

**Strengthening the Capacities of Asia and the Pacific
to Protect Workers against Unemployment**

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**STRENGTHENING THE CAPACITIES OF ASIA AND THE
PACIFIC TO PROTECT WORKERS AGAINST
UNEMPLOYMENT**

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Acronyms

ABND	Assessment Based National Dialogue
CCT	Conditional Cash Transfer(s)
ECLAC	Economic Commission of Latin America and the Caribbean/Economic Development Division
ECLAC/EDD	Economic Development Division of ECLAC
EGS	Employment Guarantee Schemes
EI	Employment Insurance
ESCAP	Economic and Social Commission of Asia and the Pacific
ESCAP/MPFD	Macroeconomic Policy and Financing for Development of ESCAP
ICLS	International Conference of Labour Statisticians
ILO	International Labour Organization
IMF	International Monetary Fund
ISA	Individual Savings Account
LFPR	Labour Force Participation Rate
LMP	Labour Market Policy
ILC	International Labour Conference
MGNREGS	Mahatma Gandhi National Rural Employment Guarantee Scheme
NEM	New Economic Model –(Malaysia)
NGO	Non-Government Agencies
NIEs	Newly Industrializing Economies
NREGA	National Rural Employment Guarantee Act
OECD	Organization for Economic and Co-operation Development
PEP	Public Employment Program(s)
PES	Public Employment Service
PRC	People’s Republic of China
PWP	Public Works Program(s)
SDGs	Sustainable Development Goals
SOCSO	Social Security Organization (Malaysia)
SPF	Social Protection Floor
SWTS	School-to-Work Transition Survey
TPC	Tripartite Project Committee
UB	Unemployment Benefits
UDHR	Universal Declaration of Human Rights (1948)
UI	Unemployment Insurance
UISA	Unemployment Insurance Savings Accounts
UN	United Nations
USS	Unemployment Savings Schemes
WIEGO	Women in Informal Employment Globalizing and Organizing
WTO	World Trade Organization

Executive Summary

This report provides an overview of the various existing and proposed unemployment protection schemes in Asia. These schemes play a key role for women and men of working age by stabilizing their incomes in the event of unemployment.

Under the project entitled “Strengthening the capacities of Latin America and Asia to develop and improve labour training systems and to protect workers against unemployment”, the overall objective is to promote the improvement of unemployment protection and national training systems in three Latin American (Mexico, Colombia and Uruguay) and one Asian (Philippines) countries. There will also be a separate national report outlining existing unemployment schemes in the Philippines and should be read in conjunction with this report. UNESCAP was established in 1947 and has its headquarters in Bangkok, Thailand. It has played a significant role in assisting member states overcome challenges by providing results oriented projects, technical assistance and capacity building processes. On June 30, 2015, a joint statement was issued by the World Bank Group and the International Labour Organization launching the new Universal Social Protection Initiative. Both groups share a vision of social protection for all, a world where anyone who needs social protection can access it at any time. Beginning in 2016, the United Nations will introduce an ambitious new development agenda: the Sustainable Development Goals (SDGs). Social Protection and, in particular, universal social protection are highlighted in the SDGs (the goals and targets to be negotiated by Member States in September 2015).

According to a Bloomberg survey of economists, emerging markets in Asia and Africa are at the top of the global growth projections over the next two years. China, the Philippines, Kenya, India and Indonesia which together make up about 16 percent of global gross domestic product, are all forecast to grow more than 5 percent in 2015. By comparison, the United States and the United Kingdom, when they are combined, account for about a quarter of global growth and they are expected to grow 3.1 percent and 2.6 percent respectively.

Latest labour market updates (February, 2015) from the ILO Regional Office for Asia and the Pacific indicate there are significant challenges to labour markets in Asia such as an uncertain global economy, demographic transitions, economic slowdown in China and India and continued sluggishness in the Eurozone. According to the ILO *World Social Protection Report 2014-15*, only 17 per cent of the labour force in Asia and the Pacific are potentially eligible for benefits (contributory or non-contributory) under existing legislation should they become unemployed.

In many developing countries in the Asia Pacific region, the informal economy is extensive and a key portion of the labour force. According to ILO, overall, the informal sector accounts for 60 per cent of the workforce. The “informal economy” refers to all economic activities by workers that are, in law or in practice, not covered (or insufficiently covered) by formal employment arrangements. The characteristics of informal employment include lack of protection for non-payment of wages and other labour standards, absence of occupational health and safety conditions and no social benefits such as pensions, sick pay, health and unemployment insurance. According to Martha Chen (2012) of “Women in Informal Employment – Globalizing and Organizing”, the number of persons involved in informal employment from 2004-2010 as a per cent of total non-agricultural employment is as follows:

- South Asia: 82% (range 62% in Sri Lanka to 84% in India);

- East and Southeast Asia: 65% (range 42% in Thailand to 73% in Indonesia);
- Latin America: 51% (range 40% in Uruguay to 75% in Bolivia);
- Eastern Europe and Central Asia: 10% (range 6% in Serbia to 16% in Moldova)

It is important to keep in mind Mandatory Unemployment Insurance schemes apply mostly to the formal sector as contributions are required from employers and/or workers (and sometimes governments) to sustain the UI fund. The challenge is to extend the benefits of UI schemes to the informal sector and find the best approach to achieve this goal. One option is to investigate different options and combining contributory schemes with non-contributory programs. This report will scrutinize the various options keeping in mind that each country is unique and so is its approach to implementing unemployment protection instruments. There are currently numerous programs to offer protection against unemployment for the women and men of active working age. The main types of unemployment protection schemes in Asia are:

- 1) Mandatory Unemployment Insurance (UI) schemes (China, Japan, Taiwan, Republic of Korea, Thailand, Mongolia, Bahrain and Viet Nam);
- 2) Unemployment savings schemes (Jordan);
- 3) Severance Pay (retrenchment) programs;
- 4) Non-Contributory programs – for those who are economically active but not in formal employment (in the informal economy), the working poor in formal employment and the long-term unemployed; usually under the title of Conditional Cash Benefits or Public Employment Programs (including Public Works Programs and Employment Guarantee Programs);
- 5) Programs provided by non-government agencies and social assistance.

Mandatory unemployment insurance schemes were established in 73 countries worldwide (including the most recent – Viet Nam – in 2009). Most countries in Asia implementing UI have done so in the past few decades with the exception of Japan and China. Japan and Republic of Korea also prefer the name “Employment Insurance” over UI to reflect a more proactive approach to the scheme in assisting the unemployed to find and keep suitable employment. UI schemes in Asia are characterized by low contribution and benefit levels because of low unemployment rates. Generally speaking, the range of months of contributions required in Asian countries are 4 to 24 months over the last 15 to 24 months (reference period). The most frequent range of benefit rates is 50 to 60 percent of previous contributory earnings.

Most Asian countries pay UI benefits when someone loses their employment involuntarily. In those cases where a person quits his/her job, many countries refuse payment of any UI benefits. In other situations though, where a person quits his/her job without just cause, benefits could only be paid after a prolonged waiting period (for example, after an extra three months in Japan). In Thailand, benefits to quitters will not be deferred but will only be paid at a low rate (of 30 percent of earnings instead of 60 percent) and for a shorter duration (up to three months instead of up to six months).

Either approach may represent a practical and manageable compromise. Malaysia and Myanmar have developed proposals to implement a UI scheme based on their country’s needs and priorities. In the case of Malaysia, their proposal has two options:

- ✓ **First option:** comprised of two pillars 1) EI benefits; 2) ALMPs for assistance to find work;
- ✓ **Second option:** comprised of three pillars: 1) EI benefits; 2) ALMPs for assistance to find work and 3) a savings account to acknowledge tenure with contributions from employers and workers.

Since these options were presented, the departments responsible for the proposed EI scheme have drafted an additional hybrid model together with a legal framework. It was tabled to the Government in early 2015 but no final decision has been made at this point. The hybrid model contains elements of scenario 2 (EI and complimentary ALMPs).

In, Myanmar, the government actually passed the legislative provisions for a UI program but implementation has been delayed until there is an appropriate time to do so.

UI schemes generally have a positive impact on the labour market both for workers and employers. A properly designed UI scheme will play an important stabilization role during periods of economic slowdown and in affected regions. By having temporary periodic income support provided by UI, unemployed workers have a more positive attitude in finding a job that is suitable and avoid financial difficulties. Employers find there are productivity gains in hiring someone with the right skill set and capability. There is also the element of flexibility in the hiring and firing process in terms of technological and structural changes where employers would find it easier to terminate a loyal employee with a backstop of a UI program. UI programs benefit unemployed workers and their families, employers, governments and society at large.

Active Labour Market Policies are government programs that intervene in the labour market to help unemployed workers find work. They assist the unemployed person with essential tools to better prepare the individual in the labour market to find and keep suitable employment. ALMPs are desirable in principle to support both workers and employers and are highly recommended for developing Asian countries. There is a continuous debate worldwide of what types of ALMPs are most effective in assisting the unemployed. Virtually, all countries throughout the world have minimal employment interventions to assist unemployed workers and employers such as job referrals, job banks, labour market intervention, resume and job search workshops. Some countries require an individual to develop individualized work plans with the guidance of employment center officers and outline how they will end the unemployment satisfactorily within a reasonable period of time.

More intensive interventions could be required such as training and retraining as an integral part of the solution. Most countries with UI programs offer unemployed workers training or retraining on skills development while on UI benefit. Training and retraining programs, though highly touted, must be managed with careful regard to their costs, effectiveness and targeting, but should nevertheless be considered for implementation as long as the budgets for those measures are kept under tight control.

Unemployment Savings Schemes – USS (sometimes called “Unemployment Insurance Savings Account - UISA”) also provide a diversity of features to be considered by governments and stakeholders in the implementation of an unemployment protection program. Chile has a savings account feature as well as solidarity component. Brazil and other countries in Latin America implemented UISAs similar to a pre-funded severance program. Jordan has a USS that has a pure savings component but it also allows for individuals to receive loans from a government ministry if they have insufficient Unemployment Benefit contributions (Jordanian nationals only). Many experts feel that USS resolve the issue of “morale hazard” but the

disadvantages of high contributions and low protection are major issues that need to be addressed. In April 2015, Chile made significant improvements to its solidarity component making it less restrictive.

Severance Pay (called retrenchment benefits in much of Asia) programs have existed for a long time around the world and in most countries. They provide lump sum cash payments to workers who involuntarily or voluntarily terminate their contract of service with their employer (through collective agreements or as part of an enterprises' policy). In some cases, however, employers with financial difficulties renege on their commitment to pay severance in cases of plant closures or moving out of country. Severance payments and UI are distinguished by the fact that one falls under Employment Law and is not pre-funded, while the other rests, in most countries, on Social Insurance Law and is guaranteed by the State. Overall, the reliability and effectiveness of severance payments is brought into question.

Non-contributory unemployment protection schemes also play an important role in assisting women and men of working age to receive income support. Programs such as Conditional Cash Transfers (CCTs - sometimes unconditional) provide assistance to the unemployed who do not qualify for UI or UISA benefits. Also, Public Employment Programs (PEPs) assist the unemployed entering the labour force after a lengthy period away from the labour market or have been unemployed for a lengthy period of time. PEPs can be categorized into Public Works Programs (PWP - short term dealing with crisis) and Employment Guarantee Schemes (EGSs - medium to long term). One of the most successful EGS is the "Mahatma Gandhi National Rural Employment Guarantee Program" in India which has 40 years of experience serving over forty million households. Under the scheme adult household members living in rural areas are provided with up to one hundred days of employment per annum at minimum wage. After applying for employment under the MGNREGP, workers register with the municipality to participate in the program and are given 'job cards', which they use when requesting work. If they are not given work within 15 days the State government must pay out the unemployment allowance.

Social Assistance and Non-Government Agency (NGOs) programs also exist as a last resort if all else fails. There exists in most countries in Asia some type of social assistance scheme to assist disadvantaged groups, including the unemployed who do not qualify for UI or have exhausted their entitlement to UI benefits. These social assistance schemes are frequently administered by local or regional authorities and financed by general tax revenues.

Also, NGOs also provide cash or in-kind assistance to the disadvantaged especially during periods of crisis or recessionary periods. There is an array of services and assistance covering, health, children, old age and the working age. It has been recommended in the Assessment Based National Dialogue for Myanmar that these programs could be better coordinated along with development of effective institutions.

Representing more than half of the world population, women still face major sorts of discrimination in many areas of life including unemployment. There are significant differences between male and lower female labour force participation rates especially in India (differential of 53%), Indonesia (differential of 33%), Malaysia (differential of 32%) and Philippines (differential of 29%).

Not only do they face difficulties in finding and maintaining suitable employment, they are usually the first to be laid off due to downturns in the economy. But some of the active labor

markets policies and public employment programs help women to overcome these drawbacks. The unemployment insurance program and the unemployment savings accounts programs are, however, gender neutral. These programs must be gender neutral and provide equal access to coverage and to benefits for both men and women.

Youth unemployment in Asia has been identified as a major issue with higher unemployment rates compared to the active working age population. Today, more than ever, is not an easy time to be a young person in the labour market. The financial crisis of 2008-09 adversely impacted on the global jobs scene and the vulnerability of young people in terms of: i) higher unemployment, ii) lower quality jobs for those who find work, iii) greater labour market inequalities among different groups of young people, iv) longer and more insecure school-to-work transitions, and v) increased detachment from the labour market. Some countries in Asia have high unemployment rates for youths especially in India (10.7%), Indonesia (22.2%), Philippines (16.3%) and Malaysia (10.5%) in 2013.

All unemployment insurance schemes are unique and have different characteristics in the design of diverse elements. There is a wide selection of features to be considered before implementing an unemployment insurance scheme. There is a need for stakeholders in each specific country to develop their own design based on national priorities, their national economy, labour market and unemployment.

It is strongly recommended that developing countries conduct actuarial evaluations at regular intervals to measure the effectiveness and efficiency of their unemployment protection schemes and identify any deficiencies.

I. Introduction

Under the project entitled “Strengthening the capacities of Latin America and Asia to develop and improve labour training systems and to protect workers against unemployment”, the overall objective is to promote the improvement of unemployment protection and national training systems in three Latin American and one Asian countries. The Economic Development Division (EDD) of the United Nation’s “Economic Commission of Latin America and the Caribbean (ECLAC)” will be the main executing agency for the project. But the project will be implemented jointly between ECLAC and The Macroeconomic Policy and Development Division (MPDD) of the United Nation’s “Economic and Social Commission in Asia and the Pacific (ESCAP)”.

Mexico, Colombia and Uruguay were identified for this study in Latin America and the Caribbean while the Philippines was selected in Asia. A staggered implementation was chosen and a review and final report along with recommendations for improvements has been completed in Latin America. Work has now commenced on the regional (Asia) and national (Philippines) report.

This regional report will provide stakeholders with an overview of the different unemployment protection schemes (existing or proposed) in Asia as well as the advantages and disadvantages of each system. It will also investigate the impact of these schemes on the labour market in developing countries. A separate report by a national coordinator will focus on unemployment protection schemes specific to the Philippines. Both reports will be presented at a final technical workshop of stakeholders in Manila in August 2015.

A key element in this process will be improving capacity building of stakeholders in order to design and implement unemployment protection policies which are efficient, effective and sustainable for Asia (especially the Philippines). All relevant stakeholders in the Philippines will be included in the national policy debate. Separate workshops will be held prior to the final workshop in August for employer and worker representatives, representatives of the self-employed, academia, non-government agencies (NGOs) and national policy makers at various levels. Stakeholders will be brought together in national working groups to discuss policy alternatives and their implications, where each will be able to draw on their respective expertise, share their views and voice concerns, while receiving support from the national and regional consultants, as well as staff from ESCAP.

One high-level seminar at the policy-making level will take place in October 2015 to present final versions of the national studies and discuss specific reform proposals for the Philippines in the areas of protection from unemployment schemes and national training programs.

Finally, an international seminar will be planned to allow for stakeholder discussions between the counterparts from the other project countries, thus allowing for intra- and inter-regional comparative analysis and south-south cooperation between Latin America and the Caribbean and the Asia and the Pacific region.

Since the beginning of the twentieth century, significant progress has been made in extending social security coverage and building comprehensive social security systems. In spite of the progress made over the past century, according to ILO only a minority of the world’s population is effectively protected (only 27% of the working age population and their families across the

world had access to comprehensive social security programs. Many of them, about 800 million people, are working poor (ILO, 2014b) and many work in the informal economy.

Over the years, many countries have extended their social security coverage and have reduced persistent poverty levels while continuing to develop their social security systems. In China, India and Thailand the extension of social security coverage has benefitted the citizens of these countries.

On June 30, 2015, a joint statement was issued by the World Bank Group and the International Labour Organization launching the new Universal Social Protection Initiative. Both groups share a vision of social protection for all, a world where anyone who needs social protection can access it at any time. Universal coverage and access to social protection are central to ending poverty and boasting shared prosperity, the World Bank's twin goals by 2030. Universal social protection coverage is at the core of the ILO's mandate, guided by ILO social security standards including the Social Protection Floors, No. 202 (see section 1.1 – "ILO Conventions and Recommendations").

Countries have a wide set of options to achieve universal social protection coverage as evidenced by the good practices of many countries who have developed their own unique schemes. One of the aspects of universality is the combination of contributory and non-contributory schemes. This report will highlight the many options available to countries wishing to establish unemployment protection schemes (existing or proposed), a description of the various contributory and non-contributory schemes and suggestions for improvement.

Beginning in 2016, the United Nations will introduce an ambitious new development agenda: the Sustainable Development Goals (SDGs). Social Protection and, in particular, universal social protection are highlighted in the SDGs (the goals and targets to be negotiated by Member States in September 2015). But social protection has been identified in playing a strong role in combatting poverty and reducing inequalities, and calls for universal approaches to social protection provisions while accelerating efforts for the poor and vulnerable.

A. International Labour Organization (ILO) Conventions and recommendations

ILO has played a significant role in the enhancement and implementation of unemployment protection schemes. It was created in 1919, as part of the Treaty of Versailles that ended World War I, to reflect the belief that universal and lasting peace can be accomplished only if it is based on social justice. The main aims of ILO are to promote rights at work, encourage decent employment opportunities, enhance social protection (see box 1) and strengthen dialogue on work-related issues.

ILO, which is the only tripartite UN agency comprised of government, employers' and workers' representatives, is well positioned to assist countries improve their social security system through consensus building. Aiming to ensure that it serves the needs of working women and men, it brings together these governments, employers and workers to set labour standards, develop policies and devise programs. The very structure of ILO, where workers and employers together have an equal voice with governments in its deliberations, shows social dialogue in action – along with capacity building and collaboration. It ensures that the views of the social partners are closely reflected in ILO labour standards, policies and programs.

