

# The Social Welfare System and the Coronavirus Crisis: An Overview

**John Gal and Shavit Madhala**

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# The Social Welfare System and the Coronavirus Crisis: An Overview

**John Gal and Shavit Madhala**

## **Abstract**

After two years of stability with no major initiatives in social welfare policy in Israel, this year of the coronavirus crisis has led to a dramatic change in the response to social problems. The protective measures taken against the pandemic and the accompanying mass unemployment created economic and social distress among many groups in Israeli society. The lack of economic and social security will apparently be with us for a long time to come. It is already clear that the crisis has increased levels of poverty and inequality, which were already high prior to the crisis, and for the foreseeable future, the unemployment rate is expected to continue to be much higher than previously. As the data in this chapter show, one of the groups most affected is young adults, and it appears that the solutions being provided to them are insufficient. As part of the welfare state's response to the social distress caused by the coronavirus crisis, the expenditure on social security and on social welfare grew in 2020 to about NIS 183 billion, an exceptionally large increase of 47 percent relative to the previous year. As in the case of other welfare states, Israel has focused primarily on providing social protection. The safety net extended by the State of Israel involved the expansion of coverage by the social security system, and in particular the program for unemployment insurance (after years of this program being whittled down), an increase in disability pensions, the provision of financial assistance to the self-employed who are not eligible for unemployment insurance, and an expansion of the

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wage subsidy program. Social investment programs with the goal of providing opportunities for suitable employment, such as the expansion of vocational training and employment support, were promised, but have not been implemented on a significant scale.

## Introduction

The coronavirus pandemic and the response to its social and economic fallout have generated a dramatic turnaround in the various components of the social welfare system in Israel, particularly in how it deals with the unemployed and the provision of a social security safety net. After two years that were characterized by stagnation in the area of social welfare (Gal & Bleikh, 2019), during which there was a lack of any significant changes or initiatives in the system, this year the social welfare system has faced a unique phenomenon it had not previously encountered. The economic recession that resulted from the pandemic and the massive unemployment that accompanied it have had a deleterious effect on the incomes of hundreds of thousands of families over a period of many months. The main victims are populations with a weak labor market status who have few support systems and little economic cushion. As will be discussed, this is particularly true of younger workers. Moreover, the social distancing and quarantine that has been imposed on various groups in the population, and primarily the elderly, the ill, and those with serious disabilities, has exacerbated their distress. The response of the social security and social welfare systems to this reality and the attempt to provide a safety net and assistance to those returning to the labor market constitute a formidable task that requires not only significant resources but also modifications to the existing systems in order to meet the new challenges and to find solutions to an unexpected reality. Even after the expansion of these systems and their level of generosity, the response is clearly insufficient and does not encompass all victims of the pandemic and the economic crisis. It is already clear that the adverse effects of the crisis will be felt for a long time and that they are likely to increase the incidence of poverty and worsen inequality — two facets of Israeli society that were exceptionally high prior to the crisis (OECD, 2020).

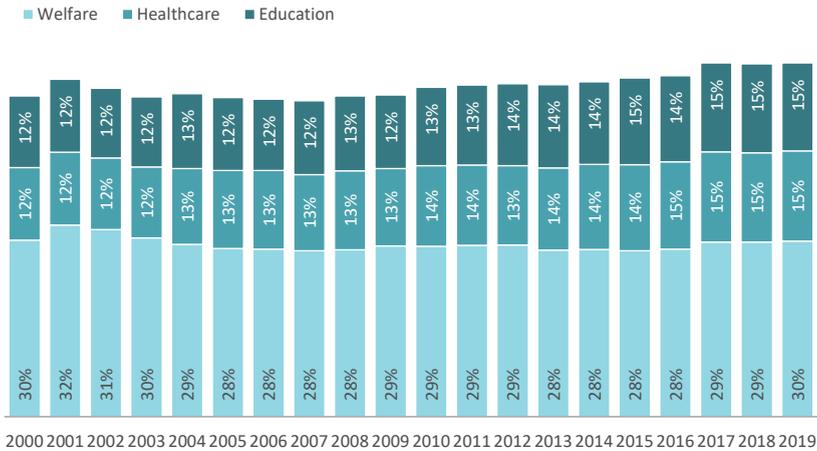
In this chapter, we describe the response of the social welfare system in Israel to the social reality created in 2020 by examining the social welfare policy over time and in comparison to other countries. In addition, we highlight the impact of the crisis using available preliminary data. We first present the

data for social expenditure and how it changed during 2020. Following that, we focus on the main social welfare policies adopted this year following the onset of the coronavirus pandemic by examining the activities of the National Insurance Institute, the Ministry of Finance, and other relevant ministries. We then examine the implications of the crisis for Israel’s citizens and, in particular, the young. Finally, and as in previous reports, we present an update on the implementation of the recommendations of the Elalouf Committee for the War Against Poverty.

