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Inter-regional project: How to strengthen social protection coverage in the context of the European Union Agenda on decent work and promoting employment in the informal economy

Jordan: A case study

Social Security Department
International Labour Office, Geneva
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Contents

Abbreviations

CCA	Common Country Assessment
CHIP	Civil Health Insurance Plan
CPI	Consumer Price Index
DWCP	Decent Work Country Programme
ESSPROS	European System of Integrated Social Protection Statistics
FIS	Family Income Support
GDP	Gross Domestic Product
GHE	Government Health Expenditure
HDI	Human Development Index
ILO	International Labour Office
IMF	International Monetary Fund
JD	Jordanian Dinar
JHDR	Jordan Human Development Report
JPA	Jordan Poverty Assessment
JPAS	Jordan Poverty Alleviation Strategy
JUH	Jordan University Hospital
KAUH	King Abdullah I University Hospital
LMIC	Low-Middle Income Countries
MDGs	Millennium Development Goals
MENA	Middle East and North Africa
MIC	Middle Income Countries
MOH	Ministry of Health
MOPIC	Ministry of Planning and International Cooperation
NAF	National Aid Fund
NHA	National Health Account
PAYG	Pay-As-You-Go
PHC	Primary Health Care
PHE	Private Health Expenditure
QIZs	Qualified Industrial Zones
RMS	Royal Military Services
SSC	Social Security Corporation
SSPTW	Social Security Programmes Throughout the World
TDR	Total Dependency Ratio
TFR	Total Fertility Rate
THE	Total Health Expenditure
UNDAF	United Nations Development Assistance Framework
UNDP	United Nations Development Programme
UNRWA	United Nations Relief and Work Agency
WDI	World Development Indicators
WHO	World Health Organization
YDR	Youth Dependency Ratio

Acknowledgements

This report is one of six country studies undertaken by the Social Security Department of the International Labour Office as part of the European Commission-funded project "Inter-regional project: How to strengthen social protection coverage in the context of the European Union Agenda on decent work and promoting employment in the informal economy"

The report was prepared by Amjad Rabi, under the supervision of Pauline Barrett-Reid, Deputy Director of the Social Security Department. Christina Behrendt, Regional Social Security Specialist and Ursula Kulke, Standards and Legal Development Coordinator provided invaluable support. Irene Brown provided secretarial support.

1. Introduction

1.1. Overview

In 1989 Jordan suffered an economic collapse characterized by double-digit inflation, a sharp devaluation of the Jordanian Dinar, and a high budget deficit. The Government responded with structural reforms aimed at stabilizing the economy and restoring confidence. While the macroeconomic stabilization programmes successfully achieved sustainable growth, controlled inflation, and a reduced deficit, Jordan was not as successful in creating quality jobs, reducing poverty and unemployment levels, and ensuring parallel measures for social protection of the population. There has been recently, however, an increasing recognition of the need to place equal emphasis on economic growth and the promotion of fundamental rights. One example is the National Agenda, which was launched in late 2005 and aims at providing a framework for social and economic development for the next decade.

The main objective of this study is to describe and analyse trends in public social protection expenditure and the coverage of social protection schemes in Jordan throughout the period 1996–2006. It does this by looking at the performance of the individual parts of a social protection system (policies and programmes, institutions, schemes and benefits) and at their combined performance in relation to resource allocation. The timing of this study is important as it comes at a time of accelerated economic change brought about by global economic integration, an adverse regional environment, and a liberalization of existing policies.

The study is divided into six chapters. Chapter 1 is an introduction. Chapter 2 describes the socio-economic environment in Jordan, including demography, the labour market, the macroeconomic situation, and poverty. Chapters 3–5 each address one area of social protection (non-health contributory benefits, health care, and non-contributory benefits). Trends in expenditure for the different schemes are discussed in addition to an analysis of the extent and effectiveness of coverage. Concluding remarks are presented in Chapter 6. In the appendix, a simple social budget is presented.

1.2. Jordan's Decent Work Country Programme (DWCP)

Jordan and the ILO have a history of collaborating on the implementation of a sizeable technical cooperation programme. This close collaboration led to the tripartite constituents and the ILO signing in August 2006 a Decent Work Country Programme (DWCP). The DWCP seeks to promote opportunities for women and men to obtain decent and productive work in conditions of freedom, equity, security and human dignity.

One of the priority areas identified by the DWCP is "Enhancing Social Protection." The DWCP highlights the need for social security provision to be sustainable. To achieve this objective the ILO's main inputs are implementing a ILO – Social Security Corporation (SSC) project on improving actuarial capacities, undertaking a study on the scope and costs of establishing a maternity protection scheme, ratifying Convention No. 102, and supporting the formulation of a National Policy and Programme Framework (ILO & Jordan, 2006).

The DWCP is in line with the current national priorities stated in the National Agenda, especially in respect of the stated target of increasing labour productivity through labour laws and establishing a "social safety net". The DWCP is also in line with key

areas of UN interagency initiatives to support Jordan in achieving its national priorities. The Common Country Assessment (CCA) and the United Nations Development Assistance Framework (UNDAF) for 2008–12 address the issues of poverty, unemployment, and the rights of workers in the informal sector which are important elements of the DWCP. Good Governance (UNDAF outcome 2) is integrated throughout the DWCP.

1.3. Definitions and methodological approach [1]

This study uses the definition of social protection developed by EUROSTAT and employed in the European System of Integrated Social Protection Statistics (ESSPROS). According to this definition, social protection "encompasses all interventions from public or private bodies intended to relieve households and individuals from the burden of a defined set of risks and needs, provided that there is neither a simultaneous reciprocal nor an individual agreement involved." (EUROSTAT 1996). The use of this definition is appropriate for the purpose of our study as it narrows the scope of interventions to those provided by public and/or private institutions, excluding all direct private transfers between households and individuals. Furthermore, due to limitations on data, we will limit the scope to social protection provided by public sector institutions only.

There are several risks and needs that are subject to social protection coverage. For the purpose of this study, we will examine the availability and coverage of the following contingencies as set out in the following matrix. (See Table 1.3.1.)

Table 1.3.1. Definitions of the various risks/benefits examined in the study

Risk/benefit	Definition
I. Long-term benefits	
■ Old-age	Income maintenance and support in cash or kind, except health care, in connection with old age
■ Survivors	Income maintenance and support in cash or kind in connection with the death of a family member
■ Disability	Income maintenance and support in cash and in kind, except health care, in connection with the inability of physically or mentally disabled people to engage in economic and social activities
II. Short-term benefits	
■ Sickness	Income maintenance and support in cash in connection with physical or mental illness, excluding disability
■ Unemployment	Income maintenance and support in cash or kind in connection of unemployment
■ Maternity	Income maintenance and support in cash or kind in connection with maternity
III. Non-contributory benefits	
■ Social exclusion not elsewhere classified	Benefits in cash or kind, except health care, specifically intended to alleviate poverty and social exclusion where they are not covered by one of the other provisions
IV. Health care	Health care needed to maintain, restore or improve the health of the people protected irrespective of the origin of the disease

[1] Definitions in this chapter are derived from Hagemejer (2001).

To assess the performance of the social protection system in Jordan, emphasis will be placed on its coverage. Coverage will be measured in three dimensions:

- Scope of coverage: expressed by the range of contingencies and needs covered by the existing social protection schemes.
- Extent of coverage: expressed by the percentage of persons covered within either the total population or some specified target group.
- Depth of coverage: expressed by the level of protection i.e. benefit levels and replacement ratios.

1.4. Providers and scope of public social protection in Jordan

Social protection benefits are mainly provided by the Government and the Social Security Corporation (SSC). The Government runs multiple social assistance programmes under the National Aid Fund (NAF). In addition, the Government provides health care. The United Nations Relief and Work Agency (UNRWA), the United Nations regional programme serving the resident Palestinian refugee population, runs a social protection programme for eligible Palestinian refugees. The following matrix illustrates contingencies covered by the various public arrangements. (See Table 1.4.1.)

Table 1.4.1. Contingencies covered by public social security institutions among various population groups

	Old age	Survivor	Disability	Work injury	Unemployment	Sickness	Maternity	Health care	Poverty and vulnerability
Private employees of firms with more than 5 persons	MA	MA	MA	MA	-	-	-	V	-
Other private employees	V	V	V	V	-	-	-	V	-
Civil servants	MA	MA	MA	MA	-		-	MA	-
Military personnel	MA	MA	MA	MA	-	-	-	MA	-
Self employed	V	V	V	V	-	-	-	-	-
Unemployed	-	-	-	-	-	-	-	MT	MT
Poor/Vulnerable	-	-	-	-	-	-	-	MT	MT
Elderly	-	-	-	-	-	-	-	MT	MT
Other economically inactive	-	-	-	-	-	-	-	MT	MT
Registered refugees	-	-	-	-	-	-	-	Covered	Covered

MA: Mandatory coverage; MT: Means-tested benefit; V: Voluntary coverage

Source: ILO compilation from various sources.

2. Determinants of social protection

2.1. Demographic developments

According to the most recent national census, in 2004, the population was 5.1 million and projected to be 5.71 million in 2006. Approximately 78 per cent of inhabitants live in urban areas, of which a large proportion (approximately 38 per cent) reside in the capital, Amman (DOS, n.d.). Jordan's population grew at a high rate of 5.6 per cent annually in early the 1990s and fell to a lower estimated rate of 2.9 per cent annually between 2000 and 2005. (See Table 2.1.1.) This is a significantly higher rate than that of MENA and Lower Middle Income Countries (LMIC), which were estimated at 1.8 and 0.9 per cent for MENA and LMIC, respectively (UN, 2007a). Migration, combined with a high, but declining, natural growth rate are the main sources of population growth in Jordan.

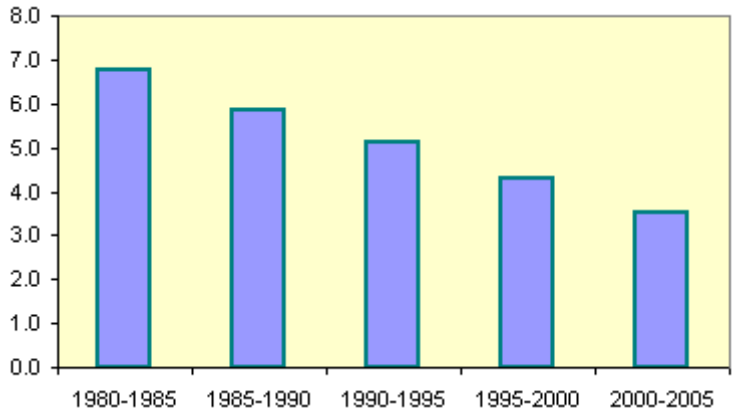
Table 2.1.1. Population growth rate in per cent and population change in thousands, 1980–2005

Period	Population growth rate	Population change per year	Birth	Death	Net migration
1980-1985	3.9	96	104	22	14
1985-1990	3.7	110	116	21	15
1990-1995	5.6	210	130	22	102
1995-2000	2.2	99	148	21	-28
2000-2005	2.9	149	144	21	26

Source: Based on data from UN (2007a).

The recorded high population growth rate from 1990 to 1995 and recent higher population growth rates (2000 to 2005) were driven mainly by a significant influx of refugees in the aftermath of the 1991 gulf war and in the wake of the US invasion of Iraq in 2003. However, natural population growth (excluding migration) has shown a declining trend, which is explained by two underlying factors: fertility rates and mortality rates. Since 1980, Total Fertility Rate (TFR) has almost halved, from 6.8 children per woman in early 1980s to 3.5 children per woman in early 2000s (UN, 2007a). (See Figure 2.1.1.)

Figure 2.1.1. Total fertility rates, 1980–2005



Source: Based on data from UN (2007a).

The second factor, the mortality rate, has also shown significant improvement over the same period. The crude death rate declined from a rate of 8.9 deaths per 1,000 in early 1980s to 4.1 deaths per 1,000 in early 2000s. The infant mortality rate was estimated at 23.2 infant deaths per 1,000 live births in the early 2000s, significantly down from the rate of 52 infant deaths per 1,000 live births in the early 1980s. Life expectancy at birth, therefore, increased steadily and reached 71.3 years in 2000–05, compared to 70 and 71 for MENA and LMIC, respectively (UN, 2007a). (See Table 2.1.2.)

