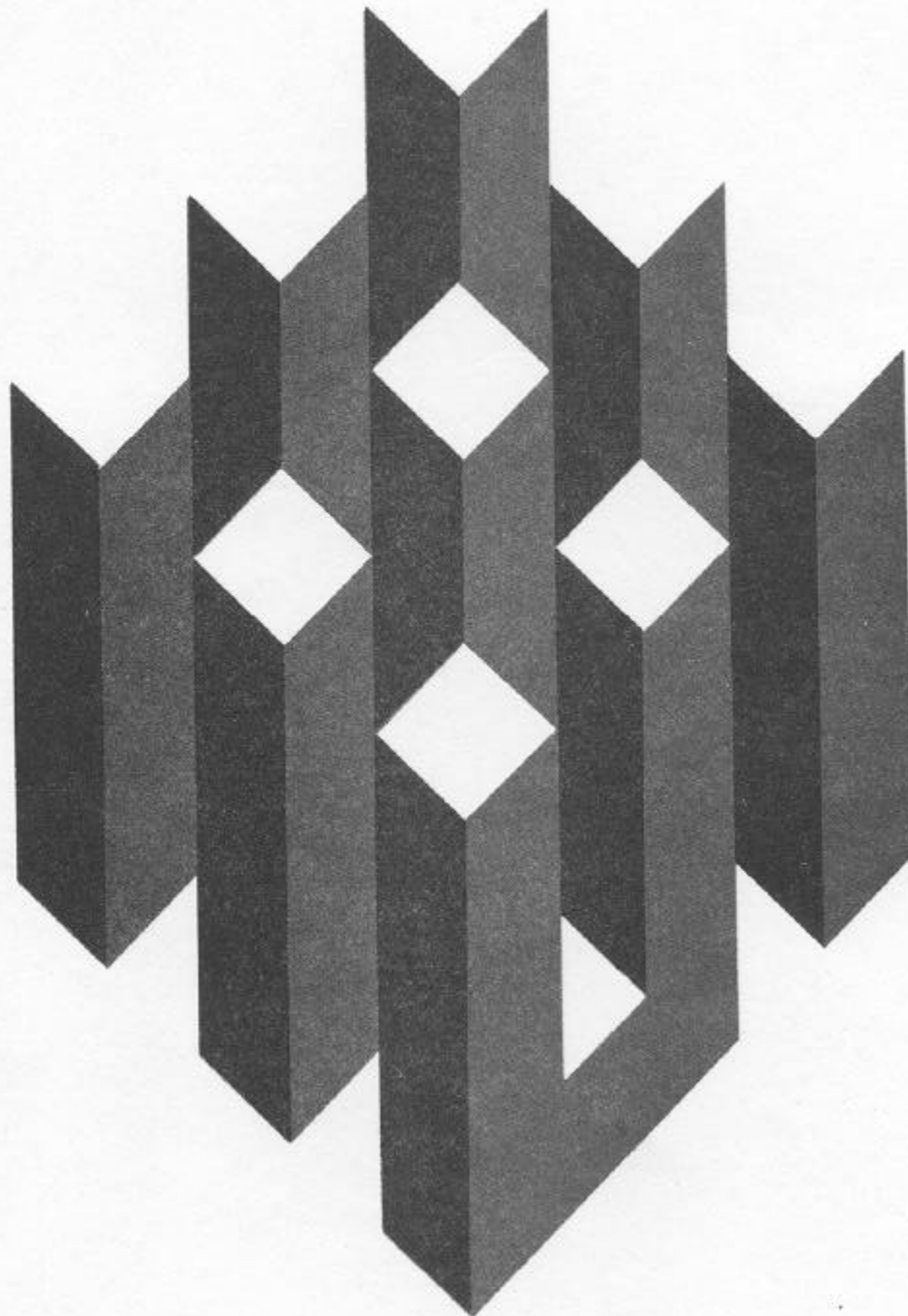




Unemployment Insurance Schemes in Developing Countries

Unemployment Insurance
Occasional Paper 84-2

Department of Labor
Employment and Training Administration



Unemployment Insurance Schemes in Developing Countries



Unemployment Insurance
Occasional Paper 84-2

U.S. Department of Labor
Raymond J. Donovan, Secretary

Employment and Training Administration
Frank C. Casillas, Assistant Secretary for
Employment and Training

Unemployment Insurance Service
1984

This report was written by Stephen A. Wandner, John G. Robinson, and Helen S. Manheimer of the Office of Legislation and Actuarial Services, Unemployment Insurance Service. The opinions offered in this document do not necessarily represent the official position or policy of the Department of Labor.

The UIOP Series presents research findings and analyses dealing with unemployment insurance issues. Papers are prepared by research contractors, staff members of the unemployment insurance system, or individual researchers. Manuscripts and comments from interested individuals are welcomed. All correspondence should be sent to UI Occasional Paper Series, Unemployment Insurance Service, Patrick Henry Building, Room 7422, 601 D Street, NW, Washington, D.C. 20013.

CONTENTS

| CHAPTER | PAGE |
|--|------|
| INTRODUCTION | 1 |
| I LITERATURE REVIEW | 3 |
| A. General description of literature review | 3 |
| B. What is unemployment insurance? | 3 |
| C. What unemployment insurance cannot do | 4 |
| D. Characteristics of employment and unemployment in developing countries | 4 |
| E. Needed conditions for introducing an unemployment insurance scheme | 5 |
| F. Recommendations about structure and provisions of unemployment insurance schemes for developing countries | 8 |
| G. Concerns about implementing an unemployment insurance scheme | 11 |
| H. Some positive effects of implementing an unemployment insurance scheme | 13 |
| II THE ECONOMY AND UNEMPLOYMENT PROTECTIVE SCHEME OF DEVELOPING COUNTRIES | 14 |
| A. Introduction | 14 |
| B. Developing countries with unemployment insurance schemes | 15 |
| C. Developing countries without unemployment insurance schemes | 41 |
| III SUMMARY AND CONCLUSIONS | 53 |
| A. Introduction | 53 |
| B. Economic and demographic characteristics in developing countries | 53 |
| C. Unemployment insurance provisions in ten developing countries | 57 |
| APPENDICES | 61 |
| A. Bibliography | 61 |
| B. Guidelines for the preparation of national monographs | 67 |

Introduction

At its Eighteenth Meeting held in Manila in November 1980 during the XXth General Assembly of the International Social Security Association (ISSA), the Permanent Committee on Unemployment Compensation and Employment Maintenance decided to undertake a study on problems relating to the introduction of unemployment insurance schemes in developing countries. The Permanent Committee thought that a detailed analysis of the conditions necessary for the introduction of unemployment insurance in developing countries and information on the experience of those countries that have implemented unemployment insurance would be useful to social and economic planners in developing countries. No such comprehensive analysis had previously been carried out. Lawrence Weatherford, Vice Chairman of the Permanent Committee, volunteered the U. S. Department of Labor to conduct the study. Stephen A. Wandner, was designated the Reporter for the study and presented the paper at the XXIst General Assembly of the ISSA in October 1983 in Geneva, Switzerland.

To obtain information needed about individual countries, guidelines for the preparation of national monographs were sent to developing countries with current unemployment insurance schemes as well as to some developing countries [1] that have not yet introduced such a scheme but are either considering doing so or have some other form of unemployment protection scheme. The countries selected for inclusion in the study have ISSA member organizations through which information could be requested. Responses were received from 16 countries: Barbados, Chile, Colombia, Cyprus, Ghana, Greece, India, Israel, Ivory Coast, Kuwait, Mauritius, Philippines, Portugal, Tanzania, Tunisia, and Uruguay. Respondents include eight of the ten developing countries that presently have unemployment insurance schemes.

The purpose of this report is to analyze problems relating to the introduction of unemployment insurance schemes in developing countries. Chapter I of the report consists of a literature review on this topic. Chapter II presents analyses of the economy and unemployment insurance scheme of developing countries that have implemented unemployment insurance, with emphasis on those countries that submitted national monographs. The economic situation and unemployment protection schemes of selected developing countries without an unemployment insurance scheme are also discussed. Chapter III presents a summary and analysis of economic and demographic characteristics of developing countries with and without unemployment insurance schemes as well as a summary of major unemployment insurance provisions in ten developing countries with unemployment insurance schemes.

A provisional version of the report was examined by the Permanent Committee at its Nineteenth Meeting in June 1982 in Geneva. In light of the suggestions put forward during this meeting and also on the basis of additional responses to the inquiry, the final version of the report was prepared and submitted for adoption to the Twentieth Meeting of the Permanent Committee on Unemployment Insurance and Employment Maintenance, and subsequently to the XXIst General Assembly of the ISSA.

Note: References to the bibliography are enclosed in parentheses ().
References to footnotes are enclosed in brackets [].

Chapter I

Literature Review

A. General Description of Literature Review

The bibliography for this review consists of publications in English selected for their relevance to problems in introducing unemployment insurance schemes in developing countries. The bibliography is by no means exhaustive but is intended to provide information and to illustrate issues and recommendations with respect to this topic. This review attempts to summarize and synthesize the knowledge and opinions of acknowledged experts in the field of unemployment insurance as applied to developing countries. Many of the items in the bibliography are International Labor Office (ILO) publications. A number of these are reports written for specific countries. Although conditions may have changed since these studies were published, the recommendations and discussions were considered relevant at that stage in the country's development and may be useful to other developing countries. The review emphasizes topics and discussions that are generalizable to developing countries in deciding on and planning a course of action.

This review first summarizes what unemployment insurance is and points out its limitations as a solution to unemployment problems. Then, employment and unemployment conditions prevailing in most developing countries are characterized, followed by a description of those conditions that are desirable for a developing country to implement unemployment insurance. General recommendations are outlined for an unemployment insurance scheme for those developing countries that are ready and wish to implement one. Finally, some problems that may be encountered in implementing unemployment insurance in a developing country are enumerated, as well as some expected positive effects of such a scheme.

B. What Is Unemployment Insurance?

Unemployment insurance is social insurance against the risk of involuntary unemployment. Benefits are paid for a limited period of time between jobs to involuntarily unemployed individuals who have a substantial amount of recent work attachment. During the period in which benefits are claimed, the unemployed workers must show that they are able to work and are available for work. Benefits are paid as an earned right to eligible individuals. There is usually no income test to determine if the individual needs the money. Rather, there is a presumption of need based on the fact of loss of earnings due to involuntary unemployment. Benefits constitute partial replacement of prior wage income, and the amount is usually based on prior recent earnings.

Contributed funds are pooled to insure against the risk of involuntary unemployment. The risk concept of insurance involves the coverage of many people under a plan in order to reduce the cost of incurring the risk. (67) The occurrence of the risk of unemployment must be verifiable. (13) "Small periodic payments on behalf of a large number of persons, many of whom will not experience the catastrophe for which insurance is carried, are necessary to provide adequate financial

resources which will afford compensation for the persons who suffer the catastrophe. Certain people will be less subject to the contingency than others, but the mechanism of shared risk is necessary to carry out the purposes of insurance." (67, p. 9) Successful application of the insurance principle requires a fairly accurate measurement of the risk to be incurred. (67)

C. What Unemployment Insurance Cannot Do

As can be deduced from the specific characteristics of unemployment insurance, it cannot be a panacea for all unemployment problems. It does not solve unemployment but is only one in a series of measures to deal with and mitigate the effects of unemployment. An unemployment insurance scheme cannot offer a solution to chronic unemployment and underemployment. (17, 33) Nor, can it offer a solution where the main problems of unemployment are seasonal unemployment, excessive supply of labor, lack of labor skills, high turnover or related problems of manpower utilization. (26, 30) There are strong reasons for developing countries to adopt the point of view beginning to be taken by industrial countries that unemployment insurance is only a measure of last resort to intervene in case of failure of employment policies, (65) or in case of failure of overall economic, financial, training and structural policies. Because payment of unemployment insurance benefits hinges on past employment, in an economy with high unemployment such a system may pay relatively little in benefits. People with jobs may remain steadily employed. Those with little or no previous employment would not qualify for benefits. (73)

D. Characteristics of Employment and Unemployment in Developing Countries

Developing countries are usually characterized by a high rate of population growth which brings many new entrants into the labor force. The size of the population is frequently excessive in relation to the supply of land that can be cultivated and the supply of capital is limited. (35) There is large-scale migration from rural to urban areas. The urban migration is due to many factors including a desire for the advantages of urban living, lack of jobs in rural areas and expectations of better opportunities in urban areas. (2) The reverse migration back to rural areas may occur when urban employment is unavailable. (22)

With urban migration, people leave behind former means of subsistence and support in their villages and tribal or other social groupings. In early stages after movement from rural areas to towns, people may still turn to the extended family or the village community but the ties quickly begin to loosen. (53)

Usually, the large majority of the population is outside the core of regular employment. Many spend part of their time in productive activities, neither fully employed with regular earnings nor fully unemployed without earnings. The family rather than the individual is often the employing unit. Part-time work is frequently involuntary and irregular. Occupations may be part-time or only part-time work may be available. Some part-time work may supplement another job. (34) There is no clearcut distinction between employment, underemployment, and unemployment. (1, 22)

The urban unemployment situation is summarized in the following

passage from the preface to Paul Bairoch's book, "Urban Unemployment in Developing Countries":

Employment in secondary activities (particularly in the modern manufacturing sector), which traditionally provided the economic base to support urban growth in the industrialised countries, has expanded relatively slowly. Even where there has been a high rate of growth in manufacturing output, it is paralleled by a rapid rise in productivity.... [T]he percentage of the total population living in towns exceeds to a considerable degree the percentage of the active population engaged in the manufacturing sector, in sharp contrast with the experience of the countries of continental Europe at an earlier stage of their economic development. In Europe the share of the total population living in towns stayed below the share of the active population engaged in manufacturing until 1890. Today's rapid urbanisation of the developing countries is, in a sense, taking place in advance of, rather than in response to, industrialisation and economic growth.

With employment opportunities in manufacturing limited, an increasing share of the urban labour force has drifted into the tertiary sector, or into unemployment. The tertiary sector here includes not only the spectrum of modern trade and services but, to a much greater extent, the unenumerated, unorganised, marginal activities of petty trade and services that are carried on by the underemployed at a subsistence level and thus in reality represent an extension into the urban areas of the traditional rural subsistence economy. (2, p. 2)

Bairoch uses the term "urban over-unemployment" for a high level of structural unemployment resulting from a disequilibrium between job supply and demand especially due to massive migration from rural environments. (2) The growing urban unemployment principally affects the unskilled. Often, increases in urban employment exacerbate the problem by bringing more people into the urban areas. (34)

E. Needed Conditions for Introducing an Unemployment Insurance Scheme

1. Sectors of Economy to be Covered by Unemployment Insurance

As stated in the report of the 1973 meeting of the Actuarial Subcommittee of the ILO Committee of Social Security Experts:

...there are other developing countries, some better endowed with natural resources, where the growth of industry and commerce in recent years has been sustained and where, since urban earnings are so much higher than rural incomes, the size of the urban labour force earning a living through paid employment is constantly increasing. In these countries the contribution of the secondary and tertiary sector to the gross national product is also constantly increasing and it is more than proportional to the increase in the non-agricultural labour force. One can expect that more and more people will settle in urban areas and rely solely on paid employment for their livelihood. (22, p. 33)

These countries have built up a substantial sector of regular employment which can be identified and defined and can be linked, for

unemployment insurance coverage, to a wider system of social security contingencies. This sector could eventually benefit from an unemployment insurance scheme. (34) A report from an Asian regional conference states that unemployment benefits can be effectively administered for a population that is sufficiently large, stable, and dense and that is employed in well-diversified industry and commerce. (23)

2. Other Measures to Prevent or Diminish the Risk of Unemployment

As stated earlier, the introduction of an unemployment insurance scheme cannot solve the unemployment problem. While a thorough discussion of measures to deal with unemployment is not within the scope of this report, it is important to point out that an unemployment insurance scheme can contribute little to combat unemployment unless it is part of a series of measures to deal with unemployment and underemployment. (27) Policies and programs are needed to deal with the root causes of unemployment and to minimize the number of people to be supported by unemployment benefits.

Chronic unemployment and underemployment directly relate to the structure and rate of progress of the national economy and must be dealt with by national economic policy. (33) Capital investment and fiscal policy are needed to influence economic activity. (27, 32) More employment opportunities must be created. General and vocational education and training will enable more workers to take advantage of employment opportunities. (33) Employment exchanges are needed to connect jobs and workers. (More will be said later about the importance of employment exchanges for an unemployment insurance scheme.) Relocation of workers through internal and external migration may be an alternative to lessen unemployment. (32)

A basic solution to the urban unemployment problem must lie in improving living and employment conditions in rural areas to stem the flow of the exodus. (2) Such measures were taken in Tanzania, where people were assisted in moving to the countryside and settling small farms or working in agricultural cooperatives. Other measures were introduction of agricultural instruction in schools and land distribution to increase the amount of cultivated land. Improvements in roads and water supply and installation of electricity in rural areas were planned or implemented. (32)

3. Communications and Statistical Data

For a social insurance system, a country must have the ability to identify and locate people and an established means of nationwide communication. There is need for a postal system, a comprehensive recordkeeping system, assurance of the age and identity of individuals, and reasonable stability of residence. (64)

With better organization of labor markets, an assessment can be made of the nature and magnitude of the unemployment problem. Such assessment is needed before decisions can be made about introducing an unemployment insurance scheme and in order to forecast the probable costs of a scheme. Information is needed on the incidence, duration, location, and seasonality of unemployment as well as the rate of reentry into employment after a period of unemployment. (22, 24, 31, 33) Other information requirements include the amount of turnover in the labor market, labor needs by occupations and industries, and factors that will change the composition of the labor market in the

future. (28)

In many countries with compulsory unemployment insurance systems, experience from trade unions or other voluntary plans has often been heavily drawn upon in making cost estimates for the compulsory system. Developing countries usually will not have these information sources and will have to use, as data sources, experience of other countries or, principally, statistics gathered on their own country. Useful sources of data include censuses of population, industry and employment; regular statistical reports from employers on employment and payrolls; manpower surveys; employment service operational data; and operational data of other social insurance schemes in the country, particularly for information on the probable number and earnings of insured workers. (35)

4. Administrative Machinery

Highly efficient administrative machinery is needed for an unemployment insurance system. It is considered the most difficult social security branch to administer because, to work successfully and economically, it needs coordinated and efficient operations of many different kinds of services. (27)

A frequently mentioned condition needed before an unemployment insurance scheme can be introduced is a well-functioning system of employment exchanges. (See, for example, 4, 32, 33, 73.) They are needed to carry out job placement functions and control functions to assure that proper benefits payments are made. Certification is made through the employment exchange that an applicant is unemployed and is available for work. In order to test availability for work, the exchanges must be able to offer suitable jobs to claimants. Employers must use the exchanges for recruitment of workers and the job listings should be of wide scope industrially and geographically. As stated in a report to El Salvador, it is unwise to pay people for being out of work when there are other jobs available and employment exchanges have not been established to make these job opportunities known. (9)

Administrative machinery for an unemployment insurance system will take some time to create. The system requires judgment by administrative officials at the local level. Therefore, thorough selection and training of officials is needed. (26) Employers and employees must be educated as to their rights and responsibilities. (26, 30) Prompt and proper determination of benefit rights and prompt payments are required. (30)

5. The Place of Unemployment Insurance in a Social Security System

The readiness for an unemployment insurance scheme must be assessed in relation to the development of a broader social security system. There are twin dangers for social security programming in developing countries. On the one hand, there may be a premature extension or conversion of a single scheme into a more complicated and exacting one. On the other hand, there may be a failure to extend or convert a pilot program or a limited scheme when indicated and feasible. Imaginative, flexible planning is needed, starting with an inventory of current programs and needs and taking into consideration foreseeable socio-economic development. (64)

A policy of developing social insurance in successive stages and by

branches was followed in western Europe. In contrast, several countries of Eastern Europe and Latin America have planned for an ordered extension of a simple general scheme of social insurance by adding new groups to the insured population and covering new risks. (23) No single pattern of evolution of social security can be traced in the developing countries. Progression as to risks to be covered varies greatly among countries and regions. (53)

The ILO report to the Philippines suggested that the introduction of unemployment insurance might be postponed until the social security system reached more universal coverage and that priority be given to other social security branches, in particular to introduction of adequate medical care. (27) Another ILO report has stated that unemployment insurance could be introduced in Turkey where the government and people were already familiar with the insurance approach through their experience with insurance for employment injury, sickness, maternity, old age, invalidity, and survivorship. (30)

A number of sources stress that unemployment insurance should be, and usually is, among the last schemes to be added to social security systems. (See, for example, 31, 35, 64, 69.) Developing countries seem to be following this progression and, as a result, few have implemented unemployment insurance schemes.

