

10. Unemployment Insurance

A. General

The objective of Unemployment insurance is to guarantee workers an income while unemployed and to prevent a sharp drop in their standard of living. Unemployment benefits constitute an essential safety net, and are meant to help the unemployed maximize their earning potential by giving them time to seek work that is commensurate with their skills. Subsequent to the stringent legislation enacted between 2002 and 2007 regarding Unemployment insurance, unemployment benefits and grants are paid under the conditions presented below.

Unemployment benefits are paid to unemployed persons who, prior to becoming unemployed, had worked the requisite qualifying period prescribed by law – 12 months of work out of the 18 months preceding unemployment.¹ Eligibility for unemployment benefits is granted immediately (after a waiting period of five days) to anyone who was dismissed from his job and shows a willingness to accept alternative employment via the Employment Service. Jobs offered to unemployed persons above the age of 35 must be “suitable work” in terms of profession, wage and distance from home. For other unemployed persons, any work offered to them by the Employment Service is work that is deemed suitable in terms of profession and wage.

Unemployment benefits are paid for a maximum period of 50 to 175 days, depending on the age and family status of the unemployed person.² Unemployed persons participating in vocational training who have at least 12 years of schooling are eligible for unemployment benefits for the same maximum period as all other unemployed. Unemployed persons participating in vocational training who have fewer than 12 years of schooling are eligible for unemployment benefits for a maximum period of 138 days, even if without the vocational training they would have been eligible for 50-100 days.

Unemployment benefits are calculated according to the age and wage of the unemployed person³ immediately prior to his becoming unemployed, but the level of

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- 1 In the instance of workers paid per diem, the qualifying period is 300 days of work out of the 540 days preceding unemployment.
 - 2 The maximum benefit utilization period is calculated according to the following criteria:
 - 50 days: for claimants up to the age of 25, with fewer than three dependents.
 - 67 days: for claimants between the ages of 26 and 28, with fewer than three dependents.
 - 70 days: for discharged soldiers (as defined on the next page).
 - 100 days: for claimants between the ages of 29 and 35, with fewer than three dependents.
 - 138 days: for claimants up to the age of 35 with at least three dependents, or claimants between the ages of 36 and 45 with fewer than three dependents.
 - 175 days: for claimants between the ages of 36 and 45 with at least three dependents, or claimants over the age of 45.

3	Portion of the unemployed person's wage	Up to age 28	29+
	That portion of his wage up to half of the average wage	60%	80%
	That portion of his wage above ½ to ¾ of the average wage	40%	50%
	That portion of his wage above ¾ to 100% of the average wage	35%	45%
	Portion of wage = average wage, up to maximum insured wage	25%	30%

the benefits is limited: During the first five months of receiving the benefits, the benefits cannot exceed the average wage, and as of the sixth month is limited to 2/3 of the average wage. The unemployment benefits payable to an unemployed person participating in vocational training is 70% of the unemployment benefit he would have received were it not for the vocational training.

Unemployment benefits for discharged soldiers: Until June 2007, discharged soldiers had been exempt from the qualifying period and were eligible for unemployment benefits during the first year after their discharge from the army. Since July 2007, discharged soldiers must accumulate a qualifying period of six months of work during the first year after discharge in order to qualify for unemployment benefits. The unemployment benefit is 80% of the minimum wage, for a maximum period of 70 days.

Grant for discharged soldiers: Soldiers who worked at a “preferred/in-demand occupation,” as defined by law, during the first two years after discharge, are eligible for a grant of NIS 9,011 in 2011. The grant is calculated by multiplying the rate of the unemployment benefit per day by 138 days and dividing by 2. Soldiers who exercised their right to unemployment benefits are not eligible for a grant.

B. Amendments to the Unemployment Insurance Law

1. Shortening of the qualifying period – agreement under Section 9 of the law

In response to the economic crisis, the recession and the rise in unemployment that began at the end of 2008, a temporary order was enacted at the beginning of 2009 whose objective was to assist those unemployed people not eligible for unemployment benefits under the National Insurance Law by paying them special benefits. Pursuant to the agreement, any unemployed person at least 25 years old who had been dismissed from his job and had accumulated a period of work of nine months out of the 18 months preceding his unemployment (instead of work for 12 out of 18 months), would be eligible for a special benefit from the NII. The special benefit paid was at the level of the unemployment benefit to which he would have received had he been eligible for one, and for a period not exceeding half of the maximum period of payment of unemployment benefit. This agreement prevails for as long as the unemployment rate, as published quarterly by the Central Bureau of Statistics, is at least 7.5%.

