UNEMPLOYMENT INSURANCE SCHEMES
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INTRODUCTION

Social security measures for the prevention of want have come to occupy an important place in the social legislation of modern times. Measures of this type are now used to mitigate the effects of numerous risks that imperil the livelihood of workers. The Social Security (Minimum Standards) Convention, 1952, adopted by the International Labour Conference at its 35th Session, includes the following contingencies as appropriate objects of social security action: sickness, maternity, employment injury, old age, invalidity and death.\(^1\) Along with these the Convention lists unemployment as one of the major risks with which modern social security legislation should deal. This action is in keeping with the practice already followed in a number of countries.

Social security programmes directed against the risk of unemployment have been functioning in some countries for many years. However, the use of social security methods in providing protection against unemployment has undergone a slower development than in the case of other risks, and the process has not yet gone as far. Unemployment has usually tended, in fact, to be among the last of the important social hazards to be dealt with through social security. There are various reasons why this is so, and some of these will become evident from the discussion in subsequent chapters.

In 1955 about one-fourth of the countries of the world had adopted legislation providing for some kind of social security scheme to deal with unemployment. As might be expected,

\(^1\) See I.L.O.: *Official Bulletin*, Vol. XXXV, No. 2, 15 Aug. 1952, pp. 45-71. It may further be mentioned that the problem of unemployment had previously been dealt with on several occasions by the International Labour Conference, which had adopted the following instruments: the Unemployment Convention and Recommendation, 1919; the Unemployment Indemnity (Shipwreck) Convention, 1920; the Unemployment Insurance (Seamen) Recommendation, 1920; the Unemployment (Agriculture) Recommendation, 1921; the Unemployment Provision Convention and Recommendation, 1934; the Unemployment (Young Persons) Recommendation, 1935; and the Income Security Recommendation, 1944.
substantial differences could be observed among the several schemes as regards their adequacy and comprehensiveness. The remaining nations of the world, in contrast, had not yet introduced any social security measures affording their workers protection against the consequences of unemployment.

One of the chief purposes, if not the principal objective, of the present study is to make available information of use to countries that wish to introduce social security against unemployment for the first time; it is also intended, of course, to be of help to other countries wishing to modify and improve their existing schemes. If it succeeds in contributing even in a small measure to these ends, it will have been worth while.

Before going into the details of the subject, however, and in order to define clearly the scope of the present work, it may be advisable to examine briefly why workers so urgently require protection against the risk of unemployment and to describe in a few words the different types of unemployment. It will also be useful to consider at the outset what is the appropriate place of unemployment insurance, in relation to preventive measures and to allied systems of assistance, in any programme designed to combat the effects of unemployment.

* * *

The human consequences of unemployment are perhaps self-evident, and yet they can scarcely be over-emphasised. They can be catastrophic for the individual workers and families affected, even though at the time there may be relatively little unemployment throughout the country as a whole. Families that have been successful in accumulating some savings against a rainy day may draw on these for some time after the employment of their breadwinner ends. Statistics tend to indicate, however, that for the great mass of wage earners the margin between income and outgo is not steady and large enough for them to amass enough savings to protect themselves for any length of time against the contingency of unemployment. In the absence of social or public aid, therefore, the unemployed worker and his family face the alternatives of going increasingly into debt, becoming a charge on relatives or friends, or lowering their standard of living drastically.

For a worker and his dependants the immediate consequences
of a reduction in living standards occasioned by unemployment may be a decrease in the amount of food consumed, postponement of the purchase of numerous other necessary items, and perhaps less adequate housing. The longer-run consequences if unemployment persists may be impaired morale, deteriorating health, loss of skills, perhaps the break-up of the family, and in some cases immorality and crime. Hence, over a period of time it is not only the unemployed worker himself and his family who suffer by reason of the loss of income resulting from unemployment: the harmful effects may also extend to the community or society of which they are members.

No society that includes a substantial number of jobless persons can be a truly healthy society. On the economic side the idle manpower involved represents a distinct waste of the productive resources of the country. Moreover, the loss of purchasing power suffered by the unemployed may seriously diminish the internal demand for the products of the country, and thereby generate further curtailment of production and employment. On the social side the decline in morale, the ill-health, and the general deterioration in living standards suffered by the families of the unemployed cannot fail to have an influence on those around them as well. If unemployment is sufficiently widespread, it may thus threaten the entire social fabric of a country.

It is outside the scope of this study to analyse the various phenomena that appear to be responsible for, or lead to, unemployment. These have been examined in some detail in an earlier publication of the International Labour Office.\(^1\)

It is germane to a discussion of the need for ameliorative measures, however, to consider the various forms that unemployment takes.

First, and perhaps foremost, there is what is usually referred to as mass or general unemployment. This may be said to exist in a country when, say, 5 per cent. or more of its labour force is without work. The seriousness of this type of unemployment from the standpoint of individual workers lies not only in its widespread incidence but particularly in the grave danger that they may remain out of work for a long time. Mass unemployment of this kind tends to result from a deficiency

\(^1\) *Action against Unemployment*, Studies and Reports, New Series, No. 20 (Geneva, I.L.O., 1950).*
or instability in the level of aggregate demand for goods on the part of domestic consumers, foreign buyers, investors, or the government.\footnote{Action against Unemployment, op. cit., Chapter IV.} There has been a tendency in the past for this type of unemployment to appear and become acute at somewhat cyclical intervals.

A second form of unemployment is that often described as frictional. It is generally an accompaniment either of technological changes in the structure of production, which cause workers in particular occupations to lose their jobs, or of somewhat sudden shifts in the demand for certain types of goods or services. It thus usually reflects a disequilibrium between the demand for and the supply of particular skills. This condition is usually a temporary one, so far as a particular industry is concerned, and the resulting unemployment is not normally of long duration. On the other hand, in a dynamic and expanding economy the process of change is continuous. Thus, there tends to be a certain amount of frictional unemployment at all times, though in different industries.

Thirdly, seasonal unemployment, as its name implies, tends to recur periodically in particular months of each year. In the same way, it also normally tends to disappear with the advance of the seasons. It is usually the result either of a seasonal pattern inherent in the production processes of certain industries, or of seasonal variation in the demand for certain goods. It is especially characteristic of agricultural production. Thus, unlike the two forms of unemployment already mentioned, it is usually most prevalent, or at least most troublesome, in countries that have not undergone much industrialisation.

The last form of unemployment, which tends to appear mainly in non-industrialised countries, is that known as underemployment. This often manifests itself in regions where the size of the population in relation to the supply of cultivable land is excessive and where the supply of capital is also limited. The majority of workers in countries suffering from underemployment may be gainfully occupied, but a substantial proportion of them are in effect able to find work only on a part-time basis. Their output and the return from their work is thus usually far lower, per head, than it would be if they
were able to work full-time. While there is sometimes an element of seasonality in such underemployment, it tends on the whole to be chronic.

A worker who has been deprived of his ordinary income through loss of his job naturally has the same need for a substitute source of income, irrespective of the economic classification into which his unemployment falls. But the potential duration of his jobless status is materially influenced by the economic nature of its origin. Likewise, the feasibility, cost and administrative practicability, as well as the form, of the social security protection that can be made available to workers depend, in the last analysis, on the fundamental nature of the unemployment from which they are suffering.

By and large there has been relatively little mass unemployment in the world during the past decade and a half. Or, at least, there has been none similar in scale to that which afflicted almost the whole world during the thirties. This favourable situation may be attributed in part to the direct and indirect effects upon economic activity of the Second World War and its aftermath. It has resulted in part, also, from policies adopted and measures deliberately taken by governments in recent years to foster full, or at least a high level of, employment. The falling-off in the volume of mass unemployment inevitably decreased the need for social security protection against unemployment during the period concerned.

It is to be hoped that the declared determination of many national governments to prevent mass unemployment will continue in the future, and that their efforts will be crowned with success. But this is not to say that the need for social security measures in the field of unemployment has largely disappeared.

In the first place, even if it were possible to do away with all mass unemployment in the future, there would still remain a considerable amount of frictional and seasonal unemployment. There is also the special problem of depressed areas in particular regions of a country, where unemployment may often be difficult to eradicate. Moreover, the problem of underemployment may be expected to persist for a long time in nations that have not yet undergone industrialisation. Finally, the policies and programmes so far developed to maintain high levels of employment are still somewhat experimental.
They have not as yet been fully tested or proved to be infallible. Unemployment insurance is therefore still necessary if for no other reason than as a reserve measure to deal with the consequences of mass unemployment, should it ever reappear in virulent form.

The provision of a substitute source of income to unemployed workers naturally should not, and indeed cannot, constitute the sole or even the principal weapon against the evils of unemployment. Unemployment insurance is in general only a palliative. It is true that the distribution of unemployment benefits during a depression can make a significant contribution to the maintenance of purchasing power and thus to checking a persistent decline in production and employment levels. Nevertheless, unemployment insurance can contribute relatively little to the basic cure of the ailment, that is to the reduction or abolition of unemployment. This must be clearly understood so that unemployment insurance or a similar programme will not be regarded, in and of itself, as a panacea for the problem of unemployment in any given country.

It is beyond the scope of this study to consider the various measures that countries might adopt as part of a comprehensive programme for dealing with unemployment. Suffice it to mention that such measures may include fiscal policies and programmes, capital and investment policies, the development and expansion of placement and training programmes, and migration and population policies.\(^1\) The provision of benefits in case of unemployment, which forms the basic preoccupation of the present study, is in a sense an activity that merely complements the broader aspects of a national unemployment programme. The best thing that society can do for an unemployed worker is to provide him with a remunerative job, not to pay him an unemployment benefit. Idleness can become demoralising even when a substitute source of income is available.

In this context it must also be pointed out that an unemployment benefit scheme can scarcely function in isolation. It must instead be operated in conjunction with other programmes aimed directly at reducing unemployment. Certain

\(^1\) See *Action against Unemployment*, op. cit.
technical aspects of this inter-relationship are dealt with in subsequent chapters. It need only be stated here that, from the standpoint of both its administration and its financing, an unemployment benefit scheme requires positive economic deterrents to mass unemployment as well as efficiently operating placement machinery if it is to work successfully.

The principal concern of an unemployment benefit scheme, in short, is the personal and human consequences of unemployment. It should not be thought of as primarily a preventive measure for dealing with the causes of unemployment or for reducing its volume. Despite these limitations on the range of its effectiveness, however, an unemployment benefit scheme is clearly a desirable element in the social programme of any country because of the way in which it can ease the burden of unemployed citizens of the country. It should be regarded, in fact, as an indispensable part of the social programme of all countries where it has a reasonable chance of being applied successfully.

It may be noted, however, that attempts have been made to design the internal structure of unemployment insurance in such a way that it will contribute, at least indirectly, to the reduction of unemployment. The United States, for example, has adopted provisions for varying the contribution rates of each individual employer under unemployment insurance in accordance with the unemployment experience of his ex-employees. The purpose of this is to provide employers with a direct financial incentive to stabilise and regularise employment in their own undertakings. The United Kingdom law authorises contribution rates to be increased or decreased from the regular statutory rates by regulation, if it appears expedient to do so, for the purpose of "maintaining a stable level of employment". Moreover, the requirement in most countries that unemployment benefits must be paid through the medium of employment exchanges considerably strengthens the position of the latter, and thereby enhances their effectiveness in dealing with unemployment.

It is also necessary to point out that other measures have been or are being used to provide maintenance to unemployed

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1 See Chapter VII.
persons, in addition to those forming the primary object of the present study. The present study is concerned principally with unemployment insurance. As a form of social insurance, unemployment insurance may usually be distinguished from other measures for aiding the unemployed by the following characteristics among others: its pooling of risk; the fact that at least a part of the funds needed for its financing is derived from employers or employees, or both; the clearly defined but also somewhat limited obligations that it assumes; the definiteness of the benefit rights it confers on prospective beneficiaries; the fact that it is not limited in principle to persons of small or no means; and its permanence. This study seeks to deal with all types of unemployment insurance having a statutory basis, whether or not they are compulsory.

Another type of programme for the unemployed found in some countries is what may be described as unemployment assistance. Under programmes of this type regular cash payments are made to the unemployed under conditions that often resemble in various respects those applicable in case of unemployment insurance. These assistance schemes also are usually permanent and confer certain rights on prospective recipients. On the other hand, they are usually financed exclusively by the State or its subdivisions, and payments under them, rather than being subject to a contribution test, are normally subject to some kind of income or means test.

Because of the similarities between unemployment assistance and unemployment insurance, and since they tend to perform somewhat the same general function, national schemes that are based exclusively on assistance are also dealt with in this study. Brief reference only is made to certain other unemployment assistance schemes found in countries that also have unemployment insurance schemes in operation. In these latter countries the basic function of the assistance scheme is to complement unemployment insurance by providing cash assistance to workers who have exhausted their rights to insurance benefits or who have failed to qualify for them.

Apart from the above-mentioned measures, a variety of forms of relief have been used at one time or another in different countries to provide the unemployed with a means of subsistence. These have included work relief, under which the government provides special jobs on public projects, at prevailing rates
of wages or otherwise, to unemployed workers; special cash relief for the unemployed; and general poor relief. These measures have often been instituted only on an emergency, temporary, improvised or ad hoc basis. Rights to receive the different types of relief have not usually been well defined, and the amounts payable have tended to be within the discretion of the administrative authorities.

Use of relief measures of this sort may become unavoidable during periods of widespread mass unemployment. For this reason, they would deserve special study in any comprehensive inquiry into unemployment policy as a whole. Since relief measures are not usually regarded as a form of social security in its narrower sense, however, and inasmuch as they involve principles considerably different from those underlying unemployment insurance, they are not dealt with in the present work.

Another method which is sometimes used to alleviate the effects of unemployment is the grant of a dismissal or leaving indemnity. This is a payment, most commonly in the form of a lump sum, that employers are required by the laws of some countries to make to a worker whose contract of employment has been terminated. A somewhat similar provision is occasionally found in pension or provident fund schemes, under which workers who become unemployed before reaching retirement age become entitled to an immediate payment. This is charged against their eventual retirement or other pension. Brief reference is made to such measures in Chapter I, but in general they are not dealt with in this study.
CHAPTER I

DEVELOPMENT OF UNEMPLOYMENT INSURANCE

Unemployment insurance like many other social institutions, has undergone a long evolution. Space does not permit detailed examination of this development, interesting as it has been. An attempt is made in the present chapter, however, to review the broad lines of growth. Though some of the problems and issues that arose in the past are now settled, or are no longer relevant, it is still possible to derive lessons from the earlier experience.

EXPERIENCE PRIOR TO ADOPTION OF NATIONAL SCHEMES

National governments did not enter the field of systematic provision for the unemployed until after the start of the present century. Prior to their intervention, however, various interesting developments occurred that are worth summarising briefly. To no small extent these first developments provided the origins of and served as a guide to much of the national legislation that followed.

The early history of unemployment insurance may conveniently be divided into three different phases. The first phase was marked by the absence of any public or employer participation, and continued until approximately the last decade of the nineteenth century. The second consisted in the appearance of employer benefit schemes during the first few decades of the twentieth century. The third was marked by the initiation of municipal subsidies for voluntary schemes, and extended from roughly the last decade of the nineteenth century to the second decade of the present century.

Voluntary Trade Union Schemes

The forerunners of modern programmes for insuring against unemployment appear to be the schemes developed by
the Swiss canton of St. Gall to adopt a plan in 1894 authorising its municipalities to create funds to which all workers earning less than a stated amount would be required to affiliate and contribute. The municipality of St. Gall founded such a fund in 1895, representing the first compulsory unemployment insurance scheme established by public authority. Workers enjoying regular employment were reluctant to take part even in this compulsory scheme, however, and it was discontinued in 1897.

Concurrently with the Swiss experiments with municipal unemployment funds, public authorities in certain other countries started to grant subsidies to private funds. The municipalities of Dijon and Limoges in France began this practice in 1896 and 1897, and the province of Liège in Belgium undertook payment of subsidies in 1899. The most notable scheme, however, was that established by the town of Ghent, Belgium, in 1901. Its plan came to be widely known as the "Ghent System" and was eventually copied in a number of places.

The Ghent System consisted basically in the provision of a municipal subsidy to private unemployment funds for the purpose of increasing the benefits paid to unemployed members of the fund. Subsidies were paid to the fund annually on the basis of the benefits they had awarded during the preceding year. Subsidies provided under the Ghent System went chiefly to trade union funds, which handled all aspects of the administration of benefits, including verification of the genuineness of unemployment.

The Ghent System met with immediate success and in the course of time provided many workers with insurance protection against unemployment. It may justifiably be regarded as the real originator of unemployment insurance in view of the interest it aroused among proponents of social reform in all countries and the stimulus it gave to the creation of similar plans elsewhere. The concept underlying the Ghent System spread with considerable rapidity and it was emulated, with some modifications, not only in other Belgian municipalities but also in France, Germany, Switzerland, Italy, the Netherlands, Norway, Denmark, Finland and Great Britain.¹

¹ See Joseph L. Cohen: *Insurance against Unemployment* (London, P. S. King and Son Ltd., 1921), Part II.
Provincial subsidies came gradually to be added in some countries to those provided by municipalities. Finally, starting with France in 1905, the Ghent System began in some countries to be applied on a national basis. Thus began the action of national governments to relieve the distress caused by unemployment.

**Significance of Early Experience**

It is useful to attempt a brief evaluation of the experience with voluntary unemployment benefit schemes prior to the rise of national legislation. This experience, among other things, may be of interest for countries which have not yet introduced unemployment insurance. The early voluntary schemes achieved a certain degree of success for a period of time and, taken together, managed to protect many thousands of workers against the risk of unemployment. They demonstrated that pooling this risk was greatly preferable to letting each individual worker try to save for a possible “rainy day”. A comparison of experience before and after the rise of the Ghent System also shows that the financing of unemployment insurance was too heavy a burden for the workers to bear alone, even when banded together, and that a social contribution of some sort was necessary, whether provided by the public authorities or by employers.

It was also found that voluntary insurance would work only if handled through trade unions or well-established mutual benefit societies. In this case, at least the full membership of the union or society could be required to participate in the insurance scheme. Thus, it would scarcely seem possible for much use to be made of voluntary unemployment insurance in countries which do not have a strong trade union movement or a strong tradition of mutual-benefit societies, failing which the difficulties of securing adequate participation in the scheme would be too great.

However, in spite of the highly developed trade union movement in Europe at the time, it never proved possible to attain anything approaching satisfactory coverage even under locally subsidised schemes. No country succeeded in covering even as many as half of its industrial workers. Most non-union workers, for whom the risk of unemployment was often the greatest, were left completely unprotected and the same
was true of many union members as well. From this it may perhaps be concluded that unemployment insurance, with its serious danger of adverse selection, can never be operated on a fully voluntary basis at all. Either recourse must be had to a compulsory scheme under which it is legally obligatory for all workers to be covered, or indirect pressures must be applied with somewhat the same effect.

Two other features of the early experience may be noted. Both concern the breadth of the base over which the risk of unemployment was spread. The financial difficulties encountered by municipally subsidised funds, and the gradually emerging need for provincial and later national subsidies, appear to indicate that the municipality was too small a political unit on which to base an unemployment insurance scheme. The production and market phenomena that produced unemployment were very often national in scope and accordingly the risk had finally to be spread over the whole nation.

In the second place, the membership of the trade union schemes as well as of the employer schemes usually consisted of employees in a single industry or trade. The incidence of unemployment, however, differs considerably from one industry to another. A slump in one industry may soon bankrupt a scheme confined to that industry alone, while schemes in other industries are unaffected. This is another reason why a much sounder base for unemployment insurance was obtained when the risk was finally spread over a number of industries. But it was hardly possible to do this through voluntary trade union or employer schemes.

National governments began to recognise early in the twentieth century that neither voluntary schemes nor smaller units of government could deal successfully by themselves with the problem of unemployment. They accordingly began gradually to adopt measures bringing the more powerful support of the entire nation to the problem. A brief survey of the rise of national unemployment insurance legislation, covering a span of 50 years, is presented below.
UNEMPLOYMENT INSURANCE SCHEMES

NATIONAL SCHEMES STARTED BEFORE 1920

Early Voluntary Schemes

The first national laws on unemployment insurance were adopted by France, Norway and Denmark during the first decade of the century. Each of these countries embodied the principle of national subsidisation of voluntary funds in its original laws. France and Denmark have not adopted compulsory unemployment insurance up to the present day.

France.

The first appropriation for state subsidies to private unemployment insurance funds was included in the French Finance Act of 22 April 1905. These funds were usually set up by trade unions or mutual-benefit societies. They were required to meet certain conditions laid down in the law and to derive a part of their moneys from their members' contributions. By 1915 about 135 trade union unemployment insurance societies were being subsidised in France.

In addition, the French Government established an unemployment assistance scheme in 1914, through a credit known as the "national unemployment fund". This scheme called for the payment of allowances by state-subsidised public unemployment funds to unemployed workers meeting certain qualifications. Workers were not required to contribute to this scheme, the entire cost of which was to be borne by the State, départements and communes. The unemployment funds concerned were to be established and operated by communes or départements. The allowances payable to individual workers were subject to a means test.

The provisions of the original legislation have been amended many times in respect of their administrative and other aspects. The enactments concerning unemployment assistance and subsidies to unemployment insurance funds were consolidated in a decree of 6 May 1939.1 This remained in force until it was repealed and replaced by a new consolidation of wartime and post-war changes in Decree 51-319 of 12 March 1951 2, subsequently amended by Decrees 54-175 and 54-355 of 18 Febru-

1 I.L.O.: Legislative Series, 1939—Fr. 8.
2 Ibid., 1951—Fr. 3.
ary and 29 March 1954 respectively. The basic concepts underlying the original legislation are still retained in the provisions now in force, but the principal scheme now consists of the system of non-contributory allowances financed entirely by the public authorities and payable to unemployed workers whose income together with that of their household does not exceed specified levels. A state subsidy of 40 per cent. is still payable to unemployment insurance funds operated by trade unions, trade associations, mutual-benefit societies, and occupational and interoccupational associations. The number of such funds, however, dwindled from over 200 in 1938 to only one in 1951.

France ratified the Unemployment Provision Convention, 1934, on 21 February 1949. In 1951 the French Government stated in a report to the I.L.O. on the action taken in respect of the Unemployment Provision Recommendation, 1934, that it had not been considered advisable to establish compulsory unemployment insurance in France for economic reasons.

Norway.

Trade unions in Norway had already begun in the 1880s to set up unemployment benefit funds. In 1906 a law was adopted in which the national Government promised a subsidy equal to one-quarter of the benefits paid by voluntary funds. The subsidy was increased to one-third in 1908, and to one-half by the Act of 6 August 1915; the latter Act made two-thirds of the subsidy chargeable to communes and one-third to the national Government. The coverage of this voluntary system increased steadily until in 1920 there were 27 funds with 116,000 members. The depression years caused the disappearance of some of the funds, however, and in 1936 only 22 funds were operating with about 70,000 members.

Problems encountered in the application of the voluntary system during the depression, and the limited number of employees covered, eventually led to a decision to introduce compulsory insurance in Norway. This was done by the Unemployment Insurance Act of 24 June 1938. This Act continued the subsidy provisions of the earlier legislation but provided that benefits paid through voluntary insurance should only supplement rather than replace compulsory insurance benefits. The private

1 I.L.O. : Legislative Series, 1922—Nor. 2, and 1932—Nor. 2.
2 Ibid., 1938—Nor. 3, 1946—Nor. 3, 1947—Nor. 2, and 1949—Nor. 6.
funds were obliged to cease their activities during the occupation, however, and they were not revived after the war. The subsidy for such funds was finally abolished in 1946.

Some provisions of the 1938 Act were modified by decrees issued during the occupation period but were reinstated after the war. The Act was amended several times between 1946 and 1955, but the basic structure of the compulsory scheme created in 1938 has been retained. Thus Norway was not only the first but has been the only Scandinavian country to adopt compulsory unemployment insurance. On 29 September 1954 it ratified the Social Security (Minimum Standards) Convention, 1952, in respect of unemployment benefit.

Denmark.

The operation of voluntary unemployment insurance as well as sickness insurance schemes was a popular activity of trade unions in Denmark for many years. The Danish Government eventually decided to give financial support to the unemployment schemes and in 1907 adopted a law providing for regular subsidies to those meeting specified conditions. This law was patterned closely after an 1892 law providing for subsidisation and regulation of voluntary sick clubs. Existing unemployment clubs were converted into independent associations whose funds were segregated from those of the trade union. While membership in an unemployment club was nominally voluntary, the trade unions usually required all members to join the club organised for the particular trade. A higher proportion of workers in Denmark were members of trade unions at that time than in perhaps any other country of the world. The clubs were organised largely on a craft basis, with usually only one club throughout the country for each trade. Members were required to contribute to the clubs in addition to the subsidy provided by the State, their rate of contribution being determined by the expenditures of the club concerned.

While a number of amendments have been made to the original 1907 provisions, the broad outlines of the system of state-subsidised voluntary unemployment insurance it established have remained unchanged to the present day.\(^1\) Most

of the amendments have in fact been concerned with clarifying or extending the concepts which underlay the original legislation. The size of the state subsidy in relation to total costs has gradually been increased during its nearly 50-year history.

The Danish unemployment insurance system in some respects differs markedly from those now found in most other countries. From a historical standpoint this system is based on several traditions of long standing that are not found in combination in most other countries. These include a long experience on the part of Danish trade unions in providing voluntary unemployment insurance prior to enactment of the national law, use of a quite similar pattern of subsidised voluntary insurance in providing sickness benefits, and a highly developed trade union movement.

*British Compulsory Scheme*

The first national law instituting compulsory unemployment insurance was enacted by Great Britain in 1911. Before this Act about 700,000 trade union members had been covered by trade union benefit schemes. In 1909 a Royal Commission recommended the introduction of a system of labour exchanges and unemployment insurance to deal with the problem of unemployment. A labour exchange law was enacted during the same year, and the National Insurance Act, 1911, finally laid the statutory basis for a compulsory contributory scheme of unemployment insurance. This scheme was to be national in scope administered principally by the State.

The original Act of 1911 was in fact both experimental and limited in character. Insurance was made compulsory for only about two-and-a-quarter million manual employees in seven skilled trades that suffered from marked instability in employment. A tripartite system of contribution was provided, but employers could receive a refund of one-third of their contributions in respect of workers employed continuously by them for 12 months; the attempt through the latter provision to encourage employers to regularise their employment was later dropped. The Act also authorised payment of subsidies, equal to one-sixth of the benefits paid, to non-profit associations operating voluntary insurance schemes. This last provision produced in effect a mixture of compulsory and voluntary
insurance; but it disappeared by 1920 when the scope of compulsory coverage was extended.¹

Economic developments and the recommendations of several Royal Commissions caused the original scheme to be modified many times during the first four decades of its existence.² The changes have been concerned with numerous features of the scheme including its scope, qualifications for and rates of benefit, and contribution conditions. In 1916 one-and-a-half million munitions workers were covered. In 1920 all manual workers excepting domestic servants and agricultural employees and all non-manual workers earning £250 per year or less were brought in. A special scheme for agricultural employees was started in 1936, and in 1940 the wage ceiling for non-manual workers was raised to £420 per year.

The depression between the two world wars placed many financial and other strains on the scheme. The maximum duration of benefits had to be extended in 1921 and dependants’ allowances were introduced. The most fundamental changes were made, however, during the early 1930s. In 1931 responsibility for financing aid to the long-term unemployed was placed directly on the State itself and such aid was made subject to a means test. The Unemployment Act of 1934 specifically limited the responsibility of the insurance scheme to short-term unemployment,³ and created a separate unemployment assistance scheme for long-term unemployment. Payments under the latter were made subject to a household means test until 1941 and thereafter to a personal means test. In April 1936 the United Kingdom became the first country to ratify the Unemployment Provision Convention, 1934.

A sweeping revision and extension of British social security legislation was undertaken after the Second World War. In this process unemployment insurance was made an integral part of the new unified and comprehensive national insurance scheme established by the National Insurance Act, 1946.⁴ The previous measures of unemployment assistance were similarly absorbed into a new national assistance programme

set up by the National Assistance Act, 1948. These integrated measures are the ones in force today. On 27 April 1954 the United Kingdom ratified the Social Security (Minimum Standards) Convention, 1952, in respect of unemployment benefit.

*Other Voluntary Schemes*

Despite the British decision of 1911 to embark on compulsory insurance, the next three countries to introduce national participation in unemployment insurance limited their initial intervention to subsidising and regulating voluntary funds. The countries concerned, which enacted their first laws during the period 1916-19, were the Netherlands, Finland and Spain.

*Netherlands.*

About 30 communal unemployment funds were receiving municipal subsidies in the Netherlands at the start of the First World War. Nearly 300 trade unions were affiliated to these funds. An order of 2 December 1916 authorised the State to start subsidising insurance funds established by associations of workers. The subsidy was normally to match contributions paid by the members of each fund, with the national Government and communes each providing one-half of the subsidy. Most of the funds that became entitled to subsidies under this order were set up by trade unions and covered the entire country.

After the First World War a new system came into existence under which individual employers paid what were called "waiting allowances" to unemployed workers. Against these payments, which were made at the discretion of the employer, the national Government, starting in 1919, paid a subsidy that eventually rose to 50 per cent. The subsidies were granted only to employers having five or more employees and an unemployment rate of at least 15 per cent. Regulations issued on 29 December 1948 also established a temporary scheme of unemployment assistance, financed by the State, for workers who were not, or were no longer, eligible for waiting allowances.

An Act of 9 September 1949, which came into effect on 1 July 1952, finally established a compulsory system of unem-

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ployment insurance in the Netherlands. This law retains the previous system of waiting allowances on an industry basis but superimposes on it a compulsory unemployment insurance scheme proper. The latter applies both to workers who are not covered by waiting allowance plans and also to those who have received waiting allowances for the maximum duration permitted by such plans.

**Finland.**

An order of 2 November 1917 instituted a system of state subsidies to voluntarily organised unemployment insurance funds in Finland. The subsidies equalled one-half of the benefits paid to single members of a fund, and two-thirds of the sums paid to members with dependants. The remaining revenues of each fund were to be derived from members' contributions. A new Act was promulgated on 23 March 1934 which differed in some respects from the original law but did not modify its basic character. This Act, as later amended, remains in force today.

In actual practice only a few funds have ever been established under the Finnish scheme. In 1953 there were nine unemployment funds, all set up by trade unions. No municipal or local funds have been founded. It may be noted that the economy of Finland is considerably more agricultural than that of most European countries, and that much use is made of public works to assist unemployed Finnish workers.

**Spain.**

A decree of 19 March 1919 initiated a state subsidy in Spain for mutual-aid societies providing insurance against unemployment. These societies could be of various types including employers', workers' or joint organisations. Provisions governing the subsidy and those concerned with regulation of voluntary societies were amended by decrees issued in 1923, 1928 and 1931. An insurance fund to provide assistance to workers affected by technological unemployment was set up in the National Welfare Institution in 1954; undertakings pay a contribution of 0.35 per cent. of wages to this fund.

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2 Ibid., 1934—Fin. 3, 1936—Fin. 3, and 1948—Fin. 1.  
3 Ibid., 1923—Sp. 1, and 1931—Sp. 5.
Italian Compulsory Scheme

Italy became the second country in the world to adopt a system of compulsory unemployment insurance by virtue of a decree issued on 19 October 1919. There had previously been a few local unemployment funds in Italy but the voluntary movement had never spread very far. The 1919 legislation reorganised the system of employment exchanges, and at the same time made unemployment insurance compulsory for most manual workers under a state-administered scheme. The scheme established was modelled after the British scheme including a tripartite basis of contribution.

The provisions of the 1919 decree were subsequently replaced by a decree of 30 December 1923, and again by Decree No. 1827 of 4 October 1935. The latter decree, as amended in 1939 and again in 1949, is still in force. Various special steps were taken after the end of the Second World War to increase the rate of unemployment benefits, the value of which had shrunk considerably by reason of currency depreciation. Provision was made for unemployed workers to receive, in addition to ordinary benefits, a special flat daily allowance and also an additional cost-of-living allowance. Extraordinary daily allowances were also made payable to special categories of unemployed workers not entitled to receive ordinary unemployment benefits. These measures were codified in the Act of 29 April 1949. The same legislation extended unemployment insurance to agricultural workers and salaried employees.

Italy has been devoting much study in recent years to the problem of reforming its legislation dealing with unemployment. An intensive inquiry was undertaken by a parliamentary commission in 1952, the results of which were presented in a report completed in March 1953. The report recommends extension and simplification of the existing unemployment insurance scheme, increased benefit amounts, and a longer maximum duration of benefits. Italy ratified the Unemployment Provision Convention, 1934, in October 1952.

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1 I.L.O. : Legislative Series, 1920—It. 2.
Thus, by the end of the second decade of the century, the national governments of eight countries had enacted laws concerning unemployment insurance. Only two of these provided for compulsory insurance, the other six preferring to begin with subventions to voluntary unemployment insurance funds. In this connection it may be noted that the International Labour Conference at its First Session in 1919 adopted the Unemployment Recommendation, 1919, which urged all countries to establish "an effective system of unemployment insurance, either through a Government system or through a system of Government subventions to associations whose rules provide for the payment of benefits to their unemployed members ".

**National Schemes Started in the 1920s**

The widespread unemployment that appeared after the First World War prompted a number of additional national governments to take their first steps in the field of unemployment insurance. A few during the early 1920s enacted laws providing state subsidies to voluntary schemes, but a larger number embarked during the decade on compulsory insurance.

*Voluntary Insurance Schemes*

**Belgium.**

The development of trade union unemployment funds in Belgium and the rise there of municipally subsidised schemes of the Ghent type have been referred to above. The weaknesses of these, when confronted by heavy wartime and post-war unemployment, led the national Government to come to their assistance. Royal orders issued in December 1920 undertook to revive the bankrupt funds, regulated their operation and set up a national emergency fund for the purpose of providing a national subsidy to approved funds. The approved funds, which were nearly all trade union funds, were to be supervised by communal funds established by communal governments; the latter distributed the subsidies and were given a large degree of autonomy.

Few basic changes were made in this scheme until 1933, by which time the full impact of the depression of the early
thirties made itself felt. The high degree of decentralisation led in this crisis to virtual administrative chaos, and the need for more centralised control became apparent. This was achieved by an order of 31 May 1933, which gave the national Government much greater authority to lay down uniform coverage, contribution and benefit requirements for unemployment funds. The previous machinery of voluntary funds and communal subsidies was retained, but it was made subject to strong central supervision.

In the general reform of Belgian social security legislation after the Second World War, the previous system of subsidised voluntary insurance was replaced by a compulsory scheme under direct state control. This was effected by a Regent’s order of 26 May 1945 which set up a central fund for the maintenance of involuntarily unemployed persons. This order as subsequently amended now governs unemployment insurance in Belgium. There are no longer any voluntary unemployment funds as such, but recognised workers’ organisations may still serve as paying agents on behalf of and under supervision of the central state fund.

**Czechoslovakia.**

The Czechoslovak Government by an Act of 19 July 1921 undertook to provide subsidies to voluntary unemployment funds. This scheme came into effect, however, only on 1 April 1925. The subsidised funds were usually operated by trade unions, and the size of the subsidy was related to benefits paid to members. The state grant was increased substantially in 1930, because of difficulties that trade unions had experienced in coping with a greatly increased volume of unemployment.

The problem of unemployment became less acute in the latter part of the thirties. During the German occupation the occupying authorities abolished the scheme built up under the 1921 law with its trade union basis and, by a decree issued in March 1940, replaced it with a new scheme of unemployment allowances. These allowances were payable on a means-test

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1 I.L.O.: Legislative Series, 1933—Bel. 4.
2 Ibid., 1945—Bel. 1, 1946—Bel. 11, 1947—Bel. 7, 1948—Bel. 1, 1949—Bel. 3, and 1951—Bel. 4.
3 Ibid., 1921—Cz. 5.
basis to persons available for work, and were financed by a tripartite system of contribution. An order of 27 August 1943 repealed most of the provisions concerning unemployment allowances but retained the contribution provisions. Thereafter the principal function of the scheme became one of enabling workers to find employment. Financial aid was provided for vocational training, purchase of tools, travelling expenses to a new job, and family benefits when the worker's job took him away from home.

The provisions enacted during the war have largely remained in effect. The risk of unemployment was not dealt with in the comprehensive new national insurance Act adopted in 1948. Czechoslovakia ratified the Unemployment Provision Convention, 1934, in June 1950. The state contribution to the unemployment scheme was abolished as from 1 January 1951, and that of employers and employees was eliminated as from 1 January 1953.

Switzerland.

The inability of private and communal funds in Switzerland to deal by themselves with growing unemployment led the federal Government, by an Act of 17 October 1924, to institute a permanent subsidy for recognised public and private funds. The federal Government at that time lacked constitutional authority to legislate directly concerning unemployment insurance or to require its application throughout the country since, under the federal structure, such authority resided only with the cantons. The 1924 law laid down various conditions, however, that the funds had to satisfy to qualify for the federal subsidy. Orders issued by the federal Government in 1925 and 1929 amended and extended the 1924 law in various ways.

In harmony with the intent of the national legislation to encourage the growth of unemployment insurance, the cantons began immediately in 1925 to adopt legislation in this field. Some cantons at once made insurance compulsory for specified classes of workers and set up cantonal funds for its administration. Others authorised their communes to make insurance compulsory and provided subsidies to the local funds thus

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1 I.L.O.: Legislative Series, 1924—Switz. 3.
established. Still others provided for cantonal subsidies to voluntary schemes. All but one of the cantons had issued regulations by 1933 concerning unemployment insurance. Insurance was then provided through public cantonal or communal funds, occupational or trade union funds, and joint funds for individual industries administered by workers and employers in combination.

Unemployment problems accompanying the 1930 depression and the Second World War and its aftermath led the federal Government to adopt new legislation or regulations from time to time to strengthen or standardise the scheme set up in 1924. Switzerland ratified the Unemployment Provision Convention, 1934, in June 1939. Important changes were made in the administration of the scheme by a decree of 14 July 1942, to meet emergency conditions occasioned by the war. On 4 April 1946 a federal decree was issued amending the Constitution so as to empower the federal Government, among other matters, to legislate on unemployment insurance and assistance. This decree was approved by referendum on 6 July 1947.

In accordance with its new legislative power, the federal Government enacted a revised law on 22 June 1951 which forms the present basis of unemployment insurance in Switzerland. Authority to establish public unemployment insurance funds and to make insurance compulsory is vested in the cantons; the funds, however, are subject to federal approval and supervision. The federal subsidy is continued although the 1951 law reduced its size. Detailed federal requirements are now laid down concerning persons to be admitted to insurance, qualifying conditions and benefit rates, finance, and administration. Unemployment insurance is now compulsory in almost all cantons. In 1953 there was a total of 182 unemployment insurance funds in Switzerland including 15 public cantonal funds, 42 public communal funds, 34 private trade union funds, and 91 private joint employer-employee funds; the smallest fund had only 86 members while the largest had 81,148 members.

1 I.L.O.: Legislative Series, 1951—Switz. 1.
2 For an official description of the evolution of unemployment insurance in Switzerland, see La Vie Economique (Berne, Federal Department of Public Economy), Dec. 1954, pp. 452-463.
Unemployment Assistance in Luxembourg

A scheme of unemployment assistance was established in Luxembourg by a law approved on 6 August 1921. This law authorised payment of allowances to unemployed workers whose other means during unemployment did not exceed specified limits. It was originally contemplated that employers and workers would contribute one-half of the revenues of the scheme, with public authorities providing the remainder. In the course of time the State undertook to provide all of the funds required for allowances and it recovered only one-fourth of these from the communes. The main outlines of the original scheme were retained in the Grand-Ducal order of 24 May 1945 which, as subsequently amended on several occasions, regulates the payment of allowances today.

Compulsory Insurance Schemes

Austria.

The third country to enact compulsory unemployment insurance legislation was Austria, whose first basic law was adopted on 24 March 1920. This Act called for a state-administered scheme to be financed on a tripartite basis. The scope and collection of contributions for unemployment insurance was linked with sickness insurance. Although the Act had the characteristics of an insurance scheme in other respects, a needs test was introduced by specifying that unemployed contributors could receive benefit only if their means of subsistence were endangered. A supplementary scheme of unemployment assistance was established in 1922 for workers who exhausted their rights to insurance benefits and were in straitened circumstances.

The 1920 law was amended on numerous occasions prior to the Anschluss in 1938. Provisions of the German insurance code were introduced at that time, and continued to govern unemployment benefits in Austria until after the end of the war. An order of 16 December 1942 regarding compensation for working time lost as a result of shortages remained in effect until 30 June 1950. After the war provisional measures were introduced by a law of 15 May 1946, pending more comprehensive reform of unemployment insurance legislation. The

1 I.L.O. : Legislative Series, 1920—Aus. 1 to 7.
latter was achieved in Act No. 184 of 22 June 1949, which in effect created a new scheme of compulsory unemployment insurance in Austria, and also provided for the payment of unemployment assistance.

**Ireland.**

Unemployment insurance in Ireland dates in reality from 1911, since the original British Act of that year applied to Ireland as well. The revised British law of 1920, which extended compulsory coverage to most manual employees and to lower-paid salaried employees, was taken over by the Irish State set up in 1922.

This law continued in force until its repeal in 1952, although it was amended on a number of occasions to modify rates of contribution and benefit, conditions for benefit, and other provisions. A complementary scheme of unemployment assistance for persons not covered by insurance, or not entitled to benefits thereunder, was established by a law of 16 November 1933. Rates of assistance fixed in this law were also modified by later amendments. The Unemployment Provision Convention, 1934, was ratified by Ireland in June 1937.

Preceding unemployment insurance legislation in Ireland was repealed by the Social Welfare Act (No. 11) of 14 June 1952. This law made unemployment insurance an integral part of a new co-ordinated system of social insurance covering several different risks. It also simplified and liberalised the previous provisions concerning unemployment assistance.

**U.S.S.R.**

A system of compulsory unemployment insurance was established in the Union of Soviet Socialist Republics by provisions of the Labour Code of 1922. The scheme was financed entirely by contributions from employers. Payment of benefits under this scheme was permanently suspended, however, by a decree of 9 October 1930.

**Poland.**

The next scheme of compulsory insurance established was that set up for manual workers in Poland by a law of 18 July

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2 Ibid., 1952—Ire. 1.
3 Ibid., 1922—Russ. 1.
1924.\(^1\) This scheme applied originally to wage earners in six main industries who were employed in establishments having five or more workers. It was administered by the State with a tripartite system of financing. A separate scheme was set up for intellectual workers by an Act of 28 October 1925, which was further elaborated by an order of 24 November 1927. Both schemes were amended on various occasions prior to the Second World War.

A decree of 29 September 1945 called for shifting of the whole of the employees’ contribution to the employers. An order of 8 March 1949 fixed the employers’ contribution rate in the case of private firms at 2 per cent. of their payroll.\(^2\)

Pre-war unemployment insurance legislation has not been formally abolished in Poland, but no longer appears to be applied in practice. The reason given for this is that full employment exists in the country.

**Bulgaria.**

The Employment Exchanges and Unemployment Insurance Act of 12 April 1925 created a state-administered scheme of compulsory unemployment insurance in Bulgaria.\(^3\) The scheme was financed from flat weekly contributions paid by employers, employees and the State. Changes in various details of the scheme were made by amendments of the law adopted prior to and during the war.

The Social Insurance Act of 28 December 1948 established a new integrated social insurance scheme and incorporated unemployment insurance in this scheme.\(^4\) In December 1949 Bulgaria ratified the Unemployment Provision Convention, 1934. The new labour code promulgated on 13 November 1951, however, repealed earlier provisions respecting unemployment insurance.\(^5\)

**Germany.**

Germany did not introduce unemployment insurance until adoption of the law of 16 July 1927\(^6\), although it had

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\(^1\) I.L.O.: *Legislative Series*, 1924—Pol. 3.
\(^2\) Ibid., 1949—Pol. 1C.
\(^3\) Ibid., 1925—Bulg. 2.
\(^4\) Ibid., 1949—Bulg. 1.
\(^5\) Ibid., 1951—Bulg. 2.
\(^6\) Ibid., 1927—Ger. 5.
pioneered in setting up other forms of social insurance. Heavy unemployment following the First World War had obliged it to set up elaborate programmes of unemployment relief, and this was made contributory in 1923. The new 1927 unemployment insurance Act superseded the relief programme.

The 1927 Act made insurance compulsory for all wage earners and for lower-paid salaried workers. Ordinary unemployment benefits were to be financed by contributions from employers and employees. Provision was made, at the same time, for extended or emergency unemployment assistance to indigent workers during depressions, financed from funds of the national and local governments.

However, the rather clear-cut distinction made by the original law between insurance and assistance came gradually to be blurred between 1928 and 1932 by reason of changes made to cope with the heavy unemployment of that period. By the time the Second World War broke out unemployment insurance had been entirely replaced by a system of unemployment relief, although contributions totalling 6.5 per cent. of wages were still being collected from employers and workers. No fundamental modifications were made in the unemployment provisions during the war itself, there being virtually no unemployment except for some part-time unemployment occasioned by interruptions of production.

The collection of unemployment contributions was continued after the occupation. An ordinance of 28 March 1947 provided for the regulation of unemployment insurance in Eastern Germany. In October 1947 an amended version of the 1927 law was restored in the various zones of Western Germany and war-time changes were abrogated. The later action re-established a genuine system of insurance benefits and unemployment assistance and provided for use of contributions accumulated in previous years. A law passed by the Federal Republic of Germany on 10 March 1952 set up a new federal placement and unemployment insurance institution to administer unemployment insurance.1 Income limits applied in the assessment of contributions and benefits were raised by a law adopted on 13 August 1952, while benefit rates were increased by a law of 24 August 1953.

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Yugoslavia.

A scheme for making payments to unemployed workers and a system of employment exchanges were established in Yugoslavia by an order of 26 November 1927. These measures were to be financed from contributions shared equally between employers and workers. The cash benefits were payable to qualified unemployed workers who were not in receipt of other income sufficient for subsistence. Provision was also made for furnishing travelling allowances, emergency grants, and assistance in kind. The 1927 provisions were amended and supplemented by an order dated 19 April 1932.

By a decree of 18 April 1946 the administration of employment exchanges in Yugoslavia, including receipt of contributions levied therefor and payment of subsistence and travelling allowances to unemployed workers, was entrusted to a central trade union committee. A decree of 31 December 1948 abolished employees’ contributions to the employment service system but retained those of employers, which were to equal 0.5 per cent. of wages. The new general social insurance law adopted in 1950 did not provide for unemployment insurance. However, a new system of unemployment benefits for all employees to be financed from social insurance funds of the State was established by a decree issued on 29 March 1952. Yugoslavia ratified the Social Security (Minimum Standards) Convention, 1952, in respect of unemployment benefit in November 1954.

Dismissal Benefits in Latin America

A provident fund for private salaried employees was established in Chile by a law enacted in 1924. To the pensions payable by this fund were subsequently added contributory unemployment benefits payable for up to 90 or 180 days to salaried employees dismissed for reasons beyond their control after at least one year of membership in the fund. Because of the limited scope of the scheme and since no comparable benefits are provided for the much larger number of wage-earning workers, however, the Chilean provisions are not covered in subsequent chapters of this study.

2 Ibid., 1952—Yug. 3.
A law of 16 August 1928 brought employees in industry and commerce in Uruguay under a pension scheme previously applying only to employees of public utility undertakings. While dealing principally with long-term risks, this scheme also provided certain benefits to workers dismissed for reasons other than misconduct. The basic provisions now in force were set forth in an amended law of 11 January 1934.¹

The scheme provides that workers dismissed before the age of 40 who have had at least 10 years of employment shall receive a benefit during their first year of unemployment. This benefit is equal to 2 per cent. of the old-age pension due to them after 30 years of employment, multiplied by the actual number of years of employment. Workers dismissed after the age of 40 receive from 2 to 3 per cent. of the pension due for 30 years’ employment, multiplied by the actual number of years of employment, so long as unemployment continues. A somewhat similar benefit is paid for up to six months under the pension scheme for rural workers, after at least five years of coverage. In addition, special unemployment benefit provisions were introduced for workers in the cold-storage industry and wool and leather trades in 1944 and 1945; benefits are paid under these provisions if less than a guaranteed number of hours of employment are worked in a month.

While the dismissal benefits for industrial and commercial workers in Uruguay are on a contributory basis and provide some protection against unemployment, they more nearly resemble a reduced pension in respect of involuntary premature retirement than a form of unemployment insurance proper. This resemblance is enhanced by the long qualifying periods involved. Accordingly, the provisions in question are not dealt with further here. A plan for introducing a general unemployment insurance scheme was submitted to the parliament of Uruguay in September 1949, but was not adopted.

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The 1920s thus saw the addition of eleven new national unemployment schemes to the eight which existed at its start. The trend toward compulsory insurance and away from voluntary insurance is apparent from the fact that seven of the new

¹ I.L.O.: Legislative Series, 1934—Ur. 1.
laws were of the former type while only two were of the latter. This raised the number of compulsory laws in 1930 to nine as compared with seven voluntary laws. The Swiss cantonal laws were of both types, while France and Luxembourg were providing non-contributory unemployment assistance.