In Asia and throughout the world, there is a wide variety of practices and approaches establishing effective unemployment insurance schemes. ILO has passed major conventions and recommendations that deal with social security and unemployment protection including: Convention 102 (1952) entitled “Social Security (Minimum Standards) Convention” and Convention 168 (1988) entitled “Employment Promotion and Protection Against Unemployment” (see annex 1 for more information on the relevant conventions and recommendations concerning unemployment protection). ILO Convention No. 102 is in particular considered “the flagship of all ILO social security Conventions, as it is the only international instrument, based on basic social security principles, that establishes world-wide-agreed minimum standards for all nine branches of social security”. ILO Convention No. 168 and its Recommendation No. 176 set higher standards regarding unemployment benefits, mainly but not only applicable to industrialized countries.

The Social Protection Floors (SPFs) Recommendation, 2012 (No. 202), guides countries in defining and guaranteeing basic income security, at least at a nationally defined minimum level, to all persons of working age who are unable to earn sufficient income, for reasons including unemployment, as part of a national social protection floor (ILO, 2014b).

SPFs are nationally-defined sets of basic social security guarantees which secure protection aimed at preventing or alleviating poverty, vulnerability and social exclusion. These guarantees should ensure at a minimum that, over the life cycle, all in need have access to essential health care and basic income security. National social protection floors should comprise at least the following four social security guarantees, as defined at the national level:

1. Access to essential health care, including maternity care;
2. Basic income security for children, providing access to nutrition, education, care and any other necessary goods and services;
3. Basic income security for persons in active working age who are unable to earn sufficient income, in particular in cases of sickness, unemployment, maternity and disability;
4. Basic income security for older persons.

Box 1. Social protection defined

Social protection, as defined by the UN Research Institute for Social Development (UNRISD, 2015), is concerned with preventing, managing and overcoming situations that adversely affect people’s well-being. Social protection consists of policies and programs designed to reduce poverty and vulnerability by promoting efficient labour markets, diminishing people’s exposure to risk, such as unemployment, exclusion, sickness, disability and old age. Most common types of social protection:

- 1) Labour market interventions are policies and programs designed to promote employment, the efficient operation of labour markets and the protection of workers;
- 2) Social insurance mitigates risks associated with unemployment, ill health, disability, work-related injury and old age, such as health insurance or unemployment insurance;
- 3) Social assistance is when resources, either cash or in-kind, are transferred to vulnerable individuals or households with no other means of adequate support, including single parents, the homeless or the physically or mentally challenged.

B. Asian economy

Because of extremes in climate and topography, less than 10 per cent of Asia is under cultivation¹. Rice, by far the most important food crop, is grown for local consumption in the heavily populated countries (e.g. China, India, Indonesia, Bangladesh and Japan), while countries with smaller populations (Thailand, Viet Nam and Pakistan) are generally rice exporters. Other important crops are wheat, soybeans, peanuts, sugarcane, cotton, jute, silk, rubber, tea and coconuts.

Asia's economy is predominantly agricultural but regions, where power facilities, trained labour, modern transport, and access to raw materials exist, have developed industrially. Japan, China, Republic of Korea, and Taiwan are distinguished for their industrialization. China and India are making considerable strides in this direction. The most spectacular industrialization has occurred in Japan, Taiwan, Korea, Singapore and Hong Kong. The economies of Thailand, Indonesia and South China are booming thanks to Japanese investment in plants and to cheap indigenous labour.

Asia is the largest continent in the world by a considerable margin, and it is rich in natural resources such as petroleum, forests, fish, water, rice, copper and silver. Manufacturing (clothing, textile, and footwear) in Asia has traditionally been strongest in East and Southeast Asia, particularly in China, Taiwan, Republic of Korea, Japan, India, the Philippines and Singapore. Japan and Republic of Korea continue to dominate in the area of multinational corporations, but increasingly the People's Republic of China (PRC) and India are making significant inroads. Many countries from Europe, North America, Republic of Korea and Japan have operations in Asia's developing countries to take advantage of its abundant supply of cheap labour and relatively developed infrastructure.

Companies are also pursuing lower wages deeper into China. Cities in China's interior use tax breaks and cheap land to attract foreign investors. But China's working-age population is also peaking and there is a slow-down in the number of people moving from the rural area to urban areas. Hence, the rise in South-East Asia will benefit these countries which offer a big labour pool with low wages and mostly market-friendly policy environments.

Table 1 outlines selected countries in Asia by population (by world order) and size of the labour force. It also highlights the Labour Force Participation Rate (LFPR) in total as well as a breakdown by gender. There are significant differences between male and lower female LFPRs especially in India (differential of 53%), Indonesia (33%), Malaysia (32%) and Philippines (29%).

¹ Infoplease, "Asia – population, culture and economy". Available from www.infoplease.com/encyclopedia/world/asia-population-culture-economy.html.

Table 1. Economic statistics for selected countries in Asia

Country	Rank*	Population ^a	Labour force	Labour force participation rate (%) ^b		
				Total	Male	Female
China	1	1 355 692 576	801 600 000	71	78	64
India	2	1 236 344 631	502 200 000	54	80	27
Indonesia	5	253 609 643	124 300 000	68	84	51
Japan	11	127 103 388	65 930 000	59	70	49
Philippines	13	107 668 231	41 680 000	65	80	51
Viet Nam	15	93 421 835	54 070 000	78	82	73
Thailand	21	67 741 401	39 510 000	72	81	64
Myanmar	25	55 746 253	35 230 000	79	82	75
Republic of Korea	27	49 039 986	26 430 000	61	72	50
Malaysia	44	30 073 353	14 010 000	59	76	44
Taiwan	52	23 359 928	11,500 000	n/a	n/a	n/a
Cambodia	69	15 458 302	7 909 000	83	87	79
Singapore	116	5 567 301	3 557 000	68	77	59

Sources: ^a Central Intelligence Agency (2015). ^b World Bank (2013a).

Note: *Rank according to 238 countries in world (World Bank).

Table 2 highlights the unemployment rates across selected countries in Asia. Most of these countries have UI rates of 4% or less with the exception of Philippines (7.2%) Indonesia (6.3%) and China (4.6%). Youth unemployment is very high in a number of countries including Indonesia (22.2%), Philippines (16.3%), India (10.7%) and Malaysia (10.3%) and finding decent jobs is a major concern.

Table 2. Unemployment rate statistics of selected Asian countries

Country	Rank*	Unemployment Rates (estimated 2013)			
		Total (%)	Male (%)	Female (%)	Youth (15-24) (%)
China	1	4.6	5.2	3.8	n/a
India	2	3.6	3.5	4.0	10.7
Indonesia	5	6.3	5.6	7.3	22.2
Japan	11	4.0	4.3	3.7	7.9
Philippines	13	7.2	7.2	6.9	16.3
Viet Nam	15	3.1	1.8	2.2	5.5
Thailand	21	0.7	0.8	0.7	2.8
Myanmar	25	3.4	3.1	3.7	n/a
Republic of Korea	27	3.1	3.3	2.8	9.0
Malaysia	44	3.2	3.1	3.1	10.3
Taiwan	52	3.8	n/a	n/a	n/a
Cambodia	69	0.3	0.3	0.3	N/A
Singapore	116	2.8	2.6	3.0	6.7

Source: World Bank (2013b).

Note: *Rank of countries by population (238 countries).

Latest updates (February 2015) from the ILO Regional Office for Asia and the Pacific (ILO, 2015a) indicate there are significant challenges to labour markets such as an uncertain global economy, demographic transitions, economic slowdown in China and India and continued sluggishness in the Eurozone. Employment growth has actually declined and the region's young job seekers are having major problems in finding decent work (see Section 4.2 – Obstacles to Women and Youth to benefit from unemployment protection schemes – for additional information).

Overall, the unemployment rates remain relatively low across the region. The exceptions include Indonesia (5.9% in August 2014) and Philippines (6% in October 2014). As mentioned above, youth unemployment is a concern but exacerbating the situation is the low quality of employment youths are forced to accept in many Asian countries. *“Many young people lack the technical skills, business knowledge and financial resources to become entrepreneurs. Another key factor is the mismatch between education the requirements of employers and youth aspirations. In China, for example, unemployment among recent graduates was 8.6 per cent in 2013, and fewer than half of employed graduates expressed satisfaction with the current job (ILO and ADB, 2011)”*.

The update indicates that *“poor quality employment is widespread in the developing economies of Asia and the Pacific, and is reflected in the high number of workers in vulnerable employment (measured as own-account and contributing family workers)..... Vulnerable employment totaled more than 1 billion (or 3 in 5 workers) in 2014..... Women are more likely than men to be in types of vulnerable jobs..... Regionally, the male-female difference means the rate of women in vulnerable employment was around 7 percentage points higher than for men”*.

Another challenge in Asia and the Pacific is the high and increasing inequality in incomes. The disparity can be attributed to a number of factors including:

- Significant structural change in the region;
- The decline of agricultural employment (offset by the rising significance of the industrial and services sectors);
- High adjustment costs for those who lack the skills required and unable to find productive employment;
- Sectorial shifts and the move towards technology-intensive activities increasing the premium paid for higher-level technical skills, through increased relative productivity, so exacerbating wage gaps (accelerated by increasing integration in the global economy).

For 2015, the world is expected to grow 3.2 percent and 3.7 percent in 2016 after expanding 3.3 percent in each of the past two years according to a Bloomberg survey of economists (Bloomberg Business, 2015). Emerging markets in Asia and Africa are at the top of the global growth projections over the next two years. China, the Philippines, Kenya, India and Indonesia which together make up about 16 percent of global gross domestic product, are all forecast to grow more than 5 percent in 2015. By comparison, the United States and the United Kingdom, when they are combined, account for about a quarter of global growth and they are expected to grow 3.1 percent and 2.6 percent respectively.

An important element in dealing with developing countries designing unemployment protection schemes concerns the size of the informal economy and its impact on the labour market. Mandatory Unemployment Insurance schemes apply mostly to the formal sector as

contributions are required from employers and/or workers (and sometimes governments) to sustain the unemployment protection fund. The challenge is to extend the benefits of UI schemes to the informal sector and determining the best approach to achieve this goal. One option is to investigate different options and combining contributory schemes with non-contributory programs.

This report will examine the various options keeping in mind that each country is unique and so is its approach to utilizing unemployment protection instruments.

C. History of unemployment protection schemes throughout the world

Unemployment protection schemes have been in existence for more than a century assisting unemployed persons and their families with income support and support for employment. The origins of unemployment compensation commenced with trade-unions and mutual-benefit societies where pooled contributions of members were used to pay unemployed workers (see box 2).

Most developed countries in Europe and North America implemented unemployment protection systems with contributory or non-contributory schemes during the early to mid-1900s. With the exception of Japan which, in 1947, saw the enactment of a Law establishing a government-managed compulsory UI scheme, most countries in Asia adopted their own UI scheme over the past few decades. A total of 73 countries adopted mandatory social insurance schemes (see table 3 outlining unemployment protection schemes in ILO, 2015a). Viet Nam is the most recent country to implement a mandatory unemployment insurance scheme (2009).

Box 2. The evolution of unemployment insurance

The evolution of unemployment insurance can be traced back as early as 1789 when Basel Town in Switzerland established an unemployment insurance plan which lasted several years before it went out of existence.^a In England in 1824 the trade union “Journeymen Steam Engine Workers’ Society” distributed out-of-work benefits to its unemployed members, and in Brussels the Printers’ Union established benefits for its members in 1846. This was in response against the new dangers of the industrial age and the ravages of unemployment.

But the union schemes failed to reach the large portion of unorganized workers of the lower-paid and unskilled type, who, in periods of unemployment, were forced to depend on charity dispensed by public poor relief and private organizations. Berne, Switzerland, was the first city to inaugurate an unemployment insurance plan which started in 1893 followed by Leipzig in 1903 and in Bologna, Italy, in 1896. Unfortunately, these plans were disadvantaged by workers involved in irregular employment and unduly loaded with bad risks and most of these schemes were shortly abandoned.

Several cities tried the experiment of subsidizing unemployment funds of trade-unions (Dijon and Limoges, France in 1896 and 1897). In 1901, Ghent, Belgium established a system of direct subsidies to trade-union members under the administration of a communal unemployment fund and this was adopted by many European cities and eventually adopted voluntary systems.

Box 2. (continued)

The first participation by a national government was in 1905 when France passed a law providing for a national subsidy to voluntary unemployment funds. But since they were purely voluntary schemes and since they were limited to union members, they left large numbers of non-union workers unprotected.

The first national compulsory unemployment scheme was established in 1911 and applied to six industries and covered about 2,500,000 workers. Following the example of Great Britain, seven European countries established nation-wide compulsory unemployment insurance.

^a Bryce M. Stewart and others, “Social security in America: part I – unemployment compensation”, 2015. Committee on Economic Security. Available from www.ssa.gov/history/reports/ces/cesbookc1.html (accessed 15 May 2015).

Social Protection Programs are geared to providing social security to those in need at various points of the life cycle, that is, birth/children/youth, working age and old age. Generally speaking, countries throughout the world initially addressed employment injury, then introduced old-age pensions, disability and survivors’ benefits, followed by sickness, health and maternity coverage. Benefits for children and families, and unemployment benefits typically came last. Myanmar is a good example of this process where social security benefits are anchored in legislation and implemented for the following: worker injury benefits, sickness, maternity and paternity benefits, funeral grants and family benefits. Legislation has been passed but not implemented for the following programs: disability, old age and unemployment insurance benefits. Malaysia also implemented worker injury, invalidity pensions and a provident fund as contributory programs while unemployment insurance is a proposal at this point.

Severance payments have existed for a lengthy period of time. They represent the first unemployment protection schemes in the world and are considered the forerunner of more advanced unemployment protection programs such as unemployment insurance (UI). Severance payments are generally only paid by employers. Since they are usually not pre-funded, they may not always be guaranteed as they depend on the employer’s capacity and willingness to pay.

However, pre-funded severance payment schemes exist in a number of Latin American countries, where they have sometimes been called Unemployment Insurance Savings Accounts (UISAs). These pre-funded schemes often have high contribution rates. They have mainly been adopted in Latin American countries, for example in Brazil (1989, 8% contribution), in Colombia (1990, 9.3% contribution) or in Ecuador (2001, 8.3% contribution) (World Bank, 2012a). Payment under this model is usually in the form of a lump sum at job termination.

Those schemes should be distinguished from the hybrid UISA scheme established in Chile in 2002, which combines a savings and an insurance feature, has a much lower total contribution rate (3%) and provides monthly benefits rather than a lump sum.

A uniquely different UISA scheme was created in Jordan in 2011. It is jointly financed by both employers (1%) and workers (0.5%), provides monthly benefits and does not contain any insurance or solidarity component. It does however provide for loans that must be repaid out of future contributions or pensions.

Table 3. Overview of unemployment protection Schemes anchored in national legislation by type of scheme and benefit, 2012/13

Information available for 201 countries (100%)				
MAIN SCHEME				
Unemployment scheme anchored in national Legislation – 89 countries 44%			No unemployment benefit scheme anchored in national legislation – 112 countries 56%	
Periodic cash benefits		Lump Sum	Severance payment (article in labour code)	No Severance payment or scheme anchored in legislation
85 countries 95%		4 countries 5%	31 countries 28%	81 countries 72%
Social Insurance (Mandatory Public) 73 countries (86%)	Only Social Assistance or employment guarantee scheme 7 countries (8%)	Individual savings for unemployment (2 countries)		
Subsidized Voluntary insurance 3 countries (4%)	Only Mandatory individual savings account (periodic) 1 country (1%)	Provident funds drawing on pensions (2 countries)		
Mandatory individual savings account 1 country (1%)				
ADDITIONAL SCHEME				
Additional social assistance program or employment guarantee scheme 26 countries (13%)				

Conditional Cash Transfers and Public Employment Projects are non-contributory programs assisting the unemployed through the government's general tax revenues. They also have been established at various times by governments in assisting the most vulnerable in society.

Finally, countries in financial difficulties and cannot support the various types of contributory or non-contributory unemployment protection schemes, can receive financial and administrative assistance from non-government agencies to provide aid to its citizens.

II. Unemployment Protection Schemes in Asia

Unemployment protection schemes are an important element for women and men of working age² in providing secure income. An overall majority of people of working age are economically active, and generally gain their livelihoods through income generating activity (formal or informal employment). However, in the event of a loss of employment, unemployment protection schemes assist in stabilizing their incomes and ensure they have at least a basic level of income security. Most employment-related, contributory social security programs (including unemployment) cover those people (and their dependents) who have been economically active in the past, but have lost their income from work either permanently or temporarily owing to loss of the current job. However, these types of programs often do not cover the situations and needs of people (and their dependents) who are economically active but not in formal employment, whose income from employment is too low to prevent them and their families from falling into poverty, or who simply have no income at all, having been unemployed or underemployed for too long to qualify for benefits.

The following are the main types of protection against unemployment schemes existing in Asia:

1. Mandatory Unemployment Insurance schemes (China, Japan, Taiwan Province of China, the Republic of Korea, Thailand, Mongolia, Bahrain and Viet Nam);
2. Unemployment savings schemes (Jordan);
3. Severance Payments;
4. Non-Contributory programs – for those who are economically active but not in formal employment (in the informal economy), the working poor in formal employment and the long-term unemployed;
5. Programs provided by non-government agencies and social assistance.

According to Asami (2010), Professor at Hitotsubashi University, Japan, in many of newly industrializing and newly democratizing countries in Asia, social security programs have been remarkably expanded not only quantitatively but also qualitatively in the past two decades. The coverage continues to be expanded for a number of social security programs. He points out that “just three decades ago, it was widely believed that economically struggling Asian countries would not afford to have unemployment insurance (UI) for many generations to come”. We will see shortly that UI has been implemented in a number of countries over time.

² World Social Protection Report 2014-15: Section 3.1 Introduction The Quest for Income Security: available from www.ilo.org/global/research/global-reports/world-social-security-report/2014/WCMS_245201/lang--en/index.htm. According to ILO, working age is broadly defined here as the age range during which most people are, or seek to be, economically active. Much depends on national legislation and practice and also considered is the length of time that people spend in education and statutory pensionable ages. The established international practice uses an age range of 15-64 years of age.

He further provided a rationale for the development of social security programs in Asia that most of those studied social security arrangements in Asian countries with either an economy-centered or politics centered approach in the 1990s argued that economic imperatives and/or political configuration were such that development of social security in Asian countries was retarded or skewed. (He) argues that most of Asian countries face more or less similar global economic imperatives but with different economic and political endowments, which resulted in certain similarities as well as unevenness in social security arrangements in Asian countries.

The Asian social security programs were initially developed to deal with individual risks (e.g. worker injury, death, retirement etc) but expanded and enhanced to include industry-wide risks such as large scale layoffs. Asian countries are dependent on two important issues: 1) exports of manufactured products and 2) investments from foreign countries. But these elements made Asian countries vulnerable to external shocks and an increase in nation-wide risks. Another important element in the design of social security programs was the democratization of Asian countries over the past few decades. Citizens were allowed to vote whether they were in the formalized sector of the economy or the informal economy. Countries responded by providing programs either through contributions by the formal sector or cash benefits to those in the informal economy. But there were serious obstacles preventing desirable change in some instances: 1) budget constraints, 2) poor administrative capabilities and 3) corruption. In one Asian country, poor maintenance of household records and inadequate personnel at the local level prevented the government from determining who were eligible for free health care.

