

10. Unemployment Insurance

A. General

The objective of Unemployment insurance is to guarantee employees an income while unemployed and to prevent a sharp drop in their standard of living. Like every insurance system, unemployment benefits constitute an essential safety net, and are supposed to help the unemployed maximize their earning potential by seeking work that is commensurate with their skills. Subsequent to the stringent legislation enacted between 2002 and 2007 in the Unemployment insurance scheme, unemployment benefits and grants are paid under the conditions presented below.

An **unemployment benefit** is 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 an unemployment benefit 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. The work offered to unemployed persons above the age of 35 must be “suitable work” in terms of profession, wage and distance from home. Relative to other unemployed persons, any work offered to them by the Employment Service is work that is deemed suitable in terms of profession and wage.

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

The unemployment benefit is calculated according to the age and wage of the unemployed person³ immediately prior to his becoming unemployed, but the level of

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

Unemployment benefits for discharged soldiers: Up until June 2007, discharged soldiers had been exempt from the qualifying period and eligible for an unemployment benefit 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 be eligible 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; in 2010, the grant was at the sum of NIS 8,804. 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 eligibility for an unemployment benefit 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 among the unemployed who were not eligible for unemployment benefits under the National Insurance Law and to pay them special benefits. Pursuant to the agreement, any unemployed person at the age of at least 25, 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 benefit from the NII. The benefit paid was at the level of the unemployment benefit to which he would have been entitled had he been eligible for an unemployment benefit, and for a period not exceeding half of the maximum payment period of unemployment benefits. This agreement was made with the stipulation that this special benefit will be paid as long as the rate of unemployment in the economy, as published quarterly by the Central Bureau of Statistics, does not drop below 7.5%.

The agreement was implemented in June 2009, because the unemployment rate had exceeded 7.5%. The agreement expired at the end of February 2010, when the published rate of unemployment in the economy dipped to 7.4%. In total, 10,183 unemployed persons benefitted from this agreement, at the 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 relative to 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 (which was an addition of 15 days to the maximum period). Unemployed between the ages of 25 and 28 had been eligible for an additional 30 days, not exceeding 97 days. Unemployed between the ages of 28 and 35 had been eligible for a maximum period of 125 days (instead of 100 days – an addition of 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, according to the statistics, only 50% took advantage of this benefit and used at least a portion of the additional days they had received. The overall cost of this agreement was approximately NIS 100 million.

C. Data and Trends

During 2010, 182,065 unemployed persons of various categories received unemployment benefits. Except for the second quarter of 2010, the unemployment rate was more or less stable – between 6.5% and 7.2%. During the second quarter, there was a sharp one-time drop in the unemployment rate, to 5.9%, which was the lowest unemployment rate recorded in recent years. Overall, the unemployment rate in Israel in 2010 was 6.6% – constituting a decrease of approximately 12% compared with 2009, during which the economy was in a recession.

Similar trends were observed in the number of recipients of unemployment benefits: 2010 was characterized by a steady decrease in the number of recipients, with a particularly steep drop recorded during the second quarter. The number of recipients of unemployment benefits dropped from the high of approximately 78,000 during the third quarter of 2009, to about 57,000 by year end 2010. Overall in 2010, an average of approximately 59,000 unemployed persons received unemployment benefits per month, about a 20% decrease, compared with 2009.

Table 1 presents the number of recipients of unemployment benefits and their percentage out of all unemployed persons since 2006. The percentage of recipients of unemployment benefits out of all unemployed persons reached a low of about 21% in 2004, stabilized at around 23% between 2005 and 2007, 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