The agreement was implemented in June 2009 when the unemployment rate exceeded 7.5%, and expired at the end of February 2010, when the published rate of unemployment dipped to 7.4%. In total, 10,183 unemployed persons benefitted from this agreement, at a cost of NIS 107 million.

2. Extension of the maximum payment period of unemployment benefits

In December 2009, in response to the recession, an additional coalition agreement was implemented, enabling the maximum payment period of unemployment benefits

to be extended for young unemployed persons who had accumulated rights under Unemployment insurance. This agreement expired at the end of 2010.

Under the agreement, unemployed up to the age of 25 had been eligible for an unemployment benefit for a maximum of 65 days (an addition of 15 days to the maximum period for this age group). Unemployed aged 25-28 had been eligible for an additional 30 days, not exceeding 97 days. Unemployed aged 28-35 had been eligible for a maximum period of 125 days (instead of 100 days – an additional 25 days of benefits).

As a result of the agreement, approximately 46,000 unemployed persons between the ages of 25 and 35 became eligible for additional days beyond the maximum period to which they had been entitled; however, the data show that only 50% took advantage of this benefit and used at least a portion of the additional days they had been granted. The overall cost of this agreement was some NIS 100 million.

C. Data and trends

There the unemployment rate dropped during the first half of 2011: from 6.5% (adjusted for seasonal factors) at the end of 2010 to 6% in the first quarter of 2011 and to 5.5% in the second quarter. This drop in the unemployment rate, however, was accompanied by a drop in the civilian workforce as a percentage of the population. This means that some of the unemployed had given up on finding work and dropped out of the workforce. During the second half of the year the downward trend stopped and the unemployment rate stabilized at 5.5%. The civilian workforce as a percentage of the population also remained unchanged. All told, the average unemployment rate for 2011 was 5.7%, as opposed to 6.6% in 2010 – a drop of 14%.

The number of persons receiving unemployment benefits also dropped during the first half of 2011 compared to the second half of 2010, but during the second half of 2011, there was a rise that cancelled out the previous drop. All told, in 2011 the number of unemployed receiving unemployment benefits dropped by around 2% compared to 2010. Some 179,000 different unemployed persons received unemployment benefits – an average of 57,400 per month.

Table 1 presents the number of recipients of unemployment benefits and their percentage out of all unemployed persons since 2006. The percentage of unemployed persons receiving unemployment benefits reached a low of about 21% in 2004, stabilized at around 24% between 2005 and 2007, and rose to 26.7% in 2008 and to 31.8% in 2009, with the rise in the unemployment rate and the implementation of the above-mentioned agreement. The decrease in the number of recipients of unemployment benefits in 2010 was steeper than the decrease in the number of the unemployed, which is why the ratio of recipients dropped to 28.1%. In 2011, the situation was reversed: the drop in the number of those getting unemployment benefits was more moderate, thus the percentage of jobless getting unemployment benefits rose to 31.5%

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Table 1
Unemployed and Recipients of Unemployment Benefits
(monthly average), 2006-2011

Year	Unemployed		Recipients of unemployment benefits	
	Absolute numbers	Percentage of the workforce	Absolute numbers	Percentage of the unemployed
2006	236,100	8.4	55,941	23.7
2007	211,800	7.3	49,817	23.5
2008	180,000	6.1	48,045	26.7
2009	230,000	7.6	73,025	31.8
2010	209,000	6.6	58,634	28.1
2011	182,000	5.7	57,354	31.5

Graph 1 presents the trends in the ratio of unemployment benefit recipients to all the unemployed, compared with the unemployment rate since the beginning of the 1990s. The graph illustrates how the percentage of unemployment benefit recipients plummeted between 2002 and 2004 (compared with the relatively stable unemployment rate) as a result of the stringent legislation in Unemployment insurance during that period, and the stabilization and slight rise that came in the subsequent years.

