

### **Third Session (Unemployment Insurance System)**

*Speaker 1: Prof. Yasuhito Asami (Professor, Graduate School of Social Sciences, Hitotsubashi University)*

About one-quarter of the total labor force in Thailand is now covered by the unemployment insurance. Insurance is compulsory for employees in the formal sector, but unfortunately, people working in the informal sector are not covered.

The number of people receiving unemployment benefits in Thailand fluctuated greatly from month to month. 6.7-17.7% of the unemployed received unemployment benefits in 2007. About one-third of the unemployed in 2007 were involuntarily laid-off and were eligible to receive benefits worth 50% of their salaries. The other two-thirds were voluntarily laid-off and were eligible for 33% of their salaries.

When Thailand first introduced an unemployment insurance system in 2004 its GDP per-capita was US\$2,479, considerably lower than other APEC countries at the times that they had introduced unemployment insurance systems. Why did Thailand introduce the system at such an early stage, and what implications did this have for other second-tier newly-industrialized countries?

The unemployment system was implemented in 2004 under the Thaksin Administration. At that time, there was strong support from the Labor Ministry but weak support from business leaders. The political bonus the system provided was one reason for its introduction. He noted that additionally, one of the interesting features of Thailand's system was that it was sustainable, and even profitable. The benefit itself was not enough to survive on, which kept costs low and ensured that people did not rely solely on unemployment benefits. Under the present unemployment insurance system in Thailand, the employee and employer are required to contribute 0.5% of the employee's salary, while the government contributes 0.25% of the salary. The amount of unemployment benefits is set at only 50% of the salary (not exceeding 7,500 baht per month) even for involuntarily laid-off workers, and they can get it only for the first six months. So even if the unemployment rate becomes unprecedentedly high, it is unlikely for the Thai unemployment insurance system to run a deficit.

Thailand had shown that the introduction of unemployment insurance could be both financially viable and politically attractive for other second-tier newly-industrialized countries most of which have not introduced the unemployment insurance yet.

*Speaker 2: Dr. Ke-Jeng Lan (Associate Professor, Department of Labor Relations and the Institute of Labor Studies, National Chung-Cheng University, Taiwan)*

Chinese Taipei as well had an aging population, low fertility rate, and increasing unemployment rate. In 2009, there had been an amendment to the Employment Insurance (EI) Act to extend unemployment benefits from six to nine months for older workers and disabled and offer extra payment for the dependants of the unemployed. All national and permanent residents of Chinese Taipei between the ages of 15-65 were allowed to enter into the system. EI membership trends had declined up until 2008, but had increased after the 2009 amendment. The EI premium was 1% of insured wages. Workers qualified for unemployment if they could show evidence of involuntary unemployment, had paid into EI for one year, and had registered for job search services through the Public Employment Services Institution (PESI). Five types of benefit were offered through EI: 1) unemployment benefits; 2) early reemployment awards; 3) vocational living allowances; 4) national healthy insurance premium support; and 5) parental leave allowances.

Taiwan had a high proportion of SMEs which were able to absorb laid off workers and Taiwan offered many benefits which helped workers to survive when laid off. Taiwan also had a lot of unskilled foreign workers whose employers paid into the employment stabilization fund and helped to support native workers.

*Speaker 3: Dr. Myoung-Jung Kim (Research Fellow, NLI Research Institute)*

South Korea had a low employment rate, low unemployment rate, high ratio of non-regular workers, and had seen a rapid increase in those seeking job allowances since 2008. Its ratio of self-employed workers was high, and the poverty rate in the country had been rising since 2008.

All employers and employees in the covered enterprise should pay an insurance premium. They are entitled to receive grants or unemployment benefits from the employment insurance fund. South Korea's employment insurance system consists of ①the unemployment benefits, a passive labor market policy which provides cash benefits to the unemployed, and ②Employment Stabilization program and ③Skills Development Program, those are active labor market policies. Also ④Mother Protection Program was included in 2002.

The insurance system was financed by a deduction of 0.45% of employee paychecks and 0.45% or more of each employer's payroll budget. Certain workers were excluded

from the system, such as workers employed in extremely small scale businesses in the agriculture, forestry, fishery, hunting or construction industries, government and private school workers, part-time workers, and workers employed in household services. In 2008, 35.5% of those eligible for social insurance claimed it, and this figure seemed to be rising every year.

In addition to social insurance programs, the South Korean government also implemented many active labor market policies to strengthen the countries social safety net, which the government had placed more and more emphasis on since the 1997 financial crisis. Programs implemented included an internship program for the young, a work program for vulnerable groups, a social service job creation policy, and work sharing.

Since the 1997 financial crisis, the South Korean government had been introducing more and more social programs, and while they had been successful to an extent, he believed that more needed to be done to strengthen the programs.

