Income support in times of global crisis: 
An assessment of the role of unemployment insurance 
and options for coverage extension in Asia

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Working paper

Instead of an introduction: Market economy and unemployment insurance—some clarifications

Minimum institutional requirements for sustainable market economies are: (i) (Schumpeterian) entrepreneurs, (ii) guaranteed ownership rights, (iii) financial institutions, (iv) social security, and (v) an employable workforce. In other words, economic development requires the inclusion of interpersonal redistribution of income and wealth. Interpersonal redistribution systems function through the collection of taxes and social security contributions from economic entities on the basis of their past or current economic activities or of economic transactions; and simultaneous provision of benefits and services to individuals on the basis of predefined sets of rules. Interpersonal redistribution systems are called “social security” or “social protection.”

Social security provided through classical unemployment insurance (UI) arrangements was designed to provide income security, and to prevent poverty, during temporary unemployment resulting from cyclical or structural economic downturns. In this role, it buys out temporarily labor from the production process, which—because of positive external effects on the average stock of human capital—lifts

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1 The authors thank Emmanuelle St-Pierre Guilbault, Friedrich Buttler, Krzysztof Hagemejer and Günther Schmid for helpful comments on early versions of this paper. As usual, remaining flaws, errors, and lack of clarity remain the authors’ responsibility. The contents of this paper must under no circumstances be misunderstood as representing the views of the International Labour Organization or its Office.

2 This introduction draws on WS and the Social budgeting class of the Maastricht Graduate School of Governance (2009).

3 Such economies are called social market economies in case social security is developed in such a way that it promotes workers’ emancipation.

4 Examples of current economic activities are instantaneous income production (labor income, profits), or consumption; examples of past (“frozen”) economic activities are accumulated wealth in the form of property or other valuables.

5 In this paper we do not distinguish between “social security” and “social protection” but grant ourselves the freedom to use both notions interchangeably.
The reasoning is actually the logically consistent development of an argument made by Xavier Sala-i-Martin with respect to pension systems (Sala-i-Martin 1995).

In Asia, before the 1997–98 financial crisis, only a few countries had taken steps to gradually build up comprehensive national social security systems; respective activities intensified temporarily after the crisis but have not yet taken the cause very far; see also Scholz (1999).

Such a floor should consist of two broad main elements: services, allowing geographic and financial access to essential public goods such as water and sanitation, health, and education; and transfers, providing a basic set of essential social benefits, in cash and in kind, paid to the poor and vulnerable.

Among the explicit promoters are OECD’s Development Assistance Committee (OECD 2009a), the Chief Executives’ Board of the UN System (promoting the establishment of a worldwide Social Protection Floor) (UN 2009), and ILO (advocating “adequate social protection for all” and urging “the international community to provide development assistance, including budgetary support, to build up a basic social protection floor on a national basis”) (ILC 2009).
roof”; and (iv) requires rules for its interactions with social assistance if the unemployed person turns out not to be (re-)employable.

The issue of UI in Asia has to be seen against these considerations but must, also, be subject to a cost–benefit analysis that takes into account the economic and political pros and cons of UI in a dynamic capitalist development context as experienced in the region.

Overview and assessment of social protection of unemployed workers

The current crisis is probably only a temporary, though possibly extended, break in the world’s economic growth process. In the line of the many economic crises that the world has witnessed since the beginning of the 19th century, the current one is rooted in enormous global imbalances and characterized by sudden exposure of almost all countries around the globe to a strong decline in effective demand; it can be expected that the fall in demand, although partially counterbalanced by governments’ deficit spending, will be followed by pronounced adjustments of economic structures: the activities in the automobile and energy sectors are just two examples out of many.

Loss of demand and sector restructuring stipulate the need for instruments available to societies that simultaneously stabilize unemployed workers’ consumption; offer time for their skills maintenance or update for their later reintegration; and help companies to bridge the time required for productivity-enhancing restructuring.

Such widely defined social security for the unemployed can be provided through contributory social insurance (UI) or noncontributory income support schemes (unemployment assistance, general social assistance) or a combination of both, usually supplemented with other labor market policies (public works, training etc.).

For a better focus on Asia we first look at the global situation of coverage by such programs. (A more detailed description of Asian UI schemes is provided in the section Focus on UI in Asia: A descriptive overview.)

Available information allows us to distinguish legal and effective coverage, as shown in Table 1. The results recorded in the table show two essentials:

- **Legal coverage.** Out of all 184 countries, 78 (42%) provide legal coverage through statutory programs: 8% in the low-income country group, but 80% in the high-income country group; accordingly, the population covered in all countries represents only about 30% of the total economically active population, with a very low share of 3% in the low-income countries and a high share of almost 70% in the high-income countries.

- **Effective coverage.** This shows a similar pattern: the relative share of persons receiving UI benefits among the unemployed is on average 13%, with about 1% in the low-income countries and almost 40% in the high-income countries; in other words, in the low-income countries almost 99% of all unemployed are excluded from (UI) benefit cash transfers, whereas in the high-income countries 60%—still quite high—virtually 61% are excluded.

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10 The following text draws heavily on work done by Ms Florence Bonnet.
11 See Figure 3, below, for a structured overview of the country data base underlying the following analysis.
12 The database comprises 48 low, 46 high, and 90 other income groups.
13 We remind readers of the fact that, due to data unavailability, general social assistance was excluded from Table 1.
Table 1: Legal and effective unemployment insurance coverage by development level, latest available year (first decade 21st century)

<table>
<thead>
<tr>
<th>Type of coverage</th>
<th>Country category by income level</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Low</td>
</tr>
<tr>
<td><strong>Legal coverage (see explanations in Box 1)</strong></td>
<td></td>
</tr>
<tr>
<td>Existence of a statutory program for unemployed (Number of countries; in parentheses: percent of selected countries within overall country grouping (statistical coverage))</td>
<td>5 (8)</td>
</tr>
<tr>
<td>Legal social security based coverage of unemployed (% of economically active population within country grouping)</td>
<td>2.9</td>
</tr>
<tr>
<td>Contributory and non contributory schemes</td>
<td></td>
</tr>
<tr>
<td>Legal social security based coverage of unemployed (% of economically active population within country grouping)</td>
<td>2.9</td>
</tr>
<tr>
<td>Mandatory contributory schemes only</td>
<td></td>
</tr>
<tr>
<td><strong>Effective coverage</strong>&lt;sup&gt;a&lt;/sup&gt; (see explanations Box 1)</td>
<td></td>
</tr>
<tr>
<td>Recipients of unemployment benefits: Total (% of all unemployed within country grouping—LFS)</td>
<td>1.3</td>
</tr>
<tr>
<td>Recipients of unemployment benefits: contributory schemes only (% of all unemployed within country grouping—LFS)</td>
<td>1.33</td>
</tr>
<tr>
<td>Recipients of unemployment benefits: noncontributory schemes only (% of all unemployed within country grouping—LFS)</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>Noncoverage</strong></td>
<td></td>
</tr>
<tr>
<td>Nonrecipients of unemployment benefits: Complementary group (% of all unemployed within country grouping—LFS)</td>
<td>98.7</td>
</tr>
</tbody>
</table>

LFS = labor force survey.

<sup>a</sup> Because of current unavailability of statistical data, the unemployed beneficiaries of general social assistance schemes (i.e., schemes not specifically designed as unemployment assistance) are not included in the table. Including them would increase coverage rates only in countries where such schemes exist on a larger scale, i.e., high-income and a few middle-income countries. The total underlying database comprises 184 countries; the table includes only those that provide at least minimal forms of statutory UI coverage.

The fact that low-income countries’ UI protection is solely contribution-based (“insurance-type”) is to be related, inter alia, to the fact that their capacities do not allow for implementation of social assistance-type transfer systems which, also, hints at lack of willingness to reach outside the formal sector.
Maintaining defined income levels can be realized through:

- **Unemployment benefits** that are typically paid periodically by contributory schemes, offering defined income replacement after a qualifying period over a limited time;
- **Unemployment assistance and general social assistance** that are usually not based on prior earnings but flat periodic (noncontributory) cash transfers to the unemployed either because their insurance (contributions)-based unemployment benefits expired, or because no such entitlements exist;
- **Other labor market policies including publicly organized paid employment** that provide periodical income support conditional upon participation in employment or training programs.

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**Box 1: Legal and effective coverage—Some explanations**

*Legal coverage* estimates that percentage of the economically active population which is legally protected against loss of income in case of unemployment; in other words, these persons' unemployment benefits are guaranteed by national legislation, but they do not necessarily currently receive such benefits; legal coverage includes persons who are covered by law but who might not be known to the system, for example because of ineffective registration. A person is legally covered if legal provisions stipulate her or his coverage through UI or through entitlement to specified benefits in certain circumstances (e.g., effective income support when personal income is below a specified threshold). Estimates of legal coverage use registration information of statutory unemployment institutions but also noninstitutional labor market statistics.

*Effective coverage* is calculated here as the ratio of the number of persons receiving unemployment benefits over the total number of unemployed (based on labor force survey [LFS] data). Effective coverage is usually lower than legal coverage because of suboptimal law-enforcement. But there are also technical reasons:

- Legal coverage is based on rough estimates relating legislated categories of covered workers to LFS categories.
- The effective coverage ratio is calculated using data of two different sources: the number of beneficiaries (usually administratively processed monthly data) and the LFS (usually quarterly sample based data); often both data streams are collected by different institutions;
- The unemployed usually comprise categories of persons that have not acquired benefit entitlements, e.g., school-leavers or other new entrants to the labor market;
- The effective coverage ratio, furthermore, very much depends on:
  - the average period during which a benefit is being received which, in turn, depends on the legally stipulated maximum period of benefit receipt, and on administrative practice (strict versus soft execution of law); and
  - the turnover of the (un-)employed in the labor market: the higher the turnover the higher usually the ratio (and vice versa); and
  - the degree of segmentation of the labor market: when the same people repeatedly switch between employment and unemployment (“revolving-door effect”) their entitlements might expire as often a minimum period of contribution payment is required between two spells of unemployment.
Where put in place, UI schemes can obviously provide such income maintenance benefits/measures. However, while effective crisis response has to be available quickly, such ready solutions are in most countries impossible, in particular within the group of low- and middle-income countries, simply because the required administrative structures, including the executive rules (laws and bylaws), have not been put in place, and no trained staff is available that could effectively apply those rules.