Graph 1
Unemployment Rates and Percentages of Unemployment Benefit Recipients
Over Time, 1990-2011

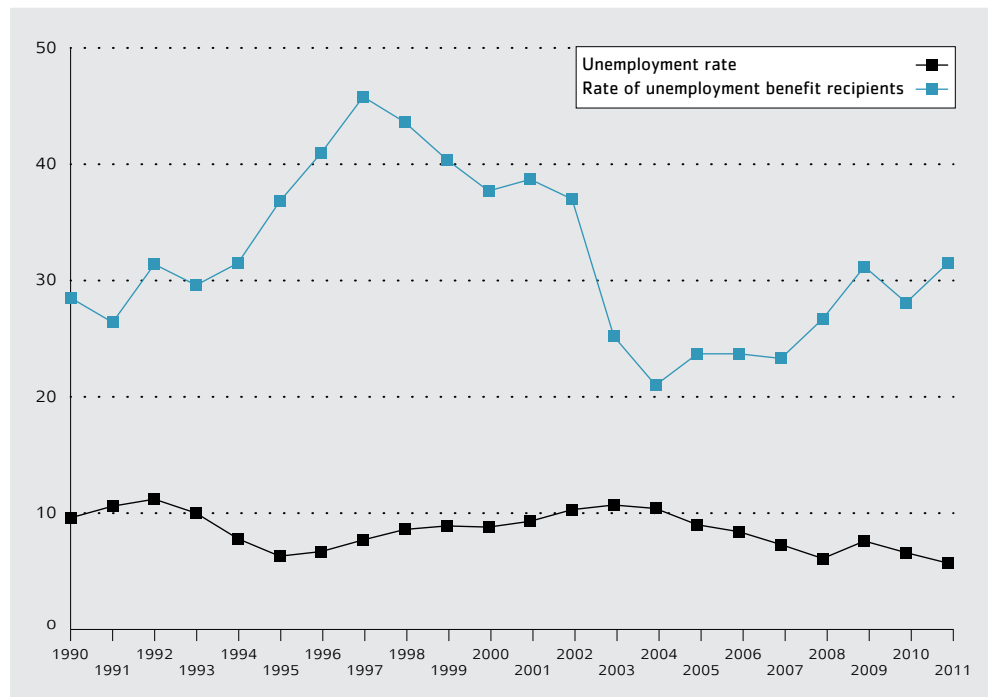


Table 2
Recipients of Unemployment Benefits by Year, 2006–2011

Year	Recipients of unemployment benefits – total		Previously employed recipients of unemployment benefits			Discharged soldiers		
	Numbers	% change from previous year	Total (numbers)	% of all recipients	% change from previous year	Total	% of all recipients	% change from previous year
Total								
2006	183,439	-3.4	153,538	83.7	-4.4	29,901	16.3	2.6
2007	162,759	-11.3	145,506	89.4	-5.2	17,253	10.6	-42.3
2008	156,450	-3.9	155,485	99.4	6.9	965	0.6	-94.4
2009	218,174	-39.5	218,124	100.0	40.3	40	-	-95.9
2010	182,065	-16.5	182,039	100.0	-16.5	26	-	-35.0
2011	178,547	-1.9	178,525	100.0	-1.9	22	-	-15.4
Monthly average								
2006	55,941	-4.9	49,294	88.1	-5.8	6,647	11.9	2.3
2007	49,817	-11.0	45,936	92.2	-6.8	3,881	7.8	-41.6
2008	48,045	-3.4	47,871	99.6	4.2	174	0.4	-95.5
2009	73,025	52.0	73,016	100.0	52.5	9	0.0	-94.8
2010	58,634	-19.7	58,629	100.0	-19.7	5	0.0	-44.4
2011	57,354	-2.2	57,349	100.0	-2.2	5	-	-

D. Recipients of unemployment benefits

It is customary to divide the recipients of unemployment benefits into two main categories: discharged soldiers and previously employed recipients. Discharged soldiers are subdivided into belonging to two periods: those discharged before July 2007 and those discharged subsequently. Prior to July 2007, discharged soldiers were exempt from the qualifying period during the first year after their discharge and had been subject to an employment test only.

