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ISSA Adequacy Project

ISSA unemployment benefits adequacy model
User manual

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Introduction

According to the International Labour Organization (ILO, 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*)."

> "Benefits are considered to be appropriate if they are neither too low nor too high. 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, unemployment systems are operated on a mixture of insurance and solidarity principles. The insurance covers a risk, namely income loss, and aims at guaranteeing a certain substitution rate of that income. Solidarity comes into play in 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.

On the other hand and according to the ILO, it is also important to avoid the situation when unemployment benefits deter beneficiaries from looking for a new and satisfying job. That is the reason why unemployment systems are accompanied by incentive mechanisms and employment services that aim at facilitating 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, and in particular unemployment insurance, has several objectives. That is why the ISSA is developing an analytical tool that evaluates and measures not only the replacement rate but also the other dimensions related to the delivery of benefits.

Definition elements

The chosen tool for measuring the adequacy of unemployment benefits in the framework of the ISSA project is composed of eight parameters or criteria with the aim to evaluate and highlight the different dimensions of adequacy and the different objectives of an unemployment system.

These are the criteria:

1.   Coverage level

2.   Type 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 the unemployment insurance scheme, both individually and collectively, namely:

- **to secure the 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.

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

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

Note: No parameter was selected to assess the cost of a system. This choice is based on the following considerations:

- *Adequacy and feasibility are two different things.*

- *In the reference model concerning the pension schemes, the expenses were not taken into consideration either.*

- *The expenses also depend on the available means and on the political decisions concerning the distribution of the means at the level of each country.*

- *Finally, and most importantly, the unemployment expenditures cannot be taken into consideration without considering other social expenditures, especially the social assistance expenses, the invalidity expenses and the pensions, considering the fact that according to the country, a more or less significant part of unemployed persons receive benefits from one of those schemes.*

For each parameter, several indicators have been defined enabling the measurement of the parameter in question. In total, there are 37 of indicators. By definition, it often includes indirect indicators, a choice driven by the availability and the reliability of data. The indicators have also been selected on the basis of available comparable data. Several selected indicators have already been used by international bodies (for example the unemployment rate). This increases their reliability and the comparability.

For each indicator, possible data sources are suggested in an Excel spreadsheet, which is also part of the model. We invite you to use whichever source you judge as being the most appropriate (including national and other sources not cited in the spreadsheet). However, please indicate the source used when completing the spreadsheet.

Each indicator contains a scoring system making it possible to grant points. This method is sometimes binary (yes corresponds to x points, no to 0 point) but most often, it is mathematical and based on statistics or on estimates. To fix the rating scale (minimum, average, maximum) the known results of a significant group of countries were taken into consideration.

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. An example score for a fictional unemployment system is mentioned under each indicator described below. Although a default weighting placed on each of the indicators is included in this model, this weighting can also be adjusted on the basis of an individual's country view on the relative importance of different elements. If certain indicators are not taken into consideration or if data is not available, the weightings can also be recalculated proportionally (for example, if an indicator which is worth 30 points out of a 100 attributed for the parameter, is not taken into consideration, the result is multiplied by 100/70).

Please complete the spreadsheet with the scores for each indicator. The spreadsheet will calculate the total score for each parameter and automatically determine the spider graph overall score. Desired indicator or parameter scores can also be entered which allows gap

analysis between the objectives and the results obtained. More details of the parameters, indicators and evaluation modalities are set out below.

The model therefore includes tools to analyse more fully the different aspects of unemployment system policies and the implementation of these policies. 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 it would be for other social security branches, because:

- Unemployment schemes are less widespread throughout the world than other social security schemes (they only exist in 78 countries). This limits the number of countries that can run the model and means there are less systems to compare.

- There are significant differences between schemes according to the country or the region, for example, different eligibility, payment duration and benefit levels. There are therefore a smaller number of 'standard' models for comparison purposes.

- Unemployment schemes have two main purposes which are significantly different: to ensure social protection and to facilitate a return to employment.

- A lot of schemes are a mixture of insurance and assistance, but the dominant component differs between countries.

