

Review of Unemployment Protection in the Philippines

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Outline

- Background
- Existing schemes for unemployment protection
- Recent proposals for reform
- Analysis of the proposals
- Some considerations in improving proposed unemployment protection schemes

Social security checklist

- ILO standards on social security identifies 9 contingencies (C102)



Maternity



Sickness / ill health



Unemployment



Work injury



Medical care

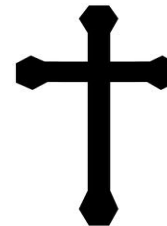
Families with children



Invalidity



Death of the breadwinner



Old age



Life cycle

- C168 - Convention concerning Employment Promotion and Protection against Unemployment

Member countries who ratified

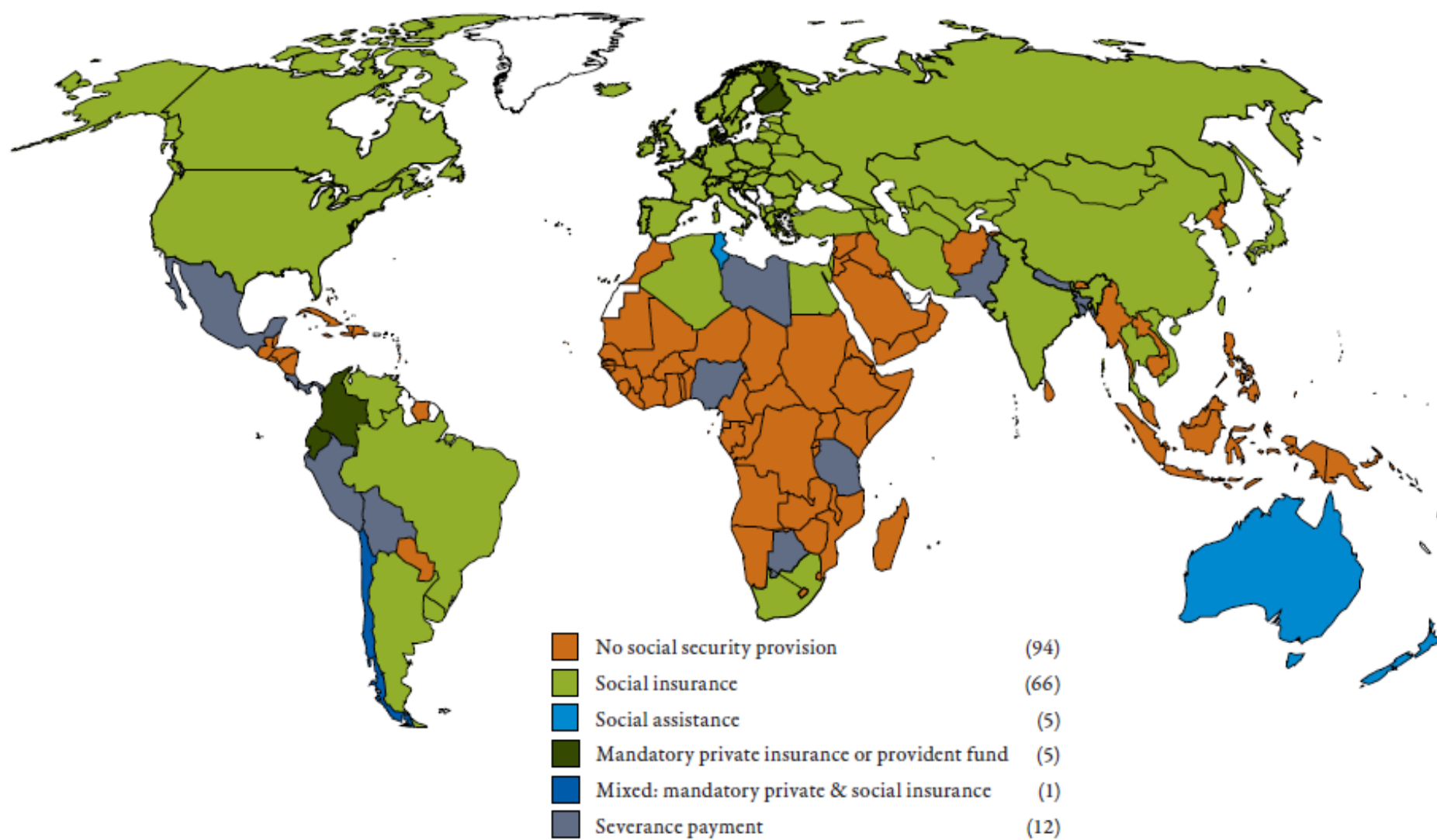
C102

- 51 countries
 - Africa (7)
 - Americas (10)
 - Arab States (1)
 - **Asia (1) Japan**
 - Europe (32)

• C168

- Only 8 countries
 - 1) Norway
 - 2) Switzerland
 - 3) Finland
 - 4) Sweden
 - 5) Romania
 - 6) Brazil
 - 7) Albania
 - 8) Belguim

Figure 5.1 Existence of unemployment protection schemes by type of scheme, 2008–09



