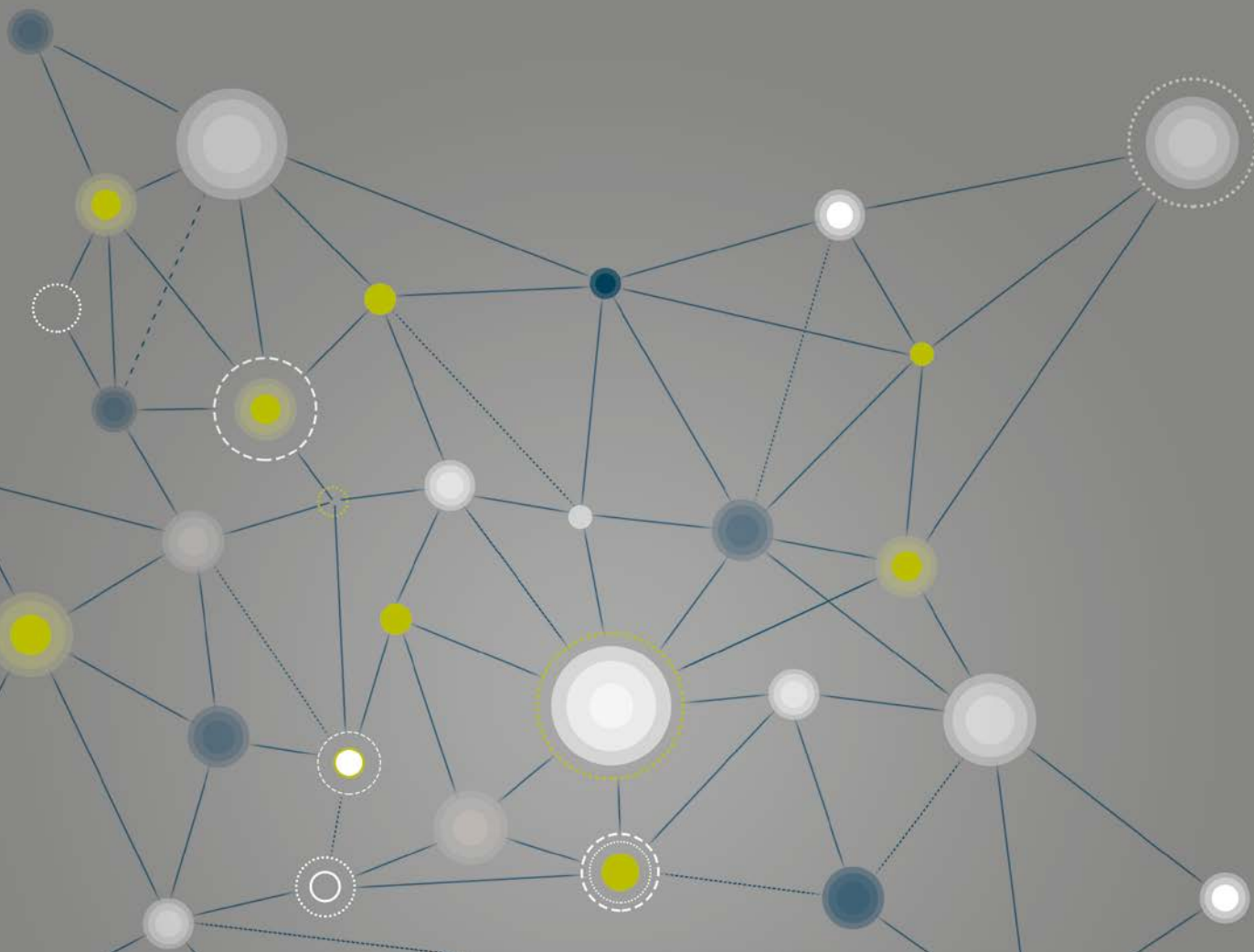


# UNEMPLOYMENT BENEFIT PROVISION

Measuring multivariable adequacy  
and the implications for social security institutions



# Unemployment benefit provision

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and the implications for social  
security institutions

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# Preface

The Adequacy Project of the International Social Security Association (ISSA) broadens the debate on the definition of social security benefit adequacy. The adequacy model presented in this report, which addresses unemployment benefits and services, seeks not only to define the different variables that contribute to adequacy but to quantify their role. The aim is to better reflect the reality of the multiple objectives of social security systems.

Fiscal constraints and changes in the labour market are putting increasing pressure on unemployment systems in many countries. At the same time, there is a greater recognition of the multiple aims of unemployment systems within their two principle objectives of income replacement and getting the unemployed back to work. The ISSA project on adequacy therefore seeks to identify, measure and analyse these different elements and to assist institutions and policy-makers in providing a tool that helps identify where resource can be directed.

With the increasing recognition at all levels that access to, and participation, in the labour market is a critical factor in improving social cohesion, reducing inequalities and supporting economic growth, there is greater focus on the roles and actions of unemployment systems in many countries. While the ISSA adequacy model for unemployment benefits follows on from the ISSA retirement adequacy model, the question of the adequacy of unemployment systems is not only more complex but also presents greater variation. Adequacy is considered alongside how well the systems support both the reduction of poverty and meet employment objectives.

The immediate response to the economic crisis in 2008–09 was, in many countries, to initially improve benefits (for example by reducing the number of years of contribution required for eligibility to benefits, increasing maximum benefit payment periods, introducing or extending partial unemployment schemes or simply increasing benefit amounts) and improving employment services (e.g. recruiting additional job advisers). However, many of the measures were temporary (across 2009–2011 in general) as a direct response to the immediate crisis impacts and once the economic situation started to slightly improve, fiscal constraints often meant that not only many of these measures were abandoned or attenuated but new restrictive measures were taken.

Efforts to support the design and delivery of adequate benefits are therefore essential in this context.

The development and piloting of this adequacy model has shone important light on the importance for social security institutions of researching, organizing and managing data, as well as for having effective coordination with other stakeholders. The record-keeping procedures of social security institutions matter, facilitating the linkages between system design, programme management and the delivery of benefits. The results of the pilot phase provide specific country examples of this importance.

By creating a spreadsheet model that ISSA member institutions can apply, social security programmes can be assessed and measured in relation to the many different objectives of policy-makers and practitioners. The model also allows for comparison over time as well as for testing the impact of reform measures on different adequacy measures.

The ISSA unemployment adequacy model and this report represent an important complementary tool to the *ISSA Guidelines on Promoting Sustainable Employment*. Those guidelines support ISSA member organizations in their efforts to improve unemployment benefit systems; these efforts can, in part, be measured using the adequacy tool set out in this report. A number of the individual guideline objectives are directly reflected in the choice of parameters and indicators used to measure adequacy.

*Hans-Horst Konkolewsky*  
Secretary General

# Executive summary

This second report promoting the findings of the Adequacy Project of the International Social Security Association (ISSA) summarizes results concerning the adequacy of unemployment benefit provision and discusses the implications of these for social security institutions. Following Chapter 1 which sets out the project context, Chapter 2 summarizes the model and outlines the rationale behind the different parameters and indicators. Chapter 3 highlights the results from five pilot institutions and offers analysis for the improved design, management, administration and delivery of benefits.

The dual objectives of an unemployment benefit system are to provide replacement income to those who have lost their job and to facilitate the return to work (or entry to the workforce) for those without a job. In support of these two broad objectives (which may be partially conflicting), a number of measures can be called upon, although these are often contingent on the different status, characteristics and history of the claimant (and dependants). Within this complex picture, the model sought to select, define, measure and analyse 37 separate indicators to assess how well these objectives were being met and what changes may improve outcomes.

In this way, the model seeks to measure the full value of benefit provision and also provide pointers for improving the adequacy of benefits through the administrative and management actions of social security institutions as well as through policy changes.