- In some countries, these schemes are managed by several institutions who share responsibilities for benefit payments, eligibility, employment services, and training support.

- In certain regions, there is a plethora of indicators in the field of employment and unemployment (over 300 in the European Union (EU)), whereas in other regions or in other social security sectors, there are very few of them (very few indicators in the field of invalidity for example).

- Unemployment schemes are often closely linked with other schemes, in particular invalidity benefits: for example, according to the country certain unemployed persons are considered as "disabled" or certain disabled people are considered as

"unemployed"; in other countries, the older unemployed may be covered in early retirement schemes.

Given these elements, 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.

Measurement tool

1.   Coverage level

Importance of the parameter and indicators used

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 numerous 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 be extended progressively.

The second indicator concerns the conditions for qualifying for unemployment benefits (working time, duration of contribution payment required), which also can be considered as a coverage evaluation criterion. A universal system, of 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 immediately 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 job stability, but who can however 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.

Finally, the fourth indicator measures the proportion of unemployed persons in the framework of the definition of the International Labour Organization (ILO), 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 the comparison easier.

Indicators

1.1. Legal coverage of employees

Suggested weighting: 30

Scoring this indicator: Assessment of the rate of active workers who are covered by an unemployment insurance system or by a specific system of unemployment assistance, i.e. reserved for unemployed persons at the end of their right to unemployment benefits (and not only by a general welfare system).

Example: If the legislation provides a compulsory system for all active workers, that is 100%, this is a score of 30 points. If certain workers are not covered by social security or not covered by the unemployment scheme, for example rural workers or domestic workers, the percentage has to be decreased depending on the number (or estimated number) of workers who are not covered.

1.2. Conditions for qualifying for unemployment benefits

Suggested weighting: 20

Scoring this indicator: Working duration, duration of contribution or duration of affiliation to a social insurance fund required for qualifying for full unemployment benefits. A duration of six months or less scores 20 points. In case of a duration of more than six months, 1 point is deducted for each additional month required.

Example: A duration of 12 months corresponds to 14 points (20 – 6) and a duration of 24 months scores 2 points (20 – 18).

1.3. Coverage of specific categories: first jobseekers, self-employed, civil servants, migrant workers

Suggested weighting: 20

Scoring this indicator: Legal coverage by the general unemployment insurance system or by a specific system other than the general social assistance system of first time jobseekers (young people who do not find a job after having successfully finished school or after having dropped out), the self-employed, civil servants and migrant workers. Five points granted per category covered.

Example: Civil servants and migrant workers are covered but this is not the case for the self-employed, nor for first time jobseekers, this is a score of 10 points.

1.4. Effective coverage of the unemployed

Suggested weighting: 30

Scoring this indicator: Ratio of the unemployed, using the ILO definition, who receive unemployment benefits or social assistance. The maximum number of points is given for effective coverage equal to 75%. One point is deducted for every 2 percentage points by which the coverage rate decreases..

Example: An effective coverage rate equal to 50% scores 18 points (30 – 12).

Source: Labour Force Survey (LFS) or administrative data (ratio of the unemployed registered as unoccupied jobseekers who receive unemployment benefits or social assistance).

2. Types of benefits

Importance of the parameter and indicators used

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 job or whose employment has 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 due to economic reasons (temporary decline in orders due to a less favourable economic climate), bad weather (for example days of frost preventing certain sectors, such as the construction sector, to work), technical accidents or force majeure (destruction of a part of the company due to a fire, machine breakdowns, etc.). The different types of approaches to partial unemployment are preventive strategies, which have proven to be very useful in times of economic crisis to avoid dismissals and to support

the economy. This means they are an important parameter of the adequacy of the unemployment schemes.

The second indicator concerns the coverage of the unemployed who accept a part-time job. The income from such employment is not always sufficient to live a decent life and has to be complemented by additional income. Part-time employment is also a step, which is likely to lead to full reintegration back into the job market, and which therefore should be supported. Therefore 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 job at a certain age or when his unemployment continues beyond that age, he is often confronted with more difficulties concerning his 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.

