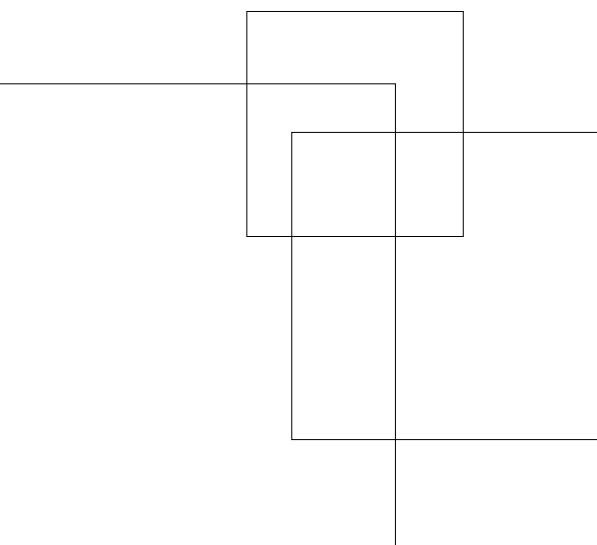




# Unemployment insurance schemes around the world: Evidence and policy options

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## Abstract

We conduct a comparative analysis of unemployment insurance (UI) schemes in advanced and emerging economies. We find that almost all countries complement UI with severance payments, although emerging (advanced) economies rely relatively more on severance payments (UI). As a result, UI coverage rates are substantially higher in advanced than emerging economies. We also find that most countries finance their UI collectively (i.e. by workers, employers and the government), but contribution rates are higher in advanced than emerging economies. Turning to entitlement conditions, UI schemes are generally accessible only by dependent employees and formal sector workers and the stringency of qualifying conditions is similar in advanced and emerging economies. We also find that unemployment benefit generosity (i.e. in terms of both benefit level and duration) is higher in advanced than emerging economies. Finally, the integration of active measures within UI schemes is observed across most emerging and advanced economies. However, emerging economies present weaker job-search requirements but stronger sanctions for job refusal compared to advanced economies.

**Key words:** unemployment insurance, social protection, labour legislation

**JEL Code:** J46, J88, K31, K33

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## 1. Introduction

Unemployment insurance (UI) schemes are implemented in both emerging and advanced economies to protect employed individuals against the risk of job loss.<sup>1</sup> In their essence, these interventions provide income support conditional on some job-search requirement or participation in active labour market policies (ALMPs). This policy design aims to immediately tackle the risk of out-of-work poverty while at the same time creating incentives for individuals to look for a job and increase their employability. In this sense, UI schemes differ from other types of social protection programmes (e.g. cash transfers, means-tested social assistance), whose participation is not necessarily conditional on previous labour market participation and not strictly linked to future labour market re-insertion (ILO, 2019a).

While these are constituting elements of any UI scheme, many other design and implementation characteristics widely differ across interventions (Boeri and van Ours, 2009). Among others, these elements include the stringency of entitlement conditions (e.g. which groups of workers are eligible), the generosity of the benefit (i.e. in terms of both duration and level) and the strictness of job-search requirements (e.g. sanctions in place for job refusal). These design and implementation characteristics determine in practice the degree of protection enjoyed by workers against the risk of job loss as well as the balance in emphasis between income protection and activation requirements. As a result, UI schemes might obtain very different objectives in terms of both equity and efficiency considerations.

The optimal policy mix is likely to differ between advanced and emerging economies. Indeed, the presence of a large informal sector in emerging economies increases the risks associated with the implementation of UI schemes if benefit recipients can work informally (Duval and Loungani, 2019). Limited government administrative capacities to manage UI schemes and monitor job-search add to the concerns. Restricting the access and generosity of unemployment benefits might limit these leakages, but at the cost of reducing the reach and potential benefit of UI schemes. Indeed, emerging economies are also characterised by high levels of out-of-work poverty and structural gaps in credit and insurance markets. These characteristics increase the need of well-functioning UI schemes (ILO, 2019a).

These considerations point towards a number of policy choices that shape the functioning and effectiveness of UI schemes, with drastically different implications in terms of the level of protection offered to workers against the risk of job loss. However, very little is known with respect to these design and implementation characteristics in a comparative perspective for advanced and emerging economies. Lack of research can be at least partially associated with the shortage of comparable data, which is often gathered by a number of institutions following different methodologies. The few existing studies either examine specific regions (ILO, 2013; OECD, 2015) or focus on aggregate spending indicators which do not allow to obtain an understanding of institutional differences (Pignatti and Van Belle, 2018).

This paper aims to fill this gap by analysing key institutional and policy characteristics of UI schemes from a comparative perspective for a selected group of advanced and emerging economies. Drawing on evidence from both primary and secondary data, the paper discusses the main characteristics of UI schemes. The objective is to identify differences in policy approaches across countries and point at possible consequences in terms of policy outcomes. Particular attention will be given to the analysis of

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<sup>1</sup> Throughout the paper, we classify countries as advanced, emerging or developing based on the World Bank income classification of high-income, middle-income and low-income economies. See (ILO, 2019a) for the list of countries included in each group, although only a subset of them will be used in the present analysis.

UI schemes in emerging economies and the identification of differences with advanced economies. Indeed, both the risks and benefits associated with the implementation of UI schemes are higher in emerging economies and policy decisions might therefore differ compared to advanced economies.

The characteristics of UI schemes that will be analysed throughout the paper have been selected in order to have a comprehensive understanding of the functioning of these policies as well as of their interactions with other labour market interventions. In particular, the analysis first looks at the relationship between UI schemes and severance payments (i.e. the other main form of protection against the risk of job loss) and examines the financing mechanism of UI (which determines the degree of risk pooling between workers, employers and the government). The analysis then examines the stringency of entitlement conditions, which can be classified between those determining legal coverage (i.e. which groups of workers are entitled) and the qualifying conditions (e.g. which conditions need to be met to actually participate). Finally, the analysis compares the main characteristics of participation in UI schemes: the unemployment benefit (i.e. in terms of both level and maximum duration) and the job-search or activation requirements (e.g. mandatory visits to the labour office).

Results show that emerging economies rely relatively more than advanced economies on severance payments compared to UI schemes. As a result, coverage of UI schemes is substantially lower in emerging than advanced economies. UI financing occurs in most countries with contributions by workers, employers and the government. However, contribution rates are higher in advanced than emerging economies. Looking at the stringency of entitlement conditions to join UI schemes, they appear similar in advanced and emerging economies. In most countries, certain categories of workers (e.g. informal workers and self-employed individuals) are anyway not allowed to join these interventions. At the same time, we find that the replacement rate of unemployment benefits as well as their maximum duration are generally lower in emerging than advanced economies. Finally, job-search requirements are less stringent in emerging economies but sanctions for job refusal are stronger than in advanced economies.

Overall, the picture that emerges is that UI schemes in emerging economies cover a lower (and relatively advantaged) share of the unemployed population and that they provide to participants more limited income and active support compared to UI schemes in advanced economies. These design and implementation characteristics can be traced back to structural differences in the labour markets (e.g. high share of informal employment in emerging economies) as well as differences in government capacities to manage and finance UI schemes. However, this risks creating a vicious cycle of low-investment in UI and low reach and effectiveness of these interventions. UI can instead play an important role in addressing market failures and improving equity in emerging economies. In this sense, the development of well-functioning UI schemes should be regarded as a pre-condition – rather than the natural consequence – for labour market development. Policy changes should reflect these considerations and be aligned to the specific labour markets needs of emerging economies (ILO, 2019a).

The rest of the paper is organised as follows. After an overview of the data and methodology (Section 2), the analysis looks at the institutional framework of UI schemes (i.e. relation with severance payment and financing mechanism, Section 3), the entitlement conditions that determine eligibility to UI (i.e. legal coverage and qualifying conditions, Section 4), the characteristics of the unemployment benefits (in terms of benefit level and duration, Section 5) and the activation requirements embedded in UI schemes (i.e. job-search or activation requirements and monitoring systems, Section 6). The last section of the paper summarises and concludes.



## 2. Methodology

The paper aims at conducting a comparative analysis of the main institutional and design characteristics of UI schemes in selected advanced and emerging economies. In order to ensure that reliable and comparable information is presented throughout the analysis, choices needed to be made in terms of (i) the main data sources to be used, (ii) the countries to be covered in the analysis, as well as (iii) the characteristics of UI schemes to be examined.

In terms of data sources, priority was given to information from already existing legal databases that summarise directly from primary sources the main characteristics of UI schemes across countries. In particular, the main databases used correspond to the “Database of Social Security” run by the International Social Security Association (ISSA, 2019), the “Social Security Programs Throughout the World” database administered by the US Social Security Administration (SSA USA, 2018) and the ILO “Employment Protection Legislation Database” (ILO, 2019b). These are international databases compiling information on the functioning of several types of social protection programmes (e.g. pensions, sickness and maternity benefits), including unemployment benefit schemes. The information is reported comparably across countries (e.g. eligibility criteria, benefits provided) and reference is made to the relevant legislation. For certain specific cases for which information was not available, these databases were complemented with information coming from policy reports that aimed at conducting mapping exercises of UI schemes in specific regions (ILO, 2013, 2017; OECD, 2015).

In terms of countries covered, a balance needed to be achieved between widening and deepening the analysis. Starting from advanced economies, most of these countries have well-established UI schemes in place and information on their characteristics is generally available from a variety of (national or international) sources. In the analysis, we focus on a selected group of advanced economies (15 countries) that are representative in terms of both geographical composition and types of UI schemes. Among emerging economies, we first identified those countries with UI schemes anchored in the national legislation (26 countries) and among them we focused on those for which information was available on almost all dimensions analysed in the paper (17 countries). Unfortunately, information on developing economies is often missing or very scant and for this reason this country group is not considered in the paper. The full list of countries covered is available in Tables 1 and 2 in the Appendix.<sup>2</sup>

Once the relevant data sources and countries had been identified, the information was collected and cross-checked. The analysis then identified some areas of attention, focusing on the main institutional framework within which UI schemes operate (i.e. their relations with other policies and their financing schemes) and then examining the entire life cycle of these policies: from the conditions that determine eligibility, to the benefits provided as well as the requirements for remaining in the programme. This approach allows framing UI schemes within the broader institutional framework in which they operate, as they interact with other types of policy interventions – most notably, the system of employment protection legislation (EPL) – which also affect the degree of protection enjoyed by workers against the risk of job loss. At the same time, the analysis covers both the income and active support provided to participants. This is a relatively novel approach, as most existing studies focused exclusively on the unemployment benefit provided to participants (ILO, 2019a).

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<sup>2</sup> The sample of countries covered in the analysis slightly changes according to the particular dimension analysed based on data availability. Details will be provided directly in the text.

Despite these methodological decisions aim to ensure quality and consistency of the information, a number of caveats need to be kept in mind. First, information collected in international databases is not updated regularly and not necessarily at the same time for the different countries. This means that data can refer to different years across countries and does not necessarily reflect the current state of the legislation.<sup>3</sup> Similarly, information collected by different data sources (or even by the same data source) is not necessarily comparable across countries. Differences might relate to legislative details that cannot be captured in summary indicators (e.g. the presence of specific conditions granted to particular groups) or differences in the way in which the legislation governing UI schemes is complemented by other types of interventions (e.g. collective bargaining). Finally, not all aspects of unemployment protection have been considered due to data limitations. The most important gap in this respect concerns the exclusion of unemployment assistance within the topics covered in the analysis. Many countries complement UI with non-contributory schemes which generally are means-tested and extend unemployment protection beyond the expiration of UI. However, data on these policies (e.g. eligibility requirements, duration) is not readily available across countries.

### 3. Institutional framework

The first aspect to analyse concerns the institutional framework within which UI systems operate across countries. Indeed, UI schemes do not operate in a vacuum but they rather interact with other types of labour market policies which also affect job seekers degree of protection against the risk of job loss. At the same time, how UI schemes are financed determines the extent to which the insurance against job loss is carried exclusively by workers (i.e. in UI systems purely financed by individual saving accounts) or rather is pooled between a number of economic actors (most notably, employers and the government). For these reasons, in this part we examine the complementarity between UI schemes and other types of policy interventions (e.g. employment legislation) that are also available to unemployed individuals (Section 3.1). After that, we look at the financing mechanisms of UI schemes in order to understand the extent to which the risk of unemployment is pooled across different actors (Section 3.2).

#### 3.1 Complementarity with EPL

UI schemes interact with the systems of EPL available in a country. From the perspective of the unemployed, these institutions jointly determine the level of insurance available against the risk of job loss (Duval and Loungani, 2019). From a macro-economic perspective, UI and EPL affect the capacity of the economy to reallocate workers to the available jobs. The extent to which countries rely on UI or EPL has important implications in terms of both equity and efficiency considerations (Parsons, 2018). For instance, severance payments (which represent one of the main forms of EPL) do not take into account the possible duration of the unemployment spell (i.e. they constitute a one-off payment to the worker) and do not consider any redistribution across workers (i.e. being a payment from the enterprise to the laid-off worker). In this sense, they represent a form of enforced saving by the worker rather than one which allows social risk-sharing (ILO, 2017). Similarly, workers with relatively short job tenures do not qualify for severance payments and litigation costs might be high (Duval and Loungani, 2019).

