

REGULATORY IMPACT STATEMENT:
EMPLOYMENT INSURANCE

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BACKGROUND

“Set of policies and programs designed to reduce poverty and vulnerability by promoting efficient labor markets, diminishing people’s exposure to risks, and enhancing their capacity to protect themselves against hazards and interruption/loss of income” (ADB)

UNEMPLOYED

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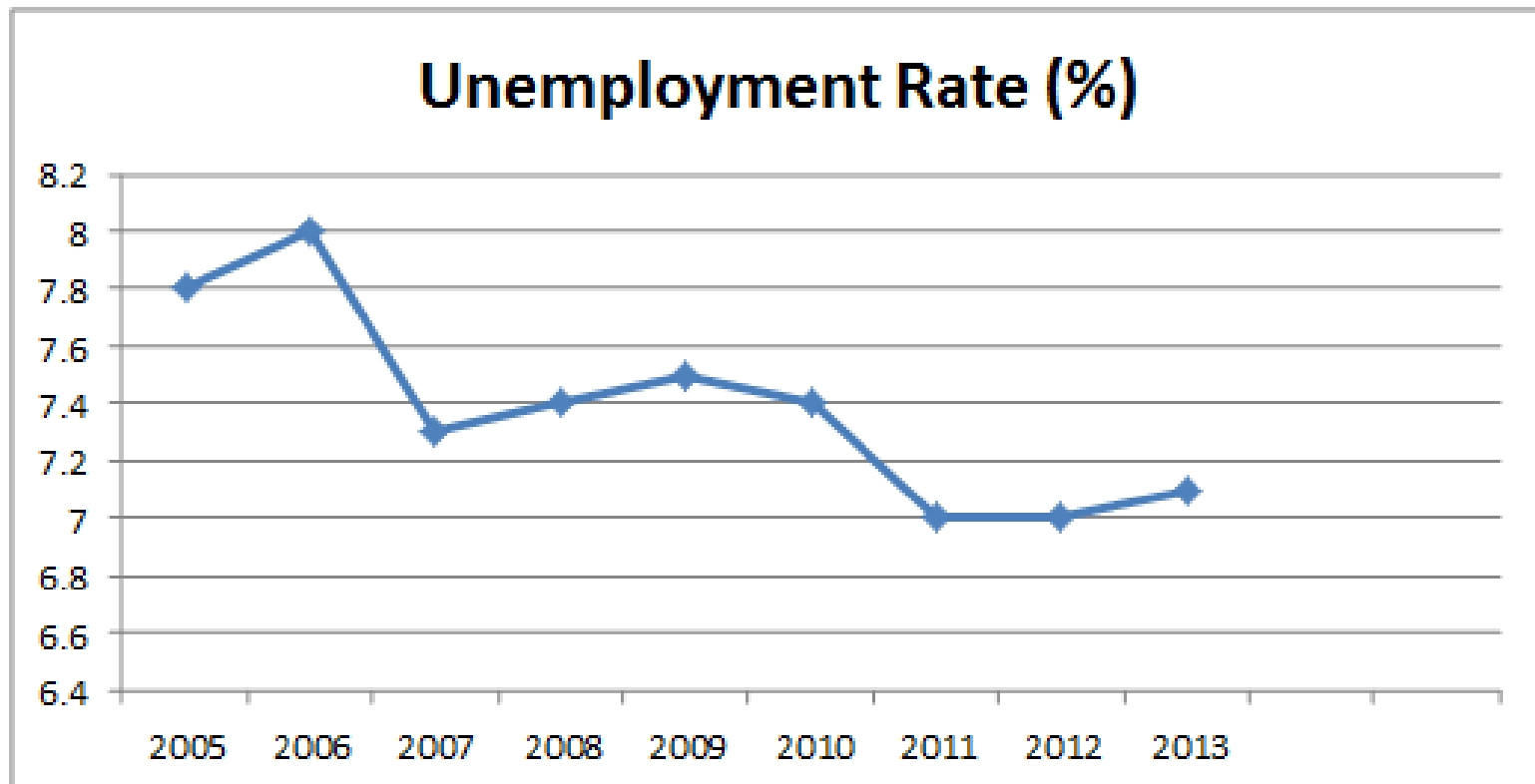
BACKGROUND

