

## 10. Unemployment Insurance

### A. General

Unemployment insurance is designed to guarantee workers an income when they are unemployed and to prevent a sharp decline in their standard of living. Like in every insurance system, unemployment contributions provide an essential safety net, and are intended to assist the unemployed to achieve their potential earnings by finding work commensurate with their skills. Subsequent to the more stringent legislation introduced in the years 2002-2007 regarding the unemployment insurance scheme, unemployment benefits and grants are paid under the conditions indicated below.

The unemployment benefit is paid to an unemployed person who had previously worked for the requisite qualifying period prescribed by law – 12 months out of the 18 months preceding unemployment<sup>1</sup>. Entitlement to the benefit is granted after a five day waiting period for anyone who has been dismissed from work and has expressed his willingness to accept alternative work through from the Employment Service. The job offered to unemployed persons aged over 35 must be “suitable work” in terms of the type of work, pay and distance from home. For other unemployed persons, any job offered by the Employment Service is considered suitable in terms of type of work and pay.

The unemployment benefit is paid for a maximum period of 50-175 days, depending on the age and family status of the insured<sup>2</sup>. Unemployed people who are participating in vocational training and have completed at least 12 years of schooling are entitled to the unemployment benefit for the same maximum period as are all other unemployed. Those with less than 12 years of schooling who are participating in vocational training are eligible for unemployment benefit for a maximum of 138 days – even if without the vocational training they would have been eligible for only 50-100 days.

The rate of the unemployment benefit is calculated according to the age of the unemployed person and his wages<sup>3</sup> before he became unemployed. The rate has a ceiling:

- 1 In the case of someone employed on a daily basis, the qualifying period is 300 days of work out of the 540 working days prior to his unemployment.
- 2 The maximum period is calculated as follows:
    - 50 days for a claimant aged 25 or under, with less than 3 dependents.
    - 67 days for a claimant aged 25-28 with less than 3 dependents.
    - 70 days for a discharged soldier (as defined on the next page).
    - 100 days for a claimant aged 28-35 with less than 3 dependents.
    - 138 days for a claimant aged 35 or less with at least 3 dependents, or a claimant aged over 35 but under 46 with less than 3 dependents.
    - 175 days for a claimant aged over 35 but under 46 with at least 3 dependents, or a claimant aged over 45.

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Portion of unemployed person's wages	Up to age 28	Over age 28
Portion of wage up to half the average wage	60%	80%
Portion of wage above half the average wage and up to ¾ thereof	40%	50%
Portion of wage above ¾ of the average wage and up to the average wage	35%	40%
Portion of wage equal to the average wage and up to the insured ceiling	25%	30%

in the first five months of benefits – up to two the average wage, and from the sixth month – up to 2/3 of the average wage. Benefits paid to unemployed people in vocational training are at the rate of 70% of the benefits due had they not been in such 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 at the rate of 80% of the minimum wage, for a maximum period of 70 days.

Grant for discharged soldiers: Soldiers who worked at a “preferred/vital job,” as defined by law during the first two years after their discharge, were 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 two. Discharged soldiers who have already taken up their right to unemployment benefits are not eligible for a grant.

## B. Amendment: Abolition of Distinction Between Unemployed who Worked for Monthly Salary and Unemployed Paid on Daily Basis

At the end of 2012 an amendment to the law was enacted abolishing the differences – in terms of eligibility and determining the wages for benefit calculation – between unemployed people who had worked on a monthly basis and daily workers. From March 2013, the qualifying period for unemployment benefit is the same – 12 months of work out of the 18 months prior to unemployment – for all, regardless of the number of days worked in a month. The basic wage for calculating unemployment benefit is the wage during the previous six months (before the amendment, the basic wage was the wage during the previous three months for monthly workers and the wage during the previous actual 75 days of work for daily workers).

## C. Data and Trends

During 2012 the number of unemployed persons receiving benefits rose by 8%. The number of people out of work increased more moderately. In all, some 193,000 people received unemployment benefit for at least one day during 2012. There were about 61,800 unemployed on average each month. The average number of people out of work each month was about 247,000 compared to 244,000 the previous year.

