

## Unemployment Insurance

The Unemployment Insurance Law was enacted in 1973 to guarantee the rights of the unemployed in law. The law is intended to allow the unemployed to look for a source of income that suits their skills while maintaining their current standard of living for a reasonable period stipulated by law. Unemployment benefits in Israel are calculated to lead to a progressive payment: the lower the wage before unemployment, the higher portion of it will be replaced by unemployment benefits (decreasing replacement rate). In some years, during the period 2002-2017, amendments were made to the law that generally aggravated the conditions of entitlement to unemployment benefits and a grant for discharged soldiers (see below), although in recent years the trend has changed.

### Conditions of Entitlement to Unemployment Benefits

Unemployment benefits are paid to those who have been fired from their jobs and registered with the Employment Service in order to receive alternative work and provided they have accumulated a **qualifying period** as required by law – 12 months of work out of the 18 months prior to unemployment. The job offered to people over the age of 35 must be **suitable work** as defined by law in terms of occupation, salary, and distance from home. Other unemployed people must accept any job offered to them. Unemployment benefits are paid for the fifth day of unemployment and beyond.

### Duration and Amount of Payment

Unemployment benefits are paid for a maximum period of 50-175 days, depending on age, education, and marital status (Table 1). The maximum amount to be paid in the first five months is the same as the average wage, and from the sixth month – up to 2/3 of the average wage (Table 2). The amount of the payment during vocational training is 70% of the unemployment benefits that would have been paid to the insured if he had not been in the vocational training, and the maximum period for payment – for those with less than 12 years of study is 138 days, even if their entitlement without vocational training was 50-100 days, and for those with 12 years of study and more – same as for all unemployed.

Table 1: Maximum Period of Entitlement to Unemployment Benefit

Age and marital status	Maximal period of entitlement (days)
Up to 25 with 1-2 dependents	50
Between 25-28 with 1-2 dependents	67
Discharged soldier <sup>(1)</sup>	70
Between 28-35 with 1-2 dependents	100
Up to 35 with at least 3 dependents or between 35-45 with 1-2 dependents	138
Between 35-45 with at least 3 dependents, or more than 45	175

Table 2: Unemployment Benefit as Percentage of Wage

Unemployed salary portion	Up to the age of 28	Over the age of 28
Portion of salary up to half the average wage	60%	80%
Portion of salary between 1/2 and 3/4 of the average wage	40%	50%
Portion of salary between 3/4 and full average wage	35%	45%
Portion of salary between the average wage and the maximum insured wage	25%	30%

## Soldiers Discharged from Compulsory Military Service

**Unemployment benefit:** A discharged soldier<sup>1</sup> must have a qualifying period of six months of work in the first year of his release. The benefit rate is 80% of the minimum wage, for a maximum period of 70 days (Figure 2). Until June 2007, a discharged soldier was exempt from the qualifying period and was entitled to unemployment benefits in the first year of his discharge.

**Grants to discharged soldiers:** Paid in the first two years of discharge to those who worked in a **preferred** or **vital work** as defined by law. The amount of the grant is 138 times the amount of unemployment benefits per day, divided by 2. In 2018, the amount of the grant was NIS 9,577. A soldier who has exhausted his entitlement to unemployment benefits is not entitled to the grant

<sup>1</sup> In this document: those who were discharged not more than two years ago.

## Legislative changes

### 2002-2003

- The qualifying period was extended from 6 out of the 12 months of work in the year preceding unemployment to 12 out of the 18 months preceding unemployment (from July 2002).
- The maximum payment period for young people up to the age of 25 has been reduced from 100 to 50 days (from July 2002).
- Unemployment benefits have been reduced by 4%, similar to the reduction in most benefits of the National Insurance (from July 2002 to January 2007).
- The payment for participants in vocational training was reduced by 30% for new entrants only (from July 2002).
- Those who return to the unemployment system before the end of four years from the first date of entry are entitled to a payment of up to 180% of their maximum entitlement period (from January 2002).
- The payment was reduced by 15% for those who accumulated the number of payment days equal to the maximum eligibility period (i.e. after they have already accumulated 100% of the maximum eligibility period and are in the remaining 80%) (from January 2002).
- The payment period to participants in vocational training with an education of 12 years or more was limited. This period will not exceed the payment period for those who are not in vocational training (from January 2003).

