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Willingness of Lebanese Workers to Pay for Unemployment Insurance

**A Thesis Submitted in Partial Fulfillment
of the Requirements for the Degree
of the Master of Business Administration
(M.B.A.)**

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**WILLINGNESS OF LEBANESE WORKERS TO PAY FOR
UNEMPLOYMENT INSURANCE**

BY

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DECLARATION

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ABSTRACT

After the emergence of the industrial society and the increased dependency on technology, along with globalization and worldwide economic recessions, labor market is being affected the most. Thus, unemployment is increasing and is becoming a serious problem, leading to poverty increase and economic decline. Innovative ways to reduce unemployment rate through unemployment insurance (UI), have a high priority nowadays. UI protects from the risks of unemployment, and provide regular payments for employees who are laid off involuntarily. Hence, this is considered an important solution for the increased poverty, and the increased shutting down of firms. Most countries are adopting such program after experiencing increased joblessness since it showed to be very beneficial for the employee, for the firm and for the economy as a whole.

Lebanon has a high unemployment rate especially after the 2006 July war, and the economy is on a decline. So, introducing UI into the Lebanese law shall be considered of great importance since it helps reducing unemployment rate and reviving its economy. However, the question is: Are Lebanese workers willing to pay for UI if it is going to be implemented in Lebanon?

This study was conducted to assess the Lebanese workers' attitude toward UI and their willingness to pay additional taxes to be covered by this insurance program. Data was collected using a survey distributed randomly to 200 Lebanese workers from different economic sectors in Great Beirut and Matn areas.

Results showed that every time the unemployment risk increases, the Lebanese workers' willingness to pay for UI increases as well. In addition, this study disclosed that Lebanese workers working in local firms are more willing to pay for UI than Lebanese workers working in multinational firms. Also, findings revealed that there is no association between income ranges and willingness to pay for UI.

Keywords: Unemployment Insurance - Unemployment risk - Unemployment - Lebanese workers - Lebanon

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Chapter 1 INTRODUCTION

1.1 General background about the topic

After the emergence of the industrial society, unemployment rate started to rise in different parts of the world. This phenomenon continued to grow with the onset of World War I; however, it was thought that this increase in unemployment is due to people's laziness toward work. Not until after the war period did politicians start to think about ways to reduce unemployment, poverty and economic deterioration. At that time, it was thought of a program that insures the risk of being jobless, so UI was founded, and was first implemented in France in 1905. Evidence shows that countries which implement UI are better able to survive during the hard times faced locally or globally. For instance, several countries found that this program should be considered as part of employee compensation because it has a wide range of benefits. For the firms, it helps retain employees, and enhances their level of security; thus they become more motivated and productive. Motivated and productive employees bring large sum of money to the firm, hence leading to increased profit and prosperity. More importantly is the UI ability to maintain consumption during economic decline thus holding firms' operations and preventing shut downs. For the government, it leads to well organized businesses, decreases the expenditures on the citizens during unemployment, poverty and economic decline, resulting in social stability. Finally, for the worker, it creates a sense of security, and provides payments when laid off involuntarily.

With globalization and economic recessions, the performance and the movement of the workforce were widely affected. Consequently, what countries were trying to do is to protect their workforce as well as their economy and bring prosperity even during difficult times. It was proved that being unemployed is a big problem; however, being without UI is even worse because the backup support which hold the country would be lost.

We can see that UI is a give-and-take relationship, that is, employees will be insured to bring better results for the firms, thus supporting the economy. As a result

unemployment risk should be managed and shared among all employees in order to prevent the high costs of unemployment.

1.2 Problem Identification

Unemployment rate in Lebanon is rising since several years, but this situation got worse after the 2006 July war. Several firms were obliged to shut down and some employees left their jobs with nothing in return. In addition, the political situation nowadays is exacerbating the problem and leading to irregular business cycles. Although there is no accurate data about the number of unemployed, it was estimated by several sources that this rate is high. Indeed, it is costing Lebanon millions of dollars each year in lost productivity, since the GDP is low. Lebanese workers are trying to find solutions for their unemployment situation in order to be able to survive in these difficult economic conditions. They consider traveling and working abroad their first choice as a way out from this problem. However, we are losing a lot of skillful employees that Lebanon can use to nourish its economy.

Since several countries used UI as a solution for the increased rise of unemployment and the increased decline in the economic conditions, I think that Lebanon is not far away from this problem. UI can be a key for the increased rise in unemployment as well as for the rise in the departure of Lebanese workers to the Gulf and to other European countries. UI also helps improve the firms' operations, increasing their profit and stabilizing the business cycle, thus reducing the overall economic decline. However, due to the low incomes Lebanese workers are receiving and due to the unstable political system we have, would they be able to pay additional taxes for this kind of insurance in order to protect their incomes. So, this study assesses the willingness of Lebanese workers to pay for UI.

1.3 Need for the study

Through the previous conducted researches, UI has shown to be very beneficial for the economy as a whole, for the government, for the firms, for the employees as well as for

the unemployed. UI stabilizes the economy during hard periods; hence decreasing unemployment, preventing poverty, and holding firms' functions.

Due to the declining economic conditions in Lebanon, several firms are not being able to handle the extra costs on them, like the employees' salaries. So, they are laying off employees with no fault on their own in order to decrease those costs. Some firms fire their workers with no replaced incomes; some others provide small amount of money that is not enough for them. Thus, who is supporting the unemployed in Lebanon? Some non-profit organizations and relatives are the only resources, but the amount of money provided is not enough to support them and to support the economy. Subsequently, they are traveling abroad to find another work in order to sustain their living.

I am Lebanese, and with all the difficult situations Lebanon is passing through, I still have a small hope in this country. My hope is to reduce poverty and revive the economy through small contributions from its citizens. Hence, I thought of the application of UI which partially helps the Lebanese and significantly reduces poverty. So that, I found that the need for UI is of high value to the country due to the importance of the program on the individual and on the society as a whole. It will be helpful for nourishing the economy in Lebanon by helping the jobless for a temporary time and by supporting businesses through keeping the purchasing power steady.

This study will be of precious interest to the policy makers and the employees in Lebanon because it tackles an important issue which can be a solution to several problems we are facing. Therefore, this report assesses the willingness of Lebanese workers to pay for UI, thus reflecting their attitudes toward this program. This can be a first step process for the possible initiation of the program after taking into account the employees' feedback first. I hope that it will be helpful for the policymakers in the country wishing to introduce such program.

1.4. Purpose of the study

Since it has wide range of benefits, I thought of studying the capability of introducing this program in employees' compensation benefits. But it can never be implemented before taking into consideration the employees' feedback towards it. If it is going to be

applied in Lebanon, it is necessary to assess the level of importance of this program from employees' perspective. So, the purpose of this study is to provide a guiding principle for the policymakers in Lebanon wishing to implement UI. To reach to this goal, the thesis summarizes what previous researches have concluded about the importance of the program on the individual, on the firm and on the economy as a whole. Based on those conclusions, and taking into account the employees' feedback on this kind of insurance, I will be able to evaluate the willingness of Lebanese workers to pay for UI.

1.5 Brief overview of all chapters

This thesis is organized as follows: In the following chapter, I will introduce the topic of UI, as well as its origins, benefits, qualifications and requirements. In addition, I will discuss the main findings attained in the literature about the adoption of UI. The third chapter will discuss the methodology followed to test the formulated hypotheses. The fourth chapter will test the hypotheses through SPSS. Finally, the last chapter concludes the main points achieved in this research, in addition to the limitation and the managerial implications of this study.

Chapter 2 REVIEW OF LITERATURE

2.1 Unemployment Insurance

2.1.1. Job Insecurity and its effects

Why do people work? People work to meet their essential needs, that is, people work to gain money, to develop social relationships, and to improve themselves (Jahoda, 1982). However, if they feel that those needs are in danger due to job insecurity, they face the risk of losing income, social relationships and personal growth (De Witte, 1999).

Job insecurity is termed as “one’s expectations about continuity in a job situation” (Davy et al., 1997). Also, it is defined by Hartley et al. (1991) as “a discrepancy between the level of security a person experiences and the level she or he might prefer.” Moreover, it is termed by Sverke et al. (2002) as “the subjectively experienced anticipation of a fundamental and involuntary event.”

Workers hold high value for stability in their lives (Schabracq & Cooper, 2000), but if they lose their job, they would lose this stability. Nevertheless, we should not ignore the fact that we are living now in a rapidly changing environment, with insecure working conditions. To respond to these changes and remain competitive in the turbulent environment, firms usually try different methods to improve their performance. “They can either increase their gains or decrease their costs, often by reducing the number of employees” (Cascio, 1998). Thus, developing the sense of job insecurity (Sverke et al., 2006). “31% of employees reported unsatisfactory levels of job security in Norway to 50% or more in France, Japan, United Kingdom, and United States” (OECD, 1997).

This brings a threatened lifestyle behavior on the part of the employee as well as an expected change in his job performance, which have negative consequences on the firm (Sverke et al., 2006).

So, job insecurity represents a stress by itself on the employee as well as on the employer which leads to high turnover rate (Arnold & Feldman, 1982; Brockner, 1988; Burke & Nelson, 1998; Davy et al., 1997; Dekker & Schaufeli, 1995; Hartley et al.,

1991). Higher turnover rate leads to high unemployment which harm the firm's position at most because skillful and experienced employees would be lost (Greenhalgh & Rosenblatt, 1984; Hartley et al., 1991).

2.1.2 Unemployment Insurance and its effects

Unemployment has turned out to be a major problem in various countries. Certainly, globalization and the worldwide economic recessions have accelerated the rate of unemployment. Job loss leads to loss of income and loss of living support; therefore, most countries are trying to take action for the uncertainty of being laid off by adopting "income support programs for the unemployed." There are several types of this program, one of which is UI (Vodopivec, 2002).

UI prevents job losses during economic downturns by maintaining the consumption behavior thus holding firms' functions, preventing lay-offs and exits (Sava, 2010). This helps maintain skillful employees with needed talents and expertise (Estevez-Abe et al., 2001). In addition, it ensures job protection by offering payments for employees if laid off involuntary (Sava, 2010). This guarantees that the outlays due to skills needed for job performance are payable when unemployed (Estevez-Abe et al., 2001). UI adds income and provides financial support for the declining economy (Sava, 2010). In addition, it is used as a backup financial support for building new job opportunities, opening the door for continuous job trainings, and pushing the jobless to find work quickly (German Labour Law, 2005). Hence, UI is strongly associated with job security whatever the job type is, so it is considered a main indemnity tool for managing the risk of unemployment (Clark & Vinay, 2004).

2.1.3 Funding of Unemployment Insurance

Different countries finance the program differently; some rely on social security contributions paid by employers and employees like Germany, Austria, Spain, Portugal, United Kingdom, and Belgium. However, other countries like Denmark, France, Greece,

Sweden, Italy, and Poland, rely on special UI systems funded by employees on a monthly basis depending on their salaries (Dufour, 2003).

Conversely, in United States, the program is largely financed through taxes paid by employers on the part of their employees, depending on the income. The amount of tax paid depends on the industry; industries with high turnover rate pay taxes higher than industries with low turnover rate since they take into account that the former is at higher risk of losing employees. Thus, workers will be supported financially through their saved taxable incomes if they are laid off (Shaw & Stone, 2010).

Contributions to UI are to be paid from employees to the jobless, that is, the allocation of wages from the “rich to the poor” in case of unemployment. So that, the employed will not benefit from such a system; however, their monthly contributions are to be given for the jobless (Meltzer & Richard, 1981; Moene & Wallerstein, 2001). In addition, Kim (2010) added that UI distributes risk before distributing incomes, so that, all workers with different unemployment risk shares the risk of becoming unemployed so that to be able to share incomes.

2.1.4 Adoption of Unemployment insurance

UI adoption depends on the nation’s rate of unemployment, the labor stream, the country’s capability to implement such kinds of social insurance, the volume of the “informal sectors”, as well as the traits of the jobless (Vodopivec, 2002).

However, Kim (2010) added that UI adoption depends mainly on “the level of unemployment risk and the degree of risk inequality in a specific society.”

It is necessary to have differences in the society related to unemployment risk, and this started to appear after the emergence of the industrial society. If there are no differences in risk, there will be no interest to develop UI. As if the society is agricultural, where all farmers have the same low risk of unemployment, UI is ineffective. However, if employees in a specific industry receive the same wage and have the same high risk of becoming unemployed, it is therefore agreeable that UI will be necessary and that individuals themselves will ask for it (Kim, 2010).

After industrialization in the twentieth century, the employees had the same high risk of being jobless, so the demand for UI started to rise. In 1905, France adopted the first UI program, in 1906 Norway, Denmark in 1907, in 1916 Netherlands, in 1917 Finland, in 1920 Belgium, in 1924 Switzerland, and in 1934 Sweden. All these societies had a high risk of unemployment, so they were forcing the government to create a program to protect them. It can be deduced that a society with a high risk of unemployment should embrace UI (Kim, 2010).