The project design involved two key stages, each of which contributes to the continuing debate and discussion regarding the issue of adequacy.

As was the case for the retirement benefit model, the first stage involved the design of the model and required decisions from social security institutions regarding five key questions:

- Which parameters of adequacy should be considered?
- How should the selected parameters be assessed?
- What are the appropriate indicators to assess the level of adequacy achieved under each parameter?
- Which data sources should be used to place a value on the indicators?
- What relative weight should be placed on each of the parameters measuring adequacy and which level of priority should be accorded to each?

The second stage of the project involved five pilot institutions running the model. The pilot studies revealed issues regarding how the concept of adequacy varies by country and by system design, and drew attention to the key challenges in measuring adequacy and accessing reliable data sources.

A score for any parameter has to be considered in the context of what is being measured, the resources available, the objectives of the system, other provision and the state and nature of the labour market.

The project's key findings are as follows:

- The concept of multivariable adequacy is accepted as appropriate and valuable. The key barriers to assessing adequacy on this basis were in defining and then measuring the different parameters in a reliable manner. The ISSA Adequacy Project was therefore welcomed by institutions as a systematic approach to this challenge.
- While the multivariable nature of benefit adequacy was validated, it was recognized that there were different approaches to its measurement depending on the system's characteristics and data availability. Assessments should vary by country and system and the use of different weights for the different parameters allows this distinction to be reflected in the final assessment.
- The structure of the model and the assessment of different parameters are necessarily driven by data availability, reliability and comparability. There is therefore a balance struck between relevance of the parameter and the quality of the data used to assess it.
- The process of measuring adequacy is beneficial in itself; the need to ensure data is available and measurable implies that certain management processes have to be in place. The model therefore also provides a checklist of certain record-keeping and administrative capacities within the institution.
- The importance of the distribution of outcomes (how adequacy varies by the different characteristics of the beneficiary, such as by income, gender and employment status) was recognized by participants. While a number of indicators allow a proxy assessment of certain distributional aspects (e.g. coverage of migrant workers, long-term unemployment rate, etc.), the model's ability to do this is constrained by the use of median replacement ratios. The question of inequality in unemployment benefit adequacy should be developed further given the importance of the outcomes of those in the lower quartile of incomes and wealth for society as a whole.
- As expected, the results from the national pilot studies reflected different weighting for different parameters and different "desired" positions for adequacy. A key benefit derived

from the model was the contribution it offered to the process of assessing an efficient and effective use of resources. For example, a relatively small increase in expenditure to improve employment communication and administration procedures for claimants or realizing better coordination amongst stakeholders can significantly improve public understanding of benefits and ease of access to benefits and services, and in turn boost administrative adequacy. In some instances, these types of changes may provide a more efficient use of resources than spending the same resources on increases in benefit levels.

- Though comparison of adequacy across countries is difficult, the model does allow an assessment of one system's development over time. The model is also a useful tool to assess the impact of reforms where the current system outcomes can be compared against those from proposed changes as well as assisting institutions in the process of putting in place a new unemployment insurance system.
- Even when calculations are not performed, the model (in particular, the descriptive element) is useful in assisting institutions to define, categorize and examine the different dimensions of adequacy and the criteria affecting them.
- The tool provides an essential complement to the *ISSA Guidelines on the Promotion of Sustainable Employment*. By assisting institutions to better assess their policies, programmes and services (as set out in Guideline 5 of those guidelines) and providing relevant indicators for a number of the individual guidelines found in the document, the tool supports more effective outcomes for systems.
- Finally, the project's findings highlight the value to social security institutions, policy-makers, the public and other stakeholders of the benefits and services provided by unemployment systems. In a period of financial constraints faced by many social security systems, a quantification of these positive elements can strengthen their political and public support.



# 1. Project context: The concept of multidimensional adequacy and implications for unemployment benefits and services

According to the International Labour Office (ILC, 2011),

“[s]ocial security benefits may be considered adequate if:

- they help to achieve expected social policy outcomes (e.g. meeting the needs of people who have to cope with life’s essential risks) and the relationship between benefit levels and taxes and/or contributions paid during a working life is considered to be ‘fair’ (*social adequacy*); and
- they work in synergy with employment instruments and fiscal and other economic policies, and do not result in unwanted economic consequences (*economic adequacy*)”.

“The adequacy of social security benefits has been addressed in numerous national and global policy discussions. Benefits are considered adequate if they are neither too low nor too high. Benefits are regarded as too low if people cannot live on them or if they perceive the “return” on their contributions to be too low. Cash benefits may be considered too high if they result in expenditure levels or behaviour detrimental to the common good or to acceptance by the public of the scheme itself.”

“Social adequacy relates to the achievement of the expected policy outcomes. Depending on the policy objectives, the expected outcomes are either protection from poverty, or the replacement of a certain proportion of income in the event of a recognized social risk or contingency, or a combination of both.”

“Most social insurance schemes aim at replacing a certain percentage of the beneficiary’s previous income, which would allow him/her to maintain a minimum acceptable standard of living in relation to his/her previous standard of living. Thus, the primary objective is not only to provide a minimum benefit level, but also to maintain a certain standard of living in the event of the loss of earned income due to specific contingencies, such as old age, disability, survivorship, sickness, unemployment, etc.”

“If benefit levels lead to expenditure that is not acceptable to the active generation financing them, the scheme itself is in jeopardy. Economic adequacy of benefits thus requires levels and entitlement conditions to be acceptable to contributors and taxpayers.”

It is widely accepted that unemployment benefits should guarantee an income to workers deprived of a job and an income, allowing them to maintain a certain standard of living and to look for an appropriate job under good conditions.

The income level and the period of entitlement vary considerably between countries. In most countries, the unemployment system is operated on a mixture of insurance and solidarity principles. The insurance covers a risk (namely, income loss) and aims to guarantee a certain substitution rate of that income. Solidarity comes into play in the case of absence

of income or low income and guarantees a minimum income, enabling the beneficiary to cope with expenditures related to their needs. In general, in unemployment systems, an insurance period (of varying length) is followed by a period of solidarity. The first period is usually financed by contributions, the second through general taxation.

At the same time, according to the International Labour Organization (ILC, 2011), it is also important to avoid the situation in which unemployment benefits deter beneficiaries from looking for new and satisfying employment. That is the reason why unemployment systems are accompanied by incentive mechanisms and employment services that aim to facilitate the return to employment as soon as possible. Of course, this labour-supply-based policy must go hand in hand with policies that encourage the creation of quality jobs.

Consequently, an unemployment insurance system has two major objectives, namely, to guarantee an income substitution for unemployed people and to stimulate their return to employment.

Therefore, the notion of benefits adequacy is a relatively broad concept, since social security – in particular, unemployment insurance – has several objectives. For this reason, the International Social Security Association (ISSA) has developed this analytical tool, which evaluates and measures not only the replacement rate but also the other dimensions related to the delivery of unemployment benefits and services.

. It therefore permits institutions to address the issue of incentives existing in systems as well as trade-offs between different objectives by considering different parameters and allowing institutions to assign priorities to such objectives in a systematic way (as recommended in Guideline 25 of the *ISSA Guidelines on the Promotion of Sustainable Employment*).

## 2. The ISSA unemployment adequacy model

The chosen tool for measuring the adequacy of unemployment benefits in the framework of the ISSA project is composed of eight parameters, whose purpose is to evaluate and highlight the different dimensions of adequacy and the different objectives of an unemployment system. These parameters are:

1. Coverage level
2. Types of benefits
3. Period of entitlement to unemployment benefits
4. Unemployment benefits level
5. Eligibility conditions
6. Employment services and active labour market programmes
7. Unemployment rate
8. Administration

As illustrated in Table 1, the eight parameters correspond to the different dimensions of adequacy. They reflect the goals of an unemployment insurance scheme both individually and collectively. Those goals are:

- **to secure transitions:** providing social protection and an income substitution to workers deprived of a job and an income;
- **to support employment:** to facilitate the return to employment of the unemployed by incentive mechanisms as well as employment services and programmes.

