

# 1. Unemployment Insurance - General

Unemployment insurance is designed to guarantee 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 to 2007 amendments to the law were passed which made the conditions of entitlement to unemployment benefits and the grant for discharged soldiers far more stringent (see below).

## Conditions of Entitlement to Unemployment Benefits

Unemployment benefits are paid to unemployed individuals who, prior to their unemployment, worked for the required qualifying time period prescribed by law – 12 months of unemployment out of the last 18 months. 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. The work offered to unemployed individuals over the age of 35 must be **suitable work**, as defined by law, in terms of profession, salary and distance from home. Other unemployed individuals must accept any job offered to them by the Employment Service.

Unemployment benefits are paid for a maximum period of 50-175 days, depending on age, education and marital status<sup>1</sup>. Unemployed people with at least 12 years of schooling who participate in vocational training, are entitled to unemployment benefits for the maximum period like other unemployed individuals. Unemployed individuals with less than 12 years of schooling participating in vocational training are entitled to

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- 50 days: for a claimant aged 25 or younger, with fewer than 3 dependents.
  - 67 days: for a claimant aged over 25 but not older than 28, with fewer than three dependents.
  - 70 days: for a discharged soldier (as defined below).
  - 100 days: for a claimant aged over 28 but not older than 35, with fewer than three dependents.
  - 138 days: for a claimant not older than 35 with fewer than 3 dependents, or a claimant over 35 but not older than 45 with fewer than 3 dependents.
  - 175 days: for a claimant older than 35 but younger than 45 with fewer than 3 dependents, or a claimant over age 45.

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 the age and salary<sup>2</sup> of the unemployed person immediately prior to unemployment, and their level is limited: for the first five months – not more than the average wage, and from the sixth month – up to 2/3 of the average wage. Unemployment benefits paid to an unemployed individuals undergoing 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 their discharge.

### Grant for Discharged Soldiers

Soldiers who worked at a job defined by law as **preferred or vital work** in the first two years after their discharge, are entitled to a grant. The amount of the grant equals unemployment benefits per day multiplied by 138 (days) divided by 2. In 2016, the grant amounted to NIS 9,550. 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

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Portion of unemployed individual's salary	Up to age 28	Older than 28
Portion of salary up to half of average salary	60%	80%
Portion of salary over half of average salary up to 3/4 of it	40%	50%
Portion of salary over 3/4 and up to full average salary	35%	45%
Portion of salary equal to average salary and up to maximum insured salary	25%	30%

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' employment in the year prior to unemployment, to 12 of the 18 months prior to unemployment (from 7/2002).
- The maximum period for payment to unemployed individuals 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 National Insurance benefits. 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 returned to the unemployment system within 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 have already accumulated 100% of the maximum eligibility period and are in part of the remaining 80%) (from 1/2002).
- The payment period for participants in vocational training courses was limited and it cannot be longer than for 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 of schooling (from 1/2003).

### **2007**

- The maximum period for payment to unemployed individuals aged 25-28 was reduced from 100 to 67 days (from 3/2007).
- Benefits for unemployed individuals up to age 28 were reduced by approximately 25% (from 3/2007).
- Discharged soldiers' exemption from a qualifying period was abolished, and they are only eligible for unemployment benefits if they have accumulated 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 qualifying period no longer depends on the number of work days and is uniform for

everyone – 12 of the 18 months prior to unemployment, and the basis for calculation of the 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 discharge was abolished (from 7/2007).

## 2009

At the beginning of 2009, due to the economic crisis, a temporary order was enacted under which the work period required in order to receive unemployment benefits was reduced from 12 months to 9 months out of the 18 months preceding unemployment. An additional coalition agreement enabled the extension of the maximum period for unemployment benefits for young unemployed people.

# 3. Unemployment Benefit Recipients

## Unemployment Benefit Recipients

In 2016, approximately 212 thousand different unemployed individuals received unemployment benefits for at least one month over the course of the year, and approximately 67 thousand received unemployment benefits on average per month – a decrease of approximately 5% in comparison with 2015. Following the legislative change in 2007, which required discharged soldiers<sup>3</sup> to accumulate a qualifying period in order to be eligible for unemployment benefits, only 0.5% of those receiving benefits in 2016 were discharged soldiers; they had failed to accrue the qualifying period for unemployment benefits even though they were only required to work for six months out of the 12 months from the date of their discharge (as opposed to an unemployed civilian who must accumulate 12 out of the 18 months preceding unemployment) (Table 2).