The level of unemployment risk is measured by how much the employees' proficiencies are transferrable from one sector to another. The degree of unemployment risk rises when employees' talents are common and can be used in different areas. Conversely, the risk degree declines when employees have learned particular talents and skills that are needed in a specific sector, so firms are less likely to lay them off. Hence "the specificity of skills" in a specific industry matters (Kim, 2010). For instance, shifting from a manufacturing to a service sector is very difficult for "low-skilled manual workers" since they don't have the social skills needed for the service sector. Thus, their "skills are not easily transferable" across sectors (Iversen & Cusack, 2000). So, employees working in the same economic sector have the same degree of unemployment risk, however employees working in different economic sectors are exposed to different risk (Kim, 2010). Economic sectors are classified as "(1) agriculture, hunting, forestry, and fishing, (2) mining and quarrying, (3) manufacturing, (4) electricity, gas, and water, (5) construction, (6) wholesale and retail trade, restaurants, and hotels, (7) transport, storage, and communication, (8) financing, insurance, real estate, and business services, and (9) community, social, and personal services." This classification is based upon the "ILO's International Standard Industrial Classification of All Economic Activities (ISIC Revision 2) with nine sectors (one-digit codes)." In addition, Kim (2010) sorted the sectoral unemployment risk and average sectoral joblessness rates as the following, "(1) Agriculture (4.44%), (2) electricity and gas (4.82%), (3) social and community (5.07%), (4) transport and communication (5.38%), (5) financing and insurance 5.86%, (6) trade (6.77%), (7) manufacturing (7.53%), (8) mining (7.79%), and (9) construction (12.94%)." The author deduced that agricultural sector constitutes the lowest risk; however, the construction sector constitutes the highest risk. In addition, it was implied

that sectors with high risk of joblessness employ the highest number of workers, hence the variation in risk emerge (Kim, 2010).

Furthermore, when there is high inequality in risk; that is, “the number of high risk workers relative to the number of low risk workers” is high, the concern for UI differs. Low risk employees are not interested in this kind of insurance since they don't receive any benefit; instead the benefits are distributed to the high risk workforce when unemployed. On one hand, the high risk employees are in high need for the low risk employees' contributions in order to pay the benefits for them. On the other hand, low risk employees choose some kinds of private insurance and refuse UI. At this point, the government works on attaining an equivalent balance between those two segments (Kim, 2010).

Also, it is argued that the implementation of UI is dependent on the type of political system adopted in the country (Kim, 2010). In democratic state the program is adopted more than in autocratic state since in the former the workers' voices are well heard and demands are met (Przeworski 1985; Rudra & Haggard 2005; Therborn, 1977).

Moreover, in general “social insurance is a normal good”, so when earnings increase, social demand for security increases as well (Moene & Wallerstein, 2001).

2.1.5 Unemployment Insurance for specific unemployment

As stated previously, UI is created to insure the risk of unemployment, hence the risk of income loss. But not all type of unemployment, only joblessness due to any factor that could not be controlled by the worker. Job loss can be due to personal reasons, being dismissed due to “poor job performance”, on-the-job bad behavior or due to internal business modifications required by the firm to increase profit. Leaving job for personal reasons or due to bad behavior is not considered a risk to be insured because employees can control them. However, dismissal due to poor performance is considered a risk even that some say that it can be managed by the employees themselves. Again, dismissal due to business reasons for decreasing costs or adding technology is considered a risk, so it can be insured. Employees can assess the risk of their unemployment by assessing those business changes inside the organization, which are cues for employment status and thus

influence employees' preferences for UI. However, seasonal jobs are not considered a risk for unemployment since employees can save money and use them on a cyclical basis (Karni, 1999).

2.1.6 Countries which adopt Unemployment Insurance

Countries which have UI are Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovak Republic, Slovenia, Spain, Sweden, United Kingdom, Norway, and Switzerland (European Commission, Employment and Social Affairs, 2010).

2.1.7 Eligibility and Benefits of Unemployment Insurance

UI is obligatory for every employee in every industry, freelance people as well as university students are sometimes covered; however, foreign labors are not (Vodopivec, 2002). The insurance program has qualified some people over others to benefit from it depending on specific requirements: only workers who become jobless involuntarily, and who are willing to search for another job, as well as those who have saved an amount of money during their employment period for the insurance program are eligible to have this benefit (Shaw & Stone, 2010). "The individual must satisfy the minimum covered employment or contribution requirement, the most common length being 6 months in the past year" (Vodopivec, 2002). The paybacks depend on previous income savings, but every country has its own policy. In most countries, people have the right for "26 weeks of benefit", however in other countries like "Montana and Massachusetts, jobless can receive up to 28 and 30 weeks, respectively" (Shaw & Stone, 2010). "The replacement rate is between 40 and 75 percent of average earnings", however in some countries, the benefit received is the minimum wage (Vodopivec, 2002). Furthermore, if unemployment continues, some nations have "extended benefits" where additional amount of money for longer durations are given (Shaw & Stone, 2010). As well as, the entitlement to benefits depends on the duration of unemployment which is dependent on

the employee attempts to find work, the money and time he spends to search for work. As well as, it depends on his readiness to accept different jobs which is mainly dependent on his “reservation wage”. In fact, there are two kinds of workers, those who like to work even at the expense of their leisure time; they enjoy working and prefer to work even if UI provides 100% benefits. However, there is a second type of workers who don't mind to be jobless even if UI does not exist. Employees who prefer working try their best to find new jobs when unemployed, nevertheless those who are lazy take their time so the duration of unemployment increases (Karni, 1999).

2.1.8 Unemployment Insurance in some European countries

The following three countries, Germany, Spain and Greece, are chosen on the basis of implementing UI through NSSF contributions or through special programs paid partly by the employer and the employee.

In Germany, UI contributions are paid to the social security system of the country; the amount paid depends on the income and the marital status of the employee (German Labour Law, 2005). In 2010, the input for UI was 2.8%, where 1.4% is required to be paid by each the employer and the employee (European Commission, Employment and Social Affairs, 2010). To be eligible for the benefits when unemployed, the individual must satisfy the minimum required period of contributions of 12 months in the past three years after reporting to the “local employment office.” In addition, to continue receiving the benefits, the employee should be actively seeking for another work. The paybacks are compensated at a rate of 60% of the last salary if there are no children, and 67% if there are children. The duration of benefits depends on the age of the unemployed as well as on the duration of previous employment. However, in general, the duration is one year for people less than or equal to 45 years old. In this period, the jobless should continuously stay in contact with the office of employment and they are responsible for checking if the jobless is searching for work (German Labour Law, 2005).

In Spain, contributions to UI are paid to the social security system of the country paid partly by employees and employers at a rate of “1.55% by the employee and 5.50% by the employer” (European Commission, Employment and Social Affairs, 2010). To be entitled for the benefits in case of unemployment, “the jobless must have worked at least 360 days in the last 6 years for a period from 4 months to 2 years according to the paid contributions.” The payments are paid at a rate of “70% of the reference salary for the first 182 days and then 60%”. However, these payments differ if the unemployed is of old age (Dufour, 2003).

In Greece, UI is funded by contributions from employers and employees depending on the salaries to a special UI system (Dufour, 2003). It is paid at a rate of 1.33% by the employee and a rate of 2.67% from the employer (European Commission, Employment and Social Affairs, 2010). For the eligibility of the benefits, “the unemployed must have worked for at least 125 days during the last 14 months or 200 days during the last 2 years.” The duration of benefits depends on the period of previous employment. The payments are provided at a rate of 50% of the day-to-day income or 50% of the salary conditional on the employee’s position, but the older people are treated differently (Dufour, 2003).

2.1.9 Views on Unemployment Insurance

UI is created mainly for two main reasons, to lessen the stress of being jobless, as well as to sustain the country during economic decline. During downturn, unemployment increases and unemployed workers will not be able to purchase products that the nation has, so it will be difficult for businesses to continue working because demand is decreased. Hence, they will start laying-off more employees, and it will greatly increase the economic decline. As a result, UI serves as a “financial relief” for the unemployed in order to keep their “purchasing power” steady. In this way, businesses will not fire workers and will continue supplying their nation, holding the economic state (Shaw & Stone, 2010).

Consequently, UI is considered as an important incentive halting the undesirable unemployment effects. For paying for the unemployed, breaks the decline of the utilization level of goods and services for the jobless and their dependents, thus lessening poverty (Vodopivec, 2002).

Nicholson & Needels (2006) added that UI assists the unemployed in making the right job selection, and sustain the country's economy.

In most developed countries, UI program is applied; however, it is rarely adopted by the developing countries due to many barriers, with the exception of Bangladesh, South Africa, South Korea, China, Taiwan, Iran, Kuwait and Turkey. Those barriers include labor market conditions, poor country's management, customs and traditions, and the high volume of informal sector (Vodopivec, 2002).

Some opponents are against UI since they believe that the more important is to find ways to avoid joblessness. However, supporters state that their main objective is to avoid unemployment, and they add that unemployment payments are intentionally paid in employment agencies so that jobless people apply to work (Friedman, Murray & Wagenet, 1937). Moreover, critics argue that this program increases unemployment by making businesses depend more on technology than on people because taxes may be a burden for them. As well as, increased taxes lead to higher prices, making it difficult for the public to spend on products. Accordingly, this leads to decrease in manufacturing products and decrease in profit, thus laying-off employees will be the first solution to decrease their costs. Supporters in the US claim that there was no such thing in Great Britain or Germany, and add that the tax which will be set is going to be increased progressively. While the manufacturer during this time works on either decreasing the costs or increasing the production by improving the operation of work instead of spending capital on new machines, then this will not be a burden on employers. However, only in the case where industries depend more on labor will the tax rate be a burden and thus companies might choose to automate their production (Friedman, Murray & Wagenet, 1937). Regarding the high prices, they report that it is very normal, and when prices increase, other elements increase as well, like income; so the spending on goods does not decrease. Moreover, it is very normal to have higher prices because of

the increased UI cost on employers. Evidence shows that spending on goods increase while distributing the unemployment benefits (Friedman, Murray & Wagenet, 1937).

Also, opponents criticize that taking money from the company delays its improvement. On one hand, supporters argue that this is true in a way that instead of buying bonds from the public through the company's profit, it is providing it as taxes to be employed after 2 years. On the other hand, they state that paying taxes is very important; it helps revive the economy and keep the company's profit stable when unemployment increases. Through unemployment benefits, consumption as stated before will be maintained, thus sustaining the business (Friedman, Murray & Wagenet, 1937).

Besides, it was stated that UI benefits are largely associated with individual's income, so employees decide to work more hours to increase their income, thus increasing their future payments. In this way the supply of labor increases (Yaniv, 1982).

Moreover, Mortensen (1990) analyzed the effects of UI paybacks on the job-search act of people. Several conclusions were drawn, with time, the benefits of UI decreases because the reserve of money decreases since the period of the payback is limited. So, shifting into employment increases, hence unemployment decreases. In addition, when UI compensation benefits increases, the immediate response of the unemployed is to become entitled for those benefits; thus shifting into quick employment increases. Also, it was found that a lately jobless individual will benefit from UI paybacks and will increase its usage, thus job search will decrease hence "exit rate" falls. On the other hand, an individual who has already used most of the benefits and still has few to consume, job search will increase and the "exit rate" increases. Finally, it was induced that whenever UI benefits rises, the jobless search for work become of more value and will be better able to accept a job.

In addition, UI showed to be very beneficial in different countries and especially in the Asian country, South Korea. Due to the financial disasters that occurred in the Asian region during 1996 till 1998, several countries were affected such as "Indonesia, Thailand, Hong Kong, China, and South Korea." Joblessness has increased drastically, and directly raised the level of poverty especially in Indonesia and Thailand because they didn't adopt UI program. On the contrary, South Korea didn't suffer from the

effects of the disasters because it adopted UI in 1995 before the financial disasters (Kim, 2010).

Additionally, it is argued by Boone (2004), that the labor market is divided into two divisions, “the low-wage (safe) sector and the high-wage (risky) sector.” Employees who decide to work in the safe sector are “risk-averse agents”; however, those who decide to work in the high-wage sector are “risk-neutral agents.” Usually, the risky sector provides higher income than the safe sector due to the high risk of being unemployed so it is a way to compensate the high risk. The author argued that when UI provides high paybacks, this favors the movement of employees from the safe to the high risk segment. This is because unemployment is insured so they become risk takers, and they receive higher incomes, thus elevating the collective wages. At the same time, the increase in UI benefits decreases the wages in the risky sector. But after shifting into the high risk segment, some employees will not succeed in their work. Thus, favoring more lay-offs and increasing unemployment. Finally, the author recommended that if payments for UI are diminished, shifting into the risky sector decreases because employees will no more take the risk of being jobless. Thus, this will help in reducing the rate of joblessness. This is more applicable in Europe than in US, because the US has low payments with elevated shift between sectors. In Europe, being jobless is disappointing so people try not to take risks to shift into the risky sector; however, in the United States, unemployment reflects a fate, so employees shift into different sectors. Accordingly, the author stated that the benefits in Europe must be cut to reduce this movement.

