1997

Unemployment Compensation in the Group of Seven Nations: An International Comparison

James R. Storey
Congressional Research Service

Jennifer A. Neisner
Congressional Research Service

Citation

This title is brought to you by the Upjohn Institute. For more information, please contact repository@upjohn.org.
Unemployment Compensation in the Group of Seven Nations
An International Comparison

James R. Storey
Congressional Research Service
Jennifer A. Neisner
Congressional Research Service

In considering U.S. unemployment compensation (UC) policy issues, it is useful to examine how other nations aid their jobless, since UC systems vary greatly. This chapter compares UC among the Group of Seven (G-7) nations: Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States. These seven nations are the industrialized countries with the largest economies. They meet annually to review their economic policies and to consider policy changes that might be mutually beneficial.

The main body of this chapter describes major events in the development of each of the seven systems, analyzes how they differ along several dimensions, and provides examples of how other national systems differ from the G-7 programs. Appendixes to this chapter provide a description of the UC system in each of the G-7 countries and a chronological chart of how each system developed. Program rules and benefit amounts discussed in this report are those that applied in 1993 unless otherwise indicated.

The term unemployment compensation is used in this chapter to refer to a nation’s overall system of unemployment benefits. Unemployment insurance (UI) is used in connection with the components of these systems that base benefits on insured work histories. Unemployment assistance (UA) is used in relation to programs that do not tie
benefits explicitly to work history or that extend UI benefits to the unemployed who meet a test of financial need.

The reader should be aware of three limitations of this chapter. First, need-related aid for the unemployed is included in the discussion only where it is offered as an integral part of a UC system. All seven nations have need-related assistance programs outside their UC systems, but they are not covered here. Second, employment services are discussed only to the extent that they are explicitly a part of a UC system. Third, special arrangements that may exist for unemployed public sector workers are not discussed except to the degree that such arrangements are integrated with provisions for compensation of jobless private sector workers.

In comparing program rules across nations, this chapter cannot describe the full historical, economic, and political contexts that determine international variations. However, the reader should keep in mind that such factors as unionization, government relationships to industries, labor force diversity and mobility, and economic trends are important in understanding the significance of the program differences that are highlighted.

Monetary figures used in the chapter usually are stated in the national currency, with the U.S. dollar equivalent shown in parentheses.¹ Dollar equivalents were calculated using the currency exchange rates in effect for July 1993.²

**Major Events in the Development of Unemployment Compensation**

By the end of the 19th century, unemployment protection schemes were organized in several countries through trade unions, mutual benefit societies, and other worker associations. Under these plans, members contributed to funds from which benefits were provided.³ Organizations in France, Germany, and the United Kingdom provided unemployment benefits, which in some cases (notably France) were subsidized by government contributions. The inadequacies of such funds led to a recognition that broader measures would be needed to
Unemployment Insurance in the United States

protect more of the populace and that national governments would have to be involved.

In 1911, the United Kingdom became the first country to legislate a national compulsory UI program with the passage of the National Insurance Act. In 1919, Italy instituted a UI program covering most manual workers. Although these programs were limited in coverage and benefits, they were soon expanded. In the period following World War I, several countries instituted unemployment programs, the majority of which were compulsory insurance schemes, notably the German UI system in 1927. In addition, six countries employed subsidized voluntary schemes.

The economic depression of the 1930s and the risk of high unemployment following World War II led several countries to develop comprehensive social insurance programs for the unemployed. This development included the improvement of existing schemes, as in Italy and the United Kingdom, and the establishment of new programs, in the United States with passage of the Social Security Act of 1935, which contained a UI program, in Canada with enactment of the Unemployment Insurance Act of 1940, and in Japan with enactment of the Unemployment Insurance Law of 1947.

During the postwar period until the recessions of the early 1970s, most countries modified their systems by extending coverage and increasing benefit durations and rates. In the late 1960s and early 1970s, UC programs were overhauled in several countries in response to changes in the objectives held for UC. An emphasis was placed on integrating the income maintenance aspects of UC with a wider human resources policy, one that emphasized job training and related provisions. In Germany, UI was integrated into the Employment Promotion Act of 1969. Japan adopted the Employment Insurance Act in 1974. This act, which replaced the Unemployment Insurance Act, emphasized the concept of lifetime employment as opposed to temporary aid. Canada passed a new Unemployment Insurance Act in 1971 that included job training provisions as well as benefits in case of sickness, maternity, and retirement. Likewise, the United Kingdom restructured UI under the Social Security Act of 1975. The United States enacted a trade adjustment assistance (TAA) program in 1962 and expanded it in 1974 to provide workers displaced by import competition with compensation and employment services. A 1970 law established a perma-
The 1980s saw several countries revoke or cut back on program reforms of the 1970s. The United Kingdom eliminated its earnings-related benefit in 1982, returning to a flat-rate UI benefit. France restored its dual UI-UA system in 1984 following disappointment with a unified system. The United States tightened eligibility for EB and TAA in 1981 and made all UI benefits taxable in 1986. In 1988, TAA claimants were required to accept retraining unless specifically waived by the government.

In the past few years, UC systems have not changed dramatically, but there were substantial modifications in several G-7 countries. Germany, faced with large-scale unemployment since reunification, offered special extended UI benefits in the former German Democratic Republic (GDR) in 1990 for a temporary period. Canada passed Bill C-21 in 1990, the most important provision of which ended government contributions to UI. The United States, confronted with increasing unemployment due to the 1990-1991 recession, enacted Emergency Unemployment Compensation (EUC) in November 1991 and extended its life several times until it expired in April 1994. (This marked the third time that Congress enacted temporary extended benefits since creation of the permanent EB program in 1970.) The U.S. system was also changed to place more emphasis on early intervention for claimants likely to experience long-term jobless spells, and states were authorized to use an optional unemployment measure for activation of EB to make it more available during downturns. TAA was expanded to deal with potential dislocations from the North American Free Trade Agreement (NAFTA). Italy tightened the rules for use of its special UI benefits by firms experiencing downsizing. France made major changes to its UI benefit structure and tightened UA eligibility.

**Comparison of Unemployment Programs in the G-7 Nations**

The UC systems of the G-7 nations are detailed in appendix 14.A. This section compares these seven systems using the same structure as
the appendix: objectives, administration, financing, coverage, eligibility, benefits, and employment services.

**Objectives**

The formally stated objectives of the seven systems are similar. All are intended to provide income support to the jobless and to promote stability of employment. However, the relative emphasis given to different objectives varies substantially. The systems of Canada and Japan specify reentry into employment as a main objective of UC. Italy and Japan attempt to prevent unemployment through temporary wage subsidies of workers in depressed industries. France, Germany, and the United Kingdom have designed their systems to aid workers experiencing long-term unemployment. The U.S. system, through decentralization, bases policy more on subnational decisions about labor market issues.

The following sections describe variations among the seven systems, including the

• degree of national control over the system;
• division of program funding among employees, employers, and government;
• work history required for eligibility;
• relationship between benefit amounts and past wages;
• adjustment of benefit duration according to economic conditions;
• extension of benefit duration for hard-to-employ workers;
• coverage of new labor force entrants and reentrants;
• availability of means-tested benefits for the long-term jobless; and
• inclusion of job training activities in the UC system.

**Administration**

Each of the seven systems is supervised nationally by an executive department or ministry of the national government. However, delegation of authority by the supervising organization varies substantially across nations. Collection of program revenue is handled differently from administration of benefit claims in six of the seven nations. Only
Japan collects revenue through the same local agencies that administer benefit payments.

The revenue earmarked for UI is collected by the national revenue agency in Canada, Italy, and the United States, although most U.S. revenue is collected by state agencies and then deposited with the U.S. Treasury. The United Kingdom relies on its Department of Social Security for tax collection, and Japan on its Labor Ministry. In France, financial management is the responsibility of employer associations known by the acronym of ASSEDICs. The payroll tax in Germany is collected through the Social Security tax collection system by sickness funds serving specific localities, enterprises, or occupational groups.

Five of the G-7 countries administer claims through a local office network under the direct management of the national agency responsible for employment matters. The two exceptions are France and the United States. Administration in France is the responsibility of UNEDIC, an acronym for an employee organization. Municipalities perform payment functions where there is no UNEDIC office. Local administration in the United States is handled by the local office networks of fifty-three distinct state employment security agencies, which operate under the general guidance of the U.S. Department of Labor.

**Financing**

Program financing methods vary among the G-7 nations in regard to who pays, how much each party pays, and for what they pay. Funding arrangements are summarized in table 14.1. All seven nations use a payroll tax to fund UI benefits. While Japan pays one-fourth of UI benefits with general government funds, the other six countries rely on the payroll tax exclusively (figure 14.1). Five of the seven apply the tax to both employee and employer; Italy and the United States (except for three states) do not tax employees. Japan taxes all covered wages, France and the United Kingdom apply their employer taxes to all wages, and Italy taxes all wages above an exempt amount. The other three nations have ceilings on taxable wages. The United States taxes wages less than do the other six nations (figure 14.2A).

Four of the seven nations have fixed payroll tax rates, with the employee rates ranging from 0.55 percent (Japan) to 3.25 percent (Ger-
<table>
<thead>
<tr>
<th>Nation/program</th>
<th>Proportion of benefit cost paid from</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Payroll tax on</td>
</tr>
<tr>
<td></td>
<td>Employee (%)</td>
</tr>
<tr>
<td>Canada UI</td>
<td>42</td>
</tr>
<tr>
<td>France</td>
<td></td>
</tr>
<tr>
<td>UI</td>
<td>42</td>
</tr>
<tr>
<td>UA</td>
<td>0</td>
</tr>
<tr>
<td>Germany</td>
<td></td>
</tr>
<tr>
<td>UI</td>
<td>50</td>
</tr>
<tr>
<td>UA</td>
<td>0</td>
</tr>
<tr>
<td>Italy</td>
<td></td>
</tr>
<tr>
<td>Basic benefit</td>
<td>0</td>
</tr>
<tr>
<td>Special benefit</td>
<td>0</td>
</tr>
<tr>
<td>Wage supplement</td>
<td>0</td>
</tr>
<tr>
<td>Japan UI</td>
<td>37.5</td>
</tr>
<tr>
<td>United Kingdom</td>
<td></td>
</tr>
<tr>
<td>UI</td>
<td>NA</td>
</tr>
<tr>
<td>UA</td>
<td>0</td>
</tr>
<tr>
<td>United States</td>
<td></td>
</tr>
<tr>
<td>UI</td>
<td>2l</td>
</tr>
<tr>
<td>TAA</td>
<td>0</td>
</tr>
</tbody>
</table>

(continued)
Table 14.1 (continued)

NOTE. NA indicates not available

a. Wage base figures were annualized and converted to U.S. dollars using July 1993 exchange rates.
b. Tax rate is 2.42 percent on first $25,270 of earnings.
c. The taxable wage ceiling is $36,570 in the former GDR.
d. Lower rate applies to industrial managers and higher rate to other jobs.
e. Taxable wage base is wage in excess of $34 a day. No upper limit.
f. Lower tax rate applies to industrial firms and higher rate to construction firms.
g. Tax rate is 1.9 percent for firms with fewer than 50 employees.
h. Construction workers and seasonal workers pay 0.65 percent of wages.
i. Employers of seasonal and construction workers pay 0.65 percent. Employers pay an additional 0.35 percent (0.45 percent for construction firms) to fund employment services.
j. The first employee tax rate applies to the first $4,313 of annual earnings, and the second rate to additional earnings. A range of rates is shown for employers because the rate is higher at higher wage levels.
k. The United Kingdom payroll tax funds other social security programs in addition to UI. In 1992, UI benefits accounted for 4.1 percent of all benefit costs financed by this tax.
l. Employee share was estimated by the Congressional Research Service. It represents an upper bound on the actual employee share of UI financing.
m. Only three states tax employees. Rates range from 0.1 percent in Pennsylvania to 1.125 percent in New Jersey. Taxable wages range from $8,000 in Pennsylvania to $23,200 in Alaska.

n. Tax rates and taxable wages vary by state, and tax rates vary by firm in each state. The rates shown are the lowest and highest average state rates. The national average tax rate applied to taxable wages in covered employment was 2.3 percent state and 0.8 percent federal. If all covered wages had been taxable, the national average rate would have been 0.9 percent. The taxable wage base for the median state was $8,500.
many) and the employer rates from 0.55 percent (Japan) to 4.2 percent (Canada). Of the systems with variable tax rates, the United Kingdom rates vary with wage level. Tax rates in Italy are differentiated by industry, job type, and firm size. The U.S. rates vary by state and by firm within state. The latter variation reflects the efforts of states to "experience-rate" program financing so that employers creating larger unemployment costs pay more taxes. The other six nations do not vary rates for experience. Japan applies a higher tax rate to seasonal and construction jobs. The average state tax rate in the United States in 1993 was 2.3 percent, and the federal tax rate was 0.8 percent. Measuring state taxes as a percentage of all U.S. wages, the effective state tax rate was 0.9 percent. Figure 14.2B compares nominal payroll tax rates.