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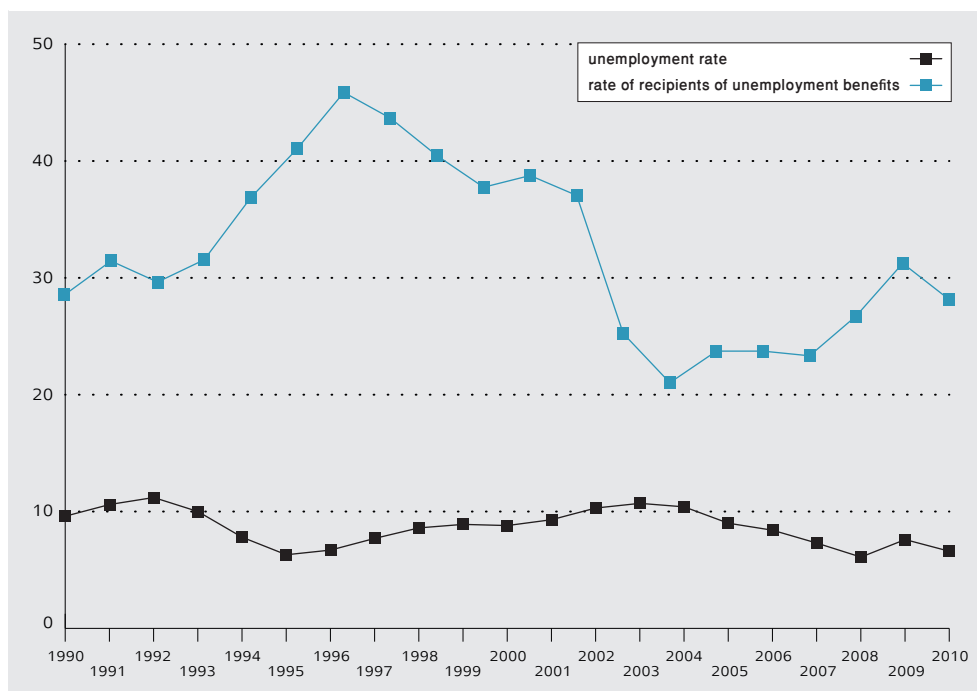
Table 1
Unemployed and Recipients of Unemployment Benefits
(monthly average), 2006–2010

Year	Unemployed		Recipients of unemployment benefits	
	Absolute numbers	Percentage of the work force	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

benefits in 2010 was steeper than the decrease in the number of the unemployed. In 2010, with the drop in unemployment, the ratio of recipients dropped to 28.1%

Graph 1 presents the trends in the percentage of recipients of unemployment benefits out of all unemployed in the economy, compared with the unemployment rate since the beginning of the 1990s. The graph illustrates how the percentage of recipients of unemployment benefits plummeted between 2002 and 2004 (compared with the relative stability in the unemployment rate at the beginning of the 1990s, as a result of the stringent legislation enacted in relation to employment insurance during this period).

Graph 1
Percentages of Unemployment and Percentages of Recipients
of Unemployment Benefits over Time, 1990–2010



D. Recipients of Unemployment Benefits

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

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

Table 2 shows that, in 2010, an average of 58,634 unemployed persons received unemployment benefits per month, and this, as stated, constitutes about a 20% decrease, compared with 2009.

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 amendment, 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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Table 2
Recipients of Unemployment Benefits by Year of Unemployment, 2006–2010

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
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

Graph 2
Recipients of Unemployment Benefits (Entire Population and Discharged Soldiers) and Recipients of a Discharged Soldier's Grant in respect of Preferred Occupations, 1994–2010

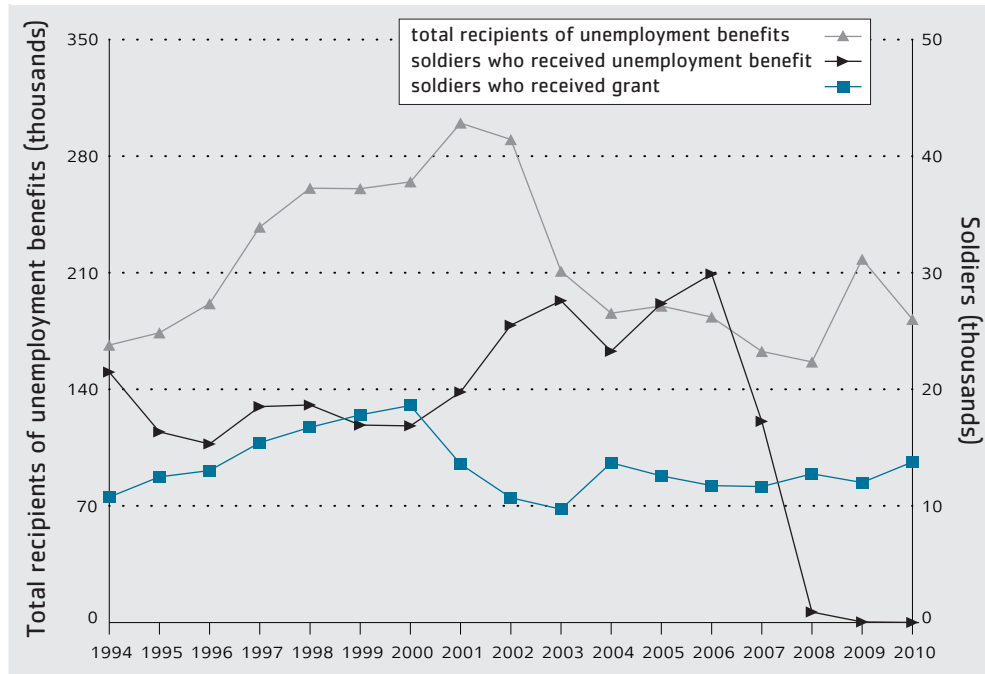


Table 3
Previously Employed Recipients of Unemployment Benefits, by Type of Employment Bureau (percentages), 2006–2010