However, Gallie & Paugam (2000) argued that the level of benefits depends on the main objective of the country. If the benefits are high, this means that the country aims to maintain the regular previous consumption; however, if the benefits are low it means that the country aims to insure that the basic needs are maintained. The authors also claimed that high payments level gives the unemployed more time to search for work, and the low payments level place various obstacles.

Furthermore, it is also stated that the continuous rise in unemployment in Europe is related to the high payments provided by the UI (Layard et al., 1991; Nickell, 1997).

This is explained by the idea that the increase in the benefits level increases the “reservation wage”, which extends the period of unemployment (Hammer, 1999).

2.1.10 Origins of Unemployment Insurance

Before World War I, it was judged that unemployment is due to people’s indifference and their lack of interest towards work. In fact, no one has ever considered that the rise of unemployment could be due to some external factors such as the economic and political conditions in the world. Thus, at that time, joblessness was viewed as “uninsurable risk”, so little effort was made for developing UI (Leibfried, 1977). As well as, employers didn’t support this type of program since they considered it as “a premium for unemployment risk” (Potthoff, 1979; *Correspondenzblatt*, 1921).

Solutions toward the threat of joblessness began in the form of “means-tested” (A tool used to assess the financial status of the individual in order to find out if he is entitled to the financial help) payments for the society which was inconsistent with the Ghent system (A system where the government provides financial support for UI funds for the unions) (Nagel, 1921; Henning, 1974).

After World War I, unemployment was increasing, and became a serious problem. So, organizations began to search for a suitable solution to this labor market setback (Alber, 1981; Ritter, 1986; Steinmetz, 1993).

The origin of UI goes back to the ninetieth century as union of labors began providing payments for jobless people (Friedman, Murray, & Wagenet, 1937).

UI was initially adopted by the union of typographers in 1882 in Sweden, and at the end of the ninetieth century, “10 out of 32” unions adopted it. Later on, in the year of 1901, the public supported the union finances for the insurance in Belgium so a “Gent system” was established (Holmlund, 1998). It was implemented from the twentieth century toward the end of the World War I. During the war, this system was used and payments were paid but these amounts were not abundant. So, after the World War I, interest group in Belgium supported the UI and it was implemented in 1920 (Friedman, Murray, & Wagenet, 1937).

France was among the first to adopt UI in 1905, then several European countries implemented it at the period between the end of World War I and the Great Depression.

Australia, Canada, Chile, New Zealand, South Africa, Uruguay, the USA, and Venezuela were among the worldwide countries which implemented it before the end of the war. Then, after World War II, UI started to extend into both industrial and developing countries. Since 1990 till then, 23 countries were implementing the system. The program was greatly adopted in the beginning and end of the twentieth century; from 1916 till 1920, and then from 1991 till 1995 respectively (Acemoglu & Robinson, 2000; Kim, 2007b). On one hand, the reasons behind the increased implementation of UI in the beginning of the twentieth century were due to the spread of the democratic system and the increased awareness of the leaders of the rising “socioeconomic risks”. So, they wanted to reduce the risks on their people (Acemoglu & Robinson, 2000; Kim, 2007b). On the other hand, the rise of UI was more common in Eastern Europe between 1991 and 1995 as they started following the westerners ideas of social insurance due to their experiences after the evolution of market development. However, others argue that they implemented such system due to their main value of protecting the society (Haggard & Kaufman, 2008). But with the difficult economic conditions at that time, along with the high emphasis on the market, it led to increased unemployment. Also, (Przeworski, 1993) argued that the government’s and the society’s apprehension on the risk of unemployment led to the development of this type of insurance. It is then implied that the expansion of UI could be due to the external and uncontrollable factors like war, and other factors such as “unemployment risk and democracy” (Kim, 2010). As stated, the first UI was developed in 1905 by France, then in 1911 by Britain. Later, after eight years, Italy implemented it. Then in 1927, it was adopted by Germany. By the year of 1937, different nations had accepted to implement UI like Australia, Bulgaria, Poland, Switzerland, Yugoslavia...(Friedman, Murray, & Wagenet, 1937).

2.1.10.1 Unemployment Insurance in Britain

UI was initially implemented in Britain in 1911 where “2,500,000” insured were covered, then “3,750,000” were covered in 1916. Afterwards, “more than 11, 000,000” workers were insured in 1920; nearly all productive residents were covered excluding agricultural workers and housemaids. However, “750,000” agricultural workers were

covered in 1936 but with less compensation benefits. The contributions and benefits in Britain were the same regardless of sex and age unlike Germany and America. This system has been modified several times, one of which being the addition of the “extended benefits” which distribute payments for the unemployed when they use up all their privileged amount, however it led to a huge debt on the government since it covered more than it was permitted. A “relief system” was also included so that people continue obtaining insurance payments after using all the benefits. Those programs showed to be successful especially during the difficult times England has passed through. Pre and post war period, it helped the jobless by providing compensation benefits thus lessened their suffering. Through this system, the country’s economy was revived and prevented a serious revolution. Later in 1934, after the depression period, all workers aged between 16 and 65 including housemaids and farm workers started receiving the UI benefits with the “extended benefits”. But sooner, they recovered the high liabilities they had due to the exaggerated benefits. Thus, they started providing only the designed benefits as per the insurance policy. However, in 1936 the contributions from workers have been reduced after recovering the previous debts due to the exaggerated benefits (Friedman, Murray, & Wagenet, 1937).

2.1.10.2 Unemployment Insurance in Germany

UI in Germany was initially implemented in 1927 after the end of World War I. Its officials refused the “means-tested” and the unemployment assistance programs because of several reasons. They were not able to control the unemployed willingness to work, and the range of jobs that he should accept as well as the limited time he has to find another work (Arbeitgeber, 1919). Moreover, they had little control over the link between the unemployment benefits and the “minimum regional wage” (Mares, 1997). So, employers supported the UI program, even though its cost was higher; moreover, they adopted the system of benefit-wage dependent. Cost of a social strategy depends on the compensation level, offerings, the financial based support of the country, as well as the particular risk associated with the industry. But it was well understood that large organizations are more able to bear those costs than small organizations, so the latter

favored the “tax-financed” system on UI. Indeed, employees working in multinational firms are more exposed to unemployment risk than employees working in domestic firms since the former are more exposed to demand changes. Also, they preferred UI over other programs since it can be used as a tool for maintaining competent employees and for allocating unemployment risk. So, the organization might use this program as a reward for the competent employees even though the risk is distributed equally among all workers (Mares, 1997).

Unlike Britain, employers and employees pay the contribution equally divided, depending on the wage of every employee. As well as, the benefit received depends on the previous wage, and on the presence of dependents. However, the policymakers adjusted the insurance system; new conditions were added and termed “emergency benefit system” that were provided by the national and local government. It was applied on individuals who are not eligible for the insurance benefits and on the insured who could not find work and used all the benefits. However, when the Great Depression started in Germany in the period between 1929 and 1931, the country fell in hard economic conditions. The system of UI had to take loans from the government; in addition, employers and employees started paying the ordinary fees as well as a “wage tax” in order to cover the “emergency benefits” paid from the government. However, in 1933 the insurance was nourished again, and was responsible for the “emergency benefits” (Friedman, Murray, & Wagenet, 1937).

2.1.10.3 Unemployment Insurance in United States

The unemployment benefit law was initially set in 1916 in the US after the 1914-1915 depression; it relied on the payments paid by workers, by the organizations and by the government. However, it was not applied, but after the 1920-1922 depression, a second notice was made. In this note, it was called for the full responsibility of employers to bear the costs of the “unemployment compensation”, a technique adopted to decrease layoffs in organizations, thus preventing the increase in unemployment (Friedman, Murray, & Wagenet, 1937).

It is very important to note that throughout the depression, the government used to expend money on some assistance programs; however, it couldn't bear the expenditures for the unemployed. So, the demand for UI has increased after the depression periods in an act to protect the workers from the risk of unemployment (Friedman, Murray, & Wagenet, 1937).

USA had had a year of wealth in 1929, however there were around "1,800,000 unemployed persons". There are different types of unemployment in the US, such as "unemployment due to business fluctuations, seasonal, and technological unemployment." It was realized that all these types of job loss could persist even at the country's utmost wealth to shake the country's economic status as well as to jeopardize the composition of the society. Thus, it was stated that UI is necessary to help nourish the country during economic decline. Finally, the law was finalized and agreed on it in Wisconsin in 1935, it stated that the tax on employers is "1 percent in 1936, 2 percent in 1937, and 3 percent in 1938, on employers of eight or more persons" but no tax was set on farming, housemaids, and marine transportations. The taxes were gathered by the "Bureau of Internal Revenue of the Treasury Department, and saved in the federal treasury for safety purposes." Wisconsin was the first state which applied the law; however in 1936, 35 states stopped the charity work for the unemployed and implemented the unemployment compensation program, where 18,000,000 workers were insured. Through this system, money will be saved during booms, and used back during decline and increased joblessness. Thus, this type of insurance protects workers and ensures job security, so that employees will be less worried if they lose their job. In addition, employees will become more competent and productive which compensate for the insurance cost (Friedman, Murray, & Wagenet, 1937).

Furthermore, in 1937, it was reported that "although total employment is increasing, 3.56 workers are separated every month for each 100 industrial jobs." Hence, "285,000 workers each month, or over 3,000,000 each year" have to search for a new work; some find quickly but others have to stay unemployed for longer periods. So, the increased unemployment is masked through the increases in employment in some businesses (Friedman, Murray, & Wagenet, 1937).

UI became a major public indemnity program in the US, the payments reached “\$34 billion and were paid to 8.4 million recipients in 2004.” Through this year, the insured payment per week reached “\$262 for about 16 weeks”. 36% of the unemployed population received the UI benefits, 42% used all the settlements, and the other did not get any payments since they were not eligible for them. In the US, the UI policies vary between different states due to the differences in the workforce composition and the state’s rules. “Average weekly benefits ranged from below \$230 in Florida to more than \$330 in New Jersey. Average weeks of benefits that were collected ranged from 12 weeks in Georgia to nearly 19 weeks in Illinois. The rates of benefit collection among unemployed workers also varied significantly from below 20 percent in Texas to over 50 percent in New Jersey” (Nicholson & Needels, 2006).

In the US, the jobless must meet specific requirements in order to be qualified for the unemployment compensation. The unemployed must have worked a sufficient period of time to save for the UI, the job quit must have a good enough reason, and the benefits are given only for the individuals who persist on unemployment (Nicholson & Needels, 2006). However, they also look at the latest earnings if the unemployed is not qualified for the benefits of the minimum 1 year employment (Vroman, 1995a).

2.2 Previous research

2.2.1 Unemployment and Unemployment Insurance in Europe

UI programs became prominent in Europe in the 1970s when the rate of unemployment began to rise accompanied by a decline in consumption behavior which adversely affected the economic status. So, it was created as a way to increase the consumption of products and services, thus reviving the economy (Sava, 2010).

Unemployment rose in Europe “from 8.5% in March 2009, to 9.4% in December 2009, reaching 9.6% in February 2010. Among the Member States, the lowest unemployment rates at the end of December 2009 were recorded in the Netherlands (3.9%) and Austria (4.8%), and the highest rates in Latvia (20.5%) and Spain (18.9%).” However, policymakers responded to the problem by introducing UI (Sava, 2010).

In Argentina, the unemployment rate increased “from 6.5% in 1991 to 15.1% in 2001 and 19.7% in 2002.” The UI program was introduced in 1992, where the GDP increased “from about 0.15% in 1996 to 0.19% in 2002.” Moreover, it was declared in 1998 by their “previous minister of Labor, Armando Caro Figueroa, that during the years 1991-1992, trade unions and the country began to move from picture to full employment in the formal recognition of the fact that high unemployment accompanies economic crisis” (Mazza, 2000).

Some studies were conducted to show the importance of UI such as the 30-year study in the United States by Chimerine, et al. (1999). The study revealed that UI has an economic stabilizer effect; it showed that “in the absence of UI program, the recession would have been 15% deeper and the number of jobs would have reduced on average per year with 131,000. It also confirmed that each extra dollar to UI increases the GDP by \$2.15”, thus helping revive the American economy.

Moreover, another research by Dolls, et al. (2009) computed that UI “absorbed about 32% of Europe economic decline”. Other study was conducted by Corson, et al. (1999), showed that in the economic downturn of the United States in the 1990s “without UI benefits, over 70% of unemployed recipients would have fallen into poverty.”