Figure 14.1 Shares of UI Benefits Financed by Employer Taxes, Employee Taxes, and General Government Funds, 1993

NOTE United Kingdom not shown because employee share could not be determined
Figure 14.2A Taxable Wage Base for UI, 1993

*Italy taxes all wages above an exempt amount ($34 per day, annualized to $8,840)

Figure 14.2B Nominal UI Payroll Tax Rates, 1993

NOTE. Chart does not include figures for the United Kingdom as its payroll tax funds other social security programs in addition to UI and no UI rate is specified.

*Includes figures for the special benefit (0.3 - 0.8%), basic benefit (1.61 - 1.91%), and wage supplement (1.9 - 2.2%) components of the Italian UI system
Germany relies most heavily on employee taxes (covering 50 percent of UI benefit costs), with Canada and France (42 percent) next. The least reliant on employee taxes are the United States (less than 2 percent) and Italy (0 percent).\textsuperscript{6} The non-UI parts of these seven UC systems are supported by general government revenue. The three nations with UA programs (France, Germany, the United Kingdom) pay for UA entirely with government funds, as does the United States for the TAA program that extends benefits to workers dislocated by import competition.\textsuperscript{7} Italy has a wage supplement that is supported partly by government funds and partly by the employer payroll tax. Canada stands alone among the G-7 in its lack of any general government financing for its UC system.

The level of expenditure supported by these financial arrangements is shown in figure 14.3 for each G-7 nation as a percentage of gross domestic product (GDP) for selected fiscal years 1985 through 1993. Three systems (those of Canada, France, and Germany) have consistently cost more than 1 percent of GDP, and the system of the United Kingdom has returned to that level after a decline during the late 1980s. The other three systems are much smaller relative to the respective national economies. The Japanese system is the smallest at 0.26 percent of GDP, which is only about three-fifths of the size of the U.S. program (0.45 percent). The U.S. program has not exceeded 1 percent since the recession year of 1975 (not shown).

Figure 14.4 shows this expenditure data adjusted for the level of unemployment by dividing each GDP percentage by the corresponding unemployment rate. The resultant statistic indicates that relative program cost has diverged since 1990. The German program is by far the most expensive; the U.S. and Italian programs are the least expensive. By this adjusted measure, the U.S. program is only one-fifth the size of the German one. The U.S. program ranked either sixth or seventh among the G-7 throughout the period shown.

Coverage

All seven systems provide broad coverage to wage and salary workers. Three UC systems (in France, Germany, and Japan) coordinate coverage with national pension systems by excluding workers over pensionable age. The U.S. program usually reduces UC benefits for
Figure 14.3 Public Expenditures for UC as a Percentage of GDP

NOTE. Data not available for all years. See Appendix C for backup table. *Data before 1991 for Germany excludes the eastern states. For 1991 and later years, data are for the unified Germany.
Figure 14.4 Public Expenditures for UC as a Percentage of GDP per Percentage Point of Unemployment

NOTE Data not available for all years. See appendix 14 C for backup table.
*Data before 1991 for Germany exclude the eastern states. For 1991 and later years, data are for the unified Germany.
pension recipients. Three systems (in Canada, Germany, and Japan) specifically exclude certain part-time workers based on a weekly threshold for hours worked. Italy excludes managerial personnel from basic UI eligibility.

Some systems have special arrangements for seasonal workers. Canada has particular rules for self-employed fishermen. France has certain rules for construction workers, the merchant marine, longshore workers, and aviators. Germany excludes seasonal workers employed less than 180 days in the past three years. Italy excludes seasonal workers. Japan excludes those working six months or less in a year and covers small firms in selected industries only on a voluntary basis. In the United States, seasonal workers whose work spells fall below thresholds set by each state are excluded.

France and the United Kingdom provide coverage through UA programs for virtually all unemployed persons who do not qualify for UI. Self-employed persons are generally not eligible for UI, although the State of California covers them on a voluntary basis. Workers on reduced schedules may receive partial UI benefits in all seven countries. In the United States, this “short-time” compensation is only available in seventeen states, however.

Eligibility

Eligibility for UI depends on a person’s having worked in covered employment for some minimum time during a base period. The extent of employment required varies widely, however. These requirements are summarized for the G-7 programs in table 14.2.

The requirement in Italy is the strictest, amounting to half of the past two years, 13 weeks of which must be continuous to receive full benefits. Japan requires work for half of the past year, but the base period can be extended to up to four years for those out of the workforce because of illness, injury, or pregnancy. Germany has the longest base period (three years) and requires covered work for at least 360 days during that time. The Canadian requirement calls for work for at least 40 percent of a one-year base period, although this criterion is more lenient in regions with high unemployment. The requirement in France calls for covered work for one-fourth of the prior year.
<table>
<thead>
<tr>
<th>Nation</th>
<th>Minimum amount of covered employment required</th>
<th>Reference period for required work</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Duration</td>
<td>Earnings</td>
</tr>
<tr>
<td>Canada</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low-unemployment region</td>
<td>20 weeks</td>
<td>$116/week</td>
</tr>
<tr>
<td>High-unemployment region</td>
<td>10 weeks</td>
<td>$116/week</td>
</tr>
<tr>
<td>New entrant/reentrant</td>
<td>20 weeks</td>
<td>$116/week</td>
</tr>
<tr>
<td>France</td>
<td>91 days or 520 hours</td>
<td>None</td>
</tr>
<tr>
<td>Germany</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Seasonal workers</td>
<td>180 days</td>
<td>None</td>
</tr>
<tr>
<td>Other workers</td>
<td>360 days</td>
<td>None</td>
</tr>
<tr>
<td>Italy</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic benefits</td>
<td>(1) 52 weeks, and (2) 2 years</td>
<td>None</td>
</tr>
<tr>
<td>Special benefits</td>
<td>Same as above, but 13 weeks must be continuous</td>
<td>None</td>
</tr>
<tr>
<td>Japan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Workers out of labor force</td>
<td>6 months</td>
<td>None</td>
</tr>
<tr>
<td>because of illness, injury, or pregnancy</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other workers</td>
<td>6 months</td>
<td>None</td>
</tr>
<tr>
<td>United Kingdom</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Full benefits</td>
<td>None</td>
<td>$4,147/year</td>
</tr>
<tr>
<td>Reduced benefits</td>
<td>None</td>
<td>$2,073/year</td>
</tr>
<tr>
<td>United States</td>
<td></td>
<td></td>
</tr>
<tr>
<td>UI</td>
<td>b</td>
<td>$1,390/year</td>
</tr>
<tr>
<td>TAA</td>
<td>26 weeks</td>
<td>$30/week</td>
</tr>
</tbody>
</table>

a. Currency figures were converted to U.S. dollars using July 1993 rates.
b. Nine states required covered employment for 15-20 weeks. Other states had no explicit work duration requirement. The minimum earnings requirement shown ($1,390) was the median for the fifty-three state programs. The required minimums ranged from $130 (Hawaii) to $4,280 (Oklahoma).
c. In forty-eight of the fifty-three state programs.
d. To be eligible for TAA, claimant must also meet state UI eligibility requirements.
Minimum work requirements in the United Kingdom and United States are primarily earnings based and are relatively low. The United Kingdom requires a year's earnings to exceed $4,147 for full benefits. The rule in the United States varies by state, but the median state requires only $1,390 in covered wages (equivalent to 41 days of full-time work at the minimum wage) over four quarters to qualify for a minimum benefit. However, nine states do have requirements for work duration, ranging from 15 to 20 weeks in four quarters, and the majority of states require a minimum earnings amount in the worker's highest-paid quarter. Of the states with this latter stipulation, the median state high-quarter earnings requirement is 61 percent of the earnings required over four quarters.

Each of the G-7 nations has rules that disqualify claimants whose unemployment results from voluntary quitting, misconduct, refusal of a suitable job, involvement in a labor dispute, or failure to accept training. Those jobless because of labor disputes are generally disqualified for the duration of the dispute. However, the length of disqualification for other causes of unemployment varies among the seven programs. Italy has a thirty-day disqualification for job quitters, those fired for misconduct, and those who refuse jobs. Canada disqualifies individuals for up to 12 weeks, as does Germany, but Canada disqualifies job quitters and those fired for misconduct indefinitely until they requalify through subsequent jobs. In Japan, disqualifications last as long as three months. France disqualifies job quitters for 3 months and denies eligibility for misconduct or job offer refusals, although job quitters may become eligible after 121 days of job search. Disqualifications for voluntary quits and misconduct last for 26 weeks in the United Kingdom. The United States has the strictest rules on disqualification, which are set by each state. For example, the disqualification for voluntary quitting is for the duration of the unemployment spell in forty-seven of the fifty-three state programs (figure 14.5).

Eligibility rules for UA in the three G-7 nations that have these programs are also tied to work history. France requires employment in at least five of the past ten years but reduces this requirement by up to three years for periods spent rearing children. The German program requires at least 150 days of insured employment during the past year. The United Kingdom has no specific work history stipulation. UA claimants have to comply with work registration rules similar to those
for UI claimants. UI exhaustees are eligible for UA in all three countries. A means test is used to limit UA eligibility to those in financial need.

Figure 14.5 Maximum Disqualification Period for Voluntary Quit, 1993

<table>
<thead>
<tr>
<th>Country</th>
<th>Weeks</th>
</tr>
</thead>
<tbody>
<tr>
<td>ITA</td>
<td>4</td>
</tr>
<tr>
<td>GER</td>
<td>12</td>
</tr>
<tr>
<td>JPN</td>
<td>13</td>
</tr>
<tr>
<td>FRA</td>
<td>26a</td>
</tr>
<tr>
<td>CAN</td>
<td>26</td>
</tr>
<tr>
<td>GBR</td>
<td>26b</td>
</tr>
<tr>
<td>USA (47 States)</td>
<td>26</td>
</tr>
</tbody>
</table>

NOTE: Chart shows disqualification periods for an unemployment spell of 26 weeks.

a. Claimant can become eligible after 121 days if work search requirement is met.
b. Claimant can become eligible if jobless spell lasts more than 26 weeks.

The proportion of unemployed workers assisted by the U.S. program in the mid-1980s was low relative to the proportions helped in Canada, France, and Italy. The U.S. figure was similar to those for UI in Germany and the United Kingdom, but the figures in those countries were much higher with UA recipients counted. In 1985, 34 percent of
U.S. jobless workers received UI. Comparable statistics for five of the other nations were as follows: Canada, 80 percent; France, 55 percent (72 percent including UA recipients); Germany, 39 percent (68 percent with UA recipients included); Italy, 60 percent (for 1981-1983); and the United Kingdom, 32 percent (as of 1984), (90 percent with UA recipients included). It should be noted that unemployment rates in Canada, France, and the United Kingdom were 1.5 times the U.S. rate in the mid-1980s. Higher unemployment usually means that a greater proportion of the jobless qualify for UI since there are relatively more job losers than job quitters during downturns.

**Benefits**

The method of calculating UI benefits is unique to each program. The main factors taken into account by the benefit formulas are displayed in table 14.3. Of the seven programs, only the U.S. program lacks a national benefit formula.

All of the G-7 programs except that of the United Kingdom relate benefits to past wages. Germany replaces 63 percent of after-tax wages; the other systems base benefits on gross pay. The formula in Japan is the only one that provides a more generous rate of wage replacement, the lower the wage level. Canada, France, Japan, and the United States limit benefits with monetary maximums, the maximums in the United States being the lowest except for a few states. The wage replacement rate in Japan of 80 percent at low wage levels is the highest rate, but the wage figure used in Japan excludes overtime pay and bonuses, which account for nearly one-third of cash compensation in Japan. UI benefits are subject to income taxes in all of the G-7 nations except Germany and Japan.

Age is generally not used as a factor in computing UI benefits, but Japan does pay lump-sum benefits to persons over 65, and the United Kingdom has higher benefit levels for unemployed workers who are over pensionable age. Benefits are more generous for workers with dependents in Germany, the United Kingdom, and fourteen U.S. states. The United Kingdom awards lump-sum “redundancy” benefits to long-term employees who have been dismissed. Italy uses a higher wage replacement level for those dismissed by firms that are undergoing planned workforce reductions or reorganizations. The U.S. system is
Table 14.3 Major Determinants of UI Benefit Amounts in the G-7 Nations, 1993

<table>
<thead>
<tr>
<th>Nation</th>
<th>Past wages</th>
<th>Relationship of UI benefit formula</th>
<th>Age (^a)</th>
<th>Work history (^a)</th>
<th>Region (^a)</th>
<th>Dependents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada</td>
<td>57% of average gross wage, max. of $313/week</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>France</td>
<td>57.4% of average gross wage, min. of $22.34/day, max. of $52 54/day(^b)</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Germany</td>
<td>63% of average net wage</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>68% of average net wage for claimant with children</td>
</tr>
<tr>
<td>Italy</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic benefit</td>
<td>20% of average wage</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Special benefit</td>
<td>80% of average wage</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Japan</td>
<td>80% of average gross wage at low wage levels, 60% at high wage levels, max. of $85/day</td>
<td>Lump-sum benefit for workers over 65</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>None: benefit is $66/week</td>
<td>$83/week if over pension age, plus $50 for spouse and $16/child</td>
<td>None</td>
<td>Lump-sum benefit for workers dismissed after 104 weeks of continuous employment</td>
<td>None</td>
<td>Additional $41/week with dependents</td>
</tr>
</tbody>
</table>

\(^a\) For workers over 65.  
\(^b\) For workers dismissed after 104 weeks of continuous employment.
<table>
<thead>
<tr>
<th>Nation</th>
<th>Past wages</th>
<th>Age&lt;sup&gt;a&lt;/sup&gt;</th>
<th>Work history&lt;sup&gt;a&lt;/sup&gt;</th>
<th>Region&lt;sup&gt;a&lt;/sup&gt;</th>
<th>Dependents</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>50% of average gross wage in most states, max. of $133 to $335/week&lt;sup&gt;c&lt;/sup&gt;</td>
<td>None</td>
<td>None</td>
<td>Different formula in each state</td>
<td>14 states had dependents’ allowances, which added up to $156/week</td>
</tr>
</tbody>
</table>

NOTE: Currency figures were converted to U.S. dollars using July 1993 exchange rates.

a. Benefit amounts naturally vary with age, work history, and region since these factors are often related to wage levels and, therefore, benefit amounts. However, this table displays only the relationship of each factor to a program's benefit formulas.

b. Benefits in France are reduced 8 to 17 percent after the initial benefit period and every four months thereafter.

c. The maximum in the median state was $223 a week.
the only one without a national benefit formula, its UI benefits being
determined by fifty-three different state formulas that produce widely
varying benefit amounts.

