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Unemployment Benefit Policies in Israel and Other OECD Countries Before and After COVID-19

An International Review

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This review was funded with the assistance of the National Insurance Institute

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Jerusalem | November 2022

Abstract

Background and Objective

The COVID-19 pandemic caused multiple changes in both the labor market and unemployment benefits policies. These changes may have long-term effects on the job market as well as on jobseekers' needs. In order to understand them, the report reviews the international experience in the unemployment benefit area during the pandemic.

Method

The review covers the literature on unemployment support and compares the related policies in various countries, particularly the changes therein following the COVID-19 pandemic. The report includes a review of the academic literature on unemployment benefits. In addition, it conducts an international comparison of the situation in Israel and other OECD countries, based on policy papers, OECD reports on employment issues and on dealing with the pandemic, as well as various OECD indicators.

Findings

- During the COVID-19 crisis, the increase in Israel's official unemployment rate was moderate compared to other OECD countries. Nevertheless, in both Israel and other OECD countries not only did the number of unemployed increase significantly, but so did the number of employees temporarily absent from work due to the pandemic. In Israel, most employees absent due to COVID-19 were furloughed and were thus entitled to unemployment benefits. According to the broad definition of unemployment, which includes temporarily absent employees, the rise in unemployment in Israel was sharper than in other countries.
- By the end of 2021, the employment rate in most OECD countries rebounded to pre-pandemic levels. Unemployment dropped in Israel as well, according to both the official and broad definitions.
- The pre-COVID unemployment benefit arrangements in Israel and other OECD countries were similar in most respects. The entitlement criteria for unemployment benefits in Israel, such as the duration of prior employment and the way it was calculated, were similar to the average criteria in the OECD. The size of the monthly allowance, calculated as a percentage of the average salary in Israel, was slightly above the OECD average. Nevertheless, the maximal entitlement period for unemployment benefits in Israel was much shorter than in OECD countries, apart for the US.

- Following the COVID-19 crisis, in most OECD countries, including Israel, significant changes have been made in unemployment benefit arrangements. The most significant changes in Israel were including furloughed employees in the entitled population and extending the duration of unemployment benefits until June 2021, for all those entitled.