

1. Unemployment Insurance

Unemployment insurance is designed to ensure income for workers during times of unemployment, and to prevent a sharp drop in their living standards. As in every insurance system, unemployment benefits serve as a necessary safety net, and they are intended to assist the unemployed in fulfilling their earning potential by enabling them to seek jobs appropriate to their abilities. From 2002-2007 amendments to the law were passed making conditions of entitlement to unemployment benefits and the grant for discharged soldiers far more stringent (see section 2 below).

Conditions of entitlement to unemployment benefits

Benefits are paid to unemployed individuals who worked for the required qualifying time period mandated by law prior to their unemployment – 12 months of employment out of the last 18 months prior to unemployment. Entitlement to unemployment benefits is granted after a waiting period of five days for those dismissed from their jobs and willing to accept alternative work through the employment bureau. Work offered to unemployed individuals over 35 must be **suitable work** in terms of profession, salary, and distance from home. Other unemployed individuals must accept any job offered to them by the bureau.

Unemployment benefits are paid for a maximum period of 50-175 days, depending on age, education, and marital status. Unemployed individuals with at least 12 years of schooling who participate in vocational training, are entitled to unemployment benefits for the maximum period, like other unemployed persons. Unemployed individuals with less than 12 years of schooling participating in vocational training are entitled to unemployment benefits for a maximum period of 138 days, even if their entitlement without the vocational training would have been 50 to 100 days.

Benefits are calculated in accordance with age and salary of the unemployed person immediately prior to unemployment, and the benefits have limited levels: for the first five months – not more than average salary, and from the sixth month – up to 2/3 of average salary. Benefits paid to unemployed individuals in vocational training are 70% of those which would have been due had they not been in vocational training.

Unemployment benefits for discharged soldiers

Discharged soldiers must comply with a qualifying period of six months of work in the first year after discharge in order to be entitled to unemployment benefits. The benefit amount equals 80% of the minimum wage, for a maximum period of 70 days (Figure 2). Until June 2007, discharged soldiers were exempt from a qualifying period and entitled to unemployment benefits in the first year after discharge.

Grant for discharged soldiers

In 2015, soldiers who worked at a job defined by law as **preferred/vital work** in the first two years following discharge were entitled to a grant of NIS 9,550. The amount equals unemployment benefits per day multiplied by 138 (days) divided by 2. Soldiers who have exercised all their rights to unemployment benefits are not entitled to the grant.

2. Legislative Changes

The Unemployment Insurance Law was enacted in 1973 and was based on the need to anchor the rights of the unemployed. The main aim of those drafting the law was to enable the unemployed to seek a source of livelihood in accordance with their abilities, while maintaining their present standard of living for a reasonable period of time stipulated in the law.

2002-2003

- The qualifying period was extended from six months of work in the year which preceded unemployment, to 12 of the 18 months which preceded the unemployment (from 7/2002).
- The maximum period for payment to unemployed people up to the age of 25 was reduced from 100 days to 50 days (from 7/2002).
- Unemployment benefits were reduced by 4%, like the reduction in most of the national insurance groups. The decision was valid until January 2007 (from 7/2002 to 1/2007).

- Benefits for participants in vocational training were reduced by 30% for new recipients only (from 7/2002).
- The unemployed who return to the system less than four years from the date of first entry are entitled to payment of up to 180% of their maximum eligibility period (from 1/2002).
- Benefits were reduced by 15% for those who had already accumulated a number of days of payment equal to the maximum eligibility period (in other words after they had already accumulated 100% of the maximum eligibility period and they are in part of the remaining 80%) (from 1/2002).
- The payment period for participants in vocational training courses was limited so that it is not longer than that of an unemployed person who is not in vocational training, and therefore will not continue until the end of the training, as was the case until then. The amendment does not apply to unemployed people with less than 12 years' schooling (from 1/2003).