**National Schemes Started in the 1930s**

No new national scheme of unemployment insurance was thereafter introduced until 1934. However, the severe unemployment resulting from the depression of the early thirties forced a number of countries hitherto relying principally upon relief to look for a more systematic way of caring for the unemployed. Beginning in 1934, five countries enacted unemployment benefit laws within the next few years. One of them established a voluntary insurance scheme, three a compulsory insurance scheme, and one an assistance scheme.

It was in the same year that the International Labour Conference adopted the Unemployment Provision Convention and Recommendation, 1934. The Convention required countries which ratified it to maintain a compulsory or voluntary scheme of contributory benefits or allowances for the involuntarily unemployed. It also set forth minimum standards concerning the scope of such a scheme, qualifying conditions for benefits and their duration, and related provisions. The Convention, having been ratified by the United Kingdom in 1936 and by Ireland in 1937, came into force on 10 June 1938. Other countries ratifying it during the thirties were New Zealand in 1938 and Switzerland in 1939.

The Unemployment Provision Recommendation, 1934, urged the creation of compulsory unemployment insurance systems in countries not having them, maintenance of complementary assistance schemes, and the broadest possible coverage of employees. It also contained suggestions regarding desirable elements of unemployment insurance laws.

**Voluntary Insurance Schemes**

*Sweden.*

National legislation on unemployment insurance in Sweden
dates from a Royal order of 15 June 1934. This dealt with the approval of recognised unemployment funds by the State, standards regarding the membership of and benefits to be paid by such funds, and the payment to them of state subsidies. The funds were to be administered by insured workers themselves, as legally established mutual-benefit societies, but under supervision of the State. Although set up chiefly by trade unions, the societies were required to be legally independent of the unions and to be open to all in a particular trade.

The scheme met with trade union opposition when first introduced. This had disappeared well before 1941, however, when amendments providing dependants’ supplements and other improvements were adopted. The coverage of the scheme grew steadily until in 1955 there were a total of 44 unemployment funds. The most recent of a series of amendments to the order were adopted on 8 May 1953. Sweden ratified the Social Security (Minimum Standards) Convention, 1952, in respect of unemployment benefit on 12 August 1953.

A Social Welfare Committee studying revision of Swedish social welfare measures presented proposals in 1937 for new legislation on unemployment insurance and social assistance. In 1949 a draft Bill was introduced which proposed the setting-up of a compulsory system of unemployment insurance. No action was taken on either of these proposals. General unemployment relief in Sweden is governed by a Royal decree of 27 May 1949 concerning certain public measures relating to unemployment.

Iceland.

Provisions relating to unemployment insurance in Iceland were contained in the 1936 social insurance law. These provisions authorised labour organisations, subject to specified conditions, to set up unemployment funds to be financed from members’ contributions and public subsidies. No fund was ever established under this law, however, and the provisions were eventually omitted from the new social insurance Act of 1946. The Althing has subsequently had several proposals before it on unemployment insurance but has not adopted any of them.

1 I.L.O. : Legislative Series, 1934—Swe. 2, 1936—Swe. 1, 1937—Swe. 2, 1941—Swe. 1, 1943—Swe. 1, 1944—Swe. 3C, 1946—Swe. 3, and 1947—Swe. 3.
Compulsory Insurance Schemes

Canada.

The first unemployment insurance legislation to be enacted in Canada was the Employment and Social Insurance Act of 28 June 1935. This provided for the establishment of a compulsory national system of unemployment insurance. However, the constitutional right of the national Government to enact such legislation was almost immediately challenged and in January 1937 the Privy Council declared the Act invalid. Consent of the provinces was sought to an amendment of the British North America Act to empower the national Parliament to legislate on unemployment insurance. This consent was obtained, the amendment was made in July 1940, and on 7 August 1940 a new Unemployment Insurance Act was passed. The Act came into effect on 1 July 1941 and has since been amended on several occasions.¹ On 11 July 1955 a new Unemployment Insurance Act was adopted to replace it as from 2 October 1955.

The Canadian law provides for compulsory coverage of most non-agricultural employees under an insurance programme administered by the national Government. Financing is on a tripartite basis.

United States.

Trade union benefit plans never developed extensively in the United States because of the slow growth of the trade union movement and the persistence of the demand for labour. Voluntary employer plans and joint union-employer plans flourished for a time, but they never covered many workers. It was the depression of the 1930s that first aroused widespread interest in public measures for dealing with unemployment. The first statutory scheme of unemployment benefits in the United States was enacted by the state of Wisconsin on 29 January 1932. As workmen's compensation was the only form of social security legislation then in effect in the country, the Wisconsin law was to some extent patterned after that type of protection. The entire cost was placed on the employer, contribution rates were varied with the unemployment record of

each individual employer, and it was hoped that the method of financing used would provide an incentive to employers to reduce unemployment.

On 14 August 1935 the federal Government adopted a Social Security Act whose unemployment insurance provisions laid the groundwork for a nation-wide programme.\(^1\) This Act did not set up a national unemployment insurance system but, instead, levied an unemployment tax on all but the smallest employers. Employers paying contributions to state schemes were then permitted to receive a 90 per cent. credit against the federal tax in respect of such contributions. The net effect was to induce all states to pass compulsory unemployment insurance laws, without fear of placing employers in one state at a competitive disadvantage with those in other states. The federal law laid down only a few conditions concerning qualification of state schemes for the tax credit. Thus, it was left entirely to each state to determine not only whether it would actually adopt a law but also the type of law to be adopted, the groups to be covered, the amount and duration of benefits, etc.

All 48 states had adopted unemployment insurance laws by 1937, and these laws as subsequently amended are still in force at the present time.\(^2\) All laws establish compulsory schemes and each scheme is administered by a department of the state government. A separate national unemployment insurance scheme covering all railway employees was set up under a federal law of 25 June 1938.

**Union of South Africa.**

A law was adopted by the Union of South Africa on 24 April 1937 permitting the establishment of compulsory unemployment benefit funds in individual industries.\(^3\) These funds could be set up on application by workers' or employers' organisations or on the initiative of the national Government. Various changes were made in the original law by an Act of

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23 March 1942. Funds had been set up by 1943 for the motor, furniture, mining, building, leather, and engineering industries.

The 1937 law was repealed by the Unemployment Insurance Act, 1946, which substituted a compulsory national scheme of unemployment insurance for the previous schemes for separate industries.¹ The 1946 Act was amended by Act No. 41 of 1949, Act No. 48 of 1952, and Act No. 10 of 1954. The present scheme is administered by the State and is financed on a tripartite basis.

New Zealand Assistance Scheme

A system of contributory unemployment relief was created in New Zealand by an Act of 11 October 1930. This called for a combined flat and graduated charge paid by all adults into an unemployment fund, which also received a state subsidy. The main form of relief consisted of part-time employment on relief works of various sorts.

New Zealand ratified the Unemployment Provision Convention, 1934, in March 1938. A permanent system of unemployment benefits was established by the comprehensive Social Security Act adopted on 14 September 1938. This is the system now in force although the original provisions have frequently been amended.² Unemployment benefits, together with other social security benefits, are paid out of a central social security fund, which receives its income from a flat-rate tax on all personal and company incomes and from a subsidy paid by the State. The right to benefit does not arise out of, nor is it dependent upon, contributions, benefits being payable to any unemployed person meeting specified qualifications. But benefits are subject to discretionary reduction by the administrative agency in respect of income from other sources or property.

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As a result of legislation during the 1930s, therefore, a total of 22 countries had national unemployment schemes in

operation by 1940. Twelve of these schemes consisted of compulsory unemployment insurance, Switzerland had a mixture of compulsory and voluntary insurance, six countries had voluntary insurance schemes, and three countries had unemployment assistance schemes. The decade also saw important extensions of some of the older schemes.

National Schemes Started after 1940

No new unemployment insurance schemes were inaugurated during the first part of the 1940s because of the war and the almost universal preoccupation with manpower shortages rather than surpluses. As the war progressed, however, much planning was done in anticipation of possible heavy unemployment at the end of the war. This led, among other things, as has been seen above, to the reform of a number of the older schemes after the war. The 26th Session of the International Labour Conference meeting at Philadelphia in 1944 adopted a comprehensive Recommendation concerning income security for use as a guide for post-war legislation in this field. This Recommendation listed inability to obtain remunerative work as one of the principal contingencies with which income security schemes should deal. It also advanced a number of suggestions regarding the application of social insurance to the risk of unemployment.

Apart from changes made in existing schemes, four more national unemployment benefit schemes were established after 1940. Three of these consisted of compulsory insurance.

Australian Assistance Scheme

The state of Queensland in Australia had established a compulsory unemployment insurance scheme as early as 1922. This scheme remained in operation for a number of years. A national law promulgated on 5 April 1944 provided for the payment of unemployment benefits, subject to an income test, to any unemployed person meeting specified age, residence and other qualifications.¹ Such benefits together with sickness benefits were to be paid from the proceeds of a specially earmarked, graduated tax on all incomes, but eligi-

¹ I.L.O.: Legislative Series, 1944—Austral. 2.
lity to benefit was not linked to the payment of contributions. The scheme came into operation on 1 July 1945.

The Social Services Consolidation Act of 11 June 1947, which established a comprehensive social security scheme in Australia, repealed the 1944 law but embodied many of its unemployment benefit features in the new unified social security system.\(^1\) Thus, the basic type of unemployment protection introduced in 1944 is still in effect, though as part of a scheme covering nearly all major risks. The 1947 law has been amended in various details in each year since its adoption.

**Compulsory Insurance Schemes**

**Greece.**

Prior to 1945 only a few categories of workers, including tobacco workers, millers, and newspaper employees, were insured against unemployment in Greece. A system of compulsory unemployment insurance and an unemployment fund were set up for the province of Attica by Act No. 118 of 13 February 1945.\(^2\) The scheme was state-administered and its extension to other geographical areas was to be provided by regulation. A legislative decree in 1946 authorised transfer to the new fund of unemployment funds previously operating in various individual industries. Another decree in 1949 extended the scheme to all regions in which the general social insurance scheme was operating, and also permitted its extension in certain circumstances to still other regions. Thus, unemployment insurance was gradually extended to cover most important industrial districts in Greece.

The separate unemployment scheme was abolished by Act No. 1846 of 14 June 1951\(^3\) and its functions, including administration of employment exchanges, were transferred to the new general social insurance scheme set up by the same law. Legislative Decree No. 2961 of 25 August 1954 re-established a separate scheme of unemployment insurance and created a new agency to administer it, together with various types of employment services.

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\(^2\) Ibid., 1945—Gr. 1, and 1949—Gr. 1.

\(^3\) Ibid., 1951—Gr. 4.
Japan.

A new compulsory unemployment insurance programme was established in Japan by Law No. 146 of 1 December 1947. The initial scheme applied compulsorily to employers in nine specified industries, but also permitted voluntary coverage of other enterprises. Another law on the same date created a temporary system of unemployment allowances for unemployed persons unable to qualify for insurance benefits at the outset. The insurance scheme was to be administered by the State and was financed on a tripartite basis.

A law of 20 May 1949 broadened the scope of the 1947 measure, by extending compulsory coverage to all undertakings except those in specifically exempted categories, and also elaborated the scheme in other ways. At the same time it abolished the temporary system of unemployment allowances. The basic 1947 provisions were further amended by a law of 31 July 1950.¹

Iran.

The scope of the social insurance system of Iran was considerably broadened and its administration and finances were reorganised by an Act adopted on 21 January 1953. This Act also sets up an unemployment insurance fund and provides for the payment of contributory unemployment insurance benefits. The unemployment insurance provisions, however, have not yet been put into force.

Dismissal Indemnities

A number of countries that had no unemployment insurance schemes adopted legislation during the 1940s requiring employers to pay dismissal indemnities to workers discharged for reasons other than misconduct. The indemnities involved must usually be paid in a lump sum and are normally scaled in amount according to the number of years of service. They involve no pooling of risk since the entire burden of payment rests on each individual employer. While in no sense a substitute for unemployment insurance, the existence of these measures is noted here in view of the protection, albeit limited

and somewhat haphazard, that they afford to unemployed workers in countries that still have no unemployment insurance scheme.

Turkey, in its Labour Act of 8 June 1936, required employers to pay compensation to discharged employees equal to half a month's wages for each year of employment in excess of five years.\(^1\) By a law of 10 May 1944 Egypt required most larger non-agricultural employers to pay dismissal indemnities; for wage earners these were to equal ten days of wages per year of service, with a maximum of six months' wages.\(^2\) The Syrian Labour Code of 11 June 1946 calls for indemnities amounting, except for day-workers, to one month's wages for each year of service for all employees who have worked for one employer for at least three months.\(^3\) The Labour Code of Lebanon adopted on 23 September 1946 requires industrial and commercial employers to grant dismissed employees an indemnity ordinarily equivalent to one month's pay for each year of service, up to a maximum of 20 months.\(^4\)

While dismissal indemnity provisions are most prevalent in the Middle East, they are also found in the legislation of some Latin American countries. For example the Labour Code of Guatemala promulgated on 8 February 1947 requires certain categories of dismissed employees to be paid compensation at the rate of one month's wages for every year of uninterrupted employment.\(^5\) Somewhat similar provisions are also found in a Bolivian Act of 8 December 1942.\(^6\)

**Summary**

As a result of new schemes introduced after the Second World War, the conversion of several schemes, and the termination of cash benefit payments under some schemes, a total of 22 national schemes could be counted in 1955 under which unemployment benefits or allowances were actually being paid. Fifteen of these schemes took the form of compulsory unem-

\(^1\) I.L.O.: *Legislative Series*, 1936—Turk. 2.
\(^2\) Ibid., 1944—Egypt 1.
\(^3\) Ibid., 1946—Syr. 1.
\(^4\) Ibid., 1946—Leb. 1.
\(^5\) Ibid., 1947—Guat. 1.
\(^6\) Ibid., 1942—Bol. 1.
Employment insurance, three consisted of voluntary insurance, and four provided for payment of assistance allowances. The most marked feature apparent in this general classification, as compared with summaries for earlier periods, is the gradual trend away from subsidised voluntary insurance and towards compulsory insurance.

Table I shows the countries falling into the different categories in 1955, together with the year in which the legislation now in force was originally enacted.

**TABLE I. UNEMPLOYMENT BENEFIT SCHEMES (1955) WITH THE YEAR OF ENACTMENT OF THE LEGISLATION IN FORCE**

<table>
<thead>
<tr>
<th>Compulsory insurance schemes</th>
<th>Voluntary insurance schemes</th>
<th>Non-insurance schemes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria . . . 1949</td>
<td>Denmark . . . 1933</td>
<td>Australia . . . 1947</td>
</tr>
<tr>
<td>Belgium . . . 1945</td>
<td>Finland . . . 1934</td>
<td>France . . . 1951</td>
</tr>
<tr>
<td>Canada . . . 1955</td>
<td>Sweden . . . 1934</td>
<td>Luxembourg . . . 1945</td>
</tr>
<tr>
<td>Federal Republic of Germany . 1927</td>
<td></td>
<td>New Zealand . . . 1938</td>
</tr>
<tr>
<td>Greece . . . 1954</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ireland . . . 1952</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Italy . . . 1935</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Japan . . . 1947</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Netherlands . 1949</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Norway . . . 1938</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Switzerland . 1951</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Union of South Africa . 1946</td>
<td></td>
<td></td>
</tr>
<tr>
<td>United Kingdom . 1946</td>
<td></td>
<td></td>
</tr>
<tr>
<td>United States . 1935</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yugoslavia . 1952</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1 Date of federal law. Seventeen cantons have compulsory insurance covering their whole territory, ten have compulsory insurance covering only their communes, and two (Appenzell Innen-Rhoden and Aargau) have only voluntary insurance.

2 Date of federal law.

To complete this historical résumé of the development of unemployment insurance, brief mention should be made of the Social Security (Minimum Standards) Convention, 1952, adopted by the International Labour Conference in 1952. This Convention lays down minimum standards in respect of nine principal forms of social security and deals in one of its parts with unemployment benefit. Countries ratifying the Convention must undertake to provide at least three types of social
security benefits, of which unemployment benefit may be one. The Convention defines the contingency for which unemployment benefit should be provided, indicates the minimum proportion of persons to be protected, and prescribes minimum benefit levels and minimum potential duration periods. The Convention came into force on 27 April 1955, and by the middle of 1955 had been ratified in respect of unemployment benefit by Sweden, the United Kingdom, Norway, Yugoslavia and Denmark.
CHAPTER II

SCOPE OF PROTECTION

The categories of persons to be covered under an unemployment benefit scheme is a major question of policy to be decided in framing such a scheme. Almost any type of scheme adopted will have to exclude at least some workers. This is necessary if for no other reason than to set up a border line to exclude persons whose inactivity has nothing to do with unemployment.

The chief factors to be taken into account in deciding what persons should be protected against unemployment are the relative needs of various groups for protection, financial considerations, and administrative considerations. This chapter first examines the influence of these general factors on the scope of protection and then summarises in broad lines the coverage of existing unemployment benefit schemes. Chapter III takes up individually a number of groups that are frequently excluded, indicating both the problems involved and national practice in the case of each.

GENERAL PRINCIPLES

The significance of factors influencing coverage varies according to whether the scheme is one of compulsory insurance or voluntary insurance, or a non-insurance plan under which benefit eligibility is not dependent upon contribution. Compulsory insurance involves the question of what categories of workers shall be required to come under insurance. Voluntary insurance raises the question of the types of workers for whom insurance coverage shall be open. Schemes not subjecting benefits to a contributory test raise only the question of what types of persons shall be potentially eligible for benefits at the time of unemployment. Hence, principles regarding coverage under the three kinds of schemes must be considered separately.
Compulsory Insurance

When an unemployment insurance scheme is made compulsory, it means that the State requires by law that specified classes of persons shall be enrolled in the scheme and that contributions must be paid regularly on their behalf. If a person in one of these classes later becomes unemployed, he is entitled to benefit by reason of the insured status he was previously obliged to enter into. Most existing unemployment benefit schemes, as has been seen in Chapter I, now apply the principle of state compulsion in prescribing protection for specified classes of workers. To what particular classes of persons is it desirable or practicable to apply such obligatory protection?

Need for Protection.

The first obvious criterion is the need of the different groups concerned for protection. On the face of things the ideal would be to provide protection for all persons subject to the risk of unemployment. The possibility of becoming unemployed exists in theory for anyone working for the account of another, that is for anyone working under a contract of employment. All contracts of employment can presumably be terminated sooner or later by either party. If the employing party chooses to terminate the contract, the employee at least at that moment is without a job. Hence, an all-inclusive scheme should, in principle, cover all persons gainfully occupied under a contract of employment, since by definition every such person has a potential need for protection.

The intensity of the need for protection is not of course the same for all workers. Some employments are very stable, and individuals working in them face only a remote possibility of involuntary loss of their job. In general the employment of salaried employees is inherently more stable than that of employees receiving wages. Some types of salaried employment, particularly if subject to civil service or seniority rules, contain virtually no real risk of unemployment. At the other extreme, wage earners employed in industries subject to wide fluctuations in demand for their products or to seasonal limitations on production are highly vulnerable. Other wage earners have a wide gradation in the degree of their exposure to risk,
ranging from those with quite stable jobs to those who daily face the possibility of not having work the next day.

If insurance is not made compulsory for all workers, first priority should in principle be given to occupations in which employment is least likely to be stable and where workers accordingly have the greatest need for protection. Likewise, if groups must be excluded from the scheme, the criterion of need suggests it should be those whose employment is characterised by an above-average degree of stability.

Application of the principle of need is more complicated in the case of part-time workers, including seasonal workers, workers ordinarily employed only a part of each week, intermittent workers, casual workers, etc. At first glance it may seem that their need for protection is great and that their coverage is imperative. This, however, is an over-simplified conclusion.

Unemployment insurance can offer protection only in relation to the previous normal employment of a worker. If such previous employment was partial or irregular, unemployment insurance cannot provide compensation as if it had actually been on a full-time basis. In other words the only need for protection that can be recognised in the case of workers normally employed on a part-time basis is the diminution in the amount of such part-time employment, and not the total difference between their decreased employment and full-time employment. Part-time employment may often in fact be quite stable, thus implying a smaller need for protection. Decisions as to the coverage of part-time workers also involve financial and administrative considerations, as will be seen later.

The need for protection is also influenced by factors other than stability of employment, such as age or income level. Aged workers may not need unemployment protection if there are other social security measures for protecting aged persons in general. Young workers without family responsibilities do not suffer the same catastrophic impact as adults when they lose a job. Workers receiving above-average incomes can save more easily than lower-paid workers, and may thus be able by themselves to build up a certain amount of protection against unemployment. Savings margins adequate for this may not exist in reality, however, until quite a high level of earnings is reached.
The above factors concerning the need for protection should be considered in deciding upon the scope of an unemployment insurance scheme. They are not put forward necessarily to suggest positive exclusions, however, nor can they be evaluated without taking account of financial and administrative factors as well. They are mentioned here rather as one part of the rationale involved in determining what, if any, exclusions from coverage should be made.

It is implicit in the above analysis that self-employed workers cannot, by definition, become unemployed and that they therefore have no need for unemployment protection. They are not bound by a contract of employment with another and if they terminate their own employment, it would seem to be a voluntary act.

This theoretical argument possesses much validity but is not wholly realistic. In the first place some occupations fall close to the border line between employment and self-employment, and in fact contain elements of both. A common case of this sort is that of agents working for a commission. Extreme care must be taken in the classification of these borderline workers, as between employees or independent workers. Secondly, a shrinking demand for the products or services of a self-employed worker may often leave him in about as difficult a position as an unemployed wage earner. A moderate decline will leave him only partially employed but, if it is drastic, he will lose his means of subsistence and may need help as much as a jobless employee. This should be kept in mind in designing an unemployment insurance scheme; but there nevertheless remain serious difficulties in the way of covering the self-employed.

Financial Considerations.

The scope of an unemployment insurance scheme has consequences for its financing which must also be weighed in fixing the former. The greater the number of persons covered, the larger will be the aggregate disbursements under the scheme. To the extent, however, that the scheme is contributory, this does not increase the “cost” for individual contributors, for the amount paid in respect of each individual worker is not affected by the size per se of the covered population.

What is important from the standpoint of the cost per
worker covered is that the scope be such as to produce an effective pooling of risk. Good risks should be included along with the bad. If the need-for-protection principle alone were followed, with traditionally stable occupations excluded and with all occupations in which employment tends to be unstable included, the result would be a highly adverse selection of risks. In this case, an excessively high proportion of all insured workers might become unemployed, expenditure for benefits would be very great, and the contribution rate for each worker covered would have to be quite high. This consequence of excluding occupations in which unemployment is negligible means that such exclusions should be granted only after careful study, if at all. The wider the base over which any scheme spreads the risk, the stronger it will be financially.

To the extent that the cost of unemployment insurance is paid by the consuming public as a whole, through the shifting of employers' contributions or otherwise, the burden should preferably be spread over all consumers rather than merely consumers of products of the industries in which employment is particularly unstable. The instability of employment in individual industries is often not a fault of the industry itself but is inherent in the entire economy of the country. This is also true of export industries dependent upon the vagaries of foreign demand.

Somewhat the same undesirable restriction on a wide pooling of risk will result if higher-paid workers are excluded from a scheme. The larger contributions paid in in respect of them may serve to offset the much lower contributions paid in in respect of lower-paid workers, who at the same time may draw heavily from the scheme.

In deciding on the scope of a scheme the significance of the principle of pooling of risk has a further aspect—that of time. The insurance concept requires that contributions in respect of good risks should be paid in good times as well as in bad. Good risks should not be excluded when their exposure to unemployment is small and then suddenly covered when a change in economic conditions converts them from good to bad risks. Such a coverage policy could not fail to have an adverse effect on finances.

There are also important financial implications in the coverage of irregularly employed persons. As they work only
intermittently, contributions paid on their behalf will be less than those paid for full-time workers. On the other hand, being frequently out of work they will tend more often than the average worker to claim benefits. Hence, their coverage must be carefully weighed. If they are covered adequate safeguards must be provided to relate the amount and duration of their benefits only to the diminution of their previous irregular employment and not to a theoretical full-time employment. If this is not done payments to such workers may be a heavy and troublesome drain on the unemployment fund.

It may be noted here that, apart from other reasons for not covering the self-employed, there can be no contribution by employers to assist in financing their inclusion. Since the employer contribution usually plays an important role in the financing of compulsory unemployment insurance, this fact presents an additional difficulty in the way of covering independent workers.

Administrative Considerations.

Decisions concerning the scope of unemployment insurance ought also to take into account the administrative feasibility of applying it to different groups. It is especially difficult to enrol some groups of workers in insurance schemes and to collect contributions in respect of them. If the difficulty for a particular group is too great, or if the cost of administration per worker covered for such a group is too high, its exclusion may be necessary on such grounds alone.

The basic point of contact for covering workers under compulsory unemployment insurance, as under other forms of social insurance, is the employer. In industries where the average number of workers per employer is high, coverage is relatively easy and administrative costs per worker can be kept low. But wherever the ratio of workers to employers is small, administration becomes both more difficult and more expensive. In other words coverage is always difficult when there are a large number of very small employing units, and workers are dispersed rather than concentrated. It sometimes is necessary, therefore, to exclude employees of small employers from coverage, not because they do not need protection nor for financial reasons but solely because of administrative difficulties.
If employees of small employers are already covered by another form of social insurance, their coverage by unemployment insurance will be much easier. Use can be made of experience acquired and machinery already developed under the other scheme. If such other coverage does not exist administration of unemployment insurance will be much more difficult.

In addition to the enrolment of workers in insurance schemes and the collection of contributions, unemployment insurance administration also involves the task of verifying whether a benefit claimant actually is unemployed and unable to find new work. This is done by requiring him to register at an employment exchange and by checking there whether another job is available. There are some categories of workers for whom application of this work test is quite difficult. The test can hardly be applied at all to workers in regions where no employment exchange is operating; and it can be applied only with difficulty in regions, usually rural, where the circumstances of employment are such as to hinder normal placement processes. Often, too, it is difficult at short notice to locate through the employment service work similar to that previously performed by irregular, occasional, part-time or seasonal workers. Finally, it is extremely difficult to apply a satisfactory work test to self-employed workers.

Thus, on the administrative side, difficulties of verifying the existence of unemployment, as well as of enrolling workers in an insurance scheme in the first instance, must be considered in deciding on the scope of the scheme.

**Voluntary Insurance**

The whole concept of coverage is basically different in the case of voluntary unemployment insurance. The fundamental question here is: what persons shall the scheme be open to? Under voluntary insurance contributions are collected and benefits are paid by private funds or societies. If this method is applied in its pure form the setting up of these funds is a voluntary act not subject to state compulsion or initiative. In addition, the decision to join or not to join a fund is made voluntarily by each individual worker, though the funds themselves may adopt some membership rules. It was learnt very early, however, that such a pure form of voluntary insurance
could neither attract a sufficient number of members nor long remain solvent without subsidisation by the State.

The granting of public subventions to privately established bodies inevitably creates a public interest in the scope of such organisations as well as in other features. The result is that the State decides to lay down standards regarding the membership provisions that the funds must satisfy to qualify for the subsidy.

The standards laid down may prescribe, for one thing, the types of persons who are to be permitted to join a subsidised fund. By implication they will thus also indicate the groups to be excluded from membership. The categories of workers for whom membership is permissible should be established in consideration of the need for protection of different groups, some that do not appear to have a pressing need for subsidised group protection possibly being omitted. Account should also be taken of financial implications. The heavy aggregate cost of the state subsidy may itself lead to restrictions on the membership of funds. The same may also result from a desire not to overload the scheme with bad risks or to avoid an excessive drain on the fund by irregularly employed workers. The administrative feasibility of collecting contributions from, and of paying benefits to, certain classes of workers will also need to be taken into account.

It is in the nature of voluntary insurance, however, that the mere specifying of permissible fields of coverage in the law provides no indication of who will actually be covered. Unless other direct or indirect pressures are exerted, there can be no certainty that funds will actually be set up for particular classes of workers or that any given number of workers will actually decide to join the funds that are established. Thus, it may happen that, among the workers permitted by law to enrol, many with substantial need for protection either will have no fund to join or will decide not to join. This haphazard process may or may not, from a financial standpoint, produce an effective selection of risks on which to base an insurance programme.

It may in fact be found, if a voluntary scheme is to operate successfully, that a State has to lay down some mandatory provisions regarding membership as well as permissive provisions. Thus, a State may actually require creation of unemployment funds in specified industries. It may conceivably
require that all members of a trade union belong to a fund sponsored by the union. To ensure that each unemployment fund is viable and provides for at least a minimum degree of risk pooling, it may also require each fund to have a specified minimum number of members. Or certain privileges such as eligibility for another type of social insurance benefit may be made conditional on membership in an unemployment fund. This would provide an indirect type of pressure on workers to affiliate.

The more extensive the mandatory conditions of this sort laid down by a State under a voluntary scheme, the more blurred becomes the dividing line between such a scheme and fully compulsory insurance. If enough direct or indirect compulsion is applied, the end effect may be that the voluntary scheme becomes in actual fact a compulsory scheme, except that certain administrative operations continue to be delegated to private funds.

Non-Insurance Schemes

Fixing the scope of non-contributory schemes perhaps financed exclusively by the State, which have no direct or indirect link between benefit eligibility and contributions, involves considerations that are yet again different. First of all, the factor of the need for protection assumes both a different form and considerably more importance. In this case, moreover, considerations relating to the pooling of the risk and to the administrative feasibility of enrolling workers in the scheme and of collecting contributions are irrelevant.

Since the schemes concerned do not operate on an insurance basis, their scope does not have to be fixed in terms of classes of workers requiring advance protection against a possible need for benefits at some future time. Rather, it can be fixed exclusively in terms of the need for benefits at the time when unemployment really occurs. In other words the scope can be fixed by reference to an actual need for benefits rather than a potential need for protection.

Workers who possess other means when they become unemployed clearly have a less acute need for benefits than those with no outside means. Hence, it is a common practice of non-contributory schemes to restrict the categories of persons eligible for unemployment allowances to persons with
small or no means at the time of their unemployment. But the use of a means test under non-insurance schemes stems not only from the principle of relative need. It also has a practical financial motivation, for it serves to keep down the aggregate cost of the scheme, which the State itself usually bears in whole or in substantial part. The fact that such schemes may be financed entirely from public funds may also lead to the imposition of citizenship or minimum residence restrictions upon their scope.

The genuineness of the unemployment of claimants must be tested in the case of unemployment assistance as well as under insurance schemes. Hence, certain additional restrictions on the scope of the former may be necessary to ensure that payments are made only to persons ordinarily relying on employment for their subsistence and who have been involuntarily deprived thereof.

Scope of Existing Schemes

Table I above (p. 45) showed that, of the 22 countries with unemployment benefit schemes in operation in 1955, 15 were applying unemployment insurance on a compulsory basis (including Switzerland, in most cantons of which insurance is compulsory), three were maintaining voluntary insurance schemes, and four were providing unemployment allowances on a non-insurance basis. Since the concept of scope has a different meaning under each approach, it is desirable to consider the three groups of countries separately.

Compulsory Insurance

The term “scope” in the case of compulsory unemployment insurance refers in general to the classes of persons required by law to be enrolled in the scheme, by or for whom insurance contributions must be paid, and who thus formally acquire the status of insured or protected persons. Of course the insured person must have acquired his status as such before any claim for unemployment benefit can be accepted from him. However, not all persons covered by insurance may be entitled to a benefit should they become unemployed, since certain “qualifying conditions” must also be satisfied at the time of filing a
claim. These conditions form the subject-matter of Chapters IV and V.

The purpose of this section is to indicate the classes of persons now covered by unemployment insurance in different countries. The scope of the compulsory schemes now in operation is in most cases the result of a long process of evolution. Space does not permit tracing this process, but it is clear from Chapter I that a number of the schemes began with a much narrower scope than they now possess. Workers in larger industrial undertakings were usually covered from the start, but a number of the schemes have only been extended gradually to groups for which coverage was administratively or financially difficult, or which were marginal groups in one or another sense. There has also been a gradual geographic extension of coverage in some countries, a process that is still going on in Greece.

A number of countries relate the scope of unemployment insurance to that of another and perhaps older form of social insurance, or to that of a comprehensive general social insurance scheme of which unemployment insurance forms only a part. Thus, Austria, the Federal Republic of Germany, Greece and Norway link the scope of unemployment insurance to that of their sickness insurance schemes. The scope of unemployment insurance is linked in Italy with that of invalidity, old-age, and survivors’ insurance. In Ireland, the United Kingdom and Yugoslavia unemployment insurance forms an integral part of a larger social insurance structure, and its scope is determined by the coverage provisions of this larger structure. These arrangements, however, do not usually preclude some deviation in unemployment insurance coverage for particular categories of workers.

A highly condensed summary of the coverage of compulsory unemployment insurance schemes in 15 countries is presented in table II.
<table>
<thead>
<tr>
<th>Country</th>
<th>Persons covered</th>
<th>Occupational exclusions</th>
<th>Other exclusions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Austria</strong></td>
<td>All employees</td>
<td>Wage earners on owner-operated farms</td>
<td>Family labour Insignificant employment</td>
</tr>
<tr>
<td></td>
<td>except specific exclusions Last-year and paid apprentices Homeworkers Special scheme for construction employees</td>
<td>Female domestic servants Public employees</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Homeworkers Special scheme for construction employees</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Belgium</strong></td>
<td>All employees</td>
<td>Railway employees Domestic servants Public employees</td>
<td>Family labour Apprentices</td>
</tr>
<tr>
<td></td>
<td>except specific exclusions Homeworkers Youths completing vocational training Special schemes for miners, seamen, port workers, and construction workers</td>
<td></td>
<td></td>
</tr>
<tr>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Canada</strong></td>
<td>All employees and apprentices except specific exclusions</td>
<td>Agricultural employees Private domestic servants Fishermen Teachers Employees of non-profit institutions Private duty nurses Professional athletes</td>
<td>Salaried employees earning over $4,800 per year Spouses and unpaid children Casual employees Subsidiary employees Part-time employees Employees in sparsely populated areas Commission agents Corporation directors</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Federal Republic of Germany</strong></td>
<td>All employees except specific exclusions Last-year apprentices Special scheme for dockworkers</td>
<td>Agricultural employees given lodging Civil servants Religious employees Seamen earning over 9,000 DM per year</td>
<td>Salaried employees earning over 9,000 DM per year Employees over 65 Family labour Temporary employees Students</td>
</tr>
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<td></td>
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</tbody>
</table>
**TABLE II. SCOPE OF COMPULSORY UNEMPLOYMENT INSURANCE SCHEMES (cont.)**

<table>
<thead>
<tr>
<th>Country</th>
<th>Persons covered</th>
<th>Occupational exclusions</th>
<th>Other exclusions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Greece</strong></td>
<td>All employees except specific exclusions&lt;br&gt;Special schemes for press workers and seamen</td>
<td>Agricultural employees&lt;br&gt;Domestic servants&lt;br&gt;Government employees&lt;br&gt;Religious employees</td>
<td>Employees earning over 5,000 drachmas per month&lt;br&gt;Employees under 20&lt;br&gt;Employees over 65&lt;br&gt;Family labour&lt;br&gt;Employees of temporary employers&lt;br&gt;Technical apprentices&lt;br&gt;Temporary aliens</td>
</tr>
<tr>
<td><strong>Ireland</strong></td>
<td>All employees and apprentices except specific exclusions&lt;br&gt;Special scheme for building employees</td>
<td>Female agricultural employees&lt;br&gt;Female domestic servants&lt;br&gt;Public employees&lt;br&gt;Teachers&lt;br&gt;Ministers&lt;br&gt;Employed doctors&lt;br&gt;Share-fishermen&lt;br&gt;Homeworkers</td>
<td>Non-manual employees earning over £600 per year&lt;br&gt;Employees under 16&lt;br&gt;Employees over 70&lt;br&gt;Spouses and family labour in home&lt;br&gt;Casual employees&lt;br&gt;Occasional employees&lt;br&gt;Subsidiary employees</td>
</tr>
<tr>
<td><strong>Italy</strong></td>
<td>All employees except specific exclusions</td>
<td>Domestic servants in household&lt;br&gt;Permanent public employees&lt;br&gt;Homeworkers&lt;br&gt;Artists and theatrical employees&lt;br&gt;Employees whose unemployment cannot be verified</td>
<td>Employees under 14&lt;br&gt;Employees over 60 (women 55)&lt;br&gt;Seasonal employees&lt;br&gt;Occasional employees&lt;br&gt;Share-workers&lt;br&gt;Employees guaranteed stable employment</td>
</tr>
<tr>
<td><strong>Japan</strong></td>
<td>All employees except specific exclusions&lt;br&gt;Special schemes for seamen and day-labourers</td>
<td>Agricultural employees&lt;br&gt;Teachers and scholars&lt;br&gt;Employees of non-profit institutions&lt;br&gt;Public employees&lt;br&gt;Employees of ambulant enterprises</td>
<td>Employees of firms with less than five employees&lt;br&gt;Seasonal employees&lt;br&gt;Probationers</td>
</tr>
</tbody>
</table>
## Table II. Scope of Compulsory Unemployment Insurance Schemes (cont.)

<table>
<thead>
<tr>
<th>Country</th>
<th>Persons covered</th>
<th>Occupational exclusions</th>
<th>Other exclusions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Netherlands</td>
<td>All employees except specific exclusions</td>
<td>Domestic servants in household</td>
<td>Employees earning over 6,000 gulden per year</td>
</tr>
<tr>
<td></td>
<td>Commission agents and jobbers</td>
<td>Public employees</td>
<td>Employees over 65</td>
</tr>
<tr>
<td></td>
<td>Homeworkers</td>
<td>Teachers with equivalent protection</td>
<td>Occasional employees</td>
</tr>
<tr>
<td></td>
<td>Share-fishermen</td>
<td></td>
<td>Subsidiary employees</td>
</tr>
<tr>
<td></td>
<td>Public works employees</td>
<td></td>
<td>Employees</td>
</tr>
<tr>
<td></td>
<td>Orchestra members</td>
<td></td>
<td>with equivalent protection</td>
</tr>
<tr>
<td>Norway</td>
<td>All employees and apprentices except specific exclusions</td>
<td>Family employees in agriculture</td>
<td>Employees earning under 1,000 kroner per year</td>
</tr>
<tr>
<td></td>
<td>Special scheme for seamen</td>
<td>Domestic servants except in hotels</td>
<td>Employees over 70</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Civil servants</td>
<td>Seasonal employees</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Fishermen</td>
<td>Occasional employees</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Reindeer breeders</td>
<td>Subsidiary employees</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Homeworkers</td>
<td>Employees receiving no cash wages</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Commission agents</td>
</tr>
<tr>
<td>Switzerland</td>
<td>All employees except specific exclusions</td>
<td>Agricultural employees</td>
<td>Employees under 16</td>
</tr>
<tr>
<td></td>
<td>Apprentices, during last 6 months</td>
<td>Federal employees</td>
<td>Employees over 60</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Family labour</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Persons employed less than 150 days per year</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Subsidiary employees</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Disabled employees</td>
</tr>
<tr>
<td>Union of South Africa</td>
<td>All employees and apprentices except specific exclusions</td>
<td>Agricultural employees except in forestry</td>
<td>Employees earning over £750 per year</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Household domestic servants</td>
<td>Natives earning under £182 per year</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Railway employees</td>
<td>Spouses</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Public employees</td>
<td>Seasonal employees</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Native mining employees given room and board</td>
<td>Occasional employees</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Homesteaders</td>
<td>Casual employees</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Native employees in rural areas</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Share and commission workers</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Provident fund members</td>
</tr>
</tbody>
</table>
TABLE II. SCOPE OF COMPULSORY UNEMPLOYMENT INSURANCE
SCHEMES (concl.)

<table>
<thead>
<tr>
<th>Country</th>
<th>Persons covered</th>
<th>Occupational exclusions</th>
<th>Other exclusions</th>
</tr>
</thead>
<tbody>
<tr>
<td>United Kingdom</td>
<td>All employees and apprentices except specific exclusions</td>
<td></td>
<td>Employees under 15</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Employees over 65</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(women 60)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Spouses and family</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>labour in home</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Part-time</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>employees</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Casual employees</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Subsidiary employees</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Commission agents</td>
</tr>
<tr>
<td>United States</td>
<td>All employees except specific exclusions</td>
<td>Agricultural employees</td>
<td>Employees of firms</td>
</tr>
<tr>
<td></td>
<td>Special scheme for railway employees</td>
<td>Household domestic</td>
<td>with one to three</td>
</tr>
<tr>
<td></td>
<td></td>
<td>servants</td>
<td>employees</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Employees of non-profit</td>
<td>Family labour</td>
</tr>
<tr>
<td></td>
<td></td>
<td>institutions</td>
<td>Casual employees</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Student nurses and interns</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Newsboys</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Fishermen</td>
<td></td>
</tr>
<tr>
<td>Yugoslavia</td>
<td>All employees and apprentices</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Members of handicraft co-operatives</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

It will be noted from the second column of table II that the general tendency of nearly all compulsory unemployment insurance laws at the present time is to cover in principle most persons employed under a contract of service. Certain specific exclusions are then applied to this general rule. This is in contradistinction to the procedure sometimes used under social insurance and which consists in enumerating specific industries or occupations to which insurance applies. This procedure was used by a number of countries during the early days of unemployment insurance; but it has gradually disappeared, probably because of the difficulties of definition that arose when the scope was expressed in terms of specific industries, and the growing recognition that it is both socially desir-
able and sounder from an insurance standpoint to have as broad a coverage as possible.

The entries for some countries in the "persons covered" column of table II include certain additional classes of workers besides the category of "all employees". This is sometimes the case, for example, in respect of apprentices, homeworkers, commission agents, etc. A common feature of such specially listed groups is that they tend to fall close to the border line between an "employed person" or "employee" and one who cannot be so considered. Some countries specifically exclude one or more of these border line categories from coverage. Still others include or exclude them through interpretation of the term "employee" rather than by expressly providing for their inclusion or exclusion in the law itself. The lists in table II are based in the main on explicit provisions of the basic statutes. They do not take account of interpretations of what is to be considered implicit in the phrases "employed person" or "employee".

The table also shows that some countries cover certain classes of employees under special unemployment insurance schemes rather than the general scheme itself. Thus, Belgium has special schemes for miners, merchant seamen, dockers, and workers in the building trades. The Federal Republic of Germany has a special scheme for casually employed dock-workers. Ireland has a special scheme for workers in building trades, and Norway one for seamen. Japan has separate schemes for day-labourers and seamen. The United States maintains a special national scheme for railway employees. Greece has special funds for press workers and seamen.

It is possible to classify most of the 15 countries in table II into two main groups according to the breadth of their schemes. The first group consists of those whose schemes tend to cover the great mass of or virtually all employees, or at least most private employees. The second includes those whose schemes are mainly confined to employees in industry and commerce and which exclude all or much of agriculture. Among the countries providing for relatively comprehensive coverage are Austria, Belgium, Italy, Norway, the United Kingdom and

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1 Although compulsory insurance has been extended by law in Italy to agricultural employees on the basis of a special scheme, the implementing regulations and details of application of this legal obligation were still under examination in the first part of 1955.
Yugoslavia. Broad occupational coverage, with exclusion of some workers whose wages exceed a specified ceiling, is also provided by the Federal Republic of Germany, Ireland and the Netherlands. In contrast, the countries where the scope of the schemes tends to be limited chiefly to workers in industrial and commercial employment include Canada, Greece, Japan, Switzerland, the Union of South Africa, and the United States.

The nations that have already established unemployment insurance schemes are, for the most part, those with the greatest degree of economic development and industrialisation. Hence it is appropriate that they should seek to bring the great mass of their employed workers within the scope of unemployment insurance, or at least all workers in industry and commerce, who in these countries usually form a substantial part of all employees. In countries where industrialisation and economic development have proceeded less far, unemployment insurance cannot achieve so ambitious a scope, at least when first introduced. Coverage in such cases may need to be confined initially to employees of the larger industrial establishments, with only gradual extension thereafter. The wide scope of a number of existing schemes has only been achieved through such a gradual process.

The specific types of occupational and other exclusions listed in the third and fourth columns of table II are discussed individually in Chapter III below.

The following tabulation shows the number of employees covered by compulsory unemployment insurance in all but two of the countries shown in table II during a recent period ¹:

<table>
<thead>
<tr>
<th>Country</th>
<th>Number of Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>1,386,000</td>
</tr>
<tr>
<td>Belgium</td>
<td>2,075,000</td>
</tr>
<tr>
<td>Canada</td>
<td>3,278,000</td>
</tr>
<tr>
<td>Federal Republic of Germany</td>
<td>11,535,000</td>
</tr>
<tr>
<td>Ireland</td>
<td>512,000</td>
</tr>
<tr>
<td>Italy</td>
<td>3,251,000</td>
</tr>
<tr>
<td>Japan</td>
<td>7,197,000</td>
</tr>
<tr>
<td>Norway</td>
<td>740,000</td>
</tr>
<tr>
<td>Switzerland</td>
<td>613,000</td>
</tr>
<tr>
<td>Union of South Africa</td>
<td>585,000</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>19,400,000</td>
</tr>
<tr>
<td>United States</td>
<td>38,200,000</td>
</tr>
<tr>
<td>Yugoslavia</td>
<td>2,034,000</td>
</tr>
</tbody>
</table>

Differences among countries in the number of employees covered by insurance reflect in part the dissimilar coverage provisions summarised in table II. It must also be kept in mind, in this connection, that a given type of exclusion has

¹ From I.L.O.: *Year Book of Labour Statistics 1954* (Geneva, 1954), table 31. Data are for 1953 except for Italy and the United Kingdom (1952). Data are estimated or partly estimated for some countries.
UNEMPLOYMENT INSURANCE SCHEMES

a proportionately greater significance in some countries than in others, because of basic differences in their economic structure.

The Social Security (Minimum Standards) Convention, 1952, specifies (Article 21) that unemployment benefit schemes not having a means test shall apply to “prescribed classes of employees, constituting not less than 50 per cent. of all employees”. This Convention, it should be noted, deals expressly with minimum standards and not with objectives or ideal standards. It also provides, as a temporary exception, that unemployment benefit schemes in countries whose economies are insufficiently developed shall apply to “prescribed classes of employees, constituting not less than 50 per cent. of all employees in industrial workplaces employing 20 persons or more”.

The practice of expressing standards regarding the scope of unemployment benefit schemes in statistical terms, as followed in the 1952 Convention, is markedly different from provisions concerning scope contained in the Unemployment Provision Convention, 1934. Article 2 of this earlier Convention reads as follows:

1. This Convention applies to all persons habitually employed for wages or salary.

2. Provided that any Member may in its national laws or regulations make such exceptions as it deems necessary in respect of—

(a) persons employed in domestic service;
(b) homeworkers;
(c) workers whose employment is of a permanent character in the service of the government, a local authority or a public utility undertaking;
(d) non-manual workers whose earnings are considered by the competent authority to be sufficiently high for them to ensure their own protection against the risk of unemployment;
(e) workers whose employment is of a seasonal character, if the season is normally of less than six months’ duration and they are not ordinarily employed during the remainder of the year in other employment covered by this Convention;
(f) young workers under a prescribed age;
(g) workers who exceed a prescribed age and are in receipt of a retiring or old-age pension;
(h) persons engaged only occasionally or subsidiarily in employment covered by this Convention;
(i) members of the employer’s family;
(i) exceptional classes of workers in whose cases there are special features which make it unnecessary or impracticable to apply to them the provisions of this Convention.

3. [Concerns annual reports.]

4. This Convention does not apply to seamen, sea fishermen, or agricultural workers as these categories may be defined by national laws or regulations.

A comparison of the exclusions summarised in table II with the above wording indicates that many of the provisions relating to scope in existing legislation on unemployment insurance follow the 1934 Convention closely.

Voluntary Insurance

It is in some ways more difficult to obtain a complete picture of the scope of voluntary unemployment insurance schemes than of compulsory schemes, where the only question concerns the types of workers required to be insured. At least four different questions arise in the case of voluntary insurance. Under what conditions may a voluntary unemployment insurance fund be established? What types of persons are permitted to join such a fund and what types are not? What funds have actually been established in practice? How many workers have actually chosen to join the funds that have been established?

Provisions governing the types of persons who are, and who are not, permitted to insure themselves in the three countries that now have voluntary schemes are summarised in table III.

The Danish law differs from those of Finland and Sweden in that an unemployment fund may be established only in industries that are specifically listed. This law also restricts coverage to employees without private means, whereas no such limitation is present in the laws of Finland and Sweden. In a certain sense, therefore, the Danish provisions seem the more restrictive so far as the question of legal scope alone is concerned.