Table 2.1.2. Life expectancy at birth, 1980–2005

Life expectancy	1980-1985	1985-1990	1990-1995	1995-2000	2000-2005
Both sexes	63.7	65.9	68.0	69.8	71.3
Male	61.9	64.2	66.3	68.3	69.7
Female	65.8	67.8	69.9	71.5	73.1

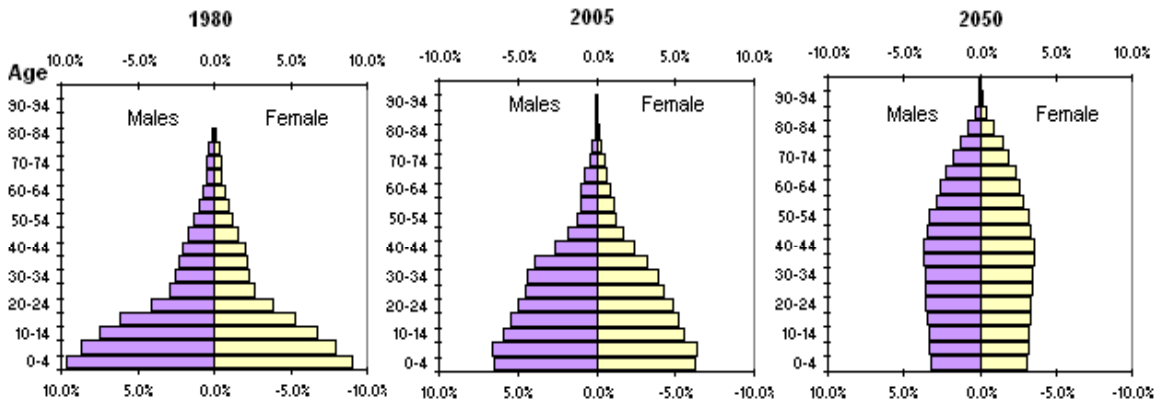
Source: ILO calculation based on data from UN (2007a).

As a result of declining fertility rates, improved mortality and increased life expectancy, the population structure has changed notably over the past few decades. The median age of the population increased from 5.3 year-old in 1980 to 20.1 in 2005 (DOS, n.d). Nevertheless, Jordan's young population continues to be the main demographic feature that most characterizes Jordan's population compared with other lower-middle income countries. (See Table 2.1.3, Figure 2.1.2 and Figure 2.1.3.)

Table 2.1.3. Population by age group in thousands, 1980–2005

Population	1980	1985	1990	1995	2000	2005
Total	2,225	2,707	3,251	4,304	4,798	5,541
Pre-working age (0-14)	1,099	1,272	1,523	1,776	1,933	2,062
Percent	49.4	47.o	46.8	41.3	40.3	37.2
Working age (15-64)	1,058	1,337	1,626	2,422	2,731	3,304
Percent	47.6	49.4	50.0	56.3	56.9	59.6
Post working age (65+)	68	98	102	106	134	175
Percent	3.1	3.6	3.1	2.5	2.8	3.2

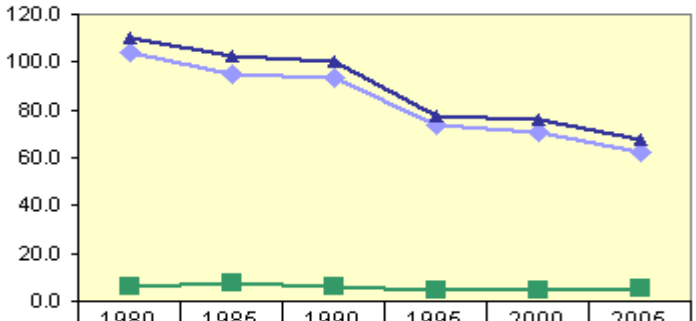
Figure 2.1.2. Population pyramid, 1980 and 2005



Source: ILO calculation based on data from UN (2007a).

Similarly, decreasing trends have been observed in the Youth Dependency Ratio (number of children under 15 years to one working-age person) and the Total Dependency Ratio (number of children under 15 years and elderly over 65 year-old to every person of working-age).

Figure 2.1.3. Dependency ratios, 1980–2005



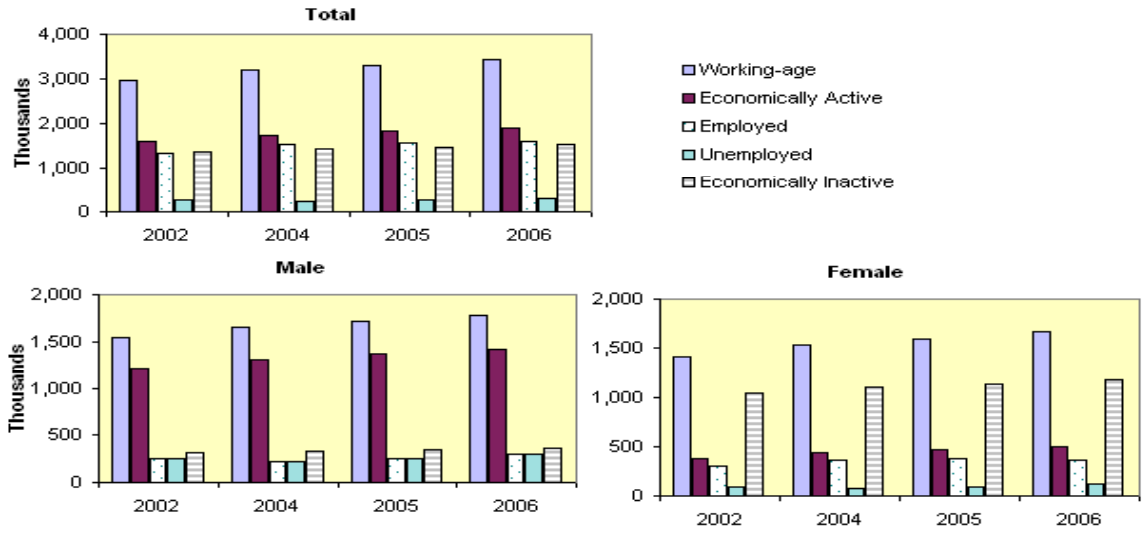
	1980	1985	1990	1995	2000	2005
Youth DR	103.9	95.1	93.7	73.3	70.8	62.4
Old-age DR	6.4	7.3	6.3	4.4	4.9	5.3
Total DR	110.3	102.5	99.9	77.7	75.7	67.7

Source: ILO calculation based on data from UN (2007a).

2.2. Labour market developments and trends

Jordan, as in many MENA countries, has a low labour force to population ratio, estimated at only 33.4 per cent of the total population in 2006 (WB, 2007). Two main interlinked factors contribute to this low rate: the large proportion of the population of pre-working age, and the low female participation rate. [2]

Figure 2.2.1. Working-age population in thousands, 2002–05



Source: ILO calculation based on data from UN (2007a), WB (2007) and Department of Statistics (n.d.).

[2] Participation rate is measured as the ratio of working or seeking work to working-age population.

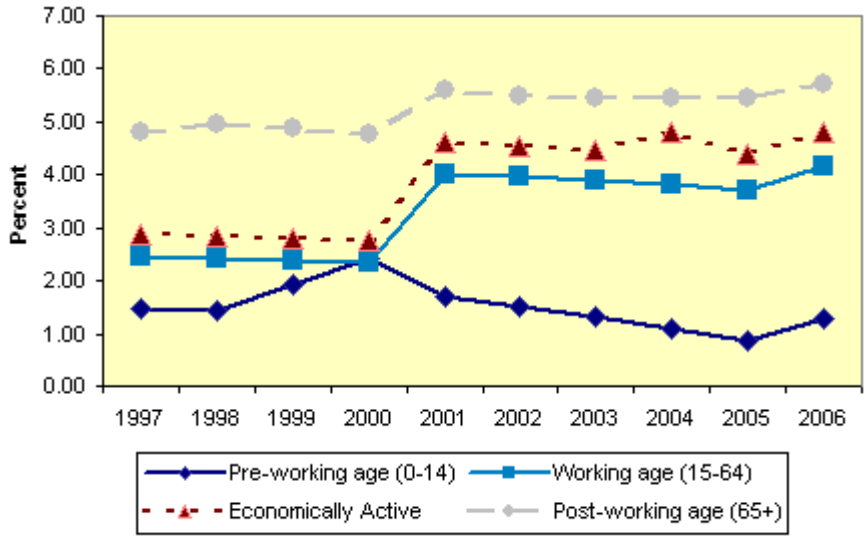
Table 2.2.1. Labour force rates, per cent, 1996–2006

	1996	1998	2000	2002	2004	2005	2005
Participation rate	52.6	53.0	53.4	54.0	54.8	55.2	55.5
Labour force/population	29.7	30.2	30.4	31.3	32.4	32.9	33.4
Participation rate, male	77.4	78.0	78.6	79.1	79.5	79.7	79.9
Participation rate, female	24.7	25.3	26.0	26.9	28.3	28.9	29.5

Source: Based on data from UN (2007a), WB (2007) and Department of Statistics (n.d.).

Although the female participation rate has not significantly increased over the past decade, the declining fertility rates, as shown in Figure 2.1.1, have increased the relative size of the working-age population and subsequently broadened the base of the labour force. Over the period of 1996–2006, the labour force grew at a rate higher than the individual growth rates of the pre-working and working-age populations, although it is less than that of the post-working age population. [3] (See Figure 2.2.1, Figure 2.2.2 and Table 2.2.1.)

Figure 2.2.2. Population growth rates by working status, per cent, 1997–2006

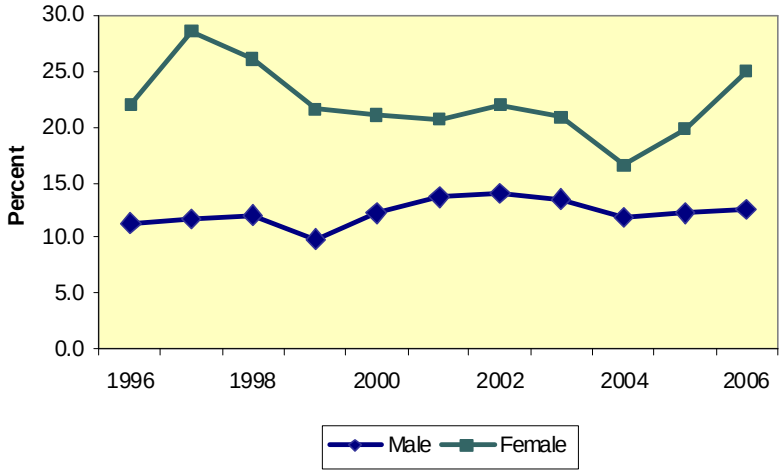


Source: ILO calculation based on data from UN (2007a), WB (2007) and Department of Statistics (n.d.).

The rapidly expanding labour force represents a substantial challenge for the local economy to create sufficient jobs to absorb more than the 50,000 new entrants to the labour market every year as well as to achieve reductions in the already high unemployment rate, which is estimated at 15.7 per cent in 2006 (DOS, n.d.).

[3] Note that post-working age population is only 3.2 per cent of the total population.

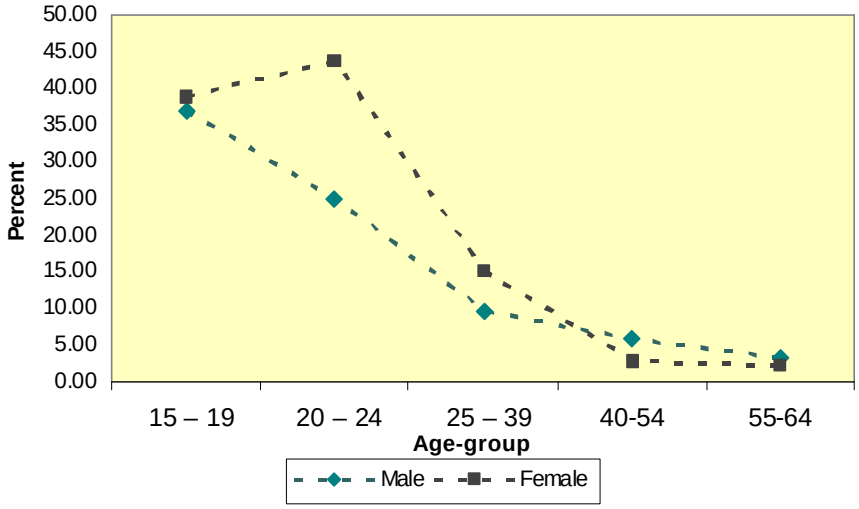
Figure 2.2.3. Unemployment by sex, 1996–2005



Source: WB (2007) and Department of Statistics (n.d.).

