

Draft for Discussion

Social Protection in Case of Unemployment in the Philippines

Feasibility Study

International Labour Organization

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List of Acronyms

AMSC	Average Monthly Salary Credit
APL	Alliance of Progressive Labor
BLE	Bureau of Local Employment
BLES	Bureau of Labor and Employment Statistics
BRW	Bureau of Rural Workers
DBM	Department of Budget and Management
DOF	Department of Finance
DOLE	Department of Labor and Employment
DSWD	Department of Social Welfare and Development
ECC	Employer's Compensation Commission
ECOP	Employer's Confederation of the Philippines
FFW	Federation of Free Workers
GSIS	Government Social Insurance System
NAPC	National Anti Poverty Commission – Informal Sector
NEDA	National Economic Development Authority
NSO	National Statistics Office
NWPC	National Wages and Productivity Commission
OFW	Overseas Filipino Worker
OWWA	Overseas Workers Welfare Administration
PASEI	Philippine Association of Service Exporters
PESO	Public Employment Service Office
PhilHealth	Philippine Health Insurance Corporation
POEA	Public Overseas Employment Agency
SSS	Social Security System
TESDA	Technical Education and Skills Development Authority
TUCP	Trade Union Congress of the Philippines

I. Preface

The possibility of introducing unemployment insurance has been discussed in the Philippines for a decade or more. For various reasons little progress has been made. In 2009 the ILO provided assistance for a study. This included various consultations with the tripartite constituents culminating in a national conference on November 29, 2009 and resulting in the present report.

In many countries, social security through traditional unemployment insurance contributory schemes provided income security and prevented poverty, during temporary unemployment resulting from cyclical or structural economic downturns. Given that Philippine unemployment rates are among the highest in Asia, there is clearly a need for social protection for this contingency. The recent global financial and economic crisis has highlighted the crucial role that unemployment insurance can play as part of a set of policy measures to successfully cope with economic storms, now and in the future.

Experiences in, for example, Vietnam and Brazil illustrate the feasibility of implementing unemployment insurance schemes in developing and middle income countries. They also provide some important lessons on what works and what are the challenges for introducing unemployment insurance in the Philippines. ILO conventions, especially Convention 102 (social security) provide guidance for the development over time of a social security system covering a range of life contingencies, including unemployment.

Unemployment insurance in times of guaranteed full employment security would appear unnecessary, but this is rarely the case. Moreover, in many countries it would appear that there are at times trade-offs between actual levels of protection and labour market effectiveness as employees and employers find the need to compromise in order to achieve a functioning labour market. The report explores some of these issues in relation to their implications for introducing unemployment insurance in the Philippines and to bring the discussion on unemployment insurance a step forward. It suggests that introducing unemployment insurance together with other measures to improve the labour market and to formalize employment, may provide the impetus and means to find agreement on how to introduce a viable scheme for unemployment insurance in the Philippines. In other words, it may be difficult to introduce unemployment insurance in isolation from relevant labour market concerns and existing legal frameworks. It may also be a challenge without a vision and strategy for building step-wise a comprehensive and well functioning social security system which in time would cover all branches of social security and provide benefits to all workers. This vision would need to go hand in hand with measures to help employers and employees enhance the productivity and competitiveness of the Philippines.

Striking the right balance in providing adequate social protection to workers and at the same time stimulating enterprise development and economic growth for the creation of decent jobs is a universal challenge. It requires the availability to all stakeholders of relevant up-to-date information and data. It also requires a commitment for the social partners to engage in meaningful dialogue and negotiation to reach consensus on appropriate legal frameworks and measures to reach a situation of sustainable growth and decent work for the country.

This report is a starting point for an in-depth discussion among the social partners and the government. The ILO is ready to assist such a process in order to achieve decent work for all, which includes social security. A lively and fruitful debate, will hopefully lead to a better understanding and agreements among the constituents. I hope that this report will contribute towards achieving our common goal of social security for all!

Linda Wirth, ILO Director, Manila

II. Executive Summary

The report analyzes the current situation of unemployed workers in the Philippines and comes to the conclusion that there is a gap in social protection. The Philippine Social Security System (SSS) provides protection in case of illness, old age, accident and even provides social assistance in case of poverty. But there is hardly any formalized social protection for the unemployed.

As a solution the report suggests, based on ILO Convention 102 and a detailed analysis, to introduce an unemployment insurance (UI) financed by contributions from employers and employees in equal shares (starting with 1% each), providing a basic protection in case of unemployment. The benefits include unemployment cash benefit of 50% (alternatively 60%) of the last Average Monthly Salary Credit (AMSC) up to a maximum period of 10 months. Furthermore, the scheme could provide unemployed workers with training opportunities and help them to find new jobs. The objective is to include all employees in the Philippines. The scheme would start with enterprises with 10 and more employees that are already members of SSS or the Government Social Insurance System (GSIS). The plan, however, would be to gradually extend the scheme to all employees. This could be possible when further formalization of the labor market is achieved. For this reason the report discusses possible legislative reforms to support such a scheme as well as issues of enforcement of existing social security legislation and contribution collection. It is suggested that the proposed scheme be administered by SSS/GSIS for financing and cash benefits, the Public Employment Services Offices (PESOs) for registration and job facilitation and the Technical Education and Skills Development Authority (TESDA) for training services.

The report concludes that unemployment insurance in the Philippines is feasible and that in combination with possible changes in the labor law could help to make the labor market more protected for workers at the same time as more able to cope with changes in production and productivity demands as well as with global competition.

The proposal is based on the assumption that employers and employees would contribute in a responsible way to a feasible long term solution. It could serve as a basis for negotiation and further discussion between employers, trade unions and government.

III. Background

Social security is generally recognized as a basic human right and a means to foster social cohesion, human dignity and social justice. The ILO Social Security (Minimum Standards) Convention 102 (<http://www.ilo.org/ilolex/english/convdisp1.htm>) established nine classes of benefits including: medical care, sickness benefit, unemployment benefit, old-age benefit, employment injury benefit, family benefit, maternity benefit, invalidity benefit and survivors' benefit. At present, not all of these benefits are part of the social security programs in the Philippines.

The Philippines does have a social protection framework, consisting of both formal and informal arrangements, implemented by various government agencies and private institutions. There are at least eleven (11) government institutions, both contributory and non-contributory, that have social protection mandates and which cover the majority of formal sector workers (around 30% of the labor force), as well as provide assistance to marginalized and poor families in the informal economy.

Three out of 32 ILO Conventions ratified by the Philippines are also directly related to social security such as the C165 Social Security (Seafarers) Convention (Revised), 1987; C157 Maintenance of Social Security Rights Convention, 1982; and C118 Equality of Treatment (Social Security) Convention, 1962. The Philippines, however, has yet to ratify two Conventions that deal with the issue of a benefit in case of loss of income from employment: C102 Social Security (Minimum Standards) Convention, 1952 and C168 Employment Promotion and Protection against Unemployment Convention, 1988.

At the moment, hardly any relief fund or protection scheme for loss of employment exists in the Philippines. But as workers were being displaced and worries of the social impact of the recent global financial crisis intensified, the Philippine government in early 2009 began broaching the idea of making unemployment insurance available.

The government's suggestion to establish an unemployment insurance scheme was lauded by many quarters. It was unclear though how such a scheme could be implemented and what kind of administrative framework it could be based on. There were a number of ideas proposed, ranging from the provision of financial assistance to assistance for basic needs, but no serious discussions ever took off. Also, no specific government agency came forward to take the lead in the deliberations.

In June 2009, the ILO constituents met to have an initial sharing of ideas on unemployment insurance. ILO Manila put up a proposal to conduct a study on the feasibility of introducing an unemployment insurance scheme in the Philippines. The response from the constituents was generally positive and support for this undertaking was expressed.

The ILO, therefore, decided to extend support to conduct an assessment on the feasibility of introducing an unemployment insurance system in the country.

The present report reflects the findings of a study undertaken in November 2009. It was discussed in a national conference on 17 November 2009. A large number of stakeholders were consulted (see list of persons met attached). The report can be viewed as a first step in a series of consultations and negotiations that need to continue, if the Philippines wishes to continue on the path towards a comprehensive unemployment insurance scheme.

The author wants to extend his gratitude to the Department of Labor and Employment (DOLE) and its Institute for Labor Studies (ILS) for the support given as well as to all stakeholders for their help in discussing the pending issues.

IV. The Philippine Labor Market

The working age population in the Philippines is 59 million. The labor force, based on a participation rate of 64% is 37.8 million. Out of these, 35 million are employed and 2.83 million unemployed (7.5%, April 2009). Another 6.6 million (18.9%) are underemployed. Table 1 gives an overview over the Philippine Labor Market.

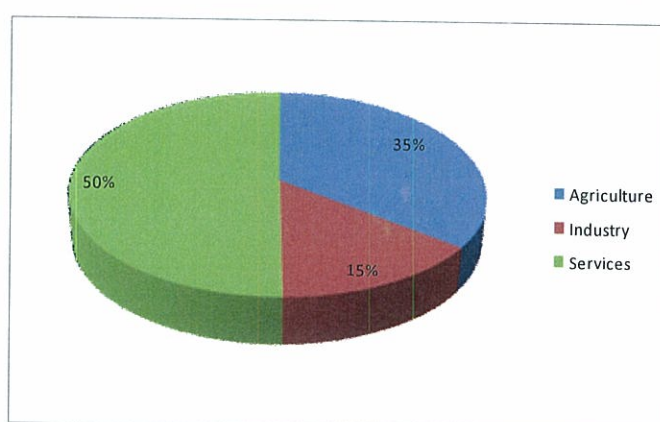
Table 1: Philippine Labor Market 2009

	2007	2008	2009
Population 15 and over	56.565	57.700	59.074
Labour Force	36.213	36.450	37.824
Employed	33.560	36.450	37.824
Unemployed	2.653	2.914	2.830
Participation Rate	64,0%	63,2%	64,0%
Unemployment Rate	7,33%	7,99%	7,48%
Underemployment Rate	20,1%	19,8%	18,9%

Source: Bureau of Labor and Employment Statistics, 2009

The largest employer is the service sector (see Figure 1), mainly wholesale and retail, transport, public sector, education and private households. The share of employment in industry is shrinking, while those in agriculture and services are on the increase.

Figure 1: Employed Persons by Industry Group



The following Table 2 shows the unemployment and underemployment rates in the different regions in the Philippines which vary considerably. The highest unemployment rate is in the National Capital Region (13.5 %), the lowest in Region II (Cagayan Valley, 2.8%) and ARM Mindanao (1.5%).