Source: *World Social Security Report 2010/11*, ILO

Social security checklist in the Philippines



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Life cycle

Social Security Institutions/Programs and Risks/ Contingencies Covered

Risks/ Contingencies	Formal Sector workers				Unemployed, Housewives, Dependent children
	Government		Private (domestic)	OFW	
	Civilian	Military			
Old age/ Retirement	GSIS	AFP- RSBS	SSS		
Death / Survivorship	GSIS, ECC, HDMF (Pag- IBIG)	AFP- RSBS	SSS, ECC	OWWA	
Disability	GSIS, ECC		SSS, ECC	OWWA	
Separation/ Unemployment	GSIS	AFP- RSBS			
Sickness / Health	PhilHealth	PhilHealth	PhilHealth, SSS, ECC	PhilHealth, OWWA	Private insurers (voluntary)
Life insurance	GSIS (compulsory plus optional), Private insurers (voluntary)	Private insurers (voluntary)	Private insurers (voluntary)	OWWA, Private insurers (voluntary)	Private insurers (voluntary)
Mutual Fund / Provident fund	GSIS(optional), institution- based, HDMF (Pag-IBIG)	AFP- RSBS, HDMF (Pag- IBIG)	HDMF(Pag- IBIG), institution- based	HDMF (Pag-IBIG)	HDMF (Pag- IBIG) (voluntary)
Lending program	GSIS (salary, emergency, policy, housing), HDMF(Pag- IBIG)		SSS (salary, emergency, housing), HDMF (Pag-IBIG)	OWWA	

Source: Orbeta 2011

Protection against unemployment

❑ Economic growth :

- ✓ best cure against unemployment with a flexible response to change;
- ✓ **lead** to creation and promotion of all forms of **productive and freely chosen employment** including small undertakings, cooperatives, self-employment and local initiatives for employment;

❑ **Social security = a means to promote employment and increase capability & employability**

❑ Need for active **coordination, integration and consolidation** of the **different means** (economic support and employment assistance) serving the goal of employment promotion

❑ By establishing a **“system of protection against unemployment”**.

Objective: To protect workers and their family against loss of employment and earnings

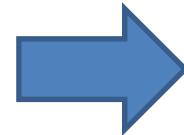
DOUBLE OBJECTIVE

Income security:

To protect the unemployed and their families against poverty

Enhanced employability:

To facilitate return to employment as soon as possible (including re-training)



MEASURES

UI Benefits
+
ALMPs

Existing schemes for unemployment protection

1) GSIS unemployment benefit

- Permanent government employees involuntarily dismissed
- Monthly cash payments 50% of average monthly compensation w/ duration depending on contributions made
- If reemployed: benefit deducted from separation or retirement benefit interest free

Existing schemes for unemployment protection

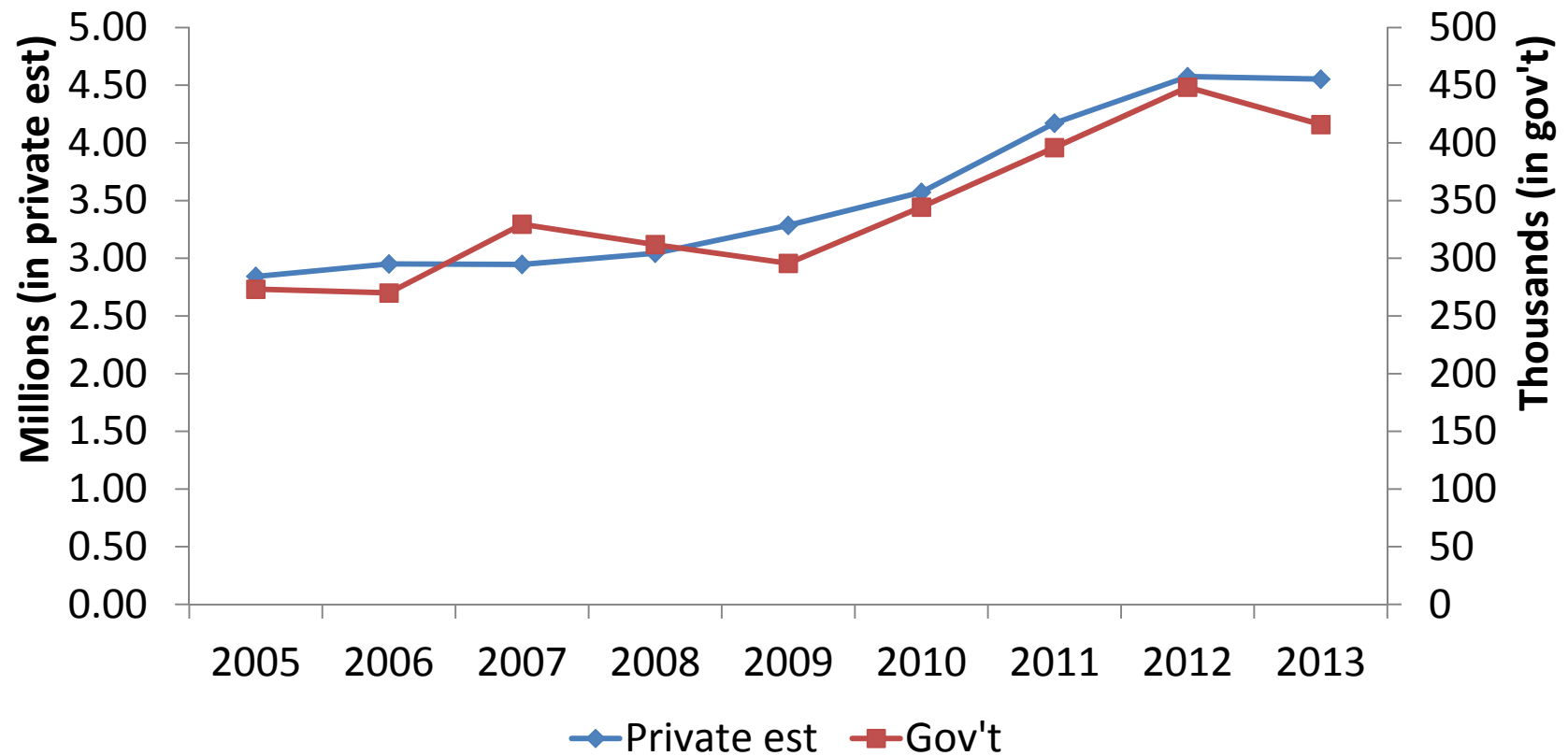
2) Security of tenure

- Severance pay = one month salary for each year of service
- Possibility of reinstatement with back pay (in case of unfair dismissal)

