

Comparative review of unemployment and employment insurance experiences in Asia and worldwide



ILO/Japan
Multi-bilateral
Programme

John Carter
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Promoting and Building Unemployment Insurance and Employment Services in ASEAN

Regional Office for Asia and the Pacific

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Abstract

The present report presents an overview of unemployment insurance (UI) and employment insurance (EI) schemes in place in 14 countries, as a means of providing partial income replacement to insured workers while they are between jobs, and looking for new employment. The countries chosen for the comparative review cover not only a wide geographic range, but also a range of economic development stages. Two of these countries are located in North America (Canada and the United States), two are in South America (Argentina and Chile), three are in Europe (Denmark, France, and Germany), one is in the Middle East (Bahrain), two are members of the Association of Southeast Asian Nations (ASEAN) (Thailand and Viet Nam), and finally four are located in East Asia (China, Japan, Mongolia and the Republic of Korea).

The purpose of the report is to highlight the main features and practices applied in these UI schemes – which three countries have even chosen to rebrand as EI schemes – rather than offering a detailed review of all of their characteristics and parameters. Some form of unemployment benefits are currently being offered in 72 countries across the world. The current selection, as interesting and wide ranging as it is, cannot and does not pretend to be comprehensive. It only seeks to open avenues for considered thought and deliberation on the concepts, rationale and thinking that can be derived from these particular cases.

The research was conducted under the project “Promoting and Building Unemployment Insurance and Employment Services in ASEAN”, funded by the Government of Japan.

Foreword

The 2009 financial and economic crisis and its impact on labour markets contributed to raising awareness of the importance of introducing unemployment protection measures.

Unemployment benefits aim, on the one hand, to guarantee at least partial income replacement, enabling the beneficiary to maintain a certain standard of living until returning to work. On the other hand, they support the unemployed in seeking new employment and increasing their employability.

A growing number of countries also acknowledge that providing income security to workers allows for a smoothing of domestic consumption in times when external demand contracts because of reduced global economic activities. Finally, countries equipped with measures to protect and support the unemployed will be better prepared to acquire skills required by changing economies.

In these circumstances, the standards set by the International Labour Organization (ILO), in the field of social security and unemployment protection in particular, provide relevant guidelines to countries considering reinforcing protection of their unemployed people.

With the Association of Southeast Asian Nations (ASEAN) aiming at integration by 2015, the task of reinforcing social security and establishing social protection floors across the region takes on additional significance. Although in South-East Asian countries unemployment rates are relatively low (4.7 per cent as an average of across the region in 2011), vulnerable workers engaged as own-account or contributing family workers still represented 180 million persons in 2011 or 62 per cent of all workers. During an ILO-ASEAN Seminar on unemployment insurance, income security and active labour market policies, held in Ho Chi Minh City, 20 to 22 March 2012, the ASEAN Governments and social partners acknowledged that unemployment benefits, as well as other social protection measures to support the unemployed or working poor, should be an integral component of development efforts to ensure that progress in poverty reduction is not reversed.

Among the ASEAN countries, only Thailand, in 2004, and Viet Nam, in 2009, have established an unemployment insurance scheme. Other countries, e.g Malaysia and the Philippines, are exploring modalities for introducing unemployment benefits.

The present research offers a comparative review of unemployment/employment insurance experiences in Asia and worldwide that, it is hoped, will be a useful source of information for ASEAN countries that are exploring diverse options to introduce or adjust unemployment benefits.

The research is part of the project "Promoting and Building Unemployment Insurance and Employment Services in ASEAN", funded by the Ministry of Health, Labour and Welfare of Japan.

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We wish to express our gratitude to the various experts within the 14 country ministries and departments dealing with UI and EI who provided their assistance in reviewing country profiles and templates. The 14 countries are: Argentina, Bahrain, Canada, Chile, China, Denmark, France, Germany, Japan, Mongolia, the Republic of Korea, Thailand, United States and Viet Nam. Their assistance provided expert advice on technical matters relating to their UI/EI scheme.

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Acronyms

ACOSS	Agence centrale des organismes de sécurité sociale –Central Social Security Associations Agency (France)
ADA	Americans with Disabilities Act (United States)
AFC	Administradora de Fondos de Cesantía – Unemployment Funds Manager (Chile)
AFIP	Administración Federal de Ingresos Públicos - the national agency for tax collections - (Argentina)
ALMP	active labour market policies
ANPE	Agence nationale pour l’emploi – National Agency for Employment (France)
ANSES	National Social Security Administration (Argentina)
ARE	Aide au Retour à l’Emploi – Unemployment benefits (France)
ARS	Argentine Pesos
ASEAN	Association of Southeast Asian Nations
ASSEDIC	Association pour l’emploi, l’industrie et le commerce - Association for Employment, Industry and Commerce
BA	Bundesagentur für Arbeit - Federal Employment Agency (Germany)
BHD	Bahraini Dinar
BOE	Bureau of Employment (Viet Nam)
CAD	Canadian Dollars
CIO	Central Informatics Organization (Bahrain)
CLP	Chilean Pesos
CNY	Chinese Yuan Renminbi
COMWEL	Worker’s Compensation and Welfare Service (Republic of Korea)
CPI	Consumer Price Indices
CRA	Canada Revenue Agency
DOE	Department of Employment (Republic of Korea and Thailand)
DKK	Danish Krone
DOLISA	Department of Labour, Injury and Social Assistance (provincial level) (Viet Nam)
DSD	Department of Skills Development (Republic of Korea and Thailand)
DWRR	Dislocated Worker/Rapid Response Program (United States)
EBSM	Employment Benefits and Support Measures (Canada)
EI	Employment Insurance
EPL	Employment Promotion Law
ESC	Employment Service Centre (Viet Nam)
ESO	Employment Security Office (Republic of Korea)
FEA	Federal Employment Agency (Germany)
FLO	Federal Labour Office (Germany)
FNE	National Employment Fund (Argentina)
FUTA	Federal Unemployment Tax Act (United States)
GDP	Gross Domestic Product
HCMC	Ho Chi Minh City (Viet Nam)
HI	Health Insurance (Viet Nam)
HRSD	Human Resources and Skills Development (Canada)
HISRO	Health Insurance System Research Office (Thailand)
I & C	Investigation and Control (Viet Nam)

ILO	International Labour Organization
ISA	Individual Savings Account (Chile)
JPY	Japanese Yen
KLI	Korea Labor Institute
KRW	Korean (South) Won
MBM	Market Based Measure
MLSGS	Minimum Living Standard Guarantee Scheme (China)
MHLW	Ministry of Health, Labour and Welfare (Japan)
MHRSS	Ministry of Human Resources and Social Security (China)
MNT	Mongolian Tughrisks
MOLISA	Ministry of Labour, Invalids and Social Affairs (VietNam)
MSWL	Ministry of Social Welfare and Labour (Mongolia)
MTySS	Ministry of Labour and Social Security (Argentina)
NBLSS	The National Basic Livelihood Security System (Republic of Korea)
NSO	National Statistic Office (Thailand)
OECD	Organization for Economic Co-operation and Development
OMIL	Oficina Municipal de Intermediación Laboral - Municipal employment office (Chile)
PA	Public Assistance (Japan)
PPC	Provincial People's Committee (Viet Nam)
PSI	Provincial Social Services (Viet Nam)
RAP	Rapid Assessment Protocol
RSA	Revenu de solidarité active –Active Solidarity Income (France)
SA	Social Assistance (Canada)
SAFP	Superintendencia de Pensiones – the Ministry of Labour's Pension Superintendence (Chile)
SENCE	National Service for Training and Employment (Chile)
SI	Social Insurance
SIO	Social Insurance Organization (Bahrain)
SOE	State Owned Enterprises (China)
SSA	Social Security Act (United States)
SSO	The Social Security Office (Republic of Korea)
SSS	Social Security System (Republic of Korea and Thailand)
STA	Short-Time Allowance (Germany)
TAA	Trade Adjustment Assistance (United States)
THB	Thailand Baht
UA	Unemployment Assistance (Germany)
UI	Unemployment Insurance
UNEDIC	Union nationale interprofessionnelle pour l'emploi dans l'industrie et le commerce- National Interprofessional Union for Employment in Industry and Commerce (France)
US	United States
VND	Viet Nam Dong
VSS	Viet Nam Social Services (Viet Nam)
WIA	Workforce Investment Act (United States)
WPRS	Worker Profiling and Reemployment Services

Executive summary

There may currently be about 72 countries worldwide that provide unemployment benefits of some kind (ILO, 2012). The research included the review of 14 unemployment/employment insurance schemes: in North America: Canada and the United States; in South America: Argentina and Chile; in Europe: Denmark, France and Germany; in the Middle East: Bahrain; in Asia: China, Japan, Mongolia, Republic of Korea, Thailand and Viet Nam. Some countries, notably Canada, the Republic of Korea and Japan, use employment insurance as it provides a more pro-active name to their scheme. Although under employment insurance scheme, more emphasis may be put on employment support programmes, fundamental principles applying to the design and implementation of unemployment benefits remain the same.

The adoption or revision of UI schemes was often influenced by regional or international crises. The United States and Canada respectively launched their UI schemes in 1935 and 1940, in response to the Great Depression of the 1930s. The expansion of the Korean EI scheme in 1998 was partly a response to the Asian financial crisis of 1997. Thailand, having recovered from the Asian financial crisis around 2001, chose to launch its UI scheme in 2004. At different dates, China (1986), Mongolia (1997) and Viet Nam (2009) perceived the need for unemployment protection to cope with inevitable labour market implications of moving from a socialist planned economy to a market oriented economy.

Virtually all countries researched have a national mandatory insurance scheme which provides cash benefits related to previous earnings, under the form of periodical and temporary payments. With the exception of Chile, all the 13 schemes are based on social insurance principles as recommended by the Social Security (Minimum Standards) Convention, 1952 (No. 102). Denmark has a voluntary scheme which covers more than 80 per cent of the working population. In Chile, the benefits rely firstly on individual savings and can be then supplemented by a social insurance component. In the United States and China, UI schemes are administered and contributions and benefits' rates are determined at the States or provincial level.

Experience from these countries shows that a combination of unemployment cash benefits and policies to support re-employment is the most effective mechanism to protect the unemployed and their families against poverty, while helping them to find employment quickly. All countries provide the usual employment services required for effective job search, such as counselling, job fairs, assistance for writing curriculum vitae (CV), labour market information, job database, mobility allowance, and so on. Also, most of the schemes offer different programmes to encourage the insured unemployed to upgrade their skills, undertake training, such as vocational training allowances as well as benefit extensions if the training lasts beyond the end of the UI benefit period.

In all 14 countries, salaried workers of the private sector are traditionally those covered by the UI scheme. Some countries have extended coverage to self-employed and certain categories of workers on a voluntary basis. In Argentina, Chile, Denmark, the Republic of Korea and Thailand, government employees are excluded. Although migrant workers are legally covered under almost all the schemes, due to the requirement to be present in the country to report periodically to the employment services, they rarely enjoy their UI benefits, unless paid as a lump-sum upon departure from the country. With the exception of Canada, Denmark, France and Germany, domestic workers are not covered. Workers with low earnings are also excluded in Germany, Japan and the Republic of Korea, as well as part-time, temporary or seasonal workers in China, Japan, Republic of Korea and Viet Nam.

Two conditions apply for qualification to UI benefits: first, the previous insured employment and contributions needed to qualify; and second, the reason for contract termination, e.g. whether it was involuntary or voluntary. In the determination of the reason for contract termination, special mechanisms must be in place to properly deal with forced or unavoidable resignations. Countries usually require either six or 12 months of contributions to qualify. Countries requiring six months are Argentina, Chile (for temporary workers), the United States, Japan, the Republic of Korea and Thailand. Countries requiring 12 months to qualify are Bahrain (12 continuous months for first time compensation, though also allowing first-time jobseekers to qualify), Chile (for permanent workers), China, Denmark, Germany and Viet Nam. France has a lower qualification requirement, with only four months of insured work. Mongolia has the highest requirement, with 24 months of contributions, the last nine of them being continuous. The UI schemes in Viet Nam and Chile (under the individual saving component) allow similar treatment to voluntary quitters. However, a better approach to deal with voluntary resignation is probably either to extend the waiting period (Denmark, France, Germany, and Japan) or to offer reduced benefits (Thailand).

One cross-country requirement to continue receiving unemployment benefits is the mandatory reporting to employment services. As part of their strategy to assist unemployed persons, France, Germany, and a number of other countries have introduced personalized re-employment and skills development plans. Denmark has linked its high unemployment benefits with the obligation that jobseekers actively pursue re-employment strategies, the intensity of the claimant's efforts is expected to increase as the time spent receiving unemployment benefits becomes longer. The United States applies a process known as the Worker Profiling and Reemployment Services to identify and target for intervention those who are most likely to stay unemployed for a long time or at risk to lose their employment.

There are many approaches to set maximum benefit duration, depending on country circumstances, on the structure of unemployment, on potential re-employment opportunities, and even on current events. There does not seem to be an optimal formula from an actuarial perspective, except to state that considerations of adequacy and cost will inevitably have to be balanced. Few countries pay more than 12 months of UI benefit. When they do, it would usually be for claimants with longer periods of work attachment or for senior unemployed. Mongolia pays the least amount of UI benefits (up to two and half months). Denmark provides two years of benefits to everyone who qualifies with the required 52 weeks of contributions. Bahrain affords a flat benefit duration, six months (with 12 months of insured employment). China and Viet Nam are unique in placing emphasis on long-term service. In some countries (Argentina, France, Germany, Japan and the Republic of Korea), duration depends not only on previous time worked but also on the age of the job seeker, with longer durations being afforded to older claimants. A number of countries (Chile, Mongolia, Japan, Thailand, the United States and Canada) also have provisions for prolonged UI benefits in times of high unemployment or due to economic crisis, natural calamities or disaster. Finally, France, Germany, Canada, Japan and the United States allow UI beneficiaries to continue receiving partial or full unemployment benefits at the same time as they engage in part-time work.

The most frequent benefit rates range from 50 to 60 per cent of previous contributory earnings. This is seen in Argentina (for the first four benefit months), Bahrain, Canada, Chile (though only for the first month), Germany (at the standard rate), the Republic of Korea, Thailand (for involuntary job loss), the United States and Viet Nam. Germany provides a more generous rate of 67 per cent for persons with one or more dependent children, while France and Japan have even higher rates for jobseekers with formerly low incomes (up to 75 and 80 per cent respectively). Denmark's UI scheme stands as the most generous with a 90 per cent benefit rate.

Financing arrangements include employer contributions in all but one of these 14 countries (Denmark), and they also include workers in all but one country (the United States, except three States). Governments contribute on a regular basis in four countries (Bahrain, Thailand, Viet Nam and, to a minor extent, Chile), and on an emergency basis in four more (Argentina, Germany, China and the United States).

All 14 schemes provide equal access to coverage and to benefits for both men and women. With regards to persons with disabilities, Canada, Germany, Republic of Korea, Thailand and the United States have adopted specific measures to facilitate employment of jobseekers with disabilities, either as part of their UI/EI scheme or through separate provisions.

When it comes to measure the performance of the UI schemes, the share of the informal employment in the labour market inevitably restricts the scope of UI/EI coverage, especially when considering effective coverage. This is particularly the case in Argentina, Thailand and Viet Nam, and China for rural migrant workers. Even in countries where informal employment does not pose a problem, effective coverage of the unemployed will usually range between 40 to 50 per cent. In search for social equity and redistribution of the fruits of growth, most of the 14 countries complement their UI benefits with non-contributory schemes that will allow minimum income security among vulnerable workers, including those who have exhausted their UI benefits. Another important indicator of the performance of the UI/EI scheme is the comparison between the level of unemployment benefits and the national poverty line or legal minimum wage, when it exists. In almost all the reviewed countries, unemployment benefits are set between these two lines.

Varied conclusions could be drawn from this study. One of the main conclusions is that UI/EI schemes are specific to each country depending on the circumstances, unemployment features, labour market characteristics, existing provisions, and so on. A second conclusion is the need to have a clear idea of what should be achieved by adopting a UI scheme, accompanied by a realistic view of the limits of such an instrument. No UI scheme, however well designed and even if it is accompanied by active labour market policies (ALMPs), can solve the unemployment problems of a country. The main objective of a UI scheme should be kept as simple and straightforward as possible: namely, to provide temporary and partial income replacement to insured persons who lose their jobs while they seek to obtain new employment.

1. Introduction to the review of unemployment or employment insurance experiences

1.1. Background of the study

Although the global economic and jobs crisis has had a significant impact on the ASEAN countries, these economies have rebounded remarkably. Nonetheless, the South-East Asian unemployment rate is estimated to have fallen only slightly, from 5.2 per cent in 2009 to 4.7 per cent in 2011. In particular, unemployment remains high in Indonesia (6.6 per cent in August 2011) and the Philippines (6.4 per cent in October 2011). The region's youth unemployment rate (13.5 per cent in 2011) is also five times higher than that for adults.

However, these figures should be seen as indicative because in the informal economic sector where everyone has to work to survive, the concept of "unemployment" seems to be irrelevant. In the South-East Asia region overall, there were around 180 million workers in vulnerable employment (own-account or contributing family workers) in 2011, equivalent to nearly 62 per cent of all workers. In addition, nearly one out of three workers is estimated to live with his/her family on less than US\$2 a day.

However, among the ASEAN countries, only Thailand in 2004, followed by Viet Nam in 2009, introduced an unemployment insurance scheme. In both countries, the scheme now covers around 9 million workers. In other ASEAN countries, e.g. Malaysia, Indonesia and the Philippines, the past-crisis revealed the rigidity of the hiring and firing rules, including the severance pay system, and their subsequent adverse effect on the economy, such as the reluctance of enterprises to hire workers on long term contracts and to invest in their employees (in terms of training, career development, and so on). It is acknowledged that reforms of the labour law to introduce a higher degree of flexibility should not be conducted at the expense of the sole workers. Such reforms should be facilitated by the introduction of unemployment benefits schemes and active labour market policies.

There is a strong interest in the ASEAN region to learn from countries which have implemented UI schemes, not only in Asia but also beyond. As per this request, the ILO has prepared the present comparative review, as part of the ILO/Japan-ASEAN Project to promote unemployment insurance and employment services in the region (hereafter ILO/Japan-ASEAN UI Project). One of the objectives of this project is to motivate knowledge sharing and build expertise among ASEAN countries on income security measures and employment promotion services. Besides the development of regional awareness activities and synergies among national projects to design UI/EI systems (e.g. Malaysia, and Philippines), the ILO/Japan-ASEAN UI Project provides extensive support to Viet Nam for the adjustment and improvement of its UI scheme.

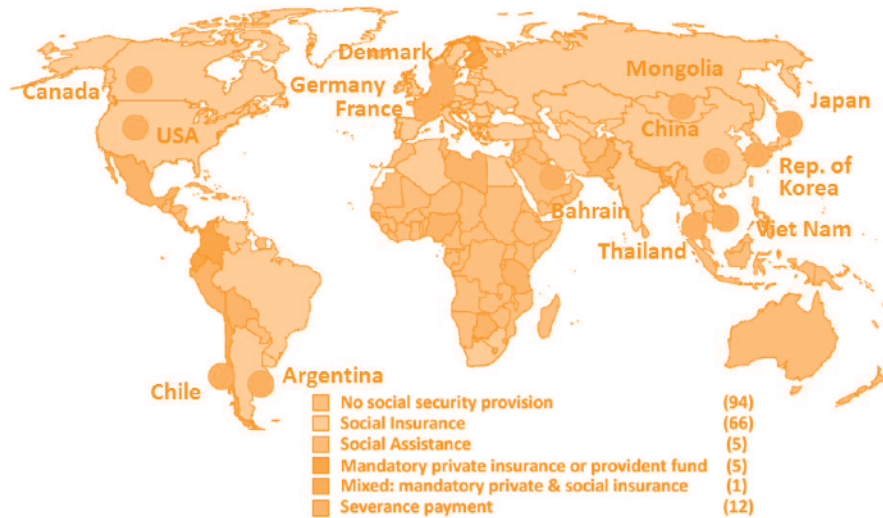
The present research seeks to demonstrate that a large range of practices combining cash transfer and employment and skills development can be applied to efficiently protect workers who lose their job; there is not one-fit-all model. The research has compiled an inventory of selected UI/EI schemes across the world. Lessons learnt and good practices extracted from these experiences will serve to promote and reinforce UI systems and employment services in ASEAN.

The purpose of this report is to provide an overview of some of the features and practices adopted amongst the selected group of UI schemes. 14 schemes in total were selected. The report does not pretend to present an exhaustive picture of varying approaches but it does, we think, present a fairly wide spectrum of what different countries have opted to do, hopefully enough to allow informed discussion and consideration.

We have for this purpose chosen the following countries: in North America: Canada and the United States; in South America: Argentina and Chile; in Europe: Denmark, France and Germany; in the Middle East: Bahrain; in Asia: China, Japan, Mongolia, Republic of Korea, Thailand and Viet Nam. To put this in context, there may currently be about 72 countries worldwide that provide unemployment benefits of some kind.¹

¹ ILO: *World Social Security Report 2010-2011* (Geneva, 2010), http://www.ilo.org/global/publications/ilo-bookstore/order-online/books/WCMS_146566/lang-en/index.htm [accessed 30 April 2013].

Graph 1: Selection of 14 unemployment/ employment benefits schemes

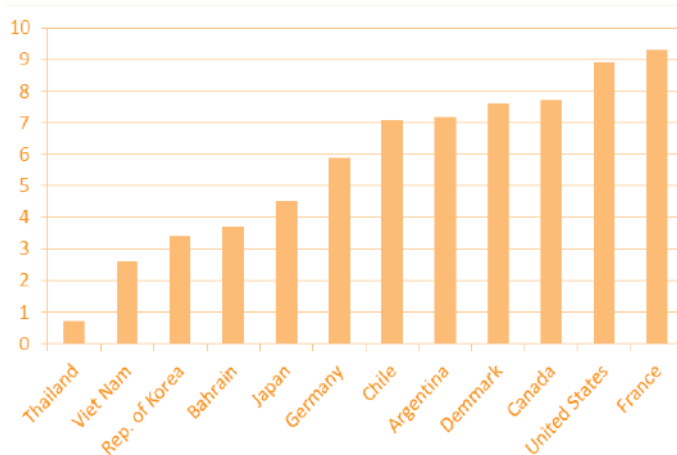


All 14 schemes are social insurance systems, except for Chile (individual savings account).

Source: ILO World Social Security Report 2010/11(Geneva, 2010)

Unemployment situation across these 14 countries vary considerably by its volume and features. While the six highest unemployment rates (over 6 per cent, in December 2011) affect mostly Organisation for Economic Co-operation and Development (OECD) members, plus Argentina, the differences in measuring the unemployment rate from one country to another might weaken the relevancy of such comparison. In addition, relative lower unemployment rates in countries like Viet Nam or Thailand may disguise absorption of the unemployed by the informal economy.

Graph 2: Unemployment rates among the selected countries, in 2011*



* 2009 data for Viet Nam. China and Mongolia's data are not available.

The data published in the table are those available to the ILO on 17 July 2012 and are drawn from official national statistical sources. They are compiled and released on a monthly, quarterly or half-year basis and based on national definitions, are not seasonally adjusted, and have not been adjusted or altered by the ILO. Information on the scope of the statistics, their definitions, as well as historical data, can be consulted and/or downloaded from the ILO Department of Statistics on-line statistical database LABORSTA at <http://laborsta.ilo.org>.

The economic, social and labour market environment of each country is unique, and the approach and solutions adopted in each case are usually a reflection of circumstances, of a particular social consensus, of special historical considerations, evolution and compromise. No account can ever portray the full richness of those circumstances, no description should be considered as definitive.

Though we have attempted to present a true picture for each country and conducted as many verifications as we could, there may be errors or omissions and significant details may have been forgotten, for which we apologize in advance.

1.2. Historical development of the different UI/EI schemes

The 14 countries studied in this report have a combined experience with UI or EI schemes of nearly six centuries, with the oldest scheme implemented in Denmark in 1907 and the newest in Viet Nam in 2009. The most experienced countries, generally in Europe and North America, have made considerable changes to their schemes throughout the years to ensure sustainability of their UI/EI funds and to respond to the changing needs of the economy and labour market challenges.

The ILO, since its creation in 1919, has been an advocate for unemployment protection. Unemployment benefits is one of nine branches of social security stipulated in Social Security (Minimum Standards) Convention, 1952 (No. 102), the flagship of the international labour Conventions related to social security. Convention No. 102 describes minimum standards as to the percentage of the population to be protected by social security schemes, the level of minimum benefit, the conditions for entitlement and the period of entitlement to benefits. The Employment Promotion and Protection Against Unemployment Convention, 1988 (No. 168), along with its accompanying Recommendation No. 176, set higher standards for unemployment benefits, mainly but not only applicable to industrialised countries. Convention No. 168 also encourages the promotion of full, productive and freely chosen employment, the principles of equality of treatment and of non-discrimination. More recently, the Social Protection Floors Recommendation, 2012 (No. 202) recalls the importance of integrating income security measures and employment support programmes.

While the majority of countries still call their schemes “Unemployment Insurance”, Canada, Japan, and the Republic of Korea refer to schemes of “Employment Insurance”. This title emphasizes the coordination of unemployment protection with employment promotion, through various labour market policies and programmes. That is said, the coordination of employment promotion and unemployment protection is in fact pursued by many if not most other countries, for example in Denmark, France or Germany.

The adoption or revision of UI schemes was often influenced by regional or international crises. The United States and Canada respectively launched their UI schemes in 1935 and 1940, in response to the Great Depression of the 1930s. Canada in 1940 was also seeking to deal with the anticipated effects of the Second World War. The expansion of the Korean EI scheme in 1998 was partly a response to the Asian financial crisis of 1997. Thailand, having recovered from the Asian financial crisis around 2001, chose to launch its UI scheme in 2004. At different dates, China, Mongolia and Viet Nam saw a need for UI schemes in order to deal with the labour market implications of moving from a socialist planned economy to a market oriented economy.

Countries have also passed special UI provisions to deal with current crises. Chile did so after the earthquake of February 2010, as did Japan after the earthquake and tsunami of March 2011. In 2009, many countries increased the amount and duration of unemployment benefits in reaction to the global financial and economic crisis that had started in 2008, notably Canada, Japan, Mongolia and the United States.

A notable trend in many countries has been to gradually expand UI coverage. Canada made its UI scheme universal in 1972, by including public servants as well as higher income workers. The same year, the United States eliminated rules restricting UI coverage to employers with a minimum number of employees. In 1998, the Republic of Korea expanded coverage of its EI system to all employees, by including all workplaces irrespective of size. Viet Nam currently restricts UI coverage to employers with at least ten workers but is planning to eliminate this condition.

1.3. Impact of introducing UI/EI schemes on unemployment and layoff rates

A properly designed UI scheme will play an important stabilization role during periods of economic slowdown and in affected regions. As pointed out in one study, “The UI programme, by partially compensating for lost earnings, helps to break the negative cycle of increased unemployment leading to reduced consumption, which leads to a further reduction in economic activity”². The same study concluded that, for the United States’ recession of 2008, “The stabilizing effect of the regular UI programme was estimated to close about one-tenth of the real gross domestic product (GDP) shortfall caused by the recession. Extended benefits also played an important stabilizing role.” Similar results should hold in countries where the UI scheme has significant coverage and scope, as documented in a number of studies³.

As regards employers’ and overall government’s objectives, the presence of a UI scheme can provide an incentive for unemployed persons to seek covered employment. The protection offered by the UI scheme becomes part of the advantages included in salaried registered employment and can thus contribute to reducing informal employment, by helping employers offer an attractive and competitive remuneration package vis-à-vis the informal sector and vis-à-vis independent employment. UI protection by providing partial income substitution also prevents laid off employees from growing the rows of the informal economy in times of economic downturns.

Employers and society at large benefit from the presence of a UI scheme, since layoffs can then be less difficult to manage, with a reduced likelihood of social disruption. Workers may more easily accept the unpleasant prospect of unemployment, in the knowledge that there is at least a temporary bridge to assist them in their transition to alternative activity.

Last but not least is the role played by UI benefits in preventing individuals from slipping into poverty and in preserving their dignity, once they become unemployed.

Arguments are made, however, that unemployment benefits can create work disincentives and contribute to malingering and to higher unemployment. In Chile, these considerations appear to have been foremost in instituting a scheme based mainly on individual savings accounts, rather than one based on the solidarity and insurance concepts.⁴

Contrary arguments state that concerns about moral hazard may be exaggerated, and that the availability of UI benefits will instead allow jobseekers to take the time they need to find jobs that are suited to their background and capacities, instead of forcing them to accept the first available employment. This will lead to an improved matching of jobs and workers, a benefit for employers and workers as well as for the overall economy, even if it does extend their time off work.

In a way, this recalls the situation of workers whose employers provide sickness leave, and can thus take time off to deal with illness, instead of having to show up for work in poor health.

These competing arguments seem to have split labour market economists, or at least some of them, into two camps, those who see a role for UI schemes and those who oppose them. Each camp claims to have objective evidence and analysis to support its viewpoint. Perhaps a middle of the road position can be considered, namely adequate but not overly generous UI schemes, with sound enforcement of eligibility conditions including those for active job search.

There are two additional aspects to this question: first, any malingering should depend largely on the relative generosity of available UI benefits, especially on the earnings replacement rate as well as on the absolute maximum value that can be paid for a given week or month of unemployment; second, an offsetting factor would be the extent to which unemployed individuals are required to actively search for work, and the effective monitoring of their job search. In the absence of the latter, UI benefits could in some cases become passive benefits, as has often been stated albeit pejoratively.

What matters is the combination of those two factors. Generous benefits should be accompanied by strict job search requirements, lower though still adequate replacement rates still do require job search measures but in a less rigorous fashion.

2 W. Vroman: *The Role of Unemployment Insurance as an Automatic Stabilizer During a Recession* (Washington, District of Columbia, The Urban Institute, 2010), http://wdr.doleta.gov/research/FullText_Documents/ETAOP2010-10.pdf [accessed 30 April 2013].

3 See for example Anca-Ştefania Sava’s review of literature, <http://www.ann.ugal.ro/eco/Doc2010/Sava.pdf> [accessed 30 April 2013]

4 The Chilean UI scheme does however contain a limited insurance or solidarity component which was in some measure improved upon in May 2009.

Whatever the situation, active job search requirements have nowadays become common in most countries. One can argue that such requirements are in fact essential to the proper operation of a UI scheme, especially if the level of benefits is relatively high. Increasing emphasis on electronic filing and reporting may however pose a risk in this regard, by reducing or eliminating in-person contacts. In the United States, a process has been put in place to identify claimants likely to exhaust benefits, advising them to report for re-employment services and making their continuing eligibility contingent upon their participation in such services.

Canada, on the other hand, found in-person service to be costly and burdensome, and instead now relies largely on the declarations of claimants, made every two weeks, that they are actively searching for work. Selective verifications are still performed on “high-risk” claimants, some of whom may be called in for interviews. This may be a practical approach where the level of benefits is not too high, such as the replacement rate of 55 per cent of previous earnings prevailing in Canada.

Current examples of stronger job search requirements are found in Denmark or France. In Chile or Argentina, by contrast, the UI schemes put little emphasis on active job search, in spite of official messaging, instead relying mostly on benefit design – essentially, by offering very low unemployment benefits.

1.4. Complementarity with non-contributory social income security

Unemployment insurance schemes often target workers in formal employment, which in certain countries yet represent a minority of all workers. In search for social equity and redistribution of the fruits of growth, it is recommendable to complement UI benefits by non-contributory schemes that will allow minimum income security among vulnerable workers, including those who have exhausted their UI benefits.

In most of the 14 countries, there exists some type of non-contributory social assistance scheme to assist disadvantaged groups, including the unemployed who do not qualify for UI or have exhausted their UI benefits. These social assistance schemes are frequently administered by local or regional authorities and financed by general tax revenues.

In the Republic of Korea and the United States, the assistance is linked with a requirement to actively look for work. In Japan, the government considers the needs of the household and, if income falls below a certain threshold, they will provide assistance to the household. In Mongolia, the government’s efforts to provide assistance to those in need are supported by non-government agencies, most of them from outside the country. Bahrain provides significant levels of social assistance to low-income individuals and families, made possible by its small population and relatively high GDP. Argentina has a universal child allowance for unemployed or low income persons with children below 18 or disabled.

Two countries, France and China, are examples of countries with a minimum income guarantee which is conditioned to households’ means. In France, this social welfare scheme is known as Revenu de solidarité active (RSA) (Active Solidarity Income). It is aimed at people without any income as well as those with low income, in order to guarantee everyone a basic level of subsistence. It can be granted to citizens or to foreign legal residents. In order to qualify for RSA, a person must be over the age of 25 or, have dependent children or have worked two of the last three years.

In China, the transition from a socialist economy to a competitive market economy had negative impacts on urban residents in large cities. The Chinese Government introduced a welfare scheme to help those most severely affected by economic restructuring, a means-tested cash transfer programme entitled the “Minimum Income Guarantee Scheme”, popularly known as *dibao*.⁵ The *dibao* was initially limited to urban residents whose household income failed to reach a locally-determined minimum threshold, as deemed necessary for basic survival. The costs would be shared between the national and local (municipal) governments. The *dibao* line was set below the minimum wage and below the level of UI benefits in order to encourage citizens to take up employment. The *dibao* scheme was gradually expanded to rural areas starting in 2006 although its allowances remained well below those provided under the urban component.

5 D. J. Solinger: *The Dibao Recipients: Mollified Anti-Emblem of Urban Modernization*, (Irvine, California, 2008), http://www.socsci.uci.edu/~dorjsoli/china_perspectives_2008.pdf [accessed 11 Oct. 2012].

1.5. Severance pay and earnings on separation

Earnings on separation mainly consist of severance payments, usually paid in recognition of long service, but they could also relate to unpaid wages or to leaves that have been earned but not yet paid. National legislation also frequently requires advance notice of lay-offs, unless a terminating employee was given an equivalent payment: their employer would be allowed to pay them, for example, the equivalent of four weeks' wages instead of pre-notifying them that their employment would end four weeks later.

Unpaid wages would by definition be attributed to services rendered before a worker lost their job. They should then be subject to applicable UI/EI contributions as well as included in the wage base used to determine previous average earnings and the consequential unemployment benefits.

Payments for leaves earned but not yet taken would conceptually be similar to continuing to pay a worker's wages for the relevant period, and be subject to UI/EI contributions. In principle unemployment benefits should not be paid until that period had expired. The same would apply to any payments made in lieu of giving advance notice.

If those situations are fairly clear, the same cannot be said for severance payments. Severance payments and UI serve a similar purpose and can thus be partly complementary, since both instruments provide financial resources to terminating employees. However, severance payments are paid whether or not an employee may thereafter remain unemployed, and their amount is determined without regard to the possibility or duration of future joblessness. Severance payments would usually not apply if a worker was fired for misconduct, which might prompt some employers to make unfair claims of employee misconduct. Severance payments and UI are also distinguished by the fact that one falls under Employment Law and is not pre-funded, while the other rests, in most countries, on Social Insurance Law and is guaranteed by the State.

Overall, severance payments are thus a much less reliable and effective instrument than UI benefits, in protecting workers against the financial impact of job loss. Their actual payment could depend on the employer's financial capacity, and on workers' capacity to enforce payment, which could and often is problematic.

Against this background, how do countries integrate their UI schemes with severance payments, if and when they are made?