Table 2: Unemployment and Underemployment Rates 2009

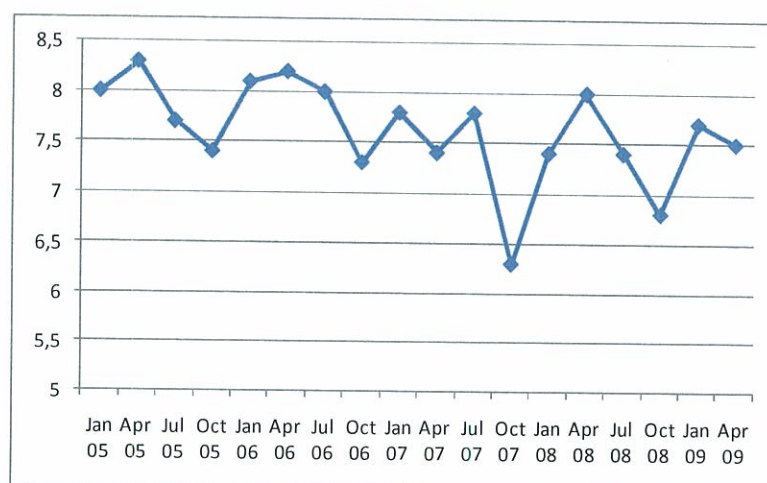
	Unemployment Rate	Underemployment Rate
NCR	13,5	12,4
Cordillera Administrative Region	4,2	17,9
Region I - Ilocos Norte	8,3	15,6
Region II Cagayan Valley	2,8	16,7
Region III - Central Luzon	8,5	5,4
Region IVA - Calabarzon	9,9	15,4
Region IVB - Mimaropa	4,5	25,4
Region V - Bicol Region	6,5	36,8
Region VI - Western Vizayas	7,9	26,8
Region VII - Central Vizayas	7,3	12,6
Region VIII - Eastern Vizayas	5,0	28,7
Region IX - Zamboanga Peninsula	3,8	27,4
Region X - Northern Mindanao	5,2	24,5
Region XI - Davao Region	6,2	23,4
Region XII - Soccsksargen	4,4	19,9
Caraga	5,1	26,8
ARMM	1,5	13,0

Source: Bureau of Labor and Employment Statistics, 2009

NCR=National Capital Region

ARMM=Autonomous Region of Muslim Mindanao

Figure 2: Unemployment Rate in the Philippines 2005-2009



The largest group of the unemployed is young people between 15 and 24 (50% of all unemployed). Interestingly, nearly 85% of the unemployed have a high school or college diploma. Only very few have no education at all or elementary school only.

Overall unemployment in the Philippines has been so far stable in 2009 compared to the previous years. Underemployment has even slightly decreased (see table 1 and Figure 2) and it lies within the longer lasting trend.

In the wake of the global financial crisis, the most vulnerable workers are those in the export-oriented industries such as electronics, call centers and textile manufacturing. Indeed, several companies reported either laying off workers or cutting working hours as the crisis reduced demand for Philippine exports. The Philippine Labor Department reported that some 40,000 workers were retrenched, 33,000 workers experienced shorter working hours while over 5,400 overseas Filipino workers were displaced because of the financial crisis. The figures compared to total employment are small. In addition, the economy was kept afloat by the steady flow of remittances despite forecasts by the international financial institutions that these would decline. The National Economic and Development Authority (NEDA) forecast that in a pessimistic scenario as much as 200,000 workers may be laid off, as the crisis continues to hurt the local economy. But this has not yet materialized and for 2010 there are signs of an economic recovery. Even pessimistic forecasts expect the unemployment level not to hit the double-digit levels recorded several years ago.

Nevertheless, an unemployment rate between 7% and 8% of the Philippine workforce is one of the highest rates in Asia (the Asian average lies around 5%). Also, the labor force in the Philippines is growing fast due to specific demographic reasons, so that net employment needs to increase substantially every year in order to avoid unemployment growing.

Little is known about the nature of unemployment but it is very likely that most of it is short term unemployment. Firstly, there is a high level of fluctuation in the labor market in the Philippines due to relatively rigid labor laws (after 6 months of employment it is practically impossible to retrench someone, which leads to the fact that many employers retrench workers before the completion of their 6 months of contract); and, secondly, there is hardly any worker in the Philippines who can afford long term unemployment, given the fact that there is practically no unemployment benefit.

The Philippine labor market is to a large extent not formalized. Only 9.5 million people or 25% (7.5 million employees) out of 38 million workers are covered by social insurance (public and private sector). About 30% of the labor force in the formal sector in the Philippines works in establishments with less than 10 employees (the average establishment has 7 employees, see also Table 3 and Table 4). Including the informal sector, nearly 70% of workers are in establishments of less than 10 employees.

Table 3: Size of Establishments Formal Sector 2007

	Size of Establishments (employees)			Number of Establish- ments		Number of persons employed		Average Size
Micro	1	to	4	639.825	81,62%	1.154.630	22,26%	2
	5	to	9	80.259	10,24%	507.254	9,78%	6
Small	10	to	19	37.600	4,80%	483.651	9,32%	13
	20	to	49	15.240	1,94%	452.223	8,72%	30
	50	to	99	5.358	0,68%	361.918	6,98%	68
Medium	100	to	199	2.919	0,37%	396.066	7,63%	136
Large	200	to	499	1.760	0,22%	537.072	10,35%	305
	500	to	999	543	0,07%	368.665	7,11%	679
	1.000	to	1.999	223	0,03%	310.801	5,99%	1.394
	2.000	and	over	142	0,02%	615.513	11,86%	4.335
Total				783.869	100,00%	5.187.793	100,00%	7

Source: National Statistics Office 2007

Table 4: Number of Establishments by Employment Size and Sector, 2007

	Total	Micro	Small	Medium	Large
Agriculture	5.765	4.190	2.303	160	152
Industry	121.832	107.288	12.116	1.241	1.187
Services	656.272	609.181	44.244	1.518	1.329
Total	783.869	720.659	58.663	2.919	2.668
%	100,0%	91,9%	7,5%	0,4%	0,3%

Source: National Statistics Office 2007

V. Employment Policies and legal frame of labor legislation

The constitution of the Philippines explicitly mentions the right of tenure. This is interpreted by the social partners and by the labor courts in a way that it is illegal to retrench or dismiss a worker. Together with the provisions of the labor code (see attachment, especially Article 279 and 282) this leads to the fact that it is difficult to retrench workers once they are regularly employed. Article 281, however allows a probationary period of 6 months, during which it is easier for employers to end work contracts.

The courts in general tend to support the position of the employees and the trade unions that there is security of tenure and that there are very limited reasons only for which an employer may retrench a worker.

On the other hand, active labor market policies to promote formal employment generation through private sector and human resource development (demand and supply side) still need to be further developed. The Government does extend support to some workers seeking employment through its network of PESO¹ offices and through TESDA.

Currently the labor market in the Philippines is split. Over 70% of workers have no written contract. Most of them do not have access to comprehensive social security, though some do have health insurance. There is a tendency for employers not to engage in formal contracts and commitments as, according to the labor law, once a worker has passed a probationary period of 6 months it is practically impossible to retrench him or her. Therefore, employers with less than 10 employees and sometimes even more tend not to formalize any employment relationship. For larger firms this is not possible. However, amongst these there is a growing trend towards “contractualization” with retrenchment of a growing numbers of employees after the 6 months contract period is over. There is a corresponding decline in the conclusion of collective bargaining agreements and trade union density. This does not seem economically sustainable in productivity terms, but from the point of view of employers is justified given the high costs of retrenchment. This explains why for example in many service sectors workers are not well trained because they only stay for 6 months. This situation leads to rather awkward outcomes as it is argued by some that well-meant legal protection may end up preventing workers from gaining access to social security en tandem with formalization of the labor market.

¹ See Public Employment Office Act of 1999.

VI. Existing social protection measures in relation to risk of unemployment

The current situation in the Philippines is that workers, who lose their jobs, mostly (except GSIS members) have no unemployment insurance. However, there is a variety of laws and benefits that give workers some kind of protection:

- Public employees can avail of a regular unemployment benefit from GSIS (50% of the average monthly compensation, maximum 6 months, see also GSIS Act in the attachment). This, however, is little known by employees and consequently hardly practiced. The condition is, however, that he or she at the time of separation is a permanent employee. To date, many public employees are on fixed term contracts, so they are not protected by this provision.
- Employers are obliged to pay for each year of contract one month of severance pay. This, however, is mostly practiced in the formal sector. Especially in the informal sector and in small enterprises (less than 10 employees), most employers tend to neglect this obligation.
- Formal sector employees can avail of a loan (80% of the savings) from Pag-Ibig Fund to bridge the period of unemployment. This, however, is only a substantial amount if workers have fulfilled a number of years of contract. In terms of optimal social policy outcomes, this is also limited.
- Formal sector employees can avail of a loan from SSS (maximum 24,000 Pesos). This facility is quite in demand though it can be questioned, whether taking loans against old age security is appropriate from a social protection point of view as it defeats the purpose of securing pension benefits. For unemployed they cannot avail of these loans in any case as only those employed can apply for them.
- All workers can avail of 3 months contribution-free health insurance (PhilHealth) coverage as long as they have paid their premiums.
- Unemployed workers can obtain assistance from PESO offices and from TESDA (job facilitation and training).

For the rest, most of the unemployed depend on family support if they have no savings or their own means. To lose a job in most cases also means a loss of regular income for the family.

VII. Prospects of introducing unemployment insurance taking into account the standpoints of government and social partners

A. Why unemployment insurance?

Social security provided through classical unemployment insurance (UI) arrangements was designed to provide income security, and to prevent poverty, during temporary unemployment resulting from

cyclical or structural economic downturns. In this role, it temporarily buys out labor from the production process, which—because of positive external effects on the average stock of human capital—lifts macroeconomic output to higher levels than without the buy-out.² In periods of temporary decline of general economic demand, UI temporarily “stores” idle labor outside the production process and, while providing it with transfer income, allows for maintaining and upgrading skills until the income-generation process picks up again and (enhanced) employability allows for reintegration of the unemployed at maintained or even higher productivity levels.³

In other words, UI simultaneously enhances productivity and stabilizes consumption; in these two functions UI effectively cushions the negative impacts of economic crises and helps to prepare for the next growth period.

The current economic crisis has highlighted the crucial role that UI can play within a set of successful policy measures to weather economic storms, now and in the future. This is the case in high- and middle-income countries where economic crises can have the devastating effects on individuals. At the same time there is increasing discourse on the alleged overburdening of societies with rising costs of welfare benefits. This so-called “luxury” implies a downgrading of UI, perhaps unwittingly, in regard to its indispensable role as a public good and paradoxically, can be attributed, at least in high-income countries, to UI’s successful and comprehensive prior implementation—often as a response to earlier crises.⁴ And as populations have perhaps increasingly taken the security provided for granted, there has been to some extent an undermining of its overall societal acceptance.

The reasons offered for this reluctance towards introducing UI are well known and are listed here briefly: UI (i) is a solution only for employees in formal labor markets; (ii) it requires control mechanisms in order to prevent moral hazards; (iii) it must be combined with a wider range of employment services and policies “under the same roof”; and (iv) it requires rules for its interactions with social assistance if the unemployed person turns out not to be (re-)employable.

B. Existing proposals in the Philippines

There have already been quite a number of bills filed in both Houses of Congress providing for varying versions of unemployment benefit schemes 5, for example:

² The reasoning is actually the logically consistent development of an argument made by Xavier Sala-i-Martin with respect to pension systems (Sala-i-Martin 1995).

³ See also Scholz, Wolfgang and Ellen Ehmke: Income support in times of global crisis: An assessment of the role of unemployment insurance and options for coverage extension in Asia, Working paper, 2009

⁴ In Asia, before the 1997–98 financial crisis, only a few countries had taken steps to gradually build up comprehensive national social security systems; respective activities intensified temporarily after the crisis but have not yet taken the cause very far; see also Scholz (1999).