Figure 1: UI country allocation (ILO-SECSOC database)

<table>
<thead>
<tr>
<th>Main scheme</th>
<th>Additional scheme</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unemployment statutory scheme</td>
<td>Social insurance (public) 64 countries (82%)</td>
</tr>
<tr>
<td></td>
<td>Social assistance 8 countries (10%)</td>
</tr>
<tr>
<td></td>
<td>Provident funds 6 countries (8%)</td>
</tr>
<tr>
<td></td>
<td>Social assistance 3 countries</td>
</tr>
</tbody>
</table>

No unemployment statutory social security provision 106 countries | 58% Including 13 countries (12%) with limited provision (mainly employer liability) but no statutory programme

Source: ILO-SECSOC.

Only if readily institutionalized, can government systems automatically react to changing economic conditions: the power of UI schemes as economic stabilizers stems from the fact that effective coverage is instantaneously extended when more workers become unemployed; in such situations the number of beneficiaries, and often the average benefit paid, increase automatically.

Regrettably, UI schemes of which use can be made accordingly exist in only 78 countries (Figure 1). A majority of them (64 out of 78) have UI as the dominant scheme, with:

- 17 (out of the 64) having additional employment-related social assistance that steps in when the specific UI rules are not applicable;
- 8 \(^\text{14}\) offering tax-based social assistance as the main and only unemployment scheme; and
- 6 countries offering only insignificant provident fund–type provisions.

Where insurance or tax-based programs exist, their effective outreach is often very limited because entitlement legislation is restrictive and effective institutional implementation of UI administration (offices, staff) is also very limited; this is especially the case in the low-income countries, i.e., those with the highest needs, such that de facto accessibility to unemployment benefits is restricted; broadly, this is the case in countries showing a coverage ratio of 20–30% or less (Figure 2).

Hence, on a global scale there is a massive gap in UI coverage for the unemployed and underemployed working-age population who, accordingly, are in need of income support.

\(^{14}\) Such as New Zealand or Australia; see description in Table 4.
Lessons learned from past crises?

Asian countries without adequate UI suffer most from increasing open and hidden unemployment. Any attempt to effectuate new unemployment schemes during a crisis as a response to the crisis must fail; where measures are taken without such structures available the results are often mainly of a symbolic nature; it is impossible to deliver anti-crisis responses without the required structures ready and functioning. Countries that had implemented UI during periods of relative economic stability, like the Republic of Korea, could easily make use of and, where necessary, adjust or upscale the existing rules in order to respond appropriately and in a timely fashion. The Korean example\(^{15}\) shows that the timely investment in UI enables countries to emerge strengthened from crises. A number of other countries, like Chile or Mexico, had earlier experienced massive social fallouts and used them as basis for the introduction of schemes offering income replacement for unemployed. These countries appear to be institutionally better prepared than ever to cope with the socioeconomic consequences of crises.

Of course, there are the usual problems that accompany new social security institutions like UI: lack of resources and inefficient administration; adverse individual incentive structures; too restrictive benefit payments; and fraud. The anticipation of these problems makes many governments hesitate to implement reasonable solutions. Often, instead of making productive use of the experience of tested and well-functioning UI systems in other countries, governments strive for “innovative” solutions. In doing so, they must however be careful not to “throw out the baby with the bathwater”: the continuous and successful solving of the above standard problems (and others), not only within UI but, more generally, in social security systems, is part of the day-to-day routine of political and administrative management.

Usually such deficiencies do not justify ignoring UI—as explicitly done, for example, by the Government of Singapore (Vandenberg 2008)—but rather call for improvement. As with respect to all other social security branches, in UI, too, “analysis should be framed in a second-best context. Simple theory assumes that individuals make optimal choices and that labor markets … function ideally. Formulating policy within that best framework is analytically simple, but a bad guide to [UI] design in a world with limited policy tools and major market imperfections” (Barr and Diamond 2009).\(^{16}\)

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15 Similarly Argentina on the other side of the globe.
16 [UI] replaces “pension” in the original text of Barr and Diamond.
In many countries, statistics on UI beneficiaries and unemployed show a disjunct; for example, in Germany the number of noncontributory UI system beneficiaries is much higher than the published number of unemployed because this figure includes all members of the household in which an unemployed beneficiary lives. In other words, the pure “technical” coverage rate is much higher than 100%.

In full agreement with this argument it can be stated that, even if legal coverage is limited to formal sector workers and effectively reaches only a part of the unemployed, UI schemes, once in place, can be turned into essential pillars of the wider governance structure and, thus, into a hub contributing to the general extension of social security coverage. Like other social security schemes, UI potentially contains enormous information about labor markets on the basis of individual data and, thus, directly or indirectly, about the performance of economic sectors; this information can be turned into valuable
large-scale information not only for the government but also for business and wider civil society. This information is not usually offered by banks and private insurance; it is, thus, quite a puzzle that big business in Asia has not yet discovered the advantages that could be drawn from “big” social security—advantages that are taken for granted in the West and remotely contribute to the economic effectiveness of Western market economies.

Obviously, countries with formal UI are better equipped to weather crises than countries without. Contrary to ubiquitous beliefs, no negative effects on countries’ economic performance of increased social spending during and after crises can be found. On the contrary, well-designed UI, employment-related social assistance, and public work programs effectively prevent long-term unemployment and help overcome and possibly shorten economic recessions.

Countries routinely providing sufficient income replacement over significant periods can be more relaxed with respect to the timing and scope of anti-crisis measures than countries that offer only meager benefits or none at all. Most probably, relatively generous UI in continental Europe versus only meager provisions in “Anglo-America” explains, though only partially, dichotomies in crisis reactions between continental Europe and “Anglo-America.” Not only do such systems buy time for the unemployed to find suitable new work but also they provide room to the macroeconomic decision makers who can concentrate on core economic policy issues instead of spending time, inefficiently and helplessly (because they are not trained to do this), on organizing public labor market programs and income-stabilization measures at short notice.

Unemployment insurance beneficiaries in the current crisis

In almost all countries, the number of beneficiaries has significantly increased, i.e., that figure is generally moving in the right direction (Figure 3).\(^1\) The reasons for differences in dynamics are manifold and cannot be discussed here in detail, but may be mentioned in passing, as follows (Lee 2009; Scholz 2009a):

- The very high increases in the three Baltic States (Estonia, Latvia, Lithuania)\(^2\) indicate the depth of their economic recession, but also that these countries during the 1990s seriously implemented rights-based UI systems and have effective unemployment administration systems.
- The low increases in countries like France and Germany are related to the fact that both countries offer additional income-supporting labor-market instruments that are being used effectively (such as “partial unemployment benefit” in Germany; see below); in other countries the low increases, or even declines, in numbers point to different country-specific aspects: for example, the Government of Hungary, contrary to most other European countries, chose to implement austerity policies to “boost investor confidence” (OECD 2009b); and Belarus and Serbia are not as integrated as deeply in the world economy as most other countries included in this analysis.

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1 All data reported thus far in this paper are precrisis; as a result of usual labor market dynamics it can be expected that since the onset of the crisis, the effective coverage ratios have increased in many countries; accordingly, in countries with contributory social insurance and noncontributory tax-financed schemes, the relative share of beneficiaries receiving contributory benefits is meanwhile, most probably, higher than shown in Figure 1. In line 1, Figure 3 shows (nonrepresentative) information for all world regions, including some Asian countries (Table 2); the other lines focus on Europe and the US.

2 The individual countries are given in Table 2 (on which Figure 3 draws).
• Also the numbers available for the Asia and Pacific countries (Australia, Japan, New Zealand, Korea, Thailand) all point in the right direction. Of course, variation is large between the Asian countries (as in Europe): individual entitlements differ significantly with respect to levels and lengths of periods paid; the fact that Japan, with a labor force six times as high as Australia’s reports numbers of recipients of basic unemployment allowance in the same order of magnitude as Australia reports on job-seekers allowance—while Japan’s economic output has been much more severely hit by the global recession than Australia’s—can, to a large extent, be explained by the different attitudes of employers (and employees) toward hiring and firing policies, and the countries’ respective laws (Lee 2009).

**Figure 3: Number of recipients of unemployment benefit**

Indexed monthly number of social security unemployment beneficiaries (base 100 in January 2008)

Weighted average for a selection of countries

1. Weighted average indexed value for the set of countries and unemployment programmes | Weight = unemployment benefit recipients
2. Europe (selection of countries) - Weighted average indexed value | Weight = unemployment benefit recipients
3. Eastern Europe (selection of countries) - Weighted average indexed value | Weight = unemployment benefit recipients
4. Western Europe (selection of countries) - Weighted average indexed value | Weight = unemployment benefit recipients
5. US

Source: Table 2; data reported by national social security institutions/unemployment programs.

**Income support to the unemployed: Global policy responses**

Governments make use of all three areas of unemployment-related income support that were mentioned above in the section, *Lessons learned from past crises*: contribution-based unemployment benefits; unemployment assistance and general social assistance; and other labor market policies including publicly organized paid employment. The extent to which these instruments are being used is determined by their accessibility to governments and differ by country category (Table 3).

**High-income countries**

The most common responses in high-income countries are modifications of provisions established within existing UI, i.e., extension of the maximum benefit payment period, extension of coverage, and increase of benefit levels paid.

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19 Australia’s Government replaced in the 1990s the notion of “unemployment benefit” with “job-seekers’ allowance” in an attempt to signify precisely the purpose of the benefit paid. This did not change the fact that the job-seekers’ allowance is a classical (tax-financed) unemployment benefit.

20 OECD expects a decline, in 2009, of Australia’s output of (only) around 0.5%, while Japan’s output is expected to fall by 7% (OECD 2009b).

21 Here, “accessibility” stands for the degree of availability to governments of effective UI administration, including UI’s cooperative links with enterprises and, thus, reach-out to the unemployed or employed envisaging unemployment. The degree of availability depends on spatial allocation of UI offices, quantity and quality of staffing, practicability, efficiency and effectiveness of administrative procedures and other prerequisites.
Some—among which most prominently are France, Germany, and Netherlands—successfully apply measures supporting “partial unemployment”. The concept may be explained by the following example.

A company faces a decline in demand for its products and has to reduce production temporarily by, say, 50%. Management is faced with a dilemma: on the one hand, there is the need to adjust production costs and a standard reaction would be to dismiss, say, 50% of its employees in order to save labor costs; those fired would become unemployed and would be financially supported through UI.