### 2007

- The maximum payment period for people aged 25-28 years has been reduced from 100 to 67 days (from March 2007).
- The payment for the unemployed up to the age of 28 has been reduced by about 25% (from March 2007).
- The exemption from the qualifying period for discharged soldiers has been revoked and is now six months of work in the year following their discharge from regular service (from July 2007).
- The distinction between a monthly worker and a day worker has been abolished. The qualifying period no longer depends on the number of working days and is uniform for everyone – 12 out of the 18 months preceding unemployment. The basis for calculating the payment is the salary of the last six months (instead of the last three months for a monthly employee and the last 75 working days for a daily employee) (from March 2013).

### 2009

At the beginning of 2009, due to the economic crisis, a temporary provision was enacted according to which the qualifying period for entitlement to unemployment benefits was shortened to 9 months out

of the 18 months preceding unemployment (instead of 12 out of 18). Another coalition agreement made it possible to extend the maximum period of unemployment benefits for young unemployed people.

### **2013**

The qualifying period for day workers was aligned with that of monthly employees – 12 out of the 18 months preceding unemployment (regardless of the number of working days per month). Payment is calculated on the basis of the last six months of work. The unemployed who work on a daily basis are the weakest population in the labor market. Even before moving to a five-day work week, their situation was difficult because they had to accumulate days like the monthly workers. Shortening the work week is even more difficult for them, because their work month is 25 days and that of monthly workers about 21 days. The change in the law corrected the injustice caused to them.

### **2016-2017**

- All the conditions and rights for discharged soldiers in unemployment insurance were also applied to volunteers in national-civil service.
- For those who reported to Employment Service within less than three months from the date of termination of employment – their rights to unemployment benefits are preserved.

## **Unemployment Benefit Recipients**

### **Unemployment benefit recipients**

In 2018, about 223,000 different unemployed received unemployment benefits for at least one month, and a monthly average of about 71,000 unemployed received the benefits – an increase of 0.3% compared to 2017. Following the revocation of the qualifying period exemption for discharged soldiers in the year from their discharge in 2007, only 0.7% of the recipients in 2018 were discharged soldiers (compared with 10.6% in 2007) (Table 4).

### **Recipients of unemployment benefits and unemployed**

As mentioned above, the number of recipients of unemployment benefits increased in 2018 by an average of 0.3% per month, the same rate as in 2017, and the number of all unemployed decreased by about 3%. In total, there were 163,000 unemployed in 2018, compared to 168,000 in 2017. An average of 71,000 per month (approximately 44%) received unemployment benefits, compared with 67,000 (40%) in 2017 – an increase of approximately 10% between the two years.

The rate of unemployment benefits recipients among the unemployed fell sharply after the cuts in the 2002-2003 economic plan (see above **Legislative Changes**), and then gradually rose to more than 30% in 2013 and to 40% in 2018 – an even higher rate than prior to 2002-2003 (Table 3). The number of

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recipients increased in the years 2011-2014 (after a significant decrease in 2010), decreased again in 2015-2017 and increased significantly in 2018.

There is a negative correlation between the unemployment rate and the percentage of recipients of unemployment benefits: at high unemployment rates, the number of recipients increases, but their rate decreases among the unemployed (Figure 1). At low unemployment rates, the number of benefit recipients decreases to a more moderate extent, so their rate among the unemployed increases.