The existence of prior social security systems facilitates the collection of data for an unemployment insurance scheme. Data on the population to be covered, although seldom readily available, are easier to collect, and sample frames for statistical inquiries can be derived from existing social security records. (22)

F. Recommendations About Structure and Provisions of Unemployment Insurance Schemes for Developing Countries

The literature reviewed here contains recommendations for the structure and provisions of unemployment insurance schemes in those developing countries that meet the conditions for introducing a system. Recommendations to some countries are cited below for their general relevance to other countries. Decisions as to specific provisions, of course, will vary with each country based on its own circumstances.

1. General Structure

At the Fifth African Regional Conference of the ILO at Abidjan in 1977, it was pointed out that an unemployment insurance system in (African) developing countries should not just be a copy of European systems designed for totally different circumstances, but should be adapted to the conditions of the countries. (18) The suggestion has been made that an unemployment insurance system be set up on as flexible a basis as possible so that changes and extensions may be easily brought about. In the ILO report to India, the recommendation was made that legislation be confined, to the extent possible, to basic legal framework and provisions about general principles, and that technical details be left to rules and regulations. In this way, the scheme would be adaptable to changing conditions. In the early stages of implementation of the scheme, aspects needing improvement could be detected and modified without further legal changes. (26)

2. Coverage

A spread of risks has sometimes been recommended. The report to India states that the advisability of covering as many industries as possible should be examined so that risks can be spread and a sound financial basis established. (26) If costs are to be kept reasonable, it is important to pool lesser with greater risks. (29) The ILO report to the Philippines recommended an unemployment insurance scheme with broad coverage so that changes of occupation or employment would not cause interruptions of insurance. (27) In the ILO report to Turkey, it is stated that a broad spectrum of risk would enable the scheme to afford protection to workers in occupations and industries with substantial exposure to the risk of involuntary unemployment. (30)

There is some discussion of limiting geographic area of coverage. The report to Turkey states that unemployment insurance should be put into effect only in areas where the employment exchange is operating effectively, and the scheme broadened as facilities and personnel become available. (30) For the Philippines, the recommendation was made that initially coverage be limited to labor market areas considered sufficiently developed industrially. (27) The report to India states that the basic legislation should be formulated so the scheme might be gradually extended by industry and geography. (26)

Some reports suggest initially limiting coverage to larger firms, (29, 36) but there is some difference of opinion on this point. The Government of Rhodesia, while recognizing some administrative problems in covering all firms regardless of size, considered broad coverage important. They wished to avoid inequities and problems of employment choices brought about when some firms in the same industry are excluded because of size. (29)

Several reports discuss kinds of employment to be covered. Consideration was given in one country to initially limiting coverage to specific industries. (36) Delaying coverage of agriculture, government, and domestic service has been suggested. (See, for example, 29, 36.)

3. Eligibility

The literature repeatedly stresses that an unemployment insurance scheme in a developing country must have strict conditions with respect to qualifying requirements, benefit amount and duration. (See, for example, 22, 32, 35, 69.)

The report to India states that it is advisable to provide for rather rigid qualifying conditions at the initial stages for sound financing. (26) Several sources suggest six months of wage credits to qualify. (4, 27, 29, 36)

Some concern is expressed about including underemployed workers in an unemployment insurance scheme. Provisions enabling underemployed workers to qualify for benefits in countries where underemployment is prevalent could lead to considerable uncertainty about probable costs of a scheme and might bring about very high costs. (35) If provisions permit a large number of part-time workers to qualify for benefits, the problem of forecasting costs will be greatly complicated. It would be hard, for example, to determine the extent to which such workers would just be able to qualify and the increase in the number of beneficiaries that would result. Because of their past employment history,

the majority of underemployed workers may draw benefits for the full potential duration. Costs could be very high. Application of a work test through an offer of work would meet with considerable difficulty in their case. (35)

4. Weekly Benefit Amount

A number of sources recommend wage-related benefits, with a maximum weekly benefit amount. Some recommended levels for basic benefits are two-fifths (27), three-fifths (36), and two-thirds (4) of wages. A minimum benefit related to wages of the lowest paid workers has also been recommended. This would eliminate workers regularly employed for only a short time each week. (36) Recommendations have sometimes been made to provide dependents' allowances (27, 36) or a benefit scale weighted in favor of low-wage earners. (29) One report suggests possible dependents' allowances after the scheme has been in operation for some time, and then only after individuals have received several months of unemployment benefits. (30)

5. Duration

All reports suggest limitations on duration, but the maximum recommended duration varies. The range of maximum durations in the reports included here is from 13 to 26 weeks. (4, 27, 29, 36) Where the supply of labor exceeds the demand, beneficiaries may tend to remain on the rolls as long as their rights are not exhausted. (26) The report to India recommends, for duration, as for other parts of the scheme, gradual changes, with comparatively short duration at first, which is gradually extended if necessary and feasible after some experience is gained and the financial soundness of the scheme determined. (26)

Several reports suggest possible variable duration of benefits, that is, varying the potential duration of benefits according to the amount of recent covered employment. (29, 30) One report suggests possible variable duration after some experience with the scheme. (36)

6. Waiting Period

Recommendations vary on the length of a waiting period before unemployment becomes compensable. While one report recommends a short waiting period of one or two weeks, (36) another recommends, as a cautionary step in a developing country, a long waiting period for benefits. It further recommends that statistical data be collected to compare differences in costs resulting from different waiting periods and that their impact on claimants and administration of the scheme be assessed. (26)

7. Financing

The concept of flexibility is again emphasized in some reports for the financing of the unemployment insurance scheme. Reliable cost estimates have been difficult to obtain for developing countries; therefore, it is difficult to estimate needed contribution rates. Where the ILO has advised on financial aspects of unemployment insurance schemes, a series of estimates have been made based on alternative assumptions relating to the elements determining the cost. On the basis of a cost range, tentative contribution rates have been suggested which will then have to be modified in the light of experience. Provision is made for a relatively high level

of reserves. (22)

The report to India states that it is advisable that the basic legislation not specify the rate of contributions and leave specifics to regulations. This is because of the lack of statistical data for cost estimation and possible changes in unemployment incidence after unemployment insurance is introduced. If this flexibility is not technically possible, the basic legislation should give a maximum and minimum rate of contributions. (26) It is important to formulate financial provisions of the scheme so that action can be taken quickly in case experience under the scheme should turn out worse than assumptions on which the initial contribution rate was based. (29)

Recommended sources of financing differ. The Ceylon report mentions employer and employee contributions. Cost of employment exchanges and other administrative costs would come from general revenue, but a fixed charge would be paid to general revenue by the unemployment insurance fund. (4) The ILO report to Rhodesia states that initially, the first-year contributions should be entirely from employers. Workers should start paying contributions at the beginning of the second year. The government's contribution in the first few years should be the provision of administrative services. Later on, when coverage is extended to almost the entire labor force, the problem should be reviewed with a view to bringing in the government in sharing benefit costs. The government should be given the authority to adjust rates when necessary. (29) The report to the Philippines states that benefits should be financed by employer contributions with provisions for automatic adjustment depending on amount of reserves. (27)

Some considerations that must be taken into account in estimating costs are cited. The cost of improving the employment exchanges and the promotion of their functioning should be taken into account. (26) Because insured individuals become only gradually aware of their rights, the results of the first period of operation should not be taken as conclusive for the future. Any surplus during the initial stage should be used for strengthening funds rather than for improving benefits or reducing contributions. (29)

G. Concerns About Implementing an Unemployment Insurance Scheme

A number of concerns arise about the effect of an unemployment insurance scheme on workers. One reason for the imposition of strict qualifying conditions on benefits is a possible work disincentive effect of benefit receipt. The disincentive effect of unemployment insurance benefits has been a focus of unemployment insurance research in recent years in the United States. A number of studies have been carried out to estimate the effect of wage-replacement ratios on the length of unemployment spells. Most conclude that higher ratios are associated with longer unemployment spells. (59) Daniel Hamermesh reviewed a number of such studies in 1977. He concluded that, as a best estimate, a ten percentage-point increase in the wage-replacement rate is associated with an increase in the duration of insured unemployment of about half a week when the labor market is tight. (14) The effect of changes in potential duration on the duration of unemployment has also been studied. Results show that increases in duration tend to be associated with increases in the length of individuals' unemployment spells. The estimated size of the effect of an additional week of potential duration ranges from 0.1 to 1.0 week of additional unemployment. (59) While results of the disincentive research show that increased wage replacement ratios and additional weeks of potential

duration are associated with at least some increase in unemployment duration, interpretation of the results remains controversial.

Strict qualifying conditions for benefits would result in the exclusion of many workers from the system and might therefore cause discontent among excluded workers, with pressure to improve the system beyond what could be financed. (25, 69) A scheme financed by employers, by making labor more expensive, is said to induce producers to use more equipment and more mechanized means of production. This results in adverse effects on employment by decreasing the use of labor and increasing the use of capital. (66) The concern has been expressed that less partial employment may occur after implementation of unemployment insurance, and the work force could be frozen into two groups, those with continuous full employment and those with no employment. Many employers could refuse to hire workers on a temporary basis if that would increase their unemployment insurance costs. (73)

The effect of unemployment insurance on labor market mobility is difficult to predict. It is likely that workers who have worked in a given geographic area and acquired benefit rights would tend to remain. Unemployment insurance tends to lessen pressure to leave a community to search for work. This must be taken into account in recognizing the importance of expanding coverage as rapidly as possible. (30)

It is important that the wage and skill protection built into unemployment insurance schemes be maintained and that workers not be placed under pressure to accept work offers below the wage and skill levels they have attained. Such practice tends to erode whatever skill differentiation has been achieved by workers. Maintenance of skill differentiation presents special problems in a developing country. Workers may have many different work experiences, and frequently no specific skill or identifiable occupation. There is a limited range of related jobs or secondary occupations in a developing country. Problems may arise in identifying the type of job the worker should be registered under and can refuse without incurring a disqualification for refusal of work. (29)

There may be a problem for some workers in understanding and accepting the concept of unemployment insurance on a contributory basis and creating a fund for future economic risk. (29) Education of workers about the system is important.

A distributional effect of unemployment insurance is mentioned in the literature. Walter Galenson states that unemployment insurance schemes shift income to persons with a high propensity to consume and would thus tend to reduce the investment potential. (10)

A number of administrative problems may be encountered in implementing unemployment insurance in developing countries. With many workers shifting between city and rural areas, working intermittently or seasonally, identification of unemployment is difficult. If a large segment of employment is already covered under a social security system, this determination becomes easier. During a period of unemployment, some people may return from the city to their villages or communities. This poses a problem in determining week-to-week availability for work and paying benefits. (4, 18, 29, 30, 32, 69) There is a tendency for some African workers to change names which is

one aspect of a problem of employee identification. (29) If unemployment, work availability, and employment cannot be verified, the possibilities for fraud or abuse increase.

Unemployment insurance activity should not divert resources from the regular placement activities of the employment exchange to the point where the exchange is weakened. This has happened in some countries and can be prevented by keeping the operation of the unemployment insurance scheme separate from the work of the employment exchange. (36)

H. Some Positive Effects of Implementing an Unemployment Insurance Scheme

Unemployment insurance benefits not only provide income to workers during the unemployed period and thus provide them with protection against a sharp drop in their living standard or even poverty, but, by doing so, allow the workers to look for jobs that will preserve the skills and wage levels they have built up in the past. This preservation of skills can benefit employers as well as the larger society. Employers are protected against loss of skilled workers to their firms. A permanent loss of the skilled work force to the society through emigration may also be lessened. (29) The preservation of skills is particularly important to the society when a large investment has been made in the development of the human capital embodied in the affected workers. An additional social impact of unemployment insurance is that it helps to maintain the purchasing power of the unemployed and thus helps slow or reduce the increase in the level of unemployment in a recession. (30) Through these effects on the society, unemployment insurance may contribute to the economic growth of a developing country.

The Economy and Unemployment Protection Scheme
of Developing Countries

A. Introduction

The main goal of this chapter is to utilize the findings of the literature review in Chapter I, together with information from the national monographs and other sources, to develop an understanding of the economic and demographic characteristics in a developing country which seem to be associated with the successful adoption of an unemployment insurance scheme. The chapter first presents an analysis of the economy and the unemployment insurance systems of those developing countries with unemployment insurance schemes that submitted national monographs in response to the ISSA request for information. Of the ten developing countries with unemployment insurance schemes (Barbados, Chile, Cyprus, Ecuador, Egypt, Ghana, Greece, Israel, Portugal, Uruguay), eight (Barbados, Chile, Cyprus, Ghana, Greece, Israel, Portugal, Uruguay) responded to the ISSA inquiry. The analysis, by country, varies in content according to the amount of available data. Briefer analyses are then presented for nonresponding countries with unemployment insurance schemes. The economic situation and unemployment protection schemes of selected countries that have not yet implemented unemployment insurance is also discussed.

We have classified countries as having unemployment insurance schemes based principally on our delineation of the characteristics of unemployment insurance in Chapter I. As Blaustein and Craig point out, countries deviate to varying degrees from strict adherence to the general social insurance principles, particularly through later adjustments of the basic system. These deviations may result in a mixture of features of unemployment insurance and unemployment assistance. (3) [2] Thus, classification of a scheme may sometimes be controversial.

For those countries that responded to the ISSA request for information, the national monograph submitted by the country is generally the principal source of information about the unemployment insurance scheme. For those countries that did not respond, unemployment insurance information has been extracted mainly from summaries provided to the U. S. Social Security Administration for their publication, "Social Security Programs Throughout the World." (71, 72) Occasionally, supporting reference information has been obtained from other sources. (For example, 3, 34) The amount of detail and explanation provided by the countries varies considerably.

B. Developing Countries with Unemployment Insurance Schemes

B.1. Respondents to the Inquiry

1. Barbados

(a) Economic Background

Barbados is an island country in the West Indies whose chief export product is sugar. Tourism is the other major industry and source of foreign exchange. Barbados is a densely populated country with a population of 200,000 in 1980. The per capita gross domestic product was \$3,040 in 1980, with an average annual growth rate of 4.5 percent during the 1960-80 period. At 99 percent, the adult literacy rate in Barbados is comparable to that of the industrial countries. (75)

(b) Main Features of Unemployment Insurance Scheme

Unemployment insurance benefits became payable in Barbados in July 1982 through the National Insurance and Social Security Act. Coverage is provided to individuals who normally work for an employer and are between 16 and 64 years of age. Exceptions are persons never insured under the National Insurance Scheme as employed persons, self-employed persons, and permanent government employees.

To qualify for benefits, the following conditions apply:

- i. A person must be insured for at least 52 weeks;
- ii. He must have at least 26 contributions paid or credited in the 52 week contribution period immediately preceding the week in which unemployment began;
- iii. No fewer than eight contributions must have been paid or credited on his behalf in the 13 contribution weeks immediately preceding the week in which unemployment began.

An insured person who exhausts benefit entitlement is not entitled to benefits again until 52 contribution weeks have passed.

The weekly benefit rate is 40 percent of the average insurable weekly earnings of the insured person. A daily rate is obtained by dividing the weekly rate by six. Earnings used in these calculations are those received during the preceding 13 weeks. Benefits are payable for each day except Sunday for a maximum duration of 13 weeks. A waiting period is imposed for the first three days of unemployment unless the period of unemployment lasts for three or more weeks or the individual becomes unemployed again within eight weeks of a period of unemployment.

Weekly reporting to the Employment Exchange is required for continued receipt of benefits. Conditions for disqualification from benefit receipt are imposed under the following conditions:

- i. Refusal or failure to apply for a situation in suitable employment

that is vacant;

ii. Voluntary leaving work without good cause;

iii. Dismissal for misconduct;

iv. Refusal of suitable employment;

v. Inability to work or unavailability for work;

vi. Failure to carry out written directions regarding finding suitable employment;

vii. Failure to attend an interview as directed;

viii. Failure to attend a course of instruction or training as referred;

ix. Work stoppage as a result of a trade dispute in which the claimant is participating;

x. Entitlement to a pension from the last employer. (37, 54)

A contribution of two percent of insurable earnings is payable for unemployment benefits. This amount is shared equally by the employer and employee.

The National Insurance Scheme is administered by the National Insurance Office, an autonomous unit of the Government. The governing body of the Office, the National Insurance Board, has advisory and judicial functions and exercises management control over the National Insurance Fund.

(c) Experience under Unemployment Insurance Scheme

As unemployment insurance benefits just became payable in the past year, the level of benefit payments in relation to the level of contributions is unknown. No statistics on the frequency and duration of unemployment are available on the insured population. Therefore, the cost of the scheme and the adequacy of contributions cannot yet be estimated. (54)

2. Chile

(a) Economic Background

Chile has taken a number of economic policy initiatives during the past decade. Economic policy since 1973 has encouraged an increase of private sector productive facilities and a decrease in state owned facilities. (16) Since inflation has been a major concern of policymakers in Chile, they have attempted to control domestic prices. As part of the market mechanism emphasis, the economy has been opened to international trade resulting in exports that make intensive use of the national resources of the country.