➤ *Growing trend of short term contracts or contractual arrangements*

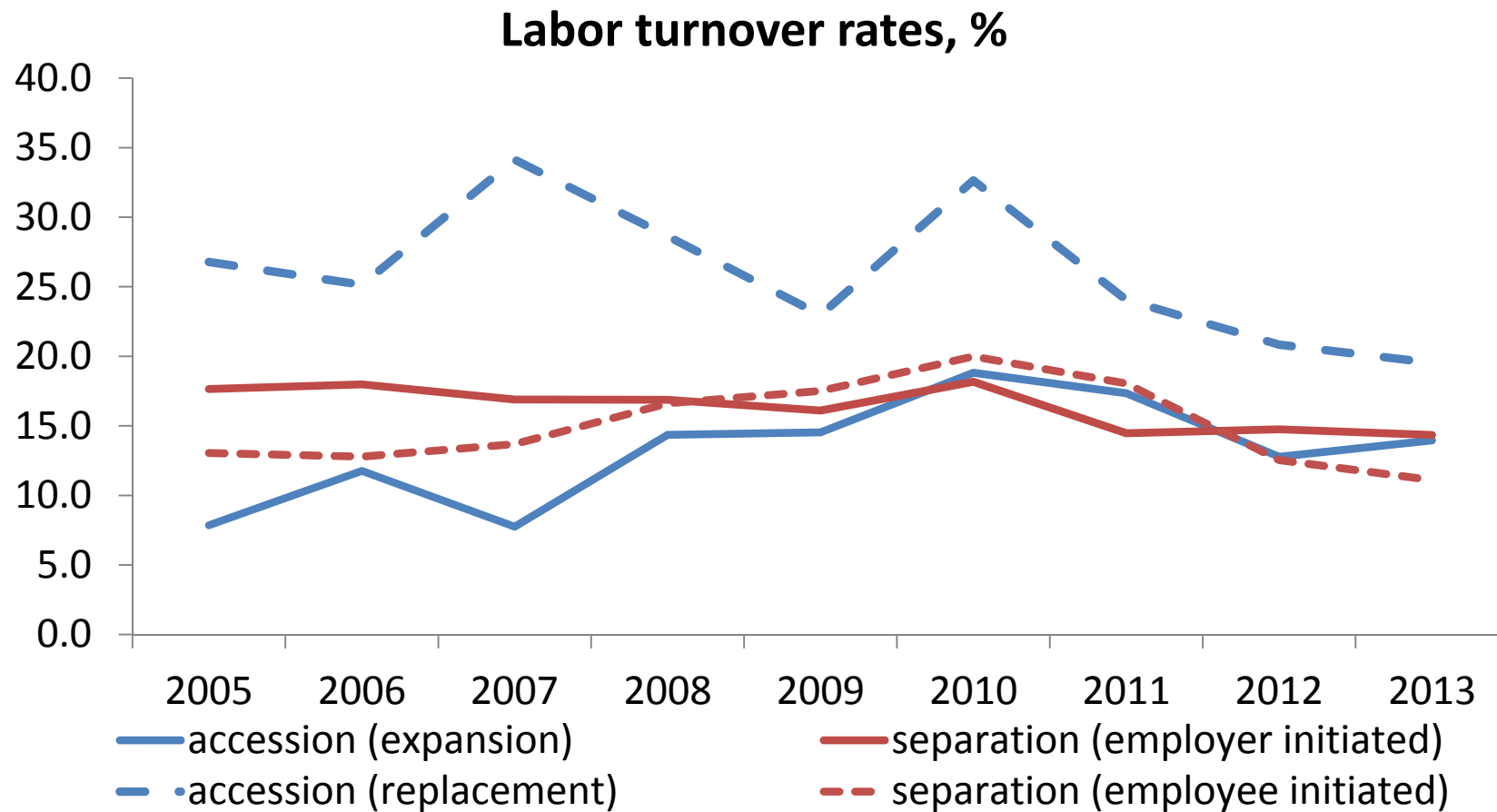
Existing schemes for unemployment protection

Contractual employees in the formal sector



Source: Authors' estimates based on Labor Force Survey (various rounds)

Existing schemes for unemployment protection

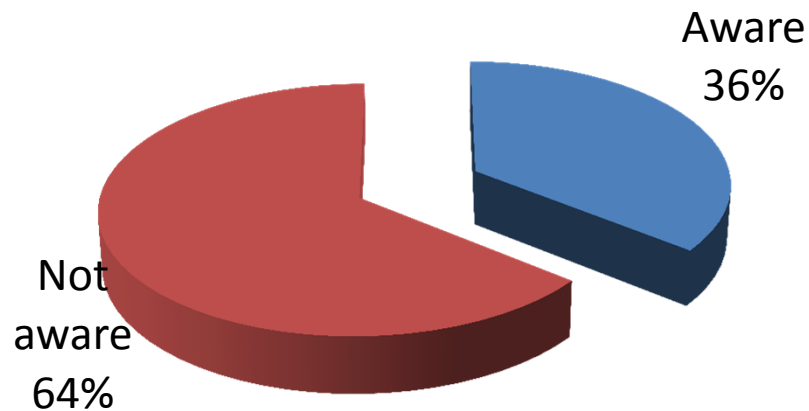


Source: Authors' estimates based on Labor Turnover Survey (various rounds)

