Non-performance of the Severance Pay Program in Slovenia

Milan Vodopivec
Lilijana Madzar
Primož Dolenc

January 2009
NON-PERFORMANCE OF THE SEVERANCE PAY PROGRAM
IN SLOVENIA

Milan Vodopivec, World Bank

Lilijana Madzar, Public Guarantee Fund of Slovenia

and

Primož Dolenc, University of Primorska, Faculty of Management Koper

January 2009

The authors would like to thank the Statistical Office of Slovenia and the Guarantee Fund of Slovenia for providing the data used in this paper.
Abstract

Combining information from the Firm Survey of Labor Costs with the information about claims filed with the Guarantee Fund by workers whose employers defaulted on their severance pay obligations, the paper analyzes the so-called non-performance problem of severance pay – the fact that coverage, and thus legal entitlement, does not guarantee the actual receipt of the benefit – as experienced in Slovenia in 2000. The findings are threefold: (i) one-third of total obligations incurred by firms failed to be honored and only a small portion of defaulted severance pay claims was reimbursed by the Guarantee Fund; (ii) while both men and women seem to be equally affected, workers older than 40 were disproportionately represented among those whose severance pay claims failed to be honored; and, (iii) among firms that incurred severance pay liabilities, larger and more productive firms were more likely to observe their fiduciary obligations and pay them out. These findings corroborate the weaknesses of severance pay as an income protection program, pointing to the large scale of the non-performance problem and the inequities created by it.

Key words: severance pay, severance pay non-performance, Guarantee Fund, Slovenia

JEL Codes: J65, J32
1 Introduction

Being widely used in both the developed and developing world, severance pay is the most prevalent program offering income compensation in the case of job loss.\(^1\) Despite being so widespread, evaluations show that severance pay not only creates important inefficiencies but also often fails to provide adequate protection. On the efficiency front, severance pay reduces employment and labor market flows, hinders technological progress and innovations, pushes workers into the informal sector, and creates significant litigation costs (see Addison and Teixeira (2001) for a review of both theoretical and empirical effects). Its scorecard on the income protection front is also rather negative. First, generous severance pay hinders access to formal sector jobs by disadvantaged groups (OECD 1999). Second, the same amount of severance is paid regardless of the duration of the unemployment spell following the separation, resulting in over-payments to workers with short and under-payments to workers with long unemployment spells. And third, severance pay suffers from the so-called non-performance problem – the fact that coverage, and thus legal entitlement, does not guarantee the actual receipt of the benefit.

The non-performance of severance pay is largely an “uncharted territory,” as only a handful of studies provide hard empirical evidence about this aspect of severance pay. Because severance is not administered by a public authority, information about the incidence of severance pay obligations as well as about how frequently firms actually honor such obligations is rarely accessible. While ad-hoc evidence exists (for example, from litigation cases where workers are suing their employers for the non-payment of severance pay), we are familiar with only two studies that report evidence on non-performance–based on micro-data. One is MacIsaac and Rama (2000), who estimate that in the early 1990s only about half of Peruvian workers legally entitled to severance pay received the benefit (MacIsaac and Rama report that the payment was more likely if workers had a written contract and if they worked in a large, unionized firm that paid social security contributions). The other is Mansor et al. (2001), who report that Malaysian workers who were laid off in 1998 received 83 percent of the total amount of severance pay that they claimed from their employers.

This paper is an attempt to provide further insights into the non-performance problem of the severance pay. It focuses on the Slovenian severance pay program and addresses the following three sets of questions:

(a) How severe is the non-performance problem in Slovenia? That is, of total liabilities arising from the payment of severance, what are (i) the share of severance pay paid out by firms, (ii) the share paid out by the Guarantee Fund of Slovenia, and (iii) the share that is failed to be paid out?

(b) In particular, are any groups strongly affected? That is, what is the age and sex composition of workers whose severance pay claims are not honored?

(c) What are the characteristics of the firms that honor their obligations arising from severance pay in comparison to those that fail to do so?