However, as management expects turnover to be back to “normal” within a short period of time (say, the next 12–18 months) it may lose, by firing immediately 50% of its employees, valuable know-how and experience (input to the company’s production function), which to recover later may turn out very, if not prohibitively, costly.

In this situation, UI and company management make a deal: management keeps the employees but reduces working time by 50% (resulting, perhaps, in a similar reduction of labor costs). While the company simultaneously economizes on the current production costs and avoids future search costs, UI replaces the related (net) income losses of the employed by a direct cash benefit to be paid to the employees.

Although it is too early for a full assessment of the measures taken, the German case appears to show success. In March 2009, the number of subsidized workers in partial employment was more than 1.2 million in 55,000 enterprises (on average 23 beneficiaries per enterprise), or eight times as high as a year before, but the monthly number of newly unemployed had thus far remained comparatively stable.

Any full or partial unemployment benefit unfolds its full potential only in combination with other labor market instruments aiming at increasing employability. Accordingly, training and related measures are part of stimulus packages introduced in most European countries (sometimes in combination with partial unemployment benefits) but also, for example, in Korea, where workers participating in training measures are entitled to higher benefits. Also, Korea intends to invest in tools aimed at providing better information on job seekers and their qualifications as well as open positions, thus aiming at reducing long-term unemployment.

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22 One might prefer “partial employment” instead, as the measure is actually meant to avoid social unemployment at all (while it, of course, accepts economic unemployment); accordingly, beneficiaries of partial unemployment benefit are being counted, in labor market statistics and in the national accounts, as employed; “partial employment” must however not be confused with “part-time employment”, which is obviously something different.
Table 2: Number of unemployment benefit recipients

<table>
<thead>
<tr>
<th>Countries</th>
<th>January 2008</th>
<th>Latest month available</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of unemployment benefit recipients ('000)</td>
<td>Date</td>
</tr>
<tr>
<td>Argentina</td>
<td>Recipients of unemployment benefits</td>
<td>112</td>
</tr>
<tr>
<td>Armenia</td>
<td>Recipients of unemployment benefits</td>
<td>15</td>
</tr>
<tr>
<td>Australia</td>
<td>Job seekers receiving new-start allowance and youth allowance</td>
<td>322</td>
</tr>
<tr>
<td>Azerbaijan</td>
<td>Recipients of unemployment benefits</td>
<td>2,632</td>
</tr>
<tr>
<td>Belarus</td>
<td>Recipients of unemployment benefits</td>
<td>26</td>
</tr>
<tr>
<td>Belgium</td>
<td>Recipients of unemployment benefits</td>
<td>517</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>Recipients of unemployment benefits</td>
<td>64</td>
</tr>
<tr>
<td>Canada</td>
<td>Employment insurance beneficiaries receiving regular benefits</td>
<td>460</td>
</tr>
<tr>
<td>Chile</td>
<td>Superintendencia de Pensiones—Unemployment</td>
<td>95</td>
</tr>
<tr>
<td>Croatia</td>
<td>Recipients of unemployment benefits</td>
<td>64</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>Recipients of unemployment benefits</td>
<td>124</td>
</tr>
<tr>
<td>Denmark</td>
<td>Unemployed recipients of social assistance SA</td>
<td>13</td>
</tr>
<tr>
<td>Denmark</td>
<td>Unemployed recipients of unemployment benefits SA</td>
<td>45</td>
</tr>
<tr>
<td>Estonia</td>
<td>Recipients of unemployment benefits</td>
<td>3</td>
</tr>
<tr>
<td>Finland</td>
<td>Recipients of basic unemployment allowance</td>
<td>17</td>
</tr>
<tr>
<td>France</td>
<td>Acssedic—SA</td>
<td>2,081</td>
</tr>
<tr>
<td>Germany</td>
<td>UI beneficiaries</td>
<td>1,167</td>
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<tr>
<td>Hungary</td>
<td>Job-seekers’ allowance recipients</td>
<td>114</td>
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<tr>
<td>Hungary</td>
<td>Recipients of job-seekers’ assistance</td>
<td>54</td>
</tr>
<tr>
<td>Israel</td>
<td>Claims for unemployment benefit SA</td>
<td>56</td>
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<tr>
<td>Japan</td>
<td>UI - Basic allowance</td>
<td>542</td>
</tr>
<tr>
<td>Korea</td>
<td>UI beneficiaries</td>
<td>273</td>
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<tr>
<td>Latvia</td>
<td>Recipients of unemployment benefits</td>
<td>29</td>
</tr>
<tr>
<td>Lithuania</td>
<td>Recipients of unemployment benefits</td>
<td>22</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>Demandeurs d’emplois indemnisés</td>
<td>5</td>
</tr>
<tr>
<td>Macedonia</td>
<td>Recipients of unemployment benefits</td>
<td>25</td>
</tr>
<tr>
<td>Montenegro</td>
<td>Recipients of unemployment benefits</td>
<td>9</td>
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<tr>
<td>Netherlands</td>
<td>SA</td>
<td>190</td>
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<tr>
<td>New Zealand</td>
<td>Recipients of unemployment benefits</td>
<td>28</td>
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<tr>
<td>Poland</td>
<td>Unemployed with rights to benefit</td>
<td>268</td>
</tr>
<tr>
<td>Russian Federation</td>
<td>Recipients of unemployment benefits</td>
<td>1,269</td>
</tr>
<tr>
<td>Serbia</td>
<td>Recipients of unemployment benefits</td>
<td>76</td>
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<tr>
<td>Slovenia</td>
<td>Recipients of unemployment benefits</td>
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<td>Slovakia</td>
<td>Recipients of unemployment benefits</td>
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<tr>
<td>Spain</td>
<td>Recipients of unemployment benefits—Contributory</td>
<td>933</td>
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<td>Spain</td>
<td>Recipients of unemployment benefits—Noncontributory</td>
<td>610</td>
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<td>Sweden</td>
<td>Recipients of unemployment benefits</td>
<td>165</td>
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<tr>
<td>Turkey</td>
<td>Recipients of unemployment benefits</td>
<td>107</td>
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<tr>
<td>Thailand</td>
<td>Recipients of unemployment benefits</td>
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<tr>
<td>United Kingdom</td>
<td>Claimants Job-seeker’s Allowance</td>
<td>795</td>
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<tr>
<td>Ukraine</td>
<td>Recipients of unemployment benefits</td>
<td>496</td>
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<td>Uruguay</td>
<td>Recipients of unemployment benefits</td>
<td>21</td>
</tr>
<tr>
<td>United States</td>
<td>Continued claims</td>
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</tbody>
</table>

a. Calculated on the basis of the original (not rounded) data.
Source: Data reported by national social security institutions/unemployment programs.

Middle-income countries

Partial unemployment benefits have been implemented or extended in a number of middle-income countries such as Poland and, though at much lower effective coverage, Turkey. But while in most European middle-income countries these schemes potentially cover the majority of the employed in the producing industries, in many Asian and Latin American middle-income countries the labor market shares of self-employment and informal employment are high and thus the existing unemployment benefits...
schemes are inaccessible for many of those whose labor incomes are affected. Given only small formal labor markets, coverage extension is difficult. In such a situation special measures for both the formal and the informal sector become necessary, of which we mention a few.

In Brazil, crisis response aims at the workers in the most crisis-ridden (formal) sectors; here, unemployment benefits have been prolonged by 2 months; this extension is expected to reach around 103,000, or 20%, of the schemes’ beneficiaries. Additionally, those lacking formal income are being targeted through extended access to the Bolsa Familia program. In 2009 the program (which covered 11.1 million families at the end of 2008), was opened to another 1.3 million families by adjusting eligibility criteria.

Table 3: Income support to the unemployed by type of measure and country category

<table>
<thead>
<tr>
<th>Countries by income level (brackets: number of cases)</th>
<th>Countries with statutory unemployment benefit scheme</th>
<th>Number of countries and type of measure taken</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Extension of maximum payment period</td>
<td>Extension of coverage</td>
</tr>
<tr>
<td>Low income (5)</td>
<td>2^a / 2^b / -1</td>
<td>c</td>
</tr>
<tr>
<td>Lower middle income (9)</td>
<td>5^a / 1^b / -3</td>
<td>2</td>
</tr>
<tr>
<td>Upper middle income (14)</td>
<td>10^a / 1^b / -3</td>
<td>4</td>
</tr>
<tr>
<td>High income (18)</td>
<td>15^a / 0^b / -2</td>
<td>11</td>
</tr>
<tr>
<td>All (46)</td>
<td>32^a / 4^b / -9</td>
<td>15</td>
</tr>
</tbody>
</table>

a. At least one statutory unemployment scheme in place.
b. Unemployment scheme with limited provisions.
c. No scheme in place.
d. Indicates constraints (rather than extension), i.e., pro-cyclical measures.

Notes: One-time payments are not included. Extension of cash benefits and social assistance appears to be especially dynamic in the low and lower middle-income countries: data must however be interpreted with caution as most of the measures are (donor financed) transitory pilot schemes with very low coverage effects.

Source: ILO-SECSOC.

The most common form of crisis response in middle-income countries is the extension of existing or implementation of new public employment schemes. Such schemes often have an ad hoc character and can easily be discontinued once the crisis is over.

In the Philippines, all government departments and offices have been directed to mobilize resources for emergency job creation at the level of at least 1.5% of their respective operating budgets. By May 2009 nearly 100,000 jobs were created; the goal is to create another 700,000 by the end of 2009.

India has several years of experience with its National Rural Employment Guarantee Act, and it plans to use this experience to cover urban areas with a similar scheme.

Low-income countries

Crisis response measures are clearly most limited in low-income countries. While leaving aside national specificities, low-income countries commonly face a triple constraint:

- They are adversely hit through declines in global demand (trade), remittances, and foreign direct investment;
- They have limited access to foreign capital; and
- The scope of social security is extremely narrow.

13
In addition, many of these countries, in particular in Sub-Saharan Africa, face a permanent crisis of poverty and lack of income, independently of any financial crisis impacts.

In this situation, one cannot expect any tangible response from UI systems that have only very recently been set up, for example in Bangladesh and Viet Nam. Many low-income countries have small-scale income support schemes on a pilot basis; these schemes are too small, however, to make a measurable difference at national level (Table 3, last column); many of them have to struggle for financial survival.