A well-designed UI system might solve many of these issues, by ensuring adequate income protection during the entire period of job-search and pooling the risk of unemployment across different actors (e.g. workers, employers and the government). Additionally, UI schemes generally require participation in

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<sup>3</sup> Notes have been added throughout the text to specify the year to which the information refers.

active interventions (e.g. training) and thus represent an opportunity to use the unemployment spell for enhancing employability. Unlike severance payments – which depend on the employer’s financial liquidity and the worker’s capacity to enforce payment – UI benefits are also generally predictable as they are guaranteed by the government (Peyron Bista and Carter, 2017). However, UI schemes also require strong administrative capacity to administer the benefit, adequately activate the unemployed and avoid an excessive reliance on the transfer. These risks are compounded in emerging and developing economies, where enforcement and monitoring capacities from the public administration are generally lower and the presence of a large informal sector increases the possibility of working while receiving the benefit (Duval and Loungani, 2019).

For these reasons, most emerging and developing countries rely relatively more on EPL than UI as a form of protection against the risk of job loss – and specifically on the presence of relatively generous severance payments (Parsons, 2018). Indeed and notwithstanding the shortcomings presented above, severance payments do not require direct public financial interventions and might be therefore preferred by fiscally constrained governments. Similarly, the risk of moral hazard is generally thought to be lower for severance payments than UI systems (i.e. they do not generate disincentives to job-search) and the organizational complexity is generally more limited for the public administration (i.e. leaving aside delays in the judicial system). Finally, severance payments have the advantage of tackling one of the main market failures related to job loss in emerging and developing economies – which is represented by out-of-work poverty due to imperfect insurance against the risk of job loss and gaps in the credit market (Duval and Loungani, 2019).

In our analysis, we focus on four dimension of severance payments: (i) their presence in the legislation, (ii) the job tenure requirement to be entitled to such payments, (iii) their generosity, and (iv) further qualifying conditions that might exist.<sup>4</sup> Throughout the section, the analysis will be restricted to severance payments in cases of individual (rather than collective) dismissals. Starting with the presence of severance payments in the national legislation, in most of the analysed countries a system of severance payments is actually in place.<sup>5</sup> However, some differences appear between advanced and emerging economies. In particular, ten out of 13 advanced economies with available information have severance payments in place (corresponding to 76.9 per cent of the countries) compared to 11 out of 12 emerging economies (corresponding to 91.7 per cent of the countries). In some countries where severance payments are available, restrictions to their applicability are nevertheless in place. In particular, in one advanced economy (Finland) and four emerging economies (Argentina, Bulgaria, Serbia and South Africa) severance payments are available only for economic dismissals.<sup>6</sup>

The second aspect worth considering refers to the minimum job tenure at the time of layoff that is required to benefit from severance payments. This condition strongly influences the share of workers eligible for the payment and skews its distribution towards particular categories with relatively more

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<sup>4</sup> It is important to highlight that severance payments can have very different designs, in particular in regards to their financing and the computation of entitlement and benefit amounts. Also, the line separating them from other instruments such as wage insurance, saving accounts and some types of UI is often blurred (Parsons, 2013).

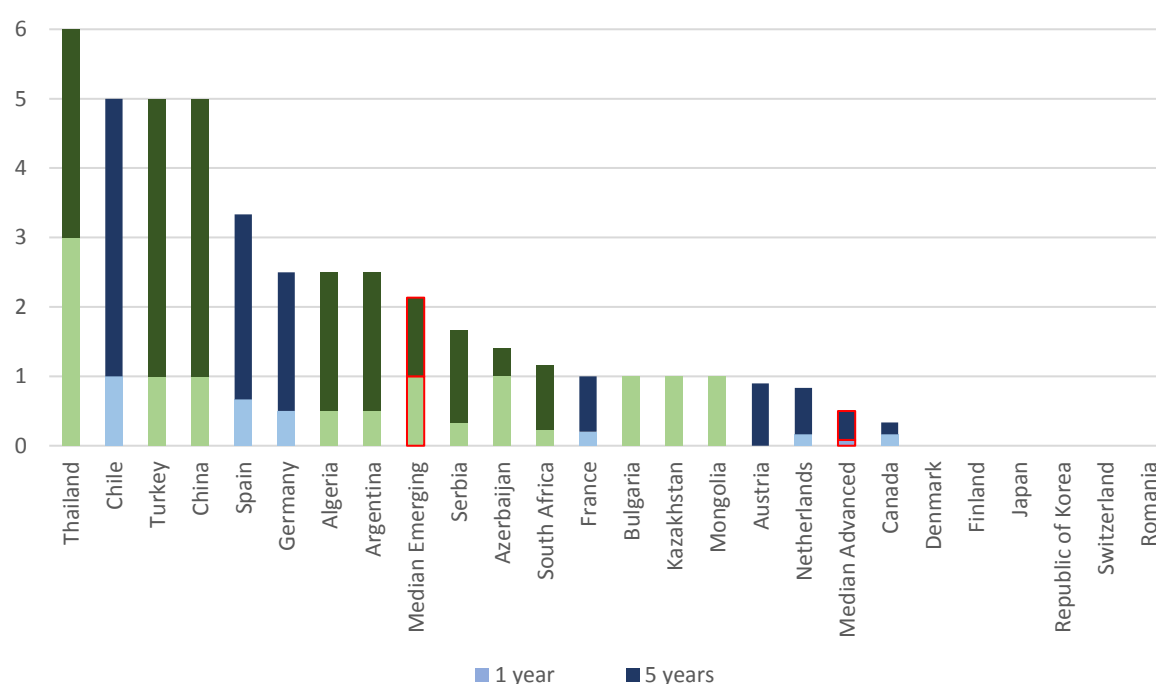
<sup>5</sup> Data refers to the latest available year as reported in ILO (2019b) and might vary by country and/or not correspond to the legislation currently in place. We must also remark that the severance payments analysed are the ones described in legal regulations. The actual practices within countries might differ from the reported ones – e.g. in the presence of collective agreements (García-Martínez and Malo, 2007; Goerke and Pannenberg, 2010).

<sup>6</sup> The definition of economic dismissals varies across countries, but it generally requires the presence of objective economic obstacles to the continuation of a firm’s activities.

stable employment patterns (e.g. older workers, men). Among advanced economies, this minimum tenure that determines eligibility generally spans between six months and two years of work, with the remarkable exceptions of Finland and Denmark (respectively five and 12 years of minimum tenure to be eligible to severance payments). Minimum tenure requirements are less stringent among emerging economies. In particular, Kazakhstan, Mongolia, China and Bulgaria allow severance payments for any job tenure and the longest tenure requirement is equal to two years in Algeria.

Turning to the generosity of severance payments, this is usually linked to the duration of the previous working relation. In advanced economies, this amount varies considerably – spacing from two days of salary for each completed year of service in Canada to a month of remuneration for each year of service in Chile.<sup>7</sup> As a result, in the median advanced economy an individual will receive less than 0.1 of a monthly salary in the form of severance payment if dismissed after one year and slightly more than half of a monthly salary if dismissed after five years (Figure 1). The generosity of severance payments in emerging economies is higher than in advanced economies. In particular, in the median emerging economy an individual receives a month of salary if dismissed after one year and more than two months of salary if dismissed after five years. Some countries (e.g. Thailand, Turkey and China) have even higher rates.

**Figure 1: Generosity of severance payments upon dismissal after 1 and 5 years in job, measured in monthly wages**



**Note:** The figure plots the generosity of severance payments upon dismissal after 1 and 5 years of tenure in each country as well as the median for the sample of advanced and emerging economies. Blue columns refer to selected advanced economies and green columns refer to emerging economies. Japan, the Republic of Korea, Switzerland and Romania do not have any system of severance payments while Finland does not provide any monetary compensation and Denmark provides payments only after at least 12 years of tenure. See Table 1 in Appendix A for full country details.

**Source:** Authors' calculations based on most recent available information from the ILO EPLEX Database

<sup>7</sup> Finland is the only country where no monetary payment is foreseen, as laid off workers will only benefit from free vocational coaching or training courses.

The last dimension we cover with respect to severance payments is the strictness of qualifying conditions (i.e. the presence of any other conditions that determine eligibility, apart from tenure in the previous job). In advanced economies, these conditions are generally rather favourable and most countries just demand it not to be a case of disciplinary dismissal<sup>8</sup> (e.g. in Austria, Canada, Chile, Germany and Spain) or have no restrictions (France, Belgium and the Netherlands). Particular requirements are demanded in Finland, where the individual must have been employed by a company with at least 30 workers, as well as in Denmark, where severance payments are not provided for blue-collar jobs. Most emerging economies do not present any additional qualifying condition for the receipt of the severance payment. Only Algeria, Mongolia and Thailand deny severance payments for cases of disciplinary dismissal; while in Azerbaijan they are paid only in cases of liquidation of the enterprise or staff cuts. Particular requirements are present in South Africa, as any employee who unreasonably refuses a job offer loses the right to the payment.

The discussion presented so far has revealed how emerging economies generally rely relatively more than advanced economies on severance payments by presenting lower tenure requirements, relatively less strict qualifying conditions as well as more generous payments.<sup>9</sup> While a more detailed analysis will follow later in this paper, a preliminary assessment reveals that the picture is reversed when analysing UI schemes. In particular, looking at the coverage rates of UI programmes across groups of countries, substantial gaps emerge: the median coverage rate is equal to 61.3 per cent for advanced economies and only 10.6 per cent for emerging economies.<sup>10</sup> In advanced economies, coverage rates of UI schemes generally exceed 40 per cent, with the exceptions of Japan, Poland and Bahrain (which register coverage rates around or below 20 per cent).<sup>11</sup> At the same time, only few emerging economies have coverage rates above 30 per cent (Belarus, Thailand and Mongolia) while in eight countries out of 17 with available information the coverage rate is below ten per cent (Figure 2). These findings indicate that severance payments can be seen as simpler substitutes for UI schemes. This makes them more widely spread across emerging economies; but as countries develop administrative capacity and a more solid policy enforcement, they tend to replace them, at least partially, with more structured UI schemes (Ozkan, 2019).

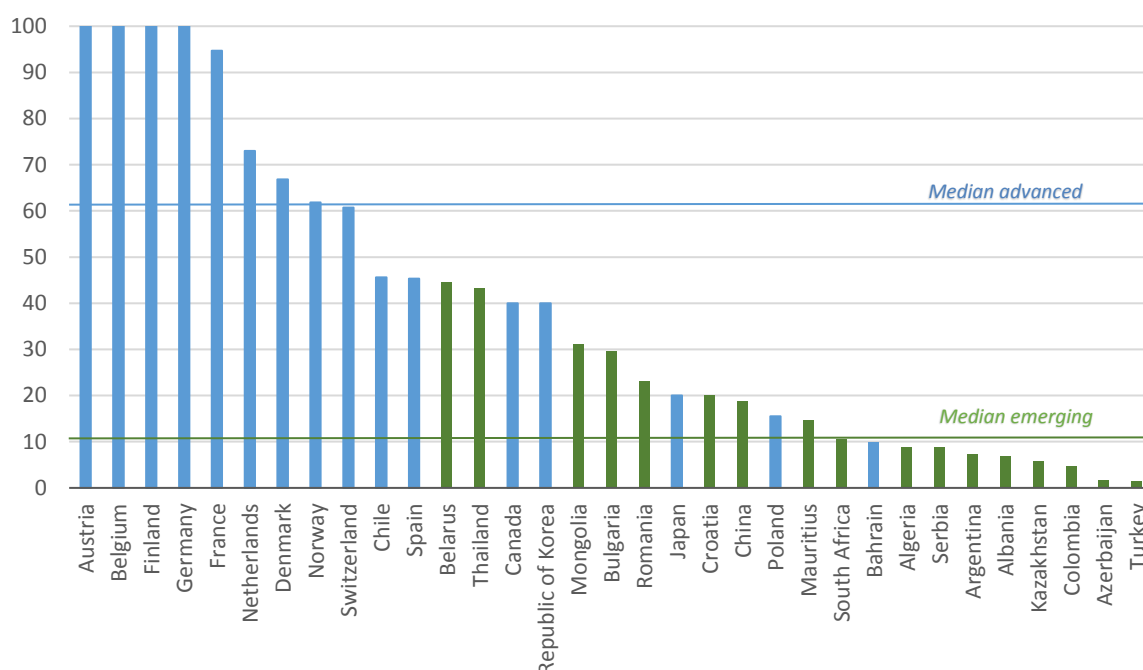
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<sup>8</sup> Disciplinary dismissal is a dismissal based on the capacity or the conduct of the employee. Even if its legal definition differs across countries, it generally refers to a dismissal linked to an act of misconduct.

<sup>9</sup> However, this does not necessarily imply that the share of workers actually drawing severance payments is higher in emerging than advanced economies. This will depend on the share of workers actually qualifying for severance allowance (i.e. meeting the eligibility criteria) as well as the administrative and judicial procedures that need to be accomplished in order to draw the severance payments (e.g. making a case to the court). Unfortunately, comparative data on this dimension is not available for the countries analysed.

<sup>10</sup> This is measured as the proportion of individuals receiving unemployment benefits over those unemployed.

<sup>11</sup> Four advanced economies even report a coverage rate of 100 per cent (Austria, Belgium, Finland and Germany).

**Figure 2: Coverage of unemployment benefits, as a percentage of the unemployed population**

**Note:** The figure reports the share of unemployed individuals receiving unemployment insurance in selected countries. Blue columns refer to selected advanced economies and green columns refer to emerging economies. Data refers to 2015 (or closest available year). Data for Bahrain and Algeria refers to 2010 and 2003, respectively.