Stiglitz (2001) stated that “if we give money to people who have lost their jobs in the recession, it would be quickly spent, based on the idea that unemployed spends much of any additional income that we receive during unemployment.” Thus, UI breaks the decline of the consumption behavior, thus stabilizing the economic status.

2.2.2 Unemployment and Unemployment Insurance in Lebanon

In 2004, the data showed that the Lebanese population constitutes of 3.76 million inhabitants, 65% represents the “working age population (age 15 to 64)” (Chaaban, 2009).

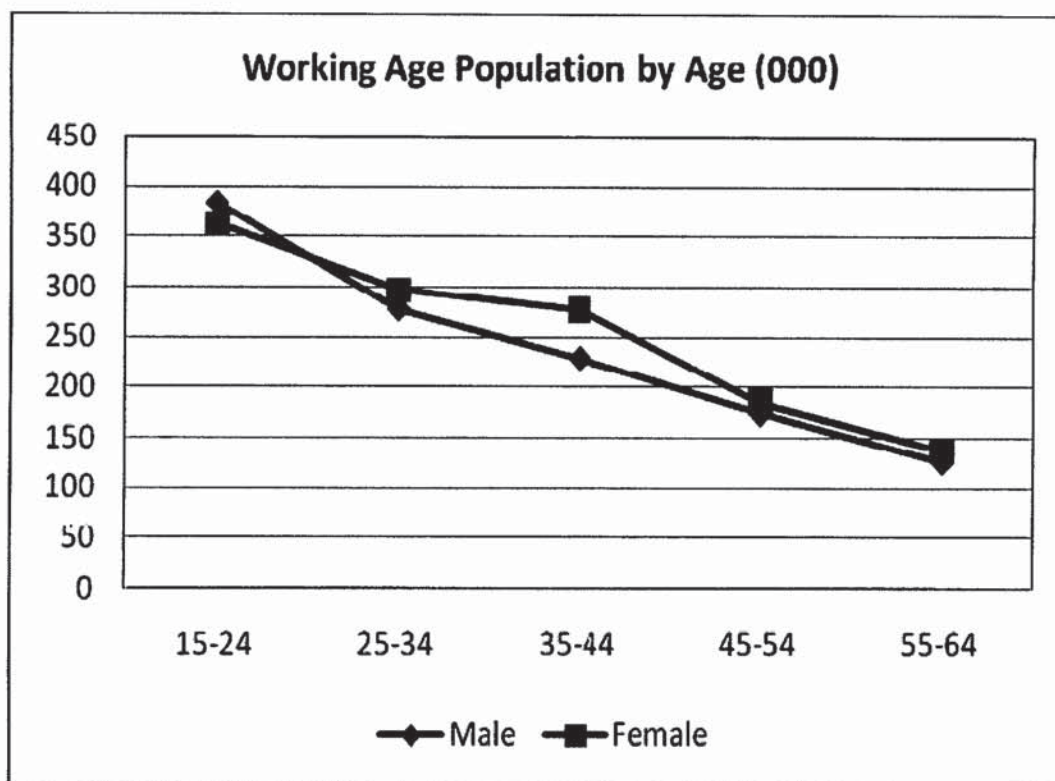
Table 1: Working Age Population by Age and Sex

Working Age Population by age (000)	2004 (latest available year)		
	Male	Female	TOTAL
15-24	383	363	746
25-34	278	297	574
35-44	229	277	507
45-54	174	186	360
55-64	125	138	264
Total Working Age Population	1,189	1,261	2,450
Total Population	1,887	1,868	3,755

(Source: The National Survey of Household Living Conditions 2004)

Females represent 52% of the working population, and males' percentage is decreasing since high number of them moved to work abroad when the civil war began (Chaaban, 2009).

Figure 1: Working Age Population by Age and Sex



(Source: The National Survey of Household Living Conditions, 2004)

Mostly, the main population in Lebanon works as “salaried employees, and 27% works on their own account” (Chaaban, 2009).

“Nicholas Shammas, the main speaker during a debate, organized by the volunteer cultural association, Ninar, at the offices of the Beirut Development Association” stated that on average, each family has two jobless people. He classifies joblessness in Lebanon into four types; the first type is “circumstantial”, which is due to economic downturn and the increased presence of the low-cost foreign labor. The second type is “frictional” in which a gap between job supply and demand is present, because newspaper advertisements and employment agencies are not working effectively, so he decided to start up a website to be helpful. The third type is structural, in which job specialization is not designed for the native market; he insisted that better management between “educational organizations and labor market” would solve this type. The last

type of unemployment is “masked” where many people are “underemployed” (The Daily Star, 2001).

In an attempt to assess unemployment and its subsequent effect on “the economic growth” in Lebanon, a study was conducted on 400 scattered Lebanese residents in 2005. “Okun’s Law” was used to examine Lebanon’s economic status, that is, to study the effect of unemployment on output growth. The expected unemployment rate was 31.15%; when “Okun’s model” was applied, the potential output or “full-employment output” that could be reached was predicted to be “\$53 billion”. However, the real output was found to be only “\$21 billion” due to the increase in unemployment rate (As unemployment increases, the number of workers decrease as well as the working hours, which lead to fall in productivity, and eventually to a decrease in the output level). Through this study, it was found that unemployment is very dangerous for the economy in Lebanon, “the economy is at \$32 billion below its potential output.” It was added that the country’s human resources are the main elements for a growing economy (Naïmy, 2005). Furthermore, Naïmy (2004) implied that unemployment is increasing due to the stalemate economic and financial conditions in Lebanon. Thus, it is apparent that unemployment in Lebanon is rising and the need for UI is necessary.

In addition, due to Israeli war on Lebanon in July 2006, unemployment rate has increased significantly. The former minister of labor, Trad Hamadeh in a talk with the daily star said that: “According to our estimates, unemployment is now close to 20 percent following the war that left many industrial plants and institutions either destroyed or damaged.” Unfortunately, in Lebanon, there is no statistics done which evaluate the number of unemployed people. Post war, Mr. Hamadeh added that they relied on information from capitalists, NSSF, and the central bank, to check the number of jobless (Habib, 2006).

“The head of the restaurant union, Paul Ariss noted to the Daily Star that 15 percent of the 50,000 seasonal job workers lost the opportunity of work because of shut-downs.” Indeed, many seasonal workers who work on temporary jobs had been forced to terminate them due to the “force majeure”. In addition, many full time workers had been given “unpaid holidays” (Moussaoui, 2006).

Apart from the war, some Lebanese are obliged to leave their jobs through early retirement because companies are not able to pay their salaries. The NSSF general director, Mohammad Kirki, reported that there is high unemployment but there are no statistical records for it, however, he stated that the early retirement plan has increased since 2002, “it reached 51 percent in 2002, 57 percent in 2003 and 63 percent in 2004 resulting from the economic downturn.” He included also that the NSSF does not have any financial aid program to help jobless people (Habib, 2006).

But because there is no official data on unemployment rate in Lebanon, different sources provided different unemployment rates. Central Administration for Statistics showed that in 2007 the rate was 9.2%, and it was increasing since 1997 and especially after the July war 2006.

Table 2: Unemployment Rate Trend

Unemployment Rate	1997(a)	2002(b)	2004 (c)	2007(d)
Total	8.5	11.5	7.5	9.2

(Source: (a): Central Administration for Statistics, ages 15+

(b): USJ, L'Entrée des Jeunes Libanais dans la vie active et l'Emigration, June 2002 (ages 15-54)

(c): Central Administration for Statistics, Living Conditions of Households Survey, 2004, ages 15+

(d): Central Administration for Statistics; ages 15-54)

It was also shown that male and female unemployment are increasing due to the increase in female involvement in the workforce.

Table 3: Unemployment Rate Trends by Sex

Unemployment Rate	1997(a)	2002(b)	2004 (c)	2007(d)
Male	8.9	9.3	9.6	10.2
Female	7.1	18.2	8	8.8

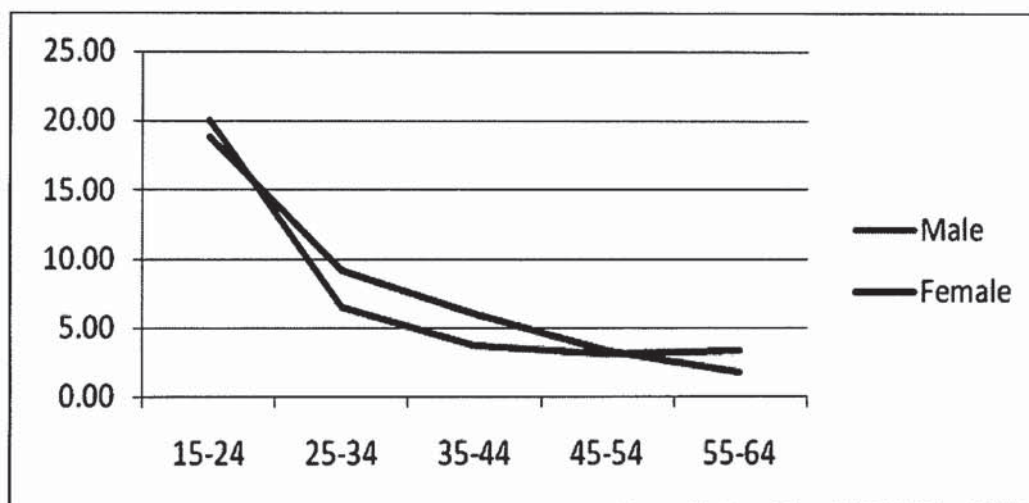
(Source: (a): Central Administration for Statistics, ages 15+

(b): USJ, L'Entrée des Jeunes Libanais dans la vie active et l'Emigration, June 2002 (ages 15-54)

(c): Central Administration for Statistics, Living Conditions of Households Survey, 2004, ages 15+

(d): Central Administration for Statistics; ages 15-54)

However, unemployment differs with age, and it was found that within the range of 15 and 24, joblessness was the highest. In 2004, it was 22.6%, and 19.67 % in 2007.

Figure 2: Unemployment Rate Trends by Age and Sex

(Source: Labour Markets Performance and Migration Flows in LEBANON by J. Chaaban, 2009)

The highest unemployment rate is among fresh graduates who takes time to find work and counter the problem of the necessary skills needed for work where there is no programs to train them. However, when the old age group becomes unemployed, they leave the country to work abroad. As such, the real unemployment rate among adults is not accurate. Also, it was estimated that people who have a university education face higher unemployment than people who do not have any degree (Chaaban, 2009).

Moreover, because the government increased the minimum wage to 333 USD in 2009, some firms started employing foreign labor because they were not able to tolerate this salary increase which certainly increased unemployment. Those workers are satisfied with less than the minimum wage; in 2007 it was estimated that 121,375 foreign workers are working in Lebanon. Around 72 % are domestic servants and it was declared that 0.42 % are Syrians, however the rate is much higher but it is not reported (Chaaban, 2009).

Nonetheless, it was declared that joblessness in Lebanon is not due to the rise in Syrian workers but to the increase in unemployment of the high qualified and educated people (Kawakibi, 2008). Because foreign workers are not competent and educated, they accept low-wage jobs and the highly dangerous ones. However, Lebanese prefer to leave the country or become unemployed instead of working in the same conditions. Unfortunately, in Lebanon, policy makers did not intend to assess the employment problems and find suitable employment protection programs due to many reasons. One of which being the mass departure of Lebanese to different countries searching for opportunities for work (Chaaban, 2009).

Lebanon is characterized by long term unemployment; the period for searching for work takes more than a year. 54.7% become unemployed due to losing their first job and the main reasons were found to be due to the shutdown of firms and unsatisfactory wages (Chaaban, 2009).

Table 4: Reasons for unemployment

Status of unemployed	%
Looking for 1st job	45.3
Lost job	54.7
Reasons for losing previous job	
Personal reasons	37
Closing of enterprise	18.6
Insufficient salary	15.4
End of contract or of work	10.7
Collective firing	8.9
Military service	6.6
Other	2.1

(Source: USJ, L'Entrée des Jeunes Libanais dans la vie active et l'Emigration, June 2002)

2.3 Conclusion

In Lebanon, we have the National Social Security Fund (NSSF), founded in 1963; it plays the role of an insurance covering mainly “sickness, maternity and work-related accidents, family, education, transportation allowance and an end of service pension” for its national citizens. Employers are obliged to enroll their employees in the NSSF, but there are some companies which avoid registering them in order not to pay for the NSSF. Social insurance taxes are deductible every month at a rate of 23.5% where the employer pays 21.5% and the employee pays 2% of the NSSF contributions (Chaaban, 2009).