- Workers become vulnerable to the risk of sudden loss of income caused by episodes of involuntary unemployment.
 - Unemployment makes them vulnerable to slip to poverty, and it may eventually drop them out of the labor market.
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NATURE AND EXTENT OF THE PROBLEM

LABOR MARKET SITUATION

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Source: National Statistics Office (2005-2013), Philippine Statistical Authority (2013) Labor Force Survey (annual estimates)

LABOR MARKET SITUATION

Indicator	2008	2009	2010	2011	2012
Social Security System					
Contributing employees (million)	6.851	6.845	7.339	7.666	8.194
Labor Force Survey					
Wage and salary workers (employees)					
in private establishments (million)	13.283	13.824	14.565	15.431	16.377
Unemployed waiting for rehire/job recall ¹	383,000	415,000	439,000	417,000	410,000
Job Displacement Monitoring System					
Permanent terminations due to economic reasons ²	52,863	61,360	36,583	35,526	31,778
Labor Turnover Survey					
Employer-initiated (lay-offs) separation rate, NCR-based enterprises (%) ³	4.22	4.03	4.55	3.80	3.69
Estimated layoffs⁴	289,112	275,854	333,925	291,308	302,359

UNEMPLOYED PERSONS LOOKING FOR WORK (IN '000) AND MEAN NUMBER OF WEEKS LOOKING FOR WORK

	2008	2009	2010	2011	2012
Number of Unemployed Workers Looking for Work	1,317	1,407	1,348	1,386	1,365
Mean Number of Weeks Looking for Work	6.1	5.6	5.3	5.1	4.9

Source: Labor Force Survey

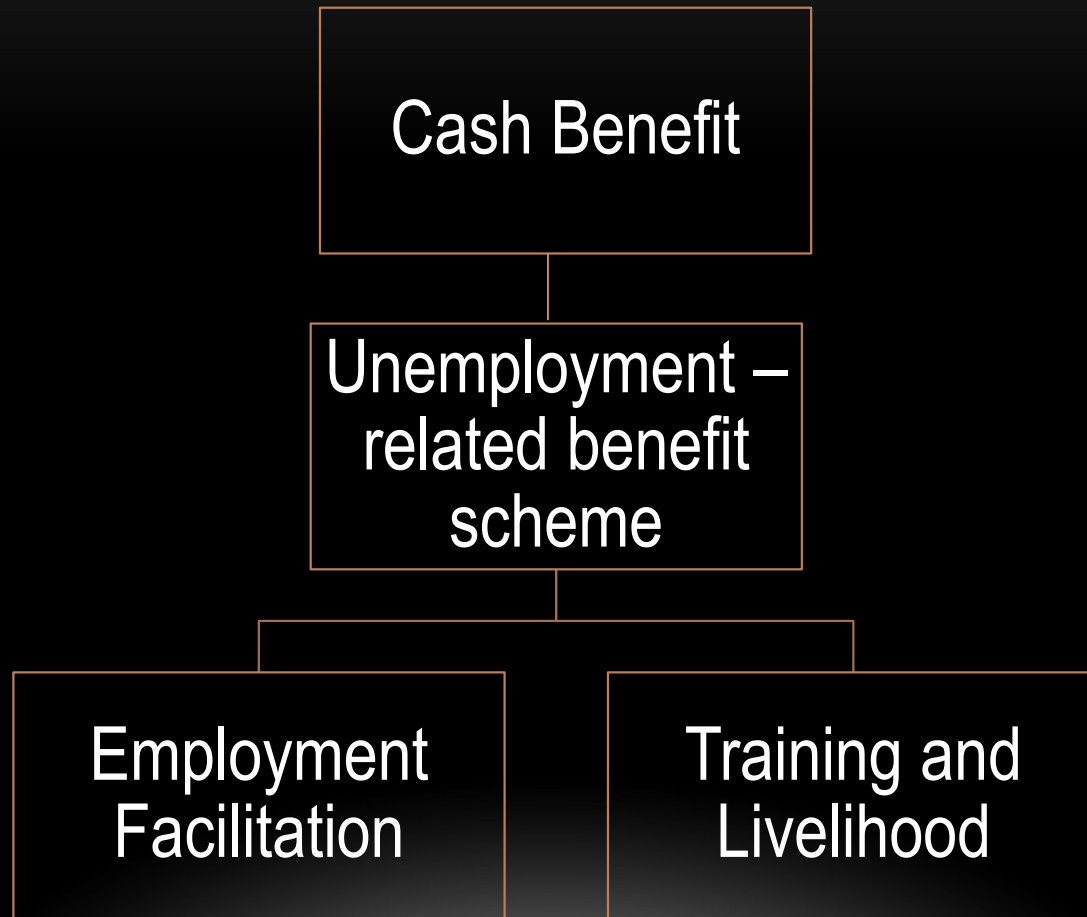
- Unemployment (and the need for intervention) even becomes more pronounced during an economic crisis.
- In the wake of the 2007 – 2008 global financial crisis, around 41,000 individuals experienced involuntary loss of employment