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3 For purposes of this publication, "discharged soldier" refers to someone who was released at most two years previously.

## Unemployment Benefit Recipients and the Unemployed

In 2016, the average monthly number of unemployment benefit recipients decreased by approximately 5% and the total number of unemployed decreased by approximately 7%. In total there were 188 thousand unemployed people in 2016, compared with 202 thousand in 2015. Approximately 67 thousand of them received unemployment benefits on average per month, compared with approximately 70 thousand in 2015. The number of benefit recipients and their percentage of all unemployed people in the years 2001-2016 are shown in Table 1. The percentage of the unemployed who received unemployment benefits rose by 2% in 2016 compared with 2015.

Table 1 shows that the percentage of benefit recipients among the unemployed decreased sharply after the 2002-2003 economic plan (see above "Legislative Changes"), and then increased gradually until it reached 32.4% of all unemployed people in 2016 – about the same percentage as before the 2002-2003 legislation. However, there was a drop in absolute numbers the number of recipients, as the rate of unemployed individuals was cut in half, approximately, between the two periods.

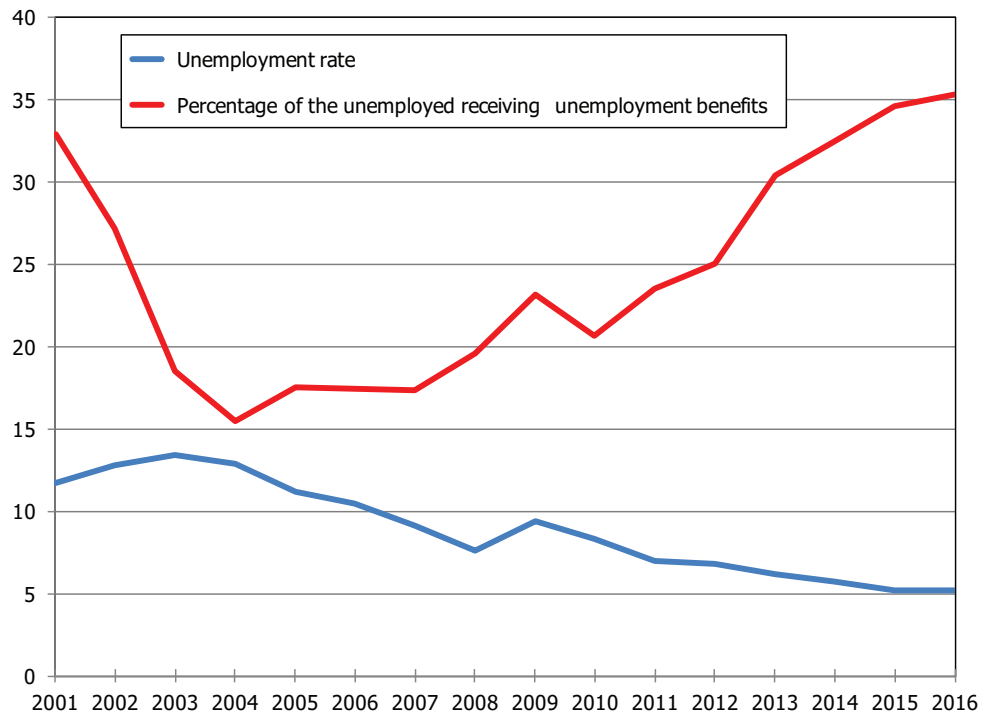
Table 1  
Unemployed and Unemployment Benefit Recipients (Monthly Average),  
2001-2016

Year	Unemployed*		Absolute numbers	Percentage of the unemployed
	Absolute numbers (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
2016	188.3	5.2	66,500	35.3

\* The data up to 2011 are after linking.

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

Figure 1  
Unemployment Rate and Percentage of Unemployed Receiving Benefits, 2001-2016



\* The data in this figure appear in the appendix at the end of this file on the Internet.

Table 2 shows unemployment benefit recipients in the years 2006-2016, in annual terms and by monthly average during overtime. 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.

Differentiation of unemployment benefit recipients by education (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 was very low amounting to less than 1% of unemployment benefit recipients in recent years.