The World Bank describes Chile as a middle-income primary prod-

ucing country. (74) Chile has been diversifying its exports over the past 20 years. In 1979, 59 percent of Chile's merchandise exports were fuel, minerals and metal, compared with 92 percent in 1960. Other primary commodities were 21 percent of the merchandise exports in 1979, but only accounted for 4 percent in 1960. Other manufactures rose from 4 percent in 1960 to 19 percent in 1979. (75)

Services comprised over half of gross domestic product in 1980. Industry accounted for 37 percent, of which 21 percentage points were manufacturing. Agriculture was only 7 percent of Chile's gross domestic product. The estimated population in Chile was 11.1 million in 1980. The annual growth rate of the population averaged 1.7 percent during 1970-80, considerably lower than most rates in South America. Per capita gross national product totaled \$1690. (75)

(b) Main Features of Unemployment Insurance Scheme

All non-self-employed workers in private and public sectors and some categories of self-employed are covered in Chile's unified unemployment insurance system. To qualify for unemployment benefits, a worker in the private sector must have been, for at least 52 weeks or 12 months during the 2 years prior to unemployment, continuously or otherwise contributing to any insurance scheme in the system. A worker in the public sector must have been, for at least 52 weeks or 12 months during the 2 years prior to unemployment, continuously or otherwise in service or contributing, as applicable. Private sector workers must be registered on the Unemployment Register kept by each insurance institution, and public sector workers, on the Unemployment Register kept by the Ministry of Finance. Both private and public sector workers must be registered on the Unemployment Register which each local authority keeps with a view to assigning persons to assistance work for the benefit of the community. To be eligible for benefits, unemployment must not be due to reasons under the worker's control.

In the private sector, the amount of benefits is 75 percent of the monthly average of remuneration assessable for contributions to the applicable pension fund, of allowances for incapacity to work, or of both, received during the six months preceding unemployment. In the public sector, the benefit is 75 percent of the last assessable monthly remuneration received by the beneficiary. In both sectors, the benefit cannot be less than 35.6 percent of a minimum monthly income nor exceed 80.2 percent of that minimum income. Claimants may receive up to 90 days of benefits. The duration may be extended for three further such periods.

Persons eligible for unemployment insurance are usually also entitled to medical benefits, family and maternity allowances, and death grants.

Administration differs for private and public sectors. For the former, the scheme is administered by the insurance funds and the compensation funds for family allowances. Payments are made by these bodies with the Common Unemployment Benefit Fund operated and coordinated by the Central Social Security Administration. The Common Unemployment Benefit Fund is financed entirely by taxation revenues. For the public sector, the scheme is administered directly by the public administration services, which pay the benefits as a charge on

revenue from taxes. Control and supervision for the public sector are the responsibility of the Controller General of the Republic. (38)

The financing of the unemployment insurance system was recently changed from employer-financed contributions to a government funded system. (72) For the private sector, the Common Unemployment Benefit Fund is financed by taxation revenue as provided in the budget legislation. For the public sector, the public administration services pay the benefit as a charge on revenue from taxes.

(c) Experience under Unemployment Insurance Scheme

The amount of unemployment funds paid out between 1970 and 1980 increased much more sharply than the number of unemployed individuals during that period. The number of unemployed remained at about 100,000 between 1970 and 1973. This statistic was not collected in 1973 and 1974. From 1975 through 1980, the number of unemployed varied between about 400,000 to 500,000. The amount of unemployment benefits paid out during the 1970 to 1980 period showed a large steady increase.

3. Cyprus

(a) Economic Background

Cyprus experienced some growth in population and in gross national product over the 1950-75 period. In 1980, Cyprus' population was estimated at 600,000. The population growth rate in Cyprus was 0.9 percent during 1950-75, and 0.1 percent during 1970-75. During the 1960-70 period, it was 1.1 percent. The per capita gross national product in 1980 was estimated at \$3,560. (75) In 1950, the per capita gross national product was \$638 and reached \$1082 in 1975. The annual growth rate was 2.1 percent in gross national product per capita over the 1950-75 period. (58)

In 1976, Cyprus' economically active population totaled 204,400. The agriculture, forestry and fishing sector totaled 46,500 or 22.7 percent of the total. The industrial sector was similar in size, with 44,500 people or 21.7 percent of the total. The manufacturing sector totaled 29,700 or 14.5 percent of the economically active population. Services was a significant activity with 25,300 workers or 12.4 percent of the active population. The tertiary sector in Cyprus accounted for 32 percent of its economically active population and 56 percent of gross domestic product. (63)

Willard L. Thorp, in a U.N. study, undertook an intensive economic survey of the island and provided the government with a report with recommendations for further actions. (68) Thorp found that manufacturing contributed 11 percent of gross national product in 1959. He states that this was very low, citing that in industrial countries, manufacturing usually ran above 30 percent at that time. Thorp also refers to H.B. Chenery's study which was based on 48 countries, in which it was determined that the development of manufacturing in a country is primarily a function of the country's population and its income level. (5) Chenery's econometric analysis suggests that manufacturing for a country of the size and income level of Cyprus contributes about 15 percent to the gross national product. Thorp notes that the relative importance of manufacturing would rise slowly with an increase in population and rapidly with an increase in income.

The amount of unemployment in Cyprus has been low. Considering the 1967-76 period, unemployment was around 1 percent until August-December 1974, when it rose to about 29 percent of the economically active population. The monthly average number of persons unemployed was 59,200 for August-December 1974. Unemployment dropped to 8.2 percent in 1976, with a monthly average of 16,830 persons. (63)

The surge in unemployment in mid-1974 was related to the Turkish-Cypriot conflict which precipitated the temporary deceleration of the economy and economic development. To stimulate the economy, the Cyprus government implemented the first Emergency Economic Action Plan (1975-76). The plan sought to alleviate unemployment by labor intensive projects in the areas of food, medical care and education. The Second Emergency Economic Action Plan (1977-78) followed, continuing many programs set up under the first plan but placing greater emphasis on economic growth and promotion of capital intensive industries. (62)

(b) Development of Unemployment Insurance Scheme

Social insurance schemes for Cyprus were first considered in the early 1950s. The British Middle East Office in Cairo carried out a study of the feasibility of a general social insurance scheme in Cyprus in 1951 and recommended that the general scheme not cover the risk of unemployment. K.H. Clucas noted that the majority of the underemployed or unemployed were "labor which is surplus to requirements" and not labor "thrown out of the job by the workings of the economic machine". (6, p. 1)

At the time of the Clucas study, agriculture was the largest industry on the island, with more than half of the workers, and manufacturing contributed about 10 percent of the gross national product. This was previously noted to be a very low figure even for a non-industrial country. (68)

In 1956, the first social insurance scheme was introduced, including unemployment benefits. Unemployment insurance benefits were included contrary to the recommendations, primarily because of the pressures from trade unions. The trade unions considered unemployment insurance protection as important as protection against other social risks. The Office of the Government Actuary of Great Britain conducted an actuarial study of the estimated costs of the unemployment insurance scheme for the years 1957-63.

The legacy of the British colonial rule in Cyprus included a strong infrastructure, compared to other developing countries, a social structure conducive to the design and implementation of social schemes, and a statistical record of the economic life of Cyprus. The labor force statistics were necessary for estimating the extent of coverage and costs under the unemployment insurance scheme. The British also assisted in the drafting of the legislation and the training for the administration of the scheme. The British unemployment insurance scheme was used as the model since no study had been conducted in a country similar to Cyprus. (40)

(c) Main Features of Unemployment Insurance Scheme

Coverage of practically all employees was initially adopted in Cyprus, excluding only workers on small farms, domestic workers working less than eight hours in a week, part-time clerical workers employed outside the normal hours of work, and unpaid members of the employer's family. (Coverage of these workers was deemed to add to the administrative cost of the unemployment insurance scheme but not to benefit the workers because they might not qualify for benefits.) This extensive coverage was also adopted for "reasons of solidarity and effective pooling of risks." (40) The general improvement in the economy was followed by the compulsory extension of unemployment insurance to all employees, including Cypriot employees working abroad in the service of Cypriot employers.

Initial eligibility provisions were designed to insure that the unemployed collecting benefits were substantially attached to the work force. The eligibility conditions were that:

- i. not less than 26 weekly contributions have been paid by the insured person since his entry into insurance; and

ii. during the last complete contribution year, the person has paid or been credited with not less than 20 weekly contributions.

Other eligibility conditions for benefits were that the person was:

i. over 18 and under 65 years of age;

ii. not a married woman or widow drawing widow's pension from the social insurance scheme;

iii. able and available for work and willing to accept suitable employment;

iv. registered with the employment exchange and attendant at such exchange at regular intervals;

v. not in receipt of his normal wages during the period of unemployment.

The new eligibility conditions established in 1980 require that the person has paid contributions for 26 weeks and the contributions are not less than a prescribed amount. The latter change was made because of the change from a flat rate to an insurable earnings-related system of contributions. The age limit for eligibility was also lowered to 16 years, and benefits are paid to all women irrespective of marital status.

A person is disqualified from receiving unemployment insurance benefits if he left his job because of participation in a labor dispute, was fired for misconduct, voluntarily left without just cause, refused suitable employment without good cause or neglected to avail himself of a reasonable opportunity for suitable employment.

Benefits were set at conservative levels when the scheme was put into operation. Cash benefits were fixed at flat rates at minimum subsistence levels. (The weekly benefit amount for the average beneficiary--a man with wife and two children--equaled 43 percent of the average wage of the unskilled male laborer in construction). In September 1980, unemployment benefit provisions were changed to relate benefits to previous earnings in place of the previous flat rate formula. The maximum unemployment duration still remains, but the one-day-benefit-for-one-week contribution rule has been changed so that the first 26 weeks of qualifying period produce 78 days of unemployment benefits and any one week in excess of 26 produces one additional day of benefits.

Benefits consist of a "basic" benefit and a "supplementary" benefit. The current basic benefit level is equal to 60 percent of the weekly average of the "basic insurable earnings" of the insured period in the previous calendar year. (The "basic insurable earnings" includes the first 728 Cyprus pounds of the annual insurable earnings.) The percentage is increased to 80 percent, 90 percent and 100 percent for a beneficiary with one, two, or three dependents, respectively. The supplementary benefit is set at 50 percent of the weekly average of insurable earnings in the previous year in excess of the basic insurable earnings, subject to a maximum supplementary benefit equal to the basic insurable earnings.

Cyprus adopted a tripartite (the employee, employer and the government) system of financing the general social insurance fund. The total rate of contribution is 15.5 percent of insurable earnings, of which 6 percent, 6 percent, and 3.5 percent are paid, respectively, by the employer, employee and the state. The Unemployment Benefit Account is financed by up to 4 percent of the total insurance contribution (that is, no more than 4 percent of 15.5 percent of insurable earnings). (40) This is less than 1 percent of insurable earnings.

The unemployment insurance scheme is administered by the Department of Social Insurance of the Ministry of Labour and Social Insurance. Unemployed persons who are registering for unemployment benefits are referred to the employment exchange for placement purposes.

Every employer has to register with the nearest District Social Insurance Office. Each employee must register with the Social Insurance Scheme upon securing employment for the first time. An unemployment insurance claimant must register once a week at the nearest employment exchange office and declare that he is unemployed. The reasons for an employee's termination are verified with the employer.

(d) Experience under Unemployment Insurance Scheme

Unemployment insurance experience in Cyprus reflects the steep rise in unemployment that coincided with the Turkish-Cypriot conflict. The number of unemployment insurance recipients reached over 21,000 in 1975. (See table below.) During most of the period prior to 1974, unemployment insurance recipients totaled between one and two thousand people. Benefits paid out rose from \$446,000 in 1973 to \$2.6 million in 1975 and have remained substantially lower since then.

| Year | Number of covered workers (000) | Size of labor force (000) | Number of workers receiving UI cash benefit | Average duration of UI cash benefit | Total of UI cash benefit (U.S. dollars) |
|-----------|---------------------------------|---------------------------|---|-------------------------------------|---|
| 1973..... | 145 | 278 | 1,049 | - | 446,000 |
| 1975..... | 103 | 208 | 21,613 | - | 2,583,000 |
| 1977..... | 121 | 203 | 1,467 | 54 | 161,000 |
| 1978..... | 131 | 202 | 1,899 | 55 | 249,000 |
| 1979..... | 142 | 205 | 1,885 | 52 | 266,000 |
| 1980..... | 148 | 208 | 2,718 | 51 | 542,000 |

Note: - Information not available
 Data not available for 1974 and 1976.

Because of conservative estimating techniques, the actual cost only exceeded the projected cost in one out of the seven years. Cyprus thus adopted a fiscally sound insurance system. (40)

4. Ghana

(a) Economic Background

Ghana attained independence on March 6, 1957, and became a Republic on July 1, 1965. The country experienced a serious reduction in its previously accumulated reserves, which had been spent primarily on infrastructural and industrial developments. The drop in foreign exchange reserves and the accumulation of substantial overseas debt subjected the country to a severe strain. Ghana has also had a succession of civilian and military political governments since 1957.

Ghana is a country of considerable natural wealth but is still primarily agricultural. Its resources include cocoa, gold, timber, diamonds, manganese, and bauxite. Ghana has built a significant source of power in the hydroelectric plant in the Volta River Project, which also included the development of an aluminum smelter. In 1980, two-thirds of Ghana's gross domestic product was in agriculture and 21 percent in industry. Services only accounted for 13 percent of the gross domestic product. Fifty-three percent of the 1980 labor force was in agriculture, and 20 percent in industry, while services accounted for 27 percent. (75)

Over the 1960-80 period, Ghana experienced a negative average annual growth rate of gross national product per capita of 1.0 percent. There was a negative average annual growth rate of production in agriculture, industry and manufacturing in the 1970-80 period, while only the services sector grew by 1.0 percent. Over the 1960-80 period, Ghana experienced a growing inflation problem. During 1960-70, the average annual rate of inflation was 7.6 percent; it rose to 34.8 percent during the 1970-80 period. There was also a negative average annual growth rate for domestic investment between 1960-70 and during the 1970-80 period. Exports of goods and nonfactor services were 12 percent of gross domestic product in 1980 compared with 28 percent in 1960.

In contrast with the downward trend in Ghana's economic growth, the population growth rate has increased. During the 1960-70 period, the average annual growth of the population was 2.4 percent. This growth rate rose to 3.0 percent in the 1970-80 period. The Ghana Economic Review noted that the population growth had made the government aware of the economic and social problems of over-population, over-crowding, over-urbanisation and unemployment.

In 1960, 53 percent of the population in Ghana was of working age. This ratio dropped to 51 percent in 1980, giving Ghana a larger dependency ratio. In 1980, 36 percent of the population lived in urban centers. In 1979, 36 percent of the secondary school age population was enrolled in secondary school. By contrast, this ratio was 90 percent in Japan in 1979. (12)

(b) Development of Unemployment Insurance Scheme

The Social Security Fund Advisory Board, in 1968, in response to growing concern about inflation and the large number of laid-off workers, advocated the introduction of unemployment benefits. A subcommittee of the Board, however, recommended against the adoption of unemployment insurance in

Ghana. The justification for this recommendation was as follows:

- i. Ghana was not highly industrialized enough to absorb the large number of unemployed;
- ii. Labor exchanges' placement machinery was so underdeveloped that an alleged unemployed person might in fact be working somewhere without notice; and
- iii. the recommended rate of benefit--namely, one third of accumulations--was too large. (41)

In view of the hardship being experienced by the unemployed, the Advisory Board recommended a restricted unemployment insurance scheme. Some of the Advisory Board's recommendations were:

- i. The payment of benefits was not to exceed six months;
- ii. there would be a three months waiting period;
- iii. there would be a mandatory application for work at a labor exchange;
- iv. the unemployment benefit should be 60 percent of the last pay rate unless otherwise specified; and
- v. the maximum amount to be drawn should not exceed one-third of the individual account of the worker.

(c) Main Features of Unemployment Insurance Scheme

The unemployment benefit scheme was introduced into the main social security scheme in September, 1972, and some of its stipulations were:

- i. All employed in the civil service, the public service and private establishments employing more than four workers shall be covered;
- ii. unemployment benefits shall be payable to a worker who is a member of the Social Security Fund and who becomes unemployed;
- iii. unemployment benefits shall be payable for a period not exceeding two months beginning at the end of the first month of unemployment;
- iv. an application for the first unemployment benefit shall be made at the end of the second month of unemployment;
- v. persons who qualify for unemployment benefits shall be paid cash benefits based on the average monthly pay of the worker over the twelve months immediately preceding his unemployment, and the amount of the first unemployment benefit shall be equivalent to 50 percent of such average monthly pay of the worker;
- vi. if the period of unemployment exceeds three months, the worker shall be entitled to claim a further unemployment benefit at the end of the third month of unemployment equivalent to fifteen cedis or 20 percent of such average monthly pay of the worker, whichever is higher;

vii. the unemployment benefit to a worker shall cease after the three-month period.

A worker qualifies to claim unemployment benefits in Ghana if he satisfies the following conditions:

i. he becomes unemployed, and, where he has not claimed before, has made not less than thirty-six monthly contributions to the Social Security Fund, at least two of which shall have been made within four months immediately prior to his unemployment; or, since he last claimed unemployment benefits, he has made not less than twenty-four monthly contributions at least two of which shall have been made within four months immediately prior to his unemployment; and

ii. he has remained unemployed for a period of not less than two months (or not less than three months for additional benefits) although he has registered with a public employment center and has applied regularly for employment in accordance with the directions of the public employment center.

A worker is disqualified from the receipt of benefits if he is engaged in remunerative work of any kind other than part time; if he is laid off as a result of a labor dispute; if he has refused suitable work offered to him.

In order to finance the unemployment insurance scheme, the law authorized the chief administrator to transfer monthly an amount equivalent to one percent of the worker's pay from the employer's social security contribution of 12 1/2 percent into a fund known as the Unemployment Benefit Fund. The unemployment benefit is charged on this fund.

(d) Experience under Unemployment Insurance Scheme

The Ghanaian unemployment insurance scheme has been largely inoperative. Only 40 beneficiaries have received benefits since the introduction of Ghana's unemployment insurance scheme in 1972. No benefits have been paid out since 1975-76. The explanation given for this experience is the cumbersomeness of the process that beneficiaries have to go through and the meager amounts of benefits involved. Twenty-five claims were paid in the 1973-75 period, and 15 claims were paid in the 1974-75 period. (41)

5. Greece

(a) Economic Background

In 1980, Greece was ranked by the World Bank as a middle-income semi-industrial country with a population of 9.6 million and a per capita gross national product of \$4,380. Greece ranked near the top of middle income countries, slightly below the \$4,500 per capita gross national product of Ireland, which was the lowest ranked country among the industrial market economy countries in 1980.