\(^1\) See Holzmann et al (2008) for a survey of the incidence of the severance pay around the world and a review of the origin, economic rationale, and current attempts to reform severance pay programs.
Because of information availability, Slovenia is particularly suitable for studying the above questions. First, in 2000 the Statistical Office of Slovenia carried out a survey of labor costs incurred by firms, the survey that among others provides information about the amount of severance paid out by each firm. Second, Slovenia is one of few transition countries that has introduced the Guarantee Fund to help the laid-off workers with partial reimbursement of their outstanding severance pay claims, and the information collected by this fund is a valuable source for studying severance pay non-performance. These two sources – the Firm Survey of Labor Costs and the Guarantee Fund – are thus complementary, one providing information about severance pay obligations paid out by firms and the other about obligations failed to be paid out by firms. Taken together, the data establish a composite rendering of fulfilled and unfulfilled severance pay obligations in Slovenia.

The main findings of the paper are as follows. First, the non-performance of severance pay has been a significant problem in Slovenia, with one-third of total obligations incurred by firms failing to be honored (in 2000, the year focused upon by the study) and only a small portion of non-paid severance pay claims being reimbursed by the Guarantee Fund. Second, while both men and women seem to be equally affected, workers older than 40 were disproportionately represented among those whose severance pay claims failed to be honored. And third, among firms that incurred severance pay liabilities, larger and more productive firms were more likely to pay them out. These findings corroborate the weaknesses of severance pay as an income protection program, pointing to the large scale of the non-performance problem and inequities created by it.

The paper is organized as follows. Section 2 describes the legal framework of severance pay in Slovenia. Section 3 provides a comparison of severance pay programs in transition countries. Section 4 describes the data and methodology, and Section 5 presents the results of the empirical analysis of the non-performance problem of the Slovenian severance pay program. Section 6 concludes with a summary and policy implications.

2 Description of the legal system of Slovenia’s severance pay

In Slovenia, severance pay is regulated by the Labor Code, the Law on the Public Guarantee Fund, and the Law on Bankruptcy and Liquidation, and is further guided by Collective bargaining agreements, as well as individual contracts (on the managerial level). Mandated severance pay is paid to laid-off workers and workers who retire, with the level of pay proportional to the work tenure of the worker with his or her former employer. To address the non-performance problem of severance pay, a Guarantee Fund was introduced in 1997, with the Fund partly reimbursing the unpaid severance pay claims of workers.

Slovenia introduced a Labor Code in 1990 and a new one in 2003. The 1990 Labor Code mandated severance for early retirees as well as for redundant workers. While for early retirees the law did not prescribe the amount of severance pay, it did so for redundant workers. For each year of service, workers with at least two years of service were entitled to half of their monthly average wage for every year of service, with the wage determined on the basis the wage paid in the last three months of employment. Other cases for severance pay were not legally binding.

2 Guarantee Fund also exists in Estonia, Romania and Uzbekistan.
The 2003 Labor Code significantly differs from the previous one, by defining more precisely the obligations on the part of employers and the rights of workers. Workers are entitled to severance pay if they retire or they are dismissed (either because of business reasons or bankruptcy or even in the case of his/her incompetence). Retired workers are entitled to the severance pay of two average wages, calculated from three-months average wage in Slovenia, or (if more favorable to the employee) two average wages, calculated from his/her three-months average wage before retirement. In contrast, the basis for the calculation of the severance pay for dismissed workers is the average monthly wage which was received by the employee, or which would have been received by the worker if working, in the last three months before the termination is taken. The employee is entitled to severance pay amounting to:

- 1/5 of the basis for each year of employment with the employer, if the employee has been employed with the employer for more than one and up to five years;
- 1/4 of the basis for each year of employment with the employer, if the employee has been employed with the employer for the period from five to fifteen years;
- 1/3 of the basis for each year of employment with the employer, if the employee has been employed with the employer for the period exceeding fifteen years.

It is worthwhile to stress that also under the 2003 law, the severance pay program remains unrelated to the unemployment insurance program. That is, qualifying workers receive severance pay and, in addition, they also qualify for unemployment insurance benefits (which can be received for up to two years, see van Ours and Vodopivec, 2006).

To protect worker’s rights in the case of a firm’s insolvency, in 1997 Slovenia – following the 1980 EU directive 80/987 – introduced the Public Guarantee Fund. Workers, legally entitled to severance pay but unsuccessful in its exaction, can claim partial reimbursement of their severance pay claims from the Fund, with the ceiling on such reimbursements being a monthly minimum wage. Moreover, under the 1993 Law on Bankruptcy and Liquidation, workers can sue their former employers that undergo a liquidation or bankruptcy process, with workers’ severance pay claims having a priority before other claims (up to a limit – for details, see Kresal Šoltes 1997).