Table 2

## Unemployment Benefit Recipients by Year of Unemployment, 2006-2016

Year	Unemployed Benefit Recipients -Total		Unemployed benefit recipients Who ere 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
<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
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
2016	212,347	-5.0	210,694	99.2	-5.0	1,653	0.8	-4.3
<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	13.5
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
2016	66,500	-4.7	66,169	99.5	-4.7	331	0.5	-3.5

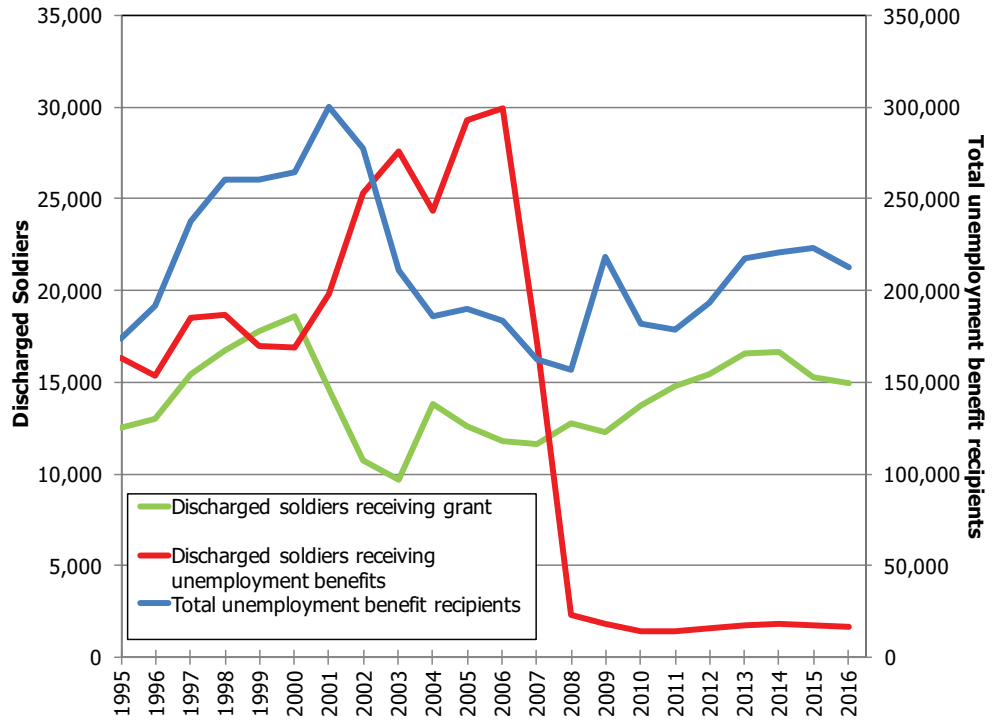
Table 3

## Unemployment Benefit Recipients Who Were Employed, by Education (Type of Employment Bureau) (Percentages), 2006-2016

Year	Total	University graduates	Not university 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
2013	100.0	29.6	70.4
2014	100.0	29.3	70.7
2015	100.0	29.5	70.5
2016	100.0	30.8	69.2

Figure 2

### Unemployment Benefit Recipients (Total Population and Discharged Soldiers) and Recipients of Discharged Soldiers' Grant for Preferred Work, 1995-2016



\* The data in this figure appear in the appendix at the end of this file on the Internet.

## Recipients of Unemployment Benefits and Income Support Benefit

Unemployed individuals who have fully exercised their rights to unemployment benefits, and to whom the Employment Service can offer no job whatsoever, or to whom jobs with a low salary were offered, may apply to receive income support – a benefit which, unlike unemployment benefits, is subject to a family means test.

To estimate the number of unemployed who received unemployment benefits and subsequently an income support benefit, data for the two groups – unemployment benefit recipients and income support recipients – were combined. The results indicate that approximately 34 thousand unemployment benefit recipients fully exercised their rights in the first half of 2016, but only approximately 2,200 of them – 6.3% – received an income support benefit. The number reached approximately 9% among the older group. The fairly low percentage arises from the differences in eligibility conditions between the two benefits.



## 4. Depth of Unemployment (Duration of Payment)

Unemployment benefits are paid for 50, 67, 100, 138 or 175 days (**eligibility period**) - depending on age and number of dependents - which can be utilized for up to a year from the determining date. The depth of unemployment (duration of payment) is measured by the year of eligibility of the unemployed. That is to say, data on unemployment depth for 2016 relate to unemployed individuals who began receiving unemployment benefits in 2015 and completed the year of eligibility in 2016. The depth of unemployment remained similar between the two years – 106 days in 2015 and 105 in 2016.

