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► Policy Note

Selection of policy options for unemployment and maternity benefits in Uzbekistan to support the transition from informal to formal employment



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Selection of policy options for unemployment and maternity benefits in Uzbekistan to support the transition from informal to formal employment

Development Pathways

May 2023

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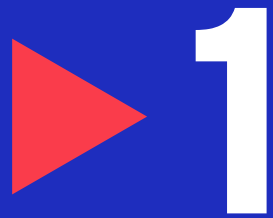
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► Table of Contents

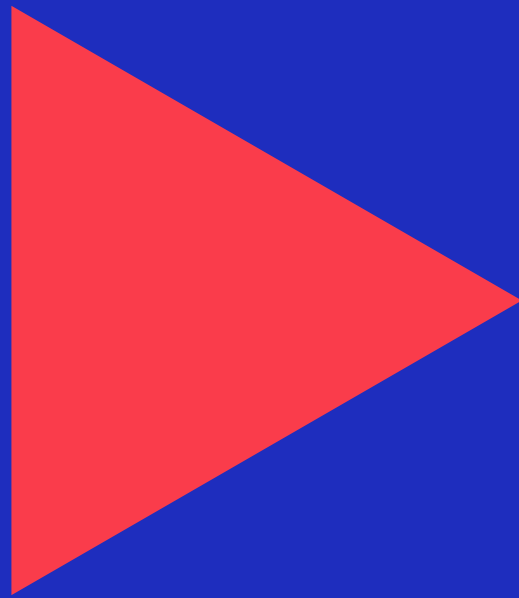
Acronyms	2
1. Introduction	3
2. Theory of change – addressing informality from multiple entry points	5
3. Social protection gaps as both consequence and cause of informality	9
3.1 Maternity benefits in Uzbekistan	14
3.2 Unemployment benefits in Uzbekistan	16
4. Designing benefits for people in working age – a focus on unemployment and maternity	19
4.1 Scheme design – overall approach	20
4.2 Options for maternity and unemployment benefits in Uzbekistan	21
4.2.1 Reform of maternity benefits package	21
4.2.2 Reform of unemployment benefits	26
4.2.3 Setting adequate transfer values for tax-financed maternity and unemployment benefits	30
4.2.4 Potential costs of tax-financed maternity and unemployment benefits in a multi-tiered framework	31
5. Way forward	37
Bibliography	41
Annex	43
Annex 1. ILO Theory of Change: Transition for informal to formal employment.....	44
Annex 2. Tax financed unemployment benefits around the world.....	45
Annex 3. Overview of maternity, paternity and parental leave protections around the world.....	50

► Acronyms

GDP	Gross Domestic Product
EPC	Employment Promotion Centre
ILO	International Labour Organization
MoELR	Ministry of Employment and Labour Relations
NSPS	National Strategy for Social Protection
NUNDS	New Uzbekistan National Development Strategy
TOC	Theory of Change
UZS	Uzbekistan Soms (currency)



Introduction

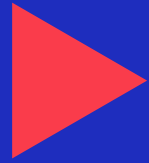


Development Pathways was contracted by the International Labour Office to undertake the assignment titled **Transition from informal to formal employment: Extension of social protection schemes (maternity and unemployment) in Kyrgyzstan and Uzbekistan** under the direct supervision of the International Labour Organization (ILO) Decent Work Technical Support Team and Country Office for Eastern Europe and Central Asia.

The purpose of this policy note is to document the rationale for and process surrounding the selection of options for an improved maternity and unemployment benefit system in Uzbekistan. The proposed system aims to ensure that everyone has access to a basic level of income security during these contingencies, while also encouraging formalisation. Indeed, social protection is more than an outcome of formalisation – it is also a key enabler. The Government has expressed a clear intention to improve the situation for those in informal employment through the commitment to develop a National Strategy on Transition from Informal to Formal Economy of the Republic of Uzbekistan. A well-designed maternity and unemployment system would play a crucial role in supporting the transition from informal to formal economy in Uzbekistan, where social protection is already understood to be a key component of a broader National Development Strategy 2022-2026.

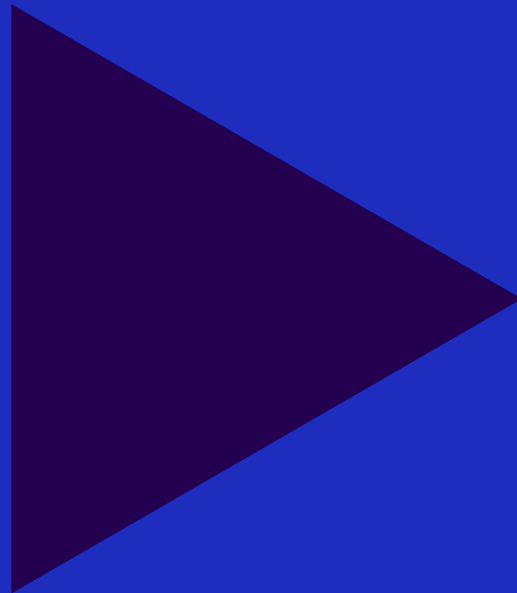
Section 2 examines the theory of change for addressing informality from multiple entry points, including social protection. Section 3 reviews the key gaps in social protection provisioning for people of working age in Uzbekistan and their relationship with informality. Section 4 presents the policy reform options for (1) maternity benefits and (2) unemployment benefits, and Section 5 concludes with a brief word on the way forward, summarising key points of discussion from the April 2023 policy workshop.

1 “Concept note for drafting National strategy on Transition from Informal to Formal Economy of the Republic of Uzbekistan”.



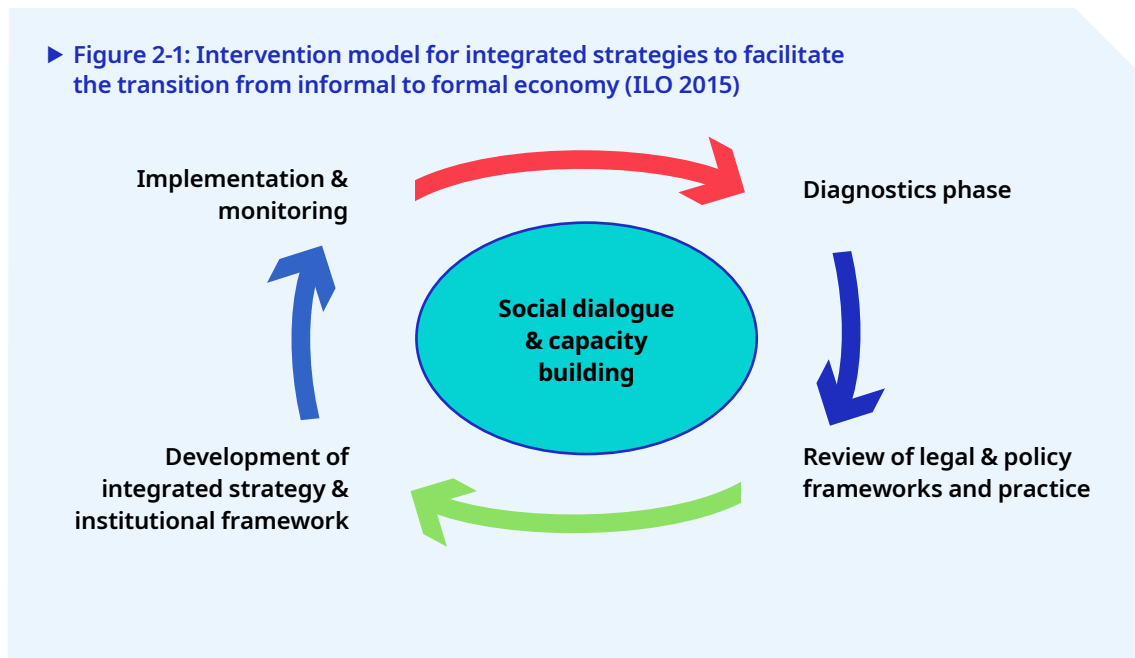
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**Theory of change –
addressing informality
from multiple
entry points**



This assignment is based on the principles expressed in the ILO's Theory of Change (TOC) on the Transition from Informal to Formal Employment (Annex 1),² which articulates the pathways through which countries can implement ILO Recommendation No. 204. The TOC builds on the ILO's (2015) Intervention model for integrated strategies to facilitate the transition from informal to formal economy, depicted in Figure 2 1.³ Drawing on the TOC and intervention model, this assignment focuses on three key aspects of supporting the transition::

- Understanding informality (diagnosis)
- Improving and leveraging social protection systems to support the transition
- Facilitating social dialogue to identify collective solutions



Understanding the size and nature of informality, including from a gender perspective, is key to design appropriate tools to address it. As noted, this assignment reflected upon existing knowledge and generated new knowledge – through additional analysis of labour force surveys. The analysis of informality was presented in a gender-responsive diagnostics report. Notably, this analysis has enabled a greater understanding of the contributory capacity of the informally employed population, which has helped shape expectations around the financing structure of potential maternity and unemployment schemes as well as inform broader understanding of the potential and limitations of risk pooling

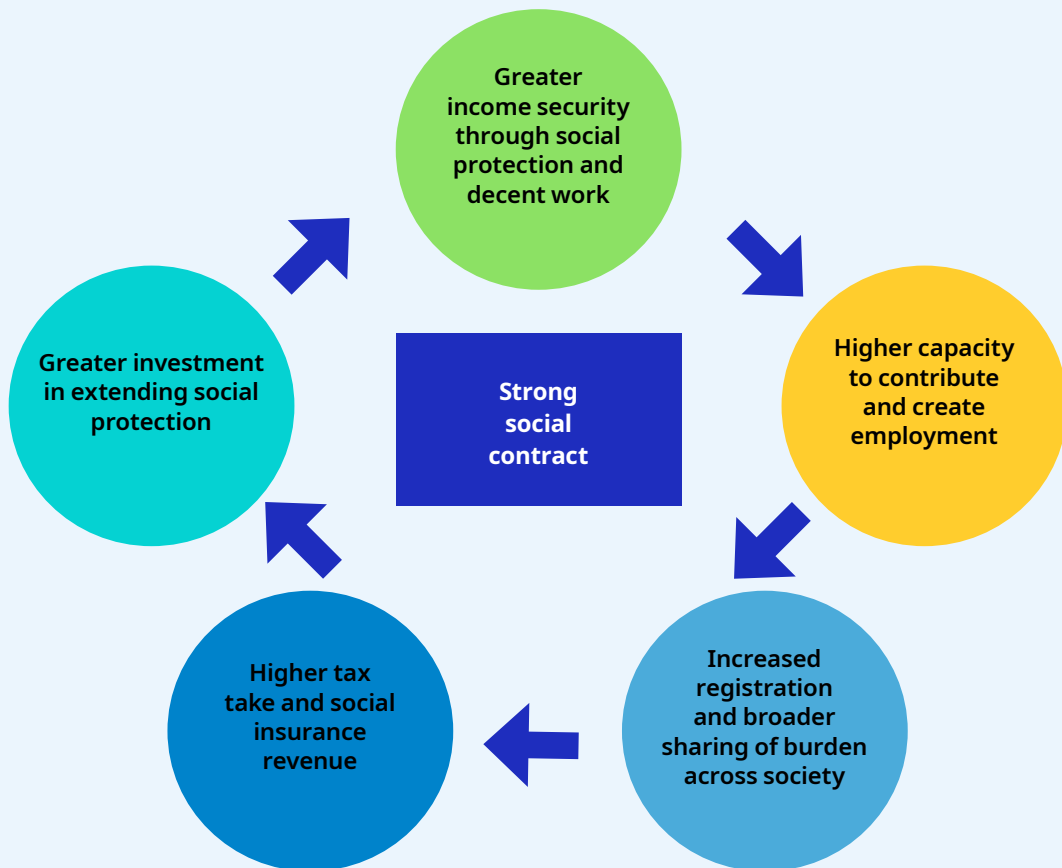
2 ILO (2021a).

3 ILO (2015).

mechanisms, like social insurance, and multi-tiered designs for the development of the social protection system in Uzbekistan.

Social protection is more than an outcome of formalisation – it is a key enabler. Social protection and formality are, in fact, mutually reinforcing components of a strong social contract (see Figure 2-2). There are multiple entry points for addressing formalisation. Within this task, the focus is on developing proposals for specific social protection policies that can facilitate the transition from informal to formal employment. The selection of these critical policy areas – maternity benefits and unemployment benefits – are based on international standards and best practices to directly address prime lifecycle risks faced by people in working age. If well designed, these schemes can make systems more attractive for workers, more affordable for employers, and more sustainable, with knock-on effects for registration of firms and tax collection.

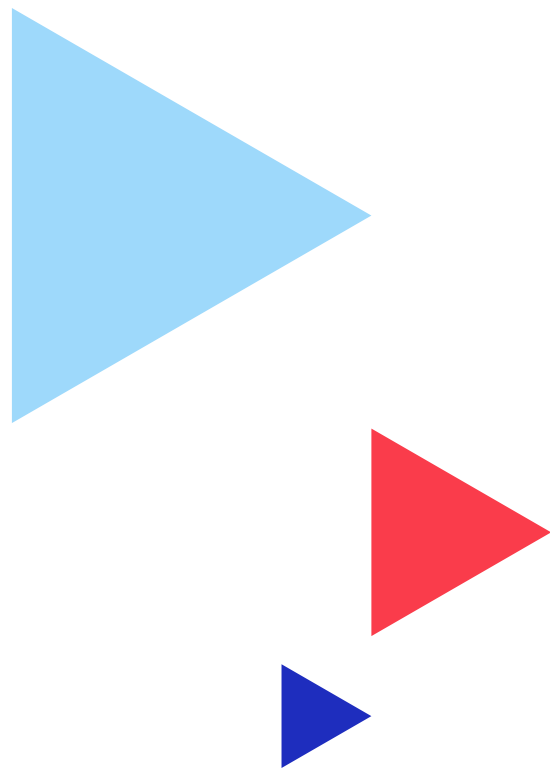
► Figure 2-2: Mutually reinforcing components of a strong social contract

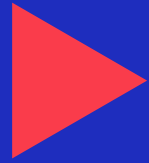


Source: Authors' depiction.

The ILO's TOC also emphasises the role of social dialogue. The inter-agency working group convened to guide this process represents key stakeholders in Uzbekistan in navigating the successful transition from informal to formal economy. They were engaged at key points in the process of designing and selecting schemes and policies that will facilitate the transition.