**Good practices, pitfalls, and shortcomings**

An assessment of the measures taken is highly context dependent and, at the moment, also has to be based on experience gained during past crises. The significance of interventions depends on:

- the readily available array of measures foreseen by law,
- the preparedness of the administration to actively use and possibly extend the measures,
- the readiness of the government to provide required (additional) financing,
- (for some types of measures, such as partial unemployment, training): the readiness of companies and their employed to respond congruently.

In countries where these conditions are being fulfilled the potential positive impacts of UI can be fully exploited.

The obvious advantages of “partial unemployment” are as follows:

- The company maintains its standard production routine (although at reduced level) and can easily expand again once demand picks up;
- UI avoids the payment of unemployment benefits;
- Workers continue paying contributions, although at reduced level, to all social security institutions (including UI).

Some conditions have to be fulfilled, however, to make the concept applicable in practice, among which most prominently are:

- willingness of management to cooperate closely with UI; management must take the initiative to apply for the measures/benefits;
- willingness of management to take the organizational and other measures necessary to adjust the production downward while keeping unchanged the number of employees (in complex production structures management, in effect, may have to find and apply a new production function; this can usually only be achieved in cooperation with employees);
- willingness of employees to cooperate productively with management (see previous bullet); to achieve this, organized dialogue structures between employees (or their representatives) and management must be implemented;
- the company’s accounting system must be organized such that easy measurement of effective working time and labor costs (before and after introducing the measure) is possible and can be communicated to the UI system.

A more fundamental problem of this labor market measure is that, in practice, its application depends on a forecast stipulating, with high probability, that the company in question will survive the crisis.\(^{23}\)

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\(^{23}\) Legislation on partial unemployment benefits contains the conditions under which enterprises are eligible for this support. E.g. in Germany companies applying for partial unemployment benefits have to document the reasons for the lack of demand for labor and explain its temporary nature and inevitability. The legal provisions in the Netherlands contain a rule which foresees that employers which lay off workers that have received the benefit are obliged to refund the amount of
Accordingly, it must inherently be accepted by all participating players that the forecast might turn out wrong and the company, despite the temporary and possibly heavy subsidization of labor costs, may still fail in the end. In countries where redundancy payments play a major role in the overall social fabric, agreeing to partial unemployment could mean a reduction in workers’ entitlements if the company goes bankrupt. These and other considerations have to be taken into account before implementing the measure, as management’s as well as workers’ willingness to cooperate might depend on such implications.

In countries with UI but where the range of standard measures foreseen is narrow, where the administration is understaffed and not well trained or otherwise inefficient, where financial resources are limited, and where company responsiveness to offered measures is low—in all such cases the provision of unemployment benefits can only have limited income effects at the macro level, although these might be of great help to those households who are actually covered. These countries have only limited capacity to implement more complex measures such as “partial unemployment”.

In the case of Thailand, for example, the authors feel that existing UI is used only suboptimally, since only around 1 out of 10 unemployed persons receive a benefit at a level of around 40% of the average taxable wage. At the same time, the system has accumulated significant reserves (approximately €1 billion), covering benefit outlays for about 7 years. While the system replacement rate is acceptable, the other observations indicate insufficiency of regulations and/or administration: instead of using available resources for active labor market policies, such as training, the scheme prefers to function like a bank. At the same time, no routine has yet been established that would continuously provide statistical information to the government and to the general public (including the trade unions and the enterprise sector). In all these areas, clearly, improvements of the Thai situation are possible.

In order to perform better in the future, it is important for the low income countries that have introduced suboptimal UI to document carefully the effects of the crisis on companies, on labor markets, and on private households, and to use that information for sound improvements to their range and quality of legal and administrative measures. This will enable them to be better prepared for the next crisis.

The same holds true for countries that have not yet introduced UI: the current crisis should be taken as experience on which to implement future UI structures. In these countries, “self-targeting” public work schemes are often praised as an effective alternative to UI because they usually pay only low wages and thus “automatically” attract those in dire need. While having some theoretical attraction, these programs must nevertheless be treated with caution as, in reality, they might be selective among the poor and not really reach out to those most in need. Such programs can be valuable short-time measures but they cannot replace sound social policies.

\[24\] Meanwhile, as a result of the current crisis, this ratio may have increased to about 2 out of 10, clearly indicating that the Thai system functions as intended in its dynamics, if not in absolute levels of covered beneficiaries (despite all its deficiencies described here).

\[25\] Thailand has fixed its contribution collection ceiling at B15,000 a month (around €350).

\[26\] High UI reserves can also be observed in the PRC, where in 2008, they amounted to five times annual benefit expenditure (Shu 2009).
The East Asian welfare state and unemployment insurance

Lee (2009) has argued that Asia’s underlying socioeconomic and fundamental sociocultural currents are very favorable for the introduction of social security in the region:27

- On the basis of Asia’s religious and cultural roots and traditions the peoples of the region have always given the state a prominent guarantor-role in their social security needs;
- Today, the Gini coefficient in some of the region’s economies is lower than in Europe—suggesting less need for secondary (re)distribution than in Europe, as already Asia’s primary income distribution, due to quite strict protection against wrongful dismissal and application of minimum wages, is fairer;
- Accordingly, Asian states, in all their diversity, had and still have no difficulties in adopting, and transforming to their specific needs and societal circumstances, (trimmed) varieties of Beveridgean and/or Bismarckian approaches to social legislation.

These observations must, indeed, be taken into account when interpreting the low unemployment coverage ratios in the region, and it might indeed be tempting to speak of an “East Asian Welfare Model”,28 especially when focusing on the region’s most developed economies, including Hong Kong, China; Japan; Korea; Singapore; and Taipei,China.

At the same time, however, it must not be forgotten that these economies represent only a small share of Asia’s total population. The majority of Asians still live in conditions of only low or no social security coverage. UI, especially, is missing.

The three observations just above have, though, lost some of the significance that they might earlier have had, as “it is now almost indisputable that overall income inequality in the region has increased” (Lee and Eyraud 2008). In addition, the tradition of “(employer-based) ‘employment protection’” (Vandenberg 2008) is irrelevant for the vast majority of the Asian labor force. Also, legislation has changed in a number of economies, aiming at lowering companies’ dismissal costs and increasing workers’ numerical flexibility.29 For example, in Korea, the legalization (1998) of redundancy dismissals “opened the doors for firms to shed their employees” (Lee and Yoo 2008). In Japan, where the traditional concept of the long-term employment relationship is still very much upheld, firms “buy in” flexibility through increasingly employing nonregular workers (Kubo 2008).30

Similar legislative changes have been introduced to most Asian economies; also, it must be taken into account that any form of employer-based employment protection is negatively affected during an economic recession—the deeper and longer the recession, the more any employment guarantees will be questioned and become obsolete.

Focus on unemployment insurance in Asia: A descriptive overview31

Among the nine economies included in Table 4 (below), UI ranges from very good to almost nonexistent. The People’s Republic of China (PRC); Japan; Korea; and Taipei,China have bona fide UI schemes,

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27 Lee specifically refers to Southeast Asia and its Confucian traditions. Lee’s and ADB’s definitions of “Southeast Asia” are not fully congruent, though.
28 Also see Kwon (1997).
29 The literature distinguishes between numerical and functional flexibility (Schmid 2009).
30 This development resembles similarities to typical employment policies of many of the highly specialized, medium-sized, manufacturing enterprises in Germany.
31 The content of this section was inspired by Vandenberg (2008).
although effective coverage in the PRC can as yet only be limited because of its large rural economy and the resulting financing problems.

The PRC’s UI system was formally established in 1986 with the publication of Regulations on State-owned Enterprises Unemployment Insurance, which specifically aimed at the implementation of UI for workers in state-owned enterprises to contribute to solving problems arising from foreseen reforms. Mandated participants in this system were state-owned enterprises, collective enterprises, enterprises with foreign participation (investments), private enterprises and other institutions and their employees. Participation of social associations and their full-time staff, private nonenterprise groups and their employees, self-employed workers and their employees, was left to be decided by the provincial governments (Shu 2009).

Legal coverage in Viet Nam, where UI legislation was first implemented in 2007 (ISSA 2009), resembles the usual social insurance–type regulations but effective coverage began only in January 2009 when enterprises were advised to take action (MOLISA 2008); accordingly, statistical information is as yet very limited. India has recently added an “employment allowance” to its social security scheme but benefits are low, and legal and effective coverage is limited.

Thailand’s system was introduced after the Asian financial crisis of 1997–98; the Government, however, did not intend to invest too much into UI administration. As a result, the standard moral hazard concerns are not being addressed administratively, but by the rules governing benefit entitlements, their levels, and payment periods. Despite these caveats, Thailand is outstanding among the middle-income economies pursuing policies of social security (coverage) expansion.

Australia and New Zealand32 have implemented means-tested social assistance systems to cover the unemployed. Therefore, their systems cannot be characterized as bona fide UI.33 To some extent, these two countries can be considered as similar to Malaysia and Singapore which, thus far, have consciously done without UI but opted for full employment. “These countries feel that such insurance is a disincentive to work and therefore creates a moral hazard” (Vandenberg 2008). An important difference between Australia/New Zealand and Malaysia/Singapore is, however, that the former provide sufficient subsistence support whereas the latter “ride a tiger,” because a full employment strategy without UI allows for no mistake.34 It remains to be seen as to how long this strategy will hold—the labor markets in both the Southeast Asian countries are currently under enormous strain given that Singapore’s official growth forecast for 2009 is for a contraction of 6–9%, and Malaysia will also probably record GDP contraction in 2009 with recovery expected in 2010 (United States Department of State 2009a, 2009b).

Sri Lanka has thus far only discussed establishing UI, as changes are needed to the existing severance benefit system.

32 Australia and New Zealand have been included as they belong to the wider Asian economic space.
33 While many UI systems (around the world) also offer means-tested benefits they do so, typically, only after a transition period during which income related benefits are being paid; in short: UI first pays income related benefits, when individual unemployment extends over a too long period the income related benefit is being replaced with a usually lower (means- or income-tested, often flat) benefit.
34 Singapore’s Minister of Finance noted in 1997: “Our strategy has been to encourage economic self-reliance by promoting social mobility. Instead of providing large unemployment benefits and price support schemes, we prefer job creation and market competition. The provision of subsidies has been selective and confined mainly to education, healthcare and public housing.” Quoted in Vandenberg (2008).
Unemployment insurance in Asia and ILO Conventions No. 102 and No. 168

Two up-to-date ILO Conventions relate to UI: the Social Security (Minimum Standards) Convention, 1952 (No. 102) [C102] and the Employment Promotion and Protection against Unemployment Convention, 1988 (No. 168) [C168] (ILO 1952, 1988) (see the Appendix).