⁵ See also position paper of the Employer’s Confederation of the Philippines (ECOP) on House Bills Nos. 2080, 4041, 4695 and 5634. March 20, 1997

House Bill No. 5928 introduced by Congressman Eduardo Nonato N. Joson is entitled: "AN ACT EXPANDING THE BENEFITS OF THE SOCIAL SECURITY SYSTEM SO AS TO PROVIDE FOR UNEMPLOYMENT OR UNVOLUNTARY SEPARATION BENEFITS THEREBY AMENDING FOR THIS PURPOSE; REPUBLIC ACT NO. 8282, AS AMENDED, OTHERWISE KNOWN AS THE SOCIAL SECURITY LAW". This proposal suggests a benefit level of 50% of the monthly compensation upon involuntary separation provided that during the last year at least 6 months contribution has been paid. The benefit duration depends on the amount of years contributions have been paid. The maximum is 6 months after 10 or more years of contributions paid. The benefits will be deducted from the separation benefits paid by the employer. The scheme will be administered by SSS.

House Bill No. 2028 introduced by Congressmen Martin B. Isidro, is entitled "AN ACT PROVIDING FOR TEMPORARY UNEMPLOYMENT BENEFITS TO WORKERS-MEMBERS OF THE SOCIAL SECURITY SYSTEM, AMENDING FOR THE PURPOSE REPUBLIC ACT NUMBERED ONE THOUSAND ONE HUNDRED AND SIXTY-ONE, OTHERWISE KNOWN AS THE SOCIAL SECURITY LAW, AS AMENDED, AND FOR OTHER PURPOSES". House Bill No. 2028 seeks to provide a covered employee who has been separated from work with a monthly unemployment benefit equivalent to 75% of his/her former salary for three months from the SSS subject to certain qualifications, which include certification from the Department of Labor and Employment that he/she has registered with a public employment office, is seeking employment, or retraining for new employment. The bill disqualifies a claimant from the receipt of the benefit on two sets of grounds:

if he/she refuses an offer of suitable employment, and what constitutes unsuitable employment is enumerated; or

if he/she lost his/her employment as a result of a labor dispute, his/her own will, misconduct or fraudulent attempt to obtain benefits, failure to apply or avail of reasonable opportunity of suitable employment, he/she is a resident abroad or engaged in overseas work.

House Bill No. 4081, introduced by Congressman Alberto S. Veloso, is entitled: "AN ACT PROVIDING FOR THE EQUIVALENT OF UNEMPLOYMENT INSURANCE TO EMPLOYEES AND WORKERS SEPARATED FROM THE SERVICE THROUGH NO FAULT OF THEIR OWN, ESTABLISHING THE UNEMPLOYMENT ASSISTANCE FUND, AND FOR OTHER PURPOSES". This bill provides for the payment of unemployment assistance to qualified employees for the amount of 1,000 pesos per month for a period of up to three months. Entitlement stops upon gainful employment. Fifty per cent of the total amount availed of shall be repaid with 8% interest per annum by the concerned employee within two years upon his gainful employment. The bill also provides for the procedures for availing of assistance, which are initiated by a certification by DOLE, through the appropriate PESO, that the employee has been separated from the service through no fault of his/her own. The bill likewise establishes the Unemployment Assistance Fund to be administered by the SSS for private sector employees and the GSIS for government employees with initial funding

from the SSS and the State Insurance Fund for private sector employees and the GSIS for the government employees.

House Bill No. 4965, introduced by Congressman Ramon J. Jabar is entitled: "AN ACT INSTITUTING INCOME SECURITY FOR WORKERS BY PROVIDING THEM UNEMPLOYMENT BENEFITS IN CASE OF INVOLUNTARY UNEMPLOYMENT CONTINGENCIES, AND FOR OTHER PURPOSES." The bill provides that any worker who has been a member of the SSS (or GSIS) for at least five years or who has contributed 60 monthly contributions prior to his/her involuntary unemployment shall be entitled to a monthly unemployment insurance benefit equivalent to his/her current basic monthly for a maximum period of 6 months or up to the month of his/her reemployment whichever comes first.

House Bill No. 5634, introduced by Congressman Temistocles S. Dejon, Sr. is entitled: "AN ACT PROVIDING FOR UNEMPLOYMENT ASSISTANCE TO CERTAIN EMPLOYEES SEPARATED FROM EMPLOYMENT OR SERVICE, ESTABLISHING THE UNEMPLOYMENT ASSISTANCE FUND, AND FOR OTHER PURPOSES". This bill provides for the payment of unemployment assistance to qualified employees for the amount of 1,000 pesos per month for a period of up to four months. Entitlement stops upon gainful employment. Fifty per cent of the total amount availed of shall be repaid with 5% interest per annum by the concerned employee within two years upon his gainful employment. The bill also provides for the procedures for availing of assistance, which are initiated by certification by DOLE, through the appropriate PESO, that the employee has been separated from the service through no fault of his/her own. The bill likewise establishes the Unemployment Assistance Fund to be administered by the SSS for private sector employees and the GSIS for government employees with initial funding from loans of 500m pesos each from the SSS and the State Insurance Fund for private sector employees and the GSIS for the government employees.

Both the Trade Union Congress of the Philippines (TUCP) and the Employers Confederation of the Philippines (ECOP) on various occasions have objected to the imposition of additional premium contributions both on the part of the employers and workers to fund any unemployment assistance scheme. The two organizations instead suggested that studies and efforts be made to tap other available sources for the purpose, especially of government funds.

C. Employers Position

In reaction to the existing bill proposals, an Ad Hoc Committee of the ECOP on Unemployment Insurance was constituted to consider the pending bills and to accommodate the concerns of the various sectors. An Ad Hoc Committee Report was submitted which provided for a non-contributory and limited unemployment assistance scheme. The same bill proposed by the Ad Hoc Committee contains a provision that the initial funding of 500 Million pesos each will come from both the SSS and the GSIS.

At this point, according to ECOP, the employers are still unconvinced of the timeliness of an unemployment insurance system in the Philippines especially since the Condonation Law has just been recently passed in congress. This law, in effect, removes penalties imposed on employers who were delinquent in the payment of their employees' SSS premium contributions, and gives them the chance to pay their unpaid contributions on an installment basis.

If the proposed scheme was to be non-contributory, then there would be fewer problems with the employers as their federation always has stated that they are not willing to agree to higher contributions.

On the other hand, employers could be willing to agree to a contribution to an unemployment insurance under two conditions:

- It would substitute the current obligation to pay severance pay upon separation
- The current strict labor law would be more flexible so that for employers it would be easier to dismiss employees (similar to the Danish model).

The employers recognize the advantages of unemployment insurance, also for employers themselves, but are concerned about additional labor costs that would be imposed in the form of an additional contribution.

D. Trade Union Position

The Trade Unions (TUCP, FFW (Federation of Free Workers), APL (Alliance of Progressive Labour) clearly see the need for an unemployment insurance to protect workers and see other Asian countries like Korea as an example. They see it as a need that is not linked to other measures such as flexibility of the labor market as has been done in Denmark or the Netherlands. These models according to their understanding are not applicable to the Philippines.

Like the employers, the trade unions are skeptical about an additional contribution. They prefer an unemployment insurance that is funded by the State though they are aware of the problem that this would de-link the benefits from the wages.

For the trade unions an additional contribution would be feasible if:

- The trade unions participate in the management of the fund
- If the UI also covers a provision for training
- If the benefit is wage related and the duration of the benefit is adequate
- Age or physical conditions may also determine the level and duration of benefit, say for instance the older one is the higher the benefits as it is more difficult to find jobs

- There should be incentives, if one does not exhaust the whole duration of benefits since he/she was able to find a job before the UI benefits expires
- There should be also a provision for a relocation allowance in case a worker has to move.
- Separation pay should not be treated as part of unemployment insurance. The law should ensure that whatever policy is adopted in the future, it should not result in a reduction of existing benefits.
- Benefits should be granted whatever the reason of dismissal is.

For the trade unions the start-up costs of an unemployment insurance scheme should be borne by the Government. The administration should be given to SSS, GSIS or Pag Ibig in combination with TESDA and PESO offices. In this case, the PESO offices would need to be upgraded.

In any case, the trade unions see the proposal as a part of a process of negotiation, at the end of which a viable scheme for the unemployed could emerge.

E. Government Position

Different Government agencies have different positions concerning UI.

DOLE is supporting the approach. DOLE sees a need to start with SSS members but also to envisage coverage for the informal sector in the longer term and to take steps to formalize the informal economy.

NEDA is uncertain about the need for UI. The position is that people are sufficiently protected and that the need for such insurance has to be proven. In any case, there should not be just passive labor market policy but also an active labor market policy. Also, it would be better to first implement existing laws before creating new schemes. Finally, it has to be decided, who would administer such a scheme.

Various Government agencies see no need to include public workers in the scheme as they have security of tenure and are already protected by GSIS. This, however, is only the case for permanent employees. It will be very difficult to add a contribution to an unemployment insurance scheme to the financial obligations of the public sector. This also applies to a general benefit funded by the public sector for non-public workers instead of contributory unemployment insurance.

The existing welfare schemes like the 4P-scheme (conditional cash transfers) do not address the unemployed but the poor, which is not the same.

The Philippines Overseas Employment Authority (POEA) and the Overseas Workers Welfare Authority (OWWA) see the advantage of unemployment insurance for Overseas Filipino Workers (OFWs). But they also see problems of feasibility, especially concerning compulsory contributions. In any case, benefits would only make sense upon return from abroad.

In general, the government position is skeptical; especially if public funds are involved and if public sector workers are included.

F. Others

The position of SSS is that they would not be willing to administer unemployment insurance because they are fear that with any rapid and continuous increase in unemployment their pension funds will be depleted.

GSIS sees the existing provisions for public workers as sufficient though they admit that contractual and fixed term workers are not covered.

The position of the National Anti-Poverty Commission (NAPC) is that informal sector workers should be included in any attempt to introduce unemployment benefits.

The position of the Philippines Association of Service Exporters i.e. recruitment agencies (PASEI) is that it will be very difficult to include OFWs in a regulation on unemployment insurance. But the intention is supported.

VIII. ILO Conventions

Two ILO Conventions directly relate to UI:

- the Social Security (Minimum Standards) Convention, 1952 (No. 102) [C102] and
- the Employment Promotion and Protection against Unemployment Convention, 1988 (No. 168) [C168] (ILO 1952, 1988).

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

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

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

- general state responsibility for proper scheme administration and the due provision of benefits;

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

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

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

The Conventions can be used as a guideline, reliable model, and benchmark for the further development of UI in Asia and specifically in the Philippines.

IX. Employment protection (tenure)

To protect employment is a key in a market economy. Most people depend on employment in order to secure their income. This is why employers and trade unions have a special responsibility to achieve to the extent possible a guarantee of tenure. Employers can ensure that employment opportunities are

created through growing their enterprises and that these are in line with legal obligations, such as basing the employment relationship on a contract and including social security coverage. Trade unions and workers need to accept that to a certain extent employers follow the law of the market and are not always able to maintain a universal guarantee of tenure. In any case, the social partners need to work together as closely as possible to make universal tenure feasible. The role of the state is to provide the enabling environment for private sector development on the one hand and social protection for workers on the other. Concerning termination of employment, guidance may be found in ILO Convention 158 on termination of employment (see attachment).

X. Design Framework

A. Unemployment Insurance

The following design features try to capture the positions and the realities in the Philippines. They are of course subject to discussion. They have been designed in line with ILO convention 102.