2007

- The maximum period for payment to the unemployed aged 25-28 was reduced from 100 to 67 days (from 3/2007).
- Benefits for the unemployed up to the age of 28 were reduced by approximately 25% (from 3/2007).
- Discharged soldiers' exemption from a qualifying period was abolished, and they are only eligible for benefits if they accumulate six months of work in the year after their discharge from regular service (from 7/2007).
- The distinction between a monthly worker and a day worker was abolished. The qualification period is no longer dependent on the number of work days and is uniform for everyone – 12 of the 18 months which preceded unemployment, and the basis for calculating payment is the last six months' salary. Until the change, the basis was the last three months' salary for a monthly worker and the last 75 days of actual work for a day worker (from 3/2013).
- Discharged soldiers' exemption from a qualifying period in the first year after their discharge was abolished (from 7/2007).
- A temporary order was enacted at the beginning of 2009 due to the economic crisis, under which the work period required in order to receive unemployment benefits was reduced from 12 out of 18 months to 9 of the 18 months preceding unemployment. In addition, from 2009-2015 an additional coalition agreement enabled the extension of the maximum period for benefits for young unemployed people.

3. Unemployment Benefit Recipients

In 2015, approximately 223 thousand different unemployed individuals received benefits for at least one month over the course of the year, equaling approximately 70 thousand on average per month – a decrease of approximately 3% compared with 2014. Following the legislative change in 2007 requiring discharged soldiers¹ to accrue a qualifying period in order to be entitled to unemployment benefits, only 0.5% of those receiving benefits in 2015 were soldiers; they had failed to accrue the qualifying period even though they were only required to work for six of the 12 months following their discharge (an unemployed civilian has a qualifying period of 12 out of 18 months preceding unemployment) (Table 2).

Figure 2 presents the difference between the change in the number of discharged soldiers receiving unemployment benefits and the change in the number receiving grants up to 2006. As a result of legislative change in 2007, the correlation between the two arrangements no longer exists.

4. Unemployment Benefit Recipients and the Unemployed

In 2015, the average monthly number of benefit recipients decreased by approximately 3% and the total number of unemployed decreased by approximately 9%. In total there were 202 thousand unemployed in 2015, compared with 233 thousand in 2014. Approximately 70 thousand of them received unemployment benefits on average per month, compared with 72 thousand in 2014. The number of benefit recipients and their percentage of all unemployed people in the years 2001-2015 is shown in Table 1.

Approximately 35% of the unemployed received benefits in 2015 – an increase of approximately 7% compared with 2014, because of the decrease in their number in 2015 on the one hand, and the increase in number of recipients due to the amendment concerning day workers on the other. It should be mentioned that in the decade between 2001 and 2011, the percentage of benefit recipients among the unemployed decreased. In 2011 the decrease halted, and an increase began. In 2014 this percentage returned to the 2001 level and in 2015 even exceeded it.

Figure 1 shows a negative correlation between the unemployment rate and the percentage of benefit recipients: at high unemployment rates, the number of recipients

1 For purposes of this publication a discharged soldier was released at most two years previously.

Table 1

Unemployed and Unemployment Benefit Recipients (Monthly Average), 2001-2015

| Year | Unemployed- after linking | | Absolute numbers | Percentage of the unemployed |
|------|---------------------------------|-----------------------------|------------------|------------------------------|
| | Absolute numbers (in thousands) | Percentage of the workforce | | |
| 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 |
| 2013 | 228.4 | 6.2 | 69,351 | 30.4 |
| 2014 | 222.5 | 5.7 | 72,054 | 32.4 |
| 2015 | 201.6 | 5.2 | 69,780 | 34.6 |

* The data up to 2011 are after linking.