In Argentina, Chile and Thailand, we find that the UI schemes do not take severance payments into account, so that UI benefits are paid in full even in the presence of legally mandated payments to terminated workers. The Argentinian law does contain a provision that could allow the deduction of severance payments from UI benefits but it has not been activated. The situation in Chile is particular, in that employers' accumulated contributions to an individual's UI savings account are, since the start of the UI scheme in 2002, deducted from future severance payments, which indirectly serves to partially prefund those payments (as it turns out, employers thus prefund about 20 per cent of their severance obligation). In this way, UI benefits are not reduced, instead it is the severance payments that are reduced.

In Canada and some US States, severance payments are deducted from UI benefits otherwise payable, acting to delay the start of a UI claim. This would not be the case in all US States, however, since some State laws consider severance payments to be entirely attributable to prior service. Under the UI scheme of Mongolia, the start of UI benefits would also be deferred until after the last payment of firing allowance. In Viet Nam, employers had to provide severance payments for service up to 1 January 2009 but no longer need to do so for any employees that have come under the UI scheme since then.⁶

France is somewhat mid-way in this debate, since its UI scheme would defer the start of the benefit period for UI but only to the extent that the amount of the dismissal payment exceeds legally required minima. The minimum severance payments that are set by national legislation can be improved upon by collective bargaining agreements.

There is no indication that severance payments were deducted from or would otherwise affect the payment of unemployment benefits in the remaining countries examined in this report, namely in Bahrain, Denmark, Germany, China, Mongolia, the Republic of Korea, Japan and Thailand.

⁶ Article 139.- Transition provisions, paragraph 6 of the Social Insurance Law (2006) states: "The duration for which laborers pay unemployment premiums under the provisions of this Law shall not be counted for enjoyment of job loss allowances or job severance allowances under the provisions of the labor law or the law on cadres and civil servants."

2. Comparison of UI/EI schemes' setting-up

2.1. Main features of UI/EI schemes

Most countries refer to their unemployment protection scheme as unemployment insurance which relates to the main objective of UI as financial protection against temporary unemployment. However, some countries, notably Canada, the Republic of Korea and Japan, use employment insurance as it provides a more pro-active name to their scheme. Although under employment insurance scheme, more emphasis may be put on employment support programmes, fundamental principles applied to the design and implementation of unemployment benefits remain. For example, the Republic of Korea called its job protection scheme employment insurance in order to stress the coordination of social protection with labour market policies.

Virtually all countries researched have a national mandatory insurance scheme which provides cash benefits related to previous earnings, based on the social insurance principles in accordance with ILO standards. The three fundamental principles/standards of any social security scheme considered compatible with the ILO Constitution are state responsibility; collective financing and risk sharing by all members; and participatory management. In particular, the Social Security (Minimum Standards) Convention, 1952 (No. 102), states that social security systems shall be financed collectively by means of insurance contributions or taxation or both, in order that the risks are spread among the members of the community.

However, there are exceptions, for example, Denmark has a voluntary scheme providing cash benefits based on previous earnings and lasting two years. In the United States, their system consists of 53 individual State's programmes which provide temporary cash benefits to involuntarily unemployed workers while they search for work. In Chile, the benefits relate firstly to individual savings and can be supplemented by an insurance component. China establishes national policies but municipalities administer the UI law, collect contributions and issue UI payments (contributions and benefits' rates are determined at provincial and county levels).

Some countries have unique ways of providing UI benefits to their citizens. Bahrain issues two types of benefit payment: i) compensation benefits to unemployed workers who involuntarily lost their job and are actively looking for work; and ii) aid benefits for first-time jobseekers who find themselves without work as they enter the labour market. Denmark introduced a voluntary insurance scheme providing cash benefits based on previous earnings and lasting two years, for workers enrolled in a UI fund, if they lose their jobs.

In most cases, migrant workers are covered with the exception of Viet Nam. Article 6 of ILO Convention No. 168 stipulates that "Each Member shall ensure equality of treatment for all persons protected, without discrimination on the basis of race, colour, sex, religion, political opinion, national extraction, nationality, ethnic or social origin, disability or age". Most of the mandatory schemes cover salaried or regular workers but have some exceptions. Most of the countries cover public servants. The Convention No. 168 includes public employees with the exception of those whose employment up to their retiring age is guaranteed by national laws.

2.2. Articulation of unemployment benefits with other protective and supportive measures

France has a State-mandated wage guarantee scheme supervised and financed by employers and administered by the Union nationale interprofessionnelle pour l'emploi dans l'industrie et le commerce (UNEDIC) (National Interprofessional Union for Employment in Industry and Commerce). A similar fund, namely the Wage Claim Guarantee (WCG) scheme, has also existed in the Republic of Korea since the EI scheme was established in 1998. The French scheme guarantees the payment of sums owed to employees (wages, notices, severance pay etc.) in cases of employer's insolvency. Canada also has a non-contributory wage protection scheme which guarantees the payment of unpaid wages, vacation, severance and termination pay if a firm declares bankruptcy and is unable to meet its obligations.

Work sharing programmes (Canada, France and Germany) are very popular with employers especially in difficult times and crisis. Work sharing is an adjustment programme designed to help employers and employees avoid temporary lay-offs when there is a reduction in the normal level of business activity that is beyond the control of the employer. In Canada, the provisions provide income support to employees eligible for EI benefits who work a temporarily reduced number of hours while their employer recovers. In Canada, workers participating in work sharing are deemed to be available for work and their reduced wages are topped up with UI benefits to their normal salary. In these three countries, work sharing programmes are partially or totally funded by the UI scheme.

Many countries link cash payments with active labour market policies (ALMPs) in order to assist unemployed workers quickly find and keep permanent work. Commencement of the ILO Convention No.168 recommends: "...Recognising that policies leading to stable, sustained, non-inflationary economic growth and a flexible response to change, as well as to creation and promotion of all forms of productive and freely chosen employment including small undertakings, co-operatives, self-employment and local initiatives for employment, even though the redistribution of resources currently devoted to the financing of purely assistance-oriented activities towards activities which promote employment especially vocational guidance, training and rehabilitation, offer the best protection against the adverse effects of involuntary unemployment, but that involuntary unemployment nevertheless exists and that it is therefore important to ensure that social security systems should provide employment assistance and economic support to those who are involuntarily unemployed....."

All countries provide the usual employment services required for effective job search, such as counselling, job fairs, assistance for curriculum vitae (CV) writing, labour market information, job bank and so on. In most of the countries, various programmes are available for unemployed workers receiving UI benefits when they undertake training, specifically additional allowances to cover training-related expenses as well as benefit extensions if the training lasts beyond the end of the UI benefit period.

The Korean EI programme links closely the Unemployment Benefit programme with an Employment Stabilization programme as well as a Vocational Competency Development programme programmes are very comprehensive and benefits employers and employees alike. Under the Korean scheme, unemployment benefits are divided into: i) a job seeking allowance which provides partial income replacement while searching for a new job; and ii) employment promotion benefits which provide, in addition to job seeking allowances, benefits and support for finding work, for attending vocational training and for covering moving expenses.

In Japan, the EI system is divided between: i) the Unemployment Benefits scheme (with contributions from the employee and the employer) which offers support to the unemployed (income replacement, job counselling, allowance for training); and ii) the Two Services scheme (with contributions from the employers and the government) which provides services for employment stability and development of workers' capabilities. Under the first component, vocational training allowance throughout the duration of formalize training irrespective of how long a person has been receiving UI benefits. It also provides for "wide-area job search" where a person who is interested in finding work outside their designated area can receive an additional 90 days of UI benefit.

In the implementation, Hello Work centres (public employment centres) manage the UI system and deals with employment consultation and job placement. In addition, Hello Work centres provides guidance on employment management to enterprises so that at an early stage they can establish a favourable environment where jobs are preserved, in particular to maintain the elderly employed continuously until 65 years old and further to 70 years old in diverse ways. Another unique feature of Hello Work's is that it helps graduates find employment by assigning them special counsellors. Enhancement of Hello Work's mission to assist the new graduates reflects the difficult employment situation that young people have to cope with since 2010.

In China, the UI fund can be used to subsidize the vocational training and career counselling for the unemployed in order to promote their reemployment. In Mongolia, an unemployed worker who qualified for UI benefits is entitled to be included in vocational training or retraining within six months after the termination of the employment contract and after two years of the completion of a first vocational training session.

In Germany, the system of vocational training is perhaps the most important component of the German education system. In Germany, there is a much heavier emphasis on apprenticeships for skilled positions, taught by expert worker/instructors. As such, there is a lower percentage of university students in Germany when compared to other Western countries, and a much lower percentage of persons entering the workforce for on-the-job training.

Denmark's labour market policies have been called "flexicurity" or the "golden triangle": i) flexible labour market with minimal restrictions on employers' rights to hire and fire; ii) comprehensive and portable social protection including high UI benefits, especially at low income levels; and iii) ALMPs, requiring jobseekers to make increasing efforts to become re-employed through active job search, job referrals, counselling or training.

2.3. Institutional set-up of the 14 UI/EI funds

Article 27 of ILO Convention No. 168 recommends that representatives of the protected persons and employers be associated in the administration of the UI scheme, at least in an advisory capacity.

The three main functions of the UI/EI programmes are collection of contributions, processing of applications for EI/UI benefits payment. Generally, tax authorities or social insurance bodies will be charged with the responsibility of collecting UI contributions (some are involved in the payment of UI benefit, e.g. Viet Nam and Bahrain). Government ministries of social insurance and/or labour will be responsible for the receiving and processing of claims for UI benefit (some are also involved in the payment of UI benefit, e.g. Argentina, Canada, France, and Republic of Korea).

Mongolia has three separate entities involved in the implementation of the UI scheme: Social Insurance General Office for collection of contributions, Labour and Social Welfare Service Office which accepts and processes UI claims and the Ministry of Social Welfare and Labour for payment of benefit.

In Denmark, UI coverage and benefits are provided by private funds, according to rules set by the State. The fees charged by these funds vary but are maintained at very low levels. The National Labour Market Authority is responsible for the majority of UI regulations. Finally, the Danish Pensions Agency monitors the UI scheme, by exercising control, compliance and audit functions over the individual funds, to ensure that they are managed in accordance with public policy, objectives, rules and directives.

2.4. Operational delivery system

In most cases, upon termination, an employer will issue an official notice of termination of employment and the unemployed person is required to report to an employment or UI office soon to submit the notice after the termination of employment. In addition, many countries have a booklet or a record of insurable earnings and length of employment which is completed by the employer and provided to the unemployed worker on or shortly after separation from employment. The booklet or record is also required by the processing agency to assess the unemployed worker's benefit rate and duration as well as consider if the reason for separation of employment make the worker eligible to UI benefits, e.g. voluntary or involuntary termination, misconduct, resignation for just cause (harassment, hazardous working conditions, etc.).

In Canada, unemployed workers are not required to report to the office which processes UI claims as virtually all claims are received via the internet. Virtual employment services are offered to the unemployed worker once they have completed their electronic application for benefit.

The Republic of Korea has also initiated a process whereby the unemployed worker needs to obtain from the Head of the Employment Security Office (ESO) a recognition of eligibility for benefits and also report to ESO within one to four weeks (determined by ESO Head) to show their efforts in being reemployed before allowing payment of UI benefit.

In terms of UI payment, unemployed workers receive payment either by direct deposit or cash payment. In Mongolia, unemployment benefits are paid in cash. Unemployed beneficiaries in larger cities of Viet Nam will receive their UI payment by direct deposit into an unemployed worker's bank account while in smaller cities and rural areas workers generally collect cash payments.

3. A diversity of UI/EI parameters and modalities

The 14 countries included in this analysis provide an overview of a wide variety of practices and approaches in the provision of unemployment benefits. In reviewing those provisions, we will reference the two main ILO conventions that deal with unemployment benefits. They are Convention titled Social Security (Minimum Standards) Convention, 1952 (No. 102) and the Employment Promotion and Protection against Unemployment Convention, 1988 (No. 168).

ILO Convention No. 102 is in particular considered “the flagship of all ILO social security Conventions, as it is the only international instrument, based on basic social security principles, that establishes worldwide-agreed minimum standards for all nine branches of social security.”⁷ ILO Convention No. 168 and its Recommendation No. 176 set higher standards regarding unemployment benefits, mainly but not only applicable to industrialised countries.

3.1. Coverage

From an insurance perspective, the primary objective of unemployment insurance is to achieve adequate protection against the risk of job loss. In addition, a system financed in whole or in part through contributions can only be sustainable if it is based on a sufficiently wide pooling of risks. These dual goals are met by extending coverage to most workers, thereby ensuring that as many job losers as possible are in fact compensated, and second and equally important, spreading costs over a large group of contributors.

The required contributions could be prohibitively costly if they were only imposed on workers who have a heavy risk of becoming unemployed, or, from a completely different perspective, it would be futile to only protect those who have a low risk of becoming unemployed.

Article 11 of Convention No. 168 generally requires countries to cover 85 per cent of all employees, including public employees unless this group is otherwise protected by national laws. That Convention also requires, under Article 6, that countries provide equal and non-discriminatory treatment to all protected persons, including migrant workers. Convention No. 102 would only require that 50 per cent of employees be covered. Under both Conventions, coverage is not required for self-employed individuals, owing to the practical difficulty of assessing their work situation.

Convention No. 168 also refers to part-time workers, by requiring that they be protected unless their hours or earnings are considered negligible. Article 25 thus states: “Each Member shall ensure that statutory social security schemes which are based on occupational activity are adjusted to the occupational circumstances of part-time workers, unless their hours of work or earnings can be considered, under prescribed conditions, as negligible.” Those who work a near complete schedule should thus be covered, while those who work only a few hours per week or per month might be excluded. In between those two situations, a reasonable cut-off point would have to be determined.

Examining Table 1, we can see that all 14 countries have in fact adopted a broad base of coverage extending to practically all salaried workers. Exclusions can still exist. In some countries, government employees are excluded: in Argentina, Chile, Japan, Republic of Korea and Thailand. Other exclusions might be groups of workers with unique working conditions or minor attachment to the labour force. This is the case, for example, for domestic workers in Argentina, Bahrain and Chile, workers with low earnings in Germany, Japan and the Republic of Korea, or temporary or seasonal workers in Viet Nam.

Another device has been to exclude workers of firms with less than a specified number of employees, but this type of limit may in reality be more of a hindrance than a help. It has led to artificial labour market practices or to administrative and enforcement problems as enterprises manoeuvre to split their business into smaller size establishments to avoid paying contributions. Such limitations have in fact usually been removed after a short period of time. Examples have been the Republic of Korea (which eliminated such limits in 1998, after three years of operation of its EI scheme) and Viet Nam (which launched its UI scheme in 2009 but is now planning to eliminate

⁷ In 2002, the ILO Governing Body further stated that Conventions No. 102 and No. 168 were two of the six conventions that could be deemed up-to-date social security conventions. ILO: *Setting Social Security Standards in a Global Society, An analysis of present state and practice and of future options for global social security standard setting in the International Labour Organization* (Geneva, ILO, 2008) <http://www.ilo.org/public/english/protection/secsoc/downloads/policy/policy2e.pdf> [accessed 11 Oct. 2012].

the minimum 10-employee limit). Bahrain also used to exclude employees of small employers under its Social Insurance Law, but that limit was removed even before the UI scheme was put in place in 2006. The United States removed a similar limitation on UI coverage in 1972.

Table 1: Coverage Rules of UI/EI Schemes

Country	Persons covered
Argentina	- All salaried private sector workers are covered, except: (i) domestic workers; (ii) public service employees (federal, provincial and municipal); (iii) employees of private teaching institutions; and (iv) teachers in private universities.
Bahrain	- All salaried workers are covered, including civil servants and first time jobseekers. - Migrant workers are also covered and entitled in principle to receive UI benefits. - Excluded: armed forces and security personnel.
Canada	- All salaried paid workers are covered, including armed forces and government employees. - Excluded: self-employed and business owners.
Chile	- All salaried paid workers are covered if employed since October 2002, voluntarily if employed before then. - Excluded: government workers, domestic workers, apprentices, youth below 18, self-employed and retired persons. ⁸
China	- Coverage extends to employees of all urban enterprises and public institutions. - Rural migrant workers who form stable labour relations and sign a labour contract are also covered.
Denmark	- All salaried or self-employed individuals can be covered, on a voluntary basis (approximately 80% of employed individual).
France	- All salaried private sector workers are covered, including domestic workers. - Public institutions and institutions of higher learning must self-insure or opt-in to the general UI scheme. - Special rules apply to certain groups, for example commission workers, temporary workers, workers at home or workers in the performing arts sector.
Germany	- Covers all employees, except those earning less than €400 per month. - Anyone providing home nursing care for a dependent, self-employed for at least 15 hours a week or employed outside Germany, in a non-EU country, may make voluntary contributions.
Japan	- All business employees are covered, both nationals and foreigners, excluding: (i) those over age 65 (except for continuously insured older workers); (ii) part-time workers with less than 20 hours (except insured day workers); (iii) occasional workers with less than 31 days of work; and (iv) seasonal workers expected to work less than four months and 30 hours a week.
Republic of Korea	- All salaried workers are covered except public servants and those working for companies engaged in farming, forestry, fishery or housekeeping. - Also excluded: workers working less than 60 hours a month (less than 15 hours a week) and those with family ties to the employer. - Migrant workers are covered (depending on worker's visa status). - Self-employed small business owners (less than 50 employees) may choose to be covered.
Mongolia	- All employees are covered including public servants. - Self-employed can register on a voluntary basis.
Thailand	- All private sector workers are covered except: farmers, domestic workers, companies with pre-2004 "superior employee benefit schemes". - Excluded: civil servants and employees of state enterprises (covered under a separate scheme).
United States	- Almost all wage and salary workers are covered by the federal-state UI programme, including domestic service and employees of State institutions. - Excluded categories: federal employees (including Armed Forces) and railroad workers (covered under separate programmes). Also, most states limit agricultural coverage to large farms. Spouses and children of business owners are also normally excluded.
Viet Nam	- Coverage applies to employees with permanent or open-ended contracts, for employers with at least 10 employees, including private and state enterprises, public service units and armed forces.

8 For the exception of employees retired on the grounds of partial disablement are covered by the UI.

In all countries, an underlying theme of the coverage rules is the difficulty of covering workers in informal employment, for the obvious reason that these workers, whether of their own accord, lack of opportunities in formal enterprises, or due to employer practices, just do not fall under the ambit of social insurance. A significant number of them could be self-employed, others could be employed in unregistered activities. It might nevertheless be possible to encourage some unregistered employees to seek coverage under the social insurance system, if they perceive its benefits as being cost-attractive, particularly in terms of potential near-term welfare gains, such as may be the case for a UI scheme.

Along similar lines, the Republic of Korea launched a pilot project in February 2012 to reduce social security exclusion by subsidizing social insurance contributions for non-covered low-paid workers in small workplaces employing less than 10 employees. Its objective is to promote participation in the EI and national old-age pension schemes. Since 1 July 2012, the programme on government subsidy for EI and old-age pension has been expanded nation-wide, only for nationals.⁹

As of 7 July 2012, the programme was rolled out nationally.¹⁰

Denmark's approach to coverage is notable, not only because participation in its UI scheme is voluntary but also because it accepts self-employed workers. This is made possible by the fact that the Danish system is supported by significant government subsidies, amounting to about 70 per cent of total costs. Thus, affordable UI becomes an attractive proposition for workers, such that approximately 80 per cent of them actually opt in to the system. Adverse selection by poor risks may still be present but apparently does not represent a significant problem, even amongst self-employed workers¹¹, given the broad coverage that is achieved.

Other countries have also recently extended UI coverage to self-employed workers, but this is generally limited to business owners and subject to special conditions. Examples are the Republic of Korea which introduced voluntary coverage for small business owners in January 2012; Germany which has since 2006 allowed voluntary coverage for those who started their businesses while employed or while receiving unemployment benefits; Austria (not included in this study) which introduced voluntary UI coverage in 2009 subject to an irrevocable eight-year participation period; and the State of California in the United States which also allows elective coverage for business owners with one or more employees. It is too early to assess the success of these coverage extensions but they do suggest that, under certain conditions, some coverage of self-employed individuals may be possible.

3.2. Qualifying conditions: work needed to qualify

There are two aspects to initial qualification: first, the previous work and contributions needed to qualify and second, the nature of the unemployment risk, namely whether it must be totally involuntary, whether voluntary quitting is allowed, and how to deal with forced or unavoidable resignations.

On the first issue, both Conventions No. 102 and No. 168 ask that the qualifying period not be longer than necessary to preclude abuse. Countries usually require either six or 12 months of contributions to qualify. Countries requiring six months are Argentina, Chile for temporary workers, the United States, Japan, the Republic of Korea and Thailand. Countries requiring 12 months to qualify are China, Bahrain (12 continuous months for first time compensation, though also allowing first-time jobseekers to qualify), Chile for permanent workers, Denmark, Germany and Viet Nam. France has a lower qualification requirement, with only four months of insured work. Mongolia has the highest requirement, with 24 months of contributions, the last nine of them being continuous.

Canada's requirements are unique in that they are linked to regional unemployment rates, so that someone could qualify with as little as 420 hours of work, or about 10 to 12 weeks of full-time work, if they lived in a high unemployment region (where the unemployment rate exceeds 13 per cent). The Canadian EI scheme is also unique in expressing its work conditions solely in hours (by comparison, the UI scheme in France requires either 122 days or 610 hours of work). Although that system favours, for example, seasonal workers and others who work long hours, it does make qualification more difficult for persons with part-time jobs, a majority of whom are women.

9 Ministry of Employment and Labor, Republic of Korea, 9 June 2012: http://www.moel.go.kr/english/topic/employment_policy_view.jsp?idx=930; and 13 July 2012: http://www-dev.kdi.re.kr/kdi_eng/highlights/govern_view.jsp?no=6101&page=20&rowcnt=10 ([accessed 12 Nov. 2012].

10 Austria, a country not included in this study, introduced similar measures in 2008.

11 M. Ejrnæs and S. Hochguertel: *Entrepreneurial Moral Hazard in Income Insurance* (Tinbergen Institute Discussion Paper TI 2008-065/3, 2008).

A related issue is that of seasonal employment and unemployment. Countries must decide how they should treat seasonal claims for unemployment benefits, a decision that would likely be based on the structure of their economy and on the desirability or need to support employment in seasonal sectors or in regions where seasonal work is predominant. On this subject, Article 17.1 of Convention No. 168 limits itself to a recommendation, by asking countries to "...endeavour to adapt the qualifying period to the occupational circumstances of seasonal workers".

Actuarial principles would generally argue against allowing repetitive seasonal claims for unemployment benefits, because payment would then become a matter of near certainty rather than a proper object of insurance. Following those principles, a period of close to a year could be set as a qualification requirement, though there should be some flexibility in its application. Examples of inflexible rules would be the requirement of continuous months of contributions, whether 12 as in Bahrain or even nine as in Mongolia, which would exclude many legitimate jobseekers. This was also found to be the case in Chile, which used to require 12 continuous months of work to qualify for the insurance component of its UI scheme, but replaced it with a requirement of 12 out of the last 24 months in 2009, only the last three being continuous.

Canada, France, Germany and most of the US States (38 out of 53 jurisdictions) have UI schemes which do in fact allow seasonal claims. In Canada, for example, it is estimated that about half of the unemployment benefits are paid to first-time claimants (defined as claimants who did not have a claim in the previous five years), the other half being paid to claimants who either ask for benefits each year or fairly frequently. In Germany, seasonal short-time allowances serve a similar function, by allowing enterprises to adapt working hours to seasonal economic volatility in the construction sector or other sectors subject to seasonal variations, usually caused by poor weather conditions.

3.3 Qualifying conditions: reasons for unemployment

Obtaining sufficient insured work to qualify is one thing, how and why someone terminated their employment will matter to determine whether or not a person would qualify to unemployment benefits. These are primarily intended to deal with layoffs due to economic or business necessity. Article 20 of Convention No. 168 thus allows for the denial of benefits when someone loses their job due to their own misconduct or quits without any valid reason, or when their unemployment is due to a labour dispute. Convention No. 102 has similar provisions.

Nevertheless, almost all countries will allow benefits to be paid if someone was forced to leave their employment due to, for example, unpaid wages, harassment, dangerous working conditions or illegal employer actions. In discussing UI sanctions and exclusions, the Organization for Economic Co-operation and Development (OECD) in 2000 observed that: "All countries recognise that serious misbehaviour by the employer can justify a quit."¹²

Other circumstances, though unrelated to one's employment, are often also accepted, for example leaving one's job to accompany a spouse to another residence or relocation in order to escape domestic violence, these reasons being accepted in France, Canada, most US States and probably in other countries as well.

The determination of employer misbehaviour or of other acceptable reasons for leaving a job will often require careful review and assessment. There may be a need to balance and evaluate conflicting statements made by the employer and former workers. The adjudication of "just cause" for quitting will thus require competent and well-trained staff along with clear guidance.

Within the present group of 14 countries, Chile stands alone in totally denying justifiable reasons for quitting, when someone claims unemployment insurance benefits. The worker's only recourse in such a case is to take legal action against their former employer. But in the same country and at the other end of the spectrum, even voluntary quitters will receive full and immediate payment when claiming payments from the individual savings component of the UI scheme. The Viet Nam's UI scheme will also pay UI benefits even to voluntary quitters. In spite of these two examples, the unconditional payment of benefits to voluntary quitters seems difficult to reconcile with the prime objectives of unemployment insurance.

¹² OECD: *OECD Employment Outlook 2000* (Paris, 2001).

A better approach has been adopted in a number of countries, where unemployment benefits could only be paid to persons who left their jobs voluntarily after a prolonged waiting period (for example, after an extra five weeks in Denmark, four months in France, 12 weeks in Germany and three months in Japan). In Thailand, benefits to quitters will not be deferred but will only be paid at a low rate (of 30 per cent of earnings instead of 60 per cent for dismissed workers) and for a shorter duration (up to three months instead of up to six months). Either approach may represent a practical and manageable compromise.

3.4 Waiting period before receiving first UI benefits payment

Once qualification is established, most countries will require a short initial waiting period before any benefits are paid. The UI waiting period is the initial period of unemployment for which no benefits are paid, which requires insured persons to bear a part of the risks of becoming unemployed. It has a number of purposes:

- first, to provide a deductible which, similar to automobile or other insurances, helps to deter individuals from initiating small or frivolous claims;
- second, to eliminate the costs of administering claims for very short periods of unemployment, which costs would be excessive compared to the benefits to be paid;
- third, to provide time for reviewing claimant applications and establishing their right to benefit; and
- fourth, to reduce the total costs of the UI scheme, by passing on part of the earnings loss to unemployed persons themselves, on the basis that they should have some capacity and responsibility to provide for themselves.

In brief, unemployment benefits are generally not intended to deal with very short transitions from one job to another but with more significant work interruptions, more likely to cause financial hardship.

Conventions No. 168 and No. 102 both prescribe a maximum waiting period of seven days. Most countries have a one week waiting period and, less frequently, no waiting period at all. A one week waiting period thus applies in France, Japan, the Republic of Korea, Thailand, Bahrain and most of the US States. Argentina, China, Germany and Mongolia do not have any waiting period. In Canada, there is a two week waiting period. Finally, in Denmark there is no waiting period for salaried workers but a three week waiting period for self-employed workers.

3.5 Continuation of benefits

Once an unemployed worker has established a valid claim for benefits, they must maintain their status in order to receive compensation on a regular basis. The UI/EI rules almost always require that jobseekers actively search for work, and that they remain capable of and available for work at all times. This is in line with Article 10.1 of Convention No. 168. As a practical matter, claimants would usually be asked to report regularly to the local employment office, either in person or, under the UI/EI schemes of some countries, by mail or telephone or even via the Internet. They could also be asked to indicate what measures they took to find a job, such as the names of employers contacted. The reporting requirements would normally coincide with the frequency of payments, i.e. monthly reporting if benefits are paid each month (as under most UI/EI schemes) or bi-weekly reporting if benefits are paid every two weeks (as in Canada and the United States).

Claimants would also have to accept any suitable employment offered to them, with due regard to their experience, training and personal circumstances, as outlined in Article 21 of Convention No. 168. Referrals to training and employment measures should also be followed up, in accordance with Article 20 (f) of Convention No. 168 and Article 69 (h) of Convention No. 102.

The degree to which countries enforce these requirements can however vary significantly, and in the absence of any enforcement there is a risk that unemployment benefits could be seen as “passive benefits”, as they have sometimes been called. Nevertheless, this characterization should not be indiscriminately applied to individual jobseekers, the majority of whom would, under most circumstances, prefer gainful employment instead of unemployment benefits. In Canada for example, it was found that only 27 per cent of recipients of unemployment benefits used all of their benefit weeks and that a majority of claimants (55 per cent) reported other gainful work while on claim.¹³

As part of their strategy to assist unemployed persons, France, Germany and a number of other countries have introduced personalized re-employment and skills development plans, requiring unemployed workers to present themselves at the employment office at the start of their claim. Denmark has linked its high unemployment benefits with the obligation that jobseekers actively pursue re-employment strategies, the intensity of the claimant’s efforts expected to increase as the time spent receiving unemployment benefits becomes longer. The United States applies a process known as the Worker Profiling and Reemployment Services to identify and target for intervention those who are most likely to stay unemployed for a long time.

Such initiatives highlight the need for personalized measures and contacts even in an era of automated systems and of modern decision-making processes. Given the nature of the unemployment risk, with its individual and personal aspects, UI schemes are finding that it is not enough to rely on impersonal computer systems. To do so would be to adopt a form of passive management rather than of proactive assistance. Administrative costs and burden might then be reduced to a minimum but the scheme could lose much of its effectiveness at helping people find suitable employment. The Chilean UI scheme illustrates this concern: at the same time as its management is very effective in collecting contributions and paying claims, they have been given little nor incentive to help people find work.

3.6 Lump sum reemployment bonuses

There are two countries which allow the payment of a lump sum when a person finds a permanent job. In the Republic of Korea, a worker who finds a job before receiving all of their benefits receives 50 per cent of the remaining benefits as a bonus. For example, if a worker was entitled to six months of benefits and found a job after receiving two monthly payments, they would receive a lump sum equal to two months’ worth of benefits (half of the remaining entitlements). The escalating costs of this bonus forced a tightening of rules in 2009, the effects of which have yet to be evaluated.¹⁴

In Viet Nam, the UI scheme provides that individuals can receive all of their remaining UI benefits in a lump sum once they find employment or start military service, even if they return to work with the same employer. Combined with rules that allow payment to anyone leaving or losing a job, as already mentioned, it would seem that every job loser or leaver should receive maximum benefits; a proposition which may not be viable for the long-term.

Trial projects on the payment of reemployment bonuses were conducted in four different US States during the 1980s and 1990s. Results were at first evaluated as mixed or uncertain, though subsequent re-evaluation of these experiments has been more positive.

Overall, the following conclusions are noteworthy, from a 2010 study: “Summarizing the literature on benefit sanctions and re-employment bonuses, it is clear that financial incentives, irrespective whether they are positive or negative, increase job finding rates. The effect of benefit sanctions seems to be larger than the effect of re-employment bonuses.”¹⁵ In the same way as for many or most labour market policies, it appears that careful design and targeting of such measures is essential.

13 EI Monitoring and Assessment Report 2010, Canada Employment Insurance Commission, 2011, http://www.hrsdc.gc.ca/eng/employment/ei/monitoring_assessment/index.shtml [accessed 11 Oct. 2012].

14 Kiu-Sik Bae: *Labor Issues in Korea 2010*, (Seoul, Korea Labor Institute, 2011), http://www.kli.re.kr/kli_eshome/publication/vew.eshome-100007?ifEnDataExist=1&seq=6936 [accessed 11 Oct. 2012].

15 B. van der Klaauw and J. C. van Ours: *Carrot and Stick: How Reemployment Bonuses and Benefit Sanctions affect Job Finding Rate* (Amsterdam, Tinbergen Institute Discussion Paper, 2010).

3.7 Duration of benefits

Once a jobseeker has qualified, the duration and level of benefits are the main elements in the benefit formula. The duration of benefits, under Article 19 of Convention No. 168, should at least cover 26 weeks of unemployment during each spell, or 39 weeks over any two year period. Under Convention No. 102, the requirement is for at least 13 weeks of benefits each year.

The maximum time for which benefits are paid to jobseekers varies quite a bit from one country to the next. These decisions reflect national situations, the characteristics of the unemployed in each country, locally held views of fairness and relative merit, concerns about possible malingering and obviously the desired level of spending.

Benefit duration is usually also linked to the qualification requirements, so that countries with “easy” conditions for qualification tend to provide relatively low benefit durations for those who qualify with minimum work effort.

Few countries pay more than 12 months of UI benefit. When they do, it would usually be for claimants with longer periods of work attachment. Mongolia pays the least amount of UI benefits (up to two-and-a-half months). Denmark provides two years of benefits to everyone who qualifies with the required 52 weeks of contributions.¹⁶ Bahrain similarly provides a flat benefit duration, six months (with 12 months of insured employment).

Like Denmark, France provides up to two years of benefits. France, however, grades up toward this limit by starting at four months of benefits after four insured months. Canada similarly provides only a short benefit duration for those who qualify with relatively few hours of insured employment, except that the Canadian EI scheme grants progressively longer benefits for those who live in regions with higher unemployment rates.¹⁷

China and Viet Nam are unique in placing emphasis on long-term service. China provides a year of benefits with insured work of one to five years, but extends the benefit period to 24 months for workers with 10 years of service. In somewhat similar fashion, Viet Nam also recognizes long job tenure, by starting with three months of benefits after one year, six months after three years, nine months after six years and 12 months after 12 years.

In some countries, duration depends not only on previous time worked but also on the age of the jobseeker, with longer durations being afforded to older claimants. This is done in Argentina, France, Germany, Japan and the Republic of Korea.

A number of countries also have provisions for prolonged UI benefits in times of high unemployment or due to natural calamities or disaster. Alternatively, benefit extensions have also often been provided by special legislation as the need arises. Examples of special legislation have been found in Chile, Mongolia, Japan, Thailand, the United States and Canada.

There are thus many approaches to setting maximum benefit duration, depending on country circumstances and choices, on the structure of unemployment and on potential re-employment opportunities, and even on current events. There does not seem to be an optimal formula from an actuarial perspective, except to state that considerations of adequacy and cost will inevitably have to be balanced.

The Conventions No.102 and No.168 insist on the provision of unemployment benefits on the basis of periodical payments (versus lump-sum) as proven to be more effective to protect the unemployed. A further observation on the payment of benefits from the comparative review is that they are usually paid on a monthly basis, usually in accord with normal or traditional pay periods. However, Canada and the United States pay their unemployment benefits every two weeks. Even if this is administratively more demanding, it may have some advantages. First, the shorter timeframe facilitates more frequent checks on the activities and status of unemployed beneficiaries, which may more than offset the extra administrative costs and burden. And second, it provides benefit recipients with cash income more rapidly and more regularly, which may be especially helpful when someone is out of work and otherwise without income.

¹⁶ It being recalled that unemployment benefits in Denmark could at one time last up to 7 years.

¹⁷ Table of weeks of benefits, Employment Insurance Act, Department of Justice, Canada, <http://laws-lois.justice.gc.ca/eng/acts/E-5.6/page-80.html#h-75> [accessed 11 Oct. 2012]

3.8 Concurrent employment while receiving unemployment benefits

A number of countries allow UI beneficiaries to continue to receive partial or full unemployment benefits at the same time as they engage in part-time work. Normal rules still apply to these benefit beneficiaries, who, however, must continue to look for and accept suitable full-time work, as well as continue to follow any training or employment measures to which they are referred. If their part-time earnings exceed certain limits, their unemployment benefits would then either be terminated or be reduced.

