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# USAID Public Policy E-Bulletin

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## **INDIVIDUAL ACCOUNTS - UNEMPLOYMENT INSURANCE SCHEME**

The USAID Public Policy Program has provided inputs to the National Development Plan regarding the creation of an unemployment insurance and job training system. Under the new system, employers and employees save the equivalent of a monthly salary in a regulated individual savings account. In addition, employers are required to contribute one percent of their monthly payroll to an employment insurance and job training fund. This contribution does not increase payroll taxes since it is taken from existing payroll tax revenues. In the event of someone becoming unemployed, they can gradually withdraw from their individual savings account and the unemployment insurance fund for six months. Additionally, they are required to register and attend a licensed job training program and begin a job search through the Government of Colombia (GOC) job matching program that has job vacancy and job search information. If the individual does not become unemployed by the time of retirement, positive balances will be transferred to the individual's pension funds in order to increase pension benefits or, the balance can be paid-out in cash. The program is expected to have an immediate impact on the large jobless population in Colombia composed mainly of women, youth and displaced persons.

On December 7<sup>th</sup>, Jaime Tenjo (Labor Component Leader) from the Public Policy Program, in coordination with the *Instituto de Ciencias Policitas* (ICP), presented the design of the unemployment insurance and job training program to labor market experts to ground truth on the design of the new system. The work presented included the institutional design and the financial feasibility analysis of the new system which the GOC will introduce to law in the spring of 2012.