Indicators

2.1. Partial unemployment benefits

Suggested weighting: 50

Scoring this indicator: Are employees entitled to unemployment benefits and/or a (supplementary) allowance paid by their employer if their employment contract is suspended because of a temporary lack of work due to economic reasons, bad weather, a case of force majeure or a technical accident?

If the system covers partial unemployment for economic reasons, this corresponds to 25 points; if it covers partial unemployment due to bad weather, this corresponds to 15 points; if it covers partial unemployment due to a case of force majeure, the score amounts to 10 points.

Example: A system which only covers partial unemployment for bad weather receives a score of 15 points.

2.2. Benefits for the unemployed accepting a part-time job

Suggested weighting: 25

Scoring this indicator: Can unemployed people accepting a part-time job receive additional unemployment benefits during their part-time employment in order to complement their income? Binary answer: yes or no (yes corresponds to 25 points, no to 0 points).

Example: An additional income is granted to the unemployed accepting a part-time job, which means the score amounts to 25 points.

2.3. Specific benefits for older unemployed people

Suggested weighting: 25

Scoring this indicator: Unemployed people who have reached a certain age (for example 55 or 60 years old) can receive higher unemployment benefits or can receive benefits for a longer period in time. Binary answer: yes or no (yes corresponds to 25 points, no to 0 points).

Example: the system provides additional benefits for unemployed people of 55 years and older, which means it scores 25 points.

3. Period of entitlement to unemployment benefits

Importance of the parameter and indicator used

The period of entitlement to benefits is linked with the notion of coverage. In the case of high coverage, 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..

Indicators

3.1. Unemployment insurance benefits allowance duration

Suggested weighting: 50

Scoring this indicator: The maximum period of entitlement to unemployment insurance benefits in the general system (not including unemployment assistance benefits). A duration equal to or higher than 48 months scores 50 points. Below 48 months, 1 point per allowance per month is deducted. If the compensation duration is linked to the number of months or years of previous contributory work periods, the result is decreased by 25% and rounded up.

Example: A maximum duration of 24 months scores 26 points (50 –24 x 1) and a maximum duration of 12 months scores 14 points (50-36x1). If the duration of compensation is linked to the duration of previous contributory service, the above-mentioned results are reduced to 20 (26 – 25% = 19.5, rounded up to 20) or to 11 (14 – 25% = 10.5, rounded up to 11).

3.2. Unemployment assistance benefits allowance duration

Suggested weighting: 50

Scoring this indicator: Maximum unemployment insurance benefits duration and unemployment assistance duration for unemployed persons at the end of their right to unemployment benefits and granted after examination of household income (except general social assistance benefits). This means that the two types of benefit duration for both unemployment insurance and unemployment assistance should be added up. A duration equal to or higher than 48 months scores 50 points. Below 48 months, 1 point per allowance per month is deducted. If the compensation duration is linked to the duration of the previous contributory work period, the result is decreased by 25% and rounded up.

Example: A maximum duration of 24 months scores 26 points (50 – 24 x 1) and a maximum duration of 12 months scores 14 points (50 – 36 x 1). If the duration of compensation is linked to the duration of previous contributory work periods, the above-mentioned results are reduced to 20 (26 – 25% = 19.5, rounded up to 20) or to 11 (14 – 25% = 10.5, rounded up to 11).

4.   Unemployment benefits level

Importance of the parameter and indicators used

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

As already mentioned above, unemployment insurance covers against the risk of income loss and aims at compensating this loss up to a certain level. Benefits are normally expressed as a percentage of the last salary. Benefits are often subject to a maximum ceiling.

This rate can change and decrease over time (degressive benefits) or be influenced by the beneficiary's family situation (higher amount in case of dependants).

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

A final challenge is the fact 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 level 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 any additional payments made by the employer.