Figure 14.6 compares weekly UI benefit amounts across the seven
nations for three hypothetical cases. For the United States, amounts are
shown for the states with the highest (Massachusetts) and lowest (Mis-
sissippi) benefit maximums. Case 1 is a single worker age 25 who has
worked six months at an annual salary rate of $10,000. Case 2 is a 31-
year-old married worker with one child who has worked three years
and was earning $28,000 a year at the time of job loss. Case 3 is a mar-
rried worker age 55 with two children who has worked twenty-five
years and was earning $50,000 a year.

Case 1 would be ineligible in Germany and Italy. In the other coun-
tries, the weekly benefit ranges from $48 (25 percent of the weekly
wage) in Massachusetts to $156 (81 percent of wages) in France. For
case 2, benefits vary more, exceeding $500 a week in Italy (100 percent
wage replacement) and $300 in Canada (57 percent wage replace-
ment), France (57 percent), Germany (68 percent), Japan (65 percent),
and Massachusetts (59 percent), while amounting to only $165 (31
percent) in Mississippi and $107 (20 percent) in the United Kingdom.
The weekly benefit for case 3 is over $900 in Italy (100 percent wage
replacement), ranges around $600 in Japan (60 percent) and Germany
(68 percent), and falls between $300 and $500 in Canada (33 percent),
France (38 percent), and Massachusetts (49 percent). However, the
benefit is the same as for case 2 in Mississippi (17 percent) and the
United Kingdom (11 percent).

Maximum benefit durations also vary widely across the G-7 nations,
as shown in table 14.4. The first column shows the maximum duration
for full-time workers with substantial work histories. For such workers,
UI benefits generally last about half a year in Japan and the United
States, two-thirds of a year in Canada, a full year in Germany, Italy,
and the United Kingdom, and two-and-a-half years in France. How-
ever, maximum durations can vary considerably from these benchmark
figures in every country except the United Kingdom. Table 14.4 illus-
trates how four key factors (work history, age, unemployment rate, and
region) affect maximum benefit durations.
Figure 14.6 UI Benefit Amounts for Three Hypothetical Cases, 1993

### Case 1
- Age 25, single, worked 6 months at $10,000 annual rate

### Case 2
- Age 31, married with 1 child, worked 3 years, earning $28,000 in last year

### Case 3
- Age 55, married with 2 children, worked 25 years, earned $50,000 in last year

- **Weekly benefit amount**

<table>
<thead>
<tr>
<th>Case</th>
<th>Weekly Benefit Amounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Case 1</td>
<td>$1,000</td>
</tr>
<tr>
<td>Case 2</td>
<td>$66</td>
</tr>
<tr>
<td>Case 3</td>
<td>$48</td>
</tr>
</tbody>
</table>

- Benefit levels are the same for both regular UI and TAA
- Benefit levels are the same in both “low” and “high” unemployment regions.
- Worker would receive $156 during 1st period, $133 during 2nd period

**NOTE:** MA is Massachusetts, and MS is Mississippi

The diagrams illustrate the weekly benefit amounts for the three cases, with different scenarios for each. The notes provide additional details about the calculations and scenarios for each case.
<table>
<thead>
<tr>
<th>Nation</th>
<th>Maximum benefit duration for full-time workers</th>
<th>Work history</th>
<th>Age</th>
<th>Unemployment rate</th>
<th>Region</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada</td>
<td>35 weeks (worked all year)</td>
<td>17 weeks with 20 weeks of work in 1 year</td>
<td>None</td>
<td>Up to 50 weeks in regions with high unemployment</td>
<td>Varies for regions with unemployment over 6%</td>
</tr>
<tr>
<td>France</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>First period</td>
<td>275 days</td>
<td>122 days if less than 426 days of work in last 2 years (214 days if 50 or older)</td>
<td>214 days if under 25; 457 days if 50 or older; 610 days if 50 to 54 and worked at least 821 days in last 3 years; 822 days if 55 or older</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Second period</td>
<td>637 days</td>
<td>334 days if worked less than 426 days in last 2 years (425 days if 50 or older); 91 days if worked less than 243 days in last year; 0 days if worked less than 192 days in last year</td>
<td>699 days if under 25; 913 days if 50 or older; 759 days if 50 to 54 and worked at least 821 days in last 3 years; 1,003 days if 55 or older</td>
<td>None</td>
<td>Extensions granted by employer groups</td>
</tr>
</tbody>
</table>

(continued)
<table>
<thead>
<tr>
<th>Nation</th>
<th>Maximum benefit duration for full-time workers</th>
<th>Work history</th>
<th>Age</th>
<th>Unemployment rate</th>
<th>Region</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>52 weeks (worked at least 24 of last 36 months)</td>
<td>35 weeks with 16 months of work, longer durations for combination of age and service (see next column)</td>
<td>78 weeks for workers 42 or older with 36 months of work; 95 weeks for workers 44 or older with 44 months of work; 113 weeks if 49 or older within 52 months of work; 139 weeks if 54 or older with 64 months of work</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Italy</td>
<td></td>
<td></td>
<td></td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Basic benefit</td>
<td>180 days</td>
<td>90 days for construction workers, less than 180 days for some farm workers</td>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Special benefit</td>
<td>12 months</td>
<td>None</td>
<td>24 months for workers 40 to 49; 36 months if 50 or older</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Country</td>
<td>Duration</td>
<td>Additional Requirements</td>
<td>Extension</td>
<td>Extension Details</td>
<td></td>
</tr>
<tr>
<td>--------------</td>
<td>----------</td>
<td>----------------------------------------------------------------------------------------</td>
<td>--------------------</td>
<td>----------------------------------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>Japan</td>
<td>180 days (age 30-44 and worked 5-9 years; under 30 and worked over 9 years; 45-54 and worked 1-4 years)</td>
<td>90 days for less than 1 year of work; 210-300 days for certain age and service combinations; 90-day extension for claimants awaiting training</td>
<td>None</td>
<td>90-day extension if uninsured unemployment over 4%</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>52 weeks</td>
<td>None</td>
<td>90-day extension in remote areas and for industries in recession</td>
<td></td>
</tr>
<tr>
<td>United Kingdom</td>
<td>52 weeks</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td></td>
</tr>
<tr>
<td>United States</td>
<td></td>
<td>26 weeks (30 in 2 states) (must have worked certain amount in 42 states)</td>
<td>None</td>
<td>39-46 weeks when extended benefits triggered by high unemployment in a state</td>
<td></td>
</tr>
<tr>
<td>UI</td>
<td></td>
<td>4-30 weeks for minimum work required by state in 42 states a</td>
<td>None</td>
<td>None</td>
<td></td>
</tr>
<tr>
<td>TAA</td>
<td></td>
<td>52 weeks (including UI duration)</td>
<td>78 weeks if in training (including UI duration)</td>
<td>None</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>None</td>
<td>None</td>
<td>None</td>
<td></td>
</tr>
</tbody>
</table>

a. Median minimum duration for these forty-two states is 13 weeks.
b. Durations may vary by state as indicated elsewhere.
France, Germany, and Japan vary maximum durations by age and length of service in combination. Basic benefit periods can be extended for these factors as follows:

- In France, the benefit duration can be as long as five years for workers age 55 and older who have worked at least two-and-a-quarter of the last three years;
- In Germany, the regular 52-week period can be increased to 139 weeks for workers 54 and older who have worked at least 64 months;
- In Japan, the regular 180-day period can be increased to as much as 300 days for workers 55 and older who have worked more than nine years.

In Canada and the United States, age is not a factor in determining duration, nor is service occurring before the base period. However, the level of unemployment is a determinant of duration in Canada, Japan, and the United States. Benefit extension periods in France result in a claimant’s original UI benefit amount being reduced by 8 percent to 17 percent when such extensions occur. These reductions are repeated every four months.

Canada and the United States provide longer benefit periods based on unemployment rates in labor market regions and states, respectively. Canada also takes weeks of insured employment into account; its normal 35-week benefit period can be as long as 50 weeks for full-year workers in regions with unemployment above 10 percent. The usual U.S. maximum benefit duration of 26 weeks is extended to 39 weeks in states where the insured unemployment rate for a 13-week period exceeds 5 percent and is at least 120 percent of the corresponding rates in the two preceding years. In forty-one states, an insured rate of 6 percent or higher will trigger the extension without regard to the rates in the preceding two years. States have authority to trigger 13 weeks of extended benefits when their total unemployment rate exceeds 6.5 percent and is at least 110 percent of the corresponding rate in one of the two preceding years. Total unemployment of 8 percent can trigger 20 weeks of extended benefits. However, only seven states had authorized this more liberal trigger mechanism as of July 1995.

A temporary benefit extension had effectively supplanted the permanent EB program with benefits that totaled as much as 52 or 59 weeks
depending on the total unemployment rate in a state, but the program expired in April 1994. The United States has enacted temporary benefit extensions during each major recession since 1958. The other six nations have changed permanent law in reaction to economic change, but they have not relied on temporary programs for benefit extensions.

Figure 14.7 compares maximum UI benefit durations for the same three cases for whom benefit amounts were shown in figure 14.6. The typical 26-week initial U.S. benefit period (30 weeks in Massachusetts) is relatively generous for the youngest worker (case 1), representing a longer duration than would be available from UI in France or Japan, or in Germany and Italy, where this case would be ineligible. For case 2, however, the initial benefit duration in the United States would be shorter than in all the other nations but Japan. Eligibility for EB could make the U.S. duration longer than the duration in Canada for its regions of low unemployment. For case 3, all six nations would provide benefits for a longer time than would the United States, but EB would make the U.S. duration similar to that in a low-unemployment Canadian region. However, the relatively few U.S. claimants eligible for TAA have a maximum duration longer than that shown in figure 14.7 for Canada, Japan, and the United Kingdom. The benefit periods could be well in excess of 100 weeks for case 3 in France, Germany, and Italy.

Figure 14.7 does not show UA durations, which can extend benefits at a lower rate indefinitely in France, Germany, and the United Kingdom. While eligibility for UA is indefinite, it is subject to a means test. France pays a flat-rate benefit of ₯72.92 ($12.18) a day, with larger benefits for eligibles who meet criteria for old age and length of service. The German UA benefit is 56 percent of net wages (58 percent for claimants with children). The UA benefit in the United Kingdom for claimants with no other income is £44.00 ($65.16) a week, £69.00 ($102.19) for couples.