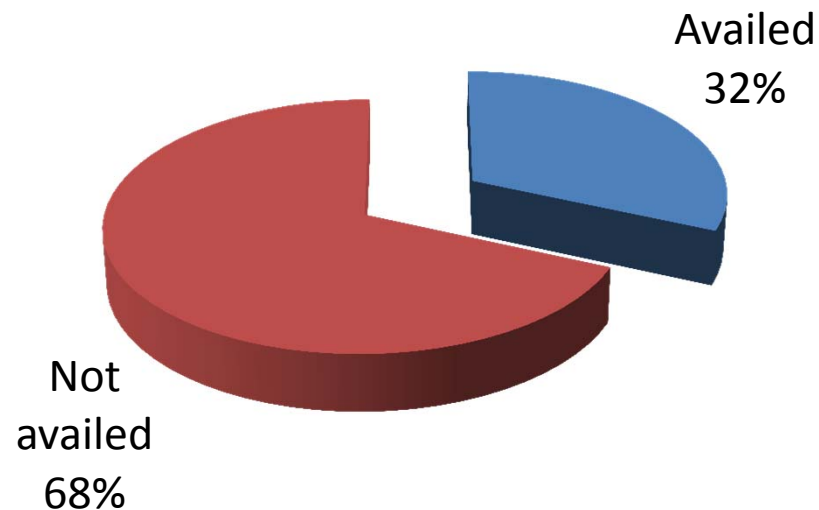
Existing schemes for unemployment protection

3) Job facilitation assistance from PESO

Awareness to public or government employment service



Availed services of public or government employment service



Source: ADB Labor Market Survey of Philippine Workers, 2008

Existing schemes for unemployment protection

4) Training from TESDA

Legislative proposals

- Since the 8th congress
 - 5 bills from the Senate
 - 21 bills from the House of Representatives

Bills from the 16th Congress

Bill	Benefit	Duration	Access condition	Funding source	Repayment scheme
SB 450 (R. Recto)	Monthly cash support equivalent to existing monthly MINIMUM wage	2 to 6 months depending on how long he/she has been contributing to SSS (at least 1 year contributing to SSS)	Permanent employee who was involuntarily unemployed and has been contributing to SSS for at least 1 year before unemployed	No specified funding	No specified repayment scheme
HB 04668 (R. Mendoza)	Monthly cash support equivalent to existing monthly minimum wage	1 to 6 months depending on how long he/she has been contributing to SSS (at least 6 months contributing to SSS)	Formal and informal sector workers who is separated from service or lost means of livelihood due to economic shocks or natural calamities	No specified funding	No specified repayment scheme

Bills from the 16th Congress

Bill	Benefit	Duration	Access condition	Funding source	Repayment scheme
HB 00316 (G. Arroyo)	a) For regular, monthly but not specified b) For OFWs, 10% of 1% of the total OFW remittance of immediate preceeding year	maximum of 12 months (once every seven years)	Employee who is: a) regular paying SSS member of at least 7 years including OFWs b) Actively looking for work at least 30 days before filing claim	No specified funding	No specified repayment scheme

Bills from the 16th Congress

Bill	Benefit	Duration	Access condition	Funding source	Repayment scheme
HB 05144 (G. Quisumbing)	Monthly benefit will be 50% of the average monthly compensation of employee	2 to 6 months depending on how long he/she has been contributing to SSS (at least 6 months contributing to SSS)	Permanent/regular employee who was involuntarily separated from service due to the abolition of his/her office usually resulting from reorganization or otherwise laid off from work due to retrenchment or other similar business decisions	No specified funding	All unemployment benefits gained will be deducted from his/her SSS voluntary separation benefits

DOLE RIS on Employment Insurance

⇒ Job Search Insurance linked with ALMPs (option 2)

- Cash benefit: Job search periodical allowance to protect the unemployed and their families against poverty and deal with the economically-adverse effect of crisis.
Administered by government through SSS
- ALMP link:
 - Registration with PESO
 - Employment services to facilitate return to employment
 - Livelihood/entrepreneurial training based on need evaluation, to serve as income support
 - Skills Training based on need evaluation, to upgrade skills and capabilities for better employability

DOLE RIS on Employment Insurance

Coverage	All regular employed members of SSS	
Contingency Covered	A member who is involuntarily separated from employment who is unable to find a suitable employment but capable of and available for work	
Unemployment Benefit	50% of the average monthly salary credit for the last 12 months prior to the unemployment	
Duration of benefits	Contributions ≥ 60 but < 120 ≥ 120 but < 180 ≥ 180 but < 240 ≥ 240 but < 300 ≤ 300	Duration 2 months 3 months 4 months 5 months 6 months