Whether a particular employee who is not barred from coverage by the exclusions summarised in table III actually has an opportunity of becoming insured against unemployment depends on whether an approved unemployment fund is actually established for the occupation and in the locality in which
TABLE III. SCOPE OF VOLUNTARY UNEMPLOYMENT INSURANCE SCHEMES, 1955

<table>
<thead>
<tr>
<th>Country</th>
<th>Persons permitted to insure</th>
<th>Occupational exclusions</th>
<th>Other exclusions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Denmark</strong></td>
<td>Paid employees in industry, commerce, agriculture, clerical work, handicrafts, catering, transport and excavation, except specific exclusions. Conditional on existence of fund in occupation and locality.</td>
<td>Employees in other industries</td>
<td>Employees with private means, Employees under 18 or over 60, Temporary employees, Persons unfit for regular employment, Unpaid employees, Subsidiary employees</td>
</tr>
<tr>
<td><strong>Finland</strong></td>
<td>All wage earners except specific exclusions. Conditional on existence of fund in occupation and locality.</td>
<td>—</td>
<td>Salaried employees, Employees under 15 or over 60, Employees not of Finnish citizenship</td>
</tr>
<tr>
<td><strong>Sweden</strong></td>
<td>All employees except specific exclusions. Conditional on existence of fund in occupation and locality.</td>
<td>—</td>
<td>Employees under 16, Employees over age fixed by fund, Family employees, Physically or morally unfit employees</td>
</tr>
</tbody>
</table>

he works. Unemployment funds may obtain recognition and qualify for public subsidy in Denmark if they have not less than 100 members, are connected with one or more occupations in the eight industries listed in table III and cover at least one province. In exceptional cases they may have less than 100 members or cover one locality only. The Danish funds are also required to meet state standards in respect of contributions, benefits, administration, etc. Once established and recognised, a fund is not permitted to refuse membership to any person who fulfils the conditions required for insurance, belongs to an occupation for which the fund is established, and is resident or works in the area where the fund is operating.

Unemployment funds or clubs have by now been established in Denmark for virtually all classes of urban workers
eligible for insurance. There are some 65 different unemployment clubs organised into nearly 4,000 branches, each with its local area. The largest club is that for unskilled workers, which contains more than a third of all employees covered and has over 1,200 branches. There are also clubs for numerous separate trades as well as one for foremen and another for technicians. The clubs usually cover the whole country in respect of the occupation or trade concerned. It has been said that Denmark has now “practically reached the point of saturation with unemployment clubs” for urban workers.

The minimum membership of a recognised unemployment fund in Sweden is fixed at 500 members, though fewer members are permitted in special circumstances. Though the Swedish funds are established by trade unions, they are required to admit any person employed in an occupation covered by the fund. In most cases the by-laws of the trade unions concerned require that their members join the fund. The conditions governing establishment of funds in Finland are generally similar to those in Denmark and Sweden, though a smaller minimum membership is prescribed.

The number of voluntary unemployment funds established in Sweden has been somewhat smaller than in Denmark, and in Finland the number is smaller still. In 1955 there was a total of 44 approved funds in Sweden. All of these were established by trade unions and had the whole country as their field; they had about 9,000 local branches. Only 16 funds serving different trades were in operation in Finland, their membership consisting largely of pulp, metal, and building workers in the larger cities.

The estimated total number of employees in each of the three countries with voluntary unemployment insurance who were members of unemployment funds in 1952 was as follows:

<table>
<thead>
<tr>
<th>Country</th>
<th>Members</th>
</tr>
</thead>
<tbody>
<tr>
<td>Denmark</td>
<td>651,000</td>
</tr>
<tr>
<td>Finland</td>
<td>129,000</td>
</tr>
<tr>
<td>Sweden</td>
<td>1,143,000</td>
</tr>
</tbody>
</table>

These figures show that a substantial fraction of workers in Denmark and Sweden—close to one-half, perhaps—are at present covered by unemployment insurance, despite the voluntary character of the measures applied. The scope of the two schemes in their actual application does not compare unfavourably, therefore, with that of some of the compulsory
schemes. It cannot be concluded from the Danish or Swedish experience, however, that voluntary insurance would necessarily achieve an equally broad scope in another country, particularly one in which unemployment protection was being introduced for the first time. The long tradition of voluntary action in Denmark and Sweden, not only in unemployment insurance but in various other fields, as well as the strength of their trade union movements, would have to be taken into account in judging how wide a coverage could be effectively achieved through voluntary insurance in other countries.

It may be noted that the Social Security (Minimum Standards) Convention, 1952, stipulates that, for the purpose of compliance with its unemployment benefit provisions, account may be taken of—

protection effected by means of insurance which, although not made compulsory by national laws or regulations for the persons to be protected, (a) is supervised by the public authorities or administered, in accordance with prescribed standards, by joint operation of employers and workers; (b) covers a substantial part of the persons whose earnings do not exceed those of the skilled manual male employee; and (c) complies, in conjunction with other forms of protection, where appropriate, with the relevant provisions of the Convention.

Clause (c) in effect requires that the scope of voluntary insurance schemes should be such as to cover "prescribed classes of employees, constituting not less than 50 per cent. of all employees" as provided by Article 21 (a) of the Convention. It may also be noted that the Unemployment Provision Convention, 1934, provided that its requirements might be complied with either through voluntary or through compulsory unemployment insurance.

**Non-Insurance Schemes**

In the case of schemes providing unemployment allowances not based on insurance, the provisions dealing with scope are not concerned with categories of workers who should be enrolled under insurance, pay contributions, and acquire an insured status. Instead, they need only define what persons are potentially eligible for allowances in the event that unemployment actually occurs. Provisions regarding the categories of persons potentially eligible for allowances under the four existing non-insurance schemes are summarised in table IV.
Such persons must of course satisfy certain other qualifying conditions, including a means test, at the time of unemployment itself. In reality, compliance with the provisions relating both to scope and to qualifying conditions under these schemes is

**TABLE IV. SCOPE OF NON-INSURANCE UNEMPLOYMENT ALLOWANCE SCHEMES, 1955**

<table>
<thead>
<tr>
<th>Country</th>
<th>Persons potentially eligible for allowances</th>
<th>Occupational exclusions</th>
<th>Other exclusions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Australia</strong></td>
<td>All persons except specific exclusions</td>
<td></td>
<td>Persons under 16</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Persons over 65</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(women 60)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Temporary residents</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(less than one year)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Seasonal workers with sufficient income</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Intermittent workers with sufficient income</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Aboriginal Natives</td>
</tr>
<tr>
<td><strong>France</strong></td>
<td>All employees except specific exclusions</td>
<td>Share-fishermen</td>
<td>Employees under 21</td>
</tr>
<tr>
<td></td>
<td>Self-employed writers, artists, actors, musicians</td>
<td></td>
<td>Employees over 65</td>
</tr>
<tr>
<td></td>
<td>Graduates of schools</td>
<td></td>
<td>Persons not normally employed</td>
</tr>
<tr>
<td></td>
<td>Special insurance schemes for dockers and building employees</td>
<td></td>
<td>Seasonal employees</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Subsidiary employees</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Physically unfit persons</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Wives of employees</td>
</tr>
<tr>
<td><strong>Luxembourg</strong></td>
<td>All employees except specific exclusions</td>
<td>Agricultural employees</td>
<td>Employees under 16</td>
</tr>
<tr>
<td></td>
<td>Graduates of schools</td>
<td>Domestic servants</td>
<td>Persons not usually employed</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Seasonal employees</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Commission agents</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Wives of regular employees</td>
</tr>
<tr>
<td><strong>New Zealand</strong></td>
<td>All persons except specific exclusions</td>
<td></td>
<td>Persons under 16</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Persons qualified for old-age benefit</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Residents of less than one year's standing</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Wives of husbands able to support them</td>
</tr>
</tbody>
</table>

*Payment of allowances subject, in each country, to income test at time of claim.*
verified for an individual worker only if, and at the time when, he files a claim for an unemployment benefit.

It is perhaps somewhat artificial in the case of such schemes to classify some of the provisions governing qualification for allowance as scope provisions, and others as qualifying conditions. But the former tend to be expressed more in terms of broad and general categories of persons, while the latter are concerned with the individual circumstances of each claimant at the time of unemployment. The subject of qualifying conditions for benefit and disqualifications therefrom is dealt with in Chapters IV and V.

The Australian and New Zealand schemes, in principle, offer potential protection to all regular residents of working age. France offers protection to all persons usually employed, to certain workers not ordinarily classified as employees, such as musicians and artists, and to recent graduates of schools who may never have been employed. Luxembourg limits the scope of its scheme principally to persons usually employed in industry and commerce.

Since under these schemes there is no enrolment in advance of the claim for an allowance, no count is automatically made of the number of persons protected by them. The number of persons potentially eligible for unemployment allowances in each country is, in fact, theoretically identical with the total population included within the framework of the provisions summarised in table IV.

The Social Security (Minimum Standards) Convention, 1952, provides that schemes granting unemployment allowances subject to a means test should cover all residents.
CHAPTER III

COVERAGE OF SPECIAL GROUPS

Experience has shown that some types of employment present special problems when included under unemployment insurance. It is often necessary, therefore, to give special consideration to the treatment of these in deciding upon the scope of a particular scheme. Some of the employments in question are dealt with in much the same way under the majority of existing schemes. Practice with regard to the others varies widely, however, as some countries include them and others exclude them from coverage.

Some of the factors that complicate decisions concerning the inclusion or exclusion of certain types of employment are encountered under almost any form of social insurance. As these are already extensively discussed in general social insurance literature, they are not treated in detail here. There are also other factors more closely connected with the special characteristics of unemployment insurance. The weight to be given to these various factors in determining the scope of a scheme must be settled by reference to the principles set forth in the first part of Chapter II. That is to say a balance must be struck among often conflicting factors—the principle of need for protection, administrative considerations, and financial considerations.

The various groups of workers whose coverage by unemployment insurance is sometimes open to question may be examined under the following main headings: industry groups, types of undertakings, categories of jobs, kinds of persons, and regions.

INDUSTRY GROUPS

As under other forms of social insurance, employees in the basic industries of manufacturing, mining and commerce are nearly always covered under unemployment insurance.
Taken as a whole and apart from particular segments, their coverage does not normally present any unusual problems. Belgium, it may be noted, has singled out miners for coverage under a special scheme rather than under its general scheme. The situation is somewhat different, however, as regards employees in the major industry groups commonly described as agriculture, transport and services.

**Agriculture**

The largest economic group for which special difficulties are met in applying unemployment insurance is constituted, in most countries, by the workers engaged in agriculture. To this group must be added workers in the closely related fields of forestry, livestock raising, hunting, trapping and fishing. The problems to be overcome in insuring rural workers against unemployment are both administrative and financial in character.

**Difficulties of Coverage.**

The predominance of small employing units and the dispersion of these units have always made it more difficult to apply any form of social insurance to agriculture than to urban employments. The ordinary social insurance processes of registration, collection of contributions, inspection, etc., cannot be performed as efficiently, and are more costly per worker covered, in agriculture than in industries where employing units are usually larger and more concentrated geographically. The prevalence of part-time work, including seasonal employment and often continuous underemployment, in various branches of agriculture causes still further difficulties in the application of unemployment insurance. Verification of unemployment and loss of wages in the case of rural workers employed less than full time is often administratively quite difficult.

On the financial side the significant characteristic of much agricultural employment is the smallness of the cash income received by both employees and employers. Much of agricultural income is in kind. This does not provide a ready basis for payment of cash contributions by either the employee or the employer. In some cases, also, the worker is remunerated on the basis of a share or seasonally, an arrangement which
does not easily lend itself to the payment of a small regular contribution.

The above difficulties are serious ones. They may make it necessary to exclude agricultural employees completely, at least at the outset of a new scheme. Or, if such employees are covered, special attention must be given to means of overcoming the difficulties cited. There can be no question, however, regarding the need of agricultural employees for unemployment protection. Agricultural employment is often very unstable. It is vulnerable to numerous factors including climate, market conditions and price fluctuations. Income levels are so low that workers can do little through saving to build up their own protection against the loss of their jobs.

Present Coverage.

Over half of the existing unemployment benefit schemes have now succeeded in covering most or all agricultural employees. This is true, for example, of the schemes of Austria, Belgium, the Netherlands, Norway, Yugoslavia, and the United Kingdom. Ireland covers male but not female agricultural employees. Agricultural employees are also potentially eligible for insurance under the voluntary schemes of Denmark, Finland and Sweden, and for allowances under the non-insurance schemes of Australia, France and New Zealand. Agricultural employees were not originally covered in some of these countries, but were brought in after the original scheme had been in operation for some time.

In contrast to the above countries Canada excludes employment in agriculture, horticulture, forestry, fishing, hunting, and trapping. The Federal Republic of Germany excepts workers employed in agriculture and forestry if they live with the employer and receive mainly wages in kind. Japan excludes all employment in agriculture, forestry, livestock raising, and fishing. Norway excludes relatives employed in an agricultural undertaking, and all employees engaged in the breeding of reindeer, fishing, whaling and sealing. The Union of South Africa excludes persons employed in agriculture but covers those engaged exclusively or mainly in forestry. Switzerland and all of the 48 states in the United States exclude agricultural labour. The non-contributory allowances provided in Luxembourg are not available to agricultural workers.
As a matter of general policy it would seem that, in view of their urgent need for protection, agricultural employees should be excluded from unemployment insurance only if their coverage appears virtually impossible. If full coverage of agricultural employment is not considered practicable, it may nevertheless be found possible to cover at least some marginal and other categories of agricultural workers, such as those employed in processing or administrative operations or by larger farm units which employ at least several workers. If it is decided to cover agricultural employees in general, special care must be taken to ensure that the contribution, benefit and administrative arrangements worked out for urban employees will apply equally well to those in agriculture.

Transport

Railway Transport.

Special coverage provisions are sometimes applied to railway employees and have the effect of exempting them from coverage at least under the general scheme. These provisions may be the result of the greater stability inherent in some types of railway employment, the existence of other measures for protecting railway workers against unemployment, or other factors. Where the railways are owned by the State, the considerations governing inclusion or exclusion of permanent railway employees may differ little from those applicable to civil servants.

In most countries railway employees are now covered together with other employees under the general scheme. In Belgium, however, employees of the National Belgian Railway Company are excepted, provided that they receive from the Company advantages at least equal to those extended by the general scheme. The Union of South Africa excludes permanent employees of its railway administration and employees in the regular non-European staff establishment of that administration. In the United States railway employees are excluded from the general state schemes but are covered by a special insurance scheme for railway workers administered by the national Government.

Sea Transport.

The coverage of seamen often presents special problems for unemployment insurance. Their absence at sea for long
periods, the special nature of their contracts of employment, and problems involved in testing their unemployment account for the occasional use of special provisions in dealing with them. Most countries now cover seamen under their unemployment insurance provisions. In some cases the law expressly provides for their coverage under the general scheme, while in others special schemes are established for dealing with them. The Netherlands, the United Kingdom and Ireland, for example, provide specifically for coverage under their general schemes of the master and members of the crew of ships registered in the country. In contrast, unemployment benefits are paid to merchant seamen under special schemes in Belgium, Greece, Japan and Norway. France expressly provides for the payment of allowances to unemployed seamen under special conditions, and also has separate provisions governing the payment of allowances to casual dockworkers; regular dockers are covered under a special scheme.

Government Service

Another major group for whom coverage may sometimes be questionable are public employees. Administration is relatively easy in their case, but their need for protection is often small and problems of financial policy may also be involved.

Problems.

Many public employees work under long-term or permanent contracts with a civil service status. This assures a high degree of stability in their employment, which is enhanced by the fact that government employment is not subject to economic fluctuations to the same extent as private employment. The risk of unemployment for public employees, in short, may often be quite small. Moreover, dismissal gratuities are sometimes provided for civil servants whose contracts are terminated. The availability of such indemnities further lessens the need for unemployment insurance coverage.

The situation is complicated by the fact that many government employees are not members of the civil service and do not have permanent contracts. This is often true of manual employees and persons employed by the government in its proprietary capacity. It may also be true of workers hired
during periods of emergency expansion of government activities. Government employees who do not enjoy civil service status may in some countries actually outnumber those employed under permanent contracts. The exposure of the former to the risk of unemployment may differ little from that of workers in private industry, and they have the same need for protection.

Another possible motive of a State in excepting its own employees from unemployment insurance may be a financial one. The State may feel unable on fiscal grounds to contribute to the scheme at the same rate as private employers, or it may regard it as inappropriate to contribute with private employers to a joint pool from which benefits are paid to both public and private employees. These questions involve matters of state fiscal policy and sovereign prerogatives which each State has to resolve for itself.

National Practice.

Diverse policies are followed under existing schemes. The United Kingdom and Yugoslavia expressly cover all civilian public employees regardless of status. In contrast the following exclusions may be noted. Austria excludes persons employed by a government unit under a public-law contract of service, and those employed by such units under a non-terminable private-law contract of service if it gives right to superannuation benefits. Belgium and Italy exclude permanent government employees, while Ireland excludes those who are permanent and pensionable. The Federal Republic of Germany and Norway exclude civil servants. Greece, the Netherlands, and the Union of South Africa exclude all public employees. In Switzerland employees of the federal Government may not be covered under cantonal schemes. The United States covers employees of the national Government, but about three-fourths of the states exclude state and local governmental employees; the other one-fourth of them cover some categories of such employees either on a compulsory or on a permissive basis.

Certain classes of persons working for the government are sometimes the subject of special provisions. Canada, Ireland and South Africa expressly exclude persons in the defence forces. In a number of other countries military personnel are implicitly excluded by the definition of employment.
Canada also excludes policemen. Special regulations are sometimes issued to fix the status of part-time elected and appointed officials of local units of government. The Netherlands expressly includes workers employed on relief jobs. Canada excludes all teachers, South Africa excludes publicly employed teachers and Ireland and the Netherlands exclude all teachers entitled to protection under other laws.

The State and other units of government clearly constitute a special class of employer for whom many ordinary rules do not apply. But, on balance, it would seem a sound element of public personnel policy that all public employees who do not receive substantially equivalent protection in other ways should be covered by unemployment insurance despite any financial difficulties involved. Reductions in staff are often necessary even in public employment. The risk of unemployment for various categories of workers in private industry is often no greater than that for public employees. Finally, exclusion of the good risks represented by public employees may be regrettable from the standpoint of the financial equilibrium of an unemployment insurance scheme.

Other Services

Community Services.

The coverage of employees of private charitable, educational, religious and similar organisations sometimes involves special considerations. Such organisations are usually operated on a non-profit-making basis and derive much of their income from voluntary donations. They are frequently exempted from the payment of ordinary taxes. In addition, some of the persons working for these organisations, particularly for religious organisations, are remunerated chiefly in kind rather than by cash wages. But many of the other employees of these organisations have basically the same need for unemployment protection as if they were working for a profit-making employer.

Only a few of the existing schemes explicitly exclude such employees on any extensive scale. Canada excludes employees of non-profit-making hospital and charitable institutions, professional private-duty nurses, and teachers employed by educational institutions or otherwise. The Federal
Republic of Germany excludes members of religious associations, deaconesses, Red Cross sisters and similar persons, if they engage in health or educational services primarily from religious motives and receive free maintenance with relatively little cash remuneration. Greece and Ireland exempt ministers of religion and members of religious communities; Japan excludes employees of enterprises engaged in the care of the sick and related activities, education, social work, and other non-profit activities. All the state schemes in the United States exclude employees of undertakings organised exclusively for religious, charitable, scientific, literary or educational purposes and not operated for gain.

In summary, while some categories of persons working for non-profit-making organisations can hardly be regarded as gainfully employed persons in the ordinary sense, there are many others for whom employment by such organisations constitutes a source of livelihood no different from employment by a commercial undertaking. Any decision regarding the coverage of the latter category of employees, however, should presumably depend upon the legal position that non-profit-making institutions already occupy under tax, labour or other legislation in each separate country.

**Domestic Service.**

Domestic servants present the greatest problems of coverage so far as the field of personal services is concerned. Both administrative and financial difficulties are involved. Such workers are employed mainly in households that are not in themselves commercial enterprises. The typical employer consists of a family with only one employee. The same employee may often work for more than one household in the same week, thus working only part-time for each employer. These facts complicate the tasks of enrolling domestic servants in insurance schemes, collecting contributions in respect of them, and determining when unemployment actually begins. Moreover, much of the income of domestic servants is often in kind, in the form of board and lodging which serve much less readily than cash wages as a basis for contributions.

The need of domestic servants for protection against unemployment, on the other hand, is as pressing as that of the majority of other workers. Their employment is somewhat less
stable than that of numerous workers and, in fact, is often terminated more abruptly and with less formality than in the case of employees generally. Their rates of earnings are usually low and their ability to save against possible unemployment is small.

Some categories of domestic servants are more easily covered than household employees. Such is the case for those employed by enterprises operated for a profit, e.g. hotels. Other domestic servants are employed by organisations which, while not operated for gain, are of sufficient size to make coverage administratively practicable; clubs and hospitals are illustrations of such organisations.

Most of the countries that now exclude domestic servants from unemployment insurance make a distinction of the kind noted above. Thus, Canada excludes employment in domestic service unless for a business carried on for gain or for a club. Italy, the Netherlands, and the Union of South Africa except only domestic servants employed in private households, while Norway excludes domestic work in private houses, institutions, hospitals, and hostels not licensed as hotels. The state of New York is the only state in the United States that covers domestic servants in private homes, and its law applies only to households with four or more employees. In contrast to these countries, Austria and Ireland exempt from coverage all females employed as private domestic servants, while Belgium excepts all domestic servants. Unemployed domestics are not entitled to the non-contributory allowances payable in Luxembourg.

It is clearly socially desirable to cover domestic servants under unemployment insurance if that is administratively and financially feasible. The difficulties of covering them have been overcome in countries other than those mentioned above. In the case of a new scheme, however, it may be necessary to defer their coverage until the scheme has been successfully launched, but in this case they should if possible be brought in at a later date. There remain certain other suppliers of personal services, such as bootblacks, whose income is usually quite low. Many of these more nearly resemble self-employed persons, however, and for this reason unemployment protection can be provided to them only with great difficulty.
Recreation Services.

Certain workers engaged in recreation services fall near the border line of the definition of employee because of the nature of their work. For this reason some countries have found it necessary to lay down special provisions concerning the coverage of such workers. Thus, Canada specifically excludes persons who are employed and paid for playing games. In contrast, Ireland and the United Kingdom cover casual employment if it is for the purposes of a game or recreation where the persons employed are engaged or paid through a club. The Netherlands specifically includes members of orchestras. France also has special provisions authorising the payment of allowances under certain conditions to unemployed professional artists in the plastic, graphic, dramatic and musical arts, and to writers and composers. Italy on the other hand specifically excludes artists and theatrical and film employees.

Types of Undertakings

In some cases employees of certain kinds of undertaking may be excluded from coverage by reason of the characteristics of the undertakings themselves. Such exclusions may cut across all industry lines and are also in no way related to the nature of particular jobs or to the personal characteristics of individual workers.

Small Employers

The administrative difficulties and expense involved in covering a large number of very small employing units occasionally leads to the outright exemption of all small undertakings from coverage, irrespective of industry. Such exemptions can scarcely be justified from the standpoint of the need of the workers concerned for protection. Nevertheless, they may effect a substantial reduction in the administrative load of unemployment insurance, without excluding a significantly large proportion of the total labour force.

An exemption of this sort is of particular significance for less developed countries, since limiting the initial coverage of a new scheme to larger undertakings may considerably ease the difficult task of establishing an entirely new administrative
structure. It may be noted in this connection that the Social Security (Minimum Standards) Convention, 1952, allows countries with an insufficiently developed economy to comply temporarily with the Convention, as regards unemployment benefit, by covering 50 per cent. of all employees in industrial workplaces employing 20 persons or more.

Most existing schemes have no exemption of this kind. Japan, however, excludes from coverage all workers employed by employers having less than five employees. About two-thirds of the state schemes in the United States also exclude the smallest employing units. This exclusion is usually expressed in terms of the number of workers employed and different states exclude firms employing from one to three employees. A few states express the exclusion in terms of a minimum monetary payroll rather than a minimum number of workers.

Other Exclusions

Greece excludes persons working for an employer who is not permanent. Japan excepts those employed by enterprises with no definite location, except construction enterprises. The Union of South Africa excludes employees of undertakings that maintain a provident fund for their employees. The Netherlands excludes persons for whom conditions for payment of unemployment benefit are regulated by other public laws, if such benefits are not less favourable than those of the general scheme. The Italian law provides for the possible exemption of employers who have guaranteed stability of employment to their workers.

Categories of Jobs

Another important type of limitation on scope consists in the exclusion of particular types of job from coverage. This may be done even though all other jobs in the industries or undertakings concerned are included. Nor are such exclusions dependent upon the personal characteristics of the particular person occupying the job. Exclusions of this sort may be classified into four main groups: higher-paid jobs, jobs near the border line of the definition of employment, part-time jobs, and seasonal jobs.
Higher-Paid Jobs

Maximum earnings are sometimes fixed under unemployment insurance schemes with the effect that all jobs for which the rate of remuneration exceeds a specified level are entirely excluded from protection. A similar practice is often followed under other branches of social insurance. These limits not only disqualify the persons affected from receiving benefits but exclude them completely from insurance; that is to say they are not enrolled in the insurance scheme and no contributions are paid in respect of them. The basic theory underlying this practice is that persons occupying the jobs concerned, with the larger incomes they receive, are able by saving to provide their own protection against the risk involved.

Some of the countries that applied an earnings ceiling in the past have abandoned it, but a minority of countries still have such a limit. Thus, Canada excludes salaried jobs for which the rate of pay exceeds $4,800 per year. The Federal Republic of Germany excludes non-manual and seafaring jobs for which annual remuneration exceeds 9,000 DM. Greece excepts all workers whose remuneration exceeds 5,000 drachmas per month. In Ireland all non-manual employments are excepted for which the rate of remuneration is more than £600 per year. The Netherlands excludes persons whose money wages exceed 6,000 gulden a year. The Union of South Africa excludes employments in which rates of earnings exceed £750 per year.

It would appear desirable, in principle, that exclusions of this type should be applied at most only to jobs that are in fact in the upper ranges of the remuneration scale. Evaluation of how restrictive any particular earnings ceiling is at the present time would require a detailed study of actual earnings levels in each country, as well as of living costs. Only thus could it be determined whether a given ceiling actually excluded only the "higher-paid" jobs or whether it excluded some "moderately paid" jobs as well. One bench-mark to use in such a test would be to compare the earnings ceiling imposed with the typical wage of a skilled manual male employee.

As a matter of general policy, it may be questioned whether any exclusion of this kind is justifiable under a contri-
butory unemployment insurance scheme. The so-called higher-paid jobs may in fact be no more stable than lower-paid jobs. It is also questionable whether the majority of workers affected by such exclusions are actually able to save enough to build up their own protection against possible loss of their job. The reduction in administrative costs resulting from these types of exemption is negligible, and in reality they may complicate rather than simplify administration. Finally, from a financial standpoint, contributions in respect of higher-paid jobs may often strengthen the actuarial position of a scheme.

**Border line Employment**

There are a number of jobs in every country where the relationship between the worker and the person for whose account the work is done is not identical with that normally found between an employee and an employer. The difference may lie in methods of determining the remuneration, in the degree of supervision exercised by the principal, in the place where the work is performed, or in still other circumstances. As unemployment insurance is concerned basically with rupture of the employment relationship, special attention has to be given to the classification of jobs falling close to the border line between employment on the one hand, and self-employment or non-employment on the other. Troublesome cases not clearly dealt with in the law may later have to be the subject of regulation or else of judicial construction.

**Apprentices.**

The position of apprentices is one case in question. As learners who are unpaid or receive only a small sum, apprentices cannot be regarded as ordinary employees. Should they be protected against unemployment when their apprenticeship stops, and will there be a measurable wage loss? Divergent practices are followed under existing schemes. Austria excludes apprentices from coverage unless they are paid as much as the lowest-paid labourer or else are in the last year of their apprenticeship. Belgium excludes apprentices unless bound by an ordinary contract of employment, but covers them after completion of their apprenticeship. In the Federal Republic of Germany, apprentices are covered only during the last 12 months of their apprenticeship. Greece
excepts technical apprentices. Japan excludes workers who are employed on probation. Switzerland allows apprentices to be insured only in the last six months of their apprenticeship. In contrast to these exclusions some countries specifically provide for coverage of apprentices. Canada, Denmark, Ireland, Norway, the Union of South Africa, the United Kingdom, and Yugoslavia expressly include persons working under a contract of apprenticeship.

**Share-Workers.**

Another type of problem is presented by persons remunerated on a commission or share basis. Their work is often performed outside the employer's premises and with only limited supervision. Thus their occupation presents some of the features of self-employment and some of employment.

The Netherlands expressly includes commission agents who work exclusively for one party as well as persons who perform jobbing work. Crews of fishing vessels remunerated by a share of the catch or profits are normally covered by the Netherlands and the United Kingdom, even when not employed under a contract of service. An opposite practice as regards commission agents is followed in Canada, Norway, the Union of South Africa, the United Kingdom, the United States, and Luxembourg, which usually exclude them from unemployment insurance. Italy and the Union of South Africa also specifically exclude share-workers, while Ireland and France do not cover share-fishermen.

It would appear from the conflicting courses followed in different countries that decisions regarding coverage of commission and share-workers must be guided by local custom and jurisprudence, in view of the special legal relationship often existing between such workers and their principals.

**Homeworkers.**

Still another border line type of work is that in which articles or materials are given out by the principal to be made up, cleaned, finished, altered, adapted for sale, or otherwise worked at the home of the workers or another place not under the control of the principal. Such workers, usually called homeworkers, are subject to some supervision by the principal and in this respect they resemble employees. They also have
a certain degree of independence such as is enjoyed by self-employed workers. But they are often quite vulnerable to the risk of loss of work and thus need unemployment protection. For this reason such protection should probably be provided whenever the necessary administrative arrangements can be made.

As regards existing schemes, Austria covers homeworkers under special conditions, while Belgium and the Netherlands cover them explicitly. In contrast, Ireland, Italy, Norway and the Union of South Africa exclude them.

Other Categories.

There are still other border line types of jobs which are sometimes excluded from coverage. Thus, it may be questioned whether corporation directors are employees of the company they direct. Canada and the United Kingdom exclude such posts from coverage, though they are usually covered in the United States if remunerated. Denmark does not permit the coverage of unpaid employees, while Norway excludes workers whose remuneration consists solely of board and lodging. Italy provides for the outright exclusion of workers for whom verification of unemployment is impossible. On the other hand, Yugoslavia expressly includes members of handicraft co-operative societies. Policy as to coverage of these and similar border line employments must clearly be based on an evaluation of the factor of need as well as on the administrative and financial considerations peculiar to each country.

Part-Time Employment

Problems.

The basic purpose of unemployment insurance is replacement of part of the wage lost as a result of termination of employment. If a person lacking a job was not previously employed, there is no lost wage to be replaced. If such a person was not fully employed prior to the loss of his job, he has suffered only a partial loss of wages. If the preceding employment was of relatively small amount or was quite irregular, the loss of wages is correspondingly small and in addition it may be very difficult to determine.
It is by reason of these considerations that unemployment insurance schemes often completely exclude various limited spells or pieces of employment from coverage. The selection of precise dividing lines is a matter of degree. The underlying principle, however, is that when the amount of employment falls below a certain level it is neither socially necessary nor administratively feasible to provide insurance against the relatively small loss of wages which will result when the job is terminated. It may be assumed that below this level the occupant of the job is not in fact a regular member of the labour force that is being protected.

As will be seen in Chapter IV the qualifying conditions for receipt of benefits also have the effect of denying benefits to persons who normally work less than a certain proportion of full time. These qualifying conditions apply to persons who have previously been admitted to insurance. The provisions being considered at this point, however, are those which exclude part-time workers at the outset from coverage by insurance. In other words the employments examined here are those in respect of which registration is not effected and no contributions are paid.

Casual and Subsidiary Employment.

One type of part-time employment frequently excluded from unemployment insurance is employment of a casual nature carried out otherwise than for the purpose of the employer's trade or business. Such an exclusion is provided for by the laws of Canada, Ireland, the Union of South Africa, the United Kingdom and the United States among others. A somewhat similar type of employment often excluded is that ordinarily engaged in as a subsidiary or supplemental and not as a principal means of livelihood. Such part-time employment is excluded from coverage, for example, under the schemes of Canada, Denmark, France, Ireland, Luxembourg, the Netherlands, Norway, Switzerland and the United Kingdom.

The exclusion of casual and subsidiary employment does not seem to be in serious conflict with the principle of the need for protection. It may also help to simplify administration by eliminating fragmentary "pieces" of employment that are not often sufficient by themselves to enable a worker to qualify for benefit.
Apart from the special kinds of limited employment referred to as casual and subsidiary, there are many other cases where jobs have only a brief duration. They may be jobs of a temporary character taken once only or they may recur irregularly, intermittently, occasionally or otherwise. Their common feature is that the total employment afforded by the job, when aggregated for a period of a week, month or year, represents only a relatively small fraction of full-time employment. A jobless person who previously occupied only a job of this sort cannot be regarded as having suffered any appreciable loss of wages. Hence, it is often of little use to cover such types of job under unemployment insurance schemes. They lead to much additional administrative work without, as an end result, giving any right or any substantial right to benefit.

A good many of the existing schemes exclude this type of employment. Thus, Austria excludes persons who, having regard to their hours of work or level of remuneration, are only occupied to an insignificant extent. Canada excepts employment that habitually totals less than four hours per day. The Federal Republic of Germany exempts temporary employees, and those whose pay is insignificant, from liability for insurance, as well as students who do some work while attending school. Ireland provides for the exclusion of employment of inconsiderable extent. Persons who only perform work occasionally in the service of another are not subject to insurance in Italy. The Netherlands excludes persons who perform work for wages only in exceptional cases and for short periods.

Norway exempts employees not otherwise liable to insurance who perform work covered by insurance for only a short period fixed in advance; it also exempts persons earning less than 1,000 kroner per year, on the theory that no person essentially dependent upon his earnings would earn such a low amount. Switzerland excludes persons employed for less than 150 days per year. The Union of South Africa does not cover persons employed for less than eight hours in a week, or Natives who do not earn more than £182 per year. The United Kingdom disregards employment in which a person is engaged only to an inconsiderable extent; it also excludes
employment by one employer of less than four hours per week (eight hours if domestic service), as well as various forms of part-time employment in specified occupations.

Under the Danish voluntary scheme, unemployment funds may not admit as members persons employed on work that is only of a temporary nature. As for the non-insurance schemes, Australia permits cancellation or postponement of unemployment allowances if the claimant has been only an intermittent worker and possesses an income sufficient for maintenance. France and Luxembourg do not pay allowances to persons not usually employed, except in the case of recent graduates from universities and technical schools.

No major question of principle appears to be involved in the problem of whether to include or exclude short-term work from insurance. A worker who is a part of the labour force for only a brief period cannot be assumed to sustain any important loss of wages if he finds himself totally without work. He is thus scarcely insurable against unemployment. If a benefit is made payable, it must in any case be exceedingly small. Or, if the worker has had a longer period of employment in another job, the amount of the benefit is usually little affected by inclusion or exclusion of a brief additional spell of employment. The administrative implications of including or excluding short periods of employment will vary according to the nature of each scheme. Provisions of this sort must always be carefully drafted, however, so as not to exclude employments of sufficient duration to be genuinely insurable.

**Seasonal Employment.**

Seasonal employment is in some respects a special case of part-time employment, but also has certain other features that warrant special consideration. By seasonal employment is meant work performed each year, during more or less the same period of the year, but which continues for only a relatively few weeks or months. A worker who engages only in seasonal employment can be assumed for purposes of unemployment insurance to suffer a measurable loss of wages only if he becomes jobless in the seasonal period during which he normally works. His unemployment during other periods cannot be regarded as representing a loss of wages. This is
the simple basic principle involved, but it is somewhat complicated to put into practice.

The ordinary qualifying conditions operate under some schemes in such a way as to bar exclusively seasonal workers from benefit, owing to the fact that they work for too brief a period. Under other schemes this result does not always follow and to protect them against a heavy financial drain from workers who might work each year sufficiently long to qualify for benefits and then draw benefits for many weeks during their off-season, it is sometimes found necessary expressly to exclude seasonal workers from coverage. An alternative approach is to admit seasonal workers to insurance but to lay down special additional qualifying conditions concerning their benefits. It should be noted that a worker who engages in a seasonal occupation for part of the year and a regular occupation during the remainder of the year may be severely penalised if account is not taken of his employment in the seasonal occupation.

A few of the existing schemes make no special mention of seasonal workers in their laws. They may therefore be presumed to cover such workers. Some of the schemes concerned exclude agricultural employment, however, in which seasonal work is quite prevalent. In at least some of the others it may be assumed that many seasonal workers are excluded from benefit by the qualifying conditions, while others may be excluded through regulations pertaining to part-time employment.

In contrast a certain number of other countries specifically exclude certain classes of seasonal workers from coverage. Italy, for example, excludes persons employed exclusively on work which is performed annually during fixed periods lasting less than six months. Japan excludes workers employed in seasonal enterprises for a specific term of employment which is less than four months, or workers who are employed seasonally. Norway exempts employees in undertakings that as a rule carry on their activity for only a short period in the course of a year. In the United States employees of all employers who operate less than 20 weeks during a year are excluded from coverage. The Union of South Africa normally excludes seasonal workers, who are defined as persons employed on work that, by reason of seasonal variation in the supply of the raw
material of an industry, is ordinarily available to such persons for a continuous period of not more than eight months in any one year.

Canada in general includes persons employed in seasonal industries but authorises the imposition by regulation of additional contribution and benefit conditions for such persons. Moreover, it has adopted special provisions for certain classes of employees under which seasonal benefits are payable to workers unemployed during the slack winter period from 1 January to 15 April. The United Kingdom covers seasonal workers but has added special qualifying conditions that must be satisfied before such workers can obtain benefits during their off-season.

It is apparent that, in designing an unemployment insurance scheme in countries where seasonal employment is prevalent, special care must be taken in dealing with this type of employment. Ideally, seasonal employees should be able to receive benefits if unemployed during their normal season of employment. But special qualifying conditions may be required to safeguard the payment of such benefits. If such conditions cannot readily be formulated until experience has been acquired, it may be advisable to exclude seasonal workers during the early stages of a new scheme until more careful and realistic drafting of the conditions is possible.

**Kinds of Persons**

Another category of possible exclusions from coverage arises out of the personal characteristics of individual workers, irrespective of the industry, type of undertaking, or job in which they are employed. Among personal characteristics that may require consideration are age, relationship to the employer by blood or marriage, physical condition, and nationality.

*Youths and Aged Persons*

If the assumption is made that unemployment insurance is designed basically to protect only regular members of the labour force against loss of employment, some attention must be paid to the border line ages at which most persons tend to enter and leave the labour force.
Youths.

Below a certain age most youths have not yet started working, and those that have may not be regular full-time workers. In addition, they ordinarily live in a household of which they are not the primary breadwinner and, in some countries, a family allowance is still payable in respect of them. Hence, not only is the unemployment of young persons often an ambiguous condition to verify but it also may occasion little real need for protection. There will of course always be some exceptions to this. Moreover, the rate of pay of young persons is often quite low, so that the normal employee contribution may represent a disproportionately heavy charge on such earnings. For the above reasons consideration has to be given to the outright exemption of young workers below a certain age from unemployment insurance. If there is legislation effectively prohibiting child labour below a reasonably high age, such an exemption is of less importance.

Aged Persons.

At the other end of the scale are elderly workers who have reached the age at which most persons retire from employment. The decline in working capacity that accompanies the process of aging makes many aged workers so vulnerable to unemployment that they constitute a heavy risk for an unemployment insurance scheme. Without some safeguards a disproportionate share of total benefits may have to be paid to aged persons whose physical condition makes it difficult for them to get and hold a job.

In view of these circumstances, it is sometimes desirable to exclude persons above a certain age from the coverage of unemployment insurance. The ideal arrangement, which exists in numerous countries, is for old-age and invalidity insurance to deal with the income loss of aging persons. Unemployment insurance is thus in effect relieved from responsibility for these somewhat marginal members of the active labour force.

Present Practice.

A number of the existing schemes contain express exclusions from unemployment insurance coverage either of persons below or above specified ages, or both. Among the compulsory insurance schemes, Ireland and Switzerland exclude
workers under the age of 16, the United Kingdom (on the basis of its school-leaving age) excludes workers under the age of 15 years and Italy excludes those under 14 years. Many of the state schemes in the United States exclude youths under the age of 18 who deliver newspapers, a common form of juvenile employment in that country. Greece excludes all youths under 20 years of age. As for aged persons, Ireland and Norway exclude workers over the age of 70; the Federal Republic of Germany, Greece, and the Netherlands those over 65; and Switzerland those over 60. Some countries differentiate between male and female workers as regards the upper age limit. The upper limits for coverage of such workers are 65 and 60, respectively, in the United Kingdom and 60 and 55, respectively, in Italy. Most if not all social insurance schemes also contain general restrictions on duplicate or overlapping benefits, and it may be assumed that old-age and invalidity pensioners virtually everywhere are outside the scope of unemployment insurance.

In the case of the voluntary insurance schemes, Denmark has age limits of 18 and 60, Finland of 15 and 60, and Sweden a lower limit of 16 with its upper limit varying with individual funds. The non-insurance schemes likewise restrict the age period during which allowances are payable. Australia does not pay unemployment allowances to persons under 16, to males over 65 or to females over 60. France prohibits the payment of ordinary allowances to unemployed workers under 21 unless the head of a family and those over 65; and Luxembourg and New Zealand to those under 16.

In planning a new unemployment insurance scheme, decisions concerning the coverage of youths and aged persons will need to be based on several factors. These include provisions of child labour and family allowance laws, retirement and invalidity pension measures, and the precise nature of the provisions to be applied under the new scheme in respect of contributions, benefits and qualifying conditions.

Relatives of Employer

Experience has shown that coverage of employees having a close family relationship with the employer may be undesirable under unemployment insurance. The transition of such employees from an employed to an unemployed status may be
ambiguous, difficult to verify and open to abuse. Since the employer and the employed relative are often members of the same household and income unit, the loss of wages suffered through unemployment of the relative may not be such as to require compensatory benefits. The normal processes of registration and payment of contributions are easily manipulated, abused or evaded in the case of employment of a spouse or child. For these reasons, it is often found desirable to exclude all employees of this type outright.

Exclusion of family employees is a common feature of existing unemployment insurance schemes. To illustrate, Austria enumerates the following exclusions: spouse, children, adopted children, grandchildren, parents, adoptive parents, and grandparents of the employer. A similar broad exclusion of family labour is found in Belgium, the Federal Republic of Germany, Greece, Switzerland and most states of the United States. Canada excludes the spouse and also children who receive no wages or other money payment. The United Kingdom and Ireland except the spouse as well as prescribed relatives of the employer living in a common home. The Union of South Africa excludes only the spouse.

Unfit Persons

Active membership in an unemployment fund is prohibited under the Danish voluntary scheme for persons who are physically or morally unsuited for regular employment or for working with foremen or fellow-workers. Somewhat similar restrictions on coverage by reason of physical, moral or mental qualities are imposed by Sweden and Switzerland. Restrictions of this type do not seem well adapted for use in the coverage provisions of compulsory insurances schemes of wide scope. Under such schemes the question of ability to work is applied as a qualifying condition for benefit, but only at the time of unemployment.

Aliens

Problems.

Nothing inherent in compulsory unemployment insurance requires that employees who are not citizens of the country they work in should be excluded from coverage. Contributions should be levied in respect of their employment and, if
they become unemployed, they should receive benefits under the same conditions as nationals of the country. On the other hand it is difficult to verify the existence or continuance of unemployment if an unemployed worker—whether national or alien—leaves the country in which his insurance rights have been built up. Unless, therefore, adequate reciprocal arrangements can be worked out with the administrative authorities of other countries, benefits cannot usually be paid to unemployed aliens who leave the country in which they were previously employed.

Present Practice.

Virtually none of the existing compulsory unemployment insurance laws contains an unqualified provision excluding workers from coverage by reason of alien nationality. The Union of South Africa exempts certain alien workers whom the employer is required by law or agreement to repatriate at the termination of the contract of service. Greece excepts aliens whose employment in the country is likely to last for less than a year. Belgium requires the employment of aliens to be in accordance with provisions respecting foreign workers. But it can be said that, in general, there is no exclusion of aliens in so far as coverage under compulsory unemployment insurance schemes is concerned.

Some of the voluntary insurance and non-insurance schemes, however, contain exclusions affecting aliens. Membership in an unemployment fund in Finland is not permitted to workers who are not Finnish citizens. Australia does not pay allowances to persons who have resided in the country for less than one year, unless they intend to reside there permanently. France excludes alien workers not in possession of a valid foreign worker's card, unless reciprocal agreements provide otherwise. New Zealand excludes aliens who have been resident in the country for less than a year.

Treaties.

A number of social security treaties concluded among different countries in recent years have dealt with unemployment insurance. Some of these call simply for equality of treatment of nationals of the contracting countries in application of unemployment insurance. Others go further, however,
and provide for combining insurance periods served in different countries, or for payment of unemployment benefits by one country as agent for the other. Various examples of such treaties may be noted.

An agreement concluded between Canada and the United States in 1942 deals with duplicate coverage of workers employed in both countries, and contains provisions facilitating the payment of claims to unemployed persons with benefits rights in one country who become unemployed in the other. Danish and Swedish unemployment funds concluded an agreement in 1946 enabling a member of a fund in one country to transfer his claim for benefit to a fund in the other country. Somewhat similar agreements were entered into by Sweden and Norway in 1948, and by Denmark and Norway in 1951. Belgium and the Netherlands signed a convention in 1947 and a reciprocity agreement in 1950 allowing nationals of one country to enjoy all the advantages of unemployment insurance when in the other, and providing that employed workers not resident in the country where they were employed may receive benefit at the same rates as prescribed in the legislation of their country of residence. A Belgo-Italian agreement of 1948 provides that employees removing from one country to the other should receive benefit in the latter if they fulfil either its qualifying conditions or those of the country that they left.

A 1949 agreement between the United Kingdom and Ireland permits persons who qualify for unemployment benefit in one country to receive benefit under certain circumstances while resident in the other; provision is made for transfer of sums between the two countries in connection therewith. An agreement concluded between Australia and New Zealand in 1949 allows nationals moving from one country to the other to retain their rights to unemployment benefit regardless of any residential conditions ordinarily imposed. Periods of employment and residence in one country may be taken into account for purposes of obtaining unemployment benefit in the other country under a social security agreement signed by the United Kingdom and Australia in 1953.

A 1951 convention between the Federal Republic of Germany and Austria provides for periods of insurance served in one country to be taken into account in determining eligibility for benefit in the other. Somewhat similar conventions
were concluded between the Federal Republic of Germany and the Netherlands in 1951, between the Federal Republic of Germany and Italy in 1953, and between the Netherlands and the United Kingdom in 1954.

Regions

It is sometimes necessary to exclude all workers in an entire region from coverage. This may be due to certain inherent regional characteristics that make it difficult to apply unemployment insurance there at any time. Or, it may be a consequence of a policy of gradual geographic extension of a new scheme made necessary by a shortage of administrative facilities, trained personnel, or employment offices at the time when the scheme is started.

The cases of exclusion of whole regions or localities are not numerous under existing schemes, since most of them have been in operation for a number of years and are located in countries with well-developed employment services. However, Greece has not yet extended its scheme to all parts of the country, particularly to a number of rural regions. Japan excludes day-labourers in regions that are not yet covered by a public employment exchange. Canada permits exclusion of areas in which there is relatively little employment of the kinds covered by its scheme.

A policy of gradual geographical extension on the other hand may have to be a basic feature of a new unemployment insurance scheme introduced in a country where there has been little or no previous experience with social insurance. The same may be true in countries where an employment service is only gradually being developed and extended to different parts of the country.
CHAPTER IV

ELIGIBILITY FOR BENEFITS

The preceding two chapters deal with categories of persons for whom the protection of unemployment insurance may be provided. The next questions to be considered concern the circumstances in which persons so protected should receive benefit.

Long years of experience with unemployment insurance in different countries have shown that precise and sometimes elaborate rules have to be laid down to define the conditions under which unemployed workers become eligible for benefit. In framing these rules account must be taken of the purpose of insurance, of the specific risk with which it is intended to deal, and of the basic principles that follow therefrom. The rules must also have regard for the practicability of developing procedures for testing compliance with the provisions adopted. If the rules are not well designed they may inadvertently admit to benefit numerous cases that should properly be excluded, and may also exclude cases that on all grounds of equity should be admitted. They may lead to widespread abuse. And finally they may be difficult to administer if the border lines they establish are obscure or ambiguous.

The term unemployment in its simplest form implies little more than the condition of being without a job. A person who has never worked may be said to be without a job. A person who has had a job but who has given it up voluntarily is also out of a job. A person may be ill and without a job for that reason. Or, he may be without a job solely because he makes no effort to obtain one. Clearly unemployment insurance benefits could never be paid to every person who has no job, without further conditions of eligibility. For one thing this would be a financial impossibility for any country. Moreover, there would be a risk of destroying the incentive to work of many persons, thereby seriously hampering the functioning of the economy.
The broad principle should clearly be that workers covered by unemployment insurance should be entitled to receive benefits only when they become involuntarily unemployed. All present laws either use this phrase in specifying the contingency for which benefits are payable, or refer to unemployment while making clear in the context that involuntary unemployment is meant. Careful examination of the expression “involuntary unemployment” reveals, however, that it, too, is a far from simple concept. It has various facets and it is not always easy to draw a clear line of demarcation between them. The phrase presumably refers to a situation in which a worker is without a job as a result of circumstances beyond his control. It also embraces the notion both of involuntary loss of a previous job and inability to find a new one. The detailed provisions required to elucidate this concept, to permit it to be tested in individual cases, and to indicate its limits, are examined in this and the following chapter under three main headings: qualifying conditions, qualifying period and disqualifications.