Figure 1

Unemployment Rate and Percentage of Unemployed Receiving Benefits, 2001-2015

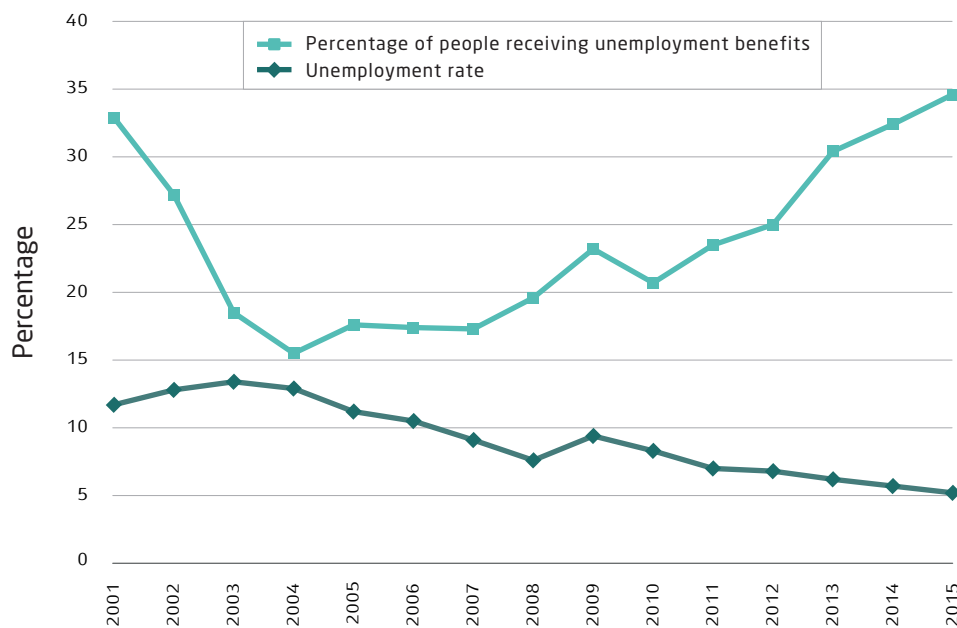


Table 2

Unemployment Benefit Recipients by Year of Unemployment, 2006-2015

| Year | Unemployment Benefit Recipients -Total | | Unemployment benefit recipients who were employed | | | Discharged soldiers | | |
|------------------------|--|-----------------------------|---|-----------------------|-----------------------------|---------------------|-----------------------|-----------------------------|
| | Numbers | change % from previous year | Total (numbers) | of total % recipients | change % from previous year | Total | of total % 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 | 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 |
| 2013 | 217,802 | 12.7 | 216,038 | 99.2 | 12.7 | 1,764 | 0.8 | 11.4 |
| 2014 | 220,581 | 1.3 | 218,785 | 99.2 | 1.3 | 1,796 | 0.8 | 1.8 |
| 2015 | 223,491 | 1.3 | 221,763 | 99.2 | 1.4 | 1,728 | 0.8 | -3.8 |
| 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 | 47,559 | 99 | 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 | 13.5 |
| 2013 | 69,351 | 12.3 | 68,980 | 99.5 | 12.3 | 371 | 0.5 | 13.1 |
| 2014 | 72,054 | 3.9 | 71,671 | 99.5 | 3.9 | 383 | 0.5 | 3.2 |
| 2015 | 69,780 | -3.2 | 69,437 | 99.5 | -3.1 | 343 | 0.5 | -10.4 |

increased but their percentage among the unemployed decreased; at low unemployment rates the number of recipients decreased more moderately and therefore their percentage among the unemployed increased.

Table 2 shows unemployment benefit recipients in annual terms and by monthly average over time. The data in the table and in Figure 2 which follows it, illustrate the effect of the abolition of the exemption from a qualifying period for discharged soldiers, which occurred in 2008.