NO law mandating the creation of an unemployment-related benefit scheme which embodies both income support and employment facilitation

RATIONALE FOR GOVERNMENT INTERVENTION

- Facilitate reemployment of the unemployed
(employment facilitation)
 - Upgrade skills for better employability or provide entrepreneurial opportunities
(skills training and livelihood)
 - To protect the unemployed and their families against loss of employment and income
(cash benefit)
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THREE-DIMENSIONAL STRATEGY



POLICY OPTIONS

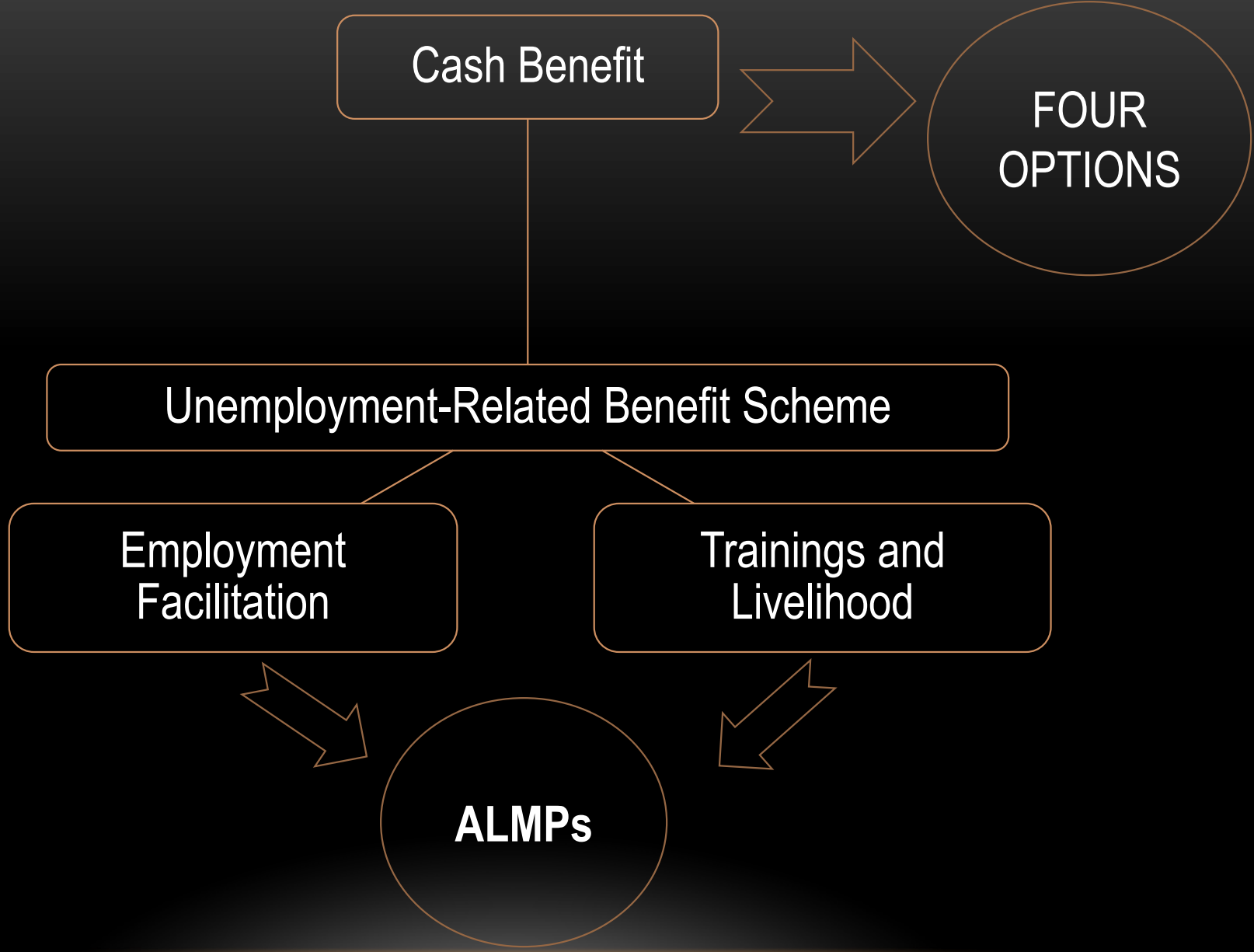
OPTION	DESCRIPTION		
	CASH BENEFIT		
	Cash Benefit	Administrative Structure	Cost Attribution
OPTION 1 Separation Pay linked to ALMPs (Enhanced separation pay)	Separation pay (one-time payment) in case of termination due to economic reasons or redundancy	Private Company	Employer Cost