In terms of legal coverage, According to the World Social Protection Report of ILO (2015b), at the global level, only 28.1 per cent of the labour force is potentially eligible for unemployment benefit under existing national legislation. The variation between regions is considerable: a) North America/Europe – 80 to 90 per cent, b) Latin America – 37.6 per cent, c) Asia and the Pacific – 16.6 per cent and d) Africa - 8.4 per cent. Where coverage is low, this is because unemployment benefit schemes do not exist and, where they do exist, usually cover only those working in the formal economy.

Effective coverage can be measured by relating the number of actual recipients of unemployment insurance benefits to the number of unemployed workers at a given point in time. Not surprisingly, effective coverage by unemployment benefits is lower than legal coverage and also varies across regions. With the exception of the Republic of Korea (between 40 to 50 per cent) and Japan (30 to 40 per cent), the effective coverage for all other Asian countries falls below 25 per cent. On a regional basis, only 7.2 per cent of the unemployed in Asia and the Pacific receive unemployment benefits while the remaining 92.8 per cent are left without income support.

A. Mandatory unemployment insurance schemes

These most commonly take the form of social insurance (unemployment insurance), financed by contributions paid by employers or shared between employers and workers (and sometimes governments), and usually cover workers in formal employment. The overwhelming majority of unemployment schemes anchored in national legislation and paid periodic cash benefits (86% or 73 countries) are based on these contributory unemployment benefit schemes.

In Asia, with the exception of Japan, which industrialized early, most Asian countries were slow to achieve development compared to their Western counterparts. As a result, Japan (1947), China (1986), the Republic of Korea (1995), Mongolia (1997), Taiwan (1999); Thailand (2004), Bahrain (2006) and Viet Nam (2009) were the only countries to implement unemployment insurance schemes (Hwang, 2013). Malaysia and the Philippines continue to study various proposals to establish an effective UI plan for their respective countries (see Section 3.1 “Options to Improve - Proposed Schemes” for further details).

The adoption or revision of UI schemes in Asia was often influenced by regional or international crisis. The expansion of the Korean Employment Insurance (EI) scheme (see box 3) in 1998 was partly a response to the Asian financial crisis of 1997. Thailand, having recovered from the Asian financial crisis around 2001, chose to launch its UI scheme in 2004. At different dates, China, Mongolia, and Viet Nam perceived the need for unemployment protection to cope with inevitable labour market implications of moving from a socialist planned economy to a market oriented economy.

The role of unemployment benefits during the global crisis has highlighted two major policy lessons (ILO, 2014b). First, it has underscored the importance of having well-designed unemployment benefit schemes in place which not only support the structural transformation of the economy in “normal” times, but can also be quickly scaled up in the event of major economic shocks in order to realize their full potential as automatic stabilizers of aggregate demand. Second, unemployment benefit schemes can achieve their potential only if they are financed appropriately from contributions and general taxation. Where financing is insufficient, ill-timed and ill-designed curtailments of benefits may have pro-cyclical effects, which may thwart economic recovery and lead to substantial increases in poverty and vulnerability.

Mr. Asami remarked that, in general, UI can cope with such an industry-wide risk of large scale layoffs much better than the mandatory severance pay system.

Box 3. Unemployment insurance and employment insurance

There are two terms used to describe mandatory contributory insurance schemes: Unemployment Insurance (UI) and Employment Insurance (EI). Some social partners prefer the label of EI over that of UI. Some countries (notably Japan, Republic of Korea, Taiwan and Canada) have similarly adopted that expression as it reflects a scheme to promote and preserve employment as well as protect workers against loss of income. That being said, the coordination of employment promotion with unemployment protection is in fact pursued by many if not most countries.

In this report, in line with international practice, we will use “Unemployment Insurance (UI)” to describe the system of periodic payments received by unemployed workers. We will use the designation of EI for specific reference to the above mentioned countries.

1. Unemployment insurance schemes in Asia have the following key elements

(a) Coverage

According to Michel Bédard, an actuary consultant, from an insurance perspective,

the primary objective of unemployment insurance is to achieve adequate protection against the risk of job loss. In addition, a system financed in whole or in part through contributions can only be sustainable if it is based on a sufficiently wide pooling of risks. Therefore, it is important to extend coverage to most workers. This will allow for as many job losers as possible to receive benefits and, equally important, spreading costs over a large group of contributors.³

Salaries workers of the private sector are traditionally those covered by the UI scheme. Exclusions can still exist. In some countries, government employees are excluded (Japan, Republic of Korea, Taiwan and Thailand). Other exclusions might be groups of workers with unique working conditions or minor attachment to the labour force. This is the case, for example, for low earnings in Japan and the Republic of Korea, or temporary/seasonal workers in Viet Nam (now revoked and included in UI coverage). In Taiwan, school teachers and small business workers (e.g. stall keepers and street peddlers) are excluded from the UI coverage group.

Another method has been to exclude workers of firms with less than a specific number of employees. This, at times, has created confusion and problems. It has led to artificial labour market practices or to administrative and enforcement problems as enterprises seek to split their business to smaller size businesses in order to avoid paying contributions. After a period of time, many countries remove these exclusions and expand their coverage. This has been the case with the Republic of Korea (coverage was limited to enterprises with at least 30 employees) and Viet Nam (coverage was limited to enterprises with at least 10 employees). In both cases, these exclusions were removed within a short time.

In most cases In Asia, migrant workers are covered with the exception of Viet Nam. Article 6 of the ILO Convention No. 168 stipulates that “*Each Member shall ensure equality of treatment for all persons protected, without discrimination on the basis of race, colour, sex, religion, political opinion, national extraction, nationality, ethnic or social origin, disability or age*”. Migrants (foreigners), while possibly being included in coverage for contributions, are unable to collect benefits due to the visa requirements at the end of their employment (or are paid a lump sum when leaving the country).

(b) Financing

In most cases in Asia, a bipartite sharing of costs exists in the following countries: China, the Republic of Korea, Taiwan, Mongolia, and Viet Nam (revised legislation in 2015). A tripartite arrangement is present in Bahrain and Thailand with employers, workers and the government

³ See Carter, Bedard and Bista (2013, p. 11). This report studied 14 unemployment schemes throughout the world: in North America: Canada and the United States; in South America: Argentina and Chile; in Europe: Denmark, France and Germany; in the Middle East: Bahrain; in Asia: China, Japan, Mongolia, Republic of Korea, Thailand and Viet Nam. It outlines the various different approaches taken by countries to tailor the UI scheme to their country’s needs.

sharing the cost.

ILO Convention No. 102 stipulates that there should be collective financing of UI and that insured workers should not pay for more than half of the costs of the system. Convention No. 168 is silent on financing except to hold the State as the ultimate guarantor that benefits will be paid as promised, which is also a requirement under Convention No. 102.

Most countries with unemployment insurance schemes in Asia collect contributions from employers and workers between 1 to 2% of the worker's average monthly salary (and, in some cases governments). The total contribution rates in Asia are: China (3%), Bahrain (3%), Viet Nam (2%), Republic of Korea (1.75%), Japan (1.55%), Thailand (1.25%), Mongolia (1%) and Taiwan (0.9%).

(c) Qualifying conditions

There are four main qualifying conditions for an unemployed person to be entitled to receive UI benefits:

- a) An unemployed person usually must register for employment as soon as possible after termination of employment;
- b) Workers are required to have a minimum amount of contributions;
- c) Termination of employment must be involuntary (including forced quits with “just cause”);
- d) Unemployed persons must be available and capable of work and actively looking for work.

Employment departments are closely aligned to ensure the unemployed person is provided assistance and support to find and keep work as quickly as possible. Most countries in Asia provide basic assistance such as job matching, workshops on resume writing and conducting interviews with employers and provide labour market information. The unemployed person is expected to report to the respective employment office on a monthly basis to ensure he/she is continuing to actively look for work.

In terms of availability for work, the unemployed person must be available to accept suitable employment immediately and be capable of performing the duties of work to the satisfaction of the employer. Convention No. 102 stipulates that benefit is provided in case of suspension of earnings due to an inability to find suitable employment for those who are capable of, and available for, work.

(d) Qualifying Conditions: Minimum amount of contributions

ILO Convention No. 168 requires that the qualifying period not be longer than necessary to preclude abuse. Generally speaking, the range of months of contributions required in Asian countries are 4 to 24 months over the last 15 to 24 months (reference period). In other countries, the range is 3 to 12 months over the last 12 to 36 months (reference period).

Countries requiring six months are Japan, the Republic of Korea and Thailand. Countries requiring twelve months are China, Bahrain (12 continuous months for first time compensation, though also allowing first-time jobseekers to qualify), Taiwan and Viet Nam. Mongolia has the highest requirement, with 24 months of contributions, the last nine of them being continuous.

A related issue is that of seasonal employment and unemployment. Currently, only Mongolia allows coverage to seasonal/temporary workers in Asia. The decision to allow coverage extended to seasonal/temporary workers is dependent on each country's economic structure and on the need to support employment in seasonal sectors or in regions which have a high number of seasonal workers.

(e) Qualifying Conditions: Reasons for unemployment

Most countries with a UI scheme in Asia allow UI benefits to be paid to unemployed persons who lose their job involuntarily and through no fault of their own. This occurs when a person is laid off work due to economic or business necessity. Article 20 of Convention No. 168 thus allows for the denial of or reduction of UI benefits when the person voluntarily quits or his/her actions lead to a dismissal.

The situation becomes complex when a person is faced with a "forced" resignation and has no other alternative but to hand in his/her resignation. This occurs, for example, when there are unpaid wages, harassment, dangerous working conditions or illegal employer actions present. In discussing UI sanctions and exclusions, the Organization for Economic Co-operation and Development (OECD) in 2000 observed that: "all countries recognize that serious misbehavior by the employer can justify a quit" (OECD, 2000).

Some countries throughout the world will also allow UI benefits to be paid in cases where there are other circumstances unrelated to one's employment such as: leaving one's job to accompany a spouse to another residence or relocation in order to escape domestic violence.

The determination of employer misbehavior or of other acceptable reasons for leaving a job will often require careful review of facts and assessing the credibility of employer and worker statements. There may need to be a balance and evaluate conflicting statements made by the employer and former workers. There is a subjective element in the decision making process and, from an administrative point of view, qualified and trained officers within the UI office are bound by impartiality and view each situation objectively.

In Asia, flexibility is given to the UI decision makers in those situations where there is a resignation with mitigating circumstances and benefits could only be paid after a prolonged waiting period (for example, after an extra three months in Japan). In Thailand, benefits to quitters will not be deferred but will only be paid at a low rate (of 30 percent of earnings instead of 60 percent) and for a shorter duration (up to three months instead of up to six months). Either approach may represent a practical and manageable compromise.

(f) Types of benefit

Under mandatory insurance schemes, unemployment benefits are available to those who lost their employment for involuntary reasons (layoff, shortage of work, end of contract etc.). Virtually all countries provide minimum measures of employment assistance to jobseekers and many develop comprehensive assistance programs (see Section 3.1.N page 36 on Active Labour Market Policies) complimenting the cash unemployment benefits in order to assist the unemployed to find suitable work as quickly as possible.

Also, many Asian countries have unique features of providing UI benefits to its citizens. For

example, Bahrain provides “Aids Benefits” to first time jobseekers who have graduated from university and have entered the labour market to find work (also includes those who do not qualify for unemployment (Compensation) benefits. In China, Viet Nam and Taiwan, while receiving UI benefits, the unemployed continues to be covered by the health insurance scheme (health insurance contributions paid by the UI fund). In the Republic of Korea, maternity benefits are paid under the UI scheme and in Taiwan, parental leave allowance is disbursed under the UI plan.

(g) Waiting period

Once qualification is established, there is usually a legal provision in the UI Acts where the unemployed person serves a short initial waiting period before any benefits are paid. This waiting period is similar to the car insurance deductible and assists in deterring individuals from introducing negligible or small claims. It also places an onus on the individual to assume some of the earnings loss, provides time to process the application for benefits and eliminates the costs of administering claims for very short periods of unemployment.

Conventions No. 168 and No. 102 both prescribe a maximum waiting period of seven calendar days. Japan, the Republic of Korea, Thailand and Bahrain have only a one week waiting period as specified by the conventions. Actually, there is no waiting period in China and Mongolia.

(h) Amount of benefits

Once a jobseeker has qualified, the duration and level of benefits are the main elements to be assessed in the benefit procedure. The income replacement rate, under Article 15 of ILO Convention No. 168, should not be less than 50 percent of previous earnings, the same article also making provision for an upper limit that could be related to average wages. Under ILO Convention No. 102, the prescribed rate is 45 percent.

In Asia, the most frequent range of rates is 50 to 60 percent of previous contributory earnings. This is the case in Taiwan, Bahrain, the Republic of Korea, Thailand (for involuntary job loss) and Viet Nam. France and Japan provide higher rates for jobseekers with low incomes (up to 75 percent and 80 percent respectively). China provides flat benefits unrelated to previous earnings. These benefits cannot, under national guidelines, exceed the local minimum wage. They must, however, be higher than the value of the “minimum livelihood guarantee” (under the scheme known as “diablo”, set locally and designed to combat extreme poverty. Mongolia has established the lowest benefit rate in Asia set at 45 percent unless an unemployed person has previously worked at least five years, and, in that case, the benefit rate rises to at least 50 percent.

(i) Duration of benefits

In Asia, the duration of UI benefits can last from 3 to 12 months. In other countries, the range is higher, from 3.5 to 24 months. In Taiwan, Thailand (involuntary loss of employment) and Bahrain, the maximum months of benefits payable is six months. In Mongolia, unemployed workers can receive 76 days of benefit.

Worldwide, few countries pay benefits beyond a year and when they do, it would usually be for unemployed workers with longer periods of work attachment. The duration of benefits, under Article 19 of Convention 168, should at least cover 26 weeks of unemployment during each spell, or 39 weeks over any two year period. Under Convention No. 102, the requirement is for

at least 13 weeks of benefit each year.

Bahrain provides a flat benefit duration of six months (with 12 months of insured employment). China and Viet Nam are special situations with an emphasis on long-term service. China provides a year of benefits with insured work of one to five years, but extends the benefit period to 24 months for workers with 10 years of service.

Viet Nam also recognizes lengthy service, by starting with three months of benefits after one year to a maximum of 12 months after 12 years. Commencing on January 1, 2015, the schedule of maximum benefit durations has been revised to make it both more gradual and about 12 % less generous on average than previously. As shown in table 4, the maximum duration would have increased to 9 months, with increases to follow each year thereafter (Bédard, 2014, p. 22, table 12).

Table 4. Comparison of pre-2015 and 2015 benefit durations for UI in Viet Nam

Existing Rules (2010 to 2014)		As of January 1, 2015	
<i>Contribution Months</i>	<i>Benefit Months</i>	<i>Contribution Months</i>	<i>Benefit Months</i>
12 to 35	3	12 to 35	3
36 to 71	6	36 to 47	3
		48 to 59	4
		60 to 71	5
72 to 143	9	72 to 83	6
		84 to 95	7
		96 to 107	8
		108 to 119	9
		120 to 131	10
		132 to 143	11
144 and over	12	144 and over	12

In some Asian countries, duration depends not only on previous time worked but also on the age of the unemployed person, with longer durations afforded to older beneficiaries (Japan and the Republic of Korea).

Also, in Mongolia, Japan, and Thailand, there is special legislation to allow for additional UI benefits in cases of natural disasters or as the need arises. Also, there are many approaches to setting maximum benefit duration, depending on each country's circumstances and on the structure of the labour market and unemployment.

But Conventions No. 102 and No. 168 insist on the payment of UI benefits on a periodical basis (versus lump-sum) as it has been proven to be more effective to protect the unemployed. In Asian countries, these payments are usually made on a monthly basis. However, consideration should be given to investigate the possibility of paying benefits bi-weekly. Bi-weekly payments could be administratively more demanding on the administration of a claim for benefit, but this could be offset by providing the unemployed person with cash income more rapidly and more regularly which may be especially helpful when someone is out of work and otherwise without income.

(j) Severance pay and earnings on separation

These earnings could be classified as severance pay (retrenchment benefits), vacation pay or unpaid wages, pay in lieu of notice and leaves that have been earned but not yet paid. Some countries use different terms to describe the payments made on termination which might complicate the matter.

Pay in lieu of Notice usually follows national legislation which frequently requires advance notice of layoff, unless the terminating employee was given an equivalent payment their employer would be allowed to pay them (for example, pay four weeks of pay in lieu of the notice). In this case, the pay in lieu would need to be used up first before UI benefits could be paid.

Vacation pay paid on termination for a period during the employment would not be considered to delay the payment of UI benefits. The same applies to unpaid wages as this amount would be allocated to the period of employment and not affect the payment of UI benefits. They would, however, be applicable to UI contributions and included in the wage base used to determine previous average earnings and the benefit rate.

But severance payments are more complicated than the above mentioned termination payments. Severance payments and UI benefits are similar in some respects. Both are paid upon separation from employment and provide financial resources to unemployed workers. However, severance payments are paid to recognize past service to loyal employees. Ultimately, they are paid whether or not an employee may thereafter remain unemployed. Also, severance pay and UI are different by the fact one falls under Employment Law (severance pay) and is not pre-funded, while the other rests, in most countries on Social Insurance Law (UI) and is guaranteed by the State.

The questions arises as to how Asian countries treat severance payments and UI benefits. One can respond that the treatment is mixed. Thailand doesn't take severance payments into account when deciding when UI benefits are paid. Therefore, the qualified beneficiary would receive UI benefits immediately in spite of the severance payments.

Under the UI scheme of Mongolia, the start of UI benefits would be deferred until after the allocation of severance payments. Therefore, if a terminating employee receives five weeks of severance pay on separation, the start date of the claim would be deferred for five weeks (not including the waiting period). There is no indication that severance payments were deducted from or would otherwise affect the payment of unemployment benefits in Bahrain, Taiwan, China, the Republic of Korea or Japan.

(k) Continuation of claim

Once unemployed workers establish a valid claim for benefits they must maintain their status in order to receive benefits on a continuing basis. ILO Convention 168 states: "*It is required that jobseekers actively look for work. For those who are unemployed and receiving UI benefits, their main efforts is to find and keep work of a permanent nature*". It further stipulates: "*Refusal of suitable job offers could result in a suspension or reduction of UI benefits*". While it can be difficult to determine the degree of motivation someone has to find work, a refusal of a job that is considered suitable raises concerns of a person's intention of finding work and therefore, a possible disqualification in receiving further UI benefits. Beneficiaries would have to accept any suitable employment offered to them, with due regard to their experience, training and personal

circumstances. Referrals to training and employment measures should also be followed up, in accordance with Article 20 (f) of Convention 168 and Article 20 (h) of Convention 102.