In 1960, Greece's labor force was primarily agricultural, but has since taken on a more markedly industrial character. Fifty-six percent of the labor force was in agriculture in 1960 compared with 20 percent in industry and 24 percent in services. By 1980, the proportion of the labor force in agriculture dropped to 37 percent. Over the same period, the proportion in industry increased by 8 percentage points to 28 percent, and in services by 11 percentage points to 35 percent. (75)

This shift in labor resulted in the industrial sector producing one-third of the gross domestic product in 1979 compared with about one-fourth at the beginning of the period. (Data on distribution of gross domestic product of Greece in 1980 were not available.) In contrast, the proportion of gross domestic product produced by the agricultural sector dropped about one-third to 16 percent. The large increase in the services sector labor force only resulted in a 1 percentage point increase in the proportion of gross domestic product produced by the services sector, from 51 percent to 52 percent. (74)

(b) Development of Unemployment Insurance Scheme

In tracing the economic development of Greece in general, and the industrial development in particular, the Great Depression is an important period. At that time, the government and private enterprise concentrated on the development and protection of local industry. This concentration grew out of the abandonment of the gold standard by Great Britain in September 1931, which threatened the value of the Greek currency. In an attempt to restrict the exportation of foreign exchange and to stabilize the currency, the government restricted imports to bare necessities and declared a five-year moratorium for the settlement of foreign commercial debts. There was a sharp increase in the efforts of the Greek government to stimulate national industry and to foster the export of Greek products. (7)

The 1937 "Report on Economic and Commercial Conditions in Greece" indicated that the government was becoming more concerned with the lot of the workers and passed a series of legislative measures to improve working conditions. Legislation introduced by the government included provisions for an eight-hour day, compulsory arbitration in labor disputes, fixing of wages by collective agreements, and the introduction of social assistance.

The number of unemployed in Greece in 1936 showed some reduction from 1934-35. Industrialization of the country had absorbed a number of unemployed. The merchant marine also absorbed some of the unemployed. The demand for labor stemming from the industrialization of the country was met largely by the supply of labor from the urban areas. Large numbers of people were attracted from rural to

urban areas, resulting in the concentration of one-third of the population of Greece in the few large towns. The government responded to the unemployment problem by passing legislation for some social assistance. Legislation was introduced to provide 500 million drachma a year for social assistance. This was to be funded by supplementary additions to the postal and telegraph rates, to the stamp duties and to the duties on tobacco, lotteries, etc. The remaining half was to be funded from the budget. (55)

During the 1944-47 period, Greece was going through a period of postwar construction mainly with the help of the British military authorities, the Marshall Plan, and the United Nations Relief and Rehabilitation Administration. (56) In this period, the first unemployment insurance scheme was passed.

(c) Main Features of Unemployment Insurance Scheme

The first unemployment insurance law was enacted in Greece in 1945, while the current law was established in 1954, and later modified and supplemented.

Persons covered are those mainly engaged in work as an employee for wages or salary under a contract of service for a definite or indefinite time and insured with the Social Insurance Institute against sickness. Special systems exist for seamen and printing workers. Exclusions include agricultural workers, domestic workers, family labor, casual workers, public employees, and persons under age 15.

One hundred twenty-five days of insured employment in the last 14 months are required to qualify for benefits. Days of employment in the last two months are not counted. There are additional requirements for the first claim for benefits--80 days of insured employment in each of the last three years. The individual must be capable of earning one-third of the wages of a similar worker, must be able to work and available for work, and must register at an employment office. Disqualifying conditions include voluntary leaving, dismissal for misconduct, unemployment directly resulting from a work stoppage caused by a strike or lockout, and refusal of a suitable job offer or prescribed training.

The amount of the unemployment benefit is 40 percent of wages or 50 percent of salary, with fixed rates within given wage classes. The minimum daily benefit amount is two-thirds of the wage of an unskilled male or female worker (whichever is appropriate). The maximum benefit is raised proportionately with every adjustment of salaries and wages. Dependents' allowances of 10 percent of earnings are provided, with a maximum total benefit of 70 percent of earnings.

After a six-day waiting period, benefits are payable for up to two months for 125 days of insured employment in the last year. The maximum duration is extended to three months for 150 days of insured employment in the same period, or to five months for 180 days. The overall maximum duration in any four years is 300 days.

Financing sources are the employer and insured person, the employer contributing 2 percent of payroll and the insured person contributing 1 percent of earnings. There is no government funding.

The unemployment insurance scheme is administered by the Manpower

Employment Organization, an autonomous organization under the supervision of the Ministry of Labor. The Manpower Employment Organization, responsible for the application of the governmental policy on employment, is directed by its chairman and a governing board consisting, in equal parts, of governmental representatives and representatives of employers and workers. The Social Insurance Institute collects all the contributions for social security including unemployment benefits, and the Manpower Employment Organization pays the unemployment benefits through local offices. (3, 19, 20, 34, 42, 72)

(d) Experience under Unemployment Insurance Scheme

No data are available for comparative purposes.

6. Israel

(a) Economic Background

Israel is currently classified by the World Bank as a middle-income semi-industrial country. This class of country is among the highest income group of the oil-importing developing countries. The World Bank considers the middle-income semi-industrial countries as very credit worthy because of their high share of manufacturing in production and exports. The trend in this group of countries has been increasingly to develop their export markets and to produce substitutes for imports.

Israel's population increased over the 1960-80 period, but the growth rate slowed during the latter part of the period. The population was estimated at 3.9 million in 1980 with a gross national product per capita of \$4,500. The average annual gross national product per capita growth rate for 1960-80 was 3.8 percent. The average annual growth rate of the population during 1960-70 was 3.4 percent, but dropped to 2.6 percent in 1970-80.

During the 1960-80 period, the agricultural sector decreased while services increased and the industrial sector increased very slightly. Fourteen percent of Israel's labor force was in agriculture in 1960. In 1980, the percentage dropped to 7 percent. The industrial sector accounted for 36 percent of the labor force in 1980 compared with 35 percent in 1960. The services industry rose 6 percentage points to 57 percent during the same period.

The percentage distribution of Israel's labor force is very similar to that of the industrial market economy countries. Thus, simply based on the criterion of percent distribution of labor force in the secondary sector and per capita income, Israel should have the well defined market sector and financial ability to support full coverage under unemployment insurance. (75)

(b) Development of Unemployment Insurance Scheme

Unemployment constituted one of the most serious problems before 1948 and was exacerbated by the policy of encouraging mass immigration after the creation of the state of Israel. Israel dealt with its unemployment problem by means of public works until the period of economic prosperity that followed the Six-Day War. Israel began to reconsider the introduction of an unemployment insurance scheme as a result of the 1966-67 recession and the high rate of unemployment that accompanied it. (44)

In 1970, Israel's parliament (Knesset) approved in principle the introduction of unemployment insurance, the scope of the insured population and the rate of contribution. The collection of contributions began in April 1970 in order to accumulate a fund that would enable the operation of the unemployment insurance scheme. A Knesset committee was set up to develop and submit recommendations concerning the rules of the proposed insurance. A law was passed by the Knesset on March 23, 1972, and unemployment insurance went into effect on January 1, 1973.

The Knesset committee that made the recommendations for the law had

the benefit of surveys and background material submitted by such organizations as the National Insurance Institute and the Ministry of Labor and Social Affairs. Labor force data were available from the Central Bureau of Statistics. Statistics regarding unemployment in Israel in the prior decade were available. Most important was the estimation of insurance contributions based on international experience and estimates. Finally, comparative surveys to summarize the unemployment schemes in various countries were prepared.

(c) Main Features of Unemployment Insurance Scheme

Unemployment insurance in Israel is a compulsory scheme and covers every Israel resident (including temporary residents) who is employed and for whom employers pay insurance contributions.

Unemployment benefits are wage-related and calculated on the basis of the unemployed person's wage during the last three months of his qualifying period. The calculation of the benefits takes into account the 'average wage' [3] as defined by the National Insurance Law as detailed in the following table:

| | |
|---|------------|
| On that part of the unemployed person's wage up to 1/2 of the daily "average wage" | 80 percent |
| On that part of the unemployed person's wage in excess of 1/2 and up to 3/4 of the daily "average wage" | 50 percent |
| On that part of the unemployed person's wage in excess of 3/4 and up to the full daily "average wage" | 45 percent |
| On that part of the unemployed person's wage in excess of the daily "average wage" and up to three times the daily "average wage" | 40 percent |

The maximum duration for which an unemployed person is entitled to unemployment benefits is:

- i. 175 days out of a year in case of an unemployed person aged 45 and over, or a person with three dependents; or
- ii. 138 days out of a year in every other case.

An insured person is entitled to unemployment benefits if he is out of work and registered as a work-seeker at the general labor exchange office, and if he reports there as frequently as required by law. An unemployed person, before becoming eligible for unemployment benefits, must accept any work determined to be suitable for him offered by the general labor exchange office.

The insured person must also have completed a certain qualifying period, as follows:

- i. Monthly employee--180 days for which insurance contributions were

paid out of the 360 days prior to unemployment, or 270 out of 540;

ii. daily employee--150 days out of 360, as above, or 225 days out of 540;

iii. new immigrant--100 working days out of 360;

iv. minor--100 days for which employment injury insurance contributions were paid out of the 360 days prior to unemployment;

v. soldier--exempt from a qualifying period.

Under current financing of the unemployment insurance scheme for 1981, the employee contributes 0.2 percent of wages or salary up to a maximum and the employer, 0.4 percent, up to a maximum. The funds of the national insurance institute which administers the unemployment insurance scheme are kept separate from other government funds.

Israel also has a general labor exchange office. Its responsibility includes all matters concerning the authorization of unemployment, as defined by the law, as well as offering the unemployed person suitable work. In the event there is no work, the general labor exchange registers the work-seeker as unemployed.

(d) Experience Under Unemployment Insurance Scheme

In 1980, Israel experienced a level of unemployment of 4.8 percent which was the highest since the late 1960's. Forecasts of high rates for coming years have brought about reassessment of the planning policy and operation of the unemployment insurance scheme. (44)

7. Portugal

(a) Economic Background

Portugal developed some export industries in textiles, fish and cork manufacturing early in the present century. However, during two decades prior to the 1930s, there was practically no growth due to such factors as political instability, inflation and lack of initiative on the part of business. The primary concern of Portugal's leadership during the period was the improvement of the basic framework of transportation and communication on which future industrialization could be built. In 1935, a 15-year plan was introduced to improve roads, railways, ports, and communications, as well as to develop energy-generating capacities. However, there was no substantial economic growth until World War II, in which Portugal did not participate. The war provided a strong incentive for the growth of import substitution and industrialization in Portugal. (61)

The second development plan was initiated by Portugal for the 1959-64 period. Some of the goals of the plan were the development of national wealth and income, and the provision of capital, credit and help for the private sector when necessary. The plan's main objectives were the acceleration of the rate of development of national production, the improvement of the standard of living, the improvement of the balance of payments, and the creation of the jobs needed to reach the economic goals. Portugal's third development plan for the 1968-73 period followed in a similar spirit. The goals of the plan were acceleration of the rate of growth of the national product, a more equitable distribution of income and revenue, and progressive correction of regional imbalances in development. (8)

During the 1960-80 period, Portugal has made significant changes in its economic structure. In 1980, the industrial sector accounted for almost half of the gross domestic product compared to 13 percent for agriculture. The industrial sector employed 36 percent of the labor force in 1980 compared to 29 percent in 1960. Agriculture, on the other hand, dropped from the predominant sector in 1960, with 44 percent of the labor force, to 24 percent in 1980. (74)

(b) Main Features of Unemployment Insurance Scheme

Portugal's unemployment insurance scheme evolved from a scheme established in 1962 for the protection of workers against technological unemployment. Inadequacies experienced by Portugal in the latter scheme prompted the establishment of the current unemployment insurance scheme (first law--1975; current laws--1977, 1983).

The scheme covers workers employed in trade, industry, services and agriculture, with the specific exception of public employees and employees in the banking sector. Special provisions exist for former vocational trainees, seafarers, freed prisoners and first-time job seekers between 18 and 25 years of age.

To qualify for benefits, 180 days of full-time insured employment (with corresponding contributions) during the last 360 days prior to the date of unemployment are required. Eligibility for benefits also requires workers to meet the following conditions:

- i. be able to work;
- ii. be available for work and have registered at an employment office;
- iii. be involuntarily unemployed;
- iv. have submitted a claim for unemployment benefits within a period of 90 days of becoming unemployed.

Payment of benefits is means-tested. Voluntary leaving of employment and refusal of suitable job offer or vocational training are disqualifying conditions.

The following persons are not eligible for benefits:

- i. Workers who received severance payments for the last or earlier terminations of work contracts. Ineligibility applies only during the number of full months equal to the amount received divided by the wage on which it was calculated;
- ii. Workers with no dependents who receive an average monthly income equal to or higher than 70 percent of the highest national minimum wage (in industry);
- iii. Workers who maintain a common household with family members receiving an average income, per capita, equal to or higher than 70 percent of the highest national minimum wage; it is, however, understood that each such household is ensured twice the highest national minimum wage;
- iv. Workers receiving cash sickness or maternity benefits;
- v. Workers receiving invalidity or old-age pensions;
- vi. Workers who have received, on their own account or through their household partner, sums from any source, in particular, inheritances or lottery earnings.

Cash benefits represent a percentage of the highest national statutory minimum wage. The benefit amount is 70 percent of the national minimum wage for full-time workers with no dependents, with higher percents for workers with specified numbers of dependents, up to 100 percent for workers with six or more dependents.

Benefits are payable, in principle, for 450 days; during the last 90 days, the benefit is reduced to 80 percent of the previous level. Extension of potential duration is provided for older claimants--up to 540 days at age 50 and 720 days at age 55 (possibility to claim early retirement pension at age 62).

The unemployment insurance scheme is financed by contributions of employers and workers (trade, industry and services) equal to 4 and 3.5 percent respectively of wages and salaries paid or received. In the case of agricultural workers, employers and workers contribute 2.0 and 1.5 percent, respectively. These contributions constitute a fund administered by the Office of Management of the Unemployment Fund of the Ministry of Labor and Social Security. The fund is used, among other uses (e.g., measures to prevent unemployment), to pay unemployment benefits.

General supervision of the scheme is under the Ministry of Labor and Social Security. (49)

(c) Experience under Unemployment Insurance Scheme

No data are available for comparative purposes.

8. Uruguay

(a) Economic Background

Uruguay is a semi-industrial middle-income country with a per capita gross national product of \$2,810 in 1980 according to the World Bank. Its population was estimated at 2.9 million in 1980. The literacy rate was estimated at 94 percent during 1980, which is only about 3 percentage points below the adult literacy rate in most industrial market economies such as Japan, the United Kingdom and the United States. (75)

Eighteen of the developing countries were classified in the 1981 World Development Report (World Bank) as semi-industrial. The report characterizes these countries as forming the highest income group among the oil-importing developing countries, with high shares of manufacturing in production and exports. As a result, these countries are good credit risks and are capable of raising needed capital from external sources. This is especially important during periods such as 1973-75 when oil prices caused severe shocks in most countries.

The population growth rate in Uruguay during 1960-70 was 1.1 percent. The growth rate dropped to 0.3 percent during 1970-80. One-third of Uruguay's labor force was in industry in 1980. Services accounted for the bulk (almost three-fifths) of the labor force; agriculture accounted for 11 percent. The distribution of the gross domestic product was similar to the distribution of the labor force, with industry producing a substantial 33 percent. Services and agriculture produced 57 and 10 percent, respectively.

Gross domestic savings in Uruguay were 12 percent of gross domestic product in 1980. Investment was slightly higher, at 19 percent of gross domestic product. Substantial foreign saving was available to finance the gap between investment and saving in Uruguay.

The World Bank's summary of socio-economic conditions in Uruguay portrays a small country successfully attempting to duplicate European-style welfare states. The World Bank characterizes Uruguay's past governmental policies as inward-looking protectionist policies which "discriminated against traditional exporting sectors and hindered any potential expansion of manufactured exports." (74, p. 77)

To cover growing deficits accumulating in the earlier 1970s, the Uruguayan government decided that its developmental policy should center on strengthening its competitive position, especially in exports, by allowing the market mechanisms to operate more freely. Domestic prices were decontrolled, import quotas eliminated and tariffs reduced. The currency was also devalued in 1974-77. (74)

(b) Development of Unemployment Insurance Scheme

Uruguay's unemployment insurance scheme was first established for workers in industry and commerce on October 23, 1958. This scheme had been preceded by the establishment of a labor exchange for the cold storage industry in 1944. The introduction of unemployment insurance was followed by the establishment of other labor exchanges. Some of the industries covered by these exchanges were wool warehousing, leather and allied products, oil, textile, aluminum,

metal trade, and glass. The most recent change occurred on August 20, 1981, when an unemployment benefit scheme was established which, in principle, covered all persons working for a private employer. (52)

(c) Main Features of Unemployment Insurance Scheme

Benefits depend on the average monthly or daily remuneration received by each beneficiary during the six months prior to unemployment. Benefits are equal to 50 percent of the average monthly remuneration received for employees paid monthly. Daily paid workers receive an average of 12 days' pay a month, and receive the difference between the 12 day average and the sum which they are actually paid during the month in the event of partial suspension of work or reduction in work. Monthly paid employees receive benefits for a maximum period of six months. Those paid by the day or hour receive benefits for a maximum period of 72 days. Once benefit entitlement is exhausted, the person concerned is ineligible for a period of 12 months from the date of receipt of the last benefit.

In order to be entitled to unemployment benefits, an employee must have been on the payroll of one or more employers for six months. These requirements must have been fulfilled during the 12 months immediately preceding unemployment. An individual must have become involuntarily unemployed and unable to find a job for which he is suited. The conditions for acquisition of entitlement are: dismissal, a suspension of work or the reduction of the number of days worked during the month or the number of hours worked during the day, by 25 percent or more of normal working hours or those established by law. Workers dismissed or suspended for disciplinary reasons and those receiving specified amounts of other income are disqualified from the receipt of benefits.

The system is basically financed by contributions to the retirement pension scheme from employees and employers. The state also gives assistance in the form of a common fund to cover the contingencies of old age, sickness, involuntary unemployment, maternity, death and invalidity, as well as children's allowances.

The employment service and the unemployment insurance scheme are under the Ministry of Labour and Social Security. The unemployment insurance scheme is administered by the General Directorate for Social Security, which also administers the pension scheme, family allowances, workers' sickness insurance, etc. The National Directorate of Human Resources administers an employment service. Both of these Directorates are under the Ministry of Labour and Social Security. (52)

(d) Experience under Unemployment Insurance Scheme

No data are available for comparative purposes.

