

# **Fourth Study Commission Public and Social Law**

## **The Report from Israel**

**2011**

### **Judge Einas Salameh, Vice President**

#### **Unemployment benefits**

1. What means of improving the economic security of the unemployed are used in your country? Give an overview.

The State of Israel is considered a welfare state in which there are various mechanisms aiming to bring about a just distribution of resources in society. This policy assumes that human rights include not only political and civil rights but also social rights such as the right to education, health and a dignified existence.

One of the main pillars on which this social policy rests on, is the National Insurance Institute of Israel (NII), which operates under the National Insurance Law, passed by the Knesset (Israeli Parliament) in November 1953. The NII aims to provide weak population groups and families in temporary or long-term difficulties with a financial basis for subsistence. Today the NI Law includes a wide variety of programs, such as old-age and survivors, maternity, children, work injury, general disability, long-term care, unemployment, bankruptcy and liquidation of corporations.

In addition to the National Insurance Law, the National Insurance Institute is in charge of enforcing other laws and agreements in the field of social insurance, such as the Income Support Law, designed to protect every family from loss of income and to assist needy populations.

The NII serves as an instrument for re-distribution of the national income. The most important social goal the National Insurance Institute has set is to reduce the scope of poverty and the socio-economic gaps in Israel. This goal is achieved by paying benefits to those eligible and providing other services mostly by transfer payments.

The National Insurance Institute acts as an institution of insurance - which means: current payment during routine to ensure refunds if necessary.

The main source of financing NII benefits under the National Insurance Law is the national insurance contributions collected from all residents. For instance in 2005 the NII covered 2,430,000 employees – employed by 201,000 employers – and 595,700 non-employed persons, of whom 310,600 were self-employed.(according to NII website).

National insurance contributions are not determined by the level of risk of the insured, as is common in private insurances, but according to the payment capacity of the Insured which is a function of income and age and creates a gradual system – those of high incomes pay high contributions and those of low incomes pay lower tribute and are the main beneficiaries from the institution. Accordingly, payment of contributions, especially for those with high incomes, has an element of taxation.

One of the main benefits paid by the National Insurance Institute is unemployment benefits. This benefit is a time-limited benefit and is intended primarily for employees (and not for self-employed).

The purpose of unemployment insurance under the National Insurance Law is to provide employees who dropped out and are unemployed against their will with alternative income for a limited period in order to enable them to look for appropriate employment and allow them a respectful living until a new working place is found. However, the law's primary goal is assuring every person to earn his own living rather than leaning on the insurance security.

If so - unemployment benefits are meant to replace the work income that was ceased.

Another means that exists in Israel and which is also implemented by the National Insurance Institute is "income support" (in accordance with the Income Support Law 1981). This Act aims to reward individuals and families in Israel not capable of ensuring themselves a basic minimum income for subsistence.

This benefit is given to people without income who are not capable of earning income from work such as those who are ill, disabled, unemployed or have been hurt in a work accident and are not entitled to payments under other programs of the NII. Partial benefit is paid to a person whose income from work or from another source is lower than the minimum income required for subsistence (supplementation of low wages, unemployment benefits, alimony, etc.).

## 2. Have You got a social security system regarding unemployment ?

Yes. As mentioned above, Israel has a complete and extensive social security system which is expressed in many areas of social rights, and unemployment insurance is one of these areas regulated and carried out by the NII.

## 3. Is this social security system mandatory?

Yes. See answer 1. This is a mandatory system that operates under the law and every resident must pay contributions according to his own income and age.

4. Who pays contributions to this social security system.

National Insurance contributions are paid both by employee and by employer and are a function of wages. Employees pay national insurance contributions of 0.4% from a reduced rate [The share of income which is 60% or below of the average wage-4984 NIS (1460 USD/1027 EUR)] and 7% of the share of income which exceeds 60% of the average wage, up to the maximum level of income for which national and health insurance contributions must be paid (full rate) [73,422 NIS (21,483 USD/15132 EUR)].

The employer pays 3.45% of the reduced rate (4984 NIS) and 5.90% of the share of income up to the maximum rate.

Self- employed pay 6.72% of the reduced rate and 11.23% of the share of income up to the maximum rate.

A non-working person who has no income pays insurance contributions of 154 NIS (45 USD/31 EUR) whereas a non-working person who has income pays 4.61% of the share of the reduced income and 7% of the share up to the maximum rate.