The degree to which these requirements are enforced can however vary significantly from country to country. Asia is no exception as there are legal provisions dealing with non-entitlement to benefits for refusing work or being not available or capable to accept immediate employment and their accompanying penalties. At this time, especially in developing countries, there is little evidence supporting the effectiveness of control measures to ensure unemployed workers continue to be eligible for UI benefits.

One study, conducted by the Organization for Economic and Co-operation Development found differences between developed countries, including Japan and the Republic of Korea (see annex 2 for details), in the severity of applying controls to unemployed persons.

(l) Administration of the Unemployment Insurance Fund

Countries, by and large, establish a UI Fund board when a UI scheme is implemented in a country. The board is responsible to manage the financial and administrative provisions of the UI Act. This board is usually comprised of government ministry representatives, employer groups, worker groups, other participating ministries/departments (job matching, training etc) and other stakeholders such as members of academia and social insurance experts. Once the fund is established money will be received from collection of contributions, imposition of administrative penalties, investments and government subsidies in some cases. The mandate of the board is to manage these monies to ensure the sustainability of the fund through sound investments and in a transparent manner.

(m) General responsibility regarding proper administration of the scheme

The three main functions of UI programs are collection of contributions, receiving and processing of UI applications and the payment of UI benefits. Generally, tax authorities or social insurance bodies will be charged with the responsibility of defining coverage and collecting UI contributions (some are involved in the payment of UI benefit: Bahrain and Viet Nam – up to 2015). Government ministries of social insurance and/or labour will be responsible for the receiving and processing of claims for UI benefit (some are also involved in the payment of benefits: Republic of Korea and commencing in 2015, Viet Nam).

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

Close collaboration and support between the various departments is essential for an efficient and effective implementation and maintenance of a UI scheme. There is need for efficient compatible computer systems to link departments to share information vital to the processing of UI claims for benefit such as:

- UI contributions to determine eligibility;
- Confirming the requirement for the unemployed person to register for employment;
- Termination notices from the employer along with monies paid on separation;
- Assessing and determining who meets eligibility requirements;
- Correct payment of UI benefits;

- Results of ongoing monthly meetings by unemployed person with employment centres;
- Results of refusal to accept suitable employment or attend sessions.

There will also be linkages with departments (some responsible for other unemployment protection schemes) to ensure the protection of the UI fund and avoid duplicate unemployment protection payments. A national network of local offices will be required to allow filing of UI applications for benefit throughout the country. Investigation and Control units will be required for the prevention and detection of UI fraud.

(n) Active labour market policies (ALMPs)

In studying the eight Asian nations that have implemented a mandatory insurance scheme, one becomes aware of the complementary nature of linking unemployment insurance with ALMPs. The main goal of unemployment insurance benefits is to provide temporary partial income replacement to insured workers who have lost their job involuntarily while they seek to obtain new gainful employment. Clearly, the objective is not to create new employment but provide income security in preventing individuals from falling into poverty when confronted with job loss.

In the case of ALMPs, these are measures which will assist an individual to find and keep suitable employment as quickly as possible. Likewise, it is not a solution to creating employment but provide unemployed workers with the necessary tools to end their unemployment quickly and participate as a productive member of society.

ALMPs are desirable in principle to support both workers and employers and are highly recommended for developing Asian countries. There is a continuous debate worldwide of what types of ALMPs are most effective in assisting the unemployed. Virtually, all countries throughout the world have minimal employment interventions to assist unemployed workers and employers such as job referrals, job banks, labour market information, resume and job search workshops. Some countries require an individual to develop specific work plans with the guidance of employment center officers and outline how they will end the unemployment satisfactorily within a reasonable period of time. More intensive interventions could be required such as training and retraining as an integral part of the solution.

The Organization for Economic Co-operation and Development has highly recommended the virtues of ALMPs in activating and motivating the unemployed worker to find gainful employment quickly (OECD, 2007). This is especially important in this era of dwindling fiscal space and confronting a number of financial crisis, both internationally and regionally.

According to the OECD when discussing ALMPs,

“Over the past few years, strategies to ‘activate’ the unemployed with the help of high-quality employment services have loomed larger in the policy debate. If well designed, such strategies can help ensure that benefit recipients have a better chance of obtaining employment. They are also crucial to minimize the risk that high or long-lasting unemployment benefits reduce work incentives – as emphasized in the Restated OECD Jobs Strategy, which noted under its Pillar B that employment services should have adequate resources to implement well-designed active labour market policies, while strictly enforcing work-availability criteria as a condition for

benefit payment (see OECD, 2006)”.

The OECD goes on to say that

“the essence of activation strategies is to encourage jobseekers to become more active in their efforts to find work and/or improve their employability. They feature i) early intervention by the Public Employment Service (PES) during the period of unemployment and a regular meetings between jobseekers and employment counsellors; ii) regular reporting and monitoring of work availability and job-search actions; iii) direct referrals of unemployed clients to vacant jobs; iv) the setting-up of back-to-work agreements or individual action plans; and v) referral to active labour market programs (ALMPs) to prevent loss of motivation, skills and employability as a result of longer-term joblessness. These strategies aim to apply the principle of ‘mutual obligations’, and in particular to monitor benefit recipients’ compliance with eligibility conditions and implement, when necessary, temporary sanctions or benefit exclusions”.

Countries, such as Republic of Korea and Japan, for example, have prioritized assisting individuals to return to work as quickly as possible via ALMPs. To achieve this goal, Korea’s EI system operates two main active labour market programs: 1) Vocational Competency Development consisting of workplace training and 2) Employment Stabilization Program which assists in employing jobseekers through job creation subsidies. In Japan, there is a close relationship between EI benefits and activation policies. Employment promotion benefits, complementing EI benefits, are paid to EI beneficiaries as a lump sum who find work while still entitled to more than one third (and also more than 45 days) of their prescribed period of benefits.

There are favourable advantages to linking an effective UI system with ALMPs. Services such as skills building in job search, resume writing and interview skills have generally been found to be the most cost effective. Many countries use a job matching portal to link unemployed workers with vacant positions with effective results. These job-matching services are available in the public and private domain.

Most countries with UI programs offer unemployed workers training or retraining on skills development while on UI benefit. Training and retraining programs, though highly touted, must be managed with careful regard to their costs, effectiveness and targeting, but should nevertheless be considered for implementation as long as the budgets for those measures are kept under tight control. For all ALMPs measures and especially for the costlier measures such as training there should be built-in effectiveness and cost-benefit evaluations conducted according to established evaluation methodology.

The European Commission and the OECD have established a statistical classification system that distinguishes three broad types of Labour Market Policies (LMP), namely LMP Services, LMP Measures and LMP Supports. (OECD, 2009a; Luxembourg, 2006). The first two are usually referred to as ALMPs (see annex 3 for additional information on the breakdown of the classification system).

Special instruments under ALMPs entitled “Job Sharing” and “Part-time Work” are effectively utilized in many western developed countries and could be successfully used by developing countries during a global financial or economic crisis (see box 4).

Box 4. Job sharing and part-time work

“Part-time work” is the compensation by the UI system for loss of income to jobseekers who accept to return to work on a part-time basis, while continuing to search for full-time employment or enrolling in re-training programs. A portion of the earnings from the part-time work are usually deducted from UI benefits to encourage beneficiaries to accept part-time work which demonstrates a willingness to end their unemployment quickly.

“Job sharing” is also called “Work sharing” in Canada or “Short-time Allowance” in Germany and may apply to an employer if there is a significant reduction in business activity. Employers who are facing a temporary business slowdown will be allowed to put their workforce on reduced work hours while the UI system compensates their workers through partial UI benefits. This allows employers to resume full operations as soon as their business picks up, without having to recruit and train new staff. Such arrangements usually require the concurrence of the workers and can only be implemented for limited durations. In Germany alone the number of saved jobs through this program protected 500,000 workers from unemployment in the last financial crisis of 2008. In Canada, Service Canada (the department responsible for administering UI claims for benefit) received an historic number of applications from employers wanting to enroll in this highly successful program.

B. Unemployment Savings Schemes (USS) (Unemployment Insurance Savings Accounts - UISAs)

Severance pay provisions suffered from noncompliance by employers in many countries in Latin America which increased worker resistance to leaving a job. Payment of severance amounts usually occur when financial resources are lacking because the enterprise is experiencing difficulties and the resources may not be available. As a result, in 1990, Colombia and other countries in Latin America reformed their severance pay provisions and moved toward a pre-funded system under individual savings accounts (see box 5).

Box 5. Pre-funded unemployment savings accounts in Colombia

With the implementation of reforms to severance pay provisions (World Bank, 2005), employers were required to deposit a percentage of wages into guaranteed individual accounts available to workers in the event of job separation. The reform reduced labour market distortions and promoted job creation. Employers shifted most of the cost of severance payments onto wages, but the total compensation of workers (wages plus deposits to their savings accounts) rose. In addition, because the reforms removed the discretionary nature of severance payments, both job separations and hiring increased.

Before the reforms, few firms actually provided severance pay (for example, firms about to go bankrupt could simply not pay severance or could negotiate a package substantially below what was owed in severance payments). The pre-funding requirement increased the likelihood that the legal entitlement to severance pay would actually be carried out. The new severance-pay savings accounts also reduce transfers from other government programs as well as from relatives.

Other Unemployment Savings Schemes (USSs) commenced with savings components, one in Latin America (Chile 2002) and the other in Asia (Jordan - 2011). In the case of Chile, UISAs are based on accumulated savings in individual accounts, which provide for a stream of income in case of unemployment. The Chilean model also has solidarity insurance component to the program which is unique compared to other Latin American countries (see box 6). Malaysia considered the option of the Chilean model but it was rejected by the Tri-Partite Committee of Malaysian stakeholders and the government (for further information, refer to section 3.2).

One of the main principles of UISAs, in comparison to unemployment insurance, is the deterrence factor to moral hazard as insured unemployed persons may not do enough to search for a job or may lack motivation and turn down job offers. The thinking goes that if an unemployed person uses his/her savings, they would be motivated to find work as quickly as possible and join the employment ranks faster than through unemployment insurance schemes.

Box 6. Chile's Hybrid Unemployment Insurance Savings Scheme (UISA)

Chile adopted a hybrid UISA and insurance model in 2002. Due to its restrictive conditions, the scheme saw low usage and large and increasing surpluses. In reaction, changes have been made over time to improve the scheme's income protection role, most recently in April 2015.

Under the Chilean model, if a worker terminates his or her employment, either voluntarily or involuntarily, they will initially receive cash benefits based on the value of their individual savings account (ISA). Those savings would compensate for the loss of income during a period of time which would vary according to the value of an individual's ISA, for up to 7 months. Under recent changes, the savings-based monthly benefits start at 70% of previous earnings and decrease each month to reach 30% in the 6th and 7th months.

For workers with indefinite contracts, if the savings account is exhausted before 5 months have been paid, the worker will be entitled to supplementary insurance benefits for the remaining months up to 5, at the same benefit rates as for the savings-based benefits. For workers with temporary contracts, supplementary insurance benefits will be granted so that, combined with the savings component, the total months paid can reach up to 3 months, any extra months being paid at benefit rates of 50%, 40% and 35% respectively.

The hybrid UISA scheme in Chile covers all salaried employees in the private sector but excludes public employees, armed forces, domestic workers, apprentices, youth aged below 18, retired persons and foreigners (also coverage was optional for all employees working on the date when the scheme was launched, namely October 1, 2002).

There is a combined employer-employee contribution rate of 3% of insured wages for all covered workers, plus an indexed government subsidy.

- For temporary workers (contracts not exceeding one year), employers pay the entire 3.0% contribution, most of which (2.8%) goes into the ISA and only 0.2% is turned over to the insurance fund.

Box 6. (continued)

Benefits under the Chilean hybrid scheme are linked to coverage and contributions.

- To access their ISAs, workers need 6 to 12 monthly contributions, depending on whether they were temporary or indefinite employees (paid for any job termination, including voluntary quitting and cases of misconduct).
- Requirements for insurance benefits are as follows: a) 12 contributions within the last 24 months, the last 3 being continuous and with the same employer; b) job loss must be involuntary; c) the individual account must be exhausted; and d) there is a maximum of 10 monthly payments over 5 years.
- “High unemployment” benefits consist of 2 extra months of insurance benefits at a monthly rate of 30% each, if the current unemployment rate is 1 point higher than the 4-year average rate.
- Health insurance is kept in force while receiving monthly benefits.
- There is no waiting period.
- Insurance-based benefits require active job search and acceptance of suitable employment.

Source: Michel Bedard and John Carter, “Report of project: supporting and facilitating the design of a UI system in Malaysia, phase I”, prepared for ILO, 2012.

Jordan has a unique and experimental Unemployment Benefits (UB) scheme, which is distinctly different from the usual insurance schemes as well as from the Chilean hybrid model. The Jordan UB scheme can be described as a pure savings scheme though it also allows for individuals to receive loans from the public Social Security Corporation (SSC) if they have insufficient UB contributions (Jordanian nationals only). Unlike the Chilean model which has an insurance component in addition to a savings base, Jordan does not have a supplemental insurance scheme to pool the risk of unemployment. After more than 3 years, Jordan’s scheme has not reached a significant portion of the unemployed and is unlikely to ever do so or to represent an effective model of income protection.

The Jordanian Unemployment Benefits (UB) scheme was established on September 1, 2011 for all private sector employees. The amount of loans that can be granted by the SSC cannot exceed 3 times an individual’s average earnings over the last 36 contributory months.

Any loans allowed to Jordanian citizens under the UB scheme are repaid later when the unemployed worker returns to insured employment and commences to pay UB contributions. The employer’s contributions will also be applied to the repayment. Upon retirement (or death), any outstanding debt will be recovered from their pension. Otherwise, any cash balance in an unemployed worker’s UB savings account will be repaid to them (or their beneficiaries), plus accumulated interest less administrative expenses (see box 7 for further details).

Box 7. Provisions of interest concerning the Jordan UB scheme

Contributions to UB savings accounts: a 0.5% contribution by all private sector workers, plus 1.0% by their employers, applied to contributory wages (all recurring wage payments, including any allowances that are general and persistent). Contributory wages cannot exceed a maximum reviewed each year, equal to 5 times the average monthly wage as determined from the Social Security Corporation (SSC) records. SSC collects contributions, processes UB applications and pays benefit.

- a) Qualifying Conditions: any employment termination, irrespective of why it happened (voluntary or involuntary termination, layoff, normal end of contract, misconduct, sickness, unsatisfactory performance, etc.), provided there was at least one month of contribution after September 1, 2011.
- b) Continuous employment: UB payments cannot be claimed for the month during which employment ends, and thereafter can be claimed and paid after the end of each month, provided the claimant certifies they did not work that month.
- c) Duration of Benefits: (i) up to 3 monthly UB payments if an individual accumulated 36 contributory months with SSC, whether those months occurred before or after September 1, 2011; (ii) up to 6 monthly payments if an individual contributed for at least 180 months (15 years) after September 1, 2011.
- d) Repeat benefits: benefits can be paid up to 3 times during an individual's working lifetime, but repeat benefits require another 36 months of SSC contributions.
- e) Payment of benefits: benefits are paid at reducing rates: 75% of the last contributed salary for the first month, then 65%, 55% and 45% for the last 3 months if applicable.
- f) The maximum payment of 500 JD (US\$706) per month which can be modified by the Council of Ministers.

In Michel Bédard's actuarial report (Bédard, 2013) on the UB Scheme in Jordan, the following was highlighted on the UISA scheme in Jordan:

“The decision to adopt such a pure savings account approach was highlighted at a meeting organized by the UN's Economic and Social Commission for Western Asia, on Oct. 28-29, 2009 (Razzaz, 2009). That decision was said to be based on concerns that “a standard, OECD-style UI scheme faces a huge problem of employment disincentives – moral hazard” and that “transferring such a scheme to Jordan would not work, because:

- Inactivity and unemployment rates are already high (especially voluntary unemployment)
- There is a large informal economy
- Jordan has weak institutional capacity to deliver employment services”

C. Severance Pay programs

Severance Pay programs (called retrenchment benefits in much of Asia) have existed for a long time around the world and in most countries (see box 8 for further details). They typically provide lump sum cash payments to workers who involuntarily or voluntarily terminate their

contract of service with their employer (through collective agreements or as part of an enterprises' policy). The size of the payment is related to the amount of time worked and the last wage in the job. Even before they were required by law, many employers saw benefits in providing severance payments to their employees on their own initiative in order to keep highly valued employees.

Different types of cash payments can be considered as forms of severance payments and many terms exist in English and other languages. Some of these terms are: dismissal compensation; redundancy compensation; retrenchment benefits; termination benefits; seniority pay; indemnities; and leaving allowance. It's a complex issue.

Mandatory severance pay and other employment protection mechanisms have been traditional instruments to protect formal employees against the risk of unemployment. The protection comes from two sources. Mandatory severance payments reduce the risk of unemployment by making dismissals more costly to employers. They also insure workers against the loss of income associated with unemployment by transferring resources to unemployed workers.

In Asia, we have situations ranging from no severance payment provisions (as in the case of Bahrain, the Republic of Korea, Japan and Singapore) to severance pay paid along with redundancy payments (for example, the Philippines and Thailand). In Viet Nam, since 2009, the years during which UI contributions are paid for an employee is not counted for the calculation of severance pay (see annex 4 for further details on severance pay in Asia).

Box 8. Origins of severance pay programs

A research paper from IZA (and World Bank officials) (World Bank and IZA, 2011, p. 27) outlines the suggested origins of severance payments:

“The few papers about the origins of severance pay and the still limited but rising theoretical and empirical literature on this topic suggest three main hypotheses about the economic rationale of severance payments. First, severance payments are a primitive form of social benefits which predate or complement existing benefits for unemployment and retirement. Second, severance payments are designed to be an efficiency enhancing human resource instrument, be it as an ad hoc support to large-scale enterprise restructuring or a more permanent device tightening existing bonds between workers and firms, in order to reduce the transaction costs and the loss of firm specific knowledge and skills due to turnover. Lastly, while severance payments may have these income protection and/or efficiency objectives, they also function as a job protection instrument, a function that gained importance over time and a life of its own. The three hypotheses are not mutually exclusive and may apply concurrently. In some instances, the severance pay mandate is surely focused on one objective. In other instances, programs may cater to multiple objectives. Only in-depth case studies and more advanced empirical studies are likely to disentangle these multiple motives. We hope that these preliminary econometric efforts provide a motivation for further efforts”.

Box 8. (continued)

The Institute for the Study of Labour (IZA) in Bonn is a local and virtual international research centre and a place of communication between science, politics and business. IZA is an independent non-profit organization supported by Deutsche Post Foundation. The centre is associated with the University of Bonn and offers a stimulating research environment through its international network, workshops and conferences, data service, project support, research visits and doctoral program. IZA engages in (i) original and internationally competitive research in all fields of labour economics, (ii) development of policy concepts and (iii) dissemination of research results and concepts to the interested public.