Table 5: NSSF payroll contributions

	Employer	Employee	Total
Health insurance	7% (max. LL105,000 a month)	2% (max. LL30,000/month)	9%
Family allowance	6% (max. LL90,000 a month)		6%
End of service benefits	8.5% (no maximum)		8.5%
Total	21.5%	2%	23.5%

(Source: World Bank Lebanese Economic and Social Impact Assessment, 2006)

Also, in Lebanon there is the retirement fund which is paid for the public and for the army people on monthly basis after retirement only if they are entitled to the “end-of-service indemnity program”; however, some join insurance companies for retirement plans. In addition, there are programs provided by “the ministry of social affairs” which offer little income for the “old women and widows.” Yet, despite all the programs that are offered in Lebanon, we do not have any system that protects the unemployed. So, when the firm is obliged to shut down due to any reason, the employees have to be laid off and there is no labor law that protects them (Chaaban, 2009).

It is worth here to note that the former president of the Lebanese Industrialists Association, Fadi Abboud, reported to the daily star that “4,200 laborers lost their jobs when the factories they worked in were hit by the Israelis during the war. These workers who lost their jobs have nowhere to go and regrettably the government is doing nothing to solve this problem.” Moreover, Phoenicia intercontinental hotel has fired workers

after war; most of the employees claim that they were paid nothing from their employers. At that time, Mr. Hamadeh recommended a solution to the problem through an adoption of a special fund program that help the jobless until they find another work (Habib, 2006).

Finally, and more importantly is that “unemployment is costing Lebanon 630 million USD per year in lost productivity.” This is accompanied by the mass departure of the high skilled Lebanese to the Gulf, where 15,000 workers are leaving per annum (Chaaban, 2009).

Accordingly, it is necessary to have UI in Lebanon; this can be done through taking an additional 2-3% from workers’ salary and include it in the social security package to enhance job security (Chaaban, 2009).

Chapter 3 PROCEDURES AND METHODOLOGY

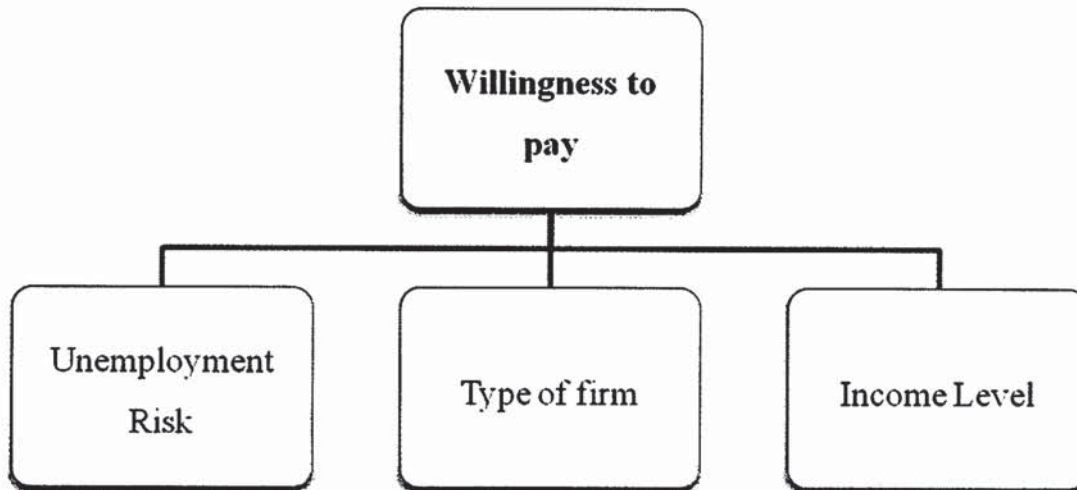
3.1 Introduction

As discussed in the previous chapter, UI has wide range of benefits. Since unemployment rate in Lebanon is high and is costing millions of dollars, it is necessary to start thinking in solutions for this economic problem. In addition, because Lebanon suffered from several wars where firms were obliged to shut down and fire their employees with nothing in return, it is highly important to shed light on UI program. The purpose of this study is to assess the Lebanese workers' willingness to pay for UI so that it provides some important primary data for the policymakers in Lebanon if they decide to implement such program. Given the low incomes employees are receiving, raises questions about their ability to fund the program through a monthly premium taken from their salaries. So, it is necessary before implementing UI to assess the workers' perceptions toward a new insurance plan, so that it is important to assess their willingness to pay for it. From the data provided in this study, it can be easily analyzed if the program will succeed or not depending on the percentage of workers who embraces the program. Hence, the government will be better able to take the decision of whether it is worth to adopt it or not. So, this study answers the question of: *Are Lebanese workers willing to pay for UI?*

3.2 Research Relationships

As stated before, this study answers the question of: *Are Lebanese workers willing to pay for UI?* The answer to this question is dependent on the level of unemployment risk the Lebanese worker is being exposed to, the type of firm s/he is working in, as well as their level of income. Those variables are discussed in the literature review part as found by different studies.

Figure 3: Willingness to Pay: Independent Variables



Thus, the following hypotheses are formulated to be tested on the Lebanese population.

H1: Lebanese workers with high unemployment risk are more willing to pay for UI than Lebanese workers with low unemployment risk.

As Kim (2010) argued in his study that as the level of unemployment risk rises in a specific society, the adoption of UI will be higher. Thus, high unemployment risk workers would be more willing to pay for UI.

H2: Lebanese workers working in multinational firms are more willing to pay for UI than Lebanese workers working in domestic firms.

As Mares (1997) noted that employees working in multinational firms are more exposed to unemployment risk than employees working in domestic firms since the former are more exposed to demand changes, thus are more exposed to unemployment risk. Thus, it is assumed that Lebanese workers working in multinational firms would be more willing to pay for UI.

H3: High Income Lebanese workers are more willing to pay for UI than low income Lebanese workers.

As Moene & Wallerstein (2001) stated that “social insurance is a normal good”, so when earnings increase, social demand for security increases. So that, it is assumed that high income Lebanese workers would be more willing to pay for UI.

3.3 Population

The population of interest is the Lebanese people of working age, but due to the limited time, the sample interviewed was only Lebanese workers. The unemployed could not be reached due to time constraint, and due to the difficulty of finding them without the presence of official data. Moreover, the questionnaire was distributed to workers in Great Beirut and Matn areas, so employees in other areas were not surveyed. Each respondent had an equal probability to be surveyed since the results were needed for generalizing the outcome of this study. The outcome reflects the Lebanese workers' preferences for the UI program. Simple random sampling was used and according to Tanaka (1987) which requires 10 subjects to each independent variable, a sample size of 200 Lebanese workers (N=200) working in different economic sectors in Great Beirut and Matn areas were selected. The concerned independent variables are: age (1), Gender (1), marital status (1), Children (1), Nationality (1), Educational background (1), Job position (1), Career employment (1), type of firm (1), Economic sector (1), Income range (1), job security (1), stress (1), confidence (1), performance (1), skills (1), risk-taker (1), unemployment risk (1) Pay in return (1), fund of livings (1).

The reason for choosing the Lebanese employees as respondents is because their input is highly appreciated and it drives the adoption of this program because they will pay for it. The tax will be deducted from their salaries on a monthly basis, so it is necessary to assess their ability to contribute first. If they are not able to make those payments, UI program cannot be adopted in anyway. Almost all countries started applying the program after their citizens' requests and after the declining economic conditions.

3.4 Selected Variables

3.4.1 The dependent variable

The dependent variable is the “Lebanese workers’ willingness to pay for UI” in Great Beirut and Matn areas in the year 2012. Since there are no studies which assessed the willingness to pay for UI, no model is adopted to measure this variable. The willingness to pay for the program is measured by asking the respondents in the questionnaire: “If UI is going to be applied and paid partially by the employer and the employee through the NSSF contributions, how much you are likely to pay for it?”

3.4.2 The independent variables

The willingness to pay for UI is linked to several variables. Also, it is worth here to note that there is no model which is adopted that has specific variables measured. Throughout the literature, I linked several variables to the dependent variable, grouped them together and tested. The willingness to pay has been associated with several variables, among them the level of unemployment risk, type of firm and the income level. Those variables are measured through:

Table 6: Independent Variables and Measurements

Independent Variables	Measurements
Level of unemployment risk	Rate of unemployment risk
Type of firm	Local vs. Multinational
Income level	Income ranges

3.5 Methodology

3.5.1 Questionnaire Development

This study is based upon a questionnaire distributed to Lebanese workers in Great Beirut and Matn areas to test the relationship between the dependent and independent variables.

The first page included the title of my thesis, my name and I introduced myself as an MBA student at NDU. Since the topic is new and most of the Lebanese are not familiar with it, it was necessary to start the questionnaire with a brief definition about UI, its benefits, eligibility and requirements. Then, after this introduction, it was important to end up by informing the reader about the expected unemployment rate in Lebanon and the resulting economic status. I intended to organize the first page as follows in order for them to see the importance of the topic then identifying the problem that can be solved.

The questionnaire was divided into three sections: demographic, employment, and general information data. The first section included general demographic data (age, gender, and marital status, presence of children, nationality and educational background) to describe the population who answered the questionnaire, and was based on multiple choice questions. The nationality question was included to make sure that all respondents are only Lebanese, non-Lebanese respondents were eliminated from the study. The second section was an employment data part where questions about the respondents' job title, career employment, type of the firm and the economic sector they are working in were included in addition to the range of the income they are getting paid monthly. This part also was based on multiple choice questions, but some of the questions were treated as control issues. Finally, the general information part included questions about the level of job security the respondent is facing, and how much this makes him/her stressful. In addition, questions about their performance rate at work, the level of skills transferability, how much they consider themselves risk takers and the level of their unemployment risk were included. It was ended up by asking the employees of whether they are likely to pay for the program if it is founded and followed by a continuum of percentage that was indicated to determine the maximum

percentage the employee is willing to pay for this insurance. This is going to be used to measure the dependent variable, and to indicate the rate they are willing to pay. This section was based on a 5-point Likert scale. The independent variable, unemployment risk, is measured by asking the respondents about the level of their unemployment risk. Also, the independent variable, type of firm, is measured by asking the respondents about the type of firm they are working in. In addition, the independent variable, the income, is measured by asking the respondents about the range of their monthly income. Lastly, the questionnaire was finished by an open ended question asking about how they fund their daily living if they are unemployed. The purpose of this question is to assess how Lebanese workers find solutions for their unemployment problem in the absence of UI program. At the end I thanked them for their cooperation and included my e-mail address to open the way in front of interested respondents to ask me questions about my research.

It is worth here to note that the questionnaire is not taken from any study, and there is no model that I followed to indicate the variables. However, they are taken from different studies which I included in the literature review part. Those variables are grouped together to form one questionnaire. 200 questionnaires were completed, 5 subjects were eliminated from the study since they were unemployed. They represent 2.4% (5/205) which is acceptable according to sample standards.

3.5.2 Pilot test

A pilot test on 10 subjects was done prior to this analysis in order to conduct a preliminary test of data collection tools and procedures, to identify and eliminate problems. Results showed that the respondents belonged to multiple economic sectors which represented a bias to this study. This led us to make a change in the questionnaire and to divide the economic sectors into two categories: manufacturing and services. The 10 subjects who responded to the pilot test were not included in the sample.

3.5.3 Instrumentation

The instrument used in this study has not been validated because of the lack of models and tools which are applicable to Lebanese workers and the Lebanese context. Demographic variables and items on Likert scale from 0 to 5 has been choose according to the literature review.

3.5.4 Statistical package and tests

The statistical analysis of data was performed using SPSS 17. SPSS (Statistical Package for the Social Sciences) is a computer program used for survey authoring and deployment, data mining, text analytics, statistical analysis, and collaboration and deployment.

Three types of analysis were conducted:

- Descriptive analysis including frequency tables and pie charts for categorical variables and means with standard deviations for continuous variables.
- Bivariate analysis including Pearson test to establish the association between two continuous variables as job insecurity and willingness to pay.
- Independent sample t-test to find the association between a categorical variable with 2 categories and a continuous variable as the gender and the willingness to pay.
- ANOVA test to know the relation between a categorical variable with 3 categories and more and a continuous variable as educational background and willingness to pay.
- Linear regression analysis to predict the factors that are contributing to willingness to pay.

Chapter 4 FINDINGS

4.1 Introduction

To examine the relationships among the variables, data was processed in three stages: First, descriptive analysis was used to illustrate the demographic characteristics of the respondents as well as to allocate the responses to the items linked to unemployment risk, job security, stress caused by job insecurity, confidence about keeping job, rate performance, transferable skills, being a risk-taker, and willingness to pay for UI. Second, a Correlation analysis using Pearson, independent sample t-test and ANOVA test were employed to identify the correlations between the different variables. Finally, linear regression analysis was used to study the relationships between all variables and to identify the predictors of willingness to pay for UI.