3 Review of severance pay program in transition countries

In putting Slovenia in an international context, we draw heavily on the Schwab (2003) analysis of 21 transition countries. While all these countries mandate severance pay, the countries differ in important details. These include the extent of coverage, eligibility
conditions, generosity of benefits and whether benefits should vary with seniority, and what to do when bankruptcy prevents the employer from making severance payments.

**Eligibility.** Transition countries mandate severance pay for economic dismissals such as the employer’s liquidation, bankruptcy, or reduction of staff due to economic, technological, structural, or similar changes. Many countries require severance pay only for economic dismissals. These countries include the Czech Republic, Georgia, Hungary, Macedonia, Poland, Serbia, Slovak Republic, Slovenia, and Vietnam. In some other countries, though, workers are also entitled to severance pay for a variety of other dismissals. These other dismissals are generally for individual reasons, such as when the worker proves incompetent for the position or is disabled by health reasons.

Not all dismissed workers, even among those dismissed for economic reasons, are entitled to severance payments. Countries differ in eligibility conditions. One-third of the countries included in our analysis require a minimum length of employment with the firm before a dismissed worker is entitled to severance pay. The required seniority ranges from one to three years for economic dismissals, and up to five years for other dismissals. Slovenia and Vietnam require one year of employment before a worker is entitled to severance pay. Bosnia and Herzegovina, Croatia, and Macedonia require two years of seniority. Hungary requires three years of seniority. Bulgaria requires five years of seniority before a worker is entitled to severance pay for dismissals due to illness (but has no seniority requirements for economic dismissals).

**Level of benefits.** Of the 21 countries included in our analysis, 13 use a sliding scale connected to years of employment – Bulgaria, China, Croatia, Estonia, Hungary, Latvia, Lithuania, Macedonia, North Korea, Poland, Serbia and Montenegro, Slovenia, and Vietnam; severance pay in the rest of the countries included in the study does not vary with seniority. By design, in sliding-scale countries more senior workers are entitled to more generous severance pay. In general, the level of benefits in sliding-scale countries exceeds those in fixed-benefit countries.

**Dealing with the non-performance problem.** A major issue connected with severance pay is inability of insolvent employers to make severance payments. Fifteen countries have ratified ILO Convention 173, including four transition countries: Latvia, Lithuania, Slovakia, and Slovenia. According to this convention, countries can choose between giving priority to severance pay claims in the employer’s bankruptcy proceedings or creating a Guarantee Fund to protect severance-pay claims (together with unpaid wages) – with Slovenia, as mentioned above, opting for both.

### 4 Data and methodology

Below we describe the micro-level data sources and methodology used in the empirical analysis of Slovenia’s severance pay.

---

*Most OECD countries also have mandatory severance pay programs, but some – including Australia, Denmark, Finland, Germany, Japan, Netherlands, New Zealand, Norway, Sweden, and the United States – leave such arrangements to collective bargaining or rely on the common law provisions. For example, in the Netherlands, even though the law does not require severance pay, employers often make payments to dismissed workers to avoid legal proceedings for an “obviously unreasonable dismissal.” The cantonal courts have even created a statutory-like formula for the amount of severance payments.*
Data sources. The following data sources are used:

(a) Firm-level data were obtained from the 2000 Labor Costs Survey in Slovenia, administered by the Statistical Office of Slovenia. The sample comprised 3,021 enterprises, selected among those with 10 or more workers. Information included severance pay that firms paid both to laid-off and retired workers.

(b) Individual-level data were gathered from worker requests to the Guarantee Fund of Slovenia in the period from 1994 to 2003. For each individual, data included unpaid severance pay obligations, requested amount from the Fund, amount paid by the Fund, the gender and age of the applicant, and previous employer.

(c) Firm-level measure of efficiency produced by production function estimation. We used the value of the error term – \(e_{ijt}\) – for 2000, obtained by the following OLS estimation of translog production function for the Slovenian manufacturing firms for the 1994-2001 period:

\[
\ln q_{ijt} = \alpha_0 + \sum_{k=1}^{n} \alpha_k \ln x_{ik} + \frac{1}{2} \sum_{k=1}^{n} \sum_{l=1}^{n} \beta_{kl} \ln x_{ij} \ln x_{ji} + \epsilon_{ijt}
\]

where the inputs \(x_{ik}\) include measures of labor, capital, and material inputs; \(\alpha_k\) and \(\beta_{kl}\) are, respectively, first- and second-order translog production parameters (\(i\) refers to individual firms, \(j\) to two-digit industry categories, and \(t\) to time) – see Orazem and Vodopivec (2008) for details of estimation and data sources used.\(^6\)

Methodology for the analysis of firm-level determinants of severance pay payout. To investigate whether firm efficiency and size affect the likelihood of paying severance pay given that firms incurred such costs, that is, that they laid-off workers, we ran a multinomial logit model with the following options for the dependent variable:

- firm did not incur severance obligations (taken as a baseline),
- firm incurred severance obligations and paid them, and
- firm incurred severance obligations and did not pay them.