As a result of a change in the law, from July 2007, the number of discharged soldiers eligible for unemployment benefits plummeted from 6,650 in 2006 to 3,880 in 2007, and has reached nearly zero in recent years. In the years preceding the amendment, discharged soldiers had constituted about 12% of all recipients of unemployment benefits.

Table 2 shows that, in 2011, an average of 57,354 unemployed persons received unemployment benefits per month, and this, as stated, constitutes about a drop of around 2% compared with 2010, following the much larger drop of some 20% during 2010.

Graph 2 clearly illustrates the inverse ratio between the change in the number of discharged soldiers who received unemployment benefits and the change in the number of discharged soldiers who received a grant up until 2006. Since 2007, as a result of the legislative change, discharged soldiers are, in effect, no longer eligible for unemployment benefits. There is no connection, of course, between the two series.

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Graph 2
Recipients of Unemployment Benefits (Entire Population and Discharged Soldiers) and Recipients of a Discharged Soldier's Grant for Preferred Work, 1994-2011

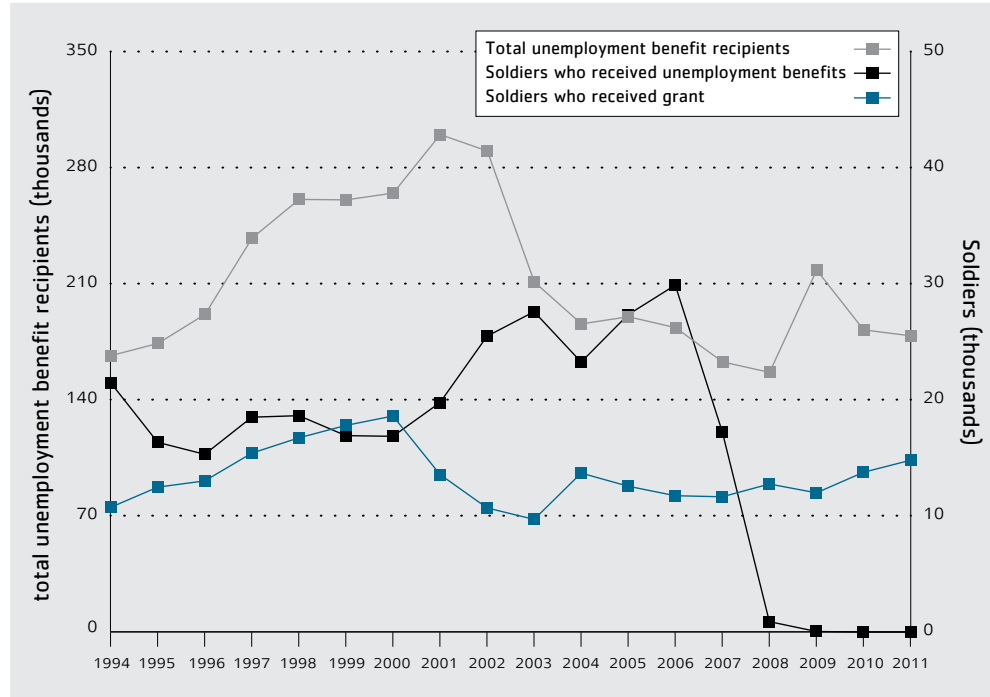


Table 3
Previously Employed Recipients of Unemployment Benefits By Type of Employment Bureau (percentages), 2006-2011

Year	Total	College graduates	Not college graduates
2006	100.0	26.1	73.9
2007	100.0	26.8	73.2
2008	100.0	28.3	71.7
2009	100.0	29.1	70.9
2010	100.0	28.3	71.7
2011	100.0	28.5	71.5

The percentage of the unemployed who attended vocational training courses from among recipients of unemployment benefits has been less than 1% in recent years

Differentiating by type of employment bureau shows that during the years 2010-2011 the percentage of college graduates among recipients of employment benefits remained stable, after a steady rise in previous years, from approximately 18% in 2000 to 29% in 2009 (Table 3).

The percentage of the unemployed who attended vocational training courses from among recipients of unemployment benefits has been less than 1% in recent years. It should be noted that the more stringent eligibility criteria for unemployment benefits

under the Economic Plan of 2002-2003 essentially did away with vocational training for recipients of unemployment benefits.