It is proposed to introduce UI in the Philippines with the following characteristics:

The **contingency covered** would include suspension of earnings due to inability to obtain suitable employment in the case of a protected person who is capable of, and available for, work. (Article 20, Part IV ILO Convention 102)

Membership: UI would start with all formal sector employees (SSS and GSIS members a total of 8 million employees). GSIS would include the group of permanent and fixed-term employees. It is a subject of discussion whether permanent public employees should be excluded from the UI. As a first step, membership could be compulsory for all employees in establishments with 10 and more staff (like in Vietnam for example). The reason is technical feasibility and costs of contribution collection. After 5 years, the smaller enterprises should be included as by then it would be expected that certain progress in formalization would have been made. It would then be in line with Article 21, Convention 102. The proposed coverage of all employees, permanent and fixed-term, of enterprises of 10 workers and more would meet the requirements of C.102 (50% of all employees), as approximately 68% of employees would be covered. The foreseen extension to smaller enterprises after 5 years from the start of the operations would be in line with the coverage requirement of C.168 (85% of all employees).

Financing: It would be paid through contributions (initially 2%, to be adapted according to the development of the costs and income) shared by employer and employee. There will be no Government funds needed except for a start-up loan, which would be paid back in the first years. However, the State can subsidize certain training measures.

Benefits: Registered unemployed, who have fulfilled the qualifying criteria, receive a benefit of 50% (maybe 60%) of their personal Average Monthly Salary Credit (AMSC) of the last 12 months. This

would in practice mean a **replacement rate** of 50% (60%) up to a ceiling of 15,000 pesos, which is the maximum AMSC. Replacement rates for higher salaries would be lower (for example for 20,000 pesos 37,5%). There would be a **waiting period** of 7 days (in line with Convention 102) counting from the moment of registration prior to the start of the benefit payment. **Duration of the payment** of the benefit would be one month per year of contribution payment to a maximum of 10 months. The minimum duration of the benefit under C.102 would be 13 weeks within a period of 12 months and under C.168, a minimum duration of 26 weeks within a period of 12 months, subject to a qualifying period necessary so as to preclude abuse. The proposal foresees one month of benefit per year of contribution, which would appear to meet these conditions and would be in line with C.102.

In the case of **repeated unemployment**, the benefit would be granted until the maximum period based on the period of previous contribution payment is exhausted. Previous periods of unemployment benefit would be deducted from the maximum entitlement. **Qualifying criteria** are: 1. being registered with a PESO office as unemployed and seeking employment, 2. having paid the contributions. In the case of **evasion** (meaning if the employer has failed to pay the contributions) the unemployed person, nevertheless, would receive the benefit and the UI would recover the costs including a fine from the employer. The benefit would always be paid if a worker is retrenched, for whatever reason. Workers would also be entitled to training in order to improve their chances to find employment. The training measures would be financed from the contribution income.

Administration: The UI would be administered by the PESO offices (registration, training and job referral), TESDA (training) and SSS/GSIS (contribution collection and benefit payment). See also Figure 3. The UI would be a completely separate fund, governed by employers and employees. It would accumulate a reserve in the first years of its existence (due to the fact that there would be full contribution payments but no or very little benefits paid out). This reserve would be used to finance the costs of setting it up and would also cushion fluctuations in unemployment benefit payments.

The UI would be located in a separate office under SSS. The contributions would be collected and the benefits paid through the SSS offices. There would, however, be special staff in the SSS offices handling the Unemployment benefits. No special staff would be needed for the contribution collection. This could be part of the SSS routine. Physically, the headquarters of the UI would be located in the SSS buildings. However, the UI would have separate accounts and would pay a share of the administrative budget of SSS.

Box 1: Institutional Background

SSS is the largest social insurance body in the country with a total of 28 million registered members and 21 million contribution payers. It manages mainly pensions. It has offices all over the country and avails of an infrastructure of contribution collection and benefit administration.

GSIS is a large body covering the public sector workers (in total over 1.3 million). It manages mainly pensions.

There are 1,664 PESO offices in the country, all under LGU (**Local Government Unit**) responsibility. They provide assistance to employers and workers to find work(ers). They work according to a standard manual of operations.

The work of the PESO offices consists of registering job seekers and job offers and matching both. For this purpose, they also organize job fairs. They refer job seekers for training to TESDA

Most of the applicants have college level and are 18-30 years old. Beyond 30 it is reported that it is difficult to find work for applicants.

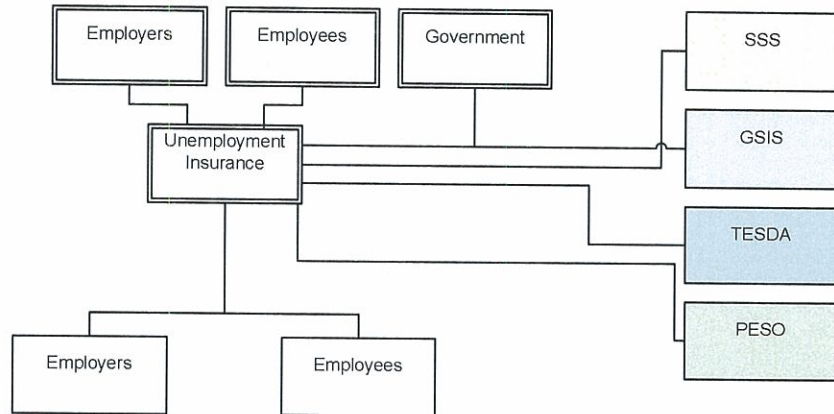
The administrative capacity of the PESO offices varies. Some are well equipped and capable to deliver an acceptable standard of service. Others are still under development and thus less functional. Those who are computerized use standard software.

About 70% of the PESO offices, especially in the larger communities, are computerized. Currently, there are 64,000 jobless workers registered with the PESO offices, which is less than 3% of the actual unemployed, which shows that the services of the PESO are either not regarded as a solution, are not known enough or not accepted.

TESDA is one of 3 educational institutions specialized in technical and vocational training. There are 6 TESDA offices in Metro Manila and 79 in the Provinces. TESDA partly provides training in its own facilities (55 schools in 45 provinces), partly through contractors. The training in its own facilities is free of cost. Training in private facilities has to be paid for by the trainees, but TESDA offers scholarships. It is not necessary to be unemployed to avail of the services. There are 215 training programs, 80% offered by private providers and 20% by the Government. The Budget of TESDA is 5.6 billion pesos per year. 100,000 trainings are provided annually, which means that the average cost of a training programme is 5,600 pesos. The costs range between 4,000 and 22,000 pesos. Statistically 48% of the attendees of the training courses obtain a job after they finish.

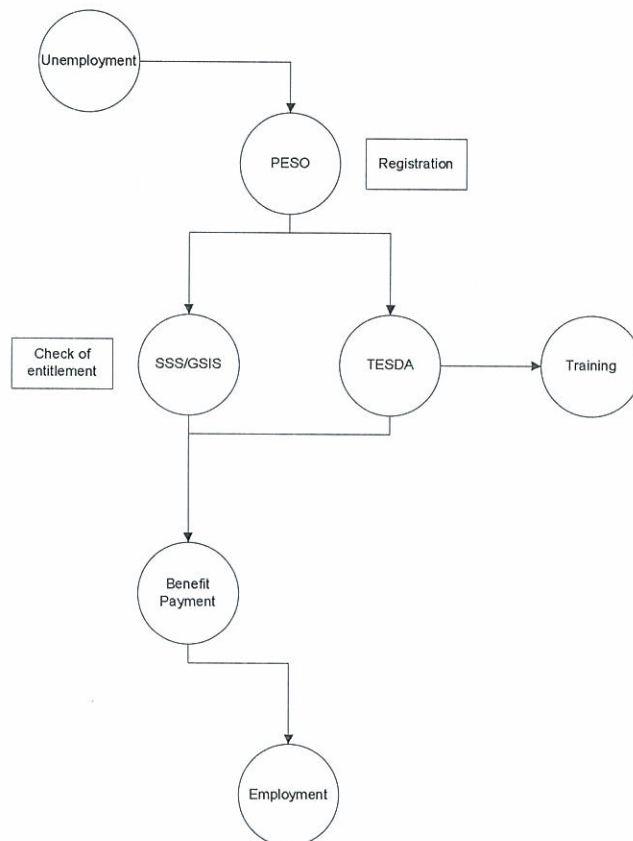
The proposed administrative steps are shown in Figure 4. The first contact of the unemployed with the UI would be the PESO office, where he/she would be registered and then would be referred to TESDA for possible training (active labor market policy component) and to SSS (GSIS) for benefit application. In SSS (GSIS) the entitlement would be checked and the benefit would be assessed and paid. Payment could be done through an ATM cash card or through a bank slip. Benefit payment would have to be confirmed monthly and would have to be checked with SSS and GSIS records concerning re-employment in order to avoid fraud. As long as informal sector employment is common in the Philippines, it will be difficult to control for parallel benefits and informal sector wages. This is why it would be in the interest of all contribution payers to make progress in the formalization of the labor market.

Figure 3: Organigram of the Unemployment Insurance



The four organizations on the right side of the chart would have respective responsibilities in the UI. SSS and GSIS would manage the benefits and the contribution collection. TESDA would be in charge of the training measures and PESO would be in charge of the registration of the unemployed and employment facilitation.

Figure 4: Administrative Flowchart



The Social Security Act and the Public Employment Service Act would have to be amended in line with the new responsibilities of SSS and PESO. The GSIS ACT would not have to be amended

substantially except for an additional contribution and additional coverage. The administration may have to be amended if there were more cases of fixed-term employees availing of UI.

OFWs: An open question is how the OFWs could be included in an unemployment scheme. Theoretically, this would be possible for the close to 1 million workers officially registered with POEA. For those, an additional compulsory flat rate contribution could be charges to employers, which then could lead to a flat rate monthly benefit of 3-6 months. This option, however, faces major problems concerning the contribution collection. And a voluntary solution payable by the employees is hardly feasible due to the significant risk of fraud.

B. Labor Law

The introduction of a contributory unemployment insurance scheme may only work in practice if it is done in tandem with labor law reform that allows for some easing of provisions regarding dismissal. This means that employers would have an obligation to offer jobs with social security but that they could also retrench workers under some specific restrictive conditions, for example when the economic situation of an enterprise calls for adjustment of labor.

In practice this could mean that there would be no need to justify retrenchment in such a rigid manner as today. On the other hand, every employee would benefit from all social security and legal protection from the first day of employment onwards. There would be no more distinction between contracts of 6 months duration and above.

Employers would be able to retrench workers only with prior notice, the period of which should depend on the duration of employment. The employer and the employee could agree to convert the notice period into a severance pay.

Employers who do not register their employees for social security should be fined. Unpaid contributions should be recovered. If employers do not pay the contributions, employees, nevertheless, would be entitled to benefits and the costs would be recovered from the employer plus administrative costs and interest.

This in the end might lead to a greater formalization of the labor market because:

1. Employers would have less costs and obligations to fear if they formalize employment
2. Employers would have more penalties to fear if they do not legalize employment
3. It would abolish distortions in competition among employers, because there would be no cost advantage to employers that do not legalize employees. Thus, even on the employer's side there would be pressure to legalize employees in order to avoid unjustified cost advantages.

If this scenario were to materialize, this would also lead to more income for social security institutions themselves including SSS and PhilHealth.

One argument against such measures is the constitutional right to security of tenure. But this might be a subject of interpretation. Security of tenure can also mean social security of income. In a market economy it does not necessarily mean that people have a right to keep their employment at all costs, especially in a context where most Filipinos are working in the informal sector as small self-employed persons without any security at all or in unstable employment situations. Any steps to improve this situation would be an important advance.

ILO Convention No. 158 lays down that the employment of a worker shall not be terminated unless there is a valid reason for such termination connected with the capacity or conduct of the worker or based on the operational requirements of the undertaking, establishment or service.

