

# Policy Paper

## Towards a Fair and Sustainable Social Security Model in Jordan

Performance Index Center | KAFI'A  
Amman, Jordan  
February 2026



For example, a salary of 300 JOD in 2006 would not be calculated at its nominal value at the time of retirement. Instead, it would be revalued to reflect its purchasing power at the time of retirement, potentially equivalent to 500 JOD in the pension calculation formula.

### Expected Impact:

- Enhanced Equity: Contributors would receive pensions that reflect the real value of their lifetime contributions.
- Elimination of Distortions and Manipulation: By assigning each contribution year its true indexed value, incentives to artificially inflate wages in the final years of service would be effectively removed.

### Proposed Legislative Amendments:

The following text is proposed for inclusion, subject to the provisions of Paragraph (A) of Article (20) and any other legal articles and paragraphs that do not conflict with this text:

*"The retirement pension shall be calculated based on the average monthly wages on which contributions were paid throughout the contributor's entire insurance period, after revaluing each monthly wage in accordance with the officially declared annual inflation rate from the date of contribution payment until the date of reaching the statutory retirement age."*

### Second: Graduated Contribution System (Upon Eligibility for Early Retirement)

This proposal calls for amending the current monthly contribution rates (which currently amount to 21.75%, shared between the employer and the insured contributor) so that they gradually decrease once the contributor fulfills the eligibility conditions for early retirement (age 50 for males or 45 for females, subject to completing the required contribution periods).

## Expected Impact:

- **Incentivizing Continued Employment:** Encouraging contributors to remain in the labor market to increase their final pension value and avoid the reduction percentages applied to early retirement benefits.
- **Retention of Experienced Workers:** Lower employer contribution costs would motivate employers to retain older and highly experienced employees, thereby strengthening labor market stability.
- **Raising the Effective Retirement Age Voluntarily:** Achieving an increase in the effective retirement age through incentives rather than coercive measures, which would delay pension outflows and enhance the long-term sustainability and financial position of the Social Security Corporation.

## Proposed Legislative Amendments:

Introduce a "Graduated Contribution System" by adding the following paragraph to Article (59), in a manner consistent with related legal provisions:

*"The monthly contribution rate payable by the establishment and deducted from the wages of insured persons shall be reduced (for example, by 50%) once the contributor fulfills the eligibility conditions for early retirement and continues employment. The reduction percentage shall increase annually by (for example, 5%), provided that the total reduction is shared equally between the employer's and the contributor's shares, and that this period shall continue to be counted as part of the actual years of service."*

## Strategic Impact Analysis

This paper adopts the philosophy of "change through empowerment and transparent governance," a core principle championed by Performance Index Center | KAFSA'A.

Pillar	Current Situation (Law No. 1 of 2014)	Proposed Model
<b>Basis of Pension Calculation</b>	Average of the final years as defined by law (last 2–5 years)	Full-career average, indexed to inflation
<b>Employment Behavior</b>	Incentive to seek early retirement	Financial incentive to remain in employment
<b>Employer Cost</b>	Fixed and relatively high for older employees	Gradually decreasing and employment-encouraging
<b>Sustainability</b>	Pressured due to increasing early retirees	Strengthened by delaying benefit outflows and enhancing financial balance

Table (1): Impact Matrix

## Final Recommendations

Performance Index Center | KAFSA'A recommends the following:

- Conducting a comprehensive actuarial study to rigorously assess the financial and cash flow implications of the proposed reforms and to quantify their projected impact on long-term sustainability.
- Initiating a transparent national dialogue that brings together the three key production stakeholders to build consensus around the necessary legislative amendments and ensure broad-based ownership of the reform process.

## All rights preserved

No part of this paper may be produced, stored in a retrieval system, or transmitted in any form or any means without prior permission in writing of the center