In addition to Jordan having a predominantly male labour force (3 out of 4 economically active are men), Figures 2.2.3 and 2.2.4 clearly show that unemployment levels have also a gender dimension with higher unemployment rates recorded for female participants throughout the period of analysis. It should also be noted that unemployment in Jordan falls disproportionately on the young, particularly young females.

Figure 2.2.4. Unemployment by age group, 2003



Source: Department of Statistics.

The highest recorded unemployment rate was 43.6 per cent in 2003 for females in the age group 20 to 24 years. While there are many interrelated socio-economic factors that might have contributed to unemployment rate differentials between male and female, one possible explanation is that the labour market discriminates against female participants (especially those in their productive years). The current Jordanian Labour Code, which requires the full cost of paid maternity leave to be borne by employers, might have produced a disincentive for employers to hire females in their productive years. Figure 2.2.4 supports this claim.

There are a number of reasons that could explain the high youth unemployment rates. One reason is the inability of the local economy to absorb the rapid entry into the labour

market of new participants. Another is that the demand for labour, both locally and regionally, has been shifting towards the better educated. And, it has been argued that guest workers, which totalled 18 per cent of the labour force in Jordan (DOS, 2008), have crowded out local workers in low wage occupations and jobs in the new export zones. It is believed guest workers are willing to accept jobs at wage rates that are not acceptable to Jordanians.

2.3. Macroeconomic developments

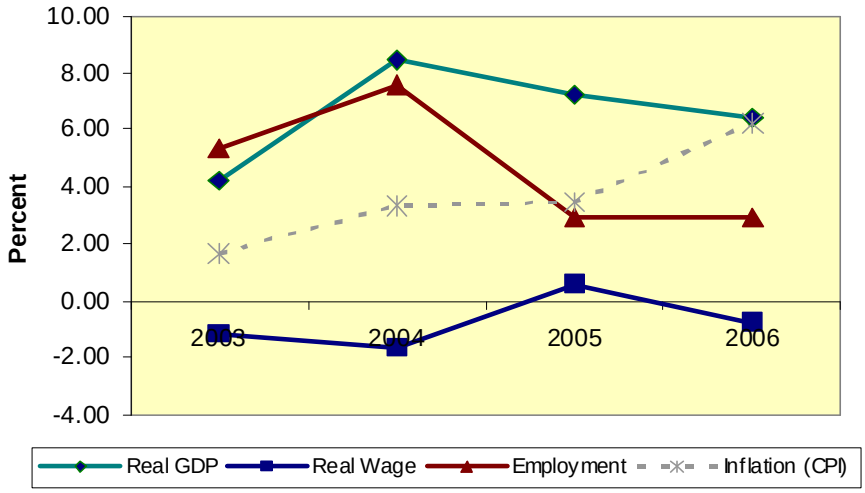
In recent years Jordan's economy has performed well in respect of major macroeconomic indicators. GDP growth was on average 5.94 per cent annually in real term between 2000 and 2006, and was estimated at 5.8 per cent for the first three quarters of 2007 (MoPIC, 2008b). Economic performance has also been marked by low inflation rates. However, high oil prices and reductions in government fuel subsidies have contributed to significantly increase the inflation rate, estimated at 6.25 per cent in 2006. (See Table 2.3.1 and Figure 2.3.1.)

Table 2.3.1. Main economic indicators, 2000–06

Economic indicators	1997	1999	2001	2003	2005	2006
GDP, current prices, Million JD	5,137.55	5,777.72	6,363.76	7,228.72	9,012.55	10,051.00
GDP, per capita, current JD	1,145	1,234	1,286	1,377	1,627	1,759
GDP per capita, current US$	1,615	1,740	1,814	1,943	2,294	2,481
Inflation (CPI)	3.04	0.61	1.77	1.63	3.49	6.25
GDP growth, real	3.31	3.39	5.27	4.18	7.21	6.44
Employment growth	0.71	6.14	3.41	5.33	2.93	2.95
Exchange rate	0.71	0.71	0.71	0.71	0.71	0.71

Source: WB (2007), Department of Statistics (n.d.) and MoPIC (2008b).

Figure 2.3.1. Growth rates of real GDP, real wage,[4] employment and inflation, 2003–06



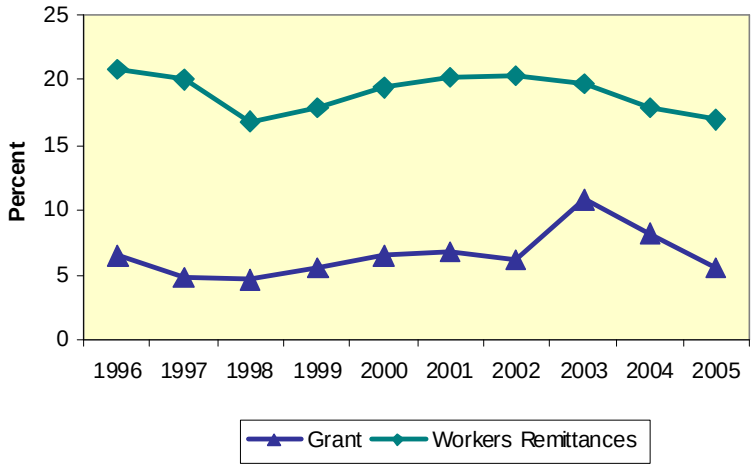
Source: ILO calculation based on data from: WB (2007), Department of Statistics (n.d.), MoPIC (2008b), and SSC (2006b).

[4] ILO used the average insured wage in the Social Security Corporation as a proxy for wage.

At more than 70 per cent of GDP services – including finance, real estate, transport and communications, and government services – dominate the economy. Even so the structure of economic activity is shifting in support of export-led growth. Over the past few years, Jordan entered into an Association Agreement with the European Union, signed a Free Trade Agreement with the United States and successfully joined the World Trade Organization. Such agreements have led to the development of qualified industrial zones (QIZs), the Aqaba Special Economic Zone, and industrial development in the north of the country. Exports from the industrial zones increased from US$150 million in 2001 to a record of US$1,396.8 million in 2006, which represented more than one third of total domestic exports in 2006 (MoPIC, 2008b).

The downside, however, is that Jordan has been vulnerable to adverse external events and the regional security situation. This is coupled with reliance on remittances from Jordanians employed outside the country, especially in the gulf region, which is a significant source of income, estimated at 16.9 per cent of GDP in 2005. Moreover, Jordan is a heavy recipient of foreign aid estimated at 5.5 per cent of the GDP (Bouhga-Hagbe, 2008). (See Figure 2.3.2.)

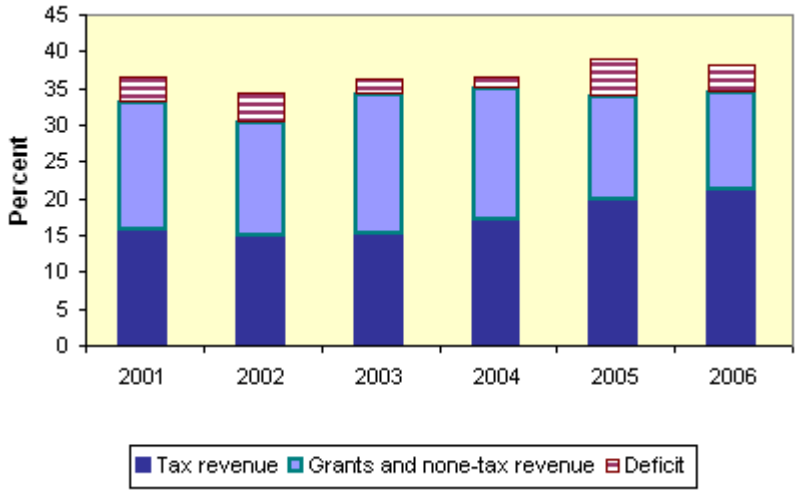
Figure 2.3.2. External grants and workers remittances as a percentage of GDP, 1996–2005



Source: Bouhga-Hagbe, J. (2008).

Inflows of foreign aid have been crucial in covering the budget deficits. Despite an increase in tax revenue as a result of the favourable economic environment, the budget deficit worsened and reached 5.1 per cent of GDP in 2005. This is mainly due to a reduction in foreign grants shown in Figure 2.3.2. However, the deficit/GDP ratio has improved slightly in 2006 and was estimated at 4.4 per cent (MoPIC, 2008b).

Figure 2.3.3. Public finance revenue and expenditure as a percentage of GDP



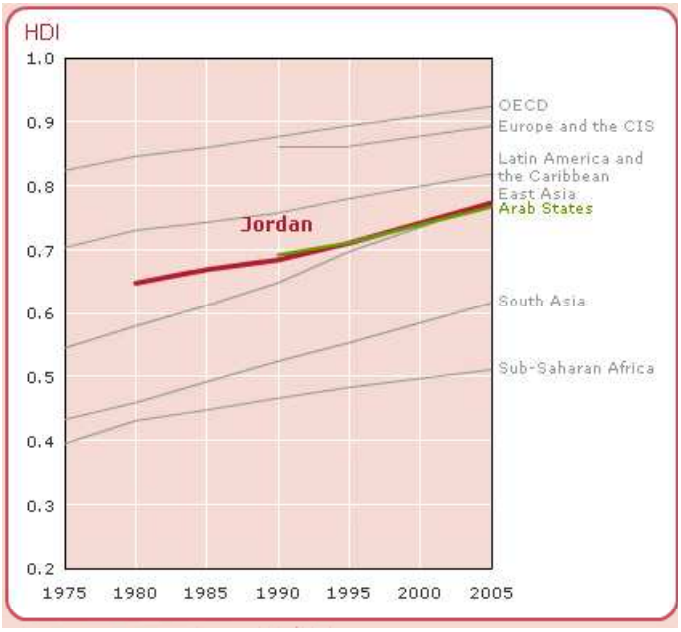
Source: Based on MOPIC (2008b).

2.4. Human development and Millennium Development Goals

According to UNDP's human development classification, Jordan is classified as a medium development country. The Human Development Index (HDI) was estimated for the year of 2005 at 0.773, ranking 86 among the 177 countries (UNDP, 2008).

Jordan's human development achievements compare favourably with other Arab and non-Arab countries at similar levels of GDP. In fact, Jordan's ranking is the highest among the non-oil producing Arab country.

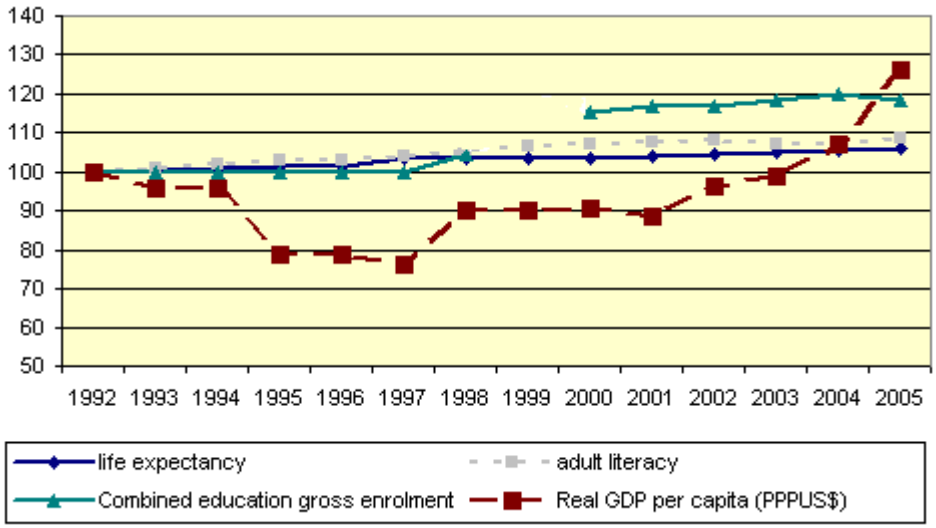
Figure 2.4.1. Developments of HDI by region, 1975–2005



Source: UNDP web page http://hdrstats.undp.org/countries/country_fact_sheets/cty_fs_JOR.html.

The steady improvement in the HDI illustrated in Figure 2.4.1 reflects the underlying improvements in the human development factors used to construct the HDI (namely, life expectancy at birth, educational attainment, and per capita income). The following chart traces development in these three components between 1992 (the base year with value = 100) and 2005.