The Convention further lists a number of reasons which, among others, do not constitute valid reasons for termination:

- (a) union membership or participation in union activities outside working hours or, with the consent of the employer, within working hours;
- (b) seeking office as, or acting or having acted in the capacity of, a workers' representative;
- (c) the filing of a complaint or the participation in proceedings against an employer involving alleged violation of laws or regulations or recourse to competent administrative authorities;
- (d) race, colour, sex, marital status, family responsibilities, pregnancy, religion, political opinion, national extraction or social origin;
- (e) absence from work during maternity leave.

XI. Quantitative Framework

The following tables show the result of quantitative simulations (sensitivity tests) that have been made with different parameters. The basis for the simulations is shown in Table 6. As UI in the first stage would only cover the formal sector, the total number equals the number of members of SSS and GSIS. The Average Monthly Salary Credit is the basis for the assessment of the contributions and the benefits as well. It was around 9,000 pesos in 2008. The minimum wage currently lies between 210 and 382 pesos per day, which adds up to a monthly wage of between 4,200 and 7,600 pesos. But given the fact that few employers stick to the minimum wage, the wages paid in many sectors of the economy, especially for low skilled labor, are below the minimum wage. The average monthly wage according to BLES in 2008 was 12,525 pesos.

Table 5: Household Income Distribution

	2000	2003
Number of families (Th)	15.270	16.480
By income class (%)	100,00	100,00
Under P10,000	0,23	0,18
10,000 - 19,999	2,15	1,66
20,000 - 29,999	5,48	4,16
30,000 - 39,999	7,67	6,87
40,000 - 49,999	9,09	7,80
50,000 - 59,999	7,83	7,63
60,000 - 79,999	12,99	13,38
80,000 - 99,999	9,80	10,51
100,000 - 149,999	15,92	17,23
150,000 - 249,999	15,60	16,41
250,000 - 499,999	10,01	10,86
500,000 and over	3,22	3,31

The administration costs were calculated at 15% given the fact that this type of scheme is quite work intensive and also because the administrative costs would incorporate costs for training. The evasion rate of 10% to 35% reflects the fact that not all contributions would be collected. It can be seen from Table 7 that evasion (defined as employers failing to deduct contributions for registered workers) may have a significant effect on the contributions taking into account that beneficiaries will get a benefit even if employers do not comply with their obligation to pay contributions. If this is shouldered by employers, there will be no effect of evasion on the contribution level and unpaid contributions lead to no extra costs of benefits.

Table 6: Parameters of Simulation

Members covered:	Total	7.965.000,00			
	SSS	6.600.000,00			
	GSIS	1.365.000,00			
AMSC		9.000,00			
Benefit levels:	From	50%	to	60%	
Benefit Duration:	from	5 months	to	8 months	
Unemployment Rate	from	6,50%	to	9%	
Share of Recipients	from	50%	to	100%	
Administration costs		15%	of total costs		
Evasion		10%	to	35%	

Table 7: Contribution rates under different levels of evasion and duration of benefits

Contribution Rates					
% Evasion	Average Duration of Benefit (Months)				
		5,00	6,00	7,00	8,00
	10%	1,80%	2,16%	2,52%	2,88%
	15%	1,90%	2,28%	2,66%	3,04%
	20%	2,02%	2,43%	2,83%	3,23%
	25%	2,16%	2,59%	3,02%	3,45%
	30%	2,31%	2,77%	3,23%	3,70%
	35%	2,49%	2,99%	3,48%	3,98%

Table 8 shows the contribution rates based on an unemployment rate of 7.5% and a benefit level of 50% of AMSC, for different average duration of benefit and take-up rates. This means that if on the average all beneficiaries received unemployment benefits for example for 5 months and if 70% of the unemployed received benefits (take-up rate of 70%), the contribution rate lies at 1.40%. The other parameters of this model calculation are: administration costs 15%, evasion 10%.

Table 8: Contribution rates under different take-up rates and benefit duration; assumed monthly benefit level 50% of AMSC

Contribution Rates					
Take-Up Rate	Average Duration of Benefit (Months)				
		5,00	6,00	7,00	8,00
	50%	1,00%	1,20%	1,40%	1,60%
	60%	1,20%	1,44%	1,68%	1,92%
	70%	1,40%	1,68%	1,96%	2,24%
	80%	1,60%	1,92%	2,24%	2,56%
	90%	1,80%	2,16%	2,52%	2,88%
	100%	2,00%	2,40%	2,80%	3,19%

Table 9 shows the simulation with the same parameters but with a benefit level of 60% of the AMSC. It can be seen that the contribution rates are relatively higher.

Table 9: Contribution rates under different take-up rates and benefit duration; assumed monthly benefit level 60% of AMSC

Contribution Rates					
Take-Up Rate	Average Duration of Benefit (Months)				
		5,00	6,00	7,00	8,00
	50%	1,20%	1,44%	1,68%	1,92%
	60%	1,44%	1,73%	2,01%	2,30%
	70%	1,68%	2,01%	2,35%	2,68%
	80%	1,92%	2,30%	2,68%	3,07%
	90%	2,16%	2,59%	3,02%	3,45%
	100%	2,40%	2,88%	3,35%	3,83%

Table 10 shows the simulation for different rates of unemployment. The parameters are: 90% of unemployed receive benefits (take-up rate of 90%), benefit level is 50%. The other parameters are as in the simulations above.

Table 10: Contribution Rates Different Levels of Unemployment (Benefit Level 50%)

Contribution Rates					
Unemployment Rate	Average Duration of Benefit (Months)				
	5,00	6,00	7,00	8,00	
	6,5%	1,76%	2,11%	2,46%	2,82%
	7,0%	1,90%	2,28%	2,65%	3,03%
	7,5%	2,03%	2,44%	2,84%	3,25%
	8,0%	2,17%	2,60%	3,03%	3,47%
	8,5%	2,30%	2,76%	3,22%	3,68%
	9,0%	2,44%	2,93%	3,41%	3,90%

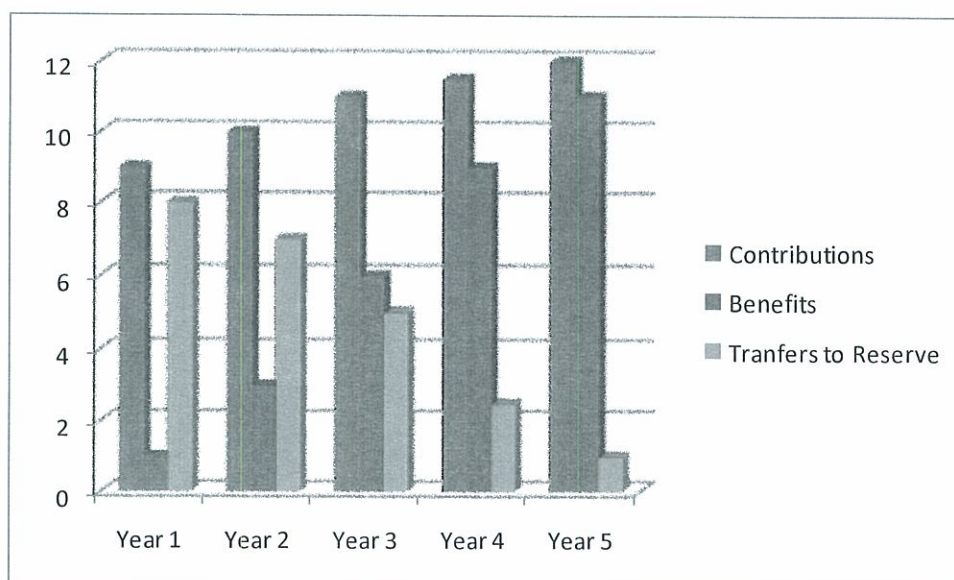
In general it can be said that the contribution rate for the proposed scheme with a reasonable level of benefits and an unemployment rate between 7% and 8% will lie around 2%. The level varies with the average duration of unemployment, the level of unemployment and of course the benefit parameters.

All the simulations can be seen in detail in the attachment.

Two questions were often raised in the course of the consultation:

1. What would happen if the unemployment rate is fluctuating?
2. How would the costs of setting up the scheme be financed?

Figure 5: Development of the Actuarial Reserve



The answer for both questions can be seen in Figure 5. Given the fact that some time will pass until the first members will be able to avail of benefits (it needs some years to build up a reasonable entitlement), in the beginning the scheme will collect much more contributions than needed to cover

the costs of the benefits. If the contribution rate is calculated on the basis of full benefit payments, the scheme will be able to accumulate a substantial reserve. In this simulation, the reserve accumulated in 5 years time would be around 20 billion pesos. This would be by far enough to cover the costs of setting the scheme up and to cushion fluctuations of the unemployment rate. Maybe in the beginning the scheme would need a loan to bridge the period until the first contributions can be collected. In Figure 5 the first column shows the contribution collection, the second column the benefit payments and the third column the residual transfers to the reserve.

The impact of the unemployment insurance on labor costs would be modest (1 percentage point higher social security contributions for employers). The contribution for SSS currently is 7.07% for the employer and 3.33% for the employee. The contribution for PhilHealth is 2.5% for the employer and 1.25% for the employee. In addition to this, employers have to pay a 13th salary by the end of the year and both, employers and employees contribute 100 pesos monthly to the loan program of Pag Ibig. Thus, total social security costs are at around 10% for the employer plus about 8% for the 13th salary, which adds up to 18%. Compared to this the additional premium of 1% is very modest.

XII. Conclusion

ILO Conventions 102 and 168 provide a basis for the development of unemployment benefit schemes.

The proposal is based on these ILO conventions and aims to improve social protection and employment on the one hand and stem fraudulent practices and informal labor relations on the other hand. By making labor relations more market oriented and at the same time introducing more social protection in the case of unemployment, it is expected that employers would be able to end the practice of hiring many people for 6 months only. Fluctuation on the labor market would thus be reduced and employers would hire staff more easily if they do not fear the commitment in the same way as today.

The general situation in the Philippines today is not satisfactory: Relatively high unemployment, low compliance with social security law, unstable employment relations for many and a volatile labor market. There is room for improvement and the present proposal tries to make a suggestion in this direction. Further steps would include discussions about the parameters, which are all subject to debate on issues such as:

- Benefit levels
- Membership rules
- Enforcement possibilities
- Amendments to the Labor Law

There are certain facts that are not debatable, especially the foreseeable costs of proposed benefits. But simulations like the ones made outlined in this report can support discussions and help to find agreements.

In the end, there will be a progress only if the partners, namely employers, trade unions and government can agree on a common strategy.

XIII. Attachments

A. Vietnamese Unemployment Insurance

In addition to the current compulsory Social Insurance and Health Insurance, a new Unemployment Insurance (UI) Scheme was introduced under the Law No. 71 and was applicable from 1 January 2009.

Both employer and employee contribute the same rate of 1% based on whichever is lower – the contractual salary/allowances or the statutory cap which is set at 20 times the minimum salary.

The UI scheme intends to assist employees in the market economy. Aside from supplying financial assistance to unemployed laborers, the major role of unemployment insurance is to help them quickly find new, stable and suitable jobs through accompanied activities, including vocational training, consultation and job introduction. In addition, individuals who are on the unemployment allowance are still entitled to the Health Insurance Regime.

Employers' responsibility to pay a severance allowance in accordance with the current Labor Code of Vietnam for employees' working period under UI contribution was waived. Accordingly, for those employees, who terminate their employment contract with employers, they are entitled to benefits from the UI scheme for their UI contribution period and employers are required to pay a severance allowance for their working period without UI contribution. Furthermore, the salary/allowances used to calculate a severance payment paid by employers is the average salary/allowances of the six consecutive months prior to the employment termination⁶.