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

The more stringent eligibility criteria for unemployment benefits prescribed in the Economic Plan of 2002 - 2003 revoked the eligibility for vocational training for recipients of unemployment benefits

The differentiation between type of employment bureau shows that 2010 was characterized by stability in the percentage of college graduates from among all recipients of employment benefits, after a steady rise in previous years, from approximately 18% in 2000 to 29% in 2009 (Table 3).

The more stringent eligibility criteria for unemployment benefits prescribed in the Economic Plan of 2002 - 2003 had revoked, in effect, the eligibility for vocational training for recipients of unemployment benefits. The percentage of the unemployed who attended vocational training courses from among recipients of unemployment benefits has been less than 1% in recent years.

E. Duration of Payment

Unemployment benefits are paid to the unemployed for 50, 67, 100, 138 or 175 days, depending upon age and number of dependents. In 2010, as a result of the agreement, additional periods were added: 65, 97 and 125 days. Exercise of eligibility for unemployment benefits is limited to a period of one year as of the first day of unemployment.

Table 4, which presents the eligibility exercise rates relative to the permitted period of eligibility under the law, indicates that the exercise rates by persons eligible to 175 days of payment and by persons eligible for up to 97 days of payment are higher than the rest of the categories of recipients. These exercise rates reflect the distress of those adults suffering from poor prospects of integrating into the labor market and of the youngest age bracket, who do not have enough time to find a job before the payment period of unemployment benefits expires. It should be noted that, in 2010, a slight decrease was recorded in the average number of actual days of payment, as a percentage of the maximum period, compared with 2009, relative to all categories of the unemployed, except for the category of unemployed who are eligible for a maximum period of up to 65 days (the younger age bracket), which recorded a slight rise.

The exercise rates by persons eligible to 175 days of payment and by persons eligible for up to 97 days of payment are higher than the rest of recipients

Table 4
Job Seekers who Received Unemployment Benefits
and whose Eligibility Expired in 2009 and 2010,
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

F. Unemployment Benefit Rates and Scope of Payments

As stated, unemployment benefits in Israel are calculated according to a progressive formula that ensures a progressively diminishing wage-replacement ratio (ratio of unemployment benefits to wage prior to becoming unemployed), which resembles other social insurance schemes. This formula combines two considerations: the insurance consideration – insurance against unemployment, whereby the compensation provided in order 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 a reversal in trend has occurred since 2008. 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 in the economy – from 47% in 2007 to 50% in 2008. This uptrend continued in 2009 and 2010, with the average unemployment benefits reaching approximately 52% of the average wage in the economy. It should be noted that the level of unemployment benefits was particularly high in 2009, as a result of the economic crisis in Israel, which had triggered a wave of layoffs even among those earning high wages. The percentage of the unemployed receiving unemployment benefits at a level exceeding half of the average wage in the economy has risen, from 38% in 2007 to 50% during the last two 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% in 2009 and 2010.

The level of the average unemployment benefit as a percentage of the average wage in the economy rose in 2008 for the first time since 2004; from 47% in 2007 to 50% in 2008 and to 52% in 2010

In 2010, the overall expenditure on unemployment benefit payments totaled NIS 2.5 billion, compared with NIS 3.0 billion in 2009 – a result of the decrease in the number of recipients

In 2010, the overall expenditure on unemployment benefit payments totaled approximately NIS 2.5 billion, compared with NIS 3.0 billion in 2009 – a decrease of

Table 5
Recipients of Unemployment Benefits,* by Level of Benefit per Day Relative to the Average Wage per Day in the Economy (percentages), 2006–2010

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

* Not including discharged soldiers.

approximately 19%. This decrease is a result of the decrease in the number of recipients. Concurrently, the ratio of payments in the Unemployment insurance branch to total volume of payments of national insurance benefits decreased, from 5.6% of the total expenditure in 2009 to 4.4% in 2010.