D. Non-contributory unemployment protection schemes

Non-contributory benefit programs can be defined in two distinct groups:

- 1) Conditional Cash Transfers and
- 2) Public Employment Programs - Cash for work programs and employment guarantee programs.

1. Conditional Cash Transfers (CCTs)

According to the Fiszbein and Schady (2009), market-driven economic growth is likely to be the main driver of poverty reduction in most countries. However, the development of effective public policy also plays a crucial role in providing public goods and in correcting market failures. Good governmental social policy impacts on economic growth of a country as well as influences the effects of growth on poverty reduction. Governments can utilize direct redistribution of resources to poor households. In the case of CCTs, governments and aid organizations make payments to poor households which is conditional on meeting certain requirements or conditions. The government (or a charity) only transfers the money to persons who meet certain criteria. These criteria may include enrolling children into public schools, getting regular check-ups at the doctor's office, receiving vaccinations, or the like. CCTs are unique in seeking to help the current generation in poverty, as well as breaking the cycle of poverty for the next through the development of human capital.

There is a sense that CCT programs are the newest form of social contracts between the state and beneficiaries as evidenced by usage of the term "co-responsibilities" (instead of conditions) in a majority of programs especially in Latin America.

In an article written for the *Harvard College Global Health Review*, Fitzgerald (2013) pointed out that

“a benefit of conditional cash transfer programs is that they are quite versatile: programs can be tailored to fit the needs of a particular country. In designing conditional cash transfer programs, governments and aid organizations need to first evaluate the health care and educational infrastructure of the country in which to wish to implement their program. If, as is often the case in many low-income and developing countries, these underlying systems are not providing high quality services, perhaps initial investments to improve them would lead to enhanced impacts on the overall health of the country in the long-run”.

CCTs were first designed and implemented in Latin America. Mexico's Progresa (Progress) program⁴ was the first CCT experience (see box 9 for evaluation results). After Progresa's success, Colombia developed "Familias en Accion (Families in Action)" sharing Progresa's goals of human capital development and poverty alleviation.

Box 9. Conditional cash transfer: Mexico's Progresa and Colombia's Familias en Accion programs

The first evaluation of the *Progresa* program produced significant increases in school enrolments, especially in middle school, declines in malnutrition and illness, and reductions in poverty and child labour. Indeed, what made Mexico's programme iconic was the successive waves of data collected to evaluate its impact, the public availability of this data, and the resulting research and analysis generated by the publication of such information. Since then, the programme has been expanded and fine-tuned, weathering several political transitions. In 2002, Progresa changed its name to Oportunidades.

Since the creation of Colombia's "Familias en Accion", the programme demonstrated an increase in families' basic consumption by more than 15%. Other programme achievements include reducing child malnutrition and child labour, and increasing school attendance, especially among secondary school students.

There are also non-conditional cash transfers that exist in many Asian countries. These types of cash transfers place no conditions on receiving the cash benefits and there has been much discussion on the merits of non-conditional v.s. conditional cash payments. Social and unemployment protection in Asian countries usually have a combination of these types of cash benefits for their citizens. Myanmar, much like Thailand, Cambodia, Laos and Viet Nam, has focused their array of conditional and non-conditional cash benefits on the large informal sector involved in agriculture. The population of the informal economy consisted of 36,615,000 individuals between the ages of 15-59.

Myanmar is one of the biggest South East Asian countries, however, it is also one of the poorest countries, with an estimated GDP per capita of US\$1,420 (2015 estimate)⁵ and a poverty rate of 26 percent of the population are below the poverty line (World Food Programme – 2012).⁶ Last year, in collaboration with various stakeholders in Myanmar, ILO produced an Assessment Based National Dialogue (ABND) Report outlining various existing social protection and, in particular, unemployment protection schemes (ILO, 2014a).

In Myanmar, the social protection system is principally composed of one contributory social protection program and a number of scattered non-contributory programs which aim at providing some social assistance. Coverage for the working age population is limited but a social security scheme exists which covers the formal sector (a small section of the population). In addition, some benefits are in place for civil servants and political personnel. The scheme covers workers at companies with 5 or more workers (excludes government personnel,

⁴ ELLA – Evidence and Lessons from Latin America, "CCT programs: an overview of the Latin American experience", 2005; ELLA Area: Economic Development.

⁵ International Monetary Fund (IMF), Economic Outlook database, October 2014. Available from www.gfmag.com/global-data/country-data/myanmar-gdp-country-report.

⁶ World Food Programme. Available from www.wfp.org/countries/myanmar/overview.

international organizations, seasonal farming and fishery, non-profit organizations and domestic workers. Benefits under the contributory Social Security Scheme include: medical care, funeral grant, sickness cash benefit, maternity cash benefit, paternity cash benefit and worker injury. These are called active schemes and there are plans to increase the amount of cash benefits for sickness, maternity and paternity benefits.

They also have “inactive schemes” where legislative provisions have been passed but no implementation has occurred to date. These “inactive schemes” are: family benefit, disability benefit, old age pension, survivor’s benefit, housing fund and unemployment benefits.

2. Public Employment Programs (PEPs)

PEPs are popular instruments for delivering social and unemployment protection in developing countries. It’s a term used to describe programs involving direct employment creation by government. According to the OECD they have been identified as

“an instrument which can have a key role to play complimenting life-cycle based social protection instruments such as cash transfers (OECD, 2009b). OECD goes on to say that “PEPs are seen as a way to help address poverty, providing support in context of both chronic as well as temporary distress, arising from seasonal food shortages, harvest failures or other natural disasters. Sometimes they are preferred to cash transfers as people are required to work for their entitlements. In addition to the benefits above, a well-designed public employment program can help create beneficial infrastructure which closes the infrastructure gap. Many PEPs also conserve natural resources. Hence PEPs have the potential to address both poverty and the need for the provision of assets and productive infrastructure simultaneously, thereby promoting pro-poor growth”.

PEPs are very flexible and can contribute to several development objectives:

- **Employment Function:** emphasis on job creation in programs that focus on the State as the employer of last resort;
- **Social Protection Function:** emphasis on income security and transfers in cash or in kind;
- **Labour-based Investment Function:** emphasis on the quality and nature of infrastructure constructed or services provided.

Among the broad variety of PEPs, two specific forms stand out:

- 1) Public Works Programs (PWPs), which offer cash payments or food for work; traditionally, this instrument has been used as a temporary response to specific shocks and crisis but may also have a longer term vision;
- 2) Employment Guarantee Schemes (EGSs), which involve long-term rights-based programs in which some level of entitlement to work is provided.

Cash for Work programs, such as Public Works Programs (PWPs) are an effective alternative to making direct grants to the poor through cash transfers or food stamps. They would help avoid the dependency culture that characterizes direct grants. It’s possible that PWPs would initiate a dependence on the State to provide work but it can also be an effective tool developing a sense of achievement, increase self-esteem and skill enhancement.

In cases where the recipient of subsidies is unable to work either because they are too young, too old, sick, injured or otherwise unable to enter the labour force, subsidies could continue to be offered. For others that can work a number of public work schemes have been suggested and implemented throughout Asia.

The most prevalent form of public works programs in Asia are those offering temporary short term employment in the context of a temporary labour market disruption, such as a natural disaster (flooding, drought or earthquake), when there is a need to provide incomes for the poor at a time when normal wages are disrupted, and also repair damaged infrastructure.

In recent years, because the implementation arrangements for public works programs have changed, the word “public” in “public works” has become somewhat inaccurate. In the “old style” public works programs, typically the public works departments of central governments financed and implemented these programs. As a result, they tended to suffer from the drawbacks of other centralized programs, including the creation of large bureaucratic structures, a lack of accountability, and little consultation with local communities and governments in the selection and execution of projects. In recent years, in some countries, the “provider” or “financier” of the program (usually the government but also NGOs or international aid agencies such as the World Food Program) has often been a different entity from the program’s “implementor” who may be either the line ministries of the government, a private contractor, an NGO, or a Social Investment Fund”.

The largest and most well-known form of Public Works are the mass Employment Guarantee Schemes (EGSs) which offer participants a number of days employment on demand each year in response to cyclical fluctuations in the labour market, often providing income during the lean agricultural season, prior to the harvest. The Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS - see box 10 for further information), implemented in accordance with the recent National Rural Employment Guarantee Act (NREGA) in India as well as the Maharashtra Employment Guarantee Scheme (MEGS), implemented in one Indian state for more than forty years, offer this form of public works. These programs are intended to provide physical infrastructure such as roads, irrigation systems and assets promoting environmental protection, and in this way contribute to livelihoods and growth even after the period of employment has been completed. In such programs the primary objective is the provision of social protection to help the chronically poor at times of vulnerability by providing a form of income insurance.

According to an article in *The Economic Times* (World Bank, 2013c), the World Bank described NREGA in positive terms after previously labelling the act as a failure. *The Economic Times* highlighted the following:

“The flagship rural employment guarantee scheme has come in for praise from the World Bank, five years after it described the program as a ‘policy barrier’ to economic development and poverty alleviation.”

The World Development Report 2014, has described the Mahatma Gandhi National Rural Employment Guarantee Act as a ‘stellar example of rural development’. At the heart of the World Bank’s endorsement is the direct cash transfer (to bank and postal savings accounts) component of the rural employment program”.

Box 10. Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS)

The MGNREGS^a is a domestically funded national Employment Guarantee Scheme initiated in 2005, which provides temporary employment on demand to more than 40 million households. The scheme builds on more than forty years of experience of employment guarantee schemes in India, and aims to support the poor by guaranteeing them a minimum income at times of need, providing a form of income insurance. The scheme is ‘demand driven’ in that it attempts to furnish employment on a scale which will provide work for all who seek it. The scheme is unusual in that it is based on an act, the National Rural Employment Guarantee Act (NREGA) which establishes a legislative commitment on the part of the government to provide employment. The NREGA was passed in 2005 in response to the lack of perceived benefits accruing to the poor from growth in the formal economy.

The objective of the scheme is ‘to provide for the enhancement of livelihood security of the households in rural areas of the country by providing at least one hundred days of guaranteed wage employment in every financial year to every household whose adult members volunteer to do unskilled manual work’ (Government of India, 2005). The scheme is not a temporary measure to overcome a drought or disaster, but a medium-term measure. Household members living in rural areas are provided with up to one hundred days of employment per annum at the minimum wage. Workers register with the municipality to participate in the program and are given ‘job cards’, which they use when requesting work. If they are not given work within 15 days the State government must pay out the unemployment allowance. The wage is set at the level of the minimum wage, and most of the work involves physical labour entailing water conservation, land development, plantation and afforestation, and road construction, in that order of priority together with any other work proposed by state governments that is labour intensive. National government is responsible for planning and for informing workers about the scheme and the National Employment Guarantee Scheme Council reports to parliament on performance. Each state is required to form a State Guaranteed Employment Council, and projects are approved at this level. Local government is responsible for registering workers and allocating them to projects. Projects are designed and finalized at the village level. At the project level, 60% of the cost should be wages with 40% spent on materials. Central government contributes the majority of the funding (all wages, three-quarters of material costs and some administration costs), while the state government meets the rest of the material costs as well as paying an unemployment allowance if there are not sufficient projects available for workers to work on, and they are not able to provide sufficient employment for all those seeking it. This guarantees full government participation both financially and administratively.

Source: OECD (2009b).

Note: ^a National Rural Employment Guarantee Act.

E. Impact of unemployment protection schemes on the labour market

UI schemes generally have a positive impact on the labour market both for workers and employers. For workers, there is a better chance of finding suitable employment considering a person's experience and acquired skills. By having temporary periodic income support provided by UI, unemployed workers have a more positive attitude in finding a job that is suitable and avoid financial difficulties. Unemployed workers have also increased their chances of obtaining employment through training and retraining mechanisms. Active Labour Market Policies (ALMPs) provide the unemployed with additional assistance to compete in the labour market and successfully find and keep jobs to which they are suited in experience and skills and appropriate wages.

Employers find there are productivity gains in hiring someone with the right skill set and capability instead of workers settling on any job they can obtain as quickly as possible. There is also the element of flexibility in the hiring and firing process in terms of technological and structural changes where employers would find it easier to terminate a loyal employee with the backstop of a UI program. By having a UI scheme in place, it would provide a more stable economic and business environment and employers could "shelter" their workforce by taking advantage of work sharing arrangements (reduce hours of work and avoid layoffs with no need to rehire and retrain).

In terms of protection of unemployed workers, a UI scheme provides the necessary security and reassurance to assist them to find work as quickly as possible and maintain their job. There is also a reduced need for savings which many workers cannot afford. One of the main benefits of a UI scheme is providing adequate income to prevent unemployed workers and their families from falling into poverty or forced to accept unsuitable work in the informal economy.

Some UISAs, on the other hand, provide benefits similar to pre-funded severance pay where contributions are paid by employers and not guaranteed by the state. This type of UISA provides a lump sum payment which is viewed negatively by some actuarials as opposed to periodic payments (better management of payments). The Chile UISA provides periodic benefits through savings accounts (by employers and employees) and also has a solidarity component which provides better protection to unemployed workers.

Severance pay has a long history in the context of unemployment protection schemes. Prior to the introduction of UISAs in Chile, severance pay was the main instrument in the protection of workers. The lump sum feature of severance payments (retrenchment benefits) may in fact sometimes lead to imprudent financial decisions, causing unemployed workers to be prematurely without financial resources. This, in turn, impacts negatively on the labour market as unemployed workers are unable to financially support themselves and their families. Severance payments do not require the unemployed person to look for or accept employment in order to receive the lump sum payment and therefore is not an active participant finding suitable employment. Overall, the severance payment scheme is not a desirable one in many aspects including the possibility of collusion between the employer and worker or force the employer to keep an unsuitable worker in order to avoid severance payment.

In Nagler (2013) commented that

“severance pay led to a rigid labour market while offering limited protection to unemployed workers, as only dismissed due to economic necessities of the firm received benefits during unemployment spells, often without the guarantee of payout.” This has also been the case in Malaysia and the payment of retrenchment benefits (see box 15 for further details).

Public Employment Programs act as a stabilizer in the economy and labour market providing unemployed workers with the necessary work experience as well as security income to provide the necessities and prevent poverty. It provides governments with higher tax revenues and economic gains and maintains social security through reduced unrest, delinquency and crime. However, the government acts as the employer of last resort and there’s always a fear that unemployed workers will maintain a reliance on government as the provider of work

F. Advantages and disadvantages of the unemployment protection schemes

Before discussing the advantages and disadvantages of UI schemes, it is important to remember the main objective of the unemployment insurance program. One of the main conclusions in our report entitled “Comparative Review of unemployment and employment insurance schemes in Asia and Worldwide” is the need to have a clear idea of what should be achieved by adopting a UI scheme along with a realistic view of the limits of such as instrument. It is important to note that no UI scheme can solve the unemployment problems of a country in spite of being well designed, effective and linked closely to Active Labour Market Policies.

The report goes on to say that

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

One of the main advantages of the social insurance approach is to provide a clear and coherent framework when evaluating proposals for UI schemes. There are many ways to achieve a scheme which is adequate and affordable protection against risk of unemployment. Unemployment insurance does that with its long and successful history.

In his book *Social Policy – Theory and Practice*, Spicker (2015) outlines some of the important advantages of social insurance (including unemployment insurance):

- The relief of poverty;
- Social protection; the idea of “social security” implies that people ought to be able to feel secure. This involves, not only being protected against poverty, but being protected against the hardships that may arise through a change in circumstances; if people become unemployed they should not, the argument goes, have to lose their possessions or deprive themselves as a result;

- Redistribution: benefits which go to people who have inadequate incomes, at the expense of people who have high incomes, are progressive;
- Solidarity: social security is seen not simply as charity, but as a form of mutual co-operation.

Experience has demonstrated that there are optimistic values for countries with unemployment insurance schemes positively affecting unemployed persons and their families, employers, governments and society at large. On the positive side, UI schemes provide a better chance of finding suitable employment and increased employability through training and retraining initiatives.

Being unemployed, it can adversely impact on the health and wellbeing of unemployed workers leading to stress and health problems. In a letter written by Norman B. Anderson (Anderson, 2014), the Chief Executive Officer of the American Psychological Association, to member of the US congress, outlined the adverse impacts of unemployment:

“Since the Great Depression of the 1930s, psychologists have studied the psychological impact of unemployment. Unemployed workers have worse mental health, less marital or family satisfaction, and poorer physical health than those with stable employment. Unemployment is associated with psychological problems like depression and anxiety and can also contribute to reduced life expectancy. The stress of unemployment can lead to changes in family relationships that result in negative outcomes for children, including more punitive and arbitrary parenting. Without the basic safety net that “Emergency Unemployment Compensation” provides for the long-term unemployed, the negative effects of unemployment on families are likely to be exacerbated, especially for children who are particularly vulnerable to the health consequences of deprivation.

Unemployment benefits kept 1.7 million workers from falling into poverty in 2012. Without those benefits, we can be sure that millions more will fall into the ranks of the poor due to lack of jobs”.

Employers can benefit through productivity gains and terminations are easier to accept by employers and workers. More flexibility is provided to employers in adjustments to technological changes. UI benefits could also facilitate a firm’s recourse to temporary layoffs, it being more likely that its workers would still be available when normal business activity resumes, thus avoiding the need to hire and train new staff. Alternatively, as in some countries, employers could put their workforce on temporarily reduced hours and wages, with UI work-sharing benefits picking up part of their workers’ lost income. This would allow employers to maintain all of their staff on active payroll. The example of Germany is instructive, as their job-sharing scheme covered 500,000 workers during the last economic recession and was estimated to have preserved 120,000 jobs.⁷ Work-sharing benefits have been adopted in such diverse countries as France, Canada, Denmark and the United States.

Governments benefit from an existing UI scheme as this instrument brings economic stabilization during recessions and higher tax revenues. Society gains as a result of social stability leading to reduced unrest, protests and crime.

⁷ Federal Employment Agency, *2010 Annual Report: Actively out of the Crisis* (Nürnberg, Germany, Bundesagentur für Arbeit, 2011, p. 31).

Robalino (2014) also stressed the pros and cons of both UI schemes and individual unemployment savings accounts from their point of view. UI schemes can help individuals find better jobs than when there is no insurance. It can also lead to more income redistribution and better protection of workers. However, they feel that UI schemes can reduce incentives to search for jobs, thus increasing both the length of unemployment spells and the rate of unemployment.

For UISAs, the report highlights that individuals savings accounts can improve incentives to search for jobs because savings that are not used to finance unemployment benefits can be used to finance investments or higher incomes. Also, the introduction of savings accounts seems particularly attractive for developing countries, because they face a large informal sector and they lack the administrative capacity needed for an effective implementation of the standard unemployment insurance system, particularly of checking continuing eligibility conditions that requires monitoring of job-search behaviour and of labour market status (although Viet Nam implemented a UI scheme without the benefit of a computer system in the initial stages).

The report also focuses on some of the potential negative effects of savings accounts such as:

- Individual savings accounts might not provide sufficient protection to workers, particularly those with low income levels of human capital who face a higher probability of unemployment;
- Individual unemployment savings accounts reduce incentives to keep jobs when the mandate to save is too high or the interest rate on savings is not competitive;
- Contributions rates to finance meaningful benefits can be high in individual savings accounts.