Under these guidelines, enterprises with 10 employees or more are required to provide unemployment insurance for Vietnamese employees who have signed indefinite-term labor contracts or definite-term contracts of from 12 to 36 months.

Within 30 working days of signing a labor contract, an employer must submit documents for contributions to unemployment insurance. Monthly, the employer shall contribute 1 per cent of the total salary fund. Employees shall contribute 1 per cent of their salary which shall be withheld by the employer and paid on the employee's behalf to the social insurance fund.

An employee who is terminated shall be entitled to enjoy unemployment insurance when he or she fully satisfies three conditions: having paid unemployment insurance for at least 12 months during the 24 months prior to becoming unemployed; having registered their unemployment status with the labor

⁶ See KPMG Tax and Corporate Services, December 2008.

authority; and unable to obtain employment for at least 15 days from the unemployment registration date.

The unemployment allowance will be equal to 60 per cent of the average monthly salary or remuneration during six consecutive months prior to unemployment. The period of enjoying unemployment allowance shall be: 3, 6, 9, or 12 months, if unemployment insurance premiums have been paid for between 12 – 36, 36 – 72, 72 – 144, or 144 months or more, respectively.

When an employee becomes unemployed, he/she must go to the district Department of Labor, Invalids and Social Affairs within seven days from the date of unemployment to register. An application dossier for enjoyment of insurance must be sent to this authority within 15 days from the date of registration. Within 20 days of the receipt of a proper dossier, the Chamber will examine and determine the level and the duration of enjoyment of insurance. The documents, if accepted, shall be dispatched to other relevant authorities for implementation.

Payment of the unemployment allowance will be terminated if the period of enjoying unemployment allowance has expired, or the employee has found a new job. After the termination, the previous duration of paid unemployment insurance shall not be counted for subsequent unemployment, if any.

Unemployed persons will also receive support in vocational training for a period of no more than six months according to the level of support stipulated by the law on vocational training. Furthermore, they shall be entitled to free consultancy services and medical insurance as employed persons. All related expenses shall be paid by the social insurance authority⁷.

B. GSIS Act of 1997

Rule VII: Unemployment Benefit

Section 7.1 Unemployment

Unemployment benefit is in the form of monthly cash payments equivalent to fifty percent (50%) of the average monthly compensation.

Section 7.2 Conditions for Entitlement to Unemployment Benefit.

A member shall be entitled to the unemployment benefits in the form of monthly cash payments if all the conditions below are met:

- (a) he/she was a permanent employee at time of separation;
- (b) his/her separation was involuntary due to the abolition of his/her office or position resulting from reorganization; and

⁷ See <http://vietnamnews.vnagency.com.vn/showarticle.php?num=01TAW110309>

- (c) He/she has been paying the contributions specified under Rule 3-1(a) for at least One (1) Year prior to separation.

A member who has rendered at least Fifteen (15) years service will be entitled to the Separation Benefits described in Rule VI, instead of the Unemployment benefit.

Section 7.3 Amount, Duration and Payment of Unemployment Benefit.

Unemployment benefits shall be paid in accordance with the following schedule:

Contributions Made	Benefit Duration
1 year but less than 3 years	2 months
3 or more years but less than 6 years	3 months
6 or more years but less than 9 years	4 months
9 or more years but less than 11 years	5 months
11 or more years but less than 15 years	6 months

Those entitled to more than two (2) months of Unemployment Benefits shall initially receive Two (2) monthly payments. A seven-day (7-day) waiting period shall be imposed on succeeding monthly payments to determine whether the separated member has found gainful employment either in the public or private sector.

All accumulated unemployment benefits paid to the employee during his/her entire membership with the GSIS shall be deducted from the separation benefits to which the member may be entitled to upon his voluntary resignation or separation.

C. Bill Proposal by Congressman E.N.Joson

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Manila

Fourteenth Congress
Second Regular Session

HOUSE BILL NO. 5928



Introduced by Honorable Eduardo Nonato N. Joson

EXPLANATORY NOTE


The Philippines is heavily affected by the prevailing global financial crisis with the closure of business enterprises due to reduced capital flows and shrinking exports caused by depressed consumption in the world economy. Mass lay-offs are happening left and right, here and abroad. 2,000 factory workers in Intel Philippines stand to lose their jobs this year. Also, not less than 10,000 workers are laid off since October last year and threatened to be laid off first quarter of this year in Samsung, Yazaki, F-Tech, Fujitsu, NEC, TDK, Matsushita, and more. Hardest hit are mostly non-unionised workers in the electronics and car manufacturing in export processing zones in CALABARZON where a conservative estimate of 40,000 workers are expected to lose their jobs by the first half of this year.

The State needs to address the plight of displaced workers in this time of economic crisis which shows no sign of easing up in the near future.

Social Security is a government program whereby economic assistance is provided to persons faced with disability or illness, work injury, maternity, old age, and even death. Various income maintenance programs are designed to improve the recipient's welfare through public services. In other countries, like the United States, Australia, United Kingdom and Germany, economic assistance is also extended to people who are confronted with income losses due to unemployment.

This bill seeks to amend RA 8282, other wise known as the Social Security Law, to expand the benefits under the social security system so as to provide for unemployment or involuntary separation benefits to its member contributors. The unemployment insurance provision is proposed to give temporary economic support to those who were separated from work due to reorganization or otherwise laid-off due to retrenchment or other similar business decision.

Hence, approval of this bill is earnestly sought.


EDUARDO NONATO, JOSON
Kinatawan
1st District, Nueva Ecija

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Manila

Fourteenth Congress
Second Regular Session

HOUSE BILL NO. **5928**

Introduced by Honorable Eduardo Nonato N. Josen

AN ACT EXPANDING THE BENEFITS OF THE SOCIAL SECURITY SYSTEM SO AS TO PROVIDE FOR UNEMPLOYMENT OR INVOLUNTARY SEPARATION BENEFITS THEREBY AMENDING FOR THIS PURPOSE, REPUBLIC ACT NO. 8282, AS AMENDED, OTHERWISE KNOWN AS THE SOCIAL SECURITY LAW

As amended by the Senate and House of Representatives in the Philippines in Congress assembled:

SECTION 1. There shall be added a new section after Section 12-B of Republic Act No. 8282, to be known as Section 12-C, to read as follows:

Section 12-C. Unemployment or Involuntary Separation Benefits. - Unemployment benefits in the form of monthly cash payments equivalent to fifty percent (50%) of the average monthly compensation shall be paid to a permanent or regular employee who is involuntarily separated from the service due to the abolition of his office or position usually resulting from reorganization or otherwise laid off from work due to retrenchment or other similar business decision: *Provided*, That he has been paying integrated contributions for at least six (6) months year prior to separation. Unemployment benefits shall be paid in accordance with the following schedules:

<u>Contributions Made</u>	<u>Benefit Duration</u>
<u>6 months but less than 2 years</u>	<u>2 months</u>
<u>2 or more years but less than 5 years</u>	<u>3 months</u>
<u>5 or more years but less than 8 years</u>	<u>4 months</u>
<u>8 or more years but less than 10 years</u>	<u>5 months</u>
<u>10 or more years but less than 14 years</u>	<u>6 months</u>

or The first payment shall be equivalent to two (2) monthly benefits. *Provided*, That a seven-day (7) waiting period shall be imposed on succeeding monthly payments.

b) All accumulated unemployment benefits paid to the employee during his entire membership with the SSS shall be deducted from voluntary separation benefits.

SECTION 2. *Implementing Rules and Regulations* – The Social Security System (SSS) shall promulgate the rules and regulations for the effective implementation of this Act within sixty (60) days from approval hereof.

SECTION 3. *Repealing Clause*. All laws, decrees, ordinances, administrative orders, rules and regulations, or any part thereof, which are inconsistent with this Act are hereby repealed or amended accordingly.

SECTION 4. *Separability Clause*. Should any provision of this Act be subsequently declared unconstitutional, the other provisions not so declared shall remain in full force and effect.

SECTION 5. *Effectivity*. This Act shall take effect fifteen (15) days after its publication in at least two (2) newspapers of general circulation in Filipino and English.

Approved,



D. List of Persons met

VP Nora Saldares	OIC, Corporate Planning Group, GSIS
Usec. Lualhati F. Pablo	DSWD
Labor Attache Alicia Santos	NRCO, Program Manager
Director Elmira C. Sto. Domingo	POEA
Welfare Officer Lynol Fulgencio	OWWA
Mr. Celso Millar	TESDA
Mr. Cielo Cabalatungan	BRW
Mr. Ian Ticar	BLE
Ms. Ronna Dimayuga	BLES
Mr. Jimi Arranchado	BLES
Ms. Aurora Daag	NWPC
Ms. Aurora Quilandrino	ECC
Mr. Horacio T. Templo	SSS, Chief Actuary and EVP
Mr. Mario R. Sibucan	SSS, VP
Mr. Rizaldy T. Capulong	SSS, Deputy Chief Actuary and AVP
Ms. Judy A. See	SSS
Ms. Ester Abrazado	Chief Insurance Specialist, Insurance Commission
Director Luz Cantor	DBM
Ms. Belinda Pinoy	DBM
Atty. Vicente Leogardo, Jr.	ECOP
Mr. Danilo Edralin	Alliance for Progressive Labor
Mr. Antonio Asper	Federation of Free Workers
Mr. Julius Cainglet	Federation of Free Workers
Mr. Jesus Vimamor	Trade Union Congress of the Philippines
Ms. Susanita Tesiora,	National President, Informal Sector Coalition in the Philippines
Ms. Josephine Parilla	Representative, National Anti-Poverty Commission (NAPC)
Mr. Roserel Virtudazo	NAPC
Mr. Carlo Abella	OIC, PESO Quezo City
Jerry Galvez	PESO Staff
Cong. Eduardo Josen	Representative, 1 st District, Nueva Ecija
Atty. Bighani Sipin-Adarlo	Chief-of-Staff
Atty. Digna P. Magpantay	Department Manager III, Pag-IBIG
Mr. Victor Fernandez	President, PASEI
Ms. Cleofe Pastrana	Assistant Director, NEDA
Ms. Maritess Lagarto	NEDA
Ms. Jeanette Taja	NEDA
Ms. Ivy Libunao	NEDA
Ms. Girlie Casimiro	NEDA

E. Labor Code of the Philippines

Title I: TERMINATION OF EMPLOYMENT

ARTICLE 278. Coverage. -The provisions of this Title shall apply to all establishments or undertakings, whether for profit or not.

ARTICLE 279. Security of Tenure. -In cases of regular employment, the employer shall not terminate the services of an employee except for a just cause or when authorized by this Title. An employee who is unjustly dismissed from work shall be entitled to reinstatement without loss of seniority rights and other privileges and to his full back wages, inclusive of allowances, and to his other benefits or their monetary equivalent computed from the time his compensation was withheld from him up to the time of his actual reinstatement.

ARTICLE 280. Regular and Casual Employment. -The provisions of written agreement to the contrary notwithstanding and regardless of the oral agreement of the parties, an employment shall be deemed to be regular where the employee has been engaged to perform activities which are usually necessary or desirable in the usual business or trade of the employer, except where the employment has been fixed for a specific project or undertaking the completion or termination of which has been determined at the time of the engagement of the employee or where the work or services to be performed is seasonal in nature and the employment is for the duration of the season.