E. Duration of payment

Unemployment benefits are paid to the unemployed for 50, 67, 100, 138 or 175 days, depending upon the recipient's age and number of dependents. In 2010-2011, as a result

Table 4
Job Seekers Who Received Unemployment Benefits and whose Eligibility Expired in 2010 and 2011, by Number of Days for which they Received Unemployment Benefits (as a Percentage of the Maximum Eligibility Period), and by Maximum Eligibility Period

Period of eligibility	Total	Number of days of payment, as a percentage of the maximum eligibility period					Average number of days, as a percentage of the maximum eligibility period
		Up to 25% of the eligibility period	From 25%-50% of the eligibility period	From 50%-75% of the eligibility period	From 75%-100% of the eligibility period	100% of the eligibility period	
2009							
Total	100.0	9.5	11.4	11.2	21.6	46.4	79.2
50 days	100.0	7.4	10.8	10.0	21.1	50.8	84.2
67 days	100.0	6.1	11.5	12.7	19.6	50.1	84.0
100 days	100.0	8.6	12.8	15.2	27.1	36.6	77.7
138 days	100.0	10.7	13.2	11.1	21.1	43.9	77.2
175 days	100.0	9.9	9.8	9.1	19.8	51.4	80.1
2010							
Total	100.0	8.2	14.6	11.2	20.5	45.5	78.7
50 or 65 days	100.0	4.7	9.4	11.4	21.1	53.4	85.3
67 or 97 days	100.0	5.8	11.9	18.1	18.5	45.7	81.8
100 or 125 days	100.0	7.7	16.1	13.3	26.2	36.7	77.7
138 days	100.0	8.9	16.1	11.3	20.2	43.7	77.6
175 days	100.0	8.8	14.5	8.7	18.5	49.5	78.8
2011							
Total	100.0	10.7	13.5	12.3	20.3	43.2	76.3
50 or 65 days	100.0	8.1	11.5	14.4	18.8	47.2	81.0
67 or 97 days	100.0	11.6	16.0	17.0	23.9	31.5	73.1
100 or 125 days	100.0	11.1	15.5	16.0	23.0	34.4	72.6
138 days	100.0	10.5	13.8	11.4	21.0	43.3	77.0
175 days	100.0	10.1	11.8	9.5	18.6	50.0	78.7

In 2011 there was a slight drop compared to 2010 in the average number of days benefits were paid as a percentage of the maximum benefit periods for all groups of unemployed. Still, the average duration of payment went up from 103 days in 2010 to 108 in 2011

of the agreement, additional periods were added: 65, 97 and 125 days. Eligibility for unemployment benefits is limited to one year from the first day of unemployment.

Table 4, which presents the take-up rates relative to the permitted period of eligibility under the law, indicates that the take-up rates by young people and older people was higher than that of other groups. These take-up rates reflect the distress of older adults, who have poor prospects for re-entering the labor market, and of the youngest workers who do not manage to find a job before their unemployment benefits expire. It should be stressed that in 2011 there was a slight drop compared to 2010 in the average number of days benefits were paid as a percentage of the maximum benefit periods for all groups of unemployed. Still, the average duration of payment went up from 103 days in 2010 to 108 in 2011.

The reason for the rise in the depth of unemployment is not necessarily that job searches lasted longer: In 2011 depth of unemployment related to jobless people who finished their eligibility period during that year; in other words, their eligibility began in 2010, during which the maximum eligibility period for younger workers was longer. Thus, it's possible that there was no change in the duration of job-seeking, but rather that the unemployment period for which individuals received payment was on average 5 days longer per jobless person compared to 2010.