The purpose of these provisions is threefold: first, to encourage beneficiaries to remain engaged in the labour market and thus to maintain or improve their work experience, and maybe even use the part-time work as a stepping stone into full-time employment; second, to allow employers to find workers willing to complete relatively minor tasks; and third, to help workers maintain a reasonable standard of living between jobs.

Such provisions are found for example in France, Germany, Canada, Japan and the United States. In France, unemployment benefits are paid if part-time earnings do not exceed 70 per cent of previous average earnings and the time worked does not surpass 110 hours per month.¹⁸ In Germany, beneficiaries working for less than 15 hours a week can continue to receive full unemployment insurance benefits, but benefits are stopped if the time worked is 15 hours or more. In Canada, unemployed workers can receive up to 75 Canada dollar (CAD) per week or 40 per cent of their weekly benefits without any benefit reduction; any extra earnings are deducted from their benefits. In Japan, part-time earnings during a period of recognized unemployment are allowed but unemployment benefits may be reduced if the amount earned exceeds certain limits, as for instance outlined in Article 19 of the Employment Insurance Law of Japan.¹⁹ Similar provisions exist in the United States, subject to variations between States as to the amount of part-time earnings that are allowed without affecting the unemployment benefits.

3.9 Income replacement rates

The income replacement rate, under Article 15 of ILO Convention No. 168, should not be less than 50 per cent of previous earnings, the same article also making provision for an upper limit that could be related to average wages. Under ILO Convention No. 102, the prescribed rate is 45 per cent.

An actuarial perspective on income replacement rates and duration was laid out almost 70 years ago by Alfred D. Watson, an actuary who was instrumental in designing the rules of the Canadian UI scheme: “As a basis for sound insurance it is a more serious matter if the rate of benefit is unduly high than if the benefit period should be on the long side, for an unduly high rate of benefit militates throughout the whole benefit period, long or short, against the claimant effectively seeking work.”²⁰ That advice still seems reasonable today.

The most frequent range of benefit rates is from 50 to 60 per cent of previous contributory earnings. This is seen in such diverse countries as Argentina (for the first four benefit months), Bahrain, Canada, Chile (though only for the first month), Germany (at the standard rate), the Republic of Korea, Thailand (for involuntary job loss), the United States and Viet Nam. Germany provides a more generous rate of 67 per cent for persons with one or more dependant children, while France and Japan have even higher rates for jobseekers with low incomes (up to 75 per cent and 80 per cent respectively). Denmark’s UI scheme stands as the most generous with a 90 per cent benefit rate.

At the low end of the spectrum, Chile and Argentina both provide decreasing monthly benefits, which progressively fall from 50 to 30 per cent of previous earnings in Chile and from 50 per cent to 35 per cent in Argentina. For temporary workers, unemployment benefits in Chile are only provided for two months, at 35 and 30 per cent. China provides flat benefits unrelated to previous earnings, which benefits cannot, under national guidelines, exceed the local minimum wage. They must however be higher than the value of the “minimum livelihood guarantee” (under the scheme known as *dibao*), set locally and designed to combat extreme poverty. Finally, Mongolia provides a basic benefit of 45 per cent of previous earnings unless someone has previously worked at least five years, and then the rate rises to at least 50 per cent.

18 If these conditions are met, unemployment benefits are paid at a reduced rate (the part-time earnings are converted to full work days and unemployment benefits are paid for the remaining days in the month).

19 Employment Insurance Law (Law No. 116 of 28 December 1974) of Japan., http://www.jil.go.jp/english/laborinfo/library/documents/lj_law11.pdf [accessed 16 July 2012].

20 A.D. Watson: *An Explanation of the Principles and Main Provisions of the Unemployment Insurance Act*, (Ottawa, 1953).

There is always a maximum on the periodic amount of unemployment benefits that can be paid. Countries set this limit according to what is believed to be a reasonable value, for example in comparison to the average wages of salaried workers or to some other reference point. There are however no hard and fast rules on such a limit. In France, the maximum monthly benefit is about three times what an average worker would earn. In Canada, it is about half of the average wage. Other countries have even lower limits.

On insurance grounds, benefits and contributions should in principle be calculated on the same earnings base, an approach which is followed in most countries. Exceptions are Bahrain, which taxes total payrolls but sets a maximum monthly benefit, and China where benefits are not related to earnings but set as a flat amount. Nor is this principle applied in the United States, where the limits on contributory earnings (for employers' contributions) are in most States much lower than the base used for benefit purposes.

An interesting fact for policy-makers is that, in most if not all countries, the risk of unemployment is higher amongst low than high incomes, such that higher contributory maximums should in principle bring in more revenues than a corresponding increase in unemployment benefits.

Table 2 : Benefit Packages under Selected UI/EI Schemes

Country	Qualification rules	Duration of benefit	Benefit levels
Convention No. 102	Art. 20: The benefit is provided in case of suspension of earnings due to inability to find a suitable employment for those who are capable of, and available for, work.	Art.24: Limited to 13 weeks in a period of 12 months, or 26 weeks within a period of 12 months where the protection covers all resident whose means during unemployment do not exceed a prescribed limit.	Art. 67: the amount of benefits for a standard beneficiary (man with wife and two children) should attain at least 45 per cent of the reference wage.
Convention No. 168	Art. 20&21: Refusal, suspension or reduction if the unemployed (i) is absent from the territory of the Member; (ii) had deliberately contributed to his or her own dismissal; (iii) has left voluntarily without just cause; (iv) has stopped working during the period of a labour dispute; (v) has attempted to obtain or has obtained benefits fraudulently; (vi) has failed without just cause to use the facilities available for placement, vocational guidance, training; (vii) has refused a suitable employment; (g) is receiving other income support benefits.	Art. 19(a): Limited to 26 weeks in each spell of unemployment, or to 39 weeks over any period of 24 months.	Art. 15.1: Benefits must attain 50 per cent of previous earnings, or be fixed at not less than 50 per cent of the legal minimum wage or the average wage, or at a level which provides the minimum essential for basic living expenses, whichever is the highest.
Argentina	- At least 6 insured months in last 3 years - Lost job involuntarily, or quit for a justifiable reason.	Varies with length of UI contributions: • 6 to 11: 2 benefit months • 12 to 23: 4 benefit months • 24 to 35: 8 benefit months • 36 or more: 12 benefit months • 6 extra benefit months if aged 45 +	- 4 months at 50% of last 6 months average earnings, 4 more at 42.5% and remainder at 35% - Since 2006: min. ARS250, max. ARS400
Bahrain	- Compensation benefits (if not having left employment voluntarily): • First time: 12 continuous months • Second time: 12 months in last 18 • Third time: 18 months in last 24 • Fourth time & over: 36 months in last 48 - Aid benefits: first time jobseeker	- Compensation benefits: 6 continuous or intermittent months for each unemployment period - Aid benefits: 6 months within a period of 12 months	- Compensation benefits: 60% of average wages to a maximum of BHD500 (minimum of BHD150) per month - Aid benefits: graduates, BHD150/month; others, BHD120

Country	Qualification rules	Duration of benefit	Benefit levels
Canada	<ul style="list-style-type: none"> - 420 to 700 hours of insured work in last year, depending on regional unemployment rate - New entrants need 910 hours - Voluntary quitters and those fired due to misconduct are denied benefits - Good reasons for quitting are accepted 	<ul style="list-style-type: none"> - Regular benefits: 14 to 45 weeks of benefits, depending on hours worked and regional rate of unemployment - Benefits are paid every two weeks. 	55 % of average weekly earnings, to a maximum of CAD 485 (in 2012)
Chile	<ul style="list-style-type: none"> - Individual Savings Accounts (ISA): 6 or 12 contributions, depending on the type of contract (temporary or permanent); terminated employment for any reason - Insurance benefits: (i) 12 contributions within last 24 months, the last 3 to be continuous and with the same employer; (ii) employment terminated involuntarily; (iii) having exhausted their individual account and (iv) not claiming more than twice in 5 years 	<ul style="list-style-type: none"> - ISA: decreasing monthly rates until individual account runs out - Insurance benefits: (i) permanent workers: as needed to bring total payments to 5, including ISA payments; (ii) temporary workers: as needed to make 2 total payments, including ISA - "High unemployment" benefits: 2 extra months of benefits if the current unemployment rate is 1 point higher than the 4-year average rate 	<ul style="list-style-type: none"> - ISA: decreasing monthly rates: 50%, 45%, 40 %, 35%, 30%, 25%, 20%, based on average earnings of last 6 or 12 months - Insurance benefits: (i) permanent workers: as above, maximum 5 months; (ii) temporary workers: 2 monthly payments at 35% and 30% - "High unemployment" benefits: 25% benefit rate
China	<ul style="list-style-type: none"> - Employer' and employee's UI contributions paid for at least one year - Not unemployed due to "own willingness" - Must register for unemployment and show willingness to take up new jobs 	<ul style="list-style-type: none"> - Duration depends on UI contributions: <ul style="list-style-type: none"> • Less than 5 years = 12 months • 5 to 10 years = 18 months • More than 10 years = 24 months - Rural migrants receive a lump sum 	The UI benefit rate is determined by provincial governments. It is a flat rate, lower than the local minimum wage but higher than the minimum livelihood guarantee
Denmark	<ul style="list-style-type: none"> - Must have worked at least 52 weeks in the last 3 years - Involuntarily unemployed, otherwise a 5 week waiting period must apply - Must register as a jobseeker on the first day of unemployment 	<ul style="list-style-type: none"> - Benefits are payable for up to 2 years over a 3 year period 	<ul style="list-style-type: none"> - Benefits are 90% of earnings, based on the last 3 month average - In 2011, the maximum benefit rate is DKK766 per day before tax, or about DKK16,600 per month - UI funds also pay holiday benefits, members' training allowance and voluntary early retirement pay
France	<ul style="list-style-type: none"> - Must have worked the equivalent of at least 4 months in the last 24 (36 months if aged at least 50) - Must have become unemployed involuntarily, unless good reasons for quitting - Younger than age 60 (or 65 if ineligible for full pension) - Must register as jobseeker within 12 months of losing job, then has 2 years to apply for UI (for example, self-employed in the interim) - 4 months additional waiting period if resigned voluntarily 	<ul style="list-style-type: none"> - Duration depends on insured work in last 2 years (3 if aged at least 50): <ul style="list-style-type: none"> • 1 month of benefit per month of contributions, starting at 4 months of contribution • maximum duration is 24 months (36 if aged at least 50) 	<ul style="list-style-type: none"> - Benefits are 75% of average wages at low income (up to about €1,000/month), grading down to 57% at high income - Monthly maximum benefits (2012): €5,920 (net of deductions) - Flat termination benefit (about €300): paid on demand at exhaustion of regular UI benefits, if ineligible for solidarity benefits - Sickness, family and health insurance are continued

Country	Qualification rules	Duration of benefit	Benefit levels																								
Germany	<ul style="list-style-type: none"> - Claimant must have worked at least 12 months in the previous 3 years - Must be younger than 65 years of age - Be unemployed (no work or less than 15 hours a week or self-employment ended) - Be registered as an unemployed person (report to Local Employment Office – “Arbeitsamt” in person only) - Looking and available for work - Involuntarily unemployed, or additional 12 week waiting period 	<p>Depends on age and months of work:</p> <p>Months</p> <table border="1"> <thead> <tr> <th>Contributions</th> <th>Benefits</th> <th>Age</th> </tr> </thead> <tbody> <tr> <td>12</td> <td>6</td> <td>all</td> </tr> <tr> <td>16</td> <td>8</td> <td>all</td> </tr> <tr> <td>20</td> <td>10</td> <td>all</td> </tr> <tr> <td>24</td> <td>12</td> <td>all</td> </tr> <tr> <td>30</td> <td>15</td> <td>50 +</td> </tr> <tr> <td>36</td> <td>18</td> <td>55 +</td> </tr> <tr> <td>48</td> <td>24</td> <td>58 +</td> </tr> </tbody> </table>	Contributions	Benefits	Age	12	6	all	16	8	all	20	10	all	24	12	all	30	15	50 +	36	18	55 +	48	24	58 +	<ul style="list-style-type: none"> - Standard Rate: 60% of previous earnings net of tax and social security contributions - Worker with one dependent child: 67% - UI is not taxable and is paid as a net benefit - Employment agency also pays the worker’s statutory health insurance, long-term care insurance and pension contributions
Contributions	Benefits	Age																									
12	6	all																									
16	8	all																									
20	10	all																									
24	12	all																									
30	15	50 +																									
36	18	55 +																									
48	24	58 +																									
Japan	<ul style="list-style-type: none"> - For basic allowance, need at least 6 months of insurable employment in past 2 years - Involuntarily unemployed, or extra 3 months waiting period 	<p>Duration depends on age and length of contributions:</p> <ul style="list-style-type: none"> - Separation due to bankruptcy or redundancy: 90 to 330 days - Other separations: 90 to 150 days - Fixed-term contract: 90 to 150 days - Voluntary separations (all ages): 90 to 150 days (after extra waiting period of 3 months) 	<ul style="list-style-type: none"> - Daily benefit rate depends on average wages in the last 6 months: <ul style="list-style-type: none"> • JPY2,330-4,650: 80% rate • JPY4,650-11,770: 80% to 50% rate • JPY11,770-15,780: 50% rate - If aged 60 to 64 years, the 50% of above table is replaced by 45%. 																								
Republic of Korea	<ul style="list-style-type: none"> - Work at least 180 days in last 18 months, with a minimum of 60 hours per month - Unemployed workers must register for job placement - Must be available for work - Penalty imposed if job offers are rejected or leave their job voluntarily 	<ul style="list-style-type: none"> - Depends on age and work: 90 to 180 days if under 30, 90 to 210 days if 31 to 50, 90 to 240 days if over 51 or with disabilities - Extended benefits may be paid for 60 extra days for those who exhaust benefits, under strict criteria. - “High unemployment” extended benefits applied when the ratio of job-seeking benefit recipients to all EI-insured persons exceeds a certain level 	<ul style="list-style-type: none"> - The amount of UI benefit paid is 50% of the standard daily wage, which is calculated using the average wage. - If a worker finds a job quickly, they receive 50% of their remaining benefits as a reemployment bonus. 																								
Mongolia	<ul style="list-style-type: none"> - At least 24 months of insured employment, the last 9 of which must be continuous (reduced to 6 months from 1 August 2009 to 1 January 2011). - 6 more months of insured work for a subsequent claim (reduced to 3 from 1 August 2009 to 1 January 2011) - must register at the territorial employment promotion unit 	<ul style="list-style-type: none"> - Benefits can last 76 days (between 1 August 2009 to 1 January 2011, this was increased to 126 days). 	<ul style="list-style-type: none"> - Benefits based on average wages of last 3 months and time employed: <ul style="list-style-type: none"> • up to 5 years: 45% rate • 5 to 10 years: 50% • 10 to 15 years: 60% • 15 and above: 70% - Minimum benefits: not less than 75% of the official minimum wage 																								
Thailand	<ul style="list-style-type: none"> - At least 6 months of contributions in the 15 months before termination - Registered with the Employment Office - Termination of employment must not be due to a job violation, a pre-meditated criminal act against the employer, or an illegal act resulting in serious damage to the employer’s business or imprisonment 	<ul style="list-style-type: none"> - Unemployed workers who are laid off get up to 180 days within 1 year - Unemployed workers who voluntarily resign only receive up to 90 days within 1 year - Following the 2008 economic crisis, UI compensation was extended to 240 days for workers unemployed in 2009 	<ul style="list-style-type: none"> - Unemployed workers who are laid off receive 50% of insured earnings, based on the highest paid 3 months in the 9 months before job loss - Unemployed workers who voluntarily resign only receive 30% of insured earnings - Maximum daily benefit is THB250 																								

Country	Qualification rules	Duration of benefit	Benefit levels
United States	<ul style="list-style-type: none"> - Claimants must have insured wages in the first 4 of the last 5 completed quarters, with varying minima from State to State - Job loss through no fault of their own, unless able to prove good cause for leaving - Claimants must be able to work and, in most States, must register for work at a public employment office 	<ul style="list-style-type: none"> - Most States pay up to 26 weeks of benefits - Benefits are paid every two weeks - In periods of recession, when all states suffer high unemployment, federally-funded programmes of supplemental benefits have usually been adopted for up to 13 extra weeks (20 in some cases) 	<ul style="list-style-type: none"> - States generally set the weekly benefits at about 50% of average wages, with different formulas and maximums applying across the United States. - The average weekly benefit paid in 2010 was US\$ 293 (ranging from about US\$200 to 400). - The average maximum benefit was US\$445 and the average benefit rate was 46% of insured earnings.
Viet Nam	<ul style="list-style-type: none"> - Paid UI contributions for at least 12 months within the last 24 months - Registered for unemployment with the Employment Service Centre. - Applied for UI benefits within 15 working days since the date of registration - Jobless for 15 working days after registering. - Not in receipt of a pension 	<ul style="list-style-type: none"> - 3 months of benefits with 12 to 35 months of insured employment, - 6 months of benefits with 36 to 71 months of insured employment, - 9 months of benefits with 72 to 143 months of insured employment, and - 12 months of benefits with 144 or more months of insured employment 	<ul style="list-style-type: none"> - The benefit rate is 60% of the average contributory earnings over the last 6 months, limited to 20 times the value of minimum wages - Benefit rate and duration apply similarly either the termination is voluntary or involuntary

Box 1
Severity ratings of UI eligibility criteria for selected OECD countries

A further illustration of the detailed rules that UI schemes may consider is found in an assessment of the severity of the eligibility rules that exist within the UI schemes of 36 OECD and/or EU countries. That assessment was carried out in a study published in January 2012 by the OECD. Its ratings for the seven OECD countries included in the present study are reproduced in the table below, the last two lines being our own tentative (and non-definitive) attempt at ranking these countries on a relative severity scale.

Countries and their ratings (see notes below table)

Eligibility conditions	Canada	Denmark	France	Germany	Japan	Republic of Korea	USA
Employment and contribution requirements	2	3	2	3	2	2	2
Sanctions in case of resignation from previous job	5	1	4	3	3	5	5
Availability for work during participation in ALMPs	1	5	4	5	4	1	1
Demands on occupational mobility	4	5	3	5	5	1	3
Demands on geographical mobility	2	3.5	1.5	3	4	1	3
Other valid reasons for refusing job offers	3	3	3	5	1	3	1
Proof of job-search activity	2	2	4	2	4	4	2
Sanctions for refusing job offers or ALMP participation	2	1	1	1	1	1	5
Sanctions for repeated refusal of job offers or ALMP participation	2	2	2	2.5	1	4	5
<i>Severity totals</i>	<i>23</i>	<i>25.5</i>	<i>24.5</i>	<i>29.5</i>	<i>25</i>	<i>22</i>	<i>27</i>
<i>Severity ranking (most to least)</i>	<i>6</i>	<i>3</i>	<i>5</i>	<i>1</i>	<i>4</i>	<i>7</i>	<i>2</i>

Source: Venn, D.: *Eligibility Criteria for Unemployment Benefits: Quantitative Indicators for OECD and EU Countries* (Paris, OECD Social, Employment and Migration Working Papers, No. 131, 2012), <http://dx.doi.org/10.1787/5k9h43kgkvr4-en> [accessed 11 Oct. 2012].

Notes:

- Ratings go from 1 (least severe, easier to get benefits) to 5 (most severe, harder to get benefits).
- Severity totals and rankings are from our own calculations, not contained in the original paper.

Notable limitations (as indicated by the original author, D. Venn):

- “A key limitation of the indicator (and indeed of any indicator based on the strictness of legislation or regulations) is that it only reflects the strictness of rules as they are outlined in legislation or regulation, not how they operate on the ground.”
- “In countries with the strictest rules or toughest sanctions, the strictness may itself encourage counsellors to interpret the rules more generously to avoid imposing what they see as unreasonable requirements or hardships.”
- “... questions remain about the extent to which the items measured in the indicator are truly comparable across countries. Grubb (2001) and OECD (2000) discuss these issues in some detail. They highlight several difficulties in creating a reliable cross-country indicator of the strictness of eligibility for unemployment benefits.”

We make no further comment on the above except to note that nine particular eligibility conditions were chosen by this author, to illustrate the main factors that may be considered when establishing how severe or strict various countries are in designing and managing their UI schemes.

4. Governance, financing, and sustainability of UI/EI schemes

Article 71 of ILO Convention No. 102 recommends that benefit and administration costs be borne collectively either by insurance contributions or by taxes, in such a way as to avoid hardship on low income workers. It also asks countries to assume responsibility for sound governance, which could include required calculations and periodic actuarial reviews. Convention No. 168 is less specific, but also asks countries (Article 28) to assume responsibility for the sound administration of such schemes. As a matter of good governance, countries are also asked under both Conventions (Article 72 of Convention No. 102 and Articles 3 and 29 of Convention No. 168) to consult with and involve employers and workers in the operation of these schemes.

The financing of UI schemes can be assured by employers, workers or general government revenues, sometimes by all three under a tripartite cost-sharing arrangement. Table 3 provides basic details for the financing of the UI schemes in the 14 countries selected for this review.

Generally, countries with long standing UI schemes will have higher costs and contribution rates, especially the European countries, while the more recently established UI/EI schemes will tend to be less generous and less costly. In addition to contributions for UI, two countries collect additional contributions from employers only for employment support programmes, namely Japan and the Republic of Korea. These countries have prioritized employment promotion programmes to assist unemployed workers in obtaining and keeping permanent work.

4.1 Sharing the contribution

Financing arrangements include employer contributions in all but one of these 14 countries (Denmark), and they also include workers in all but one country (the United States, except three States). Governments contribute on a regular basis in four countries (Bahrain, Thailand, Viet Nam and, to a minor extent, Chile), and on an emergency basis in four more (Argentina, Germany, China and the United States).

Table 3: Comparison of contribution rate among selected UI/EI schemes

	From employee	From employer	From government	Remarks
Argentina		0.89 to 1.50		Sectoral contribution rate (highest in agriculture)
Bahrain	1	1	1	
Canada	1.83	2.56		
Chile	0.6 (ISA)	1.6 (ISA) 0.8 (SI)	7.9% of Employers' contributions	Temporary employee: 2.8% (ISA), 0.2% (SI) from employer
China	1	2	Ad-hoc contribution	
Denmark	Flat fee, 30% of expenditures		70% of expenditures	Typical fee between 70 to 80 USD
France	2.4	4		
Germany	1.50	1.50		
Japan	0.6	0.6 + 0.35	25% of payment	Only employers contribute to Two Services
Republic of Korea	0.55	0.55 + 0.25 (<150) to 0.65 (>1000)		Employers' contribution only to Employment Security and VT Fund
Mongolia	0.5	0.5		
Thailand	0.5	0.5	0.25	
US		3.2		Varies from 1.4% to 6.7% across States
Viet Nam	1	1	1	

A tripartite sharing exists in Bahrain, Thailand and Viet Nam. Employers normally pay the full costs of UI schemes in the United States (except in three States which have employee contributions). However, the federal government will usually provide subsidies during recessions, to pay for supplemental benefits. Employers and employees share the costs of UI in Canada, France, Japan, Mongolia and the Republic of Korea, while in Argentina, Germany and China, employers and employees share costs and governments can provide extra funding if necessary. In Chile, employers and workers share costs and the State provides a small subsidy (about 6 per cent of the cost of insurance contributions). Employees pay 30 per cent or so of costs in Denmark, which is the only country in our group with flat fees, and the government pays for the remainder.

4.2 Overall costs

Appropriate accountability structures exist in most countries, at least in principle, but it is not always possible to access updated and detailed accounts of the UI/EI schemes, the exact description of each expenditure item and the financial status of each scheme. The 14 schemes included in this survey have quite a diverse range of characteristics and cost structures, and each system operates within a unique economic environment. As a result, it is difficult to draw general conclusions about the relative cost of different UI/EI schemes. In particular, different countries include different items and features under UI/EI financing, not limited to unemployment benefits and relevant administrative costs, but also sometimes the costs of operating the national employment service, or the costs of a variety of skills development and re-employment measures, sometimes including emergency or temporary measures.

Notwithstanding the above, it is instructive to compare the total reported costs for different UI/EI schemes to the Gross Domestic Product (GDP) of each country (all of the following percentages were calculated from published national statistics).

In Denmark, total spending for the items included under the UI system came to 3.2 per cent of GDP in 2009 and to 3.3 per cent in 2010. This included unemployment benefits and a variety of labour market measures. The national unemployment rate was 6 per cent in 2009 and 7.5 per cent in 2010 (ILO LABORSTA).²¹

For Canada, the total costs included under the EI scheme represented 1.4 per cent of GDP in both 2009 and 2010. Spending in this case included unemployment benefits as well as sickness and parental benefits, administration costs including the costs of collecting contributions and the costs of the national employment service, and certain employment benefits and support measures. The national unemployment rate was 8.3 per cent in 2009 and 8 per cent in 2010.

In France, the years 2009 and 2010 brought UI spending to 1.7 per cent and 1.8 per cent of GDP, respectively. This spending also included unemployment benefits and a number of labour market measures. The national unemployment rate was 9.1 per cent in 2009 and 9.4 per cent in 2010.

In the United States, spending on UI benefits amounted to 0.54 per cent of GDP in 2009 and 0.37 per cent in 2010. Administration costs are not included in this calculation nor are any measures for training or reemployment. The national unemployment rate was 9.3 per cent in 2009 and 9.6 per cent in 2010.

In the Republic of Korea, the amount paid as UI benefits in 2010 represented 0.29 per cent of GDP. The national unemployment rate was 3.6 per cent in 2009 and 3.7 per cent in 2010.

In Chile, given that the scheme there is mostly focused on individual savings rather than on unemployment protection, it is more appropriate to consider the total contributions collected, instead of monetary withdrawals (which represent approximately 40 per cent of total contributions). On that basis, the costs of the Chilean UI scheme were to 0.54 per cent of GDP in 2009 and 0.55 per cent of GDP in 2010. The national unemployment rate was 9.7 per cent in 2009 and 8.1 per cent in 2010.

From the above percentages, it is obvious that UI costs can vary considerably, by a factor of ten or more, from as little as 0.3 per cent of GDP to 3.3 per cent, depending on exactly what is included under the UI scheme, the regime's relative generosity and prevailing economic conditions.

4.3 Sustainability

The first and most obvious measure of sustainability of a UI/EI scheme concerns the willingness and capacity of contributors to meet a particular and predictable level of expenditures. But a UI scheme also has to be sustainable by providing benefits that are and will remain adequate, based on an agreed upon definition of adequacy. There would be little point in providing low and insufficient unemployment benefits, such as might contribute to unrest and social disruption. As noted by one author: "This argument leads to conclude that social expenditures are a relevant factor of "sustainability" for the economic system organized as a market economy with privately owned means of production."²²

Along those lines, a significant benefit for employers is the flexibility that a UI scheme can give them when they have to make lay-offs, due to business or technological requirements. Without UI, any such adjustments can be poorly received by workers and by society at large, and even lead to violence. "Sustainability" in terms of improved social stability is thus a benefit to employers and to the general economy.

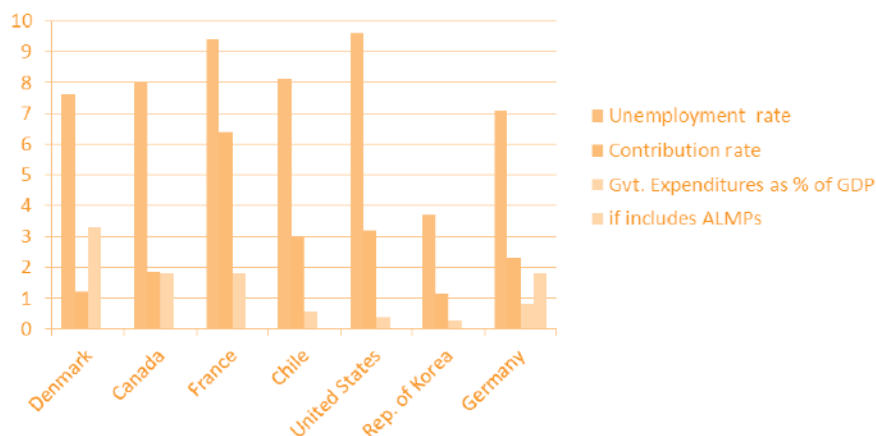
As noted, when measured against GDP, the costs incurred under the various UI/EI schemes can vary in a ratio of about 10 to one, amongst the 14 countries included in this survey. Excluding Denmark, where the "flexicurity" model requires large subsidies on account of active labour market policies, costs still vary but within a narrower range, from about 0.3 per cent to 1.8 per cent of GDP.

Not surprisingly, the countries with the lowest relative costs either have low unemployment, limited coverage and protection levels, or both (for example, the Republic of Korea, Mongolia, Thailand and Viet Nam).

21 The unemployment data in this section are those available to the ILO on 17 July 2012 and are drawn from official national statistical sources. They are compiled and released on a monthly, quarterly or half-year basis and based on national definitions, are not seasonally adjusted, and have not been adjusted or altered by the ILO. Information on the scope of the statistics, their definitions, as well as historical data, can be consulted and/or downloaded from the ILO Department of Statistics on-line statistical database LABORSTA at <http://laborsta.ilo.org>.

22 D. d'Andria: *The Debate on the Sustainability of Social Spending* (Roma, Quaderni DPTEA No. 157, 2008).

Graph 3: Comparison between unemployment rate and UI cost
(UI contribution rate and government expenditures as percentage of GDP) (2010)



Source: ILO LABORSTA, GDP published by national statistics.

The UI schemes in many countries have accumulated deficits in recent years, due to the worldwide economic downturn. For example, Canada, France, Germany and most US states have had to draw on loans and government grants to meet their benefit obligations. Some other countries continue to build significant and growing surpluses, in many cases due to low jobseeker coverage combined with restrictive eligibility and benefit rules (Bahrain, Chile, Mongolia, Thailand and Viet Nam).

In some instances, it could also happen that revenues would be kept at levels that are higher than needed to cover the costs of unemployment benefits, or higher even than needed to accumulate a prudent amount of reserves. Canada followed such a course from 1996 to 2008, spurring its government to eventually confiscate the cumulated UI surpluses. Such actions should be prevented by adopting mechanisms to compel the periodic review of UI contributions. The country of Bahrain may also be facing a similar situation at this time, of higher than needed contributions.

As regards employers and the cost of doing business, one could add that there is nearly unanimous agreement amongst economists that any payroll-based contributions are ultimately passed on to workers through lower wages. Furthermore, to the extent that employers are allowed to offset or otherwise reduce any severance payments which they would otherwise have to pay, the introduction of UI could be a net benefit to them, a net reduction in their costs.

Some caveats need to be formulated on the preceding proposition. First, there may be transition costs until employers can adjust their wage rates, since this is usually achieved by negotiating lower wage increases as employment contracts come up for renewal. Second, the salaries of workers at minimum wage could not in principle be adjusted downwards – yet employers could pressure government to effect lower increases in minimum wages than might otherwise have been the case.

Concluding this section and putting things in a broad perspective, the issue of sustainability in any country ultimately depends on national consensus and priorities, all of which may be subject to change over time.

Table 4 - Financing and sustainability of selected UI/EI schemes

Country	Financing methods	Unemployment rate (2011)* (%)	Financial sustainability
Argentina	Employer contributions from 0.89 to 1.50% of payroll plus State subsidies.	7.2	Unknown whether employer contributions are sufficient, or whether government subsidy is significant.
Bahrain	Tripartite sharing, 1% of payroll each for employers, workers and government.	3.7	There is a large UI surplus, its exact amount unknown. UI contribution rates are thus more than sufficient.
Canada	Worker plus employer payroll contributions, shared 5/12 and 7/12.	7.7	The EI account is self-sustaining but recent deficits caused by recession will have to be recovered through higher contributions, to make up for the fact that past surpluses were forfeited by government.
Chile	Individual savings accounts (ISA) financed mostly by employers / Social insurance (SI) benefits financed by employers plus fixed State contribution.	7.1	Large ISA and SI funds have accumulated since 2002; indefinite and growing surpluses are expected.
China	Employers contribute 2% of payroll and employees 1% of wages. The provincial government can adjust the local contribution rate with the approval of the State Council. The UI fund will be subsidized by the local government if necessary.	n.a.	"Huge balance of UI fund - Up to the end of 2007, the total national balance in the UI fund reached 97,910 million Chinese Yuan Renminbi (CNY), which is 4.5 times total expenditure in the year of 2007. The surplus of UI fund is mainly concentrated in the developed regions and large and medium-sized cities."
Denmark	Voluntary enrolment, fixed monthly worker fee, State pays remainder	7.6	In recent years, government has paid for about 75% of expenditures, as needed to cover benefits.
France	Employer contributions equal 4% of insured wages, worker contributions 2.4%	9.3	There is a growing deficit in the UI fund, expected to reach a record high of €15 billion by the end of 2012, €4 billion more than at the end of 2011.
Germany	3% of contributory earnings shared equally between the employer and employee.	5.9	In 2010, BA had revenues of €37.1 billion and expenditures of €45.2 billion. The €8.1 billion deficit was covered by a €5.2 billion government grant (in addition to government contributions of €4.9 billion) and a €2.9 billion withdrawal from reserves.
Japan	1.2% of wages (equally shared between employee and employer) as well as ¼ of payment from National Treasury. For Two Services scheme, only the employer pays 0.35% of wages.	4.5	At the end of 2009, the UI Account had a cumulated surplus of 44.3 trillion Japanese Yen (JPY), projected to reach JPY72 trillion by the end of 2010, the latter figure representing about a quarter of the annual amount of UI benefits.
Republic of Korea	For Unemployment Benefits: both employers and employees pay 0.55% of workers' earnings. For Labour Market Programmes (Vocational Competency Development plus the Employment Stabilization Programme): only employers contribute, from 0.25% of wages if less than 150 employees, to 0.65% if more than 1,000.	3.4	"Beginning in January 2011, EI contribution rates are applied not to total wages but to the total pay of all insured persons, enabling EI contributions to be levied on performance related pay." "The Republic of Korea has operated EI funds in a very stable way, yet with unemployment remaining at the 3% level instead of returning to previous levels along with the global financial crisis that spread from the US throughout the world in September 2008, EI expenditures increased exponentially, leading to a decrease in accumulated emergency funds from 2007."

Country	Financing methods	Unemployment rate (2011)* (%)	Financial sustainability
Mongolia	Contributions are 0.5% of wages for workers and employers (total 1%).	n.a.	Year-end bulletins indicate contributions constantly higher than spending from 2007 to 2011, with about half of contributions not being required to pay benefits. Contribution collections have grown by 3.7 times since 2007 and expenditures by a factor 3.
Thailand	Contribution rates: Employers and Employees: 0.5% of earnings, on monthly maximum of THB15,000 Government: 0.25% of employee earnings	0.7	“The amount of unemployment benefits is set at only 50% of the salary (not exceeding THB7,500 per month) even for involuntarily laid off workers, and they can get it only for the first six months. So even if the unemployment rate becomes unprecedentedly high, it is unlikely for the Thai unemployment insurance system to run a deficit.” Annual surpluses were recorded in each year since 2004, even during the 2008 crisis.
United States	Federal taxes are 0.6% of earnings up to US\$7000 per year, US\$42 per worker annually. On an average, across the US, total UI contributions to State schemes represented on average 1% of total wages in 2010. Employer contributions are the only source of funding except in 3 states.	8.9	Following the severe recession of 2008-2009, the EI Funds of more than half the States are either in deficit or have very low balances. The federal government has assumed the entire cost of benefit extensions lasting up to 99 weeks.
Viet Nam	Tripartite sharing, 1% of payroll each for employers, workers and government	2.6 (2009)	With low unemployment and in spite of poor targeting of benefits, the Viet Nam UI fund has already developed significant surpluses since it was launched in 2009. The maximum duration of benefits has however increased from 3 to 6 months in 2012, the effects of which remain to be seen.