**Source:** ILO (2017) and authors' calculations for Mauritius.

### 3.2 Financing mechanisms

The financial arrangement of UI schemes is another key design feature, since it carries implications on the fiscal sustainability of the systems as well as on the extent to which UI schemes can provide income security to unemployed workers and achieve equity objectives. In general, the financing of the benefits and administration costs of UI schemes can be borne collectively by workers, employers, and governments through work-related contributions or taxes. Nevertheless, concerns about moral hazard have shaped the discussion regarding the implementation of UI schemes backed by contributions from employers and governments in emerging economies. Indeed, excessively generous payments (in terms of benefit levels and/or duration) could generate disincentive effects on labour market participation and raise reservation wages (Boeri and van Ours, 2009). These problems might be compounded in emerging economies, where the risk of moral hazard can be higher due to poor monitoring of job-search as well as opportunities of employment in the informal sector (Duval and Loungani, 2019).

In this regard, a possible way of addressing moral hazard issues associated with unemployment insurance schemes is the implementation of unemployment individual savings accounts (Peyron Bista and Carter, 2017). These programmes have been implemented in some emerging economies (e.g. Colombia, Jordan) as well as in few developed economies (e.g. Austria, Chile) and require workers to accumulate savings in individual accounts that then determine the total entitlement of unemployment benefits to be received in case of job loss.<sup>12</sup> While this design limits any risk of moral hazard, purely

<sup>12</sup> If the worker does not entirely draw the contributions accumulated during the employment career, any surplus is generally credited in the form of pension entitlements upon retirement.



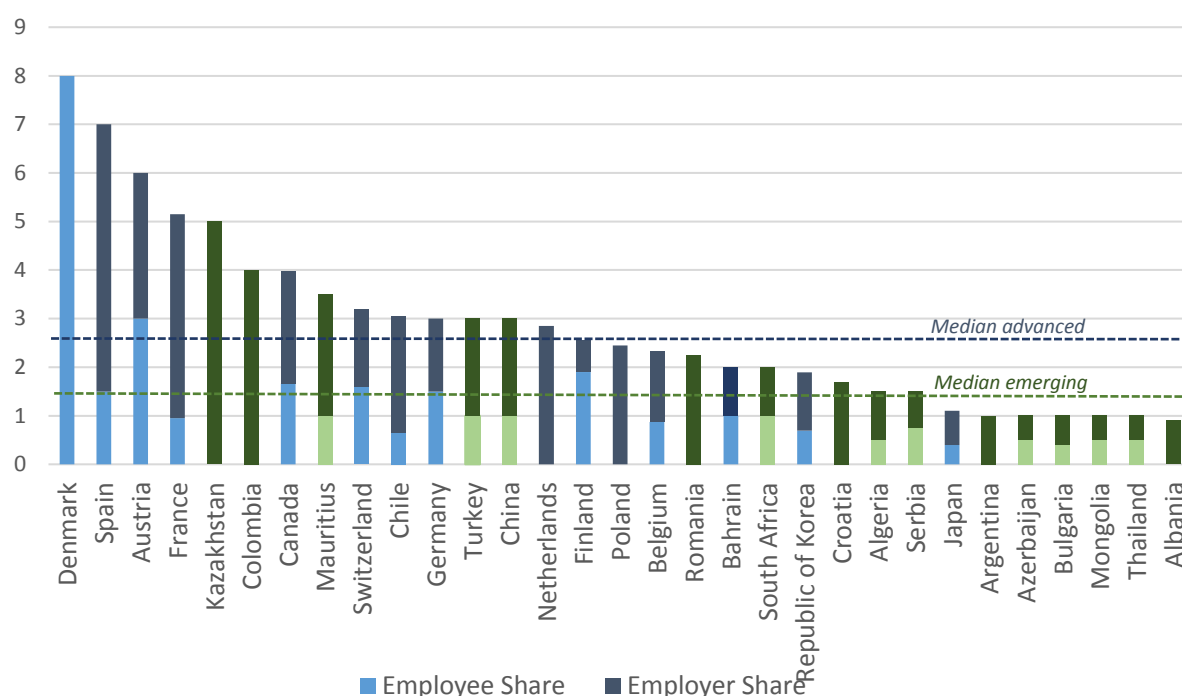
individual accounts lack the key design element of risk-pooling and collective finance which motivates UI schemes. Contribution rates also tend to be higher than in UI schemes due to the need to generate sufficient benefits with individual savings (Robalino, 2014). Indeed, individual accounts also assume that individuals' savings will be sufficiently high to compensate earnings losses during the unemployment spell. As such, individuals with lower contributory capacity (which also tend to have a higher risk of unemployment) could receive insufficient protection from these systems (ILO, 2017). This risk is especially pronounced in emerging and developing economies, where a substantial share of the labour force faces a high risk of working poverty already when in employment and would therefore not have adequate income support in case of job loss. As such, these schemes are not fully in line with the principle embedded in international labour standards (ILO, 2017).

Given the limitations of unemployment individual savings accounts, these are often supplemented with a collectively financed fund that supports individuals that have higher risk of unemployment and lower contributory capacity (Peyron Bista and Carter, 2017). This is particularly the case in schemes with relatively low contribution rates (i.e. Chile and Jordan with 1 and 1.5 per cent respectively), which finance benefits from additional sources (i.e. pension funds in Jordan and a solidarity fund in Chile) (Robalino, 2014). Mandatory and public UI schemes thus allow to pool unemployment risk among individuals with different labour market characteristics and to collectively finance the benefits awarded, delinking generosity or duration of benefit from the amount saved in individual accounts. Across countries, collective contributions to UI schemes are paid by both employers and workers on a regular basis (e.g. as a share of the salary) while governments generally contribute through general revenues. The evidence gathered from the analysed countries proves a discrete degree of heterogeneity in the sources and level of funding of UI schemes between advanced and emerging economies (Figure 3). Nevertheless, we can also remark some common trends across the two groups of countries.

First, in almost all the analysed countries both employers and workers contribute to UI schemes. These contributions are compulsory (except for Denmark, where the UI system is financed only through employee and government contributions with voluntary affiliation)<sup>13</sup> and they are computed as a percentage of the monthly payroll (see Table 2 in the Appendix). At the same time, some notable differences emerge in the relative importance of workers' and employers' contributions between advanced and emerging economies. In particular, workers contribute to UI schemes in ten out of 16 emerging economies with available information (62.5 per cent of the countries) and in 13 out of 15 advanced economies (86.7 per cent of the countries). Meanwhile, employers contribute to UI schemes in all emerging economies analysed and in 14 out of 15 developed economies. This suggests that UI schemes rely relatively more on employers' contributions in emerging than advanced economies.

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<sup>13</sup> UI schemes in most countries tend to be of compulsory nature for salaried workers as a means to avoid adverse selection and provide coverage to a large range of workers. Yet, Denmark, Finland and Sweden have voluntary components within their insurance scheme. Most notably, participation in the UI scheme is voluntary in Denmark, yet it achieves broad coverage among salaried workers and the self-employed. Sweden has a basic compulsory programme (which provides a minimum benefit) complemented by a voluntary scheme which tops-up the basic benefits (Peyron Bista and Carter, 2017).

**Figure 3: Workers and employers contributions to UI schemes, as a share of monthly payroll**

**Note:** The figure reports the contribution rates borne by workers and employers as a share of the monthly payroll to finance UI schemes. Blue columns refer to selected advanced economies and green columns refer to emerging economies. See Table 2 in the Appendix for full country details.

**Source:** Authors' calculations based on most recent available information (ISSA, 2019).

Second, the analysis reveals that employers' contributions are generally higher than workers' contributions. This is the case for all countries analysed except for Denmark (where only workers contribute to UI schemes through voluntary affiliations, as mentioned above) and Finland. At the same time, workers and employers contribute equally to UI schemes in Austria (3 per cent each), Germany (1.5 per cent each) and Bahrain (1 per cent each). In all other countries, workers' contributions are lower than employers' contributions. The gap is particularly large in Kazakhstan (5 per cent difference between employers' and workers' contributions) and Colombia (4 per cent difference). In the majority of the countries analysed, the gap between employers' and workers' contributions lies between 0.5 and 2 per cent of the monthly payroll. On average, this gap is higher in emerging than advanced economies (the median gap is equal to 0.95 and 0.59 percentage points, respectively).

In any case, we find that both workers' and employers' contributions are substantially lower in emerging than in advanced economies. In particular, the median employee contribution to UI schemes is equal to 1 per cent of the wage in advanced economies and 0.5 per cent in emerging economies. Similarly, the median employer contribution is equal to 1.6 in advanced economies and 1 per cent in emerging economies. As a result, the median total contribution to UI schemes is equal to 2.6 per cent of the salary in advanced economies and only 1.5 in emerging economies. Analysing specific differences across countries, we find that countries with long-lasting UI schemes tend to have higher contributions. In particular, the highest total UI contributions are found in Denmark (8 per cent), Spain (7 per cent) and Austria (6 per cent).<sup>14</sup> At the same time, the lowest contribution rates are found in emerging economies

<sup>14</sup> In countries in which these rates are higher, the contributions from employers might also be used to finance other social protection measures (e.g. sickness, family allowance, and child care benefits, among others).



with relatively less developed UI schemes such as Albania (0.9 per cent), Thailand, Mongolia and Bulgaria (all with a total contribution of 1 per cent).

Finally, governments also contribute to the financing of UI schemes. However, their role is not evenly matched in advanced and emerging economies. Indeed, government contributions are foreseen in 11 of the 15 analysed advanced economies with available information (equal to 73.3 per cent of the countries) and only in seven out of the 15 emerging economies (equal to 46.7 per cent of the countries). This pattern might have different motivations, including more limited public resources in emerging economies. However, in both groups of countries governments present various ways of financing UI schemes. UI systems in some countries (e.g. Turkey, Bahrain and Switzerland) receive government contributions on a regular basis. In other cases, the government commits to financing any remaining deficits (e.g. Mauritius) or financially supporting the systems only during recessions (e.g. Germany, Spain and China) (ILO, 2013). Lastly, governments can also contribute as employers in countries where public-sector employees are entitled to UI (e.g. Colombia and the Netherlands).

## 4. Entitlement conditions

After having analysed the institutional framework of UI schemes, we analyse their characteristics in terms of entitlement conditions. This represents a main feature of UI, since entitlement conditions determine the coverage of UI schemes (i.e. the share of unemployed participating) as well as the groups of workers that are more likely to participate (e.g. youth compared to prime-age workers). In UI schemes financed through contributions, entitlement conditions can best be treated under two different headings. The first aspect looks at which categories of workers are legally covered and are thus able to contribute to the unemployment scheme according to national legislation (Section 4.1). This condition determines the type of working arrangements (e.g. private sector salaried, self-employed, public servants) which are covered by the scheme and are thus generally required by law to contribute. The second aspect then explores the conditions (generally linked to labour market trajectory) which determine, among those who are legally covered, their entitlement to benefits once unemployed (Section 4.2).

### 4.1 Legal coverage

In order to provide an adequate level of protection, UI schemes need to consider workers who confront a different risk of unemployment. Yet, a scheme which solely protects workers with a high risk of unemployment would either be unsustainable or would require extremely high contributions (ILO, 2013). On the contrary, a scheme which considers only workers with low unemployment risk would fail to protect the most vulnerable groups. Therefore, and as with other forms of insurance, the achievement of both financial sustainability and adequate coverage requires the capacity to pool the risk of unemployment across a sufficiently wide group of workers (Boeri and van Ours, 2009). The category of workers who are actually included in UI schemes does nevertheless vary across countries. The main conditions we consider are: (i) the inclusion of public sector workers, (ii) the coverage of self-employed, and (iii) the requirements of either social security contributions or employment records in order to qualify to unemployment benefits (Figure 4).<sup>15</sup> These conditions are extremely important also because they might affect the behaviour of the individual both while being in the job (i.e. the cost of unemployment will depend on the possibility to receive the benefit) and while being in unemployment (e.g. targeted job-search).

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<sup>15</sup> Other categories that will not be discussed in the present section include part-time and migrant workers.

Starting with the inclusion of public sector workers within UI schemes, their eligibility is debated in many countries. The issue is particularly sensitive in some emerging and developing economies, which are characterised by extremely high shares of public sector employment (often above 40 per cent of the total employed population, ILO Statistics) and where gaps in employment conditions between public and private sector workers might crowd-out private employment. At the same time, the inclusion of public sector workers within UI schemes might be particularly important for certain categories of civil servants (e.g. hired on temporary contracts) and the ILO Convention No. 168 advocates for the inclusion of public sector workers in UI schemes. The analysis shows that in the majority of advanced and emerging economies, public sector workers are included in UI. In particular, ten out of 15 advanced economies (66.7 per cent of the countries) and 12 out of 17 emerging economies (70.6 per cent of the countries) with available information extend the coverage of UI benefits to public sector workers (Figure 4). Some countries such as the Republic of Korea have mixed systems, providing to public sector workers access to a special UI scheme (i.e. not the same available to private sector workers).