F. Unemployment benefit rates and scope of payments

As stated, unemployment benefits in Israel are calculated to ensure a progressively diminishing wage-replacement ratio (ratio of unemployment benefits to wage prior to becoming unemployed), similar to other social insurance schemes. This formula combines

Table 5
Recipients of Unemployment Benefits,* by Level of Benefit per Day Relative to the Average Wage per Day in the Economy (percentages), 2006-2011

Year	Total	Unemployment benefits per day relative to average wage per day in the economy					Average unemployment benefits as a percentage of the average wage in the economy
		Up to 1/4 of the average wage	From 1/4-1/3 of the average wage	From 1/3-1/2 of the average wage	From 1/2-2/3 of the average wage	From 2/3 to 100% of the average wage	
2006	100.0	6.5	8.3	44.2	28.5	12.5	48.7
2007	100.0	7.6	10.6	43.7	25.6	12.5	46.9
2008	100.0	6.7	9.9	40.4	27.3	15.7	49.9
2009	100.0	5.2	7.8	38.0	29.8	19.2	52.9
2010	100.0	6.2	9.1	38.8	29.1	16.9	51.0
2011	100	6.4	8.5	37.9	30.1	17.0	51.2

* Not including discharged soldiers.

Table 6
Volume of Unemployment Benefit Payments (NIS million),
2006-2011

Year	Current prices	Fixed prices (2011)	% of real change
2006	1,957	2,258	-3.8
2007	1,757	2,017	-10.7
2008	1,840	2,020	0.1
2009	3,028	3,217	59.3
2010	2,534	2,622	-18.5
2011	2,499	2,499	-4.7

two considerations: the insurance consideration – insurance against unemployment, whereby the compensation provided to maintain the standard of living of the unemployed person and his family does not fully replace the wage prior to unemployment; and the consideration of the earning distribution – higher compensation to the unemployed who had earned lower wages than to those who had earned higher wages.

Table 5 shows that since 2008 there has been a reversal in the trend. For the first time since 2004, there was a rise in the level of the average unemployment benefit as a percentage of the average wage – from 47% in 2007 to 50% in 2008, and even further to 53% in 2009. Over the past two years the rate has stabilized at 51% of the average wage.

The especially high rate of unemployment benefits in 2009 (53% of the average wage) stemmed from the economic crisis, which triggered a wave of layoffs that included people earning high salaries. As a result, the percentage of unemployed receiving unemployment benefits at a level exceeding half of the average wage in the economy rose, from 38% in 2007 to 50% during the last three years; concurrently, the percentage of the unemployed receiving unemployment benefits at a level that is less than half of the average wage has decreased, from about 62% in 2007 to 50% during the past three years.

In 2011, the overall expenditure on unemployment benefit payments totaled approximately NIS 2.5 billion, compared with NIS 2.6 billion in 2010 – a decrease of approximately 5%. This decrease is a result of the decrease in the number of recipients. Concurrently, the ratio of payments by the Unemployment insurance branch to the total volume of National Insurance benefits decreased, from 5.6% of total expenditure in 2009 to 4.4% in 2010 and to 4.1% in 2011.

In 2011, the overall expenditure on unemployment benefit payments totaled approximately NIS 2.5 billion, compared with NIS 2.6 billion in 2010 – a decrease of approximately 5%

Duration of Unemployment Benefits and the Length of Time Needed to Find Work

Under the Unemployment Insurance Law, the maximum period for payment of unemployment benefits is 50-175 days, depending on the age of the unemployed person and his family situation. Unemployed persons who stop getting unemployment

Table 1
Unemployed Who Used Up Their Unemployment Benefits
by Length of Job Search After Unemployment Benefits Ended, 2009

Age and dependents	Maximum period of unemployment benefits	Total		Length of job search after unemployment benefits ended						Were not working after 18 months
		Absolute numbers	%	Up to 1 month	2-3 months	4-6 months	7-9 months	10-12 months	13-18 months	
Total	133	24,305	100.0	36.2	19.5	12.6	7.0	3.5	3.8	17.4
Up to 25, no dependents	50	2,170	100.0	36.9	24.8	13.3	6.9	4.0	3.9	10.2
25-28, no dependents	67	2,650	100.0	38.2	24.6	13.9	8.8	3.9	3.7	6.9
28-35, no dependents	100	3,928	100.0	38.6	19.8	13.9	8.1	3.6	4.2	11.9
Up to 35 with dependents	138	1,353	100.0	33.2	18.6	13.3	8.3	4.4	4.9	17.4
35-45, no dependents	138	3,154	100.0	39.8	19.8	12.3	6.7	3.6	3.8	14.0
35-45 with dependents	175	2,131	100.0	36.3	18.7	13.6	7.6	3.1	4.5	16.1
Over age 45	175	8,919	100.0	33.5	16.9	11.3	5.8	3.1	3.4	26.1