* The data published in the table are those available to the ILO on 17 July 2012 and are drawn from official national statistical sources. They are compiled and released on a monthly, quarterly or half-year basis and based on national definitions, are not seasonally adjusted, and have not been adjusted or altered by the ILO. Information on the scope of the statistics, their definitions, as well as historical data, can be consulted and/or downloaded from the ILO Department of Statistics on-line statistical database. LABORSTA at <http://laborsta.ilo.org>. For further information or technical questions please contact the ILO Department of Statistics on +41 22 799 8631 or email stat@ilo.org.

5. Comparative performance amongst the UI/EI schemes

5.1 Consideration of different concerns and needs amongst female and male workers

Social insurance schemes such as UI must be gender neutral, in other words provide equal access to coverage and to benefits for both men and women. This may require special rules to ensure such equality in the practice. Women are still usually the primary care givers for children and responsible for multiple household tasks. They are also often paid lower salaries and may be less favoured in hiring practices. Women are also proportionally more represented among the new applicants for employment after a period devoted to take care of a child or someone sick or after a divorce, separation or loss of spouse.

It may at times be unclear to what extent the law should go to address these situations, but in the UI context efforts must be made to recognize those circumstances as well as to encourage a work-life balance.

UI schemes thus frequently provide that absences from work to give birth or to care for a newborn child will be given special treatment. This is done in Denmark by extending the three-year period within which individuals on maternity or parental leave (or sick) may find the minimum insured work needed to qualify for UI benefits, as well as by making adjustments for time spent on parental leave on a part-time basis, to care for a young child.

A similar approach is followed in France. Also in that country, reasons for quitting with just cause, and thus being eligible to receive UI benefits, include sexual harassment or relocation to follow a spouse (or to follow parents in the case of youths below 18). These types of provisions are frequently established in other countries, for example in Canada and in many US States.

All 14 countries have included provisions to cover at least maternity leave, and sometimes paternity leave, either under their UI schemes (Canada and Japan) or as separate schemes for the other countries.

5.2 Consideration of different concerns and needs amongst persons with disability

Persons with disabilities face particular challenges as they seek to integrate into the labour market or in regards to the recognition that their work is given under various public schemes. The following measures are noted amongst the countries covered by this report.

In Germany, integration support includes advice and job placement that offers improved perspectives for integration along with promotion of employment, self-employment, initial and further vocational training. Also, employers can receive support in helping persons with disability and severe disabilities to integrate the labour market.

Several US States allow workers who have no recent wages to use older wages and employment under conditions involving illness or injury. Ten States allow continuation of UI benefits to claimants becoming ill or disabled after the claim is filed, so long as no refusal of suitable work occurs.

In the Republic of Korea, the employment stabilization programme of the EI provides loans to enterprises to upgrade their facilities in the view of encouraging recruitment of jobseekers with disabilities and senior jobseekers.

In Canada, the EI scheme supports a number of employment programmes and services to assist the persons with disabilities to integrate into the labour market. One such programme is the Opportunities Fund for Persons with Disabilities which is a funding programme for organizations to assist people with disabilities in preparing for, obtaining and keeping employment or becoming self-employed.

The Canadian EI scheme also has provisions to allow some flexibility to persons affected by illness or disability, as regards the period of time during which they must qualify as well as the period of time allotted for the receipt of EI benefits.

In Thailand, the employers are obliged by law to hire a certain percentage of their employees with disability. Also, in Japan, enterprises with 200 or more employees must employ at least 1.8 per cent of their workforce as disabled persons.

5.3 Performance and monitoring indicators relating to scheme's efficiency and challenges (especially active and preventative measures)

There is a saying that: "What gets measured gets done." Multiple books, studies and research have probed the ways of effectively measuring performance, from objectives to indicators and data collection, from responsibilities to targets and reports, ending with a continuous improvement process. There are known difficulties: measurement tends to distort what it measures, individuals and organizations adapt to what is being measured and may come to neglect other vital but non-measured aspects.

Examples of performance measurement systems can be found in the United States and Canada. The United States for example initiated "UI Performs" in 1999, a comprehensive system to monitor key UI operations, under three main headings: benefit accuracy, benefit timeliness and tax performance. This system provides ongoing and public detailed reports on such activities as timeliness of first payments, accuracy of payment, overpayment reasons and amounts, fraud, underpayments and improper denials, handling of appeals, employer compliance and reporting.²³

Quite apart from this performance measurement system, the United States also reports UI statistics on a current basis, for example weekly claims data, characteristics of insured unemployed, monthly and quarterly financial data on benefits paid and on contributions collected.

Canada also conducts similar types of performance measurement to guide the administration of its EI scheme although few results are published, the relevant reports being mostly restricted to internal circulation. A featured public report is the annual Employment Insurance Monitoring and Assessment Report²⁴, which provides a comprehensive review and assessment of the EI scheme's experience. A few, limited indicators and overall financial data are found in two other publications, the administering department's annual Departmental Performance Report and the Government of Canada's Public Accounts. Statistics on UI beneficiaries and payments are published monthly by Statistics Canada.

Box 2

Monitoring system of Canadian employment insurance system

Canada's EI Monitoring and Assessment Report is also interesting for its presentation and assessment of measures designated as Employment Benefits and Support Measures (EBSM), which generally correspond to what are known elsewhere as ALMPs; for the exception of active job search requirements, which in Canada are held to be an integral part of the EI scheme rather than as an add-on and are thus not measured separately. In Canada, ALMPs are largely administered by provincial authorities under federal-provincial partnerships which require periodic evaluations. The results of such evaluations were nuanced and indicated concerns about the overall effectiveness of ALMPs, as follows:

"Overall, based on the net impact estimates available to date, it appears that EBSMs have yielded some modest positive impacts on participants, though such findings were not consistent across all the jurisdictions. These findings mirror those found in OECD review of evaluations conducted in OECD countries. The review concluded that active labour market programmes had limited effects on high unemployment or poor labour market conditions.

Consistent with the OECD study, a more recent meta-analysis of 97 micro-econometric evaluations of ALMPs found that subsidized public sector employment programmes are relatively ineffective. However, this study shows that impacts of classroom and on-the-job training are more positive in the medium term (that is, after two years) than in the short term. It also concluded that long-term evaluations tend to show better results than short-term evaluations. It found that many programmes that had insignificant or even negative impacts after only a year had significantly positive impact estimates after two or three years."

Source: International Comparison, Human Resources and Skills Development Canada, http://www.hrsdc.gc.ca/eng/employment/ei/reports/eimar_2010/Chapter5_4_4.shtml [accessed 11 Oct. 2012]

²³ Unemployment Insurance, US Department of Labor, <http://workforcesecurity.doleta.gov/unemploy/> [accessed 11 Oct. 2012].

²⁴ EI Monitoring and Assessment Report 2010, Human Resources and Skills Development Canada, http://www.hrsdc.gc.ca/eng/employment/ei/reports/eimar_2010/index.shtml [accessed 11 Oct. 2012]

5.4 Comparison between legal and effective coverage

In order to evaluate the scope and impact of social security regimes, the ILO has devised two different measures, legal coverage and effective coverage. For unemployment benefits, legal coverage is generally understood to represent the ratio of legally covered persons to the total number of the economically active population. Effective coverage, on the other hand, is calculated as the ratio of persons receiving unemployment benefits by the total number of unemployed, based on the labour force survey (LFS).²⁵ Under a contributory UI/EI scheme, for example, the legal coverage rate is found by dividing the number of contributors by the total number of employed workers, at a certain point in time. The total number of workers could either include or exclude the self-employed but it is probably best to include them. Among other reasons, this broader approach will allow us to appropriately reflect the extension of coverage to self-employed workers, in a number of countries.

The effective coverage rate under a UI/EI scheme is found by dividing the number of recipients of unemployment benefits by the total number of unemployed in the country. In doing so, care has to be taken to use compatible data. For example, the number of unemployed for a year is normally given as the average monthly number of unemployed. The comparable figure for benefit reciprocity should also be an average monthly number, and not an annual count of claims or of individuals who received benefits. The latter count would, instead, have to be related to the total number of people who had a period of unemployment in a year, a figure which is not usually available.

Table 5: Legal and effective coverage for 14 selected UI/EI schemes

Country	Legal coverage (%)	Effective coverage (%)	Remarks
Argentina	33	10	2011 data, own calculations
Bahrain	About 80	n.a.	No Labour Force Survey
Canada	85	42	2011 data
Chile	48	n.a.	No reliable measurement.
China	n.a.	n.a.	
Denmark	78	82	2010-2011 data
France	72	50	2010-2011 data
Germany	69	33	2010 data
Japan	61	Approx. 10	2010 data, own calculations
Korea, Republic of	42	39	2011 data
Mongolia	n.a.	n.a.	
Thailand	About 22	25	2010-2011 data
United States	89	About 40	2011 data
Viet Nam	15	5	2011 data, own calculations

Source: National agencies for unemployment insurance in each country, and national statistical offices' reports and surveys on labour force.

²⁵ W. Scholz, F. Bonnet, E. Ehmke: *Income support in time of global crisis: An assessment of the role of unemployment insurance and options for coverage extension in Asia*, (Geneva ILO, 2009) <http://www.socialsecurityextension.org/gimi/gess/ResShowResource.do?resourceId=19849> [accessed 11 Oct. 2012]

In some countries, a high percentage of the working population earn their living in the informal sector and are thus not registered with public authorities or/and social security offices. In Viet Nam, for example, it was estimated in 2007 that only about 18 per cent of total employment consisted in formal jobs,²⁶ so that it was difficult to provide comprehensive social security coverage to most workers. In Thailand, 62.3 per cent of employed persons in 2010 were own-account or contributing family workers, most of them in agriculture.²⁷ In China, only rural residents who still represented 49 per cent of the total population at the end of 2011²⁸ are covered by the UI scheme. Internal migrant workers, accounting for about 140 million in 2010, coming to urban areas for employment are not entitled to periodic UI benefits, unless they change their residency (*Hukou*). In rare cases, only for those who have established a stable relationship with their employer and sign a labour contract would receive a lump sum payment of their UI benefits upon termination of their employment. Argentina has also had a significant share of informal employment, still measured as 34 per cent of salaried employment in 2011 (based on the national LFS).

Such situations inevitably restrict the scope of UI/EI coverage, especially when considering effective coverage. This is particularly the case in Argentina, Thailand and Viet Nam. Even in countries where informal employment does not pose a problem, effective coverage of the unemployed will usually range between 40 to 50 per cent. Examples of this are seen in the table 5, for France, Germany, Canada, the Republic of Korea and the United States. Japan has low effective coverage, only about 10 per cent, in spite of legal coverage calculated at 61 per cent. A significantly high effective coverage rate is only achieved in Denmark.

5.5 Comparison between the level of benefits and (i) the national poverty line, (ii) the national minimum wage (when established)

In Chile, the average monthly benefits are 153,000 Chile Peso (CLP) which is below the minimum wage (CLP182,000) but above the poverty line (CLP64,000 for urban and CLP43,000 for rural). The United States reported that average monthly benefits were US\$291.41 which is approximately the same as the minimum wage rate (US\$290 monthly – US\$7.25 per hour) but well below the poverty line of US\$429.80 (US\$22,350 yearly for family of four). France indicated that average monthly benefits are €950 which is virtually the same as the poverty line but below the minimum wage (€1,394).

Argentina informed that the average monthly benefits were 354 Argentine Peso (ARS) which is also well below the minimum wage of ARS2,300 per month

In China, the Social Insurance Law (2010) stipulates that the UI benefits, flat amount fixed at the provincial level, shall not be lower than the standards for minimum living guarantee for urban residents set for the urban *dibao*, revised on an annual basis at the provincial level. The average monthly *dibao* amounted to CNY230, in 2010.

5.6 Re-employment rate before end of entitlements

Although few countries publish the re-employment experience of UI claimants, there could be many different approaches to doing so.

One could look at whether active UI claimants on a given date, for example on the first of each month, became re-employed, say, three, six, twelve or twenty four months later – and obviously the particular time-frame that one chose could have a significant impact on the results.

Or one could look at a complementary measure, namely the percentage of UI claimants who, in a year, exhaust all of the benefits to which they are entitled, it being understood that results could vary significantly depending on two main factors: first, the composition and duration of unemployment in a particular country, and second, the maximum time during which UI benefits could be paid, for example six, 12 or 24 months.

26 ILO/MOLISA: Viet Nam Employment Trends in 2010 (Hanoi, ILO, 2011), http://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---ilo-hanoi/documents/publication/wcms_151318.pdf [accessed 11 Oct. 2012].

27 LFS and Informal Worker Survey of NSO, 2010, published by the Ministry of Information and Technology.

28 Xin Hua English News : *Income gap between China's urban, rural residents narrows in 2011*, , (Beijing, 2012), http://news.xinhuanet.com/english/china/2012-01/20/c_131371091.htm [accessed 11 Oct. 2012].

The exhaustion rate could also be taken as a potential indicator of the relative sufficiency of the maximum number of payments provided by a particular UI scheme. In particular, if the proportion of exhausted benefits was very high, far above 50 per cent for example, one could question whether protection was being provided for long enough.

Another, albeit indirect indicator in this regard, could be to examine the average duration of benefits and its relationship to the maximum available. However, if employment prospects were known to be fairly good, high durations on UI benefits could be a sign that the UI scheme was being misused.

In countries where a lump-sum payment (Republic of Korea, Viet Nam) is provided upon re-employment, the number of beneficiaries receiving such lump-sum could constitute another indicator for re-employment rate.

The United States publishes re-employment rates, defined in that instance as the percentage of UI first payments for whom wages are reported in the subsequent quarter. That measure was last reported at 58 per cent for the entire country, for individuals receiving a UI first payment during the year from April 2010 to March 2011 and re-employed in the subsequent quarter, covering the year from July 2010 to June 2011. Alternatively, the exhaustion rate during the first three months of 2011 was reported to be 52 per cent, computed by dividing the average monthly exhaustions by the average monthly first payments 26 weeks earlier.

6. Conclusion

Varied conclusions could be drawn from this study. In our view, one of the main conclusions is the need to have a clear idea of what should be achieved by adopting a UI scheme, accompanied by a realistic view of the limits of such an instrument. No UI scheme, however well designed and even it is accompanied by “active labour market policies”, can solve the unemployment problems of a country. The main objective of a UI scheme should be kept as simple and straightforward as possible: namely, to provide temporary and partial income replacement to insured persons who lose their jobs. As previously noted, the adoption of a UI scheme will have beneficial returns for employers, workers and society as a whole. These returns far outweigh the minimal costs that a UI plan can cost.

Concerns about moral hazard have been far overblown, but it is essential that a UI scheme be well administered, and that active job search be an integral part of such a scheme. There are no easy or mechanical shortcuts to managing a UI scheme. Due attention must be exercised to maintaining frequent contacts with jobseekers and to actively help them find suitable work.

Such schemes have been called schemes of unemployment insurance for a reason. It is because the insurance mechanism has been found to be an effective way to deal with loss of earnings due to lay-offs, in multiple countries, nearly 80 across the world. These are schemes of social insurance, which are closer in concept to group insurance plans than to individual insurance policies, so it is normal that elements of solidarity and of collective responsibility are part and parcel of UI schemes. And since this is in the social domain, it is equally normal that social elements, such as solidarity, non-discrimination, among others, would come into play.

One of the main advantages of the social insurance approach is to provide a clear and coherent framework when evaluating proposals for a UI scheme. Insurance might not be the only way to achieve adequate and affordable protection against risk, in this case the risk of unemployment, but it is a mechanism that has a long and successful history, both in the private sector and in the public domain. Where that history has been less successful, one might find that insufficient attention was paid to insurance, social and actuarial principles. This could have been done in the pursuit of otherwise desirable outcomes, for example income redistribution, economic stimulus or welfare assistance. However the insurance mechanism should only be applied to achieve its proper objectives, which, it is worth repeating, in the case of UI are to provide temporary partial income replacement to insured workers who have lost their job while they seek to obtain new employment.

Country summaries of unemployment and
employment insurance schemes

Argentina

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Website for UI scheme: <http://www.anses.gov.ar/desempleados/>

Main legislation at: <http://infoleg.mecon.gov.ar/infolegInternet/anexos/0-4999/412/texact.htm>

Some UI statistics available in Social Security statistical bulletin:

<http://www.trabajo.gov.ar/left/estadisticas/bess/index.asp>

Unemployment and other statistical data at: <http://www.indec.gov.ar/>

Exchange rate: US\$1 = 4.67 Argentine Peso (ARS) (September 2012)

1. Main Features of the unemployment benefit system

Historical development

As a result of a wave of privatization of numerous State-owned enterprises launched in the late 80s and continued in the early 90s, the Government adopted the National Employment Law (Law 24.013) in 1991 which includes provision for the protection of the unemployed under Title IV. The Sistema Integrado de Prestaciones por Desempleo, (Integrated Unemployment Benefit System), based on social insurance principles, started its operation in 1992. There have been only minor amendments to the scheme since then.

In January 2001, the adoption of the Law No. 25.371 (*Industria de la Construcción. Sistema Integrado de Prestaciones por Desempleo*) extended access to unemployment benefits for workers employed in the national construction industry (around 200,000 potential beneficiaries annually).²⁹ Finally, a separate scheme, the Sistema Integral de Prestaciones por Desempleo para los trabajadores rurales (System Integral of Unemployment Benefits for Rural Workers) applies to workers in agriculture under the Law 25.191 adopted in November 1999.

Main features and coverage

The unemployment benefit system provides cash benefits related to previous earnings and lasting two to 12 months, depending on the length of contributions during the last three years. It covers registered salaried private sector workers who lose their jobs involuntarily or quit for a good reason (Title IV of Law 24.013).

However, it does not apply to: (i) domestic workers; (ii) public service employees (federal, provincial and municipal); (iii) employees of private teaching institutions regulated by Law 13.047; and (iv) teachers in private universities regulated by Law 24.521.

Specific practices of relevance

Along with cash benefits, the unemployed receive medical coverage and child allowance. Another specificity is that the period under which the unemployed receives benefits is counted for retirement purposes.

For entrepreneurs who submit an approved business plan to start-up their own business, the UI scheme offers a lump sum payment option of double the amount of entitled benefits.

Institutional set-up

The Administración Federal de Ingresos Públicos (AFPIP) (national tax agency) collects the employers' contributions. The funds are deposited in the Fondo Nacional de Empleo (FNE) (National Employment Fund), under the management of the Administración Nacional de Seguridad Social (ANSES) (National Social Security Administration), an agency of the Ministerio del Trabajo, Empleo y Seguridad Social (MTEySS) (Ministry of Labour, Employment and Social Security).

These contributions (ARS2.9 billion were collected in 2011, ARS2.4 billion in 2010), cover the cost of unemployment benefits (ARS614 million in 2010) as well as those of various training and employment measures.

²⁹ More workers obtain access to unemployment benefits, ISSA, <http://www.issa.int/Observatory/Country-Profiles/Regions/Americas/Argentina/Reforms/More-persons-obtain-access-to-unemployment-benefits>, [accessed 11 Oct. 2012].

Operational delivery system

Applications must be initiated through the Internet or by phone, followed by an appointment at the ANSES. Electronic checks through connected databases are used by ANSES to verify initial eligibility and continuing eligibility (limited to formal employment).

The unemployment benefits are managed through a national level computer system developed and used by ANSES.

Contribution rates

Depending on the field of activity of the enterprise, the contributions remitted for unemployment benefits to the FNE by the employer are 1.11 per cent or 0.89 per cent of payroll.

For agriculture workers, the contribution is 1.5 per cent of monthly wages.

In both cases, there is no contribution from the employee.

Qualifying conditions and continuation of benefits

The main conditions to qualify are: (i) involuntary unemployment (not caused or decided by the claimant), (ii) willingness to go back to work at any time, (iii) filing a claim within 90 days of becoming unemployed, (iv) having contributed at least six months during the last past three years, and (v) not receiving any allowances from non-contributory schemes or incompatible with unemployment benefits (retirement and disability pensions).

In principle, claimants must: (i) be unemployed, actively looking for work and report occasionally to MTEySS; (ii) attend interviews and accept suitable employment or training referrals. Interconnected databases are used to check concurrent registered employment.

Benefit rate and duration

The duration depends on insured work in the last three years:

- 6-11 insured months: 2 benefit months;
- 12-23 insured months: 4 benefit months;
- 24-35 insured months: 8 benefit months; and
- 36 insured months: 12 benefit months.

Workers aged 45 and over can receive six additional months.

The benefit rate varies according to the duration of unemployment:

- First 4 months: 50 per cent of last 6 months average wage,
- Months 5 to 8: 42.5 per cent rate,
- Months 9 and over: 35 per cent rate.

Since 2006, a minimum benefit of ARS250, and a maximum of ARS400 are applicable.

The package of benefits also includes:

- Family allowances to unemployed beneficiaries;
- Waiver of pension contributions; and
- Continuation of health insurance.

Waiting period before receiving first payment

The waiting period is established by the Consejo Nacional de Empleo, Productividad, Salario mínimo, vital y móvil (National Council for Employment, Productivity and Minimum Wage), up to 60 days as stipulated in the Law 24.013.

2. Other provisions related to unemployment protection and support to specific groups

Legal practices regarding severance pay

Severance payments apply to workers fired without a just cause. The amount corresponds to one month of wages per year of service, taking into consideration the highest wage during the last 12 months, or employment duration if less than a year (Law 24.013, Title XI). In that case, unemployment benefits are paid in full irrespective of any severance payments, though Law 24.013 would allow them to be delayed for up to 120 days.

Linkages with ALMPs

The unemployment benefits system relies also on a national network of employment offices and a network for continuous training.

The scheme called Seguro de Capacitación y Empleo (Insurance for Training and Employment) was used in the recent past to provide extended benefits (on a flat-rate basis) for those who exhausted their unemployment benefits, along with help to improve their skills and find suitable work, but the programme lapsed at June 30, 2010.

For youths aged 18 to 24, the programme Jóvenes con Más y Mejor Trabajo (Youth with More and Better Work) offers a monthly allowance to help them complete their education, training and/or improve

their employability. For those as well, *Jovenes con Futuro* (Youth with Future) is a public-private initiative providing monthly allowances along with in-house training and schooling delivered by the private sector.

Finally, tax incentives are offered to entrepreneurs hiring new entrants to the labour market or jobseekers.

Existing non-contributory income security

More recently, in November 2009, the Government launched the *Asignación Universal por Hijo* (Universal Child Allowance). The allowance is paid to unemployed persons and low-income individuals with children below 18 or disabled (US\$40 per child, US\$158 if the child is with disabilities), including domestic workers and workers in informal employment, subject to children's medical checkups and school attendance.

In addition, a monthly allowance is paid to low-income pregnant women, the *Asignación Por Embarazo* (Maternity Benefits), subject to regular medical control under the *Plan Nacer* (Birth Programme). Finally, the *Interzafra* programme provides a monthly financial aid during the off-season to certain registered seasonal workers in the primary sector and in specific types of agro-industry.

Considerations for specific groups and gender equality

There is no specific provision under the UI legal and regulatory framework to address different concerns and needs among female and male workers.

Concerning persons with disabilities, although the UI scheme does not include specific provisions, there are special incentive programmes for the private sector to hire disabled persons and a 4 per cent quota to be filled in the public sector.

3. Performance and monitoring indicators relating to scheme's efficiency and challenges

Comparison between legal and effective coverage

In 2006, the UI registered an estimated 4.4 million out of 5.2 million workers covered by the social insurance (SI) system.

In mid-2011, the labour force survey reported 5.4 million SI contributors out of 8.3 million salaried workers, the remaining group being considered as informal or non-registered employment. Informal employment thus represented 34 per cent of salaried employment in 2011, almost recovering to the levels seen in the early 1990s and down from a peak of 49 per cent in 2004 (source: Labour Force Survey and analysis by SEL Consultores in October 2011).

In June 2011, the number of beneficiaries was 102,000 for 193,000 registered claims (in 2010).

These figures are to be compared with the number of unemployed approximately at 1,216,000 in the second quarter of 2011 (based on estimates by MTEySS), corresponding to an unemployment rate of 7.2 per cent.

Comparison between the level of benefits and (i) the national poverty line, (ii) the national minimum wage (when established)

The average monthly benefit was ARS354 in June 2011, ARS623 for UI benefits including family allowances.

As comparison, the national minimum wage was raised to ARS 2,300 monthly in September 2011, the fourteenth such increase since 2006, when it stood at ARS630.

In January 2012, the value of the market basket of basic needs used to represent the poverty line was officially estimated at ARS 461 per month per adult in Buenos Aires (according to the National Statistics Institute). According to that measure, 8.3 per cent of individuals were estimated living under the poverty line.

4. Strengths and weaknesses of the UI scheme

Strength: A person receiving UI benefits will maintain entitlements to other social insurance benefits.

Weakness: Maximum and minimum benefits have not been adjusted since 2006, despite a nearly fourfold increase in minimum wages. As a result, benefits rates are quite low compared to previous earnings.

The benefit schedule shows large discontinuities, for example the 24th month of insured work gives rise to four extra months of benefits.

Bahrain

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Najwa Buhassan – Director of Unemployment Insurance Office, Ministry of Labour

Kingdom of Bahrain – E Government Portal: <http://www.bahrain.bh/wps/portal>

Presentation of the UI scheme: http://css.escwa.org.lb/SDD/1162/presentations_6.pdf

Social Insurance Organization (SIO): <https://www.sio.bh/?xxl=English>

National Identity Cards: http://www.cio.gov.bh/CIO_ENG/default.aspx

Tamkeen (Labour Fund): <http://www.lf.bh/en>

Statistics: http://www.cio.gov.bh/CIO_ENG/Default_stats.aspx

Exchange Rate: US\$1= 0.375 Bahrain Dinar (BHD) (September 2012)

1. Main features of the unemployment benefit system

Historical development

In 2004, in cooperation with the ILO, the Bahraini Government conducted a labour force survey, which identified 30,388 (Bahraini and non-Bahraini) jobless persons (or an unemployment rate estimated 8.3 per cent)³⁰, followed in 2005 by an actuarial study and the drafting of the Legislative Decree No. 78 of 2006 with respect to Insurance Against Unemployment which became effective in 2006.

Main features and coverage

The UI system, of social insurance type, comprises two types of benefits: i) Compensation benefits; and ii) Aid benefits.

Compensation benefits are paid to those who have lost their employment through no fault of their own and have sufficient insured months to qualify.

Aid benefits are paid to first time jobseekers who have graduated from university and have entered the labour market to find work (also includes those who do not qualify for compensation benefits).

Under the Legislative Decree No. 78 of 2006 with respect to Insurance Against Unemployment as well as the Consolidated Act on Social Insurance of 1976, civil servants (excluding armed forces and security personnel) and salaried workers of all nationality, and first time jobseekers (Bahraini citizens only) are covered by the UI scheme.

In 2009, about 13 per cent of beneficiaries received compensation benefits, 87 per cent received aid benefits.

Specific practices of relevance

An interesting feature of the UI scheme in Bahrain is that it covers first time jobseekers (Bahraini citizens only) under the aid benefits scheme.

Unemployed beneficiaries are allowed to undertake part-time work and still collect UI benefits, up to the difference between the amount of salary and the UI benefits.

Institutional set-up of the UI Fund

The Ministry of Labour, through its UI Office, is responsible for registration of the unemployed, processing claims, offering employment/training courses and suspension of benefits.

On the other hand, the Social Insurance Organization collects UI contributions and manages the UI Fund.

Operational delivery system and electronic systems

Each Bahraini citizen has an electronic identity card issued by the Central Informatics Organization (CIO). Using Smart Card technology, these cards have built-in biometrics such as fingerprints as well as the photograph and signature of holders. They contain data and information from the holder's passport and driving license. Additionally, the Smart Card can include the holder's basic medical details and the academic qualifications. They are used when applying for social benefits, including UI.

The UI scheme relies on one main office in the capital city of Manama which processes the claims for UI benefit, and a number of satellite offices which take UI claims and forward them to the main office for processing.

³⁰ Ministry of Labour (MoL) and Bahrain Centre for Studies and Research (BCSR), Labour Force Survey, November 2004.

The UI scheme is equipped with an Appeals and Arbitration Department, composed of legal experts, which adjudicates with contentious claims.

Work and contribution history is maintained by the Social Insurance Organization (SIO). Electronic linkages between SIO, CIO and the UI Office allow front line UI staff to immediately access contribution records as well as to verify each claimant's identity.

Contribution rates

The rates of contribution are 1 per cent of payroll each from workers, employers and the government. The maximum monthly earnings used to calculate contributions are BHD4,000 (no ceiling for civil servants).

The employers' share (reported as BHD14.4 million in 2010) is taken out of the fees they must pay to the *Tamkeen* or Labour Fund.

Qualifying conditions and continuation of benefits

To qualify for Compensation Benefits, unemployed workers must meet four requirements: (i) not have left employment of their own free will; (ii) be able to take up employment; (iii) have the desire to work; and (iv) not have been dismissed for disciplinary reasons.

Entitlement to Compensation Benefits also requires a minimum number of insured months of work as follows:

- For first time compensation, workers need 12 continuous months of work.
- For second time compensation, they need an additional 12 months in the last 18 months.
- For third time compensation, they need an additional 18 months in the last 24 months.
- For the fourth claim or more, they need an additional 36 months in the last 48 months.

To qualify for Aid Benefits, a jobseeker:

- must be a Bahraini citizen aged 18 or over;
- shall be able to work;
- shall have the desire to take up employment;
- shall look in earnest for a job;
- shall join the prescribed training, attend the course regularly and complete it successfully;
- be a first time jobseeker.

In order to continue receiving benefits, a worker must actively look for work and have a desire to work.

In addition, unemployed workers must report to the UI Office at least every two weeks, or whenever asked to do so by the UI Office.

If an unemployed worker refuses suitable employment twice (or refuses a training course), he/she is suspended from benefits.

Benefit rate and duration

Compensation benefits can be paid for six continuous or intermittent months in respect of each claim. Benefits are paid at the rate of 60 per cent of previous average wages in the last 12 months, up to a maximum of BHD500 per month. The minimum benefit is BHD150.

Aid benefits can be paid once, for six months over a continuous period of 12 months. Benefits are paid at a flat rate of BHD150 per month for holders of academic qualifications. Other unemployed workers receive BHD120 per month.

Waiting period before receiving first payment

The waiting period is seven days for both types of benefit.

2. Other provisions related to unemployment protection and support to specific groups

Legal practices regarding severance pay

There is no mandatory severance pay in Bahrain.

Linkages with ALMPs

There are three main agencies involved in labour market policies:

1) *Tamkeen* (the Labour Fund) plays a crucial role in training and employability, by investing in training for high commitment jobseekers, and by facilitating job placement. Interestingly the employers' contributions to the UI fund are channeled through the *Tamkeen*.

2) *Bahraini Training Institute* (BTI) is a vocational training centre established by the Ministry of Labour in 1992. Its goal is to contribute to skills development of the national workforce in order to meet current and future labour market needs.

3) *Employment Service Bureau* of the Ministry of Labour is responsible for the registration of unemployed workers as well as to provide employment assistance to those in need, such as resume writing and how to conduct an effective job search. It manages the government's e-portal site for the electronic registration of jobseekers.

More specifically, *Tamkeen* helps individuals and enterprises to develop skills to facilitate early reemployment of jobseekers. It offers programmes for individuals such as "The *Tamkeen* Professional Certifications Scheme" and "The Hospitality Programme". Support services for job creation are also offered to employers through the *Tamkeen*, such as "The Enterprise Support Fund", allowing enterprises in distress to receive funds to improve their long term stance, and hence maintaining employment.

Existing non-contributory income security

Thanks to oil revenues, Bahraini nationals are entitled to a number of free social services including medical care, sickness and maternity support, child care, and in some instances housing and disability benefits, whatever the situation in employment. Migrant workers have access to medical care.

A social cash transfer programme by the Ministry of Social Development is also available for all households with a monthly income less than BHD337. Extrapolating from the 2006 Household Income and Expenditure Survey, approximately 21.9 per cent of Bahraini households fell below the relative poverty line in 2010, the value of which was estimated at BHD463 in 2010 prices.³¹

Consideration for specific groups and gender equality

Bahraini women occupied only 9 per cent of all jobs in the first quarter of 2011, which was less than half of those held by Bahraini men. In Bahrain, two-third of employment are occupied by non-Bahraini men.

Employment in Bahrain
(first quarter of 2011)

		Male	Female	Total
Bahraini	Number	95,030	46,234	141,264
	Distribution	18.6%	9 %	27.6%
Non-Bahraini	Number	345,248	25,216	370,464
	Distribution	67.5%	4.9%	72.4%
Total	Number	440,278	71,450	511,728
	Distribution	86%	14%	100%

Source: Labour Market Regulatory Authority (excluding 83,000 domestic workers, all non-Bahraini)

According to the 2004 LFS data,³² labour force participation rates were 49.8 per cent for (Bahraini and non-Bahraini) women and 82.2 per cent for men.

The 2004 LFS data also show an unemployment rate of 14.3 per cent for women (16,210 individuals) and of 5.5 per cent for men (14,178 individuals). The overall unemployment rate was 8.3 per cent.

The UI scheme does not include any specific provisions concerning persons with disabilities.

3. Performance and monitoring indicators relating to the scheme's efficiency and challenges

In 2009, ILO recommended implementing a performance indicators system for UI and for employment programmes.

Comparison between legal and effective coverage

Non-Bahraini workers are in principle covered under the UI scheme but have not in practice received any UI benefits, except in a few cases.

Comparison between the level of benefits and i) the national poverty line, ii) the national minimum wage

The value of the poverty line was estimated at BHD463 in 2010 prices. Minimum wages are BHD200 per month for workers with less than secondary education; BHD250 per month for Diploma holders and BHD300 per month for university degree holders.³³

As a comparison, the Compensation Benefits oscillated between a maximum of BHD500 per month, and a minimum of BHD150. The Aid benefit is set at BHD150 monthly.

4. Strengths and weaknesses of the UI Scheme

Strength: Consistent surpluses indicate the possibility of providing higher level of benefits.

Weaknesses: Strict eligibility conditions restrict the number of jobseekers able to receive unemployment benefits.

Benefits have not been revised since 2006.