Therefore, In terms of protection of workers, it appears that individual unemployment savings accounts provide less protection to workers than UI schemes, particularly low-skilled workers who tend to contribute less, can have more frequent periods of unemployment and therefore might not accumulate adequate savings.

In Acevedo, Eskenazi and Pagés (2006) entitled: “Unemployment insurance in Chile: a new model of income support for unemployed workers”, a number of benefits of UISAs were listed:

- Benefits from Individual Savings Accounts: they are the property of workers and can be withdrawn independently of the type of contract or the reason for termination of the employment;
- This fund ensures a minimum level of benefits for permanent workers whose accumulated funds cannot finance the full schedule of withdrawals (e.g. once exhausted the savings account, benefits are paid out of the solidarity fund);
- Reduction of severance payments: an important design feature of the unemployment insurance savings program in Chile is that in the event of a worker’s dismissal, employers can deduct the contributions made to that worker’s individual savings account from any legal mandatory or voluntary severance payments owed to that worker;
- Private Management and Legal Monopoly: a private firm is in charge of managing the resources accumulated by the system;
- User’s Commission: Comprised of 3 representatives of workers and employers respectively and chaired by an academic; oversees procedures to ensure prompt

- payments and control of eligibility criteria as well as monitors instruments and policies followed by the administrative company;
- **Fraud Control:** additional requirements to restrict abuses in the use of the Common Fund and encourage active job search by the unemployed; recipients of Common Fund subsidies must be available to start a new job offered by a public employment office.

Asian countries have a long history of providing lump sum severance (retrenchment) payments and have provided income protection to workers over several decades. However, severance pay has provided unemployment protection for decades and while it has its drawbacks, it provided security income in times of need for a great number of selected workers. The World Bank has outlined some of the main problems with severance pay:

“A number of negative effects of severance payments and other forms of employment protection have been documented in economic literature. Employment protection reduces the ability of firms to adjust employment to changes in economic conditions. It reduces job destruction but also inhibits job creation (Bertola 1990). The result is higher job stability — but also higher duration of unemployment (Nickell 1997)”.

III. Options to Improve Existing or Proposed Schemes

A. Existing schemes

Unemployment Insurance Schemes: In both developed and developing countries, frequent reviews are carried out pertaining to their unemployment protection schemes due to changes in government priorities as well as economic and social factors. They seek ways to improve the protection of workers and better facilitate the mechanisms of the labour market. There is a wide variety of unemployment protection instruments available which provide governments with options to enhance their scheme.

For example, in Viet Nam, the government commenced paying UI benefits in 2010 and conducted two separate UI evaluations, within two years of implementation. The evaluations focused on deficiencies of the UI program including legal instruments, financial, institutional and operational issues.

As a result of the ILO evaluation reviews, major legislative changes were passed effective 1 January 2015 enhancing their UI program. These amendments, supported by the ILO evaluation reviews,

“represent significant improvements over the original provisions”. Particularly significant were, on the one hand, removal of the lump sum provision, an overall reduction in benefit durations and suspension of government contribution (which could however be reinstated depending on the balance in the UI Fund). Equally important, improved protection will follow the planned increase of worker coverage and the expanded definition of insured earnings”.

The amendments dealing with expanded coverage are especially important and demonstrate the commitment of the government to include vulnerable workers (see box 11). Some countries in the past restricted coverage based a certain number of employees but eventually eliminated the restriction. Governments in Asia should investigate expanding their coverage to provide a wider pooling of contributions to mitigate unemployment risks.

Box 11. Coverage under Viet Nam UI system

Prior to January 1, 2015: all wage workers who are Vietnamese citizens are covered, including public servants and members of the security and armed forces, on two conditions: (i) they must work for an employer with 10 or more employees and (ii) they must be employed under a permanent contract or a contract lasting at least 12 months. Persons who receive any form of pension are not covered.

As of January 1, 2015: all wage earners will participate in UI, regardless of the duration of their contract and of the number of employees at the workplace. This change will effectively “synchronize” UI coverage with Social Insurance coverage and should facilitate the collection of contributions. Persons who receive any type of pension or workers in households are not covered. Such an amendment is highly desirable, for the equitable treatment of all workers as well as to prevent employers from denying coverage to their workers by hiring them under artificial short-term arrangements. It will also simplify contribution and coverage for employers.

There are two other amendments which are not fully known at this time pending the release of implementation details: 1) allowing workers to save their unused benefits for future claims and 2) direct support to employers for employee training (see box 12).

These amendments could be of interest to other Asian countries with existing or proposed UI schemes pending additional implementation details from Viet Nam. Some employers, who avoid paying contributions within the informal economy, could be encouraged to join an unemployment insurance scheme which provides assistance to employers to upgrade or retrain staff depending on the implementation details and the associated costs.

It has been demonstrated that unemployment insurance protection schemes have beneficial returns for employers, workers and society as a whole. These returns overshadow the minimum costs associated with a UI program. UI protection plays a multiple role in guaranteeing income security for unemployed workers while also supporting the structural transformation of national economies and mitigating demand shocks. Some countries lack effective UI schemes or provide only limited coverage. It will be important for developing countries to introduce measures to enhance the effectiveness of UI schemes and to strengthen their links with programs that support entry or re-entry into employment, skills upgrading and other active labour market policies. For example, in Viet Nam and other Asian countries, employment centres organize job fairs on a monthly basis which bring together jobseekers and employers. Some specialize in specific sectors or conduct job fairs for all segments of the labour force.

Box 12. Direct support to employers for employee training

Prior to January 1, 2015: no provision at present.

As of January 1, 2015: employers may receive financial support for training or upgrading the vocational skills of their employees, for up to 6 months, on 4 conditions:

- i) Having paid UI premiums for their employees for at least 12 months;
- ii) Facing “difficulties due to economic slump or due to other force majeure forcing to change structure or technology of production, business”;
- iii) Not being able to finance such training, and
- iv) Having an approved plan for the proposed training.

The purpose of this section is to “keep jobs for employees” and it is to be implemented while “ensuring balance of the UI Fund”. While conditions i) and iv) should be readily verified, the other two conditions will leave much room for interpretation. Caution will be needed to ensure that this new provision is administered in a uniform, fair and non-discriminatory way. Care should also be exercised to ensure that the selected employers will have reasonable prospects for remaining in business.

In countries with high levels of informality, wider non-contributory social assistance programs combining employment and social protection policies have been developed to provide some income security for unemployed and underemployed workers. These include employment guarantee schemes and other public employment programs, as well as programs that combine cash transfers with support for skills development and creation of employment and entrepreneurship opportunities (ILO, 2015b).

ILO also conducted a “lessons learned” project after implementation of UI in Viet Nam and the development of a proposal for a UI system in Malaysia. Some of the elements to consider for enhancing existing or proposed schemes are:

- ❖ Communication with Employers and Workers: many workers and employers complain about the lack of information on new or existing UI schemes; campaigns of awareness should be conducted at regular intervals (employer workshops, advertisements, etc);
- ❖ Institutional Collaboration: Very important to work collaboratively and not work in silos to ensure effective administration of UI benefits; sharing of information critical for the determination of entitlement to benefits and avoid fraud and abuse;
- ❖ Linking computerized systems: ensure compatibility of departmental computer systems to provide information sharing and collaboration on enhancing all social programs;
- ❖ Establish and Investigation and Control Unit: Mandated to prevent abuse and fraud of the UI Fund; their priority would be to initiate preventative and detection measures against fraud and abuse; computerized matching systems could be utilized to identify potential fraud/abuse cases both externally (workers/employers/others) as well as internally (staff);

- ❖ Expand UI coverage to include all workers (no exceptions to number of employees per employer), public servants, military, temporary and/or seasonal workers, domestic and foreign workers;
- ❖ Amend inflexible rules pertaining to the required insured periods of work; specifically, eliminate the requirement for workers to have a certain number of continuous months of work to qualify;
- ❖ For contributory wages, many UI schemes do not consider all remuneration payable in money to an employee; all wages of employees should be considered including: payments in respect of leave, holidays, overtime, extra work on holidays, travel allowance, gratuities payable on discharge or retirement and annual bonus;
- ❖ Review legal requirements to ensure law is precise and no omissions in legal provisions.

It should be remembered that unemployment benefits have not functioned alone in protecting incomes, promoting employment and being an enabler for a quick recovery during a global crisis.

ALMPs are also essential instruments to assist vulnerable groups such as women, youths, seniors and the disabled. For the disabled, in the Republic of Korea, the employment stabilization program of EI provides loans to enterprises for upgrading their facilities in the view of encouraging recruitment of jobseekers with disabilities (and older job seekers).

In Japan, enterprises with 200 or more employees must employ at least 1.8 per cent of their workforce as disabled persons. Hello Work provides to enterprises recruiting persons with disabilities guidance and support to adapt the work place through the special program “Guidance on Employment Management of Persons with Disabilities and Elderly”. Also, Hello Work’s performance is evaluated based on the employment rate of persons with disabilities, along with five indicators. Also, the Employment Support/Continuation for Older Workers is a subsidy to encourage workers to remain employed after age 60 or to get re-employed.

In Thailand, from October 26, 2011 onward, enterprises with 100 employees must employ at least one worker with disabilities plus another one for every additional 50 employees.

For women, in Viet Nam, there are no specific provisions in the UI laws relating to gender equality but a report by the United Nations indicated women account for more than half of trade union membership and they were protected by both traditional trade unions and the Viet Nam Women’s Union⁸. In Japan, child-care and family-care leave benefits are available to both parents, but female workers are those generally enjoying these benefits to take care of a child younger than 1 year old.

For youth, countries with existing or proposed UI schemes could give consideration to an effective instrument within the UI program in Bahrain which assists youths graduating from university and entering the labour force for the first time. As mentioned, many youths, in Bahrain and the rest of Asia, experience lengthy delays in finding suitable work after graduation. This interesting feature of the UI scheme in Bahrain provides graduates who are first time jobseekers (Bahraini citizens only) flat rate benefits under the Aid benefits provision (see box 13).

⁸ Viet Nam Women’s Union website. Available from www.hoilhpn.org.vn/.

Box 13. Bahrain "Aids" benefits

To qualify for Aids Benefits, a job seeker:

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

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

An OECD report (OECD, 2007) focuses on activation policies in assisting the unemployed to find and keep work. Developing countries should review their existing or proposed schemes and identify areas for improvement. The main findings of the report are:

- Countries seem to be increasing the number and variety of instruments used to “activate” jobseekers, centering on intensive interviews, verification of job search, establishing individual action plans and referrals to ALMPs after a period of unsuccessful job search;
- Registration for employment services is a precondition for receiving benefit payment;
- Many recent evaluations have shown that job-search assistance and monitoring can have a sizable impact on re-employment rates;
- It is obligatory for unemployed workers to report to local office on a regular basis;
- Referring jobseekers to vacancies not only helps reduce the risk of prolonged unemployment but also acts as a work test;
- Compulsory participation in ALMPs after a period of unsuccessful job search can help reduce the risk of either long-term unemployment or labour market exit.

In addition to this OECD list, countries could implement a job search statement form where unemployed workers list all contacts made in a two week period and include the name, phone number and address of prospective employers and results of the job search. The local office could focus on the job search statement for discussion with the unemployed person and determine the effectiveness of the person’s job search efforts and whether or not the person is sincere in finding work.

Many of the **Public Employment Programs** provide essential safeguards to the poor and needy including Conditional Cash Transfers and Public Works Programs.

According to Hwang (2013), while UI is an effective program in providing income security to unemployed workers,

“it alone might not be sufficient to provide social security for the unemployed as a whole given the sizeable population in some Asian countries who are excluded from UI (e.g. the self-employed and agricultural workers). The Republic of Korea, for example, launched public works projects in the Asian financial crisis in the late 1990s and the global financial crisis of 2008 as a way to provide temporary expansion of social protection for the unemployed”.

Public Employment Programs, either public works or guaranteed employment programs, can exist along with UI (or even substituting for UI) and enhance the social income of all workers. The MGNREGA program in India is a prime example of an effective instrument for unemployment protection without the need for UI at this time. Eventually, the need for UI will grow along with developing industrialization.

Myanmar has identified, via the Assessment Based National Dialogue Program, significant problems with lack of effective coordination among those responsible for CCTs/PWPs including Non-Government Organizations (NGOs). Coverage for the active working age is limited. A social security scheme covers employees in public and private formal companies – a small section of the population (2%). In addition, some benefits are in place for civil servants, military and political personnel. The UI law has been passed by the government but is considered an inactive program until an implementation date has been identified. There are also shortcomings in the UI law which need to be addressed.

In Thailand, many **NGOs** raise funds to develop welfare facilities for the needy, including persons with disabilities. One example is the “Sahoibokji-kongdong-mokeumhoi” (Community Chest of Korea) which provides social assistance to the poor and persons with disabilities.

Unemployment Insurance Savings Accounts. Ana M. Ferrer and W. Craig Riddell (2009) of the University of British Columbia Ferrer and Riddell highlighted in their research paper on UISAs that these unemployment protection schemes provide an alternative to traditional systems of unemployment insurance both on the part of the worker and the firm with a major caveat: “*it is not well understood whether or not these programs offer adequate income protection. Evidence suggests that this form of income protection for the unemployed should be complimented with additional forms of insurance*”. The main conclusion from their study is that UISAs seem particularly well suited for developing economies and economies in transition, but with the understanding that assessment of its effects ought to be guided by country specific research studies especially given that there is a variety of UISA programs implemented in Latin America. Many research papers providing information on UISAs highlight the need for further research into the effects of this unemployment protection scheme.

The ILO feasibility report for Malaysia⁹ highlighted the main areas for improvement for UISAs being the high cost of the scheme and the low protection it provides to unemployed workers. OECD in its 2012 Country Report on Chile indicated the following:

⁹ John Carter and Michel Bédard, “Phase I report of project: supporting and facilitating the design of a UI system for Malaysia, phase I”, prepared for ILO, 2012 (accessed 12 April 2015).

“To better protect workers against unemployment and enhance efficiency, Chile should build on recent efforts to strengthen unemployment benefits further. When the system was introduced in 2002 the government started out with moderate benefits to assess sustainability first. Since then benefits have increased somewhat. The system is based on individual savings accounts and a complementary insurance fund, but savings in individual accounts are low for most workers; a large minority have accumulated less than one month’s minimum wage.”

As mentioned earlier (see box 7), in April 2015, Chile has introduced new measures to improve UISA benefits. Under these recent changes, the savings-based monthly benefits start at 70% of previous earnings and decrease each month to reach 30% in the 6th and 7th months.

Another solution for developing countries who require additional fiscal space to support social and unemployment protection schemes is the International Monetary Fund (IMF) supported programs¹⁰. Under IMF-supported programs, “the Fund helps governments to protect and even increase social spending, including social assistance. In particular, the IMF promotes measures to increase spending on, and improve the targeting of, social safety net programs that can mitigate the impact of some reform measures on the most vulnerable in society (see box 14 for examples).

Box 14. Examples of IMF supported-programs

Asia and Pacific: Bangladesh:

- The Bangladesh authorities remain committed to achieving the Millennium Development Goals, and the inclusive growth targets under their Sixth Five-Year Plan 92011-2015). As part of these efforts, the government’s policy program under the IMF-supported Extended Credit Facility (ECF) arrangement, approved in April 2012, contains a quantitative target to protect priority social spending by keeping it constant as a share of GDP.
- The IMF-supported program also aims to boost fiscal space for priority social spending via medium-term revenue reforms and the reallocation of regressive spending on universal subsidies towards well-targeted social safety net programs.

Middle East and Central Asia:

Jordan has implemented several measures under its IMF-supported national program: Cash transfers were introduced in November 2012 to mitigate the social impact of the removal of general fuel subsidies. The transfers amount to about US\$100 per person per year; they are capped at a maximum of six family members.

Access to finance for small and medium-sized enterprises and low-income individuals is being improved. The licensing of the first credit bureau is underway.

¹⁰ International Monetary Fund, “Factsheet on “Protecting the most vulnerable under the International Monetary Fund supported programs”, April 2015. Available from www.imf.org/external/np/exr/facts/protect.htm. The International Monetary Fund (IMF) is an organization of 188 countries, working to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world.

In the meantime, improvements can be made to unemployment protection schemes by removing restrictions which prevent many workers from qualifying for unemployment protection benefits by restricting coverage to domestic workers as well as temporary or seasonal workers. These are categories that some countries have allowed coverage (e.g. Canada).

B. Proposed schemes

In addition to the eight countries who have implemented a UI system in Asia, Malaysia is also investigating the possibility of fulfilling an EI scheme after a full analysis of actuarial, institutional and legal reports written by UI experts on options for implementation.

Myanmar also passed legislation for a UI scheme but they have not actually implemented the UI program at this time (no contributions are being collected and no UI benefits paid). Within the legislation are provisions for a rebate of contributions to employers which is unique in the world of unemployment insurance and will require close scrutiny by an actuarial study.

The Government of Malaysia embarked on a journey to transform Malaysia to a high income economy by 2020 with the announcement of the New Economic Model (NEM) in 2010. One of the highlights of the NEM is the development of human capital which includes flexible hiring and firing rules for employers and, at the same time, enhancing the workers' safety net through the introduction of unemployment insurance along with integrated employment services.

Consensus building was one of the main objectives of the project by facilitating a national dialogue on the suitability of EI for Malaysia. A Tripartite Project Committee (TPC) was established to co-ordinate the EI project and was comprised of senior officials from key Malaysian ministries as well as employer and worker groups. Employers were mainly concerned about the costs of a UI system in Malaysia but desirous that its design improve their competitive position as well as their capacity to adjust to fast moving economic and technological changes. Workers, on the other hand, supported the idea of an EI system but felt that retrenchment benefits (**see box 15**) should continue in parallel with a UI system (or that at least an acknowledgement of tenure (years of service) within the enterprise should be paid for once the UI system is established).

Box 15. Retrenchment benefits in Malaysia

Significant discussion took place at meetings and workshops with stakeholders on the issue of retrenchment benefits. Legal provisions provide for minimum allowances to be paid to workers who are made redundant due to business closures, technological changes restructuring and other situations, in the case of those who earned less than RM1,500 per month¹¹ (RM2,000 per month since April 1, 2012) on the Malaysian Peninsula (RM2,500 per month in Sabah and Sarawak since October 1, 2005). Other workers that do not fall under the Employment Act of 1955 can also receive retrenchment benefits either through individual or group negotiation. Stakeholders expressed the view that, in the past, workers who were retrenched did not always receive the retrenchment benefits to which they were entitled, especially in times of economic or world financial crisis situations.

¹¹ XE currency calculator RM1,500 = US\$422.