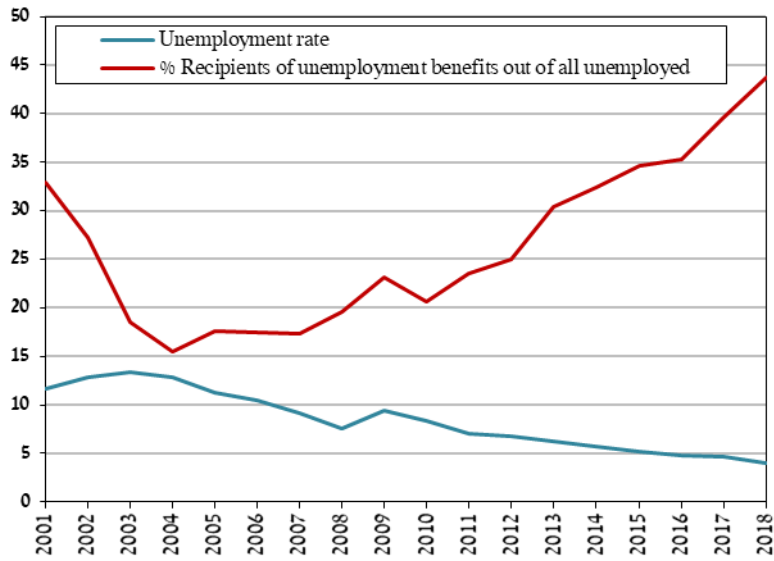
From the data on the number of unemployment benefit recipients in the years 2006-2018 in each year and on average per month (Table 4 and Figure 2), a clear drop is seen in the number of eligible discharged soldiers after the cancellation of the exemption from the qualifying period in 2008. However, their number increased in 2018 by an average of 11% per month after the decrease in the three years preceding it. Since 2009, the average monthly rate of discharged soldiers among benefit recipients has remained stable – 0.5%.

**Table 3: Unemployed and Unemployment Benefit Recipients (Monthly Average), 2005–2018**

Year	Unemployed*		Absolute numbers	Percentage of unemployed
	Absolute numbers (thousands)	Percentage of work force		
2005	334.9	11.2	58,830	17.6
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	4.8	66,500	35.3
2017	168.3	4.6	66,701	39.6
2018	162.6	4.0	71,032	43.7

\* Data prior to 2011 is after linkage.

Figure 1: Unemployment Rate and Percentage of Unemployed Receiving Benefits (percent), 2001–2018



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Figure 2: Unemployment Benefit Recipients (Whole Population and Discharged Soldiers), and Discharged Soldiers Who Received a Preferred Work Grant, 1995-2018



Table 4: Unemployment Benefit Recipients, by Year of Unemployment, 2007-2018

Year	Total		Were employed			Discharged soldiers		
	Numbers	Change from previous year (%)	Total (numbers)	Percent of all recipients	Change from previous year (%)	Total	Percent of all recipients	Change from previous year (%)
<b>Total</b>								
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
2017	211,822	-0.2	210,317	99.3	-0.2	1,505	0.7	-9.0
2018	223,292	5.4	221,661	99.3	5.4	1,631	0.7	8.4
<b>Monthly average</b>								
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
2017	66,701	0.3	66,397	99.5	0.3	304	0.5	-8.1
2018	71,032	6.5	70,695	99.5	6.5	337	0.5	10.7

The distribution of unemployment benefit recipients by education (type of employment bureau) shows that from 2010, the rates of academics among the recipients increased from 28.3% in 2010 to 32% in 2018 (Table 5). The rate of participants in vocational training among recipients has been very low in recent years – less than 1%.



**Table 5: Unemployment Benefit Recipients Who Were Employed, by Education (Employment Bureau Type), (Percentages), 2007-2018**

Year	Total	Academics	Non-academics
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
2017	100.0	32.2	67.8
2018	100.0	32.1	67.9

### Recipients of unemployment benefits and income support

An unemployed person who has exhausted his full entitlement to unemployment benefits and has not been able to find work through the Employment Service, or who has started working at a low wage, may file a claim for income support or income supplement. Unlike unemployment benefits, this benefit is subject to a means test.