31 Economic Development Board of Bahrain, Bahrain Economic Quarterly, Third Quarter 2011

32 Ministry of Labour (MoL) and Bahrain Centre for Studies and Research (BCSR), Labour Force Survey, November 2004

33 Economic Development Board of Bahrain: *Bahrain Economic Quarterly*, Third Quarter, 2011.

Canada

Contact: Assistant Deputy Minister, Service Canada

Web site of Service Canada: <http://www.servicecanada.gc.ca/eng/home.shtml>

Canada Pension Plan: <http://www.servicecanada.gc.ca/eng/isp/cpp/cpptoc.shtml>

Old Age Security Program: <http://www.servicecanada.gc.ca/eng/isp/oas/oastoc.shtml>

Human Resources and Skills Development Canada: <http://www.hrsdc.gc.ca/eng/home.shtml>

M. Townson, K. Hayes :Women and the Employment Insurance Program(Ontario, Canadian Center for Policy Alternatives, 2007): http://www.policyalternatives.ca/sites/default/files/uploads/publications/National_Office_Pubs/2007/Women_and_the_EI_Program.pdf

Employment Insurance Act and Regulations: <http://laws-lois.justice.gc.ca/eng/acts/E-5.6/>

Statistics Canada: <http://www.statcan.gc.ca/start-debut-eng.html>

Exchange Rate: US\$1 = 0.975 Canada Dollar (CAD) (September 2012)

1. Main features of the unemployment benefit system

Historical development

The UI scheme in Canada, adopted in 1940, commenced operation on 1 July 1941. It is a tripartite social insurance scheme. When launched, it was covering about 42 per cent of workers, with benefits lasting from six to 51 weeks. A major expansion in 1972 introduced universal coverage, higher benefits, sickness and maternity benefits and benefit extensions linked to unemployment rates. Since 1990, only employer and employee contributions have paid for the entire costs of the UI scheme.

Significant adjustments in 1996 included a change of name to Employment Insurance (EI). Insurability was based on hours instead of weeks, eligibility rules were tightened and benefits were reduced.

Main features and coverage

The Employment Insurance Act (1996) and related Regulations, last amended in January 2011, provide the legal framework for the EI program.

Insurable employment includes all employment covered by a written or verbal, part-time or full time, contract, including apprenticeship contracts. The Act covers most salaried employment in Canada. Self-employed persons, other than fishermen, and owners of business are not covered by the EI system.

Hours of work are used to determine if workers are entitled to benefits and for how long. Employers must keep detailed records of employment for the last 53 weeks and must issue a Record of Employment (ROE) whenever a job is terminated, including the reason for separation.

The EI scheme provides five benefits: unemployment, maternity, sickness, parental and compassionate care. 85 per cent of all claims correspond to unemployed persons who have involuntarily lost their job and are available, capable and actively seeking work (called Regular Benefits). Special Benefits (maternity, sickness, parental and compassionate care) cover the remaining 15 per cent of claims.

Specific practices of relevance

In periods of economic downturn, the EI system promotes Work Sharing Program. In case of reduction in business activity that is beyond the employer's control, the EI scheme can provide, for a limited time, partial income support to eligible employees while they work reduced work hours or week, until the economic conjuncture stabilizes.

Employment is considered to be insured whether or not contributions were remitted by employers.

Qualifying conditions (duration of contributions) and duration of benefits vary according to the regional unemployment rate. Such measures aim at providing better protection in regions with higher level of unemployment.

Institutional set-up

The Canada Revenue Agency (CRA) collects EI contributions. Worker contributions are deducted from their wages and remitted to CRA along with the employer share, at the same time as contributions to the Canada Pension Plan and income tax deductions at source. In addition to collecting contributions, CRA is responsible for individual insurability rulings.

Service Canada, an agency of the department of Human Resources and Skills Development Canada (HRSDC), receives and processes claims for EI benefit, and issues EI payments. Service Canada is also responsible for the administration of two other main benefit programmes managed by the federal government, the contributory Canada Pension Plan and the Old Age Security Program (a non-contributory pension scheme).

The EI Commission is composed of representatives of employers, workers and the government but its role is a minor one.

Operational delivery system

Most EI applications are filed by Internet, but in-person and mail applications are also allowed. An Internet application, Appli-web, informs jobseekers about privacy laws and warns about fraudulent claims and possible penalties including imprisonment. Approximately 60 per cent of Records of Employment are submitted by employers through electronic means.

The EI delivery system manages claims on an automated basis, without any manual intervention, unless there is missing, incorrect or conflicting information on the claim documents. Claimants can enquire about the status of their claims via the Internet, by phone or in person.

In over 90 per cent of cases, payments are issued by direct deposit to the unemployed worker's bank account.

A dedicated Integrity Unit works at preventing misuse and abuse of Service Canada's benefit programmes. This unit operates both preventive and recovery measures. In addition to dealing with suspected fraud cases, its staff can selectively review the situation of persons receiving lengthy UI benefits. Computerized matches also help to identify unreported earnings or ineligible claimants.

Contribution rates

In 2012, employees pay 1.83 per cent of insured wages for EI and their employers pay 1.4 times the amount of employee contributions, which leads to respective shares of 5/12ths and 7/12ths of total contributions.

The maximum insured earnings for 2012 are CAD45,900, thus the maximum contribution is CAD839.97 for employees and CAD1175.96 per worker for employers.

Qualifying conditions and continuation of benefits

Depending on the regional unemployment rate, claimants need from 420 to 700 insured hours in the last year to qualify. New entrants or re-entrants to the labour market need 910 insured hours.

EI Regular Benefits (covering unemployment) are only paid if the termination of employment was involuntary. Claimants who quit or were fired are disqualified unless they can establish that they had a justifiable reason for leaving or losing their job.

Claimants must be without work for seven consecutive days in order to present a valid claim. Jobseekers must be ready, willing and able to work every day and conduct an active job search.

Claimants must report every two weeks, by phone, Internet or mail, to prove their ongoing entitlement. For each report, they will indicate their availability and their work and earnings during the last two weeks. If they have been on claim for a lengthy period of time, claimants will be asked to report in person.

Claimants are allowed to work part time while collecting EI Regular Benefits. An unemployed worker can earn up to CAD75 or 40 per cent of their weekly benefits without any deduction from their EI Regular Benefits.

Benefit rate and duration

Unemployed workers can normally receive from 14 to 45 weeks of EI Regular Benefits, depending on their regional unemployment rate and on the number of hours that they worked over the last year.

The rate of Regular Benefit is 55 per cent of average weekly insurable earnings. For 2012, the maximum annual insurable earnings are CAD45,900 which provides a maximum weekly benefit rate of CAD485.

Waiting period before receiving first payment

In addition to the minimum period of seven consecutive days without working, claimants are not compensated for the first two weeks of their unemployment period.

Severance payments or vacation pay will further delay the start of benefits.

2. Other provisions related to unemployment protection and support to specific groups

Legal Practices regarding severance pay

Upon termination of employment by the employer, except in the event of dismissal for just cause, an employee who has completed 12 months of continuous employment is entitled to five days' wage severance pay. Severance pay covers post-employment weeks paid on the basis of past earnings, thus delaying the start of UI benefits.

Entitlements to severance pay under the Canadian Labour Code

Tenure	Severance pay
≥ 1 year	5 days
≥ 2 years	5 days
≥ 4 years	8 days
≥ 5 years	10 days
≥ 10 years	20 days
≥ 20 years	40 days

Source: ILO EPLex

Linkages with ALMPs

The EI fund also provides budget for Employment Benefits and Support Measures, the annual total of which cannot exceed 0.8 per cent of aggregate insured earnings. Only EI beneficiaries are entitled to Employment Benefits, in the form of training, self-employment assistance or wage subsidies. Support Measures, such as action planning, job search skills, job finding clubs and labour market information are accessible to everyone. Though funded by the EI scheme, most of these programmes are administered by the provinces and territories.

HRSDC - Service Canada's parent department - also provides certain Employment Programmes to help unemployed and under-employed persons, including those facing barriers to employment.

Existing non-contributory income security

A separate non-contributory federal scheme, the Wage Earner Protection Program, provides partial recovery of unpaid wages and severance pay if employers declare bankruptcy.

Social assistance is provided to needy individuals, subject to means testing. It is funded and administered by provincial and territorial governments. Though conditions and benefits can vary, eligibility depends on claimants' needs and financial situation as well as, for employable persons, on their willingness to look for a job.

A Child Tax Benefit is provided to low-income families with children, based on the previous year's net family income, as reported for income tax purposes. This benefit can be paid to all legal residents of Canada.

In addition, a non-contributory old age security benefits start at age 65, requiring at least 10 years residence in Canada. These benefits are funded from general tax revenues, as opposed to the contributory public pension scheme.

Considerations for specific groups and gender equality

Two parameters of the EI scheme may plan in disfavour of women. First, the hourly minimum requirements make it difficult for part-time workers, most of whom are women, to meet the qualifying conditions. Second, those, mainly women, who temporarily leave employment to care for family members are considered as re-entrants or new entrants when they return to work, and would then need 910 hours of insured employment to qualify.

The EI scheme funds a number of programmes and services to help persons with disabilities to integrate into the labour market. For example, the Opportunities Fund for Persons with Disabilities provides funding to organizations that assist people with disabilities in preparing for, obtaining and keeping employment or becoming self-employed.

The EI scheme also includes provisions to allow some flexibility to persons affected by illness or disability, as regards the required qualifying period or allotted duration of benefits.

3. Performance and monitoring indicators relating to the scheme's efficiency and challenges

Monitoring system

HRSDC annually reports to Parliament on the performance of the EI scheme. This report comprehensively analyzes the last year's experience and the performance of the EI scheme, including the results achieved through labour market policies.

Service Canada relies on a number of operational indicators to measure the EI scheme's performance, such as: the number of claimants using electronic services or being paid through direct deposit, the accuracy of EI decisions and payments, the speed and quality of decisions, the speed of appeals, and the integrity of payments. The department considers the speed of payment of EI benefits as a particular priority, aiming to provide a decision on each claim within 28 days of filing in at least 80 per cent of cases. All EI transactions are posted to the EI Account, the results of which are verified and published annually.

Comparison between legal and effective coverage

During 2011, the average number of beneficiaries receiving EI Regular Benefits was 582,000 during 2011, a 14.9 per cent reduction from the previous year. The same year, there were 1.5 million applications for EI Regular Benefits and the number of unemployed was 1,393,000, thus establishing the ratio of EI Regular

Beneficiaries to unemployed persons at 41.7 per cent in 2011.

Comparison between the level of benefits and i) the national poverty line, ii) the national minimum wage

During the 12 months prior to 31 March 2010, the average weekly benefits were CAD366 (CAD19,032 annually).

HRSDC reports annually on the proportion of persons whose annual income fell below the “market basket measure” (MBM), a measure of basic needs corresponding to “a modest standard of living”. In 2008, that proportion was 9.5 per cent. As illustration, the average value of the MBM for a family of four was about CAD29,000 for the year 2008.

Alternative indicators to compare the EI benefit with living standards use a low-income cut-off, determined as 50 per cent of median annual household income, which varies by region and family size. For example, the 2008 limits for a family of four varied from CAD28,400 in rural areas to CAD41,200 in large urban areas.

In Canada, minimum wages are set by the ten provinces and three territories. The prevailing average minimum wage in Canada is about CAD10 an hour (CAD20,800 per year).

Re-employment rate before the end of entitlement

In March 2011, HRSDC reported that the proportion of entitlement that UI claimants use has remained relatively stable for five years, at around 60 per cent.

It was also reported that claimants who established a claim in the 12 months prior to 31 March 2009 received 21.9 weeks of benefits, an increase of 3.2 weeks from the previous year, the increase being a direct result of the recession.

Regular Benefits claimants exhausted their entitlements in 27 per cent of all claims that had been initiated in the 12 months prior to 31 March 2009.

Impact of introducing UI scheme on unemployment/lay-off rates

The stabilizing effects of UI/EI schemes on unemployment/lay-off rates during an economic slowdown have been documented in a number of studies, including studies done in Canada during the 1990s³⁴.

4. Strengths and weaknesses of the EI scheme

Strengths: Service Canada has effectively promoted the use of Internet-based services for claimants and employers.

The division of responsibilities between the Canada Revenue Agency (CRA) and Service Canada has ensured full and prompt collection of contributions as well as the proper delivery and control of benefits.

The Integrity Unit protects EI funds by instituting prevention controls as well as initiating after-the-fact investigations.

Service Canada has a strong quality control programme which ensures that EI benefits are being paid correctly and on time.

Joint financing by employees and employers gives both groups a significant say when changes are considered concerning the design of the EI scheme.

Weaknesses: The Government of Canada has been criticized for diverting funds from the EI Account to general government spending.

There is no mechanism in place to allow for the stabilization of EI contribution rates throughout the business cycle.

The hours-based system makes it difficult for part-time workers to qualify for EI benefits.

³⁴ See for example Anca-Ştefania Sava's review, at <http://www.ann.ugal.ro/eco/Doc2010/Sava.pdf> [accessed 30 April 2013]

Chile

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Private company administering UI scheme: <http://www.afcchile.cl/>

Government agency responsible for UI legislation and monitoring (SAFP): <http://www.safp.cl/573/propertyvalue-1705.html>

UI statistics: <http://www.safp.cl/safpstats/stats/>

UI law and regulations at: <http://www.safp.cl/portal/regulacion/582/w3-propertyvalue-5939.html> Summary of 2009 UI amendments:

<http://www.issa.int/News-Events/News2/Unemployment-insurance-in-Chile-Reform-and-innovation>

Unemployment and other statistical data at: <http://www.ine.cl/>

Exchange Rate: US\$1 = 469.8 Chile Peso (CLP) (September 2012)

1. Main feature of the unemployment benefit system

Historical development

There had been a limited unemployment insurance scheme in Chile before 2001, under a system initiated in 1937 and modified a number of times. This programme still applies to individuals who have not yet come under the new UI programme, along with public employees. Known as *subsídio de cesantía* or unemployment subsidy, the scheme has had low coverage and benefits throughout most of its history.

The adoption of a comprehensive UI programme had been under consideration for about a decade when it was passed by the Chilean National Congress in April 2001 (Law 19.728, effective 2 October 2002). Various proposals had been debated before then but stiff opposition prevented any of them from being adopted. The UI scheme of Chile, launched on 2 October 2002, is a mandatory individual savings scheme with a limited social insurance component.

With the Law 20.328 (effective 1 May 2009), limited social insurance benefits were granted to temporary workers. Also from that date, qualified jobseekers could receive two extra months of benefits in period of high unemployment.

Main Features and coverage

The Chilean UI scheme provides cash benefits at the end of employment. Benefits depend on individual savings, and can be supplemented by a social insurance component, with limited benefits for temporary (fixed-term) workers. It applies to workers subject to the Labour Code and hired after 2 October 2002; participation to the UI scheme is voluntary if hired before then.

The Law 19.728 (2002) primarily focused on permanent workers. With the Law 20.328 (2009) (introduction of social insurance component), coverage was extended to temporary workers, namely fixed term workers whose contract does not exceed 12 months and task or project contract whose contract is subject to the completion of a pre-specified task.. Excluded categories consist of government workers, domestic workers, apprentices, youth below 18 years old, self-employed, informal workers and retired persons.³⁵ The UI scheme covers migrant workers.

It is important to note that coverage is not mandatory for those workers who were already employed when UI came into effect (October 2002). Today, for those workers, registration to UI scheme is voluntary. If the same worker started a new employment relationship after that date, coverage is mandatory.

³⁵ Employees retired on the grounds of partial disability are covered by the UI scheme.

Specific practices of relevance

Maximum insured earnings, maximum and minimum benefits are indexed to keep pace with increases in average wages.

Individual accounts can be cashed in at retirement (or death) or transferred to pension fund.

Employers in financial difficulty can declare their UI contributions but defer paying them for 180 days.

Employers of domestic workers must deposit 4.1 per cent of their taxable wages in a savings fund, for withdrawal on work termination.

Employers of domestic workers must deposit 4.1 per cent of their taxable wages in a savings fund, for withdrawal on work termination.

Institutional set-up

Coverage, collection of contributions, claims management as well as financial and investment management including the custody of individual and collective funds, are all assured by the Administradora de Fondos de Cesantía (AFC) (Unemployment Funds Manager), a private company with a ten year contract expiring in 2012.

The Superintendencia de Pensiones (SAFP) (Supervisor of Pensions) of the Ministry of Labour's Pension Superintendence supervises, controls and monitors the AFC. An independent Users' Commission reports annually.

Operational delivery system

Registration of an employee must be notified to AFC by the employer within ten days of hire.

Voluntary enrolment (for workers hired before 2 October 2002) is made at one of 213 local offices (most of them belonging to the Pension Funds), or submitted through the employer.

At termination of a contract, applications for UI benefits must be initiated in person at one of the 213 local offices. Those offices are also supported by three mobile offices serving remote communities. Applicants are encouraged to use electronic systems to establish initial eligibility.

Return to employment is verified through electronic match ups (for formal employment) and mandatory monthly reporting to one of the 213 local offices which are able to cross-check information through electronic linkages among a network of about 300 Oficinas Municipales de Intermediación Laboral (OMIL) (Municipal Employment Offices).

Benefits are paid monthly in arrears by bank deposit, mail or cash.

Contribution rates

UI contributions total 3 per cent of insured wages, up to a current wage limit of about CLP 2.2 million per month. Two contribution rates are applied:

- permanent workers pay 0.6 per cent into their savings funds, their employers add 1.6 per cent and also contribute 0.8 per cent to the social insurance fund;

- for temporary workers, only employers contribute, 2.8 per cent going to the savings fund and 0.2 per cent to the social insurance fund.

Employer and worker contributions to individual savings accounts end after 11 continuous years with the same employer, but the employers' contribution to the social insurance fund must continue.

The government has contributed prescribed amounts to the insurance fund, averaging 7.9 per cent of employer contributions to that fund since 2002. This contribution is paid in monthly instalments.

Qualifying conditions and continuation of benefits

To access individual savings accounts, one needs six or 12 contributions, depending on whether they are a temporary or permanent worker. These benefits are paid without questioning the reason causing the end of employment.

Requirements for social insurance benefits are as follows: (i) 12 months contributions within the last 24 months, the last three being continuous and with the same employer; (ii) job loss must be involuntary,³⁶ (iii) the individual account must be exhausted; and (iv) claims cannot be made more than twice in five years.

Payments from individual savings accounts continue for the duration of unemployment, without any job search obligation. Claimants can choose to receive a payment for the month during which they become re-employed.

Social insurance benefits for the unemployed require active job search and monthly reporting to the municipal employment office (OMIL). Claimants must join the National Job Bank, attend scheduled interviews and accept suitable employment or training referrals.

³⁶ Reasons for termination under the concept of "involuntary termination" for this purpose are listed by law, namely:

- a. Force Majeure
- b. Business necessities
- c. Expiration of the fixed term
- d. Completion of the task or project

Benefit rate and duration

Withdrawals from individual savings accounts are at decreasing monthly rates until the account is empty at rates of 50 per cent, 45 per cent, 40 per cent, 35 per cent, 30 per cent, 25 per cent and 20 per cent, applied to the last six or 12 months average earnings depending on whether the worker held a temporary or permanent contract.

Social insurance benefits for permanent workers are made to produce five monthly payments at the rates shown above, including payments from individual accounts. It means that if a person exhausts his/her individual savings accounts after one month of payment at 50 per cent of past monthly earnings, the unemployed will be entitled to a maximum of four additional months at decreasing rates of 45 per cent, 40 per cent, 35 per cent, 30 per cent of past earnings.

Similar rule applies for temporary workers. Payments from the social insurance fund are made to produce two monthly payments at rates of 35 per cent and 30 per cent, including payments from individual accounts.

In period of economic downturn, "high unemployment" benefits consist of two extra months of social insurance benefits at a rate of 25 per cent each, if the current unemployment rate is 1 point higher than the four-year average rate.

In addition, health insurance is kept in force while receiving cash (savings or insurance) benefits and family allowances for low-income families continue for persons entitled to social insurance benefits.

Waiting Period before receiving first payment

There is no waiting period.

2. Other provisions related to unemployment protection and support to specific groups

Legal Practices in regards to severance pay

For permanent workers, the accumulated value of employer contributions in their UI savings account is deducted from any severance otherwise due at termination of employment (for economic reasons) or dismissal at will for employees who bear at least general authority management, such as managers, assistant managers, attorneys and agents, as well as domestic workers).

Severance pay is not applicable in case of other indemnities agreed or paid voluntarily by the employer (e.g. indemnities agreed in the event of retirement).

Linkages with ALMPs

As prescribed by the Article 65 of the Law 19.728, a training fund, Bolsa Nacional de Empleo³⁷ managed by the Servicio Nacional de Capacitación y Empleo (SENCE) (National Service for Training and Employment) and operated at the municipal level by the OMIL was created to: (i) exchange information among enterprises and UI insured on training opportunities; and (ii) provide training grants to UI recipients (Programa de Becas Fondo de Cesantía Solidario). It is described as the only current publicly-sponsored training initiative for this group.

SENCE provides hiring subsidies as incentives for employers to hire jobseekers, especially among the most vulnerable segments or those who have more difficulty finding a job.

Existing non-contributory income security

There exists as well an unemployment subsidy for those not yet registered under the UI scheme and involuntary unemployed. The unemployment subsidy is for up to a year but with low level of benefits. Coverage is also limited.

The social protection framework in Chile includes family allowances payable to low-income workers, pensioners or UI recipients, if they have dependent children or relatives older than 65.

Consideration for specific groups and gender equality

Women in Chile have a low labour force participation rate (estimated at 43.5 per cent vs. 67.3 per cent, second semester 2012, LFS) and a higher unemployment rate than men (estimated at 7.8 per cent vs. 5.69 per cent, second semester 2012, LFS). However, there is no specific provision targeting female workers under the UI scheme.

UI contributions continue for workers on temporary sick leave, paid by their private insurer for the worker share and by the employer for its share.

Active workers receiving a partial disability pension are covered by the UI scheme.

Recipients of unemployment benefits may refuse an employment offer if forced to do so on account of temporary or permanent disability.

37 Bolsa Nacional de Empleo : <http://www.bne.cl/noticia/verScid,10794-1//>

3. Performance and monitoring indicators relating to scheme's efficiency and challenges

Monitoring system

Actuarial reports are required every two years, addressing a 15 year projection.

The private manager, AFC, has designed its own database architecture, data being sent each month to SAFP. The Ministry of Finance and the Undersecretary of Labour also have access to this database.

The contract with the AFC contains performance objectives on factors such as accuracy, speed and quality of service, and the penalties that will be imposed if they are not met.

Comparison between legal and effective coverage

In October 2011, there were 3.6 million active contributors, with average insured earnings of CLP525,000, out of 7 million open accounts.

The total employed population was 7.5 million in November 2011, out of whom 5.2 million were salaried workers and 4.4 million were in the private sector.

The number of initial payments made in the 12 months prior to November 2011 was CLP1,010,000.

There were 137,000 beneficiaries compared to an average monthly number of unemployed in Chile was 582,000 during 2011, up to November.

Comparison between the level of benefits and (i) the national poverty line, (ii) the national minimum wage (when established)

Average monthly benefits were CLP153,000 in the 12 months prior to November 2011. At that date, maximum and minimum monthly UI benefits ranged from CLP208,000 and CLP96,000 respectively for the first month, to CLP125,000 and CLP53,000 in the fifth month.

As per comparison, the national minimum wage (as of 1 July 2011) was CLP182,000 monthly. And the national poverty line was estimated in 2009 at CLP64,000 per month for individuals living in urban areas and at CLP43,000 for rural areas. This is based on a market basket of basic needs.

Impact of introduction of UI scheme on unemployment/lay-off rates

According to a 2006 study, the Chilean UI regime "bears more resemblance to a mandatory saving program than a real insurance program", and has had only a small impact on the volatility of the main economic variables.³⁸

An evaluation of training grants programme for UI beneficiaries showed uncertain and mixed results.³⁹

4. Strengths and weaknesses of the UI scheme

Strengths: The scheme's administration is fully transparent. Funds are securely held and managed by a corporation that is independent of government, although the scheme, its rules and operations remain under the supervision of government.

An independent Users' Commission makes annual public reports of the scheme's operations along with analysis and recommendations, having full access to government authorities as well as to the managers of the scheme.

Weaknesses: The system is mainly based on individual savings accounts, model which ignores principles of risk pooling and collective financing, as prescribed by the ILO Convention No. 102. Although, the 2009 changes started to relax accessibility conditions, the amount and duration of benefits remain very low, especially for temporary workers.

The fund is managed by a private operator, AFC until 2012, with no involvement of employers' and workers' representatives. Tripartite board management of the unemployment insurance fund is prescribed by the ILO Convention No. 102 to address adequately interests of users and contributors.

There is no linkage between the private manager-operator, AFC, and employment support services provided by OMIL or SENCE. AFC has no active involvement in promoting reemployment.

There is a low take-up of insurance benefits by eligible individuals.⁴⁰

38 R. Cerda, r. Vergara: *Unemployment insurance in Chile: does it stabilize the business cycle?*, (Santiago, SAFP, 2006), http://www.safp.cl/portal/informes/581/articles-3497_pdf.pdf [accessed 11 Oct. 2012].

39 E. Fajnzylber, S. Ojeda: *Evaluación de Impacto del Programa de Becas Fondo de Cesantía Solidario 2007*, (in Spanish only) (Santiago, SAFP, 2011), http://www.safp.cl/portal/informes/581/articles-8013_pdf.pdf [accessed 11 Oct. 2012].

40 I. Poblete: *Análisis del uso de beneficios en el Seguro de Cesantía Chileno*, (Santiago, Superintendencia de Pensiones, Working Document 51, 2011) (in Spanish only), <http://www.safp.cl/portal/informes/581/w3-article-8014.html> [accessed 13 Nov, 2012].

China

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Active employment policy in China: http://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---ilo-beijing/documents/publication/wcms_184887.pdf

Social Insurance Law (2010) : <http://www.ilo.org/dyn/natlex/>

Regulations on Unemployment Insurance (1999) : <http://www.asianlii.org/cn/legis/cen/laws/roui413/>

Exchange Rate: US\$1 = 6,30 China Yuan Renminbi (CNY) (September 2012)

1. Main feature of the unemployment benefit system

Historical development

In China, the UI system was established in 1986, targeting at urban employment and especially State Owned Enterprises (SOEs). Its development and that of the entire social insurance system paralleled the emergence of the model known as a “socialist market economy”.

A new Social Insurance Law was adopted on 10 October 2010 and entered into force on 1 July 2011. The SI Law covers basic old-age pensions, medical insurance, working injuries and occupational diseases, maternity benefits and unemployment insurance. The main modification brought by the new Law is the harmonization and unification of social insurance plans into one national system, ensuring portability of rights across locations. This also applies to the unemployment insurance scheme. The implementation of the UI scheme has until now been governed by a set of guidelines specified in the “Regulations on Unemployment Insurance” (State Council Ordinance # 258-99).

Main features and coverage

Coverage now extends to all employees in urban enterprises and public institutions (civil servants are covered by the Civil Servant Law). All employees also include rural migrant workers who have signed a labour contract with their employers. Self-employed and workers in flexible employment can register on a voluntary basis but shall pay the contributions themselves.

While guaranteeing the basic livelihood of the unemployed, the State seeks to steer UI in the direction of promoting re-employment. It has strengthened the link with re-employment services through registration of employment, providing employment information and

guidance, and providing job matching services as well as utilizing the UI fund for vocational training.

Specific practices of relevance

While receiving UI benefits, the unemployed continues to be covered by the health insurance scheme. The health insurance contributions of the unemployed are paid by the UI fund (Art. 48 of the SI Law, 2010).

If the unemployed person dies, their family can receive a lump-sum funeral subsidy from the UI fund, amount of which will be determined by the local provisions on death of in-service employees.

Institutional set-up

The Ministry of Human Resources and Social Services (MHRSS), under the State Council, oversees UI nationally. Administration of the scheme is decentralized to social insurance institutions at the county level, which are also in charge of paying benefits. Contributions are collected by local tax departments or social insurance institutions and deposited in special accounts in State’s commercial banks.

Contribution rates

Employer’s contributions are 2 per cent of wages and worker’s contributions, 1 per cent; however, provincial governments can adjust the local contribution rate with the approval of the State Council.

Qualifying conditions and continuation of benefits

Article 14 of the 1999 Regulations specifies three conditions to qualify for UI:

- having paid contributions for at least one year,
- having become unemployed involuntarily; and
- registering and seeking for employment.

Continuing eligibility requires that UI beneficiaries be actively seeking, capable of and available for work as

well as accept suitable job offers. Benefits terminate under the following conditions:

- Re-employment,
- Being recruited into military service,
- Emigrating to another country,
- Becoming eligible for old age pension, or
- Refusing to take jobs recommended by the designated local government authorities.

Benefit rate and duration

The UI benefit rate is determined by provincial governments. It is a flat rate, lower than the local minimum wage level but higher than the urban minimum livelihood guarantee. Some provinces link UI contributions to the amount of benefit rate.

The duration of benefits varies according to the unemployed worker's contributions:

- Less than 5 years = 12 months
- 5 to 10 years = 18 months
- More than 10 years = 24 months

Benefits are paid monthly except for lump sums to rural contracted employees recruited by urban enterprises, if they have at least one year of service and the employer paid UI contributions.

Waiting Period before receiving first payment:

There is no waiting period to be served.

2. Other provisions related to unemployment protection and support to specific groups

Legal Practices regarding severance pay

Before UI was introduced, SOEs provided life-long employment for their employees and various employment-related benefits, such as old-age pensions and free education and health care, known as “the cradle to the grave” welfare system. There was no need for severance payments at that time.

The 2008 Labour Contract Law made severance pay mandatory, to a maximum of three times the local average monthly wage times 12 years worked. Unemployment benefits are paid regardless entitlements to severance pay.

Linkages with ALMPs

In 1998, in a period where SOE went under major restructuring leading to numerous lays-off, the Government launched the Urban Employment and Reemployment Promotion Programmes. The fund provides subsidies to social insurance contributions

when jobseekers are re-employed, micro-loans and subsidized interest rates for small businesses employing jobseekers, fees for re-employment training, among other supports. Amongst all jobseekers, men aged over 50 years and females over 40 years are the primary target.⁴¹

In 2002, the State Council introduced a comprehensive set of economic and social policy measures (known as Document No.12) which emphasized:

- Expansion of employment opportunities through multiple channels;
- Development and extension of the support and incentive structure (e.g. independent job seeking by individuals, business start-ups); and
- Establishing the public employment service and developing and expanding its mandate for job placement, training and retraining facilities.

In 2008, the Employment Promotion Law (EPL) was passed focusing on China's active employment policies. The EPL policy structure evolved from past concerns of assisting laid off workers from SOEs to a complete set of policies to address unemployment, promote employment and extend social protection.⁴²

The UI fund can be used to subsidize the vocational training and career counselling for the unemployed (Art. 10 of the Regulations on unemployment insurance, 1999).

Existing non-contributory income security:

In 1998, the government extended nation-wide the establishment of the “Minimum Living Standard Guarantee Scheme (*dibao*)” for urban residents. In 2006, the *dibao* was extended to rural residents. It is a means tested benefit financed out of government revenues. The *dibao* provides cash assistance for households with per capita incomes falling below poverty lines. It caters to a mixed group of people including the unemployed, seniors, children and the disabled. Today, around 23 million receive the *dibao* in urban areas and 52.3 million in rural areas.

Adjusted to the Consumer Price Indices (CPI) the average monthly urban *dibao* was CNY230 and the rural one CNY 100, in 2010.⁴³

41 ILO: *Urban Employment and Reemployment Promotion Programmes* (Geneva, ILO, 2012), http://www.ilo.org/dyn/illossi/ssimain.viewScheme?p_lang=en&p_scheme_id=914&p_geoaid=156 [accessed 11 Oct. 2012].

42 ILO: *China: From an active employment policy to Employment Promotion Law*, (Beijing, ILO, 2011), http://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---ilo-beijing/documents/publication/wcms_184887.pdf [accessed 11 Oct.2012].

43 Qin Gao: *Anti-poverty family policy in China: A critical evaluation*, Paper for the UNDESA Expert Group Meeting on Assessing family policies: Confronting family poverty and social exclusion & Ensuring work family balance, New York, 1-3 June 2011., <http://social.un.org/index/LinkClick.aspx?fileticket=aUR8RssPhD8%3D&tabid=1555> [accessed 11 Oct. 2012].

Consideration for specific groups and gender equality

In 2000, men's re-employment rate (57.6 per cent) was higher than that of women's (38.8 per cent). As a result, in 2002, the State Council passed legislation (known as *Document 12*) which focused on employment of the "relatively vulnerable groups, especially female laid off workers aged 40 years and above and males aged 50 years and above" (the so called 40-50 interventions).⁴⁴

Persons with disabilities receive in cash and in kind assistance from the *dibao* for expenses related to food, clothing, fuel, electrical bills, medical care, housing and education for children.

3. Performance and monitoring indicators relating to the scheme's efficiency and challenges

Comparison between legal and effective coverage

The number of employed persons in China was reported at 761.1 million for 2010, 346.9 million urban workers and 414.2 rural workers. Participants in UI were reported to be 143.17 million people at the end of 2011.

Urban registered unemployment was stated to be 4.1 per cent for 2010. The number of people receiving UI payment was reported to be 1.97 million at the end of 2011⁴⁵.

Comparison between the level of benefits and i) the national poverty line, ii) the national minimum wage

The Social Insurance Law (2010) stipulates that the UI benefits, flat amount fixed at the provincial level, shall not be lower than the standards for minimum living guarantee for urban residents set for the urban *dibao*, revised on an annual basis at the provincial level. The average monthly *dibao* amounted to CNY230, in 2010.

As per comparison, the national poverty threshold was raised to CNY2,300 per capita annually in November 2011, an 80 per cent increase over the 2009 threshold. In 2011, the annual per capita net income of rural households was CNY6,977. The annual per capita disposable income of urban households was CNY21,810.⁴⁶

4. Strengths and weaknesses of the UI schemes

During a Seminar on Unemployment Insurance Reform in 2008, the Director-General of Institute for Labour Studies, MHRSS, assessed the system as follows:

Strengths: "It guaranteed the basic livelihood of the unemployed, promoted their re-employment, and effectively maintained the social stability"; "it effectively pushed forward the reform of SOEs and promoted the establishment of market-oriented economy system"; and "it optimised the employment structure and rationalized the distribution of labour resources."

Weaknesses: Among the weaknesses the Director-General pointed out "the narrow coverage of the unemployment insurance system", "the low benefit level" despite a "huge balance of the UI fund", "the weak role in promoting re-employment, [...] stabilising employment and preventing unemployment", and that "the current system cannot meet the requirements of regional differences."⁴⁷

44 ILO: *China: From an active employment policy to Employment Promotion Law*, (Beijing, ILO, 2011), http://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---ilo-beijing/documents/publication/wcms_184887.pdf [accessed 11 Oct. 2012].

45 National Bureau of Statistics of China, <http://www.stats.gov.cn/english/> [accessed 25 March 2012].

46 National Bureau of Statistics of China: *Income of Rural and Urban Residents in 2011*, (Beijing, NBS, 2012), http://www.stats.gov.cn/english/pressrelease/t20120130_402787464.htm [accessed 11 Oct. 2012].

47 Y. Jun: The Basic Situation of China's Unemployment Insurance System, (Institute for Labour Studies, MHRSS, 2008), <http://wenku.baidu.com/view/e328f0ffc8d376eaeaa311a.html> [accessed 11 Oct. 2012].