B.2. Non-respondents to the Inquiry

1. Ecuador

(a) Economic Background

Ecuador is classified by the World Bank as a capital-deficit oil-exporting country. With a per capita gross national product of \$1,270 in 1980, it was also classified as a middle-income country. The average annual growth rate for per capita gross national product was 4.5 percent during the 1960-80 period. (75)

The estimated population for Ecuador totaled 8.0 million in 1980. Population growth was estimated at an average annual growth rate of 3.0 percent during both the 1960-70 and 1970-1980 period.

Agriculture was the dominant sector in Ecuador with 52 percent of the labor force in 1980. The industrial labor force accounted for 17 percent. Although agriculture dominated the labor force, it only accounted for 15 percent of gross domestic product. Thirty-eight percent of the gross domestic product was attributed to industry, of which 18 percentage points were manufacturing.

In 1979, merchandise exports in Ecuador were dominated by fuels, minerals and metals, and other primary commodities--46 percent in fuels, minerals and metals, and 51 percent in other primary commodities. Half of Ecuador's imports in 1979 were machinery and transport equipment and 37 percent were classified as other manufactures.

The World Bank characterized capital-deficit oil exporters similarly to the capital surplus oil exporters, stating that they have "enormous opportunities for rapid progress." (74) The oil-exporting countries' increased oil revenues have resulted in sharp increases in public investment. Saving has risen substantially. Public sector capital spending has been at a high level from 1976 through 1979. Public sector deficits have risen to historical highs in the oil-exporting countries.

(b) Main Features of Unemployment Insurance Scheme

Employees in industry, commerce, banking and government are covered under Ecuador's unemployment insurance scheme. The qualifying conditions for the receipt of benefits are 24 months of contributions and at least 60 days of unemployment. Benefits are paid in a lump sum, which varies according to wage class and length of service. The exact amounts are fixed annually. Benefits are financed by employer and employee contributions. Employers contribute 1 percent of payroll, according to wage class. Employees contribute 2 percent of earnings, also according to wage class. Additional insurance may be purchased, for which employees pay an extra 3 percent of earnings. (72)

2. Egypt

(a) Economic Background

The World Bank classified Egypt as a semi-industrial developing country (74). In 1980, Egypt's population of 39.8 million had a per capita gross national product of \$580. (75) Although Egypt was ranked among the middle-income countries, its per capita gross national product was significantly below that of the countries ranked at the top of the middle-income category such as Israel and Singapore, with per capita gross national product of \$4,500 and \$4,430, respectively.

The foundation for the beginning of industrialization in Egypt was laid during the 1937-1960 period. The economic events of this period were also important because they preceded the decade of the sixties in which unemployment insurance was introduced in Egypt. (21) During the 1937-60 period, the agricultural sector of the labor force decreased considerably while a significant increase occurred in both absolute numbers and proportional shares of the non-agricultural sector.

Some of the factors leading to the semi-industrialization of Egypt were the depression of the thirties, and the Second World War. During the second half of the nineteenth century, Egypt shifted its agriculture toward cotton cultivation, which gave the country an essentially money economy. Egypt became a one-crop exporter growing heavily dependent on trade. The depression of the thirties caused a sharp drop in cotton prices compared with prices of other commodities. This deterioration in the terms of trade resulted in new developments in the Egyptian economy and thus the beginning of the industrialization process. Capital began to flow from agriculture to manufacturing where there was a higher rate of return. Egypt also gained control of its tariff rates and started the protection of its local industry. The industrialization process was further speeded up during World War II when the Egyptian economy became somewhat isolated. Egyptian industry benefitted by its consumers being forced to purchase more domestic products. Allied troops stationed in Egypt during World War II also increased the demand for domestic non-agricultural goods. Since Egypt also had the most highly developed industry in the area at that time, they also benefitted from increased exports to other countries in the Middle East that were affected by shortages caused by the war. (15, 60)

(b) Main Features of Unemployment Insurance Scheme

The first year of basic unemployment insurance legislation was 1964. (3) The current law was enacted in 1975.

Employed persons are covered under the scheme. Casual agricultural workers, domestic servants, family labor, public employees, and employees over age 60 are excluded from coverage.

To qualify for benefits, six months of contribution, including three consecutive months, are required. Claimants must register at the manpower office and must continue to report there regularly. Disqualification from receipt of benefits results from voluntary leaving employment, discharge for misconduct, refusal of a suitable job offer, or refusal of training.

The benefit amount is 60 percent of the last monthly wage. Benefits are payable after a seven-day waiting period for up to 16 weeks.

Duration may be extended to 28 weeks if contributions were paid throughout the last 24 months.

To finance benefits, the employer pays two percent of payroll and the government makes up any deficit. There is no contribution paid by the insured.

The Ministry of Social Insurance exercises general supervision of the scheme. The Social Insurance Organization administers the scheme in collaboration with local manpower offices. (72) Unemployment insurance is part of a comprehensive social security system. (3)

C. Developing Countries without Unemployment Insurance Schemes

1. Brazil

(a) Economic Background

The Inter-American Development Bank summarizes Brazil's Third National Development Plans for 1980-85 which give priority to a rapid rate of economic growth, emphasizing the maximization of job creation, reduction in income disparity, and the easing of constraints posed by inflation and disequilibrium in the balance of payments. There was a shift to an increased reliance upon market forces to eliminate the long-standing distortion in relative prices which has been related to an inflation problem. This policy change was also intended to encourage saving. (16)

Although agriculture still dominated the labor force in 1979, comprising 40 percent, a considerable decline had taken place in the agricultural sector, which had made up 52 percent of the labor force in 1960. In 1979, 38 percent of the labor force was in services and 22 percent in industry. Industry's output in Brazil in 1979 accounted for 38 percent of gross domestic product, while agriculture accounted for only 11 percent.

Brazil is classified as an oil-importing, semi-industrial country by the World Bank. The gross national product per capita was \$2,050 in 1980. The GNP per capita grew at an average annual rate of 5.1 percent during the 1960-80 period. (75)

In 1980, Brazil's population was estimated at 118.7 million. The adult literacy rate (the percentage of persons aged 15 and over who can read and write) was 76 percent in 1977. The average annual growth rate of the population was 2.9 percent in the 1960-70 period and dropped to 2.2 percent in the 1970-80 period. (74, 75)

An analysis of the trade conditions of a country is also important in determining its development status. Brazil's exports are heavily primary sector output. Over the years, Brazil has made a concerted effort to reduce its imports and to emphasize import substitution. The policy has been a contributing factor to the country's high rate of inflation, which was 36.7 percent for the 1970-80 period and 46.1 percent for the 1960-70 period. (75)

(b) Main Features of Unemployment Protection Scheme

Employed persons are covered by an unemployment assistance scheme introduced in 1965. To qualify for benefits, a claimant must have had 120 days of employment with the same employer who had dismissed more than 50 employees within two months without good cause, or due to partial or total close-down of the enterprise. Claimants with any private income ensuring subsistence are disqualified from receiving benefits. Up to 80 percent of the legal minimum wage in the region is provided. Qualified unemployment assistance claimants may receive benefits for up to six months starting the month following the last month taken into account in estimating the dismissal compensation. The unemployment assistance scheme is financed by union membership dues. (34)

2. Colombia

(a) Economic Background

Colombia is classified by the World Bank as a semi-industrial country with a population of 26.7 million in 1980 and a gross national product per capita of \$1,180. Colombia's population has rapidly become urbanized over the 1960-80 period. The urban population accounted for almost half of the population in 1960, and has continued to grow over the two decades to 70 percent of the population by 1980. (75) This shift in population has been one of the factors contributing to Colombia's unemployment and underemployment problems. (39) This population shift has also contributed to the growth of the urban informal sector, which has been characterized in the Colombian national monograph as having poor working conditions, long working days, and a legal salary.

There has been a concerted effort by Colombia to increase the demand for labor, but this has been hindered by certain imperfections in the labor market. The Colombia National Planning Department concluded in one of its studies that one of the structural factors contributing to the unemployment problems is the large wage difference existing among workers with similar qualifications. This is explained by the existence of high salaries and fringe benefits in certain less competitive sectors with strong trade unions, in contrast with minimal salaries and minimal legal fringe benefits in the competitive sector. The effect of this wide range of wages among workers with similar qualifications is said to prolong the period of unemployment by raising the workers' expected wages in comparison to the actual average market wage rate. It was also noted in the Colombia monograph that these high expected wage rates tend to cause unemployment to concentrate in sectors with the highest pay such as the tertiary sector. It was noted that women and young workers were especially affected by these wage expectations. Another structural factor contributing to the prolongation of unemployment is the lack of knowledge of the job market. (39)

The urbanization in Colombia was also accompanied by a shift in the labor force. Over the 1960-80 period, the agricultural sector dropped from 51 percent of the labor force to 26 percent, while the service sector rose from 30 percent to 53 percent. The industrial sector increased slightly, percentagewise. Forty-two percent of gross domestic product in 1980 in Colombia was produced in the services industry. This only represented an increase of 2 percentage points over the proportion produced in 1960. (75)

(b) Main Features of Unemployment Protection Scheme

Colombia's labor code requires employers to pay workers, at the end of the labor contract, one month's severance payment (with 12 percent interest) for each year of service and a proportional amount for each fraction of a year. Excluded from severance payments are workers from family industries, occasional or temporary workers, and artisanal workers working in their own establishment who do not employ more than five permanent workers outside their own family. The basic salary for settling the severance payment is the last monthly wage. Where the wage has varied in the last three months, the basic salary is the monthly average of the last year of service, or of the whole period of

service if less than one year. (39)

3. India

(a) Economic Background

India is classified by the World Bank as a low-income populous South Asian country. With a gross national product per capita of \$240 in 1980, it ranked below the median income for the countries listed in the low-income bracket. India's population was estimated at 673.2 million, with an average annual growth rate of 2.1 percent in the 1970-80 period.

Agriculture continued to dominate the labor force and the gross domestic product during the 1960-80 period. Sixty-nine percent of India's labor force was in agriculture in 1980. This was slightly down from the 74 percent in agriculture in 1960. Industry accounted for 11 percent of the labor force in 1960 and 13 percent in 1980. The services sector grew from 15 percent in 1960 to 18 percent in 1980. The percent of gross domestic product accounted for by industry rose from 20 percent in 1960 to 26 percent in 1980. Agriculture, on the other hand, dropped from 50 percent to 37 percent over the same period.

The adult literacy rate in India was 36 percent in 1977. This compares to a literacy rate of at least 98 percent in the industrial market economy countries. (75)

The World Bank's analysis of India's economic conditions indicates that India is now able to fully produce its own agricultural needs and thus save much foreign exchange. The spread of irrigation, modern farming techniques, and the use of fertilizer and high-yielding varieties of seed partly explain the increased productivity in agriculture. However, industrial growth slowed since the mid-1960s. This was attributed to a sluggish rise in domestic demand, the restriction of entry of new firms into some industries by licensing and limitations in the infrastructure. There have been chronic power shortages and an inadequate transportation system. (74)

As pointed out in Chapter I, unemployment insurance is not a solution to unemployment, and India's main economic need appears to be development. Given the high concentration in agriculture, India does not seem to be ready for the introduction of an unemployment insurance scheme. In its report to the Government of India on the planning of an unemployment insurance scheme, the ILO stated, "It cannot be too strongly emphasized that the best method of protecting workers who are exposed to the risk of being unemployed is the prevention of unemployment. In other words, the need for unemployment benefit schemes should be kept at a minimum by various social, economic and fiscal measures, including those for increasing employment opportunities and reducing volume of unemployment. If an unemployment benefit scheme is introduced it needs to be operated in conjunction with other measures designed for the promotion of employment and vocational training." (26, p. 5)

(b) Main Features of Unemployment Protection Scheme

Some of the State Governments in India (Kerala, Maharashtra, Punjab, Tamil Nadu, West Bengal) have introduced unemployment assistance schemes. In general, the schemes provide allowances to unemployed individuals within prescribed age limits who have registered with the

employment exchange for a specified time period and whose family income does not exceed a specified amount. (In the Maharashtra scheme, no income limits are mentioned.) In Maharashtra, Punjab, and Tamil Nadu, the allowances are provided for the educated unemployed-- those individuals who meet specified educational requirements. In West Bengal, beneficiaries under the scheme are required to participate in any work program sponsored by the State Government or by designated agencies. The beneficiaries are to perform about 100 days of work, for which they are paid remuneration in addition to the basic allowance. (43)

4. Ivory Coast

(a) Economic Background

The Ivory Coast is one of the world's largest producers of cocoa and coffee and is also a noted exporter of tropical wood. This primary-producing middle income West African country had 79 percent of its labor force in agriculture in 1980. The service sector, however, accounted for 44 percent of the gross domestic product. Agriculture produced 34 percent. The 8.3 million population had a life expectancy of 47 years and a literacy rate of 41 percent. Fourteen percent of the population of secondary school age were enrolled in secondary school in 1978. This secondary school enrollment ratio was only 2 percent in 1960. (75)

The Ivory Coast National Monograph reported that the country had not been faced with an unemployment problem since its independence. Although serious economic problems developed worldwide during the 1973 economic crisis, it was not until 1979 that unemployment problems began to become acute in the Ivory Coast. (45)

(b) Main Features of Unemployment Protection Scheme

Since 1979, some short-term measures have been taken in the Ivory Coast to aid the unemployed. The unemployed organized a national committee in 1979 to put forth their claims to the relevant administrative authorities. To meet these demands, 1.5 thousand million Central French Africa (CFA) francs were granted in aid to the unemployed between 1979 and 1980, financed from a fund made available by the Ivory Coast Government. The fund provided a payment of 50,000 CFA francs to wage earners, laborers and salaried employees, and 100,000 CFA francs per month to unemployed supervisory and managerial staff. The aid to wage earners, laborers and salaried employees is paid at intervals. In 1981, 500 million CFA francs were paid out to managerial staff and 428 million to supervisory staff.

Unemployed supervisory and managerial staff have been dealt with by the 1982 Finance Act set up by the National Solidarity Contribution. This is a 1 percent deduction on the pay of all employees, civil servants and employees in the private sector to provide assistance to unemployed supervisory and managerial staff for a two-year period (from January 1982 to December 1983). The amount of this monthly aid is 100,000 CFA francs.

The Ivory Coast is currently planning to set up an Unemployment Insurance Fund. Preparatory work for the insurance scheme is underway. (45)

5. Kuwait

Economic Background

Kuwait is classified as a capital-surplus oil exporter by the World Bank. In 1980, the 1.4 million population had a GNP per capita income of \$19,830. Kuwait has practically no agricultural sector. Only 1 percent of the labor force was reported in agriculture. Two-thirds of the labor force was in services and the remaining 34 percent in industry. The adult literacy rate was 60 percent. Eighty-eight percent of the population lived in urban centers. (75)

There are development problems unique to the oil exporting countries like Kuwait, which have surplus capital because of their abundance of oil. Because of the plentifulness of their oil resources, they produced far more oil than necessary for internal consumption. A major public policy issue is the determination of how much oil to produce, and how to utilize the oil revenue to develop a domestic economy that will benefit from the oil revenue long after the exhaustion of the oil. (74) The World Bank noted that although the capital-surplus countries have made considerable economic progress, they have had certain constraints. They are frequently sparsely populated, with many of their people lacking the skills needed as the basis for industrialization, have poor soil and climate for agriculture and lack the infrastructure necessary for major industrialization. (74)

The governments in these capital-surplus countries want the people to share in the oil revenue but fear that transfer payments will have a work disincentive effect and have resorted to public spending for recreational facilities, subsidized housing, and the expansion of education and health services. (74) In view of the 100-year estimated supply of Kuwait's oil reserves, their huge capital surplus and their willingness to expand public spending, it does not appear that unemployment will be a major problem in Kuwait in the near future.

6. Mauritius

(a) Economic Background

This Indian Ocean country is primarily agricultural, specializing in sugar production. Tourism is also an important sector. Mauritius had a population of 900,000 in 1980, with a per capita gross national product of \$1,060. (75)

In a white paper on unemployment benefits in Mauritius, the Mauritius Government acknowledges that unemployment is a serious problem that represents a waste of their most valuable resource as well as giving rise to serious social tensions and divisions. The government also states that the only satisfactory solution, already in process, is to create more jobs. In view of the growing number of unemployed, the white paper considered some options and answers to the immediate problem. Because of limited resources, it was decided to introduce an Unemployment Benefit Hardship Scheme providing benefits only to families and individuals most in need. (47)

(b) Main Features of Unemployment Protection Scheme

The Unemployment Benefit Hardship Relief Scheme, introduced in February 1983, provides benefits to unemployed workers under age 60 with a wife or child if their resources fall short of minimum needs, fixed at specified amounts. The relief payable is the amount by which the resources fall short of requirements after deducting any benefit or allowance received under the National Pensions Act or the Family Allowance Act. The relief is payable with respect to any period of unemployment exceeding 30 days in which the claimant is available for full-time remunerative employment. Major reasons for disqualification from benefits include termination of employment due to misconduct, leaving employment without good and sufficient cause, refusal of a reasonable offer of employment, or not taking reasonable steps to obtain employment.