Changes and improvements introduced during 2012 in sampling and methods of calculating unemployment rates of the Central Bureau of Statistics (CBS) led to an increase in the rate of the jobless as a proportion of the civilian workforce. Table 1 shows the trend in the number of recipients of unemployment benefit as a proportion of all those without work from the beginning of the century, where the number of jobless is as published and updated according to the new workforce survey of the CBS. It shows

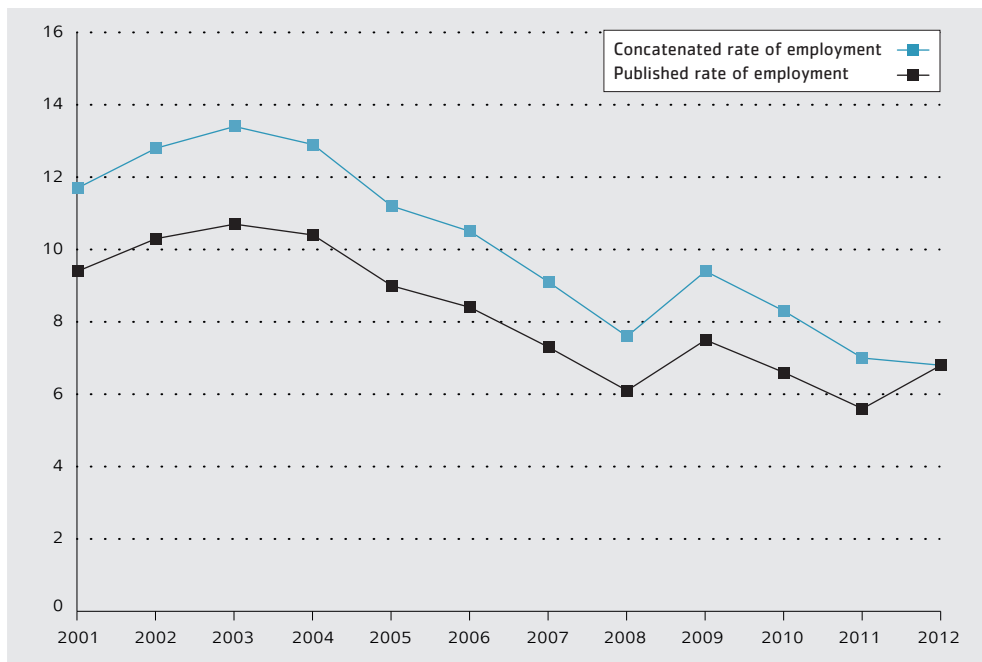
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**Table 1**  
**Jobless and Recipients of Unemployment Benefit**  
**(monthly average), 2001-2012**

Year	Jobless*		Unemployment benefit recipients	
	Numbers (thousands)	Percentage of workforce	Numbers (thousands)	Percentage of the jobless
2001	318.0	11.7	104,707	32.9
2002	356.6	12.8	97,052	27.2
2003	380.2	13.4	70,450	18.5
2004	377.4	12.9	58,350	15.5
2005	334.9	11.2	58,830	17.6
2006	320.9	10.5	55,941	17.4
2007	287.8	9.1	49,817	17.3
2008	245.2	7.6	48,045	19.6
2009	315.0	9.4	73,025	23.2
2010	283.9	8.3	58,634	20.7
2011	243.9	7.0	57,354	23.5
2012	247.1	6.8	61,759	25.0

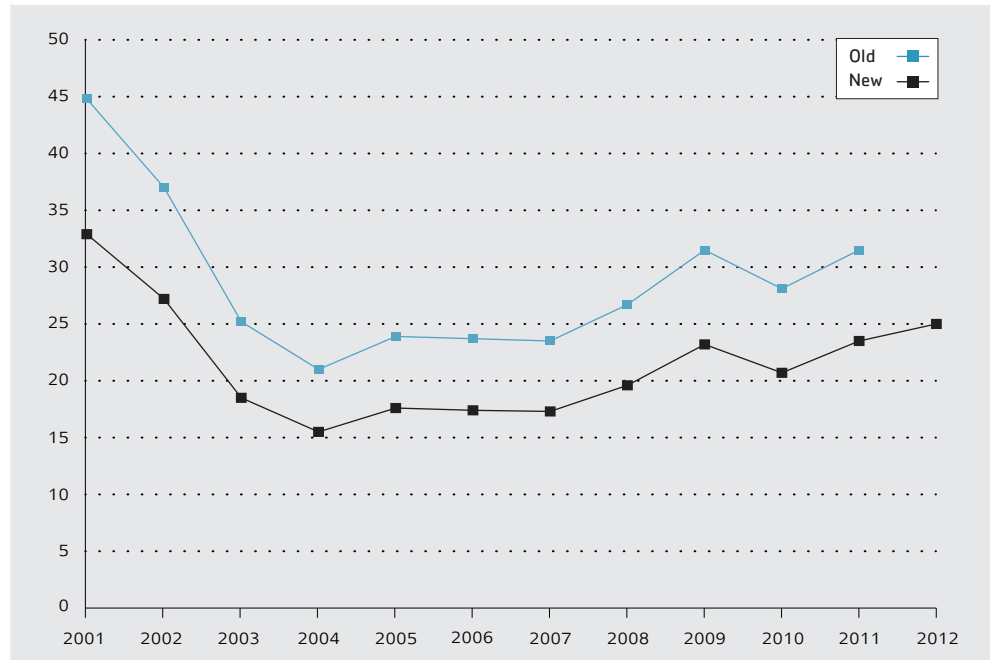
\* The number of jobless in 2012 after multiplication by the relevant concatenated coefficient.