Turning to self-employed workers, the debate concerning their inclusion in UI schemes relates to the understanding of the nature of their employment relation. On one extreme, they might be conceived in a similar way as employers and therefore deemed not in need of unemployment protection in case of termination of activities (Ejmaes and Hochguertel, 2008). At the same time, a large and growing segment of the self-employed population works in practice under quasi-dependent employment relations and relies on one (or few) employers for the receipt of (most of the) income (Behrendt and Nguyen, 2018). In this sense, the exclusion of self-employed workers from UI schemes would further aggravate their working conditions and generate even stronger incentives for employers to rely on bogus self-employment to conduct activities which would normally require the hiring of a dependent employee. Of course, the inclusion of self-employed workers in UI schemes raises questions on how to finance their participation. Even in this case, the need for unemployment protection is particularly high in emerging economies where a large share of the population works under informal work arrangements (including self-employment status) due to limited job opportunities in the formal sector.

Looking at the data, the analysis finds that self-employed workers have very limited UI coverage among the examined countries – and in most cases where they are covered, their UI schemes are based on voluntary affiliations.<sup>16</sup> Among advanced economies, only Finland provides UI coverage to self-employed workers while Spain, Germany, Denmark and Austria adopt a voluntary coverage scheme and the Republic of Korea provides coverage only for certain categories of self-employed. The remaining nine advanced economies do not include self-employed in UI, with some minor exceptions as for Canada (which covers only self-employed fishermen). A similar picture is drawn in emerging economies, where only four countries (Belarus, Croatia, Kazakhstan and Serbia) out of 17 offer unconditional protection for the self-employed. Other five emerging economies (Albania, China, Colombia, Mongolia and Romania) instead provide coverage to self-employed on a voluntary basis, while the remaining eight countries have no UI for self-employed workers.

The final element discussed here consists of whether eligibility to UI depends on the previous length of (i) employment records, or rather (ii) social security contributions. While the latter aspect includes the former (i.e. if an individual makes job-related social security contributions, it means that an employment relationship is in place), the opposite is not necessarily the case (i.e. working but not making social security contributions). The issue is particularly important for informal workers, since they might

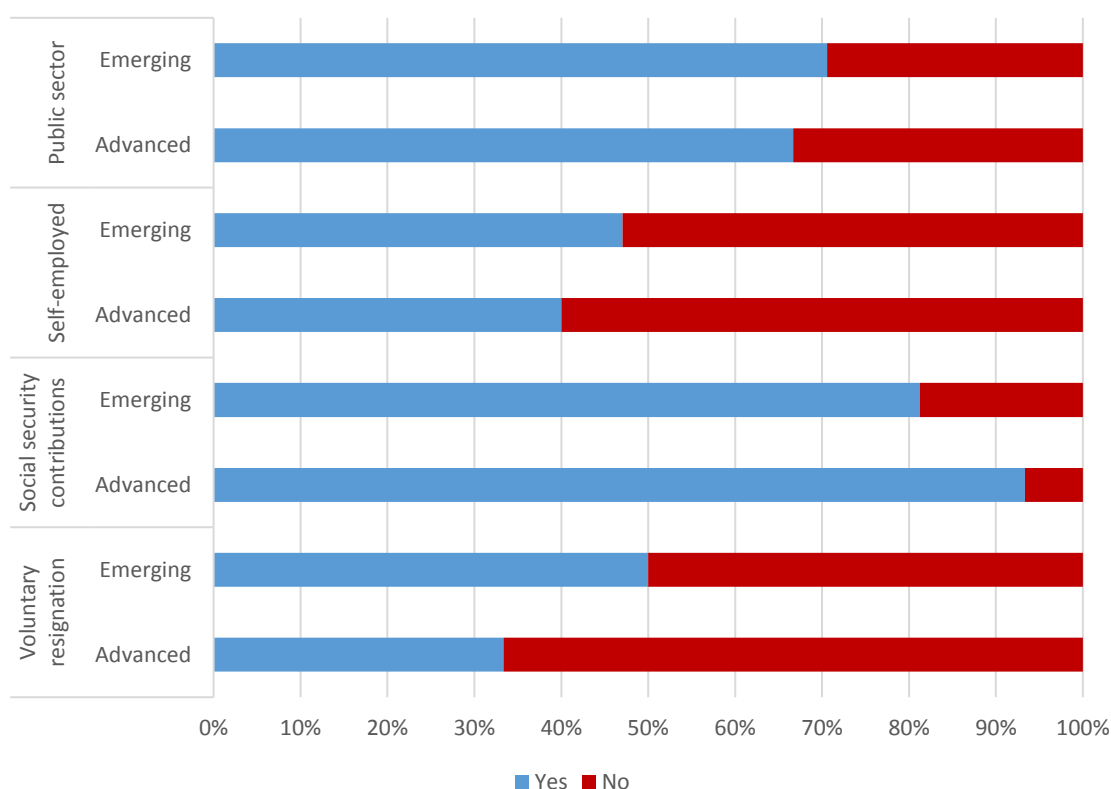
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<sup>16</sup> In the cases in which self-employed workers can voluntarily participate in the unemployment insurance, these workers tend to have relatively higher contribution rates (e.g. Croatia, Serbia and Spain).

accumulate even long work experiences without necessarily making social security contributions. In this sense, tightening UI eligibility to the previous length of social security contributions would limit participation almost exclusively to formal workers. Linking participation simply to employment records on the other hand would challenge the financial sustainability of the scheme (i.e. many participants might have not contributed to UI). The trade-off is particularly important in emerging economies, given the large share of the informal sector as well as constraints on public finances.

The analysis reveals that the wide majority of UI schemes demand social security contributions in order to qualify for unemployment benefits. In particular, out of 14 advanced economies only Finland allows participation also based on previous employment records (social security contributions are demanded only to employers). Despite the greater importance of informal employment, the situation is similar in the emerging economies with available information. In particular, only three countries out of 16 allow participation in UI schemes based simply on employment records (Belarus, Croatia and Mauritius).<sup>17</sup> Additionally, even when participation is theoretically open also to informal workers, in practice administrative requirements and the presence of other qualifying conditions (generally conceived for formal workers) limit their participation (Liepmann and Pignatti, 2019).

**Figure 4: Share of countries allowing particular categories of workers to join UI schemes, by development status**



**Note:** The figure reports the share of countries (by development status) allowing access to UI schemes to (i) public sector workers, (ii) self-employed, (iii) based on social security contributions (rather than employment records and (iv) in case of voluntary resignation. See Table 2 in the Appendix for full country details.

**Source:** Authors' calculations based on most recent available information (ISSA, 2019).

<sup>17</sup> For the analysis, these programmes are still included within UI schemes (rather than unemployment assistance), as they resemble classical contributory interventions.

## 4.2 Qualifying conditions

After having analysed the legal coverage of UI schemes, the second aspect to consider is the conditions that determine which workers – among those legally covered – are actually entitled to join UI schemes. While different qualifying conditions are in place, the main ones relate to (i) the length of the previous employment spell, and (ii) the reasons for termination of employment that give eligibility to unemployment benefits. The analysis of these eligibility criteria is important to have a comprehensive understanding of the functioning of a UI system. In particular, softer entitlement conditions risk creating disincentive effects on labour market participation since the employed person could quickly gain access to UI. At the same time, excessively stringent conditions risk limiting access to UI schemes to specific groups of workers (e.g. with long tenure) while leaving aside those who are in the greatest need of support. While analysing these conditions, it is important to bear in mind that other forms of unemployment protection – such as unemployment assistance – might exist in the different countries and they might grant access to individuals that are excluded from UI. The issue is particularly important in advanced economies, as unemployment assistance often complements purely contributory schemes.

Starting from the first type of qualifying conditions, the length of the previous employment (or social security) spell strongly influences both the share of workers that will be eligible to UI (i.e. longer requirements will decrease the share of the eligible unemployed) as well as their characteristics (e.g. younger workers will be less likely to meet eligibility). Relatively long tenure requirements are meant to prevent moral hazard (e.g. leaving a job as soon as entitlement to UI is reached) while at the same time guaranteeing the fiscal sustainability of the scheme. At the same time, excessively long requirements might prevent participation in UI schemes to those categories of workers that are more in need of assistance (e.g. individuals with intermittent employment patterns). In this sense, a balance must be found in order to achieve adequate UI coverage without generating disincentive effects.

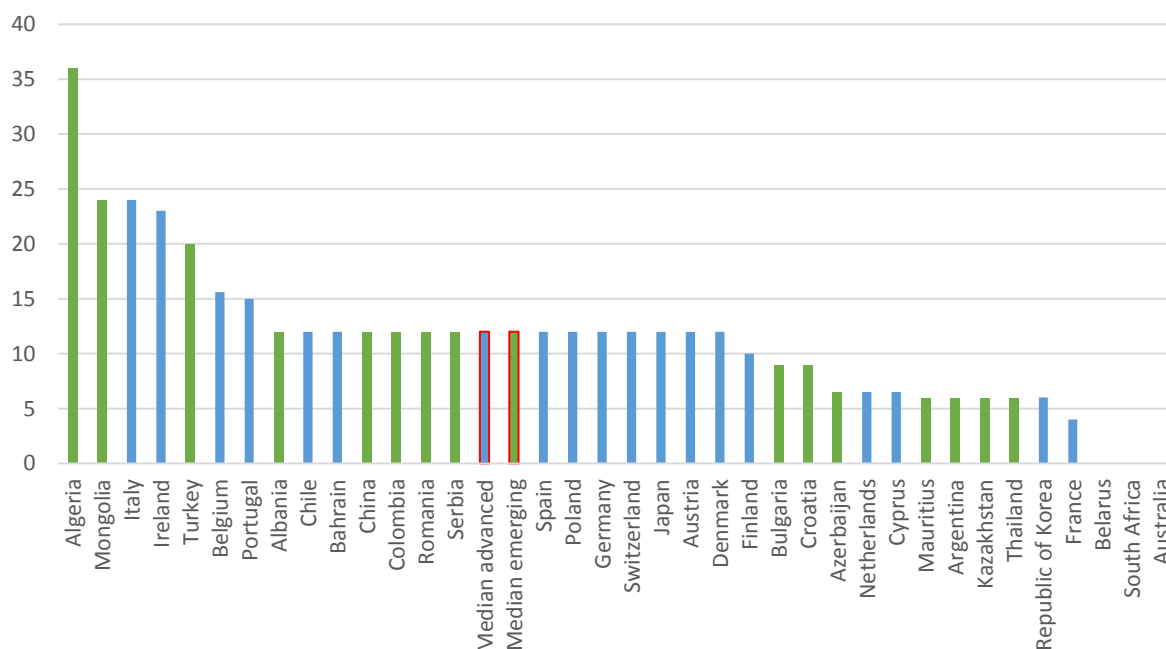
Looking at the data, it appears that an important number of both advanced and emerging economies requires a minimum of 12 months of employment to qualify to UI – and this value also represents the median for the two groups of countries (Figure 5). Some advanced economies (i.e. Belgium, Italy, Ireland, Portugal) as well as some emerging ones (i.e. Algeria, Mongolia, Turkey) report substantially higher tenure requirements – ranging between one and three years. At the same time, few countries (i.e. Australia, Belarus and South Africa) do not present any tenure requirement (i.e. unemployed who are legally covered can enter UI schemes upon job loss, independently from the tenure in the previous job) and some other advanced and emerging economies present requirements around six months of tenure. Overall, no clear differences emerge between advanced and emerging economies in terms of tenure requirements and most countries are concentrated around similar values.

The second aspect to be considered concerns the inclusion within UI schemes of individuals that voluntarily quit their job (ILO, 2019a). Their participation in UI schemes might create perverse effects, as people might leave their job simply to take advantage of the presence of the benefit. If this possibility is coupled with relatively generous benefits and relatively short tenures to qualify for the receipt of unemployment benefits, there is a risk that individuals in the labour market continuously move in and out of unemployment. At the same time, excluding individuals that quit their job from UI schemes also has disadvantages for both equity and efficiency considerations. First, unemployed individuals might need income support during the period of joblessness independently from the reason of termination of employment – since they are anyway jobless and looking for a new job. Additionally, depriving this group from the possibility of receiving assistance might reduce labour market dynamism and

reallocation with potential negative effects on productivity (Boeri and van Ours, 2009). Finally, even within voluntary resignations there exists a large variety of causes whose exclusion might give rise to disparities of treatment (e.g. discrimination against women resigning for childcare responsibilities).

Looking at the data, it emerges that in the majority of the countries with available information, workers losing their jobs due to voluntary resignation are not eligible to join UI schemes. However, some notable differences emerge between advanced and emerging economies (Figure 4 above). Among advanced economies, only five out of 15 (or 33.3 per cent of the countries) allow access to UI schemes in cases of voluntary resignation, including the particular case of Austria which applies a four week waiting period before starting to issue the payments for this category of unemployed. The situation for people who quit their job is relatively better in emerging economies, where they can join UI schemes in eight out of the 16 countries with available information (50 per cent of the countries). Among these countries, Bulgaria caps the duration of unemployment benefits to a maximum of four months for people who left their job (ILO, 2017). In other cases, such as Chile, voluntary resignation is accepted only when employment benefits are derived from the individuals' saving account (but not from the solidarity fund).

**Figure 5: Length of minimum job tenure to join UI schemes, in months**



**Note:** Blue columns refer to selected advanced economies and green columns refer to emerging economies. This job tenure requirement is computed irrespective of whether eligibility in UI schemes is based on previous social security contributions or simply on employment records.  
**Source:** Authors' calculations based on most recent available information (ISSA, 2019).