OPTION	DESCRIPTION		
	CASH BENEFIT		
	Cash Benefit	Administrative Structure	Cost Attribution
OPTION 2 Job Search Insurance linked to ALMPs	Job search periodical allowance to protect the unemployed and their families against poverty and deal with the economically-adverse effect of crisis	SSS	Employer-employee shared contribution SSS administration cost

OPTION	DESCRIPTION		
	CASH BENEFIT		
	Cash Benefit	Administrative Structure	Cost Attribution
OPTION 3 UISA linked to ALMPs	Withdrawal from the individual savings account and/or solidarity fund	Private establishment to manage the savings account	<p>Worker and employer contribute to an individual savings account for the benefit of the worker.</p> <p>Government also contributes a direct, predetermined amount fixed by law</p>

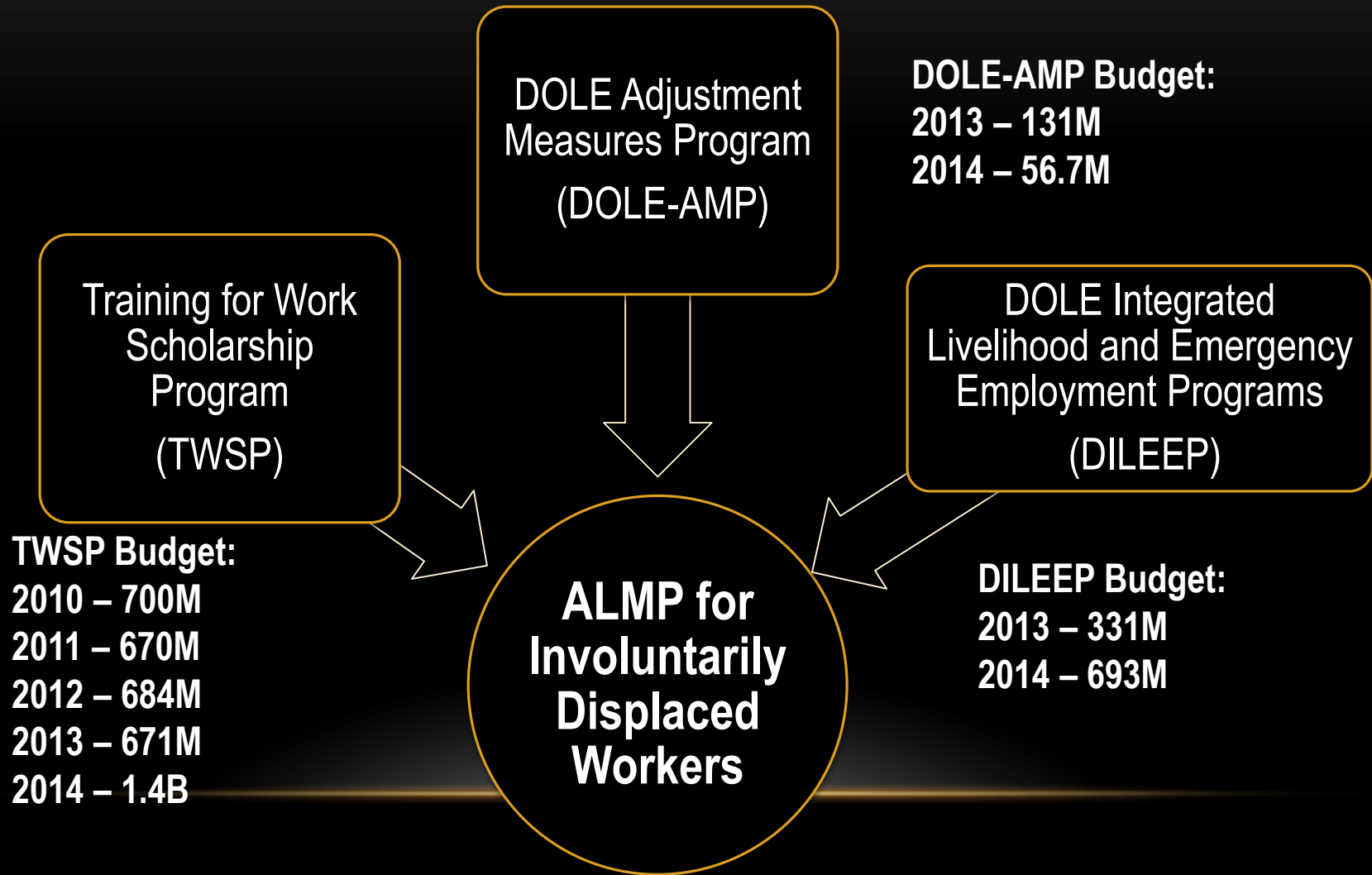
OPTION	DESCRIPTION		
	CASH BENEFIT		
	Cash Benefit	Administrative Structure	Cost Attribution
<p>OPTION 4 Gradual building of EI using existing programs of DOLE and TESDA</p> <p>2 PHASES (1) Program Integration Phase (2) Legislative Reform Phase</p>	<p>Institutionalize an EI system through amendments of Art. 283 (authorized causes for dismissal) of the Labor Code and the Social Security law</p> <p>Transformation of the separation pay benefit under the authorized cause for dismissals into an income support or UI benefit under an EI fund. This will require an amendment of Art. 283 of the Labor Code. The option seeks to prevent or minimize the employer's costs of dismissals by spreading out these costs as premium payments over the period a worker is employed. This is unlike the current scheme in which the employer makes a one-time payment upon termination of employment. (cont.)</p>	Private Company	Employer Cost

OPTION	DESCRIPTION		
	CASH BENEFIT		
	Cash Benefit	Administrative Structure	Cost Attribution
<p>OPTION 4 Gradual building of EI using existing programs of DOLE and TESDA</p> <p>2 PHASES (1) Program Integration Phase (2) Legislative Reform Phase</p>	<p>The system may include a feature allowing the employer to borrow from the fund for business expansion or job creation.</p> <p>Transformation of the separation pay under current law to an income support benefit under an integrated EI system will have the effect of i) converting authorized cause dismissals into non-contestible, no-fault dismissals; ii) precluding the possibility of re-instatement; and iii) capping the separation benefit to a definite amount.</p>	<p>Private Company</p>	<p>Employer Cost</p>