**Graph 1**  
**Published and Concatenated Rate of Unemployment, 2001-2012**



the fall in the rate of recipients of unemployment benefit from 2002 to 2004 (compared to the relative stability in the unemployment rate) following the stringent legislation introduced during that period, and its stabilization and even rise in the past two years as a result of the decrease in the unemployment rate as reflected in the rate of jobless.

**Graph 2**  
**Rate of Recipients of Unemployment Benefit as a Proportion of the Jobless,**  
**2001-2012**



#### D. Recipients of Unemployment Benefit

It is customary to divide the recipients of unemployment benefits into two main categories: discharged soldiers and previously employed recipients. 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. Following the change in the law, a discharged soldier must have worked for at least six months in the previous year to be eligible for the unemployment benefit.

As a result of the legislative change in 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 2012, an average of about 62,000 unemployed persons received unemployment benefits each month, which represents an increase of about 8% over the previous year.

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 which effectively removed the eligibility of discharged soldiers for unemployment benefits, there is no link between the two series.

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**Table 2**  
**Recipients of Unemployment Benefits, by Year of Unemployment, 2006-2012**

Year	Recipients of unemployment benefits - total		Recipients of unemployment benefits who were previously employed			Discharged soldiers		
	Numbers	% change over previous year	Total (numbers)	% of all recipients	% change over previous year	Total (numbers)	% of all recipients	% change over previous year
<b>Total</b>								
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	154,103	98.5	5.9	2,347	1.5	-86.4
2009	218,174	39.5	216,384	99.2	40.4	1,790	0.8	-23.7
2010	182,065	-16.5	180,662	99.2	-16.5	1,403	0.8	-21.6
2011	178,547	-1.9	177,149	99.2	-1.9	1,398	0.8	-15.4
2012	193,201	8.2	191,617	99.2	8.2	1,584	0.8	13.3
<b>Monthly Average</b>								
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	47,559	99.0	3.5	486	1.0	-87.5
2009	73,025	52.0	72,654	99.5	52.8	371	0.5	-23.7
2010	58,634	-19.7	58,343	99.5	22.7	291	0.5	-40.2
2011	57,354	-2.2	57,065	99.5	-2.2	289	0.5	-0.4
2012	61,759	7.7	61,431	99.5	7.7	328	0.5	13.3

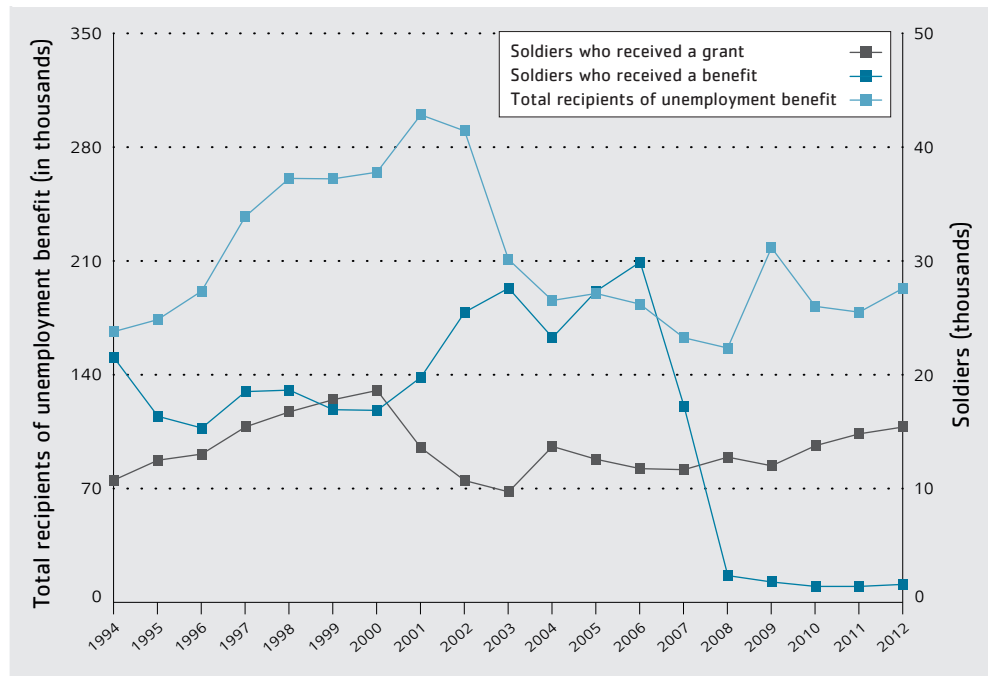
Differentiating by type of employment bureau shows that during the years 2010-2012 the percentage of college graduates among recipients of employment benefits remained stable, after a steady rise in previous years, from approximately 18% in 2000 to 28.5% in 2009-2012 (Table 3).