4.1.1 Descriptive Statistics

Through the use of descriptive analysis, the following results were established: Female respondents are 55% and the male respondents are 45%. The majority of the group; 56.5% are 25-34 years old. Most participants are mostly single (84%) and hold university degrees; 42.5% have a Bachelor's degree and 49% have a Master's degree. About 9.5% from the married or divorced population have children. Moreover, the majority of the participants have a full time career employment (91.5%); and nearly 65% work in local firms. The most common economic sectors are services (96.5%). Also, a large number of the respondents have an income ranged between 500-999 USD (36.5%) followed by an income between 1000-1499 USD (30%).

Table 7: Demographic Descriptive Analysis

	N	%
Gender		
Female	110	55
Male	90	45
Age		
15-24	67	33.5
25-34	113	56.5
35-44	19	9.5
45-54	1	0.5
Educational Level		
High school	10	5
B.A university degree	85	42.5
Master University degree	98	49
Other	7	3.5
Marital status		
Single	168	84
Married	30	15
Divorced	2	1
Children		
Yes (N=32)	19	9.5
No (N=32)	13	6.5
Career employment		
Full time	183	91.5
Part time	17	8.5
Type of firm		
Local	130	65
Multinational	70	35

Income range		
< 500 USD	2	1
500-999 USD	73	36.5
1000-1499 USD	60	30
1500-1999 USD	25	12.5
2000-2499 USD	16	8
2500-3000 USD	10	5
>3000 USD	14	7
Economic sector		
Manufacturing	7	3.5
Services	193	96.5

Figure 4: Respondents Age Range Chart

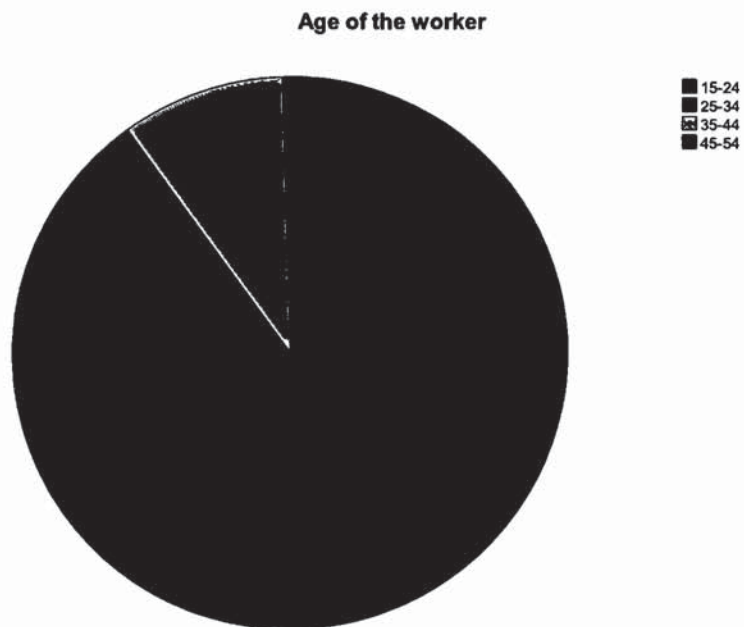


Figure 5: Respondents Gender Chart

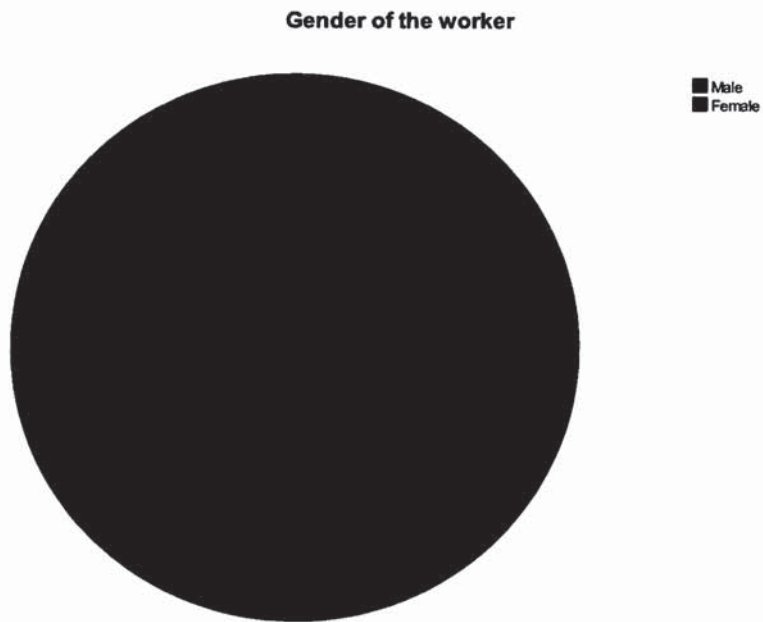


Figure 6: Respondents Marital Status Chart

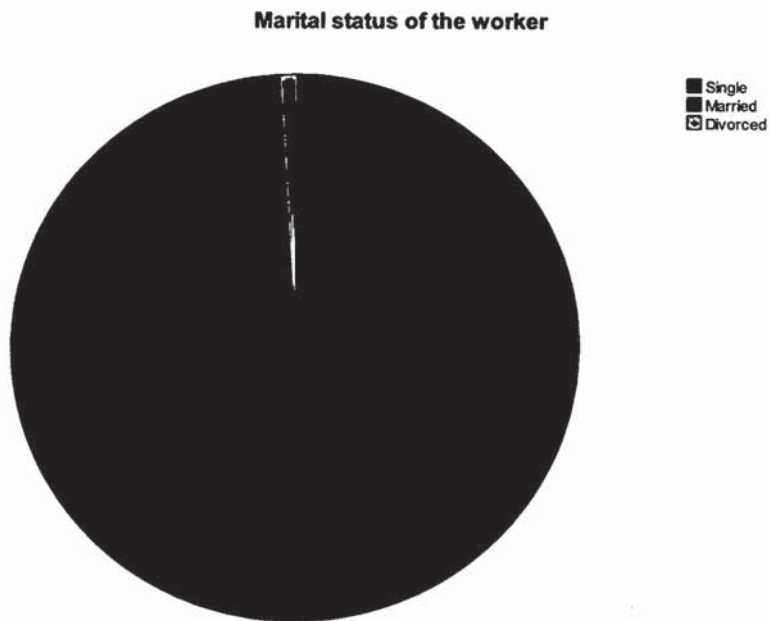


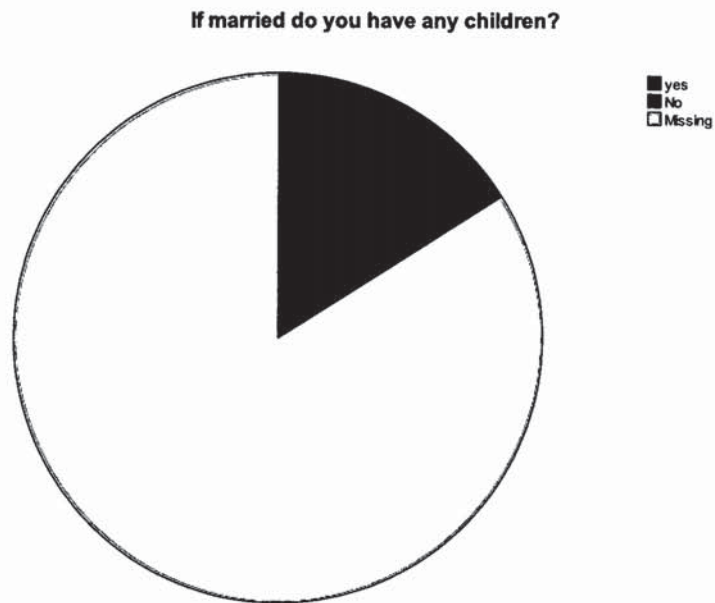
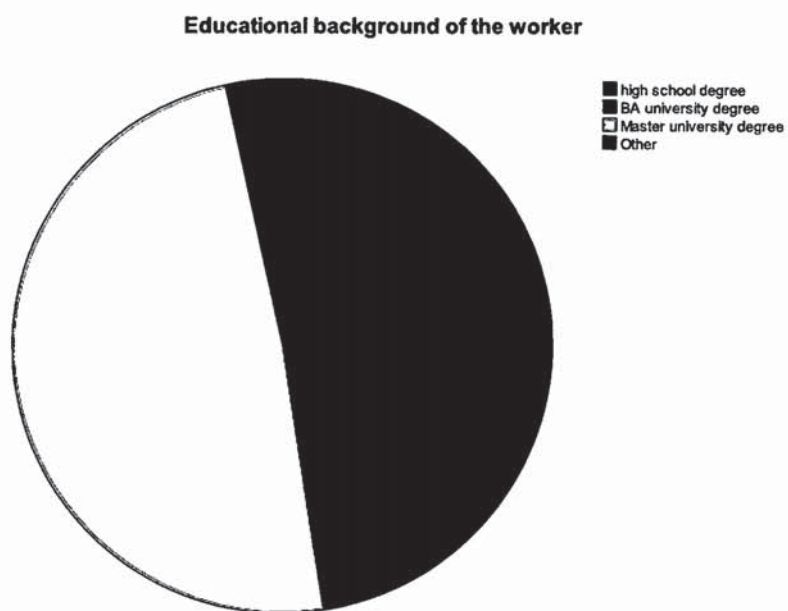
Figure 7: Respondents Children Chart**Figure 8: Respondents Education Chart**