Box 15. (continued)

As part of the introduction of an EI system, the current retrenchment system would see accrual for entitlement to retrenchment benefits only continue up to the commencement of an EI system and there would be no further accrual after this date. The idea of allowing employers to deduct employer contributions but letting severance (retrenchment) benefits continue to accumulate even after the UI launch was also discussed. In the interest of fairness, it is evident that only one option could be accepted and the TPC has acknowledged freezing accumulated severance at the start date of EI and replacing it with employer/worker contributions to pillar 3 after that is the preferred option.

Four options (see box 16) were presented to the TPC in 2012. The TPC was charged with the responsibility to select the final two options for an in-depth feasibility study which would include reviews by actuarial, legal and administrative consultants.

Box 16. Options for the proposed UI system in Malaysia

Four unemployment benefits scenarios were presented to the Malaysian stakeholders via the Tripartite Project Committee. The first three scenarios, in agreement with the TPC, build cumulatively on the following three pillars:

- Pillar One: Compensation for Loss of Income (a 50% benefit rate, paid for 3 to 6 months, according to previous contributions of at least 12 out of last 24 months, under strict conditions of unemployment and job search);
- Pillar Two: Active Labour Market Policies (such as counselling, placement, mobility assistance, vocational training and retraining); and
- Pillar Three: Acknowledgement of Tenure (individual savings accounts providing severance at end of employment, the employer share only to be paid in cases of retrenchment).

Those three scenarios can be presented as follows:

	Scenario 1	Scenario 2	Scenario 3
Pillar 1: Compensation for loss of income	Employment Insurance (UI)	Employment Insurance (UI)	Employment Insurance (UI)
Pillar 2: Employability & Business		+ ALMPs	+ ALMPs
Pillar 3: Acknowledgment of tenure			+ Savings Accounts (SA)

Box 16. (continued)

As requested, a fourth option is also presented. It is based on the model that has been called Unemployment Insurance Savings Accounts (UISA), the example of which is found in Chile. In this fourth scenario, the savings component would come first and be used primarily to compensate for the loss of income during a period of time which would vary according to the cumulated amount of savings. If the savings amount is less than three months of previous earnings (or six months at 50% rate) and if the savings account is exhausted before the completion of the entitlement period of seven months, the worker would be entitled to a supplementary social unemployment insurance system which would provide the same benefits as those provided under scenarios 1 to 3 for the remaining period of time (until the completion of the six months).

The TPC rejected Scenarios 1 (EI benefits only) and 4 (unemployment insurance savings accounts similar to Chile). But they wished to pursue a more in-depth study on the two accepted scenarios:

- Scenario 2: Employment insurance benefits with complementary ALMPs and
- Scenario 3: Employment insurance benefits with complementary ALMPs and an additional savings account for recognition of tenure (see box 17).

The selection of Scenario 3 by the TPC reflects their desire to ensure that recognition of length of service is part of any UI system including EI benefits and linked ALMP measures.

The TPC conceptualized retrenchment benefits as serving a dual purpose:

- i) A social protection function that should in future be taken over by EI (pillar 1); and
- ii) An acknowledgement of tenure (years of service) with an enterprise (pillar 3).

The TPC stressed that these functions should be reflected in the design of an EI system (to the extent possible). Acknowledgement of Tenure is a new initiative and no other country has implemented such a provision as part of an EI/UI scheme. Of course, many countries have separate legal provisions for recognizing “years of service” which are defined as “severance benefits”.

Box 17. Pillar 3: acknowledgement of tenure

During the consensus building stage, social partners, in searching for agreement among stakeholders, have considered the appeal of a savings scheme as a complement to unemployment benefits under a so-called Pillar 3, in recognition of employees' service with their employers. The contribution rate was tentatively proposed to be 1% of wages for each of the employees and the employers, presumably applied to the same persons and wages as the EI scheme itself.

Not all details have been developed but if this proposal is accepted with three pillars (1- UI benefits, 2- ALMPs and 3- savings accounts), it would mean that someone who is terminated from employment would apply for EI benefits and the savings account at the same time. It was proposed that these savings not be taken into consideration when paying unemployment benefits, since they come from past service and are akin to personal funds. That treatment currently exists in a number of countries: In France (though amounts exceeding the statutory minimum are taken into account), Argentina, Chile and Thailand. The accumulated employers' contributions in the savings accounts would be deducted from any retrenchment benefits otherwise payable. In case of voluntary departure (retirement, resignation or misconduct, workers would only be entitled to their own savings, and the employers could recover their own paid contributions.

For the feasibility study on scenarios 2 and 3, the review would be conducted by actuarial, legal and administrative consultants. All three consultants felt scenario 2 would be a viable choice for Malaysia given the conservative and prudent approach on the design of the UI scheme.

For scenario 3, however, there were concerns on the design of the savings account for acknowledgment of tenure. The actuary consultant concluded that:

“Given the high cost that would incur an adequate compensation under Pillar 3 and the attendant design and administrative issues, implementation of the Pillar 3 may be questionable. Such a scheme would furthermore be redundant to the savings scheme that is already operated by the Employees' Provident Fund”.

Dr. Ponniah Raman, from the Social Security Organization (SOCSSO) in Malaysia, presented the proposals for implementing an unemployment protection scheme over the past few years. Since the feasibility study, the government decided to further explore other unemployment insurance schemes and studies. As a result, the departments responsible for the proposed EI scheme have drafted a hybrid model together with a legal framework. It was tabled to the Government in early 2015 but no final decision has been made at this point.

The hybrid model contains elements of scenario 2 (EI and complimentary ALMPs), including:

Coverage: Mandatory – all Malaysian employees;

Qualifying Conditions: loss of employment minimum 12 months contributions in 24 months (except quits, “fix term” contract expired);

Funding: Employees – 0.25% and Employers – 0.25%;

Benefits Structure:

Job Seeking Allowance (UI) – 80% to 30% between 3 to 6 months;

Early Re-Employment incentive – 25% from balance of Job Seeking Allowance;

More incentives and emphasis on finding suitable work quickly.

In September, 2014, **Myanmar** developed a draft assessment matrix within the Assessment Based National Dialogue instrument (ILO, 2014a). It listed and described the existing social protection schemes along the life cycle, identifies policy gaps and implementation issues, and provides policy recommendations to further design and implement social protection provisions with a view to close the social protection floor gaps. The document highlighted a number of social protection priorities for the working age group including:

1. Developing unemployment protection mechanisms against seasonal under-employment for the rural informal population;
2. Create linkages with vocational training opportunities;
3. Extend maternity protection to all pregnant women and
4. Create a social protection scheme for adults with permanent disabilities who cannot earn a sufficient income.

Relating to the first priority, it was recommended to address the rural economy workers' needs (underemployment, seasonal unemployment, lack of access to credit and subsidies, etc) who are excluded from other schemes. It was further recommended to allow for free access to basic social services (especially health and education) for the rural informal population. There is also a need to provide new social protection provisions or increase of coverage of existing provisions.

The assessment also prioritized the development of a coherent policy framework in regards to professional and vocational training programs as, currently, the programs are scattered, public providers of training are limited and private providers are not yet organized and channeled through a coherent public policy framework. It was recommended to extend the provision of vocational training, link vocational training with grants/endowments to ensure access and extend free vocational training for all disabled persons. There is currently in place a program for individuals with hearing impairments only which provides free training institutions and financed by the general government budget.

Currently, the maternity provisions fall under the Social Security Act, 1954 and the Social Security Law and Rules, 2012 which covers workers at companies with five or more workers. This excludes coverage for employers with less than 5 workers and those persons involved in the informal economy. Extension of maternity benefits to all includes those who do not fall under the coverage of the Social Security Act and Law as well as those involved in the informal economy.

There is a desire to extend social protection for all the disabled persons in the active age and not only persons covered under the Social Security Law, 2012 (for example, something akin to a universal allowance for people living with disabilities). Under the Social Security Law and Rules, 2012,

Finally, there is a need to develop unemployment protection and extend employment placement services to make them accessible to all job seekers (both in the formal and informal economy).

One of the planned provisions for Myanmar within the social protection scheme is the implementation of an unemployment insurance scheme based on contributions from employers and workers (see box 18 for details).

Box 18. Myanmar UI scheme (Social Security Law, 2012)

Section 37: Requirement for Unemployment Benefit-

- Minimum insured contributions: 36 months (contribution rate: 1% from employers and workers);
- Reason for Separation: Terminated because of permanent close-down of work (doesn't include voluntary resignations or dismissals because of misconduct);
- Person of good health, capable of and willing to work;
- Person registered at the relevant Township Exchange Office and report monthly his/her unemployment.

Section 38: Period and Benefits of Unemployment-

- The benefit is a partial income replacement (50 per cent of the average wage over the past year) paid in installments or lump sum, up to a six month period. One additional month of benefit is awarded for each additional year of contribution (over 36 months);
- Additional cash benefit if he is married (up to 10% of benefit);
- If sick, the right of health care, medical treatment and cash benefit under other clauses of the act;
- For maternity and confinement: the right of health care, medical treatment and cash benefit (minimum 2 months and maximum 6 months);
- The employer has the right to claim back 25 per cent of collected contributions plus interest when the worker is granted the unemployment benefit.

The Social Security Act for unemployment insurance has a few unique circumstances compared to other unemployment insurance schemes in the world. Initially, the Act stipulates a requirement of a person to be in good health in order to collect UI benefits. How will this be determined by the insurance officer and what proof will be required when this question arises? What measurement will be used to determine good health? How will the requirement impact on consideration of job refusals concerning “suitable employment”?

A second unique element is the legal provision to a lump sum payment of cash benefits. Traditionally, with other UI schemes, cash benefits are paid in monthly (sometimes bi-weekly) payments in order to allow persons to budget their resources and prevent falling into poverty.

Finally, the Act allows employers to recover 25% of their contributions plus interest once the worker's claim for benefit has been allowed. The Act currently allows employers the right to claim back 25% of collected contributions when the worker is granted a disability benefit under the Social Security Law, 2012. Also, a person can receive the amount of contributions collected by the Social Security Board if contributions were paid for less than 12 months in lump sum. These types of rebates could raise questions from an actuarial perspective on the sustainability of the UI scheme.

IV. Further Issues on Unemployment Protection

A. Informal economy

Informal Employment (ILO, 2014b): Following the 2002 ILC Resolution, the 17th International Conference of Labour Statisticians (ICLS) broadened the concept of informal employment. It now refers to all employment arrangements that do not provide individuals with legal or social protection through their work, thereby leaving them more exposed to economic risk than the others, whether or not the economic units they work for or operate in are formal enterprises, informal enterprises or households. To further classify workers within formal and informal employment, a distinction is made according to the categories of the International Classification of Status in Employment (ICSE-93). Based on this classification, the specific groups of workers employed in the informal sector and in informal employment outside the informal sector are as follows:

Persons employed in the informal sector (including those rare persons who are formally employed in the informal sector):

- Employers in informal enterprises;
- Employees in informal enterprises;
- Own-account (self-employed) workers in their own informal enterprises;
- Contributing family workers working in informal enterprises; and
- Members of informal producers' cooperatives.

Persons in informal employment outside the informal sector, specifically:

- Employees in formal enterprises not covered by social protection through their work;
- Paid domestic workers not covered by social protection through their work; and
- Contributing family workers working in formal enterprises.

In many developing countries in the Asia Pacific region, the informal economy is extensive and a key element of the labour market. According to ILO, overall, the informal sector accounts for 60 per cent of the workforce. The “informal economy” refers to all economic activities by workers that are, in law or in practice, not covered (or insufficiently covered) by formal employment arrangements. The characteristics of informal employment include lack of protection for non-payment of wages and other labour standards, absence of occupational health and safety conditions and no social benefits such as pensions, sick pay, health and unemployment insurance.

Contrary to early predictions, the informal economy has continued to grow and has appeared in new forms. Today, it represents a significant share of the global economy and workforce (see box 19 for the history of informal employment).

Box 19. Historical Perspective of Informal Employment

1970s: British anthropologist Keith Hart coined the term “informal sector¹²,” during his 1971 study of economic activities among rural migrants in Accra, Ghana; Hart concluded that, despite external constraints and capitalist domination, most migrants were engaged in informal activities that had “autonomous capacity for generating incomes”;

1980s-1990s: Changes were occurring in advanced capitalist economies, where production was being reorganized into small, decentralized and more flexible economic units (associated with the informalization of employment); economic crisis such as those in Latin America in the 1980s and in Asia in the 1990s demonstrated that people who lose formal jobs turn to the informal economy to earn their livelihoods (standard jobs turned into non-standard jobs); globalization also contributed to the informalization of the workforce in many industries and countries;

Recent Years: Informal employment expanded during the recent great recession of 2008-09. It represents a significant, but largely overlooked, share of the global economy and workforce. Today, it accounts for more than half of non-agricultural employment in most developing regions – and as much as 82 per cent in South Asia

In developing countries, informal employment is more than half of non-agricultural employment in most developing regions. However, the regional estimates hide great diversity within a region (see table 5).

Table 5. Informal employment as a per cent of total non-agricultural employment

South Asia: 82% Range: 62% in Sri Lanka to 84% in India
East and Southeast Asia: 65% Range: 42% in Thailand to 73% in Indonesia
Latin America: 51% Range: 40% in Uruguay to 75% in Bolivia
Middle East and North Africa: 45% Range: 31% in Turkey to 57% in West Bank and Gaza
Eastern Europe and Central Asia: 10% Range: 6% in Serbia to 16% in Moldova

There is also the much discussed issue of the substantial size of the informal economy/employment which needs to be addressed through various unemployment protection schemes. One of the main issues in dealing with informal economy is the formalization of the informal economy and the questions on whether and how to formalize it. Just as the topic of informal employment is complex, so is the meaning of what is meant by formalization.

According to Ms. Martha Chen, international coordinator of “Women in Informal Employment Globalizing and Organizing”, formalization has different meanings and implications for

¹² Martha A. Chen, “The informal economy: definitions, theories and policies”, Working Paper, No. 1 (Cambridge, MA, Women in Informal Employment – Globalizing and Organizing (WIEGO), 2012). Available from <http://wiego.org/informal-economy/history-debates>.

different categories of informal workers. She stated that: “the formalization debate needs to distinguish between wage workers in informal jobs and self-employed in informal enterprises”. There also needs to be efforts to further differentiate between different segments of the self-employed and wage employed in the informal economy.

From the perspective of the informal wage worker formalization means obtaining a formal wage job – or formalizing their current job – with a secure contract, worker benefits, membership in a formal trade union and employer contributions to their social protection.

Ms. Chen feels that the approach to formalizing the informal economy requires a comprehensive approach but context-specific in design and practice. Her vision of this comprehensive approach is outlined in box 20:

Box 20. Formalization of the informal economy: a comprehensive approach

1. Formalization of Informal Enterprises

- Registration and taxation:
 - Simplified registration procedures
 - Progressive registration fees
- Appropriate legal and regulatory frameworks, including:
 - Enforceable commercial contracts
 - Private property rights
 - Use of public space
 - Occupational health and safety regulation
- Benefits of operating formally:
 - Access to finance and market information
 - Access to public infrastructure and services
 - Enforceable commercial contracts
 - Limited liability
 - Clear bankruptcy and default rules
 - Access to government subsidies and incentives, including procurement bids and export promotion packages
 - Membership in formal business associations
 - Access to a formal system of social security

2. Formalization of Informal Jobs

- Legal recognition and protection as workers
- Rights and benefits of being formally employed:
 - Freedom from discrimination
 - Minimum wage
 - Occupational health and safety measures
 - Employer contributions to health and pensions
 - Right to organize and bargain collectively
 - Membership in formal trade unions

B. Obstacles face by women and youth to benefit from unemployment protection schemes

In Asia, governments recognize the special circumstances women and youth encounter in their lives and the labour market and the need to address inequalities in employment.

1. Women

Representing more than half of the world population, women still face major sorts of discrimination in many areas of life. The United Nations adopted the “Convention on the Elimination of All Forms of Discrimination against Women” more than 30 years ago, but discrimination continues to be a daily fact of life for women around the globe including Asian countries. In a 2013 report, the IMF estimated that women in OECD countries – a group of 34 developed nations – earn 16% less than their male counterparts.

Inequalities on gender continue to be the fundamental cause of poverty in many African and other developing countries (Chady, 2015). Ms. Chady asserts that little attention is given to gender in the design of social protection programs in Africa (and other developing countries). Programs that target to address poverty issues, she stated, should encompass gender issues as women inevitably face more discrimination than men and therefore should be targeted in social protection schemes (including unemployment protection programs).

In Asia, during the financial crisis of 2008-09, “women workers were the earliest and most serious casualties, mainly because they serve as a flexible, buffer workforce in global supply chains. In economic downturns, they were the first to lose their jobs because shedding these casual, temporary or contract workers is easier and less costly than dismissing regular staff. Women in the home-based informal economy end of supply chains were the most vulnerable to losing work because producers and suppliers pass the pressures of falling demand and heightened competition down the chain and cut off home-based outworkers rather than their permanent employees, or reduce rates for home-based piece work” (ILO and ADB, 2011).

In Thailand, there are no special considerations given to the differences between female and male workers. However, young female workers in Thailand have more difficulty finding suitable employment than young male workers. In addition, a greater number of female workers are involved in the informal employment sector which is more susceptible to job losses during a crisis than the formal sector.¹³

However, unemployment insurance schemes such as UI must be gender neutral and provide equal access to coverage and to benefits for both men and women. Having said that, women are usually the primary care givers for children and responsible for a multitude of household tasks. As a result of their traditional greater share of responsibilities for childcare and the household, women also face more difficulties in being immediately available for work (ILO, 2007). Also affecting women, in the active working age, to a greater degree than men, is the responsibility of caring for elderly relatives as the “baby boomers” progress to old age status.

Not only do they face difficulties in finding and maintaining suitable employment, they are usually the first to be laid off in downturns in the economy. Women have difficulty in establishing seniority rights due to leaving employment for various family responsibilities and

¹³ Worawan Chandoevrit, “Case study of the unemployment insurance in Thailand” (Bangkok, ILO 2012).

also have difficulty returning to the labour force after periods of unemployment due to these responsibilities.

For decades, **women** have experienced problems in accessing and receiving benefits from unemployment insurance schemes. Many women in Asian countries are involved in the informal economy (family related businesses, own account businesses, self-employment) with little or no protection in wages, benefits, severance pay or maintaining employment. In many cases, women are excluded from coverage because of restrictions on the number of workers per employer, being excluded because of minimum amount of insured earnings and type of employment (domestic workers, part-time workers etc.)

In addition, even if the female workers find employment, much of the work is in part-time or temporary positions and in occupations with low wages thereby adversely impacting on replacement benefit rates. Also, the household responsibilities of women make it difficult for women to maintain their employment status. This also unfavourably impacts on the work/life balance and prevents women from higher classifications and pay levels which would lead to increased levels of unemployment protection benefits.

Women also suffer from “Occupational Segregation (see box 21)”. Why gains for women have been slow to materialize could be the role of occupational segregation, where some jobs may be filled more by men or women, be it by choice, obligation or exclusion.¹⁴

Box 21. Occupational segregation

Occupational segregation describes the phenomenon which sees women and men concentrated in different types and at different levels of activity and employment, with women being confined to a narrower range of occupations (horizontal segregation) than men, and to the lower grades of work (vertical segregation).