C102 has been ratified by 45 economies and C168 by seven. In Asia and the Pacific, only Japan has ratified C102; C168 has not been signed by any country in the region.

It would be a misunderstanding, however, to assume generally that countries (including the Asian economies) have not signed because they are not able to fulfill the minimum conditions as defined by those Conventions. In their replies to a worldwide ILO survey governments give reasons for nonratification that can be grouped into nonconformity of national legislation, different societal values and political obstacles, lack of financial resources, lack of administrative and statistical capacity, and lack of knowledge about the Conventions. A detailed investigation in the government replies suggests, however, that there is “a considerable lack of knowledge among [ILO] member states regarding the content of social security Conventions, both in terms of their requirements and the possibilities they offer through flexibility clauses” (ILO 2008).

C102 covers full social security, i.e., has provisions for the nine classical branches of social security, including UI; C168 sets higher standards solely for UI and lays down specific measures for states to implement the promotion of productive employment and to coordinate UI and employment policy. Both Conventions appear rather complex at first sight; however, in essence, they provide a robust legal framework for the design of any systemically meaningful and sustainable UI system by laying down basic principles and minimum requirements for the good governance of the system; they further provide useful guidance with respect to minimum administrative and financial measures that have to come along with UI implementation.

The basic organizational and administrational principles, as well as the rules, with which any UI scheme should comply are the following:

- general state responsibility for proper scheme administration and the due provision of benefits;
- participation of insured persons in scheme management, if the scheme is not administered by a public authority responsible to a legislature;
- definition of covered contingency (here: loss of income due to unemployment);
- definition of scope of personal coverage;
- definition of conditions for benefits entitlement (qualifying periods; residency; others);
- treatment of persons that cannot have fulfilled entitlement conditions (e.g., school leavers, divorced persons that have not worked before, previously self-employed);
- definition of benefit amount (benefit formula; actuarial equivalency; relation with severance pay);
- definition of waiting period (if any);
- definition of duration of benefit payment periods;
- definition of disqualifying conditions, suspension of benefit (fraud, etc.);
- definition of method of protection (insurance based; income-tested; means-tested);
- stipulation of the right of appeal of claimants in the event of the refusal of a benefit or of complaints as to its quantity or quality.
Table 4: Unemployment insurance in Asia, selected economies and characteristics

<table>
<thead>
<tr>
<th>Economy</th>
<th>Established (amended)</th>
<th>Eligibility and benefits</th>
<th>Contribution rate</th>
<th>Employer</th>
<th>Worker</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>1944, (1991, 1998)</td>
<td>Eligibility: involuntarily unemployed, not caused by labor dispute, actively seeking work, no refusal of suitable job offer, aged between 21 and &lt; pensionable age. Benefit: Means-tested flat bi-weekly benefit depending on marital status and number of dependents; benefit is paid after a 7-day waiting period for as long as the person remains qualified. Beneficiary may be exempt from actively seeking work. Note: Law includes other means- or income-tested benefits but these do not require beneficiaries to look for work.</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>China</td>
<td>1986, (1993, 1999)</td>
<td>Eligibility: One year covered employment, involuntarily unemployed, seeking work, no refusal of suitable job offer, close cooperation with employment service agency. Benefit: 1- &lt; 5 yr contribution: up to 12 m. benefits 6- &lt; 10 yr contribution: up to 18 m. benefits 10+ yr contribution: up to 24 m. benefits</td>
<td>2</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>India</td>
<td>1948 (2005)</td>
<td>Eligibility: Workers earning &lt; Rs10,000, minimum contribution payment period 5 years Benefit: 50% of daily wage: min. Rs14 ($0.31); max. Rs195 ($4.33) over 6 months in total over the entire life-time. Note: “Unemployment allowance” is added to existing Employees’ State Insurance Corporation scheme, which covers sickness and maternity; covers 24% of all formal sector workers or 2% of entire workforce</td>
<td>4.75</td>
<td>1.75</td>
<td></td>
</tr>
<tr>
<td>Japan</td>
<td>1947 (2007)</td>
<td>Eligibility: involuntarily unemployed, not due to serious misconduct, no refusal of suitable job offer or vocational training (reduces entitlement), aged &lt; 65, minimum contribution payment 12 months out of the 24 before unemployment, registered with employment office. Benefit: 50 to 80% of average daily wage in the 6 months before unemployment, 45 to 80% if aged 60 to 64, 7-day waiting period, paid between 90 to 150 days subject to length of coverage, reasons for unemployment, and employment prospects, between 90 and 330 days if the insured becomes unemployed in recession or undergoes training. Older worker benefit paid to workers aged 60 to 64 working at reduced wage (maximum benefit 15% of the wage after 60). Note: Law includes other benefits but these do not require beneficiaries to look for work.</td>
<td>0.9</td>
<td>0.6</td>
<td></td>
</tr>
<tr>
<td>New Zealand</td>
<td>1930 (1964)</td>
<td>Eligibility: Unemployed, seeking work, residence criteria fulfilled, aged above 18. Benefit: Income-tested benefit depending on marital civil status and dependents; no maximum period.</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Korea, Rep. of</td>
<td>1995 (1997 to 2005)</td>
<td>Eligibility: involuntarily unemployed, aged &lt; 65, registered with employment security office, contribute for minimum 6 months Benefit: 50% of wages for 90–240 days</td>
<td>0.7-1.3</td>
<td>0.45</td>
<td></td>
</tr>
<tr>
<td>Taipei, China</td>
<td>1968/1999 (2000 to 2003)</td>
<td>Eligibility: involuntarily unemployed, registered with employment office, no refusal of suitable job offer, counseling or vocational training, aged between 15 and 60, minimum contribution payment period 1 years, no participation in occupational training. Benefit: 60% of average monthly earnings 6 months before claim; 14-day waiting period; early reemployment award paid if work is resumed before the maximum benefit payment period has expired.</td>
<td>0.7</td>
<td>0.2</td>
<td></td>
</tr>
<tr>
<td>Thailand</td>
<td>1990/2004</td>
<td>Eligibility: Unemployed not due to unlawful or otherwise unacceptable behavior at the workplace, aged between 15 and 60. Benefit: Income-tested benefit depending on marital civil status and dependents; no maximum period.</td>
<td>0.5</td>
<td>0.5</td>
<td></td>
</tr>
</tbody>
</table>
Viet Nam 2006/2007

*Eligibility:* Unemployed with citizenship, employment contracts of 1 year and more in entities with 10 or more workers, 12 months contributions during last 24 months, registered and must not have found a job within 15 days.

*Benefit:* 60% of average earnings in the last 6 months before unemployment, 15-day waiting period.

*Payment period:* 3 months with 12 to 35 months of contributions,
6 months with 36 to 71 months of contributions,
9 months with 72 to 143 months of contributions,
12 months with 144 months of contributions or more.

Benefit includes health insurance coverage, vocational training and job placement support; suspension if two suitable job placements are refused for no plausible reason.

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Both Conventions allow countries a wide range of flexibility when establishing the scheme parameters in their legislation. When other benefits are provided under the national legislation and when they are indirectly or directly made conditional upon occupational activity, C168 invites governments to formulate specific policies that aim at:

- maintaining the right of beneficiaries and their dependents to health care, and
- guaranteeing that the periods during which unemployment benefit is paid are taken into account for acquisition of the right of the insured person to other social security benefits (pensions, disability, sickness, medical care, etc) and in the calculation of certain benefits (old-age, disability, survivors).

Interesting enough, some essential content of UI provisions in Asia, as referenced in Table 4, can also be found in the two Conventions; in other words, the authors of the various national Asian laws were either aware of the contents of C102/C168, or they took advice from sources familiar with the Conventions, or legislators quasi-automatically formulated provisions resembling elements of C102/C168 because the very nature of “social security” required exactly these.35

This does not necessarily imply that the Asian laws are in conformity with the two Conventions—this is most probably not even the case for the relatively “soft” C102. An assessment of the actual distance between national legislation and the Conventions would be a natural first step to be undertaken in those Asian—that consider expanding coverage of existing UI or its introduction where it does not yet exist. For the time being, most probably all Asian economies’ social security (UI) systems (except Japan) would fail such a “stress test”. In any case, the Conventions could be used as guides, reliable models, and benchmarks for the further development of UI in Asia.

Indeed, UI does not function without substantial government effort, without registration of those (to be) covered, without integrating UI with effective employment services, and must always be based on effective public administration. Only then will it be possible to develop balanced public–private

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35 Quite in contrast to general beliefs, the range of possible social security regulations is relatively narrow. In other words, once a government has decided to implement social security (for example, UI) then the very nature of (societal) protection of income losses (= social security) requires certain types of provisions; within these provisions a certain, but only limited, range of parameter fixings is possible. If provisions lie outside these limits (for example, they are too low) they lose their “social security” character.
partnership: while the public system supports the private when the latter is unable to perform its societal role of providing decent employment, the private system cooperatively fulfills the reporting obligations that are required for efficient public help to all—enterprises and workers and their families alike.

Such synergetic combination of efforts is possible only with well-educated and efficient private sector management and equally well-educated efficient and effective public sector employees, enabling both sides to respond adequately to changing private sector operational conditions, and to changing societal conditions and public needs at large.

In this context it is important to add that the use of modern information technology (IT) for efficient and effective UI administration is still in many developing and middle-income countries in its infancy (Schmid 2009). While such technology is being productively used in the financial sector, in transportation supervision and logistics, in police and military forces, and in private firms (once they surpass a certain size in terms of turnover and outlets), many governments seem to consider UI a no-go area in this respect.36

Digression: Unemployment insurance saving accounts—An option for Asia?

For about a decade, economists with a financial sector preference and special interest in abolishing the “distortions on labor markets” that are associated with traditional UI schemes have, increasingly, proposed unemployment insurance saving accounts (UISAs). (Valentini [2008], provides a very informative and transparent literature overview.)