### Social expenditure before and during the coronavirus crisis

In 2019, a year in which Israel was characterized by political instability and the absence of a clear economic policy, overall social expenditure was basically unchanged relative to the two preceding years (Figure 1). The social expenditure in that year totaled about NIS 251 billion, of which about NIS 124 billion was devoted to welfare (about NIS 19 billion to social services and about NIS 106 billion to social security).

**Figure 1. Social expenditure in Israel by category**  
As a percentage of total government expenditure

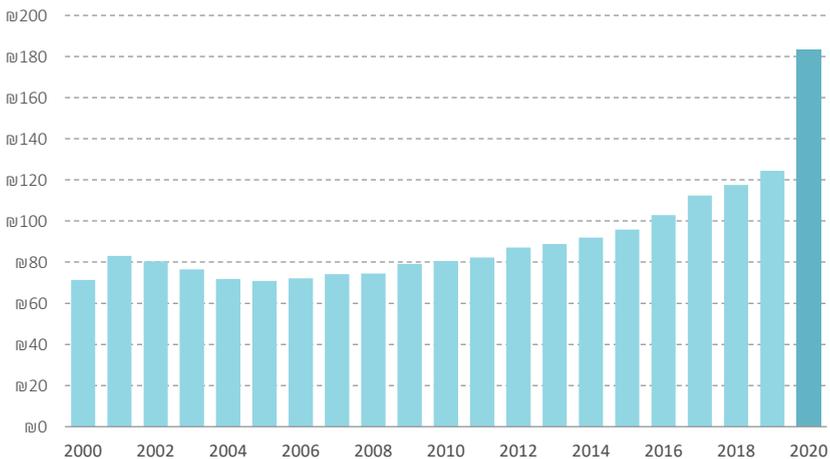


Source: John Gal and Shavit Madhala, Taub Center | Data: Ministry of Finance

Figure 2 clearly shows the dramatic change in the trend of expenditure on welfare in Israel. The economic and social impact of the coronavirus crisis and the social welfare policy in response to it are clearly visible in the budgetary additions in 2020. On the basis of the NII expenditure data and the planned allocations, we estimate that the budget expenditure on welfare in 2020 will reach about NIS 183 billion — NIS 58 billion more than in the previous year. Of that, about NIS 7 billion represents a natural increase in the budget (on the basis of the growth in the budget from 2018 to 2019) and an addition of about NIS 900 million following an agreement with people with disabilities to raise the level of their cash benefits, while the rest — about NIS 50 billion — is composed of budget additions to deal with the coronavirus crisis. Overall, this represents a 47 percent increase in welfare expenditure, as compared to about 6 percent in the previous year.

**Figure 2. Expenditure on welfare in Israel**

NIS billions, 2019 prices



Source: John Gal and Shavit Madhala, Taub Center | Data: Ministry of Finance

## Social investment versus social protection

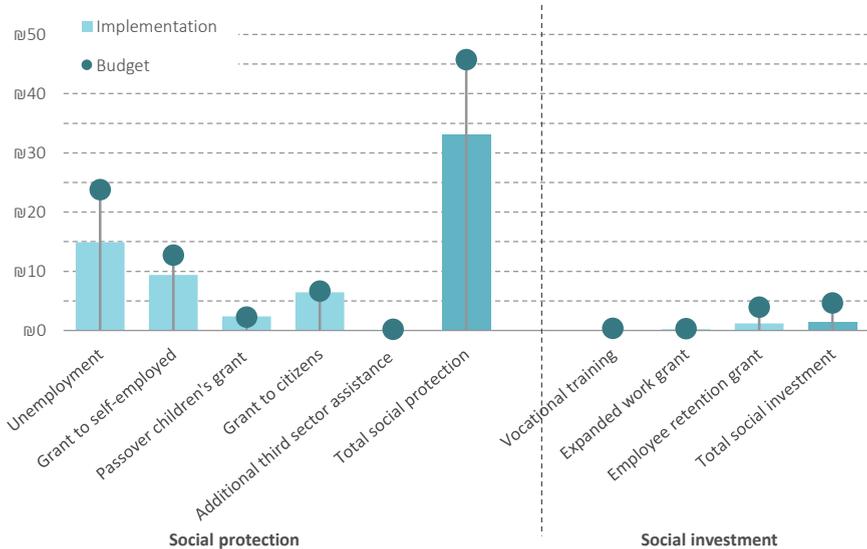
Not only did the expenditure on welfare in 2020 increase significantly, but the characteristics of that increase represented a deviation from recent trends, which reflected a balance between the components of expenditure focusing on the present and those focusing on the future. This is based on the distinction between expenditure for social protection, namely responses meant to ease financial and social distress in the present, and expenditure intended as social investment to help individuals develop their skills and human capital so as to better integrate into the labor market (Gal, Madhala & Yanay, 2020). During the past decade, there has been a major increase in social expenditure in Israel for purposes of social investment; however, the current crisis has led to a dramatic turnaround in this trend. Most of this year's additional social expenditure is directed at strengthening the safety net for individuals in the present and only a small share is directed to nurturing and upgrading employment skills for the future. Figure 3 presents the welfare expenditure on the assistance program in response to the coronavirus crisis, broken down according to expenditure characterized as social protection and expenditure characterized as social investment.<sup>1</sup> The graph shows a large gap between expenditure on social protection, which provides a safety net and which totaled about NIS 46 billion in terms of planning and about NIS 33 billion in terms of execution (up until the end of October), and expenditure on social investment, which in terms of planning stood at about NIS 4.7 billion, but was only NIS 1.5 billion in terms of execution (up until the end of October). The implication is that, as of now, even the modest budget that was allocated for investment, such as vocational training and expansion of employment programs aimed at specific populations, has hardly been used, despite the declarations of economic policy makers.