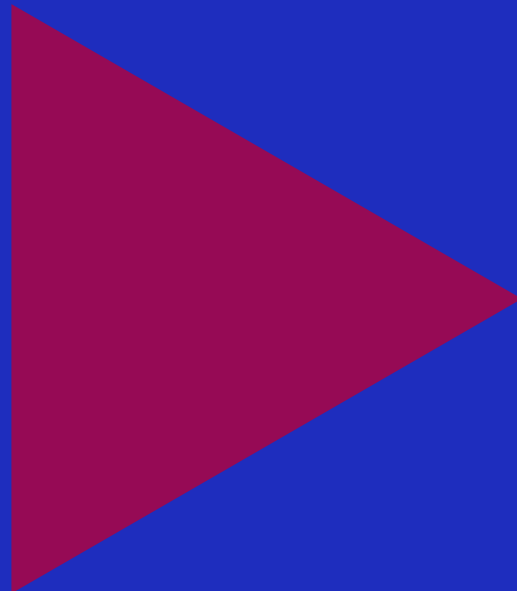
The process of selecting the most appropriate design for mechanisms to reach informally employed workers in Uzbekistan has been informed by international standards, as previously described, but also by international experiences and best practices. Policy discussions consistently made reference to the prevalence of unemployment and maternity schemes globally, their legally covered populations (including initiatives to extend coverage to those who previously lacked coverage), the source and structure of financing systems, the level of benefits and the administrative arrangements for delivering benefits.





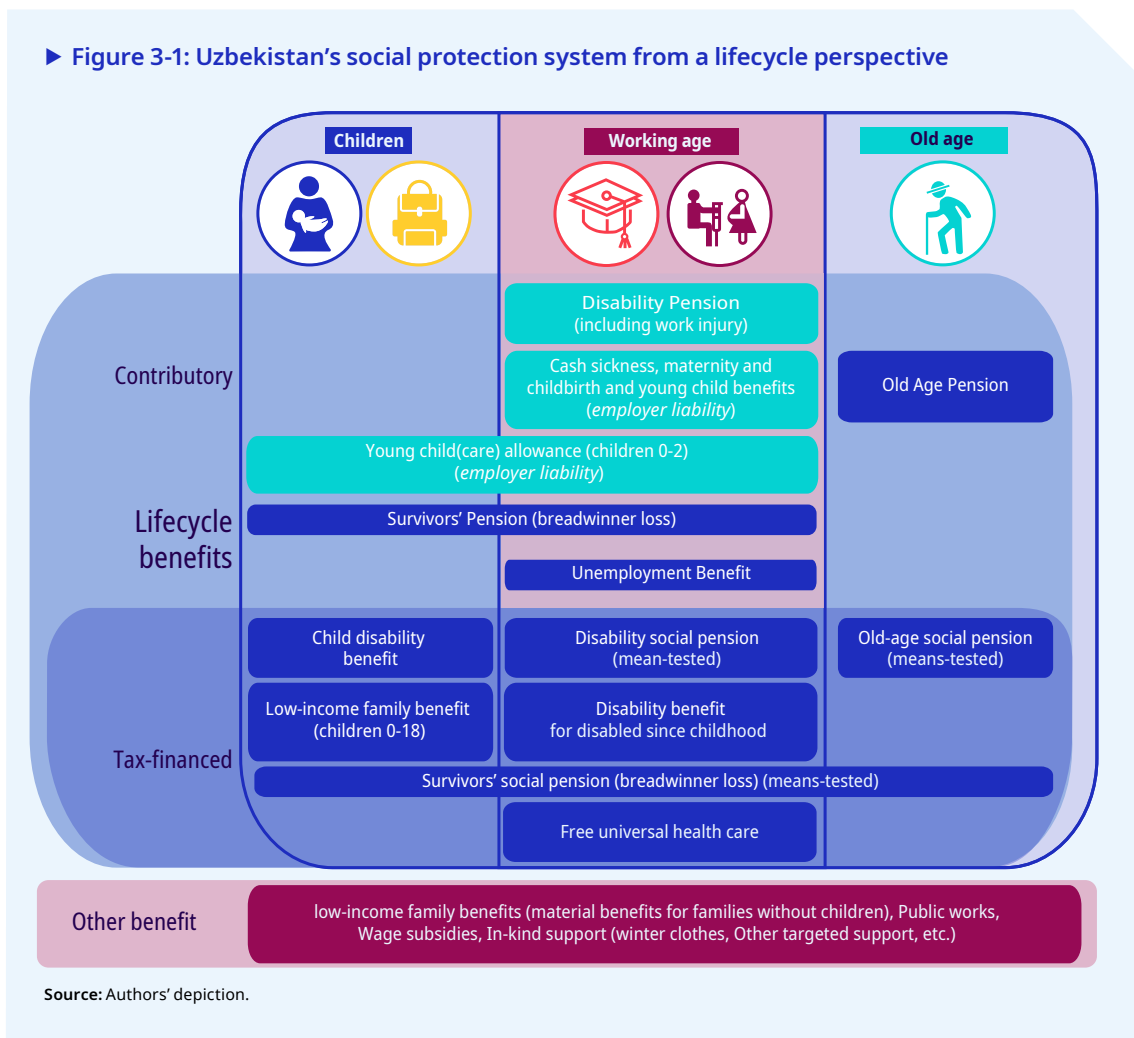
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**Social protection
gaps as both
consequence and
cause of informality**



From the Soviet period, Uzbekistan inherited a social security foundation based on principles of full employment, universal childcare, and income security in old age (financed through social insurance). Uzbekistan’s social security system has undergone significant reform in recent decades – retaining an insurance based system in the case of old-age, disability and survivors and some tax-financed schemes for those outside of the contributory system, but these are largely means-tested. The means-tested tax-financed schemes available include the one-off child-birth grant and child benefit (for children under two years) for women that are not in paid work and a family benefit for low-income households with children aged 2-18 years.⁴ There are also means-tested social pensions for disability and old age. Overall, there are currently over 30 social security schemes including social insurance, employer liability, tax-financed schemes, social care services and labour market interventions. Uzbekistan’s current system consists of schemes that are financed through a mix of social insurance, employer liability and the general government budget (public sector firms and tax-financed social protection).

Figure 3-1 shows the main components of the current system. It also highlights key gaps in lifecycle provision.⁵



4 ILO, UNICEF and World Bank (2020).

5 ILO, UNICEF and World Bank (2020).

In terms of investment, Uzbekistan spends more than most other lower middle-income countries on social protection. The main social protection programmes with substantial funding from the national budget are contributory pensions (old-age and disability pensions), and basic and mandatory health insurance. Investment in tax-financed programmes has historically been limited but grown in recent years, increasing from 0.9 per cent of GDP in 2019 to 1.5 per cent of GDP in 2021 (with the number of beneficiary households rising significantly during the COVID-19 pandemic) and increasing again to 2.0 per cent of GDP in 2022.⁶ Overall, IMF projections estimate that the level of investment in social protection will constitute 6.5 per cent of GDP in 2023.⁷

The coverage of the social protection system reflects the higher level of investment in old age benefits, with near-universal coverage among older persons but much lower coverage among younger cohorts, including children and people of working age. Coverage is particularly low among mothers with newborns and the unemployed.⁸ Overall, the latest ILO estimates suggest that approximately 51 per cent of the population in Uzbekistan are covered by at least one social protection benefit.⁹

The majority of old age pensions in Uzbekistan are provided through social insurance, owing to a legacy of high levels of public sector employment, with much higher replacement rates than the benefits provided by the poverty-targeted tax-financed old age pension. This high investment in old-age pensions through the social insurance system has paid off. Even though it is not their primary intended purpose, pensions account for most of this poverty reduction in Uzbekistan. Analysis conducted by UNICEF in 2019 estimated that old age benefits contributed to over three-quarters (77 per cent) of the impact of the overall social protection system on national poverty reduction and contributed to 70 per cent of its impact on the reduction on the national poverty gap, illustrating the wide-reaching impacts of a strong social insurance system.¹⁰

Indeed, this is largely thanks to Uzbekistan's multi-tiered pension system depicted in Figure 3-2, which achieves high coverage by design. Under a multi-tiered system, in theory, the Tier 1 (social pension) should provide an **adequate, guaranteed benefit** to older persons, persons with disability and survivors and is financed from general taxation. When it is designed to be pension-tested, the tax-financed benefit is withdrawn entirely if someone is in receipt of a contributory pension. The higher rate Tier 2 benefits (mandatory social insurance) are for those who are required and able to make social insurance contributions and should reduce disincentives to enter the social insurance system since all recipients of contributory pensions would always receive more than from the tax-financed social pension alone. Cross-subsidisation within the social insurance system should help to reduce inequalities between higher earners and lower earners in their old age. Tier 3 (mandatory individual accounts) serves as **supplemental income** based on additional contributions that are tightly linked to a worker's earnings.

However, the means-tested design of the tax-financed old age pension in Tier 1 – which is supposed to provide an adequate guaranteed benefit under a multi-tiered system – creates the risk of a growing coverage gap. While means-tested old age pensions may have been sufficient under conditions of full employment, growing informalisation (which is reducing the number of people contributing to social insurance) means the coverage gap is likely to increase over time without reform.

6 IMF (2022).

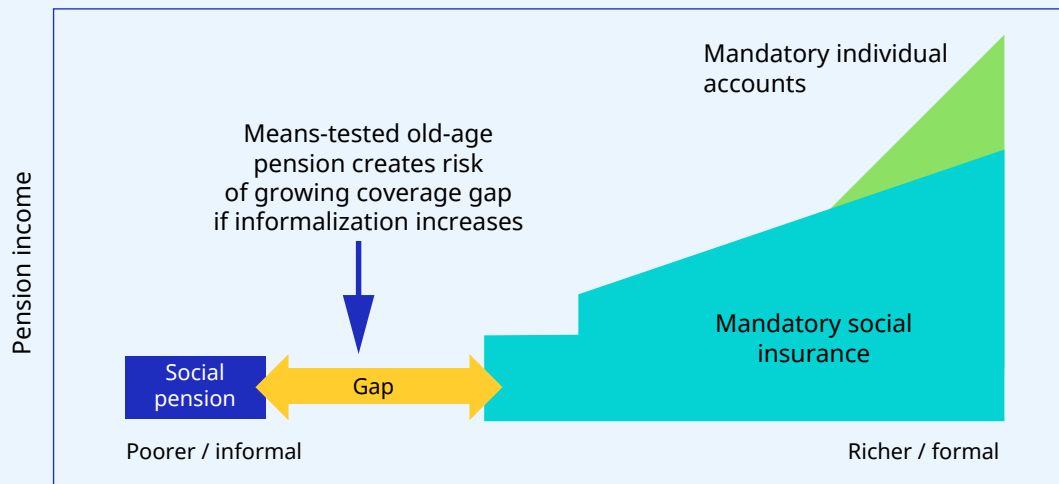
7 IMF (2022).

8 ILO (2021b).

9 ILO Social Security Inquiry Database (forthcoming).

10 UNICEF (2019).

► Figure 3-2: Model of Uzbekistan's old-age, disability and survivors' benefits



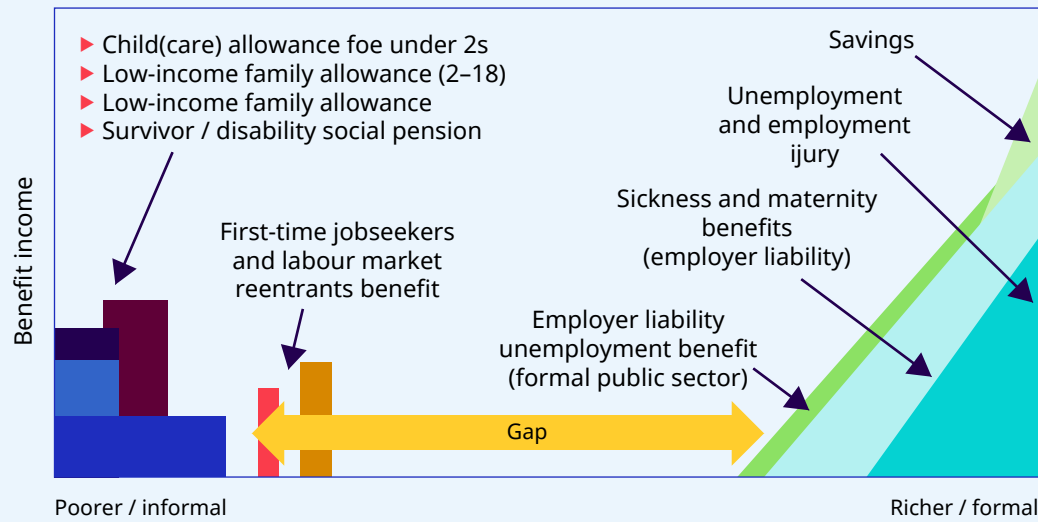
Source: Authors' depiction.

Unfortunately, due to increasing levels of informality and system design, the majority of people in working age are not afforded the same security when they face common risks, which poses a threat for the future sustainability of the pension system. There are several benefits available to working age persons in Uzbekistan and the Government has shown strong commitment to increasing protection of this lifecycle group in the recent National Strategy for Social Protection (NSSP). The NSSP outlines objectives to introduce maternity, temporary disability and unemployment benefits under a strengthened social insurance system, extend maternity and unemployment benefits to identified priority groups of workers in informal economy, ratify ILO Social Security (Minimum Standards) Convention No. 102 and Maternity Protection Convention No. 183 and strengthen public works programmes and active labour market measures to address the needs of specific groups that are disadvantaged.¹¹

However, the bifurcated system of benefits that are currently available to working age persons and their families in Uzbekistan (see Figure 3-3) leaves out many who neither receive employment-based entitlements nor are eligible for social assistance – often referred to as the “missing middle”. For example, the child and family allowances have low coverage, due to a restrictive means test. And, due to their design, maternity and unemployment protections cover only a small proportion of the people experiencing these contingencies in Uzbekistan today.

11 ILO [n.d.].

► Figure 3-3: Model of Uzbekistan’s benefits for people in working age



Source: Authors’ depiction.

