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Government programs in Israel and in English-speaking OECD countries to address unemployment during the COVID-19 pandemic

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Abstract

Background

In Israel, as in other countries, the public health emergency caused by the COVID-19 pandemic was accompanied by an economic crisis, as the restrictions imposed by the government to slow the spread of the virus led to unprecedented disruptions in the labor market. To support households during this period, the Israeli government extended unemployment benefits and provided payments to workers on unpaid leave. Governments in many other developed countries have taken similar steps to support their residents and economies through the pandemic.

Goals

This paper reviews the programs implemented by governments in Israel and in English-speaking OECD countries (United States, Australia, New Zealand, England, Canada, Ireland) to address the rise in unemployment caused by the COVID-19 pandemic, with the intention of placing Israeli experience in an international context.

Methods

The information presented was collected through a review of data and news articles published online by governments and news outlets in Israel and in English-speaking OECD countries.

Findings

The countries surveyed used a variety of programs to deal with rising unemployment, including payments to affected businesses to help them retain workers and grants to workers to help replace lost income. Similar to the plan adopted in Israel, almost all countries surveyed increased unemployment benefits for workers who had lost their jobs.

Israel's experience seems to be most similar to that of the United States, where the short-term economic damage was severe, but was subsequently followed by a significant recovery thanks to the extensive vaccination campaign. Also similar to the situation in Israel, the US government stopped paying unemployment benefits in the summer of 2021 in order to encourage workers to return to the labor market.

Other countries surveyed have had different economic outcomes and government responses of different durations. Australia and New Zealand were able to contain the virus quickly, had brief and relatively mild economic challenges and had already wound down their support programs by early 2021. However, as of August 2021, both countries are facing renewed outbreaks of the virus. In England, Ireland and Canada, the economic effects have been larger, the recovery is ongoing but gradual, and government support programs will continue into the fall of 2021 or later.

Conclusions

An analysis of the findings suggests that among English-speaking OECD countries, the United States has experienced labor market developments and supplemental government benefits that are most similar to those in Israel. Interestingly, the various states in the United States terminated these supplemental benefits at different times, depending on their particular economic circumstances and the policy preferences of their State governments.

A recent study¹ found that in states where benefits were removed earlier, unemployed workers were more likely to find jobs. However, the effect on job finding was small. Overall, the study found that the termination of benefits led to a decrease in consumer spending among workers who had been unemployed during the pandemic, as the small gains in employment income were outweighed by the loss of benefits. To the extent that the effects in Israel would be similar to the effects in the United States, these findings suggest that **removing supplemental COVID unemployment benefits would lead some unemployed workers to find new jobs, but it could also decrease total consumer spending, so that the expect net effect on the Israeli economy is unclear.**

¹ Coombs, K., Dube, A., Jahnke, C., Kluender, R., Naidu, S., & Stepner, M. (2021). *Early Withdrawal of Pandemic Unemployment Insurance: Effects on Earnings, Employment and Consumption*. [pandemicUexpiration-paper.pdf \(michaelstepner.com\)](https://www.michaelstepner.com/pandemicUexpiration-paper.pdf)