Figure 2

Unemployment Benefit Recipients (Total Population and Discharged Soldiers) and Recipients of Discharged Soldiers' Grant for Preferred Work, 1995-2015

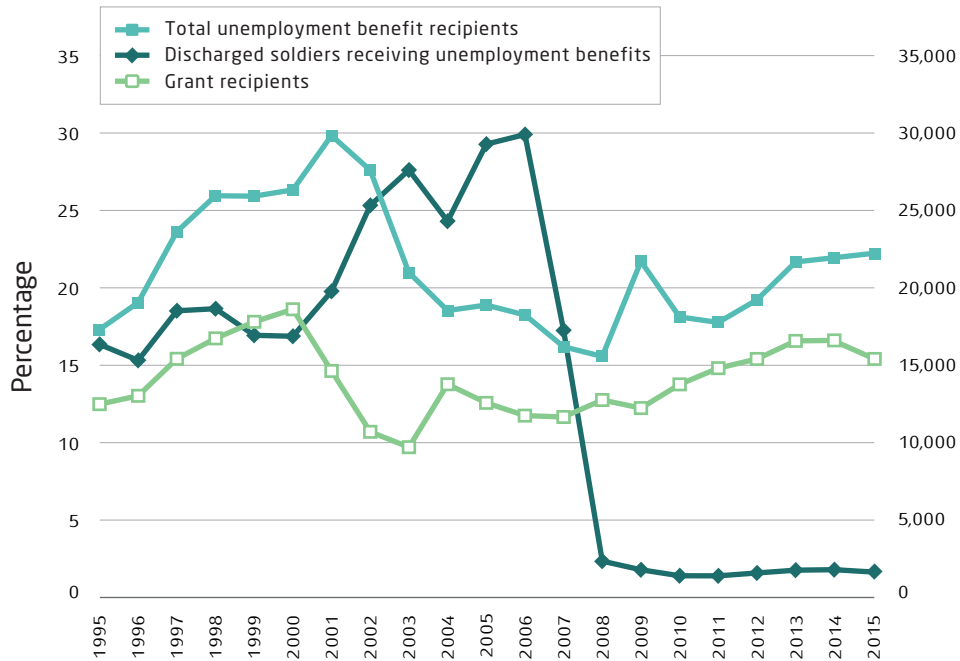


Table 3

Unemployment Benefit Recipients Who Were Employed, by Type of Employment Bureau (Percentages), 2006-2015

| Year | Total | University graduates | Not university graduates |
|------|-------|----------------------|--------------------------|
| 2006 | 100.0 | | 73.9 |
| 2007 | 100.0 | | 73.2 |
| 2008 | 100.0 | | 71.7 |
| 2009 | 100.0 | | 70.9 |
| 2010 | 100.0 | | 71.7 |
| 2011 | 100.0 | | 71.5 |
| 2012 | 100.0 | 28.8 | 71.2 |
| 2013 | 100.0 | | 70.4 |
| 2014 | 100.0 | 29.3 | 70.7 |
| 2015 | 100.0 | 29.5 | 70.5 |

Differentiation of unemployment benefit recipients by type of employment bureau shows that commencing from 2013 the percentage of university graduates among total recipients reached a peak of almost 30% (Table 3). The percentage of unemployed people who studied in vocational training courses amounted to less than 1% of unemployment benefit recipients in recent years.

5. Unemployment Benefit Recipients and Income Support Benefit

Unemployed individuals who have fully exercised their rights to unemployment benefits, and for whom the Employment Service can offer no job whatsoever, or to whom a job with a low salary was offered, are entitled to apply to the Income Support Service.

To estimate the number of unemployed who received unemployment benefits and subsequently an income support benefit, data for unemployment benefit recipients were combined with those on income support. The examination showed that approximately 38,000 unemployment benefit recipients fully exercised their rights in the first half of 2015, but only 2,900 of them (7.8% of those fully utilizing the maximum period) received an income support benefit. This number reached approximately 10% among the older group. The fairly low percentage arises from the differences in eligibility conditions between the two benefits.

6. Depth of Unemployment (Duration of Payment)

Unemployment benefits are paid for 50, 67, 100, 138, or 175 days – depending on age and number of dependents. The depth of unemployment is measured with regard to those whose unemployment commenced in 2014 and ended in 2015, and remained similar between the two years: 105 days in 2014 and 106 in 2015.

The percentage of those fully utilizing the maximum payment period possible under the law was higher in the youngest and oldest groups than in other groups (Table 4). This phenomenon reflects the difficulties of the oldest group, which suffers from low chances of integrating into the job market, and of the youngest group which does not manage to find work during their unemployment.