There is no specific parameter in the model that assesses the cost of an unemployment benefit system. This choice is based on the fact that the cost depends on resources available and on the political decisions concerning the distribution of these resources at a country level. The ISSA employment benefit adequacy model does not address the issues of long-term sustainability and subsidies across generations. In addition, unemployment scheme expenditure cannot be taken into account without considering other social expenditures, especially social assistance expenses, disability expenses and pensions; depending on the country, a significant proportion of the unemployed may receive such benefits.

**Table 1.** *Goals, dimensions and parameters of an unemployment insurance system*

Goals	Dimensions	Parameters
To secure transitions	- Who is entitled to benefits?	- Coverage level
	- In which situations?	- Types of benefits
	- For how long?	- Period of entitlement
	- How much benefit?	- Benefit level
To support employment	- Under which conditions (incentives)?	- Eligibility conditions
	- With what kind of support?	- Employment services
	- With what impact?	- Unemployment rate
Good administration	- With what kinds of service?	- Administration

For each parameter in the model, there are several indicators enabling measurement. There are 37 indicators in all, including indirect or proxy indicators – the use of which is driven by the availability and reliability of data. The indicators have also been selected on the basis of available comparable data. Several selected indicators (e.g. the unemployment rate) are already used by international bodies. This increases their reliability and comparability.

The score for each parameter is equal to the total of the individual scores of each indicator multiplied by the weighting given to each indicator. A default weighting placed on each of the indicators was included in the model and adopted by all pilot countries. This weighting can be adjusted on the basis of a particular country's view on the relative importance of different elements. If an indicator is not retained, the weighting can be recalculated proportionally for example, if an indicator worth a maximum of 30 points is not used, the total score for the parameter is multiplied by 100/70).

The model therefore includes tools to analyse more fully the different aspects of unemployment system policies and their implementation. It also enables authorities and competent bodies to measure the progress of their social security schemes according to their priorities and the targets they have set for themselves.

This model is flexible, allowing institutions to use certain parts depending on which parameters are relevant to an assessment of their system or for which they have data.

The parameters and indicators should not be regarded as definitive nor the indicators exhaustive.

Establishing an instrument that makes it possible to measure the adequacy of benefits in unemployment schemes is a more complex undertaking than for other social security branches, because:

- There are significant differences between schemes according to the country or the region, such as different eligibility conditions, payment duration and benefit levels.
- Unemployment schemes have two main purposes, which are significantly different: to ensure social protection and to facilitate a return to employment.
- Many schemes are a mixture of insurance and assistance, but the dominant component differs between countries.
- In some countries, schemes are managed by different institutions, which share responsibilities for benefit payments, eligibility, employment services and training support.
- The quality of data varies; in certain regions, there is a plethora of indicators in the field of employment and unemployment (e.g. over 300 in the European Union), whereas in other regions, or in other social security sectors, there is a shortage of good quality data.
- Unemployment schemes are often closely linked with other schemes, in particular, invalidity benefits: for example, depending on the country, certain unemployed persons are considered “disabled” or certain disabled people are considered “unemployed”; in other countries, the older unemployed may be covered in early retirement schemes.

5 —

These constraints mean that developing a relevant model is challenging and choices have to be made regarding parameters and indicators.

The ultimate aim of this ISSA project is to provoke debate and reflection surrounding the issue of adequacy.

The next sections set out the reasoning behind and the development of the different indicators that make up the eight parameters in the model.

## **2.1. Coverage level**

The notion of coverage, namely, the proportion of unemployed people actually receiving benefits, is closely linked to the notion of adequacy.

There are no adequate benefits without sufficient coverage. Furthermore, there is no valid coverage if the benefits are not adequate.

In countries with an unemployment system, there will be a varying proportion of unemployed people who do not receive any benefits.

The first indicator assesses the proportion of employed persons covered by an unemployment system (general social assistance systems are not taken into account). In many countries, the unemployment system coverage of employed persons is universal. In other countries, where

an unemployment system has been introduced recently, the coverage may only be partial and may be extended progressively.

The second indicator concerns the conditions for qualifying for unemployment benefits (working time, duration of contribution payment required), which can also be considered as a coverage evaluation criterion. A universal system in which the benefits are only granted after a long working period will not cover certain employed persons.

The third indicator concerns the coverage of workers other than employed persons. Unemployment systems are traditionally available to employed persons. But other workers are also subject to the risk of unemployment.

These typically include:

- young people who have finished their studies and who, during several months or years, do not find a job or do not work sufficiently long enough to enable them to qualify for benefits;
- self-employed workers who manage their own activity or business and who are also threatened by bankruptcy and thus by unemployment;
- civil servants, who in general have the advantage of a certain degree of job stability, but who can still lose their job in certain circumstances;
- migrant workers who are not covered by national employment legislation.

It is important to know whether these workers are also covered by the general unemployment system or by a specific unemployment system.

The fourth indicator measures the proportion of unemployed persons, using the ILO definition, who do receive benefits in a broad sense, in other words, unemployment insurance benefits, unemployment assistance benefits (i.e. systems providing assistance to the unemployed who are no longer eligible for unemployment insurance benefits) or social assistance benefits. This indicator is already used by some international institutions, which makes comparison easier.

## **2.2. Types of benefits**

The adequacy of benefits can also be measured in relation to the different risks covered by the unemployment insurance scheme.

The most classic risk is complete unemployment, i.e. the situation of an employee who has lost his or her job or whose employment has otherwise come to an end. But there are also other risks that may also be covered under certain unemployment systems.

The first indicator refers to partial unemployment. This covers temporary interruptions of employment or part-time working arrangements for economic reasons (e.g. a temporary decline in orders due to a less favourable economic climate), bad weather (e.g. days of frost preventing certain sectors, such as the construction sector, from working), technical accidents or force majeure (e.g. mechanical breakdown or destruction of a part of a company due to a fire). The different types of approaches to partial unemployment are preventive strategies, which have proven to be very effective in times of economic crisis as a means of avoiding dismissals and to support the economy. This means that they are an important parameter of the adequacy of unemployment schemes.

The second indicator concerns coverage of the unemployed who accept a part-time job. The income from such employment is not always sufficient for them to live a decent life and has to be complemented by additional income. Part-time employment is also a step that is likely to lead to full reintegration back into the job market, and therefore should be supported. So granting unemployment benefits in addition to employment income meets a certain need and therefore falls within the notion of adequacy.

The third indicator concerns the specific situation of the older unemployed. When an employee loses his or her job at a mature age, or when their unemployment continues beyond that age, they are often confronted with greater difficulties concerning reintegration. It can be appropriate to cover this specific risk by higher benefits or a longer payment period. This is also a dimension of adequacy, even though it is important to avoid rules that encourage early retirement.

### **2.3. Period of entitlement to unemployment benefits**

The period of entitlement to benefits is linked with the notion of coverage. In the case of high benefit levels but a very short period of entitlement to benefits, the benefits will undoubtedly be less adequate. It is therefore important to assess the length of the period during which the risk is covered.

Unemployment insurance benefits, in the strict sense, and unemployment assistance benefits reserved for unemployed persons who are no longer eligible for unemployment insurance benefits and which are granted after examination of the level of household income, are taken into account. However, general social assistance benefits are not taken into account.