Further, the future sustainability of Uzbekistan’s current social protection system is called into question by tax and contribution reforms introduced since 2019. Notably, employee contributions that were previously ringfenced for social insurance and a progressive income tax system were removed and replaced with a flat-rate 12 per cent personal income tax paid direct to general government coffers.¹² Employers still make contributions albeit at a lower rate (12 per cent of wages).¹³ This represents a shift away from pooled financing and the reduction in social insurance contribution rates has had negative consequences on the vitality of social insurance in Uzbekistan. While many of its impacts will only be captured in the long term, the most immediate outcome is the insufficient funds to provide adequate income replacement to unemployed formal sector workers.¹⁴ This provides a strong rationale for reviving and strengthening the social insurance system, an objective the New Uzbekistan National Development Strategy (NUNDS) 2022-2026 and NSSP has firmly set out to do.

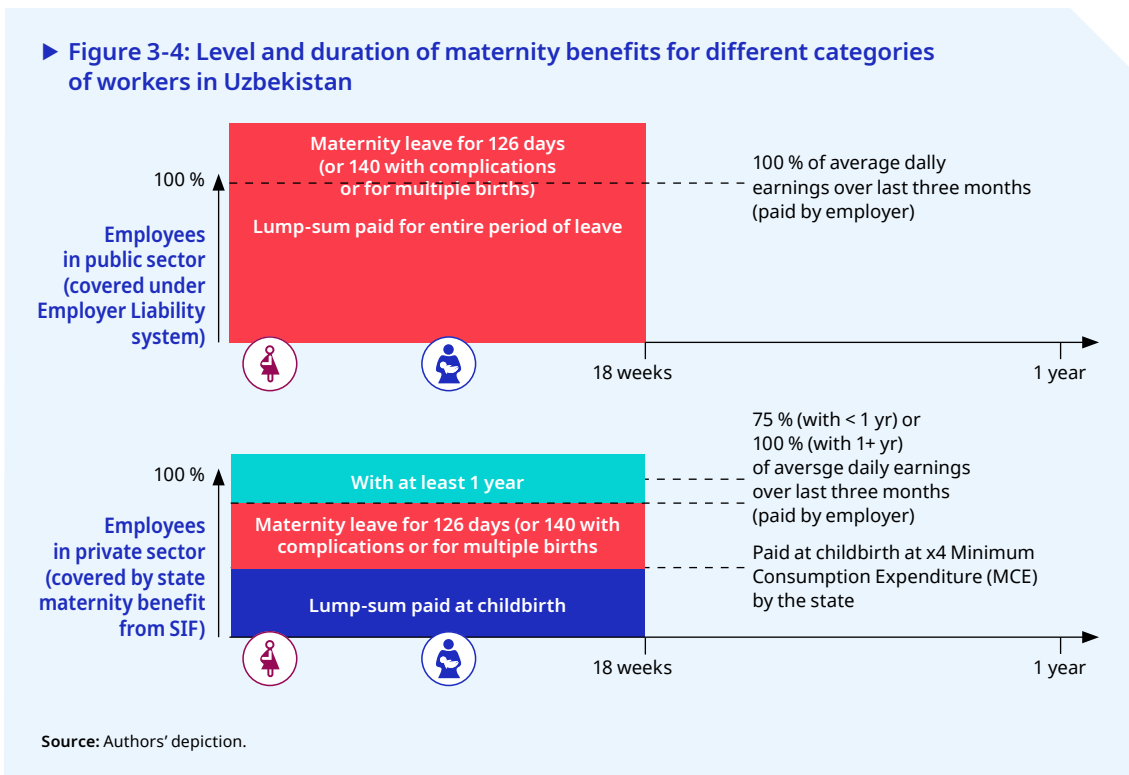
12 ILO (2021c).

13 ILO (2021c).

14 ILO (2021c).

► 3.1 Maternity benefits in Uzbekistan

Support for maternity, paternity and sickness contingencies is fragmented and limited to those in the formal sector. The employer liability maternity benefit includes paid leave of 56 days and up to 70 days in case of birth complications, with the job protected for up to 3 years for formally employed women. For new mothers in the formal sector, a one-off childcare benefit (equivalent to two months of minimum wage) and maternity benefits are provided through employer liability, with the state financing most benefits in practice through the general government budget as the employer of public-sector workers. Although, through employer liability, if a woman is not employed or studying then her husband is entitled to receive this amount from his workplace or educational institution.¹⁵



15 ILO, UNICEF and World Bank (2020).

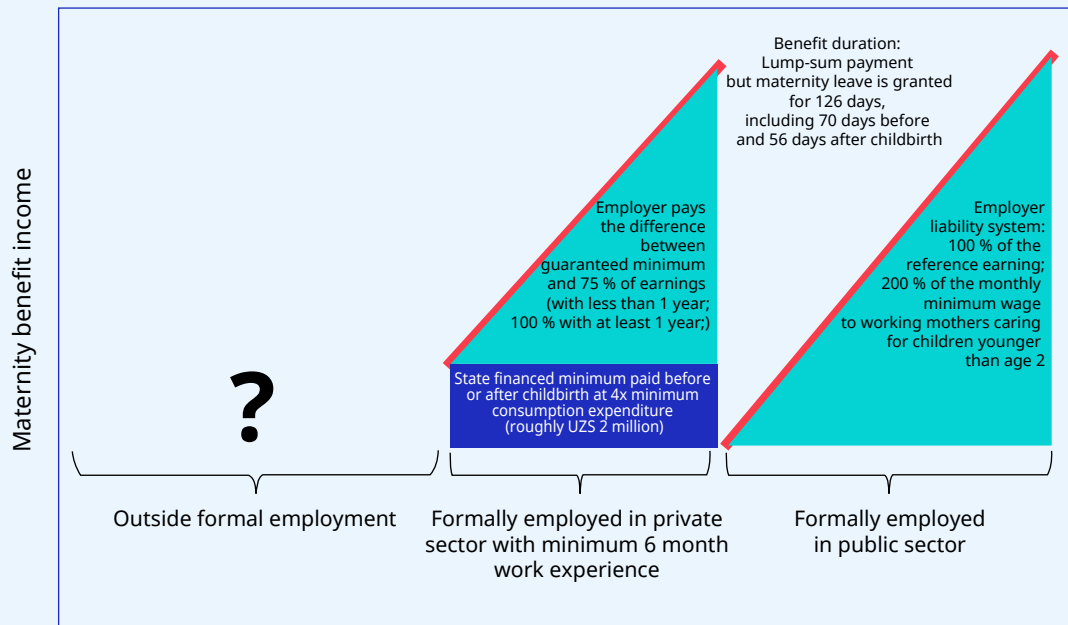
Since September 2022, private sector workers effectively have a right to paid leave. Combined employer-liability and state funded maternity benefits have been paid to women with continuous 6 month work experience based on the labour contract in all legal entities in Uzbekistan, except budget organisations. This is set at the amount of 75 per cent of average earnings in the last 3 months for those with less than 1 year and 100 per cent of average earnings in the last 3 months for those with at least 1 year. Of these entitlements, the state finances a lump-sum payment of x4 Minimum Consumption Expenditure (roughly UZS 2 million) paid before or after childbirth and spread over 4 months (4.5 months in cases of complicated birth), and the employer finances the difference. Between September 2022 and April 2023, benefits at the amount of UZS 1.5 billion have been paid to roughly 754 women (roughly UZS 2 million per woman). To administer these benefits, a new Social Insurance Fund (which is in reality a department in the Ministry of Economy and Finance) has been initiated.

The replacement rate of both employer liability systems appears to meet the ILO Minimum Standards C183 of 2000 (which calls for 67 per cent) and R191 of 2000 (which recommends 100 per cent). The duration of leave also seems to meet legal standards, meeting both ILO C183 (which calls for 14 weeks) and R191 (which recommends 18 weeks), although the benefit appears to be paid in a lump-sum payment. The most notable gap in the current system is that no benefits are available to those outside of formal employment.

Further, ILO C183 warns against employer liability systems which can act as a disincentive for employers to hire, retain or promote pregnant workers (or women of childbearing age) to avoid paying the costs of wage replacement during maternity leave as well as other (potential or actual) direct and indirect costs linked to their replacement.¹⁶ Further, funding the majority share of employment-based benefits through the state budget is not aligned with international best practice. Figure 3-5 depicts the existing maternity benefit system in Uzbekistan and its key gaps.

16 ILO (2014).

► Figure 3-5: Model of existing maternity benefit system in Uzbekistan



Source: Authors' depiction.

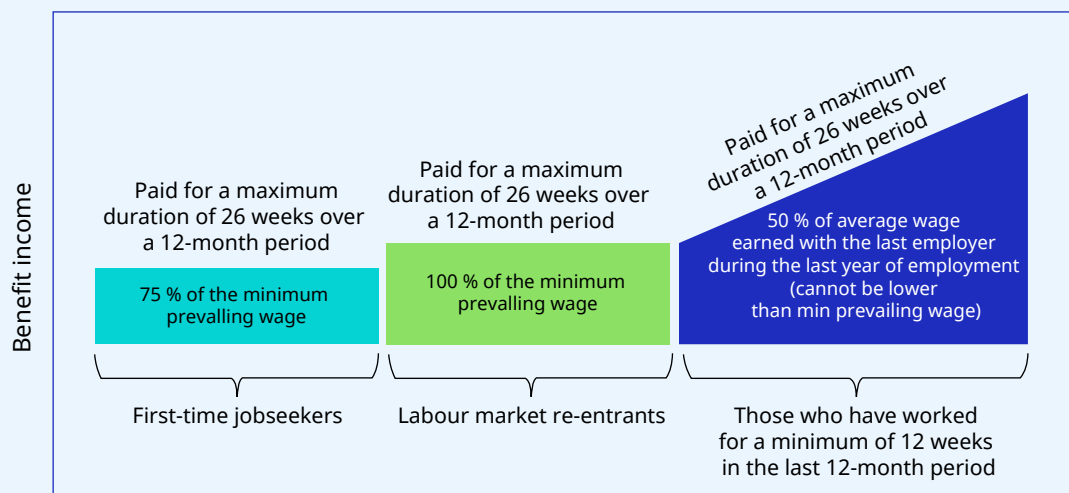
► 3.2 Unemployment benefits in Uzbekistan

Uzbekistan has already taken positive first steps to building an unemployment benefit system to protect workers and facilitate re-entry into the labour market through the use of both tax-financed and employer liability schemes. Under the current system, an unemployment benefit (tax-financed) is available for first-time jobseekers, labour market re-entrants and unemployed persons who have worked for a minimum of 12 weeks in the last 12-month period (see Figure 3-6). Jobseekers that have never worked before or cannot show a record of work experience are entitled to 75 per cent of the minimum prevailing wage (roughly UZS 690,000) per month, while those with work history are able to receive 100 per cent of the minimum prevailing wage (UZS 920,000). The maximum duration of the benefit is 26 weeks. To be eligible for unemployment benefits, a person's unemployment status must be officially recognised by the Employment Promotion Centres (EPCs) under the Ministry of Employment and Labour Relations (MoELR), and meet strict criteria.¹⁷ The criteria include (but is not limited to) within the first 10 days of registration a person twice refuses a job proposed to them as suitable; those who do not present

¹⁷ KII with the Employment Promotion Centre.

themselves within the first 10 days of registration with the employment centre; or unemployed women caring for a child up to the age of two.¹⁸ Severance pay (in the case of dismissal) is available to formal sector workers, whereby the employer is obliged to provide a compensation package of two-months' wages to the outgoing employee, and the Employment Promotion Centre will cover 50 per cent of their wages for the third month.¹⁹

► Figure 3-6: Model of existing unemployment benefit system in Uzbekistan

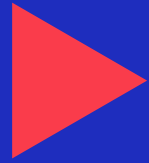


Source: Authors' depiction.

Under this system, the replacement rate does meet ILO Minimum Standards (45 per cent under Convention 102 or 50 per cent under Convention 168). The duration (a minimum cap of 26 weeks) and qualifying conditions does also appear to meet minimum standards. However, while financing unemployment benefits from the state budget is compatible with minimum standards, it is not common practice. The design of the system could be adjusted to ensure the separate tax-financed and social insurance elements work together with greater complementarity to actively encourage the transition of workers into the formal economy and their inclusion in social insurance (as outlined in Section 4). In doing so, this would not only improve coverage of working age persons against unemployment shocks and facilitate greater labour market re-entry but would also strengthen the fiscal sustainability of the overall system and enable the financing of the system to be less reliant on general government revenues over time.

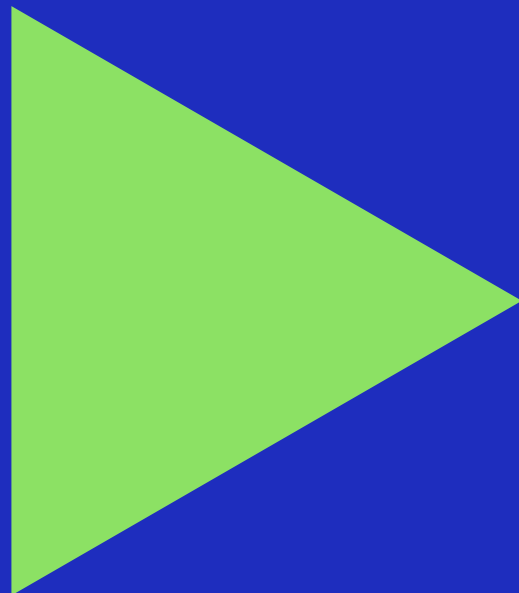
18 ILO, UNICEF and World Bank (2020).

19 KII with an Employment Promotion Centre.



4

**Designing benefits
for people in working
age – a focus
on unemployment
and maternity**



► 4.1 Scheme design – overall approach

Strategies for encouraging the transition from informal to formal economy, including through extension of social protection, must be multi-pronged, taking into account the very real income constraints of large swaths of the workforce. A strategy of focusing solely on encouraging registration (of enterprises and workers alike) and enforcing compliance with existing tax and social security obligations is likely to quickly encounter an upper limit beyond which further attempts at extraction are futile. Similarly, a strategy that aims solely at bolstering income security (and, by extension, contributory capacity) through non-contributory transfers, but fails to invest in the systems that ensure the financial sustainability of that system – whether via tax or contribution collection – will be insufficient to address the full scale of the challenge.