COMMON FEATURE OF ALL OPTIONS

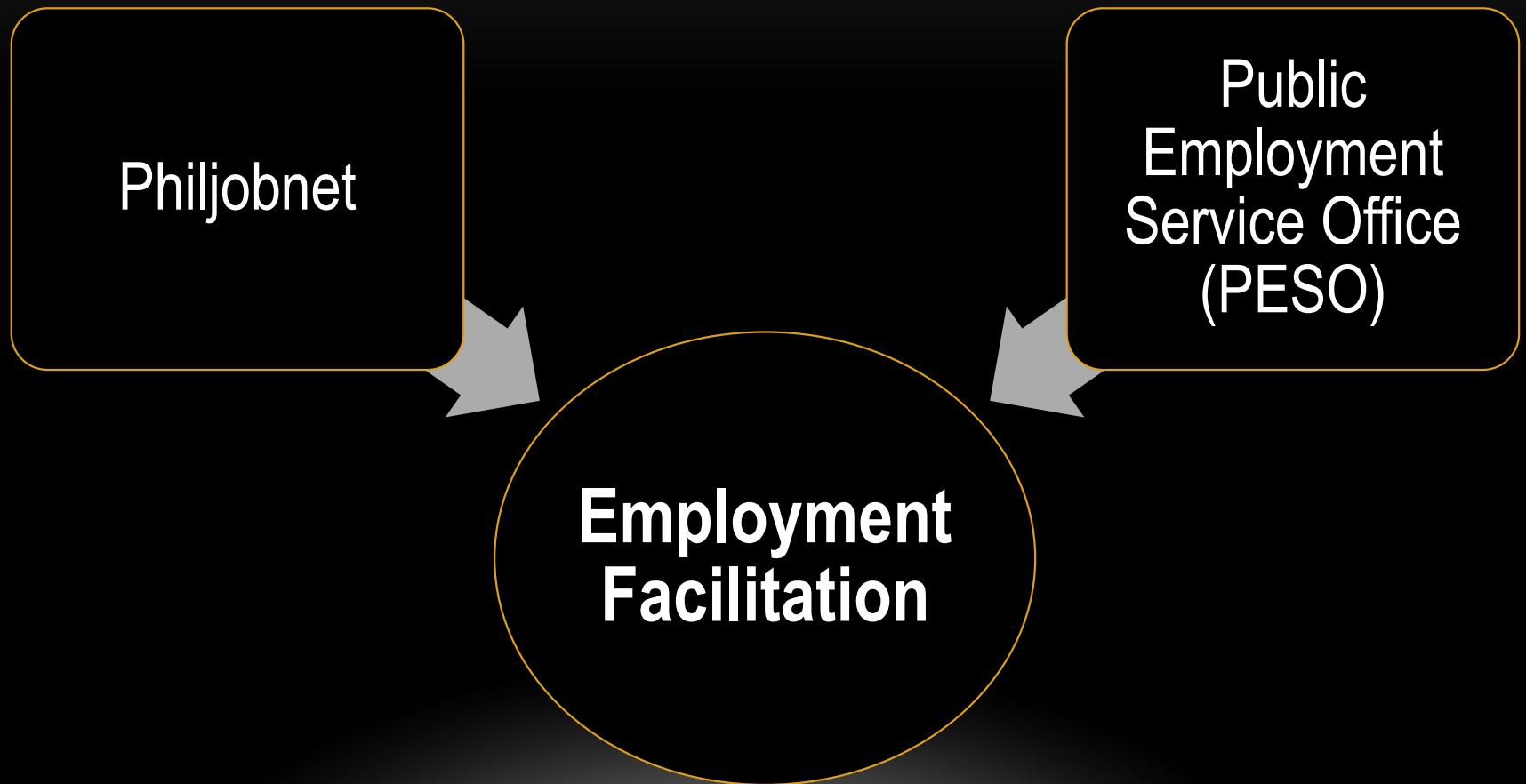
PROGRAM INTEGRATION



PROGRAM INTEGRATION

- Administrative Issuance/Guidelines which will outline clear parameters and mechanics
 - Part of the regular budget of DOLE
 - State-funded
 - While exploring options for cash benefit, DOLE can initially build on these existing programs
 - The fund may also be used to finance separation pay, subject to subrogation rights
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EMPLOYMENT FACILITATION



EMPLOYMENT FACILITATION

- Labor market information as both integrating and enabling element
 - Focus on strengthening LMI by shifting to an IT-enabled system of reporting, information processing and sharing, thus facilitating access to job placement, livelihood or entrepreneurship and training assistance.
 - Philjobnet and PESOs as the backbone of program integration
 - Assumed that PESOs are institutionalized
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THANK YOU

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