DOLE RIS on Employment Insurance

Qualifying criteria	<p>The member must have paid at least 60 monthly SSS contributions, 6 of which within the last 12 months prior to the date of unemployment.</p> <p>The benefit can be availed up to a maximum of 4 distinct claims. A repeat claim can only be filed after a certain period, say 2 years after the last month of the receipt of previous unemployment claim. The member must have been re-employed and has met the recent contributions requirements prior to another unemployment and filing of unemployment benefit claim.</p> <p>The member applying for benefit must be unemployed through no fault of his/her own.</p> <p>Part-time employees, temporary, and self-employed workers, and school graduates are not eligible to file claims.</p>
Financing and Contribution Design	<p>Monthly contributions based on the employees MSC, with a 30% - 70% sharing between employees and employers. As an example, at 1.0% contribution rate, an employee who has an MSC of P5,000 shall pay P15 monthly, and the employer shall pay P35. The Government may be asked to provide a startup fund, equivalent to two years' cost of benefit for the initial years of implementation, especially when the contributions are not yet enough to finance the initial claims for benefits.</p>

Analysis of the proposed schemes

- Used the ILO standards
 - C102 – Social Security (Minimum Standards)
 - C168 – Employment Promotion and Protection against Unemployment

Guiding parameters of C.102 and C.168

	C102	C168
Coverage	≥ 50% of all employees	≥ 85% of all employees (public/private) & apprentices Provisions for seasonal workers and new entrants
Benefits	Periodical and temporary At least 45% 13 weeks/12 months Medical care	Periodical and temporary At least 50% 26 weeks/unemployment period or 39 weeks/24 months Medical care
Rate setting	Employees' contributions should not exceed 50% of the financial resources allocated Determined by actuarial studies and calculations	

Guiding parameters of C.102 and C.168

	C102	C168
Qualifying conditions	Qualifying period, as to prevent abuse	Excluded: <ul style="list-style-type: none">- Laid-off for misconduct- Voluntary termination without just cause failure to use facilities for vocational training, employment facilitation as grounds for refusal of the benefit
Severance pay	N/A	where severance pay also granted, allows for corresponding reduction of the unemployment benefit

Coverage

Standard	SB450	HB04668	HB00316	HB05144	DOLE
C102: < 50% of all employees C168: < 85% of all employees (public/private) & apprentices Approximately 23M ++ wage and salary workers (LFS 2015) SSS reported 23.7M employees registered BUT only 8.8M (37%) are paying members	✘	✘	✘	✘	✘

Rate Setting

Standard	SB450	HB04668	HB00316	HB05144	DOLE
C102: Employees' contributions should not exceed 50% of the financial resources allocated					✓
Determined by actuarial studies and calculations					

Conditions of access to benefits

Standard	SB450	HB04668	HB00316	HB05144	DOLE
C102 and C168: Qualifying period, to prevent abuse C168: Excluded: <ul style="list-style-type: none">- Laid-off for miss-conduct- Voluntary termination without just cause Failure to use facilities for vocational training, employment as grounds for refusal of the benefit	✓	✓	✓	✓	✓

Benefits

Standard	SB450	HB04668	HB00316	HB05144	DOLE
C102: Periodical and temporary At least 45% 13 weeks/12 months	Yes to minimum wage earners but may not be the case for others	Yes to minimum wage earners but may not be the case for others	Not specified for regular OFW maybe yes	✓	✓
C168: Periodical and temporary At least 50% 26 weeks or 39 weeks/24 months	Duration ✓	Duration ✓	Duration ✓		

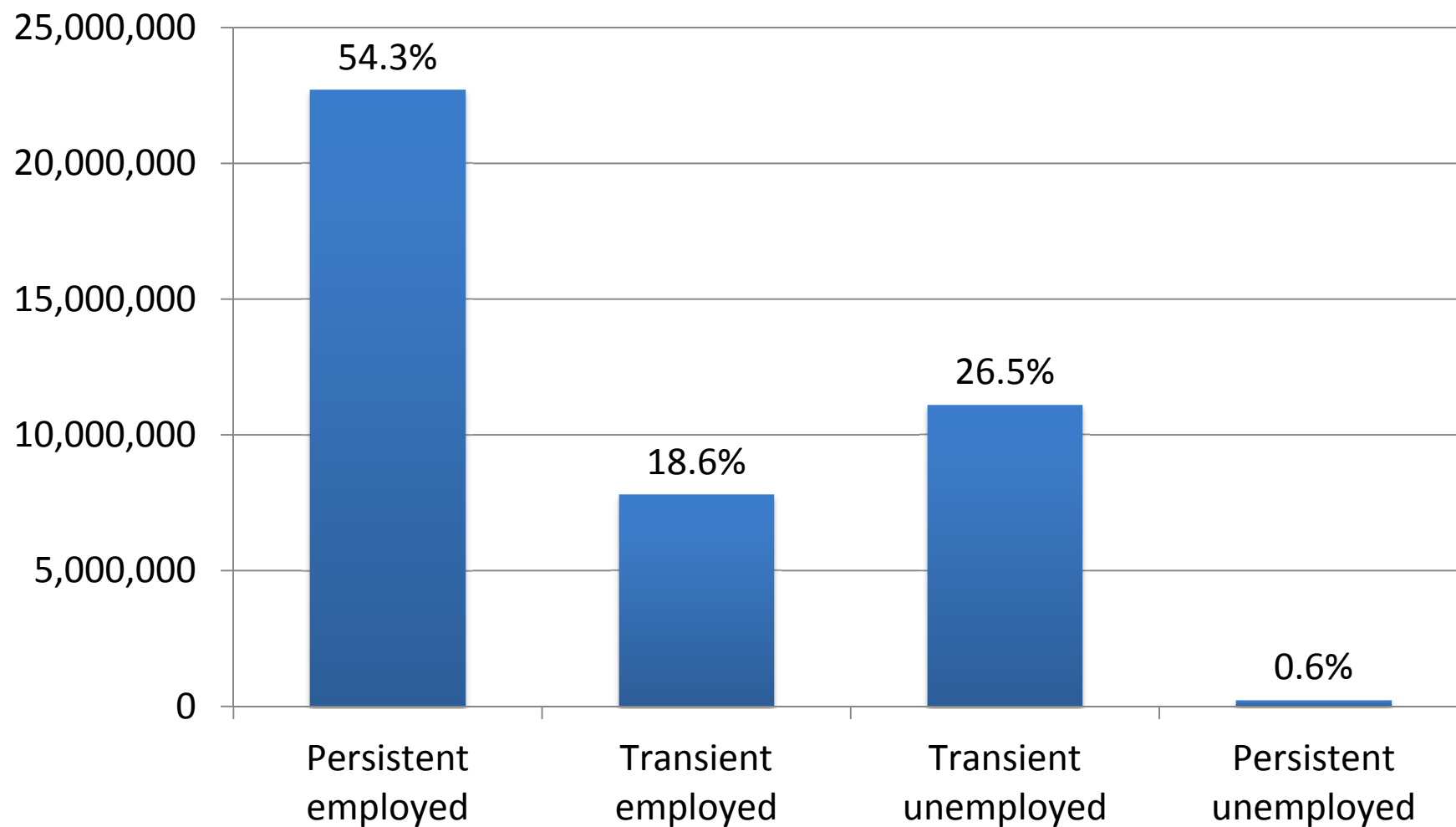
Some considerations in improving the proposed schemes