An examination of the rate of unemployment benefits recipients who subsequently received an income support benefit shows that about 35,000 exhausted their full entitlement to unemployment benefits in the first half of 2017, but a small minority of 5.6% – only about 2,000 of them – received an income support benefit in 2018. Among older people (over 45) this rate is slightly higher – about 8%. The relatively low rate is due to the stricter eligibility criteria for the younger population.

### Depth of Unemployment (Duration of Payment)

The depth of unemployment (duration of payment) is defined as the number of days for which unemployment benefits were paid in the year of eligibility, i.e. the data for 2018 relate to those who started receiving unemployment benefits in 2017 and ended the year of eligibility in 2018. The average depth of unemployment in 2018 remained unchanged from 2017 – 102 days.

Unemployment benefits are paid to the unemployed for periods of 50, 67, 100, 138 or 175 days (eligibility period) – depending on the age and number of those who depend on them. Eligibility for benefits can

be exercised up to one year from the determining day. The rate of people who exhaust the maximum payment period for benefits was higher among the youngest and oldest compared to the other groups – more than 40% (Table 6). This phenomenon reflects the distress of the elderly, whose chances of integrating into the labor market are low, and of the youngest, whose relatively short period of unemployment is insufficient to reintegrate into the workforce.

**Table 6: Depth of Unemployment Among Unemployment Benefit Recipients Who Completed their Eligibility Period in 2018 (as a Percentage of the Maximum period), and the Maximum Eligibility Period**

Maximum period (days)	Total	Unemployment depth as a percentage of the maximum period (percentages)					
		Up to 25	26 - 50	51 - 76	76 – 99	100	Average
<b>Total</b>	<b>100.0</b>	<b>10.6</b>	<b>12.8</b>	<b>12.1</b>	<b>20.5</b>	<b>44.1</b>	<b>77.4</b>
50	100.0	7.5	12.9	12.0	20.1	47.5	81.4
67	100.0	7.5	13.9	15.1	17.5	46.1	82.0
70	100.0	69.1	5.9	6.8	5.5	12.7	25.4
100	100.0	9.8	13.4	13.8	26.5	36.5	76.8
138	100.0	11.9	13.8	11.9	20.0	42.5	75.6
175	100.0	11.3	11.7	10.7	18.4	47.9	77.1

## Amount of Unemployment Benefits and Scope of Payments

As stated above, unemployment benefits in Israel are calculated according to a progressive formula that guarantees a reduced replacement rate (the unemployment benefit rate out of the wage on the eve of unemployment), similar to other social insurance plans. Thus, two goals are achieved: unemployment insurance – compensation for the decline in the standard of living of the unemployed person and his family, and equality in the distribution of income – higher compensation for low-wage earners than for high-wage earners.

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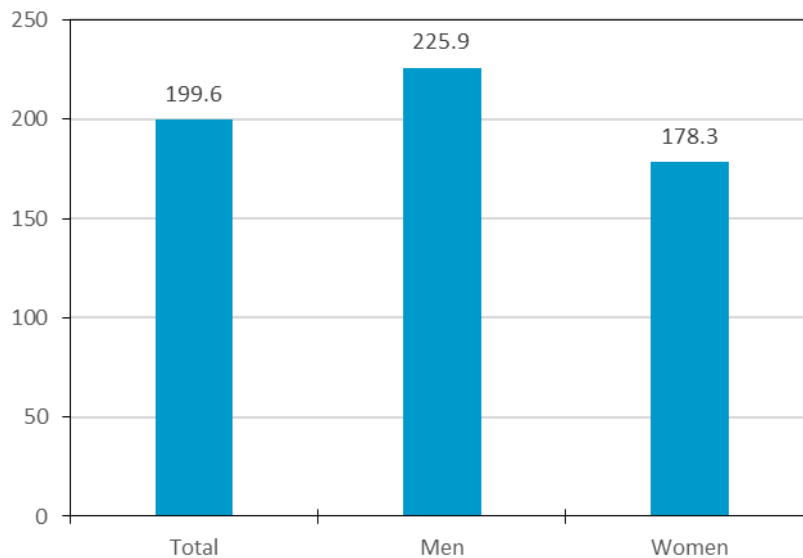
Table 7: Amount of Unemployment Benefits Per Day in Relation to the Average Daily Wage in the Economy (Percentages), 2007-2018