In addition to the newly introduced hardship relief, Mauritius provides severance and redundancy payments under the Labor Act of 1975. (47)

7. Philippines

(a) Economic Background

There were 49.0 million people living in the Philippines in 1980, 36 percent of whom were in urban areas. A per capita gross national product of \$690 ranked the Philippines among the middle-income countries in 1980. This semi-industrial country is still predominantly agricultural. Almost half of the labor force was in the agricultural sector in 1980 compared with 17 percent in the industrial sector. There has been very little increase in the industrial share of the labor force over the 1960-80 period. The industrial sector, however, produced 37 percent of the country's gross domestic product compared to 28 percent produced by the agricultural sector. (75)

(b) Study of Potential Adoption of Unemployment Insurance Scheme

In 1981, the Actuarial Staff of the Republic of the Philippines Social

Security System (SSS) submitted a memorandum to the Administrator which discussed and summarized the observations and conclusions of the "Joint Position Paper on the Proposal to Establish an Unemployment Insurance System" submitted by the Employers' Confederation of the Philippines (ECCP) and the Philippines Chamber of Commerce and Industry (PCCI), and the "Concept Paper on Unemployment Insurance" submitted by the Trade Union Congress of the Philippines. The memorandum concluded that most of the conditions necessary for the successful implementation of unemployment insurance in industrial countries were absent in developing or poor countries such as the Philippines. In addition to lacking the conditions needed for a viable unemployment insurance scheme, these countries suffer from extensive underemployment and substantial dependence on foreign trade for sale of agricultural products, which could lead to mass unemployment with the loss of export markets. It was recommended that "the solution to the problem of unemployment must be sought in providing job opportunities and security of employment. To achieve this solution, all efforts have to be concentrated on the creation of employment and prevention of unemployment within the framework of appropriate social and economic policies." (27)

8. Tanzania

(a) Economic Background

The World Bank, using the United Nations' classification, places Tanzania in one of the least developed groups of developing countries. Tanzania's population was estimated at 18.7 million with a GNP per capita of \$280 in 1980, which is among the lowest incomes of the developing countries. The urban population was 12 percent of the total population in 1980. The 1977 literacy rate was 66 percent. Agriculture dominates Tanzania's labor force, with 83 percent of the 1980 labor force. Industry and services comprise only 6 and 11 percent, respectively. This pattern has changed little from 1960, when agriculture made up 89 percent of the labor force. Over half of the gross domestic product was attributed to agriculture both in 1960 and 1980. (75)

The similarity in economic conditions over the twenty-year period between 1960 and 1980 suggests that observations about the economy and recommendations about the social security system made in the 1960's should have current relevance. In 1961, in response to Tanzania's request to the ILO for a survey of social security needs, the ILO found that there was a problem of inducing workers to remain in the labor market year around, year after year. Workers who migrated to the urban centers frequently returned to the tribal areas to attend to farming needs or to revert to self-sufficiency in the traditional sector. At that time, the ILO also found the absence of a nationwide postal system and a comprehensive recordkeeping system, as well as inability to properly identify individuals. The general conditions found ruled out establishing even a simplified social insurance system. A national provident fund, a forced savings plan to which both employer and employee contribute, was thought to be the most feasible solution. The fund would serve as a basis for later orderly transition to a long-term risk insurance system. (32)

In a 1966 report on social security, the ILO found that a large increase in unemployment was caused mainly by the fact that many people had migrated in the prior few years from the countryside to the towns hoping to find jobs in the factories or construction work. Having failed, they did not return to their villages, but remained in towns, aggravating the unemployment situation. The ILO expert concluded that priority should be given to preventive action aimed at expanding employment rather than introducing unemployment insurance. (32)

(b) Main Features of Unemployment Protection Scheme

In Tanzania, under the provisions of the Severance Allowance Act of 1962, allowances are paid to employees on the termination of their employment in certain circumstances. In general, the employer is required to pay a severance allowance where an employee has been in the continuous employment of an employer for three months or more and the employment is terminated by the employer or the employee's contract of service expires. When an employee has been in such continuous employment for one year or less, the allowance equals fifteen days' wages. If the period of continuous employment has been more than one year, the allowance equals fifteen days' wages multiplied by the number of years during which the employee has been in such continuous employment.

A "withdrawal benefit" is payable under the National Provident Fund Act. A member qualifies for a withdrawal benefit if he remains unemployed for six consecutive months, when he is paid one-third of the money outstanding in his account. The other two-thirds are due for payment after another twelve months if he should remain unemployed for that period. If the member secures employment with a registered contributing employer within the twelve-month period, he is required to continue contributing to his account. The Severance Allowance Act overlaps with the National Provident Fund Act; therefore, the amount of the severance allowance may be reduced over the period of the payment of the Fund's contributions by the amount of the employer's share of the contributions. (50)

9. Tunisia

(a) Economic Background

Tunisia is a small North African country with a population of 6.4 million as of 1980. This primary producing country had a per capita gross national product of \$1,310. Its labor force was practically equally divided, with about one-third in each of agricultural, industrial and services sectors. The services sector accounted for 48 percent of the gross domestic product. Industry accounted for a substantial portion, 35 percent. Seventeen percent was produced by agricultural labor. Tunisia had a literacy rate of 62 percent. In 1980, over half of the population lived in urban areas. The higher education enrollment ratio was 5 percent in 1978 and the secondary school enrollment ratio, 25 percent in 1979. In comparison, the higher education enrollment ratio was 25 percent or greater for most industrial market economies. The secondary school enrollment ratio was greater than 80 percent for most of these industrial market economies. (75)

(b) Main Features of Unemployment Protection Scheme

In 1982, Tunisia introduced temporary assistance for the benefit of workers who lose their jobs for reasons beyond their control. Benefits are provided to workers who have been employed for at least three years in their last job. In order to receive benefits, the worker must meet the following conditions:

- i. not have received a dismissal payment (severance payment);
- ii. have family responsibilities (dependents);
- iii. have no other personal resources;
- iv. not be entitled to a disability or retirement pension;
- v. have registered with the public employment office for a specified period of time without having found employment.

The benefits are financed by the National Social Security Fund as a part of its health and social welfare activities. In addition to the temporary assistance, entitlement to family allowances and to the supplement for families with a non-working spouse is maintained for these same workers for the quarter following termination of employment. (51)

Chapter III

Summary and Conclusions

A. Introduction

This chapter presents: 1) a summary and analysis of economic and demographic characteristics of developing countries with and without unemployment insurance schemes, and 2) a summary of major unemployment insurance provisions in ten developing countries with unemployment insurance schemes.

B. Economic and Demographic Characteristics in Developing Countries

Tables 1(a) and (b) present a summary of economic and demographic characteristics of selected developing countries. The tables also indicate whether an unemployment insurance scheme exists in the country. Table 2 presents a ranking of the countries according to selected economic and demographic characteristics. These tables are accompanied by a discussion of the characteristics of developing countries that have implemented unemployment insurance schemes.

Table 1(a)

Selected countries by specified economic and demographic characteristics

| Country | Unemploy- ment insurance scheme | Population mid-1980 (millions) | GNP per capita (dollars) 1980 | Adult literacy rate (%) | Distribution of labour force 1980 (%) | | | % of population 15-64 yrs. 1980 | Urban population as % of total population 1980 |
|------------------|--|--------------------------------------|--|-------------------------------|--|----------|----------|--|---|
| | | | | | agricul- ture | industry | services | | |
| Argentina..... | no | 27.7 | 2,390 | 93 | 13 | 28 | 59 | 63 | 82 |
| Barbados..... | yes | .2 | 3,040 | 99 | - | - | - | - | - |
| Bolivia..... | no | 5.6 | 570 | 63 | 50 | 24 | 26 | 53 | 33 |
| Brazil..... | no | 118.7 | 2,050 | 76 | 30 | 24 | 46 | 57 | 68 |
| Chile..... | yes | 11.1 | 2,150 | - | 19 | 19 | 62 | 62 | 80 |
| Colombia..... | no | 26.7 | 1,180 | - | 26 | 21 | 53 | 60 | 70 |
| Cyprus..... | yes | .6 | 3,560 | 89 | - | - | - | - | - |
| Ecuador..... | yes | 8.0 | 1,270 | 81 | 52 | 17 | 31 | 52 | 45 |
| Egypt..... | yes | 39.8 | 580 | 44 | 50 | 30 | 20 | 57 | 45 |
| Ghana..... | yes | 11.7 | 420 | - | 53 | 20 | 27 | 51 | 36 |
| Greece..... | yes | 9.6 | 4,380 | - | 37 | 28 | 35 | 64 | 62 |
| India..... | no | 673.2 | 240 | 36 | 69 | 13 | 18 | 57 | 22 |
| Iraq..... | no | 13.1 | 3,020 | - | 42 | 26 | 32 | 51 | 72 |
| Israel..... | yes | 3.9 | 4,500 | - | 7 | 36 | 57 | 59 | 89 |
| Ivory Coast..... | no | 8.3 | 1,150 | 41 | 79 | 4 | 17 | 53 | 40 |
| Jordan..... | no | 3.2 | 1,420 | 70 | 20 | 20 | 60 | 51 | 56 |
| Kuwait..... | no | 1.4 | 19,830 | 60 | 2 | 34 | 64 | 52 | 88 |
| Libya..... | no | 3.0 | 8,640 | - | 19 | 28 | 53 | 51 | 52 |
| Mauritius..... | no | .9 | 1,060 | 85 | - | - | - | - | - |
| Mexico..... | no | 69.8 | 2,090 | 81 | 36 | 26 | 38 | 51 | 67 |
| Morocco..... | no | 20.2 | 900 | 28 | 52 | 21 | 27 | 51 | 41 |
| Nigeria..... | no | 84.7 | 1,010 | 30 | 54 | 19 | 27 | 50 | 20 |
| Pakistan..... | no | 82.2 | 300 | 24 | 57 | 20 | 23 | 51 | 28 |
| Philippines..... | no | 49.0 | 690 | 75 | 46 | 17 | 37 | 53 | 36 |
| Portugal..... | yes | 9.8 | 2,370 | 70 | 24 | 36 | 40 | 63 | 31 |
| Tanzania..... | no | 18.7 | 280 | 66 | 83 | 6 | 11 | 51 | 12 |
| Tunisia..... | no | 6.4 | 1,310 | 62 | 34 | 33 | 33 | 55 | 52 |
| Turkey..... | no | 44.9 | 1,470 | 60 | 54 | 13 | 33 | 56 | 47 |
| Uruguay..... | yes | 2.9 | 2,810 | 94 | 11 | 32 | 57 | 63 | 84 |
| Venezuela..... | no | 14.9 | 3,630 | 82 | 18 | 27 | 55 | 55 | 83 |
| Zimbabwe..... | no | 7.4 | 630 | 74 | 60 | 15 | 25 | 50 | 23 |

Notes

- Data not available.
Year of literacy rate varies by country.
Definition of urban varies by country.

Source: World Bank, World Development Report, 1982.

Table 1(b)

Selected countries by specified economic and demographic characteristics

| Country | Gross domestic product (millions of dollars) 1980 | Percent distribution of gross domestic product 1980 | | | | GNP per capita annual growth rate 1960-80 | Average annual rate of inflation (%) 1970-1980 | Average annual growth of population (%) 1970-1980 |
|------------------|---|---|----------|---------------|----------|---|--|---|
| | | agriculture | industry | manufacturing | services | | | |
| Argentina..... | 130,920 | a 13 | a 46 | a 37 | a 41 | 2.2 | 130.8 | 1.6 |
| Barbados..... | - | - | - | - | - | 4.5 | 13.9 | - |
| Bolivia..... | 6,100 | 18 | 29 | 14 | 53 | 2.1 | 22.3 | 2.5 |
| Brazil..... | 237,930 | a 11 | a 38 | a 28 | a 51 | 5.1 | 36.7 | 2.2 |
| Chile..... | 28,080 | 7 | 37 | 21 | 56 | 1.6 | 185.6 | 1.7 |
| Colombia..... | 29,570 | 28 | 30 | 22 | 42 | 3.0 | 22.0 | 2.3 |
| Cyprus..... | - | - | - | - | - | - | 5.2 | - |
| Ecuador..... | 11,380 | 13 | 38 | 8 | 49 | 4.5 | 14.4 | 3.0 |
| Egypt..... | 22,970 | 23 | 35 | 28 | 42 | 3.4 | 11.5 | 2.1 |
| Ghana..... | 15,390 | a 66 | a 21 | - | a 13 | -1.0 | 34.8 | 3.0 |
| Greece..... | 35,650 | 16 | 32 | 19 | 52 | 5.8 | 14.4 | 0.9 |
| India..... | 142,010 | 37 | 26 | 18 | 37 | 1.4 | 8.5 | 2.1 |
| Iraq..... | 35,810 | a 7 | a 73 | a 6 | a 19 | 5.3 | a 14.1 | 3.3 |
| Israel..... | 15,340 | a 5 | a 36 | a 24 | a 59 | 3.8 | 39.7 | 2.6 |
| Ivory Coast..... | a 7,030 | a 34 | a 22 | a 11 | a 44 | 2.5 | 13.2 | 5.0 |
| Jordan..... | 2,190 | a 8 | a 32 | a 16 | a 60 | 5.7 | - | 3.4 |
| Kuwait..... | 27,290 | b | 79 | 6 | 21 | -1.1 | 18.4 | 6.0 |
| Libya..... | 32,090 | 2 | 72 | 4 | 26 | 5.2 | 18.4 | 4.1 |
| Mauritius..... | - | - | - | - | - | 2.3 | 15.4 | - |
| Mexico..... | 166,700 | a 10 | a 38 | a 24 | a 52 | 2.6 | 19.3 | 3.1 |
| Morocco..... | 17,940 | 18 | 32 | 17 | 50 | 2.5 | 8.1 | 3.0 |
| Nigeria..... | 91,130 | 20 | 42 | 6 | 38 | 4.1 | 18.2 | 2.5 |
| Pakistan..... | 21,460 | 31 | 25 | 16 | 44 | 2.8 | 13.5 | 3.1 |
| Philippines..... | 35,490 | 23 | 37 | 26 | 40 | 2.8 | 13.2 | 2.7 |
| Portugal..... | 21,930 | 13 | 46 | 36 | 41 | 5.0 | 130.8 | 1.3 |
| Tanzania..... | 4,350 | a 54 | a 13 | a 9 | a 33 | 1.9 | 11.9 | 3.4 |
| Tunisia..... | 7,300 | 17 | 35 | 13 | 48 | 4.8 | 7.7 | 2.1 |
| Turkey..... | 53,820 | 23 | 30 | 21 | 47 | 3.6 | 29.7 | 2.4 |
| Uruguay..... | 8,430 | 10 | 33 | 25 | 57 | 1.4 | 62.3 | 0.3 |
| Venezuela..... | 60,030 | 6 | 47 | 16 | 47 | 2.6 | 12.1 | 3.3 |
| Zimbabwe..... | a 3,640 | a 12 | a 39 | 25 | a 49 | 0.7 | 8.8 | 3.3 |

Notes

- Data not available.

a/ Figures are for earlier year.

b/ Less than half the unit shown.

Source: World Bank, World Development Report, 1982.

Table 2

Selected countries ranked in descending order by specified demographic and economic characteristics

| Country | GNP per capita | Adult literacy rate | Percent of labour force in industry | Percent of population 15-64 yrs. | Urban population as per cent of total population |
|----------------------------|----------------|---------------------|-------------------------------------|----------------------------------|--|
| With UI schemes: | | | | | |
| Barbados..... | 7 | 1 | - | - | - |
| Chile..... | 12 | - | 12 | 3 | 6 |
| Cyprus..... | 6 | 4 | - | - | - |
| Ecuador..... | 18 | 7 | 13 | 10 | 15 |
| Egypt..... | 26 | 16 | 5 | 6 | 15 |
| Ghana..... | 28 | - | 11 | 11 | 18 |
| Greece..... | 4 | - | 6 | 1 | 11 |
| Israel..... | 3 | - | 1 | 5 | 1 |
| Portugal..... | 11 | 11 | 1 | 2 | 20 |
| Uruguay..... | 9 | 2 | 4 | 2 | 3 |
| Without UI schemes: | | | | | |
| Argentina..... | 10 | 3 | 6 | 2 | 5 |
| Bolivia..... | 27 | 13 | 9 | 9 | 19 |
| Brazil..... | 14 | 8 | 9 | 6 | 9 |
| Colombia..... | 19 | - | 10 | 4 | 8 |
| India..... | 31 | 18 | 15 | 6 | 23 |
| Iraq..... | 8 | - | 8 | 11 | 7 |
| Ivory Coast..... | 20 | 17 | 17 | 9 | 17 |
| Jordan..... | 16 | 11 | 11 | 11 | 12 |
| Kuwait..... | 1 | 15 | 2 | 10 | 2 |
| Libya..... | 2 | 9 | 6 | 11 | 13 |
| Mauritius..... | 21 | 5 | - | - | - |
| Mexico..... | 13 | 7 | 8 | 11 | 10 |
| Morocco..... | 23 | 20 | 10 | 11 | 16 |
| Nigeria..... | 22 | 19 | 12 | 12 | 24 |
| Pakistan..... | 29 | 21 | 11 | 11 | 21 |
| Philippines..... | 24 | 9 | 13 | 9 | 18 |
| Tanzania..... | 30 | 12 | 16 | 11 | 25 |
| Tunisia..... | 17 | 14 | 3 | 8 | 13 |
| Turkey..... | 15 | 15 | 15 | 7 | 14 |
| Venezuela..... | 5 | 6 | 7 | 8 | 4 |
| Zimbabwe..... | 25 | 10 | 14 | 12 | 22 |

Notes

- Data not available.
Year of literacy rate varies by country.
Definition of urban varies by country.

Source: World Bank, World Development Report, 1982.

B.1. Summary and Analysis of Economic and Demographic Characteristics in Developing Countries

1. Purpose of Summary

The principal purpose of this section is to summarize selected economic and demographic characteristics of developing countries with and without unemployment insurance schemes to determine if any characteristics seem to be common among such countries. Thirty-one countries were selected, including ten with unemployment insurance schemes. Nineteen of these countries have been discussed in detail in Chapter II. The countries were ranked in descending order by selected economic and demographic characteristics.

2. Developing Country Group Classification and Gross National Product Per Capita

Developing country group classification and gross national product per capita were examined to see whether income and industrialization are associated with the adoption of unemployment insurance. All ten of the developing countries with unemployment insurance were classified as middle-income countries (countries with gross national product ranging from \$420 to \$4500 in 1980). Five of the countries (Egypt, Greece, Israel, Portugal, and Uruguay) were classified as semi-industrial countries. Four of the five semi-industrial countries rank in the top eleven of the middle-income countries in gross national product per capita. One country, Ecuador, was classified as an oil exporter. Barbados and Cyprus were middle-income countries but were not classified by the World Bank because they had populations of less than one million people. The remaining two countries, Chile and Ghana, were classified as primary-producing countries. Chile, however, has only 19 percent of its labor force in agriculture compared with Ghana, which has 53 percent in agriculture. Ghana ranked twenty-eighth in gross national product per capita among the 31 selected countries.

Excluding the two countries with less than a population of one million, the developing countries with unemployment insurance schemes are primarily middle-income semi-industrial countries. The two small countries do not have a population large enough to support a large industrial sector. This finding supports the observation in the literature review that unemployment insurance is more appropriate in a country with well-defined industrial and commercial sectors.

3. Percent of Population of Working Age

The percent of the population of working age was considered a crude indicator of a country's potential ability to afford an unemployment insurance scheme. Large proportions of children and elderly people in developing countries may create a strain on the general social security system because the financial burden falls heavily on employers and the relatively small work force. The probability that the country could afford unemployment insurance would therefore be less than it would if the country had a higher proportion of the population of working age.

The developing countries with unemployment insurance schemes tend to have a larger proportion of their population of working age than the countries without unemployment insurance. Of the eight developing

countries with unemployment insurance schemes that have this statistic available, seven were ranked among the top ten developing countries in percent of working age population. The five semi-industrial countries with unemployment insurance schemes were ranked among the top six. Ghana's rank of eleventh was more characteristic of the developing countries without unemployment insurance schemes, most of which ranked tenth or eleventh.

4. Adult Literacy Rate

Adult literacy rate was used as a rough proxy for human capital, especially with respect to the skills necessary to perform the administrative, statistical and recordkeeping tasks associated with the adoption and maintenance of an unemployment insurance scheme. The adult literacy rate was available for only six of the developing countries with unemployment insurance schemes. Four of these countries, Barbados, Cyprus, Ecuador, and Uruguay, ranked among the top seven of the 25 developing countries for which statistics were available.