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1 It is worth mentioning that the assistance program includes other items that are not related to social welfare and are not included in the above analysis, such as grants to businesses and exemptions from municipal taxes for businesses.

**Figure 3. Expenditure on welfare within the assistance program in response to the coronavirus crisis, by category**

NIS billions



Note: The data are up to the end of October 2020.

Source: John Gal and Shavit Madhala, Taub Center | Data: Ministry of Finance

## Social policy during the coronavirus crisis

### An international comparison

As in Israel, policy makers in other welfare states have chosen to invest primarily in social protection during the crisis, employing a wide variety of policy tools (ILO, 2020a). This is intended to ease the distress of individuals, while at the same time encouraging them to return to the labor market. The policy measures adopted in each country diverge due to the nature of the countries' social security systems, the characteristics of their labor market, and political and conceptual considerations. Nonetheless, the process was also characterized by rapid cross-national learning during the initial months of the crisis. An examination of the policy adopted in the various welfare states, including Israel, highlights two of these trends: the similarity between the measures adopted alongside a certain amount of variation across countries.

As can be seen in Table 1, almost all of the countries surveyed made adjustments to their unemployment insurance program during the coronavirus crisis. Nevertheless, the scope of the adjustments and also the extent to which the program served as the main policy tool to deal with the social and economic impact of the crisis differed from country to country. In Israel, the adjustments were on a particularly large scale (see below for further details). This is related both to the fact that the Israeli unemployment insurance program prior to the crisis was “lean” in that it offered limited protection and support to the unemployed, and the fact that it has become the main safety net during the crisis. Two countries that took a similar route are the US, in which the Congress adopted legislation that lengthened the period of eligibility for unemployment insurance and increased the unemployment insurance benefits by \$600 per week, and Spain, in which the conditions for eligibility for unemployment insurance were temporarily canceled and the program was expanded to include domestic workers. In contrast, in other countries, such as France, the changes in the unemployment insurance program were marginal and focused primarily on lengthening the period of eligibility or shortening the required qualification period for eligibility for unemployment insurance benefits. Unlike Israel, in which workers on unpaid leave received unemployment insurance, in the social democratic welfare states (Sweden and Denmark), in the conservative welfare states (Germany and France), and even in the UK, greater emphasis was placed on compensation through employers. In these countries, part of the employees’ wages were paid for even during their leave of absence from work, in order to maintain the continuity of their link with the labor market. Thus, for example, in Denmark, the state covered 75 percent of the salaries of furloughed employees if the company was forced to reduce its total manpower by at least one-third, while in Germany the *Kurzarbeit* program allows businesses to reduce the work hours of their employees (instead of firing them), and in exchange, they receive government funding in the amount of 60 to 70 percent of the salaries for the work hours that were cut, which is then passed on to the worker.

Only a few of the surveyed countries adopted one-time assistance payments to individuals during the crisis. In the US, the federal government distributed an amount of \$1,200 to every adult resident who earned an annual salary of up to \$75,000 and \$500 for each of their children. In Italy, the government adopted a similar program of assistance but only for workers in specific sectors (such as domestic workers) who were not eligible for

unemployment insurance. Israel adopted this policy tool in two rounds (see below for further details). Unlike in the welfare states, in many developing countries that lack an unemployment insurance scheme with broad coverage of the population, selective safety nets were the main tools for dealing with the coronavirus crisis (Gentilini, Almenfi, Dale, Lopez & Zafar, 2020). Apart from Spain, which allocated additional resources to its welfare services and to assistance payments, none of the surveyed welfare states, including Israel, made significant adjustments to programs of this type and they acted as a system aimed solely at the unemployed who are not eligible for unemployment insurance payments for one reason or another. With respect to workers who were forced to be in quarantine as a result of infection or suspected infection, the welfare states either made use of existing sick pay programs (as in the case of Germany, Denmark, Sweden, Israel, and the UK), modified those programs (as in the case of France and the US) or modified the worker compensation program (as in the case of Spain).