The team from Development Pathways has worked closely with the ILO and the tripartite inter-agency working group to develop specific policy options to bring informal workers with and without contributory capacity under existing national social insurance schemes for unemployment and maternity benefits, with the aim of contributing to their transition to formal jobs. A series of consultative workshops were held, including an inception workshop in November 2022 on the relationship between informality and social protection, and a design workshop in April 2023 on maternity and unemployment aimed at building knowledge and awareness of the importance of providing protections during these key contingencies experienced by people in working age and understanding the purpose, functions and trade-offs of different design choices.

The design workshops focused on:

- mechanisms to test the extension of social insurance in case of unemployment of selected groups of workers in informal economy (to be defined through a tripartite discussion) with contributory capacity; and
- mechanisms for the extension of maternity protection to (at least priority) groups of currently unprotected workers.

The design of the mechanisms took account of appropriate national and international benchmarks, including international standards as well as the experience of peer countries at similar levels of economic development. The reform proposals emphasise the development of a multi-tiered social security system that can deliver a set of adequate, guaranteed lifecycle benefits financed from general taxation, paired with parallel, higher-rate lifecycle benefits financed through social insurance contributions. The design of the system must consider the interaction between the two tiers, including the built-in incentive structure and its implications for ensuring adequacy and sustainability over the long term. The proposed mechanisms place a special emphasis on gender- and disability-sensitive policy design.

The contributory components of the schemes will eventually involve actuarial modelling to ascertain the appropriate level of contribution required to ensure adequate benefits for incorporated workers from the informal economy, as well as financial sustainability over the long term. The exercise will take into account available actuarial studies and modelling for existing schemes in Uzbekistan to ensure coherence. The actuarial costings are expected to follow agreement on indicative options, with final proposals presented after further in-depth design workshops.

► 4.2 Options for maternity and unemployment benefits in Uzbekistan

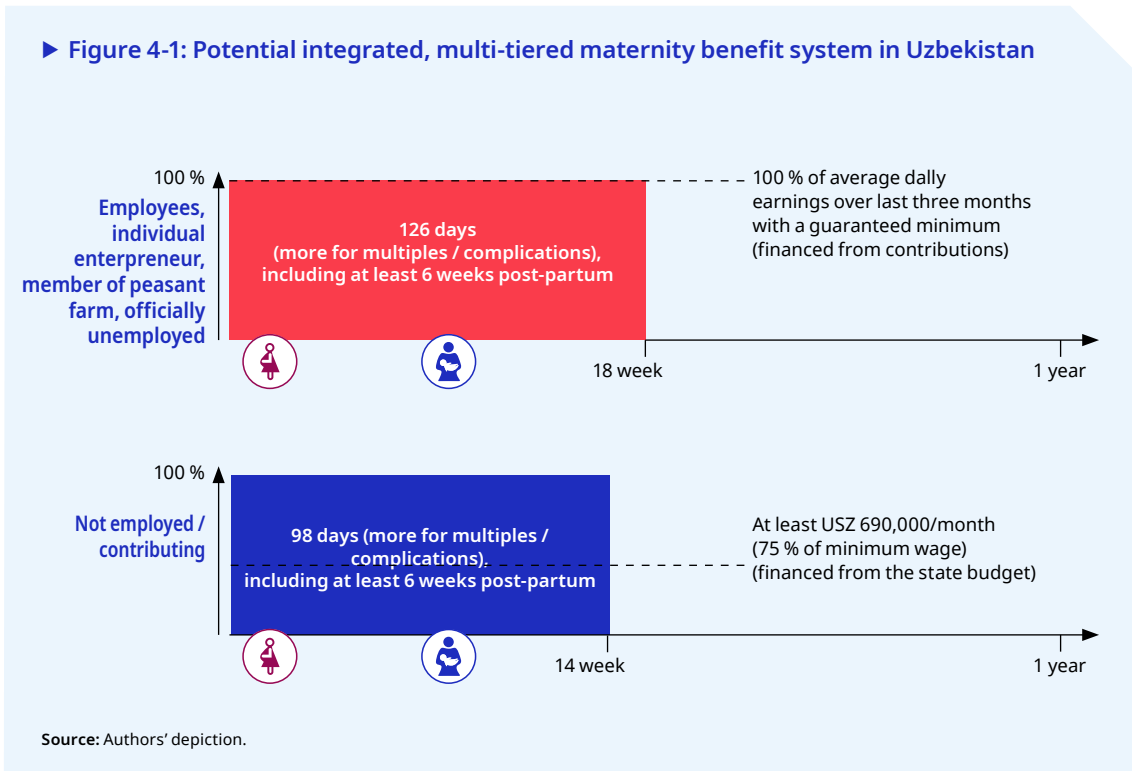
To facilitate the selection of reform options to support the transition from formal to informal employment, the team developed options for the reform of maternity benefits and unemployment benefits. The indicative design options have been developed in close consultation with the ILO and were presented to constituents and representatives of informal workers for discussion and agreement on a preferred model. As discussed in Section 5, while the working group expressed strong interest in the multi-tiered approach to building an extended universal maternity and unemployment benefit system and covered important points of discussion that will guide the way forward, the group did not reach consensus on a chosen proposed design option at the April 2023 workshop. The options presented at the workshop are summarised here.

4.2.1 Reform of maternity benefits package

The maternity benefit design stream presented two options. Indicative high-level options under consideration included:

- Integrated, multi-tiered maternity benefit with the universal first tier
- Integrated, multi-tiered maternity benefit with the benefit-tested first tier

Figure 4-1 depicts a potential future integrated, multi-tiered maternity benefit system



While ensuring a minimally adequate level of income security for all new mothers, regardless of their attachment to the labour market, is a priority, care must be taken to ensure that the incentive to join an improved social insurance system capable of financing generous maternity protection is strong. Working women and men in Uzbekistan should see clear benefits to formal employment, which should include decent remuneration during the period of maternity leave, in line with international standards, and ideally should include some paid leave for fathers as well, in line with global best practice.

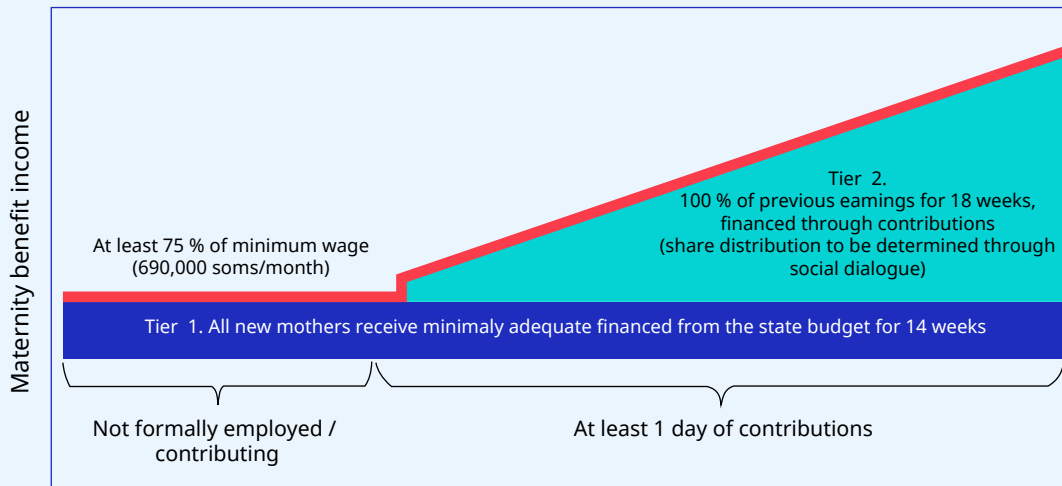
The team explored two high-level options for a multi-tiered maternity benefits system: a universal and benefit-tested model.

In the first model, depicted in Figure 4-1, all women who give birth²⁰ in Uzbekistan would be entitled to a universal tax-financed maternity benefit, regardless of their attachment to the labour market, for 14 weeks, in line with minimum standards for duration laid out in ILO Convention 183. In addition, all those who are contributing to social insurance will receive a higher-level transfer, for 18 weeks, equal to 100 per cent of previous earnings, in line with ILO Recommendation 191. In this model, the state budget finances the same level of benefit for all women, while the social insurance fund finances only the portion of the benefit that is above the level of the universal tax-financed component. The contributions required to finance this Tier 2 social insurance “top up” would be lower than what would otherwise be required. Therefore, the main changes in this option include:

1. Change the financing structure of maternity benefits for formally employed women to social insurance.
2. Harmonise the benefit level for all formally employed women to 100 per cent of previous earnings.
3. Transform the existing employer liability benefit (which in practice is mainly state-financed) into a universal tax-financed benefit for all new mothers outside of formal employment for a minimum duration of 14 weeks (as per C183).
4. Ensure that there is an incentive to formalise and enter the social insurance system by setting the benefit level for Tier 1 as 75 per cent of min wage per month and therefore lower than the benefits available in Tier 2.
5. If universal benefits are funded through taxes, the share of the benefit that must be financed from contributions will be smaller.

20 Or in case of adoption.

► Figure 4-2: Multi-tiered maternity benefits, Option 1 – Universal Tier 1

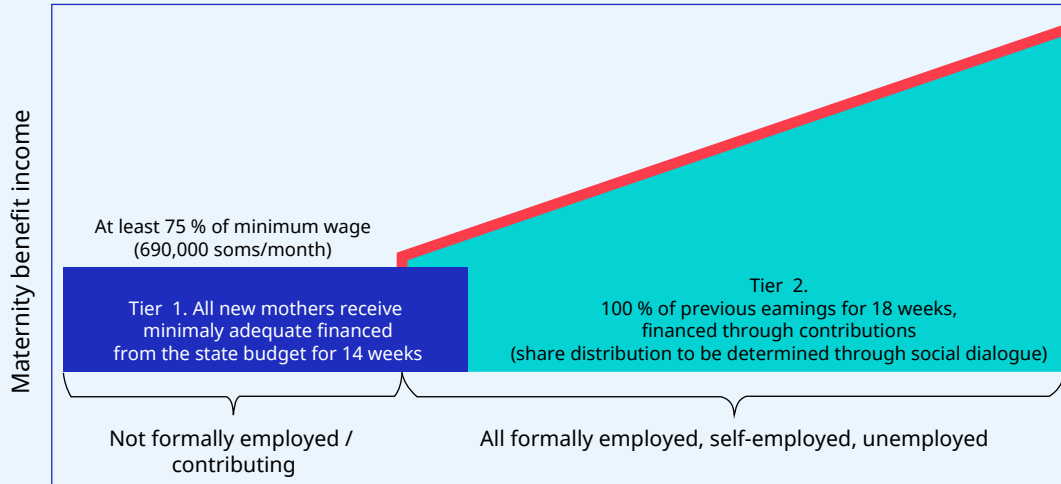


Source: Authors' depiction.

In the second model, depicted in Figure 4-2, a minimally adequate basic benefit would be guaranteed to all women who were not in formal employment when they give birth. Women who are in formal employment would receive a higher-level benefit equal to 100 per cent of their wages for 18 weeks solely through the social insurance system in Tier 2, and the tax-financed basic benefit under Tier 1 would not comprise part of this. In this model, the parameters are the same, but the financing is different: the state budget finances the basic Tier 1 benefit only for those outside formal employment, while social insurance contributions finance the **entire** cost of the earnings-related benefit for formally employed women. Social insurance contributions would therefore be higher under this model, while the cost of benefits financed from general revenues would be lower. In this model, the main changes from the existing system are the following:

1. Change the financing structure of maternity benefits for formally employed women to social insurance.
2. Harmonise the benefit level for all formally employed women to 100 per cent of previous earnings.
3. Transform existing employer liability benefit (which in practice is mainly state-financed) into a tax-financed benefit for those outside of paid, formal employment who are **not entitled to a social insurance benefit** for a minimum duration (as per C183).
4. Ensure that there is an incentive to formalise and enter the social insurance system by setting the benefit level for Tier 1 as 75 per cent of min wage per month and therefore lower than the benefits available in Tier 2.
5. The share financed through taxes is smaller (therefore the cost to the state budget is lower), but the entire cost of the social insurance benefit is financed from contributions.

► Figure 4-3: Multi-tiered maternity benefits, Option 2 – Benefit-tested Tier 1



Source: Authors' depiction.

In addition, according to international best practice, paternity benefits are important to improve gender equality and encourage a more balanced distribution of care responsibilities.²¹ Therefore, workshop participants were encouraged to consider similarly financed options for paternity benefits, though provided for a shorter duration. While there are no international standards for paternity benefits, two weeks were suggested as in keeping with good practice across low- and middle-income countries.

The broad parameters of the proposed maternity and paternity benefits system are summarised in Table 2- 1.

21 ILO (2014).

► **Table 4-1: Summary of proposed parameters for future maternity and paternity benefits system, Uzbekistan**

Benefit	Tier	Qualifying conditions	Benefit level	Duration	Administration	Financing
Option 1 (universal Tier 1)	Tax-financed minimum (Tier 1)	No minimum qualifying period. Medical certificate.	Basic monthly benefit of 75 per cent of minimum wage (roughly UZS 690,000)	Maternity: 14 weeks Paternity: 2 weeks	TBC	General revenues
	Social insurance (Tier 2)	Currently employed, self-employed or registered unemployed. No minimum qualifying period. Medical certificate.	100% of average (declared) earnings	Maternity: 18 weeks Paternity: 2 weeks	TBC	General revenues finance amount equal to basic benefit Social contributions finance amount above the basic benefit
Option 2 (benefit-tested Tier 1)	Tax-financed minimum (Tier 1)	No minimum qualifying period. Medical certificate.	Basic monthly benefit of 75 per cent of minimum wage (roughly UZS 690,000)	Maternity: 14 weeks Paternity: 2 weeks	TBC	General revenues
	Social insurance (Tier 2)	Currently employed, self-employed or registered unemployed. No minimum qualifying period. Medical certificate.	100% of average (declared) earnings	Maternity: 18 weeks Paternity: 2 weeks	TBC	Social contributions

4.2.2 Reform of unemployment benefits

The unemployment benefit design stream also explored multi-tiered options that would improve financing and adequacy of benefits for those in formal employment, while also providing minimal protections to those outside formal employment. Indicative high-level options under consideration included:

- Multi-tiered unemployment benefit with standardised benefit-tested tax-financed Tier 1 for all jobseekers who have not made sufficient contributions to qualify for a social insurance benefit and Tier 2 aligned to three options for a social insurance unemployment benefit currently being developed by ILO actuaries, as follows:
 - **Option A:** The Tier 2 unemployment benefit is calculated as **50 per cent** of the average insurable earnings declared in the **26 weeks period** preceding the employment termination and paid for a maximum duration of **26 weeks over a 12-month period**.
 - **Option B:** The Tier 2 unemployment benefit is calculated as **60 per cent** of the average insurable earnings declared in the **26 weeks period** preceding the employment termination and paid for a maximum duration of **26 weeks over a 12-month period**.
 - **Option C:** The Tier 2 unemployment benefit is calculated as **60 per cent** of the average insurable earnings declared in the **52 weeks period** preceding the employment termination and paid for a maximum duration of **39 weeks over a 24-month period**.
- A potential sub-option for all of the above is to include universal tax-financed Tier 1.