Qualifying Conditions

Each claimant for unemployment benefit should be required to satisfy certain positive conditions before he is declared eligible for benefit. He should also usually be required to continue to meet the same conditions throughout the period during which he receives benefit. Imposition of such conditions helps to confine the payment of benefits to persons suffering from unemployment of a type that is actually insurable.

Ability to Work

Unemployment insurance should ordinarily deal with the risk of joblessness principally as it results from factors external to the individual worker such as the failure of the economy to provide sufficient jobs. It should not have to deal with joblessness produced by the personal circumstances of individual workers such as their incapability of working. Many workers lack remunerative employment because they are incapacitated by sickness, maternity, accident, invalidity or old age. Benefits may be provided for these workers under other branches of social security dealing specifically with such risks; but, while
they are in a sense “jobless”, they should not be considered eligible for unemployment benefits.

The positive expression of this reasoning is that one basic condition for receipt of unemployment benefit should be that claimants are “able to work” or “capable of work”. A requirement of this sort is an appropriate qualifying condition under an unemployment insurance scheme. Such a condition is expressly laid down in practically all existing compulsory and voluntary insurance laws, as well as in the non-insurance laws, and is also specifically recognized as acceptable by both the Unemployment Provision Convention, 1934, and the Social Security (Minimum Standards) Convention, 1952. The general consequence of imposing this condition is that if an employee is without work because of sickness or another form of incapacity, or if he is sick or otherwise incapacitated at the time of filing his claim, he is ineligible for unemployment benefit.

**Verification.**

The ability of most claimants to work can be adequately verified if they are required to register and report regularly at an employment exchange. However, persons confined to bed by illness or accident will be unable to come to the exchange at all. In the case of claimants who do appear in person at the exchange, the officials there can usually determine readily whether they are physically capable of working.

A certain number of cases will always arise, however, in which ability to work must be determined medically. For this reason the administrative agency may be empowered to prescribe a medical examination in doubtful cases. Powers of this sort are given to the administrative authorities by the laws of Australia, Austria, France, Italy, the Netherlands and Yugoslavia, among others.

**Definition.**

Border line cases of partial incapacity are bound to occur that fall somewhere between total incapacity and full ability to work. It may therefore be necessary to include a definition of “ability to work” in the law or regulations. Among definitions found in existing laws the Federal Republic of Germany deems a claimant able to work if he is capable of earning, in an employment that is suited to his strength and
ability and which can be reasonably assigned to him in view of his training and previous occupation, at least one-third of the sum usually earned by physically and mentally sound persons of the same kind with similar training in the same neighbourhood. Austria and Greece have a somewhat similar definition. Belgium deems physically unfit for employment any claimant possessing a general earning capacity equal to only one-third of what a person in the same conditions and with the same training can earn by his own work in the same region. Switzerland in contrast provides that workers whose capacity to work is less than 70 per cent. shall not be considered capable of working, unless they have been employed at least 12 days since their sickness or accident.

Some of the state laws in the United States also expressly link the requirement that a claimant must be able to work to his particular occupation. Thus, Michigan requires only that the claimant be able to perform full-time work of a character that he is qualified to perform by past experience or training, and of a character generally similar to work for which he previously received wages. It may also be noted in this connection that a considerable number of the state laws specifically deem women unable to work if they leave employment because of pregnancy.

Relation to Sickness Insurance.

If other types of social insurance benefits are payable in respect of incapacity for work, the definition of ability to work under unemployment insurance should be dovetailed to the maximum extent possible with that of incapacity under sickness insurance, employment injury insurance, invalidity insurance, etc. This will ensure that all deserving cases of wage loss give rise to some form of benefit irrespective of its cause. The Federal Republic of Germany expressly provides, for example, that persons not recognised as incapable of work for purposes of sickness insurance shall never be held incapable of work for purposes of unemployment insurance.

It not infrequently happens that unemployment beneficiaries fall ill after payment of their benefit has started. If there is a sickness insurance scheme, the worker may in this case become eligible for sickness instead of unemployment benefits. If there is no provision for sickness benefits, however,
the worker's position is more serious. In the latter case it would appear not unjustifiable to continue the unemployment benefit for at least so long as a suitable new job is not available for the worker.

This principle has been recognised to a limited extent in at least three countries that have no general sickness insurance scheme. The Union of South Africa continues under certain conditions to pay unemployment benefits to a beneficiary when he becomes ill or to a female beneficiary while she is pregnant. About half a dozen state schemes in the United States, including those of Idaho, Maryland, Montana, Nevada, Tennessee and Vermont, provide that claimants who become ill while unemployed shall not be considered ineligible for benefit, so long as no suitable work is offered to and refused by them. Canada provides that a worker who becomes incapable of work after having become entitled to unemployment benefit shall not be disqualified therefor solely by reason of such incapacity.

**Availability for Work**

The concept of involuntary unemployment as a compensable risk presupposes that an unemployed worker has not found a new job for external reasons connected with the labour market, and not for reasons arising out of his personal circumstances. This is true whether or not such circumstances are within his control. In other words it is assumed that he is in all respects ready for work and that the only factor that keeps him from working is the absence of a suitable vacancy. So long as this is so he is assumed to be genuinely and currently attached to the labour force and to be entitled to benefits until a vacant position becomes available for him.

It follows from this line of argument that, if elements are present in the personal circumstances of the worker that would prevent him from accepting a suitable vacancy if such were offered to him, he cannot be considered as being currently attached to the labour force. In this case his unemployment may be ascribed to his personal circumstances and not to an absence of suitable vacancies in industry. But it is not usually considered a function of unemployment insurance to protect against the risk of being prevented from engaging in remunerative employment by personal circumstances. To deal with the above a second positive condition often imposed for eligibi-
ility for unemployment benefit is that the claimant must be "available for work".

**Meaning of Availability.**

Availability for work is a broad term that is rarely defined in detail in legislation. Its interpretation plays an important role, however, in many administrative and judicial decisions concerning the right to benefit. One way of indicating its meaning is to say that a claimant may be considered as available for work when his personal circumstances are such that he is in a position to accept without delay the offer of a suitable job.

There are numerous situations in which a claimant who is able to work, and in all other respects qualified for benefit, may be unavailable for work. Without attempting to classify these systematically, they may be illustrated. The claimant may have entered self-employment, enrolled in school, decided to stop gainful work temporarily, retired, moved to a distant region, gone on a vacation, or (in case of women workers) married. These actions normally mean that the claimant is not at least currently in his usual labour market and is thus not currently available for employment.

The concept of availability for work obviously overlaps to some extent with that of ability to work. An individual who cannot work because of his physical condition is both unavailable and unable to work. In fact the two conditions are often linked in the single expression "capable of and available for work". In addition, as in the case of ability to work, the concept of availability must in practice ordinarily be considered in relation to the particular occupation (or closely related occupations), skills, and region with which the individual claimant is associated. In other words it does not mean availability for any type of work, at any place, under any conditions.

**Prevalence of the Requirement.**

About half of the present compulsory insurance laws expressly lay down "availability for work" as one of their qualifying conditions for benefits. This is true, for example, of the laws of Canada, Ireland, Italy, the Union of South Africa and the United Kingdom, and all the state laws in the United States. Beneficiaries qualifying under the Swedish voluntary scheme must, in addition to being capable of work,
not be otherwise prevented from undertaking work. France subjects its non-contributory allowances to the condition that the recipient is free to accept employment. It may also be noted that both the Unemployment Provision Convention, 1934, and the Social Security (Minimum Standards) Convention, 1952, recognise availability for work as an appropriate qualifying condition for unemployment benefit.

Testing Availability.

Availability for work can normally be tested by requiring claimants to register and report at an employment exchange. In a number of cases where the claimant is not available it would be physically impossible for him to register and report regularly; in others, however, he could register and report regularly if he chose. A definite finding of non-availability may be difficult to establish, in cases of this latter type, until a job is actually offered to the claimant. In short, while registration for employment may usually be considered as prima facie evidence that an unemployed person is available for work, countervailing evidence may sometimes exist that makes denial of benefit necessary even though the claimant is duly registered.

Willingness to Work

Another aspect of the problem of eligibility for benefit concerns the willingness of unemployed persons to work. A claimant may be able to work and available for work, and may also register for work, but he may in fact be unwilling to re-engage in employment. In this case, while the loss of his old job may have been involuntary, continuance of his state of unemployment would appear to be in keeping with his own desires. For this reason some countries have made it an express condition for benefits that the claimant must be “willing to work” or “willing to undertake suitable work”. Such a phrase is found in the laws of Austria, Australia, France, the Federal Republic of Germany, Greece, Japan and New Zealand. Belgium similarly requires that the claimant must be ready to accept any suitable employment.

The administrative task of testing compliance with a condition of willingness to work raises certain problems. The only real test that can be made is to offer a suitable job. If the applicant accepts it he proves his willingness to work; if he
rejects it he may be regarded as unwilling to work. But penalties for refusal of a suitable job offer can be applied directly, by providing for disqualification in case of such a refusal. This type of disqualification is discussed in the following chapter. In advance of or in the absence of a job offer however, the matter of willingness must in the last analysis be a psychological question of the state of the claimant's mind. And no conclusive procedure can be devised that will adequately test a claimant's mental attitude.

The difficulty is increased in periods when employment opportunities are scarce. In this case a long time may have to elapse before a suitable job can be offered to the claimant. Meanwhile, it may be very difficult to determine whether or not he is willing to work.

Because of the difficulty of determining in advance of a job offer whether a claimant is willing to work, and in view of the possibility of providing directly for disqualification if a job offer is refused, it is somewhat debatable whether imposition of a separate and distinct “willingness to work” condition serves any useful purpose. In any case it is asking a great deal to expect claimants to present tangible and positive proof that they satisfy such a condition, prior to making a job offer to them. Neither the Unemployment Provision Convention, 1934, nor the Social Security (Minimum Standards) Convention, 1952, refer to such a condition.

Seeking Work

The notion of involuntary unemployment may in addition be regarded as embodying a presupposition that unemployed workers make a certain effort to secure new work. If they simply sit passively by and wait until a new job seeks them out, without doing anything to find such a job, they in a sense contribute to the continuance of their unemployment. Accordingly, it is appropriate to consider whether an additional condition of benefit eligibility should be added requiring claimants to be “seeking work”.

A minority of the present laws contain some condition of this sort. Ireland requires claimants to avail themselves of any reasonable opportunity for obtaining suitable employment,

1 See p. 131.
subject to a maximum six-week disqualification in case of failure or neglect to do so. Greece and the Netherlands require workers to make a sufficient effort to obtain employment. Norway denies benefits if claimants do not do their best to find suitable work by themselves.

Switzerland requires claimants to do everything in their power to find suitable work. Some countries like the Union of South Africa deny benefit if the worker fails to comply with specific reasonable directions given by an employment official with a view to helping him get work. About half of the state schemes in the United States expressly require claimants to be actively seeking work or making a reasonable effort to obtain it. Allowances are paid in Australia and New Zealand only if the claimant has taken reasonable steps to obtain suitable employment. On the other hand the United Kingdom, which once required claimants to be “genuinely seeking work”, eventually repealed this provision because of difficulties met in applying it.

The most effective way for the majority of workers to seek work is by registering at an employment exchange. The more efficient and comprehensive the placement services of a country, the more nearly will this be the predominant method of seeking work. But the requirement of registration at an exchange is always an independent condition for receipt of benefit, so that it is unnecessary to require workers to seek work simply to ensure such registration. Thus the real question is whether every claimant should be required to take additional steps to find employment apart from registering with the employment service.

It is difficult to generalise about this matter as circumstances differ from country to country, occupation to occupation, district to district, and even from worker to worker. Doubtless there are numerous cases where workers can do much on their own to find new employment, outside the framework of the employment service. There are also many other situations where there is little that a worker himself can do, once he has registered at his local exchange. It does not appear unduly burdensome to expect an unemployed worker to exert reasonable effort on his own to find work, having regard for customary hiring practices in his occupation and region and for the current status of the particular labour market to which
he belongs. But such a condition, if imposed as a formal requirement regarding which each claimant must adduce positive and tangible proof, may be very difficult to administer and lead to many disputed cases. Determination of whether the effort of each claimant to find work has, or has not, been reasonable may be administratively very cumbersome.

In the last analysis, any decision regarding inclusion of "seeking work" as an additional and independent condition for benefits must depend on the particular circumstances prevailing in each country. The most important factor to be taken into account in this decision is the state of the country's placement services.

Registration at Employment Exchange

The most desirable thing that can be provided to an unemployed worker, as well as his greatest need, is a new job. Cash benefits replacing some of the income he has lost through unemployment represent only a second-best solution of his difficulty, and their payment should always be subordinated to the finding of another job. For this reason it is in the interest of the worker himself, as well as of his fellow citizens, that he be required as a condition for receiving benefit to place himself in the most favourable position possible to find a new job. Under modern methods of organising the labour market this is accomplished by requiring him to register at an employment exchange.

The whole field of placement is intimately connected with the subject of unemployment insurance. A comprehensive treatment of the latter should perhaps deal at length with the organisation and functioning of placement services. Since an extensive literature already exists on this subject, however, it is not treated in detail in the present study except in so far as unemployment insurance operations impinge directly on the function of placement. This is done as a matter of convenience,

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and does not represent an unintentional glossing over of the importance of employment services for the successful application of unemployment insurance.

**Purpose of Registration.**

It is essential to the notion of involuntary unemployment that an unemployed worker cannot find a new job despite the fact that he is able, available, and ready and willing to work. This condition can hardly be considered definitely to exist, however, until the worker's unemployment has been systematically compared with the jobs vacant at the time. In a well organised labour market vacant jobs are notified to the employment exchange as a matter of course, even if such notification is voluntary. The exchange can then determine whether any of the vacancies reported to it match the skills of workers who are without jobs. The employment service must perform this basic operation for each claimant before the involuntary character of his unemployment can be confirmed. Unless this can be done, through the mandatory registration of the worker, he cannot be truly considered to be involuntarily unemployed.

It is for the above reasons that registration at an employment exchange must be a specific and positive condition for the receipt of unemployment benefit. It is principally through this act that a jobless worker can be "exposed" to employment, which is the chief and easiest way of testing his ability to work, availability for work, and willingness to work. Registration is analogous to the verification and certification of incapacity under sickness insurance. Whereas the latter must be done by a professional medical officer, the verification of unemployment must be carried out by the employment exchange, by examining its incoming requests for workers to see whether a vacancy exists for which the claimant is qualified.

**Importance of the Requirement.**

All the countries that now have unemployment benefit schemes, including those with voluntary and non-insurance programmes, in one way or another make registration for work a prior condition for receipt of benefit. This is usually prescribed explicitly, but in some cases it is implicit in the procedures laid down for claiming and receiving benefits. The Unemployment Provision Convention, 1934, also allows the
right to receive benefit to be made subject to registration at a
public employment exchange or other approved office. The
Social Security (Minimum Standards) Convention, 1952, allows
suspension of benefits if workers fail to make use of employ­
ment services placed at their disposal.

The importance of registration at an employment office
in the application of unemployment insurance, both in theory
and as evidenced by provisions of existing schemes, points to
the difficulties that a country would face in introducing unem­
ployment insurance if it did not yet have a well organised
placement service. It is not too much to say that, unless a
country already has a successfully functioning placement ser­
vice for matching idle workers and vacant jobs and for deter­
mining whether unemployment is in fact involuntary, it simply
is not in a position to introduce unemployment insurance.
It will be sure to encounter grave problems if it does so. This
same observation applies with equal force to particular regions
of a country. If employment services have been established
for some regions of a country but not for others, unemploy­
ment insurance may work in the former but should not be
applied to the latter.

Continuing Registration.

The term "registration" as used in this chapter is not
intended to refer only to the single act of registering when a
claim for benefits is first filed. It refers rather to continuous
registration for so long as a worker is unemployed, or at least
for so long as he is receiving unemployment benefit. This
continuing registration is, in fact, more commonly referred to
as the regular reporting of the beneficiary at the exchange.

After a claimant has registered initially he should nor­
mally be required to report regularly and periodically to the
exchange in person. The basic purpose of this is the same as
that of the original registration: to test that he continues to
be unable to find a job and to be available for and able to work.
His failure to report at the times specified by the exchange
without good cause is sufficient justification for suspending
his benefit for the period concerned, just as failure to register
initially is sufficient cause for not awarding a benefit. The
employment office should fix the times of reporting in such
a way that the mere appearance of the worker in person at the
exchange is virtually ample evidence in and of itself that he is actually available for work; that is, that he is not engaging in other work, is not incapacitated for work, and has not left the region.

Nearly all existing unemployment benefit schemes, including the voluntary and non-insurance schemes, expressly require beneficiaries to report regularly to a local employment office so long as they receive benefits. While some laws leave determination of the frequency of reporting to administrative discretion, others deal specifically with this matter. Thus, the laws of Austria, Japan and Norway require unemployed beneficiaries to report in person to the employment office at their place of residence at least twice a week. The Federal Republic of Germany and Greece require that they normally report at least three times per week.

Exemptions from the ordinary reporting requirements are sometimes authorised for workers living at a distance from an exchange, those in special occupations, partially unemployed workers, those who are ill for a short period and those undergoing vocational training, or in other special circumstances. Provision is also made for reporting to some office other than the exchange itself when designated as an agent of the latter.

Role of the Exchange.

The requirement that beneficiaries must register and report regularly at an employment office is in reality inextricably linked with the whole process of administering unemployment insurance benefits. Administrative questions form the subject-matter of Chapter VIII, but some of the administrative inter-relationships between employment exchanges and unemployment insurance administration may be briefly summarised here.

The initial claim for unemployment benefit should normally be filed by a worker with the employment office when he first registers for work. Part of the process of deciding each claim to determine whether a claimant is eligible for benefit must be performed by the exchange, i.e. the verification of whether a job suitable for the claimant is vacant. If a system of insurance books is used the exchange should usually retain custody of the book during the period while the worker is drawing benefit. The actual payment of benefit is also usually
carried out at the exchange at the time when the worker signs the unemployment register to attest to his continuing unemployment. These illustrations of the way in which administration of unemployment benefits is related to the placement service indicate that a considerable degree of unification, or at least of co-ordination, is desirable between the two types of administration.

In summary it is an indispensable condition for receipt of unemployment benefits that claimants be required to register with and report regularly to an employment exchange.

**Qualifying Period**

Another positive condition which always has to be imposed for receipt of unemployment insurance benefits is some period of qualification. The purpose of this is to make certain that claimants have been engaged in insured employment for at least a specified minimum period of time prior to becoming unemployed.

*Reason for the Qualifying Period*

The basic principle of the qualifying period is the limitation of benefits to regular and bona fide members of the labour force. It is only such persons who can be regarded as having suffered a genuine and material wage loss in case of unemployment. A person who was employed for only a very brief period before becoming unemployed can hardly be assumed to have sustained a wage loss requiring compensation. The fact that he has worked very little in insured employment usually means either that he had other means of support or that he was incapable of working. In either case he cannot be considered, for purposes of unemployment insurance, as normally relying on insured employment as his means of livelihood. This is the underlying rationale of the qualifying period.

The qualifying period also has important financial implications. It guarantees that at least a basic minimum amount of contributions will have been paid in respect of all beneficiaries. This assists in maintaining the financial balance of the scheme. If workers could qualify for benefits after only a relatively few days of employment, it would hardly be possible to maintain the solvency of any unemployment benefit scheme. Apart
from the possibility that abuse and adverse selection might result from such an arrangement, its cost would entail an extremely high rate of contribution for all insured workers. This would be especially troublesome under voluntary schemes where the individual worker has some freedom to choose whether or not he will be insured, but it also applies when coverage is compulsory.

Form of the Qualifying Period

The time aspect of a qualifying period may be expressed in different ways. Choice among these depends largely on the technical structure of the scheme rather than on any major question of principle.

The qualifying period may be expressed, for one thing, in terms of weeks or days of insurable employment prior to losing a job. In this case a definition may be required in the law or in regulations to indicate exactly what constitutes a week or day of employment. Again, the condition may be expressed in terms of a minimum number of contributions, where these are payable in respect of each period of employment. This method is most practical when a flat contribution is payable for each specified period of time. The qualifying condition may also be fixed in terms of earnings during a prescribed previous period, particularly if those above a certain level are excluded from consideration by a wage ceiling. Whichever basis is used, the same one may also need to be used in rules concerning the maximum duration of benefits and perhaps also their rates. In the case of voluntary schemes, it may also be necessary to require a minimum period of membership in a fund, in addition to a minimum period of employment, as a condition for benefit.

Apart from the nature of the qualifying period of employment or contribution, it is also necessary to consider the factor of the recency of the period. Clearly employment a number of years back, even though it was of considerable length, is not evidence in itself that a worker unemployed today is currently a part of the labour force or that he is currently dependent upon insured employment for his livelihood. For this reason some kind of “reference period”, during which the qualifying period must have been served, also needs to be specified.
Length of the Qualifying Period

The above discussion concerns the general principles of a qualifying period. It is patent that some type of qualifying period must be required. However, the question of how long the qualifying and reference periods should be raises more difficult problems. These cannot be resolved as a matter of principle alone, as there is no principle dictating any exact period of time. The question is one of degree and involves deciding just where the border line between failure to qualify and successful qualification shall be drawn. Consideration must be given to the practical effects of any period chosen, and to actual experience with periods of varying length.

If the period required for qualification is unduly long, it will exclude many unemployed workers who are genuinely a part of the labour force and whose need for financial aid is great. This would defeat in part the social objectives of the plan. On the other hand, if the qualifying period is too short, benefits may be paid to many workers who are not normally attached to the labour force on a full-time basis, abuses may become prevalent, and the cost of the scheme may rise to an excessive height.

It may be taken as a lesson from past experience that a qualifying period generally need not be much longer than six months, in order to serve its purpose. A period longer than this, except in special circumstances, is apt to be unduly restrictive. On the other hand difficulties may tend to be encountered with increasing frequency if the period is reduced much below this level. It may be stated as a general rule, therefore, that the length of the qualifying period for unemployment insurance benefits should ordinarily be fixed at somewhere in the neighbourhood of six months. There may be some circumstances, however, in which a qualifying period of this length is not really necessary. This is particularly true in countries with well developed labour markets where the employment service can function effectively to test regularity of membership in the labour force, the genuineness of unemployment, and the reality of wage loss. Countries introducing unemployment insurance for the first time, in contrast, may wish to start with a more conservative qualifying period and shorten it gradually as actual experience is acquired with claims rates.
While both the Unemployment Provision Convention, 1934, and the Social Security (Minimum Standards) Convention, 1952, recognise the need for a qualifying period, neither lays down a specific length of time as a standard. The first indeed contains no standard concerning the length of the period; while the second provides for a period of such length "as may be considered necessary to preclude abuse".

Periods of severe and prolonged mass unemployment may place a great strain on the solvency of an unemployment insurance scheme and, as a result, may make it necessary to consider lengthening the normal qualifying period. If, however, such adjustments are found to be necessary they can perhaps best be made as part of a broad emergency programme designed to meet and combat mass unemployment; but they should not normally be dealt with in the basic law itself.

**Existing Schemes**

Qualifying periods as well as reference periods provided under existing schemes are summarised in table V. It will be observed that a qualifying period of around six months is most commonly provided for at the present time. Several schemes provide for a somewhat shorter period, while a few others require a longer period.

**Length of Reference Period**

The restrictiveness of reference periods varies in inverse proportion to their length or, to be more precise, in proportion to the ratio between the qualifying and reference periods. A qualifying period of 26 weeks of employment in a reference period of the last 52 weeks is much more restrictive, for example, than one of 26 weeks in the last 208 weeks. It is in keeping with the theory of unemployment insurance, however, to place more emphasis on attachment to the labour force in a recent period than in a more distant period.

The employment status of an unemployed worker three to five years or more prior to his current unemployment has little relevance to whether or not he should be entitled to unemployment benefit today. This suggests that the reference period should not ordinarily go back more than one or two years. On the other hand, if the reference period is made too short, benefits will tend to be limited only to those who have
recently enjoyed practically full-time work. On the whole a reference period of about one year would appear to bring several somewhat conflicting factors into reasonable balance.

In the case of workers who have been incapacitated for part of the reference period, or prevented from working by other factors beyond their control, such as military service, a relatively short reference period may involve considerable hardship. Such cases may be met not by a general lengthening of the reference period but by providing for its prolongation in specified circumstances.

Another problem closely related to the subject of the qualifying period is the length of time within which a worker is permitted to requalify for benefits after having drawn them for the maximum duration provided by law and thus exhausted his current rights. As this problem is also linked with the question of duration of benefits, however, it is treated briefly in Chapter VI rather than at this point.

**ELIGIBILITY OF SEASONAL WORKERS**

The special problems posed for unemployment insurance by workers engaged in seasonal occupations have already been referred to in Chapter III. As pointed out there such workers may, in general, be assumed to suffer a compensable wage loss only if unemployed during their normal working season and not as a result of lack of work during their off-season.

There are various ways of safeguarding a scheme against the financial drain that would result if seasonal workers were able to claim benefits regularly each year as soon as their off-season begins. One is to exclude them entirely from coverage under insurance and, as pointed out in Chapter III, some of the existing schemes do this. Another is to design the ordinary eligibility provisions in such a way that the situation of seasonal workers presents no special problems. A third is to cover seasonal workers under insurance but to lay down special additional eligibility provisions in their case. The choice among these alternatives in a particular country must depend upon the prevalence of seasonal work in the country and in the industries actually covered, and also upon the details of the ordinary eligibility provisions adopted.

The special provisions regulating the eligibility of seasonal
## TABLE V. QUALIFYING PERIODS FOR UNEMPLOYMENT BENEFITS, 1955

<table>
<thead>
<tr>
<th>Country</th>
<th>Length of qualifying period</th>
<th>Reference period</th>
<th>Reference period prolonged:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Australia</strong></td>
<td>None required</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Austria ¹</strong></td>
<td>20 weeks of insured employment</td>
<td>12 months preceding claim</td>
<td>Up to 3 years for excepted employment, self employment, registered unemployment, sickness, imprisonment</td>
</tr>
<tr>
<td><strong>Belgium</strong></td>
<td>6 months of paid employment and contribution ²</td>
<td>10 months preceding claim</td>
<td>Military service</td>
</tr>
<tr>
<td><strong>Canada ³</strong></td>
<td>30 weeks of contribution and 8 weeks of contribution</td>
<td>2 years preceding claim and 1 year preceding claim</td>
<td>Up to 4 years for excepted employment, incapacity, or work stoppages during disputes</td>
</tr>
<tr>
<td><strong>Denmark</strong></td>
<td>12 months of membership of fund and 26 weeks of employment and 39 weeks of employment</td>
<td>12 months preceding unemployment and 18 months preceding unemployment</td>
<td>—</td>
</tr>
<tr>
<td><strong>Finland</strong></td>
<td>26 weeks of membership of fund</td>
<td>26 weeks preceding unemployment</td>
<td>—</td>
</tr>
<tr>
<td><strong>France</strong></td>
<td>150 days of paid employment</td>
<td>12 months preceding unemployment</td>
<td>—</td>
</tr>
<tr>
<td><strong>Federal Republic of Germany</strong></td>
<td>26 weeks of insured employment</td>
<td>12 months preceding unemployment notification</td>
<td>Up to 2 years for self employment, training, receipt of assistance</td>
</tr>
</tbody>
</table>

*For footnotes see p. 117.*
## Table V. Qualifying Periods for Unemployment Benefits (cont.)

<table>
<thead>
<tr>
<th>Country</th>
<th>Length of qualifying period</th>
<th>Reference period</th>
<th>Reference period prolonged:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greece *</td>
<td>180 days of employment</td>
<td>Preceding 14 months</td>
<td>For self employment, hospitalisation, military service</td>
</tr>
<tr>
<td>Ireland 5</td>
<td>26 weeks of paid contributions and 50 weeks of paid or credited contributions 6</td>
<td>Since first entry into insurance and Contribution year preceding current benefit year</td>
<td>Weeks credited for incapacity and unemployment</td>
</tr>
<tr>
<td>Italy</td>
<td>52 weeks of contribution 7 and Lapse of 2 years</td>
<td>2 years preceding unemployment and Since first entry into insurance</td>
<td>For sickness</td>
</tr>
<tr>
<td>Japan</td>
<td>6 months of insurance</td>
<td>1 year preceding unemployment</td>
<td></td>
</tr>
<tr>
<td>Luxembourg</td>
<td>200 days of employment</td>
<td>12 months preceding unemployment</td>
<td>Days credited for illness, incapacity, military service up to 100 days</td>
</tr>
<tr>
<td>Netherlands 8</td>
<td>78 days of insured employment</td>
<td>12 months preceding unemployment</td>
<td>Self employment, incapacity, work relief, military service</td>
</tr>
<tr>
<td>New Zealand</td>
<td>None required</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Norway</td>
<td>45 weeks of insured employ- ment</td>
<td>4 years</td>
<td></td>
</tr>
<tr>
<td>Sweden</td>
<td>20 weeks of contribu- tion and 52 weeks of contribution</td>
<td>12 months preceding unemployment and Since entry into insurance</td>
<td>For sickness, maternity leave, instruction, military service</td>
</tr>
<tr>
<td>Switzerland</td>
<td>6 months' membership of fund</td>
<td>6 months preceding claim</td>
<td></td>
</tr>
</tbody>
</table>

For footnotes see p 117.
### TABLE V. QUALIFYING PERIODS FOR UNEMPLOYMENT BENEFITS (concl.)

<table>
<thead>
<tr>
<th>Country</th>
<th>Length of qualifying period</th>
<th>Reference period</th>
<th>Reference period prolonged:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Union of South Africa</td>
<td>13 weeks of contribution</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>26 weeks of paid contributions</td>
<td>Since first entry into insurance</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>and</td>
<td>50 weeks of paid or credited contributions</td>
<td>Weeks credited for incapacity and unemployment</td>
</tr>
<tr>
<td>United States</td>
<td>Most states: total wages equal to specified multiple (typically 30) of weekly benefit, or specified sum</td>
<td>12 months (commonly first 4 of 5 preceding quarters; otherwise, 4 quarters or calendar year preceding unemployment)</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>A few states: specified weeks of employment</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Yugoslavia</td>
<td>2 years of employment</td>
<td>2 years preceding claim</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>or</td>
<td>5 years of employment</td>
<td>Since May 1945</td>
</tr>
</tbody>
</table>

1 May be lengthened to 26 weeks in preceding 24 months, for occupations with particularly unfavourable unemployment, during periods of acute unemployment. 2 For youths under 18 years of age, three months. 3 Fifteen weeks of contribution required for special “seasonal benefits” payable from 1 Jan. to 15 Apr. 4 In times of crisis more stringent qualifying conditions may be fixed for industries in which unemployment is excessive, such as 220 days in last 20 months. 5 A married woman is required to have paid 26 contributions after her marriage to qualify under the general scheme. Twelve weeks of contribution in preceding insurance year required for benefits under special intermittent unemployment insurance scheme. 6 Reduced benefit payable with 26 to 49 weeks of paid or credited contributions. 7 Insured persons not qualifying for regular benefit may receive an extraordinary benefit under specified conditions if they have paid five weekly contributions or one monthly contribution before 6 June 1949. 8 One hundred and fifty-six days of employment in one occupation in preceding 12 months required to qualify for “waiting allowances”. 9 Three years of contribution if unemployment is due to illness.

Workers for benefit, in case they are admitted to insurance, may take different forms. One method is simply to provide that such workers may receive benefit only if unemployed during their normal working season. The Italian law states, for example, that unemployment during the off-season in occupations subject to seasonal unemployment, and unemployment during periods of suspension in occupations subject to regular periods of suspension, shall not give right to benefit. Most
state laws in the United States that expressly restrict the benefit rights of seasonal workers provide for payment of benefits only during the defined period of seasonal operations. The Greek law also provides that compensation shall be payable to seasonal workers only for days of unemployment during the working season in seasonal production, and not for such days during the off-season. To apply provisions of this type it is necessary for the administrative authority to designate by regulation the industries or occupations that are seasonal, and the seasons and off-seasons of each.

Another method of dealing with the problem is to impose special additional waiting periods for seasonal workers. This is done in Switzerland, for example, which requires specified types of seasonal workers with dependants to serve an additional waiting period of one day for each two weeks during which they have been employed, subject to a maximum of six waiting days at the end of a season and a cumulative maximum of 12 days in a calendar year. The corresponding additional waiting days for seasonal workers without dependants is one day for each week of employment, with a maximum of 12 days at the end of a season and of 24 days during a calendar year.

Denmark provides for special waiting periods of 15 to 45 days for seasonal workers. The Swedish law similarly permits the supervising authority to prescribe a longer than normal waiting period for occupations in which unemployment occurs regularly each year. It also authorises the placing of certain special restrictions on the number of benefit days payable to workers in occupations affected by seasonal unemployment. New Zealand permits administrative postponement of up to six weeks or complete termination of benefits to seasonal workers if their earnings during their season are sufficient for maintenance.

To take account of the situation of workers who engage in seasonal occupations but also have some work in other occupations as well, more elaborate provisions may be required. The United Kingdom, for example, does not disqualify all seasonal workers during their off-season. Instead, it lays down certain additional conditions that they must satisfy, apart from the regular conditions, in order to obtain benefits during their off-season. To do so they must prove that they have had, or can reasonably expect to obtain, a substantial amount of
employment in their current off-season, and also that they have been registered at an employment exchange whenever unemployed during the preceding two years.

As for the non-insurance schemes, Australia does not pay allowances to unemployed seasonal workers whose income is sufficient for maintenance. France denies allowances to seasonal workers in industry and agriculture unless their unemployment occurs at an unusual time of the year; thus, to qualify for benefit at any given time, they must prove that they had a paid job at regular wages at the same time during the two preceding years. Luxembourg does not pay allowances to unemployed persons if their employment is normally limited to a period of the year other than that in which the claim is filed.
CHAPTER V

DISQUALIFICATION FOR BENEFIT

Eligibility for benefit under unemployment insurance should depend not only on positively satisfying the qualifying conditions and period discussed in Chapter IV but also, on the negative side, on avoiding certain other circumstances. These latter circumstances usually consist of slight or important deviations from a state of complete involuntary unemployment. When they exist elements of volition are present in the unemployment, or the state of unemployment is something less than total. The denial of benefits when one of these circumstances exists is ordinarily referred to as a disqualification.

The subject of disqualifications is one of the most controversial in unemployment insurance. As a result they are often a prolific source of disputes and appeals. It is, undoubtedly, a serious matter to refuse benefits summarily to an unemployed claimant who has served the necessary qualifying period and is quite able to work. But it is generally agreed that some kinds of disqualification are a necessary element of eligibility for benefit when the risk being insured against is involuntary unemployment. The acts resulting in disqualification are not usually criminal wrongs, and the disqualifications should not be thought of as penal in nature. Instead it is a matter of excluding certain forms of unemployment from the purview of insurance, for the reason that they do not constitute involuntary unemployment in a strict sense.

The refusal of benefits involved in a disqualification may be temporary or permanent: benefit may be withheld only for the current week in which the disqualifying circumstance is present; the payment of benefits may be postponed for a specified number of weeks after the disqualification is imposed; or the claimant's benefit rights may be completely cancelled for the whole duration of his unemployment. In principle the length of the disqualification period should be
adjusted to the seriousness of the circumstance responsible for it. A permanent or long period of disqualification patently involves extremely grave consequences for an unemployed worker and his family, and can only be justified when the circumstances giving rise to it are of extreme gravity. This should be kept clearly in mind in drafting disqualification provisions and in their administration.

The most common grounds for disqualification are voluntary leaving of employment, discharge for misconduct, loss of job due to a labour dispute, refusal of an offer of suitable employment, and receipt of other income of various types.

**Voluntary Leaving**

*Reason for Disqualification*

It not infrequently happens that a worker who is otherwise eligible for unemployment benefit is, in fact, without a job because he quitted his previous employment voluntarily. When this is admittedly the case and no elements of compulsion were present in his giving up his previous job, a worker may be considered to be unemployed by his own wish and not because of circumstances beyond his control.

If workers were insured against what may be called voluntary unemployment, every dissatisfied worker could leave his job whenever he felt an impulse to do so and immediately start to receive unemployment benefits. It would clearly be both actuarially impracticable and economically undesirable to insure against such a risk. The corollary is that it is necessary under unemployment insurance to consider the disqualification of all claimants who leave their previous employment voluntarily.

*Leaving for Good Cause*

It must be recognised at the outset, however, that elements of compulsion may often be present when workers resign their jobs instead of being discharged. The presence of these somewhat reduces the degree of volition involved in the worker's act of leaving. If the degree of compulsion is sufficiently great, the act of quitting may, in reality, have been virtually an unavoidable step for the worker. The loss of his job, therefore,
may have been in fact, if not in appearance, involuntary. To take account of this possibility it is necessary to exempt from the disqualification on the ground of voluntary leaving all cases where the claimant had a good cause for leaving.

It is not easy to formulate a definition of "good cause" to cover all cases that may arise. The exemption, for one thing, may or may not be confined exclusively to causes connected with the work or attributable to the employer. It might, for example, also permit some account to be taken of the personal circumstances of the claimant. Thus, the exemption might be made to cover not only voluntary quitting because of unsafe or unhealthy working conditions but also, for example, quitting necessitated by illness in the claimant's family. There is an extensive body of judicial and administrative precedent in different countries concerning construction of the term "good cause", which space does not permit to be examined here. It can only be re-emphasised that some general exemption of this kind is desirable.

Existing Practice

Practically all the unemployment benefit schemes now operating provide for disqualification in the event that a worker leaves his employment voluntarily. This is equally true of the compulsory insurance, voluntary insurance, and non-insurance schemes. The great majority of the schemes also exempt workers from this disqualification if they have left their employment for a good or justifiable reason or cause. The precise language used in the exemption is not always the same, but the difference in meaning would not appear to be great.

Both the Unemployment Provision Convention, 1934, and the Social Security (Minimum Standards) Convention, 1952, permit disqualification for an appropriate period of claimants who leave their employment voluntarily without just cause.

Duration of Disqualification

The precise length of the period of disqualification also raises important questions. It must be sufficiently long to accomplish its purpose, namely to exclude voluntary quitting of work from the risk insured against. On the other hand it must not be unduly long. For one thing the continued unem-
ployment of a worker after a certain lapse of time tends to metamorphose from voluntary into involuntary unemploy­ment. Moreover, the effect of the disqualification on the personal welfare of the worker and his family may be very onerous.

It would seem desirable to relate the maximum duration of the disqualification, in principle, to the length of time during which the unemployment stemming from voluntary leaving may be considered to be caused by such leaving. After the lapse of such time, continuance of the worker's unemployment may be regarded as a result of the state of the labour market rather than of his earlier voluntary leaving. At this point he should become entitled to benefit. The length of the period concerned should therefore be fixed by reference to the time normally needed by an able-bodied wage earner to obtain new employment when the labour market is operating normally.

The administrative agency may well be empowered to adjust the length of the disqualification period to the circumstances of each case. But it is questionable whether, in the light of the principles mentioned in the previous two paragraphs, it should ordinarily be permitted to impose a disqualification of more than from four to six weeks.

The length of the disqualification for voluntary leaving permitted by existing laws varies considerably. An outright disqualification of four weeks is provided for by Austria, Norway and Sweden, though in Norway the administrative authorities may fix a longer period; Italy similarly provides for a 30-day disqualification. Disqualification of not more than six weeks is permitted by the laws of Canada, Ireland, the Union of South Africa and the United Kingdom, the administrative authorities being authorised to fix a briefer period. In the United States about a third of the states provide for a maximum period of disqualification of six weeks or less, one-third for more than six weeks, and one-third for the entire duration of unemployment. France provides for a minimum disqualification of six weeks, while New Zealand provides for a disqualification of up to six weeks or permanent termination of benefit. Japan permits disqualification for one to two months, and the Federal Republic of Germany for two to eight weeks.

The other countries employ somewhat different approaches. Thus, Switzerland requires the suspension to be proportioned to the gravity of the fault, lasting from one to 12 days for a
minor fault, from 13 to 24 days for a medium fault, and from 25 to 48 days for a serious fault. Belgium specifies four to 13 weeks for the first offence, 13 to 26 weeks for the second, and 26 to 52 weeks for subsequent offences. Australia and the Netherlands leave the postponement or complete cancellation of benefit rights to administrative discretion. Denmark, Finland, Luxembourg and Yugoslavia appear to require an absolute denial of benefit whenever unemployment is due to voluntary leaving without good cause.

**Discharge for Misconduct**

When an employee is discharged for proved misconduct, the overt act of dismissal is performed by the employer. But it is the preceding behaviour of the worker that makes the discharge necessary. For this reason the unemployment of a worker who has been dismissed for misconduct may often be found to originate in his own volition rather than in forces external to him. In so far as this is true the unemployment concerned is not of an insurable nature and should not therefore be allowed to provide a basis for benefit. In short some disqualification is necessary where it is established that unemployment has resulted from certain types of misconduct.

**Definition of Misconduct**

The difficult problem to settle, however, is what acts should, in fact, be regarded as misconduct for purposes of such a disqualification. The views of the employer and the employee on whether a particular act of commission or omission by the latter constitutes misconduct may be far apart. Rules developed under the labour codes of different countries concerning justifiable and unjustifiable dismissals provide some guidance in the matter. But new and difficult border line cases inevitably arise under unemployment insurance.

Without entering into detailed analysis of this question, several observations concerning the definition of misconduct may be made. Misconduct, to provide a basis for disqualification, should be more or less directly linked with employment as distinguished from the worker's personal life. It should presumably also be wilful or deliberate rather than accidental,
"participating", "direct interest", and "grade or class of workers", will of course in practice have to be the subject of detailed administrative or judicial interpretation. Application of an additional test, namely whether or not a worker is sharing in the financing of a dispute, may present difficulties. It might result, for example, in disqualifying all unemployed members paying dues to a trade union conducting a dispute, regardless of the degree of their participation or interest in the latter.

**National Provisions.**

The diverse types of workers who may be made subject to disqualification is illustrated by practice under existing laws.

Thus Austria disqualifies only those whose unemployment is a direct consequence of a strike or defensive lockout. In Belgium strikers, locked out workers, and other workers whose unemployment is a direct consequence of a strike and who either consented to or support it, are disqualified. A worker is disqualified in Canada if he or any fellow worker of his grade or class is participating in, financing, or directly interested in a dispute, so long as he was employed at the premises or in the department where the work stoppage exists. Ireland withholds benefit from all workers losing their jobs through a dispute at the premises or in the department where they worked. The Netherlands disqualifies everyone unemployed as a result of a strike or lockout unless exempted by the governing body of the scheme.

Disqualification is imposed in Norway on any worker taking part directly in a strike, anyone directly involved in a lockout or other dispute, and anyone whose terms of employment can reasonably be assumed to be affected by the outcome. Switzerland disqualifies all those unemployed as a result of a dispute in their undertaking, and also those unemployed by reason of a dispute in another undertaking if payment of benefit to them would clearly serve to prolong or extend the dispute. In the Union of South Africa all who are unemployed because of a trade dispute are disqualified, whether the dispute is in the industry in which they were employed or another industry, unless neither they nor fellow employees in similar occupations in the same place of employment are a party to the dispute at any time or have a direct interest in it.

The United Kingdom disqualifies all persons working at
the place where the dispute occurs who are participating in, financing, or directly interested in the dispute or belong to a grade or class of workers of whom this is true for any member. The majority of the state schemes in the United States disqualify workers employed in the establishment where the dispute occurs if they or any other worker of the same grade or class are participating in, financing, or directly interested in the dispute; a considerable minority of these schemes, however, disregard the factor of financing.

As regards the voluntary insurance schemes, Denmark disqualifies all workers taking part in a strike or lockout, anyone who was employed by an undertaking affected by a dispute for more than three weeks during the preceding eight weeks, and all members of an occupation if 65 per cent. of its members are taking part in a dispute. Finland withholds benefit from all whose unemployment is a direct result of a dispute, and also those whose unemployment is an indirect result of it if the object of the dispute includes obtaining changes in their terms of employment. Sweden disqualifies all workers directly involved in a dispute as well as any person whose terms of employment can reasonably be deemed to be influenced thereby.

In the case of non-insurance schemes Australia denies allowances to any worker whose unemployment is due to his being a direct participant in a strike. New Zealand disqualifies those who are directly interested in a dispute or who belong to a trade union that has involved its members therein. In France no allowance is granted to persons unemployed by reason of a collective dispute that involves the establishment where they were previously employed.

Both the Unemployment Provision Convention, 1934, and the Social Security (Minimum Standards) Convention, 1952, permit disqualification for an appropriate period of claimants who have lost their employment as a direct result of a stoppage of work due to a trade dispute.

**Period of Disqualification**

The length of disqualification in the case of a labour dispute involves considerations somewhat different from those that apply where unemployment is due to voluntary leaving or misconduct. If a disqualification is warranted initially it may presumably continue for the duration of the work
stoppage, whether this be a brief or long period. The reason for withholding benefit in the first place would appear to remain valid so long as the stoppage continues. An exception to this general rule is desirable, however, for workers who find another bona fide job during the dispute and then once again become unemployed. Cases also occur where an employer succeeds in resuming partial or full operation although the strike or dispute itself continues; this necessitates an interpretation of when a work stoppage or dispute may be considered to be terminated.

A number of countries, including Austria, Canada, Denmark, Finland, the Federal Republic of Germany, Greece, Ireland, Sweden, the Union of South Africa and the United Kingdom, expressly limit the disqualification to the period of the work stoppage. Such a limit may also be implicit in the language of some of the other schemes. About three-fourths of the state schemes in the United States limit disqualification to the period of work stoppage, while most of the others limit it to the period during which the dispute is in "active progress"; New York State and Rhode Island, in contrast, provide specific maximum limits of seven weeks and eight weeks, respectively. In certain other countries, however, it would appear possible for the disqualification to apply even after a dispute ends, so long as the dispute was the original cause of unemployment. Switzerland, for example, requires the disqualification to continue for 12 working days after the end of the dispute.

Refusal of Suitable Job Offer

Effects of Refusal

It is implicit in the theory of unemployment insurance that unemployment is an involuntary state only so long as no opportunity to work presents itself. If an unemployed worker has a chance to secure a new job but refuses to take it, his unemployment thereafter—subject to certain reservations noted below—would seem due no longer to external factors but to his own will. For this reason it is normally desirable to disqualify a worker for benefit if he fails to accept a job offered to him. If this is not done every unemployed worker after once qualifying for benefit could remain on the benefit roll for the full period allowed by law if he so wished.
Denial of benefit for refusal to accept an offer of employment is closely linked with other benefit conditions such as availability for work, seeking work, and registration at an exchange. The offer of a new job to an unemployed worker is the only real way of testing his availability for work and whether he is actually seeking work. The reason for requiring him to register at an exchange is to find him another job. If he fails to accept such a job when it is found the whole purpose of the procedure is defeated. In a sense, therefore, the disqualification discussed here is the basic sanction necessary to give meaning to the whole placement process in relation to unemployment insurance.

**Non-Disqualifying Refusals**

What is said above must be somewhat modified since there are some refusals of job offers that ought not to be regarded as a sufficient basis for disqualification.

In the first place, if it can be established that a worker has a justifiable reason for his refusal, the latter should not be held against him. What constitutes a justifiable reason is another matter for administrative and judicial interpretation. It must depend on the facts of each case, and may be connected with features of the job offered or the worker's personal circumstances.

Secondly, a refusal should not result in disqualification if the employment offered is unsuitable for the worker. This raises the extremely complex problem of defining suitable employment, which is discussed at some length below.

Thirdly, the worker must have received adequate notice of the vacancy. This may be limited to formal notification by an employment exchange or possibly by other public authorities, or may also include offers made directly to a worker by an employer. In any case the offer must be genuine and unambiguous and not merely a vague and tentative inquiry.

The act of refusal may itself take various forms, each of which may be a possible basis for disqualification. It may normally be assumed to include, for example, failure to apply for a vacancy when appropriately notified, failure to accept a vacancy when offered, action to nullify the effect of an acceptance, and failure to follow out the instructions of an exchange that might help in the finding of a new job.
Definition of Suitable Employment

It would clearly be unjust to disqualify a worker irrespective of the type of job offered to him. Otherwise, his benefit rights might be destroyed simply by his refusal to accept a markedly inferior job totally unsuited to his qualifications. The general principle should therefore be that disqualification is imposed only if the job offered is suitable in relation to the unemployed worker concerned. Because of its importance and numerous ramifications, a carefully drawn definition of suitable employment is absolutely necessary.