1. Profile of the unemployed

⇒ Necessary to design appropriate benefit scheme

		Previous period		
		Employed	Unemployed	Not in LF
Current period	Employed	Persistent	Transient	Transient
	Unemployed	Transient	Persistent	Transient
	Not in LF	Transient	Transient	Persistent

Panel April, July, October 2012 and January 2013



Source: Authors' estimates based on Labor Force Survey (various rounds)

Among transient unemployed

# of times unemployed	Percentage
1	48.7
2	47.1
3	4.2

Characteristics of the unemployed

	Persistent Employed	Transient		Persistent Unemployed
		Employed	Unemployed	
<i>Gender</i>				
Male	63.3	40.8	30.9	68.5
Female	36.7	59.2	69.1	31.5
<i>Age</i>				
15-19	5.0	53.6	12.0	8.5
20-24	8.9	13.3	15.1	33.5
25-49	64.0	26.6	50.6	49.5
50 and above	22.1	6.5	22.3	8.5
<i>Educational attainment</i>				
< High school	32.1	15.2	24.9	10.0
High school	40.8	51.9	48.2	48.7
College	27.1	32.9	26.9	41.3

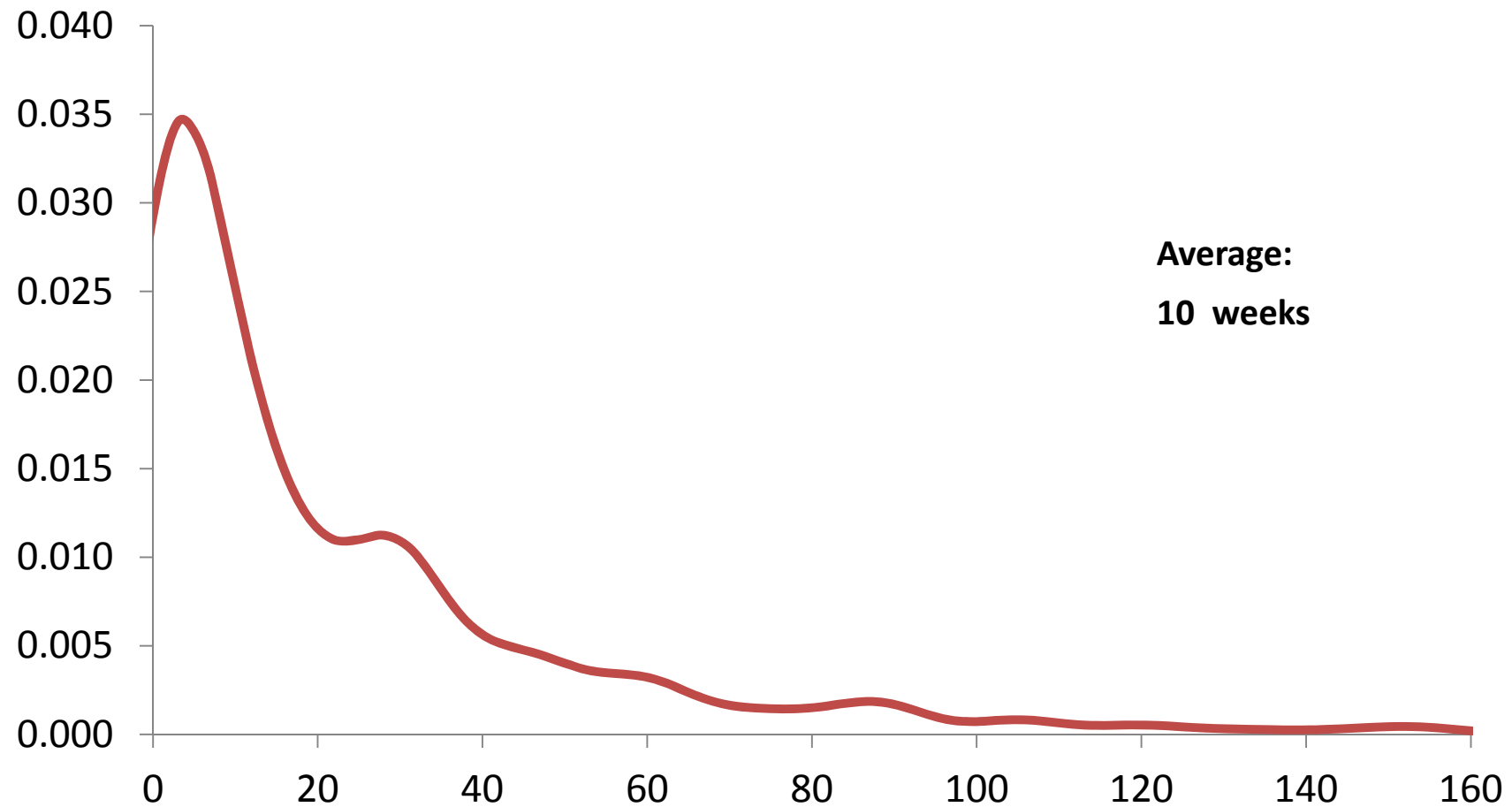
Source: Authors' estimates based on Labor Force Survey (various rounds)