Figure 2.4.2. Growth in human developments factors used in constructing HDI, 1992 (base year)–2005



Source: ILO calculation based on Human Development Reports 1993– 2007/8, UNDP. [5]

While income levels have increased noticeably over the past decade, Jordan's high HDI is largely attributable to achievements in education and increased life expectancy. In general, countries at the same level of HDI can have very different levels of income. For instance, while Jordan is slightly ahead of Tunisia based on the HDI, Tunisia enjoys an income level of 1.5 of that of Jordan. (See Figure 2.4.2.)

These achievements in human development are also reflected in Jordan's efforts to meet the Millennium Development Goals (MDGs) particularly those related to access to education, health and infrastructure. UNDP have indicated Jordan is on track to meet almost all of the MDGS (UNDP, 2007). (See Table 2.4.1.(

[5] For the year 1999, the Human Development Report indicated a sharp decline in combined education gross enrolment from 69.0 in 1998 to 55.0 in 1999 before it went up again to 76.0 the next year. As it is very unlikely to have such sharp fluctuations, I omitted the observation in constructing this chart.

Table 2.4.1 Progress towards Millennium Development Goals

Millennium Development Goal	Progress status
1. Eradicate extreme poverty and hunger	Possible to achieve if some changes are made
2. Achieve universal primary education	Very likely to be achieved, on track
3. Promote gender equality and empower women	Very likely to be achieved, on track
4. Reduce child mortality	Possible to achieve if some changes are made
5. Improve maternal health	Possible to achieve if some changes are made
6. Combat HIV/AIDS, malaria and other diseases	Possible to achieve if some changes are made
7. Ensure environmental sustainability	Possible to achieve if some changes are made
8. Develop a global partnership for development	Insufficient information

Source: MDG monitor web page (UNDP, 2007), http://www.mdgmonitor.org/country_progress.cfm?c=JOR&cd=400.

2.5. Poverty and income distribution

Over time different methodologies have been used to measure poverty and this makes it difficult to do a comparative analysis of poverty rates. Therefore, we have mainly used data and results from the comprehensive work on poverty "Jordan Poverty Assessment" conducted by the Government of Jordan and the World Bank, 2004. [6]

Despite strong economic growth over the past few years, there are relatively high levels of poverty estimated at 14.7 per cent (headcount ratio) in 2005 (MoPIC, 2008b). [7] However, poverty, regardless of the measure of assessment used, declined between 1997 and 2003. Using the percentage of poor to total population, poverty rate it declined by one third from 21.3 per cent in 1997 to 14.2 per cent in 2003. The poverty gap (the deficit of per capita consumption from the poverty line) was also found to have declined from 5.3 per cent in 1997 to 3.3 per cent in 2002 (Jordan and WB, 2004). It would require an additional 0.97 per cent of GDP to eradicate poverty, using the average annual per capita poverty line.

The main reason for this improvement is the increase in per capita consumption over the same period estimated at 3.5 per cent annually in real terms. Nevertheless, there has been a differential in growth rates in per capita consumption across different per capita consumption levels. While the 10th percentile of per capita consumption grew at an average rate of 2.9 per cent between 1997 and 2002, the overall growth rate was higher at 3.5 per cent, indicating the poor have benefited less. In addition, in 2002 the percentage of the poor in rural areas compared to urban areas was significantly higher: estimated at 18.7 per cent compared to12.9 per cent. Moreover, the pace of change has been different.

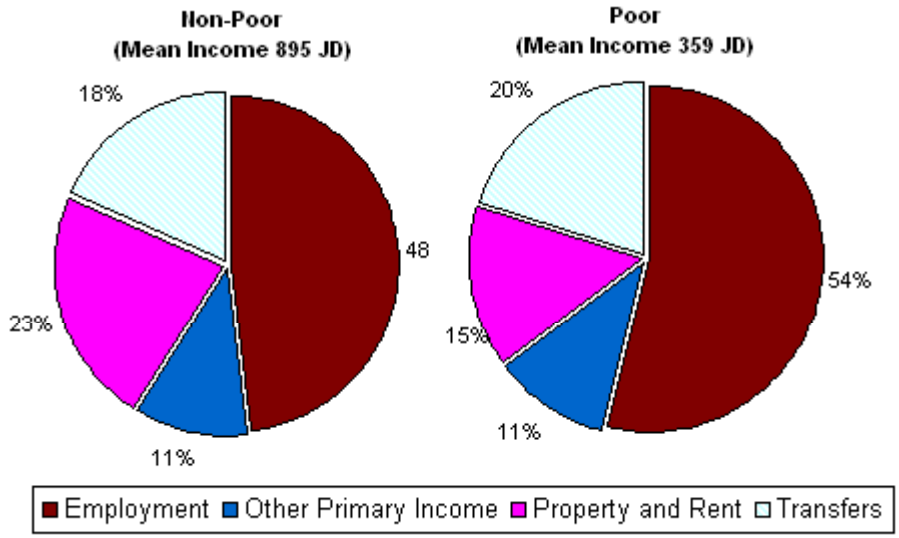
[6] The poverty line used by JPA 2004 is a consumption threshold based on calorie requirements and allows for actual expenditure on non-food items. It is specific to family composition (age and sex of family members) and where the family lives.

[7] The MoPIC did not indicate the method they used to update the poverty line from the base year of 2002.

Poverty fell by 34.5 per cent in urban areas between 1997 and 2002, compared to 31 per cent over the same period of time in rural areas (Jordan and WB, 2004).

In terms of economic activity, labour has been the primary means of generating income that is crucial for determining consumption levels and therefore vulnerability to poverty.

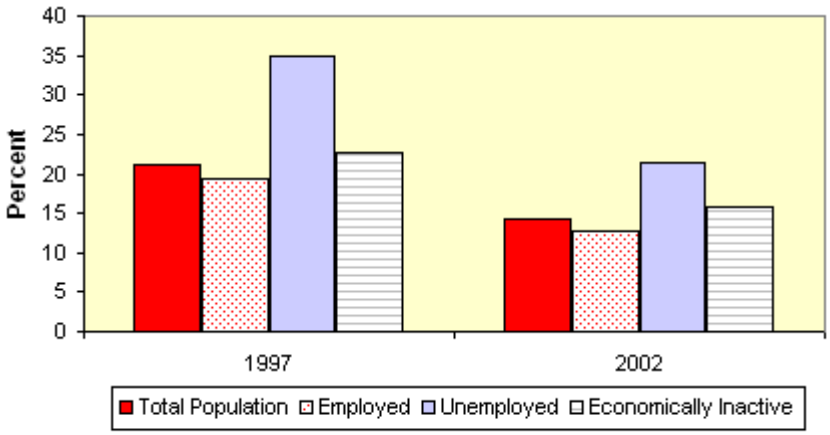
Figure 2.5.1. Composition of mean per capita income by poor and non-poor, 2002



Source: Based on Jordan and WB (2004).

Figure 2.5.1 clearly illustrates the significance of income generated by employment for both the poor and non-poor; and it is clear becoming unemployed will increase the risk of poverty. This has been a major concern for two reasons. First, Jordan has suffered constantly from high unemployment rates. Second, there has been no social insurance mechanism – a contributory unemployment benefit. Therefore, it was unsurprising to find that poverty rates were significantly higher among households headed by the unemployed: estimated at 21.5 per cent in 2002, almost double that of households headed by an employed person (12.8 per cent for the same year) (Jordan and WB, 2004). (See Figure 2.5.2.)

Figure 2.5.2. Poverty rates by economic activity of the household head, 1997 and 2002



Source: Based on Jordan and WB (2004).

It is worth noting that while the unemployment rate increased between 1997 and 2002, poverty rates in households headed by an unemployed person went down by 38.6 per cent. One reason for this may be families had time to develop alternative coping mechanisms. Another reason could be increased consumption due to changes in the income structure and the increasing role of transfers. Over the same period of time the proportion of household income for the unemployed from transfers increased from about 25 per cent in 1997 to more than 40 per cent in 2002 (Jordan and WB, 2004). However, Figure 2.5.1 indicates that both poor and non-poor benefited almost equally in per capita terms from such transfers (20 per cent of the total income for the poor and 18 per cent for the non-poor). Taking into account the proportion of the poor in the total population, transfers are regressive with the poor receiving only 6.9 per cent of the overall transfers, compared with 93.1 per cent received by the non-poor.

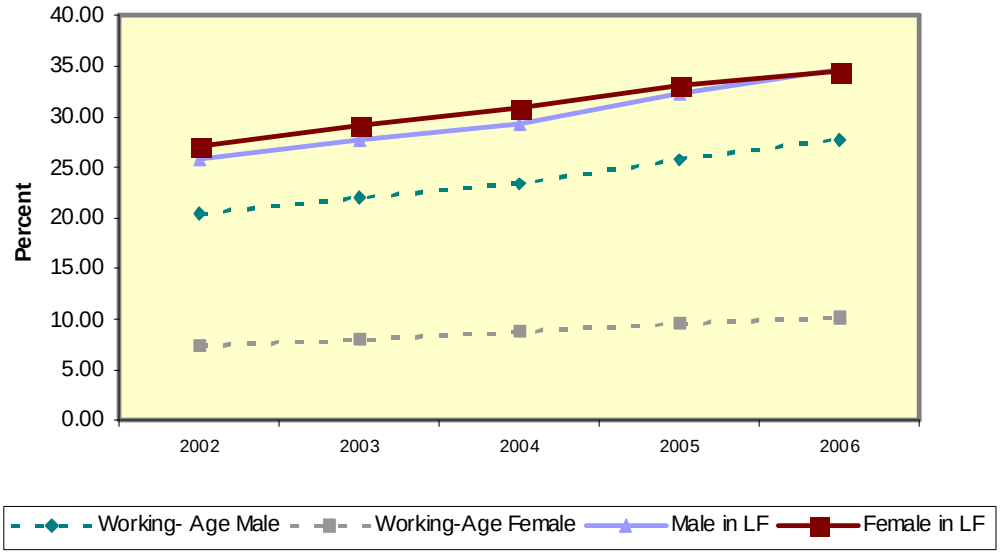
3. Public contributory social insurance

There are three public social insurance schemes that provide old-age, survivor and disability pensions as well as an employment injury benefit for employees in the private and public sectors. Namely: the Social Security Corporation (SSC), the Civil Service Pension Scheme, and the Military Pension Scheme. Since the mid 1990s, the Government has taken steps to integrate all of the schemes into a single social security system. The first step was to close the civil service pension scheme to new entrants as of 1995, followed in 2003 by a similar step regarding new entrants into the military pension scheme. The SSC was then opened to all new civil and military entrants. The intention is to phase out the civil service and military pension schemes by around 2060. Due to data limitation, the discussion in this chapter covers only the SSC.

3.1. Scope and extent of coverage

The SSC was established in early 1980s by the Social Security Law 1978. The system comprises two types of social insurance covering the contingencies of old-age, disability, survivors, work-related accidents, and occupational diseases. In accordance with the Social Security Law of 2001, membership is compulsory for employees older than 16 years working in private establishments with five workers or more, and civil and military personnel who are not covered by the civil service or military pension systems. The SSC allows voluntary participation by the self-employed which accounts for 4.2 per cent of the active insured population. In 2006, there were 12,914 actively insured establishments with a total membership of 661,651 insured persons (SSC, 2006a), representing slightly more than one third of the overall labour force and one fifth of the working age-population. When disaggregating by gender only one out of ten females of working age are insured with the SSC compared with more than one out of five males of working age. This is mainly due to lower labour market female participation rates and a lack of universal provision. (See Figure 3.1.1.)

Figure 3.1.1. The SSC contributors as a percentage of labour force and working-age population by sex, 2002–06



Source: ILO calculation based on the SSC annual reports 2002–06.

3.2. Benefit levels

The SSC provides a defined-benefit pension scheme. Table 3.2.1 summarizes the standard calculations for each benefit.