The first three indicators used are calculations of net replacement ratios at different times during the period of unemployment. These are the ratios used by the Organisation for Economic Co-operation and Development (OECD) ("Tax and Benefit Systems: OECD Indicators") and the European Commission (EC). Their use improves the reliability of the indicators and the validity of comparisons between countries. Countries who are not members of the OECD can use their own sources for the indicators 4.1, 4.2 and 4.3 or use only indicators 4.4, 4.5 and 4.6. In this case, the weighting for indicators 4.4, 4.5 and 4.6 should be doubled.

The subsequent two indicators are simpler to determine and are based on a comparison of the gross amount of the effective paid benefits under two different unemployment duration scenarios. They use the median salary.

The last indicator measures the risk of poverty of the unemployed.

These indicators take all types of benefits into account: unemployment insurance benefits, unemployment assistance benefits, social assistance benefits, or a combination of these benefits.

Indicators

4.1.   Benefits replacement ratio at the beginning of the unemployment period

Suggested weighting: 20

Scoring this indicator: Calculation of the net replacement ratio of the unemployment benefit at the beginning of the unemployment period. This ratio corresponds to the median of the replacement rates for 12 types of family and three income levels (67%, 100% and 150% of the median salary). A net replacement ratio equal to or higher than 90% scores 20 points. One point is deducted each time the replacement ratio decreases by 3 percentage points.

Example: a net replacement ratio of 60% scores 10 points (20-10).

Source: OECD statistics on benefits and salaries.

4.2.   Median replacement ratio of benefits over a period of five years of unemployment

Suggested weighting: 20

Scoring this indicator: Calculation of the median net replacement ratio of benefits over a period of 60 months of unemployment. This ratio corresponds to the median of the rates for eight types of family and two income levels (67% and 100% of the median salary). A net

replacement ratio equal to or higher than 75% scores 20 points. One point is deducted each time the replacement ratio decreases by 3 percentage points.

Example: a net replacement ratio of 50% scores 12 points (20 – 8).

Source: OECD statistics on benefits and salaries.

4.3.   Benefits replacement ratio after five years of unemployment

Suggested weighting: 10

Scoring this indicator: Calculation of the net replacement ratio of the benefit after 60 months of unemployment. This ratio corresponds to the median of the replacement rates for 12 types of family and three income levels (67%, 100% and 150% of the median salary). A net replacement ratio equal to or higher than 60% scores 10 points. One point is deducted each time the replacement ratio decreases by 5 percentage points.

Example: a net replacement ratio of 40% scores 6 points (10 – 4).

Source: OECD statistics on benefits and salaries.

4.4.   Actual average rate of unemployment benefits compared to the median salary during the first year of unemployment

Suggested weighting: 20

Scoring this indicator: Median gross amount of unemployment benefits effectively granted to the unemployed person, whose unemployment duration does not exceed one year, expressed as a percentage of the gross amount of the median salary of the employee. A net replacement ratio equal to or higher than 75% scores 20 points. One point is deducted each time the replacement ratio decreases by 3 percentage points.

Example: A median effective ratio of 55% scores 14 points (20 – 6).

4.5.   Actual average rate of unemployment benefits or assistance benefits compared to the median salary after five years of unemployment

Suggested weighting: 10

Scoring this indicator: Median gross amount of unemployment benefits, including potential additional forms of aid actually granted to the unemployed person who has been unemployed for 60 months expressed as a percentage of the gross amount of the median salary of the employee. A net replacement ratio equal to or higher than 60% scores 10 points. One point is deducted each time the replacement ratio decreases by 5 percentage points.

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Example: A median effective ratio of 45% scores 7 points (10 – 3).

4.6. Risk-of-poverty rate of the unemployed

Suggested weighting: 20

Scoring this indicator: Proportion of the unemployed aged 18 and older with an income of less than 60% of the median national income. A result, which corresponds to the average poverty rate of the EU, equals 10 points. One point is added each time the risk-of-poverty rate of the unemployed decreases by 5% below that average rate. One point is deducted for each multiple of 5% that the risk-of-poverty rate of the unemployed is above that average.