Employment Services

All seven nations have public programs to provide job training and other employment services to those with employability problems. This discussion is limited to those services that are integral to each national UC system.
Figure 14.7 UI Maximum Benefit Durations for Three Hypothetical Cases, 1993

Case 1

<table>
<thead>
<tr>
<th>Country</th>
<th>Benefit Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>ITA</td>
<td>Ineligible</td>
</tr>
<tr>
<td>GER</td>
<td>Ineligible</td>
</tr>
<tr>
<td>JPN</td>
<td>13 weeks</td>
</tr>
<tr>
<td>FRA</td>
<td>35 weeks</td>
</tr>
<tr>
<td>USA (MS)</td>
<td>39 weeks</td>
</tr>
<tr>
<td>USA (MA)</td>
<td>39 weeks</td>
</tr>
<tr>
<td>CAN</td>
<td>50 weeks</td>
</tr>
<tr>
<td>GBR</td>
<td>52 weeks</td>
</tr>
<tr>
<td>FRA</td>
<td>52 weeks</td>
</tr>
</tbody>
</table>

Case 2

<table>
<thead>
<tr>
<th>Country</th>
<th>Benefit Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>JPN</td>
<td>13 weeks</td>
</tr>
<tr>
<td>USA (MS)</td>
<td>39 weeks</td>
</tr>
<tr>
<td>USA (MA)</td>
<td>39 weeks</td>
</tr>
<tr>
<td>CAN</td>
<td>50 weeks</td>
</tr>
<tr>
<td>GBR</td>
<td>52 weeks</td>
</tr>
<tr>
<td>GER</td>
<td>52 weeks</td>
</tr>
<tr>
<td>ITA</td>
<td>52 weeks</td>
</tr>
<tr>
<td>FRA</td>
<td>152 weeks</td>
</tr>
</tbody>
</table>

Case 3

<table>
<thead>
<tr>
<th>Country</th>
<th>Benefit Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA (MS)</td>
<td>39 weeks</td>
</tr>
<tr>
<td>USA (MA)</td>
<td>39 weeks</td>
</tr>
<tr>
<td>JPN</td>
<td>43 weeks</td>
</tr>
<tr>
<td>CAN</td>
<td>50 weeks</td>
</tr>
<tr>
<td>GBR</td>
<td>52 weeks</td>
</tr>
<tr>
<td>GER</td>
<td>139 weeks</td>
</tr>
<tr>
<td>ITA</td>
<td>139 weeks</td>
</tr>
<tr>
<td>FRA</td>
<td>156 weeks</td>
</tr>
<tr>
<td>GBR</td>
<td>306 weeks</td>
</tr>
</tbody>
</table>

a. Original and extension benefit periods
b. Eligible for up to 26 weeks, 39 weeks if extended benefits (EB) in effect, 78 weeks if receiving Trade Adjustment Assistance (TAA)
c. Eligible for up to 35 weeks in region with low unemployment, 50 weeks in region with high unemployment.

NOTE: MA is Massachusetts and MS is Mississippi. Darker portion of each bar shows length of initial benefit period; lighter portion shows length of possible benefit extensions.
The G-7 countries all require UC claimants to register with employment offices where information is provided on available jobs. Service provision to UC claimants beyond this basic help varies a great deal. Italy and Japan use wage supplements and subsidies to firms to permit them to retain employees during downturns. Canada, France, Germany, and Japan provide skills development training as part of their UC systems. In the United States, states are required to identify claimants who are likely to experience long-term unemployment so that these individuals can receive employment services early in their jobless spells. Job training is not available within the U.S. program, but TAA claimants must enroll in approved training unless this requirement is waived. Claimants in approved training usually continue to receive weekly benefits and may be eligible for special allowances for job search and relocation.

Unemployment benefits can be used to help claimants start new businesses in Canada, France, Germany, Italy, and the United Kingdom. The United States has tested this idea in two state demonstration projects, and 1993 legislation authorized all states to allow UI claimants to start businesses while receiving benefits.

Public expenditures in 1993 for employment services and training, including programs outside the UC systems, are shown in table 14.5.

### Table 14.5 Public Spending for Employment Services and Training by the G-7 Nations, 1993

<table>
<thead>
<tr>
<th>Nation</th>
<th>Spending as a percentage of</th>
<th>GDP</th>
<th>UI benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada</td>
<td>0.60</td>
<td>30</td>
<td></td>
</tr>
<tr>
<td>France (1992)</td>
<td>0.48</td>
<td>30</td>
<td></td>
</tr>
<tr>
<td>Germany</td>
<td>0.78</td>
<td>39</td>
<td></td>
</tr>
<tr>
<td>Italy (1992)</td>
<td>0.10</td>
<td>16</td>
<td></td>
</tr>
<tr>
<td>Japan</td>
<td>0.06</td>
<td>23</td>
<td></td>
</tr>
<tr>
<td>United Kingdom</td>
<td>0.33</td>
<td>27</td>
<td></td>
</tr>
<tr>
<td>United States</td>
<td>0.14</td>
<td>31</td>
<td></td>
</tr>
</tbody>
</table>


NOTE: The public spending figures shown here include employment services and administration, training for unemployed adults, and support of unemployed persons starting enterprises.
Spending as a percent of GDP was highest in Canada, France, and Germany. The lowest expenditures relative to size of economy were registered by Italy, Japan, and the United States (ranked fifth). German spending was more than five times that of the United States relative to GDP.

When spending for employment services and training is viewed in relationship to UC spending (table 14.5, right column), there is less variation across the G-7. The German ratio of 0.39 is highest, and the Italian of 0.16 is lowest. Thus, these nations represent the most and least aggressive in applying active labor market measures in relation to the size of their income support for the jobless. The ratios of the other five countries fall in the range of 0.23 (Japan) to 0.31 (United States).

Recent Trends

Several trends since 1990 can be identified across the G-7 UC programs. Some programs have lengthened the periods during which claimants are disqualified for voluntary unemployment. Eligibility has been tightened in two countries (for UA in France, for special UI benefits in Italy). On the other hand, none of the G-7 has liberalized eligibility rules. Benefit amounts have been lowered relative to wages in Canada; no G-7 country has raised them. Benefit periods have been lengthened in some cases. Prolonged benefits were tied to age and work history in France and Italy. The U.S. program has adopted a more liberal measure of unemployment for the activation of EB but has left its implementation up to the states. Several of the G-7 programs have attempted better integration of UI with employment services.

Conclusions

While all of the G-7 nations have UC systems that mandate coverage of most workers and that finance most of the costs with payroll taxes, the seven systems differ widely in their details. The variations are particularly striking when the U.S. system is compared with the other six. The U.S. system is the only one that

• has most of its rules set by subnational governments;
• uses experience rating to set tax rates on employers;
bases extended benefit periods on unemployment levels in its political subdivisions;
relied on temporary programs to augment UI in coping with recession-related unemployment increases; and
provided additional unemployment benefits for dislocated workers whose joblessness can be linked to national trade policy.

The UC systems of the other six G-7 nations also vary widely among themselves, but there are some common trends. National spending on UC as a percentage of GDP has tended to converge since 1990 except for Germany, which had to absorb the unemployment costs of the former GDR after reunification. All of the G-7 countries are placing greater emphasis on reemploying the jobless in one way or another. Finally, recent program changes have generally been in the direction of retrenchment as unemployment and the associated costs have risen in Canada and western Europe.

Other Types of Unemployment Compensation Systems

Overview

This section presents an overview of the types of UC systems found worldwide and describes three systems that contrast sharply with the programs of the G-7 nations. The 1993 edition of Social Security Programs Throughout the World (U.S. Department of Health and Human Service 1994) describes the programs of 163 countries. Of these, 75 countries had a formal public law authorizing compensation for jobless workers. These 75 laws can be classified as follows:

- compulsory social insurance—fifty countries;
- voluntary social insurance—three countries;
- means-tested assistance—nine countries (plus seven countries that also operate social insurance programs);
- severance pay—twelve countries; and
- compulsory self-insurance—one country.
All of the G-7 nations and forty-three others operated compulsory social insurance programs in 1993. These programs are characterized generally by broad coverage and by some linkage of funding and/or benefit amounts to covered wages. However, the program in Chile is funded entirely from general government revenue and pays flat-rate benefits. In Estonia, the program is government-funded and ties benefits to the minimum wage. Latvia also ties benefits to the minimum wage. Malta pays flat-rate benefits. The forty-three countries in addition to the G-7 nations that operated compulsory social insurance schemes as of 1993 were as follows:

Albania  Cyprus  Kyrgyzstan  Russia
Argentina  Czech Republic  Latvia  Slovakia
Armenia  Egypt  Lithuania  South Africa
Austria  Estonia  Luxembourg  Spain
Azerbaijan  Georgia  Malta  Switzerland
Bangladesh  Greece  Moldova  Turkmenistan
Barbados  Hungary  Netherlands  Ukraine
Belarus  Iceland  Norway  Uruguay
Belgium  Iran  Poland  Uzbekistan
Chile  Ireland  Portugal  Venezuela
China  Israel  Romania

Three Scandinavian countries (Denmark, Finland, and Sweden) had voluntary social insurance systems operated through labor unions. Union participation in UC is not compulsory.

Means-tested assistance programs apply means tests to unemployed workers to determine their eligibility. Benefit amounts may be related to need as well. Some of these programs stand alone, while others are components of larger UC systems. Nine countries had only a means-tested program. They were the following:

Australia  Hong Kong  New Zealand  Slovenia
Brazil  Mauritius  Serbia  Tunisia
Bulgaria
Seven countries used means-tested assistance to augment a social insurance program, either for selected unemployed workers with little or no recent work experience, or for those exhausting their UI benefits, or both. Three of the G-7 nations (France, Germany, and the United Kingdom) had such arrangements. The other four countries with dual UI and UA programs were Austria, Finland, Ireland, and Portugal.

Twelve countries offered only severance pay to unemployed workers. Usually this benefit is paid by the employer under a labor law that specifies the employer and employee types to which it applies and the amount of the severance pay. The countries with severance pay only were as follows:

<table>
<thead>
<tr>
<th>Bolivia</th>
<th>Ecuador</th>
<th>Libya</th>
<th>Solomon Islands</th>
</tr>
</thead>
<tbody>
<tr>
<td>Botswana</td>
<td>Honduras</td>
<td>Mexico</td>
<td>Tanzania</td>
</tr>
<tr>
<td>Colombia</td>
<td>India</td>
<td>Pakistan</td>
<td>Turkey</td>
</tr>
</tbody>
</table>

Finally, Guatemala required workers to self-insure against unemployment under a law mandating individual saving for that purpose.

A major development during the 1990s has been the adoption of UC systems by countries that had state-controlled economies in the 1980s. Compulsory social insurance UC systems has been established in these former communist states, except for Bulgaria, Serbia, and Slovenia, which have means-tested programs.

The remainder of this section describes three UC systems that differ from those of the G-7 nations. These include a voluntary social insurance program (Sweden), a solely means-tested program (Australia), and a severance pay law (Mexico).

**Voluntary Social Insurance: Sweden**

Sweden is the largest of the three Scandinavian countries that had voluntary UI systems in 1993. There are two aspects of voluntarism in this system. First, unemployment funds for UI are established voluntarily by trade unions. Second, although union members generally must participate in their union’s fund, nonunion workers in the industry may voluntarily accept coverage by the union fund. Workers over age 64 are excluded. About two-thirds of all employees are covered by this system. Workers ineligible for UI and new labor force entrants if over age
20 are covered by a means-tested UA plan called the "labor market support program." UI is administered by the National Labor Market Board, and UA is administered by county labor boards and local employment offices.

The UI system is funded by employee, employer, and government. Employees pay from K32 ($3.87) to K100 ($12.10) a month, the exact amount varying by fund. These employee contributions cover 5 percent of UI costs. Employers are taxed at a rate of 2.14 percent of payroll, which covers about 60 percent of UI costs and two-thirds of UA costs. Government funds pay for the balance of UI and UA costs.

Eligibility for UI requires twelve months of membership in a union fund, including at least four of the last twelve months before unemployment. Eligibles must be registered at an employment office and be capable of work. Individuals whose unemployment is a result of voluntary quitting, misconduct, or refusal of suitable work are usually disqualified for four weeks. Eligibility rules for UA are basically the same, except for the work history requirement. A person can meet the requirement either by working for at least four of the past twelve months or by meeting an education or training criterion.

The UI benefit amount varies by fund and wage level, ranging from K210 ($25.41) to K598 ($72.36) a day. It is pegged to 80 percent of the average wage in each covered trade. Benefits are payable for up to 300 days and are considered taxable income.

The UA benefit amount is K210 ($25.41) a day and is payable for up to 150 days. For those ages 55 to 59, the maximum benefit duration is 300 days. For those ages 60 to 64, or for dislocated workers ages 55 to 59, the maximum benefit duration is 450 days.

*Unemployment Assistance: Australia*

Australia was the most industrialized nation offering unemployment benefits solely on the basis of a means test in 1993. First enacted in 1944, this UA program covers all employed persons and is funded from general government revenue. Benefits are administered by the Department of Social Security. Local offices of the Department of Employment, Education, and Training receive claims and apply a work test.
To be eligible, an unemployed worker must be at least 16 years old and be under pensionable age (65 for men, 60 for women). Eligibles must be capable of and available for work and actively looking for jobs. Jobless individuals whose unemployment is a result of voluntary quitting, misconduct, or refusal of suitable work are subject to disqualification for up to 12 weeks. Those unemployed because of a labor dispute are disqualified for the duration of the dispute.

Benefits are paid after a one-week waiting period for as long as an individual is qualified. Benefit amounts depend on income, marital status, age, number of children, amount of rent, and location of residence. The means test has been liberalized numerous times to allow the disregarding of more income in computing the benefit.

**Severance Pay: Mexico**

In Mexico, the only form of unemployment benefit is a government requirement that employers pay departing employees a severance benefit under prescribed circumstances. Mexico has two forms of severance pay: the *cesantia*, payable when separation occurs without just cause, and the *antiquedad*, payable based on tenure without regard to the reason for termination.

The *cesantia* equals three months of pay plus 20 days of pay per year of service. Pay is defined to include bonuses, commissions, and benefit payments except profit sharing. A worker must have been employed for at least a year to be entitled to this benefit upon job loss without just cause. Examples of just cause are a worker’s engaging in dishonest, negligent, immoral, or violent acts, or coming to work in an intoxicated state. The reason for dismissal of an employee must be communicated in writing to be considered justified.