Table 4

Unemployment Benefit Recipients Seeking Work, Who Completed Their Year of Eligibility in 2015, by Depth of Unemployment (as A Percentage of the Maximum Period) and the Maximum Period

| Maximum period (in days) | Total | Number of days of unemployment as a percentage of the maximum period (percentages) | | | | | Number of days of unemployment as % of the maximum period |
|--------------------------|--------------|--|-------------|-------------|-------------|-------------|---|
| | | Up to 25 | 26-50 | 51-76 | 76-99 | 100 | |
| Total | 100.0 | 9.1 | 10.8 | 10.2 | 20.6 | 49.3 | 80.6 |
| 50 | 100.0 | 6.3 | 9.0 | 9.4 | 17.2 | 58.1 | 85.8 |
| 67 | 100.0 | 5.7 | 11.2 | 12.5 | 17.7 | 52.9 | 86.2 |
| 70 | 100.0 | 40.5 | 8.4 | 10.0 | 16.0 | 25.1 | 49.7 |
| 100 | 100.0 | 8.1 | 11.9 | 12.5 | 27.0 | 40.5 | 79.7 |
| 138 | 100.0 | 9.5 | 12.3 | 10.3 | 21.2 | 46.7 | 79.1 |
| 175 | 100.0 | 10.1 | 9.8 | 8.8 | 18.4 | 52.9 | 80.2 |

Unemployment Insurance - International Comparison

The Unemployment Insurance Law, which was enacted in 1973, ensures a benefit for an employee who has become unemployed against his will and for whom the State is unable to provide suitable alternative employment.

Figure 1

Ratio of Qualifying Period for Unemployment Benefits - OECD Countries and Israel, 2014