## 5. Unemployment benefits

After having analysed the conditions that determine eligibility, we look at the services provided to actual participants in the form of income support (this section) and active interventions (the following section). The income support component of UI schemes is a key element that affects UI participants as well as their job-search incentives. The main characteristics of unemployment benefits are associated with the benefit level (i.e. generally expressed as a share of the previous wage income) (Section 5.1) and the maximum length of receipt of the benefit (Section 5.2). Even in this case, a trade-off exists when establishing a given benefit level. In particular, empirical evidence has generally found that the

generosity of UI increases unemployment duration in both advanced and emerging economies (Amarante et al., 2013; Gerard and Gonzaga, 2018; Landais, 2015; Liepmann and Pignatti, forthcoming).<sup>18</sup> At the same time, relatively generous benefits allow unemployed individuals (and their households) to maintain decent living standards and they might also have positive labour market effects by preventing that individuals accept the first available job independently from its quality (Boeri and van Ours, 2009; OECD, 2006).

## 5.1 Benefit levels

Starting with the generosity of unemployment benefits, a first point is to compare internationally the average replacement rate (i.e. the benefit measured as a share of previous income).<sup>19</sup> In general, benefits are calculated as a percentage of the average last three (or six) monthly earnings. It is a common feature of unemployment benefits to decrease with time, hence the highest replacement rates are the ones observed at the beginning of the unemployment spell. The initial replacement rate is extremely heterogeneous across countries (Figure 6), going from roughly 30 per cent of the previous monthly wage in Kazakhstan and Poland, to 90 per cent in Mauritius and Israel. Emerging economies tend to have a slightly higher initial replacement rate (with the median across countries being equal to 70 per cent of the previous income) compared to advanced economies (where the median initial replacement rate is equal to 61 per cent of the previous income). However, this difference is reversed once we look at replacement rates after longer periods in unemployment. Indeed, the median value of replacement rates after one year in unemployment in emerging economies falls to 35 per cent, while in advanced economies it remains as high as 51 per cent. The same pattern emerges when analysing longer time frames, as the median replacement rate after five years in unemployment is equal to 17.5 per cent of the previous wage in emerging economies and 23 per cent in advanced economies.<sup>20</sup>

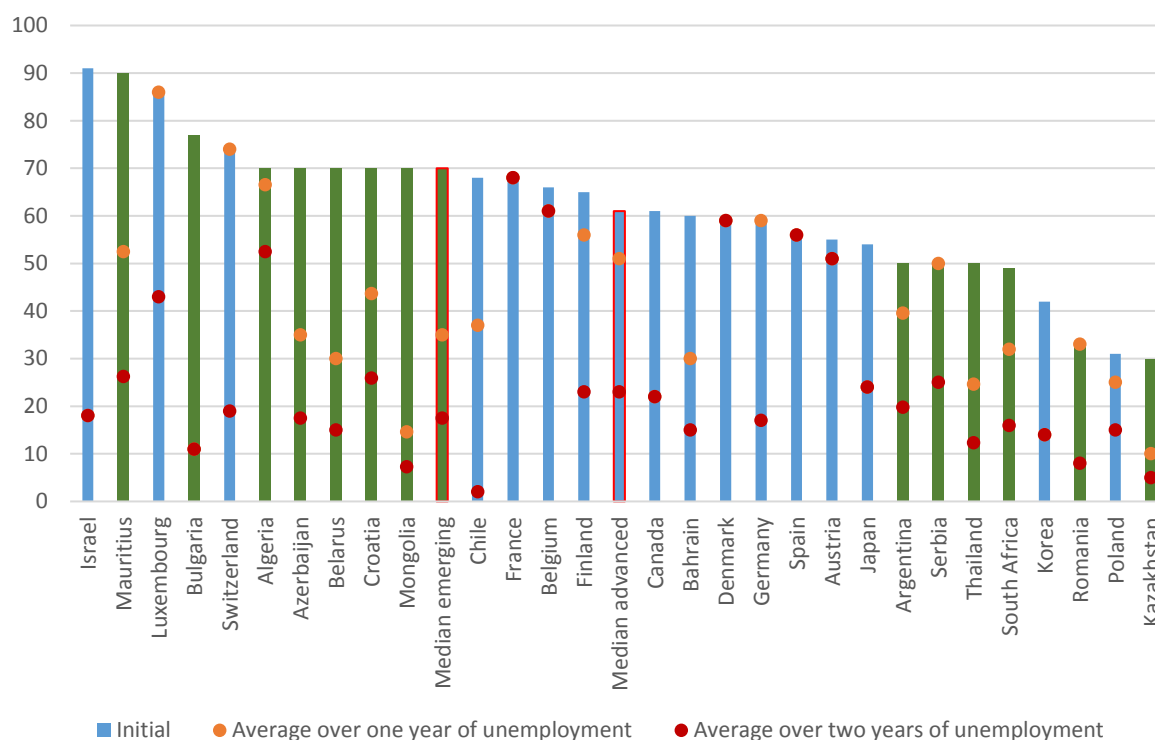
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<sup>18</sup> However, some studies did not find any (or limited) evidence of an increase in the duration of unemployment spells as a result of more generous benefits (Arranz and Muro, 2004; Atkinson and Micklewright, 1991).

<sup>19</sup> Unemployment benefits in many OECD countries are calculated based on certain characteristics of the unemployed, such as (i) marital status, (ii) number of children and (iii) income distribution. Thus, the indicators presented for OECD countries in this section correspond to the average benefit received across different characteristics. On the other hand, in most emerging economies benefits are determined as a fixed percentage of previous income, independent of demographic or income characteristics. For these reasons, replacement rates are not directly comparable across groups of countries.

<sup>20</sup> In many countries, the maximum unemployment benefit duration is less than five years. In these cases, the replacement rate is set to zero after benefit exhaustion.



**Figure 6: Average replacement rates (as a share of previous income)**

**Note:** Data refers to 2015 for OECD countries and most recent information for other countries. Blue columns refer to selected advanced economies and green columns refer to emerging economies. Replacement rates for OECD countries consider also cash incomes as well as income taxes and mandatory social security contributions paid by employees; while values for non-OECD countries do not take them into account. For this reason, replacement rates are not directly comparable across countries.

**Source:** OECD Database for OECD countries and authors' calculations for non-OECD member states.

While the average replacement rate represents a key determinant of overall benefits generosity, other elements also matter. In particular, most countries present upper and lower bounds to benefit levels which take priority with respect to the replacement rate (i.e. if the unemployment benefit computed as a share of the previous income falls above (below) the upper (lower) bound, the benefit will be equal to the bound). Upper bounds avoid unnecessarily generous disbursements to individuals who already have an advantaged position in the labour market and in this way also favour income redistribution across participants. Similarly, lower bounds are meant to provide a social protection floor that allows individuals to maintain a basic level of consumption and to avoid that incomes fall below a certain threshold (Robalino, 2014). These lower bounds are anyway extremely heterogeneous across countries. In Mauritius, they fall below the poverty line (around one third of the minimum wage in the country), in Brazil they correspond to the minimum wage and in China, they are determined regionally and generally fall between the minimum wage and the minimum living allowance.

Finally, it is important to analyse the extent to which unemployment benefit schemes aim at redistributing resources to the most vulnerable groups in the labour market. In particular, a large segment of the population is already at risk of poverty while in employment. When they become unemployed, earning only a fraction of the previous salary substantially challenges their capacity to maintain adequate living standards. For this reason, most well-developed systems of UI adopt differential replacement rates that guarantee (relatively) higher transfers to those individuals that enter unemployment with an initially lower income. For instance, the median replacement rate in advanced economies is equal to 58.5 per cent of the previous wage for an individual with an average income (i.e. whose income is 100 per cent of the average income); while it increases to 67.7 per cent for an individual

with an initial income equal to 67 per cent of the average and it decreases to 46.3 per cent for an individual with an initial income equal to 150 per cent of the average. This redistributive scale is even more pronounced in some countries (e.g. Belgium, Denmark, Spain and Sweden) while only a few advanced economies (i.e. Chile, France and Switzerland) do not differentiate replacement rates by previous income level. In contrast, almost all emerging economies (except South Africa) present a unique replacement rate independently from the previous wage levels.

## 5.2 Benefit duration

The second aspect worth considering is the maximum duration of unemployment benefits. The optimal duration depends on many factors that influence the unemployment spell at the individual level (e.g. experience, job-search abilities) as well as the macroeconomic level (e.g. state of the labour market, skills' mismatch). In any case, the duration should be set in a way to provide adequate protection during periods of involuntary unemployment and it should be benchmarked against the generosity of the benefits.<sup>21</sup> For this reason, maximum unemployment durations are generally computed at an equivalent rate.<sup>22</sup> Plotting this indicator reveals that maximum duration varies greatly across countries, ranging from 1.2 months in Kazakhstan to indefinite maximum duration in Belgium (Figure 7). Comparing countries by income level, the data reveals that emerging economies have slightly shorter unemployment benefit durations at an equivalent rate compared to advanced economies – the median values are equal to 6.8 and 5.4 months, respectively. Of course, the duration of unemployment benefits should be judged against the time needed to job seekers to find a new job. In this sense, we see that countries where unemployment duration tends to be longer also have longer maximum durations of unemployment benefits.<sup>23</sup> This tends to be the case in advanced economies (e.g. Belgium, France, Spain and Poland report both long unemployment durations and high shares of long-term unemployment) and also to a certain extent in emerging economies (e.g. Albania, Serbia and South Africa also present relatively long unemployment benefits and high shares of long-term unemployment).<sup>24</sup>

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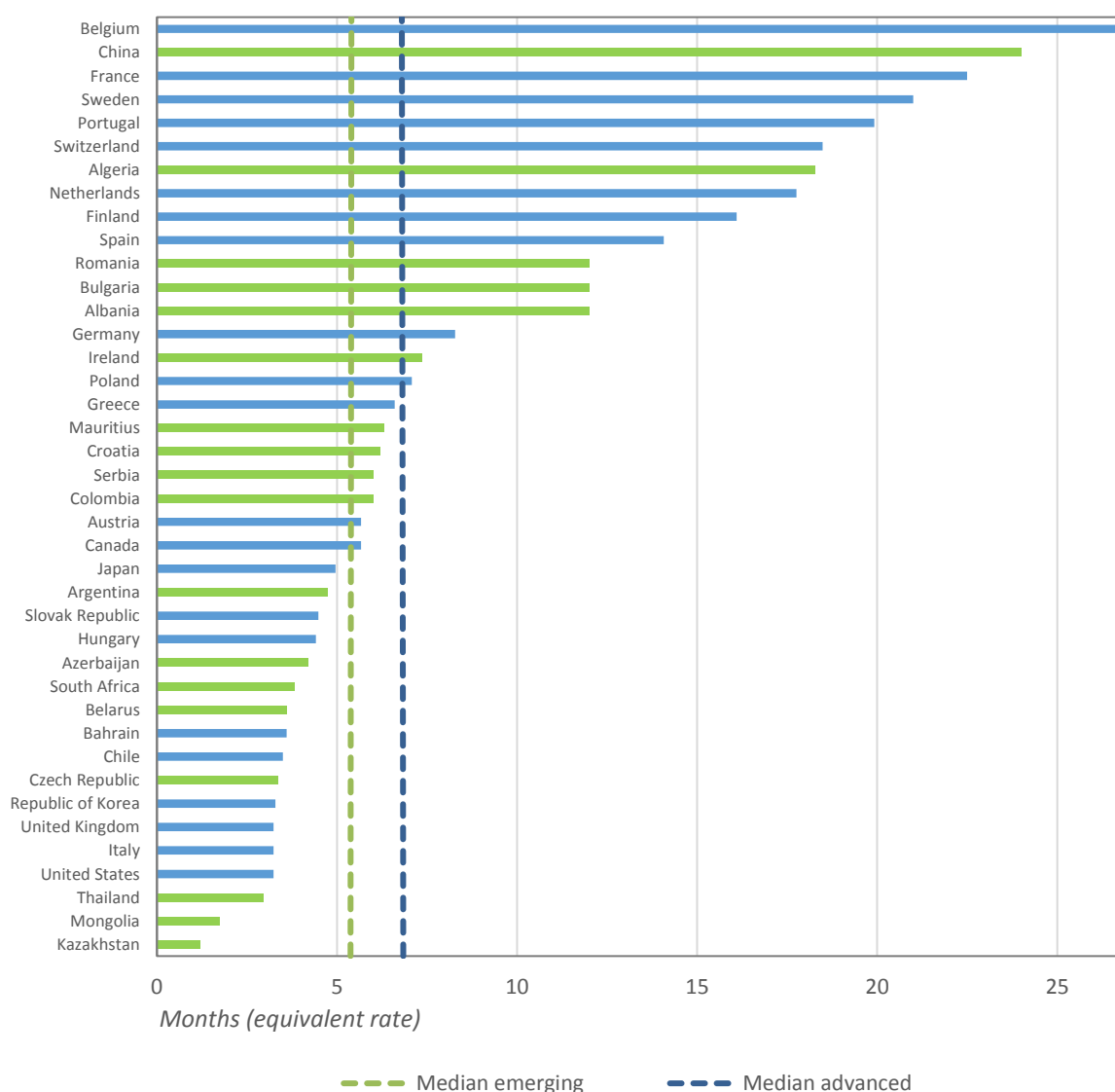
<sup>21</sup> Social security standards advocate for a level of benefit that reaches at least 50 per cent of previous earnings, for a duration of at least 26 weeks (i.e. 6 months) or 39 weeks (i.e. 9 months) over a period of more than 24 months (Convention No. 168).

<sup>22</sup> This is equal to the number of monthly wages that the unemployed individual is entitled to receive in the form of unemployment benefits. For instance, a 50 per cent replacement rate for a maximum duration of one year translates into 6 months of duration of unemployment benefits at an equivalent rate.