Denmark

Contact: The Danish Labour Market Authority, Holmens Kanal 20, 1060 København K, Denmark

Web site: <http://www.ams.dk/Ams/English.aspx/> --- Email: ams@ams.dk

Descriptive booklet for UI at:

http://www.f-f.dk/SiteCollectionDocuments/PDF/Pjecer/aforsikret_dk_english.pdf

Main UI legislation (in Danish): <https://www.retsinformation.dk/Forms/R0710.aspx?id=137825>

Unemployment and other statistical data at Statistics Denmark: <http://www.dst.dk/en>

2011 Statistical Yearbook of Denmark: <http://www.dst.dk/pukora/epub/upload/16218/sy2011.pdf>

Exchange Rate: US\$1= 5.76 Danmark Krone (DKK) (September 2012)

1. Main features of the unemployment benefit system

Historical development

The UI scheme in Denmark dates back to 1907. It is now ruled by the law LBK No 838 of 4 July 2011, plus any subsequent amendments.

Main features and coverage

UI protection in Denmark is voluntary and administered by several UI funds (currently 27). The UI funds are highly subsidized by the State (73 per cent of total costs in 2010).

Registration is open to nationals and non-nationals alike (portability applies between the 27 countries of the European Union), between the ages of 18 and 63. Most workers belong to a UI fund.

Workers can choose the UI fund they wish to join, subject to limitations depending on their occupation or type of employment. The general conditions for joining a UI fund are:

- to be working within a profession covered by the UI fund, or
- to be a business-owner or helping to run a spouse's business, or
- having completed vocational training of at least 18 months in duration and applied for fund membership within two weeks after graduation.

Specific practices of relevance

Since the 1990s, the Government of Denmark has adopted the so-called "flexicurity" which combines flexibility of the labour market and security for workers. The strategy is a three-dimensional one, also known as the "golden triangle", characterized by:

- (i) a flexible labour market, with minimal restrictions on employers' rights to hire and fire;
- (ii) a comprehensive and portable social protection including high UI benefits, especially at low income levels; and
- (iii) an active labour market policy, requiring jobseekers to make increasing efforts to get re-employed through active job search, job referrals, counselling or training.

Institutional set-up

UI coverage and benefits are provided by private funds which are private associations of workers (employees and self-employed persons), according to rules set by the National Labour Market Authority, a State's entity. The fees charged by these funds vary but are very limited.

The Danish Pensions Agency monitors the different individual UI funds, by exercising control, compliance and audit functions, to ensure that they are managed in accordance with public policy objectives, rules and directives.

Operational delivery system

Collection of contributions, registration to UI and claims for UI benefits are managed by each UI fund.

Jobseekers must register on the first day of unemployment at the local job centre or through Internet. There are 91 job centres in Denmark, basically one in each municipality. Claimants must also complete a declaration of unemployment and submit it to their UI fund.

The first three days of unemployment benefits are directly paid by the employer, provided the worker was fired, laid off temporarily, completed the job for which he was temporarily hired, or asked to shift to part-time employment.

Contribution rates

Worker's contributions are a fixed monthly fee that depends on the UI fund, with a typical fee of about DKK400 to 450 per month. Those contributions are tax deductible from the worker's income tax.

Employers do not contribute for UI benefits.

In Denmark, the State finances most of the cost of the UI scheme (70 per cent in 2009, 73 per cent in 2010).

Qualifying conditions and continuation of benefits

To qualify the person has to work at least 52 weeks in the last three years. In addition, UI claimants must have become unemployed through no fault of their own, or serve a five week waiting period. Claimants must also register as jobseekers on the first day of unemployment.

To continue receiving benefits, unemployed must look for work and accept suitable job offers, while widening the scope of jobs they would accept as their unemployment lasts longer. Within the first month after becoming unemployed, jobseekers must prepare a CV to be placed in the job centre's national database, at www.jobnet.dk. They are also summoned to attend job interviews. Finally, they must take part in activation programme, which may include courses, on-the-job training or subsidised employment.

Failing to comply with the above requirements may cause temporary suspension of unemployment benefits or loss of all unemployment benefits

Benefit rate and duration

UI benefits are payable for up to two years, over a three year period, at a replacement rate of 90 per cent of the average of past three months earning. In 2011, the maximum benefit rate is DKK766 per day before tax, equivalent to approximately DKK16,600 per month.

Recent years have seen a reduction in benefit entitlements; however they remain generous by international standards. Under an agreement adopted in autumn 2011, the UI benefit period could be eventually extended by up to six months for all unemployed who have exhausted their unemployment benefits in the second half of 2012, provided the total benefit period does not exceed four years.⁴⁸

Efterløn (Early retirement) allows workers who have been members of a UI fund for 25 years to receive partial unemployment benefits during the early retirement period. This measure is financed mostly by general tax revenues. Changes made in December 2011 will raise the full retirement age to 69 (from 65) and the early retirement age to 66 (from 60).

The UI fund also provides training allowance, as part of the activation programme.

Waiting period before receiving first payment

There is no waiting period for waged workers; whereas, non-waged workers must serve a three week waiting period before benefits can be paid. Jobseekers who left their employment voluntarily only qualify after five weeks.

2. Other provisions to protect the unemployed and support to specific groups

Legal Practices regarding severance pay

Employees are eligible for redundancy payments after 12 years of employment.

Linkages with ALMPs

Various measures are available to support the unemployed workers receiving UI benefits such as training and job counselling. When they undertake training, the UI fund covers training-related expenses. However no extension of benefits is possible if the training lasts beyond the end of the UI benefit period.

Work-sharing benefits in the form of partial unemployment benefits for workers temporarily on short-time work is commonly applied in Denmark in periods of reduced economic activities.

Part-time and low-paid temporary work is encouraged by allowing them to combine their earnings with reduced UI benefits.

Existing non-contributory income security

In complement to the UI scheme, a general programme of non-contributory social assistance, administered by municipalities, offers a means-tested basic benefits to individuals not covered (or no longer covered) by any insurance scheme, as well as other disadvantaged persons.

The Wage Guarantee Fund provides a statutory guarantee for employee claims as regards unpaid wages, due paid leaves and other amounts due, in the event that their employer goes bankrupt.

Finally, family allowances are paid regardless of income to all families with children under the age of 18. It corresponds to a fixed amount per child varying according to the age.

48 <http://www.ak-samvirke.dk/> [accessed 11 Oct. 2012].

Consideration for specific groups and gender equality

The three year period for obtaining 52 weeks of work may be extended for persons who have been on maternity or paternal leave or have been ill. In addition, for determining average wages and applicable UI benefits, special treatment is given to time spent on parental leave on a part-time basis, to care for a young child.

“Flex jobs” are jobs with a permanent wage subsidy, reserved for persons with reduced working ability.

3. Performance and monitoring indicators relating to scheme’s efficiency and challenges

Comparison between legal and effective coverage

As of 1 January 2011, there were 2,053,000 workers covered by UI funds, out of 2,625,000 employed workers, or 78.2 per cent of workers. The number of individuals receiving UI benefits was 134,000 at the end of 2010, compared to a number of unemployed individuals accounting for 164,000 at the end of 2010.

Comparison between the level of benefits and (i) the national poverty line, (ii) the national minimum wage (when established):

In 2011, the maximum benefit rate is approximately DKK16,600 per month. Minimum wages are set by collective agreement at the industry level, hence there is no statutory national minimum wage to enable comparison.

Eurostat, using the OECD definition of poverty, has reportedly estimated the poverty line for individuals living in Denmark at DKK8,450 per month. This refers to someone who has less than half the amount of disposable income after tax of the average person.

4. Strengths and weaknesses of the UI scheme

Strengths- Competition between UI funds can lead to innovative approaches for job reinsertion. It could also promote efficient management practices.

Weaknesses: There is a reported difficulty of getting young workers to join a UI fund which may question the parameter of voluntary registration to a UI fund.

France

Contact: UNEDIC, 4, rue Traversière, 75012 Paris, France – phone: 01.44.87.64.00)

Web site for UI scheme: <http://www.unedic.org/Juridique/l-indemnisation-du-chomage>

Unemployment and other statistical data at: http://www.unedic.org/documents/DAJ/Juridique/ParametresUtiles_072011.pdf

Descriptive booklet at: http://www.unedic.org/documents/DAJ/Juridique/Precis per cent20Complet_Mai per cent202011.pdf

Main legislation at: <http://www.legifrance.gouv.fr/affichTexte.do?cidTexte=JORFTEXT000024185654&categorieLien=id>

Benefit simulator: <https://www1.pole-emploi.fr/simulation/formulairedroits>

Pôle-Emploi (Public employment centre) at: <http://www.pole-emploi.fr/accueil/>

ACOSS (collection of contributions) at : <http://www.acoss.fr/>

Exchange Rate: US\$1= 0.771 Euros (€) (1 October 2012)

1. Main features of the unemployment benefit system

Historical development

The UI scheme in France was first adopted on 31 December 1958. Under the Labour Code (Articles L5422-20 to L5422-24), it is to be negotiated between the main worker and employer organizations, then ratified and made mandatory by the State.

The current scheme was agreed to on 6 May 2011 and ratified on 15 June 2011 by the Minister of Labour and Employment. It is scheduled to remain in force until 31 December 2013.

Main features and coverage

UI benefits are based on a social insurance scheme which provides cash transfers based on previous earnings and lasting four to 24 months (36 months if the unemployed is older than 50), depending on the length of contributions during the last 28 months (36 months if the unemployed is older than 50).

The scheme covers salaried workers of the private sector who lose their jobs involuntarily or for an acceptable reason.

The scheme covers apprentices, household workers, and child caregivers. Public institutions and high-level education institutions must self-insure or can opt to register on a voluntary basis to the general UI scheme. The coverage extends to non-nationals from and outside the European Union. Portability agreements for unemployment benefits exist within the European Union. Special rules apply to certain groups, for example temporary workers, workers at home or workers in the performing arts sector.

Specific practices of relevance

The work-sharing programme allows workers and firms to deal with temporary work reductions, financed jointly by UI contributions and by government subsidies. Workers are employed but for reduced hours, and get partial unemployment benefits for the time lost.

UI beneficiaries may choose, if they create a new business or purchase an existing firm, to either receive their regular UI benefits or receive half of their remaining entitlement in two instalments, under specific conditions.⁴⁹

Institutional set-up

Supervision of the UI scheme is carried out by a joint employer-employee body, the Union nationale interprofessionnelle pour l'emploi dans l'industrie et le commerce (UNEDIC) (National Interprofessional Union for Employment in Industry and Commerce), established as a private institution independent of the government. UNEDIC manages the scheme's finances, formulates regulations, policies and procedures, carries out studies and ensures performance monitoring.

At the implementation level, in 2009, the Government merged the public employment services, Agence nationale pour l'emploi (ANPE) (National Agency for Employment) and the agency in charge of UI contribution collection and benefits payment, the Association pour l'emploi, l'industrie et le commerce (ASSEDIC) (Association for Employment, Industry and Commerce) into the Pôle-Emploi (Public employment centre). This agency is financed jointly by UNEDIC (10 per cent of UI contributions) and the government.

49 For more details (In French only) : <http://www.unedic.org/article/aide-la-reprise-ou-la-creation-d-entreprise-arce> [accessed 12 Oct. 2012].

Since 1 January 2011, the responsibility for collection of contributions has been transferred to the national social security agency, the Agence centrale des organismes de sécurité sociale (ACOSS) (Central Social Security Associations Agency) which collects contributions for all of the social security schemes in France (pensions, sickness, occupational disability and family benefits, and now unemployment benefits).

Operational delivery system

All UI claims are handled by the public employment centres, the State's agency responsible for employment services, for LMI, the management of claims and the payment of UI benefits as well as of non-contributory means-tested solidarity benefits, the Revenu de Solidarité Active (RSA) (Active Solidarity Income) for persons who exhaust and those not eligible to UI benefits.

Pre-inscription to the public employment centre must be made by Internet or by phone, followed by an in-person interview within 15 days of inscription, leading to a Personalized Employment Plan.

The network of public employment centres offers local services within the 27 regions of France.

Contribution rates

The employer's contribution currently equals 4 per cent of insured wages, and the worker's contribution stands at 2.40 per cent of insured wages.

The maximum insured wages are €12,124 per month in 2012, or four times the maximum for the general social security scheme. Insured wages equal all wages including bonuses and benefits-in-kind (such as lodging, food or car allowances).⁵⁰

Qualifying conditions and continuation of benefits

The employee must have worked at least four months (expressed in legislation as 122 days or 610 hours) in the last 24 months (36 months if aged at least 50); must have become unemployed involuntarily, unless good reasons for quitting (e.g. unpaid wages, harassment, need to relocate to follow a spouse, etc.) and must register as a jobseeker within 12 months of losing job, then has two years to apply for UI benefits (could for example be self-employed in the interim). The person should be younger than age 60 (or age 65 if ineligible for full retirement pension).

To continue qualifying for UI benefits, the person:

- (i) must remain unemployed, able to work, actively looking for work and report monthly to the public employer centre, via Internet, phone or mail;
- (ii) must attend interviews and accept suitable employment or training referrals;
- (iii) cannot draw UI if eligible for full retirement pension or for sickness or parental benefits; and
- (iv) can combine UI benefits with partial work earnings, depending on levels.

Benefit rate and duration

In France, the UI benefit is called Aide au Retour à l'Emploi (ARE) (Support for Return to Employment). The unemployed is entitled to one month of benefit per month of contributions, starting at four months and for a maximum of 24 months (36 if aged at least 50).

The benefit rate is set at 75 per cent for low income (up to wages of about €1,000 per month), grading down to 57.4 per cent at high income. The maximum monthly benefits cannot exceed €5,920 per month (net of deductions) (2012).⁵¹

The UI benefit can be partially maintained if the person returns to some part-time activities, up to 18 months.

Child allowance and health insurance are universal provisions and thus automatically maintained while unemployed.

Waiting Period before receiving first payment

A seven day waiting period applies.

In case of accrued paid leave at termination of contract, UI benefits payment is deferred to account for leave payments. In addition, the waiting period is increased if the severance payments exceed legal minima. Finally, jobseekers who left their employment voluntarily may qualify after four months, under the conditions that they are actively looking for a job.

2. Other provisions related to unemployment protection and support to specific groups

Legal practices regarding severance pay and other guarantees

The start of UI benefits is deferred when the amount paid as severance payments exceeds the legally required minima.

In addition, a wage guarantee scheme, a state-mandated scheme, supervised and financed by employers and administered by UNEDIC, assures the payment of sums owed to employees (wages, notices, severance pay, etc.) in cases of employer's insolvency.

⁵⁰ <http://www.ssa.gov/policy/docs/progdesc/ssptw/2012-2013/europe/france.html> [accessed 12 Oct. 2012].

⁵¹ <http://www.ssa.gov/policy/docs/progdesc/ssptw/2012-2013/europe/france.html> [accessed 12 Oct. 2012].

Linkages with ALMPs

Employment centres provide all of the usual employment services required for effective job search, such as counselling, job fairs, assistance for CV writing, labour market information, a national job bank, among others. At registration time, the employment centre establishes with the unemployed a *Projet personnalisé d'accès à l'emploi* (Personalized Plan to Access Employment) to guide access to information and services, as well as monitor the situation of the unemployed.

Various support programmes are available for unemployed workers receiving UI benefits when they undertake training, notably allowances to cover training-related expenses as well as benefit extensions if the training lasts beyond the end of UI benefits. There is a full complement of training programmes for unemployed persons, whether or not eligible for UI, for which certain conditions apply.

The public employment centre offers a panel of services to support the unemployed in creating his/her own business, which can take the form of counseling services, financial support and tax exemption.

Existing non-contributory income security

Those unemployed, who have terminated their UI benefits, are entitled to the non-contributory, means-tested, *Allocation de Solidarité Spécifique* (Allowance for Specific Solidarity). To qualify, the persons must have worked at least five years during the past 10 years, exhausted UI entitlements, register and continue reporting regularly to the public employment centre. The ASS benefits, set at €468.90 per month (2012)⁵² can last for six months at a time, and be renewed in six month increments until retirement. Individuals aged 50 or over can choose either UI benefits or solidarity benefits⁵³.

In addition, the French Ministry of Social Affairs and Health also provides non-contributory social assistance benefits for disadvantaged low-income groups, for example single parent families, persons with disabilities, and low-income families not eligible to other schemes.

In France, the most common non-contributory benefit is the means-tested solidarity benefit, known as the RSA, established in June 2009. It applies to any persons aged at least 25 years old, or less than 25 years old but with children (even to be born), actively looking for a job. The benefit varies according to the size of the family. The RSA is also used to complement income of a person re-employed only on a part-time basis.

The level of RSA benefits varies according to the household's composition and income. For households with no income, it is comprised between €474.30 for a single person and €1,016.45 for a single parent with two children (it is increased by around €200 for each additional child, rate depending on the household's composition). For persons working with low earnings, partial RSA is paid applying a certain formula, taking into consideration income, household's composition, and other social assistance entitlements.⁵⁴

Consideration for specific group and gender equality

The reasons for quitting with just cause, and thus being eligible to receive UI benefits, include sexual harassment or relocation to follow a spouse (or to follow parents in the case of youths below 18).

For determining the average wages applied for the calculation of UI benefits, special treatment is given to time spent on parental leave on a part-time basis, to care for a young child. Finally, the 12 month limit to register as a jobseeker is extended for persons who were on parental leave.

There is no specific provision noted under the UI scheme concerning special treatment for persons with disability. However, France is equipped with several programmes and support services at the provincial level to facilitate the insertion of persons with disability to the labour market.

3. Performance and monitoring indicators relating to scheme's efficiency and challenges

Monitoring system

UNEDIC monitors the performance of the UI scheme, and sets performance standards for its partners (Public employment centres and ACCOS).

Comparison between legal and effective coverage

During the second quarter of 2011, 16.5 million workers were covered by the UI scheme, out of about 23 million salaried workers.

The number of regular UI beneficiaries was 2,196,000 in December 2010 (not counting 214,000 beneficiaries in special benefit categories, not technically unemployed). Another 434,000 individuals were then receiving non-contributory solidarity benefits.

By comparison, the number of unemployed was 4,364,000 in December 2010.

52 <http://vosdroits.service-public.fr/particuliers/F12484.xhtml> [accessed 12 Oct. 2012].

53 More information here : <http://travail-emploi.gouv.fr/IMG/pdf/2012-020.pdf> [accessed on 12 Oct. 2012].

54 Source: <http://vosdroits.service-public.fr/F502.xhtml> [accessed on 12 Oct. 2012].

Comparison between the level of benefits and (i) the national poverty line, (ii) the national minimum wage (when established)

The average monthly benefit was €950 in December 2010.

By comparison, the national minimum wage is an hourly rate of €9.19 (as of December 2011) or €1,394 per month on the basis of the legal 35 hour work week. The SSA is set at €468.90 per month (2012)⁵⁵ and the RSA varies between €474.30 and €1,016.45 depending on the household's income and composition. Based on a definition of 60 per cent of median earnings, the national poverty line in 2008 was €949 per month.

Reemployment rate before end of entitlements

In 2010, 673,081 out of 3,366,291 benefit terminations were reportedly due to return to work, representing a 20 per cent reemployment rate.

4. Strengths and weaknesses of the UI scheme

Strengths: The French UI scheme provides generous benefits, closely linked with ALMPs, and, by international standards, a high effective coverage rate (of about 60 per cent in 2010, including recipients of non-contributory solidarity benefits).

Weaknesses: Despite high contribution rates, the UI scheme in France is currently in deficit.

55 <http://vosdroits.service-public.fr/particuliers/F12484.xhtml> [accessed 12 Oct. 2012].

Germany

Contact: Federal Ministry of Labour and Social Affairs (MoLSA) – Directorate-General II, responsible for UI.

Web site of MoLSA: www.bmas.de/EN/Home/home.html

Federal Employment Agency (*Bundesagentur für Arbeit – BA*): www.arbeitsagentur.de/

BA's Annual Report: www.arbeitsagentur.de/nn_426142/EN/Navigation/zentral/Service/Service-Nav.html

Unemployment benefits: www.bmas.de/EN/Our-Topics/Labour-Market/unemployment-benefit.html

Exchange Rate: US\$1= 0.771 Euro (€) (21 September 2012)

1. Main features of the unemployment benefits system

Historical development

Unemployment Insurance, of social insurance type, was introduced in Germany by the Act of 1927, 280. It was then improved in 1969 via the Employment Promotion Act.

The Law to further develop the basic services for unemployed, adopted in July 2006, introduces provisions to help the unemployed get back in the labour market, for the decrease of their benefits if they repeatedly do not fulfill their obligations, and to allow for voluntary coverage under the UI schemes in certain situations.

Main Features and coverage

The main objective of the UI scheme is to provide temporary financial income support to unemployed workers while actively promoting employment.

The legal reference for UI coverage is the “Third Book of Social Code” which includes most employees. However, civil servants and persons earning less than €400 per month are excluded. The latest category will be covered by the UA scheme.

Anyone providing home nursing care for a dependent, self-employed for at least 15 hours a week or employed outside Germany, in a non-EU country, is allowed to contribute on a voluntary basis to the UI scheme.

Specific practices of relevance

Short-Time Allowance (STA), or also known as work-sharing programmes, may apply if there is a significant reduction in business activity. Companies can then put part of their workers on temporary part-time work. Supported by the UI fund, the STA will partially compensate workers for the loss of income due to reduced working hours. STA amounts to 60 per cent of net wages, or 67 per cent if the worker's household includes at least one child. Employers pay the full wage to their employees and are then reimbursed (STA) by their Local Employment Offices.

The following conditions apply for enterprises to qualify for STA:

- an unavoidable and temporary reduction in normal working hours affecting at least one third of staff and resulting in at least a 10 per cent loss of income;
- employer' and employee's requirements are agreed upon and met; and
- the employer has notified the cut in hours to the local employment agency.

Another specificity of the UI scheme in Germany is that the duration and level of benefits depend on age of claimants. Such measure aims at providing better protection for senior workers who may find it difficult to reintegrate the labour market.

Institutional set-up

The Bundesagentur für Arbeit (BA) (Federal Employment Agency) an autonomous agency with 119,000 staff in 2010, manages all types of compensation for reduced income, e.g. UI and UA benefit, STA and insolvency payments; the fund for allowances for training; services for job placement, vocational guidance, employer counselling, promotion of vocational and lifelong training, promotion of professional integration of people with disabilities; and benefits to maintain or create jobs.

Local Employment Offices are responsible for the collection of UI contributions. The Local Employment Offices then transfer the funds to their Federal Employment Agency (10 offices based on economic regions) who are responsible for payment of UI and UA benefits to individuals, and STA to enterprises.

Contribution rates

In 2012, the nationwide unified contribution rate is 3 per cent shared equally between employers and workers. The employer remits both shares monthly. The maximum annual earnings used to calculate contributions are €67,200.⁵⁶

⁵⁶ <http://www.ssa.gov/policy/docs/progdsc/ssptw/2012-2013/europe/germany.html> [accessed 11 Oct.2012].

Self-employed contribute 3 per cent of half the monthly reference value; the full monthly reference value after two years of self-employment. In 2012, the full monthly reference value is €2,625.⁵⁷

Qualifying Conditions and continuation of benefits

A claimant must meet the following conditions in order to receive UI benefits:

- have worked and paid contributions at least 12 months within the last three years;
- be younger than 65 years of age;
- be unemployed (no work or less than 15 hours a week or self-employment ended);
- be registered as an unemployed person (report to Local Employment Office – “Arbeitsamt” in person only);
- be looking for and available for work.

Once registered for employment, claimants must re-register every three months in order to be considered unemployed. In certain cases, unemployment benefits can be suspended (for 12 weeks) if the claimants fail to report, refuse a suitable job or training opportunity. Unemployment benefit recipients (UA and UI beneficiaries) and jobseekers must sign an agreement with the Local Employment Office to guarantee that they will make efforts to find a job.

Claimants working for less than 15 hours a week can continue receiving unemployment insurance benefits; benefits cease if working for 15 hours or more.

Benefit rate and duration

Duration of benefits depends on age and months of work, as follows:

Months of contribution	Age	Months of benefit
12	all	6
16	all	8
20	all	10
24	all	12
30	50 and over	15
36	55 and over	18
48	58 and over	24

The standard benefit rate is 60 per cent of previous net contributory earnings, free of tax, and after deduction of social security contributions.

Workers with at least one dependent child are entitled to 67 per cent.

While receiving UI, the employment agency pays the worker's statutory health insurance, long-term care insurance and pension contributions. UI benefits are not taxable.

⁵⁷ Idem as footnote 56.

Waiting period before receiving first payment

There is no waiting period for German UI benefits.

2. Other provisions related to unemployment protection and support to specific groups

Legal practices regarding severance pay and insolvency of employers

An employee dismissed on the basis of operational requirements is entitled to severance pay, the amount of which equals one half months' pay for each year of employment. This applies if the former employee waives his right to challenge the dismissal within three weeks.

Insolvency Allowance, also managed by the Federal Employment Agency, is paid if an employer becomes insolvent. It covers outstanding net pay and mandatory social insurance contributions including UI contributions for up to the last three months.

Linkages with ALMPs

In general, Germany's set of ALMPs seeks to ensure that long-term unemployed and disadvantaged jobseekers get access to same employment support services as those covered by UI benefits.⁵⁸

To this extent, the Employment Promotion Programme aims at achieving high employment rates by improving the earnings prospects of people without work and by matching up supply and demand on the labour market. The unemployment insurance is part of this Employment Promotion Programme. The BA (and Local Employment Offices) serves both workers and employers and offers many employment support services such as job placement, vocational training, counselling to start-up own business, mobility allowance (relocation or travel allowance) and benefits to employers (jobseekers employment subsidies, hiring aids).

Since the 2009 crisis, Germany has reinforced its Employment Promotion Programme by ensuring adequate financing for the BA and Local Employment Offices and by strengthening measures such as assistance to jobseekers; additional funding for retraining, including incentives for employers.⁵⁹

Existing non-contributory income security schemes

In 2005, the Hartz IV Reform brought together the long term unemployment benefits and the means tested social assistance (UA) into a single unemployment assistance for those not receiving benefits under the UI scheme.

⁵⁸ OECD, ILO :Germany, G20 Country Brief: Reinforced public employment services, , (Paris, OCDE, 2012),<http://www.oecd.org/els/48724053.pdf> [accessed 20 Sep. 2012].

⁵⁹ OECD, ILO :Germany, G20 Country Brief: Reinforced public employment services, , (Paris, OCDE, 2012),<http://www.oecd.org/els/48724053.pdf> [accessed 20 Sep. 2012].

The means-tested unemployment assistance guarantees a minimum income level to those who meet the following requirements:

- Between ages of 18 to 65;
- Registered as unemployed at the local employment agency;
- Looking for and available for work; and
- With income (pension, life insurance, earnings, etc.) lower than the UA benefit.

Two third of the active jobseekers receive UA benefits, against one third under UI benefit. The UA is funded by 70 per cent federal and 30 per cent local government.

The level of UA benefits varies between €299 and 374 according to the household situation (2011). An additional monthly € 219 is paid to families with children younger than 6 years old; €251 for children aged 6 to 14; and €287 for children aged 15 to 18. There is no limit to duration of benefits.⁶⁰

Consideration for specific groups and gender equality

A programme exists for the “Integration of Disabled Persons into the Jobs Market through Rehabilitation”. It provides support including advice and job placement services which offer improved perspectives for integration along with promotion of employment, self-employment, initial and further vocational training. Also, employers can receive financial support in helping disabled and severely disabled to integrate.⁶¹

3. Performance and monitoring indicators relating to the scheme's efficiency and challenges

Monitoring system

The BA sets employment promotion standards each year and negotiates local targets with the Local Employment Offices. The BA is responsible for reporting annually on the achievement to the targets and performance of the employment promotion programmes, including unemployment trends.

Comparison between legal and effective coverage

In 2010, there were 27.7 million persons covered by the social insurance which includes unemployment insurance. It represents 69 per cent of about 40 million employed individuals.

In terms of job finding, in 2008, approximately one-third of unemployed found a job on their own, one-third through counselling and information provided by the Local Employment Offices and the last third through employment promotion measures provided by the Local Employment Offices or the BA. The average duration of benefits paid to unemployed workers was 29.3 weeks in 2010.

Comparison between the level of benefits and i) the national poverty line, ii) the national minimum wage

In 2010, the average monthly entitlement of a recipient of unemployment benefit amounted to €774. As per comparison, the UA benefit varies between €299 and €374, depending on the persons' family situation.

4. Strengths and weaknesses of the UI/EI Schemes

Strengths: The Short-Time Allowance component of the UI scheme was a major contributor in preserving jobs during the recession in 2008-09 and continued to have significant positive effect on employment levels in 2010.

Weaknesses: Despite high contribution rates, the UI scheme in Germany is currently in deficit; situation which has required subsidies from the government.

60 <http://www.ssa.gov/policy/docs/progdsc/ssptw/2012-2013/europe/germany.html> [accessed 20 Sep. 2012]

61 Council of Europe: *Rehabilitation and integration of people with disabilities: policy and legislation*, (Brussels, CE, 2003), http://www.coe.int/t/e/social_cohesion/soc-sp/7th%20edition%20legislation%20e%20in%20color.pdf [accessed 20 Sep. 2012].

Japan

Contact: Director, Employment Security Bureau

Ministry of Health, Labour and Welfare: <http://www.mhlw.go.jp/english>

Employment Insurance Law (#116 of Dec. 28, 1974): http://www.jil.go.jp/english/laborinfo/library/documents/lj_law11.pdf

Statistics: <http://www.stat.go.jp/english/data/index.htm> <http://www.mhlw.go.jp/english/database/index.html>

Japan Institute for Labour Policy and Training: <http://www.jil.go.jp/english/index.html>

Exchange Rate: US\$1= 79.39 Japan Yen (¥) (12 October 2012)

1. Main features of the unemployment benefits system

Historical development

November 1947 saw the enactment of a Law establishing a government-managed compulsory UI scheme, based on social insurance. During the 1950s and 1960s, the coverage of the UI scheme was progressively extended by lifting up the minimum enterprise's size and expanding to other sectors of the industry.

In December 1974, with the Employment Insurance Law, referred to as Law No. 116, the name of the scheme was changed from UI to Employment Insurance, and a number of new support programmes were introduced to the scheme.

From 1986 to 1991, escalating stock and real estate prices pushed the Japanese economy into an asset price bubble. The subsequent economic crash in 1991-92 gave rise to the Lost Decade of the 1990s. Starting in 2000, a stagnant economy drove firms to replace permanent employees with temporary workers who had no job security and few benefits. This marked a shift away from the country's former Employment Management System, which had emphasized harmonious relations among workers, lifetime employment and seniority based compensation. Temporary workers now make up a third of Japan's labour force.

The consecutive amendments to the legal framework of the EI system in 2001 (Law No.35) and in 2003 (Law No.31) mainly aimed at extending coverage, clarifying eligibility criteria and preventing misuse of the EI system.

After natural catastrophe of March 2011, unemployment benefit rules were relaxed in the regions affected by the disasters.

Main features and coverage

In Japan the EI system provides comprehensive employment-related benefits and support programmes, namely:

- 1) Unemployment benefits to secure workers' living conditions and encourage them to return to employment; and
- 2) Two Services under EI (described below under Specific Practice of Relevance).

There are four types of unemployment benefits to support the jobseekers:

- 1) Job Applicant benefits (unemployment benefits);
- 2) Employment promotion benefits;
- 3) Educational training benefits; and
- 4) Continuous employment benefits (elderly, childcare and family care).

In addition, the EI system also includes an unemployment assistance benefit for persons not eligible for Job Applicant benefits.

The legal coverage is specified in the Law No. 116 and the Law Concerning the Collection of Premiums on Labour Insurance, also referred as Law No. 84 of December 1969.

All workers employed more than 20 hours a week are covered by the Employment Insurance Law (1974), both nationals and foreigners, except the following:

- persons over 65 years old, except for continuously insured older workers;
- part-time workers with less than 20 hours, except insured day workers;
- occasional workers for less than 31 days;
- seasonal workers expected to work less than four months and less than 30 hours a week; and
- persons employed by national, prefectural or municipal governments.

Specific practices of relevance

The EI system includes a large range of services to support the unemployed to return to work, help the employers to retain and/or hire jobseekers, and to upgrade skills. Support to re-employment programmes are comprised in the unemployment benefits package

as well as the 'Two Services' of the EI system. The Two Services are funded solely by employers' contributions.

For graduates facing difficulties to find a job, Hello Work, the employment service centre, assigns to them special counsellors. In 2010, the percentage of new graduates who found work fell to the lowest level on record.

To cope with consequences of the ageing population on pension expenditures, several benefits and programmes exist to promote employment of elderly workers, over 60 years.

Institutional set-up

At the national level, the EI policy and system is managed by the Employment Security Bureau of the Ministry of Health, Labour and Welfare (MHLW). At the prefectural (provincial) level, 47 Labour Bureaus administer the EI system, relying on 545 Public Employment Security Offices or known as Hello Work. Each Hello Work acts as a front line office for job placement and UI management.

The MHLW collects all social security contributions. Claims and payments are processed by the Hello Work.

Operational delivery system

Hello Work has regular and non-regular staff to enable coping with fluctuations of claims and work load during the year.

Hello Work undertakes three missions:

- 1) Securing job placement: Hello Work collects job offers from enterprises recruiting employees, organizes jobseekers consultation to recommend placement and/or VT. Those services are offered to both insured and non-insured workers. In August 2011, approximately 1.7 million job offers were available for consultation.
- 2) Management of UI system: Hello Work registers, processes, approves and pays the Job Applicant claims ;
- 3) Guidance on Employment Management: this service is offered to employers recruiting elderly and disabilities.

In addition, Hello Work's staff also visit the enterprises to guide on recruitment management and ensure matching of labour supply and demand by recommending skills upgrading when necessary.

The flow of Unemployment Insurance Form is as follows:

- 1) The employer issues a form entitled "Proof of Unemployment" to the unemployed worker;
- 2) The worker reports to one of the Hello Work with the Proof of Unemployment;

- 3) Hello Work sends an unemployment insurance form to the employer requesting the following information: unemployed worker name, last day worked and the amount of salary in the last six months;
- 4) The unemployment insurance form has three copies, one each for the employer, Hello Work and the unemployed worker;
- 5) The third copy has a second section to be completed by the unemployed worker indicating his/her availability for work, job searched, and so on. The form is submitted to the Hello Work.
- 6) Hello Work will then determine whether a job is already available, if the unemployed worker is entitled to EI benefits, and suitable VT opportunities.

Contribution rate

The MHLW collects contributions equal to 1.2 per cent of wages (shared equally by employees and employers). The government provides additional funding equal to one quarter of the EI system expenditures, from the National Treasury.

For Two Services, only employers contribute at the rate of 0.35 per cent of wages.

Qualifying conditions and continuation of benefits

The EI system provides benefits and support to any insured person who left his/her job, not able to find employment despite his/her intention and ability to work. To qualify for the Job Applicant allowance, at least six months of insurable employment in past two years are required.

Therefore to claim the Job Applicant benefit, the recipient must qualify by showing willingness and ability to work; must obtain recognition of their unemployment status, by reporting to the Hello Work local office; and arrangements must be made for payment of the allowance, by bank transfer to the recipient's bank account.

To maintain entitlement to Job Applicant benefits, unemployed workers are required to report once a month on their scheduled "Recognition Day of Unemployment" to be certified as jobless and jobseeker.

In order for unemployed workers to receive consultation services such as writing job resumes, vocational training, among other services, they must register as a jobseeker at Hello Work and be issued a Hello Works Card.

Benefit rate and duration

For persons younger than 60 years old, the daily benefit rate for the basic unemployment insurance benefit, called Job Applicant benefit, depends on average daily wages in the six months prior to contract termination, as indicated in the table below:

Daily wage range (JPY)	Benefit rate	Daily benefit amount (JPY)
2,330 to 4,650	80 per cent	1,864 to 3,720
4,650 to 11,770	80 per cent to 50 per cent	3,720 to 5,885
11,770 to 15,780	50 per cent	5,885 to 7,890

If the unemployed is aged 60 to 64 years, the 50 per cent rate of the above table is replaced by a rate of 45 per cent.