The *antiquedad*, adopted in 1970, equals 12 days of pay per year of service but cannot exceed twice the minimum-wage salary. It is payable upon retirement, death, disability, or termination of employment. To qualify for this benefit upon voluntary termination, the individual must have worked for at least fifteen years with the firm. No minimum service period is required for involuntary termination, death, or disability, but service is counted only back to 1970 for involuntary termination. For jobless workers near retirement ages 60 to 64, the Mexican Social Security system also pays reduced pension benefits. The reduction is 5 percentage points per year for each year under age 65.
Appendix 14.A
Program Descriptions for the G-7 Nations
Canada

Objectives

When the UI system was established in 1940, the central objective was to provide workers with economic security during short-term unemployment by paying benefits related to past contributions but not to exceed wages. Emphasis was given to adherence to insurance principles in the system design. A major reform of the system in 1971 added a second objective: aiding the reentry of jobless workers into the labor market.

Administration

A national agency, the Canada Employment and Immigration Commission, administers UC through regional and local offices. The nation is divided into sixty-two regions for the purpose of administering UC. Most of these regions represent urban labor markets, with rural areas of provinces making up the balance. Payroll taxes that fund the system are collected by the national revenue agency.

Financing

Revenue is raised from a payroll tax on both employer and employee. In 1993, the employer paid 4.2 percent and the employee 3.0 percent on the first $C745 ($580) of each covered worker's weekly wage. No general government revenue is used to support the program.

Coverage

All wage and salary jobs are covered except those providing less than 15 hours of work per week and paying less than $C149 ($116) a week. Self-employed fishermen are covered under special rules. Provincial government jobs are covered at the option of those governments.

Eligibility

To qualify for UI benefits, an unemployed person must have worked for a minimum number of weeks during the prior 52-week period. The qualifying period can be longer than 52 weeks for those who were ill, injured, pregnant, or in training. An insurable week is one in which the person worked at least 15 hours or earned at least $C149 ($116). The minimum number of weeks required varies by unemployment in the region, from 10 weeks where the unemployment rate is over 15 percent to 20 weeks where the rate is 6 percent or less. A new entrant or reentrant to the labor force needs 20 weeks to qualify.

Persons who refuse suitable jobs or refuse required training are disqualified for periods ranging from 7 to 12 weeks. Individuals jobless because of labor disputes are disqualified for the duration of the dispute. Those who quit jobs or
were fired for misconduct are disqualified until they requalify from subsequent employment.

Benefits

Benefits are equal to 57 percent of average insured gross earnings over the prior 52 weeks, subject to a weekly maximum of $C425 ($331). For those who refuse jobs or training, the benefit is only 50 percent of average earnings, however. Benefits are fully taxable as income. Benefit payments begin after a two-week waiting period.

The duration of benefits varies with the number of insurable weeks of work and the regional unemployment rate. The maximum duration is at least 17 weeks for persons with 20 weeks of work in regions with unemployment of 6 percent or less. The maximum duration for those who worked every week of the qualifying period is at least 35 weeks. Durations reach as long as 50 weeks for some combinations of work history and regional unemployment, as shown in appendix table 14A.1.

Appendix Table 14A.1 Maximum Duration of UI Benefits, Canada, 1993

<table>
<thead>
<tr>
<th>Regional unemployment rate</th>
<th>Weeks worked in past year</th>
<th>13</th>
<th>26</th>
<th>39</th>
<th>52</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.1 % or less</td>
<td>NE</td>
<td>22</td>
<td>29</td>
<td>35</td>
<td>35</td>
</tr>
<tr>
<td>6 1% - 7.0%</td>
<td>NE</td>
<td>25</td>
<td>32</td>
<td>38</td>
<td>38</td>
</tr>
<tr>
<td>7 1% - 8.0%</td>
<td>NE</td>
<td>28</td>
<td>35</td>
<td>41</td>
<td>41</td>
</tr>
<tr>
<td>8.1% - 9.0%</td>
<td>NE</td>
<td>32</td>
<td>39</td>
<td>45</td>
<td>45</td>
</tr>
<tr>
<td>9.1% - 10.0%</td>
<td>NE</td>
<td>36</td>
<td>43</td>
<td>49</td>
<td>49</td>
</tr>
<tr>
<td>10.1% - 11.0%</td>
<td>NE</td>
<td>40</td>
<td>47</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>11.1% - 12.0%</td>
<td>NE</td>
<td>44</td>
<td>50</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>12.1% - 13.0%</td>
<td>34</td>
<td>46</td>
<td>50</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>13 1% - 14.0%</td>
<td>36</td>
<td>48</td>
<td>50</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>14.1% - 15.0%</td>
<td>38</td>
<td>50</td>
<td>50</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>15 1% - 16.0%</td>
<td>40</td>
<td>50</td>
<td>50</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>Over 16 0%</td>
<td>42</td>
<td>50</td>
<td>50</td>
<td>50</td>
<td>50</td>
</tr>
</tbody>
</table>

NOTE NE means not eligible.

Benefits are limited to 15 weeks if unemployment is because of sickness or maternity and to 10 weeks if because of parental care.

Employment Services

The Employment Commission maintains lists of available jobs and provides counseling on job search and retraining programs. The agency offers job train-
ing and work experience programs for the long-term unemployed. The use of UI funds for training has expanded rapidly since 1990.

**France**

*Objectives*

Since 1984 legislation, the UC system has consisted of two distinct parts. For workers who have lost their jobs involuntarily, UI provides benefits that are mainly wage-related but that decline as the period of unemployment lengthens. The “solidarity” UA program provides a need-based benefit to UI exhaustees and to certain categories of new labor force entrants and reentrants.

*Administration*

The system is supervised by a national agency, the Ministry of Health and Social Security. Funds are managed by ASSEDICs, an acronym for associations of employers. Payments are administered by UNEDIC, an employee organization. Municipalities distribute payments in places where these organizations have no offices.

*Financing*

Employers and employees are required to contribute to the ASSEDICs. Employers pay 4.18 percent of all wages. Employees pay 2.42 percent of earnings up to F12,610 ($2,106) a month, plus an extra 0.55 percent on monthly earnings between F12,610 ($2,106) and F55,440 ($9,258). The government pays for the solidarity program that benefits certain persons ineligible for UI.

*Coverage*

Workers under age 60 (or under 65 and not covered for a social security old-age pension) are covered by UI, except for domestic employees and seasonal workers. There are special rules covering construction and longshore workers, the merchant marine, and aviators. Certain new entrants are covered by the solidarity program, including new labor force entrants ages 18-25, apprentices, freed prisoners, recently discharged military veterans, newly widowed or divorced women, single women with children, and unemployed workers who have exhausted their UI benefits.

*Eligibility*

To be immediately eligible for UI, the jobless worker must be involuntarily unemployed and have worked for at least 91 days or 520 hours during the twelve months preceding job loss. Unemployment cannot be due to misconduct or to refusal of suitable job offers. Those who leave jobs voluntarily are disqualified from benefits, but they may gain eligibility after 121 days if they meet
a job search requirement. A claimant must be able to work and be registered at a job exchange.

Eligibility for a solidarity benefit for those who have exhausted their UI benefits necessitates employment in at least five of the past ten years, but this requirement can be reduced by one year per child for childrearing for as many as three children. Eligibility is also income-tested, with the limits set at F5,104.40 ($852) a month for a single person, F10,208.80 ($1,705) for a couple.

Benefits

The UI benefit is 57.4 percent of wages over the prior twelve months. Benefits range from a minimum of F133.76 ($22.34) per day to a maximum of F314.63 ($52.54). Benefits are paid after an eight-day waiting period and are taxed the same as earnings.

Extension periods are granted beyond the original benefit period at the discretion of the ASSEDICs. The lengths of these periods depend on employment history and age. Benefits in an extension period are reduced by 8 percent to 17 percent of the original amount. Maximum benefit durations and reduction rates for benefit extensions are shown in appendix table 14A.2.

The solidarity benefit is F72.92 ($12.18) a day. A higher rate of F104.73 ($17.49) is paid to those ages 55 to 58 1/2 and employed at least twenty years and those age 58 1/2 and older and employed at least ten years. Benefits are payable for periods of six months but may be renewed. Eligibility terminates at age 60 for those with old-age pension coverage.
Table 14A.2 Maximum UI Benefit Durations and Reduction Rates for Benefit Extensions, France, 1994

<table>
<thead>
<tr>
<th>Work history and age</th>
<th>1st period (days)</th>
<th>2nd period (days)</th>
<th>2nd period (percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>122 days in last 8 months</td>
<td>122</td>
<td>0</td>
<td>N/A</td>
</tr>
<tr>
<td>182 days in last year</td>
<td>122</td>
<td>91</td>
<td>15</td>
</tr>
<tr>
<td>243 days in last year and</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>under age 50</td>
<td>122</td>
<td>334</td>
<td>17</td>
</tr>
<tr>
<td>age 50 or older</td>
<td>214</td>
<td>425</td>
<td>15</td>
</tr>
<tr>
<td>426 days in last 2 years and</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>under age 25</td>
<td>214</td>
<td>699</td>
<td>17</td>
</tr>
<tr>
<td>age 25 to 49</td>
<td>275</td>
<td>637</td>
<td>17</td>
</tr>
<tr>
<td>age 50 or older</td>
<td>457</td>
<td>913</td>
<td>15</td>
</tr>
<tr>
<td>821 days in last 3 years and</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>age 50 to 54</td>
<td>610</td>
<td>759</td>
<td>15</td>
</tr>
<tr>
<td>age 55 or older</td>
<td>822</td>
<td>1,003</td>
<td>8</td>
</tr>
</tbody>
</table>

NOTE: N/A means not applicable

Employment Services

UI beneficiaries are required to register with an employment exchange where information on available jobs is maintained. The government can use UI funds for skills development activities and to pay allowances to persons in training. The long-term unemployed have access to subsidized public or private jobs. UI benefits may be continued for claimants who are starting businesses.

Germany

Objectives

The Employment Promotion Act of 1969, which established the present German UC system, states the intention that the program contribute to the prevention of unemployment and underemployment as well as assist unemployed workers with income replacement.

Administration

The UC system is supervised nationally by the Federal Ministry of Labor and Social Affairs. Contributions for this system and for other parts of the social security system are collected by sickness funds operated by various localities, enterprises, and occupational groups. Unemployment benefit payments
are administered by the Federal Institute for Labor through its regional and local offices.

Financing

Funds for UI are raised from the compulsory social security tax on employers and employees. The UI share of these contributions comes from a payroll tax of 6.5 percent on the first DM86,400 ($49,680) of annual earnings, split equally between employee and employer.14

Coverage

All employees with earnings subject to the social security tax are covered by UC. Individuals exempted are those working less than 15 hours a week. Those employed less than two months or fifty working days in a year are also exempt.

Eligibility

To be eligible for UI benefits, unemployed workers must be under age 65, capable of and available for work, and registered with a local employment office. Eligibility also requires the person to have worked in insured employment for at least 360 days during the past three years (180 days for seasonal workers). Otherwise qualified individuals are disqualified for up to 12 weeks for voluntary leaving, misconduct, participation in a strike, participation in training, or refusal of a suitable job offer.

A means-tested UA program covers those who fail to qualify for UI benefits if they had insured employment for at least 150 days during the past year. Persons exhausting their UI benefits may also be eligible. In addition, assistance is available for jobless workers in retraining programs.

Benefits

The UI benefit amount is 68 percent of after-tax income for persons with children and 63 percent for others. It is payable without a waiting period. Benefits are not subject to the income tax.

The maximum duration of UI benefit payments differs according to length of work history and age. For those under age 42, maximum benefit durations vary proportionately from 35 weeks with sixteen months of covered work up to 52 weeks with two years of covered work. For those 42 or older, benefits can be paid for up to 78 weeks with thirty-six months of covered work. For those 44 or older, benefits can be paid for up to 95 weeks with forty-four months of covered work. For those 49 or older, benefits can last up to 113 weeks with fifty-two months of covered work. For those 54 or older, benefits can continue up to 139 weeks with sixty-four months of covered work.
The means-tested UA benefit is 58 percent of after-tax income for persons with children and 56 percent for others. Benefits are available for one year but may be extended for one-year periods indefinitely.

**Employment Services**

Beneficiaries must register with an employment office. The administering agency can use payroll tax funds to provide job counseling and training. Income maintenance grants are available for persons in training. Claimants starting businesses can receive benefits for up to six months.

**Italy**

**Objectives**

The UI system provides a small basic benefit. This amount may be augmented with supplementary benefits to replace wages more adequately and to provide job continuity in firms experiencing downturns or operational disruptions.

**Administration**

Benefit payments are administered by the Ministry of Labor and Social Welfare through the National Social Insurance Institute. Payroll taxes that support the program are collected by the Treasury.

**Financing**

Employer payroll taxes fund UI benefit costs. The tax is assessed on wages in excess of L54,886 ($34) a day. The tax rate is 1.61 percent for industrial managers and 1.91 percent for others. Industrial employers pay an additional 0.3 percent (0.8 percent in the construction industry) for special benefits and 2.2 percent for the wage supplement fund (1.9 percent for firms with fewer than fifty workers). General government revenue pays for administration and for part of the cost of wage supplements.