Table 6
Volume of Unemployment Benefit Payments
(NIS million), 2006–2010

Year	Current prices	Fixed prices (2010)	% of real change
2006	1,957	2,183	-3.8
2007	1,757	1,950	-10.7
2008	1,840	1,952	0.1
2009	3,028	3,109	59.3
2010	2,534	2,534	-18.5

The Civilian Labor Force and Recipients of Unemployment Benefits, 2001–2008

An unemployed person who has accumulated the requisite qualifying period of work under the law is eligible for unemployment benefits. In order to estimate the ratio of recipients of unemployment benefits to the total work force, data were collected from the files of manpower surveys conducted by the Central Bureau of Statistics and from the NII's data files relating to recipients of unemployment benefits.

In 2008, the ratio of unemployed persons receiving unemployment benefits relative to the work force was 17 for every 1,000 participants in the work force. Over the

Table 1
Number of Recipients of Unemployment Benefits per 1,000
Participants in the Work Force, by Gender, 2001–2008

Year	Total	Men	Women
2001	44.2	41.6	47.3
2002	39.9	37.6	42.5
2003	28.6	26.9	30.5
2004	23.1	21.7	24.6
2005	22.6	20.7	24.9
2006	20.9	18.8	23.3
2007	17.9	15.7	20.3
2008	17.1	15.2	19.2

years, this ratio has steadily decreased, from 44% in 2001 to 17% in 2008 – a decrease of more than 60%. This decrease derives from the more stringent eligibility criteria instituted in 2002 for unemployment benefits.

The comparison between the genders indicates a higher ratio of women, with the gap between the genders widening over the years. The reason for gender differences in the ratio of recipients of unemployment benefits to total work force is the fact that the unemployment rate among women is always higher than the unemployment rate among men. The reason for the widening of the gaps over time is the additional stringent legislative amendments enacted in 2007, which led to a sharp drop in the number of discharged soldiers who are eligible for unemployment benefits, who usually are men.

The comparison between the age brackets indicates that, during the years preceding the stringent legislative amendments to the eligibility criteria (for example, in 2001), the ratio of recipients of unemployment benefits to the total work force diminished with the rise in age, and during subsequent years, there was a reversal in trend, and the ratio increased with the rise in age.

Up until 2007, the first age bracket (up to the age of 24) had constituted the age bracket with the highest ratio of unemployment benefit recipients to total work force from among all age brackets. In 2008, this ratio plummeted to the lowest among all age brackets. The reason for these differences is the institution of more stringent eligibility criteria, which adversely affected young people.

The differentiation by residential regions indicates major differences in the unemployment ratio between districts: the ratio of recipients of unemployment benefits to total work force is the highest in the north and south of the country, while the lowest ratio is in Jerusalem.

Table 2
Number of Recipients of Unemployment Benefits per 1,000
Participants in the Work Force, by Age Bracket, 2001–2008

Year	Total	Up to 24	25 – 29	30 – 34	35 – 39	40 – 44	45+
2001	44.2	53.8	49.8	44.7	44.8	40.0	39.3
2002	39.9	49.9	41.5	37.5	40.6	37.2	37.6
2003	28.6	35.1	25.7	25.2	29.3	26.0	29.9
2004	23.1	25.9	19.4	20.2	22.6	21.7	25.8
2005	22.6	28.8	19.2	20.4	22.2	20.9	24.0
2006	20.9	28.9	17.8	19.2	20.5	18.9	21.4
2007	17.9	18.4	14.5	17.2	18.5	17.3	19.4
2008	17.1	6.5	13.9	17.5	19.8	17.7	19.9

Table 3
Number of Recipients of Unemployment Benefits per 1,000
Participants in the Work Force, by Residential District, 2001–2008

Year	Total	Jerusalem	North	Haifa	Center	Tel Aviv	South	Judea and Samaria
2001	44.2	27.6	60.0	48.2	37.1	35.8	62.6	33.9
2002	39.9	23.6	52.2	44.4	34.8	34.1	52.6	30.3
2003	28.6	16.4	32.1	32.6	27.0	26.3	35.6	23.3
2004	23.1	14.5	27.2	26.8	21.6	20.5	27.7	19.4
2005	22.6	14.0	28.1	25.7	21.2	19.2	28.5	18.5
2006	20.9	13.1	23.9	23.3	19.9	18.5	26.9	18.8
2007	17.9	11.1	21.1	19.8	16.5	16.1	23.3	15.5
2008	17.1	10.4	20.4	18.5	15.8	15.5	22.0	15.2