Table 3.2.1. The SSC pension benefit calculations and provisions

Pension	Basic formula	Eligibility	Other provisions	Minimum pension	Maximum pension
Old-age	2.5% x average monthly insurable wage x years of service	– Age 60 (male), 55 (female) – 180 month of coverage	New pensions as of 1996 entitled to 10 % increase in the pension value (minimum JD30 and maximum JD50)	JD 50 a month	95 % of average wage (including dependent supplements)
Disability	50 % of average monthly wage on which contributions were paid in the last 36 months	– Total or partial incapacity – 60 months of contribution	– 0.5 % (1%) increase for each year of contribution with a minimum of 60 (120) months of contributions – New pensions as of 1996 entitled for 10 % increase in the pension value (minimum JD30 and maximum JD50)	JD 50 a month	None
Survivor	– 50% average monthly wage of the last year of contributions – If deceased was a pensioner: 100% of pension value	– 24 months of contributions	– 0.5 % (1%) increase for each year of contribution with a minimum of 60 (120) months of contributions – Funeral grant: JD500 – New pensions as of 1996 entitled for 10 % increase in the pension value (minimum JD30 and maximum JD50)	JD 50 a month	None

There is no minimum contribution period for eligibility for a work injury benefit. Benefit levels vary according to the assessment of disability. When an injury occurs, the level of benefit is calculated at 75 per cent of the last daily wage used for contribution purposes. Payment continues until the insured person resumes work or receives a disability assessment. If he/she is assessed as permanently disabled, the benefit continues in payment until he/she dies. If the assessment is at least 30 per cent disability, the benefit level will be adjusted. The pension is calculated as the percentage of the disability level multiplied by the last relevant monthly wage. A lump sum benefit is paid when disability is assessed at less than 30 per cent. Workers are also entitled to medical treatment. Survivor benefits in the work injury social insurance branch are calculated at 60 per cent of the last relevant wage. In all cases, all pension benefits awarded after January 1, 1996 are subject to a 10 per cent increase of the pension value, with a minimum increase of JD30 and a maximum of JD50.

3.3. Financing and financial trends

The system is financed by contributions collected from both employees and employers.

Table 3.3.1. Contribution rate as percentage of gross earning

Insurance type	Employee	Employer	Combined
Old age, disability, and survivors	5.5	9	14.5
Work injury	0	2	2
Total	5.5	11	16.5

Source: SSC (2006a).

Voluntary participants for old-age, disability, and survivors pensions contribute 14.5 per cent of their income between JD100 and 1000. The self employed are not covered for work injury.

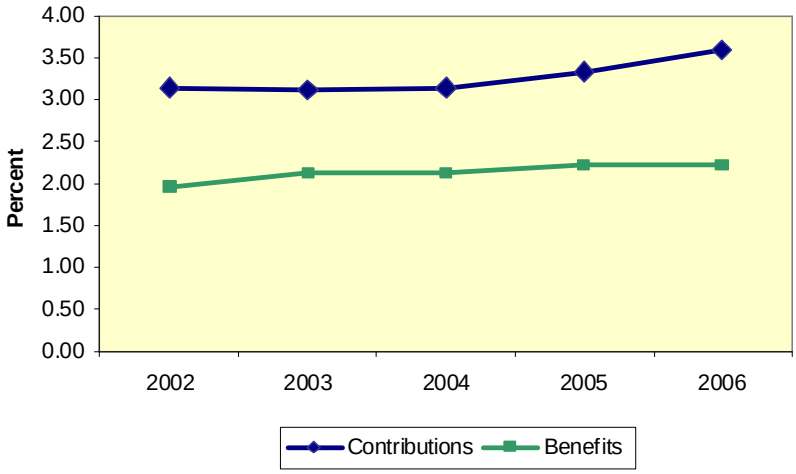
The SSC total contributions amounted to JD368.9 million in 2006, this is JD125.67 million in excess of paid benefits and other expenses. The reserve as of December 31, 2006 totalled JD3.769 billion, which represents 37.5 per cent of GDP (SSC, 2006a).

Table 3.3.2. Financial indicators, SSC, 2002–06

In thousands JD	2002	2003	2004	2005	2006
Insurance income	221,420	231,712	259,305	309,562	368,854
Income from contributions	214,222	225,748	253,489	301,329	360,177
Employers	138,938	145,371	162,255	192,006	228,105
Employees	69,469	72,686	81,127	96,003	114,053
Self-employed	5,815	7,691	10,107	13,320	18,019
Other insurance income	7,198	5,964	5,816	8,233	8,677
Expenditure	**148,400**	**165,113**	**183,339**	**215,979**	**243,188**
Pension Expenditure	119,291	139,835	158,387	181,755	204,719
Old age	80,503	100,122	118,757	139,487	160,832
Survivor	9,817	10,010	9,826	11,817	13,043
Old age, disability, survivor branch	8,436	8,573	8,463	10,112	11,191
Work injury branch	1,381	1,437	1,363	1,705	1,852
Disability	28,971	29,703	29,804	30,451	30,844
Old age, disability, survivor branch	26,310	26,891	26,932	27,498	27,732
Work injury branch	2,661	2,812	2,872	2,953	3,112
Lump sum and other benefits	12,846	13,832	12,779	18,083	17,890
Administrative cost	16,263	11,446	12,173	16,141	20,579
Surplus/deficit	**73,020**	**66,599**	**75,966**	**93,583**	**125,666**
Investment income and other adjustments	57,780	218,918	525,043	1,683,661	-723,210
Surplus/deficit before tax	**130,800**	**285,517**	**601,009**	**1,777,244**	**-597,544**
Reserve development					
Reserve at the beginning of the year	1.572,200	1,703,000	1,988,517	2,589,526	4,366,770
Reserve at the end of the year	1,703,000	1,988,517	2,589,526	4,366,770	3,769,226
Reserve ratio	11.48	12.04	14.12	20.22	15.50
Change in reserve	**130,800**	**285,517**	**601,009**	**1,777,244**	**-597,544**

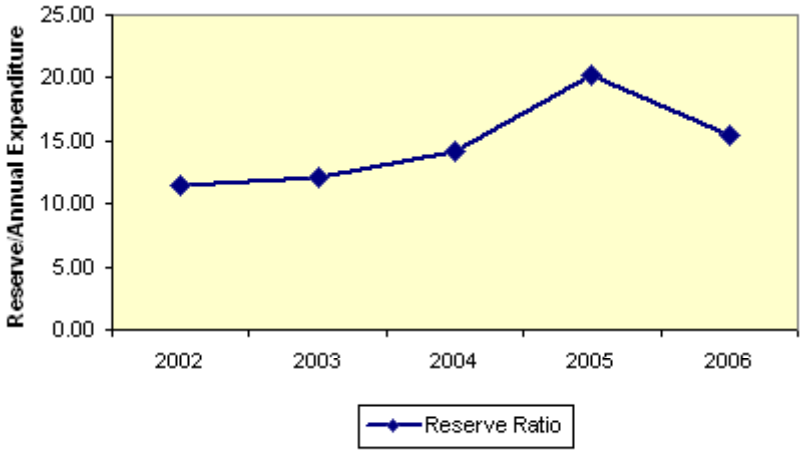
Source: ILO calculation based on the SSC annual reports 2002–06.

Figure 3.3.1. SC total contributions and paid benefits as a percentage of GDP, 2002–06



Source: Based on the SSC annual reports 2002–06.

Figure 3.3.2. Reserve as a multiple of annual expenditure, 2002–06



Source: ILO calculation based on the SSC annual reports 2002–06.

It is worth mentioning the volatility of SSC investment income and its reserve as shown in Table 3.3.2 which reflect the volatility observed in the Amman Stock Exchange (ASE) over the same period. For instance, ASE's main index stood at 4245.6 point at the end of 2004. By the end of 2005, it reached 8191.5 points and then sharply fell to reach 5518.1 point by the end of 2006 (ASE, 2008). (See Figures 3.3.1 and 3.3.2.)

3.4. Discussion

Despite the current sound financial position of the scheme there are some problems associated with its long-term financial sustainability. According to the recent actuarial valuation of 2004, conducted by the Social Security Department of the ILO there are the following problems:

- expenditure will exceed contribution income and total income by 2015 and 2027, respectively;

- the benefit bill expressed as a percentage of GDP is projected to gradually increase from 2.21 per cent in 2006 to 3.6 per cent in 2015, and then accelerates and reaches 6.2 per cent in 2030, and 13.4 per cent in 2060;

- the average uniform contribution rate required to actuarially balance the system in both insurance branches is estimated at 26.4 per cent as opposed to the current contribution rate of 16.5 per cent (ILO, 2007);

- there is a problem of early retirement. It is possible to retire from age 45 if the contributor has 18 and 15 years of contributions for a male and female, respectively. In 2006, early retirees constituted 73.2 per cent of all old-age retirees, with an average retirement age of 53 years (SSC, 2006a).

The Government together with the ILO is considering what steps should be taken to ensure the long-term financial viability of the scheme.

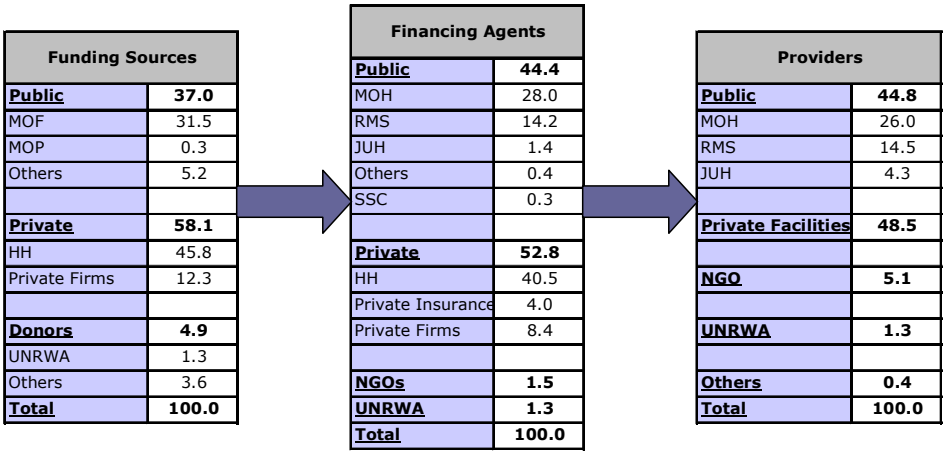
In addition existing provision covers only a small number of contingencies. In particular, as explained earlier, there are no existing branches of social insurance covering maternity or unemployment. The Government requested the ILO for assistance in establishing a maternity social insurance scheme and to review proposals for unemployment. These two issues are included in a new draft social security bill to be submitted to Parliament in November 2008. The intention for maternity is to cover all women employed in the formal economy. The financing, through contributions based on solidarity between male and female workers, will cost less than 1 per cent of the salaries of all men and women employed in enterprises covered by the new scheme. In relation to unemployment the intention is to cover all Jordanians as specified in the new bill for periods of up to six months and for a maximum of three claims. The financing of the unemployment benefits will be via a savings fund.

4. Health-care system

4.1. Overview

The health-care system in Jordan is a combination of public, private, and donors that finance as well as deliver care. Based on the most recent NHA of 2001, the flow of funds from the source of finance to the health-care providers is illustrated in the following diagram.

Figure 4.1.1. Resources flowchart of funding sources to health-care providers, expressed as a percentage of total health-care expenditure, 2001



Funding Sources	
Public	**37.0**
MOF	31.5
MOP	0.3
Others	5.2
Private	**58.1**
HH	45.8
Private Firms	12.3
Donors	**4.9**
UNRWA	1.3
Others	3.6
Total	**100.0**

Financing Agents	
Public	**44.4**
MOH	28.0
RMS	14.2
JUH	1.4
Others	0.4
SSC	0.3
Private	**52.8**
HH	40.5
Private Insurance	4.0
Private Firms	8.4
NGOs	**1.5**
UNRWA	**1.3**
Total	**100.0**

Providers	
Public	**44.8**
MOH	26.0
RMS	14.5
JUH	4.3
Private Facilities	**48.5**
NGO	**5.1**
UNRWA	**1.3**
Others	**0.4**
Total	**100.0**

Source: ILO calculation based on Alhalwani, etc. (2006).

In the following sections we describe the actors in the health-care delivery system, the trends in health-care expenditure and equity in terms of utilization.

4.2. Health-care delivery system

The public health-care delivery system consists of the Ministry of Health (MOH), the Royal Military Services (RMS) and two educational institutions: Jordan University Hospital and King Abdullah Hospital. The MOH is the major single public provider of health-care services in terms of utilization. It is also responsible for the overall development and supervision of the health sector. In 2006, the MOH operated a total of 30 hospitals and 1,363 health centres throughout Jordan. In addition, the MOH administers the Civil Health Insurance Plan (CHIP). The RMS provides mainly secondary and tertiary health-care services through its 11 hospitals. It also operates comprehensive health insurance for military and security personnel (MOH, 2006).