Example: Knowing that the average poverty rate of unemployed persons of the European Union was 47% in 2012, a poverty rate of 34% in the country studied corresponds to a rate 28% lower than the EU average and would score 15 points (10 + 5 x 1). A poverty rate of 52% corresponds to a rate 11% higher than the EU average and would score 8 points (10 – 2 x 1).

5. Eligibility conditions

Importance of the parameter and indicators used

All systems of unemployment insurance have conditions which need to be fulfilled in order to receive benefits: the obligation to actively look for a job, to accept suitable job offers or to participate in active labour market programmes (ALMP). There are controls to verify if these conditions are 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, a function which also has to be taken into account to evaluate adequacy.

The parameter consists of measuring the strictness of the conditions, controls and sanctions, which differ between countries. Assessment of this parameter aims to take this relative strictness into account and to make comparisons on this level possible between countries. It is thus not a value judgement.

The indicators used are also based on the work of the OECD, which developed a tool of comparison that is based on nine indicators, and was inspired by a similar model, previously created by the Danish Ministry of Finance. The use of an existing instrument that has been applied several times before reinforces the reliability of the indicators used and the validity of the comparisons between countries. To simplify the evaluation, only three main indicators have been selected and are complemented by an additional indicator, representing a dimension that is lacking in the OECD model, namely the effective application of these incentive mechanisms by the relevant administrations.

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

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

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

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

Finally, the fifth indicator assesses the possibility of individuals to appeal sanctions and the results of these appeals.

Indicators

5.1. Voluntary unemployment

Suggested weighting: 20

Scoring this indicator: To what extent are employees who have resigned, entitled to benefits? 20 points are granted if the right is refused, 16 if the right is only granted after a waiting period or sanction period of at least 14 weeks, 12 if the right is granted after a waiting period or sanction period of 10 to 14 weeks, 8 if the right is granted after a waiting period or sanction period of 5 to 9 weeks and 4 if the right is granted after a waiting period or sanction period of 0 to 4 weeks.

Example: If a sanction of 13 weeks is applied in the case of someone applying for unemployment benefits after having resigned, this is scored as 12 points.

5.2. Existence and severity of appropriate sanctions

Suggested weighting: 20

Scoring this indicator: Importance of sanctions (no or lower benefits), in case the unemployed person refuses a suitable job, refuses training or a reintegration measure or does not respond when summoned by the public employment service. 20 points are granted in case these facts lead to an exclusion that is not limited in time, 16 in the case of a defined penalty period longer than 14 weeks, 12 for 10 to 14 weeks, 8 for 5 to 9 weeks and 4 for 0 to 4 weeks penalty.

Example: If an eight week sanction is pronounced in case of a job refusal, this amounts to 8 points.

5.3. Active job search

Suggested weighting: 20

Scoring this indicator: How is the active job search of the unemployed person controlled? 20 points are granted if the unemployed person has to prove he is actively looking for work on a regular basis (every week or every two weeks), 15 points if the unemployed person has to prove he is actively looking for work on a regular basis (but less often than every two weeks), 10 points if the unemployed person has to prove he has followed up a job offer received from the public employment service, 5 points if he has to prove he is actively looking for work at the request of the employment service and 0 points if he does not have to provide evidence of looking for work.

Example: If the unemployed person has to provide evidence he is looking for work, the score amounts to 15 points.

5.4. Effective use of sanctions

Suggested weighting: 20

Scoring this indicator: What is the ratio of the number of these unemployed who have been sanctioned for one of the above-mentioned reasons (points 5.1 to 5.3) and the average number of fully unemployed people receiving unemployment benefits per year. Twenty points are granted if the ratio is 20% or higher. For every percentage point below 20%, one point is deducted.

Example: If the effective sanction rate reaches 12.5%, the score amounts to 13 points ($20 - 7 \times 1$).

5.5. Possibility of appeal against sanctions

Suggested weighting: 20

Scoring this indicator: Points are awarded based on two elements:

- Five points are awarded if the unemployed person can appeal a decision regarding sanctions. The appeal must be handled through a court of law or by a body independent of the organization which imposed the sanction.