### **2.4. Unemployment benefits level**

The benefits level is a typical parameter used in the assessment of social benefits adequacy. The level is measured by calculations of the replacement ratio – the benefit level as a percentage of the last salary – and allows comparisons between countries and over time.

As mentioned above, unemployment insurance covers the risk of income loss and aims to compensate for this loss up to a certain level. The level of benefits is often expressed as a percentage of the last salary, typically subject to a maximum ceiling.

This rate can change and decrease over time (degressive benefits) or be influenced by the beneficiary's family situation (i.e. be a higher amount where there are dependants).

Finally, in most countries, the right to unemployment benefits is granted for a limited period. The end of this period is referred to as the end of the right to unemployment benefits. At this point, social assistance systems, either specific (unemployment assistance) or general (social assistance) take over. These social assistance benefits are only granted under certain conditions and are often means tested. In general, social assistance benefits are flat rate amounts and aim to guarantee a minimum income to ensure essential expenditures and daily needs are met. They are sometimes complemented by benefits in kind (such as financial support for housing costs).

A final challenge is that a distinction has to be drawn between gross and net amounts. Taxes payable on unemployment or assistance benefits are often different from those applied to salaries and the taxation system varies from country to country.

Measuring and comparing the levels of benefits is complex because many parameters have to be taken into consideration, including unemployment duration, type of family, tax rates, benefits in kind and additional payments made by the employer.

The first three indicators are calculations of net replacement ratios at different times during the period of unemployment. The subsequent two indicators are simpler and are based on a comparison of the gross amount of the effective paid benefits under two different unemployment duration scenarios and use the median salary. The last indicator measures the risk of poverty facing the unemployed.

These indicators take all the types of benefits into account, that is, according to unemployment duration, unemployment insurance benefits, unemployment assistance benefits, social assistance benefits or a combination of these. Here, reference is made to Guideline 23 of the *ISSA Guidelines on the Promotion of Sustainable Employment*.

## **2.5. Eligibility conditions**

All systems of unemployment insurance have conditions that need to be fulfilled in order for a person to receive benefits: the obligation to actively look for a job, to accept suitable job offers or to participate in active labour market programmes. There are controls to verify that these conditions have been fulfilled. Sanctions are applied if these obligations are not respected.



The goal of these mechanisms is to compensate the potential disincentive effect of unemployment benefits on employment and to reduce possible abuses of the system. These incentive mechanisms are part of the second function of unemployment insurance schemes, to encourage the return to work, which also has to be taken into account when evaluating adequacy.

This parameter consists of measuring the strictness of the conditions, controls and sanctions, which differ between countries. Assessment within this parameter aims to take this relative strictness of an unemployment insurance system into account and to make comparisons possible between countries.

The first indicator concerns the notion of voluntary unemployment and evaluates the extent to which employees who have resigned are entitled to benefits.

The second indicator concerns the notion of refusing a suitable employment offer and measures the importance of sanctions applied if such employment is refused.

The third indicator concerns the obligation imposed on the unemployed to actively look for a job, and evaluates how this obligation is controlled.

The fourth indicator measures the effective application of sanctions by the relevant administration.

The fifth indicator assesses the possibility of the unemployed appealing sanctions, and the results of such appeals.

## **2.6. Employment services and active labour market programmes**

Unemployment schemes are closely linked to public employment services (PES) and programmes. The goal of PES is to reintegrate the unemployed into the labour market.

The adequacy of these services and programmes is measured by different indicators.

The first indicator measures the ratio of the number of job offers received by the PES compared to the total number of jobs. Employers use different channels to recruit employees. One of these channels is informing the PES of vacancies. The higher number of vacancies the PES receives, the more assistance it can provide to help jobseekers find a job.

The second indicator has the same goal but measures the ratio of the number of job offers received by the PES compared to the number of unemployed (i.e. unoccupied jobseekers registered at the PES).

The third and fourth indicators measure the ratio of jobseekers who are registered at the PES and who find a job within six and 12 months of their registration. These indicators

give an idea of the impact of the PES' actions and the active labour market programmes. However, great care is needed when interpreting these data because the return to work also depends on a number of other factors.

The fifth indicator determines the ratio of the number of job offers satisfied within four weeks of having been communicated to the PES and that have led to the recruitment of a registered jobseeker compared to the total number of job offers communicated by employers to the PES. This indicator gives a more precise indication than the previous one of the impact of PES' actions on both employers and jobseekers.

The sixth indicator determines the ratio of jobseekers who have received guidance through the PES during the year compared to the total number of jobseekers. This indicator makes it possible to determine the proportion of jobseekers who have received effective support from the PES.

The seventh indicator determines the ratio of jobseekers who have received training through the PES or the competent training institution during the year compared to the total number of jobseekers. This indicator makes it possible to determine the proportion of jobseekers who have updated or strengthened their qualification or who have obtained a new qualification.

Finally, for the long-term unemployed, it is important to be able to benefit from specific programmes to facilitate their reintegration. The eighth indicator therefore measures the proportion of the long-term unemployed who are employed in an active labour market programme. For this parameter, reference is made to Part D of the *ISSA Guidelines on the Promotion of Sustainable Employment*.

## **2.7. Unemployment rate**

Unemployment rates are influenced by numerous factors, such as the economic situation, demographic evolution, technological evolution and government policy (e.g. education, economic, employment and social policies).

Unemployment rates are therefore indicators of a system's adequacy. For young people, the unemployment ratio (which compares the number of young persons unemployed to the total population of the same age and not to the active population of the same age) is preferred to the unemployment rate, because it takes into account the number of young people who are still in education.

To have a complete overview, however, it is necessary to also consider the ratio of beneficiaries receiving disability benefits, because unemployment and disability are sometimes interrelated. Given the big differences between countries in eligibility conditions and controls for invalidity benefits, this ratio has an impact on the unemployment rate.

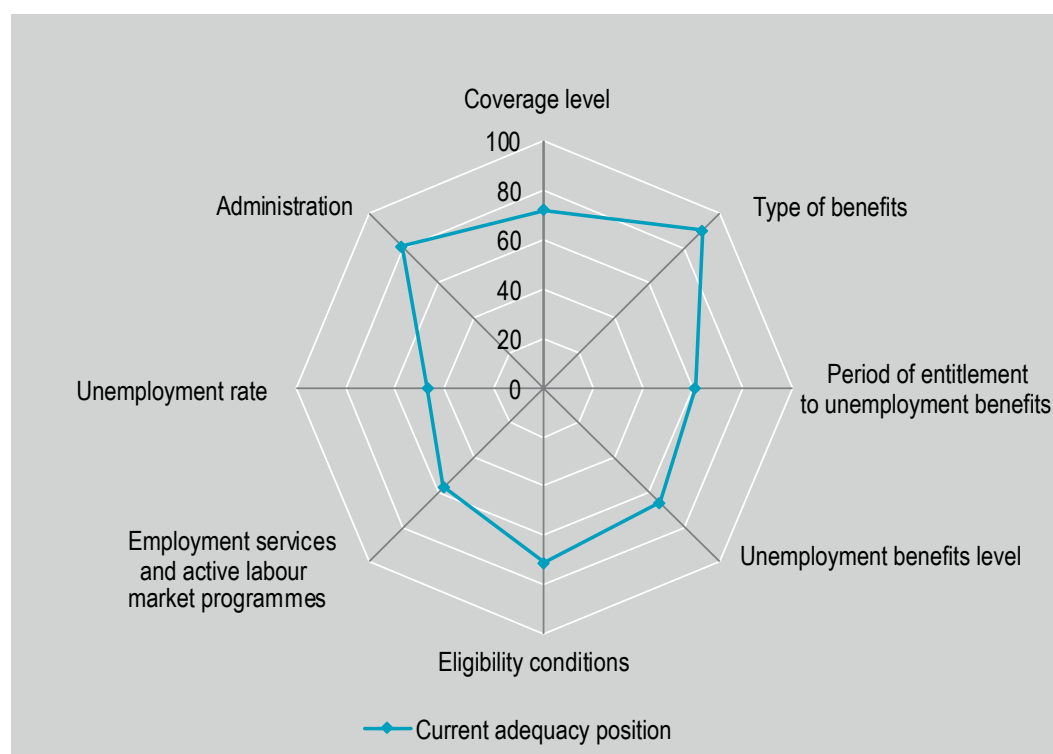
## 2.8. Administration

This parameter reflects the fact that, if the benefits can easily be obtained (e.g. if the time for granting and paying the benefits is short and there are not many forms to be filled out), the system should be considered as being more adequate. This administrative adequacy is judged by several criteria, which tend to evaluate whether certain measures lead to greater adequacy. An indicator also evaluates whether measures are taken to avoid fraud and incorrect expenditure. Reference is made to Guidelines 16, 17 and 24 of the *ISSA Guidelines on the Promotion of Sustainable Employment*.