A number of factors must be dealt with in such a definition. Rates of pay are among the most important. Consideration must also be given to the location of the new employment in relation to the worker's home. The new job should bear a reasonable relationship to the worker's previous occupation and to his physical capabilities, training and experience. Account must be taken of any risks to safety, health and morals that the job may involve. Finally, the vacancy should not be a result of a labour dispute.

Wage Rates.

A job should be considered as suitable for an unemployed worker only if the wages and other terms of employment attain a certain level. The problem is to find a benchmark for determining this level in individual cases. The most favourable standard for some workers would be their previous rate of earnings and other conditions of employment. But, if every worker may refuse any job involving a decrease in previous earnings, workers may in some cases be able to hold out for wages considerably above those normally paid in the district to fellow workers of the same grade and class. A more practicable policy is to use as the basic standard the wage rates and terms of employment prevailing generally in the district for the occupation concerned. These may be determined by reference to prevailing rates and terms, provisions of collective agreements, rates and terms fixed by public authorities, or those provided by the better employers.

Most laws now include standards for determining the suitability of wages, although a few, such as those of Australia, Belgium, New Zealand and to some extent the Union of South Africa, leave it to administrative discretion. The standard
laid down is sometimes very general. Thus Austria requires adequate remuneration, the Federal Republic of Germany refers to the standard or customary local wage, and Switzerland requires jobs to conform to occupational or local custom, with wages not to be below the benefit payable.

The concept of the standard rate is more clearly expressed in certain other countries. Italy requires remuneration to be not less than that normally paid for the occupation in the district, while Japan provides that it shall not be unreasonably below the prevailing wage for other workers of the same kind and skill. Norway requires wages to conform to the prescribed scale or local custom or, if fixed by public authority, to be not less than 25 per cent higher than the benefit. The Greek law and the federal law in the United States provide that wages, hours and other conditions of employment shall not be substantially less favourable than those prevailing for similar work in the locality.

The United Kingdom law contains a more detailed standard. Remuneration for a job in the worker’s usual occupation in the district of last employment must not be lower than that which he might reasonably have expected to obtain, having regard to that which he habitually obtained or would have obtained had he continued to be employed. If the job is in another district its remuneration may not be less than that generally provided for in employer-employee agreements or, failing such agreements, than that generally paid by good employers. Somewhat similar provisions also apply in Canada and Ireland.

As regards the voluntary schemes the standard applied in Denmark is the rate payable for corresponding work under employer-employee agreements. Finland and Sweden in contrast refer to customary remuneration for the occupation in the locality concerned. The French non-contributory scheme requires the wages of a suitable job to be at the rate fixed for the occupation and region.

Location.

The location of a new job is another factor affecting its suitability. If it is a long way from the worker’s home its acceptance may cause undue hardship for him and his family. This may take the form of excessive travel time, costly outlays
for transportation, prolonged separation of the worker from his family, difficulties of finding transportation to work, etc.

Quantitative criteria for judging the suitability of the location of a job may be expressed in terms of the maximum distance between a worker's home and his place of employment, cost of transportation in relation to earnings, hours of absence from home, availability of transport facilities, and similar considerations. A job requiring a worker to change his residence need not necessarily be unsuitable, provided that suitable lodging is available in the new district and that the cost of removal is adequately covered by a special grant or by prospective earnings from the new job.

Not all laws contain standards regarding suitability of location. A few examples may be cited, however, from those that do. Austria requires that the worker's care of his family should not be endangered, and that adequate lodging should be available if a daily return home is not possible. Belgium provides that the worker shall not be obliged to be absent from home for more than 14 hours per day, that married men shall be able to spend a full day at home each week, or that suitable accommodation shall be available in the new district. Japan holds a job unsuitable if the change of domicile required is difficult. Switzerland provides that workers must be able to return home each day, or that appropriate lodging must be available and the worker must not be substantially prevented from carrying out his family obligations. Most state laws in the United States include distance of the job from the worker's home as one criterion of suitability. Finland requires lump-sum travelling allowances to be paid if jobs are more than 20 kilometres from the place of residence.

**Previous Occupation and Training.**

Another factor involved in the question of suitability of employment is the relation of the job offered to a worker's previous occupation, training and experience and to his physical capabilities. His career may suffer if he is obliged to accept a job that does not correspond to the skills and experience he has acquired in a particular occupation. He may even be unable to carry out the duties of the new job. There may also be a social loss in such disuse of his skills.

On the other hand an undue restraint would be placed
on labour mobility if unemployed workers were never required to accept jobs in a new occupation. Moreover, such a policy might considerably increase the cost of unemployment insurance. It is necessary, therefore, to evolve standards that steer a middle course between doing violence to a worker's occupational development and general economic considerations.

Most existing laws do not require that a suitable job shall always be in a worker's previous occupation, but they nevertheless lay down certain restrictions as to the types of such other jobs which may be considered suitable. Austria requires, for example, that the job offered shall not materially prejudice a worker's chances of future employment in his calling and shall be appropriate to his physical capacities; but the former provision does not apply after eight weeks of unemployment. In Belgium a worker need not accept a job in a new occupation during the first three months of unemployment; thereafter, a job in another occupation must be such that he can easily carry it on without prejudice to himself. Work is considered unsuitable in the Federal Republic of Germany if it cannot be expected of a worker in view of his training, previous employment, physical condition, or subsequent career. Italy requires a job to be such that it will not prevent a worker from resuming employment in his own occupation in the future and that it is compatible with his physical condition.

In the Netherlands recipients of waiting benefits need only accept a job in the industry in which they previously worked, while recipients of general unemployment benefits must accept any suitable work. A suitable job in Japan, Finland, Sweden, and Yugoslavia must be consistent with the ability and training of the beneficiary. In Switzerland it must correspond to the worker's capabilities and health; it also must not appreciably compromise the future exercise of his previous occupation, unless he has no prospect of finding a job therein in the near future. The Union of South Africa considers any work suitable for the three lowest wage classes if the worker is physically capable of performing it, if it does not cause undue hardship, and if its wages are not lower than the benefit payable. For other wage classes work offered during the first 13 weeks of unemployment must be of a similar wage class and group; thereafter, the claims officer decides whether or not it is suitable.
The United Kingdom regards jobs in another occupation as suitable only after the lapse of a reasonable interval. The law in Greece and the state laws in the United States require weight to be given to prior training and experience, physical fitness, and prospects of securing local work in the usual occupation. Denmark permits a job in another occupation to be considered suitable only if a need for additional manpower exists therein, the worker’s chances of returning to his previous occupation are not considerably reduced, and he has the ability and strength required for the new trade. France and Luxembourg provide that employment in another occupation must be consistent with a worker’s previous training and skills.

Safety and Health.

Some jobs involve an above-average risk to the health, safety or morals of workers. When such risk in relation to a particular worker exceeds a certain level the job concerned should not be considered suitable. A finding on this score must, of course, depend on the circumstances of each case. Among schemes that must by law take account of the risks mentioned in determining suitability of employment are those of Austria, the Federal Republic of Germany, Greece, Italy, Switzerland and the United States.

Labour Disputes.

If a worker were to be disqualified for refusing to accept a job that is vacant as a result of a stoppage of work due to a labour dispute, he would naturally be under heavy pressure to take it. But this would represent, in a sense, an intervention of the social security scheme in such disputes, because of the aid that it would give to the employer. Since, therefore, it is desirable that social security should play a neutral role in labour disputes, jobs that are vacant as a result of strikes, lockouts or other labour disputes should be classified as unsuitable for the purposes here under discussion.

The majority of countries expressly designate as unsuitable vacancies arising out of work stoppages due to labour disputes. This is true, for example, of Austria, Canada, Finland, the Federal Republic of Germany, Italy, Ireland, Japan, Switzerland, the Union of South Africa, and the United Kingdom. In the United States the federal law requires all state laws to
contain such a provision as a condition for their approval. Norway and Sweden also have a similar provision but add certain qualifications: in Norway the dispute must be approved by the central employee organisation involved and not have been declared illegal, while Sweden excludes disputes that are contrary to provisions of a collective agreement or law.

In conclusion the provisions of I.L.O. Conventions regarding suitability of employment may finally be noted. The Social Security (Minimum Standards) Convention, 1952, permits benefits to be paid only in the case of inability to obtain "suitable employment," but does not define such employment. The Unemployment Provision Convention, 1934, states that—

Employment shall not be deemed to be suitable—

(a) if acceptance of it would involve residence in a district in which suitable accommodation is not available;

(b) if the rate of wages offered is lower, or the other conditions of employment are less favourable—

(i) where the employment offered is employment in the claimant's usual occupation and in the district where he was last ordinarily employed, than those which he might reasonably have expected to obtain, having regard to those which he habitually obtained in his usual occupation in that district or would have obtained if he had continued to be so employed;

(ii) in all other cases, than the standard generally observed at the time in the occupation and district in which the employment is offered;

(c) if the situation offered is vacant in consequence of a stoppage of work due to a trade dispute;

(d) if for any other reason, having regard to all the considerations involved including the personal circumstances of the claimant, its refusal by the claimant is not unreasonable.

Existing Practice

All the schemes now in force expressly disqualify unemployed workers who refuse or fail to accept a new job offered to them. The disqualification is usually in terms simply of "refusal" or "failure to accept." A few countries, such as Canada and the United Kingdom, also refer to other acts such as "neglecting to avail himself of an opportunity of employment" and "failure to carry out written recommendations of the exchange given him to assist him in finding employment".

The majority of laws do not specify from whom the offer
must have come. But Austria, France, Japan, and the United States refer to notification of a vacancy by an employment office or exchange. Denmark refers to an employment office or the public authorities, and the United Kingdom to an employment exchange, other recognised agency, or an employer. Canada and the Union of South Africa mention vacancies notified to the worker "or of which he may become aware".

All countries require the new employment to be "suitable". About half of them do not appear to provide specifically for exemption of refusals made for good cause, but the remainder do. Thus Australia, Belgium, Canada, Denmark, Finland, France, the Federal Republic of Germany, Luxembourg, New Zealand, the United Kingdom and the United States use phrases such as "good or sufficient reason" or "justifiable refusal". Austria exempts "cases deserving special consideration". Canada specifically includes as being refusals with good cause all cases where acceptance of an offer would cause loss of the right to become a member, to continue to be a member, or to refrain from becoming a member, of a workers' organisation. The United States has somewhat similar provisions. The law in the Federal Republic of Germany requires that a warning be given of the legal consequences of a refusal.

The Unemployment Provision Convention, 1934, permits disqualification for an appropriate period of claimants who refuse an offer of suitable employment.

Length of Disqualification

The duration of the disqualification to be imposed in case of refusal of an offer of employment raises difficult questions. If the job offered is genuinely suitable and the beneficiary has no good reason for declining it, it might be argued that all further unemployment is voluntary so long as it lasts, and that no further benefits should be paid. This seems, however, a rather extreme solution for a contributory insurance scheme. There may be intangible factors in the refusal that do not fall under the standard definition of "good cause". Moreover, if the labour market is functioning normally, the worker should be able to find another job within a certain period of time after his first refusal. If he fails to do this his unemployment at some later point may justifiably be considered a consequence
primarily of the state of the labour market rather than of his refusal of the previous offer.

For these reasons, and having regard to the human suffering that results from permanent denial of benefit, it would seem desirable to limit the disqualification to a specified maximum number of weeks, perhaps somewhere from four to six weeks.

There is considerable divergence among the policies of existing schemes on this point. A fixed four-week disqualification is provided by Austria, the Federal Republic of Germany, and Sweden, while Japan provides for one month. Canada, Ireland and the United Kingdom prescribe a period of up to six weeks. In the United States about half of the states provide for a variable period, five weeks being the most common limit. About a quarter provide a fixed period, which is generally from three to six weeks, while the remaining quarter disqualify claimants for the duration of the unemployment or even longer. About a third of the states also count the period of disqualification in determining the maximum duration of benefit, which has the effect of reducing benefit rights.

Belgium provides for four to 13 weeks of disqualification for a first refusal, 13 to 26 weeks for a second, and 27 to 52 weeks for any subsequent refusal. Switzerland provides for from one to 48 days according to the seriousness of the fault. The laws of Australia, France, the Netherlands, and New Zealand permit either temporary postponement or permanent cancellation of benefits. Those of other countries do not specify a particular period, and would appear in some cases to permit disqualification to continue as long as unemployment lasts.

**Receipt of Other Types of Income**

There are various circumstances in which unemployed workers continue to receive at least a partial income even after stopping work. This income serves to replace a part of the income lost through unemployment, and to that extent lessens the presumed need for unemployment benefit. The receipt of certain forms of other income would therefore appear to provide a sufficient basis for disqualification, so long as its receipt continues, or for reducing the benefit to take account of such income.
Adjustment of benefits for certain types of income is not to be regarded, however, as adoption of the principle that account should be taken of all forms of income that an unemployed worker may receive. Such a broad course, linking benefit eligibility to the individual circumstances of each claimant, would be contrary to the basic philosophy of a contributory insurance scheme; and only certain special types of income are in question here, e.g. that deriving from previous employment, that received from other branches of social security, and that derived from current employment.

Dismissal Payments

Not infrequently a worker who loses his job may continue to receive some form of payment from his employer by way of compensation for his discharge or in place of notice of discharge. Such separation or severance allowances serve somewhat the same purpose as unemployment benefits. If their payment is a consequence of the contract of employment it would seem appropriate to reduce the unemployment benefit proportionately. On the other hand a payment made by an employer as a voluntary gratuity or one provided by statute need not, perhaps, be taken into account.

A number of schemes expressly provide for suspension of unemployment benefits so long as a dismissal allowance is being received by the worker. This is true, for example, in Austria, Belgium, France, Italy, the Netherlands, Switzerland, the Union of South Africa, the United Kingdom, the United States and Yugoslavia. In some cases, as in Canada and some states of the United States, a worker is not in fact regarded as being unemployed so long as he is receiving compensation for the loss of his job that is substantially equivalent to his previous remuneration. The Netherlands withholds benefit only if the employer is bound to pay wages in full. It is usually provided that the disqualification shall apply only if the dismissal payment is made by virtue of the contract of service.

Other Social Security Benefits

It is inherent in the concept of social insurance that an individual should not ordinarily receive more than one social security benefit at the same time. Social insurance is not a
system of individual saving under which there is always an absolute right to benefit wherever a contingency occurs but a scheme for compensating presumed loss of income in defined circumstances.

If a worker qualifies for benefit under one branch of social security by reason of a presumed loss of income, he cannot expect at the same time to be compensated for the occurrence of another contingency under another branch, when the same absence of income forms the basis of the claim for benefit in both cases. Moreover, the benefit amount under each branch of social security is usually fixed by reference to some basic concept of adequacy. A worker receiving two separate benefits at the same time would thus be likely to receive a total sum greatly exceeding the standard of adequacy adopted.

It follows from the above that an unemployed worker should, in principle, be disqualified for unemployment benefit if he is already receiving another social security benefit. In practice, if the unemployment benefit is larger than the other, he should receive the former or the difference between the two should be made good. The circumstances in which a worker can qualify for unemployment benefit while already in receipt of another benefit will naturally differ according to the individual structure of each social security scheme. But among important benefits that may be payable, or may become payable, while a worker is unemployed are maternity benefit, cash sickness benefit, maintenance in a curative institution, invalidity pension, old-age pension, workmen’s compensation pension, or even public assistance.

Virtually all countries provide for disqualification in respect of one or more types of social security benefits. Some, like Australia, Belgium, Greece, Ireland, New Zealand, Sweden, the United Kingdom and the United States, have a restriction covering duplicate social security benefits in general. Others specify particular types of benefit the receipt of which may lead to disqualification for unemployment benefit. Only a few examples need be given. Austria and the Federal Republic of Germany mention sickness, invalidity and maternity benefits. Italy mentions periods of treatment in a curative institution. Norway lists old-age or superannuation pensions and institutional maintenance. In Denmark and France no unemployment benefit is payable to a recipient of an invalidity or old-age
pension, public assistance, or institutional care. And Luxembourg disqualifies recipients of pensions.

_Earnings from Employment_

A worker may sometimes be able to find a certain amount of outside work while he is unemployed, which will provide him with a small income pending his full-time re-employment. This raises the question of what effect such employment should have on his right to unemployment benefit. It seems clear that at some point such outside work must be regarded as constituting a new job, the carrying on of which should nullify the right to benefit. But it would also seem unduly restrictive to disqualify workers in respect of only insignificant amounts of outside earnings.

Some of the existing laws expressly disqualify workers for benefit if they engage in gainful work. This is the case for example in Belgium, Denmark, Greece, the Netherlands and Switzerland. Disqualification in case of self-employment is specifically mentioned by Austria, Greece and Switzerland; Austria also imposes a disqualification if the worker takes an active part in a family undertaking. Canada and the United Kingdom, in contrast, permit work to be disregarded if it could ordinarily be followed outside working hours and if the earnings from it do not exceed a specified daily sum—from $2 to $13 per week in Canada and 3s. 4d. per day in the United Kingdom. Japan similarly provides for exemption of a small basic amount of earnings.

About half of the countries have provisions for reducing or adjusting benefits in respect of earnings from part-time employment, though these provisions are more formal in some cases than in others. Among countries providing for such reduction of benefit or "partial benefits" may be mentioned Austria, Belgium, Canada, Denmark, Finland, France, the Federal Republic of Germany, Japan, Luxembourg, the Netherlands, Norway, Switzerland, the Union of South Africa and the United States.

_Other Income_

Claimants for unemployment benefit sometimes have other private sources of income that are unaffected by unemployment.
These may even be sufficient by themselves to support the claimant and his family. It could be argued that such claimants have no real need for an unemployment benefit, and that they should therefore be disqualified because of their other income. This would result in applying what is commonly known as a means test.

Quite apart, however, from the special procedures that would be required for investigating the individual circumstances of each claimant, use of a means test would be foreign to the basic notion of unemployment insurance proper. Under contributory unemployment insurance, as under other forms of social insurance, benefits should be regarded as a right to which unemployed workers are entitled by reason of their very status under insurance and the contributions paid on their behalf. Accordingly, benefits should be paid on the basis of the presumed need of insured workers as a class when faced with the loss of their job and not on the basis of the actual verified need of each worker at the time of his unemployment. In short, disregard of most private income in determining eligibility to benefit is implicit in the initial decision to adopt unemployment insurance; it is not a question of technical detail in connection with benefit conditions.

The situation is entirely different when benefits are provided other than through social insurance, and especially when they are provided exclusively at public expense. Whether or not to apply a means test in this case is a broad question of public policy. If it is thought desirable to do so the administrative machinery necessary for applying it can be established. There are indeed rather strong arguments for having a means test when benefits are financed wholly from public funds. It keeps down the burden on the general taxpayer, and it is somewhat inappropriate to use public moneys to pay benefits to persons who can support themselves without working.

The compulsory and voluntary unemployment insurance schemes now in force do not generally take account of other private income in awarding benefits to otherwise eligible unemployed workers. Austria and Yugoslavia are exceptions, however, to this rule. Austria requires benefits to be reduced if and in so far as the income of claimants equals or exceeds 1,200 schillings per month. In Yugoslavia benefits are withheld from persons living in households of which the total income
from all sources amounts to more than 2,000 dinars a month per head.

An income test is also imposed under all four of the non-insurance schemes in Australia, France, Luxembourg and New Zealand. In Australia benefits are reduced by the amount by which other income exceeds £1 per week, or 5s. to 15s. for unmarried persons aged 16 to 20. France pays no allowance if the allowance plus other income of the claimant's household would total more than the maximum fixed in a prescribed scale. In Luxembourg other income in excess of one-fourth of the allowance must be deducted from the allowance. New Zealand authorises its administrative agency to reduce unemployment benefits at its discretion in respect of other income or property of a claimant and his wife.

**Other Disqualifications**

There are still other possible grounds for disqualifying workers for unemployment benefit. Whether or not these are necessary in the case of any particular scheme depends to some extent on whether the matter involved is already dealt with in other legal provisions.

**Refusal to Undergo Retraining**

It has been found desirable in many countries to provide vocational training courses at which unemployed workers can receive instruction to maintain or improve their existing skills or to teach them new skills. The subject of such training is in general outside the scope of this study. It relates to the matter under discussion, however, in that the undergoing of such training, if considered desirable for particular claimants, may be made a condition for their receipt of benefit. If such courses are run in a particular country, and if the employment service considers that some claimants would derive advantage from attending them, it would not appear inappropriate to withhold benefit from a claimant who fails without good reason to attend a course to which he has been formally directed by an employment office. Provision of such training and the enforcement of attendance thereat by the sanction of a potential benefit disqualification may be considered sound elements of an over-all employment policy.
Among countries that permit disqualification in the circumstances described above may be mentioned Australia, Austria, Belgium, Canada, France, the Federal Republic of Germany, Greece, Italy, Japan, the Netherlands, Norway, Switzerland, the Union of South Africa and the United Kingdom.

**Age**

Various reasons may motivate a denial of benefits to unemployed workers who have reached the age at which retirement benefits are payable. Many of these workers may be able to qualify for a retirement pension, which is specifically designed for aged persons. Moreover, the re-employability of aged workers is probably, on the average, considerably lower than that of younger workers. But, in general, it would seem socially undesirable to disqualify aged workers who have satisfied other qualifying conditions solely on the basis of their age, unless they actually qualify for an old-age or other pension at what may be called the full rate. As regards existing schemes, France normally disqualifies workers who have attained the age of 65; the United Kingdom, men of 70 and over and women of 65 and over; Australia and Belgium, men of 65 and over and women of 60 and over; and Ireland, persons who have reached the age of 70.

A possible argument for disqualifying youths below a certain age is that they do not usually have the same family responsibilities as adults and generally belong to households of which they are not the principal breadwinners. The frequency of claims by children under unemployment insurance schemes is, of course, markedly affected by the scope of the child labour laws in force. But it scarcely seems compatible with the principle of contributory and compulsory unemployment insurance to disqualify young persons, so long as they have actually been working and contributions have been paid on their account.

It may be noted that Australia, Luxembourg, New Zealand and Sweden forbid the payment of benefits to workers under the age of 16, which is the age-limit for the payment of family allowances. France does not usually permit the payment of unemployment allowances to persons under the age of 21. Some countries, in contrast, provide special reduced contribu-
tion and benefit rates for young workers. This is the case, for example, for youths under 18 in the United Kingdom.

**Residence Abroad**

A worker who leaves a country after becoming unemployed obviously cannot be "exposed" to possible new employment in the ordinary manner, that is by regular reporting at an employment exchange in the country where he was insured, and an automatic disqualification by reason of his absence from the country would therefore seem justifiable. A disqualification of this sort is expressly provided for under most existing schemes, and it is likely that under the others a worker residing outside the country would be regarded as not available for work. It should be noted, however, that some of the reciprocity treaties referred to in the latter part of Chapter III contain provisions enabling unemployed workers to receive benefit under certain circumstances in a country other than that in which they originally acquired their benefit rights.

**Miscellaneous**

The practice is sometimes followed of punishing fraudulent misrepresentation to obtain benefits by imposing a specific disqualification, instead of or in addition to a fine or imprisonment. Such disqualifications are applied in Belgium (up to 26 weeks), Canada (up to six weeks), France, Greece, Italy (up to 120 days), Japan, Luxembourg, Norway, Switzerland and the United States, among other countries.

Another type of disqualification is that imposed by some countries on unemployed workers serving a prison sentence or otherwise detained in legal custody. It is obviously impossible in such cases for the individual concerned to be "exposed" to work, and he would be unable to accept a new job if suitable employment were found for him. Moreover, his cost of maintenance is already being met from public funds. Among countries imposing this type of disqualification are Australia, Austria, Canada, Denmark, Greece, Ireland, the Netherlands, New Zealand and the United Kingdom.

Several other forms of disqualification found in certain countries may finally be noted. Belgium withholds benefit from unemployed persons whose conduct is notoriously bad and from those who have been found begging, while France
prohibits the payment of allowances to habitual drunkards. Austria and the United States do not normally regard as eligible for benefits unemployed workers who are undergoing ordinary schooling. France and Luxembourg disqualify married women whose husbands work regularly and receive normal wages, while New Zealand disqualifies married women whose husbands are able to maintain them.
CHAPTER VI

RATE AND DURATION OF BENEFITS

The circumstances in which unemployment benefits should be granted are dealt with in the two preceding chapters. It is now necessary to consider the benefits to be paid to insured workers who satisfy all the prescribed conditions. This subject involves two main questions: at what rates and during what period of time should benefits be payable? The present chapter first deals with the subject of benefit rates, and then considers the time aspect under two headings—waiting period and duration of benefits.

Benefit Rates

Unemployment benefits should ordinarily be paid in cash in keeping with the fact that the earnings they replace are also paid in cash. Some countries, it is true, formerly provided various types of unemployment relief in the form of payments in kind. To pay unemployment insurance benefits proper in a form other than cash, however, would hardly seem consistent with the notion of a contributory benefit payable automatically as a right to an insured person whenever he meets defined conditions of eligibility. This section deals therefore only with cash benefits.

Certain other services should, however, be furnished to unemployed workers, in addition to cash income-maintenance benefits, and these should ordinarily be in kind. Among such services may be mentioned the search for a new job by the employment service, provision of vocational training and re-training, the supply of tools or special clothing required on a new job, and transport of the worker and perhaps his household goods to a new job in another locality. These non-cash services can considerably facilitate the return of the unemployed to work. In one sense they are even more important than
cash benefits, for it is better for both the worker and the community that the former should be working and earning rather than idle and drawing benefits.

Some of the services mentioned have sometimes been provided as a benefit by unemployment insurance schemes themselves. This is still done to a limited extent, particularly in Scandinavian countries. As a rule, however, it would seem preferable to furnish such services as a part of the general employment programme at public expense, rather than through unemployment insurance proper at the expense of its contributors. Experience suggests that this is both a more logical and usually a more effective method of providing the services concerned. The unemployment insurance scheme is then left responsible only for the narrower function of granting cash income-maintenance benefits. As already stated, however, if both services and benefits are to achieve their aims their administration must be closely linked.

**Benefit Formulas**

The type of formula used to determine the amount of benefit due to individual claimants under unemployment insurance should be chosen, as in the case of other social security branches, having regard to the basic objectives of the scheme and to the special circumstances of each country. Two somewhat different concepts exist regarding the general principles that should govern unemployment benefit rates. These in turn lead to two rather dissimilar types of benefit formula.

*Graduated or Flat Benefits.*

The objective of insurance may be to preserve the previous standard of living of each individual claimant in so far as this is practicable. To achieve this aim, benefit amounts must be varied in accordance with previously existing differences in such standards. The standards of living of most workers may be assumed to vary more or less directly with their cash earnings, and these standards can therefore be maintained by graduating benefits of individual beneficiaries in relation to their previous earnings. Alternatively, the objective may be to guarantee every unemployed worker a certain fixed minimum of subsistence while he is unemployed. This second approach, which disregards previous differences in living standards,
leads to flat benefits that are the same in amount for all insured persons.

The disparity between benefits produced by graduated and flat benefit formulas will differ from one country to another, depending upon the extent of the variation in wages in each. In a country without substantial differences among the wages of its workers, the two formulas may produce much the same result so far as the great majority of workers are concerned. This in itself may be a sufficient reason for adopting a flat benefit formula in such countries, as such a formula is ordinarily simpler both to administer and to understand.

In a country where the spread of wages is appreciable, however, the two formulas would tend to produce considerably different results. In such a case considerable difficulty would be met in trying to select an appropriate level at which to fix a flat benefit. If set by reference to the middle of the wage range, it may equal or exceed the wages of lower-paid workers and weaken their incentive to return to employment. On the other hand, if the benefit is set at a low level in some appropriate relationship to the earnings of lower-paid workers, there is a risk that it will be grossly inadequate for workers with medium and high earnings.

A flat benefit formula automatically results in what may be described as a progressive relationship between wages and benefits, since the lower the wages of a worker the higher is the percentage of them represented by the benefit. When benefits are graduated with wages, the ratio between the two may either be kept constant or be made progressive, if desired, provided a system of wage classes is used. The degree of progression achieved in the latter case, however, is not usually as great as that resulting from the use of a flat benefit formula.

The social equity of paying larger benefits to better-paid workers and smaller benefits to lower-paid workers, as occurs under a graduated benefit formula, might well be challenged if the amount of contribution paid for each worker covered were the same. It is usually desirable, therefore, to vary contribution amounts with wages whenever there is a similar graduation of benefits. In contrast, it is usually appropriate to employ a system of flat contributions when a flat-rate benefit formula is used.

No single generalisation can be made concerning the
inherent superiority of either the graduated or flat benefit approaches. The choice between them must necessarily be determined by the wage distribution and other conditions peculiar to each country. This is confirmed by the fact that neither approach predominates under existing schemes. Among countries that apply a system of flat benefits—that is, under which benefits do not vary in relation to previous earnings—may be mentioned Australia, Belgium, France, Ireland, Italy, New Zealand, and the United Kingdom. In contrast, the following countries cause benefits to vary directly or indirectly with previous wages: Austria, Canada, the Federal Republic of Germany, Greece, Japan, Luxembourg, the Netherlands, Norway, Switzerland, the Union of South Africa, the United States, and Yugoslavia. Under the voluntary schemes of Denmark, Finland and Sweden, individual funds decide upon their own rates of benefit within limits prescribed by law; a number of the Swedish funds vary benefits to their members in relation to earnings, age, length of service, etc.

Methods of Graduation.

Two principal methods may be used for graduating benefits in relation to the prior earnings of claimants. These may be designated as the percentage and wage-class methods.

When a percentage method is used, benefits are expressed as a uniform fixed percentage of the average wages of each beneficiary prior to his unemployment. This relationship is simple to understand and contributes to the objective of maintaining previous living standards. Several additional provisions must, however, usually be added. The period over which mean wages are computed must be clearly laid down, as well as methods of computing this mean, including treatment of periods of partial employment. A ceiling may have to be imposed on wages to be taken into account in computing the average, and the setting of this ceiling itself involves important policy problems. Alternatively, or in addition, a maximum benefit amount may have to be prescribed, on the theory that workers earning more than a certain amount do not need the full normal proportion of their earnings to tide them over a spell of unemployment.

Among countries using a percentage method are Luxembourg, the Netherlands, Switzerland, Yugoslavia, and the major-
ity of states in the United States. Wages above a certain level are ignored in most of these countries through the imposition of a wage ceiling. Switzerland also provides for gradual reduction of the percentage applied for wages above a specified level.

The wage-class method involves the designation of a certain number of wage classes, with upper and lower limits, together spanning the whole range of wages to be covered. The lowest and highest classes may have to be defined in such a way as to cover all workers earning less than and more than certain amounts, respectively. Each worker is assigned to a particular class on the basis of his average or normal rate of earnings during a specified period prior to his unemployment. An assumed wage, presumably the mid-point, may be fixed as representative of each class. A single specified amount is then prescribed as the benefit for each class and is payable to all workers grouped in the class. Benefit amounts for the various classes may be fixed uniformly at a constant percentage of the assumed wage for each class. Alternatively, a progressive scale can be introduced into the benefit structure by fixing benefit amounts at a larger percentage of assumed wages for the lower wage classes than for the higher ones.

The number of classes to be established is a somewhat arbitrary matter and depends on the desired degree of differentiation in benefit amounts. The number may theoretically be as few as two, whereas the Federal Republic of Germany uses nearly 60 classes. When this method is followed, however, about seven classes are generally used.

One advantage of the wage-class method lies in the possibility it affords of securing a progressive relationship between benefits and wages; otherwise its chief advantages are probably those concerning administration. Usually wage classes used for benefits are also used in connection with contributions. It is simpler, in some respects, to work with a small number of wage classes than with the almost infinite number of variations that result when benefits as well as contributions are scaled according to the actual wages of each individual worker. The following countries use some form of wage-class principle for determining unemployment benefit amounts; Austria, Canada, the Federal Republic of Germany, Greece, Japan, Norway, the Union of South Africa, and some states in the United States.
Variation in Flat Rates.

Benefits that are not graduated with past wages may nevertheless be varied in relation to certain other factors. That is to say different benefit amounts may be paid to different classes of beneficiaries even though the latter are not differentiated on the basis of earnings.

One possible basis of variation is the size of the community where the worker resides. As certain items in a subsistence budget are often more costly in larger cities than in smaller places, it may sometimes be found desirable to provide larger benefits in some regions than in others. Differentials of this sort are applied, for example, in Belgium and France. It may also be desirable to pay smaller benefits to young workers who live in households in which they are not the chief breadwinners. Such reduced benefits are paid in Australia, Belgium, France, Ireland, New Zealand and the United Kingdom. Still further differentiation may be made between primary earners and married women whose husbands are the principal breadwinners. This is done, for example, in France, Ireland and the United Kingdom. The subject of variation between primary earners with and without dependants is discussed in the following subsection.

Flat benefits do not automatically adjust themselves to changes in wage levels and living costs in the same way as benefits that are directly linked with current wages under the percentage or wage-class methods. As a consequence, consideration may be given to providing that flat benefits shall vary automatically with changes in an official wage or cost-of-living index. Denmark has such a provision for its maximum benefit amounts. If this is not done the legislative or administrative authority responsible for fixing benefit amounts should take prompt action to modify flat benefit rates when significant changes occur in such an index. Otherwise amounts that were reasonably adequate when first adopted may gradually become quite inadequate in periods of rising prices and wages.

It may be noted finally that, if flat benefits are provided on a basis other than insurance, it may also be necessary to vary the amount of the benefit with differences in claimants' resources. This practice is followed in connection with flat-rate benefits in Australia, France and New Zealand.
Dependants' Supplements.

The cost of maintaining a given level of living during unemployment is nearly always greater for a worker supporting dependants than for one who is not. This fact should be recognised in unemployment benefit formulas for social reasons, even though amounts contributed in respect of the two types of workers are identical. Accordingly, whether graduated or flat benefits are paid, the benefit formula should ordinarily operate in such a way as to provide larger benefits for beneficiaries with dependants than for others. Technically this may be done either by having different basic rates for workers with different family responsibilities, or by providing supplements to the basic rate applicable to single workers.

The presence of at least one dependant may involve much the same cost to the worker in the short run whether it is an adult or child. He is obliged in either case to maintain a household for someone other than himself. To the extent that this is true the formula should provide a certain supplement in respect of the first dependant irrespective of age. A somewhat smaller supplement may then be provided in respect of additional dependants. Contrariwise it may be considered preferable to provide a larger supplement for a wife (or, if none, for one other adult dependant such as a disabled husband or a housekeeper), and a smaller supplement in respect of each child.

It is usually desirable to impose an over-all limit so that the combined total of basic benefit plus supplements will not exceed, or even approach too closely, the previous wages of the claimant. In countries where family allowances are paid separately to all parents, or to those with more than a certain number of children, unemployment benefit supplements for children must of course be integrated carefully with such general family allowance provisions.

Most existing schemes pay larger benefits to workers with dependants than to others. All the schemes applying a flat-rate benefit provide either larger fixed amounts or flat-rate supplements for married workers. Some of the schemes that graduate benefits in accordance with past wages also graduate dependants' supplements in the same way, by providing higher percentage rates for workers with dependants. This is done in Canada, the Federal Republic of Germany, Greece, the
Netherlands, and Switzerland. Other schemes of this type provide supplements of a fixed amount even though the basic benefit is graduated. This is the method followed in Austria, Norway, and most of the dozen or so states of the United States that provide such a supplement. Switzerland pays flat supplements in addition to providing a higher percentage benefit for workers with dependants. Larger benefits are also payable to workers with dependants under the Danish, Finnish and Swedish schemes.

Over three-quarters of the countries with unemployment benefit schemes also have a general family allowance scheme. This is true of all countries except Denmark, Greece, Japan, the Union of South Africa, and the United States. It may also be noted that special rent supplements or allowances are payable to unemployment beneficiaries in Austria, Denmark, Finland, and Sweden. Denmark also provides for payment of a fuel allowance during the winter months, and Finland for a clothing allowance.

**Benefit Levels**

The specific level of benefits provided under unemployment insurance should be determined in the light of its purpose and with regard for considerations of adequacy in relation to the presumed needs of different classes of beneficiaries. This contrasts with private insurance, under which payments vary strictly with contributions, and with public assistance where payments depend on the individually measured needs and resources of each recipient.

**General Principles.**

The central purpose of unemployment insurance is to protect workers against the insecurity inherent in the risk of losing their jobs. It does this by standing ready to furnish a substitute source of income whenever earnings from employment are cut off. The specific question involved here is the extent to which lost income must be replaced in order to make the worker secure. Should it be replaced in its entirety or in some lower proportion?

It would seem that benefits should, in principle, be large enough to tide workers over a period of what is presumed to be a temporary rather than a permanent loss of earnings. This
means that benefits should be large enough to enable workers to meet all non-deferrable expenses for necessities—such as rent, food and fuel—involved in maintaining either their previous or a minimum subsistence level of living. Workers in general should be able to do this without having to resort to borrowing, any substantial drawing on long-term savings, relief, support by relatives, charity from friends or others, or a change of domicile.

It is neither necessary nor desirable, on the other hand, for benefits to replace lost earnings in their entirety. It is unnecessary since workers may generally be assumed to be able to postpone some expenditures until they are re-employed. They may also be expected to reduce temporarily certain other expenditures for semi-luxuries as opposed to basic necessities. Some flexibility of this sort is probably present in the budgets of many workers, and supplemental assistance grants should be available for the cases in which it is not.

Benefits equal to previous earnings would be undesirable, for one thing, because they would risk impairing the incentive and the will of unemployed persons to return to work. If workers could receive the same or nearly the same income whether they worked or not, the prospect of idleness—even though demoralising for them and uneconomic for society—might often prove a great attraction. If unemployed workers thus lacked any material incentive to return to work, it might be very difficult for the administration of the scheme to induce them to do so against their will. For this reason benefits should be fixed at a level far enough below full wages for the unreplaced income involved to provide jobless persons with a real and continuing incentive to return to employment.

Unemployment insurance, moreover, should not usually be regarded as a primary means of raising or bolstering wage rates nor as a method of establishing a minimum wage. An increase in, or the stabilisation of, wage rates and the establishment of minimum wages are quite sound social objectives in themselves. Social action in this field, however, should be taken through wage policy and other economic measures designed to deal directly with the problems concerned. Unemployment insurance, like other forms of social security, is designed for a specific purpose, that of protecting workers against a particular contingency, and it should not be substan-
tially modified in order to accomplish objectives belonging to other fields of social policy.

Finally, a scheme which sought to replace lost earnings in full would tend to be exceedingly costly and would necessitate very high rates of contribution. Besides placing a heavy burden on contributors, it would also thus risk reducing the sums available for other social security measures and other socially desirable programmes.

**Graduated Benefit Levels.**

When benefits are varied with previous earnings, the problem of benefit level involves finding the relationship between benefits and wages that will enable the mass of beneficiaries to maintain roughly their previous standard of living except for postponable expenditures. The relationship selected may take the form of a constant or uniform percentage of wages for all beneficiaries, or of a weighted progressive scale of percentages that increase as wages decrease. The virtue of the latter lies in the way in which it takes account of the fact that lower-paid workers ordinarily need to spend a greater proportion of their pay for basic necessities than other workers. As noted above, a weighted scale of percentages can readily be applied when wage classes are used, but is more difficult with a percentage formula.

Precise conclusions regarding the specific percentage or percentages of wages required to conform to the principles discussed above can only be derived from detailed analysis of actual wage levels, family budgets, and cost-of-living data. This can be done only with reference to a particular country and a particular time.

It is only possible here, therefore, to present a few generalisations, based principally on experience under existing schemes. If the same percentage of wages is used for all claimants, it would hardly seem desirable for benefits for a short-term risk like unemployment to be fixed at a rate lower than, say, 40 per cent. Any rate below this would scarcely appear adequate to carry the majority of workers through a period of unemployment. On the other hand, having regard to the incentive to work and to costs, it is doubtful whether any rate that is much above 66\(\frac{2}{3}\) per cent. of wages should be provided for all claimants. These two percentages may be taken as fixing
the approximate limits between which the percentage used in a constant-percentage formula should ordinarily fall. A well established scheme might seek to work towards the higher percentage. Perhaps the simplest procedure in the case of new schemes would be to fix the benefit rate at an even one-half of wages.

If a weighted scale of percentages is used the limits mentioned above may be further extended. Under certain circumstances it would appear desirable to permit the lowest paid workers admitted to insurance to qualify for a benefit rate of as high as 75 per cent. or, at the most, perhaps 80 per cent. of wages. On the other hand the opposite limit of the scale might be extended to as low as perhaps 33\(\frac{1}{3}\) or 35 per cent. of wages for the highest-paid workers.

If differential rates are provided according to whether or not the beneficiary has dependants, the problem is somewhat more complex. In addition to deciding on the general or average level of rates, it is also necessary to decide on the size of the differential to be applied. If this differential is wide the basic rate for a single person will have to be considerably lower than if the differential is narrow. A number of factors have to be considered in deciding upon the amplitude of the differential, including questions of general family policy, equity among single and married workers, nature of general family allowance scheme, incidence of unemployment among the different categories, etc.

The ranges already mentioned, however, may reasonably well be applied to cases where dependants' supplements are provided. In other words, if a constant-percentage formula is used, it would hardly seem justifiable to fix the normal benefit rate for a single worker at much below 40 per cent. of wages. The maximum rate for married workers with children should not, on the other hand, usually rise much above 66\(\frac{2}{3}\) or 70 per cent. Again, if a weighted scale is used, the over-all limits of 80 per cent. and 33\(\frac{1}{3}\) per cent. may well be applied. The higher percentage should apply, however, only to low-paid workers who are married and have children, while the lower one should apply only to single workers who are fairly high up in the earnings scale.

It may be seen from an examination of table VI below, which summarises benefit rates under existing schemes, that
rates under schemes that graduate benefits with wages tend in general to fall within the limits mentioned above. Thus Greece pays either 40 or 50 per cent. to single workers and up to 70 per cent. to workers with dependants; Japan and Luxembourg have a rate of 60 per cent.; the majority of states in the United States pay a fixed rate of between 50 per cent. and 65 per cent. of below-ceiling wages, though the average ratio of weekly benefits to actual total wages is now only about 35 per cent.; and Yugoslavia pays 50 per cent. The Netherlands has somewhat higher rates: 70 per cent. for single adults and 80 per cent. for workers with dependants.

The maximum rates that voluntary funds may pay to single persons in Denmark, Finland, and Sweden are \(\frac{2}{3}\), 50 and 60 per cent. respectively. The corresponding rates for breadwinners are 80 per cent. in Denmark and Sweden and \(\frac{2}{3}\) per cent. in Finland.

As regards schemes using a weighted formula, the following approximate upper limits (applying usually only to lower-paid workers with dependants) may be observed: Austria 80 per cent., Canada 70 per cent., Federal Republic of Germany 80 per cent., Norway 90 per cent., Union of South Africa 75 per cent., and a certain number of states in the United States 75 per cent. The lower limits under these same schemes are somewhat less precise, either because the top wage class often has no upper limit, or because some beneficiaries earn wages above the ceiling specified. The approximate rate for single workers with average wages in the top wage class, or at or near the ceiling, however, is 35 per cent. in Austria, Canada, the Federal Republic of Germany, Norway, the Union of South Africa, and some of the states of the United States.

The basic minimum standard laid down in the Social Security (Minimum Standards) Convention, 1952, regarding unemployment benefit rates is that the rate for an unemployed insured worker with a wife and two children shall be at least 45 per cent. of wages. To satisfy the Convention this rate must apply in a country at least to all workers whose previous wages were equal to or lower than those of either a skilled manual male employee or an ordinary adult male labourer. Precise definitions and rules are set forth for ascertaining what the wages of the two specified types of workers have been in a particular country.
In addition to specifying a benefit rate it is customary under graduated benefit schemes to prescribe a maximum monetary benefit or a ceiling on wages included in the benefit computation, or both. These provisions mainly affect highly paid workers. If their earnings exceed the limits prescribed their resulting benefit will be a smaller proportion of their total earnings than the basic percentage applicable to other workers. It is important in fixing the maximum benefit amount and wage ceiling, therefore, to make sure that they are set at such a point that they affect adversely only workers who are really in the upper part, e.g. the top decile or the two highest deciles, of the earnings scale. They should not operate in practice to reduce the effective benefit percentage for workers who are in reality not much above the middle of the earnings scale. It is also desirable that such limits be promptly adjusted whenever there is a substantial increase in wages. Otherwise, they will operate to reduce the benefit rates of workers of lower and lower earnings.

*Flat Benefit Levels.*

The problem of benefit level in the case of flat benefits is not the choice of a percentage rate but of a specific monetary amount to be paid to all beneficiaries with the same family responsibilities. As already stated, this amount should be fixed by reference to its ability to provide workers with a certain minimum of subsistence during their period of unemployment. In other words the average worker and his family should be able to subsist during this period on the benefit alone, if necessary, without supplementation from any other source.

There are of course varying degrees of subsistence, ranging upward from bare physical survival. A contributory unemployment insurance benefit should presumably be fixed above such a minimum. An appropriate additional standard to lay down, therefore, is that a flat benefit should be sufficient to enable an unemployed worker and his dependants, if any, to subsist in health and decency. The latter phrase should cover the food, shelter, fuel and perhaps clothing which workers should be able to purchase with their benefit.

If wages earned by the mass of workers in a particular country do not differ greatly, it may be assumed that the cost of a minimum subsistence budget there is much the same for
all unemployed beneficiaries having the same family responsibilities. The exact amounts to be paid in such a case should therefore be based on a study of consumption requirements of unemployed workers, living costs, and earnings levels in the country concerned. Account will also have to be taken of the economic development of the country and its general level of wealth. In view of the customary relationship between wage levels and workers' living costs, however, it would ordinarily seem appropriate in countries with considerable homogeneity of wages to fix flat benefits at somewhere between two-fifths and three-fifths of the going rate of wages for ordinary workers. The exact amounts would vary according to the degree of differentiation that it was desired to establish between workers with and without dependants.

In countries where there is an appreciable spread in wages, however, the problem is more complicated. Differences in workers' wages inevitably lead to differences in their consumption habits and modes of living. Thus a minimum budget sufficient to maintain a beneficiary and his family in health and decency cannot but be somewhat higher for workers earning more in the past than for those who have been earning less. This raises the question whether a flat benefit in such circumstances should be related to the cost of a subsistence budget for lower-paid, medium-paid or higher-paid workers.

If, as is usually the case, the mass of workers fall into what may be called a medium-paid group between the extremes, there is some basis for arguing that a flat benefit should be related to the subsistence needs of this modal group. Otherwise it may prove inadequate for too many workers. It is true that flat benefits equal to two-fifths or three-fifths of median or modal wages may prove to be quite high in relation to the wages of low-paid workers. This, however, may be a necessary consequence of using flat benefits in a country that has a considerable dispersion of wages. The difficulty can be mitigated to some extent by including a proviso that the benefit shall never exceed a specified percentage of wages; something of this sort is done, for example, in Belgium and France.

**Existing Benefit Provisions**

Provisions regarding benefit rates under existing unemployment benefit schemes are summarised in table VI.
TABLE VI. PROVISIONS CONCERNING UNEMPLOYMENT
BENEFIT RATES, 1955

Australia (Act of 25 September 1952):
Basic benefit: £2 10s. per week (£2 for youths aged 18 to 20 and £1 10s. for those aged 16 to 17).
Dependants' supplements: £2 for dependent spouse or housekeeper, and 5s. for first child.
Means test: other income in excess of £1 per week deducted from benefit.

Austria (Act of 30 June 1955):
Basic benefit: 82 sch. per week for weekly wages below 145 sch. (wage class I) up to 142.50 sch. for weekly wages above 500 sch. (wage class XII).
Dependants' supplements: 30 sch. for first dependant and 11 sch. for each additional dependant.
Maximum rate: 80 per cent. of wages.
Percentage range: 80 per cent. to approximately 35 per cent. of wages.

Belgium (Decree of 28 July 1952):
Single worker living alone: 79.86, 72.60, or 65.34 francs per day, depending on size of commune (lower amounts for single workers under the age of 21).
Married worker with non-employed spouse: 88, 80, or 72 francs per day, depending on size of commune.
Dependants' supplements: amounts increase according to number of children, with slight differentiation between skilled and unskilled workers.
Maximum rate: 66 2/3 per cent. of reference wage plus family allowances, or 75 per cent. if four or more children.

Canada (Act of 11 July 1955):
Benefit for single worker: $6.00 per week (wage class I) up to $23.00 per week (wage class IX) for weekly wages of $57.00 or more.
Benefit for worker with dependant: $8.00 per week (wage class I) up to $30.00 per week (wage class IX) for weekly wages of $57.00 or more.
Approximate percentage range: 50 to 35 per cent. for single workers, 70 to 50 per cent. for workers with dependants.

Denmark (As of April 1955):
(Voluntary funds fix actual rates, subject to statutory limits.)
Maximum daily benefit amount: 9.00 kroner for single persons and 12.20 kroner for persons with dependants, varied with changes in cost-of-living index.
Dependants' supplements: may be paid at rate of 1.30 kroner a day per child.
Rent allowance: not to exceed 54 to 81 kroner per month, varied with cost-of-living index and size of commune.
Fuel allowance: may be made for minimum of 40 days from 1 October to 31 March; 61 kroner for single persons and 95 kroner for breadwinners.
Maximum rates: 80 per cent. of going wages in occupation for workers with children, 66 2/3 per cent. of such wages for other workers.
TABLE VI. PROVISIONS CONCERNING UNEMPLOYMENT BENEFIT RATES (cont.)