**Coverage**

All workers in private employment are covered except occasional and seasonal workers and part-time employees.

**Eligibility**

To be eligible for basic UI benefits, a jobless worker must have at least two years of insured employment, at least 52 weeks (43 weeks in the construction industry) of which occurred in the past two years. Special UI benefits, available to industrial and construction workers, require at least 13 weeks of continuous covered employment as well.
Eligibility further requires that the jobless worker be registered at an employment office and be capable of and available for work. Claimants may be disqualified for thirty days if unemployment results from voluntary leaving or misconduct or if a suitable job or prescribed training is refused.

**Benefits**

The basic UI benefit is 20 percent of wages and is payable for up to 180 days after a 1-week waiting period. This benefit is not available to business executives. Construction workers are limited to 90 days of benefits. Agricultural workers are limited to 270 days minus the number of days actually worked, not to exceed 180 days. All benefits are subject to the income tax.

Special benefits are available to employees in industrial firms with more than fifteen employees and commercial firms with more than two hundred employees. This benefit fully replaces past wages for up to one year. Any subsequent benefits are reduced to 80 percent of wages. Again, executive-level personnel are not eligible. Special benefits, which do not include any dependents’ allowances, are reduced for any basic benefits received.

The special UI benefit is available for up to twelve months. This duration is longer for older workers (24 months for those ages 40-49, thirty-six months for those age 50 or older). Durational limits also apply to the use of these benefits by a particular company for its workers. The normal term is twelve months, but a company undergoing reorganization can use this program for up to twenty-four months, with two twelve-month extensions allowed. An operational unit within an eligible firm can use these benefits for no longer than thirty-six months in a five-year period.

Employees of firms covered by special benefits who are partially unemployed may be eligible for wage supplementation. However, wage supplementation cannot be paid to persons receiving special UI benefits. The supplements are in amounts sufficient to replace 80 percent of lost wages and are paid for three-month periods. Wage supplements cannot be received for more than twelve months in a two-year period.

**Employment Services**

Claimants must register with a local placement office where information on available jobs is maintained.

**Japan**

**Objectives**

The UC system was revised in 1992 to emphasize its role as “employment insurance,” which reflects its multiple objectives: to help maintain the incomes
of workers during unemployment, to stabilize employment, and to strengthen the employment security of workers through skills development.

Administration

The system is administered by a national agency, the Employment Security Bureau under the Ministry of Labor.

Financing

Most of the cost of the system is borne by employer and employee payroll taxes. Both employees and employers pay 0.55 percent of wages for a total of 1.10 percent. (Employees who are seasonal or construction workers pay 0.65 percent, as do employers.) In addition, employers pay 0.35 percent of wages to support employment services (0.45 percent for construction employers). These payroll taxes apply to total wages. General government revenue is used to pay one-fourth of benefit costs.

Coverage

All workers are covered except those age 65 or older, certain day laborers and seasonal workers, part-time workers employed less than 22 hours a week, and government pensioners. Jobs with small firms (fewer than five employees) in the agriculture, forestry, and fishing industries are covered on a voluntary basis.

Eligibility

To be eligible, a worker must have been in insured employment for at least six of the last twelve months. The reference period can be extended to up to forty-eight months for those out of the labor force because of illness, injury, pregnancy, or for hard-to-employ cases.

Eligibility requires registration with an employment security office. An eligible must be capable of and available for work and report to the local office every four weeks. A claimant may be disqualified for up to three months if unemployment resulted from voluntary leaving, misconduct, refusal of a suitable job offer, or failure to attend recommended training.

Benefits

The basic benefit applicable for most workers varies by wage level. The benefit is 80 percent of past wages at lower wage levels and 60 percent at higher levels. The minimum basic benefit is ¥2,390 ($22.56) a day; the maximum is ¥9,040 ($85.34). A separate benefit schedule for insured day laborers ranges from ¥1,770 ($16.71) a day for laborers with the lowest wages to ¥6,200
($58.53) for those with the highest wages. Benefits are paid after a one-week waiting period and are not subject to taxation.

Unemployed workers age 65 or older receive a lump-sum benefit that ranges in value from 50 days of the basic benefit for those in insured employment less than one year to 150 days for those in insured employment ten years or more. Unemployed insured seasonal workers receive a lump-sum benefit worth 50 days of basic benefits.

The maximum duration of UI benefit eligibility depends on age and work history as shown in appendix A table 14A.3

| Table 14A.3 Maximum Duration of UI Benefits, Japan, 1993 |
|---|---|---|---|---|
| Age | Under 1 year | 1-4 years | 5-9 years | Over 9 years |
| Under 30 | 90 days | 90 days | 90 days | 180 days |
| 30-44 | 90 days | 90 days | 180 days | 210 days |
| 45-54 | 90 days | 180 days | 210 days | 240 days |
| 55-64 | 90 days | 210 days | 240 days | 300 days |
| Difficult-to-employ and under 55 | 90 days | 240 days | 240 days | 240 days |
| 55-64 | 90 days | 300 days | 300 days | 300 days |

If a worker obtains a steady job before half of the applicable maximum benefit period has expired, a reemployment allowance is paid that is worth from 30 to 120 days of the basic benefit amount.

Benefit durations are briefer for "short-time" workers (those employed between 22 and 33 hours a week) age 30 and older. Those ages 30 to 54 must have worked at least five years to receive benefits for 180 days. Those over 54 have a maximum duration of 210 days with ten or more years of service. Difficult-to-employ individuals are also limited to 210 days (180 days if under age 55). The benefit amount for short-time workers is 60 percent of lost wages.

Benefit durations can be extended for up to ninety days for workers forced into retirement by the bankruptcy of a firm or by an industrial recession, for workers awaiting placement in a training program, and for those seeking job placement in "remote areas." A national ninety-day extension is triggered when the number of insured unemployed exceeds 4 percent of the workforce covered by UI.

Employment Services

Employment services aimed at combating structural unemployment and labor market problems associated with factors such as age and region are an integral part of the Japanese UI system. These services include skills
development training and support activities such as job vacancy listings, relo-
cation assistance, and job search assistance. Firms can receive employment sta-
bilization subsidies to allow them to retain employees during short-term
downturns. These funds can be used to support production activities or on-
the-job training. Employers who hire dislocated workers age 45 and older may also
receive subsidies.

United Kingdom

Objectives

Under 1992 legislation, the UC system provides a fixed amount of income
support for those with substantial work histories who lose their jobs involun-
tarily. However, brief disqualification periods and a broad program of need-re-
lated aid result in significant income support for the unemployed generally.

Administration

The UC system is administered by two national agencies. The Department
of Social Security is responsible for tax collection and the awarding of income-
tested UA benefits. The Department of Employment administers UI benefits
through 9 regional and 1,759 local offices.

Financing

UI benefits are funded by part of the payroll tax that finances the overall So-
cial Security system. For the year ending March 31, 1992, UI benefits com-
prised 4.1 percent of all benefits financed by the payroll tax. Income-tested UA
is funded from general government revenue.

The social security system employer tax applies to total earnings, while the
employee share of the tax applies only to the first £420 ($622) of weekly wag-
es. Revenue is allocated among all the insurance programs (pension, sickness,
maternity, unemployment, and work injury benefits), the National Health Ser-
vice, which is mostly government funded, and redundancy payments (sever-
ance benefits).

Social security tax rates are graduated according to wage level. The employ-
ee pays 2 percent on the first £56 ($83) per week and 9 percent on additional
wages up to the overall ceiling. Employees over pension age (65 for men, 60
for women) do not pay the employee tax. Employers pay from 4.6 percent to
10.4 percent of wages, the rate rising with the wage level.

Coverage

All workers who earn at least £56 ($83) a week are covered. The self-em-
ployed are excluded.
Eligibility

All jobless workers who had earnings in the prior tax year of at least 50 times the minimum threshold of taxable earnings, i.e., £56 ($83) a week, are eligible for full UI benefits. Reduced benefits can be paid to those with earnings of at least twenty-five times the earnings threshold. To remain eligible, beneficiaries must register with a job exchange and be physically capable of and available for work.

Those workers who left jobs voluntarily or engaged in misconduct can be disqualified for 26 weeks. This disqualification period also applies to those who refuse a suitable job or fail to accept job training. Those who are jobless because of a labor dispute are disqualified for the duration of the dispute. After UI benefits are exhausted, a person can regain eligibility only after returning to work for at least 8 weeks. There is no work history requirement for UA eligibility.

Benefits

A flat-rate benefit of £44.65 ($66.13) is paid weekly to the jobless worker, plus another £27.55 ($40.80) for a spouse or dependent adult. Those over pension age receive higher benefits: £56.10 ($83.08) for the worker, £33.70 ($49.91) for the spouse/dependent adult, £9.80 ($14.51) for the first dependent child, and £10.95 ($16.22) for each additional dependent child. Benefits are payable, after a three-day waiting period, for up to 52 weeks. UI benefits are taxed the same as earned income.

Redundancy benefits are paid by an employer in a lump sum to employees under pension age who are dismissed after at least 104 weeks of continuous employment by the employer. The benefit equals years of service times £205 ($304) times a factor for weeks of pay per year of service. This factor is 0.5 for those ages 18 to 21, 1.0 for those 22 to 40, and 1.5 for those 41 to 64.

The social security system includes need-based UA, for which the unemployed who meet a needs test are eligible indefinitely. This benefit for those age 18 or over with no other income is £44.00 ($65.16) a week, £69.00 ($102.19) for couples. Additional benefits are available for children.

Employment Services

Beneficiaries must register with a labor exchange operated by the Department of Employment. This agency maintains information on available jobs. Intensive job counseling and job search assistance are provided. Training allowances are available to persons in job training, and some travel expenses
for job search may be reimbursed. UI benefits may be continued for claimants who are starting new businesses.

United States

Objectives

Before establishment of the UI system in the Social Security Act of 1935, principles were set forth by the Committee on Economic Security that have since guided the program without major change. The system was intended to compensate jobless workers for short periods of unemployment with payments proportionate to wages and not subject to any means test. Establishment of UI was left to the states, but state action was induced through a federal tax on employers that is reduced substantially if a state has a UI program in compliance with federal law. Specific provisions of eligibility and benefits were left to the states, and the states administer benefit payments and revenue collection; however, financial control over program administration was placed with the federal government to assure an adequate quality of state administration. Financing was to rely on employer taxes, and possibly on employee taxes as well, but no subsidy from general government revenue was included. Finally, it was intended that the system be designed to promote stabilization of employment. Problems of long-term unemployment were to be met by creation of public jobs rather than by long-term UI benefits, an objective that has not been pursued.

Administration

Fifty-three state employment security agencies administer UI through local offices in each of the fifty states, the District of Columbia, Puerto Rico, and the Virgin Islands. The U.S. Department of Labor oversees state compliance with federal law, provides grants to state agencies for administrative expenses, and provides research and statistical services. The U.S. Treasury Department receives state and federal unemployment tax revenue, maintains a set of trust fund accounts for the system, and reimburses state agencies for their benefit expenditures.

Financing

Benefits are financed through the Unemployment Trust Fund by payroll taxes levied by the states. These taxes are applied solely to employers in all but three states, where employees are also taxed. In 1993, state taxes averaged 2.3 percent of taxable wages and 0.9 percent of total wages in covered jobs. Tax rates are experience rated by individual firm to some degree in all states. The 1993 ceilings on taxable yearly wages ranged from $7,000 in thirteen states up to $23,200 in Alaska. Each state program has a federal trust fund account that is credited with its tax receipts.
A federal payroll tax of 0.8 percent on the first $7,000 of each covered worker’s annual wages is levied on employers as authorized by the Federal Unemployment Tax Act (FUTA). The FUTA tax pays for the federal share of the permanent extended benefits (EB) program, federal and state administration of UI, and loans to states that experience insolvency in their trust fund accounts.

Coverage

Federal law indirectly compels state UI programs to cover most jobs. Non-farm jobs are covered for employers with at least one worker in 20 or more weeks or with a quarterly payroll of at least $1,500. Farm jobs are covered for agricultural employers that have at least ten employees in 20 weeks or pay at least $20,000 in quarterly cash wages. Domestic employment is covered for employers that pay cash wages of at least $1,000 quarterly. Federal law directly requires coverage for jobs in state and local governments and most nonprofit organizations. The largest uncovered worker category is the self-employed. UI covers 98 percent of all wage and salary workers.

Eligibility

States determine UI eligibility requirements. Most states require that a worker have covered wages above a minimum level during the first four of the past five calendar quarters to be eligible. The median minimum earnings required in 1993 was $1,390. Nine states require employment by the worker for at least a minimum number of weeks (15 to 20) during the base period. In addition, thirty-four states stipulate that a substantial part of the required minimum earnings fall within one quarter as a criterion of serious attachment to the labor force.

States disqualify workers who leave jobs voluntarily, with all but six states extending the disqualification for the duration of the unemployment spell. Jobless workers are also disqualified for willful misconduct on a job (for the entire spell in fifty jurisdictions), refusal of suitable employment (for the entire spell in forty jurisdictions), a labor dispute (for its duration in fifty-two jurisdictions), fraud, or receipt of disqualifying income. This last disqualification usually results in an offset of UI benefits by some or all of the disqualifying income. Federal law requires that states reduce UI benefits for pension benefits received from a base-period employer and for social security benefits received.