Characteristics (July 2012)	Persistent Employed	Transient	
		Employed	Unemployed
<i>Class of worker</i>			
Wage and salary workers			
Private households	4.1	6.3	6.9
Private establishments	45.2	37.3	46.9
Government	9.4	3.7	3.4
Paid family workers (own business)	0.3	0.5	0.4
Own account			
Self-employed	28.4	25.7	26.4
Employer	4.2	2.8	2.1
Unpaid family worker	8.5	23.7	14.0
<i>Sector</i>			
Agriculture	14.1	1.3	2.3
Industry	18.4	2.02	3.7
Services	67.5	96.7	94.0
<i>Nature of employment</i>			
Permanent	77.3	48.3	47.3
Short term	18.7	46.3	48.3
Seasonal	4.0	5.3	4.5

Factors affecting employment

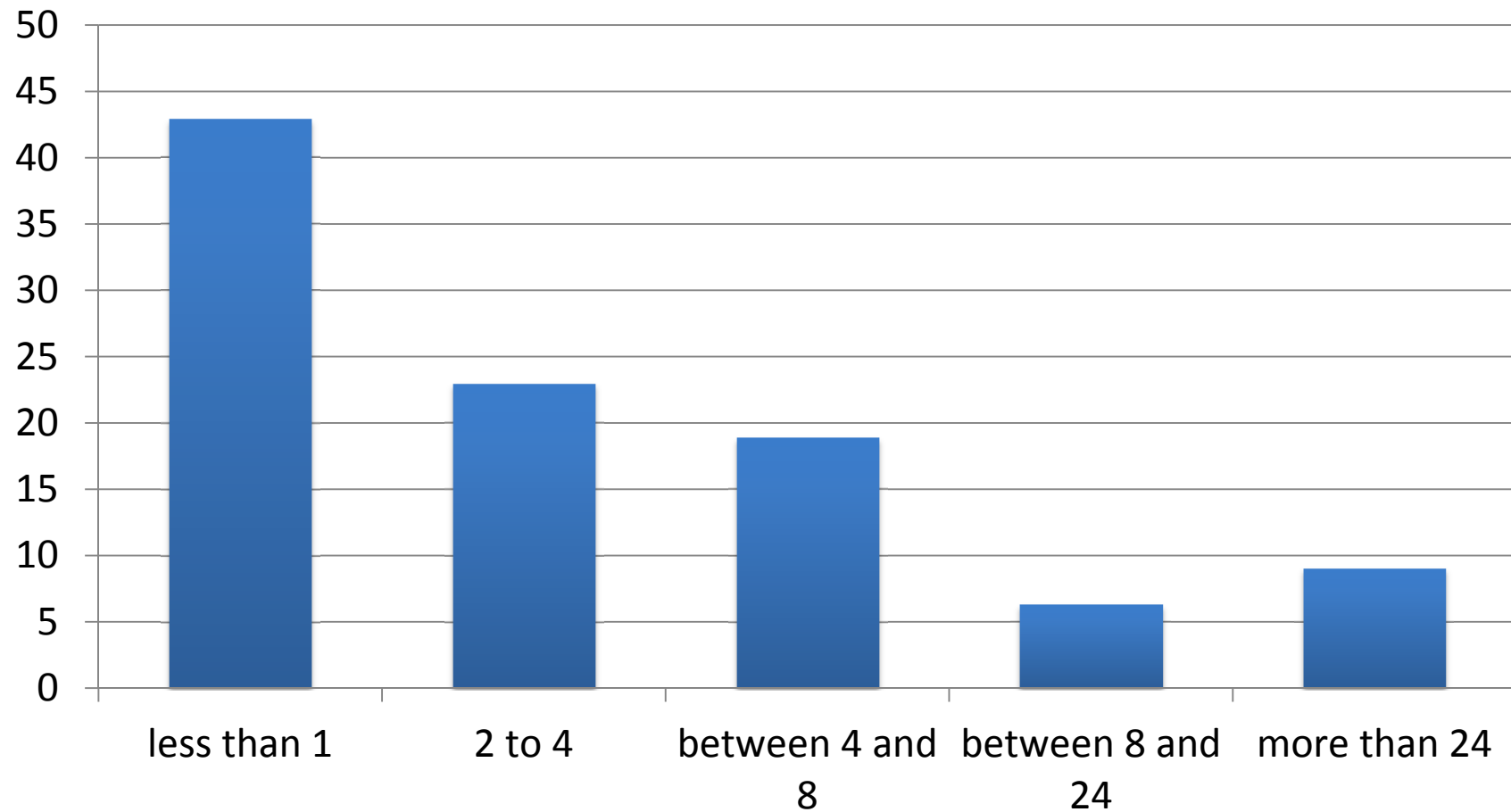
- Comparing transient unemployed vs. persistent employed
 - Males are less likely to be transient unemployed
 - Younger age groups are more likely to be transient unemployed (15-19, 20-24)
 - Those with lesser education are more likely to be transient unemployed
 - Those employed in the services sector are most likely to be transient unemployed