Figure 9: Respondents Career Employment Chart

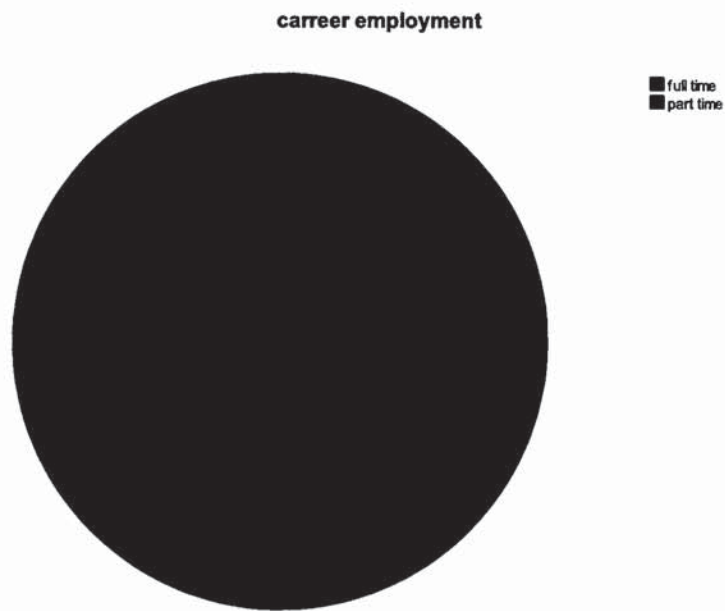


Figure 10: Respondents Economic Sector Chart

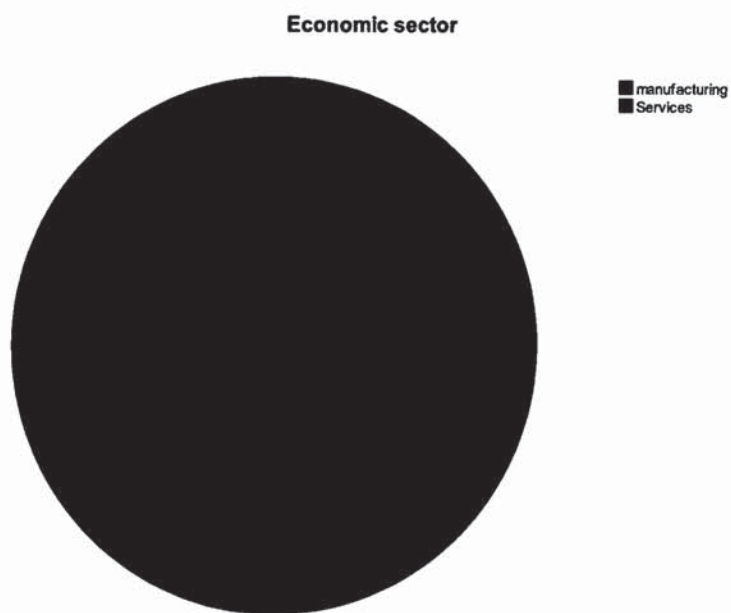
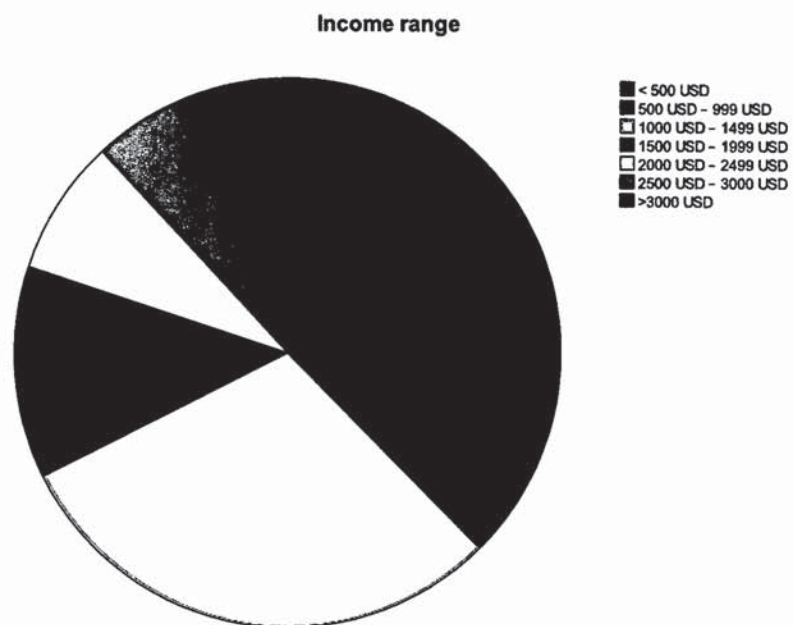
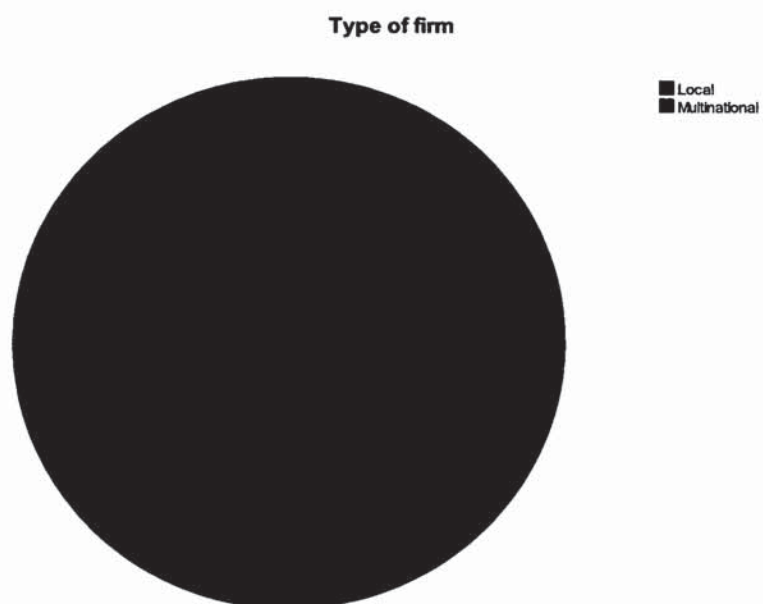


Figure 11: Respondents Income Range Chart**Figure 12: Respondents Type of Firm Chart**

Tables 8 to 17 reveal that 29.5% of the respondents feel highly secure in their jobs, 29.5% are very highly stressed because of job insecurity. Virtually, 31.5% are very highly confident about keeping their current job over the next 2 years. Almost, 50% of the respondents rate their performance as high in the organization and 49% consider that their skills are highly transferable from one sector to another. Moreover, the analysis revealed that 33.5% are moderate risk-takers and 32.5% rate their unemployment risk as moderate. If UI is going to be applied and paid partially by the employer and the employee through the NSSF contributions, 36% are likely to pay moderately for it; in addition, 30.5% agreed to pay 2% for the program. Finally, 55.5% rely on parental support to fund their daily livings if they become unemployed.

Table 8: Security Descriptive Analysis

How much do you feel secure in your job?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Very low	7	3.5	3.5	3.5
Low	12	6.0	6.0	9.5
Moderate	58	29.0	29.0	38.5
High	59	29.5	29.5	68.0
Very high	64	32.0	32.0	100.0
Total	200	100.0	100.0	

Table 9: Stress Descriptive Analysis

How much job insecurity makes u stressful?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very low	25	12.5	12.5	12.5
	Low	29	14.5	14.5	27.0
	Moderate	44	22.0	22.0	49.0
	High	43	21.5	21.5	70.5
	Very high	59	29.5	29.5	100.0
	Total	200	100.0	100.0	

Table 10: Confidence Descriptive Analysis

How confident are you about keeping your current job over the next 2 years?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very low	10	5.0	5.0	5.0
	Low	17	8.5	8.5	13.5
	Moderate	46	23.0	23.0	36.5
	High	64	32.0	32.0	68.5
	Very high	63	31.5	31.5	100.0
	Total	200	100.0	100.0	

Table 11: Performance Descriptive Analysis

How much you rate your performance in the organization?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Low	2	1.0	1.0	1.0
	Moderate	26	13.0	13.0	14.0
	High	100	50.0	50.0	64.0
	Very high	72	36.0	36.0	100.0
	Total	200	100.0	100.0	

Table 12: Skills Descriptive Analysis

How much your skills are transferable from one sector to another?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very low	2	1.0	1.0	1.0
	Low	10	5.0	5.0	6.0
	Moderate	47	23.5	23.5	29.5
	High	98	49.0	49.0	78.5
	Very high	43	21.5	21.5	100.0
	Total	200	100.0	100.0	

Table 13: Risk-taker Descriptive Analysis

How much you consider yourself a risk-taker?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very low	5	2.5	2.5	2.5
	Low	25	12.5	12.5	15.0
	Moderate	67	33.5	33.5	48.5
	High	72	36.0	36.0	84.5
	Very high	31	15.5	15.5	100.0
	Total	200	100.0	100.0	

Table 14: Unemployment Risk Descriptive Analysis

How much you rate your unemployment risk?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very low	34	17.0	17.0	17.0
	Low	53	26.5	26.5	43.5
	Moderate	65	32.5	32.5	76.0
	High	28	14.0	14.0	90.0
	Very high	20	10.0	10.0	100.0
	Total	200	100.0	100.0	

Table 15: Willingness to Pay Descriptive Analysis.

If UI is going to be applied and paid partially by the employer and the employee through the NSSF contributions, how much you are likely to pay for it?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very low	20	10.0	10.0	10.0
	Low	24	12.0	12.0	22.0
	Moderate	72	36.0	36.0	58.0
	High	46	23.0	23.0	81.0
	Very high	38	19.0	19.0	100.0
	Total	200	100.0	100.0	

Table 16: Pay in return Descriptive Analysis

How much would you agree to pay in return for UI?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1%	39	19.5	19.5	19.5
	1.5%	39	19.5	19.5	39.0
	2%	61	30.5	30.5	69.5
	2.5%	31	15.5	15.5	85.0
	3%	30	15.0	15.0	100.0
	Total	200	100.0	100.0	

Table 17: Daily Living Needs Fund Descriptive Analysis

If you become unemployed how do you fund your daily living needs?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid I don't know, God will help me	17	8.5	8.5	8.5
Search for another job	11	5.5	5.5	14.0
Will find a freelance job	5	2.5	2.5	16.5
Husband support	7	3.5	3.5	20.0
I take loans	1	.5	.5	20.5
I have some savings	36	18.0	18.0	38.5
Parent support	111	55.5	55.5	94.0
Taking a transitional part time job	5	2.5	2.5	96.5
Sell my cars	3	1.5	1.5	98.0
Open a small business	2	1.0	1.0	99.5
Loan from bank	2	.5	.5	100.0
Total	200	100.0	100.0	

The below table shows that: On average, the respondents rated the qualitative part questions between moderate to high.

Table 18: General Information Descriptive Statistics

	Mean	Std. Deviation	N
How much do you feel secure in your job?	3.81	1.064	200
How much job insecurity makes you stressful?	3.41	1.372	200
How confident are you about keeping job?	3.77	1.134	200
How much you rate your performance?	4.21	0.699	200
How much your skills are transferable?	3.85	0.849	200
How much do you consider a risk taker?	3.50	0.982	200
How much you rate your unemployment risk?	2.74	1.192	200
How much you are likely to pay for UI?	3.29	1.197	200

4.1.2 Correlation Analysis

As in table 19, Pearson analysis was used to find the association between job security, stressful job insecurity, confidence about keeping job, performance rate, transferable skills, risk-taker, unemployment risk and willingness to pay for UI. The results show that confidence about keeping job over the next 2 years is positively associated to willingness to pay ($P=0.049$), the stress caused by job insecurity is positively associated to willingness to pay ($P=0.000$), the unemployment risk is positively associated to willingness to pay ($P=0.007$) and the transferable skills are negatively associated to willingness to pay ($P=0.007$).

Table 19: Pearson Analysis

	Willingness to pay for UI	
	r	p
Job security	-0.066	0.354
Stress caused by job insecurity	0.255	0.000*
Confidence about keeping job	0.139	0.049*
Performance rate	0.005	0.945
Transferable skills	-0.191	0.007*
Risk-taker	0.087	0.218
Unemployment risk	0.191	0.007*

Table 20 shows the association found between the demographic variables, the other independent variables and the willingness to pay.

Independent sample t-test and ANOVA analysis were used to test the possible associations between those variables. The analysis revealed that there are no significant associations between any of the demographic variables and the willingness to pay. Only “type of firm” as an independent variable was associated with the willingness to pay.

Thus, it can be concluded that workers in local firms are more likely to pay for UI than workers in multinational firms ($P=0.043$).

		Willingness to pay		
		Mean	SD	P
Age	15-24	3.31	1.196	
	25-34	3.26	1.186	
	35-44	3.42	1.346	
	45-54	3.00	1.197	
	55-64	-	-	
				0.941
Gender	Male	3.23	1.200	
	Female	3.34	1.198	
				0.546
Marital status	Single	3.33	1.156	
	Married	3.10	1.373	
	Divorced	2.50	2.121	

				0.399
Educational background	High school	3.10	1.663	
	BA	3.41	1.147	
	MASTER	3.27	1.198	
	other	2.43	0.787	
				0.187
Career employment	Full time	3.31	1.197	
	Part time	3.12	1.219	
				0.536
Type of firm	Local	3.42	1.250	
	Multinational	3.06	1.062	
				0.043*
Economic sector	Services	3.28	1.205	
	Manufacture	3.57	0.976	

				0.528
Income range	<500	3.50	2.121	
	500-900	3.01	1.173	
	1000-1499	3.57	1.198	
	1500-1999	3.44	1.044	
	2000-2499	3.44	1.413	
	2500-3000	3.40	1.174	
	>3000	3.00	1.109	
				0.190

Table 20: Independent t-test and ANOVA Analysis

4.1.3 Linear Regression Analysis

In addition, I employed Linear Regression Analysis in my study in order to be able to form the association involving the different variables. Through this analysis, it was able to study the relationship between stress caused by job insecurity, confidence about keeping the current job, unemployment risk, transferable skills, type of firm and willingness to pay for UI. In addition, through this technique, strength of the relationship was measured. Table 21 shows that the three predictors of willingness to pay are stress caused by job insecurity ($P=0.001$), confidence about keeping job ($P=0.008$), and unemployment risk ($p=0.026$). R square shows that this predictor explains only 13.7% of the willingness to pay for UI.

Table 21: Linear regression R square analysis

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.371 ^a	.137	.115	1.126

a. Predictors: (Constant), How much you rate your unemployment risk?
How much your skills are transferable from one sector to another?
Type of firm, How much job insecurity makes u stressful, How confident are you about keeping your current job over the next 2 years?

Table 22: Linear regression analysis

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.609	.552		2.916	.004
	Type of firm	-.318	.168	-.127	-1.891	.060
	How confident are you about keeping your current job over the next 2 years?	.197	.073	.187	2.696	.008*
	How much your skills are transferable from one sector to another?	.063	.096	.045	.658	.511
	How much job insecurity makes u stressful	.204	.060	.234	3.408	.001*
	How much you rate your unemployment risk?	.156	.069	.155	2.250	.026*

a. Dependent Variable: If UI is going to be applied and paid partially by the employer and the employee through the NSSF contributions, how much you are likely to pay for it?

Table 22 reports the regression analysis of the factors associated to willingness to pay for UI. Only 5 variables were included in the analysis because of their significant association to the dependent variable. These variables are unemployment risk, stress caused by job insecurity, transferable skills, confidence about keeping job over the next 2 years, and type of firm.

This model explains 13.7% of variations in the willingness to pay score (R square = 0.137).

Confidence about keeping job predicts the willingness to pay (Beta = 0.197, P = 0.008). Every time the confidence increases by one unit, the willingness to pay increases by 0.197.

Unemployment risk predicts the willingness to pay (Beta = 0.156, P = 0.026). Every time the unemployment risk increases by one unit, the willingness to pay increases by 0.156.

Stress caused by job insecurity predicts the willingness to pay (Beta = 0.204, P = 0.001). Every time the stress increases by one unit, the willingness to pay increases by 0.204.

4.2 Summary of Findings

According to the techniques used in data analysis process, the findings were summarized to answer the following research question with the three hypotheses.

4.2.1 Research Questions

RQ: Are Lebanese workers willing to pay for UI?