The percentage of those fully utilizing the maximum payment period possible under the law was higher in the youngest and oldest groups than in the 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

Depth of Unemployment of Unemployment Benefit Recipients Who Completed Their Eligibility in 2016 (as a Percentage of the Maximum Period) and the Maximum Eligibility Period

Maximum period (days)	Total	Depth of unemployment as a percentage of the maximum period (percentages)					
		Up to 25	26-50	51-75	76-99	100	Average
<b>Total</b>	<b>100.0</b>	<b>9.1</b>	<b>10.8</b>	<b>10.2</b>	<b>20.6</b>	<b>49.3</b>	<b>79.7</b>
50	100.0	6.3	9.0	9.4	17.2	58.1	82.8
67	100.0	5.7	11.2	12.5	17.7	52.9	83.3
70	100.0	40.5	8.4	10.0	16.0	25.1	24.4
100	100.0	8.1	11.9	12.5	27.0	40.5	77.5
138	100.0	9.5	12.3	10.3	21.2	46.7	78.1
175	100.0	10.1	9.8	8.8	18.4	52.9	80.5

## 5. 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 in income distribution – higher compensation for those with low salaries than for those with high salaries.

In 2016, average unemployment benefits as a percentage of the average wage remained as it was in 2015, after approximative decreases of 1% in 2015, 2% in 2014 and 3% in 2013 and continuous increases in the 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, average unemployment benefits for women are approximately 25% lower than for men, and their value as a percentage of the average wage decreased slightly compared with 2015.

Table 5  
Amount of Unemployment Benefits Per Day in Relation to the Average Daily Wage (Percentages), 2006-2016

Year	Total	Unemployment benefits per day in relation to the average daily wage in the economy					Average unemployment benefits as a percentage of the 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
2016	100.0	9.8	10.0	36.6	28.0	15.6	49.3

Until 2008, the average unemployment benefit did not reach half of the average wage (Table 5). In 2009, as a result of 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 the average wage rose to approximately 53%. Since then it declined, and in 2014 it once again amounted to less than half the average wage. The percentage of people receiving unemployment benefits of more than half of the average wage rose from 38% in 2007 to approximately 50% between 2011 and 2012, and then began to drop again,

amounting to 49.3% in 2016. At the same time the percentage of unemployed people receiving benefits lower than half the average increased – from approximately 50% in 2011 and 2012 to 56.4% in 2016.

In 2016, the overall expenditure for payment of unemployment benefits totaled approximately NIS 3.13 million, compared with NIS 3.20 million in 2015 – a decrease of about 1% (Table 6). This decrease arises primarily from the reduction in the number of unemployment benefit recipients.

Table 6  
Unemployment Benefit Payments (Millions of NIS), 2012-2016

Year	Current prices	Fixed prices (2016)	Real change (%)
2012	2,835	2,858	11.4
2013	3,176	3,154	10.3
2014	3,283	3,244	2.9
2015	3,218	3,200	-1.4
2016	3,128	3,128	-2.3

## Appendix: Figure Data

Figure 1 Data

Unemployment Rate and Percentage of Unemployment Benefit Recipients Among the Unemployed, 2001-2016

	Unemployment rate	Percentage of the unemployed receiving unemployment benefits
2001	11.7	32.9
2002	12.8	27.2
2003	13.4	18.5
2004	12.9	15.5
2005	11.2	17.6
2006	10.5	17.4
2007	9.1	17.3
2008	7.6	19.6
2009	9.4	23.2
2010	8.3	20.7
2011	7.0	23.5
2012	6.8	25.0
2013	6.2	30.4
2014	5.7	32.4
2015	5.2	34.6
2016	5.2	35.3

Figure 2 Data

### Unemployment Benefit Recipients (Total Population and Discharged Soldiers) and Recipients of Discharged Soldiers' Grant for Preferred Work, 1995-2016

	Total unemployment benefit recipients	Discharged soldiers receiving a grant	Discharged soldiers receiving unemployment benefits
1995	173,924	12,486	16,348
1996	191,441	13,027	15,315
1997	237,430	15,418	18,519
1998	260,776	16,736	18,651
1999	260,522	17,806	16,934
2000	264,598	18,615	16,872
2001	299,896	14,630	19,776
2002	277,418	10,701	25,325
2003	210,957	9,707	27,607
2004	186,246	13,773	24,306
2005	189,812	12,570	29,280
2006	183,439	11,747	29,901
2007	162,759	11,658	17,253
2008	156,450	12,755	2,347
2009	218,174	12,234	1,790
2010	182,065	13,765	1,403
2011	178,547	14,811	1,398
2012	193,201	15,407	1,584
2013	217,802	16,573	1,764
2014	220,581	16,606	1,796
2015	223,491	15,253	1,728
2016	212,347	14,930	1,653