In all cases, the financing structure for the earnings-related component would change from the state budget to social insurance. The replacement rate under each proposed option would be in line with ILO minimum standards for contributory unemployment benefits but varies slightly across the proposed Tier 2 options. In the case of a tax-financed minimum unemployment benefit for those outside of formal employment (Tier 1), the team is proposing that the benefit level remains the same as currently provided to labour market re-entrants for most eligible workers (100 per cent of minimum prevailing wage) but remains the same for first-time job seekers (75 per cent of minimum prevailing wage).

Moreover, as with maternity and all multi-tiered systems, the incentive to join social insurance must be strong – for workers at the margins, the benefits of paying contributions must always outweigh the costs of not joining. The options below consider high-level design choices, including basic eligibility parameters, but detailed considerations for eligibility, for example related to participation in active labour market programmes, will eventually need to be agreed with social partners.

As with maternity, the team explored two high-level options for a multi-tiered unemployment benefits system: a benefit-tested model and an alternative universal model. The three options for a social insurance unemployment benefit proposed within the ongoing ILO actuarial process could sit within either of these multi-tiered systems.

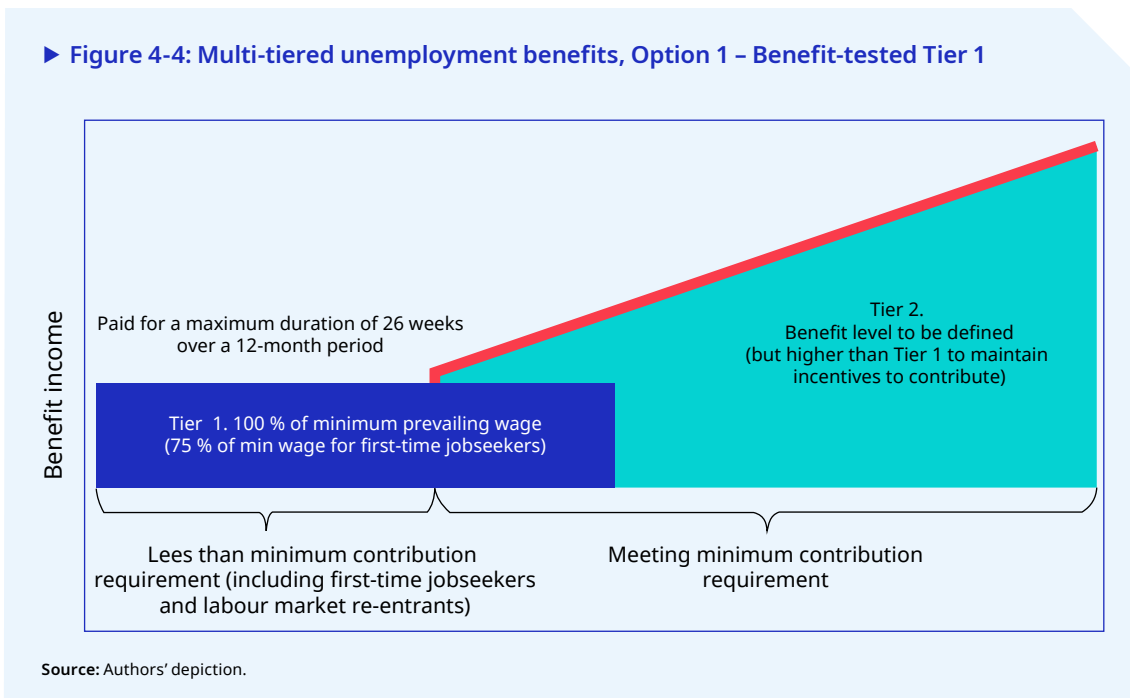
In the first model, depicted in Figure 4-4, a benefit-tested tax-financed unemployment benefit would be provided only to those jobseekers who have not made sufficient contributions to qualify for a social insurance benefit, regardless of their recent attachment to the labour market, for a maximum duration of 26 weeks over a 12 month period, in line with the absolute minimum standards for duration laid out in ILO Convention 168. All those who have met the minimum contribution requirement (which is dependent on the option chosen) to qualify for a social insurance benefit will receive a higher-level transfer, also in line with ILO Convention 168. The level of this Tier 2 benefit will differ depending on which design option of Options A-C developed by ILO actuaries and outlined above is chosen, ranging from 50 per cent to 60 per cent of average insurable earnings. In this benefit-tested model, the state budget finances the basic benefit for those outside formal employment, while social insurance contributions finance the entire cost of the earnings-related benefit for formally employed women. Social insurance contributions would

therefore be higher under this model compared to Universal Tier 1, while the cost of benefits financed from general revenues would be lower.

The main changes from the existing model are:

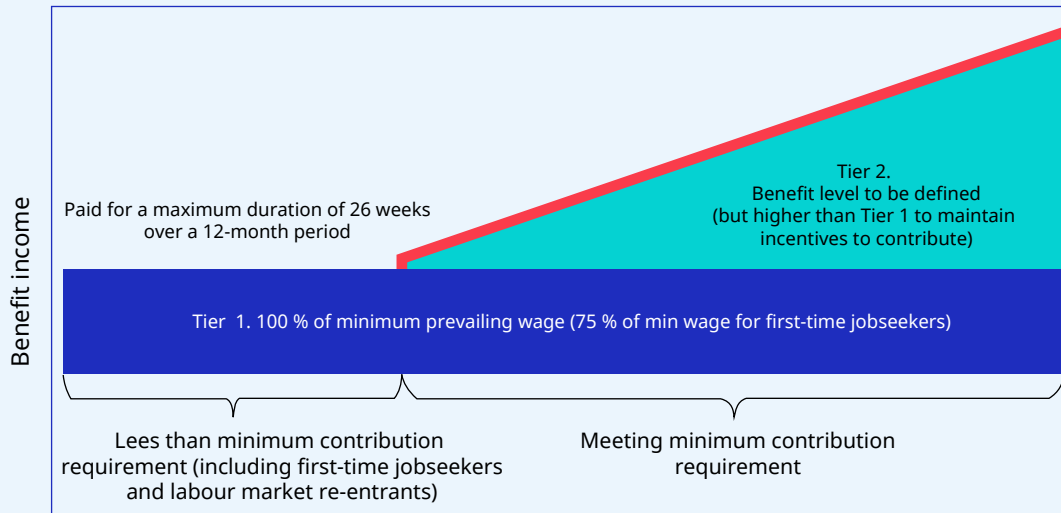
1. Change the main financing structure of the unemployment benefit for formally employed to social insurance.
2. Reform/extend the existing tax-financed state-funded benefit to cover those with insufficient (formal) employment history for a minimum duration (as per C102/C168).

Figure 4-4 depicts a potential future multi-tiered unemployment benefit system in Uzbekistan with the benefit-tested first tier.



There is also the option to include Universal Tier 1 as an alternative to benefit-testing the tax-financed basic unemployment benefit. Under the option for Universal Tier 1, a universal tax-financed basic unemployment benefit would be provided to all jobseekers, regardless of their recent attachment to the labour market, for up to 26 weeks, in line with the absolute minimum standards for duration laid out in ILO Convention 168. In this model, the state budget finances the same level of benefit for all jobseekers, while the social insurance fund finances only the portion of the benefit that is above the level of the universal tax-financed component. The contributions required to finance this Tier 2 social insurance “top up” would therefore be lower than what would otherwise be required, while the cost of benefits financed from general revenues would be higher. Figure 4-5 depicts a potential future multi-tiered unemployment benefit system in Uzbekistan with the universal first tier.

► Figure 4-5: Multi-tiered unemployment benefits, Option 2 – Universal Tier 1



Source: Authors' depiction.

Unlike maternity and paternity benefits, international best practice suggests that well-designed unemployment benefit systems consist of two components: income support and active labour market programmes. In all cases, eligibility for the income support proposals above would need to be linked to participation in active labour market programmes, and investment in these mechanisms must be strengthened to fully realise and maximise the impacts of income transfers.

The broad parameters of the proposed unemployment benefits system are summarised in Table 4-2.

► Table 4-2: Summary of proposed parameters for future unemployment benefits system, Uzbekistan

Benefit	Tier	Qualifying conditions	Benefit level	Duration	Administration	Financing
Option 1 (benefit-tested Tier 1)	Tax-financed minimum (Tier 1)	No minimum qualifying period. Actively searching for a job.	Basic monthly benefit of 75 per cent of minimum wage (roughly UZS 690,000) for first-time jobseekers and 100 per cent of minimum wage for other workers who do not meet the minimum contribution requirement for Tier 2	Maximum duration of 26 weeks over a 12-month period	TBC	General revenues
	Social insurance (Tier 2)	Involuntary loss of job or forced termination and actively searching for a job. Minimum contributory requirements: Option A: 12 weeks in the 12-month period preceding the employment termination Option B: 26 weeks in the 12-month period preceding the employment termination Option C: 52 weeks in the 24-month period preceding the employment termination	Option A: 50 per cent of the average insurable earnings declared in the 26 weeks period preceding the employment termination Option B: 60 per cent of the average insurable earnings declared in the 26 weeks period preceding the employment termination Option C: 60 per cent of the average insurable earnings declared in the 52 weeks period preceding the employment termination.	Option A: Maximum duration of 26 weeks over a 12-month period. Option B: Maximum duration of 26 weeks over a 12-month period. Option C: Maximum duration of 39 weeks over a 24-month period.	TBC	Social contributions
Option 2 (universal Tier 1)	Tax-financed minimum (Tier 1)	No minimum qualifying period. Actively searching for a job.	Basic monthly benefit of 75 per cent of minimum wage (roughly UZS 690,000)	Maximum duration of 26 weeks over a 12-month period	TBC	General revenues
	Social insurance (Tier 2)	As above in Option 1	As above in Option 1	As above in Option 1	TBC	General revenues finance amount equal to basic benefit Social contributions finance amount above the basic benefit

4.2.3 Setting adequate transfer values for tax-financed maternity and unemployment benefits

The cost of tax-financed benefits is a function of the size of the covered population and the level of transfer. While the value of benefits financed through social insurance are determined as a function of the rights-holders' wages according to replacement rates defined in relevant ILO Conventions, the standards for tax-financed benefits are less clear. In general, in a multi-tiered framework, benefits should be set with attention to two guiding principles:

1. A level determined to be minimally adequate given the purpose of the benefit (in the case of maternity and unemployment, the purpose of the benefit is income replacement), ideally defined in relation to relevant national or international benchmarks; and
2. A level that is sufficiently lower than the benefit paid to those who are enrolled in social insurance to ensure that the incentive to join social insurance is preserved, ideally after accounting for both contributions and transfers.

The team has proposed aligning the expanded maternity and unemployment benefits to existing benefit levels where these are adequate. The national benchmark proposed is the minimum wage, set at US\$ 920,000 from June 2022.

In Uzbekistan, there are currently no maternity benefits provided to those outside of formal employment. Under the proposed options, the basic tax-financed benefit introduced under Tier 1 is set at 75 per cent of the minimum prevailing wage (UZ\$ 690,000) for 14 weeks, in line with minimum standards for duration laid out in ILO Convention 183, to provide basic income replacement while also ensuring that the incentive to join social insurance is preserved. Women who are in formal employment would receive a higher-level benefit equal to 100 per cent of their wages for 18 weeks in Tier 2 (either solely through the social insurance system or supplemented by the basic tax-financed benefit, depending on whether the benefit-tested or universal system design is chosen).

In Uzbekistan, the existing tax-financed unemployment benefit provides 75 per cent of the minimum prevailing wage for first-time jobseekers (UZ\$ 690,000) and 100 per cent of the minimum prevailing wage for labour market re-entrants (UZ\$ 920,000) for a maximum duration of 26 weeks over a 12-month period. The team is proposing that the options for a multi-tiered system stay in line with these existing benefit values, building on the existing system. Since the tax-financed benefit would be opened to all jobseekers who have not made sufficient contributions to qualify for a social insurance benefit, regardless of their recent attachment to the labour market, the team is proposing that the standard benefit provided would be 100 per cent of the minimum prevailing wage for all claimants, except for first-time jobseekers who would still receive 75 per cent of the minimum prevailing wage. Whichever option is chosen for the social insurance Tier 2 benefits, these benefits must be set at a higher guaranteed level than the basic benefit provided in Tier 1, to maintain the incentive to formalise and join the social insurance system.

4.2.4 Potential costs of tax-financed maternity and unemployment benefits in a multi-tiered framework

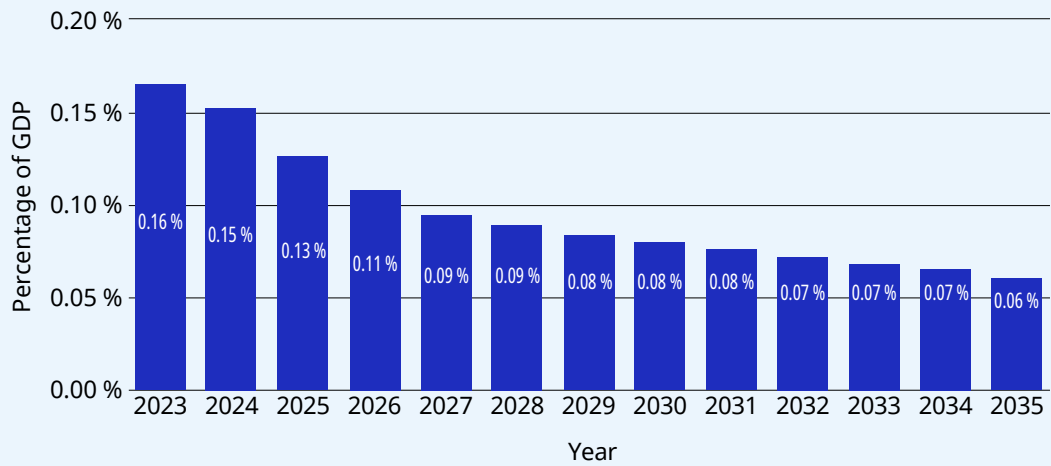
This section presents the potential costs of the tax-financed components of the proposed maternity/paternity and unemployment benefits systems in Uzbekistan. These costs were estimated using Uzbekistan's Labour Force Survey (LFS) 2022, and the team has provided an interactive costing tool to stakeholders to enable them to continue to explore costs of different combinations of benefits and parameters.