The private sector plays a significant and increasing role in the delivery of health care with slightly less than half of total expenditure on health being channelled to private facilities in 2001 (see Figure 4.1.1). In 2006, the private sector employed 60 per cent of all physician, 93.1 per cent of all pharmacists, and 82 per cent of all dentists (MOH, 2006). It also operates 58 hospitals that contain much of the country's high technology diagnostic capacity and attracts a significant number of foreign patients from other nearby Arab States (WHO, 2006).

The United Nations Relief and Work Agency (UNRWA), the United Nations regional programme serving the resident Palestinian refugee population, provides comprehensive health care to eligible Palestinian refugees. UNRWA operates 23 health centres and MOH centres (MOH, 2006). For in-patient services, it contracts with the MOH, RMS and some private hospitals for this service.

Table 4.2.1. Distribution of selected medical staff among health-care providers, 2006

Medical staff	Public (MOH, RMS, JUH, KAUH)	Private	UNRVA	Staff per 1,000 rate
Doctors	5,409	8,225	93	2.45
Dentists	799	3,770	28	0.82
Pharmacists	463	6,257	2	1.20
Nurses	11,200	5,558	202	3.02
Midwives	1,175	386	34	0.28

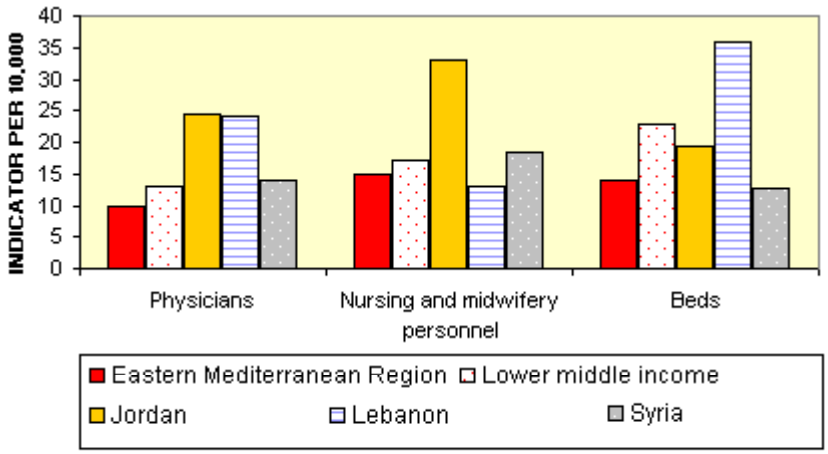
Source: Based on MOH (2006) and UN (2007a).

Table 4.2.2. Hospitals and beds distribution by ownership, 2006

Sector	Hospitals	Admission	Outpatient	Beds	Beds per 10,000	Duration of Stay	Occupancy rate
Ministry of Health	30	290,186	2,472,155	4,235	7.41	3.3	0.62
Royal Medical Services	11	131,464	1,988,812	2,119	3.71	4.4	0.75
University Hospitals	2	57,025	547,110	988	1.73	4.6	0.73
Private	58	251,257	603,269	3,707	6.49	2.3	0.43
Total	101	729,932	5,611,346	11,049	19.34	3.2	0.58

Source: ILO calculation based on MOH (2006) and UN (2007a).

Figure 4.2.1. Comparison of some health-care indicators, per 10,000 population, 2005



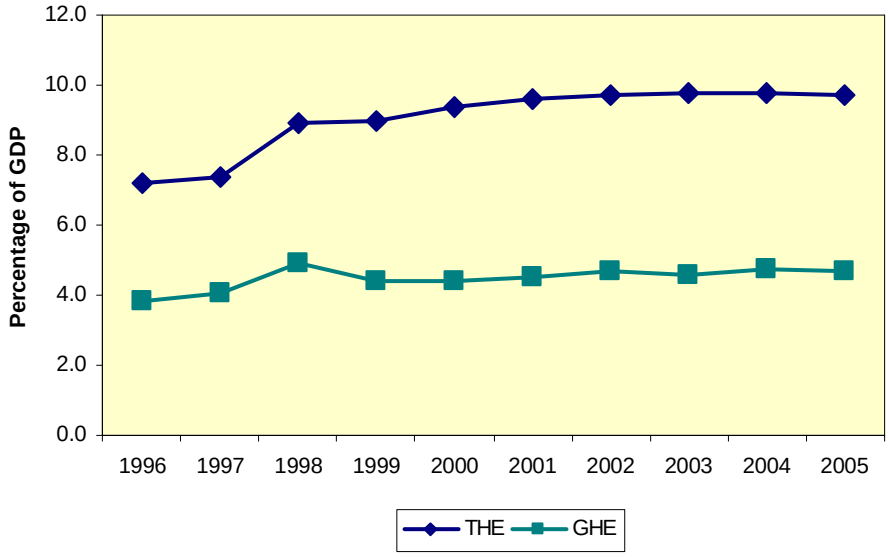
Source: Based on WHO (2007), MOH (2006) and UN (2007a).

4.3. Trends in health-care expenditure

Jordan's public spending on health care is strong and compares favourably with the size of the economy. WHO estimated Total Health Expenditure in 2005 amounted JD 878

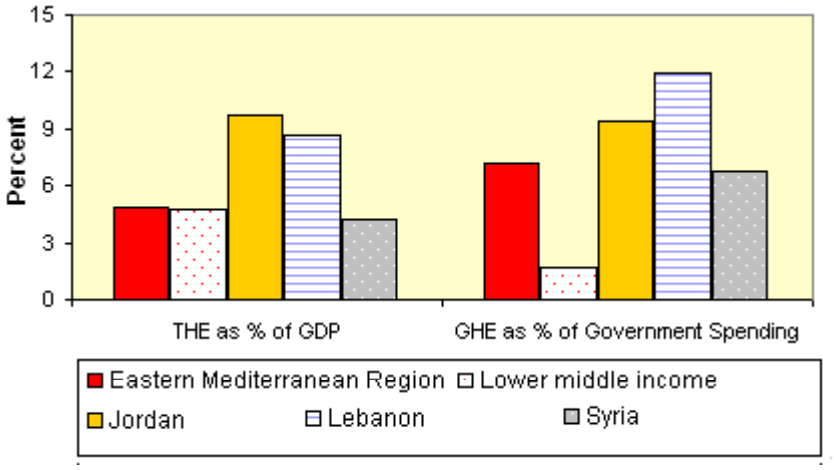
million, which represents 9.7 per cent of the GDP. The Jordanian Government allocated significant resources to health care totalling 424 million in 2005, which stood at 4.7 per cent of GDP and 9.4 per cent of the general government expenditure (WHO, 2007). (See Figures 4.3.1 and 4.3.2.)

Figure 4.3.1. Total health expenditure (THE) and government health expenditure (GHE) as a percentage of GDP, 1996–2005



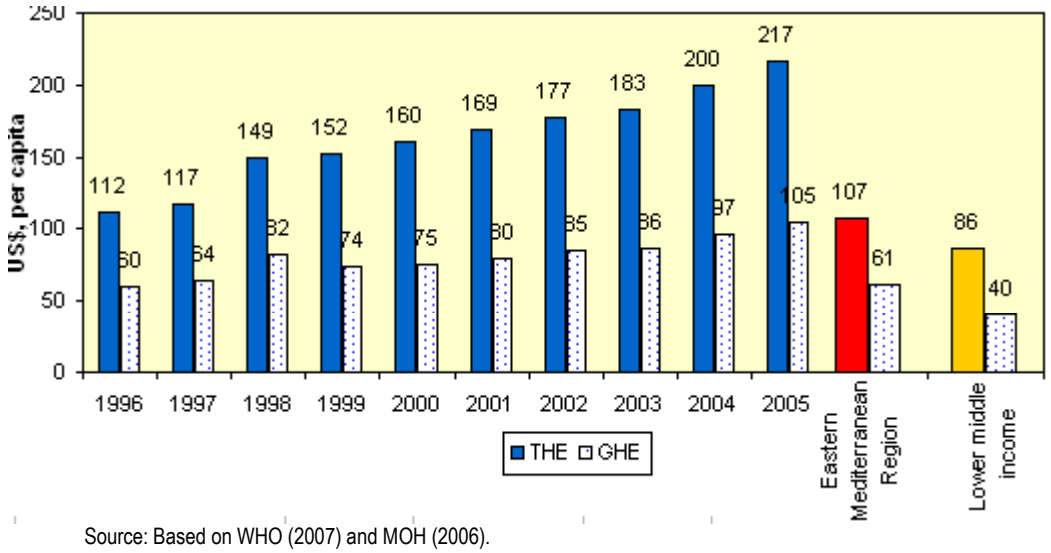
Source: Based on WHO (2007).

Figure 4.3.2. Comparison of health spending, 2005



Source: Based on WHO (2007) and MOH (2006).

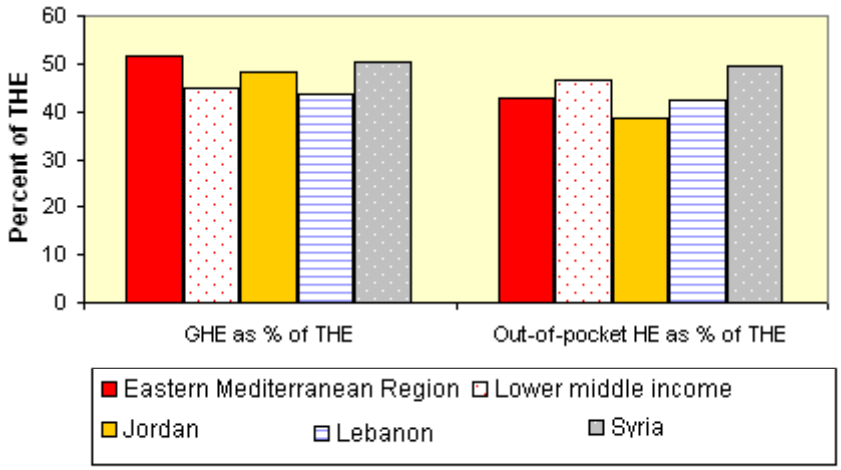
Figure 4.3.3. Total health expenditure (THE) and government health expenditure in per capita US$, 1996–2005



Source: Based on WHO (2007) and MOH (2006).

Despite strong public spending on health care, the proportion of public spending on health to THE declined from 53.1 per cent in 1996 to 48.3 per cent in 2005, indicating the rising importance of private spending on health care. Private Health Expenditure (PHE) is largely expenditure by households in the form of out-of-pocket expenses, which totalled JD340 million in 2005 representing 75 per cent of PHE and 39 per cent of THE. External participation in financing health care almost doubled over the same period and reached 7.2 per cent of the THE in 2005 (WHO, 2007). (See Figures 4.3.3 and 4.3.4.)

Figure 4.3.4. Government health expenditure (GHE) and out-of-pocket health expenditure as a percentage of total health expenditure (THE), 2005



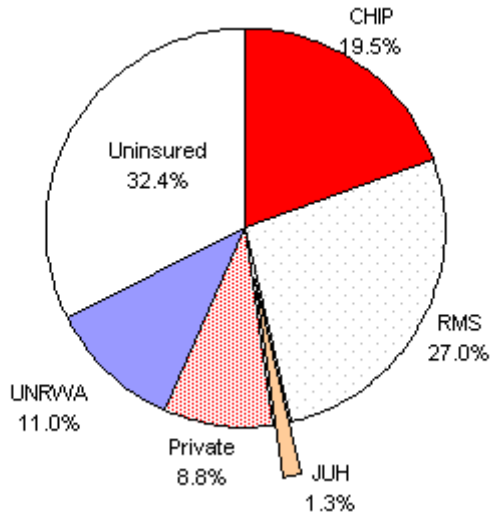
Source: Based on WHO (2007) and MOH (2006).