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 eliminated vocational training for recipients of unemployment benefits.

**Table 3**  
**Recipients of Unemployment Benefit who were Previously Employed, by Type of Employment Bureau (percentages), 2006-2012**

Year	Total	College graduates	Non-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
2012	100.0	28.8	71.2

**Graph 3**  
**Recipients of Unemployment Benefit, Soldiers who Received Unemployment Benefit and Soldiers who Received a Grant for Preferred Work, 1994-2012**



### E. Duration of Payment of Unemployment Benefit

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, under a temporary order, additional periods were added: 65, 97 and 125 days. Entitlement to unemployment benefits is limited to one year from the first day of unemployment. The duration of payment in any one year refers to those unemployed who completed their unemployment period in that year; that is, their entitlement began in the previous year.

Table 4, which presents the take-up rates relative to the permitted period of entitlement under the law, indicates that the take-up rates by the youngest group and the oldest group were higher than those of intermediary age groups. These take-up rates reflect the distress of the oldest 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.

### Restriction of Rights for an Unemployed Person who Receives Repeat Benefits

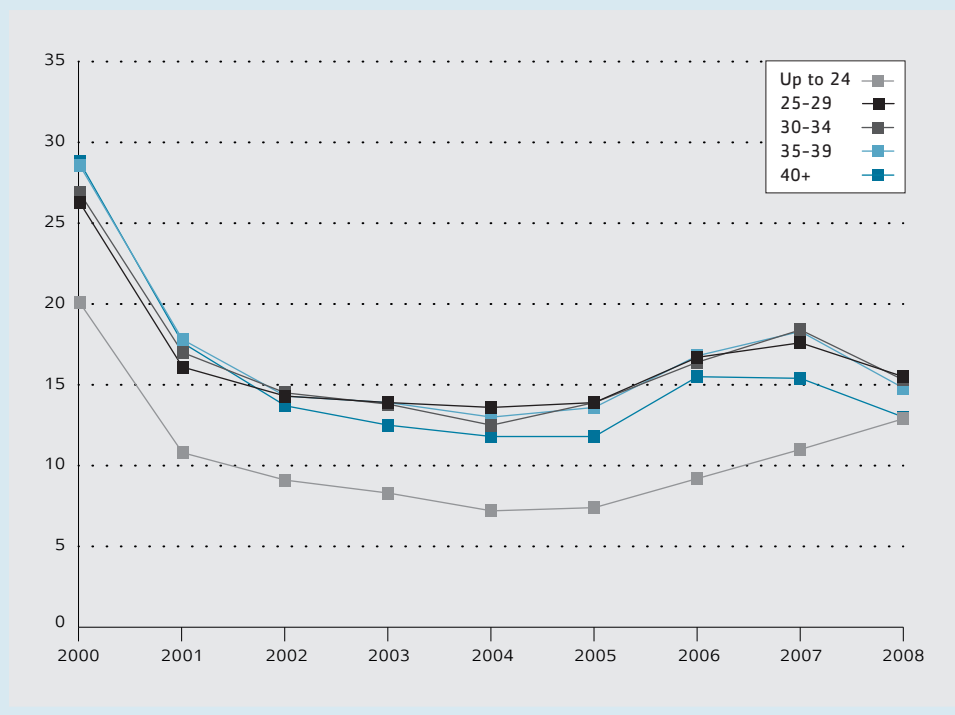
In 2000 an amendment was enacted that was stricter with former recipients of unemployment benefit under age 40 who became unemployed again. According to

the law, in the four years from the start of their first period of unemployment, the maximum duration of entitlement would be reduced by 20%, and for the second and third periods of unemployment there would be no entitlement. In other words, a worker would be eligible for unemployment benefit for 180% of the maximum period of entitlement over four years. This law also cut the rate of the unemployment benefits, so that the maximum benefit during the second period of unemployment would be no greater than 85% of the maximum benefit during the first period.