- Fifteen points are awarded if at least 90% of decisions are confirmed on appeal. Three points are deducted for each 10% that this confirmation rate is below 90%.

Example: If the unemployed person can appeal the sanction awarded against him or her and that 66% of decisions are confirmed on appeal, a score of 11 points ($5 + 6 (15 - 3 - x - 3)$) is awarded.

6.   Employment services and active labour market programmes

Importance of the parameter and indicators used

Unemployment schemes are closely linked to public employment services (PES) and programmes. The goal of these services and programmes 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. The employers use different channels to recruit employees. One of these channels is to communicate the vacancies at the PES. The higher number of vacancies the PES receives, the more assistance it can provide to help jobseekers find a job.

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

The third and the fourth indicators measure the ratio of jobseekers who are registered at the PES and who find a job within 6 and 12 months of their registration. These indicators give an idea about the efficiency of the PES' actions and the active labour market programmes. However, caution is required when interpreting this data because 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 after 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 about the efficiency 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 received an update or a strengthening of their qualification or who have obtained a new qualification.

Finally, knowing that for the long-term unemployed, it is important to be able to benefit from specific programmes to facilitate their reintegration, the eighth indicator measures the

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proportion of the long-term unemployed who are employed in an active labour market programme.

Indicators

6.1. Ratio of the number of job offers received by the public employment services (PES) compared to the total number of jobs

Suggested weighting: 10

Scoring this indicator: The total number of job opportunities during a certain period (extra jobs or existing jobs which become available because of a departure) is an indicator which is rarely systematically recorded or measured. When there is no reliable data, it is difficult to measure the proportion of vacancies communicated to the PES. That is why the indicator compares the total number of job offers received by the PES during a year compared to the total number of jobs during that same year (or the last available year). A ratio of 20% corresponds to 10 points. Each 2 percentage points below that ratio scores –1 point.

Example: A ratio of 13% corresponds to 7 points (10 – 3).

6.2. Ratio of the number of job offers received by the public employment services (PES) compared to the number of unemployed

Suggested weighting: 10

Scoring this indicator: The indicator calculates the total number of job offers received by the PES during a certain period compared to the number of unemployed: (number of job offers / number of unemployed) x 1,000.

A ratio of 40% (400 / 1,000) corresponds to 10 points. Each 4 percentage points below that ratio scores –1 point.

Example: A ratio of 26% corresponds to 7 points (10 – 3).

Note: This is an additional or an alternative indicator for the indicator 6.1. if the data for 6.1. does not exist.

The advantage of this indicator is that it is measured at the European Union level, which reinforces its reliability and makes it easier to make comparisons. However it depends directly on the unemployment rate with different scores when it is relatively high or low.

6.3. Ratio of jobseekers who leave unemployment within 12 months

Suggested weighting: 10

Scoring this indicator: Ratio of the number of jobseekers who find a new job within 12 months following their registration compared to the total number of jobseekers. A ratio of 80% corresponds to 10 points. Each 5 percentage points below that ratio scores –1 point.

Example: A ratio of 57% corresponds to 6 points (10 – 4).

6.4.   Ratio of long-term jobseekers who leave unemployment within 12 months

Suggested weighting: 10

Scoring this indicator: Ratio of the number of jobseekers who have been unemployed for at least 12 months and who find a new job within 12 months as opposed to the total number of jobseekers. A ratio of 40% corresponds to 10 points. A point is deducted for each 4% below this ratio.

Example: A ratio of 20% corresponds to 5 points (10 – 5).

6.5.   Ratio of job offers satisfied within four weeks

Suggested weighting: 20

Scoring this indicator: Ratio of job offers satisfied through the PES within four weeks after having been communicated to it and which have led to the recruitment of a registered jobseeker compared to the total number of job offers communicated by employers to the PES. A ratio of 90% corresponds to 20 points. Each 5 percentage points below that ratio scores –1 point.

Example: A ratio of 62% corresponds to 5 points (10 – 5).