Table 2
 Unemployed Women Who Used Up Their Unemployment Benefits
 by Length of Job Search After Unemployment Benefits Ended, 2009

Age and dependents	Maximum period of unemployment benefits	Total		Length of job search after unemployment benefits ended						Were not working after 18 months
		Absolute numbers	%	Up to 1 month	2-3 months	4-6 months	7-9 months	10-12 months	13-18 months	
Total	130	13,693	100.0	33.3	18.5	13.3	7.7	3.7	4.3	19.3
Up to 25, no dependents	50	1,290	100.0	35.9	22.5	13.2	6.8	4.9	3.9	12.9
25-28, no dependents	67	1,656	100.0	35.6	23.2	14.2	9.4	4.5	4.5	8.6
28-35, no dependents	100	2,422	100.0	34.2	18.7	14.5	9.1	4.2	4.5	14.7
Up to 35 with dependents	138	804	100.0	26.9	16.5	15.9	8.8	4.5	6.5	20.9
35-45, no dependents	138	1,915	100.0	38.1	18.6	12.2	7.4	3.2	4.3	16.2
35-45 with dependents	175	1,054	100.0	30.4	16.7	15.6	8.1	3.5	6.1	19.7
Over age 45	175	4,552	100.0	30.9	16.4	11.8	6.3	2.8	3.6	28.2

Table 3
Unemployed Men Who Used Up Their Unemployment Benefits
by Length of Job Search After Unemployment Benefits Ended, 2009

Age and dependents	Maximum period of unemployment benefits	Total		Length of job search after unemployment benefits ended						Were not working after 18 months
		Absolute numbers	%	Up to 1 month	2-3 months	4-6 months	7-9 months	10-12 months	13-18 months	
Total	138	10,612	100.0	39.9	20.8	11.8	6.2	3.2	3.2	15.0
Up to 25, no dependents	50	880	100.0	38.3	28.2	13.5	7.0	2.7	4.0	6.3
25-28, no dependents	67	994	100.0	42.5	26.9	13.5	7.8	2.9	2.3	4.1
28-35, no dependents	100	1,506	100.0	45.6	21.4	13.0	6.4	2.5	3.6	7.4
Up to 35 with dependents	138	549	100.0	42.4	21.7	9.5	7.5	4.2	2.6	12.2
35-45, no dependents	138	1,239	100.0	42.4	21.8	12.6	5.6	4.0	3.1	10.5
35-45 with dependents	175	1,077	100.0	42.2	20.7	11.7	7.2	2.7	2.9	12.6
Over age 45	175	4,367	100.0	36.2	17.4	10.7	5.2	3.3	3.2	24.0

benefits before the end of their eligibility period presumably found work before their eligibility period ended, in other words, the duration of their job search was equivalent to the duration of the unemployment benefits. For those unemployed who utilized their entire eligibility period for unemployment benefits, the duration of the job search was at least identical to their maximum benefit period.

This box presents the duration of the job search by unemployed persons who used up their unemployment benefits and their success in finding work after different periods of time, differentiated by age and gender. Those examined included all the unemployed who used up their benefits in the first half of 2008. They were monitored through the salary files of the years 2008-2009 for 18 months from the day they stopped receiving unemployment benefits.

It was found that 36% found jobs immediately after they stopped receiving unemployment benefits. At the same time, 17% were still not working 18 months after their unemployment benefits had ended. The rate is particularly high among unemployed aged 45 or more – more than a quarter of them still had not found work 18 months after their unemployment benefits ran out.

Differentiation by gender shows that the proportion of women who went back to work immediately after their unemployment benefits ran out was lower while the proportion of women who were not employed after 18 months was higher than among men in a similar situation.

The high proportion of adults who still were not working 18 months after their unemployment benefits ran out is also explained by other available sources of income: A comparison made with the old-age pension file showed that more than half the women aged 45 or older who had not found work 18 months after their unemployment benefits ran out had started to receive an old-age pension. Similarly, a quarter of the men not working after 18 months had started receiving pensions from their workplaces.