## 2.9. Summary of the model

As illustrated in Table 2, the ISSA unemployment adequacy model incorporates 37 indicators as tools for measuring the adequacy of unemployment benefits. The results obtained from assessing the indicator scores are plotted using a spider graph (see Figure 1 for a specimen example).

**Figure 1.** Representation of a specimen unemployment system



**Table 2.** *Summary of the ISSA unemployment adequacy model*

Parameter	Indicators used
1. Coverage level	1.1. Legal coverage of employees 1.2. Conditions for qualifying for unemployment benefits 1.3. Coverage of specific categories: first-time jobseekers, self-employed, civil servants, migrant workers 1.4. Effective coverage of the unemployed*
2. Types of benefits	2.1. Partial unemployment benefits 2.2. Benefits for the unemployed accepting a part-time job 2.3. Specific benefits for older unemployed people
3. Period of entitlement to unemployment benefits	3.1. Unemployment insurance benefits allowance duration 3.2. Unemployment assistance benefits allowance duration
4. Unemployment benefits level	4.1. Benefits replacement ratio at the beginning of the unemployment period* 4.2. Median replacement ratio of benefits over a period of five years of unemployment* 4.3. Benefits replacement ratio after five years of unemployment* 4.4. Actual average rate of unemployment benefits compared to the median salary during the first year of unemployment 4.5. Actual average rate of unemployment or assistance benefits compared to the median salary after five years of unemployment 4.6. Risk-of-poverty rate of the unemployed
5. Eligibility conditions	5.1. Voluntary unemployment* 5.2 Existence and severity of appropriate sanctions* 5.3. Active job search* 5.4. Effective use of sanctions 5.5 Possibility of appeal against sanctions
6. Employment services and active labour market programmes	6.1. Ratio of the number of job offers received by the PES compared to the total number of jobs 6.2. Ratio of the number of job offers received by the PES compared to the total number of unemployed* 6.3. Ratio of jobseekers who leave unemployment within 12 months 6.4. Ratio of long-term jobseekers who leave unemployment within 12 months 6.5. Ratio of job offers satisfied within four weeks 6.6. Ratio of jobseekers receiving assistance from the PES 6.7. Ratio of jobseekers in training 6.8. Ratio of long-term jobseekers occupied in active labour market programmes*
7. Unemployment rate	7.1. Total unemployment rate* 7.2. Youth unemployment rate* 7.3. Long-term unemployment rate* 7.4. Rate of people receiving disability benefits
8. Administration	8.1. Processing time of the first claim for unemployment benefits 8.2. Regularity of payments 8.3. Administrative formalities 8.4. Fight against fraud 8.5. Satisfaction rate of clients

\* Indicators that already exist and are measured by international bodies.

## 3. Results from national pilot studies

As part of the project, an assessment of adequacy using the model was carried out by a number of ISSA member institutions; the results are set out in this section. This section should be read in conjunction with Section 2 and the *ISSA unemployment benefits adequacy model: User manual* which provides details on the assessment of indicator and parameter scores and what these represent. As mentioned above, the aim of the project is not to compare scores between countries but to provide institutions with an indication of how their unemployment system meets different adequacy measures. Scores range from 0 to 100 within each parameter.

This section also summarizes the views, suggestions and comments on the model made by the participating institutions.

### 3.1. Country 1

#### 3.1.1. *Overview of the unemployment insurance system*

Type of programme: Social insurance system

##### ■ Coverage and eligibility

The country's employment insurance system is mandatory for businesses and workplaces employing at least one employee. Those working less than 60 hours a month or less than 15 hours a week are, in theory, not subject to mandatory unemployment insurance; however, those who work such hours for longer than three months, and thus can be considered working for the purpose of making a living, are subject to mandatory unemployment insurance. There are special schemes for civil servants, private-school employees, military personnel and employees of the post office.

##### ■ Financing

The insured person pays 0.695 per cent of gross wages and employers pay 0.9 per cent to 1.5 per cent of payroll (depending on the type of business). There is no earnings cap or limit used to calculate contributions. The self-employed, who can voluntarily opt in, pay 2.25 per cent of declared wages; they opt for one of the seven levels of predetermined notional remuneration (the standard remuneration grades range from 1.54 to 2.69 million won per month).

##### ■ Qualifying conditions

Beneficiaries are required to have made contributions for at least six months during the last 18 months, be registered at an employment security office and be capable of and

available for work. Those who left a job voluntarily or due to misconduct or a labour dispute are excluded.

- **Benefit amount and payment duration**

The unemployment benefit amounts to 50 per cent of the insured's average daily earnings during the three months immediately before unemployment (paid after a seven-day waiting period), for up to 90 days to those with six to 12 months of coverage, and for up to 240 days for those with more than 10 years of coverage, those aged 50 or older or those who are disabled.

The minimum daily benefit is 90 per cent of the minimum daily wage.

Additional allowances are paid to unemployed persons to encourage retraining or job search.

### *3.1.2. Summary of results*

Under the ISSA adequacy model, the system scores highly on most measures, with only one parameter scoring less than 50 (data for parameter 4 was particularly difficult to obtain and therefore this parameter was not scored).

For parameter 1 (coverage level), nearly full marks were scored, although information on the effective rate of coverage was not available. While the self-employed and migrant workers may join the unemployment insurance system – though it is not compulsory – first-time jobseekers are not entitled to unemployment insurance under the current eligibility conditions. In addition, civil servants are covered by a separate scheme. In respect of benefit payment duration, the system scores relatively lowly, as maximum unemployment insurance benefit duration is 240 days (and is linked to previous contributory work periods). For parameters 5 and 7, a score of over 70 was obtained, reflecting good scores for eligibility criteria and unemployment rate. For parameter 6, data was available for all but one of the indicators and, as for some other parameters, a pro rata approach was required.

## **3.2. Country 2**

### *3.2.1. Overview of the unemployment insurance system*

Type of programme: Social insurance and social assistance system

- **Coverage and eligibility**

The country has a social insurance and social assistance system covering employed persons, including apprentices, household workers and child caregivers. Special systems exist for a number of different professions, including journalists and artists, and for certain temporary workers. The self-employed are excluded. The means-tested system of

unemployment assistance covers long-term unemployed persons residing in the country who are not entitled to unemployment insurance benefits or who are no longer entitled to benefits, having used up all their rights.

- **Financing**

Insured persons pay 2.4 per cent of covered earnings (with a cap on earnings). Employers pay 4 per cent of covered payroll with an additional contribution for employees on certain short-term contracts. The social assistance scheme is fully financed by the government.