<sup>23</sup> Of course, the relationship between unemployment duration and maximum duration of unemployment benefits might be simultaneous. See above for a review of studies looking at the effect of benefit generosity on unemployment duration.

<sup>24</sup> It is important to keep in mind that many countries (especially among advanced economies) complement contributory UI schemes with non-contributory unemployment assistance that is often financed entirely through general taxes and tends to be means-tested. These non-contributory schemes aim to provide a minimum income security to unemployed individuals who have exhausted their insurance benefits.



**Figure 7: Maximum duration of unemployment benefits at an equivalent rate**

**Note:** The figure plots the maximum duration of the unemployment benefits at an equivalent rate. This indicator equals to the number of months for which the benefit is received, computed at the initial wage rate. Blue columns refer to selected advanced economies and green columns refer to emerging economies.

**Source:** Authors' calculations based on most recent available information. See Table 2 in the Appendix for details and references.

## 6. Activation strategy

In the last section, we provide evidence on the extent to which the integration of ALMPs is a pivotal element in the design of UI schemes in advanced and emerging economies. We first review the policy configurations of ALMPs embedded within UI schemes (Section 6.1) and we then look at the monitoring systems that are in place and the sanctions that apply in case of job refusal (Section 6.2). Most countries require recipients of unemployment benefits to register in the public employment office (PES) providing access to a variety of labour market services. In addition, countries tend to ask UI participants to be available for work and actively looking for a job. However, the details of the services provided and the requirements placed on beneficiaries differ. Similarly, almost all countries put in place monitoring systems to check the job-search of UI participants and impose sanctions in case of job refusal. However, this monitoring and sanctioning function requires strong administrative capacity

(especially when there is a large informal sector) and countries differ on the extent to which they are capable of enforcing the relevant legislation.

## 6.1 Policy configurations of active measures

The integration of ALMPs within UI schemes aims to answer two objectives: it looks to condition the rights of UI participants and at the same time promote employability (Dingeldey, 2007). This section aims to identify the different type of active interventions that UI participants can access in both advanced and emerging economies by exploring cases where ALMPs are considered to be an integral component of the UI scheme by statute. In these cases, UI recipients are generally required to participate in active measures during the unemployment spell (i.e. the receipt of the unemployment benefit is conditional on participation in an active intervention).<sup>25</sup> Requirements for participation in ALMPs might vary in intensity and can be classified as (i) simple registration to the PES; where individuals are only asked to register to the PES and can access the related services, (ii) PES plus training; which refers to the requirement to register to the PES while also promoting participation in vocational training and skills development; (iii) PES plus other ALMPs; which describes registration to the PES plus access to other type of ALMPs (e.g. public works and employment subsidies); (iv) Able and willing to work; which refers to a situation in which there is no specific mention of an active intervention but the requirement to be able and willing to work; and (v) No ALMP; which describes schemes with no mention of any employment-related requirements or services.

The analysis reveals that the integration of active components within UI schemes is common across both advanced and emerging economies.<sup>26</sup> Only two countries (both emerging economies: Bulgaria and Kazakhstan) of the total 48 analysed, have no explicit job-search requirement – option (v) above.<sup>27</sup> In other two countries (both advanced economies: Canada and Switzerland) the legislation establishes an explicit requirement to be able and willing to work but without mentioning the need to register with the PES or to participate in an active intervention – option (iv) above (Figure 8). This means that in the vast majority of both advanced and emerging economies analysed, UI participants need to register with the PES. The PES offices allow to link the provision of income support to programmes that promote an effective job-search, acting as a first step to access a wide range of labour market services. For instance, in Croatia a benefit recipient must be capable and available to work and needs to register within 30 days from job loss at the Employment Information Centre. Similarly, in Belarus a UI participant needs to register at the state employment office and be able and willing to work. The predominant role of the PES within UI schemes also highlights the priority given to immediate re-employment. This configuration answers to the idea that unemployed individuals tend to face increasing difficulties to find employment as the length of the unemployment spell expands (Ghayad, 2013).

In some countries, registration in the PES represents the only requirement for UI participants (option (i) above, which appears in 13 advanced and three emerging economies). In many other cases,

<sup>25</sup> The combination of ALMPs and UI in developing and emerging economies can be connected to the wider policy goal of creating a “social floor” for disadvantaged groups (Malo, 2018). These measures aim at linking income support to “promotion” functions (in this case ALMPs), which require individuals to actively participate in programs with the goal of improving their opportunities and, in this case, employability.

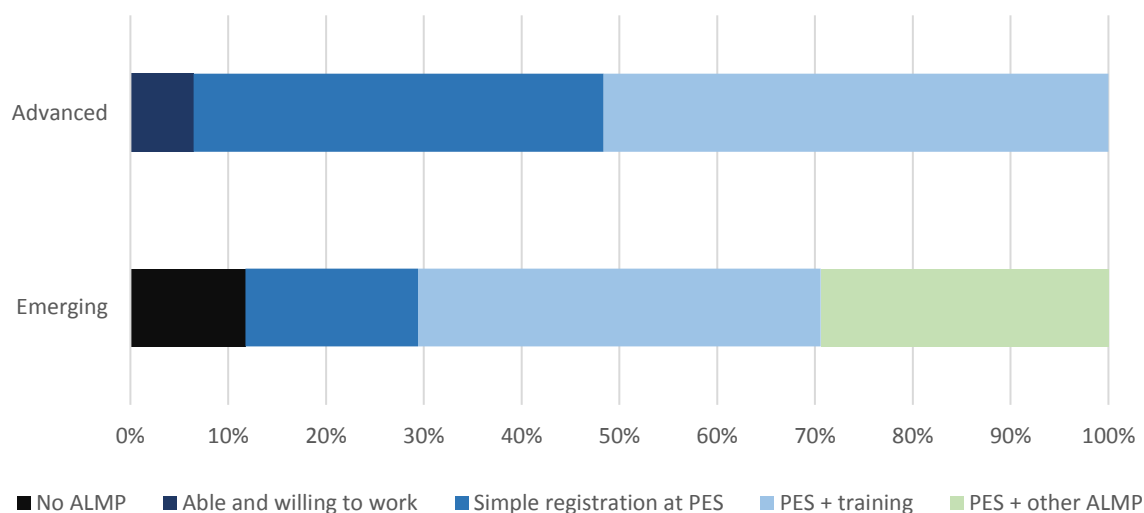
<sup>26</sup> It is important to note that for the provision of ALMPs, governments are increasingly relying on private or semi-private providers to complement the work conducted by public agencies.

<sup>27</sup> In this part of the analysis, the pool of advanced economies considered is larger (31 countries) than in the rest of the paper.

registration in the PES is instead only the first step and it is complemented with other types of ALMPs (options (ii) and (iii) above). This is the case in 16 out of 31 advanced economies and 12 out of 17 emerging economies. Referral to more substantive ALMPs (e.g. training or start-up support) is anyway generally restricted to specific groups of unemployed which are hard-to-employ and remain registered for longer in UI schemes. In particular, the activation strategy of UI recipients tends to proceed in the following order: (i) a screening and profiling phase by the caseworker at the PES, which allows to identify the job seekers' needs and ambitions, (ii) the provision of labour market services by the PES to promote a rapid re-insertion in the labour market (e.g. support for CV writing, participation in job fairs), and (iii) access to other active interventions such as training and start-up support for jobs seekers that face more stringent constraints to re-employment.

In the majority of the cases which go beyond simple PES registration, this additional active intervention is represented by training – option (ii) above. This is the case in 16 advanced economies and seven emerging economies. Training is generally seen as the most effective type of ALMP to improve individuals' employability (Card et al., 2018; Escudero et al., 2018). In some countries, participation in these interventions is required for receiving UI. In Colombia for example, an individual must be actively seeking employment, be available to receive training, and accept job interviews and job offers, in agreement with the PES. In Australia, only unemployed youth are required to participate full-time in an approved education or training programme. A similar requirement is observed among unemployed less than 25 years old in Finland. In other cases, such as Mongolia, based on a previous assessment of the job seeker's profile, UI recipients that are entitled to participate in vocational training or skills development are provided with a monetary incentive to participate even after UI benefits are exhausted. Finally, in the few remaining countries the additional active intervention is another form of ALMPs (i.e. different from training) – option (iii) above. This group is composed entirely of emerging economies (five countries out of 17), where ALMPs often have multi-faceted objectives and aim to fill gaps in the provision of public services (ILO, 2016). These other ALMPs consist in either start-up support (Argentina and Serbia), monetary incentives for participation in public works (Belarus and Algeria) or employment incentives to hire hard to employ UI recipients (Romania).

**Figure 8: Mandatory ALMPs included in UI schemes, shares of countries by development status**



**Note:** The figure plots the share of countries (by income group) presenting different types of activation requirements as part of UI schemes. A total of 48 countries were considered for the analysis: 17 emerging and 31 advanced economies. ALMPs are elicited whenever they are an integral component of the UI scheme, especially when they fall under “qualifying conditions.” It is possible that this analysis underestimates the integration of policies, as it mostly considers ALMPs of mandatory nature for UI recipients. Cases in which participation in ALMPs is voluntary or is targeted to a specific group of UI recipients are not included.

**Source:** Authors' calculations based on most recent available information (ISSA, 2019).

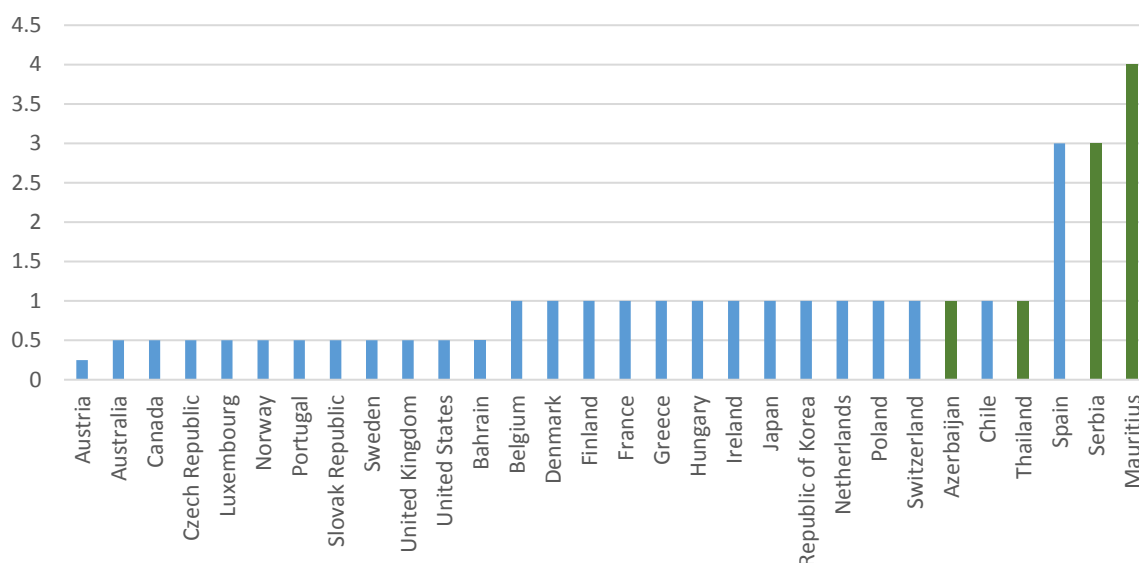
## 6.1 Monitoring and sanctions

While the presence of formal requirements for job-search and ALMPs participation determines the legal conditions for benefits entitlement, in practice the strictness of these requirements depends on how effectively they are enforced. Such functions have to be well-calibrated in order to push the unemployed into employment, but without forcing them to take lower-quality jobs (Marinescu, 2017). The obligation to report to the public employment centres represents one of the most common ways to monitor job-search across countries (ILO, 2013).<sup>28</sup> On this topic, evidence from behavioural economics suggests that unemployed tend to procrastinate and underinvest in their job-search efforts (Babcock et al., 2012). Meetings with the caseworker can thus be important to counteract these disincentive effects and high-intensity support has been shown to lead to more rapid re-employment (Crepon et al., 2005; Martins and Pessoa e Costa, 2014). Similarly, a low client-staff ratio results in more personalised services and reduced unemployment spells (Hofmann et al., 2012). Similarly, close contacts between the caseworkers in the public employment services and local firms increase employment by facilitating the referral to suitable vacancies (Behncke et al., 2008).

In this sense, it is useful to examine the length of intervals for compulsory visits to the public employment services (Figure 9). The purpose of these visits differs across countries (together with the sanctions in place in case of missing the visit), but they are generally meant to (i) control job-search activity, and/or (ii) provide advice on how to look for a job (eventually re-directing the job seeker to other more substantive forms of activation, as mentioned above). Looking at the data, it emerges that in half of the countries with available information (15 out of 30 advanced and emerging economies) there exists an obligation to report to the employment services once every month. In an additional 11 countries (all advanced economies), this obligation occurs every two weeks and in Austria job seekers need to report every week. Information for emerging economies was available only for few countries. However, the pattern that emerges is that compulsory visits to the PES are less frequent in emerging economies – the reporting requirement can reach three months in Serbia and four months in Mauritius. Less frequent visits can be motivated by the high administrative capacity needed to regularly monitor job-search and provide adequate labour market services (ILO, 2018; Mazza, 2002). Many emerging economies (where PES are often under-staffed) might simply lack the financial and administrative capacities to conduct these types of controls on a more frequent basis.