Distribution of Unemployed Workers by Length of Unemployment (weeks)



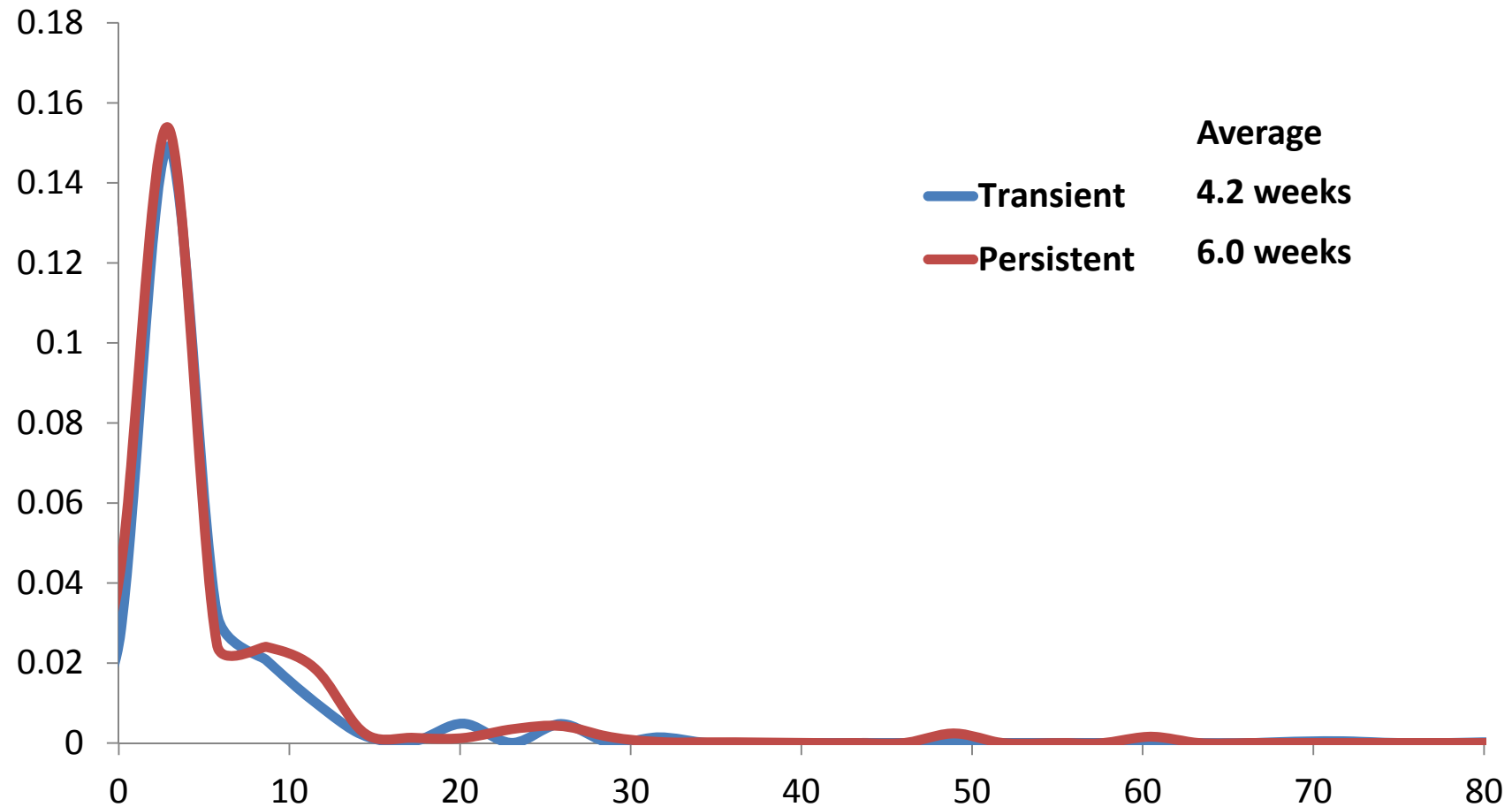
Source: ADB Labor Market Survey of Philippine Workers, 2008

Length of time to find current job: employees of private establishments (weeks)



Source: ADB Labor Market Survey of Philippine Workers, 2008

Distribution of length of job search



Source: Labor Force Survey Panel, April 2012 – January 2013

Some considerations in improving the proposed schemes

2. Financing and sustainability

⇒ viable financing plan that can be sustained

- Start-up fund (amount and source)
- Government guarantee (is it needed?)
- Who will assume the financial requirements
 - Employer: strong resistance from the sector due to high cost of labor plus they already give severance pay.
 - Employee: additional contribution or with the current contribution, should it be charged against other benefits

Some considerations in improving the proposed schemes

3. Capacity of SSS to offer unemployment benefits

- How to deal with moral hazard and adverse selection
- SSS coverage is limited to the formal sector
 - Note also the relatively low percentage of paying members (about 37% among registered employees in 2014)

Some considerations in improving the proposed schemes

4. Inclusion of ALMPs in the design

- Enhance existing ALMPs
- PESO vs. private employment agencies (possible crowding out)

Thank you!