4.2.2 Hypotheses

H1: Lebanese workers with high unemployment risk are more willing to pay for UI than Lebanese workers with low unemployment risk.

H2: Lebanese workers working in multinational firms are more willing to pay for UI than Lebanese workers working in domestic firms.

H3: High Income Lebanese workers are more willing to pay for UI than low income Lebanese workers.

4.2.3 Findings

According to the correlation analysis, 5 variables were statistically significant as chief components that can be considered important in analyzing the willingness to pay for UI. Those items were stress caused by job insecurity, transferable skills, unemployment risk, confidence about keeping job and type of firm. The linear regression shows us that between all these variables the three predictor of willingness to pay are the stress caused by job insecurity, unemployment risk and confidence about keeping job.

4.2.3.1 RQ & H1

Results showed that every time the unemployment risk increases, the Lebanese workers' willingness to pay for UI increases as well. The hypothesis is accepted.

4.2.3.2 RQ & H2

Results showed that Lebanese workers working in local firms are more willing to pay for UI than Lebanese workers working in multinational firms. The hypothesis is rejected.

4.2.3.3 RQ & H3

Results showed that there is no association between income and Lebanese workers' willingness to pay for UI. The hypothesis is rejected and the null hypothesis is accepted.

Chapter 5 CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

As previously discussed in the review of literature, several studies were conducted to show the importance of UI on the employee, on the firm and on the economy as a whole. UI prevents job losses during economic downturns by maintaining the consumption behavior thus holding firms' functions, preventing lay-offs and exits (Sava, 2010). This helps maintain skillful employees with needed talents and expertise (Estevez-Abe et al., 2001). So, UI is strongly associated with job security whatever the job type is, so it is considered a main indemnity tool for managing the risk of unemployment (Clark & Vinay, 2004).

Once unemployment rate is high and the economy is declining, UI becomes necessary to be adopted. Numerous variables affect its implementation such as the level of unemployment risk, income, and the type of firm which greatly affects the level of unemployment risk. So, there were positive associations between the high level of unemployment risk and the adoption of UI. Kim (2010) stated that UI adoption depends mainly on "the level of unemployment risk in a specific society."

Moreover, in general "social insurance is a normal good", so when earnings increase, social demand for security increases as well (Moene & Wallerstein, 2001).

As well as, since multinational firms are more exposed to unemployment risk than local firms, UI would be important.

This research was the first to be done in Lebanon on UI; its main aim is to assess the willingness of Lebanese workers to pay for UI. Thus the following research question and hypotheses were formulated:

RQ: Are Lebanese workers willing to pay for UI?

H1: Lebanese workers with high unemployment risk are more willing to pay for UI than Lebanese workers with low unemployment risk.

H2: Lebanese workers working in multinational firms are more willing to pay for UI than Lebanese workers working in domestic firms.

H3: High Income Lebanese workers are more willing to pay for UI than low income Lebanese workers.

The literature review found positive correlations between the adoption of UI and the level of unemployment risk, the type of firm workers are working in and the income they are receiving. So, this study was conducted to examine those relationships among Lebanese workers.

To be able to assess this relationship and test the above hypotheses, questionnaires were distributed to Lebanese workers. Using SPSS 17, data was analyzed through the employment of descriptive analysis, Pearson test to establish the association between two continuous variables, and Independent sample t-test to find the association between a categorical variable with 2 categories and a continuous variable. In addition, ANOVA test was used to identify the relation between a categorical variable with 3 categories and more and a continuous variable, and Linear regression analysis to predict the factors that are contributing to willingness to pay.

5.2 Main Findings and Conclusions

5.2.1 Descriptive Statistics

The majority of the Lebanese workers who have participated in this study were females, and the age ranged between 25-34 years. Their educational backgrounds were more concentrated in the Masters degree, and most were single with no dependents. Of the 200 sample, 183 worked as full time workers and most of them were employed in local firms. The income range which was mostly seen was between 500-999 USD, and 96.5 of them worked in the service sector.

In addition, the descriptive results showed that the mean of job security, job insecurity associated stressfulness, confidence of job maintenance, performance rate, transferable

skills, risk-taking, unemployment risk rate, and the likely to pay ranged between moderate to very high.

5.2.2 Correlation Analysis

Pearson analysis found that the variables that are positively statistically significant with the willingness of Lebanese workers to pay for UI are: stress associated with job insecurity, unemployment risk, and confidence about keeping their current job. Also, transferable skills were found to have negatively statistically correlation.

Independent sample t-test and ANOVA found that workers working in local firms are more willing than workers working in multinational firms to pay for UI.

5.2.3 Linear Regression

The linear regression analysis showed that the stress caused by job insecurity, confidence about keeping the current job, and unemployment risk are associated with the willingness of Lebanese workers to pay for UI, and this explained only 13.7%.

5.3 Conclusions

The analysis of the Lebanese workers willingness to pay for UI was associated with three different variables: stress caused by job insecurity, confidence about keeping the current job, and unemployment risk.

This tells us that the more stressful job insecurity is, the more are the Lebanese workers willing to pay for UI. This was discussed at the beginning; job insecurity brings more stress, and to protect job and lessen this stress, UI was recommended to be implemented. Thus, we can say that the Lebanese population considers job insecurity highly stressful, so to reduce the stress, they are willing to pay for UI.

In addition, it was found that the more unemployment risk is, the more are the Lebanese workers willing to pay for UI. This correlation was already discussed in the literature, since high unemployment risk is an important variable for implementing UI.

Also, the analysis found that, the more the Lebanese workers are confident about keeping their current jobs in the next 2 years, the more they are willing to pay for UI.

This justifies that even if they are confident about keeping their current jobs, they are willing to pay for UI.

Regarding the hypotheses, the results are the following:

H1: Lebanese workers with high unemployment risk are more willing to pay for UI than Lebanese workers with low unemployment risk. This hypothesis is proved to be true on the Lebanese population. As unemployment risk increases, the willingness of Lebanese workers to pay for UI increases.

H2: Lebanese workers working in multinational firms are more willing to pay for UI than Lebanese workers in local firms. This hypothesis is rejected.

The literature found that workers in multinational firms are more exposed to unemployment risk thus are more apt to adopt UI. However, it was found that in Lebanon, working in local firms is more risky. Thus, the Lebanese workers working in local firms are more willing to pay for UI. In Lebanon, local firms shut down more easily than multinational firms in case of any micro economic decline, thus local firms are more risky. This justifies their willingness to pay.

H3: High Income Lebanese workers are more willing to pay for UI than low income Lebanese workers. The hypothesis is rejected and the null hypothesis is accepted. Results show that there is no association between income and willingness to pay for UI. Willingness to pay is not dependent on the income they receive.

A broader implication is that the willingness to pay for UI is dependent on the level of unemployment risk, and on the type of firm they are working in

5.3 Limitation of the Research

As discussed before, the population of interest was Lebanese people of working age, but the sampling frame was only Lebanese workers. Due to time constraint, and due to the absence of official data, I was not able to tackle the unemployed. Their feedback

would have been of high value since they would be the primary beneficiaries, and maybe this would have encouraged them to spend more time and money to search for work in order to have this insurance when employed.

As well as, several models were used in previous researches but they were not applicable in this study since most of them need the unemployment rate in each sector and other official data which we lack. So that, to be able to measure the level of inequality between sectors to find the gap between the employees with high unemployment and low unemployment risk, this would give policymakers a broader view on their willingness to pay.

Also, the age was mostly of the young population, the questionnaire was not filled by older people; I lost their input since I think that they would be more willing to pay to secure their long years of employment and since they take more time to find another work.

Moreover, in this study the barriers toward the implication of this program were not discussed, like the problems in the political system and the NSSF problems which we have. I received several comments from the respondents, stating that this program can never be implemented even if the Lebanese workers wish to have since we have big problems in our country.

5.4 Managerial Implications

The conducted study proves that there is a positive correlation between unemployment risk, type of firm and willingness to pay for UI.

This reflects the readiness of the employees to pay because they are facing a high level of unemployment risk, and they need to protect themselves from the risk of unemployment. Consequently UI is considered an important program to be implemented in Lebanon.

For the firms, this study would be helpful because it has a positive influence on them. Now, managers have an idea about the possible solutions for motivating employees. So, they should work on implementing it since it reduces the stress at work, motivate

employees, which increase productivity and bring better results for the firms and for the economy as a whole.

Also, the factors that are behind its necessary implementation are known and it would be easy for policymakers to start implementing this program. They can include this law starting from the local firms since they are more exposed to small changes in the country. Hence, unemployment may be due to the increase of the presence of local firms. So, they must work on providing security for the Lebanese workers.

5.5 Recommendations

This study opens the way in front of future research regarding the adoption of UI. Later, it is recommended to take larger samples from each economic sector, so that to be able to assess the level of security and the risk of unemployment in each sector risk in Lebanon. After that it is preferably to find the degree of inequality between the high risk workers and the low risk workers. With this it can be generalized if UI adoption is necessary as kim (2010) concluded.

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Appendix A Thesis Questionnaire

THESIS QUESTIONNAIRE

**Willingness of Lebanese Workers to
Pay for Unemployment Insurance (UI)**

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UNEMPLOYEMNT INSURANCE

Unemployment Insurance (UI) is a type of income support programs for the unemployed; it is considered a main indemnity tool for managing the risk of unemployment (Clark & Vinay, 2004). UI has a wide range of benefits. For the firms, it helps retain skillful employees, and enhances their level of security; thus they become more motivated and productive. More importantly is its ability to maintain consumption during decline thus supporting firms. For the government, it leads to well organized businesses, and stabilizes the “business cycles”, decreases the expenditures on the “relief” programs as well as it results in social stability. Finally, for the worker, it creates a sense of security, and provides payments when laid off involuntarily (Friedman, Murray & Wagenet, 1937). In addition, it guarantees that the outlays due to skills needed for job performance are payable when unemployed (Estevez-Abe et al., 2001).

This program has qualified some people over others to benefit from it depending on specific requirements: only workers who become jobless involuntarily, and who are willing to search for another job, as well as those who have saved an amount of money during their employment period for the insurance program are eligible to have this benefit (Shaw & Stone, 2010). “The individual must satisfy the minimum covered employment or contribution requirement, the most common length being 6 months in the past year” (Vodopivec & Raju, 2002). The paybacks depend on previous income savings, but every country has its own policy. In most countries, people have the right for “26 weeks of benefit” (Shaw & Stone, 2010). “The replacement rate is between 40 and 75 percent of average earnings”, however in some countries, the benefit received is the minimum wage (Vodopivec & Raju, 2002).

Findings revealed that expected unemployment rate in Lebanon is 31.15%, and “the economy is at \$32 billion below its potential output” (Naïmy, 2005).

DATA COLLECTION**Age:**

- 15 – 24 25 – 34 35 – 44 45 – 54 55 - 64

Gender:

- Male Female

Marital Status:

- Single Married Divorced

If married, do you have any children?

- Yes No

Nationality:

- Lebanese Non-Lebanese

Educational Background:

- High School Degree B.A. University Degree Masters University Degree

- Other _____

Employment Data:

Do you hold currently a job position?

- Yes No

If your answer to the previous question is Yes, Indicate the job title:

Career employment:

- Full-Time Part-Time Intermittent Seasonal Self-employed

Type of Firm:

Local Multinational

Economic Sector:

Agriculture, Hunting, Forestry, and Fishing Electricity, Gas, and Water

Community, Social, and Personal Services

Transport, Storage, and Communication

Financing, Insurance, Real Estate, and Business Services

Wholesale and Retail Trade, Restaurants and Hotels Manufacturing

Mining and Quarrying Construction Other _____

Income Range:

< 500 USD 500 USD – 999 USD 1000 USD – 1499 USD

1500 USD – 1999 USD 2000 USD – 2499 USD 2500 USD – 3000 USD

>3000 USD

General Information:

(Rank the following statements on scale where 1 is low and 5 is high)

- a) How much do you feel secure in your job? 1 2 3 4 5
- b) How much job insecurity makes you stressful? 1 2 3 4 5
- c) How confident are you about keeping your current job over
the next 2 years? 1 2 3 4 5
- d) How much you rate your performance in the organization? 1 2 3 4 5
- e) How much your skills are transferable from one sector to another? 1 2 3 4 5

- f) How much you consider yourself a risk-taker? 1 2 3 4 5
- g) How much you rate your unemployment risk? 1 2 3 4 5
- h) If UI is going to be applied and paid partially by the employer and the employee through the NSSF contributions, how much you are likely to pay for it? 1 2 3 4 5
- i) How much would you agree to pay in return for UI?
- 1% 1.5% 2% 2.5% 3%
- j) If you become unemployed, how do you fund your daily living needs?
- _____

For any questions regarding this research, do not hesitate to contact me at:

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THANKS FOR YOUR COOPERATION