5. How high are these contributions.

See answer 4.

6. What are the conditions for entitlement to unemployment benefits (time of paying contributions; availability to work; leaving the last job only with good cause.....)?

To be eligible for unemployment benefits the insured must complete a qualifying period (360 days for which insurance contributions were paid out of 540 days prior to determining date; For daily employee – 300 days as above out of 540; for minor – 100 days for which insurance contributions were paid, out of prior 360 days as above) and is at least 20 years of age but has not yet reached the maximum age for receiving unemployment benefits (the retirement age).

In order to be insured one must meet the following three conditions:

- ✓ Must be an Israeli resident, or a temporary resident - has a visa or a temporary residency license;
- ✓ Must be 18 years old and have not yet reached the maximum age for receiving unemployment benefit;
- ✓ Must be an employee where his employer is obligated to pay insurance contributions for him.

Unemployed under the age of 20 years eligible for unemployment benefits if he is the sole supporter of his family (parents, siblings, spouse) or who has a child for whom he is the main source of support.

To meet the definition of "unemployed" by law, one must be registered at the Employment Service Bureau and is willing and able to work in his profession or in any other job that suits his ability thus the Employment Service Bureau did not offer him a suitable job.

Considering a person as unemployed only if registered at the Employment Service Bureau as seeking for a job and appears for registration and report in the exact days and time that was determined for that purpose.

The basic condition for entitlement to unemployment benefit is the unemployed willingness to perform a suitable work and his physical ability to do so. Willingness must be authentic and involve a closer examination of the job offered to him.

Unemployed who suffers from health problems is sent to a medical committee and must cooperate with it.

"A suitable work" is a job that suites the unemployed health and physical condition and is similar to the kind of his main previous profession he had in the last three years preceding the date on which he first reported to the Employment Service Bureau. A suitable work is also a work that fits his own qualifications or his educational level while the salary of the job is at least equal to unemployment benefits he is entitled to and that the work does not require to change his residence.

Unemployed voluntarily terminated his work without any justification would not be entitled to unemployment benefit for the first 90 days from termination of the employment.

A justifiable reason would be health problems or deterioration of working conditions.

Unemployed who was offered a suitable job by the ESB and refused it would not be entitled to unemployment benefit for the first ninety days from the date of his refusal each time.

The Employment Service Bureau can offer appropriate professional training and the unemployed should cooperate and apply the rules mentioned above.

A repeated claim for unemployment benefit can be submitted only after 12 months have elapsed from the start of the previous entitlement.

7. How high are unemployment benefits (percentage of last income)?

Unemployment benefits are percentagely calculated from the daily average income of the insured and according to his age. It can range between 50%-70% from the employee's daily wage, In condition that daily amount of benefits for the first period of payment (the first 125 days) will not exceed the daily average wage (approximately 330 NIS = 97 USD/67 EUR), and for the second period (the remaining days after the first period) shall not exceed to two-thirds of the daily average wage (approximately 220 NIS).

The maximum period of payment for unemployment benefit depends on the unemployed age and the number of his dependents (Dependent husband, Dependent wife, children). It can be received for not more than six months. The entitlements for unemployment benefits are valid within 12 consecutive months from the date on which he registered as seeking employment at the Employment Service Bureau.

The claim must be submitted within 12 months from the date on which the person first reported to the Employment Service Bureau.

If he submits a claim after this date, and was found to be entitled to unemployment benefit, he will not be paid for the period preceding the 12 months that preceded the date on which he submitted the claim.

When unemployment benefits are low the unemployed can request income supplement and after completing the period of unemployment benefits he can submit to NII for income support.

Rates of income support benefits are relatively low, and depend on age and family composition.

To illustrate: single until age 25 years receive approximately 1,300 NIS (382 USD/265EUR) each month and spouses aged until 25 receive - 1,800 NIS (529USD/367EUR). A couple with a child receive about 2,500 NIS (735USD/510EUR) and couple with more than two children get about 2700 NIS (794USD/551EUR). Single over 25 years receive about 1800 NIS (529USD/367EUR). Spouses older than 25 years old receive 2,500 NIS (735USD/510EUR). Above the age of 55 single gets about 2,000 NIS (588USD/408EUR) and couple above 55 years old receive about 3000 NIS (882USD/612EUR).

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