Finland (Act of 14 June 1951):
(Voluntary funds fix actual rates, subject to statutory limits.)
Maximum benefits: 66 \(\frac{2}{3}\) per cent. of going wages in occupation or 360 marks per day whichever is less, for worker supporting child or parent incapable of work; three-quarters of preceding maximum for other workers.

France (Decree of 18 February 1954):
Basic benefit: 300, 290, 260, or 225 francs per day, according to size of commune.
Dependants’ supplements: 130, 125, 115, or 100 francs per day, according to size of commune, for non-employed spouse or dependent parent.
Maximum rate: 66 \(\frac{2}{3}\) per cent. of wages of household.
Means test: benefit plus other income of household may not exceed prescribed maximum.

Federal Republic of Germany (Act of 24 August 1953):
Basic benefit: rises by numerous small wage classes up to 42.60 marks per week for weekly wages of 116 marks or more.
Dependants’ supplements: approximately 20 per cent. of basic benefit for first dependant and 10 per cent. for each additional dependant.
Maximum rate: 80 per cent. of wages up to 48 marks weekly, and 70 per cent. of wages for higher earnings.
Approximate percentage range: 80 per cent. to 50 per cent. for single worker, and 80 per cent. to 50 per cent. for worker with three dependants.

Greece (Legislative decree of 25 August 1954):
Basic benefit: 40 per cent. of assumed daily wage or 50 per cent. of assumed monthly wage for beneficiary’s wage class.
Dependants’ supplements: 10 per cent. of wages for each dependant.
Maximum rate: 70 per cent. of wages.

Ireland (Act of 14 June 1952):
Basic benefit: 24s. per week (18s. for married woman living with husband and for youths without dependants).
Dependants’ supplements: 12s. for adult dependant and 7s. each for up to two children.

Italy (As of December 1954):
Basic benefit: 227 lire per day for wage earners and 232 lire per day for salaried workers.
Dependants’ supplements: 80 lire per day for dependent spouse, each child and dependent parents.

Japan (Act of 20 May 1949):
Benefit rate: 60 per cent. of assumed wage of beneficiary’s wage class.
Maximum daily benefit: 460 yen.

Luxembourg (Decree of 17 December 1952):
Benefit rate: 60 per cent. of wages under wage ceiling.
Means test: other income in excess of 25 per cent. of benefit deducted from latter.
### TABLE VI. PROVISIONS CONCERNING UNEMPLOYMENT BENEFIT RATES (cont.)

**Netherlands** (Act of 9 September 1949):

<table>
<thead>
<tr>
<th>Category</th>
<th>Benefit Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Worker with dependant</td>
<td>80 per cent. of wages</td>
</tr>
<tr>
<td>Adults without dependant and not living at home</td>
<td>70 per cent. of wages</td>
</tr>
<tr>
<td>Other workers</td>
<td>60 per cent. of wages</td>
</tr>
</tbody>
</table>

(Wages defined as going wages in worker's ordinary occupation, excluding those over 16 gulden per day.)

Waiting benefits: not less than above rates.

**New Zealand** (Act of 1 October 1954):

- Basic benefit: £3 7s. 6d. per week (£2 5s. for youths aged 16 to 19).
- Dependants' supplement: £3 7s. 6d. for wife or housekeeper.
- Means test: benefit reducible at administrative discretion in respect of other income or property.

**Norway** (Act of 17 July 1953):

- Basic benefit: 3 kroner per day for annual wages of 1,000 to 2,000 kroner (first wage class) up to 10 kroner for annual wages of 8,000 kroner and over (fifth wage class).
- Dependants' supplements: 2 kroner per day for first dependant and 1 kroner for each additional dependant.
- Maximum rate: 90 per cent. of wages.
- Approximate percentage range: 90 per cent. to 35 per cent.

**Sweden** (Act of 8 May 1953):

(Voluntary funds fix actual rates, subject to statutory limits.)

- Maximum basic benefit: 20 kroner per day (actual benefits in 1953 ranged from 5 to 17 kroner).
- Dependants' supplements: 2 kroner for adult dependant or housekeeper and 1.50 kroner for each additional dependant.
- Maximum rates: 60 per cent. of going wages in occupation for non-breadwinners and 80 per cent. of such wages for breadwinners.

**Switzerland** (Act of 22 June 1951):

- Basic benefits: 60 per cent. of wages for worker without dependants and 65 per cent. of wages for worker with dependants, reduced by 1 per cent. for each franc by which daily wages exceed 10 francs and subject to wage ceiling of 24 francs per day.
- Dependants' supplements: 1.50 francs per day for first dependant and 0.60 francs for each additional dependant.
- Maximum rate: 85 per cent. of wages.

**Union of South Africa** (Act of 30 March 1954):

- Benefit amounts: 21s. per week for annual wages of £78 or less (wage class I) up to 105s. per week for annual wages of £443 to £750 (wage class IX).
- Maximum rate: 75 per cent. of wages.
- Percentage range: 75 per cent. to approximately 35 per cent.

**United Kingdom** (Act of 22 December 1954):

- Basic benefit: 40s. per week (30s. for married women living with husband and 23s. for youths without dependants).
- Dependants' supplements: 25s. for adult dependant, 11s. 6d. for first child, and 3s. 6d. for each additional child.
TABLE VI. PROVISIONS CONCERNING UNEMPLOYMENT BENEFIT RATES (concl.)

**United States** (Legislation as of 1955):

Basic benefits:

About half the states pay weekly benefit equal to fixed fraction of from 1/26 to 1/20 of quarterly taxable wages, amounting to between 50 per cent. and 65 per cent. of wages below the wage ceiling.

About half the states pay weekly benefit equal to weighted percentage of weekly, quarterly or annual wages, resulting in a range of approximately 75 per cent. to 50 per cent. of wages below the wage ceiling.

Dependants' supplements: about one-quarter of the states provide fixed supplement, generally from $1 to $3 per week, in respect of dependants; usually payable for maximum of two or three dependants and most commonly only for children.

Maximum benefit: virtually all states prescribe maximum weekly basic benefit amount, varying from $22 to $36; wage ceiling of $3,000 per year.

**Yugoslavia** (Decree No. 16 of 29 March 1952):

Benefit rate: 50 per cent. of wages.

**WAITING PERIOD**

The earnings of a worker usually cease as soon as he stops working. At first glance it would appear reasonable that, if he is insured against unemployment, his right to benefit should become payable at the same time as his wage loss begins. Experience has shown, however, that there are significant reasons for delaying the payment of benefits for a brief period after the termination of employment. It is this intervening period of non-compensated unemployment that is commonly referred to as a waiting period.

**Purpose of Waiting Period**

The concrete results of not paying benefit for the first few days of unemployment are the complete exclusion from compensation of many short spells of unemployment, as well as the exclusion of the first few days of longer spells. The first effect is usually the most significant feature of a waiting period, in terms both of the numbers of workers affected and of its underlying rationale. Many workers who undergo even a fairly ordinary shift of employment are without work for from one to several days. If there is no waiting period an unem-
ployment insurance scheme is obliged to compensate every single small case of wage loss, even though attendant upon merely normal and smooth adjustments between demand and supply in a particular labour market.

There is no major theoretical objection to compensating such very short-term unemployment. It may be argued, however, that few unemployed workers lack sufficient funds to tide themselves over only a few days between jobs, and that social insurance protection against such a relatively small risk is therefore unnecessary. Moreover, there are real and practical reasons, inherent in the nature of unemployment insurance, for not compensating every short spell of unemployment. These are reviewed briefly below.

A requirement that the worker should himself support the entire cost of the first few days of unemployment invokes to some extent the insurance technique of "co-insurance". This in turn aids the administrative agency to control possible abuses in the form of simulated unemployment, the purpose of which may be to enjoy a short vacation at the expense of the unemployment fund. Such cases, in which placement services may be unable to verify the genuineness of unemployment within only a few days, are effectively discouraged by a waiting period.

Another administrative consequence of requiring a waiting period is a considerable reduction in the total number of claims to be handled. The handling of a claim—including its receipt, assembling of evidence, deciding on its disposition, and making of payment—is never a completely simple process. Experience has shown that if all spells of unemployment are classified according to their length, those lasting for only a few days or a week represent a considerable proportion of the total. A waiting period therefore substantially lightens the administrative load of a scheme. This in turn means that less staff, premises, equipment and administrative appropriations are required, and also that a correspondingly greater efficiency can be achieved in handling the remaining claims. Finally, it may be noted that an administrative agency always needs a certain amount of time to determine whether or not claimants are eligible. A waiting period allows time for this operation to be performed as well as for the determination to be contested.

Of equal significance is the effect of a waiting period on
the cost of benefits. Exclusion of the large number of spells of unemployment that last for only a few days results in a considerable decrease in the total amount of benefits paid. This in turn reduces the contributions that must be collected from the different parties who finance the scheme.

The conclusion to be drawn from the above is that a waiting period of reasonable length is not unduly prejudicial to the interests of the workers affected, is not in conflict with the theory of unemployment insurance, and is of immense advantage from the standpoints of administration and finance. This conclusion is supported by practice under existing schemes. All countries require some kind of waiting period, although in some cases it is for only one day or need not be served for each spell of unemployment. The same conclusion is also reinforced by the widespread use of waiting periods under sickness insurance, which has various problems in common with unemployment insurance. Finally, it may be noted that both the Unemployment Provision Convention, 1934, and the Social Security (Minimum Standards) Convention, 1952, permit a waiting period to be required.

**Length of Waiting Period**

If the general principle of a waiting period is accepted, other questions still remain to be considered regarding its form. These concern the actual number of days to be included in the waiting period, the period during which these waiting days must be served, and whether or not the entire period must be served again in the case of each fresh spell of unemployment.

If a waiting period is too long, it will impose undue hardship on the many workers who do not have sufficient savings to cover their expenses for more than a few days after their ordinary income stops. On the other hand a very short period may prove too brief to achieve the basic advantages noted above. The exact length of the period must therefore be fixed somewhere between the opposing limits implicit in these two rather vague principles. There is of course no single inherently correct length and the final decision on this point in the case of a new scheme must necessarily be somewhat arbitrary. If statistical data are available which make it possible to compare differences in the cost of waiting periods of varying length, the decision can
take account of these data as well as the probable impact of different periods on claimants themselves and upon administration. It should be noted that, in keeping with the conditions for eligibility, the waiting period should ordinarily start to run only from the date on which the claimant first registers for employment and files a claim.

It is questionable whether the waiting period should normally exceed one week unless special circumstances exist. This is the maximum period permitted by the Social Security (Minimum Standards) Convention, 1952; the Unemployment Provision Convention, 1934, does not refer to any specific number of days. On the other hand much of the purpose of a waiting period may be lost if it is shorter than three days. This suggests that the waiting period should ordinarily be fixed at somewhere between three and seven days in length.

It may be pointed out, however, that if a new scheme is established in a country with little or no previous experience in social insurance administration, where data for estimating probable costs are limited, and where the employment service is fairly new, a factor of caution may be introduced by providing for a somewhat longer waiting period. To do this may in fact be considered an indispensable feature of some new schemes, despite the hardships for workers that would result. In such a case the waiting period can be gradually but steadily shortened as administrative and placement experience is acquired and as actual operations provide a clearer picture of claims rates and benefit costs to be expected in the future.

The waiting period may be required to be served in the period immediately preceding award of the benefit, that is, it may be expressed as \( x \) days of unemployment in the same \( x \) days immediately preceding award of the benefit. In this case the full waiting period must be served for each spell of unemployment. Alternatively it may be required to be served during a somewhat longer period prior to the award, e.g. during the preceding two, four, or six weeks. This permits odd days of unemployment to be added together, so that the final number of waiting days immediately prior to a longer spell of unemployment need be very few. As a still broader application of the latter procedure, it may be required that the waiting period need be served only once in an entire benefit year—either as a consecutive unit or in isolated days that may be
cumulated. Certain variants or combinations of these different types of reference periods are also possible.

The choice among these different procedures depends on a number of factors that can only be briefly mentioned here. These include the actual number of waiting days required, patterns of employment prevailing in the country, the nature of the benefit formula and qualifying conditions used, the administrative procedures followed, and other features peculiar to each scheme. Naturally, the longer the reference period during which a given waiting period may be served, the less the significance of the waiting period requirement for the scheme.

Existing Waiting Periods

Considerable variation exists among the waiting period provisions now applied in different countries. The shortest periods are those of Switzerland and Belgium; the former normally requires only one waiting day in a calendar year, while Belgium simply prohibits the granting of benefit for only one day of unemployment in a week and then not if it is the first or last day of a spell of total unemployment lasting three days or more and spread over two weeks.

A two-day waiting period is imposed by Luxembourg. A basic three-day period is provided for by France, the Federal Republic of Germany (seven days for workers without dependants), Ireland and the United Kingdom. Ireland requires this period to be served for each spell of unemployment, but the United Kingdom waives it if a worker has had 12 or more days of unemployment or incapacity during the preceding 13 weeks.

Austria, Greece and Norway have a six-day waiting period. Denmark, Finland and Sweden also require their voluntary funds to impose a waiting period of at least six days but permit them to fix a longer period if they wish, subject to certain specified maxima. In Denmark the waiting period need be served only once a year, in Finland in the last 10 days, and in Sweden in the last 21 days. A normal waiting period of seven days or one week must be served in Austria (during the preceding six weeks), Canada, Italy, Japan (during one year), New Zealand, the Union of South Africa (during the preceding nine weeks) and the great majority of states in the United States (during one year). Industrial associations that admi-
nister waiting benefits in the Netherlands are permitted to fix the waiting period for such benefits.

Note should be taken of certain special types of waiting period provisions that may be adopted. Provision may be made, for example, for retroactive payment of benefits for unemployment during the waiting period if unemployment continues beyond a certain length. This is permitted in certain circumstances in Luxembourg and the Union of South Africa. Special and somewhat longer waiting periods may be laid down for certain classes of workers for whom the genuineness of unemployment is sometimes difficult to test in the normal period. Belgium does this for homeworkers, Denmark and Sweden for seasonal workers, and Switzerland for seasonal and construction workers.

Provision may also be made for reducing or waiving the normal period in particular circumstances. This might be done if there has been a certain amount of partial unemployment or of incapacity during a given period immediately prior to the filing of a claim for total unemployment; or if unemployment has been briefly interrupted by a short period of temporary employment. Provisions of this general sort exist in Austria, Canada, Denmark, Finland, France, the Federal Republic of Germany, Norway, Sweden and the United Kingdom, among others. New Zealand permits its administrative agency at its discretion to reduce or waive the waiting period in individual cases. The Social Security (Minimum Standards) Convention, 1952, requires "days of unemployment before and after temporary employment lasting not more than a prescribed period" to be counted as part of the same case of suspension of earnings, for the purpose of the waiting period.

**Duration of Benefits**

The maximum length of time during which an unemployed person should be allowed to draw benefits is one of the most important questions of unemployment insurance. This is true because the question has substantial cost implications, it involves major issues of social welfare policy, it is potentially of great significance for the welfare of individual workers, and it does not readily lend itself to any single obvious answer. Experience with unemployment insurance over a period of
several decades, however, has provided various lessons that have served to clarify the thinking regarding this problem to some extent.

*Need for a Time Limit*

It might be argued with some force that jobless workers should be able to receive benefit so long as the contingency they are insured against—involuntary unemployment—continues. Certainly their need for a substitute source of income is in no way diminished by the circumstance that they are without work for a long time. But in conflict with this humanitarian consideration there are other important factors, the combined import of which tends to be that some kind of a time limit is usually desirable.

*Periods of High Employment.*

In periods when the total volume of unemployment is relatively small (e.g. below perhaps 3 to 5 per cent.), and when unemployment is caused mainly by maladjustments between the demand for labour in particular jobs and the number of workers qualified and available for these jobs, most workers losing their jobs can find new ones within a reasonable period of time. This process is much facilitated by an efficient employment service and by provision of retraining facilities where appropriate. In such periods, therefore, it is possible for the majority of unemployed workers to be placed in new jobs and removed from the benefit roll within a few weeks. Each additional week may see the placement of still more workers, until after a certain period of time only a quite small proportion of the original group of claimants will remain. Thereafter, however, the number of workers who leave the roll each week may be quite small.

The asymmetric distribution of the duration of unemployment described above is a common pattern that has appeared under numerous schemes. Its significance for the problem of the duration of benefits is that, in the absence of mass unemployment, a time limit can be imposed that will allow most beneficiaries to receive benefits throughout their unemployment. Such a limit will unfavourably affect only a relatively few unemployed who have had, and may continue to have, considerable difficulty in finding a new job.
The question therefore arises whether unemployment insurance should be required to support these hard cases for an indefinite period. Their long continuing unemployment, while their fellow beneficiaries succeed in finding new jobs, may indicate that many of them are essentially unemployable for physical, moral or other reasons. In so far as this is true, it is desirable that such persons be separated from the unemployment insurance scheme at a certain stage and be transferred to another social insurance or welfare programme more directly concerned with the type of disability from which they suffer.

Another factor is that of cost and the manner in which it is spread among different groups of the population. Indefinitely continued support of the long-term unemployed out of the restricted resources of an unemployment insurance scheme is only possible if benefits for other workers are kept at a lower level, or higher contribution rates are levied, than would otherwise be necessary. Either alternative directly or indirectly tends to work to the disadvantage of other insured persons. To secure a reasonable balance, therefore, among the drains which various participants may make on the scheme, some time limit would appear to be required. In other words the financial burden of caring for the long-term unemployed may well be shifted from unemployment insurance funds to public funds and thus be made a charge on general revenues as for other non-self-supporting groups. This shift may also entail the need to make an inquiry into the needs and resources of each long-term beneficiary, to determine whether in fact he is unable to support himself.

*Periods of Mass Unemployment.*

The above analysis must be somewhat modified in respect of periods of mass unemployment, often of a cyclical character, during which a persistent deficiency in aggregate demand may cause the demand for labour in virtually all occupations to fall far short of the supply. In this case beneficiaries leaving the rolls after a few weeks of benefit may be very few in number. The majority may continue to be without work after many weeks, even though fully employable by ordinary standards. But in this case also there are some compelling reasons for limiting the period of insurance benefit.
For one thing, the normal procedures for verifying the reality of unemployment by the offer of work can no longer be followed for many claimants. This leads to difficulties in applying the ordinary conditions for eligibility. In addition, the continuing idleness of beneficiaries cannot but harm their morale, despite the cash benefits they are receiving. Moreover, the cost of paying benefits indefinitely to a continuously growing roll of beneficiaries will eventually exhaust existing funds. This cost can continue to be financed through social insurance means only if there are very heavy and perhaps uneconomic increases in contribution rates.

Substantial financial aid from public revenues, whether derived from taxation or borrowing, may thus become imperative at some point to assist in the problem of caring for the long-term unemployed. This aid may consist of large direct subsidies to the unemployment insurance scheme itself. Or, it can take the form of setting up publicly financed schemes of a non-insurance type to provide for those who have been unemployed for longer than a certain period. The latter alternative seems both in principle and in the light of experience to be preferable. Such other schemes may take the form of work relief, unemployment or general assistance, or some similar measure that should ordinarily provide aid only to persons satisfying a means test. (Needless to say—though the point is outside the scope of this study—the public authorities should continue at all times to take such positive and remedial steps as are within their power to maintain or restore a high level of employment.)

The obvious conclusion is that it is usually desirable, as a basic principle, to confine the risk covered by unemployment insurance to short-term unemployment only. For various reasons of general social and economic policy, as well as technical social insurance policy, it would appear that the problem of caring for workers who remain unemployed for more than a certain period can best be handled through publicly financed programmes other than unemployment insurance. This means that some kind of time limit should ordinarily be placed on the duration of benefits under unemployment insurance proper. It should be stressed before leaving the point, however, that whenever such a limit is imposed, there should if possible always be an unemployment assistance, general assistance, work relief or similar programme that will care for beneficiaries
who exceed the limit and are found to be in need. In the words of Paragraph 1 of the Unemployment Provision Recommendation, 1934—

In countries in which compulsory or voluntary unemployment insurance is in operation, a complementary assistance scheme should be maintained to cover persons who have exhausted their right to benefit and in certain cases those who have not yet acquired the right to benefit; this scheme should be on a different basis from the ordinary arrangements for the relief of destitution.

**Form of Time Limit**

There are various ways in which limits on the duration of benefits may be expressed. The maximum period for drawing benefits may, on the one hand, be made uniform for all beneficiaries. This means that once a worker has qualified for benefit, he is entitled to the same potential period of benefit as any other beneficiary. The contrary approach consists, in essence, in varying the maximum duration for beneficiaries in accordance with the number, length, or volume of their previous contributions, employment or earnings. Under this ratio or sliding-scale method, a worker who has contributed less to, or been employed for a briefer period under, unemployment insurance is not able to receive benefits for as long a period as another worker who has contributed or been employed longer.

**Uniform or Variable Limits.**

Comparison of the relative effects of uniform and variable limits on the duration of benefits is difficult without detailed consideration of the actual figures involved in each case. One ratio formula may in practice prove very restrictive and produce relatively short periods of benefit for most claimants, while another may in fact prove more liberal than most uniform limits. The ratio method would appear usually to be more complicated to understand and administer. In addition, it would hardly seem possible to justify its use by the argument that persons whose employment experience has been irregular in the past do not need as long a period of protection as other workers; all other things being equal, the likelihood of their being unemployed longer would in fact seem to be greater. There seems to be no inherent reason why duration provisions should favour steadily employed persons at the expense of others.
The ratio method appears to contain a certain notion of adjusting the duration of benefits to contributions in accordance with savings or private insurance concepts. It may be argued that a system of uniform duration is more in harmony with the commonly accepted objectives and characteristics of unemployment insurance, although admittedly the nature of other technical benefit provisions may make such a system inappropriate for some schemes.

Present Practice.

The majority of schemes now in force apply a uniform limit, but some adhere at least in part to the ratio method. A few examples of the latter may be given. Canada limits weeks of benefit in a benefit year to one-half of the weeks of contribution in the preceding two years. The Union of South Africa restricts the number of weeks of benefit to one-fourth of the number of weeks of contribution. More than two-thirds of the state schemes in the United States limit aggregate benefits payable to a beneficiary in a benefit year to a certain fraction of his insured earnings during the previous base year; the fraction most frequently specified is one-third. Norway limits benefits to a period not exceeding one-third of the number of contribution weeks in the preceding four years, minus the number of benefit weeks in the same period.

A modified ratio system is applied in the Federal Republic of Germany through the use of a system of classes: 13 weeks' duration after 26 weeks of employment, 20 weeks after 39 weeks, and 26 weeks after 52 weeks. Similarly, Austria has a minimum 12-week limit but allows 20 weeks for workers insured for 52 weeks in the last two years, and 30 weeks for those insured for 156 weeks in the last five years. The United Kingdom, although its normal maximum duration of 180 days is uniform for all, allows persons insured for five years to receive three additional days of benefit beyond this limit for each five weeks of contribution in the preceding ten years, less one day of extended benefit for each ten days of benefit received during the last four years.

Other Considerations.

The maximum duration imposed may be applied separately to each individual spell of unemployment. Alternatively, it
may be applied to the cumulative total of days of benefit during the course of a specified period. If the latter procedure is used, the period of observation or reference period during which the limit is applicable is most appropriately fixed at one year. This may be a benefit year differing for each claimant or a uniform calendar or fiscal year, depending upon the internal structure of the scheme and its benefit provisions. An example of the imposition of a dual reference period is found in Switzerland, which limits benefits to 90 days in one calendar year and to 315 days in four consecutive years. Whenever a reference period is used, special provisions are necessary to deal with spells of unemployment that begin in the latter part of one reference year and overlap into the next.

Some countries have found it desirable to permit administrative modification of their statutory duration provisions. Thus, Switzerland authorises extension of its ordinary duration by one-third in case of severe and prolonged unemployment throughout the country or in certain regions or industrial branches, and by two-thirds if the situation worsens further. The Union of South Africa permits its normal duration to be extended in special cases, but also authorises claims officers to reduce or suspend benefits if they think the number of occasions or periods during which a claimant has been unemployed is excessive in comparison with other contributors performing work of a similar nature.

Length of Duration

Attention may now be given to the question of the specific period which constitutes a reasonable limit on the maximum duration of unemployment benefits. A number of factors must be weighed in deciding this question for a particular scheme, of which some may be of conflicting tenor. Hence the final decision must be somewhat pragmatic and, to some degree, arbitrary. Fortunately, initial decisions on maximum duration can be more readily changed by amendment than certain other benefit provisions.

Factors Involved.

Mention may be made of some of the criteria to be considered in deciding upon the length of the benefit period. One guiding rule is to try to fix the period in such a way that in
normal times, e.g. when less than, say, 3 to 5 per cent. of the labour force is unemployed, the great majority of beneficiaries will receive benefits throughout their whole period of unemployment. Ideally, no more than a minor fraction of the beneficiaries, perhaps only 10 per cent., should be affected adversely by the limit selected. For reasons previously discussed, this objective cannot be sought in respect of periods of mass unemployment, during which resort should be had as a matter of policy to other programmes for the care of the long-term unemployed. Thus, a second factor to consider in fixing the benefit period is the availability of such other programmes and the way in which they are co-ordinated with unemployment insurance.

A third factor to consider is that of cost. It is of course self-evident that the longer the potential benefit period, the greater will be the cost. The total cost of a scheme should never be raised to such an extent as to require excessively high and uneconomic contribution rates for its financing. In normal times, however, the greater part of the cost is concentrated in the first few weeks of benefit as most beneficiaries do not remain on the benefit roll for a long period of time. Hence, after a certain point (for example, six to eight weeks) each week added to the maximum duration tends to result in only a relatively small addition to the total cost as compared with the first few weeks.

On the other hand, if unemployment is widespread the majority of beneficiaries may remain on the roll for the full period allowed. The period should therefore not be so long that the scheme cannot remain reasonably solvent in the face of a drain on its resources produced in this way. Stated in other terms, the limit selected should make allowance, among other things, for the proportion of total unemployment costs that it is considered desirable and feasible to finance by means of unemployment insurance during periods of mass unemployment.

Still another factor that ought to be taken into account is the degree to which the administrative procedures followed will in fact constantly keep beneficiaries in contact with the demand for labour throughout the entire period of benefit adopted. Finally, the special types and patterns of unemployment peculiar to the particular country concerned must be studied for their bearing on the maximum benefit period.
Desirable Limits.

The combined significance of the above factors, as manifested in a number of countries, would appear to be that the maximum period of duration ought rarely to be less than three months nor longer than, say, six or seven months. The latter period, if it can be achieved, is probably close to the ideal objective for schemes that have had a chance to mature and to accumulate a reasonable contingency fund. Experience suggests that if the normal maximum duration is fixed at much longer than six months, a scheme may be unduly vulnerable to mass unemployment and may also risk accumulating a considerable number of unemployable persons on its rolls. On the other hand, if the duration is fixed at much less than this figure it may prematurely cut off from benefit many workers who, if given more time, can be restored to employment; certain basic readjustments in their occupation, skills or place of residence, however, may sometimes be necessary.

The relevant provisions in the Unemployment Provision Convention, 1934, call for a minimum duration of at least 78 working days a year and a normal duration of at least 156 days. The Social Security (Minimum Standards) Convention, 1952, permits unemployment schemes limited to employees to fix the maximum duration at 13 weeks within a period of 12 months, and those limited to residents of limited means, a corresponding maximum of 26 weeks. The latter Convention also requires schemes that vary the maximum duration in accordance with previous contributions to provide an “average” duration of benefit of at least 13 weeks in 12 months.

A caution must again be recorded concerning the maximum duration to be provided under new unemployment insurance schemes. If, as is often the case, few statistics on employment and unemployment are available at the start of the scheme, and if placement facilities are still fairly new, a somewhat conservative duration period should be adopted at the start. This can be lengthened later after experience with the scheme has thrown some light on the actual volume of claims and enabled the efficiency of administrative and placement operations to be increased. Such a conservative duration period may be tentatively defined for present purposes as one falling somewhere between two to three months.
Existing Duration Provisions

The maximum periods during which benefits may be
drawn under existing unemployment benefit schemes are
summarised in table VII. It will be seen from this table that
the maximum duration provided for under these schemes
differs considerably. The majority of them provide for over
20 weeks, however, and there is some tendency for most of
the limits to fall at approximately six months.

The provisions referred to in table VII may be summarised
in ascending order of length as follows. A limit of 12 weeks
is imposed by Austria and one of 15 weeks by Norway. Austria
raises its limit to a maximum of 30 weeks after a longer employ­
ment record, however, and also provides needy beneficiaries
who are Austrian citizens with an additional 26 weeks of emer­
gency assistance after exhaustion of insurance benefit. A
limit of 90 days is normally applied in Switzerland, but the
Government can extend this to as many as 150 days in periods of
extensive unemployment; a total of 315 days is permitted in any
four consecutive years. Sweden requires its funds to pay
benefits for at least 90 days but prohibits them from paying
for more than 156 days in 12 consecutive months. In practice,
the majority of Swedish funds have a maximum duration of
138 to 156 days; unemployment relief may also be provided
after exhaustion of insurance rights.

Greece authorises a maximum of 100 days for beneficiaries
with 310 days of employment in the last two years, and one
of 130 days for beneficiaries with 900 days of employment in
the last five years; it also places an over-all limit of 300 days
on total benefits payable during any four-year period. Finland
has a limit of 120 days in 12 consecutive months and of 240
days in 24 consecutive months; thereafter employment on
work relief projects may be provided. The Netherlands wait­
ing benefits must be payable by industrial associations for
at least 48 days, and its unemployment benefits are paid for
an additional 78 days or for 126 days in a benefit year if no
waiting benefit is payable; assistance is also available to
some beneficiaries thereafter.

Ireland has a limit of 156 working days for each spell of
unemployment, and also maintains a supplementary unemploy­
ment assistance scheme; however, workers over 65 who
### TABLE VII. MAXIMUM DURATION OF UNEMPLOYMENT BENEFITS, 1955

<table>
<thead>
<tr>
<th>Country</th>
<th>Normal maximum benefit period</th>
<th>Exceptions or additional limits</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Australia</strong></td>
<td>Unlimited</td>
<td></td>
</tr>
<tr>
<td><strong>Austria</strong></td>
<td>12 weeks</td>
<td>Extended by 8 weeks if 52 weeks of employment in last 2 years, or by 18 weeks if 156 weeks of employment in last 5 years; maximum duration: 30 weeks</td>
</tr>
<tr>
<td><strong>Belgium</strong></td>
<td>Unlimited</td>
<td>Administrative termination authorised in specified circumstances; special limits for married women</td>
</tr>
<tr>
<td><strong>Canada</strong></td>
<td>36 weeks</td>
<td>May not exceed one-half of weeks of contribution in last 2 years</td>
</tr>
<tr>
<td><strong>Denmark</strong></td>
<td>250 days in year for most funds</td>
<td>Statutory minimum: 90 days</td>
</tr>
<tr>
<td><strong>Finland</strong></td>
<td>120 days in 12 months</td>
<td>240 days in 24 months</td>
</tr>
<tr>
<td><strong>France</strong></td>
<td>Unlimited</td>
<td>Administrative termination authorised in specified circumstances; allowance decreased 10 per cent, for each year of unemployment</td>
</tr>
<tr>
<td><strong>Federal Republic of Germany</strong></td>
<td>13 weeks</td>
<td>Extended by 7 weeks if 39 weeks of insurable employment or by 13 weeks if 52 weeks of insurable employment; maximum duration: 28 weeks</td>
</tr>
<tr>
<td><strong>Greece</strong></td>
<td>100 days</td>
<td>Extended by 30 days if 900 days of employment in last 5 years; 4-year maximum: 300 days</td>
</tr>
<tr>
<td><strong>Ireland</strong></td>
<td>156 days for each unemployment</td>
<td>No limit for workers aged 65 to 70, if 156 weeks of paid contributions</td>
</tr>
</tbody>
</table>
TABLE VII. MAXIMUM DURATION OF UNEMPLOYMENT BENEFITS (concl.)

<table>
<thead>
<tr>
<th>Country</th>
<th>Normal maximum benefit period</th>
<th>Exceptions or additional limits</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Italy</strong></td>
<td>180 days</td>
<td></td>
</tr>
<tr>
<td><strong>Japan</strong></td>
<td>180 days in 1 year</td>
<td></td>
</tr>
<tr>
<td><strong>Luxembourg</strong></td>
<td>26 weeks in 12 months</td>
<td></td>
</tr>
<tr>
<td><strong>Netherlands</strong></td>
<td>126 days in 1 year</td>
<td>Statutory minimum for “waiting benefits”: 48 days</td>
</tr>
<tr>
<td><strong>New Zealand</strong></td>
<td>Unlimited</td>
<td></td>
</tr>
<tr>
<td><strong>Norway</strong></td>
<td>15 weeks in 12 months</td>
<td>May not exceed one-third of contribution weeks minus benefit weeks in last 4 years</td>
</tr>
<tr>
<td><strong>Sweden</strong></td>
<td>138 to 156 days in 12 months for most funds</td>
<td>Statutory minimum and maximum: 90 and 156 days</td>
</tr>
<tr>
<td><strong>Switzerland</strong></td>
<td>90 days in calendar year</td>
<td>Government may extend by 30 or 60 days if severe unemployment; 4-year maximum: 315 days plus extension</td>
</tr>
<tr>
<td><strong>Union of South Africa</strong></td>
<td>26 weeks in 52 weeks</td>
<td>May not exceed one-fourth of weeks of contribution; administrative extension authorised in special cases</td>
</tr>
<tr>
<td><strong>United Kingdom</strong></td>
<td>180 days for each unemployment</td>
<td>Extended 3 days for each 5 weeks of contribution in last 10 years, minus 1 day for each 10 days of benefit in last 4 years, for employees with 5 years of insurance; maximum duration: 492 days</td>
</tr>
<tr>
<td><strong>United States</strong></td>
<td>About half of states: 26 weeks in year Most other states: 20 to 25 weeks in year</td>
<td>Total benefits in year commonly limited to about one-third of wages in previous year</td>
</tr>
<tr>
<td><strong>Yugoslavia</strong></td>
<td>Unlimited</td>
<td></td>
</tr>
</tbody>
</table>
have 156 weeks of paid contributions since entering insurance may draw benefits without limit of duration up to the age of 70. About half of the United States schemes fix the maximum benefit period at 26 weeks and most of the remainder at 20 to 25 weeks; the separate states also maintain general assistance schemes. The Federal Republic of Germany, Luxembourg and the Union of South Africa also provide a 26-week limit. The first-named country provides this, however, only after a year of insured employment; it also has an unemployment relief scheme for needy recipients, with no time limit on duration. A normal 180-day limit is provided for by Italy, Japan and the United Kingdom. Italy, in addition, provides extraordinary allowances to workers who have exhausted their right to benefit. The United Kingdom extends its normal limit up to a potential maximum duration of 492 days (i.e. 19 months) after ten years of insurance, and also has a general assistance scheme covering persons exhausting their right to benefit.

Denmark requires its funds to provide a basic minimum duration of at least 90 days. Nearly all of the Danish funds, however, have also established special "continuation funds" from which benefits are granted for an additional period equal to the minimum statutory period plus 70 days; thus most funds provide a total potential duration of 250 days per year. Canada has a normal limit of 36 weeks but also provides that the duration may in no case exceed one-half of the number of weeks of contribution in the two years preceding the claim.

Five countries do not normally limit the duration of benefits. These are Belgium, Yugoslavia and three countries whose benefits are subject to an income test—Australia, France and New Zealand. Belgium places certain restrictions on the duration of benefits for married women who are not breadwinners, however, and also permits administrative termination after long or frequent receipt of benefits by beneficiaries not effectively seeking employment, those with a supplementary occupation, and those living with an independent worker. France provides for a reduction of 10 per cent. in the benefit rate for each year of unemployment, and also permits a limit to be imposed on duration in districts where employment offices are currently receiving numerous offers of employment; it
also fixes the maximum duration for domestic servants at 15 days.

A worker who exhausts his benefit rights cannot requalify for benefit under most schemes until he has again fulfilled the basic qualifying period. A few schemes have, however, adopted special requalifying provisions that are more liberal than the initial provisions. Ireland and the United Kingdom, for example, permit requalification for the ordinary period of duration after payment of 13 weekly contributions; and Norway permits the same after 15 weeks of insured employment during a period of two years preceding the filing of a new claim.
CHAPTER VII

METHODS OF FINANCING

The benefits discussed in preceding chapters are a form of social expenditure for which covering revenues must be found. It is implicit in the use of social insurance as the means of providing unemployment benefits that the financial burden is met through a system of pooling. In other words, a central fund is created from revenues derived from various sources. Benefits are then paid from this fund to insured individuals who suffer the contingency insured against.

The scope of the pooling applied under unemployment insurance can from a technical standpoint be either local, regional, or national. It can also be applied on an industrial basis. That is to say, the unemployment benefits paid in each separate locality, region or industry might be financed exclusively from revenues raised in the particular geographical or industrial unit concerned. It is characteristic of most countries, however, that the forces that determine levels of market activity, prices, production, employment and other phenomena are tending to operate more and more on a nation-wide basis. Each region and industry is basically subject to national trends. The result is a high degree of economic interdependence among the various regions and industrial branches of the country. For this reason, it would seem that in most countries the most appropriate unit over which to spread the risk of unemployment would be the nation as a whole.

Most existing unemployment insurance schemes operate with what is, in effect, a single nation-wide pool. It is true that a number of countries, including Denmark, Finland, the Netherlands, Norway, Sweden and Switzerland, maintain separate provincial, local, industrial or occupational funds. In each case, however, a system of reinsurance is in effect provided on a national basis by means of equalisation funds or through substantial state subsidies. In contrast, the 48 separate state
schemes in the United States are completely independent financially. The only exception to this is that under certain circumstances they may obtain repayable advances from a national fund.

**Sources of Revenue**

It is essential to the successful functioning of an unemployment benefit scheme that it should possess an effective means of securing the revenue required to cover its disbursements. The revenue measures must be capable, on the one hand, of providing the scheme with a sufficiently large and reasonably stable flow of income. They should also be of such a nature as to distribute the cost of unemployment benefits among the population in an equitable manner and in a way that produces the minimum of disturbance from an economic point of view.

The first general question to be examined is: what groups of the population should the revenues be drawn from? Many of the issues involved in this question arise under any form of social insurance and are already extensively treated in general social insurance literature.\(^1\) Hence, only a somewhat summary and categorical discussion of the problem is presented here. The principal parties who may be called upon to participate in the financing of unemployment benefits are the workers protected by the scheme, their employers, and general taxpayers. Some considerations involved in securing revenues from each of these three groups are outlined briefly below.

*Contribution by Employees*

Various reasons may be advanced for obtaining part of the moneys required for an unemployment benefit scheme from insured workers themselves, though it would be neither practical nor desirable to raise all revenues in this way. A payment by insured workers puts into force the contributory principle, a feature of other types of social security schemes with which workers may already be familiar. This form of contribution means that each worker, by regular prepayment of a small sum, participates directly in building up his protection against unemployment. It also gives the programme

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the character of a co-operative or group undertaking. There are real psychological advantages in this, for workers are given a greater interest and stake in the successful operation of the scheme, and a greater sense of responsibility in the matter of claiming unduly liberal benefits.

The fact that workers share in the cost of their benefits also influences the conditions under which these can be paid. It provides grounds for paying benefits automatically as a right in case of unemployment, without regard to the means of each claimant at the time. This in turn permits an unemployed worker to claim benefits as a business transaction, without connotations of indigence or charity such as may accompany payments subjected to a means test. If the contribution is graduated with wages, it also provides a justification for paying graduated benefits, which enable workers to conserve their previous living standards.

Finally, a concomitant of special contributions paid by employees is that these contributions can be set apart in a special unemployment fund. This tends to ensure a considerable degree of stability in unemployment insurance finances and, in turn, in benefit rates. Such stability may not be possible if benefits are financed exclusively from general public revenues and are thus vulnerable to financial crises in the general budget.

The advantages of providing for employees' contributions to unemployment insurance, though partly intangible, are nevertheless real. Experience with numerous programmes confirms this and likewise indicates that many employees prefer to contribute.

A disadvantage of contribution by employees lies in the fact that, judged purely as a form of tax, it is at best proportional in its incidence and may under certain conditions be regressive. This is one reason why employees' contributions should never be used as the sole source of revenue. It also suggests that the proportion of revenue to be obtained in this way should be limited to 50 per cent. at the most. Otherwise there is reason to believe that, for many schemes, the advantages mentioned earlier will outweigh this disadvantage.

For practical reasons the decision regarding contribution by employees to unemployment insurance should be co-ordinated with similar decisions regarding other social security programmes. The larger the contribution paid by employees
under other social insurance programmes, the smaller should be that imposed for unemployment insurance and vice versa.

**Contribution by Employers**

Several arguments may also be advanced in favour of deriving at least part of the resources of an unemployment benefit scheme from the employers of the workers protected. Thus, it may be argued that the labour costs entering into the total cost of production should include, not only wages paid to employees while working, but an additional premium for insurance that will maintain them if they are laid off. In other words the item of labour costs should include the cost of maintaining the working force both while working and while standing by. Since much of the employers' contribution is undoubtedly shifted forward into prices, this means in effect that part of the cost of maintaining unemployed workers will be supported by members of the community in their capacity as consumers rather than as taxpayers. This is an acceptable result, once it is granted that unemployment protection is a proper element in the cost of production.

A somewhat different approach is represented by the argument that employers are in a sense "responsible" for unemployment, since it is they who actually terminate the employment contract. Contribution by employers is regarded in this view as a kind of penalty, or put otherwise, as a method of charging the cost of the risk to the party who precipitates its occurrence. This line of reasoning is to some extent analogous to the concept of the responsibility of employers evolved in connection with employment injuries. The notion is perhaps carried farthest in the United States where the whole cost of unemployment insurance is placed on employers. Moreover, the contribution rate of each employer in that country is varied separately according to the amount of unemployment benefits drawn by his ex-employees. Even when the concept of responsibility is not extended so far as to apply to individual employers, however, it still provides at least theoretical justification for allocating a part of benefit costs to employers as a class.

Several other considerations may also be noted. Contributions paid by employers are often regarded, by workers among others, as an essential counterpart of the contributions paid by employees. The employer is regarded as "matching" the
amounts contributed by his workers. This clearly has a psychological effect on the attitude of the workers towards the payment of their own contributions. Also, a worker enjoying the security that results from the fact that he is protected against unemployment tends to be a more contented and therefore a more efficient worker. His employer as a result receives a definite material benefit from the scheme.

Employers' contributions are usually easy to collect from an administrative standpoint and are therefore a fairly productive levy in relation to the cost of collection. Finally, requiring employers to contribute makes it possible to achieve some of the advantages already mentioned in connection with employees' contributions: payment of benefits without means test, graduation of benefits, and a segregated independent fund.

A basic argument sometimes raised against contribution by employers is that it really constitutes a tax on employment that takes no account of the profits of undertakings. As such, it is argued, it may actually have the effect of curtailing employment. But this may be said equally well of other socially desirable burdens imposed on employers by law for the protection of workers. It is necessary in any case to balance the broader tangible and intangible consequences of adopting, or not adopting, the system under which employers contribute with its characteristics judged purely in tax terms. The latter characteristics are certainly not the only ones to consider, nor are they necessarily the most important.

**Contribution by the State**

The third party from which unemployment insurance revenues may be derived is the State itself, or the State and other public authorities, such as provinces and communes. The moneys provided by the State will ordinarily be raised through its general tax system. Hence, it is general taxpayers as a group who are the real source of this contribution. In periods of economic stress, however, the state contribution may in fact be derived from loans.

The final incidence of state contribution as among different classes of taxpayers will be determined by the structure of each country's tax system. That is, it will depend upon whether the State relies mainly on direct or indirect taxes and whether these taxes are generally progressive or regressive. If a new
tax must be levied to finance the state contribution, however, the incidence will depend upon the character of this most recently added levy.

A justification for financing part of the cost of unemployment insurance by means of state contribution lies, for one thing, in the well recognised responsibility that society has for the welfare of its dependent members, including those who are unemployed and their families. State contribution to a systematic scheme for caring for the unemployed thus represents a convenient method by which society can discharge at least a part of this responsibility. Moreover, in the absence of such a scheme the State, and in turn general taxpayers, might be obliged to spend substantial sums in providing direct assistance or relief to many of the unemployed. The cost of the contribution by the State to unemployment insurance is thus at least partly offset by savings realised on such other costs.

Still another reason for providing for state contribution is that it permits part of unemployment revenues to be obtained from progressive taxes that fall with greater weight on those with higher incomes. This advantage is of course realised only if progressive taxation is actually used; it is not an automatic consequence of any form of state contribution. Finally, it is sometimes not possible or practicable to derive sufficient revenues from contributions paid by employees and employers alone. In this case, it is necessary to have recourse to the general taxing power of the State if the total resources of the scheme are to be brought up to the required level.

The above advantages of state contribution can be realised even if it provides only a part of the total revenues of a scheme. In the light of these advantages, contribution of this type may ordinarily be considered a desirable element in the finances of unemployment insurance, whether it is used in combination with contribution by employees or by employers, or both. But when a scheme is financed exclusively by the State, a different situation arises. The nature of the scheme then tends to assume a form that differs from ordinary unemployment insurance not only in degree but in kind. The disadvantages of contribution by employees and employers mentioned above are avoided, but their positive advantages are also lost, and new problems arise.
Some of the consequences of financing unemployment benefits exclusively through state grants may be mentioned. The concept that every unemployed worker is automatically entitled to benefit as a matter of right can hardly be applied any longer, because there are no prior contributions on which to base such rights. For reasons of cost and possibly because of restrictions on the use of public funds, it may be necessary to confine payments to unemployed workers who are actually in need. This will require an inquiry into the means of each applicant. Moreover, graduation of payments in relation to past wage differences would clearly be inappropriate.

Financing of unemployment payments exclusively from general revenues may also involve a heavy charge on the general budget. This may lead to fiscal difficulties and perhaps to regressive tax measures, especially in less wealthy countries. The practice of building up a reserve in good times to be drawn upon in bad times can hardly be applied. This in turn may make benefits—which, to provide real security, ought to be something stable upon which workers can definitely count—vulnerable to changes in the general fiscal position of the government. It may even open up the possibility of their having to be reduced at the very time when unemployment is most severe.

The above represent tendencies rather than the inevitable characteristics of schemes financed exclusively by the State. Nevertheless, they are always latent possibilities. They may be of little significance in times of high employment but can become serious if employment slumps. At that point, however, it is too late to change to another type of financing.

It may also be noted that the State should bear at least a substantial part of the cost of administering unemployment insurance. The State together with its subdivisions also has to bear the whole cost of any assistance payments made to unemployed persons.

Joint Contributions

The preceding discussion deals with the merits of different sources of revenue taken by themselves. It is difficult to make any generally valid decision on which of these sources, considered separately, is in the final analysis the best. Indeed, it would seem appropriate under most unemployment benefit
schemes to make use of at least two of the three sources mentioned. A bipartite system would thus consist of contributions from one of the three following pairs: employees and employers, employees and the State, and employers and the State. There is much to be said, however, for making use of all three sources by having a tripartite system of contribution. Such a course makes it possible to obtain some of the advantages of each source, while at the same time minimising the disadvantages of each.

When use is made of two or more sources the question arises of the relative proportions of cost to be covered by different types of revenue. When contributions from employees and employers alone are used it is ordinarily perhaps simplest, both in principle and in practice, to divide the burden between the two parties on a fifty-fifty basis, unless special circumstances make this undesirable. Otherwise, if an unequal distribution is desired, it would normally appear appropriate for the employer's share to be larger than that of workers, rather than vice versa. There is less basis for generalisation when a state contribution is linked with contribution by employees or employers alone. If the state contribution covers substantially more than half of the cost, there is some danger that the contributory character of the scheme may be overshadowed. On the other hand, it is rarely desirable for more than 50 per cent. of the total cost to be borne by employees.

Finally, in the case of tripartite financing the most obvious principle to follow in dividing up the burden is to allocate one-third of the cost to each party. So long, however, as the parity between employees' and employers' contributions noted in the preceding paragraph is observed, the proportion represented by the state contribution may be allowed to vary widely depending upon the particular variable of which it is made a function, as discussed below.

It should again be noted that the final decision concerning the combination of sources of revenue used for unemployment insurance in a particular country must take account of patterns already being followed there in schemes dealing with other social risks. Similarly, if unemployment benefits are part of a unified scheme, decisions regarding methods of financing must consider the scheme as a whole with its broad range of benefits, rather than unemployment benefits exclusively.
Existing Schemes

It is of interest in the light of the above discussion to see what sources are used for financing unemployment insurance under existing schemes. The method used in the largest number of countries is a tripartite system, under which revenues are provided jointly by insured workers, employers, and the State or other public authorities. Nations financing unemployment benefits separately and using tripartite financing include Belgium, Canada, Japan, the Netherlands, Norway and the Union of South Africa. Contribution rates for employees and employers in each of these countries are equal except for special rates sometimes applicable to the lowest-paid workers. Tripartite financing is also used by Ireland and the United Kingdom to finance their co-ordinated social insurance schemes, of which unemployment benefits are a part. The New Zealand social security fund, from which unemployment as well as other benefits are paid, is financed by a uniform percentage levy on the gross income of individuals and the net income of companies and by grants from the State.