6.6.   Ratio of jobseekers receiving assistance from the PES

Suggested weighting: 10

Scoring this indicator: Ratio of jobseekers who have benefited from at least one measure of support or assistance (other than their registration as a jobseeker) through the PES compared to the total number of jobseekers. A ratio of 90% corresponds to 10 points. Each 5 percentage points below that ratio scores –1 point.

Example: A ratio of 78% corresponds to 8 points (10 – 2).

6.7.   Ratio of jobseekers in training

Suggested weighting: 10

Scoring this indicator: Ratio of jobseekers who have received training (preliminary training, training in a training centre, training in a company, return to school, etc.) through the PES or the institution responsible for training, during the year, compared to the total number of

jobseekers. A ratio of 20% corresponds to 10 points. Each 2 percentage points below that ratio scores –1 point.

Example: A ratio of 13% corresponds to 7 points (10 – 3).

6.8.   Ratio of long-term jobseekers occupied in active labour market programmes

Suggested weighting: 20

Scoring this indicator: Ratio of the long-term unemployed (who have been registered for at least 1 year), occupied in active labour market programmes. Calculated as the number of people in active labour market programmes who used to be long-term unemployed, divided by the number of long-term unemployed plus the number of people in active labour market programmes who used to be long-term unemployed. A ratio of 40% corresponds to 20 points. Each 2 percentage points below that ratio scores –1 point.

Example: A ratio of 17% corresponds to 9 points (20 – 11).

7.   Unemployment rate

Importance of the parameter and indicators used

Unemployment rates are influenced by numerous factors such as the economic situation, the demographic evolution, technological evolution and by different policies, such as education policies, economic policies, employment policies and social policies.

Unemployment rates are therefore indicators of a system's adequacy. For young people, the unemployment ratio (which compares the number of youth 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.

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

Indicators

7.1.   Total unemployment rate

Suggested weighting: 40

Scoring this indicator: The harmonised unemployment rate based on the definition recommended by the ILO for the population aged between 15 and 74 years old. An unemployment rate of 8% scores 20 points. For each relative 5% below this rate scores two additional points. Each 5% above the average scores –1 point.

Example: An unemployment rate of 5.3% is 34% below the rate of 8%, which corresponds to 32 points (20 – 6 x 2). An unemployment rate of 8.4% is 5% higher than the rate referred to above, which corresponds to 19 points (20 – 1 x 1).

7.2. Youth unemployment rate

Suggested weighting: 20

Scoring this indicator: The harmonised unemployment ratio calculated based on the definitions recommended by the ILO for the population aged between 15 and 24 years old. The ratio compares the number of unemployed to the total population of the same age (whereas the rate compares the number of unemployed to the active population of the same age). An unemployment ratio of 10% scores 10 points. Each 5% below this rate scores 1 point. Each 5% above that rate scores –1 point.

Example: A youth unemployment rate of 7.3% is 27% below the rate above and would score 15 points (10 + 5 x 1). An unemployment rate of 12% corresponds to a rate 20% above the rate above and would score 6 points (10 – 4 x 1).

7.3. Long-term unemployment rate

Suggested weighting: 20

Scoring this indicator: The harmonised unemployment rate based on the definition recommended by the ILO for people who have been unemployed for at least 12 months. An average unemployment rate of 4% scores 10 points. Each 10% below this rate scores 1 point. Each 10% above that average scores –1 point.

Example: A long-term unemployment rate of 2.8% corresponds to 30% below the reference rate and would score 13 points (10 + 3 x 1). An unemployment rate of 6.7% corresponds to 67% above this reference rate, which corresponds to 4 points (10 – 6 x 1).

7.4. Rate of people receiving disability benefits

A statistical analysis shows there is a correlation between unemployment rates and invalidity rates according to the administrative regulations or practices of different countries. Certain countries, for example, have very low unemployment rates and very high rates of people receiving disability benefits, whereas in other countries the opposite occurs.

Suggested weighting: 20

Scoring this indicator: Estimate of the number of people receiving disability benefits (disability benefit schemes with and without contributions, specific early retirement schemes

for disabled people, benefits for long-term illness, etc.) as a percentage of the population between 20 and 64 years old.