4.4. Health insurance situation

Several actors provide health insurance in Jordan with a combined coverage of 67.6 per cent of the population (Banks etc., 1999). The largest insurer is the Royal Military Services (RMS), which provides health insurance to active and retired military personnel,

public security personnel, members of the royal court, telecom company staff, and their dependants. Members pay a very low premium between JD1-5 on a monthly basis and receive health care in MOH and RMS facilities. The MOH administers the Civil Health Insurance Programme (CHIP), which covers civil servants and their dependants, individuals certified as poor, the disabled, and children below the age of six. The monthly premiums for civil servants are 3 per cent of the employee's gross salary deducted monthly with a limit of JD30. Some small co-payments are also applied (Alhalwani etc., 2006). Other public schemes include the JUH insurance programme which covers university employees and their families, university students, and staff of some companies who have special agreements with the University Hospital. The UNRWA also provides health insurance to registered Palestinian refugees. Private health insurance arrangements are administered either by private insurance companies or by self-insured firms and usually vary in terms of policy provisions. (See Figure 4.4.1.)

Figure 4.4.1. Health insurance coverage by insurer, 2004



Source: Banks, Dwayn et al (1999).

The available data on the CHIP showed the fund's total revenue was JD 49.633 million in 2006. Contributions represented around half of overall revenue (MOH, 2006). Other major sources of revenue included co-payments fees collected at the MOH health facilities.

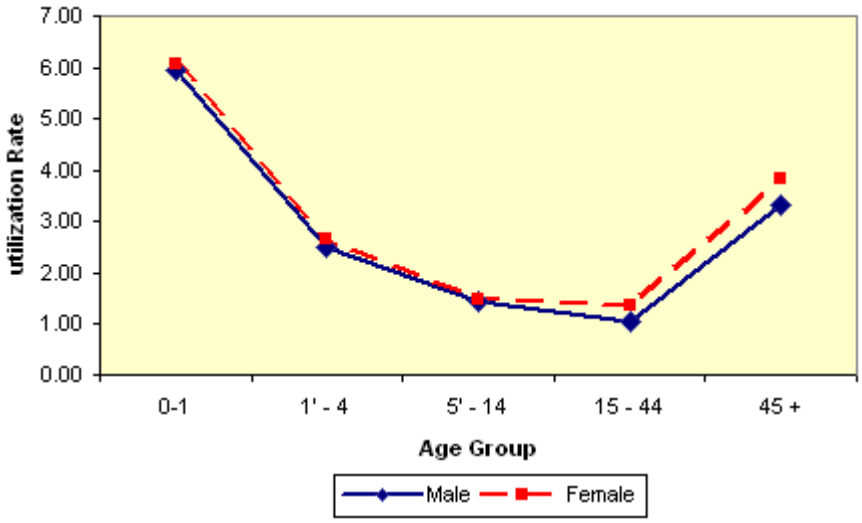
The Government has made efforts to extend social health insurance to all vulnerable groups, by seeking to extend health-care insurance coverage through employer sponsored programmes. Therefore, it is worth looking at the breakdown of the uninsured population in terms of their employment status. It has been estimated that 63 per cent of uninsured adults were classified as either economically inactive or unemployed (Alhalwani, etc., 2006). However, the same study also found that 67 per cent of the uninsured population lived in a household headed by an employed person, 24 per cent were headed by an economically inactive person and 9 per cent by an unemployed person. These findings show that such programmes could be more effective in extending coverage if the insured persons' dependents were also covered.

4.5. Public health-care utilization and equity issues

The Ministry of Health statistics reported a total of 10,556,636 out-patients visited MOH Primary Health Care (PHC) centres in 2006. There were also 5,008,077 out-patients treated in public hospitals (MOH, RMS, and JUH) (MOH, 2006). That gives a per capita

out-patient utilization rate of 2.73. Due to data limitation, it is only possible to estimate the sex and age group utilization rates for the PHC centres of the MOH illustrated in Figure 4.5.1.

Figure 4.5.1. Out-patient utilization rate for PHC centres of the MOH by age group and sex, 2006

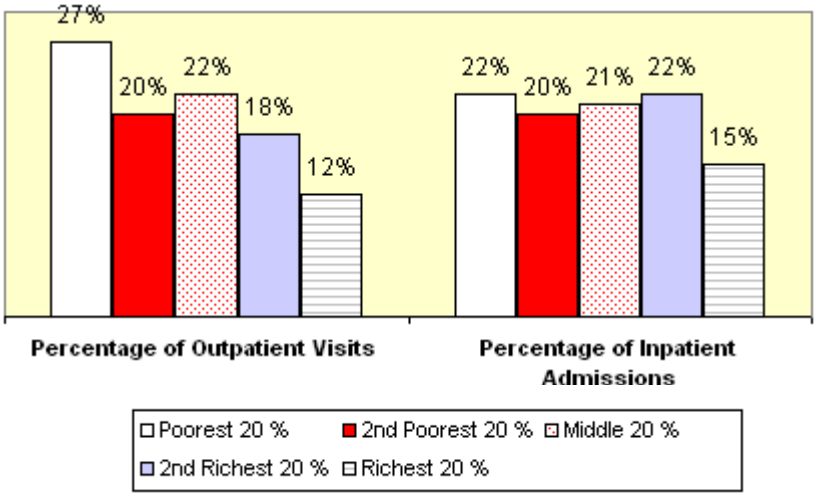


Source: ILO calculation based on MOH (2006) and UN (2007a).

The in-patient utilization rate is estimated at 83.8 per 1,000 for public hospitals (MOH, RMS, and JUH) and a rate of 127.74 per 1,000 population for both private and public hospitals.

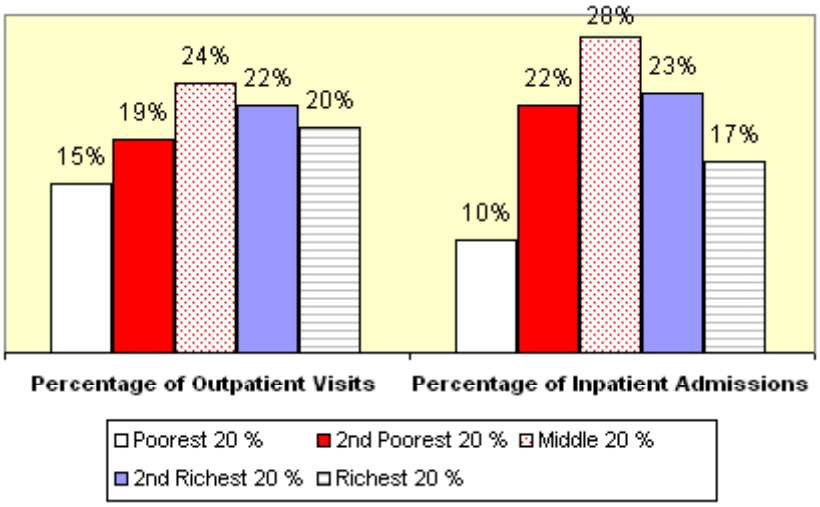
In terms equity of utilization of public health services, it was found that the MOH services are generally pro-poor while the RMS services are geared towards the middle class income groups (Jordan and WB, 2004). (See Figure 4.5.2.)

Figure 4.5.2. Utilization of MOH services by income quintile, 2000



Source: based on Jordan and WB (2004).

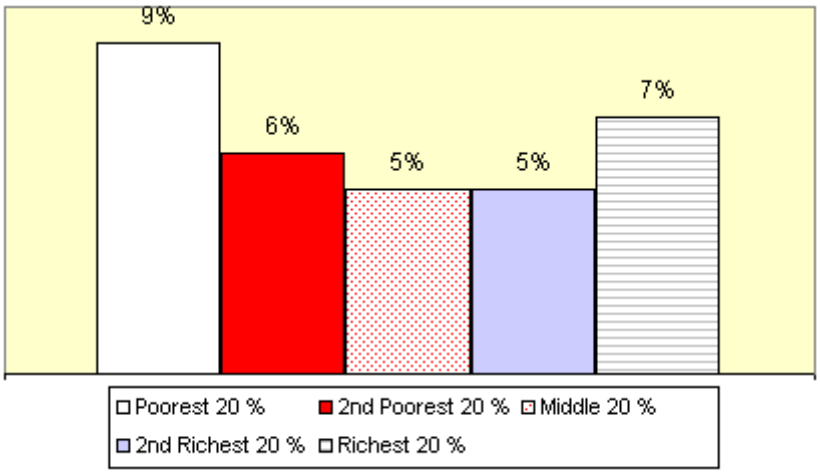
Figure 4.5.3. Utilization of RMS services by income quintile, 2000



Source: based on Jordan and WB (2004).

It is also important to look at out-of pocket health expenditure, which amounted to 39 per cent of total health expenditure in 2006. With the exception of the highest income quintile, out-of pocket expenses on out-patient care as a percentage of disposable income was found to decline with increases in income, indicating the regressive nature of these expenses. (See Figure 4.5.4.)

Figure 4.5.4. Out-of-pocket expenditures on out-patient care as per cent of household income, 2000



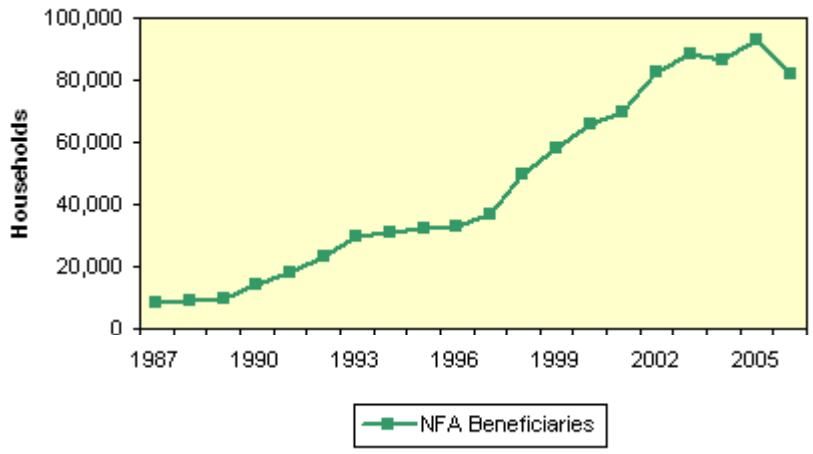
Source: Based on Jordan and WB (2004).

5. Non-contributory public social protection programmes

Poverty alleviation programmes are administered by the National Aid Fund (NAF). It was established in 1986 as an administratively and financially autonomous institution. The NAF operates as the only state-funded institution responsible for the provision of a "social safety net" for the poor and vulnerable groups. Since its inception, a number of reforms have been implemented in order to respond to challenges arising from several socio-economic shocks.

In 2003, the Government established a National Steering Committee on Poverty Alleviation with the responsibility of coordinating the efforts of key ministries to achieve a greater impact on poverty reduction. The committee's main responsibility has been to monitor the implementation of the Jordan Poverty Alleviation Strategy (JPAS). The JPAS identified three targets: the poorest of the "poor", the "working poor" and the "near poor" (MoPIC & UNDP, 2004). While the first two groups correspond to individuals/households that are currently poor, the near poor group represents individuals/households that are currently non-poor but at risk of falling below the poverty line. In 2001, it was estimated that 2.1 per cent of the current non-poor were at high risk of falling in poverty (Jordan and WB, 2004). When this is added to the poverty rate of 14.6 per cent (2001) it gives a figure of 16.7 per cent of the population being in poverty in 2002. The NAF reached 92,629 households in 2006 compared with only 8,622 households when it was first introduced in 1987 (NAF, 2006). Assuming an average household size of poor families of 8.96, [8] around 12.89 per cent of the population benefited. (See Figure 5.1.)

Figure 5.1. NFA beneficiaries, 1987–2006

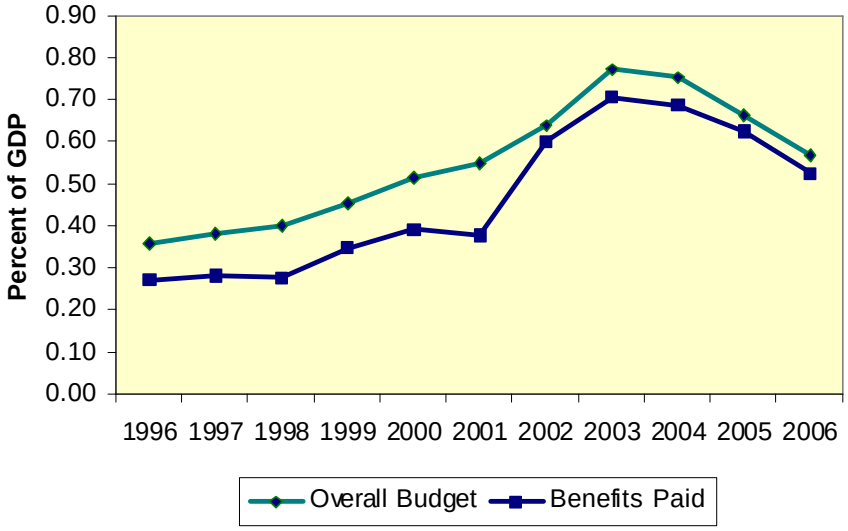


Source: Based on NAF (2006).