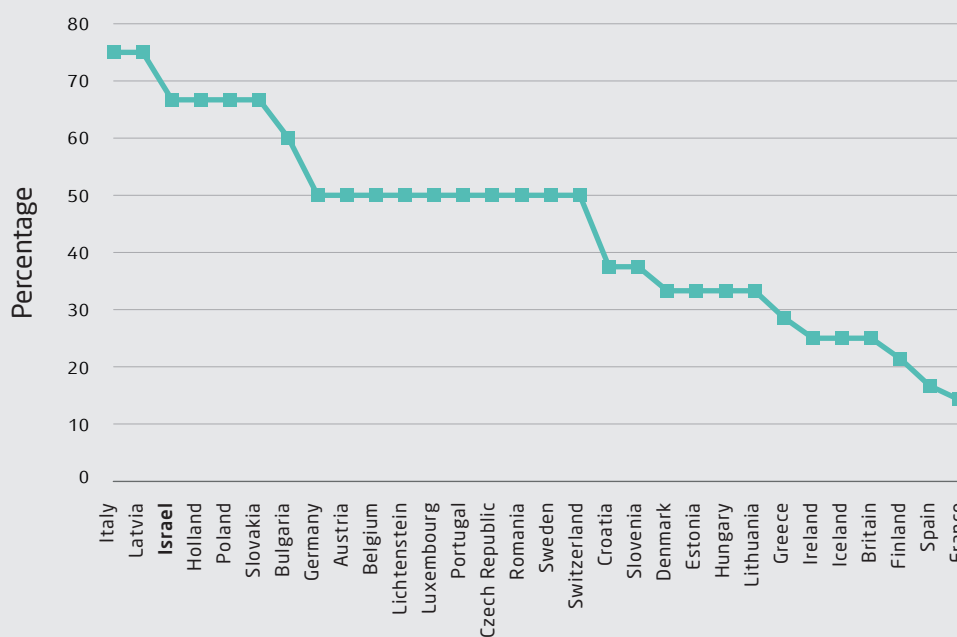
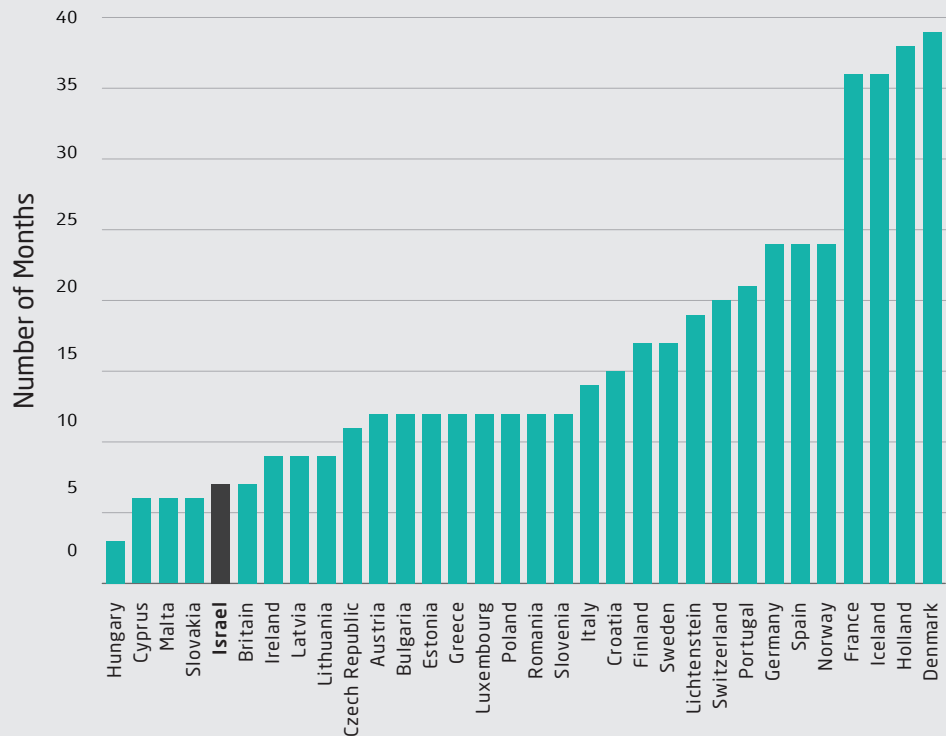


Figure 2

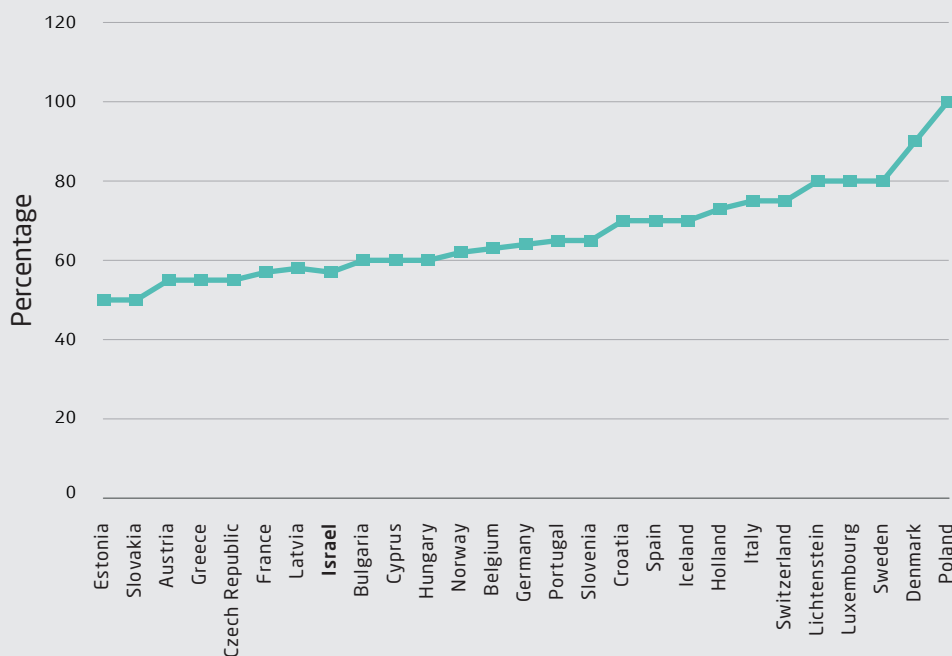
Maximum Payment Period for Unemployment Benefits - OECD Countries and Israel (Number of Months), 2014