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<sup>28</sup> In addition to the regular visits to the employment offices, the job-search activity can be checked by other means, with advanced economies differing substantially along this dimension (Venn, 2012). For instance, some countries allow for job-search activity to be checked on request (i.e. Germany, Ireland, Canada, Finland, Norway and Denmark) while other countries require job-search activity to be proven only when an individual is referred to a specific vacancy by the PES (e.g. Belgium, Bulgaria, Turkey and Spain). Several countries (i.e. Greece, Poland, Italy, and Sweden) however have weaker enforcement systems with no checks on job-search activities.

**Figure 9: Length of intervals for compulsory visits to the employment centres (months)**

**Source:** ILO (2013), ISSA (2019) and SSA USA (2018).

**Note:** Blue columns refer to selected advanced economies and green columns refer to emerging economies. Data refers to 2007 for OECD countries (with the exception of Chile) and to the current law for emerging economies and Chile. Germany, Italy, New Zealand and Turkey do not have regular declaration requirements.

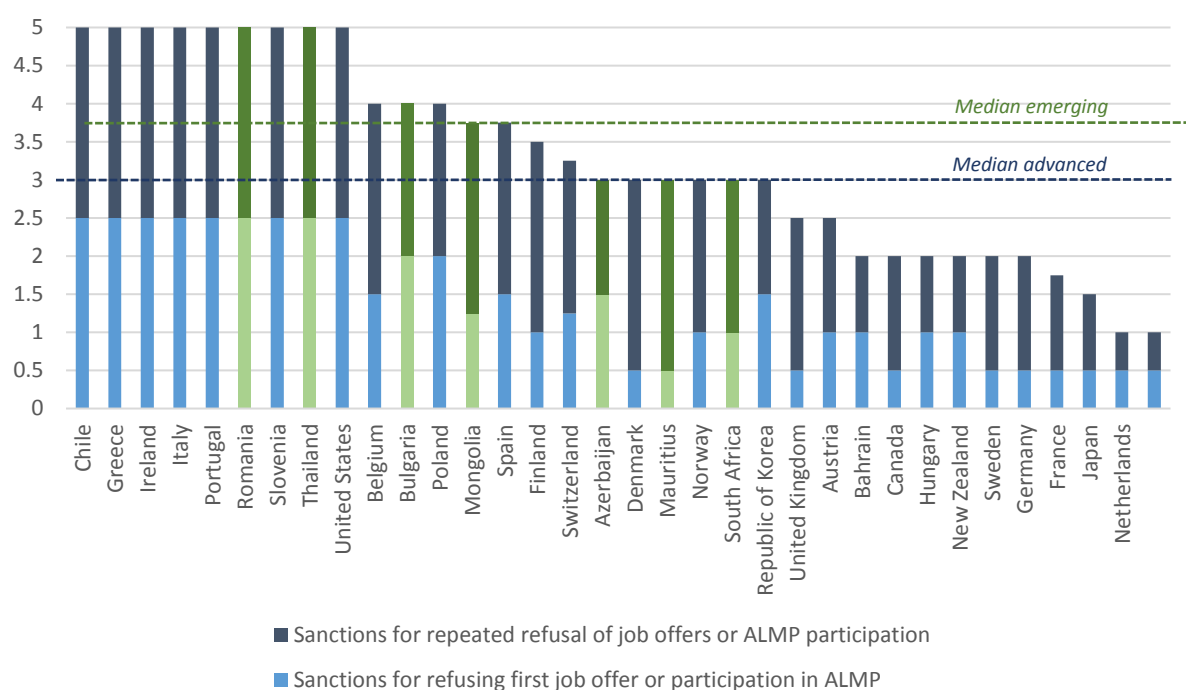
The final dimension to be considered is the sanction imposed to the job seeker in case of refusal of one (or more) suitable job offers. Indeed, the presence of some types of sanctions (e.g. temporary reduction in unemployment benefits) can increase the incentive of the job seeker to accept an offer. This is particularly true if the unemployment systems are relatively generous (i.e. in terms of benefit levels or duration). Of course, even stronger sanctions (e.g. suspension of unemployment benefits upon job refusal) might further disincentivise job seekers to turn down a job offer. However, too strong sanctions might be counterproductive and risk to undermine social protection entitlements guaranteed under international labour standards (ILO, 2019a). This has also been found empirically, with evidence showing how strong monitoring and sanctions could lead to undesired employment outcomes. In particular, strict requirements can lead to a reduction of job quality, as the unemployed will not be able to refuse jobs of low quality, or (especially in developed economies) even a reduction in participation in the programme, which could push some beneficiaries out of work altogether (Marinescu, 2017). The negative effects of lower jobs quality can more than compensate the positive effects of shorter unemployment spells (Arni et al., 2013).

In this case, advanced and emerging economies have been classified according to the sanctions they impose to job seekers after the refusal of one or multiple offers of suitable jobs or participation in active policies.<sup>29</sup> Sanctions can go from a temporary reduction in benefit entitlement to the immediate suspension from eligibility. For this dimension, we follow an OECD methodology (Venn, 2012) and constructed the indicator for some additional emerging economies with available information. Figure 10 presents the ranking of advanced and emerging economies along this indicator that captures the

<sup>29</sup> The definition of suitable job (i.e. whose refusal determines a penalty in terms of benefit entitlement) also differs across countries, thus affecting the strictness of sanctions. Although the topic will not be covered in the analysis, differences in the definition of a suitable job span over the following dimensions: (i) the requirement to accept a job while enrolled in an ALMP, (ii) the possibility to refuse a job if this falls outside the job seeker's occupational area of expertise, (iii) the possibility to refuse a job if the offer is beyond some travel distance from the place of residence, and (iv) the presence of other valid reasons for job refusal.

strictness of sanctions (ranging from one to five, with higher values associates with stricter sanctions). The figure shows how the most restrictive systems (e.g. Chile, Greece, Italy and Thailand, among others) provide for the suspension of the unemployment benefit already from the first job/ALMP refusal. The suspension of the benefits occurs instead only after the second consecutive job/ALMP refusal in other countries (Belgium, Mongolia, Finland, Denmark and Mauritius). Finally, some countries impose only monetary sanctions (e.g. interruption of the benefit for a period that can range from one to 14 weeks) in case of first or repeated job/ALMP refusal (e.g. Germany, France, Japan and the Netherlands). Overall, emerging economies present relatively stricter sanctions than advanced economies, yet as discussed above, these countries also report lower monitoring capacities.<sup>30</sup>

**Figure 10: Indicator for the strictness of sanctions**



**Note:** Blue columns refer to selected advanced economies and green columns refer to emerging economies. The indicator captures the strictness of sanctions applied to unemployment benefit recipients upon refusal of one/multiple job offers or ALMP participation and is on a 1 (least strict) to 5 (strictest) basis. More specifically, for both sub-indicators (i.e. corresponding to the first or successive job or ALMP refusal) a score of 0.5 is given for sanctions of 0-4 weeks of benefit, of 1 for sanctions of 5-9 weeks, 1.5 for sanctions of 10-14 weeks, 2 for sanctions of more than 14 weeks and 2.5 in case the unemployment benefits are suspended. See Venn (2012) for details.

**Source:** Venn (2012) for OECD countries (with the exception of Chile) and authors' calculations based on most recent available information for non-OECD member states.

## 7. Conclusions

This paper has reviewed the main institutional and design characteristics of UI schemes in selected advanced and emerging economies in a comparative perspective. The analysis aimed at filling a gap in the academic and policy debate, which has been mostly focused on UI schemes in advanced economies

<sup>30</sup> This is in line with a more general concept in economic literature, according to which, in order to reach an appropriate level of deterrence, a balance has to be made between the severity of sanctions and the frequency of monitoring (Cooter and Ulen, 2016). In this sense, emerging economies compensate relatively low monitoring (which is costly, as seen above) with higher sanctions.



(e.g. main characteristics, possible policy trade-offs) and applied the main policy messages also to emerging economies. In this context, the paper aimed to conduct an analysis and contextualisation of UI schemes that takes into consideration the characteristics of labour markets in emerging economies. To this end, primary and secondary data sources have been used in order to construct summary indicators covering both the institutional framework within which UI operates (i.e. complementarity with EPL, financing mechanism) as well as the main characteristics of UI schemes (i.e. entitlement conditions, benefits provided, activation requirements).

The results point towards stark differences in the organization and implementation of UI schemes between advanced and emerging economies. In particular, emerging economies rely relatively more than advanced economies on EPL (and in particular on severance payments) to provide protection to workers against the risk of job loss. This is in line with the idea that severance payments represent a simpler version of UI schemes, requiring lower administrative capacities and virtually no public resources. As countries develop, they complement severance payments with more structured UI schemes (Ozkan, 2019). At the same time, it needs to be kept in mind that UI schemes and severance payments have very different implications in terms of both equity and efficiency considerations. Similarly, the financing of UI schemes differs quite markedly between emerging and advanced economies. While in most countries UI schemes are jointly financed (i.e. by workers, employers and the government), contribution rates tend to be lower and to rely more on employers (rather than workers) in emerging compared to advanced economies.

Turning to entitlement conditions, these do not differ substantially across countries despite structural differences in the composition of labour markets. In particular, certain groups in the labour market (such as informal workers and self-employed) are not allowed to join UI schemes in the majority of advanced and emerging economies. Given the large share of informal employment in emerging economies, this substantially restricts the pool of eligible individuals in these countries. At the same time, public sector workers are generally entitled to participate (in certain cases with some restrictions) while individuals that voluntarily quit their job are generally not allowed to enter UI schemes. When looking at the stringency of qualifying conditions that need to be met by legally covered individuals in order to actually participate in UI schemes, these are similar in advanced and emerging economies. In particular, most schemes require a minimum of 12 months in the previous job to enter UI. Differences in average job tenure across countries (i.e. lower values generally observed in emerging economies), might translate in practice into stricter conditions in emerging economies.

Turning to the characteristics of unemployment benefits, the level of the transfer (as a share of the previous income) is on average initially higher in emerging than advanced economies. However, benefit levels decrease more sharply with time in emerging economies and therefore advanced economies present more generous benefits for relatively long unemployment spells. Additionally, advanced economies generally include targeting rules (e.g. by individual or household characteristics) as well as redistributive instruments (i.e. relatively more generous benefits for relatively poorer participants) which are instead not in place in emerging economies. Looking at the maximum duration of unemployment benefits (adjusted for benefit generosity), we find that this is slightly higher in advanced than emerging economies. Overall, these results show how unemployment benefits are generally more generous and last for longer in advanced than emerging economies.

Finally, we look at the job-search and activation requirements embedded within UI schemes as well as the monitoring and sanctioning systems in place. We find that the vast majority of countries requires registration with the PES for benefit recipients. A large number of countries also complements PES registration with the requirement (for certain groups of workers) to participate in other ALMPs –

especially training. This strategy is meant to increase incentives for job-search while enhancing long-term employability and no substantial differences emerge between advanced and emerging economies on these dimensions. However, advanced economies have stricter reporting requirements (e.g. length of intervals for compulsory visits to the PES), which reflect the higher administrative capacities of PES in these countries. Emerging economies compensate lower monitoring capacities with stronger sanctions in case of job seeker's refusal of a job or ALMP offer.

The picture that emerges is that differences in design and implementation characteristics of UI schemes between advanced and emerging economies reflect structural labour market differences as well as differences in the capacity of the public administrations to administer and finance these interventions. As a result, UI schemes in emerging economies reach a lower share of the unemployed population and provide more limited support to participants. However, UI schemes can play an extremely important role in emerging economies from both an equity and efficiency perspective. In this sense, the development of well-functioning UI schemes should be seen as a pre-condition – rather than the natural consequence – of better labour market performances. A number of options are available to policymakers in order to implement or scale-up UI schemes (ILO, 2019a). In this respect, simply adopting policy solutions developed in advanced economies does not look like a sensitive approach for emerging economies. Rather, interventions should be implemented considering the specific needs of workers in these countries (e.g. large share of informal employment) and might require drastically different solutions (e.g. expanding UI coverage also to informal workers). If government capacities to administer and finance UI schemes are limited, reforms should be implemented gradually and cooperation with the private sector could be considered on certain dimensions (e.g. provision of ALMPs).