5. Percent of Labor Force in Industry

The percent of the labor force in industry can be examined to see whether industrialization is associated with the introduction of unemployment insurance. Of the eight developing countries with unemployment insurance that reported this statistic, five ranked sixth or higher. Ghana and Chile, the two agricultural countries, ranked eleventh and twelfth, respectively. This ranking is further confirmation of the semi-industrial classification given to five of these countries, all of which rank sixth or higher. Ghana is again among the statistical outliers, suggesting that it probably is not ready for unemployment insurance.

6. Conclusion

Most of the developing countries with unemployment insurance schemes have well-defined industrial and commercial sectors. The ten countries with schemes have an estimated unweighted average of 27 percent of the labor force in the industrial sector and \$2508 per capita gross national product. (Data were not available for the percent of the labor force in industry for Barbados and Cyprus.) Ghana is an outlier among these countries, with only 20 percent of its labor force in the industrial sector and 53 percent in agriculture. The \$420 per capita gross national product in Ghana is the lowest among the ten countries.

Based on the average per capita gross national product and the average percent of the labor force in the industrial sector among the ten countries, a conservative characterization of a developing country likely to successfully implement an unemployment insurance scheme would be one with about 28 percent or more of its labor force in the industrial sector or a per capita gross national product exceeding \$2000. Applying this criterion, some developing countries without unemployment insurance schemes appear able to consider such a scheme, if consistent with their policies. These countries, which have industrial sectors ranging between 24 and 34 percent of the labor force, are Argentina, Bolivia, Brazil, Iraq, Kuwait, Libya, Mexico, Tunisia, and Venezuela. Of this group, Kuwait has the highest percent of the labor force in the industrial sector. The economic criterion applied

here is, of course, only one among the broad spectrum of conditions that determine the readiness of a developing country to implement unemployment insurance.

C. Unemployment Insurance Provisions in Ten Developing Countries

Table 3 presents a schematic summary of major provisions of unemployment insurance schemes in ten developing countries. Provisions of the two countries that did not respond to the ISSA inquiry are summarized together with those of the eight responding countries. The information is based mainly on material submitted by the countries to the ISSA in response to the inquiry, through the ISSA to the United States Social Security Administration for their publication, "Social Security Programs Throughout the World", or to supplementary sources, as noted on the table. This table is accompanied by a brief analysis of the major unemployment insurance provisions.

TABLE 3

Summary of Unemployment Insurance Provisions in Ten Developing Countries with Schemes

| Country | Coverage | Qualifying Conditions | Benefit Amount | Duration | Source of Funds |
|----------|---|--|--|---|--|
| Barbados | Individuals who normally work for an employer and are between 16 and 64 years of age; exclusions--uninsurable under National Insurance Scheme, self-employed, permanent government employees. | Insured at least 52 wks.; 26 contributions paid or credited--8 in last 13 weeks. | Daily rate--40% of average insurable weekly earnings. This percentage is divided by 6. Earnings during last 13 weeks used for calculation. | Payable for each day except Sunday for maximum of 13 weeks. | 2% of insurable earnings shared equally by employer and employee. Government--none (3). |
| Chile | All non-self-employed workers in public and private sectors. Some categories of self-employed. | Private sector--1 yr. contributions to any insurance scheme in system during 2 previous years. Public sector--1 yr. contribution or service during 2 previous years; on unemployment register; unemployment not due to reasons within claimant's control. | Private sector--75% of monthly taxable wage during last 6 mos.; Public sector--75% of last taxable monthly wage; Both sectors: minimum--35.6% of minimum monthly wage in Santiago; maximum--80.2% of minimum income. | Up to 90 days (may be extended for 3 additional periods) | Employer--none; insured person--government--funds program. |
| Cyprus | Employed persons; exclusions--certain categories in part-time and family employment. | 26 weeks of paid contributions; prescribed minimum amount of insurable earnings; age 16-65; capable of and available for work; weekly reporting at employment exchange; if unemployment due to voluntary leaving, misconduct, refusal of suitable job offer, or to undergo training, failure to avail self of job opportunity, disqualification up to 6 weeks. | Basic benefit--60% of weekly average of basic insurable earnings; increasing to 80%--1 dependent, 90%--2 dependents, 100%--3 dependents; supplementary benefit--50% of weekly average of insurable earnings exceeding basic insurable earnings; maximum--basic insurable earnings. | Payable after 3-day waiting period for up to 156 days; 78 days for first 26 weeks of employment; 1 additional day for each additional week. | Social insurance contribution: employer--6%; insured person--government--3.1%; maximum earnings contribution--pounds 84 a week; Unemployment Benefit Account--allocated of not more than of above social insurance contribution. |

TABLE 3

Summary of Unemployment Insurance Provisions in Ten Developing Countries with Schemes

| Country | Coverage | Qualifying Conditions | Benefit Amount | Duration | Source of Funds |
|---------|---|---|---|--|---|
| Ecuador | Employees in industry and commerce and in banking; also government employees. | 24 mos. of contribution; payable after at least 60 days of unemployment for any reason. | Lump sum varying according to wage class and length of service; (exact amounts fixed annually). | | Employer--1% of payroll, according to wage class; insured person--2% of earnings, according to wage class; government--none; (additional insurance purchasable; insured pays an additional 3% of earnings). |
| Egypt | Employed persons; exclusions-casual agricultural workers, domestic servants, family labor, public employees, and employees over age 60. | 6 mos of contributions, including 3 consecutive mos.; able and willing to work; registrations and regular reporting at manpower office; unemployment not due to voluntary leaving, discharge for misconduct, refusal of suitable job offer, or refusal of training. | 60% of last mo. wage. | Payable after 7-day waiting period for up to 16 wks.; (may be extended to 28 weeks if contributions paid throughout last 24 mos.). | Employer--2% of payroll; government--any deficit |
| Ghana | Employees in civil service, public service, private establishments employing more than 4 workers. | For first claim, 36 mos.; otherwise, 24 mos. of contributions, including 2 contributions in last 4 mos.; registered at employment office; capable of and actively seeking work; unemployment lasting 2 mos. (3 mos. for additional benefits); not due to voluntary leaving, labor dispute, or refusal of suitable work. | 50 % of av. mo. earnings in last yr. Additional payment if unemployment exceeds 3 mos.: 15 cedis or 20% of av. mo. earnings, whichever is higher. | Payable after 30-day waiting period for up to 2 mos. | Financed by part of contributions credited to members of Social Security Fund; 1% of worker's pay transferred from employer's social security contribution of 12 1/2% into Unemployment Benefit Fund; government--none. |

TABLE 3

Summary of Unemployment Insurance Provisions in Ten Developing Countries with Schemes

| Country | Coverage | Qualifying Conditions | Benefit Amount | Duration | Source of Funds |
|---------|---|---|---|---|---|
| Greece | Employees for wages or salary under contract and insured with Social Insurance Institute against sickness; exclusions--agricultural workers, domestic workers, family labor, casual workers, public employees, persons under age 15; special systems for seamen and printing workers. | 125 days of contribution in last 12 mos. (for 1st benefit, also 80 days in each of last 3 yrs.); capable of earning 1/3 of wages of similar worker, able to and available for work, and registration at employment office; unemployment not due to voluntary leaving, dismissal for misconduct, strike or lockout, or refusal of suitable work or prescribed training. | 40% of wages or 50% of salary according to wage class; minimum--66 2/3 % of wage of unskilled worker; flexible maximum; Dependents' supplements --10% of earnings for each dependent; maximum total benefit--70% of earnings. | Payable after 6-day waiting period for up to 2 mos.; extended to 3 mos. if 150 days of employment in last year, or 5 mos. if 180 days; overall maximum duration in any 4 years--300 days. | Employer--2% of payroll; insured person--1% of earnings; government none. |
| Israel | Employed persons over age 18 and under age 65 (men) or 60 (women); exclusions--self-employed, workers in kibbutzim. | Monthly employee--180 days of contributions out of 360 days prior to unemployment or 270 out of 540; daily employee--150 days out of 360 or 225 out of 540; different requirements for immigrants and minors; soldiers exempt; registration and regular reporting at employment exchange; disqualification for voluntary leaving, refusal of suitable work; age 18-20, if sole or partial support of family; age 15-18, if partial support of family. | Percent based on national average wage and individual wage class; percent (80% to 40%) decreases as wage increases. | Payable after 5-day waiting period for every 4 mos. of continuous unemployment, for up to 138 days in a year; if 45 years old or over, or 3 dependents, up to 175 days in a year. | Employer--.4% of salary or wages to a maximum; employee--.2% of salary or wages to a maximum; government--non |

TABLE 3

Summary of Unemployment Insurance Provisions in Ten Developing Countries with Schemes

| Country | Coverage | Qualifying Conditions | Benefit Amount | Duration | Source of Funds |
|----------|---|---|--|--|---|
| Portugal | Employees in trade, industry, services and agriculture. Exclusions--public employees, employees in banking sector. Special provisions for former vocational trainees, seafarers, freed prisoners and first-time job seekers aged 18-25. | 180 days of full-time insured employment with av. of 13 days of work a mo. or 24 hrs. a wk.; worked for employer in prior 12 mos.; able to work and available for work; involuntarily unemployed. Payment of benefits means-tested. | 70% of national minimum wage --no dependents. Higher %s with dependents--up to 100%. | Payable from 8th day for 180 days, or up to 450 days at age 50, 630 days at age 55, and 720 days at age 60. | Employer--3% of payroll; insured person--2.5% of earnings; Rural worker employer--1.5% of payroll; insured person--0.5% of earnings |
| Uruguay | Employees in industry and commerce. | 6 mos. of contributions during 12 mos. immediately preceding unemployment; unemployment not due to voluntary leaving, misconduct, or participation in a strike; not receiving specified kinds and amounts of income. | 50% of average mo. earnings for employees paid monthly; average of 12 days' pay a mo. for daily paid workers; maximum--8 times national minimum wage; supplement for married employees or employees with dependents--20% of benefit. | Payable for maximum of 6 mos. to monthly paid employees; a maximum of 72 working days to hourly or daily paid workers. | Financed from contributions to the retirement pension scheme by insured persons(10%) and employers; government provides a common fund to cover a number of contingencies. |

Sources:

(1) U. S. Department of Health and Human Services. Social Security Administration. Office of Policy. Office of Research and Statistics. Social Security Programs Throughout the World 1981.

(2) National monographs submitted to ISSA by Barbados, Chile, Cyprus, Ghana, Greece, Israel, Portugal, Uruguay.

(3) International Social Security Association. Third Meeting of Heads of ISSA Member Organisations of the English Speaking Caribbean, Barbados, 8-10 November 1982. Financing of Social Security in Barbados, ISSA/CAR/HE/III/1(b).

Note: Most of the information in this table has been obtained from sources (1) and (2). Supporting information from source (3) is noted in the table in parentheses.

C.1. Summary of Major Unemployment Insurance Provisions in Ten Developing Countries

1. Purpose of Summary

The purpose of this section is to provide an overview of major provisions in the ten developing countries that have unemployment insurance schemes. For a schematic summary of the provisions, refer to Table 3.

2. Coverage

The scope of coverage differs among the countries. Some countries appear to cover all wage and salary workers, while others limit coverage to employed persons in such sectors as commerce and industry. A number of countries cite exclusions of specific categories of workers from coverage, such as domestic and casual workers, family labor, agricultural workers or public employees. The excluded categories are usually those which would present administrative difficulties or problems in verifying unemployment. The public employee group usually has low incidence of unemployment. In a few countries, workers within specified age limits, such as 18 to 64, are covered. Ghana limits coverage of private establishments by size, including those employing five or more workers.

3. Qualifying Conditions

Almost all countries require a minimum period of contributions to the fund and/or a minimum period of employment or earnings to qualify for unemployment benefits. Six months of contributions are required by several countries (a time period sometimes suggested in the reports cited in the literature review), but the time period varies among countries. Ghana requires the longest period of contributions--36 months for a first claim and 24 months for subsequent claims. The restrictiveness of this provision and others in the Ghana scheme may be related to its low ranking on economic indicators, as shown in Tables 1 and 2 above. Ecuador requires 24 months of contributions. In Ghana and Ecuador, the unemployment must have lasted for two months before the individual can qualify for benefits. Israel has different requirements for certain categories of workers, such as immigrants.

Often, eligibility requirements for continued receipt of benefits are cited, such as availability for work and regular reporting at the employment exchange. Disqualification is frequently imposed for such reasons as unemployment due to voluntary leaving, or for refusal of suitable work or of training.

Israel, Portugal and Uruguay introduce certain income qualifying requirements for all or for specified categories of claimants. Uruguay specifies certain kinds and amounts of disqualifying income. In Israel, while the age range in which one is generally eligible for benefits is 20 to 65, unemployed persons 18 to 20 years of age who support the family wholly or in part and those 15 to 18 years of age who partially support the family may be eligible for benefits. In Portugal, payment of benefits is means-tested.

4. Benefit Amount

With the exception of Portugal, the countries provide benefits related to the claimant's prior wage level. (Wage-related benefits were recommended in the reports cited in the literature review). The schemes differ in terms of the wages used in the benefit formula and the percentage of wages provided. Israel's benefit scale is weighted so that a higher percentage of the individual's wage is provided at the low end of the wage scale. Ecuador is the only country with a lump-sum payment, which varies with wage level and length of service. Ghana provides an additional benefit for unemployment longer than three months. Several countries supplement basic benefits with dependents' allowances.

5. Duration

All countries limit the duration of benefits (as suggested in the reports cited in the literature review). Ghana's maximum duration of two months is the shortest of the ten countries. A number of countries allow additional duration under certain circumstances. For example, Cyprus and Greece vary the duration according to the amount of prior employment. Israel provides a higher maximum duration for older workers and those with three dependents. Portugal specifies higher maximum durations at older age levels, providing about two years of benefits at 55 years of age.

6. Financing

Three countries--Cyprus, Ghana, and Uruguay--finance unemployment benefits from combined funds that include one or more other risks in the social security system. In over half the countries, both employers and the insured person contribute towards benefits. Egypt's funding does not include the insured person. The rate of contributions from the employer and the insured person differs among the countries. Chile's unemployment benefits are wholly government funded. The government contributes in some way in three other countries, Cyprus, Egypt, and Uruguay.

Footnotes

1. For the most part, World Bank categories have been used to classify countries as "developing" countries for this report. In its 1982 report, the World Bank used the gross national product (GNP) per capita as the basis for classifying developing countries into low-income economies (1980 GNP per capita of \$410 or less) and middle-income economies (1980 GNP per capita above \$410). In 1980, GNPs per capita for these countries ranged up to \$4500. The major country groupings making up the developing countries are semi-industrial countries, primary-producing countries, populous South Asian countries, least developed countries and oil-exporting countries.

Although the high-income oil-exporting countries of Kuwait, Libya, Qatar, Saudi Arabia, and the United Arab Emirate were not included by the World Bank as developing countries, one of these countries was included in this study to represent the group. These countries are still in the developmental process despite their high income, and they face some developmental problems similar to those of countries classified as "developing".

2. For example, payment of benefits in Portugal is means-tested. However, the ILO has classified Portugal's unemployment insurance scheme as insurance. (See 34.) We have classified the scheme as insurance in this report. Israel has introduced income qualifying requirements for specified categories of claimants. Unemployed persons 18 to 20 years of age who support the family wholly or in part and those 15 to 18 years of age who partially support the family may be eligible for benefits.

3. The 'Average Wage' according to the law is a combination of the following:

a. The monthly average of the average wage per employee posted during the last three months for which there were data in the hands of the central Bureau of Statistics on the 15th of the month preceding the date of the updating.

b. Increment to the average wage, as stated in item a above, at the rate of the cost-of-living increment given in the period from the end of the three months that served as a basis for the average wage, up to the date of the updating.

A. Bibliography

1. Altmeyer, Arthur. Report on Social Security in Pakistan. AID/SSA Project on Social Security. 1962.
2. Bairoch, Paul. Urban Unemployment in Developing Countries. International Labour Office. Geneva, 1973.
3. Blaustein, Saul J. and Craig, Isabel. An International Review of Unemployment Insurance Schemes. The W. E. Upjohn Institute for Employment Research. Kalamazoo, Mich., 1977.
4. Ceylon Sessional Paper VII. 1947. Report of the Commission on Social Services. Ceylon Government Press, Colombo, 1947.
5. Chenery, Hollis B. "Patterns of Industrial Growth". American Economic Review. Vol. 50, September 1960, p. 624.
6. Clucas, K. H. Proposals for the Introduction of a Social Security Scheme in Cyprus. Cairo, 1952.
7. Cumberbatch, A. N. together with Reports by H.M. Consular Offices at Salonica, Candia (Crete) and Corfu. Economic Conditions in Greece (1932-33). No. 579. Department of Overseas Trade. His Majesty's Stationery Office. London, 1934.
8. Da Motta Veiga, Antonio Jorga. Draft of the Third Development Plan for 1968-73. Press Conference given on 30 June 1967, National Information Office.
9. Frank, Beryl. A Proposed Social Security Program for El Salvador. February 1951. (mimeograph)
10. Galenson, Walter. A Quantitative Approach to Social Security and Economic Development. In United States Department of Health, Education and Welfare, Social Security Administration, Office of Research and Statistics. Research Report No. 27. The Role of Social Security in Economic Development. Everett M. Kassalow, Editor. 1968.
11. Ghana. A Barclays International Economic Survey. Barclays Bank International Limited in cooperation with Barclays Bank of Ghana Limited. London, 1972.
12. Ghana Economic Review, 1971-72. Moses Danquah, Editor. Ghana Publishing Corp. Tema-Accra.
13. Haber, William and Murray, Merrill. Unemployment Insurance in the American Economy. Richard D. Irwin, Inc. Homewood, Ill., 1966.
14. Hamermesh, Daniel S. Jobless Pay and the Economy. Johns Hopkins University Press. Baltimore, Md., 1977.
15. Hansen, Bent and Marzouk, Girgis A. Development and Economic Policy in the UAR (Egypt). North-Holland Publishing Co. Amsterdam, 1965.