As explanatory variables, we used efficiency of the firm and firm size. To capture firm size effects, we used a dummy variable indicating whether a firm had more than 100 workers.

5 Empirical results

This section presents the results of our empirical analysis of the severance pay non-performance in Slovenia. As explained above, we focus on the following aspects: the severity of the non-performance problem, the composition of workers whose severance pay claims fail to be paid out, and the characteristics of firms that fail to pay their severance pay obligations.

To put these questions in the context, however, let us first present statistics about severance pay liabilities that were paid out. We focus on year 2000, the year for which we

\(^6\) Alternative measures of efficiency, obtained via fixed effects and random effects estimation of the above translog production function, yielded similar results.
have Labor Cost Survey data. First, the overall amount of severance pay liabilities paid out in 2000 was €17.5 million – 0.085 percent of GDP or 0.2 percent of the total wage bill. While this is a rather modest amount, it certainly is not a negligible one. Second, most of severance pay obligations was paid by large firms; for example, 93 percent of severance pay was paid out by firms with more than 30 workers (see Figure 1). Third, the majority (more than 60 percent) of paid severance pay obligations was incurred in manufacturing (Figure 2), suggesting that in 2000, this sector was still undergoing an intense restructuring.

![Figure 1: Paid severance pay – structure by size, 2000 (%)](image1)

Source: Authors’ computations based on the 2000 Labor Cost Survey.

![Figure 2: Paid severance pay – structure by industry, 2000 (%)](image2)

Source: Authors’ computations based on the 2000 Labor Cost Survey.

(a) Severity of severance pay non-performance

Our results show that in 2000, the non-performance of severance pay posed a serious problem in Slovenia. Out of the total of €27.3 million severance pay obligations, €9.0 million – 33 percent – failed to be honored (by firms that incurred these obligations or by the Guarantee Fund – see Table 1). The role of the Guarantee Fund in helping with unpaid obligations proved to be very limited, as the Fund only reimbursed €0.7 million or 7.2 percent of total unpaid severance pay obligations.\(^7\) Indeed, according to its rules (see above), the Guarantee Fund reimbursed unpaid severance pay claims only partially, and so less than 10 percent of the average claim was actually reimbursed (see Figure 3).

\(^7\) It is possible that some workers received additional reimbursement from bankruptcy or liquidation proceeds – we do not have any information about such reimbursements.
Table 1: Severance pay payments, reimbursements, and unpaid claims, 2000

<table>
<thead>
<tr>
<th>Amount (€million)</th>
<th>Structure (%)</th>
<th>Share in GDP (%)</th>
<th>Share in worker compensation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payments made by firms</td>
<td>17.5</td>
<td>64.3</td>
<td>0.085</td>
</tr>
<tr>
<td>Reimbursements made by the Guarantee Fund</td>
<td>0.7</td>
<td>2.7</td>
<td>0.004</td>
</tr>
<tr>
<td>Unpaid severance pay claims</td>
<td>9.0</td>
<td>33.0</td>
<td>0.044</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>27.3</strong></td>
<td><strong>100.0</strong></td>
<td><strong>0.132</strong></td>
</tr>
</tbody>
</table>

Source: Authors’ computations based on 2000 Labor Costs Survey and the Guarantee Fund of Slovenia.

Figure 3: Average severance pay claims and reimbursements, 1994-2003 (€)

In the 1990s, the magnitude of the non-performance of severance pay was most likely even larger. Figure 4 shows the number of cases of severance pay reimbursements by the Guarantee Fund in the period from 1994 until 2003. This figure reflects the pattern of transition and suggests that the problem of severance pay non-performance was probably even more serious in the mid-1990s, when the number of workers turning to the Guarantee Fund for reimbursements was more than double the number in 2000. Moreover, in the period from 1994 to 2003 around 43,000 workers failed to receive payment from their former employers despite their legal entitlement.