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## Appendix

**Table 1: Severance Payments across countries**

	Presence	Minimum length of tenure	Generosity	Qualifying conditions
<i>Selected advanced economies</i>				
<b>Austria</b>	Yes	3 years contributions ( cumulative even for >1 employers)	the employer pays pre-defined contributions (1.53 % of the monthly gross wages) to an employee income provision fund	Not a case of disciplinary dismissal
<b>Belgium</b>	Only for collective economic dismissals	(basic average net remuneration - unemployment benefits ) ÷ 2. Due for 4 months subject to exceptions.	-	None
<b>Canada</b>	Yes	1 year	greater of: - two days' wages for each completed year of service; - five days' wages	Not a case of disciplinary dismissal
<b>Chile</b>	yes	6 months	30 days of the last monthly remuneration earned, for each year of service; max 330 days	Not a case of disciplinary dismissal, force majeure or unforeseen event, mutual agreement, resignation or the death of the worker.
<b>Denmark</b>	yes	12 years	worked continuously in the same enterprise for 12 or 17 years, the employer shall pay a sum corresponding to, respectively, 1 or 3 months' salary.	not a blue collar job
<b>Finland</b>	Only for collective economic dismissals	5 years	free vocational coaching or training courses	At least 30 employees in the company
<b>France</b>	Yes	1 year	1/5 of monthly wages per year of service. For > 10 years of service, 2/15 of the monthly wages multiplied by the number of years of service beyond 10 years should be added.	None
<b>Germany</b>	yes	6 months	0.5 months' pay for each year of employment	Not a case of disciplinary dismissal not challenged the dismissal within 3 weeks following the notice of termination
<b>Japan</b>	No	No	No	No
<b>Netherlands</b>	Yes	2 years	1/6 of the monthly wage of the employee for each 6-month period plus 1/4 of the monthly wage for each 6-month period worked above 10 years can never be higher than 77,000 EUR, or one annual wage  if more than 25 employees, for those 50 or older and who have worked for the employer > 10 years: half their monthly wage for each 6 months of work	-
<b>Republic of Korea</b>	No	No	No	No
<b>Spain</b>	yes	1 year	20 days' wages per year of service with a maximum of 12 months' wages	Not a case of disciplinary dismissal

Switzerland	No	-	-	If a worker is at least 50 years old and has 20 or more or more years of service with the same employer is entitled to a long service payment this payment should amount to 2 months wages and shall not exceed 8 months
<b>Selected emerging economies</b>				
Algeria	Yes	2 years	15 days' wages per year of service In case of redundancy payment, 3 months wages independently on the years of work	1) if he/she is dismissed for reasons not connected with the commission of a serious misconduct and 2) if he/she has at least 2 years of service with the same employer.
Argentina	Only for economic dismissals	6 months	15 days of wage per year, and at least 15 days of wage	None
Azerbaijan	Yes	1 year	1 year of experience – an average monthly wage 1- 5 years of experience - at least 1.4 of the average monthly wage 5-10 years of experience – at least 1.7 of the average monthly wage More than 10 years of experience – at least 2 of the average monthly wage	Only workers dismissed for a. Liquidation of the enterprise; b. Staff cuts;
Bulgaria	Only for economic dismissals	Any	1 month	Dismissal not based on economic reasons: no statutory severance pay except: - upon termination of employment due to an illness for employee of at least 5 years of service: 2 months' gross remuneration; - upon termination after the employee has acquired the right to a pension : 2 months' pay or 6 months' pay for a job tenure of 10 years
China	Yes	Any	15 days of wage if worked <6 months one month if worked >6 months but <1 year one month's pay per year of service otherwise  severance pay is capped at the rate of three times the local average monthly wages and shall be for not more than 12 years of work.	None
Kazakhstan	Yes	Any	1 month  In case of decrease in the volume of production, performed work and services provided by the enterprise, the pay is the average wage for two months.	None
Mongolia	Yes	Any	1 month	not a case of disciplinary dismissal
Romania	No	No	No	No
Serbia	Only for economic dismissals	1 year	1/3 of the monthly salary for each full year of service for the first ten years and 1/4 of the salary for each full year of service after 10 years of employment.	None
South Africa	Only for economic dismissals	1 year	one week's remuneration for each completed year of continuous service with that employer	employee who unreasonably refuses an offer of alternative employment loses his/her right to statutory redundancy pay

<b>Thailand</b>	Yes	120 days	<p>120 days but less than 1 year: 30 days' wages  1 year but less than 3 years: 90 days' wages  3 years but less than 6 years: 180 days' wages  6 years but less than 10 years: 240 days' wages  more than 10 years: 300 days' wages</p> <p>In case of redundancy payment, for employees with at least 6 years of continuous service additional 15 days' wages for every year of employment, with a maximum of 360 days' wages</p>	not a case of disciplinary dismissal
<b>Turkey</b>	Yes	1 year	30 days' wages for each complete year of service	malicious, immoral or dishonourable conduct or other similar behaviour;

Source: Authors elaboration based on ILO EPLex Database.

**Table 2: Unemployment benefit schemes across countries**

	Type of scheme	Employee contribution	Employer contribution	Government expenditure	Coverage	Coverage	Basis of Eligibility
		(% of monthly salary)	(% of monthly salary)		(included)	(excluded)	
Selected advanced economies							
Austria	Social insurance and unemployment aid	3	3	Finances any deficit	Employed persons earning at least €438.05 a month and apprentices and voluntary coverage self-employed.	Public-sector employees; voluntary resignation postpones of 4 weeks the benefits	Social security contributions
Bahrain	Social insurance	1	1	1	Legal residents of Bahrain, civil servants (regardless of nationality), private-sector employees (regardless of nationality), and first-time job seekers (Bahraini citizens only).	Self-employed persons; voluntary resignees	Social security contributions
Belgium	Social insurance and unemployment aid	0.87	1.46 +1.6 for firms with more than 10 employees	Finances any deficit	Employed persons, first-time job seekers, certain categories of students, and workers with disabilities.	Self-employed persons; public sector workers and voluntary resignees	Social security contributions
Canada	Social insurance	1.66	2.324	None	Employed persons and self-employed fishermen	Self-employed persons other than fishermen, including individuals engaged in a business or employed by a corporation; voluntary resignees	Social security contributions
		Insured person with earning \$2000 or less is eligible for full refund of contributions.					
Chile	Mandatory individual account	Permanent Contract: 0.64;	PC: 1.6(Individual Savings Account) + 0.8 (Solidarity Fund);	Annual contribution of \$16 million USD to Solidarity Fund	Employed persons hired on or after October 2, 2002	Household workers, apprentices, pensioners (unless partially disabled), self-employed persons, civil servants, and military personnel, voluntary resignees	Social security contributions
		Fixed Term: 0	FT: 2.8 (ISA)+0.2 (SF)				

Denmark	Subsidized voluntary insurance and social assistance	8	0	Subsidizes 70% of expenditure	Employed persons, self-employed persons, persons with at least 18 months of vocational training, central and local government officials, and persons in military service. Must be members of an approved unemployment fund established voluntarily by trade unions	Voluntary resignees	Social security contributions
Finland	Social insurance, voluntary earnings related insurance and social assistance	Employees: 1.90 + flat-rate contribution paid to employment insurance fund. Self-employed: 2.25 of declared annual income	0.65 on annual payroll up to 2082500 euros; 2.6 exceeding amount	Subsidy equal to basic unemployment allowance (32.40 euros a day)	Employed and self-employed persons, including entrepreneurs, who reside in Finland	Voluntary resignees	Employment records (except entrepreneurs)
France	Social insurance and social assistance	0.95	4.05 + 0.15 (to finance the salary guarantee fund if the employer becomes bankrupt)  Additional rate for employees with less than 3 month contracts	None	Employed persons residing in France or in the principality of Monaco, including apprentices, household workers, and child caregivers.	Civil servants, self-employed persons and voluntary resignees.	Social security contributions
Germany	Social insurance and social assistance	1.5	1.5	Federal government finances any deficit	Employed persons, including household workers, apprentices, and trainees; and certain other persons, including recipients of sickness benefits and persons raising a child. Voluntary coverage for self-employed persons, caregivers, and foreign workers (outside of the European Union).	Persons in irregular employment.	Social security contributions
Japan	Social insurance	0.4	0.7	Covers 13.75 of the cost	Employed persons up to age 65. Voluntary coverage for persons employed in agricultural, forestry, and fishery establishments with fewer than five regular employees. Special systems for daily workers and seasonal workers.	Workers with less than 20 scheduled working hours a week; self-employed persons; most public sector workers; voluntary resignees.	Social security contributions
Netherlands	Social insurance and social assistance	0	2.85	None (contributes as employer as in other countries where public workers are not excluded from UI)	Employed persons	Self-employed persons	Social security contributions



Poland	Social insurance	0	2.45	Finances any deficit	Employed persons	Self-employed persons; voluntary resignees	Social security contributions
Republic of Korea	Social insurance	Employees: 0.695 (of gross annual wages); Self-employed: 2.25	0.9 to 1.5 of annual payroll depending on type of business.	None	Employed persons. Voluntary coverage for certain small businesses in agriculture, forestry, hunting, fishery, and construction; electricians; telecommunications workers; fire service personnel; certain self-employed persons; and household workers. Special systems for civil servants, private-school employees, military personnel, and employees of the special post office	Most persons working less than 60 hours a month or 15 hours a week, and family labour; voluntary resignees	Social security contributions
Spain	Social insurance and employment aid	Permanent contracts: 1.5; Fixed term: 1.6; Self-employed: 2.2.	PC: 5.5; FT: 6.7	Subsidizes the program	Employees in industry, commerce, and services are covered according to 11 occupational classes. Voluntary coverage for self-employed persons	Household workers.	Social security contributions
Switzerland	Social insurance (through public or private carriers)	1.1 + 0.5 for solidarity fund (only 12,350 francs or greater)	1.1 + 0.5 for solidarity fund (only 12,350 francs or greater)	Up to 0.159% of gross monthly earnings	Employed persons younger than the normal retirement age who reside in Switzerland.	Self-employed persons	Social security contributions
<b>Selected emerging economies</b>							
Albania	Social insurance	0	0.9	0	Employed persons and voluntary coverage for self-employed.	Voluntary resignees	Social security contributions
Algeria	Social insurance	0.5 + 0.375 if employed in construction, public works or hydraulics industries.	1 + 0.375 idem	None	Residents of Algeria	Self-employed persons; voluntary resignees	Social security contributions
Argentina	Social insurance	0	0.89 or 1.11 depending on type of enterprise	None	Private-sector employees, including temporary and casual workers	Self-employed persons, household workers, public-sector employees, and private-school teachers	Social security contributions
Azerbaijan	Social insurance	3 (used to finance pension, sickness and maternity benefits, disability, child care, in addition to unemployment)	22 (finances also pension, sickness and maternity benefits, disability, and child care)	Subsidies as required from national and local governments	Residents of Azerbaijan	Self-employed	Social security contributions

Belarus	Social insurance	Employee: 0;	6 (finances also sickness and maternity, funeral grant, and family allowance, in addition)	Provides subsidies as needed from state and local governments.	Permanent resident citizens of Belarus.	Voluntary resignees	Employment records
		Self-employed: 6 (finances also sickness and maternity, funeral grant, and family allowance).					
Bulgaria	Social insurance	0.4	0.6	None	Employed persons	Self-employed	Social security contributions
China	Social insurance	1	2	Ad-hoc contributions	Coverage now extends to all employees in urban enterprises and public institutions (civil servants are covered by the Civil Servant Law). All employees also include rural migrant workers who have signed a labour contract with their employers. Self-employed can register on voluntary basis.	Voluntary resignees	Social security contributions
Colombia	Social insurance and mandatory and supplementary individual account system	0	4 (finances also family benefits and allowances)	None (contributes as employer as in other countries where public workers are not excluded from UI)	Employed persons and voluntary coverage for self-employed.		Social security contributions
Croatia	Social insurance	Employee: 0;	1.7	None	Employed persons with an employment contract, including public-sector employees, civil servants, military and police personnel, judiciary officers, and self-employed persons.	Voluntary resignees	Employment records
		Self-employed: 1.7.					
Kazakhstan	Social insurance	Employee: 0;	5 (finances also disability and survivor pensions, maternity and child care benefits)	None (contributes as employer as in other countries where public workers are not excluded from UI)	Employed and self-employed permanent residents of Kazakhstan	Employed pensioners	Social security contributions
		Self-employed: 5 (finances also disability and survivor pensions)					

<b>Mauritius</b>	Social assistance and social insurance	1	2.5	Finances any deficit and contributes to Workfare Programme Fund.	Employed persons	Public-sector employees and employees of state-owned companies; part-time workers; self-employed persons; voluntary resignation and migrant workers	Employment records
<b>Mongolia</b>	Social insurance	0.5	0.5	(not available)	All persons employed on a contract basis, national and non-nationals, irrespective of the size of the enterprise and for public servants. Self-employed can register on a voluntary basis.	(not available)	(not available)
<b>Romania</b>	Social insurance and unemployment aid	Employee: 0;	2.25 (used also to finance sickness and maternity and work injury)	Finances any deficit and contributes as an employer.	Employed persons with individual labour contracts and civil servants. Voluntary coverage for self-employed persons and certain other persons.	Voluntary resignees	Social security contributions
		Self-employed: 0.45					
<b>Serbia</b>	Social insurance	Employee: 0.75;	0.75	Finances any deficit and contributes as an employer.	Employed and self-employed persons.	Farmers	Social security contributions
		Self-employed: 1.5.					
<b>South Africa</b>	Social insurance	1 (finances also survivors, sickness, adoption and maternity benefits).	1 (finances also survivors, sickness, adoption and maternity benefits)	None	Employed persons working more than 24 hours a month, including household and seasonal workers	Self-employed persons, trainees, foreigners working on a contract, and persons receiving a work injury or occupational disease benefit from the compensation fund. Government employees (Bhorat 2013); Voluntary resignees	Social security contributions
<b>Thailand</b>	Social insurance	0.5	0.5	0.25	Employed persons.	Judges; employees of foreign governments or international organizations; employees of state enterprises; agricultural, forestry, and fishery employees; temporary and seasonal workers; Thai citizens working abroad; and self-employed persons.	Social security contributions
<b>Turkey</b>	Social insurance	1	2	1	Private-sector employees (including foreign nationals) aged 18 or older working under a service contract, and certain other groups.	Civil servants, workers in agriculture and forestry, household workers, military personnel, students, and self-employed persons (self-employed included from 2020 onwards).	Social security contributions

Sources: Authors elaboration based on ILO (2017), ILO (2013) and SSA USA (2018).