- **Qualifying conditions**

Unemployment benefit is paid to insured persons with more than 122 days of contributions or 610 hours of work in the last 28 months before unemployment if they are younger than age 50 (or the last 36 months if aged 50 or older). The insured must be registered at an employment office and be capable of and available for work. Certain conditions apply, some related to eligibility for benefits (including having lost a job involuntarily) and others that beneficiaries must meet to continue receiving benefits, including not refusing two suitable job offers.

For social assistance benefits, at least five years of employment in the last 10 years before unemployment is required; in addition, the beneficiary must no longer be entitled to unemployment benefits and must be registered at an employment office. A means test applies to this benefit. A temporary income is paid to certain unemployed persons (those awaiting reintegration, asylum seekers and certain other foreign citizens).

Other means-tested benefits may be paid in certain situations.

- **Benefit levels and payment duration**

An unemployment benefit of 57 per cent to 75 per cent of the insured's average daily wage during the last 12 months is paid. The benefit is paid for as many months as the insured has contributed, up to 24 months (36 months if aged 50 or older). The insured may work and receive an unemployment benefit under certain circumstances. Certain financial support is provided (by the insurance system or central or local government) to unemployed persons to encourage geographical relocation and vocational training. In certain situations, there are financial incentives for hiring long-term jobseekers.

Social assistance benefits: a means-tested income is paid, topping up income to a maximum amount.

### 3.2.2. *Summary of results*

Scores were calculated for all but one of the parameters (some pro rata calculations were required due to the lack of indicator data) and a comprehensive response was supplied. A number of interesting issues were raised on several of the parameters. For parameter 2, the system allows for a benefit payment on partial or temporary unemployment for various internal and external reasons. Workers aged over 50 receive payments for longer (three years maximum compared to two years for the unemployed aged under 50). For parameter 3, financial assistance of unlimited duration is paid by the government, under income conditions, after the rights to all unemployment insurance benefit have ended, as long as the unemployed person contributed at least five years in the 10 years preceding the loss of his or her job. For parameter 5, the sanction imposed upon an unemployed person who refuses a suitable job, refuses training or a reintegration measure or does not respond to requests for meetings varies. It can range from a two- to six-month reduction (20 per cent to 50 per cent) of benefit or, in certain cases, the definitive removal of benefit. For parameter 6, data was not available at the organization whose main mission is to manage the unemployment insurance scheme; another agency is in charge of the payment of benefits and helps jobseekers reintegrate into the labour market.

## 3.3. **Country 3**

### 3.3.1. *Overview of the unemployment insurance system*

Type of programme: Social insurance system

#### ■ Coverage and eligibility

There is voluntary coverage for employees in agricultural, forestry and fishery establishments with fewer than five regular employees. Those working less than 20 hours a week and self-employed persons are not covered; there are special systems for daily workers and seasonal workers.

#### ■ Financing

Employees pay 0.5 per cent of monthly earnings (0.6 per cent in certain sectors). Employers pay 0.85 per cent, 0.95 per cent or 1.05 per cent of payroll depending on the sector. The government pays 13.8 per cent of the cost of unemployment benefits and special allowances, 18.3 per cent of the cost of benefits for daily workers and 6.9 per cent of the cost of benefits for insured persons on childcare leave and for older workers.

#### ■ Qualifying conditions

At least 12 months of coverage during the last 24 months before unemployment is required (in the case of unemployment due to insolvency or dismissal, at least six months of insurance



during the last 12 months is required). The unemployed person must report to the Public Employment Security Office once every four weeks. Unemployment must not be due to voluntary leaving, serious misconduct, refusal of a suitable job offer, or non-attendance at vocational training (otherwise, the benefit may be limited to from one to three months).

An older worker benefit is paid to workers aged 60 to 64 with more than five years of coverage and whose wage was reduced by at least 75 per cent from the wage paid at age 60. In addition, a childcare leave benefit is paid to those who take childcare leave to care for a newborn child or to provide nursing care for a family member.

#### ■ Benefit amount and payment duration

A benefit of 50 per cent to 80 per cent of the insured's average daily wage (higher percentages are awarded to lower-wage earners) in the six months before unemployment is paid; 45 per cent to 80 per cent is paid to those aged 60 to 64. The benefit is paid, after a seven-day waiting period, for 90 to 330 days, according to the insured person's contribution period, age and reason for unemployment. The benefit may be extended for another 60 days for insured persons who are unemployed due to insolvency or dismissal. There is a minimum and maximum benefit amount. Allowances are also paid to cover the costs of vocational training, transportation for job search activities, moving, and lodging expenses while seeking employment in the wider area.

#### 3.3.2. *Summary of results*

The system scored more than 50 on all but one of the parameters. On parameter 1, it was noted that civil servants are covered under their own arrangements and that migrant workers are not covered. With respect to parameter 2, there is a disaster relief act under which benefits are paid after a specified natural disaster (e.g. volcanic eruption); enhanced benefits are paid to workers aged 60 to 64 with more than five years of coverage and to those with a part-time job, in certain circumstances. For parameter 3, the score reflects the maximum duration of unemployment insurance of one year. For parameter 4, 50 per cent to 80 per cent of the insured's average daily wage in the six months preceding unemployment is paid (higher percentages are awarded to lower-wage earners); a high poverty-risk score will gain a relatively high score. For parameter 5, the waiting period is 12 weeks for voluntary unemployment, with sanctions (and appeals). For parameter 6, there was a lack of data for some indicators, requiring a pro rata calculation of existing scores. Parameter 7 scores reflect the relatively low unemployment rate in the country. Parameter 8 scores highly, reflecting effective measures to process claims, make payments and fight fraud, with subsequent high levels of user satisfaction.

### **3.4. Country 4**

#### *3.4.1. Overview of the unemployment insurance system*

Type of programme: Social insurance system

##### **■ Coverage**

Employed persons, first-time jobseekers, certain categories of students, civil servants who have been made redundant and workers with disabilities are covered. The self-employed are not covered by the system but have some protection through a bankruptcy insurance system.

##### **■ Financing**

The insured pay 0.87 per cent of gross earnings. Employers pay 1.46 per cent of gross earnings (which may be increased by 1.6 per cent in certain cases). The government covers any deficit.

##### **■ Qualifying conditions**

These depend on the age of the person (those younger than age 36 require 312 days of contributory service in the last 21 months; those aged 36 to 50 require 468 days in the last 33 months; those older than age 50 require 624 days in the last 42 months). The insured must register at an unemployment office and be capable of and available for work. If unemployment is voluntary, the insured is either disqualified for four to 52 weeks or is ineligible for benefits. Those unemployed must be actively looking for work (and be able to prove it) and must accept any reasonable job offer.

In addition, for those aged 55 or older and who have had a long professional career, an additional amount may be paid, either by the system or the employer, under certain conditions (which are becoming more restrictive).

##### **■ Benefit amount**

Payments are made for an unlimited period. For the first three-month period of unemployment, the benefit is 65 per cent of the insured's last earnings; for the next nine-month period, 60 per cent of earnings is paid. After this initial 12 month period, the benefit paid reduces, depending on the number of years of contributions paid and the family situation of the insured. After a minimum of 16 months and a maximum of 48 months (including the initial 12 months), the benefit amount becomes fixed and no longer related to the insured's final salary. This fixed amount is slightly higher than the social assistance benefit but is not means tested.

A company supplement paid to certain older workers made redundant amounts to at least 50 per cent of the difference between the monthly benefit and net earnings.

Young jobseekers who do not find work in the 12 months following their studies and who have been registered unemployed are entitled to a fixed-rate benefit entitled “allocations d’insertion”. This is payable for three years and can be extended for another three years for those aged over 30 who are either living alone or financially responsible for their family; in such cases, benefit payment is thus extended to the age of 33.