Benefits

UI benefit levels and durations are set in state law. Most states peg benefits to 50 percent of the prior gross wage level, but all states set benefit caps that result in lower wage replacement for those who earn more than the average wage. Benefit maximums in 1993 ranged from $133 a week in Puerto Rico to
$468 a week in Massachusetts (for a worker with dependents). Fourteen states provide supplemental benefits for workers with dependents. All UI benefits are fully taxable as income. A waiting period of one week is applicable in forty-two states; there is no wait in the others.

The UI system was designed to compensate for job loss because of normal business cycles. Thus, regular benefit durations are limited to no more than 26 weeks in all but Massachusetts and Washington, where benefits can last for 30 weeks.

The federal-state EB program, funded 50-50 from federal and state payroll taxes, is automatically triggered in an individual state when its insured unemployment rate over 13 weeks exceeds 5% percent and is at least 120 percent of the rate during the same 13-week period of each of the past two years. At state option, a rate above 6 percent will trigger EB regardless of the relationship to the rates of preceding years. EB provides an additional 13 weeks of benefits. Since March 1993, states can elect to trigger EB when their total unemployment rate exceeds 6.5 percent and is at least 110 percent of the rate in either of the past two years; 20 weeks of benefits are available if the total rate exceeds 8.0 percent. As of July 1995, only seven states had this provision in force as an option. Only Alaska, Puerto Rico, and Rhode Island were paying EB that month.

Since UI was not designed to help displaced workers faced with long-term unemployment and with the need to make career transitions, Congress acted in 1962 to provide special help to workers dislocated by U.S. trade policies. Under the TAA program, workers who are certified as eligible may receive cash benefits and training, and firms may receive technical or financial assistance to cope with import competition. TAA cash benefits are at the same dollar level as UI benefits in the state where the recipient is paid. TAA benefits are paid only after UI benefits expire and are, thus, an extension of the regular UI program. The combined duration of TAA and UI benefits, including any EB or emergency benefits, is limited to 52 weeks (78 weeks in the case of workers engaged in approved training that lasts beyond 52 weeks). To be eligible, a worker must have been employed with a single trade-affected firm during at least 26 of the 52 weeks preceding layoff, must have received wages of at least $30 per week, and must meet the state requirements for UI eligibility.

There is no need-tested benefit integrated with UI. U.S. assistance programs apply differently to different categories of needy people, and benefits in some programs vary widely by state. The assistance program most closely related to UC is the unemployed parent component of the federal-state Aid to Families with Dependent Children (AFDC-U). To qualify for AFDC-U, the unemployed parent must have a minimum work history, meet a test of unemploy-
ment in addition to a need test, and accept work or training as required by the state. Time spent in school can substitute for part of the required work history.

Employment Services

UI beneficiaries are eligible for assistance from the U.S. Employment Service, which maintains listings of available jobs. States are required to identify UI claimants most likely to have long spells of unemployment and to refer them to job search assistance services. Federally funded job training is available from a separate program for dislocated workers under the Job Training Partnership Act. UI can be received while in training only if the state approves the training course for the individual. States can allow UI claimants to start new businesses in lieu of job search.

Workers who receive TAA cash benefits must participate in job training unless exempted by the Secretary of Labor. (Those eligible under special provisions enacted with NAFTA cannot be exempted.) Cash benefits are extended for up to 26 additional weeks when training lasts beyond the normal TAA eligibility period. Special allowances of up to $800 are available to TAA beneficiaries for job search expenses and for relocation expenses.
Appendix 14.B
Major Events in the Development of Unemployment Compensation
### Appendix Table 14B.1 Major Events in the Development of Unemployment Compensation

<table>
<thead>
<tr>
<th>Decade</th>
<th>Canada</th>
<th>France</th>
<th>Germany</th>
<th>Italy</th>
<th>Japan</th>
<th>United Kingdom</th>
<th>United States</th>
</tr>
</thead>
<tbody>
<tr>
<td>Early 1900s</td>
<td>Private contributory unemployment benefit funds organized by trade unions or mutual benefit societies and subsidized by government contributions</td>
<td>Help for members who became unemployed provided by trade unions and voluntary communal insurance funds</td>
<td>Decree issued in 1919 making UI compulsory for most manual workers</td>
<td>First country to legislate a national compulsory UI program with passage of the National Insurance Act of 1911</td>
<td>Cash benefit plans for unemployed organized by trade unions and workmen's associations</td>
<td>First country to legislate a national compulsory UI program with passage of the National Insurance Act of 1911</td>
<td></td>
</tr>
<tr>
<td>1910-1919</td>
<td>European Union scheme established. Benefits provided through funds created and operated locally, subsidized by government revenue</td>
<td>National insurance scheme established. Benefits provided through funds created and operated locally, subsidized by government revenue</td>
<td>Compulsory national UI program established in 1927 for all wage earners and lower-paid salaried employees</td>
<td>UI extended to most workers in industry and commerce in 1920</td>
<td></td>
<td>First country to legislate a national compulsory UI program with passage of the National Insurance Act of 1911</td>
<td></td>
</tr>
<tr>
<td>1920-1929</td>
<td></td>
<td>Compulsory national UI program established in 1927 for all wage earners and lower-paid salaried employees</td>
<td></td>
<td></td>
<td></td>
<td>First country to legislate a national compulsory UI program with passage of the National Insurance Act of 1911</td>
<td></td>
</tr>
</tbody>
</table>

(continued)
<table>
<thead>
<tr>
<th>Decade</th>
<th>Canada</th>
<th>France</th>
<th>Germany</th>
<th>Italy</th>
<th>Japan</th>
<th>United Kingdom</th>
<th>United States</th>
</tr>
</thead>
<tbody>
<tr>
<td>1930-1939</td>
<td>Employment and Social Insurance Act passed in 1935. UI program funded by tax revenue from employers, employees, and government. Law found unconstitutional and never implemented</td>
<td>Decree issued in 1939 extending UI, financed through employer taxes and general government revenue, administered by the National Social Insurance Institute (INPS)</td>
<td></td>
<td></td>
<td>Unemployment Insurance Law enacted in 1947 established first compulsory UI scheme in country</td>
<td>UI benefits limited following financial strain on government in the mid-1930s. Means-tested UA program initiated</td>
<td>UI established by the Social Security Act of 1935 as a federal-state program to provide temporary financial aid and maintain consumer spending in recessions</td>
</tr>
<tr>
<td>1940-1949</td>
<td>Unemployment Insurance Act of 1940 established compulsory UI program and National Employment Service to operate in conjunction. Program administered by Unemployment Insurance Commission</td>
<td>Social security established Unemployment not regarded as insurable risk</td>
<td></td>
<td>The Fund for Supplemental Earnings (CIG) instituted in 1941 to guarantee part of the pay of workers and salaried staff whose pay was threatened by reduced work under certain circumstances Fund financed through employer taxes to the INPS</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1950-1959</td>
<td>1940 UI Act repealed and replaced by Unemployment Insurance Act of 1955 Designed to make UI more effective, expanded coverage, eased qualifying conditions, increased benefit rates, lengthened duration, and increased allowable earnings</td>
<td>Private contributory plans nearly extinct Legislation enacted in 1951 to improve existing programs and provide work projects for the unemployed Following a national labor-management agreement in 1958, UI scheme established to provide coverage to all firms belonging to trade associations or interoccupational organizations affiliated with the National Council of French Employers (CNPF)</td>
<td>Federal Institution for Placement and Unemployment Insurance established in 1952 to administer UI</td>
<td>Temporary Unemployment Compensation program enacted in 1958 providing one-half of regular benefit entitlement up to 13 weeks, financed through federal loans to states</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decade</td>
<td>Canada</td>
<td>France</td>
<td>Germany</td>
<td>Italy</td>
<td>Japan</td>
<td>United Kingdom</td>
<td>United States</td>
</tr>
<tr>
<td>----------</td>
<td>--------</td>
<td>--------</td>
<td>---------</td>
<td>-------</td>
<td>-------</td>
<td>----------------</td>
<td>---------------</td>
</tr>
<tr>
<td>1960-1969</td>
<td></td>
<td>UI made compulsory in 1967, extending to all workers in industrial and commercial sectors. Administered by joint labor-management bodies at the national and regional levels (the UNEDIC and the ASSEDIC), scheme was private contributory insurance program receiving no government funds. Public means-tested UA extended to cover unemployed in all regions.</td>
<td>1927 Act replaced by Employment Promotion Act (AFG) in 1969, providing UI benefits financed by earnings-based payroll taxes and means-tested UA for those ineligible for UI or who have exhausted UI, financed by government funds. Act provides job training and other benefits. Complemented by the Federal Social Assistance Act to aid those not entitled to UI or UA.</td>
<td>Special UI established in 1968 to aid those made redundant by sectoral or local economic crises. Additive to basic UI, financed with government funds, and administered by INPS.</td>
<td>UA merged into a general supplementary benefit system in 1966. Earnings Related Supplement (ERS) also introduced, based on prior-year earnings, supplemented flat-rate UI benefits for up to 6 months.</td>
<td>Temporary Extended Unemployment Compensation passed in 1961, providing one-half of regular benefit up to 13 weeks, financed by a temporary increase in FUTA tax. TAA authorized to compensate workers displaced by import competition.</td>
<td></td>
</tr>
</tbody>
</table>
1970-1979
Unemployment
Insurance Act of
1971 enacted
Intended to make
UI compatible
with other social
security
programs, included
universal coverage, eased
eligibility, and
offered new
benefits in case of
sickness, maternity, and
retirement
Distinguished
between
claimants with
major labor force
attachment
eligible for
regular benefits
and those with
minor attachment
eligible for
special benefits
(sickness, maternity, job
training)

Government
established
unified UI system
in 1979, financed
by earnings-based
taxes and
government funds

As of 1977, an
unemployed
person who
cannot find a job
comparable to the
one from which
terminated must
accept another job
after 4 months if
pay is at least 80% of
former wage

New rules
established for
basic benefits
paid by the
Earnings
Supplemental
Fund

Old law replaced
by employment
insurance system
in 1975 Program
designed to
provide income
security for
unemployed
persons and
contribute to a
national
workforce policy.
Emphasizes
continuous skill
development for
all workers

UC restructured
in 1975 New
scheme based on
earnings-related
payroll tax paid
by both
employers and
employees, but
benefit still a flat-
rate award

Permanent
extended benefits
program
established in
1970, providing
up to 13 weeks of
benefits, financed
equally by FUTA
tax and state taxes

Emergency
Unemployment
Compensation
Act in 1971
temporarily
extended benefits
for up to an
additional 13
weeks, financed
by FUTA tax

Temporary
supplemental
benefits passed in
1974 provided up
to 26 weeks of
benefits, financed
through FUTA
tax and federal
general funds

TAA eligibility
rules eased and
benefits
liberalized in
1974

(continued)
<table>
<thead>
<tr>
<th>Decade</th>
<th>Canada</th>
<th>France</th>
<th>Germany</th>
<th>Italy</th>
<th>Japan</th>
<th>United Kingdom</th>
<th>United States</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980-1989</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>ERS abolished in 1982, leaving only basic flat-rate benefit and supplementary benefit system</td>
<td>Eligibility for EB and TAA tightened in 1981</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Dual UI-UA system restored in 1984 following failure of unified scheme, consists of UI, financed by payroll taxes on employees and employers and administered jointly by UNEDIC-ASSEDIC, and a revamped UA &quot;solidarity&quot; scheme, financed by general government funds</td>
<td></td>
<td></td>
<td></td>
<td>Federal Supplemental Compensation passed in 1982, extended benefits temporarily, durations varying by state unemployment. Benefits financed by federal general funds</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>TAA claimants required by 1988 act to undergo job retraining unless waived</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1990-1993</td>
<td>Bill C-21 passed in 1990. Intended to increase private-sector training and make UI more responsive to needs of jobless, reduced the maximum benefit period in most regions, extended coverage to workers over 65, provided for a multi-tier special benefit structure, and encouraged greater use of program funds for experiments. Government no longer contributes general funds to UI</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Benefits and financing restructured; disqualification period for voluntary quits lengthened</td>
<td>UC system established temporarily for former GDR, consisted of flat-rate benefit plus redundancy allowance. UI payroll tax rate raised, benefit duration increased</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1991 law imposed new restrictions on special UI benefits to avoid overuse by employers with surplus workers</td>
<td>UI payroll tax rate increased for employers, reduced for employees</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disqualification period lengthened for those jobless voluntarily or due to misconduct</td>
<td>Temporary Emergency Unemployment Compensation (EUC) passed in 1991 to provide additional benefits to those who exhausted UI and EB, financed by FUTA taxes. More liberal trigger for EB permitted at state option in 1992 law. Job search assistance required by 1992 law for UC claimants likely to be long-term unemployed</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Appendix 14.C
Backup Tables for Charts
## Table 14C.1 Public Expenditures for UC Programs in the G-7 Nations, Fiscal Years Beginning in 1970-1993

