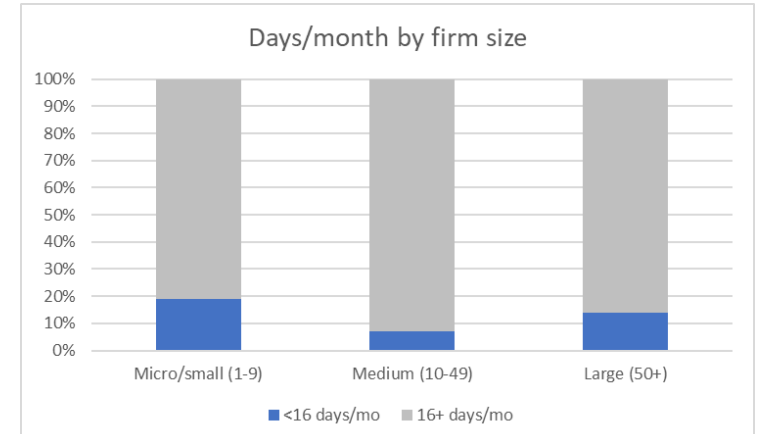
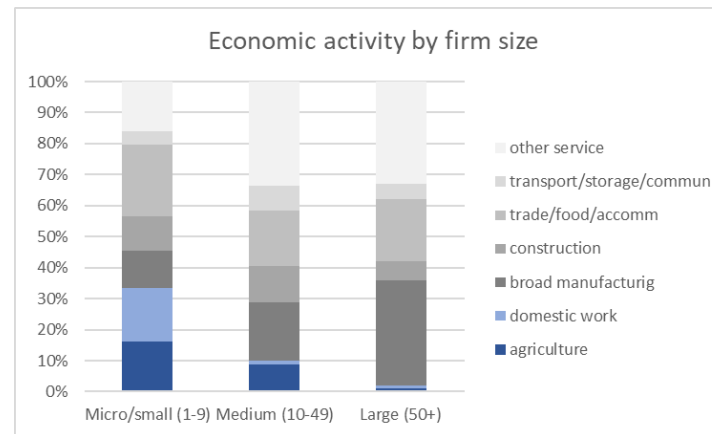
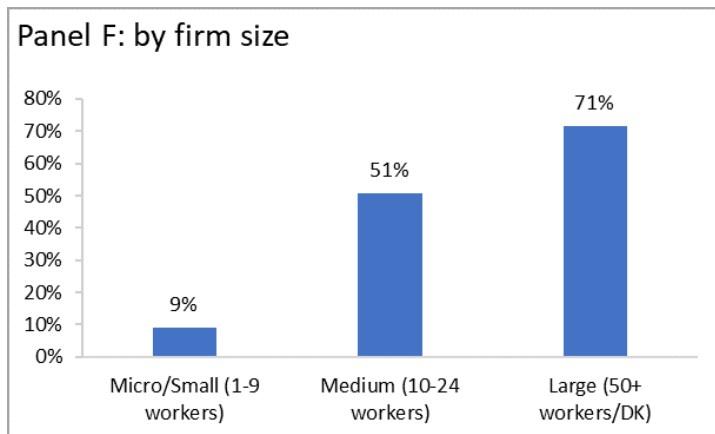


Table 1: Logit models (odds ratios) for having social insurance coverage, wage workers in the private sector, excluding agricultural, domestic and those working less than 16 days, ages 15- 59, JLMPS 2016

	Total	Men	Jordanian men
Economic Activity (Broad manuf omit.)			
Construction			
Wholesale & retail trade & food & accommodation	0.518*	0.469*	0.414*
Transp. storage & communication	0.232**	0.125***	0.157***
Other Services		0.329*	
Job site (outside est. omit.)			
Inside establishment	3.609*		
Firm size (1-4 workers omit.)			
5-24	2.820***	3.690***	6.866***
25-99	16.618***	24.520***	38.495***
100+	21.721***	30.284***	46.810***
DK	7.269**	11.722***	15.199***
Education level (none omit.)			
Below Secondary			
Secondary			
University and Above	4.409***		
Region of residence (Middle urban omit.)			
Middle Rural			
North Urban			
North Rural	11.414**	18.639**	
South Urban			
South Rural	11.031*	14.322*	
Tenure		1.119*	
Tenure squared		0.997*	
Monthly wage quintiles (First quintile omit.)			
Second quintile			3.551***
Third quintile			3.451**
Fourth quintile			7.084***
Fifth quintile			5.952***
Occupation	Yes	Yes	Yes
Gender	Yes	No	No
Age groups	Yes	Yes	Yes
Nationality	Yes	Yes	Yes
Hours of work per day	Yes	Yes	Yes
Nationality	Yes	No	No
N	1491	1206	961

Exponentiated coefficients

Note: * p<0.05, **p<0.01, *** p<0.001

III: Is the new approach effective? (con't)

Can workers obtain private employment with coverage?

Table 2: Transition (in %) between different employment statuses from 2010 and 2016, JLMPS panel data, Jordanians only, ages 21-59 in 2016

2010↓/2016 →	Out of the labor force	Broad unemployed	Unpaid family work	Self-employed	Employer	Socially uninsured private wage	Socially insured private wage	Public sector	Total (%)
Men									
Out of the labor force	26	14	0	4	1	12	23	20	100
Broad unemployed	16	16	1	8	4	20	6	31	100
Unpaid family work	26	23	0	12	0	9	16	14	100
Self-employed	21	4	1	35	6	23	4	8	100
Employer	14	3	0	19	26	21	16	2	100
Socially uninsured private wage	13	8	1	14	7	38	12	8	100
Socially insured private wage	12	3	0	9	2	17	43	13	100
Public sector	15	3	1	2	1	3	5	69	100
Total	18	8	1	9	4	16	17	28	100
Women									
Out of the labor force	81	9	1	1	0	2	4	2	100
Broad unemployed	43	28	1	1	0	2	5	18	100
Unpaid family work	80	6	5	0	0	2	2	5	100
Self-employed	82	12	0	4	0	2	0	0	100
Employer	86	0	0	6	6	3	0	0	100
Socially uninsured private wage	52	11	0	0	1	28	6	2	100
Socially insured private wage	43	3	0	1	0	7	37	8	100
Public sector	20	2	1	0	0	2	2	73	100
Total	74	9	1	1	0	3	5	7	100

Source: JLMPS panel data 2010 and 2016

- JLMPS visited the same individuals in 2010 and 2016. Table below for Jordanians age 21-59 as of 2016.

Between 2010 and 2016:

- Few workers (12% for men and 6% for women) are able to shift from jobs lacking coverage to private sector jobs that provide coverage.

- Moreover, obtaining a private sector job that provides coverage does not guarantee the employee will remain covered:

17% moved into comparable jobs without coverage by 2016

IV. Conclusion

- The official strategy of shifting from public employment to private employment with social security is acceptable as a matter of principle.
- The existing law is relatively comprehensive, requiring coverage for more than 80% of employees
- The main challenge is compliance. Especially for small firms.
- Addressing the challenges will be difficult. Nevertheless, addressing the challenges of compliance will be an essential key to a socially stable new social contract.

Figure 4: Distribution (in %) of private sector wage employment by firm size