### 3.4.2. *Summary of results*

Data was available for all 37 indicators in the model. The majority of indicators were taken from internal sources (administration data, studies or regulations). The data for 12 indicators were taken from Eurostat (8 indicators) and the Organisation for Economic Co-operation and Development (OECD) (4 indicators). With the exception of one indicator, measures related to employment services, which are organized on a regional basis, required the integration of different regional results. Administration indicators were based on data taken from the National Employment Office (Office national de l’emploi – ONEM).

The maximum score was obtained for types of benefits and duration of payment. The system includes payment on partial unemployment, coverage and payment for part-time workers and specific benefits for the older unemployed. At the same time, benefits are paid for an unlimited period. Coverage levels are also high under the system.

Benefit payment levels also obtained a relatively high score, although amounts paid at the start of the unemployment period are lower than for the long-term unemployed and a lower score was awarded for the indicator reflecting this. High scores were also obtained for the employment services parameter, for the active labour market measures taken and for the administrative adequacy measure. Scores for the rate of unemployment and eligibility conditions were slightly lower, but still above 60 per cent.

## 3.5. **Country 5**

### 3.5.1. *Overview of the unemployment insurance system*

Type of programme: Social insurance and social assistance system

#### ■ Coverage

Employees younger than age 66, including most household workers, are covered. Certain part-time employees, the self-employed, permanent civil servants who began working before 6 April 1995 and casual household workers are excluded.

#### ■ Financing

The social insurance system is financed from general social security contributions. Employees pay 4 per cent of weekly earnings once their earnings reach 352.01 euros (EUR) per week. For weekly earnings between EUR 352.01 and EUR 424 there is a tapered

Pay Related Social Insurance (PRSI) credit of up to EUR 12, which is offset against the PRSI charge. Employers pay 10.75 per cent of gross wages for those earning more than EUR 376 per week and 8.5 per cent of wages for those earning less than that amount. Self-employed workers pay 4 per cent of their income, provided it exceeds EUR 5,000 annually. The government meets additional costs if required, in addition to the cost of the social assistance system.

■ **Qualifying conditions**

Jobseeker's benefit: A person must be aged between 18 and 66, have been unemployed for at least four days in seven consecutive days, have sustained a substantial loss of employment in any period of seven consecutive days, be available for employment, be genuinely seeking employment, and have at least 104 weeks of paid contributions since starting work and at least 39 weeks of paid or credited contributions (of which 13 must be paid) in the last complete tax year or at least 26 weeks of paid contributions in the second- or third-to-last complete tax year.

An increased rate is paid in respect of an adult dependant ("qualified adult") who is wholly or mainly maintained by the claimant and is either a spouse/civil partner/cohabitant or person over 16 years of age who is caring for a qualified child of the claimant.

Jobseeker's allowance (means tested): A person must be aged between 18 and 66, be habitually resident, satisfy a means test, be unemployed for at least four days in seven consecutive days, and not meet the contribution requirements for the jobseeker's benefit.

The applicant must be available for, genuinely seeking and capable of work. Unemployment must not be due to voluntary leaving, misconduct, refusal of a suitable job offer (the insured may be disqualified for up to nine weeks) or a trade union dispute (the insured is disqualified for the duration of the dispute). A dependent's supplement is paid under certain conditions.

■ **Benefit amount and payment duration**

Jobseeker's benefit: Up to EUR 188 a week is paid for up to 312 days with at least 260 days' contributions (up to six months for those younger than age 18; up to 234 days with less than 260 days of contributions). A dependent's supplement of up to EUR 124.80 a week is paid.

Jobseeker's allowance (means tested): Up to EUR 188 a week (with reduced rates of EUR 100 for those aged under 25 and EUR 144 for 25-year-olds) is paid. A dependent's supplement of up to EUR 124.80 a week is paid (with reduced rates of EUR 100 for those under 25 years of age).

### 3.5.2. *Summary of results*

The system scores relatively high marks overall, with an average of 69 and only one score below 50. In respect of coverage level, the qualifying conditions are stepped – the longer the contributory service, the longer the right to unemployment benefits (either six or nine months). A score of 100 was obtained for types of benefits (e.g. for partial unemployment and specific benefits for those with a part-time job or older workers). In respect of unemployment benefit level, the system again scored well, with the proportion of the unemployed aged 18 or older with an income of less than 60 per cent of the median national income and the poverty rate of the unemployed significantly lower than the EU average. In respect of eligibility conditions, the person covered may lose up to nine weeks of benefit if they resigned voluntarily. Other sanctions apply, including loss of benefit where a person fails, without good cause, to comply with activation measures such as the requirement to attend group or individual meetings and/or avail themselves of suitable education, training or development opportunities. Sanctions involve an initial reduction of benefit for initial failure to comply, followed by full reduction of the personal rate for continued failure to comply. Sanctions are removed when a person complies with activation measures; therefore, sanctions can be in place for varying durations.

For parameter 6 (employment services), nearly three quarters of new claim registrants exit the system within 12 months, for reasons including return to employment, training or education, emigration, transition to a different welfare status and non-activity. Of those still registered as unemployed after 12 months, 40 per cent leave within another nine months. The lowest score was for unemployment rate, but the situation in the country has significantly improved over the last three years and the current picture would result in a higher score. The system scores well on parameter 8; for example, over three quarters of customers remain satisfied with both the service received and the outcome of their contact, and service levels are mostly meeting or exceeding expectations. Of customers surveyed, 77 per cent were satisfied with the service they received.

## 4. Conclusions

One of the key aims of developing and applying the adequacy model is that the process lends itself to greater reflection on what adequacy is, how it should be assessed and measured and whether the data and information are available to meet determined objectives. The responses of the five pilot institutions gave rise to a number of comments and suggestions on the model, with associated implications for social security institutions.

The key conclusions are presented below in two sections. The first considers general issues and challenges of the model. The second considers implications of the project results for social security administrations and policy-makers.

### 4.1. General issues and challenges

This section sets out a number of general issues and challenges related to the measurement and assessment of unemployment system adequacy using the ISSA model.

- **Selecting the appropriate parameters to define adequacy**

As discussed above, there is no definitive answer to what comprises an adequate benefit. Conditions vary considerably by country, reflecting the different country contexts and system aims. However, the model allows each country to reflect on the importance to its system of each of the eight parameters and to select the appropriate weighting for the measures from the indicators that comprise the score for each parameter. By widening the definition of adequacy, the model not only reflects the reality of multiple system aims but also assists institutions to assess priorities and trade-offs between conflicting aims in an objective way.

- **Cause and effect – do unemployment benefit systems influence employment patterns and outcomes or do employment patterns influence system design and delivery?**

The level and eligibility conditions of unemployment benefits impact on return-to-work incentives. This is reflected to some extent in the model, but the debate remains regarding cause and effect.

- **Availability of data**

For some indicators, data may be limited, may not necessarily be up to date and may not be accurate. Data proxies may be required. For other parameters, there may be a number of different measures for the same indicator. The main aim of the model is not to enable cross-country comparison but to be a tool to assist each institution to assess its own unemployment system. However, if proxies are used consistently across time, the model is useful for measuring adequacy trends over time as well as being able to assess the impact of

reform measures on overall system adequacy. If a parameter is deemed important, in order to measure it, data must be reliable, up to date and accurate.

#### ■ Comparability of data

The cross-country comparability of data and, therefore, of parameter and indicator scores is a challenge. Definitions may be different, availability and accuracy will vary and the method of collection will depend on realities in each country. The aim of the model is not to compare systems but to use results to facilitate an assessment of a system and how different country systems seek to meet their objectives. Another complication is that different agencies are likely to be involved in different areas of the system (e.g. payment of benefits, training and return-to-work measures are often carried out by different bodies), which makes coordination and consistency of data collection more challenging.