For the purpose of comparison between Israel and the OECD countries, four elements have been chosen which define the status and importance of the Unemployment Insurance Law: the ratio of the qualifying period, the maximum payment period, amount of payment and the rate of insurance contributions collected from employee and employer.

- **Ratio of the qualifying period:** The ratio between the period of work required for eligibility for unemployment benefits and the length of the period which is taken into account. The higher the ratio, the more stringent are the conditions of eligibility. In Israel this ratio is $2/3$, while in most of the countries it is less than half (Figure 1).
- **The maximum payment period:** In some OECD countries the benefit period is uniform for all unemployed and in others it depends on demographic characteristics, such as age and marital status. In Israel the maximum payment

Figure 3
Amount of Unemployment Benefit Payment - OECD Countries and Israel
(as a Percentage of the Last Salary), 2014



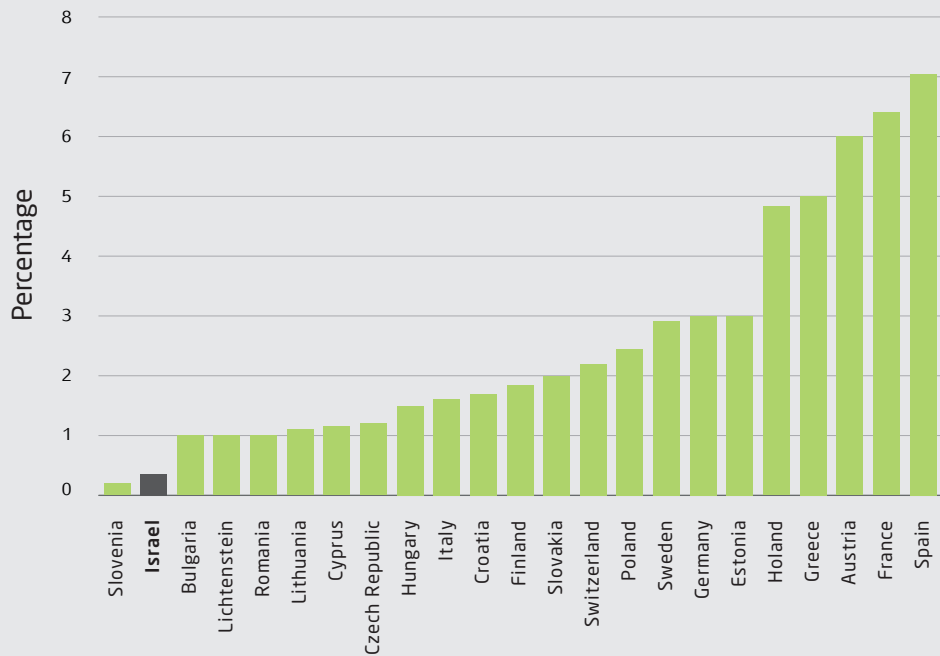
period is 50-175 days, according to the insuree's age and marital status, and it is almost at the bottom of the ladder of the OECD countries (Figure 2).

- **Amount of payment:** In most OECD countries as well as Israel, the amount of the unemployment benefit is calculated as a percentage of the unemployed person's last salary. In Israel the rate is 33%-80% of the last salary, and it is located in the lowest third of OECD countries, before Latvia (לטוניה read as לטוויה). (Figure 3).
- **Rate of insurance contributions:** The overall rate of insurance contributions collected from the employee and the employer for unemployment insurance ranges between 0.2% of the salary (in Slovenia) and 7.05% (in Spain), while in Israel it is 0.36% of the salary. Israel is in the second last place- before Slovenia (Figure 4).