The intention was to reach more beneficiaries between 1997 and 2003 to make up for the losses suffered from the 1996 subsidy reform and the consequent elimination of the food subsidy. The NAF budget increased over the same period both in absolute terms and as a percentage of GDP. The rate of increase averaged more than 16 per cent annually in absolute terms between 1997 and 2003. However, it peaked at less than 0.8 per cent of GDP and even declined since then to reach less than 0.57 per cent of the GDP in 2006 (NAF, 2006). (See Figure 5.2.)

[8] This is for the year 2002 estimated by the JPA.

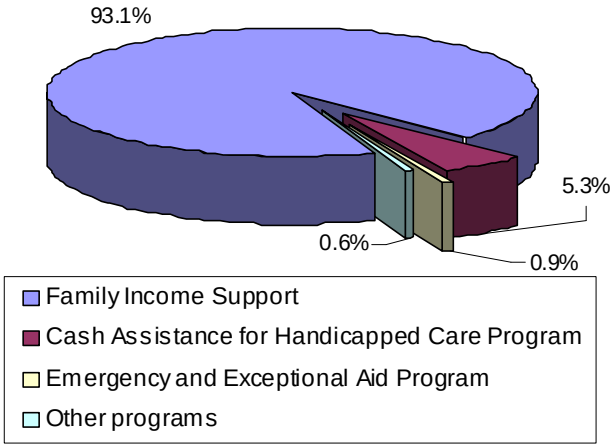
Figure 5.2. NAF overall budget and benefits paid as a percentage of GDP, 1996–2006



Source: Based on NAF (2006).

The most significant programme implemented by the NAF is the Family Income Support (FIS), formally Recurrent Cash Assistance, which accounted for 93 per cent of the NAF total expenditure in 2006. Other assistance programmes include: Handicapped Aid Programme, Emergency Aid Programme, and Physical Rehabilitation Programme. (See Figure 5.3.)

Figure 5.3. NAF expenditure by programme, 2006



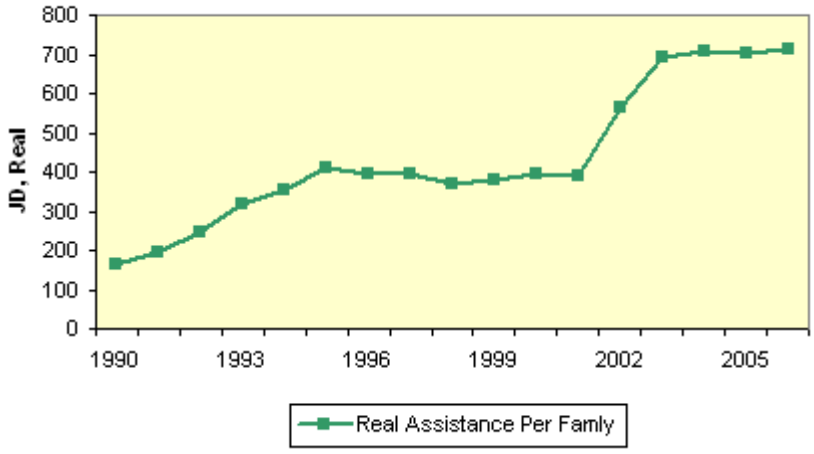
Source: Based on NAF (2006).

The target groups of the FIS include female headed households who are widowed or divorced, households with partially or totally disabled members, households where the head is in prison, elderly people, and any other category deemed eligible and approved by the Board of Directors (NAF 2006).

Since 2002, the level of assistance per beneficiary has been increased significantly. The new benefit starts from 26 JD per month with a ceiling of 156 JD per household

compared with 20 JD in 1987 and a ceiling of 40 JD per month (NAF, 2006). The main objective of the new policy has been to bridge the gap between the family's real income and the poverty line estimated at 26 JD per month per person. In addition, cash assistance is linked to training and employment and compliance with broader health and educational goals such as ensuring children's attendance at schools (MoPIC & UNDP, 2004). (See Figure 5.4.)

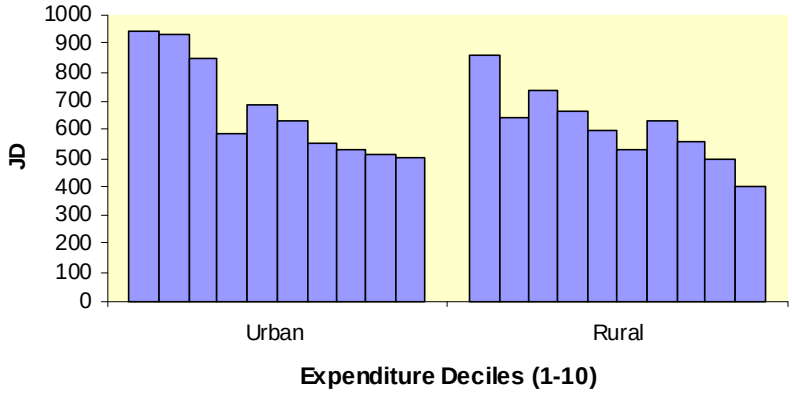
Figure 5.4. Average annual income support per beneficiary household, real JD, 1987–2006



Source: Based on NAF (2006).

In terms of the progressive effect of the cash transfers, it was estimated in 2002 that the average value of cash transfers for the poorest income decile was 1.87 which was 2.16 times higher than the average value of cash transfers to the richest income decile in urban and rural households, respectively (Jordan & WB, 2004).

Figure 5.5. Average annual income support per beneficiary household by expenditure deciles, JD, 2002



Source: Based on Jordan and WB (2004).

Figure 5.5 shows all households benefited from the cash transfers. This is largely a result of the complex nature of the targeting procedures which appear to have resulted in significant leakage of benefits to low vulnerable non-poor, estimated in 2002 at 62.8 per cent of total benefits (Jordan & WB, 2004).

Table 5.1. Distribution of NAF benefits across vulnerable population groups, 2002

	Poor	Non-poor	Total
High vulnerable	10.9	4.7	15.6
Low vulnerable	21.6	62.8	84.4
Total	32.5	57.5	100.0

Source: Based on Jordan and WB (2004).

Thus NAF transfers would appear to have had a very modest impact on poverty alleviation. (See Table 5.1.) The poverty rate would have increased by less than one percentage point without the NAF transfers (14.72 per cent without NAF transfers in 2002, compared with a rate of 13.85 per cent with the NAF transfer for the same year). The poverty gap was found to have been reduced from 3.86 per cent to 3.18 per cent due to the NFA transfers (Jordan & WB, 2004).

6. Conclusion

The favourable socio-economic environment presents an opportunity to extend and improve security coverage: increases in levels of income, increases in exports, and a reduced budget deficit. In the past Jordan has found it difficult to create quality jobs, reduce poverty and levels of unemployment levels.

In relation to contributory social protection the Government has recognized the need for some change. The draft Social Security Bill which addresses the reform of maternity provision and the introduction of an unemployment benefit is a step towards extending existing coverage. The recent ILO actuarial valuation proposes several reform scenarios which would address the problems facing the Social Security Corporation .

Although Jordan's public spending on health care is strong and compares favourably relative to the size of the economy there is considerable reliance on out-of-pocket payments which adversely impact on the poor. There is a need to consider integrating the provision of public health care under one body as has been done for pensions. It might be useful to initiate a discussion on the feasibility of the integration of social health insurance into the Government's overall social protection strategy.

Despite the improved economic conditions, Jordan is still vulnerable to relatively high levels of poverty. Government policy has shifted towards means-tested direct cash transfers as opposed to the general commodity subsidy. However, the existing programme has had a very modest positive impact on poverty alleviation. There may be two reasons for this lack of impact. First the resources allocated were insufficient to make up for the losses following the end of general subsidies. Second, the system has been poorly targeted and not reaching those most in need.

Finally, the very preliminary Social Budget to be found in the annex shows less than 1 per cent of GDP and declining is being spent on non-contributory social protection; and a total of just over 8 per cent of GDP on social expenditure excluding education. This indicates the importance of drawing up a full Social Budget.

Appendix

Social budget in Jordan

The following table aggregates all public spending on social protection between 2002 and 2006. It is worth noting that data were not available on the CPS, MPS, UNRWA, and 2006 government health expenditure. Also the government spending on the system of food and oil subsidies should also be reported as part of the social budget, data limitation did not allow us to include them. Therefore, the overall public expenditure is assumed to be higher than these aggregates.

Table: 2.5.1. Jordan social budget, million JD and as a percentage of GDP, 2002–06

	Million JD					Percentage of GDP				
	2002	**2003**	**2004**	**2005**	**2006**	**2002**	**2003**	**2004**	**2005**	**2006**
EXPENDITURE										
1. Contributory benefits	**148.40**	**165.11**	**183.34**	**215.98**	**243.19**	**2.18**	**2.28**	**2.27**	**2.40**	**2.42**
1.1 Pension benefits	119.29	139.84	158.39	181.76	204.72	1.76	1.93	1.96	2.02	2.04
1.1.1 SSC	119.29	139.84	158.39	181.76	204.72	1.76	1.93	1.96	2.02	2.04
1.1.2 CPS	-	-	-	-	-	-	-	-	-	-
1.1.3MPS	-	-	-	-	-	-	-	-	-	-
1.2 Lump sum and short-term benefit	12.85	13.83	12.78	18.08	17.89	0.19	0.19	0.16	0.20	0.18
1.3 Administrative and other expenses	16.26	11.45	12.17	16.14	20.58	0.24	0.16	0.15	0.18	0.20
2. Health	**352.31**	**366.13**	**421.92**	**475.72**	**-**	**5.19**	**5.06**	**5.22**	**5.28**	**-**
2.1 Government	318.00	329.00	381.00	424.00	-	4.68	4.55	4.71	4.70	-
2.2 CHIP	34.31	37.13	40.92	51.72	50.14	0.51	0.51	0.51	0.57	0.50
2.3 UNRWA	-	-	-	-	-	-	-	-	-	-
3. Non-contributory social assistance	**43.46**	**55.85**	**60.79**	**59.68**	**57.66**	**0.64**	**0.77**	**0.75**	**0.66**	**0.57**
3.1 Government-NAF	43.46	55.85	60.79	59.68	57.66	0.64	0.77	0.75	0.66	0.57
3.2 Donor	-	-	-	-	-	-	-	-	-	-
Total current social expenditure	**544.18**	**587.09**	**666.04**	**751.38**	**-**	**8.01**	**8.12**	**8.24**	**8.34**	**-**
4. Change in reserves	**130.80**	**285.52**	**601.01**	**1,777.24**	**-597.54**	**1.93**	**3.98**	**7.44**	**19.72**	**-5.95**
4.1 SSC	130.80	285.52	601.01	1,777.24	-597.54	1.93	3.98	7.44	19.72	-5.95
INCOME										
1. Contributions	**259.44**	**269.14**	**298.68**	**357.78**	**418.49**	**3.82**	**3.72**	**3.70**	**3.97**	**4.16**
1.1 SSC	221.42	231.71	259.31	309.56	368.85	3.26	3.21	3.21	3.43	3.67
1.2 CPS	-	-	-	-	-	-	-	-	-	-
1.3 MPS	-	-	-	-	-	-	-	-	-	-
1.4 CHIP	38.02	37.43	39.38	48.22	49.63	0.56	0.52	0.49	0.53	0.49
2. Investment income	**57.78**	**218.92**	**525.04**	**1,683.66**	**-723.21**	**0.85**	**3.03**	**6.50**	**18.68**	**-7.20**
2.1 SSC	57.78	218.92	525.04	1,683.66	-723.21	0.85	3.03	6.50	18.68	-7.20
3. Income from donors	**40.00**	**38.00**	**56.00**	**63.00**	**-**	**0.59**	**0.53**	**0.69**	**0.70**	**-**
4. Income from general revenues	**317.76**	**346.55**	**387.33**	**424.19**	**304.72**	**4.68**	**4.79**	**4.79**	**4.71**	**3.03**

Source: Own compilation from various sources.

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