Costing for the social insurance options will be undertaken by an actuary from the ILO. The level and distribution of social contributions required to finance social insurance unemployment benefits will be determined jointly with social partners through social dialogue.

Under the benefit-tested model, the tax-financed component is more affordable because Tier 1 benefits are provided to a smaller group. The benefit-tested model assumes that 16 per cent of working women would be eligible for the social insurance component, while 84 per cent would qualify only for the tax-financed component. These assumptions are based on the LFS 2022, in which 84 per cent of the female employees aged between 15-49 years reported that their employer did not contribute to social insurance in 2022. In reality, the number of working women eligible for the social insurance component is likely to be much higher, but there is limited alternative national-level data to estimate this. As such, the level of investment required for the benefit-tested model is likely to be even lower than estimated here. The costings are calculated using single-year age group fertility rates projections sourced from 2022 UN World Population Prospects.

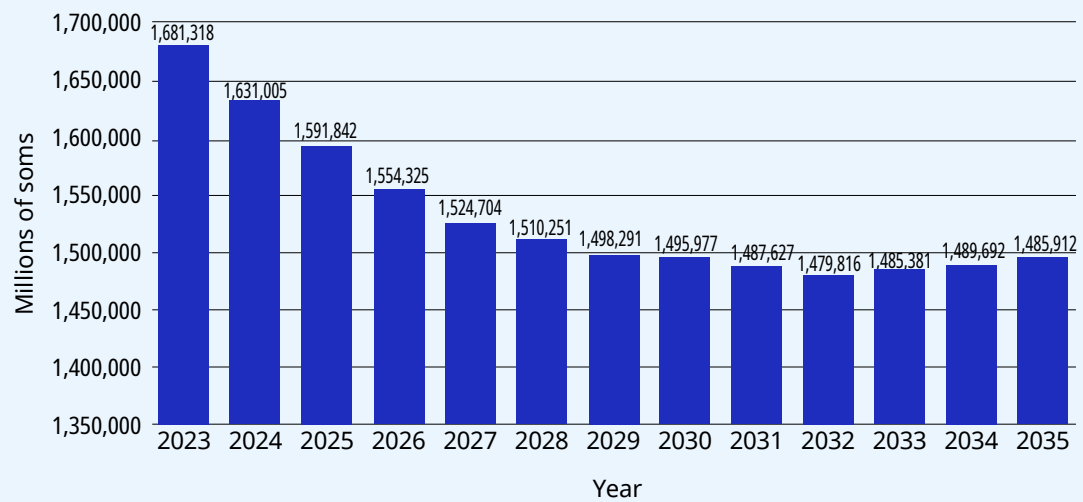
Over time, the levels of investment required to finance a universal, tax-financed maternity and unemployment benefit system can be expected to reduce due to demographic changes. As shown in Figure 4-6 and Figure 4-7, universal maternity benefits equal to UZS 690,000 a month – the proposed value for Tier 1 benefits put forward in the inter-agency working group – would require an investment of 0.16 per cent of GDP in 2023 (UZS 1,681,318), falling to 0.06 per cent of GDP by 2035 (UZS 1,495,912). Even with Universal Tier 1, this is a low cost, especially when the system is designed to support women's re-entry into the labour market and incentivise formalisation. To put this level of investment into perspective, Uzbekistan currently invests roughly 8 per cent of GDP in its old age pension system.

► **Figure 4-6: Estimated annual programme cost of a universal Tier 1 maternity benefit, as a percentage of Gross Domestic Product (GDP)**



Source: Interactive costing tool using LFS 2022, IMF WEO and UN World Population Prospects.

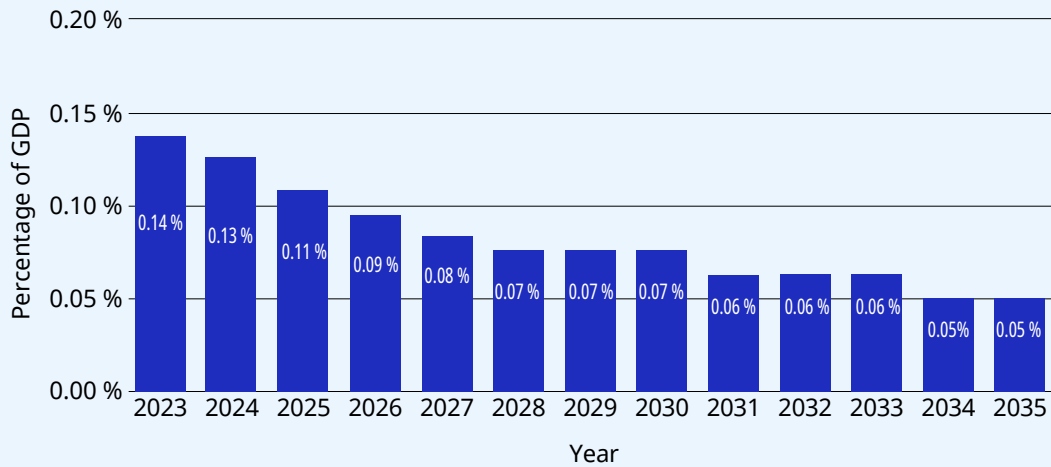
► **Figure 4-7: Estimated annual programme cost of a universal Tier 1 maternity benefit, in UZS millions (constant 2023 prices)**



Source: Interactive costing tool using LFS 2022, IMF WEO and UN World Population Prospects.

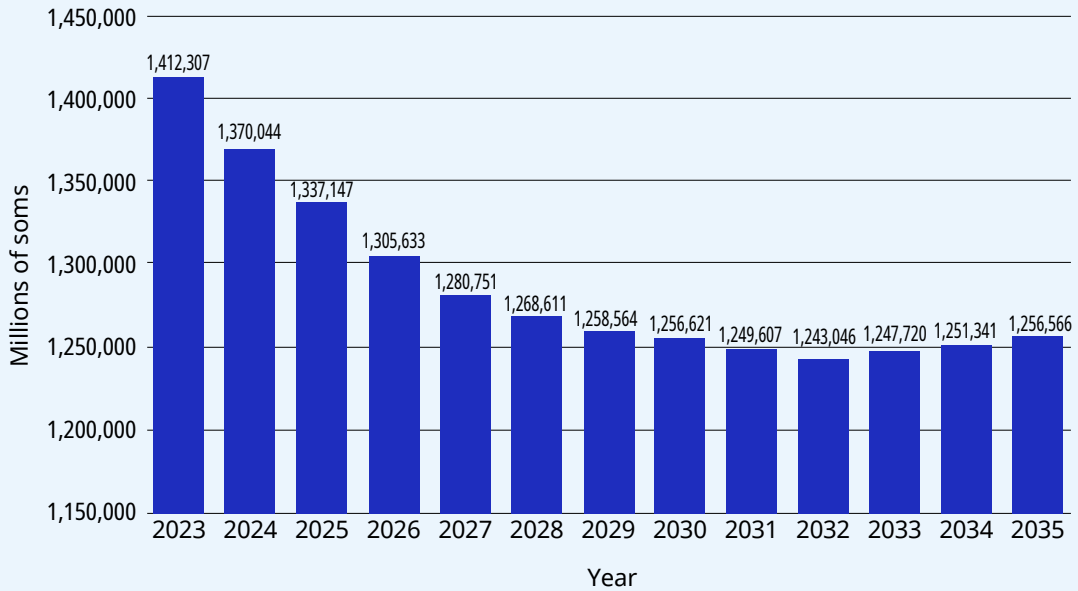
Under the benefit-tested design option, tax-financed maternity benefits would be even lower cost. As Figure 4-8 and Figure 4-9 show, providing maternity benefits equal UZS 690,000 a month only to those women who do not qualify for social insurance benefits is estimated to require an investment of 0.14 per cent of GDP in 2023 (UZS 1,412,307), falling to 0.05 per cent of GDP by 2035 (UZS 1,256,566). Similarly, the levels of investment required to finance a benefit-tested tax-financed maternity benefit system can be expected to reduce due to demographic changes.

► **Figure 4-8: Estimated annual programme cost of a benefit-tested Tier 1 maternity benefit, as a percentage of Gross Domestic Product (GDP)**



Source: Interactive costing tool using LFS 2022, IMF WEO and UN World Population Prospects.

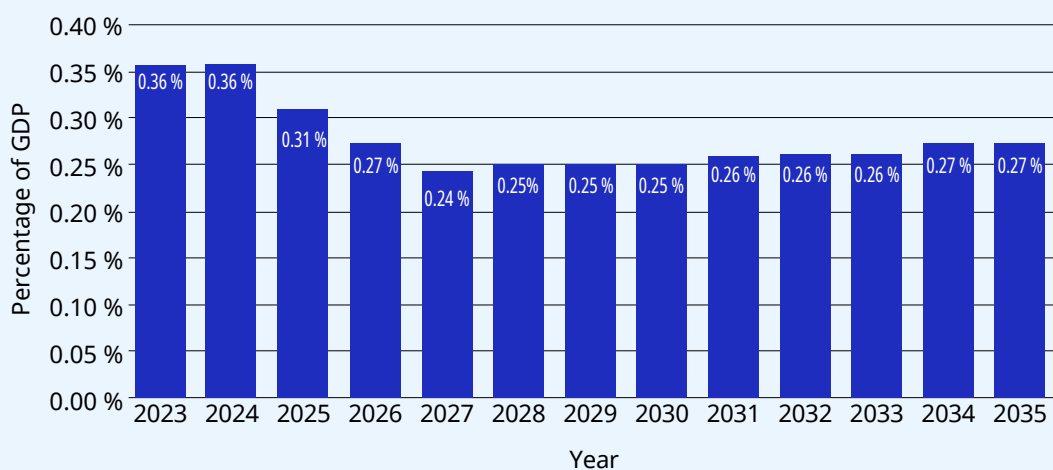
► **Figure 4-9: Estimated annual programme cost of a benefit-tested Tier 1 maternity benefit, in UZS millions (constant 2023 prices)**



Source: Interactive costing tool using LFS 2022, IMF WEO and UN World Population Prospects.

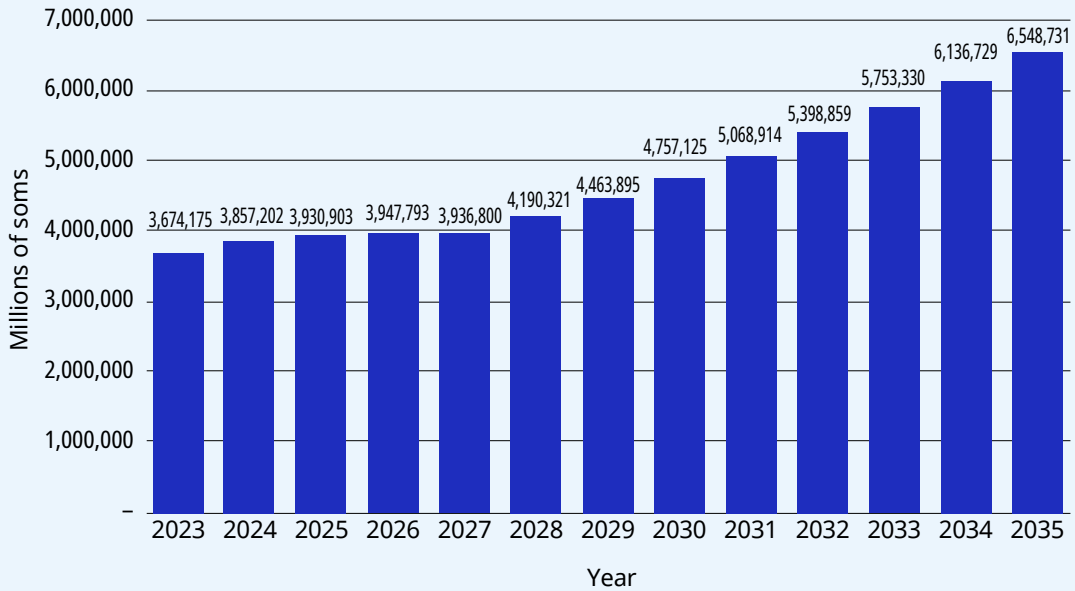
To build a multi-tiered unemployment benefit system, universal unemployment benefits equal to UZS 920,000 per month (or UZS 690,000 for first-time jobseekers) would require an initial investment of 0.36 per cent in 2023 (UZS 3,674,175), falling in relative terms to 0.27 per cent of GDP by 2035 (UZS 6,548,731), as shown in Figure 4-10 and Figure 4-11.

► **Figure 4-10: Estimated annual programme cost of a universal Tier 1 unemployment benefit (as a % of GDP)**



Source: Interactive costing tool using LFS 2022, IMF WEO and UN World Population Prospects.