For a better understanding of the social policy relevance of the proposal for UISAs, it should be said that it focuses on the microeconomic issue of moral hazard, and how to avoid it through institutional UI system design. The proposal is based on the United States labor market experience and fits well into neoclassical labor market theory, which understands unemployment only as a result of individual household decisions (rather than a lack of decent workplaces) and, thus, as short term and frictional.

The proposal generally disregards the macroeconomically stabilizing and labor productivity–enhancing functions in principally crisis-prone market economies as well as other positive connotations of standard UI,17 among which, most prominently, is UI’s capacity for effective use by governments in times of severe structural or other longer-term crises.18 While the proposal for UISAs was initially an academic pastime, it has since been (or is about to be) implemented, under the influence of the international financial institutions in some countries.

Under UISAs, individuals are mandated to save a certain share of their own wages (either before or after tax) in an individual account out of which they can draw during unemployment. The individual is entitled

36 There are exceptions, of course. In Thailand the social security institutions are being fully integrated in the Government’s modern financial information system.
37 The notion “standard UI” is far from being synonymous with “old-fashioned” or “traditional”. The literature on UI design has produced a range of proposals that address issues of the effective use of UI, e.g., by way of transforming it into employment insurance, under conditions of changed technologies and enhanced flexibility of labor market conditions. (Schmid 2008)
38 Many of the initial social and economic problems of the post-Soviet transition states, including the fast deterioration of their pension systems, occurred because no functioning institutionalized UI system was readily available, and that many of these problems could have been fully or partially avoided if standard UI had been implemented as a means to bolster some of the detrimental effects of the reform policies of the 1990s. (In this respect China’s social policy management provides an interesting case.)
to withdraw benefits from his or her account according to specific rules set by the government. These rules specify the replacement rate or the maximum duration of the periodic (weekly, monthly) unemployment benefit. At retirement, any surplus in the account is owned by the retiree.

Some authors propose setting an upper ceiling of savings, after which contributions are no longer mandatory or are then terminated.

The literature distinguishes two core designs of UISAs: pure UISA and UISA cum borrowing. In the latter design, the individual is entitled to run the account into deficit, to which interest would be added, which would be covered by a third party (e.g., government). The deficit would have to be filled up during employment. Some authors propose a maximum deficit limit, depending on the individual’s contributions paid; once the limit is reached the benefit would be paid by a third party. For example, in the Chilean case persons “with not enough funds on their account can withdraw from [a] common fund, but the subsidies received ... are limited for a maximum duration ... , after which the unemployed receive no financial assistance” (Valentini 2008).

According to their advocates, the main advantage of UISAs is the internalization, at individual worker’s level, of the cost of unemployment benefit payments. In other words, the employed taxpayer now changes his or her view—contributions mutate from, as hitherto perceived, a lost personal income tax into individually owned savings which he or she would like to maximize. Accordingly, the employed taxpayer changes behavior (no moral hazard incentives anymore), and that part of UI expenditure which may depend on the individual’s choice is reduced if the individual worker prefers funds and no consumption now in order to consume later (e.g., after retirement).

It is not possible in this paper to explore in greater detail the pros and cons of UISAs; it appears, however, that the following concerns are of general relevance, some of them specifically in Asia:

- The proposal comes in the tradition of the Chilean pension reform. Not surprisingly, one main argument used by practically all authors in favor of UISAs is that, if the balance is positive at retirement, it adds to retirement income. This has two implications:
  - For young people, the UISA incentives may be only low or inexistent, due to their perceived distance to retirement. In other words, the labor market behavior of young people will not change. In this case, UI-induced debt may add to indebtedness stemming from other credit-financed personal investments made during the early years of the life-cycle (e.g., study loans), in which case moral hazard will obviously not disappear.
  - For pension policies UISAs might trigger further benefit cuts in public pension schemes once they are generally perceived as a “fourth pension pillar”. Indeed, UISAs are not so much considered an instrument to protect the employed against income losses during unemployment but an incentive to build up another funded pension pillar for the relatively well-off. This view is supported by Valentini (2008), when she writes that “an individual who has no negative or zero account balance must accept a reduction on her supplementary retirement pension whenever he draws a social transfer via her individual account”, knowing that usual economic conditions favor higher-income strata over lower ones in creating a positive UISA balance at retirement.

- The proposal seems to be working fine as long as the risk of becoming unemployed is time invariant and is the same for all participants in the labor markets at all ages for both sexes. (See also the simulations undertaken by Feldstein and Altman [1998].). However, once unemployment is concentrated among people with certain characteristics (“clustering”—which

39 The literature contains many suggestions on how to design UISAs in detail. See, for example, Feldstein and Altman (1998).
is standard almost everywhere—labor markets develop “revolving door” situations, i.e., market participants with high frequencies move in and out of employment/unemployment. In this case, the cluster’s accounts would be permanently in deficit, as “individuals may not be able to finance their own unemployment benefits by saving moderate shares of their earnings in the UISA. The use of individual accounts ... would be irrelevant if those who collect the benefits would typically have negative balance accounts and therefore be drawing on the government guarantee” (Valentini 2008). Several implications follow:

- The overall resources to be made available by the taxpayer (general tax plus mandated contributions to the individual accounts) are higher than under standard UI as the system de facto pursues two combined goals—income protection of the “clustered” unemployed and additional retirement income for those permanently employed; and the bigger the cluster the higher the required resources. In this context, Feldstein and Altman (1998), in their simulations, \(^{40}\) assumed a contribution rate of 4%, which was—at that time—about twice as high as the effective rate for the United States UI system.\(^ {41}\)
- In order to contain overall costs, additional adverse incentives to use the system must be imposed on the cluster, and administration becomes more complex than envisaged (see the regulations of the Chilean system [Valentini 2008]).
- Basically, the charm of the proposal is based on a standard conceptual trick often used by economists: because the contributions paid go into a personal account the payer considers these contributions, although mandatory, no longer a tax. Under conditions of indecent work (low income, bad occupational disease protection, bad health system, low life expectancy, etc.) the people in the cluster may indeed develop a strong perception of UISA ownership which, however, instead of minimizing spells of unemployment, may, rather, “regularize” them: whenever the funds are filled or the conditions allow so (for whatever reason) the individual stops working on the same “distorted grounds” as under standard UI. In addition, the individual now considers this behavior justified through account ownership. In other words, all arguments against standard UI come back into the game, but are now reinforced with a strong individual perception of being entitled to behave accordingly.\(^ {42}\)
- The debate on UISAs reconfirms that there is no such thing as a “free lunch.” Concern arises as to whether it is worth the resources required for efforts and (societal) risks associated with their implementation. It appears, however, that the proponents, in pursuing their goal of getting rid of labor market distortions, are ready to accept the binding of higher income resources in financial market solutions, while they seem to be blind to the enormous societal and economic advantages at low individual and societal costs provided by standard UI.
- For many economists, the low or even negative savings rate of private households in the United States is a major concern. Scholars like Feldstein have therefore devoted much of their life-time in finding incentives to increase private household savings; his proposal must be seen in this

\(^{40}\) All simulations undertaken on UISAs (as far as known to the authors this was done for Estonia, Slovenia, and the US) have been ex-post and sample-based, trying to calculate results for UISAs on the assumption of no changes in the behaviour of the sample households; it is not known to what extent such simulations exposed the UISAs to stress tests, e.g., through simulating their functioning under financial and economic crisis conditions.

\(^{41}\) Effective rate = legal contributions collected in percent of total wages paid; legal contributions collected = legal rate times taxable wages; UI-taxable wages are substantially lower than effective wages, they vary however substantially across U.S. states. In the 1st quarter of 2009 the average legal rate across all states was 2.26% whereas the effective rate was only 0.61%. (Source: U.S. Department of Labor)

\(^{42}\) This problem was obviously seen in Chile, and long waiting periods between two unemployment-spells were introduced. However, such regulation produces new distortions: for example, financial and economic crises do not synchronize with those waiting periods; as a consequence, the Chilean UI-system might not be able to perform when most needed.
wider (macroeconomic) policy context. However, such concerns are not valid at the macro level in Asia—rather the contrary is required: high savings must be turned into consumption as Asia’s responsible contribution to overcoming the global imbalances that were at the core of the current crisis. The Chilean example is not reassuring in this respect. Neither does it function sufficiently well in “normal” times nor is it able, without substantial input of public resources, to smooth consumption during crises: by its design, it reacts highly pro-cyclically as, during crises, only reduced public funds are available for increased numbers of claimants. (See Valentini 2008, ILO 2008.) In other words, in crises the system seems to demand at least temporary abolition of its own institutional rules.

- More generally, in concentrating on individual behavior, the proposal completely ignores any macroeconomic or structural imbalances that might be at the root of workplace shortages. In such cases, labor market distortions might be avoided through the implementation of UISAs but the general societal problem of unemployment is still not solved. In other words, the necessary link of the proposal with general macroeconomic and employment policies is missing.

- Another problem is that the UISA approach understands UI solely as an undertaking where a cashier actively collects contributions but passively pays out benefits. A UISA system, by its nature a typical “bank” solution, wants to collect but does not want to pay. In this respect the proposal ignores a whole world of literature that emphasizes the close connection required between UI and employment (placement) services—and thus misses the labor productivity effects resulting from this combination, when effective. In line with these considerations, the ILO recently found that the Chilean model (thus far the only case where a UISA version has been implemented) needs “a significant realignment, in its benefit rules and in its focus, to move it away from being a passive payout scheme ... towards a more broadly based plan promoting reemployment through active job search” (ILO 2009).

- From the ILO’s point of view, it is important to note that, in taking a step further the views of many of its proponents, a system of UISAs could, in principle and in practice be made congruent with the respective provisions of C102 and C168. It must be stressed, however, that the Chilean version—while better than no UI at all—is definitely not in compliance with C102, let alone C168, and has core characteristics requiring change (ILO 2009; see also the chapter on the Chilean system in Valentini 2008). Also, pending detailed calculations, it must be assumed that the protection levels provided by C102/C168 would require much higher resources under an UISA approach than under standard UI.

The question remains: Why strive for an untested first-best solution (“no distortions”) when a second-best but tested and solid solution in the form of standard UI is available (Barr and Diamond 2009)?

Given the current state of discussion it is premature to recommend UISAs for Asian economies. Incentives might actually not work as intended, required public plus private resources will be higher than under standard UI, while administration would be equally complex. The only real life example (Chile) points to many unsolved problems.