An employment shall be deemed to be casual if it is not covered by the preceding paragraph: Provided, That, any employee who has rendered at least one year of service, whether such service is continuous or broken, shall be considered a regular employee with respect to the activity in which he is employed and his employment shall continue while such activity exists.

ARTICLE 281. Probationary Employment. Probationary employment shall not exceed six (6) months from the date the employee started working, unless it is covered by an apprenticeship agreement stipulating a longer period. The services of an employee who has been engaged on a probationary basis may be terminated for a just cause or when he fails to qualify as a regular employee in accordance with reasonable standards made known by the employer to the employee at the time of his engagement. An employee who is allowed to work after a probationary period shall be considered a regular employee.

ARTICLE 282. Termination by Employer. -An employer may terminate an employment for any of the following causes:

- (a) Serious misconduct or willful disobedience by the employee of the lawful orders of his employer or representative in connection with his work;
- (b) Gross and habitual neglect by the employee of his duties;
- (c) Fraud or willful breach by the employee of the trust reposed in him by his employer or duly authorized representative;
- (d) Commission of a crime or offense by the employee against the person of his employer or any immediate member of his family or his duly authorized representative; and
- (e) Other causes analogous to the foregoing.

ARTICLE 283. Closure of Establishment and Reduction of Personnel. -The employer may also terminate the employment of any employee due to the installation of labor-saving devices (Truncated sentence? Otherwise unclear). redundancy, retrenchment to prevent losses or the closing or cessation of operation of the establishment or undertaking unless the closing is for the purpose of circumventing the provisions of this Title, by serving a written notice on the workers and the Department of Labor and Employment at least one (1) month before the intended date thereof. In case of termination due to the installation of labor-saving devices or redundancy, the worker affected thereby shall be entitled to a separation pay equivalent to at least his one (1) month pay or to at least one (1) month pay for every year of service, whichever is higher. In case of retrenchment to prevent losses and in cases of closures or cessation of operations of establishment or undertaking not due to serious business losses or financial reverses, the separation pay shall be equivalent to one (1) month pay or at least one-half (1/2) month pay for every year of service, whichever is higher. A fraction of at least six (6) months shall be considered as one (1) whole year.

ARTICLE 284. Disease as Ground for Termination. An employer may terminate the services of an employee who has been found to be suffering from any disease and whose continued employment is prohibited by law or is prejudicial to his health as well as to the health of his co employees: Provided, that he is paid separation pay equivalent to at least one (1) Month salary or to one-half (1/2) month salary for every year of service, whichever is greater, a fraction of at least six (6) months being considered as one (1) whole year.

ARTICLE 285. Termination by Employee. -(a) An employee may terminate without just cause the employee-employer relationship by serving a written notice on the employer at least one (1) month in advance. The employer upon whom no such notice was served may hold the employee liable for damages.

(b) An employee may put an end to the relationship without serving any notice on the employer for any of the following just causes:

1. Serious insult by the employer or his representative on the honor and person of the employee;
2. Inhuman and unbearable treatment accorded the employee by the employer or his representative;
3. Commission of a crime or offense by the employer or his representative against the person of the employee or any of the immediate members of his family; and
4. Other causes analogous to any of the foregoing.

ARTICLE 286. When Employment not deemed Terminated. The bona fide suspension of the operation of a business or undertaking for a period not exceeding six (6) months, or the fulfillment by the employee of a military or civic duty shall not terminate employment. In all such cases, the employer shall reinstate the employee to his former position without loss of seniority rights if he indicates his desire to resume his work not later than one (1) Month from the resumption of operations of his employer or from his relief from the military or civic duty.

F. Termination of Employment Convention 158

The main ILO standards dealing with employment protection are the Termination of Employment Convention, 1982 (No. 158) and its accompanying Termination of Employment Recommendation, 1963 (No. 166). Convention No. 158 applies in principle to all branches of economic activity and to all employed persons (with possible exclusions, as listed in Article 2). The main provisions of Convention No. 158 are as follows:

Convention No. 158 lays down that the employment of a worker shall not be terminated unless there is a valid reason for such termination connected with the capacity or conduct of the worker or based on the operational requirements of the undertaking, establishment or service.

The Convention further lists a number of reasons which, among others, do not constitute valid reasons for termination:

- (a) union membership or participation in union activities outside working hours or, with the consent of the employer, within working hours;
- (b) seeking office as, or acting or having acted in the capacity of, a workers' representative;
- (c) the filing of a complaint or the participation in proceedings against an employer involving alleged violation of laws or regulations or recourse to competent administrative authorities;
- (d) race, colour, sex, marital status, family responsibilities, pregnancy, religion, political opinion, national extraction or social origin;
- (e) absence from work during maternity leave.

Furthermore, it may be noted that temporary absence from work because of illness or injury shall not constitute a valid reason for termination, and

The Convention also lays down provisions regarding

the right of workers to defend themselves in case of termination of employment for reasons related to the worker's conduct or performance;

the right of appeal against any termination of employment to an impartial body, such as a court, labour tribunal, arbitration committee or arbitrator

the right of a worker whose employment is to be terminated to a reasonable period of notice or compensation in lieu thereof, unless he is guilty of serious misconduct, that is, misconduct of such a nature that it would be unreasonable to require the employer to continue his employment during the notice period

the right, upon fulfilling the qualifying conditions, to:

a severance allowance or other separation benefits, the amount of which shall be based inter alia on length of service and the level of wages, and paid directly by the employer or by a fund constituted by employers' contributions; or

benefits from unemployment insurance or assistance or other forms of social security, such as old-age or invalidity benefits, under the normal conditions to which such benefits are subject; or

a combination of such allowance and benefits.

Finally, the Conventions also contains provisions for the consultation of workers' representatives by the employer when it contemplates terminations for reasons of an economic, technological, structural or similar nature.

G. ILO Convention 102

PART IV. UNEMPLOYMENT BENEFIT

Article 19

Each Member for which this Part of this Convention is in force shall secure to the persons protected the provision of unemployment benefit in accordance with the following Articles of this Part.

Article 20

The contingency covered shall include suspension of earnings, as defined by national laws or regulations, due to inability to obtain suitable employment in the case of a person protected who is capable of, and available for, work.

Article 21

The persons protected shall comprise--

(a) prescribed classes of employees, constituting not less than 50 per cent. of all employees; or

(b) all residents whose means during the contingency do not exceed limits prescribed in such a manner as to comply with the requirements of Article 67; or

(c) where a declaration made in virtue of Article 3 is in force, prescribed classes of employees, constituting not less than 50 per cent. of all employees in industrial workplaces employing 20 persons or more.

Article 22

1. Where classes of employees are protected, the benefit shall be a periodical payment calculated in such manner as to comply either with the requirements of Article 65 or with the requirements of Article 66.

2. Where all residents whose means during the contingency do not exceed prescribed limits are protected, the benefit shall be a periodical payment calculated in such a manner as to comply with the requirements of Article 67.

Article 23

The benefit specified in Article 22 shall, in a contingency covered, be secured at least to a person protected who has completed such qualifying period as may be considered necessary to preclude abuse.

Article 24

1. The benefit specified in Article 22 shall be granted throughout the contingency, except that its duration may be limited--

(a) where classes of employees are protected, to 13 weeks within a period of 12 months, or

(b) where all residents whose means during the contingency do not exceed prescribed limits are protected, to 26 weeks within a period of 12 months.

2. Where national laws or regulations provide that the duration of the benefit shall vary with the length of the contribution period and/or the benefit previously received within a prescribed period, the provisions of subparagraph (a) of paragraph 1 shall be deemed to be fulfilled if the average duration of benefit is at least 13 weeks within a period of 12 months.

3. The benefit need not be paid for a waiting period of the first seven days in each case of suspension of earnings, counting days of unemployment before and after temporary employment lasting not more than a prescribed period as part of the same case of suspension of earnings.

4. In the case of seasonal workers the duration of the benefit and the waiting period may be adapted to their conditions of employment.

II. Simulations

a. with Benefit Level 50%

2008 Data	Scenario1	Scenario 2	scenario 3	scenario 4	scenario 5	scenario 6
Unemployment rate	7,50%	7,50%	7,50%	7,50%	7,50%	7,50%
Employed Paying Social Security Members	7.965.000,00	7.965.000,00	7.965.000,00	7.965.000,00	7.965.000,00	7.965.000,00
SSS	6.600.000,00	6.600.000,00	6.600.000,00	6.600.000,00	6.600.000,00	6.600.000,00
GSIS	1.365.000,00	1.365.000,00	1.365.000,00	1.365.000,00	1.365.000,00	1.365.000,00
Total Unemployed	597.375,00	597.375,00	597.375,00	597.375,00	597.375,00	597.375,00
% benefit recipients	50%	60%	70%	80%	90%	100%
Total recipients	298.687,50	358.425,00	418.162,50	477.900,00	537.637,50	597.375,00
AMSC	9.000,00	9.000,00	9.000,00	9.000,00	9.000,00	9.000,00
Total Assessment base (AB)	860.220.000.000,00	860.220.000.000,00	860.220.000.000,00	860.220.000.000,00	860.220.000.000,00	860.220.000.000,00
Evasion %	10%	10%	10%	10%	10%	10%
Effective Assessment Base	774.198.000.000,00	774.198.000.000,00	774.198.000.000,00	774.198.000.000,00	774.198.000.000,00	774.198.000.000,00
Benefit level (% of AB)	50%	50%	50%	50%	50%	50%
% Administration costs	15%	15%	15%	15%	15%	15%
average per capita benefit	4.500,00	4.500,00	4.500,00	4.500,00	4.500,00	4.500,00
duration of benefit (av)	5,00	5,00	5,00	5,00	5,00	5,00
Total per capita benefit	22.500,00	22.500,00	22.500,00	22.500,00	22.500,00	22.500,00
Total costs	6.720.468.750,00	8.064.562.500,00	9.408.656.250,00	10.752.750.000,00	12.096.843.750,00	13.440.937.500,00
Administration costs	1.008.070.312,50	1.209.684.375,00	1.411.298.437,50	1.612.912.500,00	1.814.526.562,50	2.016.140.625,00
Total costs	7.728.539.062,50	9.274.246.875,00	10.819.954.687,50	12.365.662.500,00	13.911.370.312,50	15.457.078.125,00
Contribution rate	1,00%	1,20%	1,40%	1,60%	1,80%	2,00%
duration of benefit (av)	6,00	6,00	6,00	6,00	6,00	6,00
Total per capita benefit	27.000,00	27.000,00	27.000,00	27.000,00	27.000,00	27.000,00
Total costs	9.274.246.875,00	11.129.096.250,00	12.983.945.625,00	14.838.795.000,00	16.693.644.375,00	18.548.493.750,00
Contribution rate	1,20%	1,44%	1,68%	1,92%	2,16%	2,40%
duration of benefit (av)	7,00	7,00	7,00	7,00	7,00	7,00
Total per capita benefit	31.500,00	31.500,00	31.500,00	31.500,00	31.500,00	31.500,00
Total costs	10.819.954.687,50	12.983.945.625,00	15.147.936.562,50	17.311.927.500,00	19.475.918.437,50	21.639.909.375,00
Contribution rate	1,40%	1,68%	1,96%	2,24%	2,52%	2,80%
duration of benefit (av)	8,00	8,00	8,00	8,00	8,00	8,00
Total per capita benefit	36.000,00	36.000,00	36.000,00	36.000,00	36.000,00	36.000,00
Total costs	12.365.662.500,00	14.838.795.000,00	17.311.927.500,00	19.785.060.000,00	22.258.192.500,00	24.731.325.000,00
Contribution rate	1,60%	1,92%	2,24%	2,56%	2,88%	3,19%