Figure 4: Number of cases of reimbursements, 1994-2003

(b) Which workers are affected by non-performance of severance pay?

To find out whether some groups of workers were disproportionally affected by severance pay non-performance, we analyzed the composition of workers reporting unpaid severance
claims. We found no evidence of differences between men and women, but workers above 40 years were more affected by severance pay non-performance than younger workers.

Figure 5 shows that severance pay non-performance has not affected men and women differently, as the reimbursements to men and women were rather similar in size. Over the 1994-2003 period, the Guarantee Fund paid 50.8 percent of total severance pay reimbursements to women and 49.2 percent to men), which correspond well to the employment shares of these groups (in 2000, men represented 51 percent of total employment and women 49 percent).

Figure 5: Structure of severance pay reimbursements by gender, 2000

![Figure 5: Structure of severance pay reimbursements by gender, 2000](image)

Source: The Guarantee Fund of Slovenia.

Turning to age distribution of claimants, Figure 6 compares the age distribution of severance pay claimants with the age distribution of the active population in Slovenia in the same period (1994-2003). Clearly, among the claimants, workers over 40 years of age are over-represented – while their share in population is 47 percent and 42 percent for men and women, respectively, their share among the claimants is 64 percent and 51 percent for men and women, respectively.

Figure 6: Age distribution of claimants and active population in Slovenia in 1994-2003

![Figure 6: Age distribution of claimants and active population in Slovenia in 1994-2003](image)

Source: The Guarantee Fund of Slovenia.

(c) Firm characteristics and non-performance

The last part of our analysis sheds light on characteristics of firms that are paying out severance pay in comparison to those that are failing to honor their legal entitlements. The
estimation of the multinominal logit model (see Table 2) shows that the larger and the more productive the firm, the more likely it is that it honors its severance pay obligations.

| Table 2: Multinominal logit estimates of the likelihood of severance pay non-performance |
|-----------------------------------------------|---------------------------------|---------------------------------|---------------------------------|
|                                              | Paying severance obligations    | Failing to pay severance obligations | Descriptive statistics§§ |
|                                              | Coefficient§§ | Robust standard error | Coefficient | Robust standard error | Mean | Standard deviation |
| Efficiency of the firm                        | -0.04         | 0.49                 | -5.76**      | 2.17                | 0.07 | 0.21               |
| Size of the firm (1 if firm’ employment exceeds 100 workers, 0 otherwise) | 1.38**        | 0.28                 | 0.47         | 0.88                | 0.61 | 0.49               |
| Constant                                      | -286**        | 0.25                 | -5.35**      | 0.81                |      |                    |
| No. of observations                           | 816            |                      |               |                    |
| Pseudo R²                                     | 0.056          |                      |               |                    |

Notes:
The definition of dependent variable: not incurring severance obligations is taken as a baseline, and incurring severance obligations and paying them, and incurring severance obligations and failing to pay them, as other options.
§§ Mean value of dependent variable is 0/08, and its standard error is 0.27.
§§ Significance at 1 and 5 percent levels are indicated by ‘**’ and ‘*’, respectively.

6 Concluding remarks

Being one of the rare examples of its kind, the paper seeks to provide insights into the non-performance problem of severance pay by analyzing the working of this program in Slovenia. Our findings suggest that severance pay non-performance has been a significant problem in Slovenia. In 2000, only two-thirds of total severance pay obligations were actually honored, a small portion of non-paid severance pay claims was reimbursed by the Guarantee Fund, and the rest – one-third of total obligations – was not paid at all. Moreover, we showed that while both men and women were equally affected, workers older than 40 years were more likely than younger ones to be confronted by severance pay non-performance. And, finally, we also found that among firms that incurred severance pay liabilities, larger and more productive firms were more likely to pay them out.

Taken together, these findings shed rather negative light on severance pay as an income protection program for the unemployed. First, the program fails to protect a significant share of those who are legally entitled to such protection – even after the introduction of the Guarantee Fund. Second, the program is prone to creating inequities, as it disproportionately affected older workers. At the same time, our findings also provide some clues about how to make the program more effective. The fact that less productive – and hence less profitable – firms are less likely to honor their obligations suggests that non-performance is strongly related to the non-funded nature and limited risk-pooling of severance pay, and thus the recommendation of converting severance pay to a funded program.