In any case, whatever Asia’s solution, while it rapidly industrializes, the region will unavoidably have to find its own ways to link “passive” UI with “active” employment services. In the long run, the private market economy cannot survive without thoroughly balancing the interests of the two production factors, which is impossible without active labor market policies, while, at the same time, providing

43 Nicholas Barr and Peter Diamond developed the argument of striving for solid second-best solutions, instead of pursuing “dodgy” (authors insertion) first-best solutions with respect to pension policy directions. With due alteration of details, the argument is also applicable for other policy areas, including, of course, UI.
sufficient replacement incomes that simultaneously serve individual needs of consumption smoothing over the life cycle and of markets for the inflation-free selling of goods and services.

**Unemployment insurance in Southeast Asia: Sc(h)ope for extension and implementation?**

Unlike any other region of the world, (southeast) Asia appears to be prepared to *start an autonomous process of systematic extension* of social security. Several factors (see also Berg and Kucera 2008) point in this direction:

- Economic development is dynamic and requires expansion of internal (i.e., domestic) demand;
- Large parts of Asia’s population are still excluded from the fruits of economic development while, at the same time, Asian economies are in general sufficiently productive to satisfy the resulting demand, or will soon be able to perform respectively;
- Asian economies are sufficiently developed to provide the reliable governance structures required for sustained implementation of social security. Given that they have mastered complex economic processes, there is no reason to assume any inability among Asian economies in mastering straightforward standard public procedures that have been proven feasible in many other countries of the world, at similar stages of development (see below);
- A number of Asian countries already have social security systems, which can be used as platforms: pension schemes, health insurance, micro-schemes, and other forms of formal social security or informal mechanisms for achieving income security;
- UI can, and will, be part of this process. Next, probably, to health systems, UI belongs to the more complex social schemes to administer effectively and efficiently. Indeed, it requires formal labor market structures (see below) but not necessarily full formalization of the labor markets: too often has this argument been used to prevent governments from taking adequate initiatives. Historical evidence shows that countries in the past managed to introduce UI while substantial parts of their labor force were still working in the “informal” rural areas (Table 5).

### Table 5: Unemployment insurance adoption and income per capita

<table>
<thead>
<tr>
<th>Country</th>
<th>Year UI established</th>
<th>% of total workforce currently covered</th>
<th>Income per capita in year UI adopted (or 2005 if no UI)a</th>
<th>% of workforce engaged in agriculture when UI adoptedb</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Six Asian study countries</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Singapore</td>
<td>No UI</td>
<td>0</td>
<td>26,960</td>
<td>0.3 (2004)</td>
</tr>
<tr>
<td>Korea, Rep. of</td>
<td>1995</td>
<td>36</td>
<td>13,060</td>
<td>12.4</td>
</tr>
<tr>
<td>Malaysia</td>
<td>No UI</td>
<td>0</td>
<td>4,165</td>
<td>14.8 (2004)</td>
</tr>
<tr>
<td>PRC, public sector</td>
<td>1986</td>
<td>--</td>
<td>850</td>
<td>60.0</td>
</tr>
<tr>
<td>PRC, private sector</td>
<td>1999</td>
<td>14</td>
<td>885</td>
<td>46.9</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>No UI</td>
<td>0</td>
<td>846</td>
<td>34.3 (2003)</td>
</tr>
<tr>
<td>India</td>
<td>2005</td>
<td>2</td>
<td>620</td>
<td>54.2</td>
</tr>
<tr>
<td><strong>Six countries which adopted UI much earlier</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Japan</td>
<td>1947</td>
<td>--</td>
<td>1,541</td>
<td>52.6</td>
</tr>
<tr>
<td>Greece</td>
<td>1954</td>
<td>--</td>
<td>2,358</td>
<td>48.2</td>
</tr>
<tr>
<td>France</td>
<td>1905</td>
<td>--</td>
<td>2,894</td>
<td>42.7</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>1911</td>
<td>--</td>
<td>4,709</td>
<td>8.8</td>
</tr>
<tr>
<td>United States</td>
<td>1935</td>
<td>--</td>
<td>5,467</td>
<td>17.6</td>
</tr>
<tr>
<td>Australia</td>
<td>1944</td>
<td>--</td>
<td>7,362</td>
<td>n.a.</td>
</tr>
</tbody>
</table>

a. GNI or GDP per capita; constant USD. b. Latest figures provided for those without UI.

Source: Vandenberg (2008), table 9, with further details.
• The implementation of UI schemes in Asia can take advantage of well-functioning blueprints in Europe. Also, the technological requirements can be easily put in place; in this context it should be recalled that in 1952, when C102 was adopted, the societal and organizational conditions necessary to fulfill C102's technical and administrative prerequisites (reporting, statistics, cooperation between public administration and private management) required much greater effort (i.e., were much more costly) than would be required today.

• The current economic crisis and its aftermath, although possibly less pronounced in some Asian countries than in many other regions, will contribute to this process of coverage extension. The implementation, improvement, and further development of social security in many countries around the world has typically been induced by crises (or their anticipation by governments) of an economic, societal, political, or other nature. One of the obvious options to make the “East Asian Social Model” more crisis-proof is the extension of existing social security. Indeed, respective activities in Thailand, for example, can be understood as the Government’s response to a simultaneous amalgamation of societal, political, and economic crises, while the PRC Government’s policy directions explicitly aim at a “harmonious society”, which is conceptually not very different from Europe’s social cohesion approach.

These developments will materialize the sooner the region begins to assume an active role in promoting the value of public goods. In other words, private sector development, i.e., the accumulation of private wealth in the hands of few accompanied by development of a middle-class (of still insufficient size), has in the past been given highest priority in many Asian countries. Public sector development must now be given at least equal importance. Under such a changed paradigm the implementation of social security for all, and UI especially, will be a non-spectacular event but will come automatically.

Policies reinforcing the advantages of the formal sector must actively address the actors in labor markets. Most workers in Asia are still employed informally and, without access to developed social security mechanisms, they face increasingly severe risks. “While these things will not happen overnight, governments need to pave the road with the right policies and regulations now” (OECD 2009a).

To reinforce such advantages, the Organisation for Economic Co-operation and Development (OECD) has recently proposed a three-pronged strategy as follows (OECD 2009a):

• In a sustained manner, policies should consistently aim at unlocking the poor from their informal low-productivity activities and provide them with opportunities to climb the social ladder. A general lack of formal employment and limited coverage and effectiveness of social security systems imply that the poor often have to accept any job in order to sustain themselves. Therefore, recommendations include active labor market policies, such as training and skills-development programs, that reopen the doors to formality;

• Governments should aim to establish efficient formal structures that have the potential to encourage people to join formality. Therefore, such structures should offer higher levels of flexibility and efficiency than informal channels occasionally may provide. Credible enforcement mechanisms must be established, which will help identify law-breakers and increase compliance with a country’s rules and regulations;

44 The concept “informal employment” captures unprotected jobs in both the formal and informal sectors. Informal employment or informal wage jobs are those in which the employment relationship [...] is not subject to national labor legislation, income taxation, social protection or entitlement to certain employment benefits (advance notice of dismissal, severance pay, paid annual or sick leave, etc.) (Schmid 2009).
• There must be a general push for more employment opportunities within the formal sector, for example through government support to small businesses to comply with formal requirements.

This strategy, supported by the ILO, can effectively be reinforced by a simultaneous build-up of UI systems. More generally, formalization cannot be thought of without extension of social security coverage—extension of social security coverage implies formalization. Significantly, the OECD strategy is an emancipatory strategy, i.e., it aims at productively overcoming poverty. It is not a strategy aiming at solely lifting poor people just above the poverty line. In other words, any UI implementation strategy must explicitly aim not only at the poor but also include all formal sector employees with all their wages (or at least a substantial share of their wages). 45

Conclusions

All countries with solidly established UI schemes have been able thus far to react quasi-automatically to the income-protection needs of dismissed workers. Intelligent solutions, such as partial unemployment regimes, have contributed to keeping unemployment substantially lower than would have been the case otherwise. These and other measures contribute to stabilizing aggregate demand, which is needed to bolster economies and labor markets alike, and, at the same time, contribute positively to productivity levels of labor and capital in preparation for the time when the crisis will be over.

While UI coverage rates are high (even though they vary substantially among countries), in the OECD area, (Southeast) Asia belongs to those regions where UI is still underdeveloped.

After the experience of the 1997–98 financial crisis, Asian economies prepared to fight adverse exchange rates and other financial impacts of a future similar event, by building up high levels of reserves as a result of aggressive export strategies.

This strategy has proved successful so far in the current crisis, but the focus on financial matters has obviously distracted governments from progressing in other fields, such as improving the processual conditions of the functioning of the real economy, including protection of unemployed labor.

As the build-up of UI structures was only limited or even nonexistent, the region is now fully exposed to the negative income and employment effects of the current crisis, which will not be the last.

The PRC Government has understood these mechanisms and is, therefore, working on the extension of social security, including UI, and has been successfully using the established administrative structures for bolstering the worst income effects of dismissed workers and migrants. Because of the economic interdependencies of the PRC and its neighbors, the latter group will have no choice but to follow the PRC’s example in the longer run—and the sooner, the better.

Asia has meanwhile reached sufficiently high income levels that allow it to both build UI and its effective administration, and to formalize labor markets through extending social security in general. The good news is that most Asian countries have reached development levels that will start the required government initiatives quasi-autonomously; with exceptions, their income is high enough to buy in expert advice, where needed. Asian economies will also strive to combine passive and active labor market policies.

Striving for mere passive systems, like UISAs, would imply ex-ante acceptance of development standstill, and miss a chance to improve factor productivity further. Next to health systems, UI appears to be

45 Technically, this implies either no contribution collection ceiling or a ceiling fixed at a sufficiently high multiple of the national average wage. The low ceilings set in many US states are not reasonable benchmarks.
administratively the most challenging of all social security systems. In comparison, many economists consider UISAs easy to handle and, that is one reason why they may recommend them for the region. However, as the Chilean real-life example shows, there is no “free lunch”: their theoretical charm of avoiding moral hazard quickly disappears when people are exposed to poverty levels; real life does not allow them to choose between consumption now or later. In such situations the state soon finds itself back in its traditional role of a final income guarantor, and administration turns cumbersome.