b. Simulation with Benefit Level 60%

2008 Data	Scenario1	Scenario 2	scenario 3	scenario 4	scenario 5	scenario 6
Unemployment rate	7,50%	7,50%	7,50%	7,50%	7,50%	7,50%
Employed Paying Social Security Members	7.965.000,00	7.965.000,00	7.965.000,00	7.965.000,00	7.965.000,00	7.965.000,00
SSS	6.600.000,00	6.600.000,00	6.600.000,00	6.600.000,00	6.600.000,00	6.600.000,00
GSIS	1.365.000,00	1.365.000,00	1.365.000,00	1.365.000,00	1.365.000,00	1.365.000,00
Total Unemployed	597.375,00	597.375,00	597.375,00	597.375,00	597.375,00	597.375,00
% benefit recipients	50%	60%	70%	80%	90%	100%
Total recipients	298.687,50	358.425,00	418.162,50	477.900,00	537.637,50	597.375,00
AMSC	9.000,00	9.000,00	9.000,00	9.000,00	9.000,00	9.000,00
Total Assessment base (AB)	860.220.000.000,00	860.220.000.000,00	860.220.000.000,00	860.220.000.000,00	860.220.000.000,00	860.220.000.000,00
Evasion %	10%	10%	10%	10%	10%	10%
Effective Assessment Base	774.198.000.000,00	774.198.000.000,00	774.198.000.000,00	774.198.000.000,00	774.198.000.000,00	774.198.000.000,00
Benefit level (% of AB)	60%	60%	60%	60%	60%	60%
% Administration costs	15%	15%	15%	15%	15%	15%
average per capita benefit	5.400,00	5.400,00	5.400,00	5.400,00	5.400,00	5.400,00
duration of benefit (av)	5,00	5,00	5,00	5,00	5,00	5,00
Total per capita benefit	27.000,00	27.000,00	27.000,00	27.000,00	27.000,00	27.000,00
Total costs	8.064.562.500,00	9.677.475.000,00	11.290.387.500,00	12.903.300.000,00	14.516.212.500,00	16.129.125.000,00
Administration costs	1.209.684.375,00	1.451.621.250,00	1.693.558.125,00	1.935.495.000,00	2.177.431.875,00	2.419.368.750,00
Total costs	9.274.246.875,00	11.129.096.250,00	12.983.945.625,00	14.838.795.000,00	16.693.644.375,00	18.548.493.750,00
Contribution rate	1,20%	1,44%	1,68%	1,92%	2,16%	2,40%
duration of benefit (av)	6,00	6,00	6,00	6,00	6,00	6,00
Total per capita benefit	32.400,00	32.400,00	32.400,00	32.400,00	32.400,00	32.400,00
Total costs	11.129.096.250,00	13.354.915.500,00	15.580.734.750,00	17.806.554.000,00	20.032.373.250,00	22.258.192.500,00
Contribution rate	1,44%	1,73%	2,01%	2,30%	2,59%	2,88%
duration of benefit (av)	7,00	7,00	7,00	7,00	7,00	7,00
Total per capita benefit	37.800,00	37.800,00	37.800,00	37.800,00	37.800,00	37.800,00
Total costs	12.983.945.625,00	15.580.734.750,00	18.177.523.875,00	20.774.313.000,00	23.371.102.125,00	25.967.891.250,00
Contribution rate	1,68%	2,01%	2,35%	2,68%	3,02%	3,35%
duration of benefit (av)	8,00	8,00	8,00	8,00	8,00	8,00
Total per capita benefit	43.200,00	43.200,00	43.200,00	43.200,00	43.200,00	43.200,00
Total costs	14.838.795.000,00	17.806.554.000,00	20.774.313.000,00	23.742.072.000,00	26.709.831.000,00	29.677.590.000,00
Contribution rate	1,92%	2,30%	2,68%	3,07%	3,45%	3,83%

c. Simulations with Different Unemployment Rates, Benefit Level 50%

2008 Data	Scenario1	Scenario 2	scenario 3	scenario 4	scenario 5	scenario 6
Unemployment rate	6,50%	7,00%	7,50%	8,00%	8,50%	9,00%
Employed Paying Social Security Members	7.965.000,00	7.965.000,00	7.965.000,00	7.965.000,00	7.965.000,00	7.965.000,00
SSS	6.600.000,00	6.600.000,00	6.600.000,00	6.600.000,00	6.600.000,00	6.600.000,00
GSIS	1.365.000,00	1.365.000,00	1.365.000,00	1.365.000,00	1.365.000,00	1.365.000,00
Total Unemployed	517.725,00	557.550,00	597.375,00	637.200,00	677.025,00	716.850,00
% benefit recipients	90%	90%	90%	90%	90%	90%
Total recipients	465.952,50	501.795,00	537.637,50	573.480,00	609.322,50	645.165,00
AMSC	9.000,00	9.000,00	9.000,00	9.000,00	9.000,00	9.000,00
Total Assessment base (AB)	860.220.000,00	860.220.000,00	860.220.000,00	860.220.000,00	860.220.000,00	860.220.000,00
Evasion %	10%	10%	10%	10%	10%	10%
Effective Assessment Base	774.198.000,00	774.198.000,00	774.198.000,00	774.198.000,00	774.198.000,00	774.198.000,00
Benefit level (% of AB)	50%	50%	50%	50%	50%	50%
% Administration costs	30%	30%	30%	30%	30%	30%
average per capita benefit	4.500,00	4.500,00	4.500,00	4.500,00	4.500,00	4.500,00
duration of benefit (av)	5,00	5,00	5,00	5,00	5,00	5,00
Total per capita benefit	22.500,00	22.500,00	22.500,00	22.500,00	22.500,00	22.500,00
Total costs	10.483.931.250,00	11.290.387.500,00	12.096.843.750,00	12.903.300.000,00	13.709.756.250,00	14.516.212.500,00
Administration costs	3.145.179.375,00	3.387.116.250,00	3.629.053.125,00	3.870.990.000,00	4.112.926.875,00	4.354.863.750,00
Total costs	13.629.110.625,00	14.677.503.750,00	15.725.896.875,00	16.774.290.000,00	17.822.683.125,00	18.871.076.250,00
Contribution rate	1,76%	1,90%	2,03%	2,17%	2,30%	2,44%
duration of benefit (av)	6,00	6,00	6,00	6,00	6,00	6,00
Total per capita benefit	27.000,00	27.000,00	27.000,00	27.000,00	27.000,00	27.000,00
Total costs	16.354.932.750,00	17.613.004.500,00	18.871.076.250,00	20.129.148.000,00	21.387.219.750,00	22.645.291.500,00
Contribution rate	2,11%	2,28%	2,44%	2,60%	2,76%	2,93%
duration of benefit (av)	7,00	7,00	7,00	7,00	7,00	7,00
Total per capita benefit	31.500,00	31.500,00	31.500,00	31.500,00	31.500,00	31.500,00
Total costs	19.080.754.875,00	20.548.505.250,00	22.016.255.625,00	23.484.006.000,00	24.951.756.375,00	26.419.506.750,00
Contribution rate	2,46%	2,65%	2,84%	3,03%	3,22%	3,41%
duration of benefit (av)	8,00	8,00	8,00	8,00	8,00	8,00
Total per capita benefit	36.000,00	36.000,00	36.000,00	36.000,00	36.000,00	36.000,00
Total costs	21.806.577.000,00	23.484.006.000,00	25.161.435.000,00	26.838.864.000,00	28.516.293.000,00	30.193.722.000,00
Contribution rate	2,82%	3,03%	3,25%	3,47%	3,68%	3,90%

d. Simulation with Different Levels of Evasion (Employers failing to deduct Contributions).

2008 Data	Scenario1	Scenario 2	scenario 3	scenario 4	scenario 5	scenario 6
Unemployment rate	7,50%	7,50%	7,50%	7,50%	7,50%	7,50%
Employed Paying Social Security Members	7.965.000,00	7.965.000,00	7.965.000,00	7.965.000,00	7.965.000,00	7.965.000,00
SSS	6.600.000,00	6.600.000,00	6.600.000,00	6.600.000,00	6.600.000,00	6.600.000,00
GSIS	1.365.000,00	1.365.000,00	1.365.000,00	1.365.000,00	1.365.000,00	1.365.000,00
Total Unemployed	597.375,00	597.375,00	597.375,00	597.375,00	597.375,00	597.375,00
% benefit recipients	90%	90%	90%	90%	90%	90%
Total recipients	537.637,50	537.637,50	537.637,50	537.637,50	537.637,50	537.637,50
AMSC	9.000,00	9.000,00	9.000,00	9.000,00	9.000,00	9.000,00
Total Assessment base (AB)	860.220.000.000,00	860.220.000.000,00	860.220.000.000,00	860.220.000.000,00	860.220.000.000,00	860.220.000.000,00
Evasion %	10%	15%	20%	25%	30%	35%
Effective Assessment Base	774.198.000.000,00	731.187.000.000,00	688.176.000.000,00	645.165.000.000,00	602.154.000.000,00	559.143.000.000,00
Benefit level (% of AB)	50%	50%	50%	50%	50%	50%
% Administration costs	15%	15%	15%	15%	15%	15%
average per capita benefit	4.500,00	4.500,00	4.500,00	4.500,00	4.500,00	4.500,00
duration of benefit (av)	5,00	5,00	5,00	5,00	5,00	5,00
Total per capita benefit	22.500,00	22.500,00	22.500,00	22.500,00	22.500,00	22.500,00
Total costs	12.096.843.750,00	12.096.843.750,00	12.096.843.750,00	12.096.843.750,00	12.096.843.750,00	12.096.843.750,00
Administration costs	1.814.526.562,50	1.814.526.562,50	1.814.526.562,50	1.814.526.562,50	1.814.526.562,50	1.814.526.562,50
Total costs	13.911.370.312,50	13.911.370.312,50	13.911.370.312,50	13.911.370.312,50	13.911.370.312,50	13.911.370.312,50
Contribution rate	1,80%	1,90%	2,02%	2,16%	2,31%	2,49%
duration of benefit (av)	6,00	6,00	6,00	6,00	6,00	6,00
Total per capita benefit	27.000,00	27.000,00	27.000,00	27.000,00	27.000,00	27.000,00
Total costs	16.693.644.375,00	16.693.644.375,00	16.693.644.375,00	16.693.644.375,00	16.693.644.375,00	16.693.644.375,00
Contribution rate	2,16%	2,28%	2,43%	2,59%	2,77%	2,99%
duration of benefit (av)	7,00	7,00	7,00	7,00	7,00	7,00
Total per capita benefit	31.500,00	31.500,00	31.500,00	31.500,00	31.500,00	31.500,00
Total costs	19.475.918.437,50	19.475.918.437,50	19.475.918.437,50	19.475.918.437,50	19.475.918.437,50	19.475.918.437,50
Contribution rate	2,52%	2,66%	2,83%	3,02%	3,23%	3,48%
duration of benefit (av)	8,00	8,00	8,00	8,00	8,00	8,00
Total per capita benefit	36.000,00	36.000,00	36.000,00	36.000,00	36.000,00	36.000,00
Total costs	22.258.192.500,00	22.258.192.500,00	22.258.192.500,00	22.258.192.500,00	22.258.192.500,00	22.258.192.500,00
Contribution rate	2,88%	3,04%	3,23%	3,45%	3,70%	3,98%

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