Year	Total	Unemployment benefits per day in relation to the average daily wage in the economy					Average unemployment benefits as percentage of the average wage in the economy
		Up to 1/4 the average wage	Between 1/4 and 1/3 of the average wage	Between 1/3 and 1/2 of the average wage	Between 1/2 and 2/3 of the average wage	Between 2/3 and full average wage	
2007	100.0	7.6	10.6	43.7	25.6	25.6	46.9
2008	100.0	6.7	9.9	40.4	27.3	27.3	49.9
2009	100.0	5.2	7.8	38.0	29.8	29.8	52.9
2010	100.0	6.2	9.1	38.8	29.1	29.1	51.0
2011	100.0	6.4	8.5	37.9	30.1	30.1	51.2
2012	100.0	5.6	7.8	37.1	31.7	31.7	52.1
2013	100.0	7.5	9.1	36.9	29.8	29.8	50.7
2014	100.0	9.2	10.3	36.4	28.0	28.0	49.6
2015	100.0	9.6	10.1	36.8	28.0	28.0	49.2
2016	100.0	9.8	10.0	36.6	28.0	28.0	49.3
2017	100.0	9.5	9.3	35.0	29.0	29.0	50.3
2018	100.0	8.6	8.9	36.0	28.1	28.1	50.4

The amount of average unemployment benefits as a percentage of the average wage in 2018 is stable since 2013 – 50%. In 2013, the rate decreased slightly compared to 2009-2012, following the comparison of the qualifying period for daily unemployed to monthly unemployed, which resulted in the joining of day workers whose wages are usually very low (Table 7). The average payments to women and men increased by about 2%-3% compared with 2017, but payments to women are about 21% lower than those paid to men (Figure 3).

Until 2008, the average unemployment benefits did not exceed half the average wage in the economy (Table 7). In 2009, following the crisis and a wave of layoffs of both medium and high-wage earners, the unemployment benefits rate out of the average wage in the market rose to about 53%. Since then it has fallen, and in 2014-2016 was less than half the average wage in the economy, but in 2017-2018 it rose again to more than half. The rate of recipients of an amount greater than half the average wage in the economy rose, from 38% in 2007 to about 50% in 2012, and then began to fall again and reached about 46% in 2018. At the same time, the share of the unemployed who received unemployment benefits lower than half the average wage – from about 50% in 2012 to about 54% in 2018.

Figure 3: Unemployment Benefit Level per Day (NIS), 2018



**Scope of payments:** Total expenditure on unemployment benefits amounted to NIS 3.5 billion in 2018, in comparison with NIS 3.2 billion in 2017 – an increase of about 8%, and is due to the increase in the number of recipients and the increase in unemployment benefit per day in line with the rising wage trend in the economy. (Table 8). The share of unemployment payments in all National Insurance payments was about 4% in 2018.

Table 8: Unemployment Benefits Payments (Millions of NIS), 2013-2018

Year	Current prices	Fixed prices (2017)	Real change (%)
2013	3,176	3,187	
2014	3,283	3,279	2.9
2015	3,219	3,235	-1.3
2016	3,128	3,161	-2.3
2017	3,195	3,221	1.9
2018	3,477	3,477	7.9