To sum up, by international comparison the conditions of eligibility and amount of the payment are more stringent in Israel, parallel to the low rate of insurance paid for unemployment insurance.

Figure 4

Rate of Insurance Contributions Collected from Salary - OECD Countries and Israel, 2014



7. Amount of Unemployment Benefit and Total Payments

As mentioned above, unemployment benefits in Israel are calculated based on a progressive formula that ensures a diminishing replacement rate (rate of unemployment benefit out of salary immediately prior to unemployment), in line with other social insurance programs. In this way two purposes are achieved: insurance against unemployment, which provides compensation to maintain the standard of living of the unemployed person and his family, and equality of income distribution – higher compensation for those with low salaries than for those with high salaries.

Also in 2014, average unemployment benefits as a percentage of average salary decreased by approximately 2% compared with 2013, after a drop of 3% in 2013 and

continuous increases in previous years. These declines are explained by the legal change enacted in 2013, when the distinction between unemployed day and monthly workers was abolished, and day workers - the weakest population in the labor market- became newly eligible. As expected, unemployment benefits for women are 20% lower than for men, and they decreased at a higher rate than those of men.

Table 5

Unemployment Benefit Recipients* by Amount of Unemployment Benefits Per Day in Relation to the Average Daily Wage (Percent), 2006-2015

| Year | Total | Unemployment Benefits per Day in Relation to the Average Daily Wage | | | | | Average Unemployment Benefits as a Percentage of Average Wage in the Economy |
|------|-------|---|---------------------------------|---------------------------------|---------------------------------|-------------------------------|--|
| | | Up to 1/4 of average wage | From 1/4 to 1/3 of average wage | From 1/3 to 1/2 of average wage | From 1/2 to 2/3 of average wage | From 2/3 to full 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 | 100.0 | 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 |
| 2013 | 100.0 | 7.5 | 9.1 | 36.9 | 29.8 | 16.6 | 50.7 |
| 2014 | 100.0 | 9.2 | 10.3 | 36.4 | 28.0 | 16.1 | 49.6 |
| 2015 | 100.0 | 9.6 | 10.1 | 36.8 | 28.0 | 15.5 | 49.2 |

Until 2008, the average unemployment benefit did not reach half of the average salary (Table 5). In 2009, due to the economic crisis that was accompanied by a wave of dismissals, including of high-salaried employees, the rate of unemployment benefits as a percentage of average salary rose to approximately 53%. Since then it declined, and in 2014 it once again amounted to less than half the average salary. The percentage of people receiving unemployment benefits of more than half of the average salary rose from 38% in 2007 to approximately 50% between 2011 and 2012, and then began to drop again, amounting to 43.5% in 2015. At the same time the percentage of unemployed receiving benefits lower than half the average salary increased – from approximately 50% in 2011 and 2012 to 56.5% in 2015.

In 2015, the overall expenditure for payment of unemployment benefits totaled approximately NIS 3,218 million, compared with NIS 3,262 in 2014 – a decrease of about 1% (Table 6). This decrease arises both from a reduction in the number of unemployment benefit recipients and a decline in the average unemployment benefit.

Table 6
 Unemployment Benefit Payments (millions of NIS), 2006-2015

| Year | Current prices | Fixed prices (2015) | Real rate of change |
|------|----------------|---------------------|---------------------|
| 2006 | 1,957 | 2,328 | -3.8 |
| 2007 | 1,757 | 2,080 | -10.7 |
| 2008 | 1,840 | 2,082 | 0.1 |
| 2009 | 3,028 | 3,316 | 59.3 |
| 2010 | 2,534 | 2,703 | -18.5 |
| 2011 | 2,501 | 2,578 | -4.6 |
| 2012 | 2,835 | 2,874 | 11.4 |
| 2013 | 3,176 | 3,171 | 10.2 |
| 2014 | 3,283 | 3,262 | 2.9 |
| 2015 | 3,218 | 3,218 | -1.4 |