Let us conclude with recommendations for better coordinating severance pay with other income support systems for the unemployed. First, countries with both unemployment
insurance and severance pay programs (Slovenia being one of them) can save on costs without reducing insurance by better coordinating payments under the two programs. Namely, unemployment insurance eligibility rules could be adjusted so that insurance benefits would only start after the severance benefits “expire,” that is, after \( n \) months, if the individual received \( n \) monthly wages as the severance payment (such a program is in place in some developed countries, for example, in Canada – see Vodopivec 2004).

Another possibility – explicitly addressing the non-performance problem – is the conversion of severance pay to pre-funded unemployment insurance savings accounts (UISAs), a reform implemented by Austria in 2002.\(^8\) Besides correcting for the non-performance problem, UISAs would improve efficiency by removing obstacles to labor market flexibility and reducing litigation costs. Lastly, the most radical option is the introduction of an integrated severance and UI system (Chilean model), consisting of two components: UISAs and a solidarity fund, with benefit recipients first drawing benefits from their UISAs and upon depletion, reverting to the solidarity fund (for details of the reform, see Acevedo et al. 2006, and for theoretical considerations, Parsons 2008).

References


---

\(^8\) In 2002, Austria converted its severance pay to a fully funded contributory system akin to unemployment insurance savings accounts (Koman, Schuh, and Weber 2005). The reform extended the entitlement to workers with short tenures and removed obstacles to worker mobility, granting full portability and allowing the accumulation of benefits from the beginning of an employment spell. Employers pay 1.5 percent of each worker’s salary to each individual worker, with resources held in a central account and invested in the capital market. Laid-off workers with job tenure of three years or more can withdraw accumulations in their accounts or keep them and claim them upon retirement. Workers who separate voluntary or have tenures of less than three years are denied the right of immediate withdrawal, a feature that may hinder worker mobility.


<table>
<thead>
<tr>
<th>No.</th>
<th>Title</th>
<th>Authors/Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>0901</td>
<td>Non-performance of the Severance Pay Program in Slovenia</td>
<td>Milan Vodopivec, Lilijana Madzar, Primož Dolenc, January 2009 (online only)</td>
</tr>
<tr>
<td>0837</td>
<td>Can the Introduction of a Minimum Wage in FYR Macedonia Decrease the Gender Wage Gap?</td>
<td>Diego F. Angel-Urdinola, December 2008 (online only)</td>
</tr>
<tr>
<td>0836</td>
<td>Highly Labor-Intensive Public Works in Madagascar: Issues and Policy Options</td>
<td>Nirina Haja Andrianjaka and Annamaria Milazzo, October 2008 (online only)</td>
</tr>
<tr>
<td>0835</td>
<td>Can Conditional Cash Transfer Programs Play a Greater Role in Reducing Child Undernutrition?</td>
<td>Lucy Bassett, October 2008</td>
</tr>
<tr>
<td>0834</td>
<td>The Performance of Social Pensions in India: The Case of Rajasthan</td>
<td>Puja Vasudeva Dutta, July 2008 (online only)</td>
</tr>
<tr>
<td>0833</td>
<td>Labor Regulations in Developing Countries: A Review of the Evidence and Directions for Future Research</td>
<td>Tito Boeri, Brooke Helppie, Mario Macis, October 2008 (online only)</td>
</tr>
<tr>
<td>0832</td>
<td>The Incentives to Invest in Job Training: Do Strict Labor Codes Influence this Decision?</td>
<td>Rita K. Almeida and Reyes Aterido, October 2008 (online only)</td>
</tr>
<tr>
<td>0831</td>
<td>Reforming the Pension Reforms: The Recent Initiatives and Actions on Pensions in Argentina and Chile</td>
<td>Rafael Rofman, Eduardo Fajnzylber and German Herrera, May 2008 (online only)</td>
</tr>
<tr>
<td>0830</td>
<td>Community-based Risk Management Arrangements: An Overview and Implications for Social Fund Programs</td>
<td>Ruchira Bhattamishra and Christopher B. Barrett, October 2008</td>
</tr>
<tr>
<td>0829</td>
<td>Work History and the Access to Contributory Pensions in Uruguay: Some Facts and Policy Options</td>
<td>Marisa Bucheli, Alvaro Forteza and Ianina Rossi, May 2008 (online only)</td>
</tr>
<tr>
<td>0828</td>
<td>A Theory of Contribution Density and Implications for Pension Design</td>
<td>Salvador Valdés-Prieto, July 2008 (online only)</td>
</tr>
</tbody>
</table>
0827 On the Financial Sustainability of Earnings-Related Pension Schemes with “Pay-As-You-Go” Financing
by David A. Robalino and András Bodor, July 2008 (online only)

by David A. Robalino, Eduardo Zylberstajn, Helio Zylberstajn and Luis Eduardo Afonso, July 2008 (online only)