It is therefore obvious that standard UI is Asia’s first choice. Implementation of UI is an obligation of the state (not the private sector), which is fully consistent with Asia’s deeply rooted philosophical thought; as in other parts of the world, meaningful UI will not emerge as long as governments do not take the initiative. Consequently, the prevailing paradigms about the role of the state, and its size, must be readjusted: not “small government” but “sufficient government” must be the future guiding principle. This has to be accompanied by a revision of the concept of public–private partnership providing a better balance between public interests (private and public enterprises’ cooperation in the execution of social security) and private profit orientation.

To effectively address the current and any future crises, governments need to have in place a set of instruments and institutions allowing immediate reactions aimed at providing income replacement to those who lose employment or whose income is reduced (as a result of reduced working hours, for example). Such income-support measures must be combined with a range of other labor market policies supporting existing and creating new jobs, and increasing the employability of people through training and other measures.

Crisis are decisive moments, as the need to be better prepared for the future becomes obvious. This insight should be used both by governments and the international community to take stock of gaps and deficiencies in existing programs that provide protection for the unemployed, with a view to improvement and reform.

In countries where employment protection legislation is only strong on paper, but weak in application, and where social security and social dialogue are insufficiently developed, no system of labor market security can emerge unless policies are put in place, effectively.

The prospects for this to happen are good in Asia. Therefore, the question is not whether Asia will expand social protection—including UI—but when.

References


### Appendix: Synopsis of stipulations of C102 and C168

<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>I. Definition of the contingency</strong></td>
<td>Same as C102; in addition states shall endeavor: to extend the protection, under prescribed conditions, to (a) loss of earnings due to partial unemployment; and (b) reduction of earnings due to temporary suspension of work; and to provide benefits to part-time workers seeking full-time work.</td>
</tr>
<tr>
<td>Suspension of earnings, as defined by national laws or regulations, due to inability to obtain suitable employment in the case of a person protected who is capable of, and available for, work (Art. 20)</td>
<td>Partial unemployment not covered.</td>
</tr>
<tr>
<td>Partial unemployment not covered.</td>
<td></td>
</tr>
<tr>
<td><strong>II. Range of persons protected (scope)</strong></td>
<td></td>
</tr>
<tr>
<td>Categories protected</td>
<td>Categories protected</td>
</tr>
<tr>
<td>Alternatives (including statistical criteria of minimum coverage)</td>
<td>Alternatives</td>
</tr>
<tr>
<td>(a) Employees: not less than 50% of all employees; or</td>
<td>(a) Employees: not less than 85% of all employees, or</td>
</tr>
<tr>
<td>(b) All residents whose means do not exceed certain limits (Art. 21 (a) and (b)</td>
<td>(b) All residents whose resources do not exceed certain limits.</td>
</tr>
<tr>
<td>Main exceptions</td>
<td>Main exceptions</td>
</tr>
<tr>
<td>Temporary exception for developing countries: they may protect prescribed classes of employees constituting not less than 50% of all employees in industrial workplaces employing 20 persons or more (Art. 21 (c)</td>
<td>Tenured public employees may be excluded.</td>
</tr>
<tr>
<td>Convention does not apply to seamen and sea fishermen (Art. 77.1).</td>
<td>In case of temporary exceptions:</td>
</tr>
<tr>
<td></td>
<td>(a) employees constituting not less than 50% of all employees; or</td>
</tr>
<tr>
<td></td>
<td>(b) where justified by the level of development: employees constituting not less than 50% of all employees in industrial workplaces employing 20 persons or more.</td>
</tr>
<tr>
<td><strong>III. Means of protection</strong></td>
<td>Up to the country to determine whether by a contributory or noncontributory system, or by a combination of both.</td>
</tr>
<tr>
<td>Not established. Takes into account also protection effected by means of insurance which, although not made compulsory</td>
<td></td>
</tr>
<tr>
<td>(a) Is supervised by the public authorities or administered, in accordance with prescribed standards, by joint operation of employers and workers;</td>
<td></td>
</tr>
<tr>
<td>(b) Covers a substantial part of the persons whose earnings do not exceed those of the skilled manual male employee; and</td>
<td></td>
</tr>
<tr>
<td>(c) Complies with the relevant provisions of the Convention (Art. 6)</td>
<td></td>
</tr>
<tr>
<td><strong>IV. Nature of benefits</strong></td>
<td>Same as C102</td>
</tr>
<tr>
<td>Unemployment benefits (allowances not included) shall be a periodical payment (Art. 22)</td>
<td></td>
</tr>
<tr>
<td><strong>V. Qualifying conditions</strong></td>
<td>Qualifying period</td>
</tr>
<tr>
<td>A qualifying period to prevent abuse may be prescribed (Art. 23)</td>
<td>Same as C102</td>
</tr>
<tr>
<td>Waiting period</td>
<td>Waiting period</td>
</tr>
<tr>
<td>No need to pay in the first 7 days in each case of suspension of earnings, counting days of unemployment before and after temporary employment lasting not more than a prescribed period as part of the same case of suspension of earnings (Art. 24, 3)</td>
<td>Same as C102; in addition:</td>
</tr>
<tr>
<td>To be adapted in the case of seasonal workers (Art. 24, 4).</td>
<td>(a) In case of temporary exceptions: the length of the waiting period shall not exceed 10 days;</td>
</tr>
<tr>
<td></td>
<td>(b) In case of seasonal workers the waiting period may be adapted to their occupational circumstances.</td>
</tr>
</tbody>
</table>
### VI. Amount of benefits

Unemployment benefits shall be a periodical payment, the amount of which for a man with wife and two children must not be less than 45% of the reference-wage (reference-wage depends on circumstances such as scope of protected persons; for details see Art. 22, 65, 66 and 67)

Unemployment benefits shall be periodical payment:
- (a) where based on contributions on previous earnings: not less than 50% of previous earnings;
- (b) in other cases: not less than 50% of the mini-mum wage/wage of an ordinary laborer or at level covering the minimum basic living expenses, which-ever is highest;
- In case of temporary exception: above “50%” shall be replaced with “45%”.

### VII. Duration of benefits

Benefit shall be granted throughout the contingency, except that its duration may be limited
- (a) Where classes of employees are protected, to 13 weeks within a period of 12 months, or
- (b) Where all residents whose means during the contingency do not exceed prescribed limits are protected, to 26 weeks within a period of 12 months.

Where national laws or regulations provide that the duration of the benefit shall vary with the length of the contribution period and/or the benefit previously received within a prescribed period, the provisions of the foregoing subparagraph (a) shall be deemed to be fulfilled if the average duration of benefit is at least 13 weeks within a period of 12 months (Art. 24.1 and 24.2). To be adapted for seasonal workers (Art. 24.4).

(a) In case of full unemployment the initial duration of payment may be limited to 26 weeks in each spell of unemployment, or to 39 weeks over any 24 months.

Beyond this initial period the duration may be limited to a prescribed period; may be calculated in the light of the resources of the beneficiary and his/her family, in which case states shall grant additional assistance with a view to permitting them to find employment.

(b) In case of temporary exception: duration may be limited to 13 weeks over any period of 12 months or to an average of 13 weeks if the legislation provides that the initial duration of payment shall vary with the length of the qualifying period.

The duration may be adapted to their occupational circumstances in case of seasonal workers.

### VIII. Forfeiture or suspension of benefit (in whole or in part)

May be suspended to such extent as may be described
- (a) As long as the beneficiary is absent from the territory of the Member;
- (b) As long as the beneficiary is maintained at public expense, or at the expense of a social security institution or service, subject to any portion of the benefit in excess of the value of such maintenance being granted to the dependents of the beneficiary;
- (c) As long as the beneficiary is in receipt of another social security cash benefit, other than a family benefit, and during any period in respect of which he is indemnified for the contingency by a third party;
- (d) Where the beneficiary made a fraudulent claim;
- (e) Where the contingency has been caused by a criminal offence committed by the beneficiary;
- (f) Where the contingency has been caused by the willful misconduct of the beneficiary;
- (g) In appropriate cases, where the beneficiary fails to comply with rules prescribed for verifying the occurrence of the contingency or for their conduct;
- (h) Where the beneficiary has failed to make use of the employment services placed at his disposal;
- (i) Where the beneficiary lost employment as a direct result of a stoppage of work due to a trade dispute, or has left it voluntarily without just cause (Art. 69).

Same as C102; in addition:
- (a) When the person concerned had deliberately contributed to his or her own dismissal;
- (b) When the person concerned refuses to accept suitable employment.
- (c) When the person receives a severance pay, the benefit may be suspended for a period corresponding to that during which the severance pay compensates for the loss of earnings; or the severance pay may be reduced accordingly.
<table>
<thead>
<tr>
<th>IX. <strong>Financing</strong></th>
<th>Convention 168 (1988)</th>
</tr>
</thead>
<tbody>
<tr>
<td>The cost shall be borne by way of insurance contributions or taxation or both in a manner which avoids hardship to persons of small means. The employee’s contribution shall not exceed 50% of the total of the financial resources (Art. 71.1/2). The Member shall accept general responsibility for the due provision of the benefits and shall take all measures required for this purpose. It shall ensure that the necessary actuarial studies and calculations concerning financial equilibrium are made periodically and prior to any change in benefits, contributions, or taxes allocated to the contingency (Art. 71.3).</td>
<td>No provision on financing in C168.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>X. <strong>Organization and administration</strong></th>
<th>Convention 168 (1988)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Where the administration is not entrusted to an institution regulated by the public authorities or to a government department responsible to a legislature, representatives of the persons protected shall participate in the management, or be associated therewith in a consultative capacity, under prescribed conditions; national laws or regulations may likewise decide as to the participation of representatives of employers and of the public authorities. The Member shall accept general responsibility for the proper administration of the institutions and services concerned in the application of the Convention (Art. 72).</td>
<td>Same as C102; in addition: Where employment subsidies are granted steps shall be taken to ensure that the payments are expended only for the intended purpose and to prevent fraud or abuse by those who receive such payments.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>XI. <strong>Appeals</strong></th>
<th>Convention 168 (1988)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Every claimant shall have a right of appeal in case of refusal of the benefit or complaint as to its quality or quantity. Where a claim is settled by a special tribunal established to deal with social security questions and on which the persons protected are represented, no right of appeal shall be required (Art. 70.1 and 70.3).</td>
<td>Same as C102; in addition: The appeal procedure shall enable the claimant to be represented or assisted by a qualified person of the claimant’s choice.</td>
</tr>
</tbody>
</table>