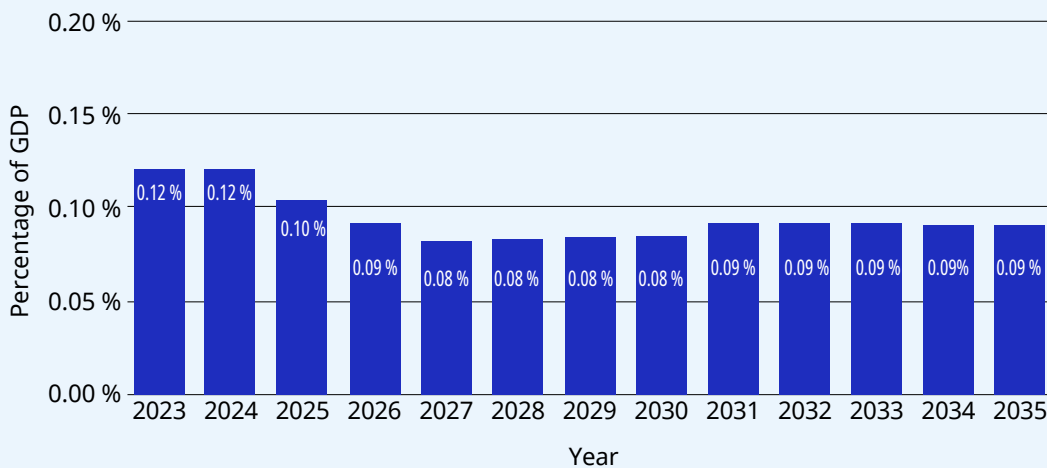
► **Figure 4-11: Estimated annual programme cost of a universal Tier 1 unemployment benefit, in UZS millions (constant 2023 prices)**



Source: Interactive costing tool using LFS 2022, IMF WEO and UN World Population Prospects.

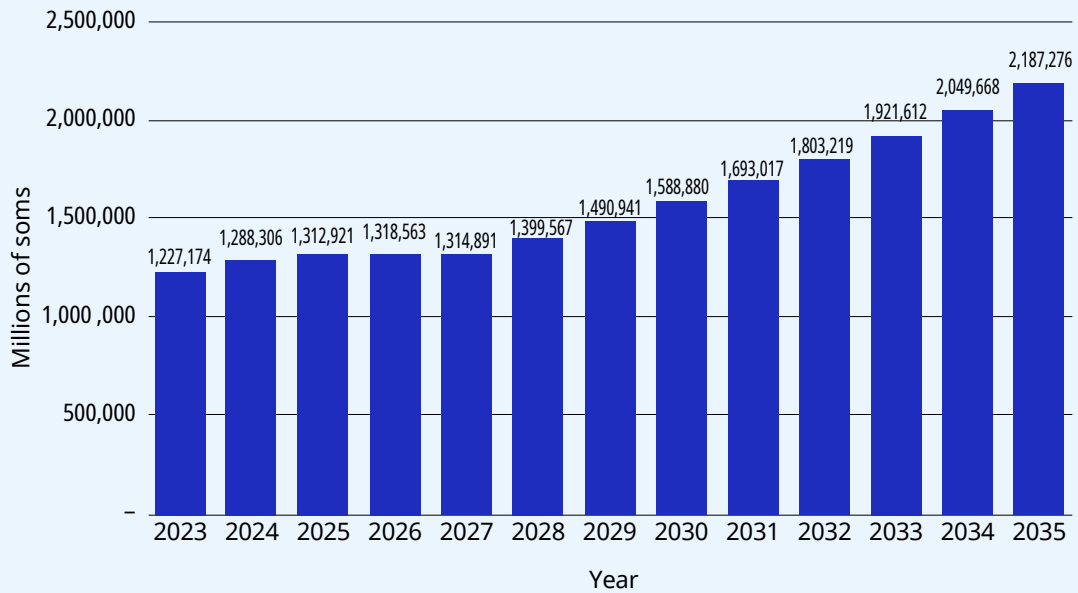
Building a multi-tiered unemployment benefit system through benefit-tested Tier 1 would require an even lower level of investment. Benefit-tested unemployment benefits equal to UZS 920,000 per month (or UZS 690,000 for first-time jobseekers) would require an initial investment of 0.12 per cent in 2023 (UZS 1,227,174), falling in relative terms to 0.09 per cent of GDP by 2035 (UZS 2,187,276), as shown in Figure 4-12 and Figure 4-13.

► **Figure 4-12: Estimated annual programme cost of a benefit-tested Tier 1 unemployment benefit (as a % of GDP)**



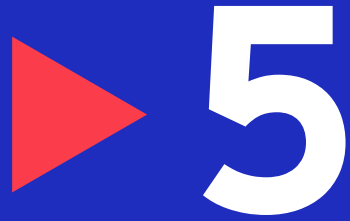
Source: Interactive costing tool using LFS 2022, IMF WEO and UN World Population Prospects.

► **Figure 4-13: Estimated annual programme cost of a benefit-tested Tier 1 unemployment benefit, in UZS millions (constant 2023 prices)**



Source: Interactive costing tool using LFS 2022, IMF WEO and UN World Population Prospects.

The interactive costing tool enables stakeholder to further engage with design options and costs, allowing them to do come to agreement on the most appropriate balance between adequacy, solidarity and fairness, given budget constraints.



5 Way forward



There is a strong interest among the working group in developing a Strategy on the Transition from Informal to Formal Employment for Uzbekistan. The extension of maternity and unemployment benefits has been identified as playing a key role in supporting this transition. If well designed, these schemes can make systems more attractive for workers, more affordable for employers, and more sustainable, with knock-on effects for registration of firms and tax collection.

Looking ahead, an effective strategy on transition to formal economy must ensure that registration of workers is prioritised to the same degree as that of economic units to avoid a vicious cycle of low investment, low benefits, and low trust. Social protection, including both tax-financed and social insurance components, is key to building and restoring trust in the state and its institutions, which will then in turn improve the financial sustainability of the system at large. Making this happen will require effective implementation of meaningful benefits for people in working age.

While the working group expressed strong interest in the multi-tiered approach to building an extended maternity and unemployment benefit system, the group did not reach consensus on a chosen proposed design option at the April 2023 workshop. For the final scheme design, this will require further discussion and agreement from the working group. This chosen design will then be taken to social partners at the Republican Tripartite Commission on Social and Labour Issues for confirmation, testing and piloting. However, the policy workshop provided a platform for participants to consider and discuss key principles, parameters and trade-offs involved in deciding the design of effective maternity and unemployment benefit systems to support formalisation.

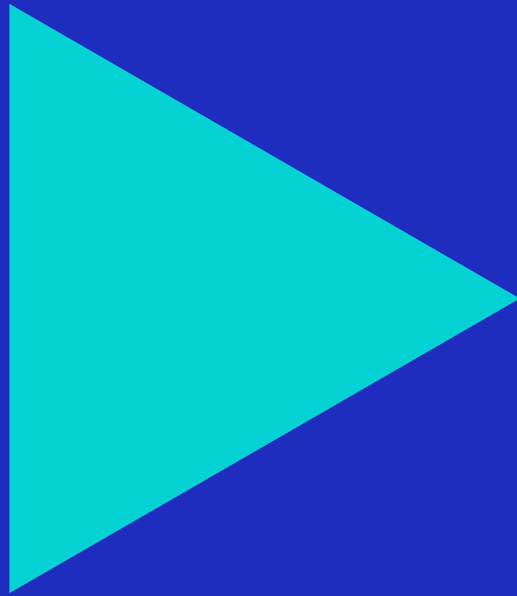
Some of the key points of discussion included:

- **Mandatory v. Voluntary design:** There was discussion around whether participation in maternity and unemployment social insurance for eligible workers should be mandatory or voluntary. Some participants described how Uzbekistan has experience in introducing a voluntary element to the Pension Fund, but this has not been working well. It was noted that mandatory schemes are generally more successful in terms of coverage, collection, financing and risk-pooling, and that a mandatory design is aligned to international best practice. Participants also noted that a mandatory design would be preferable and consistent as the government works to finalise the social insurance code.
- **Extension to self-employed workers:** Some participants of the working group from trade unions strongly emphasised the need to ensure the coverage of registered self-employed workers in Uzbekistan. However, participants noted that, while paid workers are effectively ready to be included in a mandatory social insurance scheme, it would be difficult to extend mandatory coverage to self-employed workers in all cases. It was suggested that a phased approach might be considered whereby self-employed workers can begin by participating on a voluntary basis and employees can participate on a mandatory basis, with a view to extending mandatory inclusion to the self-employed once a culture of contribution has been established and the positive impacts of employees' participation have been demonstrated. One proposal was that self-employed workers who are working on contracts with governmental organisations could be required to make mandatory social insurance contributions, with this provision included in government contracts.
- **Potential financing strategies:** A suggestion from participants of the working group from an informal workers' organisation regarding financing was to increase the share of total social contributions paid by an employer (12 per cent of wages) that is paid directly to social insurance from 1 per cent to 3 per cent. Another related suggestion from participants of the working group was to ringfence a fixed share of personal income tax paid by an employee to specifically finance the extension of unemployment and maternity benefits. However, a crucial question remains about the impact this would have on the general budget, since there is limited information on how money is currently allocated to different areas within the government budget from this flat-rate personal income tax. These are suggestions that could be further explored in the actuarial costings currently being

undertaken by the ILO, depending on the data available. Another participant expressed a strong reluctance to increase contributions, especially without transparency on exactly what the increased contributions would be used to finance. This participant highlighted that Uzbekistan has already provided incentives for companies and economic units through the liberalisation of tax, which has resulted in the formalisation of enterprises. However, it was noted that taxation is only one tool, and that the extension of social protection will be crucial to ensure that the registration of workers is prioritised to the same degree as that of economic units to avoid a vicious cycle of low investment, low benefits, and low trust and promote greater formalisation.

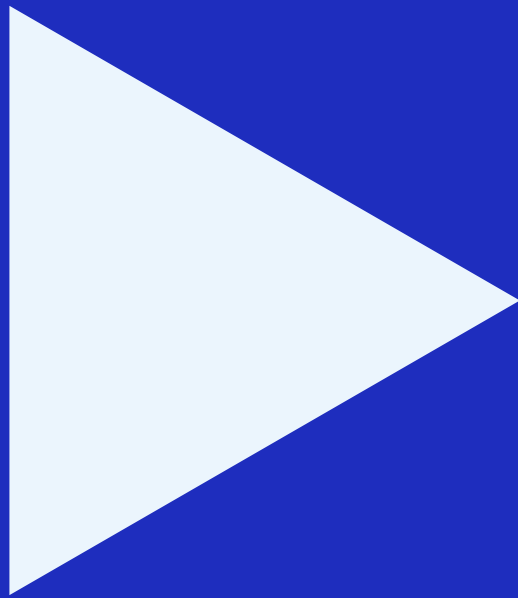
- **Administration of maternity and unemployment benefits:** There was limited discussion around the appropriate administrative arrangements for an extended maternity and unemployment benefits system in Uzbekistan. In the current system, the Employment Promotion Fund (EPF) is responsible for administering unemployment benefits, but this is based on tax-financing; the financing and administration of social insurance financing is based on quite different principles. In Uzbekistan, the Pension Fund is responsible for the administration of social insurance pensions. The ILO asked the group whether the Pension Fund could feasibly collect contributions and disburse them in collaboration with the EPF, or whether there were other possibilities for appropriate and effective administrative arrangements. Participants noted that it would be preferable to use an entity with high administrative capacity similar to the Pension Fund and highlighted that trust in private insurance entities is weak. This question remains open and will require further discussion and agreement.

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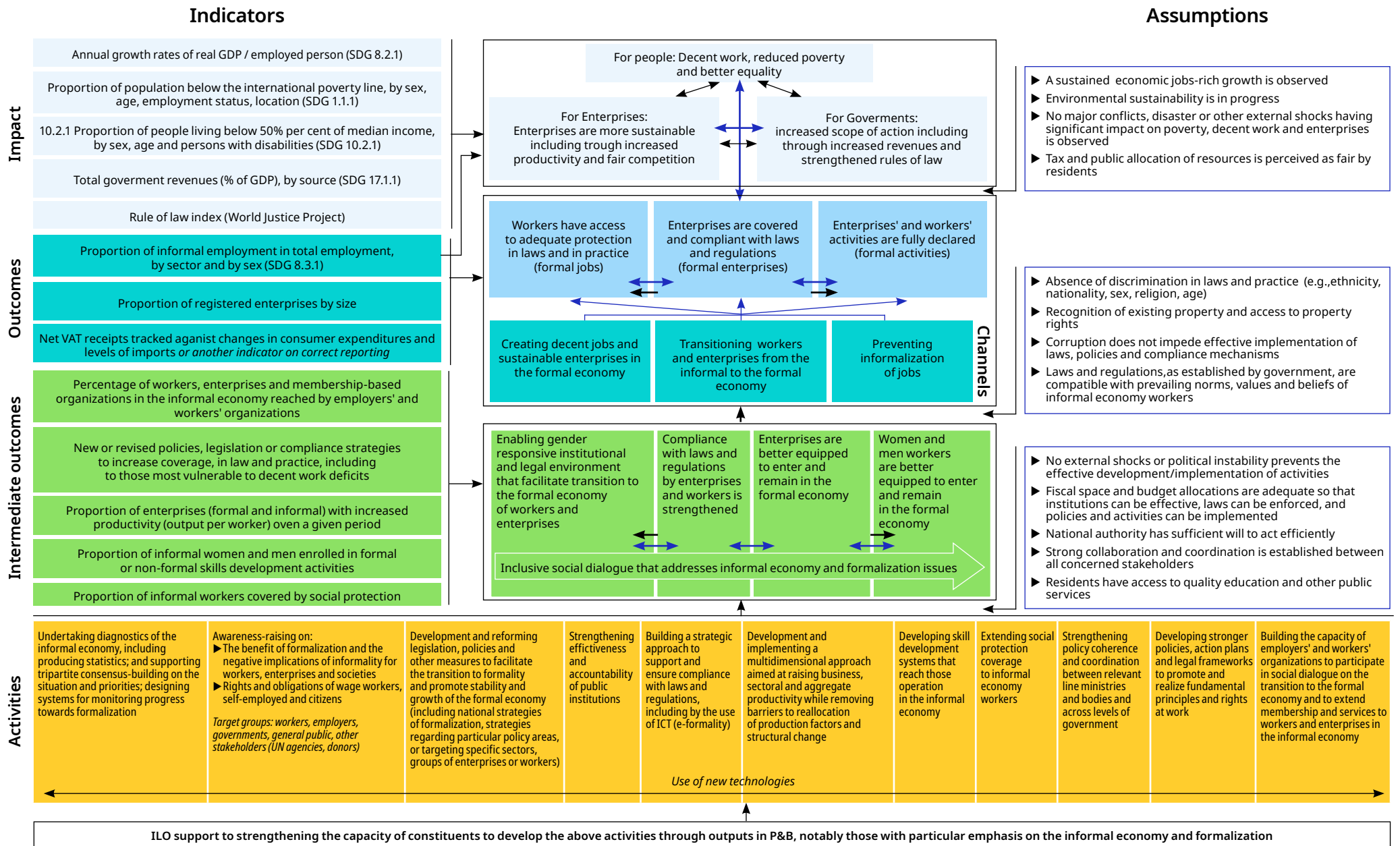