This situation rarely stems from direct discrimination through legislation limiting women’s access to training and employment. The causes are usually to be found in practices based on stereotypes and prejudices concerning the roles of women and men in society.

Women, compared to men, are present in fewer occupations. They rarely enter the technical occupations and are under-represented at management level. Teaching and health professions, both caring related, are dominated by women. In teaching, women are concentrated in the pre-primary and primary schools and are under-represented at university level. In the health field, women are concentrated in nursing and less represented in the higher professions such as medical doctors. In commerce and services, women are over-represented among secretaries, salespersons or cleaning staff.

The working pattern of women is also different which, again, has a negative impact on their career prospects. In countries where flexible working hours and flexible working conditions are common, the large majority of part-time or other non-standard workers are women.

¹⁴ Carol Tan, “The Dimensions of Occupational Gender Segregation in Industrial Countries”, *Journalist’s Resource*, 11 October 2013. Available from <http://journalistsresource.org/studies/society/gender-society/occupational-gender-segregation-pay-differences#>.

Box 21. (continued)

Policies aiming to reduce or eliminate segregation are described as “desegregation policies”. Affirmative action policies are of particular importance in correcting occupational segregation. The shares of paid and unpaid work should be distributed more evenly. Measures which help men and women reconcile their work with household and family responsibilities are of particular importance (ILO, 2007).

According to the ILO report on “World Employment Social Outlook for 2015¹⁵”, from a global perspective, youth, especially young women, continue to be disproportionately affected by unemployment. Almost 74 million young people (aged 15–24) were looking for work in 2014. The youth unemployment rate is practically three times higher than is the case for their adult counterparts. The heightened youth unemployment situation is common to all regions and is occurring despite the trend improvement in educational attainment, thereby fueling social discontent.

In addition, a key indicator of gender inequality is that young women faced much greater difficulties entering the labour force than young men (ILO and ADB, 2011). Ms. Lin Lean Lim, the main author for this joint ILO/ADB report, also indicated in her report that the female unemployment rate was relatively low and the male-female gap positive, but this does not mean that Asian women are better off in the labour market.

She highlighted that all other developing regions in the world show women to be disadvantaged compared to men when it comes to finding work. But in Asia, she states “the relatively low unemployment rate for Asian women is most likely attributable to the persisting high demand for low-wage female labour in export-oriented manufacturing and to the fact work that most women cannot afford to be unemployed and have to find work in the informal economy. Sub regions reveal different patterns: female unemployment rates were higher than male rates in Central Asia, the Pacific Islands and South Asia. In South-East Asia, female and male rates were roughly equal, while in the Developed Asian Economies and East Asia, women were less likely to be openly unemployed than men”.

Mr. Moazam Mahmood, Director, ILO Economic and Labour Market Analysis, provides us with five key indicators of gender gap in the labour market (see box 22)

¹⁵ ILO (2015b).

Box 22. Five gender gaps in the labour market

Five Gender Gaps in the Labour Market^a are:

- 1) Gender gap in unemployment: constant in the period 2002-2007, but increased as an impact of the crisis from 2008-2012;
- 2) Gender gap in employment: convergence in the period 2002 to 2007, but reversals coinciding with the period of the crisis from 2008-2012 in many regions;
- 3) Gender gap in participation: convergence in the 90s but constant in the 2000s, with increasing gaps in some regions like South and East Asia;
- 4) Gender gap in vulnerability, occupational segregation: significant gap for 2012;
- 5) Sectorial segregation: women crowding into service sector, in both developed and developing countries.

Source: Mahmood (2013).

2. Youth

Today, more than ever, is not an easy time to be a young person in the labour market. The financial crisis of 2008-09 adversely impacted on the global jobs scene and the vulnerability of young people in terms of: i) higher unemployment, ii) lower quality jobs for those who find work, iii) greater labour market inequalities among different groups of young people, iv) longer and more insecure school-to-work transitions, and v) increased detachment from the labour market.

One of the significant obstacles preventing youth from accessing unemployment protection schemes is the need to meet the qualifying conditions to receive unemployment protection payments. Youths between the ages of 15 to 24 of the working population are unable in many instances to work sufficient amount of time to qualify for unemployment insurance benefits or save sufficient monies in unemployment insurance savings accounts. Many youths can only find work of a temporary nature or part-time falling short of the qualifying number of contributory months of employment. Another problem is the school-to-work transitions where youths have no contributions and need to wait a considerable amount of time before finding suitable employment or are forced into the informal economy with no protection whatsoever.

In a report entitled “Youth Unemployment Challenge and Solutions”,¹⁶ some of the factors responsible for the difficulties that youth experience in initial entry include the following:

- A lack of information, networks and connections among youth, especially youth from families lacking significant social capital;
- A lack of skills relevant to the workplace;
- A lack of experience and credentials that address employers’ risk in making hiring commitments;
- A lack of available decent jobs suited to entry-level skills.

¹⁶ Manpower Group, “Youth unemployment challenge and solutions – what business can do now”. Available from www3.weforum.org/docs/Manpower_YouthEmploymentChallengeSolutions_2012.pdf.

As a consequence of these factors, many young people face significant obstacles to obtaining decent work and taking advantage of unemployment protection schemes when the time comes to apply for unemployment protection benefits. To assist youth during the critical stage of school-to-work transitions, there are solutions that can be adopted by employers and enhance the chances of taking advantage of unemployment protection schemes:

- Provide Career Guidance to youth and participate in information systems and programs;
- Engage with training-to-employment programs for youth;
- Engage with apprenticeship and experience programs;
- Commit to hiring, training and mentoring of young people;
- Promote youth entrepreneurship and entrepreneurship education.

Some Unemployment Insurance schemes have also introduced ALMPs to provide guidance and information, offer skills training and apprenticeships and assist employers/workers through job matching services.

A new ILO report (see box 23) on the transition of young people from school to work in Eastern Europe and Central Asia identifies a missed opportunity in absorbing a well-educated workforce.

According to the study, many youths with a high level of education can eventually expect to find a stable job but only after long periods of unemployment. But these jobs might not necessarily be one that is well paid, that matches their level of qualifications or that offers the benefits of formal employment.

According to Sara Elder, the main author of the study, *“In many of the countries surveyed, youth unemployment is not just high in terms of numbers of persons without work, but is of very long duration. Searching for a job for one year or more has dramatic consequences in terms of skills erosion, financial loss and damaged self-esteem among the long-term unemployed”*.

Box 23. Labour market transitions of young women and men in Eastern Europe and Central Asia^a

ILO supports governments and social partners in designing and implementing integrated employment policy responses. To assist member States in building a knowledge base on youth employment, ILO has designed the “school-to-work transition survey (SWTS). The report entitled “Labour Market Transitions of Young Women and Men in Eastern Europe and Central Asia” presents the results of the survey in six countries in Eastern Europe and Central Asia (Armenia, Kyrgyzstan, the Republic of Moldova, Russian Federation, the former Yugoslav Republic of Macedonia and the Ukraine).

Some main findings:

- Education results are strong in the region; educational access is nearly universal and levels of attainment are high;
- But stagnation in job creation results in missed opportunities; educational investments are not fully translated into the productive utilization of human capital;
- Informal employment is the standard condition among youth in the Eastern Europe-Central Asia region as elsewhere (most countries from report: 50%, Republic of Moldova: 28.6%, Kyrgyzstan: 79.5%)

Source: Elder and others (2015).

Results from the six countries also identified significant wage gaps among young workers. In Armenia, the Russian Federation and the Ukraine, young men could earn at least one-third more than young women. At the same time, the results showed that young men had the clear advantage in completing their labour market transition to stable employment. Young women, on the other hand, still show a strong tendency to withdraw from the labour market in order to raise children and tend to the household. The participation rates for males were consistently at least 10 percentage points higher than female rates. However, there was no gender gap in the youth unemployment rate (20.0% per cent for young men and 19.9 per cent for young women).

V. Conclusion

While there are various unemployment protection schemes implemented in Asian countries, many women and men of working age are still without adequate coverage in stabilizing their incomes in the event of unemployment.

According to ILO *World Social Protection Report 2014-15*, only 17 per cent of the labour force in Asia and the Pacific are potentially eligible for benefits (contributory or non-contributory) under existing legislation should they become unemployed. Worldwide, this figure is 28% and regionally, 80 per cent of the labour force is so covered in Europe, 38 per cent in Latin America, 21 per cent in the Middle East and 8% in Africa. Effective coverage for Asia and the Pacific is just over 7 per cent and worldwide only 12 per cent of unemployed workers receive unemployment benefits.

All unemployment insurance schemes are unique and have different characteristics in the design of diverse elements. There is a wide selection of features to be considered before implementing an unemployment insurance scheme. There is a need for stakeholders in each specific country to develop their own design based on national priorities, their national economy, labour market and unemployment.

The most appropriate strategy for developing countries in Asia in developing an unemployment protection plan is to build a combination of instruments based on the needs of each country. A key element in the development of unemployment protection programs is collaboration and national consensus of key stakeholders to discuss and identify the key instruments to help the women and men of working age be protected against unemployment.

It is strongly recommended that developing countries with existing UI schemes conduct actuarial evaluations at regular intervals to measure the effectiveness and efficiency of their unemployment protection schemes and identify any deficiencies. For developing countries planning to introduce a UI scheme, it is imperative to carry out an actuarial evaluation to ensure the design and development of a sound UI system is effective and meets the needs of the workers and employers alike.

In closing, Mr. Yasuhito Asami, Professor of Comparative Politics, Hitotsubashi University, provides words of advice to those who are considering a UI scheme:

“.....though the introduction of UI is a risky endeavour, it is more risky for small export-dependent second tier NIEs to face the volatility of the global market without having UI” (see annex 5 for full text).

Annex 1. International Standards on Unemployment Protection

Giving effect to the right to social security enshrined in various international human rights instruments requires that effective social protection be guaranteed in the event of unemployment. Unemployment is recognized in the Universal Declaration of Human Rights, 1948 (UDHR) as one of the contingencies to be covered by national social security systems (Art. 25(1)). The right to access and maintain benefits, in cash or in kind, without discrimination, to secure protection from, among other things, unemployment, is considered as forming part of the right to social security as laid down in the International Covenant on Economic, Social and Cultural Rights, 1966 (Art. 9) (see also OHCHR, 2008, paras. 2 and 16). ILO Conventions and Recommendations take a broad approach to unemployment protection by setting standards for the provision of cash benefits and services during periods of unemployment involving a suspension of earnings, thereby giving practical guidance for the implementation of the right to social security. Their objective is twofold: to ensure that individuals enjoy income security despite the loss of earnings suffered as a result of unemployment, and to support beneficiaries in finding productive and freely chosen employment.

The Social Security (Minimum Standards) Convention 1952 (No. 102), requires the provision of cash benefits to unemployed persons capable of and available for work but unable to obtain suitable employment. It sets quantitative benchmarks that must be met, at a minimum, (1) to ensure that coverage of a substantial amount of the population, (2) to ensure that the level of cash benefits represents at least a certain percentage of beneficiaries' former earnings and are thus deemed sufficient to serve as income replacement, or that they are sufficient to allow beneficiaries and their families to enjoy decent standards of living and health and (3) to ensure that cash benefits are , it provided for a period of time that is long enough for them to serve their purpose.

The Employment and Promotion and Protection against Unemployment Convention, 1988 (No. 168), increases the level and scope of protection that should be provided to the unemployed, in addition to full unemployment, it covers partial unemployment (i.e. temporary reduction in the number of working hours) and temporary suspension of work, as well as part-time work for those who are seeking full-time employment. It also requires the provision of social benefits to certain categories of persons who have never been, or have ceased to be, recognized as unemployed or covered by unemployment protection schemes (e.g. new entrants to the labour market, those previously self-employed, etc.). Convention No. 168 further expands the scope of support that should be provided to the unemployed by calling upon the combination of cash benefits with measures that promote job opportunities and employment assistance (e.g. employment services, vocational training and guidance), prioritizing support to disadvantaged persons.

It's accompanying Recommendation, No. 176, provides guidance on how to assess the suitability of employment for those seeking it, taking into account the age of unemployed persons, their length of service in their former occupation, their acquired experience the length of their unemployment and the state of the labour market.

The Social Protection Floors Recommendation, 2012 (No. 202), guides countries in defining and guaranteeing basic income security, at least at a nationally defined minimum level, to all persons of working age who are unable to earn sufficient income, for reasons including unemployment, as part of a national social protection floor (ILO, 2014b).

Annex 2. Severity ratings of UI eligibility criteria for selected OECD countries

A further illustration of the detailed rules that UI schemes may consider is found in an assessment of the severity of the eligibility rules that exist within the UI schemes of 36 OECD and/or EU countries. That assessment was carried out in a study published in January 2012 by the OECD. Its ratings for the seven OECD countries included in the present study are reproduced in the table below, the last two lines being our own tentative (and non-definitive attempt at ranking these countries on a relative scale (Carter, Bédard and Bista, 2013).

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

Source: Venn (2012).

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

Notable Limitations (as indicated by the original author, D. Venn: “A key limitation of the indicator (and indeed of any indicator based on the strictness of legislation or regulations) is that it only reflects the strictness of rules as they are outlined in legislation or regulation, not how they operate on the ground”.

Annex 3. Classification of Labour Market Policies

	Main types	Sub-types
Labour market services	1. Public employment services and administration	1.1 Placement and related services 1.2 Benefit administration 1.3 Other
Labour market measures	2. Training	2.1 Institutional training 2.2 Workplace training 2.3 Alternate training 2.4 Special support for apprenticeship
	3. Job rotation and job sharing	3.1 Job rotation 3.2 Job sharing
	4. Employment incentives	4.1 Recruitment incentives 4.2 Employment maintenance incentives
	5. Supported employment and rehabilitation	5.1 Supported employment 5.2 Rehabilitation
	6. Direct job creation	
	7. Start-up incentives	
Labour market supports	8. Out-of-work income maintenance and support	8.1 Full unemployment benefits 8.1.1 Unemployment insurance 8.1.2 Unemployment assistance 8.2 Partial unemployment benefits 8.3 Part-time unemployment benefits 8.4 Redundancy compensation 8.5 Bankruptcy compensation
	9. Early retirement	9.1 Conditional 9.2 Unconditional

Source: OECD and European Commission.

LMP Services are those made available to job seekers in their job search, primarily through the public employment service. Examples include: referrals to job opportunities; job placement services; job search skills training; CV preparation; and interview skills. Other measures could include: counselling and career planning; individualized return-to-work planning; mobility assistance; labour market information; and self-employment assistance. Special assistance could be offered to disadvantaged groups such as disabled persons, the illiterate, persons with low levels of education or skills, the long-term unemployed, minorities, older displaced workers, abused women or female heads of households.

LMP Measures include training programs and other initiatives to keep workers employed or bring them into employment. Training can take on different forms, either within an institution, in the workplace, or a combination of both. It can address general or specific skills, provide vocational or apprenticeship education, usually but not always resulting in a diploma. Other LMP measures could be used to promote temporary job rotation or job sharing; to provide wage subsidies or incentives to recruit new workers; to ensure the continued employment of persons at risk of involuntary job loss; to support the rehabilitation and employment of persons with reduced capacity to work; or funding of temporary programs of direct job creation or programs to help individuals launch and sustain their own business.

LMP Supports usually refer to unemployment benefit schemes, but also to publicly funded severance, bankruptcy, wage protection and early retirement schemes. The literature often refers to unemployment benefit schemes as *passive* LMP measures, perhaps implying (whether or not it is stated or desired) that many or most unemployed recipients remain inactive while receiving those benefits. Such characterization appears to be an unfair stereotype and, for that reason, is avoided in this report.

Annex 4.1. Severance Pay Programs in Asia¹⁷ - 2013

Country	Tenure			Remarks
	1 yr	10 yrs	20 yrs	
Bahrain	-	-	-	There is no mandatory severance pay.*
Cambodia	15 days	150 days	6 months	Payable if worker is dismissed other than serious misconduct.
China	1 month	10 months	20 months	Severance pay amounts to one month's salary per year of service.
Indonesia	1 month	9 months	9 months	Termination payments include severance pay and/or long service pay.
Japan	-	-	-	No statutory severance pay or redundancy payment. Collective agreements can provide for severance pay in case of dismissals.
Korea, Republic of	-	-	-	No statutory severance pay as such or redundancy payment.
Malaysia	10 days	200 days	400 days	Known as retrenchment benefits and payable in case of redundancy.
Mongolia	1 month	1 month	1 month	Additional compensation in the event of termination of large number of employees and agreement between employer and employees representatives.
Philippines	1 month	5 months	10 months	It the termination is due to installation of labour-saving devices or redundancy, the separation pay is one month's pay for every year of service or one month whichever is higher (double amount for 10 and 20 yrs).

¹⁷ ILO (2013).

Annex 4.2. Severance Pay Programs in Asia – 2013

Country	Tenure			Remarks
	1 yr	10 yrs	20 yrs	
Singapore	-	-	-	No provision of severance pay in the Employment Act. But could have collective agreement or negotiated settlement covering severance pay (pay between 2 weeks to 1 month salary per year of service)
Thailand	90 days	300 days	300 days	This does not apply to employees who have a fixed term contract of employment. Also, for an employee with at least 6 years of continuous service, he/she can receive in addition to severance pay, a special compensation equal to 15 days' wages for every year of service in the event of termination for economic reasons.
Viet Nam	-	-	-	Since 2009, the years during which UI contributions are paid for an employee is not counted for the calculation of severance pay. This means that a person who has worked 10 years prior to 1 January 2010, will still be entitled to a severance pay equivalent to five months of past earnings (half a month of severance pay per year of tenure).*

Source: Carter, Bedard and Bista (2013).

Annex 5. “Once-and-for-All Chance”¹⁸

A caveat must be mentioned at this point. If properly designed and properly managed, UI can maintain its financial sustainability and alleviate the plights of the unemployed even in newly industrializing economies. But that also means that UI might become financially unsustainable and might not mitigate the sufferings of the unemployed much, if improperly designed and/or improperly managed. Risk of ending up with having improperly-designed and/or improperly-operated UI is not small in many of developing economies. Once improperly designed UI is introduced, or once the UI scheme is seriously plagued with corruption and inefficiency in the first several years of its operation, the public will lose their confidence in UI, and both employers and employees will start resorting to all means available to evade the payment of their contribution to UI. The morale of the staffs in charge of UI will also deteriorate, and the abuse of the UI scheme by unqualified claimants will also become rampant. In this sense, the introduction of UI is a once-and-for-all chance. If a proper UI scheme is successfully installed, it will do a lot of good things. But if not, it may do more harm than good. To make it worse, once it is installed, it is difficult to uninstall. However, it should also be added that, though the introduction of UI is a risky endeavour, it is more risky for small expert-dependent second tier NIEs to face the volatility of the global market without having UI.”

¹⁸ Asami (2010).

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