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada</td>
<td>1.67</td>
<td>2.76</td>
<td>2.32</td>
<td>1.87</td>
<td>1.86</td>
<td>1.64</td>
<td>1.57</td>
<td>1.91</td>
<td>2.28</td>
<td>2.25</td>
<td>2.00</td>
<td></td>
</tr>
<tr>
<td>France</td>
<td>0.32</td>
<td>0.78</td>
<td>1.46</td>
<td>1.20</td>
<td>1.24</td>
<td>1.31</td>
<td>1.31</td>
<td>1.27</td>
<td>1.31</td>
<td>1.47</td>
<td>1.61</td>
<td>NA</td>
</tr>
<tr>
<td>Germany^a</td>
<td>0.40</td>
<td>1.49</td>
<td>1.12</td>
<td>1.41</td>
<td>1.31</td>
<td>1.34</td>
<td>1.34</td>
<td>1.20</td>
<td>1.09</td>
<td>1.51</td>
<td>1.51</td>
<td>2.02</td>
</tr>
<tr>
<td>Italy</td>
<td>0.18</td>
<td>0.45</td>
<td>0.47</td>
<td>0.75</td>
<td>0.57</td>
<td>0.49</td>
<td>0.40</td>
<td>NA</td>
<td>0.55</td>
<td>0.60</td>
<td>0.64</td>
<td>NA</td>
</tr>
<tr>
<td>Japan</td>
<td>0.27</td>
<td>0.48</td>
<td>0.40</td>
<td>NA</td>
<td>NA</td>
<td>0.40</td>
<td>0.43</td>
<td>0.34</td>
<td>0.22</td>
<td>0.23</td>
<td>0.26</td>
<td>NA</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>0.47</td>
<td>0.70</td>
<td>0.94</td>
<td>2.01</td>
<td>1.93</td>
<td>1.56</td>
<td>1.10</td>
<td>0.84</td>
<td>0.95</td>
<td>1.38</td>
<td>1.28</td>
<td>1.23</td>
</tr>
<tr>
<td>United States</td>
<td>0.42</td>
<td>1.18</td>
<td>0.62</td>
<td>0.61</td>
<td>0.56</td>
<td>0.51</td>
<td>0.44</td>
<td>0.47</td>
<td>0.49</td>
<td>0.68</td>
<td>0.61</td>
<td>0.45</td>
</tr>
</tbody>
</table>

Public expenditures for UC as percentage of GDP per percentage point of unemployment

<table>
<thead>
<tr>
<th>Nation</th>
<th>0.29</th>
<th>0.40</th>
<th>0.31</th>
<th>0.17</th>
<th>0.20</th>
<th>0.19</th>
<th>0.20</th>
<th>0.21</th>
<th>0.24</th>
<th>0.22</th>
<th>0.20</th>
<th>0.18</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>0.13</td>
<td>0.19</td>
<td>0.23</td>
<td>0.12</td>
<td>0.12</td>
<td>0.12</td>
<td>0.13</td>
<td>0.13</td>
<td>0.14</td>
<td>0.15</td>
<td>0.15</td>
<td>NA</td>
</tr>
<tr>
<td>Germany^a</td>
<td>0.80</td>
<td>0.44</td>
<td>0.40</td>
<td>0.20</td>
<td>0.20</td>
<td>0.21</td>
<td>0.21</td>
<td>0.21</td>
<td>0.22</td>
<td>0.34</td>
<td>0.32</td>
<td>0.35</td>
</tr>
<tr>
<td>Italy</td>
<td>0.06</td>
<td>0.13</td>
<td>0.11</td>
<td>0.12</td>
<td>0.08</td>
<td>0.06</td>
<td>0.05</td>
<td>NA</td>
<td>0.08</td>
<td>0.09</td>
<td>0.09</td>
<td>NA</td>
</tr>
<tr>
<td>Japan</td>
<td>0.22</td>
<td>0.25</td>
<td>0.20</td>
<td>NA</td>
<td>NA</td>
<td>0.14</td>
<td>0.17</td>
<td>0.15</td>
<td>0.10</td>
<td>0.11</td>
<td>0.12</td>
<td>NA</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>0.15</td>
<td>0.15</td>
<td>0.13</td>
<td>0.18</td>
<td>0.17</td>
<td>0.15</td>
<td>0.13</td>
<td>0.12</td>
<td>0.14</td>
<td>0.16</td>
<td>0.13</td>
<td>0.12</td>
</tr>
<tr>
<td>United States</td>
<td>0.09</td>
<td>0.14</td>
<td>0.09</td>
<td>0.08</td>
<td>0.08</td>
<td>0.08</td>
<td>0.08</td>
<td>0.09</td>
<td>0.09</td>
<td>0.10</td>
<td>0.08</td>
<td>0.07</td>
</tr>
</tbody>
</table>


NOTE: NA means not available.

a. Data before 1991 for Germany exclude the eastern states. For 1991 and later, data are for the unified Germany.
<table>
<thead>
<tr>
<th>Year</th>
<th>Canada</th>
<th>France</th>
<th>Germany</th>
<th>Italy</th>
<th>Japan</th>
<th>U.K.</th>
<th>U.S.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970</td>
<td>5.7</td>
<td>2.5</td>
<td>0.5</td>
<td>3.2</td>
<td>1.2</td>
<td>3.1</td>
<td>4.9</td>
</tr>
<tr>
<td>1971</td>
<td>6.2</td>
<td>2.8</td>
<td>0.6</td>
<td>3.3</td>
<td>1.3</td>
<td>3.9</td>
<td>5.9</td>
</tr>
<tr>
<td>1972</td>
<td>6.2</td>
<td>2.9</td>
<td>0.7</td>
<td>3.8</td>
<td>1.4</td>
<td>4.2</td>
<td>5.6</td>
</tr>
<tr>
<td>1973</td>
<td>5.5</td>
<td>2.8</td>
<td>0.7</td>
<td>3.7</td>
<td>1.3</td>
<td>3.2</td>
<td>4.9</td>
</tr>
<tr>
<td>1974</td>
<td>5.3</td>
<td>2.9</td>
<td>1.6</td>
<td>3.1</td>
<td>1.4</td>
<td>3.1</td>
<td>5.6</td>
</tr>
<tr>
<td>1975</td>
<td>6.9</td>
<td>4.2</td>
<td>3.4</td>
<td>3.4</td>
<td>1.9</td>
<td>4.6</td>
<td>5.6</td>
</tr>
<tr>
<td>1976</td>
<td>7.1</td>
<td>4.6</td>
<td>3.4</td>
<td>3.9</td>
<td>2.0</td>
<td>5.9</td>
<td>7.7</td>
</tr>
<tr>
<td>1977</td>
<td>8.1</td>
<td>5.2</td>
<td>3.4</td>
<td>4.1</td>
<td>2.0</td>
<td>6.4</td>
<td>7.1</td>
</tr>
<tr>
<td>1978</td>
<td>8.3</td>
<td>5.4</td>
<td>3.3</td>
<td>4.1</td>
<td>2.3</td>
<td>6.3</td>
<td>6.1</td>
</tr>
<tr>
<td>1979</td>
<td>7.4</td>
<td>6.1</td>
<td>2.9</td>
<td>4.4</td>
<td>2.1</td>
<td>5.4</td>
<td>5.8</td>
</tr>
<tr>
<td>1980</td>
<td>7.5</td>
<td>6.5</td>
<td>2.8</td>
<td>4.4</td>
<td>2.0</td>
<td>7.0</td>
<td>7.1</td>
</tr>
<tr>
<td>1981</td>
<td>7.5</td>
<td>7.6</td>
<td>4.0</td>
<td>4.9</td>
<td>2.2</td>
<td>10.5</td>
<td>7.6</td>
</tr>
<tr>
<td>1982</td>
<td>11.0</td>
<td>8.3</td>
<td>5.6</td>
<td>5.4</td>
<td>2.4</td>
<td>11.3</td>
<td>9.7</td>
</tr>
<tr>
<td>1983</td>
<td>11.8</td>
<td>8.6</td>
<td>6.9</td>
<td>5.9</td>
<td>2.7</td>
<td>11.8</td>
<td>9.6</td>
</tr>
<tr>
<td>1984</td>
<td>11.2</td>
<td>10.0</td>
<td>7.1</td>
<td>5.9</td>
<td>2.8</td>
<td>11.8</td>
<td>7.5</td>
</tr>
<tr>
<td>1985</td>
<td>10.5</td>
<td>10.5</td>
<td>7.2</td>
<td>6.0</td>
<td>2.6</td>
<td>11.2</td>
<td>7.2</td>
</tr>
<tr>
<td>1986</td>
<td>9.5</td>
<td>10.6</td>
<td>6.6</td>
<td>7.5</td>
<td>2.8</td>
<td>11.2</td>
<td>7.0</td>
</tr>
<tr>
<td>1987</td>
<td>8.8</td>
<td>10.8</td>
<td>6.3</td>
<td>7.9</td>
<td>2.9</td>
<td>10.3</td>
<td>6.2</td>
</tr>
<tr>
<td>1988</td>
<td>7.8</td>
<td>10.3</td>
<td>6.3</td>
<td>7.9</td>
<td>2.5</td>
<td>8.6</td>
<td>5.5</td>
</tr>
<tr>
<td>1989</td>
<td>7.5</td>
<td>9.6</td>
<td>5.7</td>
<td>7.8</td>
<td>2.3</td>
<td>7.3</td>
<td>5.3</td>
</tr>
<tr>
<td>1990</td>
<td>8.1</td>
<td>9.1</td>
<td>5.0</td>
<td>7.0</td>
<td>2.1</td>
<td>6.9</td>
<td>5.5</td>
</tr>
<tr>
<td>1991</td>
<td>10.3</td>
<td>9.6</td>
<td>4.4</td>
<td>6.9</td>
<td>2.1</td>
<td>8.8</td>
<td>6.7</td>
</tr>
<tr>
<td>1992</td>
<td>11.3</td>
<td>10.4</td>
<td>4.7</td>
<td>7.3</td>
<td>2.2</td>
<td>10.0</td>
<td>7.4</td>
</tr>
<tr>
<td>1993</td>
<td>11.2</td>
<td>11.2a</td>
<td>5.8a</td>
<td>10.3a</td>
<td>2.4a</td>
<td>10.4</td>
<td>6.8</td>
</tr>
</tbody>
</table>


a Based on data for first three quarters.
NOTES

This is an update of an earlier report (CRS Report for Congress No. 92-622-EPW) originally prepared at the request of the Senate Committee on Finance and the House Committee on Ways and Means. It was first published as a Joint Committee Print (S. Pt 102-88, WMCP 102-41) in April 1992. With the permission of the Committees, the report was made available for general congressional use.

1. Abbreviations of currency names used in this chapter are as follows: £-British pounds, $C-Canadian dollars, F-French francs; DM-German marks, L-Italian lira, Y-Japanese yen, K-Swedish kronor, $-U.S. dollars

2. These exchange rates were as follows: 1 British pound = $1.481; 1 Canadian dollar = $0.779; 1 French franc = $0.167; 1 German mark = $0.575; 1 Italian lira = $0.000619; 1 Japanese yen = $0.00944, 1 Swedish kronor = $0.121. In some charts, the following abbreviations are used. Canada = CAN; France-FRA, Germany-GER, Italy-ITA, Japan-JPN; United Kingdom-GBR; United States-USA; Massachusetts-MA, Mississippi-MS


4. The U.S. system operates in each of the fifty states plus the District of Columbia, Puerto Rico, and the Virgin Islands.

5. This discussion refers to the nominal tax rates applied to employee paychecks. The actual incidence of employer and employee taxes is not addressed. Many economists believe that payroll taxes on employers ultimately are borne by employees in the form of lower wages.

6. The share of the U.K. program paid from employee taxes could not be determined.

7. The international literature classifies the United States as a nation without a UA program. However, in 1990 federal legislation mandated that all state welfare systems provide Aid to Families with Dependent Children (AFDC) to families with an unemployed parent. In the states affected by this mandate, such aid may be denied for families that have received benefits in at least 6 of the preceding 12 months. The program is administered by welfare agencies and is financed by state funds and federal formula matching grants.

8. No comparable figures were obtained for Japan.

9. A few state programs in the United States use higher wage replacement rates at lower wage levels in computing benefits.

10. The program in Puerto Rico has a lower UI benefit maximum than does any state program.

11. The insured unemployment rate is the proportion of workers claiming UI benefits of total workers covered by UI.

12. The total unemployment rate is the proportion of the total civilian labor force that is unemployed and seeking work.

13. In 1993, South Africa was still under its apartheid system, which excluded lower-paid black workers from UI coverage.

14. The taxable wage ceiling is DM63,600 ($36,570) in the former GDR.

15. It should be noted that wage figures used by the Japanese program for benefit computation exclude overtime pay and bonuses, which together constitute nearly one-third of total cash compensation in Japan.

16. The benefit for individuals ages 18-24 with no children is £34.80 ($51.54).

17. In March 1995, the House of Representatives passed legislation to repeal AFDC and provide grants to states for welfare programs of their own design. Similar legislation was under consideration by the Senate for action during the 104th Congress.
References