0825 The Portability of Pension Rights: General Principals and the Caribbean Case
by Alvaro Forteza, May 2008 (online only)

0824 Pension Systems and Reform Conceptual Framework
by Robert Holzmann, Richard Paul Hinz and Mark Dorfman, September 2008 (online only)

0823 Mandated Benefits, Employment, and Inequality in a Dual Economy
by Rita Almeida and Pedro Carneiro, August 2008 (online only)

0822 The Return to Firm Investments in Human Capital
by Rita Almeida and Pedro Carneiro, August 2008 (online only)

0821 Population Aging and the Labor Market: The Case of Sri Lanka
by Milan Vodopivec and Nisha Arunatilake, August 2008 (online only)

0820 China: Improving Unemployment Insurance
by Milan Vodopivec and Minna Hahn Tong, July 2008 (online only)

0819 Management Information Systems in Social Safety Net Programs: A Look at Accountability and Control Mechanisms
by Cesar Baldeon and Maria D. Arribas-Baños, August 2008 (online only)

0818 Guidance for Responses from the Human Development Sectors to Rising Food Prices
by Margaret Grosh, Carlo del Ninno and Emil Daniel Tesliuc, June 2008 (Revised as stand-alone publication)

0817 Levels and Patterns of Safety Net Spending in Developing and Transition Countries
by Christine Weigand and Margaret Grosh, June 2008 (online only)

0816 Labor Regulation and Employment in India’s Retail Stores
by Mohammad Amin, June 2008 (online only)
0815  Beyond DALYs: Developing Indicators to Assess the Impact of Public Health Interventions on the Lives of People with Disabilities
by Daniel Mont and Mitchell Loeb, May 2008

0814  Enforcement of Labor Regulation and Firm Size
by Rita Almeida and Pedro Carneiro, May 2008 (online only)

by Milan Vodopivec, Jean Fares and Michael Justesen, May 2008

by Valerie Kozel, Pierre Fallavier and Reena Badiani, May 2008

0811  Pension Lending and Analytical Work at the World Bank: FY2002-2007
by Richard Hinz, Melike Egelmelzer and Sergei Biletsky, May 2008 (online only)

by Margaret Grosh and Annamaria Milazzo, May 2008

by Samantha De Silva  and June Wei Sum, July 2008


0807  Migration, Labor Markets, and Integration of Migrants: An Overview for Europe
by Rainer Münz, April 2008 (online only)

0806  Is the Window of Opportunity Closing for Brazilian Youth? Labor Market Trends and Business Cycle Effects
by Michael Justesen, April 2008

0805  Disability and Poverty: A Survey of World Bank Poverty Assessments and Implications
by Jeanine Braithwaite and Daniel Mont, February 2008