16. Inter-American Development Bank. Economic and Social Progress in Latin America. 1980-81 Report.
17. International Labour Office. Committee of Social Security Experts. Geneva, 26 November - 3 December 1975. Unemployment Protection Under Social Security. An Appraisal of the Present Situation and the Role of the ILO. Working Document prepared by the Social Security Division. Geneva, 1975. (CSSE/D.1/1975.)
18. International Labour Office. Fifth African Regional Conference. Abidjan, September - October 1977. Report II. Improvement and Harmonisation of Social Security Systems in Africa. Geneva, 1977.
19. International Labour Office. Legislative Series 1954. Greece. Geneva, 1956.
20. International Labour Office. Legislative Series 1955. Greece. Geneva, 1956.
21. International Labour Office. Legislative Series 1964. Egypt. Geneva, 1966.
22. International Labour Office. Meeting of the Actuarial Subcommittee of Social Security Experts. Geneva, 1973. Financial Organization of Unemployment Benefit Schemes. Geneva, 1973. (CSSE/Act.1/1973.)
23. International Labour Office. Preparatory Asiatic Regional Conference. New Delhi, 1947. Report I. Problems of Social Security. Geneva, 1947.
24. International Labour Office. Report to the Government of Dominica on the Planning of Social Security. Geneva, 1973. (ILO/TAP/Dominica/R.1.)
25. International Labour Office. Report to the Government of Ghana on the Social Security Policy and Administration. Geneva, 1973. (ILO/TAP/Ghana/R.14.)
26. International Labour Office. Report to the Government of India on the Planning of an Unemployment Insurance Scheme. Geneva, 1968. (ILO/TAP/India/R.25.)
27. International Labour Office. Report to the Government of the Philippines on an Actuarial Validation of the Social Security System. Geneva, 1962. (ILO/TAP/Philippines/R.8.)
28. International Labour Office. Report to the Government of Singapore on Social Security Measures. Geneva, 1957. (ILO/TAP/Singapore/R.3.)
29. International Labour Office. Report to the Government of Southern Rhodesia on the Establishment of an Unemployment Insurance Scheme. Geneva, 1965. (ILO/TAP/Southern Rhodesia/R.1.)
30. International Labour Office. Report to the Government of Turkey on Possible Measures for Protection Against Unemployment. Geneva, 1960. (ILO/TAP/Turkey/R.12.)

31. International Labour Office. Report to the Government of the Union of Burma on the Further Development of Social Security. Geneva, 1964. (ILO/TAP/Burma/R.28.)
32. International Labour Office. Report to the Government of the United Republic of Tanzania on Social Security in Zanzibar. Geneva, 1966. (ILO/TAP/Tanzania/R.2.)
33. International Labour Office. Sixth Asian Regional Conference. Tokyo, September 1968. Report II. Social Security in Asia: Trends and Problems. Geneva, 1968.
34. International Labour Office. Social Security for the Unemployed. Geneva, 1976.
35. International Labour Office. Studies and Reports. New Series, No. 42. Unemployment Insurance Schemes. Geneva, 1955.
36. International Labour Organization. Introduction of an Unemployment Insurance Scheme. Iran. Project Findings and Recommendations. Geneva, 1974. (IRA/73/017.)
37. International Social Security Association. National Monograph of Barbados, for a Study of Problems Relating to the Introduction of Unemployment Insurance Schemes in Developing Countries, 1982.
38. International Social Security Association. National Monograph of Chile, for a Study of Problems Relating to the Introduction of Unemployment Insurance Schemes in Developing Countries, 1982.
39. International Social Security Association. National Monograph of Colombia, for a Study of Problems Relating to the Introduction of Unemployment Insurance Schemes in Developing Countries, 1982.
40. International Social Security Association. National Monograph of Cyprus, for a Study of Problems Relating to the Introduction of Unemployment Insurance Schemes in Developing Countries, 1981.
41. International Social Security Association. National Monograph of Ghana, for a Study of Problems Relating to the Introduction of Unemployment Insurance Schemes in Developing Countries, 1981.
42. International Social Security Association. National Monograph of Greece, for a Study of Problems Relating to the Introduction of Unemployment Insurance Schemes in Developing Countries, 1983.
43. International Social Security Association. National Monograph of India, for a Study of Problems Relating to the Introduction of Unemployment Insurance Schemes in Developing Countries, 1981.
44. International Social Security Association. National Monograph of Israel, for a Study of Problems Relating to the Introduction of Unemployment Insurance Schemes in Developing Countries, 1981.
45. International Social Security Association. National Monograph of Ivory Coast, for a Study of Problems Relating to the Introduction of Unemployment Insurance Schemes in Developing Countries, 1982.
46. International Social Security Association. National Monograph of

- Kuwait, for a Study of Problems Relating to the Introduction of Unemployment Insurance Schemes in Developing Countries, 1981.
47. International Social Security Association. National Monograph of Mauritius, for a Study of Problems Relating to the Introduction of Unemployment Insurance Schemes in Developing Countries, 1982.
48. International Social Security Association. National Monograph of Philippines, for a Study of Problems Relating to the Introduction of Unemployment Insurance Schemes in Developing Countries, 1982.
49. International Social Security Association. National Monograph of Portugal, for a Study of Problems Relating to the Introduction of Unemployment Insurance Schemes in Developing Countries, 1983.
50. International Social Security Association. National Monograph of Tanzania, for a Study of Problems Relating to the Introduction of Unemployment Insurance Schemes in Developing Countries, 1981.
51. International Social Security Association. National Monograph of Tunisia, for a Study of Problems Relating to the Introduction of Unemployment Insurance Schemes in Developing Countries, 1982.
52. International Social Security Association. National Monograph of Uruguay, for a Study of Problems Relating to the Introduction of Unemployment Insurance Schemes in Developing Countries, 1981.
53. International Social Security Association. Round Table Meeting on "The Role of Social Security in Development", Manila, 4 November 1980. An Overview of Current Thinking on the Relationship of Social Security and Socio-Economic Growth. General Secretariat of the ISSA. Geneva. (ISSA/GA/XX/RT/1.)
54. International Social Security Association. Third Meeting of Heads of ISSA Member Organisations of the English-Speaking Caribbean, Barbados, 8-10 November 1982. Financing of Social Security in Barbados. ISSA/CAR/HE/III/1(b).
55. Jordan, S. R. Report on Economic and Commercial Conditions in Greece. April 1937. No. 675. Department of Overseas Trade. His Majesty's Stationery Office. London, 1937.
56. Mason, F. C. Greece: Economic and Commercial Conditions in Greece. June 1956. Overseas Economic Surveys. Her Majesty's Stationery Office. London, 1956.
57. Mesa-Lago, Carmelo. Social Security in Latin America. Pressure Groups, Stratification, and Inequality. University of Pittsburgh Press. Pittsburgh, Pa. 1978.
58. Morawetz, David. Twenty-Five Years of Economic Development. 1950 to 1975. World Bank, 1977.
59. Nicholson, Walter. Issues in UI Research, in United States Department of Labor, Employment and Training Administration, Unemployment Insurance Service. Occasional Paper 81-1. UI Research Exchange. 1981.
60. O'Brien, Patrick. The Revolution in Egypt's Economic System From

- Private Enterprise to Socialism, 1952-1965, Oxford University Press. London, 1966.
61. Pintado, V. Xavier. Structure and Growth of the Portuguese Economy. European Free Trade Association. Geneva, July 1964.
 62. Public Information Office. Republic of Cyprus, Nicosia. Cyprus Economic Development 1960-1980. March 1981.
 63. Republic of Cyprus. Economic Report, 1976, Nicosia, 1978.
 64. Rohrllich, George F. Social Security and Economic Development. The Evaluation of Program Needs at Successive Stages of Development. In United States Department of Health, Education and Welfare, Social Security Administration, Office of Research and Statistics. Research Report No. 27. The Role of Social Security in Economic Development. Everett M. Kassalow, Editor. 1968.
 65. Rys, Vladimir. Problems of Social Security Planning in Industrialized and Developing Countries. Fifth African Regional Conference. Nairobi, 6 - 14 December 1974. Offprint from ISS Review (nos. 2 -3, 1974) Published by the General Secretariat of the International Social Security Association, Geneva. 1974.
 66. Singer, H.W. Social Factors in Development: An Overview with Special Emphasis on Social Security. In United States Department of Health, Education and Welfare, Social Security Administration, Office of Research and Statistics. Research Report No. 27. The Role of Social Security in Economic Development. Everett M. Kassalow, Editor. 1968.
 67. Social Security Board. Committee on Economic Security. Social Security in America. Washington, D.C. 1937.
 68. Thorp, Willard L. Cyprus--Suggestions for a Development Programme. United Nations. New York, 1961.
 69. Tsoucatos, E. Desirable Goals of Social Security in the Context of Developing Countries in Report on the ILO/NORAD East African Symposium on the Relationship of Social Security, Social Planning and Economic Development. Dar es Salaam 1 October - 19 October 1973. International Labour Office. Geneva, 1973.
 70. United States Department of Health, Education and Welfare, Social Security Administration, Office of Research and Statistics. Research Report No. 27. The Role of Social Security in Economic Development. Everett M. Kassalow, Editor. 1968.
 71. United States Department of Health and Human Services. Social Security Administration. Office of Policy. Office of Research and Statistics. Social Security Programs Throughout the World, 1979.
 72. United States Department of Health and Human Services. Social Security Administration. Office of Policy. Office of Research and Statistics. Social Security Programs Throughout the World. 1981.
 73. United States Department of State, Agency for International Development, Communications Resources Division. The Role of Social Security in Developing Countries. Washington, D.C. 1963.

74. World Bank. World Development Report 1981. Oxford University Press.

75. World Bank. World Development Report 1982. Oxford University Press.

B. GUIDELINES FOR THE PREPARATION
OF NATIONAL MONOGRAPHS

The national monographs should provide, as far as possible, information on all aspects indicated in the present guidelines. They should also be established in accordance with the structure of these guidelines, follow the sequence of the various topics mentioned and should not exceed 30 pages in length.

The guidelines should, however, not be considered as restrictive. The national reporters may therefore feel free to include all complementary information which they consider relevant to the study.

*

* * *

COUNTRY:

ORGANISATION(S) PROVIDING THE REQUESTED INFORMATION:

A. PREPARATIONS FOR INTRODUCING AN UNEMPLOYMENT INSURANCE SCHEME

What preparations were made prior to the introduction of an unemployment insurance scheme in your country? What studies were made to determine whether and how to introduce such a scheme? In particular, please provide information on the following topics:

1. Historical aspects: When was the scheme developed? How was it developed? Who developed it? Who supported or promoted its development?
2. Actuarial study: Was an actuarial study conducted which included an estimate of future levels of unemployment insurance cash benefit levels and levels of revenues? Who conducted this study? How accurate did it prove to be?
3. Economic baseline study: Before introducing the scheme, was a study of the economic base of your country consulted in order to examine (a) the ability to finance the scheme, (b) the sectors of the economy to be covered by the scheme? Was a special study conducted or was one already available? How was it used?
4. Labour force study: Was a study conducted or was a study already available of the labour force within your country? How was it used? In this context, please specify the definition of labour force as used in your country (categories of persons included and age limits).¹

¹ For your information: the standard concept of labour force, which is generally used by the International Labour Office is defined to comprise all employed and unemployed persons (including those seeking work for the first time). It covers employers, persons working on their own account, salaried employees, wage-earners, unpaid family workers, members of producers' co-operatives and members of the armed forces.

5. International comparative study: Was a study conducted of unemployment insurance schemes in one or more foreign countries? If so, what did you learn, and what decisions were made based on this study? Did you use the scheme of any other country as a model on which to base your own approach?
6. Technical assistance: Did you receive any advice or assistance in preparing your scheme from any other country, international organisation or any other organisation, including universities?

B. MAIN FEATURES OF THE UNEMPLOYMENT INSURANCE SCHEME

1. Dates of establishment of the scheme, the basic law, and the current law.
2. Provisions initially adopted: What were the provisions of your unemployment insurance scheme when it was first adopted with respect to:
 - (a) Type of scheme: Was it a compulsory or a voluntary insurance scheme? Has it been organised so as to function as a separate scheme or has it been co-ordinated or integrated with a larger social insurance structure? Were any special provisions included with regard to specific groups of workers (these should be mentioned in the following items)?
 - (b) Coverage: What were the criteria used to determine the scope of protection (e.g. stability of employment, age, income level, effective pooling of risk, administrative cost per worker, etc.)?

What industries, occupations, types of enterprises, regions or categories of workers were selected for coverage or specifically excluded? What were the main reasons for the exclusion, e.g. problems regarding the coverage of specific regions, such as rural areas, or any specific sectors of the economy?
 - (c) Type of unemployment cash benefit: What type of unemployment cash benefit formula was chosen (uniform or graduated benefits, increases or supplements for dependants)?
 - (d) Level of unemployment cash benefit.
 - (e) Duration of unemployment cash benefit (including criteria for decision) and waiting period.
 - (f) Eligibility for unemployment cash benefit: What were the conditions under which unemployed workers became eligible for benefit, in particular with regard to:
 - qualifying period (e.g. period of insurable employment, labour force attachment, minimum number of contributions or earnings prior to losing a job, etc.) and reference period;
 - qualifying conditions for payment of benefit (e.g. cause of unemployment, age, ability to work, availability for work, readiness to accept suitable employment, registration as job seeker, etc.);
 - disqualifications (reasons for temporary or permanent exclusion from the receipt of benefit)?

- (g) Other types of benefits provided by the scheme: Were other types of benefits in cash or kind included in the scheme with a view to compensate a loss of earnings, to provide income support, to prevent unemployment or to promote employment? Which benefits and what were their aims?
- (h) Financing: What were the rules and principles which determined the method of financing the scheme? Describe the method chosen with regard to:
- sources of funds (origin of contributions and of other sources of funds);
 - form of contributions;
 - rate of contributions;
 - constitution of a reserve fund.
3. Provisions rejected: Were there some possible provisions for the unemployment insurance scheme which you studied and then did not adopt? Why did you make this decision?
4. Provisions changed: Were there some provisions of your first unemployment insurance scheme which you changed? Which provisions? Why did you change them?

C. ADMINISTRATIVE ORGANISATION AND PROCEDURES OF THE UNEMPLOYMENT INSURANCE SCHEME

1. Legal status of the unemployment insurance institution: What is the present status of the institution administering the unemployment insurance scheme? Is it a State agency? Is it part of a larger department or ministry? Is it an autonomous or semi-autonomous institution (in this event, also indicate the supervising authority)? Is it a separate institution solely responsible for the unemployment insurance scheme or does it administer also other branches of social security?
2. Relationship between the unemployment insurance institution and the employment service: Does the unemployment insurance institution also operate employment services? If so, what are these services (e.g. placement services, vocational guidance, vocational training)? If not, what is the relationship between the unemployment insurance institution and the various employment services existing in your country, in particular the employment placement service? Which is the supervising authority of the employment services?
3. Organisational structure of the unemployment insurance institution: What is the organisational structure of the unemployment insurance institution at national, regional and local levels, etc.? What are the main functions of the various administrative bodies? In what way do occupational organisations (employers, workers or insured persons) and the State participate in the administration of the unemployment insurance scheme (e.g. directly responsible for administration; advisory capacity, etc.)?
4. Personnel of the unemployment insurance institution: What type of personnel are available for the administration of the scheme (training, qualifications, occupational title, etc.)? What is the number of personnel employed (total number and distribution by function and qualification)?

5. Operating procedures of the unemployment insurance institution:

What are the methods and operating procedures with regard to:

- collection of contributions, registration of individual contribution accounts, payment of contributions (including the periodicity of payment);
- claims;
- payment of benefits?

What is the degree of automation of operational procedures concerning benefit payments and internal records?

D. CHARACTERISTICS OF OTHER POSSIBLE UNEMPLOYMENT PROTECTION SCHEMES

Are there any other unemployment protection schemes or provisions existing in your country; such as:

1. Unemployment assistance programmes (usually based on income test) either to complement the unemployment insurance scheme (e.g. for unemployed persons who have exhausted their unemployment insurance cash benefit) or to protect unemployed persons who are not covered by the unemployment insurance scheme?
2. Severance payments?
3. Redundancy payments?
4. Unemployment protection through a provident fund system?
5. Unemployment protection regulations in labour code?
6. Other schemes or provisions?

Please give a short description of the existing schemes or provisions with regard to:

- (a) dates of establishment of the scheme or provisions, the basic law and the current law;
- (b) coverage;
- (c) type of benefit;
- (d) level of benefit;
- (e) duration of benefit;
- (f) eligibility for benefit;
- (g) financing.

E. EXPERIENCE UNDER THE UNEMPLOYMENT INSURANCE SCHEME AND FUTURE PROSPECTS

Please complete the accompanying table which will provide basic information on the experience of the unemployment insurance scheme.

With regard to the present situation, are there any difficulties related to the concept and the implementation of the actual unemployment insurance scheme?

Concerning future prospects, please indicate whether there are any proposals aimed at modifying any provisions of the unemployment insurance scheme. What are the main reasons?

UNEMPLOYMENT INSURANCE EXPERIENCE

| Year ¹ | Number of covered workers | Size of labour force | Number of workers receiving UI cash benefit | Average duration of UI cash benefit | Average weekly amount of UI cash benefit | Total of UI cash benefit | Resources of UI scheme by source of fund | | | | |
|-------------------|---------------------------|----------------------|---|-------------------------------------|--|--------------------------|--|----------|------------|---------------|---------|
| | | | | | | | employer | employee | Government | other sources | deficit |
| 19.. | | | | | | | | | | | |
| 19.. | | | | | | | | | | | |
| 19.. | | | | | | | | | | | |
| 19.. | | | | | | | | | | | |
| 19.. | | | | | | | | | | | |
| 19.. | | | | | | | | | | | |
| 19.. | | | | | | | | | | | |
| 19.. | | | | | | | | | | | |
| 19.. | | | | | | | | | | | |
| 19.. | | | | | | | | | | | |
| 19.. | | | | | | | | | | | |
| 19.. | | | | | | | | | | | |
| 19.. | | | | | | | | | | | |
| 19.. | | | | | | | | | | | |
| 19.. | | | | | | | | | | | |
| 19.. | | | | | | | | | | | |
| 19.. | | | | | | | | | | | |
| 19.. | | | | | | | | | | | |
| 19.. | | | | | | | | | | | |
| 19.. | | | | | | | | | | | |

UNEMPLOYMENT INSURANCE EXPERIENCE (cont.)

| Year ¹ | Number of covered workers | Size of labour force | Number of workers receiving UI cash benefit | Average duration of UI cash benefit | Average weekly amount of UI cash benefit | Total of UI cash benefit | Resources of UI scheme by source of fund | | | | |
|-------------------|---------------------------|----------------------|---|-------------------------------------|--|--------------------------|--|----------|------------|---------------|---------|
| | | | | | | | employer | employee | government | other sources | deficit |
| 19.. | | | | | | | | | | | |
| 19.. | | | | | | | | | | | |
| 19.. | | | | | | | | | | | |
| 19.. | | | | | | | | | | | |
| 19.. | | | | | | | | | | | |
| 19.. | | | | | | | | | | | |
| 19.. | | | | | | | | | | | |
| 19.. | | | | | | | | | | | |
| 19.. | | | | | | | | | | | |
| 19.. | | | | | | | | | | | |
| 19.. | | | | | | | | | | | |
| 19.. | | | | | | | | | | | |
| 19.. | | | | | | | | | | | |
| 19.. | | | | | | | | | | | |
| 19.. | | | | | | | | | | | |

¹ The data should comprise: (a) the first three years' experience; (b) the last five years (if possible) for which data is available; (c) for the intervening period, data at intervals selected so as to indicate significant stages in the development of the scheme.