Following this amendment, a survey was conducted to examine whether patterns of recidivist unemployment had changed. Such a survey was possible because the law did not apply to unemployed people aged 40 and over, who served as the control group. The survey included everyone who began a period of unemployment during the years 2000–2008 for four years.

The findings showed that the young unemployed returned to receive unemployment benefits at the same rate as the older ones, to whom the law did not apply. Changes in the trend of rates of return were also nearly identical in both groups (see graph below). In other words, the reduction in the maximum period of entitlement for the younger unemployed had almost no effect on the rate of those becoming unemployed again.

**Percentage of Unemployment Benefit Recipients who Returned for Unemployment Benefit within Four Years, by First Year of Unemployment and Age Bracket, 2000–2008**



The sharp drop in the rate of recidivist unemployment derived from other causes, connected to 2002-2003 amendments which made the conditions of eligibility more stringent. The drop occurred also among those receiving unemployment benefit for the first time – their number fell by about 50% over the years. The main change in the law that led to a drop in the number of unemployed in general, and the returning unemployed in particular, was the extension of the qualifying period from six months of work out of the preceding 12 months, to 12 out of the preceding 18 months.

**Table 4**  
**Job-seeking Recipients of Unemployment Benefit who Completed Their**  
**Year of Eligibility in 2012, by Depth of Unemployment**  
**(as a percentage of the maximum period) and the Maximum Period**

Maximum period (in days)	Total up to 25	Number of unemployed days as a percentage of the maximum period					Number of unemployed days as a % of the maximum period
		Up to 25	26-50	51-76	76-99	100	
Total	100.0	8.5	10.2	10.7	21.0	49.6	81.3
50	100.0	6.2	9.5	9.0	16.5	58.8	85.8
67	100.0	6.4	11.4	1.7	2.3	50.8	85.1
70	100.0	40.2	10.5	10.3	13.7	25.3	49.4
100	100.0	8.5	11.9	13.3	27.0	39.3	79.1
138	100.0	9.9	11.5	10.7	21.7	46.2	79.3
175	100.0	8.1	8.6	9.4	19.0	54.9	82.4

## F. Unemployment Benefit Rates and Scope of Payments

Unemployment benefits in Israel are calculated to ensure a progressively diminishing wage-replacement ratio (ratio of unemployment benefits to wages prior to becoming unemployed), similarly to other social insurance schemes. This formula combines two considerations: 1) 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 2) the earning distribution consideration: higher compensation for the lower paid unemployed than for the more highly paid.

Table 5 shows that there was a significant change in this trend in 2012. The average unemployment benefit as a percentage of the average wage increased from 47% in 2007 to 50% in 2008, and reached 53% in the following year. Over the next two years the rate stabilized at 51% of the average wage, rising to about 52% in 2012. The especially high rate of unemployment benefits in 2009 – about 53% – stemmed from the economic crisis, which triggered a wave of layoffs that included high earners. 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 approximately 50% in 2012, while the percentage of the unemployed receiving unemployment benefits of less than half the average wage decreased, from about 62% to 50%, respectively.

The average unemployment benefit rose to about 52% in 2012



**Table 5**  
**Recipients of Unemployment Benefit\*, by Level of Benefit Per Day as a Percentage of the Average Daily Wage (percentages), 2006–2012**

Year	Total	Unemployment benefit per day as a percentage of the average daily wage					Average unemployment benefit as a percentage of the average wage
		Up to ¼ of the average	From ¼ to 1/3 of the average	From 1/3 to ½ of the average	From ½ to 2/3 of the average	From 2/3 to the full average	
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	100.0	6.4	8.5	37.9	30.1	17.0	51.2
2012	100.0	5.6	7.8	37.1	31.7	17.8	52.1

\* Excluding discharged soldiers

**Table 6**  
**Payments of Unemployment Benefit (NIS million), 2006–2012**

Year	Current prices	Fixed prices (2012)	Real rate of 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
2012	2,835	2,835	11.5

Despite the decrease in the unemployment rate, total expenditure on unemployment benefits in 2012 amounted to about NIS 2.8 billion, as compared to NIS 2.5 billion in 2011 – an increase of about 12%. There was also an increase in the share of the Unemployment insurance branch payments out of total NII benefit payments: from 4.1% in 2011 to 4.3% in 2012.