A ceiling on daily benefit rates vary by age, as follows:

- Up to age 29: a maximum of ¥6,455,
- Ages 30 to 44: a maximum of ¥7,170,
- Ages 44 to 59: a maximum of ¥7,890,
- 60 to 64: a maximum of ¥6,777.

In the case of job loss due to bankruptcy, dismissal or redundancy, the EI system provides entitlement to claimants for 90 to 330 days. Otherwise, the benefit duration varies between 90 and 150 days, either when a fixed-term contract is not renewed or for voluntary leavers.

Job Applicant benefits can be extended in certain circumstances. If, nationwide the unemployment rate raises over 4 per cent, the system grants an additional 90 days of Job Applicant benefits. Also the duration of benefits has been extended following the occurrence of natural disasters or financial crisis. Between March and December 2011, the Job Applicant benefits were extended of an additional 60 days in areas severely affected by the earthquake and tsunami.

In areas designated by the MHLW, the basic Job Applicant benefit is extended by 90 days, for qualified recipients who are identified by the director of the relevant Hello Work as jobseekers who should receive the wide-area job placement service.

Other support allowances to facilitate return to work included in the unemployment benefit package are presented in the section “linkages with ALMPs”.

Finally, the unemployment benefits package of the EI system comprises the child-care and the family-care leave benefits which complement the paid maternity leave.

Waiting Period before receiving first payment

There is a seven day waiting period from the date of application to EI benefits. In case of voluntarily termination or misconduct, an extra three months waiting period applies.

2. Other provisions related to unemployment protection and support to specific groups

Legal practises regarding severance pay

There is no statutory severance or redundancy payment, but collective agreements can be negotiated for severance pay in case of dismissals.

Linkages with ALMPs

The specificity of the EI system in Japan is the close articulation between unemployment benefits and activation policies.

In complement to the basic Job Applicant benefit, the unemployment benefit package of the EI system includes a number of other benefits and services to encourage early reemployment and increase employability, such as life-long vocational training, skills development, self-employment assistance, job fairs, job counselling, and so on.

Employment promotion benefits provide re-employment bonuses to qualified recipients who find employment when still entitled to more than one-third and also more than 45 days of their prescribed period of benefits. The lump sum amount is based on their daily amount of basic allowance, up to a maximum of ¥5,885, or a maximum of ¥4,770 for elders aged 60 to 64. The Employment Promotion benefits also include a mobility allowance covering partially expenses incurred by a transfer to another area.

If a qualified recipient is referred to vocational training by the director of Hello Work, the jobseeker receives an allowance covering 20 per cent of the training fees (up to ¥100,000) and the basic Job Applicant benefits are paid until the completion of the training, even if the course lasts longer than the normal duration of their benefits.

Employment Support/Continuation for Older Workers is a subsidy to encourage workers to remain employed after age 60 or to get re-employed. The programme allows a 15 per cent wage subsidy to those whose wages have been reduced by 25 per cent compared to those earned before 60 years old.

Additional ALMPs are also comprised in the Two Services component of the EI system. The Two Services have the double function of stabilizing employment and promoting skills development:

- (1) Employment stability, which are measures to prevent unemployment and stabilize or increase employment;

- (2) Skills development, or measures to develop human resources throughout the working life by facilitating access to vocational training (VT), financially assisting workers' training and retraining, and other means.

Existing Non-Contributory Income Security

Since October 2011, special assistance may be paid to jobseekers not entitled to unemployment benefits when they engage in designated training and their income and assets do not exceed a certain amount. Hello Work also support unemployed not covered of those who have exhausted their benefits with counseling services.

Municipalities provide welfare services including a means-tested public assistance (PA) allowance. The PA programmes cover about 1 per cent of the population, mainly comprised of households with sick or persons with disability (45 per cent of assisted persons), elderly persons (33 per cent of assisted persons), single-mother families (14 per cent) and other categories (8 per cent). Eligibility to PA allowance is established if a household's total income falls below the minimum living expenses set by the MHLW.

Public assistance in Japan consists of seven support benefits: livelihood aid, housing aid, medical aid, occupational aid, education aid, maternity aid and funeral aid.

Consideration for specific groups and gender equality

Child-care and family-care leave benefits are available to both parents, but female workers are those generally enjoying these benefits to take care of a child younger than 1 year old. This period can be extended by six months in special circumstances. To qualify, the person must have at least 12 months of insured employment in the past 24 months. The level of benefits for child-care is 50 per cent of the amount of daily wages, multiplied by the number of days of benefit. A rate of 40 per cent applies to family-care leave benefits.

Enterprises with 200 or more employees must employ at least 1.8 per cent of their workforce as persons with disabilities. Hello Work provides to enterprises recruiting persons with disabilities guidance and support to adapt the work place through the special programme "Guidance on Employment Management of Persons with Disabilities and Elderly". Also, Hello Work's performance is evaluated based on the employment rate of persons with disabilities, among other five indicators.

Persons with disability can receive 150 or 300 days of basic Job Applicant benefit (90 to 150 days in normal situation), depending on whether they have less than or over one year of insured employment; if the persons

is aged more than 45 years, he/she can receive 360 days of allowance.

Employment Promotion benefits are also available in the form of reemployment bonuses for disabled persons or persons aged 45 or over who become re-employed in a stable business, under conditions similar to those applicable to other claimants.

3. Performance and monitoring indicators relating to schemes efficiency and challenges

Monitoring system

Each Hello Work is evaluated according to the following key indicators:

- 1) the ratio of job-offers to applicants;
- 2) the unemployment rate;
- 3) the employment rate;
- 4) the ratio of placements to job offers;
- 5) the employment rate of persons with disabilities; and
- 6) the number of enterprises participating in the Employment Support/Continuation for Older Workers programme.

Comparison between legal and effective coverage

The number of insured persons was 38.3 million in 2010, or 61 per cent of 62.6 million employed persons. 134,000 unemployed were newly registered to the Job Applicant benefit in 2010, and a total of 654,000 unemployed were receiving the benefits. The average number of unemployed persons was 3.3 million for 2010, reducing to 2.8 million by November 2011.

"About a half of jobseekers newly registered with Hello Work are not covered by unemployment insurance. One-third of the unemployed have been without jobs for more than one year." (Japan Times Online, 22 November 2011).

The unemployment rate was last reported at 4.4 per cent (seasonally-adjusted) in August 2011. That rate has been on a decreasing trend since mid-2009, when it peaked at 5.5 per cent.⁶²

Comparison between the level of benefits and (i) the national poverty line, (ii) the national minimum wage (when established)

The national minimum wage in Japan was ¥710 per hour in 2010, compared to a daily Job Applicant benefit comprised between ¥1,864 and 7,890 depending on past incomes and age.

⁶² <http://www.stat.go.jp/english/data/roudou/20120424/index.htm> [accessed 20 Oct. 2012].

Reemployment rate before end of entitlements

Although re-employment rates are not available, Hello Work counts for 23 per cent of job placements in the labour market.

4. Strengths and weaknesses of the UI scheme

Strengths: The EI system in Japan is equipped with a large range of programmes and temporary income support to facilitate early re-employment and employment of unemployed workers in addition to measures aimed at employment promotion/educational training benefits.

Japan is also sensitive to the needs of older workers who have a reduction of salary over the age of 60 by offering programmes to provide subsidies to assist the elderly in maintaining employment up to age 65 (and in some cases age 70). Several aids and programmes are also available to encourage recruitment of persons with disabilities.

Weaknesses: The effective coverage of EI beneficiaries in comparison to the total number of unemployed person is quite low at 19.8 per cent in 2010.

There is some concerns relating to the complexity of application of the Employment Insurance Law and the Law Concerning the Collection of Premiums on Labour Insurance.

Republic of Korea

Contact: Director of Employment Service Policy Bureau of the Ministry of Employment and Labor

Ministry of Employment and Labour: <http://www.moel.go.kr/english/main.jsp>

Statistics on employment and wages: http://www.moel.go.kr/english/statistics/MOL_Survey_Data.jsp

Statistics on EI Benefits paid in 2011: <http://tinyurl.com/EI-Benefits-2011-SK>

The Introduction and Development of Employment Insurance (EI) in Korea:

<http://tinyurl.com/EIS-Korea>

Exchange rate: US\$1= 1,103.67 Korean (South) Won (KRW) (24 October 2012)

1. Main features of the unemployment benefit system

Historical Development

Until the 1970s, the Republic of Korea had mainly prioritized economic development over social security, relying on full employment and family support to meet income security and social protection needs. Though the oil crisis of the 1970s and the numerous lay-offs revealed the needs to introduce unemployment benefits and better support to the unemployed.

However, it is only after 20 years of lengthy debate fuelled by business cost concerns, in December 1993, that the Employment Insurance Act (Law No. 4644) was adopted. The Employment Insurance (EI) system was finally introduced in 1995. It was called EI to stress the key coordination of social protection with labour market policies.

In the wake of the 1997-98 Asian financial crisis, the unemployment rate went from below 3 per cent to 7 per cent in 1998 and 6.3 per cent in 1999, for the first time since the 1960s. Spurred by unprecedented unemployment rates, the Government reacted by expanding the scope of EI Coverage, which only covered 15 per cent of workers at the time, and initiated labour market programmes which were later folded into the Employment Insurance Act.

Main features and coverage

The objectives of the EI scheme are twofold: (i) to prevent joblessness, promote employment and vocational competency; and (ii) to provide financial support and employment assistance to the unemployed.

As such, the Korean EI system consists in four main components:

- 1) Employment Stabilization;
- 2) Vocational Competency Development;
- 3) Unemployment benefit; and
- 4) Maternity leave benefit.

The three first programmes, focusing on unemployment and employment support, have multiple subprogrammes (80 to 90 in 2010) offering labour incentives for specific goals, such as the “Employment Promotion Grant for the Elderly” or the “Vocational Training Subsidy”. Unemployment benefits are divided into job seeking benefits, corresponding to an allowance to look for work, and employment promotion benefits, consisting in additional allowances for finding work, such as vocational training and moving expenses.

When the EI system started in 1995, coverage was limited to enterprises with at least 30 employees. The ceiling was progressively lifted. Since October 1998, all employees, whatever the size of the enterprise, must join the EI system except for those working for companies engaged in farming, forestry, fishery or housekeeping. For the construction sector, workers employed in construction sites of contract not exceeding KRW 20 million, are not covered. Workers working less than 60 hours a month (less than 15 hours a week) as well as those with family ties to the employer, and public service employees are not eligible for coverage. Migrant workers are covered under the EI programme (depending on worker’s visa status). Finally, self-employed and small business owners (less than 50 employees) may choose to register to the scheme.

Specific practices of relevance

A key feature of Korea’s EI system is its active labour market policies that aim at preventing and supporting early reemployment.

In February 2012, an initiative was launched and has been expanded nationally in July 2012, to reduce social security exclusion by subsidizing the coverage of low-paid workers in small workplaces. The objective is to promote participation to both the EI and national pension schemes.⁶³

63 COMWEL: *Presentation of the EI system in Korea*, for the ILO/Korea-COMWEL Fellowship training on EI and EII, Seoul, 25 October – 2 November 2012.

Institutional set-up

The Ministry of Employment and Labor supervises the Employment Security Offices (ESO), which are responsible for processing claims and paying benefits. The Korea Worker's Compensation and Welfare Service (COMWEL) collects EI contributions for both EI and working injury insurance.

Operational delivery system

As referenced in the EI Act (1993), an employer will issue on termination of employment a "Confirmation of Separation" with the required information to determine entitlement to job seeking benefits. The unemployed worker must then report to the ESO, immediately after termination of employment. The Head of ESO approves eligibility for unemployment benefits.

Contribution rate

Since April 2011, contributions are divided as follows:

- for Unemployment Benefits (job-seeking plus employment promotion benefits): both employers and employees pay 0.55 per cent of workers' earnings;
- for Vocational Competency Development plus the Employment Stabilization Program: only employers contribute, from 0.25 per cent of wages if they have less than 150 employees, to 0.65 per cent if they employ more than 1,000 workers.

Qualifying conditions and continuation of benefits

In order to qualify, unemployed claimants must:

- have worked at least 180 days in the last 18 months, with a minimum of 60 hours per month;
- register for job placement at the ESO,
- be available for work and/or vocational training; and
- demonstrate his/her efforts to be re-employed.

The unemployed workers must report for once or more, every one or four week at the ESO (as determined by the Head of ESO), following what the job-seeking benefits will be paid. Benefits are suspended for two to four weeks if job offers or vocational training are rejected. Workers who have left their job voluntarily because of personal circumstances without good causes are not entitled to unemployment benefits. Likewise, claimants lose their entitlement if they were fired due to misconduct or as a result of a labour dispute.

Benefit rate and duration

The amount of job-seeking benefit paid is 50 per cent of the past three month average wage. The minimum amount of benefits is set at 90 per cent of minimum wage and the maximum is set at KRW40,000 per day.

If an unemployed finds a job quickly, he/she will receive 50 per cent of his/her remaining job-seeking benefits as a re-employment bonus. For example, if someone was entitled to six months of benefits and found a job in the second month, they would receive half of the remaining four months as a lump sum bonus.

The duration of benefits depends on the age of the worker and the length of insured employment with the former employer. The minimum duration of benefit for all workers is 90 days; while the maximum benefit is 180 days for workers under the age of 30, 210 days for workers from 31 to 50 years and 240 days for people over 50 or are persons with disabilities.

If the insured unemployed fails to find a new job before exhausting his/her job-seeking benefits, extended benefits (at 70 per cent of former level) are granted for not more than 60 days if the recipient meets certain criteria, in particular those failing to find a new job, younger or elderly workers, workers with dependents with disabilities, or those completing a prescribed vocational training course.

Lastly, special extended unemployment benefits are provided through an announcement of the Minister of Employment and Labour in times of high unemployment. This rule is used when the ratio of unemployment benefit recipients among all EI-insured persons exceeds 3 per cent for three consecutive months, or the unemployment rate exceeds 6 per cent for three consecutive months.

Waiting period before receiving first payment

The waiting period was originally 14 days, but reduced to seven days on 1 January 2004.

2. Other provisions related to unemployment protection and support to specific groups

Legal practices regarding severance pay

Until 2005, Article 38 of the Labor Standards Act provided a mandatory severance pay due at the termination of contract either due to lay-off or retirement for all enterprises with at least five employees. The severance pay amounted to one month of salary for each year of continuous service to employees working at least 15 hours per week.

In 2005, a reform of the severance pay laws introduced the option to whether apply the severance pay as formerly stated in the Labour Standards Act or to establish a pension plan, portable between employers and complementary to the national pension fund. Such decision is negotiated between employers and employees on an individual and voluntary basis.

In December 2010, agreement between employers and employees on application of the severance pay or establishment of a pension plan was extended to all enterprises.⁶⁴

In the case that a severance pay exceeding KRW100 million occurs, job-seeking benefit payments are delayed for three months.

Linkages with ALMPs

Korea's EI system operates two main active labour market programmes, namely:

- Vocational Competency Development, which consists of in-enterprises and in-centres vocational training subsidy for jobseekers, employee training subsidy, vocational training subsidy.
- Employment Stabilization Program, which assists in employing jobseekers through job creation subsidy, grant to start up own business, in maintaining employment through wage subsidies, and in facilitating employment for seniors and workers with disabilities.

A chart of all programmes available under the EI system is enclosed.

Existing non-contributory income security

The National Basic Livelihood Security System (NBLSS) was introduced in 2000 based on the concept of "productive welfare". It provides eligible low income people with cash transfers to ensure that they maintain a minimum standard of living regardless of work ability.

In particular, the Self-Support Program, a component of the NBLSS, refers social assistance clients who are able to work to local self-support agencies, where they receive training and job placement assistance as well as support to establish their own businesses.

However, despite social assistance and insurance programmes in place in the Republic of Korea, an OECD report in 2011 concluded that Korean families typically offset about two-thirds of the impact of large reductions in workers' earnings through earnings of other family members.

Consideration for specific groups and gender equality

The set of employment promotion programmes are intended to enhance employment prospects and job security of disadvantaged groups such as women, older workers and long-term unemployed.

Traditionally, female workers are treated less favourably than men and experience more difficulty when entering the labour market. Compounding the problem, female workers are more likely to be employed in the informal economy. In 2011, the employment rate for men was 74.5 per cent while the rate for women was 53.1 per cent (at OECD standards).⁶⁵

Many NGOs raise funds to develop welfare facilities for the needy, including persons with disabilities. One example is the Sahoibokji-kongdong-mokeumhoi (Community Chest of Korea) which provides social assistance to the poor and persons with disability.

3. Performance and monitoring indicators relating to scheme's efficiency and challenges

"In the face of high unemployment following the Asian financial crisis of late 1997, EI contributed to overcoming such high unemployment by stabilizing the lives of the unemployed through the payment of unemployment benefits and with the mass implementation of reemployment training through the vocational competency development programme" (Kil-Sang Yoo, 2011).⁶⁶

Comparison between legal and effective coverage

In 2008, 44.7 per cent of establishments were covered by the EIS, which accounted to 56.8 per cent for employees (due to a large number of irregular workers) and 80 per cent coverage among the regular workers. If compared to total workers, the ratio of insured persons represented 47.1 per cent in 2008.

In 2011, there were 1.45 million covered establishments with 10.7 million insured workers out of 13.9 million employees, of whom 10.9 million were permanent employees. Total employment in Korea was 25.6 million workers.

There were 906,000 new claims made in 2011.⁶⁷

64 R. Holzman, M. Vodopivec: *Reforming severance pay: An international perspective* (Washington, DC, World Bank, 2012).

65 National Statistical Office [Economically Active Population Survey], http://www.moel.go.kr/english/statistics/major_statistics.jsp [accessed 4 Nov. 2012]

66 Kil-Sang Yoo: *The Introduction and Development of Employment Insurance in Korea* (Seoul, KLI, 2011).

67 http://www.moel.go.kr/english/topic/employment_policy_view.jsp?&idx=891 [accessed 4 Nov. 2012].

Comparison between the level of benefits and (i) the national poverty line, (ii) the national minimum wage (when established)

The average monthly number of benefit recipients in 2011 was KRW337,000.

Comparatively, the legal minimum wage has been set at KRW4,320 per hour for 2011⁶⁸ (reviewed annually) or KRW777,600 per month (working 40 hours per week, four-and-a-half week); compared to the national average monthly wage at KRW2.9 million (in the third quarter of 2011).

In 2001, the minimum cost of living, according to the Ministry for Health, Welfare and Family Affairs, ranged from KRW533,000 for a single individual to KRW1.8 million won for a six person household.

Reemployment rate before end of entitlements

The monthly re-employment rates among benefit recipients as provided by the Bulletin of the Ministry of Employment and Labour, of January 2012, were in 2011:

- 42.4 per cent in September;
- 42 per cent in October;
- 40 per cent in November;
- 37.6 per cent in December.⁶⁹

4. Strengths and weaknesses of the UI/EI schemes

Strengths: The EI system maintains a strong and continuing focus on helping individuals return to employment.

Weaknesses: The active labour market programmes are often adjusted and remodelled which makes their monitoring a difficult task.

⁶⁸ Ministry of the Employment and Labor and , National Statistical Office (www.nso.go.kr), http://www.moel.go.kr/english/statistics/major_statistics.jsp [accessed 4 Nov. 2012].

⁶⁹ http://www.moel.go.kr/english/topic/employment_policy_view.jsp?&idx=898 [accessed 4 Nov. 2012].

Mongolia

Contact: Director, Social Insurance General Office, Ministry of Social Welfare and Labour

Law of Mongolia on Employment Promotion: <http://www.ilo.org/dyn/natlex/docs/WEBTEXT/63070/65264/E01MNG02.htm>

Law of Mongolia on Social Insurance: <http://www.asianlii.org/mn/legis/laws/losi1996208/>

Law of Mongolia on Unemployment Benefits (unofficial translation): <http://www.social-protection.org/gimi/gess/RessShowRessource.do?ressourceId=34308>

Ministry of Social Welfare and Labour: Employment and social welfare policies and programmes of Mongolia, , (Ulaan Bataar, 2010), <http://www.adbi.org/files/2010.09.29.cpp.day2.sess3.4.amartugs.social.welfare.mongolia.pdf>

US State Department Mongolia Background Note: <http://www.state.gov/r/pa/ei/bgn/2779.htm>

CIA Factbook: <https://www.cia.gov/library/publications/the-world-factbook/geos/mg.html>

National Statistical Office of Mongolia: <http://www.nso.mn/v3/index2.php>

Exchange rate: US\$1= 1,372 Mongolia Tughrik (MNT) (14 October 2012)

1. Main features of the unemployment benefits system

Historical development

The country's small population (2.8 million) is spread over a large area of land. After 1990, Mongolia moved rapidly from a Soviet style planned economy to a market economy. This led to major restructuring of the State-owned enterprises and numerous lay-offs, increasing poverty, especially amongst the elderly, persons with disabilities, children and single parent families.

In response, in 1984, the government passed the Law on Social Insurance which included provisions for unemployment insurance. In December 1995, Mongolia adopted the Law on Payment of Unemployment Benefits from the Social Insurance Fund, and started issuing unemployment benefits in January 1997.

In 2001, the governments passed Law of Mongolia on Employment Promotion, which also includes extension of UI coverage as one of the five activities for employment promotion.

Since 2001, the Asian Development Bank has supported a number of initiatives aiming to reduce poverty and provide better social protection of vulnerable groups, including revision of the Law of Mongolia on Social Insurance.

Main features and coverage

Implementation details of the UI scheme are covered in the Law on Payment of Unemployment Benefit from Social Insurance Fund.

Registration to the SI Fund is compulsory for all persons employed on a contract basis, national and non-nationals, irrespectively of the size of the enterprise and for public servants. Self-employed can register on a voluntary basis.

Specific practices of relevance

The parameters of the UI scheme were adjusted during 1 August 2009 and 1 January 2011 as a measure to mitigate the impact of the economic and jobs' crisis. However, the amount and duration of UI benefits are limited and the eligibility criteria are restrictive which causes difficulties in providing adequate social protection during periods of job crisis.

There is a 10 per cent reduction in employer and employee contributions, for workers in stable employment contract (see "Contribution rate").

Institutional set-up

The UI scheme's policy and procedures are defined by the Ministry of Social Welfare and Labour (MSWL). The Social Insurance General Office collects all social insurance contributions including those for UI. The Labour and Social Welfare Service Office, through its employment promotion unit, or, in absence of such unit, the social insurance organization, registers the UI claims and liquidates the payment of UI benefits.

Operational delivery system

UI claims or request for vocational training allowance must be processed by an employment promotion unit or a social insurance organization within 14 days after they receive an application for UI benefit. These same offices issue the payment of UI benefits to unemployed workers twice a month, through payments in cash.

Contribution rates

The contribution rate is of 1 per cent of wages equally charged between workers and employers.

Employer and worker contributions are reduced in steps of 10 per cent a year if a worker does not use the UI fund for five consecutive years. The maximum reduction shall not exceed 50 per cent of yearly contributions.

Qualifying conditions and continuation of benefits

An unemployed worker must register at his/her territorial employment promotion unit, or in the absence of such unit, at a social insurance organization within 14 days after his/her termination of contract. Once registered the unemployed worker must complete all necessary documents including an application for UI benefit and reason for terminating the contract.

A worker must have a minimum of 24 months of insurable employment including continuous employment in the last nine months to qualify for UI benefits. The nine month requirement was reduced to six months as a measure to mitigate the effect of the economic crisis during the period 1 August 2009 to 1 January 2011.

If a worker has received the full benefits to which they were entitled, they must work a minimum of six more months to establish a subsequent claim. After the financial crisis of 2008, the minimum six months was reduced to three between 1 August 2009 and 1 January 2011.

If a worker terminates the employment contract voluntarily or the employee has been relieved of his/her duties by the employer due to serious and repeated breaches of the labour code, 36 days of benefits will be deducted from due benefits.

Benefit rate and duration

UI benefits can last 76 days, irrespectively of the duration of insured employment. The insured period is taking into consideration in the determination of the benefit rate, which is applied on the average past three wages:

- up to 5 years of insured employment: 45 per cent,
- 5 to 10 years: 50 per cent,
- 10 to 15 years: 60 per cent,
- 15 and above: 70 per cent.

The minimum unemployment benefit shall not be less than 75 per cent of the minimum wage established by the Government which was around MNT140,400 according to the last update in April 2011.⁷⁰

The Government of Mongolia reacted to the financial crisis of 2008 by increasing the duration of UI benefits from 76 to 126 days, between 1 August 2009 to 1 January 2011.

In addition, an unemployed worker who qualified for UI benefits can receive vocational training or retraining allowance (see “Linkages with ALMPs”).

UI benefits will be suspended if the unemployed worker twice refuses an offer of employment suited to the applicant’s education level and specialization. The same applies to those who refuse temporary work, refuse to participate in vocational training paid and organized by the social insurance organization, or anyone jailed after being found guilty.

Waiting Period before receiving first payment

UI benefits are payable from the next day after registration for those who do not receive a severance pay, known as “firing allowance” as per specified in the Labour Law. For those who receive the “firing allowance”, UI benefits are payable from the day after the last payment.

2. Other provisions related to unemployment protection and support to specific groups

Legal practices regarding severance pay

One month severance allowance is paid to workers after six months or more of tenure⁷¹, unless job loss was due to misconduct.

Linkages with ALMPs

The unemployment promotion units provide services to facilitate re-employment and employability including life-long vocational training, skills development, training to start-up own business, job fairs, and job counselling.

In particular, the employment promotion units and social insurance organizations, in cooperation with authorized vocational training institutions and employers, are responsible for identifying insured unemployed who could qualify for the vocational training allowance paid from the UI fund including:

70 ILO TRAVAIL legal database : http://www.ilo.org/dyn/travail/travmain.sectionReport1?p_lang=en&p_structure=1&p_year=2011&p_start=1&p_increment=10&p_sc_id=1&p_countries=MN&p_print=Y [accessed 14 Oct. 2012].

71 http://www.ilo.org/dyn/eplex/termmain.showCountry?p_lang=en&p_country_id=151 [accessed 14 Oct. 2012].

- jobseekers who need to change occupations due to lack of work in their chosen field;
- older insured unemployed workers; and
- citizens wishing to create their own business or become self-employed can benefit from entrepreneurial skills training.

UI beneficiaries can receive financial support to attend vocational training up to six months, even if they have exhausted their benefits sooner. The request should reach the employment promotion unit or social insurance organization within six months of the termination of the employment contract. The costs related to such vocational training activities are paid from the UI fund, the maximum amount being decided by the government.

In addition to support specifically for UI beneficiaries, the government sponsors Employment Promotion (EP) activities opened to all, of two types:

- 1) EP Services, such as job and vocational training orientation or counselling; and
- 2) EP Measures, such as self-employment assistance and assistance to launch business partnerships or cooperatives, as well as public work programmes.

Existing non-contributory income security

A number of international aid agencies are implementing social protection programmes aiming to address high poverty rates and a food crisis.

Consideration for specific groups and gender equality

The Law of Mongolia on Employment Promotion and the Law of Mongolia on Social Insurance do not include any particular provisions more specifically addressing gender issues.

The UI policy and procedures do not contain any specific provisions to facilitate access to benefits and services by persons with disabilities.

3. Performance and monitoring indicators relating to schemes efficiency and challenges

Comparison between legal and effective coverage

“The number of unemployed reached 44,100 at the end of September 2012, reflecting an increase of 3,400 persons or 8.3 per cent compared to same period of the previous year” (National Statistical Office, September 2012 Bulletin).⁷² The unemployment rate was 2.8 per cent in 2008, slightly higher among female workers (3.2 per cent).⁷³

According to the statistics of the Social Security General Office,⁷⁴ 9,874 insured unemployed received UI benefits in 2011. Figures available for 2007 reported in the World Social Security Report (ILO, 2011), the effective coverage was approximately 16.8 per cent, leaving 83.2 per cent of the population not receiving UI benefits.

Comparison between the level of benefits and (i) the national poverty line, (ii) the national minimum wage

In 2010, the average UI benefit was MNT 244,100. In comparison, in 2010 the national poverty line was set at MNT 39,200⁷⁵ and the minimum wage is MNT 140,400 per month (last update in April 2011).⁷⁶ The UI laws specify that the minimum UI benefits should not be less than 75 per cent of the minimum wage set by the government.

Reemployment rate before end of entitlements

According to statistics of the Social Insurance General Office, among the 9,874 UI beneficiaries, only 635 or 6.4 per cent returned to work before exhausting their entitlements, in 2011.

Strengths and weaknesses of the UI scheme

Strengths: Recurring surpluses indicate that the UI scheme could be made more generous or eligibility criteria less restrictive.

The application process is quite straightforward with minimal paperwork (only three documents).

Weaknesses: The qualifying conditions are very restrictive.

72 National Statistical Office of Mongolia, *Bulletin of September 2012* (Ulaan Bataar, 2012): http://www.nso.mn/v3/index2.php?page=news_more&id=949 [accessed 14 Oct. 2012].

73 ILO LABORSTA [accessed 14 Oct. 2012].

74 Figures communicated by the Social Security General Office in the responses to the questionnaire in March 2012.

75 Figures communicated by the Social Security General Office in the responses to the questionnaire in March 2012.

76 ILO TRAVAIL legal database: http://www.ilo.org/dyn/travail/travmain.sectionReport1?p_lang=en&p_structure=1&p_year=2011&p_start=1&p_increment=10&p_sc_id=1&p_countries=MN&p_print=Y [accessed 14 October 2012].

Thailand

Contact: Director, Social Security Office, Ministry of Labour

Ministry of Labour (mostly in Thai): <http://www.mol.go.th>

Social Security Programmes Throughout the World – Asia and the Pacific (U.S. Social Security Administration):
<http://www.ssa.gov/policy/docs/progdesc/ssptw/2010-2011/asia/thailand.html>

Social Security Act of Thailand:

[http://www.sso.go.th/sites/default/files/Social per cent20 per cent20security per cent20act.pdf](http://www.sso.go.th/sites/default/files/Social%20per%20cent%20security%20act.pdf)

Social Protection in Thailand: Current State and Challenges:

http://www.eria.org/pdf/research/y2009/no9/CH-09_Thailand_pp.265-291.pdf

National Statistics Office: <http://web.nso.go.th/>

Exchange rate: US\$1= 30,66 Thai Baht (THB) (14 October 2012)

1. Main features of the unemployment benefits system

Historical development

The Social Security Act, B.E. 2533 (1990) was passed in 1990, and the Social Security System (SSS) established in 1991. However, the UI provisions were not immediately put in force. The SSS coverage was gradually extended, at first limited to enterprises with at least 20 employees, reduced to 10 in 1993 and to one employee in 2002.

The Amended Social Security Act adopted on 26 August 2003 introduced the UI scheme after much deliberation between stakeholders and the government. Collection of contribution started on 1 January 2004 and first benefits were paid on 1 July 2004.

Main features and coverage

The duration and amount of benefits are shorter and lower than in most developed countries. This has provided ongoing surpluses over the years.

All private sector regular workers are covered, with few exceptions. Particular categories not covered by UI are:

- Farmers;
- Domestic workers; and
- Companies with pre-2004 “superior employee benefit schemes” (through special exemption).

Civil servants and employees of state-owned enterprises are covered under a separate benefit scheme.

Under the Social Security Act, migrant workers are covered by the UI provisions although in practice their permit of stay is linked to their employment.

Specific practices of relevance

The UI policy distinguishes between involuntary and voluntary separations, by providing only partial benefits for the latter group. In Thailand’s scheme, benefit rates and duration of benefits have been kept low to ensure sustainability of the UI fund.

Nevertheless, the UI programme helped alleviate the plight of the unemployed during the 2008 financial crisis, including a THB2,000 handout to current and formerly covered workers. Similarly, after the catastrophic floods of 2011, special compensation was provided for insured laid off workers, to provide benefits for up to six months at 50 per cent of monthly salary, with a maximum of THB7,500 per month. In addition, as a response to flood crisis, non-covered individuals were to be provided with social works employment at THB150 per day for 20 days. Other measures were taken to assist families, individuals and their employers.

To streamline the UI delivery system, it has been suggested to combine under one agency the responsibilities for UI, employment services and skills development of the unemployed.

Institutional set-up and operational delivery system

The Social Security Office (SSO) is responsible for collecting contributions, processing UI claims and approving or disapproving payment of UI benefits, which will be transferred directly to the individual bank account of the beneficiary.

The Department of Employment (DOE) develops criteria and policies relating to UI implementation, such as the registration and presentation process and definition of suitable employment for unemployed insured persons.

The Employment Service Office under the supervision of the DOE is also responsible for:

- Registration of the insured unemployed workers;
- Helping filling up and registering UI benefits claims forms;
- Interviewing unemployed persons and providing counselling and job placement according to their qualifications; and
- Coordinating with the Department of Skills Development (DSD) when insured persons need skills training.

Contribution rates

The contribution rate is divided as follows:

- employers and employees each contribute 0.50 per cent of employees' earnings; and
- the government contributes 0.25 per cent of employees' earnings.

Maximum monthly earning for calculation of contributions is set at THB15,000, so maximum monthly contribution is limited to THB75 from each worker and employer.

Qualifying conditions and continuation of benefits

To qualify to unemployment benefits, the minimum insured employment period is set at six months of contributions in the past 15 months prior to termination of employment

The UI applicant must register with the public Employment Service Office.

The termination of employment must not be the result of a job violation, a planned or pre-meditated criminal act against the employer, a serious act against the law which results in serious damage to the employer's business or to imprisonment.

Employee leaving their employment on their own are entitled to UI benefits but at a lower level of benefit rate and duration.

For continuing receiving UI benefits within the entitled period, the unemployed worker must be ready and willing to work and cannot refuse to participate in any career development or job programmes.

Benefit rate and duration

Unemployed workers who are laid off for no fault of their own receive 50 per cent of insured earnings up to 180 days (six months) within one year; the rate is based on the worker's highest paid three months in the last nine months before job loss. On the other hand, unemployed workers who voluntarily resign only receive 30 per cent of insured earnings up to 90 days (three months) within one year. For both groups, the maximum daily benefit is THB250.

As a response to the economic and job crisis in 2008, the government extended UI compensation from 180 days to 240 days (eight months) for workers involuntarily unemployed in 2009.

Waiting period before receiving first payment

No benefit is paid during the first seven days of unemployment.

2. Other provisions related to unemployment protection and support to specific groups

Legal practices regarding severance pay

The Article 118 of the Labour Protection Act, B.E. 2541 (1998), specifies the modalities for applications and level of severance pay. Employees are entitled to severance pay based on salary and duration of employment, as follows:

Tenure	Severance pay
120 days to 1 year	30 days
1 to 3 years	90 days
3 to 6 years	180 days
6 to 10 years	240 days
10 years and over	300 days

In addition, if the employer ends the employment contract due to new labour-saving technologies, in complement to the above, the employer must pay a half month's wages per year of service with a cap of 12 months wages, to employees with more than six years of work.

The above rules do not apply to employees who have a fixed term contract of employment, i.e. with a determined termination date.

Linkages with ALMPs

In Thailand, as in many countries, programmes and measures aiming to facilitate the reemployment and employability of unemployed include life-long vocational training, skills development, creation of self-employment, job fairs, job counselling, among others. These programmes and measures are provided by DSD and DOE on a close coordinated manner.