A bipartite system of financing is used in most other countries. There are considerable differences, however, in the two parties that are required to contribute. Contributions from employers and employees are used to finance unemployment benefits in Austria and the Federal Republic of Germany with a fifty-fifty sharing of cost in both countries. Greece provides for the same two types of contributions but with employers paying two-thirds and employees one-third. A combination of net income taxes on individuals and contributions from employers is used to finance Australia's national welfare fund, from which all its social security benefits are paid. A combination of contributions from employees and subsidies by the public authorities is ordinarily used in Denmark, Finland, Sweden, and Switzerland. In Denmark, however, employers make a small flat-rate contribution to the central unemployment fund, while employer contributions are required in Switzerland in the case of "joint" funds.

Contributions from employers constitute the sole source for financing unemployment insurance in Italy and Yugoslavia, and under all but two state schemes in the United States. The states of Alabama and New Jersey require employees to pay a
small contribution in addition to that payable by employers. Finally, the public authorities bear the whole cost of unemployment allowances in France and Luxembourg.

The above description of current practice relates to the financing of unemployment benefits only and not to that of administrative expenses. A number of countries not providing for a state contribution to the cost of benefits pay part or all of the cost of administration out of public funds. It may also be noted that the unemployment assistance or general assistance schemes maintained in some countries are financed entirely from public funds. Thus, while the public authorities in some of these—including Austria, the Federal Republic of Germany and the United States—do not contribute to unemployment insurance itself, they nevertheless pay out substantial sums for the support of assistance schemes.

The two Conventions already cited do not deal in detail with the subject of financing, but lay down certain general standards that may be noted here. The Unemployment Provision Convention, 1934, requires unemployment benefits related to contributions, or unemployment allowances, to be provided under a compulsory or voluntary insurance scheme or a combination thereof. The Social Security (Minimum Standards) Convention, 1952, requires the cost of benefits and their administration to be borne collectively by way of insurance contributions or taxation, or both. It also provides that the total of insurance contributions borne by employees should not exceed 50 per cent. of the total of the financial resources allocated to the protection of employees and their wives and children. Finally, it requires a ratifying State to accept general responsibility for the due provision of benefits provided in compliance with the Convention and to take all measures required for this purpose.

**FORM OF CONTRIBUTIONS**

The contributions paid by workers, employers and the State may take various different forms. That is to say, the liability to contribute of the parties sharing in the financing may be expressed in different ways. These are examined below.
Flat Contributions

One procedure is to fix the contribution payable by workers and employers as a flat monetary amount that is uniform for all workers with the same characteristics. This amount will be payable for each elapsed unit of time, such as a week or day. The contribution amount under this method does not vary with the wages of different workers but may, if considered necessary, be varied according to sex, age and perhaps region. Flat contributions are usually linked with a system of flat benefits; thus, the implications of both must be considered together so that a decision valid for both may be reached.

A system of flat contributions is simple for workers to understand. It may also under some circumstances simplify administration. Reports have to be secured and records maintained only with regard to the number of contributions that have been paid. Another important consideration is that the stamp method of collecting contributions can be most easily applied when flat contributions are used.

With the flat contribution procedure, however, rather complex regulations may have to be issued concerning the definition of contribution units, a problem that does not arise under some other procedures. Moreover, the percentage of wages represented by a flat contribution becomes larger the lower the wages of the worker paying it, and flat contribution therefore has a somewhat regressive incidence. This fact may have relatively little significance in countries where the dispersion of wages is narrow, but its importance will increase the wider the spread of wages in a country. The effect of the regressive tendency may be moderated somewhat in practice by providing for a special reduced contribution amount in case of the lowest paid workers. This will need to be compensated by a special increased contribution from employers in respect of such workers.

A system of flat-rate contributions is used by the United Kingdom in financing its national insurance scheme, of which unemployment benefits form a part. Ireland levies flat rates on employees and employers under its co-ordinated social insurance system. Flat contributions are also collected by certain of the unemployment insurance funds operating in Switzerland and by some of the voluntary funds set up in Denmark, Finland and Sweden.
Percentage Contributions

Procedure.

A more common method is to express the unemployment insurance contribution due from employees and employers as a percentage of wages. The worker's contribution in this case is equal to the specified percentage of his own wage, while the employer pays an amount equal to the prescribed percentage of his total payroll, exclusive of any exempted amounts. The absolute contribution amounts paid by and in respect of employees thus vary directly with their wages. This method of determining contribution liability is usually linked with the graduation of benefit amounts in accordance with wages. The fact that larger contributions are paid in respect of higher-paid workers under this method provides the justification for corresponding differentials in benefits.

Wages and salaries are usually taken into account for benefit purposes only up to a certain level; very high wages would otherwise mean very large benefits, and above a certain level the incentive to find employment again would be small. It is therefore customary to fix an upper limit on the wages and salaries in respect of which contributions are payable, the same ceiling usually applying to both contributions and benefits. Such a ceiling should not be fixed so low, however, as to have the effect of excluding any significant part of the earnings of the mass of workers.

From some points of view the percentage method is a more equitable method of contribution than the flat-contribution method. It permits the contributions of employees to vary to some extent with their ability to pay. Such ability may differ relatively little in countries where wage differences are small, but in others it may vary widely. The percentage method may also involve less work for larger employers. In their periodic contribution reports they need only list their employees and their aggregate earnings (below the prescribed wage ceiling) during the contribution period, and then calculate the specified percentage of contribution on the total of such earnings. The percentage method in contrast is less well adapted to the use of stamps in collecting contributions, so that advantages potentially inherent in the latter must be sacrificed. This may create difficulties in some countries where
there are many small employers who do not keep books and of whom many may be illiterate.

*National Practice.*

Under a number of existing unemployment insurance schemes the contributions payable by employers and employees are expressed as a percentage of wages, exclusive of the excess of wages above a prescribed wage ceiling. Countries where this is the case include Austria, Belgium, the Federal Republic of Germany, Italy, the Netherlands, the United States and Yugoslavia, and Switzerland in case of part of its funds. New Zealand and Australia also levy percentage social security contributions but the basis for the calculation of their contributions is not exclusively wages as in other countries. In New Zealand, the basis of calculation for individuals is gross income from all sources with no ceiling, while that for incorporated companies is their net income. In Australia, the basis of calculation for individuals is their income over and above a personal exemption, while that for employers is their payroll in excess of an exempted amount per week. The New Zealand levies and that on employers in Australia are on a fixed percentage basis, but the levy on individuals in Australia takes the form of percentages that rise with the net taxable income.

*Differential Rates.*

Contributions under all state schemes in the United States are expressed as a percentage of wages below a prescribed ceiling, but employers do not pay a uniform rate. Instead, the percentage contribution of each employer is varied from year to year in accordance with his individual "experience" with the risk of unemployment. A principal purpose of this arrangement is to provide a financial incentive to employers to stabilise their employment, by holding out the possibility of lower contribution rates if they do so. A related purpose is to allocate the cost of unemployment insurance among firms and industries in some proportion to the amount of unemployment for which they are responsible. The success of similar provisions under workmen’s compensation in reducing the number of work accidents was the precedent originally followed in adopting the procedure described.
In accordance with the notion that individual employers are "responsible" for the unemployment of and benefits paid to their ex-employees, benefits paid in the United States are in effect charged to the account of one employer or another. The problem of determining which employer is responsible is simple if an unemployed worker has had only one employer during the base period. It becomes much more complex in the case of workers who have had two or more employers during this period. The formulas used for adjusting contribution rates to the experience of individual employers are often elaborate and also differ widely among the 48 states. The most common consists of scaling contribution rates inversely with the ratio between the annual surplus of an employer's contributions over benefits and his annual payroll. Other formulas cause contribution rates to vary with the ratio between the benefits charged to an employer during a year and his annual payroll; the ratio between the wages giving rise to benefits and the annual payroll; or changes in the employer's aggregate annual payroll.

This method of fixing employers' contributions in the United States began in only a few states but spread eventually to all 48. But the principle has never been copied in other countries. It necessarily leads to complex provisions and procedures for determining contribution rates; it also results in a diversity of contribution rates among employers and industries, with the highest rates tending to apply to those whose markets, production operations, and employment are inherently unstable. It would seem that use of differential rates can assist in reducing unemployment only to the extent that the latter is in actual fact within the control of individual employers.

**Wage Class Contribution**

The contributions payable by employees and employers may also be fixed on the basis of wage classes. In this case, the range of wages in a country is divided up into a certain number of classes each with an upper and lower limit. A fixed amount of contribution per week or other period is then specified for each wage class, both for the worker and the employer. Workers are assigned to wage classes on the basis of their earnings during a specified period and are liable for the contribution amount corresponding to their class. The
employer in turn pays in respect of each of his employees the employer contribution designated for the latter's class. The wage class method is in some respects a hybrid of the flat and percentage contribution methods. As in the latter, the contribution amounts due per worker become larger the higher his wages; however, some progressivity can be introduced into contribution rates, if desired, by making the contribution a somewhat larger percentage of wages in the upper wage classes than in the lower. The resemblance of the wage class system to the flat contribution method lies in the fact that it need involve only a relatively few contribution amounts—what might be called a few flat contributions for different wage levels. A relatively small number of stamps of different denominations can be used for these several contribution amounts, and thus the advantages of a stamp procedure of collection can be realised.

The wage class method of contribution may under certain circumstances prove simpler to administer than the percentage method. This is particularly true if the wages of most workers are reasonably stable from one contribution period to the next, i.e. if most workers tend to remain in the same wage class week after week. When workers continually change from one wage class to another, however, and especially for larger employers who have numerous employees for whom this is the case, the wage class method may possibly prove more complicated than a simple percentage method.

One or another form of the wage class method is currently in use for unemployment insurance in Canada, Greece, Japan, Norway, and the Union of South Africa. Some Swiss and Swedish funds also use this method, and Italy makes minor use of it. There are considerable differences, however, in the earnings periods utilised in assigning workers to wage classes. Greece uses daily earnings for this purpose; Canada, weekly earnings, and Norway and the Union of South Africa, annual earnings.

The consequences of using different forms of contribution, the relative adaptability of these forms to different wage patterns, and the divergence of practice under existing schemes clearly indicate that the choice among flat contributions, percentage contributions, or wage class contributions in a particular country must be based on a careful survey of conditions prevailing in that country alone.
Government Contribution

If it is decided that part of the financial resources of a scheme are to come from a public subsidy, there are a number of different ways of determining the amount of this contribution. It may be related like other contributions to wages; it may be related to such other contributions themselves; it may be related to benefits actually paid; it may be related to the excess, if any, of benefits over contributions; or it may conceivably take the form of a selected annual lump sum. The public contribution may be furnished wholly by the national government, or it may be provided in part by local units of government.

Government Contribution Based on Wages.

The amount of the government contribution may, if desired, be fixed as a specified percentage of the wages of insured workers, in the same way as the contributions of employees and employers. In this case the contribution does not depend in principle upon disbursements for benefits but continues at the level selected regardless of fluctuations in such disbursements. Unless the percentage rate of the government contribution is frequently altered, therefore, it will tend to be added to the reserve in periods of high employment and may prove insufficient in periods of low employment.

The practice of expressing the government contribution as a percentage of earnings is followed in Belgium and the Netherlands. In Belgium, the State provides a subsidy equal to at least 2 per cent. of the wages of all workers insured during the second-to-last preceding year, subject to a fixed maximum amount. In the Netherlands, one-half of the total percentage contribution payable to the general unemployment fund by employers, employees and the State together is to be paid by the State. In addition, this central fund may grant subsidies to waiting-allowance funds of industrial associations in periods when they are subject to heavy unemployment risks and must pay out large sums in connection therewith.

Government Contribution Based on Other Contributions.

If the government contribution is related to other contributions, it may be fixed at a stated percentage of aggregate
contributions paid by employees and employers. Or, in the case of flat contributions, a specified flat contribution may be paid by the State in respect of each flat contribution paid by an employee. Thus, Canada provides a state subsidy equal to 20 per cent. of contributions paid by employers and employees. The Union of South Africa contributes an amount equal to 25 per cent. of such contributions. Norwegian communes contribute to the extent of one-fourth of contributions paid by employers and employees, but the state contribution is related to deficits only. In Denmark the State and communes share, in a proportion of two to one, in the payment to voluntary funds of a subsidy related to the contributions of insured persons. The exact rate of this subsidy varies inversely with the earnings of workers in each industry or occupation. In contrast the state contribution to the national insurance scheme of the United Kingdom is in the form of a flat weekly contribution per contributor; this is supplemented by lump-sum grants.

*Government Contribution Based on Benefits.*

A third possible procedure is to relate the government subsidy to actual expenditure on benefit payments. In this case, in contrast to those under which it is related to insured wages or contributions, the amount of the subsidy rises and falls directly with the volume of compensable unemployment, instead of rising during periods of high employment and falling during periods of declining employment. The subsidy under this method may be expressed either as a flat supplement to each benefit paid, or as a percentage of each benefit or of the aggregate of benefits paid. Both procedures are used under existing schemes.

Thus, Japan requires its national treasury to bear one-third of the costs incurred for benefits. In Finland the State pays two-thirds of the cost of benefits paid to breadwinners and one-half of those paid to single persons. Federal and cantonal subsidies in Switzerland are calculated as a percentage of the expenditures of the different funds. The percentage of expenditure covered by the federal subsidy varies according to the proportion of a fund’s members who have received benefit, but may not exceed 40 per cent. The cantonal subsidies are at least equal to the federal subsidy and depend upon the number of insured persons residing in the canton; part of the
cantonal subsidy in some cantons is provided by municipal governments.

In Sweden, in contrast, the State pays voluntary funds a basic subsidy of up to 5 kronor per day in respect of each day of unemployment for which they pay benefit, plus a subsidiary grant varying with each fund's incidence of unemployment. A grant is also made in respect of each dependant's supplement paid. These subsidies averaged about three-eighths of benefit costs for all funds in 1952. Denmark reimburses its funds in respect of part or all of the cost of rental, fuel, and children's allowances paid, in addition to its subsidy related to employees' contributions.

As already noted, in France and Luxembourg the full cost of unemployment allowances is borne by the public authorities. The central Government supports the major part of the cost in both countries, but communes are required to bear a share of the allowances paid.

*Government Contribution Based on Deficit.*

Another procedure that may be followed is to provide a government contribution only in case a scheme incurs a deficit, that is, when its outpayments during a period exceed its income. Under this system the State in a sense underwrites the solvency of the scheme. The extent of this obligation will differ, however, depending upon whether or not other contribution rates are raised when a deficit threatens. In Norway the State bears three-fifths of any deficit of a local unemployment fund and takes over all of its obligations if its resources are exhausted. Under the Irish and New Zealand social security schemes the State meets the difference between the yield from other contributions and benefit expenditure. In Denmark the State assumes certain contingent responsibilities in connection with the solvency of voluntary funds and of the central reserve fund. In some countries, also, a potential contribution by the State to cover possible deficits is paid into an equalisation fund, upon which other unemployment funds can draw.

It may again be noted that under a number of schemes the State pays the whole or a specified part of the cost of administering unemployment insurance in addition to any contribution it may make in respect of unemployment benefits.
METHODS OF FINANCING

RESERVE FUND

Nature of Reserve

The policy of financing unemployment insurance through special contributions secured from insured workers and their employers, rather than exclusively from the general budget, should be accompanied by a policy of maintaining a specially earmarked fund for unemployment insurance finances. This fund should be carefully segregated from other public accounts, and all contributions received by the scheme should be paid into it. It should be drawn upon, in turn, only for payment of unemployment benefits and, unless they are borne wholly by the State, for administrative expenses of unemployment insurance.

In case a country provides social insurance against other risks in addition to unemployment, it may collect a single contribution in respects of all the risks covered and pool all moneys collected in a single reserve fund. In this case there will be no segregation of moneys held against unemployment benefit liabilities exclusively. The advantages and disadvantages of such a procedure are outside the scope of this study. In such a case, however, the contribution rates must be fixed and a policy regarding the size of the reserve fund adopted bearing in mind the fact that the risk dealt with is a multiple one and that the various parts of this multiple risk are likely to exhibit a different pattern of behaviour at different periods.

Surplus moneys in an unemployment fund that are unlikely to be needed for meeting claims against the fund in the near future should be invested. This enables the fund to earn additional revenue for the scheme, which will decrease to that extent the revenue required from other sources. While the rate of the yield derived from the investments is thus a factor to be considered, it is of still greater importance that the investments should be safe so that none of the principal is lost. Above all, however, they should be liquid. They must be able to be converted into cash quickly in case a sudden rise in unemployment leads to a drastic increase in claims for benefit.

Size of Reserve

Unemployment is essentially a short-term or current risk. Rights to benefit are ordinarily built up within a period of a
year or two, while the benefit period for an individual recipient rarely lasts for longer than six months. This is in contrast to the long-term building up of rights under pension insurance, where benefits may also be payable for many years. As a result of its short-term character, there is no question of accumulating a large amount of capital under unemployment insurance against a prolonged secular rise in costs. It is a matter rather of proceeding on what may be called a modified assessment basis, under which an attempt is made to keep the inflow of contributions roughly equal over a relatively brief period to the outgo in the form of benefits.

It is implicit in the very nature of unemployment insurance, however, that of all forms of social insurance it is the most sensitive to economic fluctuations. As the level of production and employment rises and falls, the revenues of a scheme likewise rise and fall. This results both from changes in the number of contributors and also (except under flat contribution schemes) from changes in the average amount contributed per contributor. At the same time the expenditures of the scheme fluctuate in exactly the opposite direction. As employment falls and the revenues of the scheme shrink, its outgo may rise precipitately. Then as employment rises and revenues increase, outgo falls and may indeed reach a very low point in periods of high employment.

It would clearly be economically undesirable to reduce contribution rates in good times and raise them in bad times. Still more important, the concept of security requires that unemployment benefit rates should be something upon which the worker can count. They should not be reduced in bad times and raised in good times. This need for stability in both contribution and benefit rates suggests that the period over which a balance is sought between income and outgo under unemployment insurance should ordinarily be longer than a single year. Theoretically, to the extent that there is a cyclical pattern in economic activity, this period should approach the length of a typical cycle. Otherwise, regard should be had for the probable position of the reserve fund for several years ahead and not only for a single year.

It follows that contribution rates should, in principle, be fixed at such a level at the start of a scheme that they permit the gradual building up of a contingency reserve during the
first few years, in addition to covering current disbursements. This reserve should be large enough to permit benefits to be paid during a recession without the need to raise contribution rates immediately. The size of the reserve required to accomplish this cannot be exactly specified, however, as it depends on detailed features of each particular scheme including the length of its qualifying period, the maximum duration of benefits, benefit rates, etc. When the employment situation finally improves again, with a consequent increase in contributions and a decline in outgo, the reserve, depleted by the preceding excess of benefits over contributions, should be replenished by allowing contributions to exceed benefits for a considerable period.

The above discussion obviously oversimplifies the rhythmic character of variations in unemployment, particularly in the light of employment trends during the last decade and a half. This has been done deliberately, however, in order to illustrate the purpose of an unemployment insurance reserve fund and the manner in which it should function.

Economic Effects

The primary raison d'être of unemployment insurance is to lighten the burden placed by unemployment on workers and their families, and not to reduce unemployment itself. Yet, to the extent that it functions as described above, unemployment insurance can play a part in achieving the latter objective. By automatically paying out more benefits than it receives in contributions during periods of declining employment, it should assist in supporting purchasing power and thus in maintaining aggregate demand. In so doing it may help to arrest a slump in employment and to initiate an upward trend once again. Similarly, in periods when demand tends to outrun the supply of available goods with inflationary consequences, an excess of contributions over benefits under unemployment insurance may play a part in restoring the desired equilibrium.

Rates of Contribution

Preceding sections of this chapter indicate the sources of revenue and forms of contribution which may be utilised in financing unemployment insurance. It is now useful to consider
some of the factors that influence the level at which such contributions need to be set. In general, they must be so fixed as to secure a reasonable balance over a period of time between income and outgo, having regard for maintenance of the contingency reserve referred to above. The question of contribution rates involves in effect the subject of "cost", since the cost to employers and employees of a contributory social insurance scheme is reflected in the rates of contribution they are required to pay.

Importance of the Question

The contribution rates required for financing unemployment insurance are naturally one of the chief factors governing a decision on whether or not its introduction is feasible in a particular country. It is true that the loss of income accompanying unemployment is a cost that already exists and that someone in the country must bear, regardless of whether there is a scheme of insurance. If there is no scheme, the entire burden falls in effect on the individual worker and his family in the form of reduced consumption of food, inadequate shelter, and generally lowered living standards; or, alternatively, upon relatives, neighbours or friends. Unemployment insurance serves to transfer part of this cost to contributors as a group and to all members of society on whom the incidence of contributions rests. But there are usually practical limits to the size of the burden that can be transferred in this way. Unemployment insurance is only one of a number of social programmes that employees, employers and general taxpayers are asked to support, either directly or indirectly.

While no specific limits can be set, it may be assumed that unemployment insurance can be successfully applied in any given country only if its cost over a period of time remains within manageable bounds. A scheme under which outlays stay continuously at such a level as to necessitate excessively high contribution rates will sooner or later break down. If the latter appears as a definite possibility when a scheme is being planned it may prove the wisest social policy in the end to delay the introduction of unemployment insurance until unemployment has been somewhat reduced through direct measures of a remedial character.

No attempt is made in the present study to give detailed
information on unemployment insurance costs. In any case, the problems involved in calculating the probable cost of a new scheme differ widely from one country to another, and even from one year to the next in the same country. What is presented here, rather, is simply a brief comment on some of the variables that may influence costs under different schemes. These comments in turn may suggest what a study of cost elements in particular countries should cover, especially in those that have not yet had any experience with unemployment insurance.

In analysing the probable cost of unemployment insurance in a given country, attention must be paid to a number of different factors. These are inter-related and react to some extent upon each other, and it is therefore somewhat artificial to deal with each in isolation and abstractly. This is done below, however, in order to indicate more clearly some of the forces involved.

**General Unemployment Rate**

The general rate of unemployment and fluctuations in this rate are naturally one of the principal determinants of unemployment benefit costs. This rate is usually measured by expressing the number of unemployed workers as a percentage of the total labour force. It has come to be recognised that, even under conditions of so-called full employment, up to from 3 to 5 per cent. of the labour force may be unemployed at any given time because of frictional factors. As the percentage of unemployed rises above this level, the outlays of an insurance scheme in the form of benefits will tend to mount rapidly.

If all members of the labour force who are unemployed at a given time were eligible for full benefits, the cost of unemployment insurance could be roughly determined from the general rate of unemployment and the benefit rate. Let us assume, for example, that one-tenth of the labour force is unemployed and that each unemployed worker is paid a benefit equal to half of his usual wage. In this case the total contribution rate required to finance these benefits might correspond roughly to the quotient of 5 per cent. (10 per cent. x \( \frac{1}{2} \)) divided by 90 per cent. (the employed workers in respect of whom contributions are levied), or about 5\( \frac{1}{2} \) per cent. of wages. Similarly, if one-fifth of the labour force were unemployed
and received benefits equal uniformly to two-thirds of wages, the resulting total contribution rate might be the quotient of $13\frac{1}{3}$ per cent. $(20$ per cent. $\times \frac{2}{3})$ divided by 80 per cent. (employed workers), or about $16\frac{2}{3}$ per cent. of wages. These basic equations, though highly artificial and ignoring numerous complicating factors, nevertheless give some idea of the magnitudes of the contribution percentages that may be involved under various circumstances.

The aggregate volume of unemployment in a country and its fluctuations in time are a consequence of the structure and functioning of the economy as a whole. Hence, the probable cost of a new unemployment insurance scheme over a period of years in the future is closely linked to probable future trends in the behaviour of the general economy. If conditions are such that there is a prospect of a rather high general rate of unemployment for some years to come, the fact must be faced that unemployment insurance costs will also be very heavy unless excessively rigid qualifying conditions are prescribed.

**Qualifying Employment**

The analysis may now be carried a step further. Contrary to the very broad assumption made above, by no means all workers unemployed at any given time are ever eligible for benefit under an unemployment insurance scheme. The disqualifying circumstances, some of which are mentioned below, must be taken into account in any cost analysis.

As discussed in earlier chapters, unemployment insurance schemes always lay down specific provisions governing eligibility for benefits. Many unemployed workers will be unable to satisfy these, and hence their unemployment will not, so to speak, represent a cost to the scheme.

In the first place, a scheme’s cost is of course only affected by the unemployment of “insured” or “covered” workers. It has no liabilities in connection with workers engaged in employment that is not covered by the scheme. Hence, the observations above relative to the general rate of unemployment concern in fact only the general level of unemployment among “the insured population” rather than among all workers in a country. If the probable future trend of unemployment for this special population group differs considerably from that
for the labour force as a whole, a special forecast or projection must be made for the former.

Apart from the general coverage of an unemployment insurance scheme, the most important requirement for the present discussion is that of the qualifying period. Many unemployed workers will have had some insured employment but not enough of it to have fulfilled the qualifying period prior to losing their job. They will therefore receive no benefit. The proportion of workers for whom this unfortunate circumstance is true will depend upon the nature of the period specified in the law and the structure of employment in the country concerned.

If a fairly brief qualifying period is prescribed, and particularly if the law permits this to be served during a rather long reference period, relatively few claimants may fail to satisfy the requirement. If in contrast a longer period must be served, and within a period of such recency that it is almost equivalent to full-time employment throughout the specified period prior to unemployment, a considerable number of job terminations may not actually eventuate in the payment of benefits.

The quantitative significance of the above will depend to a great extent on the patterns of employment actually prevailing in a given country. If there is a fairly high turnover of labour—that is if many persons work in insured employment for a few months, leave it and are replaced by previously non-insured workers who in turn work for only a relatively short period—a substantial proportion of unemployed persons may be unable to establish their eligibility to benefit and will thus not occasion any benefit outlay on the part of the scheme. If, however, turnover in general is small and most workers tend to remain in insured employment at least long enough to qualify for benefit, little reduction in cost may result from this factor. It may also be noted that if benefit amounts or the maximum duration of benefit are scaled in relation to the cumulative total of past employment, earnings or contributions, the factor of turnover may affect costs in other ways as well. In any case, a study of costs must take into account the probable interaction of a scheme's benefit provisions and the probable rate of turnover among the insured population.

Some, but probably not a very substantial proportion, of otherwise qualified claimants may also fail to receive benefit
by reason of their inability to comply with other provisions dealing with eligibility for or disqualification from benefit.

**Duration of Compensable Unemployment**

An analysis of any group of unemployed workers, from the standpoint of how long they have been unemployed, reveals that at any given time there are wide differences in such duration. Some will have just lost their jobs; some will have been unemployed one week, two weeks or three weeks, etc.; and some will have been without work for a number of months.

The explanation of the particular distribution prevailing at any given time is usually a manifold one. It will reflect in part the personal characteristics of individual workers, and in part the conditions existing in the occupations and industries with which they have previously been connected. It will also be influenced by the general rate of unemployment and the state of the economy as a whole. If an economy is depressed and the total volume of unemployment is large, workers have less chance of finding a new job and will tend to remain unemployed longer, on the average, than if the economy is operating at a high level.

The frequency distribution of unemployed insured workers according to duration of unemployment is an important variable for unemployment insurance costs. The reason for this is that workers who are unemployed for longer than a certain period will exhaust their rights to benefit since, as has been seen, a maximum time limit on receipt of benefits is nearly always fixed under unemployment insurance laws and, when this period is completed, the worker is no longer eligible for benefit. Accordingly, at any given time a certain proportion of unemployed workers who were previously receiving benefits are no longer eligible to do so.

The quantitative importance of this factor in a particular country will depend upon the maximum benefit duration its law permits and upon the pattern of unemployment that exists there. A maximum statutory duration of ten weeks, for instance, will make a larger proportion of the days of unemployment suffered by insured workers non-compensable than a maximum of 20 weeks; a limit of 20 weeks will do the same in relation to one of 30 weeks; etc. However, especially during periods of relatively stable employment, as all unemployed
workers must first pass through the shorter-period brackets, there tends normally to be a greater concentration of workers in the one to four week brackets, for example, than in, say, the 21 to 24 week brackets. This means among other things that the added cost of extending maximum duration in the shorter-period brackets, e.g. from eight to 12 weeks, will be much greater than that of extending it in the longer-period brackets, say from 20 to 24 weeks.

Account must also be taken of the pattern of unemployment in the country concerned. Thus, two countries may have the same maximum duration provisions and the same general percentage of unemployment among their insured population. In one, however, the typical duration of unemployment may be relatively short, with the great majority of unemployed workers remaining without jobs for a briefer time than the maximum duration. In this case a very high percentage of all days of unemployment will be compensable. In the other country, while the period of unemployment of some workers may be very brief, that of many others may persist beyond the maximum benefit duration. In this latter case, therefore, a substantial part of the total days of unemployment will not be compensable, and costs as a result may be much lower.

The purpose of these rather abstract illustrations is to emphasise the need to take account of probable unemployment patterns as well as maximum duration provisions in studying potential unemployment insurance costs. As already mentioned, the distribution of unemployment by duration in one and the same country will also change with time if there is any substantial change in the general rate of unemployment accompanying basic shifts in the level of economic activity. It should also be emphasised that the average length of the period during which claimants receive benefit depends to no small extent on the effectiveness of the employment service. If the latter is inefficient or lax in finding jobs for claimants, many workers will remain on the benefit roll for an unnecessarily long time. Moreover, the average duration can also be much affected by the interest that individual beneficiaries themselves take in obtaining a new job. If many workers in a country are content to remain idle as long as they can receive benefit, the average duration of compensable unemployment will be abnormally lengthened and benefit costs will be much higher as a result.
It should be pointed out finally that days of unemployment during the waiting period are not usually compensable. Cost data must therefore be adjusted for this factor as well. The number of days that are non-compensable for this reason will be considerably larger if the law requires the waiting period to be served for each separate spell of unemployment rather than only once a year.

**Benefit Rate**

Apart from the factors determining the probable number of man-days of unemployment that must be compensated, there are others pertaining to the average rate of compensation. Thus, the higher the proportion of lost wages restored in the form of benefits, the higher will be the cost. Quantitative analysis of the probable average benefit rate is often complicated, however, by the existence of wage ceilings and of maximum and minimum benefits. The effect of these is to produce ratios between benefits and wages that are in many individual cases considerably different from the normal ratio set forth in the basic benefit formula.

It is also quite possible that the incidence of unemployment in a particular country does not fall evenly on all wage groups. It may happen, for example that lower-paid workers prove more vulnerable to the risk of unemployment than other workers. If such uneven incidence exists, the average actual benefit rate will be considerably different from that which is suggested by the average earnings of the insured population as a whole.

If benefits are varied in relation to the marital status of recipients or the number of their dependants, some account must also be taken of this in the cost analysis. Here again, it is the family composition of workers most exposed to the risk of unemployment rather than that of the insured population as a whole which is ultimately of most importance.

**Underemployment**

Special mention must be made of the significance of the phenomenon of underemployment for unemployment insurance costs, because of its prevalence in some of the countries that do not yet have unemployment insurance laws. The extent to which underemployed, as distinguished from non-employed, workers become eligible for benefits under any scheme will
depend upon various detailed provisions. These include provisions dealing with liability to contribution, qualifying period, seasonal workers, disqualifying outside earnings, payment of benefits at partial rates, etc.

If the provisions of a scheme are such as to permit part-time workers to qualify for benefits in considerable numbers, the problem of analysing potential costs will be greatly complicated. It will be very difficult, for example, to determine the extent to which such workers will just be able to cross the border line of eligibility and the increase in benefit rolls that will result. Because of the nature of their past employment the majority of underemployed workers will perhaps tend to draw benefit for the full duration permitted by law once they have qualified. Application of the ordinary test, i.e. the offer of work, would meet with considerable difficulty in their case.

There are grounds for concluding, therefore, that adoption of provisions enabling underemployed workers to qualify for benefit in countries where underemployment is prevalent would lead to more than usual uncertainty in the probable costs of a scheme. Moreover, such action might cause costs to rise to a very high level.

Sources of Data

A number of the existing compulsory unemployment insurance schemes, as has been seen in Chapter I, were preceded by trade union or other voluntary plans in the countries concerned. This was the case, for example in Belgium, the Netherlands, Norway, and the United Kingdom. A considerable amount of experience was accumulated under these voluntary plans in respect of the relative frequency of benefit claims, operation of eligibility provisions, duration of compensable unemployment, etc. This experience was often heavily drawn upon in preparing the initial cost estimates for compulsory schemes. Once operations under the latter had begun, however, these estimates had to be revised on the basis of actual experience.

Few of the nations that may give consideration to the introduction of new unemployment insurance schemes in the future will have any such experience with voluntary insurance to draw upon. In studying the problem of cost, therefore,
they will have to rely either on data derived from the experience of other countries or on statistics obtained in their own countries.

A considerable amount of statistical data have become available from operations under existing schemes. These show in some detail the number of claims received in relation to the total population at risk, the frequency distribution of beneficiaries according to duration of unemployment, the differences in the incidence of unemployment among various population groups, etc. Analysis of these data may suggest an approach to the study of unemployment insurance costs in another country. It is very doubtful, however, whether much direct use can be made of them in such a study. Apart from the intimate relation between specific types of benefit provisions and cost data, patterns of employment and unemployment differ so widely from country to country that the experience of one can throw relatively little light on probable developments in another.

The above difficulty results in considerable part from the fact that unemployment is essentially an economic rather than a physical risk. The incidence of the latter type of risks (e.g. sickness, old age, death) may exhibit considerable similarity from one country to another, particularly in countries with generally comparable climatic or economic characteristics. The risk of unemployment in contrast is a resultant of complex economic, industrial, financial, social and political forces that cannot be assumed to be the same in different countries. Hence its incidence may differ widely from country to country.

It follows that, apart from obtaining suggestions as to technique or approach, a country wishing to study the cost of introducing a new unemployment insurance scheme must rely largely on statistics pertaining to its own economy. Among the sources of data that may be useful in this connection are censuses of population, industry and employment; regular statistical reports from employers on employment and payrolls; manpower surveys; employment service operations, including numbers of applicants for work, requests for workers, submissions to vacancies, etc.; and operations of other social insurance schemes in the country, if such exist, particularly as regards the probable number and earnings of insured workers. If fairly extensive data from such sources are available in a country, they may provide a sufficient basis for studying probable costs.
of unemployment insurance. If only limited data of this type
are available, it may be virtually impossible to foresee within
any reasonable margin of error what the probable cost of an
unemployment insurance scheme will be.

In the absence of sufficient data to permit even a rough
approximation of the general limits within which unemploy­
ment insurance costs may fall, it becomes very hazardous to
set up such a scheme. This is particularly true for an indus­
trially underdeveloped country, where necessary data for study­
ing costs are likely to be scanty at best. A country with a
somewhat unstable economy, a generally low level of income,
a job market that is not highly organised, and much under­
employment, is certain to face rather high costs if it adopts
unemployment insurance. If, in addition, the data needed to
forecast the probable magnitude of such costs are inadequate,
the financial risk of adopting such a measure is intensified.
At best, a start may be made in such a case only by use of quite
cautious provisions regarding scope, eligibility for benefit,
waiting period, maximum duration of benefits, benefit rates, etc.

*Existing Contribution Rates*

Rates of contribution under existing unemployment insur­
ance schemes are summarised in table VIII. The percentages
shown are in some cases approximate only, representing ranges
or effective averages when wage classes or differential rates
are applied. They also take no account of wage ceilings and
various other special provisions. Nevertheless, the table gives
some indication of the current cost of unemployment insurance
to the parties contributing in different countries. It should be
borne in mind, in interpreting these rates, that a fairly high
level of employment has prevailed in most of the countries
concerned during the past few years.

A summary of aggregate contributions received and costs
incurred under existing unemployment benefit schemes is
presented in table IX. The data in this table have been mainly
derived from a special I.L.O. study of the cost of all forms
of social security. The figures relate to the calendar year
1951 or to the national financial year that ended in 1951. As
a result, they are not necessarily comparable with the contribu­
tion rates shown in table VIII, nor with other information
concerning the provisions of existing schemes presented through-
TABLE VIII. CONTRIBUTION RATES FOR UNEMPLOYMENT INSURANCE, 1955

(percentages of insured wages, unless otherwise indicated)

<table>
<thead>
<tr>
<th>Country</th>
<th>Employer</th>
<th>Employee</th>
<th>Public authorities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>— 1</td>
<td>— 1</td>
<td>—</td>
</tr>
<tr>
<td>Austria</td>
<td>1.5</td>
<td>1.5</td>
<td>2.0 (minimum)</td>
</tr>
<tr>
<td>Belgium</td>
<td>1.0</td>
<td>1.0</td>
<td>0.4 to 0.5</td>
</tr>
<tr>
<td>Canada</td>
<td>1.0 to 1.3</td>
<td>1.0 to 1.3</td>
<td>0.2</td>
</tr>
<tr>
<td>Denmark</td>
<td>0.2</td>
<td>2.0</td>
<td>4</td>
</tr>
<tr>
<td>Finland</td>
<td>—</td>
<td>—</td>
<td>50 to 67% of benefits</td>
</tr>
<tr>
<td>France</td>
<td>—</td>
<td>—</td>
<td>Whole cost</td>
</tr>
<tr>
<td>Federal Republic of Germany</td>
<td>1.5</td>
<td>1.5</td>
<td>—</td>
</tr>
<tr>
<td>Greece</td>
<td>2.0</td>
<td>1.0</td>
<td>—</td>
</tr>
<tr>
<td>Ireland</td>
<td>— 1</td>
<td>— 1</td>
<td>Deficit</td>
</tr>
<tr>
<td>Italy</td>
<td>2.0</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Japan</td>
<td>0.8</td>
<td>0.8</td>
<td>0.8</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>—</td>
<td>—</td>
<td>Whole cost</td>
</tr>
<tr>
<td>Netherlands</td>
<td>1.1 to 5.6</td>
<td>1.1 to 5.6</td>
<td>1.2</td>
</tr>
<tr>
<td>New Zealand</td>
<td>— 1</td>
<td>— 1</td>
<td>—</td>
</tr>
<tr>
<td>Norway</td>
<td>0.5 to 1.3</td>
<td>0.5 to 1.3</td>
<td>0.3 to 0.6, plus deficit</td>
</tr>
<tr>
<td>Sweden</td>
<td>—</td>
<td>—</td>
<td>40 to 75% of benefits</td>
</tr>
<tr>
<td>Switzerland</td>
<td>—</td>
<td>—</td>
<td>Percentage of benefits</td>
</tr>
<tr>
<td>Union of South Africa</td>
<td>0.6 to 1.5</td>
<td>0.6 to 1.0</td>
<td>0.3 to 0.6</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>— 1</td>
<td>— 1</td>
<td>—</td>
</tr>
<tr>
<td>United States</td>
<td>0.0 to 4.0*</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Yugoslavia</td>
<td>— 1</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

* Single joint contribution for several social security branches. * Wage classes used; figures shown represent approximate range. * Averages for all funds; rates for employees vary among funds from 0.2 to 4.0 per cent. * Vary by industry. * Vary by industry; average is 2.6 per cent each for employers and employees. * Varies among individual employers; national average 1.2 per cent in 1954.

out this study, which relates mainly to 1955. Thus, for example table IX takes no account of the new schemes which came into force in the Netherlands and Yugoslavia in 1952.

The table shows contribution receipts under the unemployment benefit schemes now in force, classified according to their derivation from employers, employees, and public authorities. It also shows the total of cash benefits paid out in each country. To provide a basis for detailed analysis, the cost figures shown need of course to be correlated with population, labour force, earnings, and similar data for each country. They also have to be interpreted in the light of the particular coverage, contribution, and benefit provisions applying under each scheme. They are nevertheless presented here to convey a general impression of the magnitude of the sums involved in unemployment insur-
ance in different countries, and also as a source of data for further studies.

**TABLE IX. CONTRIBUTIONS AND BENEFITS UNDER UNEMPLOYMENT INSURANCE (FISCAL YEAR 1951)**

*(in millions of units of national currency)*

<table>
<thead>
<tr>
<th>Country and currency unit</th>
<th>Contributions from employers</th>
<th>Contributions from employees</th>
<th>Public subsidies</th>
<th>Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia (£)</td>
<td>—</td>
<td>£ 255</td>
<td>108</td>
<td>492</td>
</tr>
<tr>
<td>Austria (Schilling)</td>
<td>—</td>
<td>Schilling 256</td>
<td>37</td>
<td>90</td>
</tr>
<tr>
<td>Belgium (Franc)</td>
<td>721</td>
<td>721</td>
<td>3,194</td>
<td>4,365</td>
</tr>
<tr>
<td>Canada ($)</td>
<td>64</td>
<td>64</td>
<td>37</td>
<td>90</td>
</tr>
<tr>
<td>Denmark (Krone)</td>
<td>11</td>
<td>80</td>
<td>125</td>
<td>178</td>
</tr>
<tr>
<td>Finland (Markka)</td>
<td>—</td>
<td>21</td>
<td>6</td>
<td>4</td>
</tr>
<tr>
<td>France (Franc)</td>
<td>—</td>
<td>—</td>
<td>3,185</td>
<td>3,185</td>
</tr>
<tr>
<td>Federal Republic of Germany (Mark)</td>
<td>—</td>
<td>514</td>
<td>—</td>
<td>578</td>
</tr>
<tr>
<td>Greece (Drachma)</td>
<td>31,612</td>
<td>—</td>
<td>—</td>
<td>26,486</td>
</tr>
<tr>
<td>Ireland (£)</td>
<td>0.8</td>
<td>0.8</td>
<td>0.5</td>
<td>0.8</td>
</tr>
<tr>
<td>Italy (Lira)</td>
<td>14,676</td>
<td>—</td>
<td>3,595</td>
<td>19,541</td>
</tr>
<tr>
<td>Japan (Yen)</td>
<td>8,580</td>
<td>8,580</td>
<td>4,556</td>
<td>13,378</td>
</tr>
<tr>
<td>Luxembourg (Franc)</td>
<td>—</td>
<td>—</td>
<td>1.3</td>
<td>1.2</td>
</tr>
<tr>
<td>Netherlands (Guilder)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>New Zealand (£)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Norway (Krone)</td>
<td>20</td>
<td>20</td>
<td>10</td>
<td>15</td>
</tr>
<tr>
<td>Sweden (Krona)</td>
<td>—</td>
<td>31</td>
<td>8</td>
<td>14</td>
</tr>
<tr>
<td>Switzerland (Franc)</td>
<td>2</td>
<td>21</td>
<td>6</td>
<td>13</td>
</tr>
<tr>
<td>Union of South Africa (£)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>United Kingdom (£)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>United States ($)</td>
<td>1,585</td>
<td>14</td>
<td>—</td>
<td>873</td>
</tr>
<tr>
<td>Yugoslavia (Dinar)</td>
<td>—</td>
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</tr>
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</table>


1 Represent state subsidies except for following subsidies by other public authorities: Denmark, 19 million; France, 231 million; Luxembourg, 0.3 million; Norway, 10 million; and Switzerland 3 million. Not available separately for unemployment insurance alone.

* New scheme not yet in force in 1951.
CHAPTER VIII

ADMINISTRATIVE ORGANISATION AND PROCESSES

The effectiveness of an unemployment insurance scheme depends not only on the soundness of its statutory provisions, but on the efficiency with which these are applied. A number of processes are involved in the administration of unemployment insurance. If a scheme is a new one, machinery for performing these processes must be carefully planned and organised in advance of the time when the benefit provisions come into force. A trained staff is also needed to man this machinery properly.

The present chapter is in no sense intended as a manual on administration of unemployment insurance. Such a document among other things would require far more space than is available. Instead, it attempts to describe in fairly general terms the principal functions involved in unemployment insurance administration. While procedures differing from those outlined may sometimes prove just as effective, those set forth below will at least provide suggestions for the formulation of more detailed plans. Considerable experience has been acquired in the administration of existing plans, and there is much similarity in the way in which they are administered. The discussion that follows draws heavily on this experience.

Brief attention is first given to several general questions connected with the nature of the agency made responsible for administration and various individual processes involved in administration are then discussed.

Administrative Agency

The administration of unemployment insurance is a specialised task that differs considerably from other forms of public administration. For this reason the type of agency to which such administration is entrusted is an important matter. Various choices may be made in this connection.
State or Autonomous Agency

A first major choice is whether or not administration should be retained wholly in the hands of the State by lodging it with an exclusively state agency. The alternative is to delegate it to a semi-autonomous body, such as an association of the workers insured or of employers, or a joint association. No definitive universally applicable answer can be given to this question. The situation will vary in different countries depending upon their past customs, political and social structure, whether a State or other body potentially capable of administering a scheme like unemployment insurance already exists, and other circumstances.

Guiding Considerations.

Among considerations which may lead some countries to entrust administration entirely or mainly to a state agency are a belief that provision of protection against unemployment is essentially a governmental function; a feeling that the State itself is in any case finally responsible for success of the scheme; a belief that a state agency can administer the scheme better than any other type of agency; and precedents in the country concerned for state administration of other social security measures or related social programmes.

Contrasting considerations that have led other countries to assign a principal role to some kind of at least partially self-governing institution include a belief that if participants in a scheme (insured persons, employers or both) share in its management, their interests will be better protected, the scheme will be nearer to them, they will co-operate with it more willingly, and efficiency will be greater than with state administration. Moreover, in at least some countries there has been a long tradition of administration of social programmes by non-state bodies and there may even have been facilities (membership records, premises, contribution-collecting and benefit-paying machinery, etc.) already in existence which could be utilised for unemployment insurance as well.

Present Practice.

A summary of agencies administering unemployment insurance under existing schemes is presented in table X. An examination of this table reveals much variation in the nature
of the central administrative authority of each scheme and in the relation of this authority to the State. This variation tends to confirm that different arrangements are appropriate in different countries.

**TABLE X. AGENCIES ADMINISTERING UNEMPLOYMENT INSURANCE, 1955**

**Australia:**
- Commonwealth Department of Social Services: national authority, also administering other social security branches.
- State headquarters and regional offices of Department: decide and pay claims.
- District employment offices and local agents: receive claims.

**Austria:**
- Federal Ministry of Social Affairs: national authority.
- Provincial employment offices: supervise unemployment insurance and employment services in provinces, under managing board with worker and employer representatives.
- Local employment offices: administer unemployment insurance and employment services in locality, under managing committees with worker and employer representatives.
- Communes: perform same functions at request of provincial office.
- Sickness insurance funds: collect unemployment contributions with sickness insurance contributions.

**Belgium:**
- Regional offices of National Office: supervise paying bodies, decide claims, and operate employment exchanges.
- Official paying bodies: receive and pay claims.
- Employee organisations: may act as paying bodies for members after approval.
- National Social Security Office: public body in Ministry of Labour and Social Welfare, managed by tripartite board; collects unemployment contributions with other social security contributions.

**Canada:**
- Unemployment Insurance Commission: national authority, also administering employment service; tripartite membership.
- Regional offices: supervise local offices and decide claims; advised by tripartite committees.
- Local employment offices: receive and verify claims, pay benefits, and operate employment exchanges; advised by tripartite committees.

**Denmark:**
- Trade union unemployment funds: administer unemployment insurance for individual occupations, after approval by and under supervision of Ministry of Labour and Social Affairs.
- Local branches of funds: receive and pay claims under supervision of employment exchanges.
TABLE X. AGENCIES ADMINISTERING UNEMPLOYMENT INSURANCE (cont.)

Finland:

Trade union unemployment funds: administer unemployment insurance for individual occupations, after approval by and under supervision of Ministry of Social Affairs.
Local branches of funds: receive and pay claims.

France:

Departmental employment offices: supervise employment exchanges and decide claims.
Employment exchanges: receive and investigate claims.
Communes: pay allowances, and receive claims in localities having no employment exchange.

Federal Republic of Germany:

Federal Placement and Unemployment Insurance Institution: national authority, also administering employment service; managed by tripartite governing body and executive board, under supervision of Ministry of Labour.
Regional employment offices: supervise local offices, managed by tripartite committees.
Local employment offices: administer unemployment insurance and employment services in locality under tripartite managing committees.

Greece:

Placement and Unemployment Insurance Institution: national authority, also administering employment service; directed by tripartite governing body.
Local employment exchanges: receive and pay claims.

Ireland:

Department of Social Welfare: national authority, also administering other social security branches and employment service.
Local employment exchanges: receive and pay claims.

Italy:

National Social Insurance Institute: national authority, also administering pension insurance; managed by tripartite governing body and executive committee, under supervision of Ministry of Labour and Social Welfare.
Provincial offices of Institute: receive and pay some claims, decide claims, maintain records, and supervise communal operations.
Placement offices: receive claims, verify unemployment, and pay benefits in communes where no office of Institute exists.