A rate of 6% corresponds to 10 points. Each 5% below the 6% rate scores 2 points. Each 5% above the 6% rate scores –1 point.

Example: A rate of 4.5% of people receiving disability benefits corresponds to 25% below the average rate and would score 20 points (10 + 5 x 2). A rate of 8.6% of people receiving disability benefits corresponds to 43% above the average rate and would score 2 points (10 – 8 x 1).

8.   Administration

Importance of the parameter and indicators used

This parameter reflects the fact that if the benefits can easily be obtained (for example if the time for granting and paying the benefits is short and there are not many forms to be filled out) then the system should be considered as being more adequate. This administrative adequacy is judged by several criteria, which tend to evaluate if certain measures lead to more adequacy. An indicator also evaluates if measures are taken to avoid fraud and incorrect expenditure.

Indicators

8.1.   Processing time of the first claim for unemployment benefits

Suggested weighting: 30

Scoring this indicator: Time between the receipt of the benefits claim and the decision, measured on the basis of the time taken for at least 95% of total decisions. Thirty points are given if decisions are taken in less than three days for at least 95% of decisions, 25 if they are taken within seven days, 20 if they are taken within 14 days, 15 if they are taken within 21 days, 10 if they are taken within 30 days, 5 if they are taken within 60 days.

Example: if at least 95% of the decisions are taken within ten days, this corresponds to 20 points.

8.2.   Regularity of payments

Suggested weighting: 20

Scoring this indicator: The proportion of benefits paid within ten calendar days after the expiry date (for example the last day of the month) compared to the total benefits provided. A share equal to 95% or higher corresponds to 20 points. One point is deducted for each point below the average.

Example: if 88% of the benefits are paid at the latest by ten days after the expiry date, this corresponds to 13 points (20 – 7).

8.3. Administrative formalities

Suggested weighting: 20

Scoring this indicator: scored by considering three elements:

- Five points are awarded if the benefits claim can be submitted electronically.

- Five points are awarded if registration as a jobseeker can be performed electronically.

- Ten points are awarded if no more than three documents are required for registration/claim; 1 point is deducted for each additional document that is required.

Example: If the registration as a jobseeker can be performed electronically, but the benefits can only be claimed on paper and six documents are required, this corresponds to 12 points (5 + 0 + 7 (10 – 3)).

8.4. Fight against fraud

Suggested weighting: 20

Scoring this indicator: to which extent are incorrect payments caused by fraud or abuse avoided:

- Ten points are awarded if the accumulation of unemployment benefits with paid employment revenue is systematically verified and 5 points if this control is occasional.

- Six points are awarded if the accumulation of benefits with self-employment is systematically verified and 3 points if this control is occasional.

- Four points are awarded if the accumulation of benefits with (occupational) disability benefits is systematically verified and 2 points if this control is occasional.

Example: If the accumulation of benefits with paid employment or self-employment is verified occasionally and if the accumulation with (occupational) disability benefits is verified systematically, this corresponds to 12 points (5 + 3 + 4).

8.5. Satisfaction rate of clients

Suggested weighting: 20

Scoring this indicator: what is the satisfaction rate of clients with regard to the services rendered by the staff. This is scored by considering two elements:

- Five points are awarded if satisfaction surveys among clients are organized at least once every two years.

- Fifteen points are awarded if the percentage of satisfied or very satisfied clients equals 90% or more. One point is deducted for each tranche of 3 percentage points below 90%.

If several surveys are carried out, for example among different clients, the results have to be aggregated.

Example: if satisfaction surveys for clients are regularly organized and the satisfaction rate equals 80%, this corresponds to 16 points (5 + 11 (15 – 4)).

Summary of the model

Table 2 gives a summary of the indicators used for the different parameters, which are used to measure the adequacy in the ISSA model, as well as the scores obtained in the given example.

Table 2. *Summary of the measuring tools for adequacy, as proposed by the ISSA for unemployment benefits*

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 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

Parameter	Indicators used
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 which already exist and are measured by international bodies.

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