#### ■ Complexity of unemployment systems

Unemployment systems are much more complex than retirement systems, which have a limited number of variables. Unemployment systems have dual aims, of income support and achieving a return to work; benefit adequacy is measured by both the level of cash benefits paid and the duration of payment, and targeted benefits exist for certain groups (e.g. older and younger workers). In addition, eligibility conditions are typically multi-layered and sanctions may reduce the level of benefits, either temporarily or permanently. This makes comparisons of adequacy difficult. Nonetheless, the strength of the model is to allow weightings on the importance of different parameters, reflecting these aims and characteristics.

#### ■ New ways of providing benefits and services

The pilot countries all have either a social insurance system or a mixture of social insurance and social assistance. The model did not test a system with individual accounts and would need recalibration if such a benefit structure were tested. This would be an interesting follow-up to the project, given the debate about benefit adequacy and the return-to-work incentives and outcomes of such systems.

#### ■ Trade-offs

The model allows institutions to consider the different trade-offs in unemployment systems. Policy and management measures have to address such trade-offs, but this is often done in an ad hoc manner. The model allows explicit consideration of the value of the two elements in any trade-off, which can add to the factors to be taken into account when making decisions on design and delivery. The key trade-off, which is fundamental to most unemployment systems, is between benefit levels (parameter 4) and return-to-work efforts (parameter 6). Eligibility conditions (parameter 5) may also have an impact on return-to-work outcomes.

#### ▪ Different providers and informal support

In some countries, the unemployment system is managed by several institutions, which share responsibilities for benefit payments, eligibility, employment services and training support. In addition, there may be other informal and formal support mechanisms that should be considered as part of system-wide adequacy but generally fall outside the scope of measurement (often due to lack of data). In theory, it would be important to assess their impact so as not to underestimate adequacy and to highlight any potential duplication of effort. Employers may also provide direct support; the outcome of such efforts may be measured by the model but their inputs may not be. Finally, other social security branches – in particular, invalidity and retirement systems – are closely linked with unemployment systems; in some countries, older unemployed workers may be covered by a retirement system, while in others, they may appear as unemployed and receive benefits determined by the rules of the unemployment system. This is an important point, not only for cross-country comparison but also in assessing the effectiveness of certain targeted measures.

#### **4.2. Implications of the project results for social security administrations and policy-makers**

A multivariable assessment, which supports social security institutions and policy-makers in meeting their objectives, has two main implications for the management, delivery and monitoring of unemployment systems. First, management and administration are a key element of benefit adequacy as defined by the model – this is not only apparent in parameter 8 (administration) as administration elements exist in many other parameters and indicators in the model. Second, this multivariable model requires the collection, analysis and management of the appropriate information and data with which to assess and measure benefit adequacy over the medium and long term.

Aside from these general observations, certain specific areas carry important implications for social security institutions and policy-makers. Social security administrations should take the following key considerations into account:

- The institution must ensure that information and data are available, up to date and accurate, to enable the measurement of adequacy. Where there are a number of different data sources, the institution needs to consider and decide which is the most appropriate. The institution should liaise with other agencies or bodies involved in the unemployment insurance system and employment services. Where there is a lack of data, a decision on an appropriate proxy is required. Monitoring of these decisions is important.
- The institution should ensure that the benefits provided are those specified by law. This also implies good record-keeping and compliance monitoring.



- Clear and tailored communication of benefits and services to the population, with emphasis given to non-financial elements (e.g. eligibility and return-to-work mechanisms) as well as benefit levels and duration, will become increasingly important.
- Access to benefits must be maintained and improved (e.g. the claims process should be as simple as possible) and the rules regarding sanctions must be clear, to avoid any legal challenges or formal complaints and to ensure that benefits are being provided at the right level to the right people.
- The institution needs to coordinate with other agencies and institutional actors. The interface of unemployment benefits with retirement and disability benefits and interaction with employers and other formal and informal support providers are important, to ensure objectives are being met in an effective way.
- Appropriate instruments, including those permitting the mapping of “desired” adequacy and gap analysis, should ensure the ongoing measurement of the adequacy of benefits.
- As systems become more complex to respond to changing population needs and external trends, the issue of effective administrative support is increasingly important.
- In respect of policy-makers, the model provides a range of tools and information to support policy setting, monitoring and delivery. The following are of particular note:
- The model highlights a number of the administration and management implications of policy approaches. This allows decision-makers to test the general feasibility of policy and policy reform in practice.
- The impact of benefit design, including the measuring of outcomes, can be determined. In theory, the model allows for analysis of which additional management and administration actions and procedures may support policy measures in meeting objectives.
- Through the use of consistent indicators, the model facilitates analysis of the longitudinal impact of policy choices, which is particularly important in respect of unemployment systems in which there is a lag between system changes and impacts.
- Assessment of the impact of recent reforms to unemployment systems and the introduction of new schemes can be assisted by analysis of their structure and impact using the model. In general, reforms to unemployment systems are normally multiple and cover structural, parametric and administration and management changes. The model, which takes into account all these elements in the definition of adequacy, should therefore be able to reflect these different impacts.

As referred to previously, the *ISSA Guidelines on the Promotion of Sustainable Employment* (2016) are an important source of information and reference for social security institutions, employment services and policy-makers in supporting efforts to ensure adequate benefits.

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Additional references can be found in the *ISSA unemployment benefits adequacy model: User manual*.

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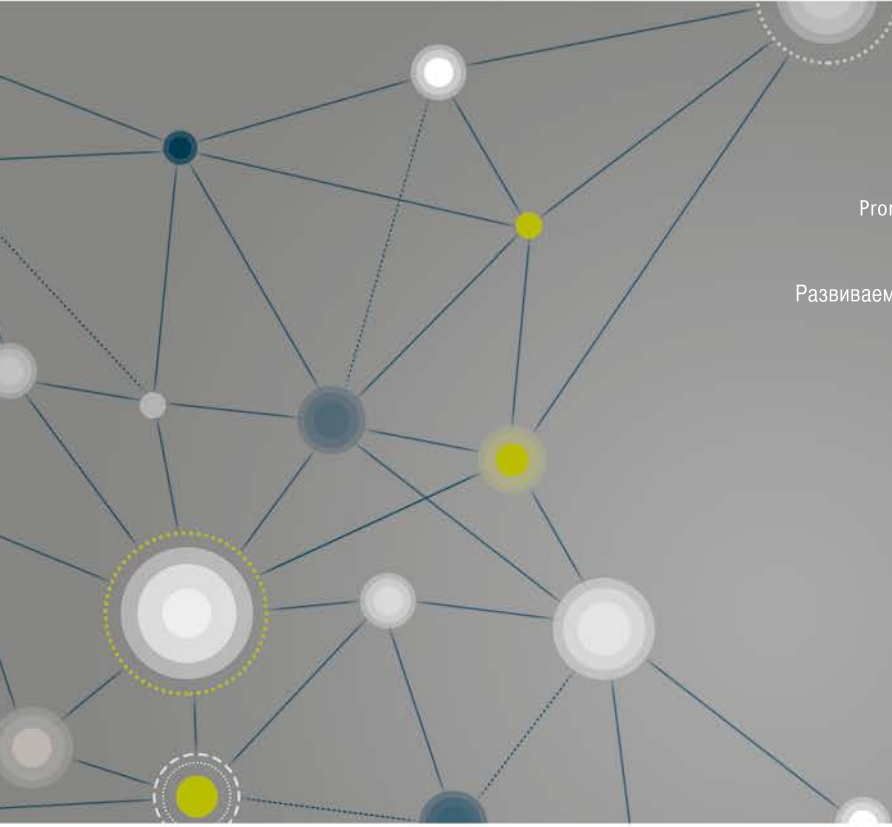
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