Japan:

Ministry of Labour: national authority; advised by representative committee.
Prefectural labour or economics departments: supervise local offices.
Local employment security offices: receive and pay claims and operate employment exchanges.
**TABLE X. AGENCIES ADMINISTERING UNEMPLOYMENT INSURANCE (cont.)**

**Luxembourg:**

National Labour Office: national authority.  
Local employment offices: receive and pay claims and operate employment exchanges.

**Netherlands:**

General Unemployment Fund: national authority with tripartite governing body supervising industrial associations under direction of Ministry of Social Affairs.  
Industrial associations: approved joint employer-employee bodies with compulsory industry membership administering unemployment insurance, sickness insurance and family allowances in 26 different industries; bipartite governing bodies.  
District and local offices of industrial associations: receive and pay claims.

**New Zealand:**

Social Security Department: national authority administering all monetary social security benefits.  
Social security registrars and district agents: receive, investigate, decide and pay claims for unemployment and various other social security benefits.

**Norway:**

Directorate of Labour: national authority, also administering employment service, under supervision of Ministry of Labour and Local Government, with tripartite governing body.  
County employment committees: supervise communal committees; tripartite membership.  
Communal employment committees: tripartite bodies deciding claims and supervising communal funds.  
Communal insurance funds: collect contributions, process claims, and pay benefits; also administer sickness insurance.

**Sweden:**

Trade union unemployment funds: administer unemployment insurance for individual occupations, after approval by and under supervision of Royal Employment Board.  
Local branches of funds: receive and pay claims.

**Switzerland:**

Cantonal and communal unemployment funds: public funds administering unemployment insurance in canton or commune.  
Trade union unemployment funds: private funds established by trade unions administering unemployment insurance for occupations.  
Joint funds: private funds established jointly by employers and employees administering unemployment insurance for industries.
TABLE X. AGENCIES ADMINISTERING UNEMPLOYMENT INSURANCE (concl.)

Union of South Africa:

Department of Labour: national authority; tripartite unemployment insurance board performs advisory and appeals functions. Local claims offices: receive, investigate, and decide claims; tripartite local unemployment benefit committees perform advisory and appeals functions.

United Kingdom:

Ministry of Labour and National Service: administers unemployment benefits and also employment service. Ministry of Pensions and National Insurance: collects contributions and maintains records for unemployment insurance and other social security branches. Regional offices: supervise local offices. Local employment exchanges: receive, decide and pay claims; tripartite local advisory committees.

United States:

Secretary of Labor: approves state unemployment insurance laws. State employment security agencies: commissions or departments of state governments administering state unemployment insurance schemes and also employment service; commissions commonly tripartite, and states have tripartite advisory councils. Local offices of state agencies: receive and pay claims and operate employment exchanges.

Yugoslavia:

Federal Government Board for Public Health and Social Policy: national authority, also directing employment service. Employment offices of Federated Republics: supervise local offices, directed by managing committees with government and trade union representation. Local employment offices: receive, decide and pay claims and operate employment exchanges; directed by managing committees with trade union and peoples' committee's representatives.

It will be noted from table X that in some countries the State itself, or some other governmental unit, administers unemployment insurance directly and exclusively, though tripartite advisory or appellate bodies may also be used. Such exclusively governmental administration is found in Canada, Ireland, Japan, the Union of South Africa, the United Kingdom and the United States; and also in four countries with non-insurance schemes—Australia, France, Luxembourg, and New
Zealand. In a second group of countries administration is also to a considerable extent under the control of the State but wide authority is nevertheless delegated to tripartite or bipartite governing boards which contain representatives of insured persons, employers, or both. This appears to be the case in Austria, Belgium, the Federal Republic of Germany, Greece, Italy, Norway, and Yugoslavia. A third group of countries consists of those in which administration is largely in the hands of self-governing institutions, albeit subject to substantial supervision by the State. This group includes the Netherlands, Switzerland, and the three countries applying subsidised voluntary insurance—Denmark, Finland and Sweden.

While universally valid conclusions concerning the relative superiority of administration by a state or a semi-autonomous agency are clearly impossible, certain tentative observations may be made. If unemployment insurance is introduced in a country where no relevant autonomous organisation yet exists and where there is little tradition of such organisations, its administration should probably be entrusted to a state agency rather than to a new autonomous organisation created more or less specially for the purpose. Secondly, there is some basis for believing that unemployment insurance is on the whole less well adapted to administration by semi-autonomous agencies than certain other forms of social security.

Thirdly, if administration is delegated to a self-governing agency, the State should nevertheless retain authority to supervise administration in considerable detail. Finally, if a scheme is wholly state administered, provision should always be made for setting up advisory bodies that include representatives of insured persons and employers, and for giving much weight to the views of such bodies.

Joint Agency

The administration of unemployment insurance has much in common with the administration of at least two other types of programme. For this reason, it is often desirable to provide for its joint administration by an agency that also administers one or other of these programmes. The two types of programmes concerned are other social security schemes and the employment service.
Other Branches of Social Insurance.

Some of the activities involved in the administration of unemployment insurance are the same as, or very similar to, those required for administering other forms of social insurance.\(^1\) This is especially true of the processes of registration, collection of contributions, and record keeping. There are also some common features in the handling of claims, particularly in the case of other schemes that deal with current "short-term" risks, e.g. sickness insurance.

The added administrative burden of applying unemployment insurance may therefore be lightened somewhat if responsibility for its administration is placed in the hands of an agency already administering another form of social insurance. Such joint administration permits a single contribution to be collected and a single record maintained for each worker, even though two or more programmes may be involved. One local office may also be able to handle claims for both programmes.

A certain number of existing schemes, as may be seen from table X, are administered jointly with other branches of social insurance. Thus Austria, Ireland, and New Zealand have amalgamated the administration of unemployment benefits with that of all other types of social security benefit. Italy has merged it with the administration of old-age, invalidity, survivors' and tuberculosis insurance. The Netherlands has merged it with the administration of sickness insurance and family allowances, and Norway and three states in the United States (California, Rhode Island, and New Jersey) with that of sickness insurance. Austria, Belgium, the United Kingdom and Yugoslavia provide for joint collection of unemployment and other social insurance contributions, but have not unified administration of benefits in the same way.

Employment Service.

There is also an intimate functional relationship between finding an unemployed worker a new job and paying him an unemployment benefit. Because of this and of the need for verifying the involuntary unemployment of a worker each time that he is paid benefit there are also strong reasons for entrusting the administration of unemployment insurance to

the same agency that operates the employment service. Such joint administration makes it possible to carry out placement, claims-taking, and benefit-paying activities for a given worker in a single place; integrate to the fullest the procedures involved in performing these functions; apply unemployment insurance provisions concerning availability for work, inability to find work, seeking work, etc., in the most effective way; and offer a genuine stimulus to workers to use the employment exchange in looking for a new job.

A close working relationship should, in any case, always be maintained between the unemployment insurance and placement agencies. This is most effectively accomplished when both programmes are actually administered by the same agency.

A number of countries have merged the administration of unemployment benefits with that of the employment service, as may be seen from table X. This is particularly true at the local level where claims are often received and paid by employment exchanges. Among countries where this is the case are Austria, Canada, France, the Federal Republic of Germany, Greece, Ireland, Japan, Luxembourg, the United Kingdom, the United States and Yugoslavia. In most other countries unemployment beneficiaries are required to register with an employment exchange, but administration of claims and benefits is usually handled by a different office.

In some cases it may be necessary to choose between the advantages of linking the administration of unemployment insurance with that of other social insurance branches, and those of linking it with administration of the employment service. A final decision on this point may sometimes be difficult and will have to be based on careful weighing of all factors involved in the particular country concerned.

Decentralisation

Another choice to be made regarding the nature of the administering agency concerns the extent to which it is to be centralised or decentralised. Experience suggests, however, that there is less room for discretion in this matter under unemployment insurance than under numerous other programmes. The necessity of having unemployed workers report in person to file their claims, to register, and perhaps to receive
their benefits, makes it virtually essential for a substantial part of the administration to be performed in local offices. There must also be enough of these for an office to be within relatively easy reach of the great majority of workers. A considerable degree of decentralisation is thus almost unavoidable.

It is clearly desirable, on the other hand, that the general policies and routine operations should be uniform throughout a country. To achieve such uniformity and provide general over-all supervision a central office of some size is also required. There is more leeway in the choice of the role to be assigned to intermediate regional offices in the administrative structure. Such offices may or may not be called upon to share with local offices various responsibilities in connection with the processing and adjudication of claims. Similarly, they can be made to play a principal role in the maintenance of contribution and other records; if not, these records may have to be handled mainly by the central office.

It is apparent from table X that nearly all existing unemployment insurance agencies are substantially decentralised.

As in the case of other questions, past practice in a country as well as its special circumstances must be considered before a final decision is taken on the degree of decentralisation. There may be cases, however, where an extensive network of regional and local offices will have to be set up for a new unemployment insurance scheme in a country where the traditional organisation of other public services takes quite a different form.

The basic operations that an administrative agency must ordinarily perform in administering unemployment insurance are usefully classified under five main headings. These are collection of contributions, record keeping, receiving of claims, adjudication of claims, and payment of benefits. Each of these is discussed below.

**Collection of Contributions**

Unemployment insurance is usually financed in part at least, as discussed in Chapter VII, by special insurance contributions paid for the purpose by employers or employees or both. These contributions are preferably payable in rela-
tively small amounts at frequent intervals, rather than in large amounts at quite infrequent intervals. As a result, collecting them is one of the principal tasks of unemployment insurance administration.

Procedures for collecting unemployment insurance contributions, however, differ little from those used in other forms of social insurance. Since there is already a considerable body of general social security literature dealing with these procedures, they are treated only briefly here.¹

Registration

An essential first step in collecting unemployment contributions is the registration of both employers and employees.

The registration of employers involves the systematic enrolment of all undertakings that have a statutory obligation to pay unemployment contributions in respect of their employees. Once arrangements for registration have been made and the duty to register has been publicly announced, most employers will probably register at the designated local office in their district on their own initiative. An inspection programme and systematic checking of available lists of business firms in each industry should also be carried out, however, to discover undertakings that fail to register. Such failure should be made subject, after a certain delay, to monetary penalties.

The forms filled out by employers while registering should elicit pertinent information concerning the undertaking, which will be useful later, such as: address, industry, legal form of undertaking, number of employees, and where its payroll records are kept. Each employer should be assigned an individual registration number for future use on all unemployment insurance documents and records pertaining to him.

Employees in turn should also be registered at the time of their first entry into employment covered by unemployment insurance. To enforce this, employers should be forbidden to hire any worker in insurable employment unless he produces

evidence that he has registered. Such evidence may consist of an insurance card or stamp book issued to each employee upon registration. Workers should be permitted to register either by going personally to the local insurance office, or through their first employer, who will provide them with registration forms and then return them to the local office after they have been filled in. If, however, a scheme is being administered by voluntary self-governing funds without a contribution from employers, employees will register by the act of joining the fund or perhaps the trade union that has established the fund.

Certain basic data should be secured from each employee at the time of his registration, and these should be made a part of his permanent file. They will include his full name, address, sex, date of birth, occupation, marital status, dependants, etc. Each employee should also be assigned an insurance number when he registers, for the purpose of future identification and for use on all unemployment insurance documents and files applying to him. These numbers may be coded in such a way that each worker's number conveys significant information concerning, for example, his age, date of entry into insurance, occupation, residence, etc.

Payment of Contributions

The basic law or administrative regulations will presumably fix the rates of unemployment contributions, the exact base to which these rates are to be applied, and the frequency of payment. Contributions from employees should ordinarily be collected through the employer, the latter in effect serving as intermediary for the administrative agency for this purpose. Such contributions should actually be paid by requiring employers to withhold from each wage payment an amount equal to the contribution liability of the employee in respect of the pay-period concerned. If the employer fails to make the appropriate deduction in any pay-period, he himself should then become legally liable for payment of the contribution. The legal status of employees' contributions withheld prior to their transmission to the administrative agency should be that of moneys held in trust for the employee.

At periodical intervals fixed by law or regulation, the employer should be required to add his own unemployment
insurance contributions for all his insured employees to those he has withheld from his employees' wages, and to transmit the total to the collecting authority. Such transmission may be accomplished through one of two main methods, commonly referred to as the payroll-reporting system and the stamp system.

Payroll-Reporting System.

Under the payroll-reporting system the employer mails to a designated collection office a cheque or other means of payment covering the total contributions due from himself and his employees for the period concerned. This need not ordinarily be done more frequently than once a month. It is unwise to allow the unpaid liability of employers to accumulate for more than about three months, however, except in specially exempted cases where a longer period appears practical.

To accompany the contributions thus transmitted, the employer should also be required to submit a list of the names and insurance numbers of all employees covered by the return. Depending upon whether the qualifying period of the scheme is expressed in terms of contributions, employment, or wages, the report should also indicate for each listed employee the unemployment contributions paid in respect of him, the number of days he has worked, or the wages paid to him during the period covered. The information thus submitted with the contribution payment provides some of the data needed later to determine whether or not workers are eligible for unemployment benefit.

Stamp System.

If a stamp system is used, the employer transmits the employees' contributions he has withheld and his own contribution to the collecting agency by indirect means only. This is done by purchasing and paying for special insurance stamps that correspond in denomination to the combined contributions of the employer and the employee due in respect of each worker. Arrangements may be made for selling such stamps at either post offices or local insurance offices. Employers should be required to affix the stamps so purchased in specified places in the stamp book of each employee (such books being in the
custody of the employer for the duration of a worker's employment) within a very brief time after payment of the wages to which the stamps relate. They may also be required to cancel the stamps they affix, if this is considered necessary to avoid abuse.

Stamp books should contain spaces covering a period of not longer than six months to one year. When this period has elapsed, employers should be asked to return all stamp books in their custody to the administrative agency, which will issue new books to replace them. The stamp books returned in this way, like the payroll reports mentioned above, furnish part of the information needed by the administrative agency to determine whether individual workers are qualified for unemployment benefit.

The above discussion of the payroll-reporting and stamp systems indicates only their broad outlines and omits numerous details of their application. A description of such details is available in other studies, as are analyses of the relative advantages of the two approaches. It need only be observed here that the payroll-reporting system is somewhat more readily applied when contributions are expressed as a percentage of wages; and the stamp system when contributions are either uniform or fixed for only a few simple wage classes. Both systems are being used for unemployment insurance in different countries at the present time. For example Canada, Ireland, the United Kingdom, and to some extent Italy, use the stamp system, while Austria, Belgium, Greece, the Federal Republic of Germany, Italy, Japan, the Netherlands, Norway, the Union of South Africa, and the United States each use some form of payroll reporting.

Other Steps.

Regardless of which system is used, the administrative agency must set up inspection and auditing services to ensure that all employers subject to the law are paying unemployment contributions, that these contributions are being paid in respect of all insured employees, and that the correct amounts are being paid. If employees are periodically supplied with receipts for or statements of their contributions, or if they are occasionally allowed to inspect the stamp books held for them by

1 See footnote p. 228.
their employer, an element of automatic inspection can be introduced into the collection process. It should also be noted that the collection procedures outlined above may either be performed for unemployment insurance alone, or they may be performed jointly for one or more other forms of social insurance at the same time.

Under schemes where insurance is administered through voluntary organisations, the worker himself will normally pay his contribution directly to the fund of which he is a member. If it is so desired, however, collective agreements might include a provision that employers should withhold their employees' contributions and transmit them to the fund concerned.

**Record Keeping**

Another essential element in the administration of unemployment insurance is the maintenance of a substantial volume of records. Since thousands or even millions of persons may be covered by the scheme, the keeping of these records is inevitably a major operation.

The record-keeping system must therefore be carefully planned, efficient procedures must be developed, and the latter must be so organised as to lend themselves to routine application by a relatively unskilled staff. The time factor is also of importance, for the records must be kept continuously up to date despite a more or less steady inflow of new data to be entered. Moreover, it must be possible to secure information from the records very quickly, in order not to delay or hinder the performance of other administrative operations.

**Records of Employers**

Several types of data derived from various administrative processes must be systematically tabulated for future reference. The first type that may be mentioned is the information provided by employers when they register for unemployment insurance. A complete set of records should be established covering all employers subject to the law. These should include a file or card for each individual employing unit. On this file should first be summarised the data supplied by the employer when he registers.
These files should be set up immediately for all employers who register at the outset of a new scheme. To them must be added more or less continuously thereafter a similar file for each newly established business firm. Procedures must also be adopted for adjusting the files when employers go out of business or change the name or status of their firm.

Another type of data regarding employers is that drawn from their periodic contribution returns, whether the latter are in the form of payroll reports or stamp books. These returns will at least contain information on total contributions paid in by the employer, including his own contributions and those he has withheld from his employees' wages, and the number of his employees covered by insurance. This information should be systematically entered on an individual record for each employer, either by transferring the data to a new form or by filing the original contribution return. This record of the contributions and employment of each employer should be integrated if possible with the file established from the original registration data.

The records of employers with their contribution entries provide a basis for maintaining a continuous control on whether or not employers are complying with the contribution provisions of the law. If there is no entry for a particular employer for a certain contribution period, it may be caused either by non-compliance with the law or by the fact that the undertaking did not actually employ any insurable workers during the period. In any case, some kind of check by mail or through the visit of an inspector may be required. Similarly, if there is a sudden and unexplained sharp drop in the number of employees for whom an employer submits a payroll report or stamp books, it may call for further investigation.

Records of Employees

It is also nearly always essential for an unemployment insurance scheme to maintain an individual record for every worker who comes under the scheme. The rights of workers to benefit when unemployed usually depend in part on their past coverage, contributions, employment or benefits. The purpose of the individual files of employees is to record this experience as it occurs, so that when a claim for benefit is made,
up-to-date information can be easily and quickly obtained by consulting the appropriate file. The importance of the role played by employee records in the administration of unemployment insurance is thus self-evident.

Needless to say, the number of workers covered by an unemployment insurance scheme always greatly exceeds the number of employers subject to the law. Accordingly, the volume of employee records to be maintained is very much greater than that of the employer records referred to above.

Registration Data.

The record for each insured person should normally be opened at the time of his registration for insurance. The information about him obtained when he registers should immediately be entered on the form to be used as his permanent record, along with the insurance number assigned to him. This information, though perhaps of no immediate use, is likely to be needed at some future time when a claim is filed. The completed form should be included in the register of insured employees.

Contribution Data.

The next type of information that will normally be added to the record for each employee is that contained in the contribution documents (payroll report or stamp book) submitted periodically by his employer. The particular nature of the information thus added will depend on the nature of the statutory provisions regarding the qualifying period. As seen in Chapter IV, these provisions may be expressed in terms of weeks or days of insurable employment, number of contributions, aggregate earnings in insured employment, or length of insurance membership. This information may also be needed later under some schemes not only to determine if a worker is eligible for benefit, but also to compute the rate and duration of his benefit. Whatever type of provision exists, it will be necessary to post to each employee's record the appropriate information concerning his employment, contributions, or wages during the period concerned, as indicated by the payroll report or his stamp book.

The posting referred to has to be performed for every employee covered by the scheme during a contribution period.
It also has to be repeated for each successive period for which employers are required to turn in payroll reports or stamp books. It is clearly a burdensome administrative task, but one that is virtually essential if certain of the important benefit provisions discussed in Chapters IV and VI are to be applied. Reliance might conceivably be placed instead on special "separation reports" secured from employers only when a worker actually becomes unemployed and which summarise the past contribution, wage or employment record of the worker concerned. If such a procedure worked smoothly, it might make the maintenance of continuous contribution records largely unnecessary. It is bound to lead to some difficulties, however, including the possibility that an employer's record for several years back may be incomplete, inaccurate or lost.

The forms or ledger sheets to which the data from contribution documents are posted obviously must be planned with extreme care. They must contain all the spaces necessary to record the insurance history of the worker during each contribution period. They must also lend themselves to mass handling by means of routine operations. Similarly, the procedures devised for handling the periodic postings must be simple, reliable and such as will permit the work to be done in the shortest possible time. They should also be designed so as to facilitate auditing and supervisory control.

**Benefit Data.**

A third type of information to be entered in individual employee files is the unemployment benefit record of each worker. The file for each employee should indicate all benefits paid to him in recent years, including the type, amounts, and beginning and termination dates. This information, depending on specific provisions of the law, may be needed to determine the basic right to benefit, the waiting period to be served, the maximum potential duration of benefits, etc. While benefit entries will neither be so voluminous nor so frequent as contribution entries, the same care must be taken in the procedures adopted for their posting. If administration of unemployment insurance is linked with that of other social insurance benefits, the record of employees—although containing only a single series of contribution entries—will have to deal with all types of benefit covered by the joint administrative arrangements.
Degree of Centralisation.

An important question to be decided in setting up the records of employees is whether there should be a single centralised register for the whole scheme, or whether the records should be subdivided into regional or even local registers.

A centralised register avoids problems caused by the movement of workers from one region to another. It also permits maximum use to be made of routine mass operations and of specialised mechanical equipment. It may in some instances, however, lead to unwieldy over-centralisation. It may also lengthen the time involved in supplying a distant local office with the information it needs to determine the rights of unemployed claimants to benefit. Even a few days' delay in the payment of benefits to unemployed workers, if caused by the fact that a central register cannot make information available as quickly as a regional or local register, may be a serious matter.

In the final analysis, the relative advantages and disadvantages of a central register are dependent on the special circumstances of each country. These include the size of the scheme, area of the country, population distribution, urbanisation, communications, other social security benefits provided, and the length of the waiting period provided by law.

Other Features.

The sequence in which employee records are filed is a question of some importance, since many thousands or even millions of records are involved. The principal choice lies between a numerical register, in which the records are organised by insurance numbers, and an alphabetical register. There are problems in either case, but experience tends to suggest that a numerical register may be the most efficient for unemployment insurance. It avoids difficulties with the spelling of names and readily lends itself to mechanised operations. If a numerical register is used, however, it is usually necessary in addition to maintain an alphabetical index of the names of all insured workers together with their insurance numbers. This enables documents concerning a worker to be located even if the insurance number is not available.

The adoption of procedures and the design of forms for maintaining records of employees should also take into account
the possibilities of deriving statistics on a sample basis or otherwise. Such statistics are very useful for administrative planning, legislative planning, and actuarial studies connected with the scheme itself, and are an invaluable source of material for general economic studies concerned with employment and unemployment, wages, turnover, etc.

Receiving of Claims

The administrative processes leading up to the final purpose of unemployment insurance—the payment of benefits to unemployed workers—are set in motion by the filing of claims by such workers. Because of the special characteristics of the risk of unemployment, the acceptance of a claim for unemployment benefit must be surrounded by somewhat different formalities and safeguards than are usually required in the case of other social security benefits. Basically this is due to the somewhat intangible nature of the risk (as contrasted with that of sickness, maternity, old age, death, etc.), which creates a need for special measures. A typical sequence of procedures for the filing and receiving of unemployment claims is described below.

Preliminary Steps

When a worker employed in an occupation covered by insurance loses his job and does not find another or take up self-employment, he should be instructed to get in touch immediately with the nearest local offices of the employment service and the unemployment insurance agency, or their joint office if there is one. The importance of doing this should be brought to the attention of all insured workers through information programmes of the administrative agency, and by employers, trade unions, welfare agencies, etc. If a stamp book system is used, the worker should collect his book from the employer before leaving his place of employment. In some countries he must also obtain a certificate of unemployment duly filled in by his last employer.

Claims should ordinarily be accepted only when presented by the unemployed worker himself at a local office. In practice, several exceptions to this rule may be permitted. Arrangements may be made for itinerant officials of the local office to visit smaller communities periodically, where they will receive
claims during a few specified hours. Designated agents, such as post offices or municipal officials, may be empowered to receive claims in specified circumstances. Filing of claims by mail may be permitted for workers living in isolated areas, but only subject to special safeguards; if at all possible, every worker who submits his claim by mail should be required to report in person at least once to a local office. In no case should a third party be allowed to file a claim on behalf of an unemployed worker.

**Placement Activities**

An unemployed worker should normally first be put in contact with the employment service, rather than with the unemployment insurance administration. If these services are housed in different premises, the worker should be instructed to go first to the employment exchange. If the two are housed and administered together, the worker should first be directed by the reception clerk to the wicket or desk of an official concerned with placement. The reasons for this are that if a new job is available for the worker immediately, there is no reason for him to claim benefit; and no claim should be accepted and acted upon in any case unless the claimant has already registered for employment.

The appearance of a worker at the office, wicket or desk of the employment service should set in motion the procedures of that service for finding him a new job. Since employment services constitute a complete field of administration in themselves, on which there already exists a considerable body of literature ¹, this study does not deal in detail with the operations involved in their administration. Nevertheless, a very brief summary is presented below of some of the procedural steps often followed in employment exchanges, particularly those steps which are closely linked with unemployment insurance.

**Registration.**

The first basic step should be to "register" the worker for employment by having him fill in a form which constitutes an application for work. This form should call for information

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¹ See, for example, I.L.O.: *National Employment Services : Canada* (Geneva, 1950); and *idem.: National Employment Services : Great Britain* (Geneva, 1952).
concerning both the personal characteristics of the worker and his qualifications and experience, including full details on his previous employment. The registration officer should assist the worker in filling in the form though the latter himself should sign it. The officer will then register the worker for the occupation or occupations for which he appears to be best qualified.

Selection.

After the application for employment has been checked, coded and numbered, the worker should be referred to a placing or selection officer. This officer should have at hand the "live" file of vacant jobs for which employers have submitted requests for workers. This file should be arranged on the basis of a systematic occupational classification. The selection officer will interview the applicant for employment to amplify the information provided on the registration form and to determine whether his skills conform to any existing or prospective job vacancies. If an appropriate vacancy already exists in the live file for which the worker appears qualified, the officer should refer him to the employer concerned by giving him a card instructing him to call upon the employer for interview at a prearranged time. If the worker is engaged as a result of this interview, there is of course no question of unemployment benefit.

Live File.

If the placement officer finds no appropriate vacancy in the file of current requests from employers he should refer the worker to the unemployment insurance office or wicket. At the same time he should issue a document to him certifying that the employment service has no suitable job for him at the moment. If, however, the worker has refused submission to a vacancy that the officer thinks might have been suitable for him the officer should make a note to that effect on the document. The officer should then enter his own comments, based on the interview, on the registration form and send it to the live file of applications for employment, for filing in the relevant occupational group.

As additional requests for workers are subsequently received from employers, a selection officer will examine the live file
for workers in the occupation concerned and select the most suitable name from the file on the basis of qualifications and any other prescribed criteria. The person selected is then interviewed again by an officer of the employment service, and if the vacancy is found suitable for him, he will be referred to the employer for interview.

Initial Claim

Only workers whom the employment service has not been able to refer immediately to a new job should normally present themselves to the unemployment insurance office. This office may first require the worker to produce certain documents, depending on other administrative features of the scheme. These may be his insurance registration card, which shows his insurance number; his membership card, if he belongs to a voluntary fund; or his stamp book, which he has obtained from his employer. Under some schemes, he may also be asked to produce the certificate issued by the employer at the time of discharge. There will also be the document of the employment service certifying that no suitable work is at present available for the applicant.

Contents of Claim Form.

The worker should next be requested to fill in an initial claim for unemployment benefit. This is an important form, since it constitutes one of the principal elements for adjudication of the claim. It must therefore be designed so as to elicit all the information required. Among the items of information that may be pertinent are the claimant's full name, address, telephone number, age, sex, family status, dependants, detailed employment record for the period specified by the law, wages, occupation, reason for loss of last job, subsidiary employment, and benefits previously received. Still other information may be needed depending on detailed provisions of the law concerned.

The claim form should also contain space for the claimant to certify that he satisfies the different positive qualifying conditions for benefit, e.g. that he is involuntarily unemployed, able to work, available for work, and unable to obtain work. It may also require him to make a declaration in respect of such possible grounds for disqualification as receipt of other benefits or refusal of suitable work. While the interviewing
officer should assist the worker in filling in the claim form, the latter himself should sign it with the officer serving as witness. The signature of the claimant may be verified by comparing it with that on the insurance documents he submits.

Instructions to Claimants.

After he has filled in his initial claim form, the claimant should be given instructions about his further calls at the local office. This may be done by handing him a card on which the interviewing officer has marked the times when he is to report in the future. On these subsequent calls, he will both attest to the continuance of his unemployment and receive his benefit. The card may be designed so that it can be mailed back to the local office if the worker finds a new job himself or if for any other reason he no longer wishes to claim benefit. If a stamp book is used, a receipt for it should be issued to the worker, since it will remain in the custody of the office as long as benefit is being paid. If dependants’ benefits are payable, the claimant should also be given a form to fill in and mail back to the local office, providing evidence of the existence and age of the dependants referred to in the claim form.

The claimant has now completed his initial contact with the placement and unemployment insurance offices. He will not need to return until the first date indicated on the instruction card handed to him, except in one main circumstance, i.e. if a notice of a vacancy for which he is suited comes into the placement office and if he is selected from among all other applicants as the worker to be submitted. In this case, the office may inform him of the vacancy by mail or telephone.

Completion of Claim Form.

The unemployment insurance scheme is now in receipt of a claim for benefit and must proceed to act upon it. The interviewing officer who received the claim should first get it ready for transfer to the claims division of the agency, which will decide whether a benefit is payable. He should enter the claimant’s insurance number on the claim form, as well as a note to the effect that the employment service has certified that no suitable employment was available for the claimant when the initial claim was filed. If on the contrary it appears that the claimant may have declined an offer of suitable work,
he should note this. A similar entry should be made if it appears that the claimant may be unemployed as a result of a labour dispute.

The interviewing officer or assisting clerks should now prepare a special file to contain all documents to be prepared in connection with the claim. These should include various control and index cards to facilitate the internal routing and prompt location of the file at different stages in its handling. An unemployment register should also be prepared, with spaces for entering the times at which the claimant is asked to report, the times at which he actually reports, days of unemployment and benefits paid, and also a place for the claimant's signature each time that he reports. If the claimant's stamp book is deposited with the exchange, it should also be kept in this file.

It should be noted that the initial claim does not relate to days of unemployment that a claimant has already suffered. It should ordinarily be filed, in fact, on the next day following that on which he is separated from his job. It is still necessary for the claimant to serve the waiting period prescribed by law. What an initial claim does, in effect, is to inform the administrative agency that the claimant is out of work, that his eligibility for benefit should be determined, and that benefits will become payable if his unemployment persists beyond the waiting period.

**Adjudication of Claims**

Once it has received a claim for unemployment benefit, it is the task of the administrative agency to determine whether or not benefit is legally payable. It must also determine the rate of benefit due and the maximum potential period of payment. Procedures must be designed for discharging these responsibilities in connection with many thousands of claims each year. These procedures must ensure, on the one hand, that the statutory provisions are fully and equitably applied and, on the other hand, that claims are handled expeditiously. Each claim carries with it, in effect, its own deadline: after the waiting period has been served, only a few days elapse before the benefit actually becomes payable. All work of adjudicating claims must normally be completed within this brief period. If the agency fails in this and falls behind, unem-
ployed workers whose ordinary income has stopped may find themselves without any money even to buy food.

The work involved in adjudicating claims should, except in the smallest offices, be handled by a department or staff other than that responsible for receiving claims and interviewing workers, since the activities performed in adjudication are not readily combined with the work of receiving and interviewing claimants. It is also useful to divide up the former type of work into two parts. The first involves verifying the information required for deciding claims and its supplementation where necessary. The second consists in deciding the claim on the basis of the verified information assembled.

**Basic Tasks**

As discussed in Chapters IV and V, benefit eligibility conditions prescribed by law usually consist of three main types. These are qualifying conditions, the qualifying period, and disqualifications. The first two represent positive requirements, and positive information must be assembled in order to ascertain that they are satisfied. The provisions regarding disqualification are of a negative character and information must be assembled establishing the absence of disqualifying circumstances. The procedures and forms used in checking claims must therefore be directed towards the assembly of the two different kinds of information.

It has been seen that a certain amount of information bearing on the eligibility of the claimant is received when the initial claim is filed. This includes that supplied by the claimant himself on the claim form; possibly that in his stamp book or contribution card; the certification from the placement office; and possibly a certificate of discharge from the employer. These various documents must first be reviewed for completeness and also for their consistency with each other as regards data presented, signatures, etc. Arrangements must then be made for investigating the accuracy of all relevant but unsupported information and for obtaining any missing information.

**Verification of Qualifying Conditions**

The information needed to check compliance with the qualifying conditions may be largely obtained from the employ-
ment service, on the basis of the claimant's registration with it for employment. In normal cases such registration establishes a prima facie case that the claimant is able to work, available for work, willing to work and seeking work.

However, difficult border-line cases will always arise in any large group of claimants. For example, the physical or mental condition of a claimant may raise a question regarding his "ability to work". Medical opinion will therefore have to be obtained on this point in some instances. Similarly, if a claimant tells the employment exchange that he will accept employment only during certain unusual hours, of a very special type, or within an extremely limited area, a question may arise regarding his genuine "availability for work". In such cases, the mere act of registering for employment may not in itself suffice as proof that the qualifying conditions are satisfied. When this occurs, additional information must be secured by further investigation.

Verification of Qualifying Period

The serving of a qualifying period is nearly always a basic statutory condition for entitlement to benefit. Hence, verification of whether or not this period has been served is an important step in the handling of claims. The information needed concerning previous contributions, employment, or wages of the claimant can be obtained from the individual record maintained for the claimant, as discussed above, provided such records are kept. Otherwise, it will have to be obtained from the last or other previous employers.

If the records of employees are kept in the office where the claim is being handled, they can be consulted on the spot. But if they are kept in a central register in another city procedures must be worked out for rapid consultation of such records by mail. These will include sending a request for information on the claimant to the central register; extracting the information requested from the central register; and transmitting it back to the local office. This entire operation ought normally to be completed within a maximum of three or four days, for final action on the claim may otherwise be unduly delayed. In the case of larger schemes, it is desirable to mechanise the operation so far as possible. Thus, the local office may prepare a special type of punched card bearing the employee's name
and insurance number and mail it to the central registry. The latter can then mechanically sort the many cards coming in from local offices, route them to the appropriate records of employees, re-sort them according to local office, and mail them back to their place of origin.

A law may sometimes provide that part of the reference period during which the qualifying period must be served must overlap into the current contribution period for which payroll reports or stamp books have not yet been received. In this case the local office, in addition to consulting the central register, will also have to obtain information in respect of the current contribution period. This may be obtained from the current stamp book if such a system is used. Otherwise, it will have to be obtained by securing a special report from the last employer. This information on the recent contribution, employment, or wage record of the claimant will help to complete the data needed to decide whether he has served the qualifying period.

**Verification of Absence of Disqualifications**

If the separation of a claimant from his last job was due, in fact, to his voluntary leaving, his misconduct, or a labour dispute, the law probably disqualifies him for benefit for a certain period. He will already have been asked to report the reason for the loss of his job on his initial claim form. In order to verify his statement on this point, a questionnaire should be sent to his last employer (and perhaps to other recent employers) as one of the first steps in checking the claim. The questionnaire should request the employer to give the reasons for and circumstances of the termination of the claimant's employment. It should also ask him to indicate the starting and ending dates of the claimant's employment with him, the rate of pay and occupation, and whether any kind of dismissal benefit is or will be paid to the claimant. The employer should be asked to complete and return this form within two or three days.

As mentioned previously, if employers are not required to give details of the contribution, employment or wage record of each employee at the time when they pay contributions, of course no central register is built up. In this case the special questionnaire for employers or separation report referred to above will constitute the sole source of information to verify
the claimant's statement that he has served the qualifying period prescribed by law.

When the local office receives the completed questionnaire from the employer, it should check it against information supplied in the initial claim form. This is to determine if there are material discrepancies, as regards either the cause of the separation or the claimant's recent employment history. If none are found, the information supplied by the two parties may usually be taken as valid. If there are discrepancies, further investigation will be necessary. Conflicting statements by the employer and his ex-employee should first be submitted to both parties in writing for their comment. Some discrepancies will undoubtedly be eliminated in this way. Those that remain will have to go to the deciding authority for evaluation, accompanied by the results of any supplementary investigation of the matter made by the local office. In some cases, as for example when there is a large trade dispute, such investigations may have to be rather extensive.

If dependants' benefits are payable, the local office should receive back the form given to the claimant for attestation regarding such dependants. Regulations should be issued to prescribe the type of evidence that will be accepted on such forms as adequate legal confirmation of the existence of qualified dependants.

**Decision of Claims**

At this stage all the relevant facts concerning the claim will have been established or, as regards doubtful points, all available information bearing on items of disagreement will have been collected. On the basis of the verified information thus assembled, it must now be decided whether or not the claimant is entitled to benefit.

**Deciding Authority.**

The administrative organisation responsible for deciding claims may take different forms. The local office that receives and verifies claims may also be made responsible for deciding them. If this is done, its findings may or may not be made subject to routine review by a regional authority. Alternatively, responsibility for the first decision on all claims may be lodged with a regional authority or with the national authority...
in a small country. In such a case, the local office will pass on the entire file to the regional office after assembling and verifying all necessary data.

Another point to be settled is whether the administrative unit that assembles and verifies the information on which the decision is based should also make the decision, or whether this should be done by a separate, specially designated officer or authority. Under the first method the final step of deciding the claim becomes simply another administrative action, the culmination of the preceding preparatory work. Under the second, the deciding of claims becomes a semi-judicial function performed by a deciding officer who is administratively independent of the organisational unit that has handled the claim up to, but not including, the decision taken on it.

Each of the alternative forms of organisation mentioned entails advantages and disadvantages. The particular forms adopted in a given country must naturally be those that are best suited to conditions prevailing there and that will result in both the greatest efficiency and the maximum accuracy in decisions. It should be noted, however, that the questions of review by a higher authority and of the independence of the deciding authority are not related to the question of the right of claimants to appeal, which is an entirely separate matter.

Act of Decision.

The act of deciding a claim when all the necessary information is at hand is essentially a legal one. It is a matter of applying the controlling provisions of the relevant legislation to a verified set of facts. In the majority of cases the correct decision on a claim is obvious: the facts are not in dispute, the claimant is able to and available for work, he clearly has or has not fulfilled the qualifying period, and there is no ambiguity in the reason for his separation. Cases of this sort can generally be disposed of rapidly and without difficulty.

There will always be a certain proportion of cases, however, where the decision is not obvious. The claimant's health may make his ability to work questionable; he may have circumscribed his availability for work; he and the employer may disagree sharply on the cause of his separation; he may be somewhat indirectly connected with a trade dispute; or he may have refused a job whose suitability is debatable. Each
of these circumstances will present difficult cases for decision. Officers responsible for deciding claims will be greatly assisted if they have ready access to precedents embodied in the decisions of appeals authorities and, perhaps, of the courts. The central administrative authority should also distribute manuals for the guidance of such officers. Finally, difficult questions that can be traced to obscurities in the basic law may eventually have to be resolved through amendment of the law itself.

Depending upon the specific provisions of the law, the deciding of claims may involve more than a finding of whether or not a claimant is entitled to benefit. If disqualification appears necessary, the length of the period of suspension of benefit must be decided, within limits fixed by law. If the size of the benefit varies with past wages or contributions, the exact benefit amount must be computed. This will usually be quite a routine operation, but it may also be quite a burdensome one when performed for many thousands of claims. Here again, efficient but simple procedures must be worked out, and the greatest possible use should be made of machines in the computation process.

In many cases the maximum period during which a claimant will be entitled to receive benefit must also be determined. Under laws where maximum duration varies with past contributions, employment or wages, data for the computation will be obtained, in part at least, from the central register of employees. In addition, the maximum duration may also be affected by benefits already paid to the claimant during previous spells of unemployment. In this case the relevant data must be obtained from the records of benefits paid.

**Notice of Decision.**

If a worker's claim for benefit is allowed, the processes described in the section below on payment of benefit will apply. If the claim is not allowed, the claimant should be formally notified in writing and should be given the precise reason for the disallowance. This notice should also contain instructions on the procedures for appealing against the finding. It should, in addition, stress the desirability of the claimant's continuing to report at the employment exchange until a new job is found for him. Special procedures must of course be followed if a temporary period of disqualification is imposed.
Appeals

Every claimant who is denied unemployment benefit, or who has been awarded a benefit of smaller amount or shorter duration than that to which he thinks he is entitled, should have the right by law to appeal against the original finding.

Need for Appeals Facilities.

The initial finding, as has been seen, is in effect simply one additional administrative step in the routine handling of claims. To protect claimants against elements of discretion, bias, arbitrary action, or errors that may creep into these administrative decisions, facilities should be provided for appeal to a body that is jurisdictionally independent of the administrative authority responsible for the original decision. A mere right to request reconsideration of the finding is not sufficient in itself as an appeal procedure.

The importance of appeal facilities is perhaps slightly less if the original decision is made by a special semi-judicial officer, as described above, rather than by the administrative unit that assembles and verifies the information on which the decision is based. Nevertheless, the facilities are still desirable in such a case. On the other hand, if as is sometimes the case the original decisions on all claims are made by a special tripartite tribunal, the need for appeal facilities is much lessened.

Appeals Bodies.

The functions of an appeals authority are mainly judicial rather than administrative. They usually consist of reasoned and impartial examination of relatively few claims that raise new and complex issues, in contrast to mass disposition of many claims the appropriate decisions on which usually become clear as soon as the facts alleged are verified. In general, therefore, appeals bodies should be set up as special tribunals with no other duties than those of hearing and deciding appeals.

As regards the composition of appeals bodies, there are two principal choices: they may be composed entirely of "public" members representing no special interest, or they may have a tripartite structure. In the first case the members should, as far as possible, have some kind of legal background
and be thoroughly familiar with unemployment insurance legislation. They should be completely independent of the administrative unit responsible for handling claims. Needless to say, they should also be impartial.

In the case of tripartite appeals bodies the employees' representatives, drawn from panels, will endeavour to see that full consideration is given to the claimant's interests; the employers' representatives will try to ensure that the interests of employers contributing to the scheme are not adversely affected by unjustifiable liberality in the award of benefits; and the public representatives will serve as chairmen, hold the casting votes, and provide the judicial and legal knowledge that the other members will be less likely to have.

Procedure.

The procedure of appeals bodies should be such as to make it as easy as possible for claimants to have their case heard. The appeal should cost the claimant nothing and he should not need to hire counsel. The proceedings of the tribunal should be informal, and the body itself, and particularly its chairman, should in effect assist the claimant in presenting his case. A representative of the administrative agency should attend each hearing. He may explain the reasoning by which the agency came to the adverse decision, and also provide information to the tribunal on technical points; but he should in no way attempt to influence the latter's decision, nor should he in any sense act as if he were counsel for the defendant in the hearing.

Appeals tribunals should be set up on a regional or even local basis, so that they are within relatively easy reach of most claimants. Transportation costs of claimants should be paid if they must travel far to take part in a hearing. In view of the number of appellate bodies this will require, it will usually be found desirable to set up a second appeals stage as well. Claimants receiving an adverse decision on their first appeal will then be permitted, under specified circumstances, to appeal to a central appeals authority. The decision of this authority may or may not be made final, depending on juridical practice in the country concerned.

The central tribunal may be composed of one or more experienced judges, or it may be tripartite in character. As a greater proportion of cases reaching this second appeals
body may involve difficult legal points, however, there are fairly strong grounds for preferring the first of these alternatives. Decisions of the central tribunal should be systematically recorded and circulated for the guidance of officers making the first decision on claims as well as the regional appeals bodies.

**Payment of Benefits**

Once a claim for benefit has been approved, preparations should immediately be made for paying the first benefit on the day it falls due. The benefit payment, in whatever form it is made, should be ready for the claimant when he makes his first call at the local office following completion of the waiting period.

**First Benefit**

After a form indicating a favourable decision on a claim has been prepared, the contents of the decision should be posted to the blank unemployment register in the claim file. The information thus transferred to the register should include the date on which benefit first becomes payable, the benefit amount, the dependants' supplements if any, and the maximum number of weeks of benefit authorised. This unemployment register will now become the central document controlling the payment of all benefits. Meanwhile, if he has requested it, the claimant should be informed by mail of the approval of his claim, his rate of benefit, and the maximum potential duration thereof.

When the waiting period required of the claimant is entirely or nearly served and on the day preceding that on which he is next to report in person, his unemployment register should be obtained from the files. It should then be brought up to date, so far as possible, and the necessary payment form should be prepared. Benefits may be paid in cash or by cheque or postal draft, depending on the method best adapted to the needs of unemployed workers in the region concerned. If they are paid in cash, the necessary form authorising the cashier to pay the specified amount involved should be prepared the day before payment is due. Alternatively, the appropriate cheque or postal draft should be filled in.

When the claimant actually reports on the following day, he should first be asked to bring the unemployment register
completely up to date by entering details of his unemployment or employment experience since his last call. The register should contain spaces for the applicant to indicate whether he was employed, unemployed, sick, or otherwise available or not available on each day of the week. After entering this information, he should sign the register to attest to the accuracy of the statements made. The interviewing officer can then complete the payment form on the basis of information on the register regarding compensable and non-compensable days during the preceding week.

If payment is made in cash, the payment form is then presented to the claimant who takes it to the cashier of the local office and receives payment after signing a receipt. If payment is made by cheque or postal draft, the appropriate document is handed to him. If the claimant does not come to the office on the appointed day, the cheque or draft may be mailed to him; it should, however, be accompanied by a notice indicating that payment of future benefits is being suspended pending a further call at the office and explanation of his failure to report.

Continuing Claim

At this stage the unemployed worker's name has been entered on the benefit roll, he has received his first benefit, and he has been found eligible to continue to receive benefit for a certain number of weeks. In order to retain this eligibility, however, he should be required to report regularly to the local office. The purpose of this is to verify that he continues to be both unemployed and available for work, and to ensure that he can be offered any suitable job that may become vacant.

He should therefore be given written instructions each time he calls at the office regarding the exact date and hour of his next call. The time of reporting should be varied somewhat from week to week, to prevent him from secretly working while continuing to receive benefit. Failure to report on a specified day should be penalised by suspension of the benefit until he does report. Unjustified tardiness in reporting may be penalised by adding an additional reporting day during the same week.

As in the case of the initial claim, the first contact of the beneficiary during each regular call at the local office should
be with the employment service. The interviewing officer there will each time check the live file of requests from employers to see whether a suitable job is now available. In case there is such a job, the beneficiary should be immediately referred to the employer concerned. If at any time during the benefit period the beneficiary declines to follow up such an offer, or turns down an actual offer from an employer to whom he has been referred, the employment service should immediately notify the unemployment insurance office. If no suitable job is available at the time of the call, however, the employment officer should note this on the beneficiary's written instructions to report and then refer him to the unemployment insurance office.

When the beneficiary again appears at the office or counter of the unemployment insurance service, his unemployment register is withdrawn from the files. The actual time of his call should be entered on it opposite the time he was instructed to report. The beneficiary should once more enter the details of his unemployment or employment experience during the past week and a statement as to his availability on each day thereof. He should then again sign the register to certify to the correctness of the new statements made. This, in effect, serves as the filing of what may be described as a continuing claim, as distinguished from the initial claim.

This operation being completed, the interviewing officer can fill out the payment form, on the basis of days shown to be compensable by the new information on the register, and give it to the beneficiary. He also informs the latter of the date and hour of his next call and enters this on the unemployment register. If payment is in cash, the beneficiary will once again visit the cashier and obtain his unemployment benefit for the week.

**Termination of Benefit**

Benefits will ordinarily continue to be paid in this way until the beneficiary either finds a new job or draws benefit for the maximum number of weeks authorised.

If a beneficiary is referred to an employer who has a vacancy and the employer hires him, he should be requested to report at the local office on the last day before entering on his new job. At the time of this call he should be asked to sign the
unemployment register for the last time; he will be issued his last benefit payment, and if he has deposited his stamp book it will be returned to him. The administrative operations connected with this one spell of unemployment are now largely completed. The number or amount of benefits paid should, however, be recorded on the permanent record of the employee. This information may be needed, for one thing, if the employee should later have another spell of unemployment and the question of the maximum benefit period to be allowed again arises. In fixing the maximum period of duration many laws provide for cumulation of the number of days of benefit payable during a given reference period.

If a beneficiary fails to find a new job and continues to draw benefits, the time will eventually come when he has received benefits for the full period allowed by law. The unemployment register should be designed to include a space for keeping a running total of the number of days or weeks of benefit paid. When this cumulative total nears the maximum allowable total already noted on the register, the beneficiary should be advised and should be asked to report at the local office on the day following the end of this benefit period. When he reports he will sign the unemployment register for the last time and receive the balance of the benefit payments due to him. Accordingly, the unemployment insurance benefit file established for him is now closed. In countries having a supplementary unemployment assistance scheme, however, at least a part of his previous insurance file may now be transferred to that scheme. The employment service, on the other hand, should naturally continue to give active attention to his application for employment, irrespective of the termination of his benefit rights.
The second of a series of handbooks on national systems of social security prepared by governments according to a plan drafted by the International Labour Office, this manual was compiled by the United States Department of Health, Education and Welfare. It deals with the legal provisions and benefit specifications for particular contingencies as well as organisation and financing. The first handbook in this series, published in 1949, relates to New Zealand.

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