*Speaker 4: Prof. Naoki Mitani (Graduate School of Economics, Kobe University)*

Unemployment in Japan had soared to 5.1% at the end of 2009. The number of unemployed insurance recipients grew to over 1.01 million people in 2009.

The Japanese employment insurance scheme was composed of unemployment benefits (budget: 2.261 trillion yen; funded by employee/employer contributions equal to 8/1000 of employee wages), services for the stabilization of employment and services for developing human resources (budget: 1.191 trillion yen for both services; funded by employee contributions equal to 3/1000 of employee wages). In order to qualify for unemployment insurance, employees were required to work more than 20 hours per week for more than 6 months and be younger than 65. To qualify for unemployment benefits, employees were required to have paid at least 12 months of insurance, be registered with the public employment security office.

The Japanese unemployment insurance system had effectively maintained social resilience in Japan. However, it was not well suited for non-standard employees, and with the changing times, it should be changed to help the vulnerable by offering more resources for training and job-search assistance.

*Speaker 5: Dr. Yasuhiro Kamimura (Associate Professor, Graduate School of Environmental Studies, Nagoya University)*

Deepening the free trade market without implementing social policy was the road to the satanic mill (Polanyi). East Asia had a need to restructure its boundaries of welfare. He welcomed the meeting as an opportunity for mutual learning, and exclaimed that the examination of unemployment insurance was essential for the future of the region.

Each country in East Asia was experiencing a different phase of industrialization. For many countries, unemployment was a new issue that had seriously come to light after the 1997 economic crisis. In East Asia there were countries which had unemployment insurance (Japan, Taiwan, South Korea, Thailand, China, and Vietnam) and countries which did not (Hong Kong, Singapore, Malaysia, Philippines, and Indonesia). What differentiated these countries? Prof. Kamimura had investigated the possible relationship between unemployment insurance and economic development but found no correlation.

Prof. Kamimura had also analyzed the unemployment insurances of Japan, Korea and Taiwan, and compared the ratios of the insured persons among the labor forces, and the ratios of the beneficiaries among the unemployed persons. He had found that, especially among young people, those unemployed often did not receive unemployment benefits.

Hong Kong, Singapore, Malaysia, the Philippines, and Indonesia should introduce unemployment insurance, and that countries that already had unemployment insurance should reexamine their schemes to ensure that those who needed unemployment benefits were receiving them.

*Commentator: Amb. Donald Campbell (Chair, Canadian National Committee for Pacific Economic Cooperation (CANCPEC))*

Employment insurance was a limited but direct tool to support social resilience. Most everyone had agreed that employment insurance was a positive development, which was surprising, as in the past many in Canada had viewed employment insurance as something which slowed growth.

Amb. Campbell agreed with Prof. Kamimura that countries that had not introduced unemployment insurance should do so. It did not matter at what stage of development a country was at. Unemployment insurance was useful in creating economic confidence, and was politically popular.

Active labor market policies were an essential feature of employment insurance. Evidence had shown that such schemes were stabilizing factors in the workforce and contributed to growth over the longer term.

#### *Q & A*

Mr. Dambadarjaa asked about who administered unemployment insurance in each country. Amb. Campbell responded that in the case of Canada it was administered by the government. Prof. Mitani answered that this was true for Japan as well.

Dr. Wisarn Pupphavesa (Advisor, Thailand Development Research Institute) commented that for countries without employment insurance schemes, it would take time to introduce them. In the case of Thailand, one political issue had been whether the government had enough money to introduce the scheme. Dr. Pupphavesa also argued that former-Thai Prime Minister Thaksin's actions were not due to political motives, but pressure from business. After the 1997 economic crisis, many businesses had realized that there was not an effective social net that could prop up the economy in times of crisis, unemployment insurance was not necessary the result of work by politicians. Mr. Asami responded that he may have over-emphasized the political reasons for the introduction of employment insurance, but he still believed that there was a political reason. The scheme would not have been able to be introduced without political momentum.

Prof. Horioka commented on Prof. Mitani's analysis of the Japanese unemployment insurance system. He wondered about why the system provided subsidies to companies that retain workers, and not to those that hire workers, and why it provided subsidies for mid-career workers and not new workers. He suggested that more resources go to programs which actually help those who really need them in Japanese society.

An audience member asked about whether other Asian countries aside from Japan were debating an increase in the minimum wage and whether this would be good for Asian economies. Prof. Lan responded that in Taiwan in the past two years, trade unions had been lobbying for an increase in the minimum wage. In the future, the government intended to let the market decide. Employers did not want the minimum wage raised as they argued that most minimum wage earners were foreign and they did not want to pay more to foreigners. Prof. Asami responded that in Thailand, the minimum wage system had been implemented since 1972, and that an increase in the minimum wage would

probably have a positive impact on the economy. This is because employers may simply lay off old workers rather than increase wages and then they, in particular growing industries, may be able to hire new workers at the higher wages.