DSD's overall responsibility is to supervise and coordinate skills development and vocational training policies and programmes. In addition, DSD, in support to the UI's scheme implementation, will also:

- check notification of job training and provide counseling to the insured unemployed according to needed skill and qualification;
- train the insured unemployed as needed; and
- monitor the training progress of the insured unemployed.

Despite legislations and measures in place, only 128 unemployed attended skills development programmes in 2010. Criticism is voiced that programmes do not match their skills or market demand, or are not available at the time they are needed⁷⁷.

Existing non-contributory income security

In addition to benefits provided by the UI scheme, there are a number of non-contributory (social assistance) transfer programmes including the Universal Health Care programme, Old Age Living Allowance, and short term social assistance. These indirect support measures also help mitigate impact of loss of income for the unemployed and vulnerable workers. In 2009, Thailand acknowledged the important role played by social protection programmes as stabilizer in period of economic and job crisis.

On the other hand, the Government of Thailand also promotes self-reliance among workers of the informal economy by extending access to the social security system through voluntary contributions.

Consideration for specific groups and gender equality

There are no special considerations given to the differences between female and male workers. However, young female workers have more difficulty finding suitable employment than young male workers. In addition, a greater number of female workers are involved in the informal employment sector which is more susceptible to job losses during a crisis than the formal sector.⁷⁸

As for support to persons with disabilities, from 26 October 2011 onward, enterprises with 100 employees must employ at least one worker with disabilities plus another one for every 50 additional employees.

⁷⁷ C. Worawan: Case study of the unemployment insurance in Thailand (Bangkok, ILO, 2012), unpublished.

⁷⁸ C. Worawan: Case study of the unemployment insurance in Thailand (Bangkok, ILO, 2012), unpublished.

3. Performance and monitoring indicators relating to schemes efficiency and challenges

Impact of introduction of UI/EI schemes on unemployment/retrenchment rates

During the global crisis of 2008, the number of UI beneficiaries increased dramatically due to lay-offs combined with the increasing awareness of the UI program. From 72 thousand beneficiaries in 2008, this number almost doubled to 139 thousand in 2009.⁷⁹

Comparison between legal and effective coverage

In 2010, 24.1 million persons were working in informal employment (own-account and contributing families) in Thailand, with a majority of men (53.9 per cent), accounting for 62.3 per cent of the total employment (38.7 million). This number has grown from 22.5 million in 2005.⁸⁰

In the third quarter of 2010, there were 13.1 million employees of the private sector (private employees, state-owned enterprise employees and cooperative employees) out of 39.7 million employed persons.⁸¹ The number of insured persons under the Article 33 of Social Security Act, B.E. 2533 (1990) (which includes unemployment benefits) was 9 million as of June 2012.⁸²

Unemployment in 2010 stood at 402 thousand, or 1.08 per cent of the economically active population over the age of 15 years old.⁸³ The number of UI benefits recipients was 90 thousand in December 2010, and 98 thousand in December 2011.⁸⁴

Most of the beneficiaries are those leaving their employment on a voluntary basis. In December 2011, 69 thousands were voluntarily unemployed (or 70.3 per cent).

Comparison between the level of benefits and (i) the national poverty line, (ii) the national minimum wage (when established)

On 1 April 2012, the legal minimum wage in Thailand became effective, at the rate of THB300 per day. The average monthly wage in 2010 was THB8,412.⁸⁵

The average monthly UI benefit for those laid-off was estimated at THB4,665, and THB2,586 for those quitting.⁸⁶

4. Strengths and weaknesses of the UI/EI schemes

Strengths: The cost of the scheme is kept low producing consistent surpluses, which leaves room for benefit improvements.

Weaknesses: Most beneficiaries are terminating their employment on a voluntary basis (77.4 per cent over the year 2011) which account for 65.7 per cent of the UI fund expenditure.⁸⁷ Such feature may question the fundamental principle of unemployment insurance.

79 http://www.sso.go.th/sites/default/files/R_D122012/statisticsmid4_en.html [accessed 4 Nov. 2012.]

80 LFS and Informal Worker Survey of NSO, 2010.

81 LFS data of NSO, in C. Worawan: Case study of the unemployment insurance in Thailand, (Bangkok, ILO, 2012), unpublished.

82 http://www.sso.go.th/sites/default/files/R_D122012/statisticsmid3_en.html [accessed 4 Nov. 2012.]

83 LFS of NSO, 2010, Ministry of Information and Technology in UN-Government of Thailand: *Social protection assessment based national dialogue: Towards a nationally defined social protection floor in Thailand* (Bangkok, ILO, forthcoming).

84 http://www.sso.go.th/sites/default/files/R_D122012/statisticsmid4_en.html [accessed 4 Nov. 2012.]

85 LFS of NSO, 2010, published by the Ministry of Information and Technology in UN-Government of Thailand: *Social protection assessment based national dialogue: Towards a nationally defined social protection floor in Thailand* (Bangkok, ILO, forthcoming).

86 SSO data in C. Worawan: Case study of the unemployment insurance in Thailand (Bangkok, ILO, 2012), unpublished.

87 SSO data in C. Worawan: Case study of the unemployment insurance in Thailand (Bangkok, ILO, 2012), unpublished.

United States

Contact: U.S. Department of Labor, Washington, DC

Federal-state partnership: <http://workforcesecurity.doleta.gov/unemploy/pdf/partnership.pdf>

UI laws at: <http://workforcesecurity.doleta.gov/unemploy/laws.asp>

State UI laws: <http://workforcesecurity.doleta.gov/unemploy/statelaws.asp>

UI statistics: <http://workforcesecurity.doleta.gov/unemploy/finance.asp>

Worker Profiling and Reemployment Services (WPRS): <http://www.doleta.gov/programmesprogrammes/wprs.cfm>

WPRS statistics: <http://workforcesecurity.doleta.gov/unemploy/profile.asp>

Unemployment and other statistical data at: <http://www.bls.gov/>

1. Main features of the unemployment benefits system

Historical Development

In the United States, the unemployment benefits were established during the Great Depression, as part of the Social Security Act of 1935. It is a federally mandated system managed jointly with the States. Each of the 50 States implement their UI scheme by meeting the federal standards, including the federal District of Columbia (Washington) and the territories of Puerto Rico and of the Virgin Islands.

When the law was adopted in 1935, it first applied to enterprises employing eight or more workers, this threshold was then reduced to four in 1956 and finally one in 1972.

Main Features and coverage

The American UI system consists of 53 individual State programmes which provide temporary cash benefits to involuntarily unemployed workers while they search for a job. Each State scheme is self-financed solely by extended benefits employers' contributions (workers contribute in three States only), except for financed by the federal government. These extended benefits are an additional up to 20 weeks (usually 13 weeks) in States with high level of unemployment.

Federal standards set criteria for coverage, and main modalities for financing and administration. However, contribution rate, qualifying requirements, benefit levels, or duration of regular benefits, and taxable wage are determined at the States' level.

Fifty jurisdictions finance their UI schemes which are funded only through employer contributions; for the exception of three States where employees contribute to the scheme (Alaska, New Jersey and, when its Trust Fund runs low, Pennsylvania).

The Federal Unemployment Tax Act (FUTA) and the Social Security Act (SSA, Title III, Title IX, and Title XII)⁸⁸ provide the umbrella standards and rules for the individual State programmes, including coverage which is common across States:

- employees receiving wages of at least US\$1,500 in any calendar quarter in the calendar year or the preceding calendar year, or
- employees working at least 20 days during the calendar year or during the preceding calendar year.

Therefore, all employees of firms in industry, commerce, and non-profit organizations, almost all State and local government workers, domestic workers, and more than 75 per cent of farm workers are covered.

Agricultural employees of small size farms, employees of religious organizations, occasional employees, federal employees (including Armed Forces), spouses and children of business owners and self-employed persons are excluded, for the exception of the State of California where self-employed business owners with employees can choose to be covered. Employees of railways companies are covered under a special federal regime.

Although the US has signed bilateral agreements with 24 countries, those agreements do not cover unemployment benefits⁸⁹. However, the US has a reciprocity agreement in place with Canada, since 1947, for cross-border workers.

Specific practices of relevance

A particular condition of federal acceptance is that the State's UI schemes apply the experience-rating of employer contributions which determine the contribution

88 FUTA: <http://tinyurl.com/FUTA-Act> and SSA: <http://tinyurl.com/SSA-Act> [accessed 4 Nov. 2012]

89 http://www.ssa.gov/international/agreements_overview.html [accessed 4 Nov. 2012].

rate on the basis of individual employer's past layoffs experiences. However, States have considerable leeway in the design of experience-rating formulas.

As a measure to support employment, 22 States out of 50 provide for work-sharing schemes, where partial UI benefits are combined with shortened working hours to prevent layoffs.

Institutional set-up of the UI/EI funds

The individual States manage their own UI schemes and are unconditionally responsible for the payment of UI benefits to eligible individuals.

The individual State's UI Trust Funds are on deposit with the US Treasury, with both contributions and expenditures being transacted through those Trust Funds.

The Federal Government provides oversight and assistance to the States, through grants and funding for administration that are provided on either a conditional or unconditional basis. For instance, States can borrow from the federal Unemployment Trust Fund if their own UI funds run out (as per October 2012, 20 States had loans outstanding).⁹⁰

The Federal Government contributes to or covers the costs of extended UI benefits, e.g. additional weeks of benefits, in the States, either as a result of automatic triggers or due to special legislation.

Operational delivery system

The State schemes require quarterly remittance of contributions and quarterly reporting of workers' employment history. Eligibility requirements are geared to this pattern.

Almost all States accept UI claims through the Internet or by phone, and only a few require in-person applications. Continuing unemployment status must be confirmed to State agencies every two weeks, by phone or Internet, and claim payments are also made every two weeks, via bank transfer with email notification.

Contribution rate

Each State collects its own UI contributions. In 2011, average UI contribution rates ranged from 1.4 per cent to 6.7 per cent of wages, with maximum wages varying according to State. The national average contribution rate was 3.2 per cent and the average maximum for taxable wages was about US\$15,700. Across the US, total UI contributions represented on average 1 per cent of total wages.

In addition, the federal tax agency (Internal Revenue Service) collects a 0.6 per cent UI payroll tax from employers, on wages up to US\$7,000 per year. A higher rate may apply in States with outstanding loans. Federal revenues are used to fund: (i) all federal and State administrative costs; (ii) partially extended benefits; (iii) the loan fund from which an individual state may borrow; and (iv) benefits under some of the federal emergency programmes.

The balance in a State's Trust Fund and the employer's layoff record determine the employers' contribution rate, which in some States can vary from nearly zero to 10 per cent of taxable wages.

Qualifying conditions and continuation of benefits

UI claimants qualify if they have recent insured work, namely minimum wages in the first four of the last five completed quarters, but the required amount (or period) varies significantly from State to State.

Claimants must have lost their jobs through no fault of their own, unless they can establish good cause for leaving. Most States restrict "good cause" to reasons connected with the work or involving the employer's fault.

Claimants must be able to work and, under most State's laws, must register for work at a public employment office.

For continuing receiving benefits, claimants must prove that they are able and available for work and actively seeking work, unless engaged in approved training (usually vocational or basic education).

Refusal of suitable work is a reason for disqualification subject to criteria such as distance, family circumstances, duration of unemployment or other factors.

States will usually deny or reduce benefits for any week during which the unemployed is receiving or seeking benefits under any federal or other State's law such as benefits provided under any public or private (according to the State) working injury insurance, or retirement benefits from any source.

Benefit rate and duration

States generally set the weekly benefit amount at approximately 50 per cent of average wages, with different formulas and maximums. In 2010, the average benefit rate, applied across the country, was 46 per cent of insured earnings.

Most states pay up to 26 weeks of benefits. In the third quarter of 2011, the average duration across the country was 17.6 weeks.

⁹⁰ <http://www.ncsl.org/issues-research/labor/state-unemployment-trust-fund-loans.aspx> [accessed 4 Nov. 2012].

High unemployment rates may trigger the payment of extended benefits in individual States, for up to 13 extra weeks (up to 20 weeks in some cases). These benefits are funded on a shared basis – approximately half from State's funds and half from federal revenues.

In periods of recession, as it was the case in 2009, when all States suffered high unemployment, federally-funded programmes of supplemental benefits have been adopted nearly across the country.

Waiting period before receiving first payment

Most States have a one week waiting period but 12 States have no waiting period. Another 12 States allow waiver of the waiting period in special circumstances (for example a natural disaster).

2. Other provisions related to unemployment protection and support to specific groups

Legal practices in regard to severance pay

Some States consider dismissal or severance payments to be deducted in the calculation of UI benefits. Alternatively, in certain States, dismissal or severance payment are regarded as continuation of wages for contribution purposes, so that workers receiving such payments would not be considered as unemployed.

The opposite may also occur in other States: under some rulings, workers receiving dismissal payments were held to be unemployed because the payments were considered to be a recognition of their prior service, and not a compensation for the loss of employment.

Linkages with ALMPs

During the year prior to 31 March 2012, more than 10 million, or 69.3 per cent, of the UI beneficiaries, received assistance through the Wagner-Peyser Employment Service (ES) (name given to the public employment service centres in the US, in relation with the 1933 Wagner-Peyser Act establishing a nation-wide system of public employment services).⁹¹ Employment services are delivered through the 1,790 'Comprehensive Career-One-Stop Sites' and the 1,032 'Affiliate One-Stop Career Centers' which provide access to 1,790 'Comprehensive One-Stop Career Centers' which both provide employment and training related services for workers, youth and businesses.

The ES network is also equipped with a website which offers a job search engine, links to job finding sites and other related services useful for the jobseekers.⁹²

More specifically, the Worker Profiling and Re-employment Services (WPRS) system identifies claimants likely to exhaust their UI benefits, in order to refer them to re-employment services. It constitutes a case-management or personalized support to assist laid-off insured workers in returning to work. During the period from 1 January 2012 to 31 July 2012, 3.85 million UI first payment recipients were required to meet counsellors of the WPRS.⁹³

The Workforce Investment Act of 1988 (WIA) includes a number of programmes for jobseekers, linked or not with UI benefits:

- The WIA Dislocated Worker/Rapid Response (DWRR) programme provides career counselling and job search assistance, resume preparation and interviewing skills workshops as well as connections to other services for those laid-off.
- The WIA Adult Programme provides retraining funding for mainly low-skilled workers workers. Some States provide for an extended duration of benefits while the UI beneficiary remains in training or retraining.
- The Registered Apprenticeship Programmes, in place since 1937, connects jobseekers with employers looking for specific skills.
- The Trade Adjustment Assistance (TAA) helps workers whose job loss was the result of increased foreign imports or shifts in production out of the United States.

In addition, the Employment and Training Administration of the Department of Labor offers a number of training and assistance programme to youth and those released from imprisonment.

Existing non-contributory income security

Temporary Assistance for Needy Families is the main federal assistance programme. It requires States to impose some form of employment search in exchange for providing funds to individuals, and sets a five-year lifetime limit on cash assistance.

Most States offer basic assistance, such as health care, food stamps (in October 2012, 47 million Americans were receiving food stamps⁹⁴), child care assistance, unemployment aid, and housing assistance.

91 http://www.doleta.gov/performance/results/quarterly_report/March_31_2012/workforceReportMarch2012.pdf#page=6 [accessed 4 Nov. 2012].

92 <http://www.servicelocator.org/> [accessed 4 Nov. 2012].

93 <http://workforcesecurity.doleta.gov/unemploy/profile/prfrpt.asp> [accessed 4 Nov. 2012].

94 http://www.ipi.org/ipi_issues/article_detail.asp?id=1203 [accessed 4 Nov. 2012].

Consideration for specific groups and gender equality

Under federal standards, pregnancy cannot be used to automatically deny benefits to a woman, but need not be accepted as a valid reason to leave employment.

Several States do not disqualify workers for voluntarily terminating a contract if the reason for leaving the job is to accompany their spouse to a place from which it is impractical to commute.

Ten States allow continuation of UI benefits to claimants becoming ill or disabled after the claim is filed, as long as no refusal of suitable work occurs. The Americans with Disabilities Act (ADA) will protect employees and applicants from discrimination based on their disabilities.

3. Performance and monitoring indicators relating to scheme's efficiency and challenges

Monitoring system

The US Department of Labor has a comprehensive performance management system in place, to assist the individual States in managing their UI schemes effectively. Performance results are publically available on line.⁹⁵

The Department of Labor website also provides extensive statistics on State's UI schemes' performance at the State and federal levels, in particular regarding coverage, contributions and benefits.

Impact of introduction of UI/EI schemes on unemployment/lay-off rates

In the US, it has been often argued that UI benefits can create work disincentives and lead to higher unemployment. However, opposing arguments have been made that UI-driven stimulus leads to lower unemployment, or that the availability of UI protection facilitates jobs finding.

Comparison between legal and effective coverage

Average employment for the third quarter (Q3, from July to September) of 2011 was 140.4 million, 130.9 million of which was salaried employment. UI covered employment for the same Q3 in 2011 was 125.2 million. Unemployed receiving UI benefits in Q3 in 2011 were 3.5 million for regular UI benefits, and an additional 7.1 million under benefit extensions.

In comparison, the average number of unemployed for July to September 2011 was 14 million.⁹⁶

Comparison between the level of benefits and (i) the national poverty line, (ii) the national minimum wage (when established).

Average weekly UI benefits paid in Q3 of 2011 were US\$291.41.

As per comparison, the federal minimum wage is US\$7.25 per hour effective 24 July 2009,⁹⁷ or US\$290 if 40 hours worked during the week. Many States also set minimum wages, most of them the same as the federal minimum.

The poverty level for 2012 is set at US\$22,050 (total yearly income) for a family of four,⁹⁸ which corresponds to US\$430 per week.

Re-employment rate before end of entitlements.

Sixty-two per cent of individuals receiving a UI first payment during the period January 2011 to December 2011 were re-employed in the subsequent quarter.⁹⁹

An alternative measure is the exhaustion rate, measured by dividing the number of last payments by the number of first payments, with a 26-week lag: that measure was reported as 50 per cent for Q3 of 2011.¹⁰⁰

4. Strengths and weaknesses of the UI schemes

Strengths: The federal-States partnership can be a source for innovation and for sharing best practices. Indeed, States have broad control over the design of their UI schemes, allowing them to adapt the UI rules to the particular circumstances, needs and strengths of their region.

The UI coverage is high. In the third quarter of 2011, 95.6 per cent of salaried workers and 89.2 per cent of all employed persons were covered by a UI scheme.

Weaknesses: The UI Trust Funds of most States are either in deficit or have very low balances. This can be explained by the fact that, over years, many States have reduced the employers' contributions to levels that are insufficient to ensure the long-term sustainability of the certain States' UI schemes.

95 <http://workforsecsecurity.doleta.gov/unemploy/performance.asp> [accessed 4 Nov. 2012].

96 Bureau of Labour Statistics: www.bls.org [accessed 4 Nov. 2012].

97 Minimum wage: <http://www.dol.gov/dol/topic/wages/minimumwage.htm#UJaVeUL9d0o> [accessed 4 Nov. 2012].

98 <http://www.dol.gov/dol/topic/wages/minimumwage.htm#UJaVeUL9d0o> [accessed 4 Nov. 2012].

99 Unemployment Insurance Reemployment Rate: http://workforsecsecurity.doleta.gov/unemploy/uir_rates.asp [accessed 4 Nov. 2012].

100 Facilitate the reemployment of UI claimants: <http://workforsecsecurity.doleta.gov/unemploy/reemploy.asp> [accessed 4 Nov. 2012].

In addition, most States have failed to regularly update their taxable wage base for UI, as a result of which taxable wages now represent only about 26 per cent of total wages, thereby threatening the financial stability of most States' UI schemes.

The employer-pay-all approach has led to reduced worker input and influence on programme design. Moreover, the experience-rating system has led to a high volume of employee appeals and judicial contestation, in reaction to employers' activities aimed at minimizing charges by classifying job terminations as voluntary.

Viet Nam

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Social Security Programmes Programmes in the World – Asia and the Pacific 2010:

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ILO, 2012: Eighteen month review of the UI scheme in Viet Nam, ILO/Japan-ASEAN UI Project:

<http://www.social-protection.org/gimi/gess/ShowProjectResource.do?resourceId=28241&pid=1385>

Exchange rate: US\$1= 20,810.00 Viet Nam Dong (VND) (Feb 22, 2012)

1. Main features of the unemployment benefits system

Historical development

In April 2002, the National Assembly passed amendments to the Labour Code which laid the groundwork for the introduction of unemployment insurance. It has been the result of a decade of discussions and consultations on establishing unemployment insurance (UI).

Finally, in 2006, Viet Nam adopted its Law on Social Insurance which included provisions for unemployment benefits. It started collecting contributions on 1 January 2009. The financial crisis of 2008 provided further justification and impetus for UI.

The Decree 127 (Decree No. 127/2008/ND-CP) and the Circular 32/2010/TT-BLĐTBXH regulate the implementation of the UI scheme.

Main features and coverage

Legal coverage is stipulated in the Law on Social Insurance amended in June 2006. The coverage includes indefinite employees of private sector employers (with 10 or more employees). Proposed amendments to the Law on Social Insurance would remove the threshold of 10 employees.

Contracted civil servants are covered under the plan but not government officials and civil servants with indefinite contracts. Also excluded from the UI programme are migrant workers.

The compulsory UI scheme of social insurance type provides temporary unemployment benefits and vocational training allowance for the insured unemployed. Unemployed workers who leave or lose their employment can receive full UI benefits.

Specific practices of relevance

The UI scheme provides a vocational training allowance for insured unemployed up to six months, even if benefits are exhausted before completion of the training course.

Unemployed workers must turn in their Health Insurance (HI) cards when they terminate their employment. HI is reinstated once they receive their UI benefits. Proposed amendments would reinstate HI as soon as unemployed workers are eligible for UI benefits, instead of from first payment.

Institutional set-up

Policies and procedures are developed by the Ministry of Labour, Invalids and Social Affairs (MOLISA). The Bureau of Employment (BoE) is responsible for the implementation of the UI policies. Day-to-day operations are delegated to the provincial Department of Labour, Invalids and Social Affairs (DOLISA) and Employment Service Centres (ESCs).

ESCs have the responsibility to assess, calculate and recommend payment of UI benefits to the Director of DOLISA. DOLISA's Director will make the final decision relating to approval of payment of UI benefits.

Viet Nam Social Security (VSS) is responsible for collecting contributions and paying UI benefits to unemployed workers.

Operational delivery system and current electronic system

Upon termination of employment, employers send the Social Insurance (SI) book to VSS for certification. Unemployed workers are required to register for employment within seven working days of termination (it is proposed to extend this period to 90 calendar days).

From the date of registration for employment, the unemployed must submit all the necessary information (including UI application) within 15 working days. The ESC and DoLISA have 20 days from the receipt of the UI application and other documents to make the final decision.

The final decision is sent by the ESC to VSS. VSS will issue the payment to the unemployed worker either by bank transfer or cash payments. In 2012, only Ho Chi Minh City (HCMC) and Da Nang provincial VSS offices were remitting UI benefits via bank transfers.

This process creates lengthy delays and results in several travels between different offices. The 18-month review of the UI scheme conducted in August 2011 has recommended a number of dispositions to streamline the process and eliminate many of these delays.

Over the past two years, a computer system has been developed and tested in two national pilot sites, HCMC and Binh Duong. Plans were made to roll-out the computer system nationally in late 2011; however at the time of this study, extension nation-wide was not yet completed. In conjunction with the development of the IT system to process claims, it was also recommended to have a national database to process transfer of claims across provinces. However, only steps to connect databases among ESC at provincial level have been taken at this time.

Contribution rates

VSS collects UI contributions at the rate of 1 per cent each for employers and employees, on wages paid up to 20 times the minimum wage.

The government also contributes an amount equal to 1 per cent of the contributory wages of all insured workers.

Qualifying conditions and continuation of benefits

In order to receive UI benefits, an unemployed worker must have a minimum of 12 full months of insurable employment in the last 24-month period prior to

termination. A person is eligible to UI benefits whether the contract was terminated on his/her own choice or by the employers; only termination due to misconduct excludes an unemployed from UI benefits.

The worker must also register for employment within seven working days of the termination date and apply for UI benefits within 15 working days of the date of registration. Decree's amendments propose to extend the registration period to 90 days. Other condition is that he/she must not be in receipt of an old-age or disability pension.

To continue benefits, unemployed workers must report monthly for jobseeking activities at the ESC. This is an important element in the UI scheme whereby workers prove they are actively looking for work and available for immediate employment. They may also be interviewed as candidates for vocational training.

Finally, the UI scheme allows re-employed individuals to receive their remaining UI benefit entitlements in a lump sum, even if they return to work with the same employer.

Benefit rate and duration

The duration of benefits is based on the number of months of insurable employment according to the following chart:

Months of benefits (months)	Insurable employment
3	Between 12 to 35 months
6	Between 36 to 71 months
9	Between 72 to 143 months
12	144 months or greater

The benefit rate is 60 per cent of the monthly average salary over the last six consecutive months. The same rate applies to voluntary and involuntary contract terminations.

The UI scheme also provides a vocational training allowance (VND300,000 per month) up to six months to encourage unemployed to upgrade their skills, even though the training course runs beyond the duration of benefits.

Finally, the HI card is extended during the period of UI benefits.

Waiting period before receiving first payment

Jobseekers can only receive UI benefits if they have remained unemployed for 15 days after registering as unemployed.

2. Other provisions related to unemployment protection and support to specific groups

Legal practices regarding severance pay

Since 2009, the years during which UI contributions are paid for an employee is not counted for the calculation of severance pay. This means that a person who has worked 10 years prior to 1 January 2010 will still be entitled to a severance pay equivalent to five months of past earnings (half a month of severance pay per year of tenure).¹⁰¹ Tenure beyond 1 January 2010 is added up for the calculation of UI benefits only.

There are three circumstances under which severance pay is due:

- 1) where an employee or an employer terminates a labour contract with an employee who has worked for more than 12 months;
- 2) where an employer illegally terminates a labour contract with an employee and as a result, is forced to take him back but he/she refuses to return to work; and
- 3) in the case of redundancy due to changes of the business structure or technology.

Linking with ALMPs

Viet Nam's active labour market policy hinges on a more dynamic labour market development which is moving from rural to urban and agriculture to non-agriculture activities. Indeed, the largest sector of employment in Viet Nam remains agriculture, forestry and fisheries, which employed 47.6 per cent of the workforce in 2009.¹⁰² This demonstrates the structural shift of Viet Nam's labour-intensive agricultural jobs towards higher value-added and more technology and capital intensive industries and service sectors.¹⁰³

As for the insured unemployed, ESCs organized job fairs on a monthly job fairs which bring together jobseekers and employers.

Once a worker has been approved for receiving UI benefits, he/she is entitled to a free job matching service from the ESC, which will assess the worker's qualification and work experience. If the worker has taken advantage of the free job matching service but still cannot find work, he/she could be eligible to register for vocational training.

However, from 1 January 2010 to 31 July 2012, only 3,969 insured unemployed have taken advantage of the vocational training (VT) allowance. Reasons to explain this low rate are insufficient level of VT allowance, lack of motivation to upgrade skills, and mismatch between the VT supply and needs. A workshop on the role of ESCs to facilitate reemployment of the unemployed, held from 3 to 4 October in Ngyuen, came with proposals to make the alternative of vocational training more attractive to workers and streamline the process for acceptance of workers into courses.¹⁰⁴

Existing non-contributory income security

Like other countries, Viet Nam established a number of tax-funded programmes to assist the poor who are not covered by contributory schemes. Generally, poor population tends to reside in rural areas, work in the agricultural sector and be considered as part of the informal workforce. Approximately 70 per cent of the country's workforce lives in rural areas, or 33.5 million.¹⁰⁵

In the continuity of the 2006-10 National Target Policy on Poverty Reduction, Viet Nam is now implementing three major sets of policies for the five year period to promote rural development. The first set of measures aims at providing micro-credit assistance, and reinforcing education and job skills training. The second one focuses on improving access to health, sanitation and housing. And the third one will support infrastructure development in poor rural districts, in particular remote villages in extreme difficult conditions.¹⁰⁶

Consideration for specific groups and gender equality

There are no specific provisions in the UI laws relating to gender equality but a report by the United Nations indicated women account for more than half of trade union membership and they were protected by both traditional trade unions and the Viet Nam Women's Union.¹⁰⁷ In addition, the position of women has improved as the National Assembly passed the first law on gender equality in 2006.

101 ILO EpLex: http://www.ilo.org/dyn/eplex/termdisplay.severancePay?lang=en&p_expandcomments=Y#VN [accessed 4 Nov. 2012].

102 ILO/MOLISA: *Viet Nam Employment Trends Report 2010*, (Hanoi, ILO, 2011), <http://www.un.org.vn/en/publications/publications-by-agency/download/185-vietnam-employment-trends-report-2010.html> [accessed 4 Nov. 2012].

103 Idem as 102

104 MOLISA: *Presentation and recommendations for the improvement of the UI scheme*, for the Workshop on the role of ESCs to facilitate reemployment of the unemployed, Thai Ngyuen, 3-4 October 2012, <http://www.social-protection.org/gimi/gess/ShowProjectPage.do?pid=1725> [accessed 4 Nov. 2012].

105 Article from VNN News: *Fine Tuning the Social Welfare System*, Hanoi, March 31, 2010

106 Ngyuen Thi Oanh: *Assessment of the situation of unemployment and time-related underemployment in Viet Nam: Recommendations to improve protection of the unemployed*, (Hanoi, ILO, 2012), unpublished

107 New Law on Gender Equality, UN: <http://www.un.org/News/Press/docs/2007/wom1593.doc.htm> [accessed 4 Nov.2012].

In Viet Nam, more than five million women and men, or approximately 6.4 per cent of the population, have a disability. Over 15 per cent of persons with disabilities of working age have suitable jobs with a stable income; in total, 58 per cent of people with disabilities are working.¹⁰⁸ The Viet Nam Households Living Standards Survey (2006) estimated that unemployment rate among persons with disabilities is higher - at 30 per cent. With a low level of education and training, most people with disabilities depend on family networks for jobs. However, no specific provisions to facilitate access to UI benefits and VT by persons with disabilities have been included in the UI laws.

3. Performance and monitoring indicators relating to the scheme's efficiency and challenges

Monitoring system

Currently, there are no performance and monitoring indicators for the UI programme. However, a delegation of Vietnamese officials (including BoE officials) visited Canada and received information on key performance and operational indicators which could be implemented in Viet Nam. It is planned that such set of indicators will be developed and nation-wide rolled out in 2013.

Impact of Introduction of UI/EI schemes on unemployment/layoff rates:

UI applications were only accepted from January 2010 so it is too early to analyze the impact of UI on unemployment rates. The official unemployment rate remained stable at 2.9 per cent during 2009 and 2010.¹⁰⁹

Comparison between legal and effective coverage:

According to a presentation by BOE in October 2012,¹¹⁰ in July 2012, there were 8,964 million contributors to the UI scheme.

The same report indicated that a cumulative total of 387,344 individuals registered as unemployed during the first seven months of 2012, with 318,019 being entitled to UI benefits.

Comparison between the level of benefits and i) the national poverty line, ii) the national minimum wage:

Fragmentary statistics indicate that the average monthly UI benefit may be in the vicinity of VND1.5 million (as of mid-2011).¹¹¹

High inflation rates force Viet Nam to adjust its minimum wages every year. Effective 5 October 2011, the minimum monthly wage was raised to between VND1.4 million and VND2 million, depending on the region of application.¹¹² According to press reports, the average monthly wage was VND3.84 million in 2011,¹¹³ based on a survey conducted by MOLISA. Employees in the public sector earned an average of VND4.41 million, compared to VND3.32 million for those in the private sector.

As per comparison, for the period 2011-15, the official poverty line has been set at VND400,000 per month in rural areas and VND500,000 per month in urban areas.¹¹⁴

Reemployment rate before the end of entitlement:

According to a report delivered by BOE in October 2012, for the first nine months of 2012, 14,602 UI beneficiaries received a lump-sum payment of their remaining UI entitlements, which could correspond to the reemployment rate prior to exhaustion of benefits.¹¹⁵

4. Strengths and weaknesses of the UI/EI Schemes

Strengths: The low unemployment rate, combined with a short duration of benefits at a reasonable rate, has allowed Viet Nam to accrue continuing UI surpluses in the early implementation period. In May 2012, the UI fund surplus was estimated at VND16,537 billion.¹¹⁶

Weaknesses: The number of unemployed workers attending vocational training sessions is extremely low. This can be due to the low quality of courses, deficient procedures and the high demand for low skilled workers.

111 Calculation made by the authors of the study based on statistics provided by VSS.

112 Decree No. 70/2011/ND-CP of 22 August 2011

113 Thanh Nien News: *Vietnam average monthly wage rises to US\$185*, Hanoi, 25 January 2012.

114 Government of Viet Nam: *Decision of the Prime Minister 9/2011/QĐ-TTĐ: Promulgating standards of poor households, poor households to apply for stage from 2011 to 2015*, Electronic Portal of the Government Web Portal of the Socialist Republic of Viet Nam (<http://www.chinhphu.vn/portal/page/portal/English>) [accessed 6 Mar. 2012].

115 MOLISA: *Presentation and recommendations for the improvement of the UI scheme*, for the Workshop on the role of ESCs to facilitate reemployment of the unemployed, Thai Ngyuen, 3-4 October 2012, <http://www.social-protection.org/gimi/gess/ShowProjectPage.do?pid=1725> [accessed 4 Nov. 2012].

116 MOLISA: *Presentation and recommendations for the improvement of the UI scheme*, for the Workshop on the role of ESCs to facilitate reemployment of the unemployed, Thai Ngyuen, 3-4 October 2012, <http://www.social-protection.org/gimi/gess/ShowProjectPage.do?pid=1725> [accessed 4 Nov. 2012].

108 UNESCAP: *Disability at a glance, a profile of 36 countries and areas in Asia and the Pacific*, (Bangkok, UNESCAP, 2010), <http://www.unescap.org/sdd/publications/disability/disability-at-a-glance-2010.pdf> [accessed on 19 June 2011].

109 Saigon News: <http://www.saigon-gpdaily.com.vn/national/2011/1/88547/> [accessed 4 Nov. 2012].

110 MOLISA: *Presentation and recommendations for the improvement of the UI scheme*, for the Workshop on the role of ESCs to facilitate reemployment of the unemployed, Thai Ngyuen, 3-4 October 2012, <http://www.social-protection.org/gimi/gess/ShowProjectPage.do?pid=1725> [accessed 4 Nov. 2012].

Currently, workers who leave their jobs voluntarily can collect full UI benefits. Combined with the possibility to receive remaining entitlements as a lump sum payment if they find employment (including returning to their previous employer), these two provisions may question the prime function of unemployment insurance.

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Comparative review of unemployment and employment insurance experiences in Asia and worldwide

Unemployment insurance (UI) and employment insurance (EI) systems are means through which insured workers receive partial income replacement while they are between jobs and looking for new employment. This report highlights the main features and practices applied in the UI/EI schemes in Asia and worldwide. From 72 countries with unemployment benefit system, the schemes of 14 countries were selected for a comparative review which is expected to open avenues for considered thought and deliberation on the concepts, rationale and thinking that can be derived from these particular cases. The schemes presented in this report do not only cover a wide geographic range, but also a range of economic development stages.



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