0804  Poverty Traps and Social Protection
by Christopher B. Barrett, Michael R. Carter and Munenobu Ikekami, February 2008
<table>
<thead>
<tr>
<th>Code</th>
<th>Title</th>
<th>Authors</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>0801</td>
<td>Disability Insurance with Pre-funding and Private Participation: The</td>
<td>Estelle James, Augusto Iglesias and Alejandra Cox Edwards</td>
<td>January 2008</td>
</tr>
<tr>
<td></td>
<td>Chilean Model</td>
<td></td>
<td></td>
</tr>
<tr>
<td>0719</td>
<td>The Life-Course Perspective and Social Policies: An Issues Note</td>
<td>A.L. Bovenberg</td>
<td>November 2007</td>
</tr>
<tr>
<td>0718</td>
<td>Social Safety Nets and Targeted Social Assistance: Lessons from the</td>
<td>Chris de Neubourg, Julie Castonguay and Keetie Roelen</td>
<td>November 2007</td>
</tr>
<tr>
<td></td>
<td>European Experience</td>
<td></td>
<td></td>
</tr>
<tr>
<td>0717</td>
<td>Informality and Social Protection: Preliminary Results from Pilot</td>
<td>Franco Peracchi, Valeria Perotti and Stefano Scarpetta</td>
<td>October 2007</td>
</tr>
<tr>
<td></td>
<td>Surveys in Bulgaria and Colombia</td>
<td></td>
<td></td>
</tr>
<tr>
<td>0716</td>
<td>How Labor Market Policies can Combine Workers’ Protection with Job</td>
<td>Gaëlle Pierre and Stefano Scarpetta</td>
<td>October 2007</td>
</tr>
<tr>
<td></td>
<td>Creation: A Partial Review of Some Key Issues and Policy Options</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Youth Employment Inventory</td>
<td>Stavreska</td>
<td></td>
</tr>
<tr>
<td>0714</td>
<td>Performance of Social Safety Net Programs in Uttar Pradesh</td>
<td>Mohamed Ihsan Ajwad</td>
<td>October 2007</td>
</tr>
<tr>
<td></td>
<td>Labor Dispute and Contract Labor Laws in India</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Implementation and Relevance for the World Bank</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
0711 Reaching the Poor and Vulnerable: Targeting Strategies for Social Funds and other Community-Driven Programs
by Julie Van Domelen, May 2007

0710 The Macedonia Community Development Project: Empowerment through Targeting and Institution Building
by Caroline Mascarell, May 2007

0709 The Nuts and Bolts of Brazil’s Bolsa Família Program: Implementing Conditional Cash Transfers in a Decentralized Context
by Kathy Lindert, Anja Linder, Jason Hobbs and Bénédicte de la Brière, May 2007 (online only)

0708 Globalization and Employment Conditions Study
by Drusilla K. Brown, April 2007

0707 The Kosovo Pension Reform: Achievements and Lessons
by John Gubbels, David Snelbecker and Lena Zezulin, April 2007 (online only)

0706 Measuring Disability Prevalence
by Daniel Mont, March 2007

by Annamaria Milazzo and Margaret Grosh, March 2007 (online only)

0704 Child Labor and Youth Employment: Ethiopia Country Study
by Lorenzo Guarcello and Furio Rosati, March 2007

0703 Aging and Demographic Change in European Societies: Main Trends and Alternative Policy Options
by Rainer Muenz, March 2007 (online only)

0702 Seasonal Migration and Early Childhood Development
by Karen Macours and Renos Vakis, March 2007

0701 The Social Assimilation of Immigrants
by Domenico de Palo, Riccardo Faini and Alessandra Venturini, February 2007 (online only)

To view Social Protection Discussion papers published prior to 2007, please visit www.worldbank.org/sp.
Summary Findings

Combining information from the Firm Survey of Labor Costs with the information about claims filed with the Guarantee Fund by workers whose employers defaulted on their severance pay obligations, the paper analyzes the so-called non-performance problem of severance pay – the fact that coverage, and thus legal entitlement, does not guarantee the actual receipt of the benefit – as experienced in Slovenia in 2000. The findings are threefold: (i) one-third of total obligations incurred by firms failed to be honored and only a small portion of defaulted severance pay claims was reimbursed by the Guarantee Fund; (ii) while both men and women seem to be equally affected, workers older than 40 were disproportionately represented among those whose severance pay claims failed to be honored; and, (iii) among firms that incurred severance pay liabilities, larger and more productive firms were more likely to observe their fiduciary obligations and pay them out. These findings corroborate the weaknesses of severance pay as an income protection program, pointing to the large scale of the non-performance problem and the inequities created by it.

HUMAN DEVELOPMENT NETWORK

About this series...

Social Protection Discussion Papers are published to communicate the results of The World Bank's work to the development community with the least possible delay. The typescript manuscript of this paper therefore has not been prepared in accordance with the procedures appropriate to formally edited texts. The findings, interpretations, and conclusions expressed herein are those of the author(s), and do not necessarily reflect the views of the International Bank for Reconstruction and Development /The World Bank and its affiliated organizations, or those of the Executive Directors of The World Bank or the governments they represent. The World Bank does not guarantee the accuracy of the data included in this work. For free copies of this paper, please contact the Social Protection Advisory Service, The World Bank, 1818 H Street, N.W., Room G7-703, Washington, D.C. 20433-0001. Telephone: (202) 458-5267, Fax: (202) 614-0471, E-mail: socialprotection@worldbank.org or visit the Social Protection website at www.worldbank.org/sp.