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Annex



► Annex 1. ILO Theory of Change: Transition for informal to formal employment



► Annex 2. Tax financed unemployment benefits around the world

Country	Qualifying conditions	Description of benefits
<p>New Zealand (one general tax financed unemployment benefit, no prior work requirement)</p>	<p>Unemployment benefit (Job Seeker Support, income tested): Must be aged 18 or older (aged 20 or older with a dependent child); have at least two years of continuous residence; be available for and actively seeking full-time work and must comply with the work test, which includes acceptance of any offer of suitable employment. The unemployed person is ineligible for benefits for the first 13 weeks in cases of voluntary unemployment or dismissal for serious misconduct (during which time a provisional benefit may be paid if specified tasks are performed for six weeks).</p> <p>For citizens or permanent residents with less than two years of residency in New Zealand, a benefit may be paid in cases of hardship. For non-permanent residents, an income- and asset-tested emergency benefit may be paid in cases of hardship.</p>	<p>Unemployment benefit (Job Seeker Support, income tested): Up to NZ\$215.34 (net) a week is paid if aged 25 or older, single, and with no children; NZ\$179.44 (net) a week if aged 20 to 24 or if aged 18 or 19 and living away from home; NZ\$143.55 (net) a week if aged 18 or 19 and living with a parent.</p> <p>Up to NZ\$334.05 (net) a week is paid if single with children; up to NZ\$192.25 (net) a week for each member of a married, civil-union or de-facto couple with children or NZ\$179.44 (net) a week without children.</p> <p>The benefit is paid after a waiting period of up to two weeks, depending on the beneficiary's previous income and family circumstances.</p> <p>Income test: The benefit is reduced by NZ\$0.70 for every NZ\$1 of gross weekly earnings above NZ\$80 for beneficiaries who are not single parents. For single parents, the benefit is reduced by NZ\$0.70 for every NZ\$1 of gross weekly earnings above NZ\$100; by NZ\$0.30 for every NZ\$1 of weekly income from NZ\$100 to NZ\$200; and by NZ\$0.70 for every NZ\$1 of weekly income above NZ\$200.</p> <p>There is no limit on the period of eligibility for the unemployment benefit but the beneficiary must reapply every 52 weeks.</p> <p>Benefit adjustment: Benefits are adjusted annually on April 1 based on changes in the consumer price index for the previous calendar year.</p>

Country	Qualifying conditions	Description of benefits
<p>Australia (separate general unemployment benefits for adults and youth, no prior work requirement)</p>	<p>Adult unemployment benefit (Newstart Allowance, means tested): Must be aged 22 to the normal retirement age, actively seeking paid work, and participating in government-approved activities designed to facilitate entry into employment (unless temporarily exempted from such activities).</p> <p>In limited circumstances, the adult unemployment benefit is payable abroad for up to six weeks.</p> <p>Additional assistance: Persons receiving the adult unemployment benefit automatically receive the energy supplement and health care card, and may be eligible for other supplementary benefits. See Family Allowances.</p> <p>Youth unemployment benefit (Youth Allowance, means tested): Must be aged 16 to 21 (24 if a full-time student), and either actively seeking employment or participating full-time in an approved education or training program. If the person is a dependent, parental and personal income and assets are considered in the means test.</p> <p>In limited circumstances, the youth unemployment benefit is payable abroad for up to six weeks.</p> <p>Youth disability supplement: Must be younger than age 22 and be assessed with a partial capacity to work.</p> <p>Additional assistance: Persons receiving the youth unemployment benefit automatically receive the energy supplement and health care card, and may be eligible for other supplementary benefits. See Family Allowances.</p>	<p>Adult unemployment benefit (Newstart Allowance, means tested): With no dependent children, up to A\$550.20 (if single) or A\$496.70 (if partnered) is paid every two weeks. If single with dependent children or if aged 60 or older and has received the benefit for at least nine consecutive months, up to A\$595.10 is paid every two weeks (September 2018). The benefit is paid after a seven-day waiting period (the waiting period may be extended depending on the claimant's personal circumstances and liquid assets).</p> <p>The benefit may be reduced, postponed, suspended, or terminated if the beneficiary does not participate in training programs, job interviews, and certain other activities, or if the beneficiary refuses a suitable job offer.</p> <p>Additional assistance: The amount of additional assistance depends on family situation and income. See Family Allowances.</p> <p>Youth unemployment benefit (Youth Allowance, means tested): A\$244.10 to A\$762.40 (March 2018) is paid every two weeks, depending on age, living arrangements, marital status, and whether the recipient has dependent children.</p> <p>Youth disability supplement: Up to A\$129.80 (January 2019) is paid every two weeks to recipients younger than age 22 with an assessed partial capacity to work.</p> <p>Additional assistance: The amount of additional assistance depends on family situation and income. See Family Allowances.</p>

Country	Qualifying conditions	Description of benefits
<p>United Kingdom (standard contributory – not shown – plus means-tested jobseeker benefit with no prior work requirement)</p>	<p>Job seeker's allowance (means tested): Paid to those who do not qualify for the contributory job seeker's allowance and have savings of less than £16,000. Must work less than 16 hours a week on average and have a partner who works up to 24 hours a week.</p> <p>Must be registered as unemployed; be capable of, available for, and actively seeking employment; and have a current Jobseeker's Agreement. The Jobseeker's Agreement is drafted and signed by the job seeker and the job seeker's advisor. It obliges the job seeker to actively seek training and work. Failure to sign a Jobseeker's Agreement results in the suspension of benefits.</p>	<p>Job seeker's allowance (means tested): The amount of the allowance depends on the claimant's age and on household income and composition. £57.90 a week is paid to an unmarried person younger than age 25; £73.10 if aged 25 or older (£114.85 for a couple if both are aged 18 or older) (April 2017). The allowance is paid after a seven-day waiting period.</p>
<p>Mauritius (standard contributory – not shown – and means-tested allowance with no prior work requirement)</p>	<p>Unemployment benefit (Unemployment Hardship Relief, social assistance, income tested): Must be registered as unemployed at the employment exchange for at least 30 days, be capable of and available for work, and actively seeking employment.</p> <p>Income test: Family income must not exceed a certain limit.</p> <p>Spouse's allowance: Paid to the spouse of a beneficiary of unemployment benefits.</p> <p>Child allowance: Paid for unmarried children younger than age 20.</p> <p>Rent allowance: Paid to help with the cost of rental payments.</p>	<p>Unemployment benefit (Unemployment Hardship Relief, social assistance, income tested): Up to 468 rupees a month is paid.</p> <p>Spouse's allowance: 468 rupees a month is paid.</p> <p>Child allowance: 192 rupees a month is paid for each eligible child younger than age 3; 181 rupees for each child aged 3 to 9; 220 rupees for each child aged 10 to 14; 305 rupees for each child aged 15 to 19 if a full-time student; or 322 rupees for a disabled child up to age 19.</p> <p>Rent allowance: 50% of the claimant's rent is paid, up to 363 rupees a month.</p> <p>The minimum monthly unemployment benefit is 270 rupees.</p> <p>Benefit adjustment: Benefits are adjusted annually in January based on changes in the cost of living.</p>

Country	Qualifying conditions	Description of benefits
<p>France (standard contributory – not shown – and less stringent means-tested allowance for those who have exhausted UI)</p>	<p>Specific solidarity allowance (Allocation de solidarité spécifique, social assistance, income tested): Must have at least five years of employment in the last 10 years before unemployment, no longer be entitled to unemployment benefits, and be registered at an employment office. An insured person aged 50 or older can choose between the specific solidarity allowance and the unemployment benefit.</p> <p>Income test: Average monthly household income (excluding social benefits, savings, and alimony) before entitlement to unemployment benefits ceased must not exceed €1,153.60 for a single person; €1,812.80 for a couple.</p> <p>Temporary waiting period allowance (Allocation temporaire d'attente, social assistance, income tested): Paid to certain unemployed persons (persons awaiting reintegration, asylum seekers, certain foreigners) who are not entitled to unemployment benefits. The insured must be actively seeking employment.</p> <p>Income test: Monthly income must be less than the active solidarity income.</p>	<p>Specific solidarity allowance (Allocation de solidarité spécifique, social assistance, income tested): If household income is from €659.20 to €1,153.60 for a single person or from €1,318.40 to €1,812.80 for a couple, the monthly benefit is the difference between the household income and €1,153.60 or €1,812.80, respectively. The benefit is awarded for a six-month period and is renewable if qualifying conditions are still satisfied. The benefit ceases when the insured reaches the legal minimum retirement age (or the automatic age of entitlement for a full pension).</p> <p>The beneficiary may work and receive the solidarity allowance (up to a maximum) for up to 12 months.</p> <p>Temporary waiting period allowance (Allocation temporaire d'attente, social assistance, income tested): €311.49 a day is paid for up to 12 months.</p> <p>The insured may work and receive the temporary waiting period allowance (up to a maximum) for up to 12 months.</p>
<p>Portugal (standard contributory – not shown – and less stringent means-tested allowance for those who have exhausted UI)</p>	<p>Unemployment social benefit (Subsídio Social de Desemprego, social assistance, means tested): Must have at least 180 days of contributions in the 12 months before unemployment and be ineligible for or have exhausted unemployment benefits. The insured must register at an employment office and be capable of and available for work. Unemployment must be involuntary.</p> <p>Means test: Total household assets (bank accounts, stocks, investment funds, etc.) must not exceed 240 times the value of the monthly social benefit rate and monthly household per capita income must not exceed 80% of the monthly social benefit rate.</p> <p>The monthly social benefit rate is € 428.90.</p>	<p>Unemployment social benefit (Subsídio Social de Desemprego, social assistance, means tested): 80% of the monthly social benefit rate is paid to a single person; 100% with dependents.</p> <p>The monthly social benefit rate is €428.90.</p> <p>The duration of benefits depends on the beneficiary's age when contributory unemployment benefits cease. If aged 40 or older, the duration is the same as the social insurance unemployment benefit; if under age 40, the duration is half of the social insurance unemployment benefit.</p> <p>The social assistance unemployment benefit may be renewed until early retirement age provided the insured became unemployed at age 52 or later.</p>

Country	Qualifying conditions	Description of benefits
<p>Spain (standard contributory – not shown – and less stringent means-tested allowance for those who have exhausted UI)</p>	<p>Unemployment assistance (Subsidio por desempleo, income tested): Must have at least six months of contributions (at least three months if the insured has dependents) and have exhausted entitlement to (or does not qualify for) the contributory unemployment benefit.</p> <p>Income test: Monthly income must not exceed 75% of the legal monthly minimum wage.</p> <p>The legal monthly minimum wage is €735.90.</p>	<p>Unemployment assistance (Subsidio por desempleo, income tested): €430.27 is paid for up to six months. The benefit may be extended for two additional six-month periods; for up to a maximum of 30 months under special circumstances. If the beneficiary is older than age 55, the benefit may be paid until retirement age under certain conditions.</p>
<p>Germany (standard contributory – not shown – means-tested allowance with no prior work requirement)</p>	<p>Unemployment benefit (Arbeitslosengeld II, social assistance, means tested): Paid to jobseekers aged 15 to the normal retirement age who are capable of, available for, and actively seeking work, including employed persons seeking more suitable work and social insurance unemployment beneficiaries.</p> <p>The basic subsistence needs of the beneficiary must not be met by any other benefit.</p> <p>Housing allowance (Bedarfe für Unterkunft und Heizung): Paid to tenants or homeowners who incur housing costs.</p> <p>Dependent's supplement: Paid for dependent children younger than age 18. Children younger than age 15 must not work.</p> <p>Pregnancy supplement: Paid to pregnant women.</p> <p>Single parent supplement: Paid to single parents.</p>	<p>Unemployment benefit (Arbeitslosengeld II, social assistance, means tested): A basic monthly benefit of €332, €374, or €416 is paid, according to the family composition.</p> <p>Housing allowance (Bedarfe für Unterkunft und Heizung): The total monthly rent, utilities, maintenance costs, or other housing costs are paid, up to an amount that is assessed as reasonable.</p> <p>Dependent's supplement: €240 a month is paid for each child younger than age 6; €296 for each child aged 6 to 13; €316 for each child aged 14 to 17.</p> <p>Pregnancy supplement: 17% of the unemployment benefit is paid from the 13th week of pregnancy to the time of childbirth.</p> <p>Single parent supplement: 12% to 60% of the unemployment benefit is paid, according to the number and ages of the children living in the same household.</p> <p>Additional supplements may be paid according to the assessed need.</p> <p>Means test: The total benefit (basic benefit and supplemental benefits) is reduced by 20% of income from €100.01 to €1,000 a month; 10% of income from €1,000.01 to €1,200 (from €1,000.01 to €1,500 if the beneficiary has any children). Certain types of income (including certain level of savings) are excluded.</p> <p>There is no limit to duration.</p>

Source: As compiled by Development Pathways for ILO (forthcoming).

► Annex 3. Overview of maternity, paternity and parental leave protections around the world

Based on a systematic review of **maternity legislation** in 170 countries conducted in 2013, the ILO (2016) found that:

- 98 countries provide at least 14 weeks of leave
- 74 countries pay at least two thirds of earnings
- More than 100 countries financed benefits through social security (contributory or non-contributory)
- 47 countries require employers to cover the costs directly

Many countries also offer **paternity leave**. According to the review:

- 79 countries provide paternity leave, in 71 of which it is paid leave
- Generally, paternity leave is paid at 100 per cent of the worker's previous earnings, with some exceptions
- In 46 countries, the employer pays the benefit
- In 28 countries, the benefit is paid through social security

The review of **parental leave** policies found that:

- 66 countries provide some form of parental leave, of which 36 provide cash benefits
- Benefits range from 20 per cent of the minimum wage (Uzbekistan) to two thirds of earnings (18 countries)
- Benefits are typically financed through the social security system, primarily social insurance
- Take-up rates are low among men unless the period of leave is non-transferable (i.e. must be used by the man)

Source: As summarised in ILO (2021d), based on ILO (2016).



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