**Table 1. A comparison of social protection policies during the coronavirus crisis**

	Extension of unemployment benefits	Extension of work subsidy programs	One-time, universal assistance programs	Extension of selective assistance programs	Direct assistance to workers/coronavirus patients	Economic assistance to the self-employed
ISRAEL	X		X		X	X
US	X		X		X	X
UK	X	X			X	X
Germany	X	X			X	X
France	X	X			X	X
Sweden	X	X			X	
Denmark		X			X	X
Spain	X			X	X	X
Italy	X				X	

Source: John Gal and Shavit Madhala, Taub Center | Data: OECD Country Policy Tracker, The NII Safety Net

## The National Insurance Institute's safety net

In order to deal with the consequences of the coronavirus crisis, the government assigned the main responsibility to the National Insurance Institute (NII) for providing a safety net to the hundreds of thousands of individuals who had been laid off or sent on unpaid leave. The limitations of the unemployment insurance program and the huge burden of the claims that the NII officials were required to process impeded the functioning of the system, at least during the early part of the crisis. The months following the onset of the crisis were characterized by efforts to adapt the unemployment insurance program to the emerging reality and efforts to complement it with additional measures to provide a safety net to the general population, particularly in the case of individuals not eligible for unemployment insurance. These measures were required in order to modify the unemployment insurance program in Israel — which had been one of the less accessible and less generous programs relative to other welfare states — to the evolving reality. Among the measures taken:

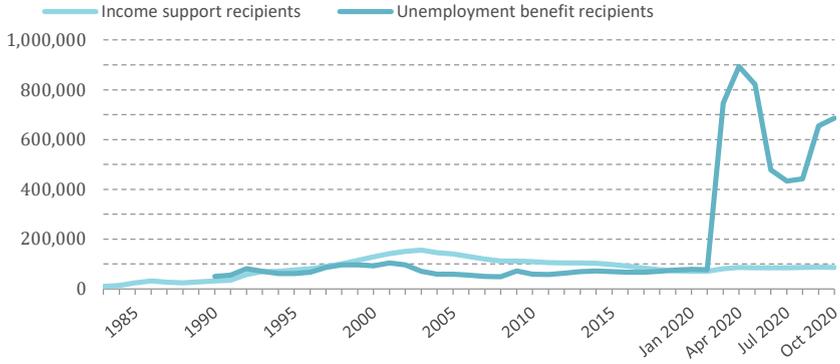
1. **The maximum period of eligibility.** Prior to the crisis, the maximum eligibility period for unemployment insurance benefits ranged from 50 to 175 days (according to age and number of dependent family members). A few months after the onset of the crisis, the eligibility period for all recipients was extended until the end of June 2021, both for individuals who had exhausted their period of eligibility in the months prior to the crisis and those whose period of eligibility was meant to end during 2020. The only qualification to this is that should the unemployment rate drop below 7.5 percent of the labor force, the extension will be terminated within 30 days.
2. **The qualification period.** Prior to the crisis, the qualification period (the period during which an individual had to have worked and paid the national insurance premium before being laid off) was 12 months and an individual who did not fulfill this condition was not eligible for unemployment insurance. This period has now been cut in half — to six months.
3. **Dual benefit payments.** In the past, there was no possibility of receiving multiple benefits. It has now been decided that an individual who receives other government cash benefits (such as the old age pension, alimony, income support, and general disability allowance) and was laid off or sent on unpaid leave as a result of the crisis could receive unemployment insurance and it will be considered as income.

4. **The waiting period.** The original unemployment insurance law specified a five-day waiting period in every four-month period. Thus, someone who was defined as eligible for unemployment insurance was forced to wait five days until receipt of the unemployment insurance payment at the beginning of the eligibility period and a similar period after four months had passed. Currently, it has been decided that the five-day waiting period at the beginning of the period of eligibility is sufficient.
5. **The age criterion.** The level of the unemployment insurance payment in Israel varied according to the beneficiary's age. An individual under age 28 received less than someone over age 28 (Gal & Madhala-Brik, 2016). It has now been decided that an individual younger than 28 with a child is eligible for unemployment insurance at a similar level to individuals over 28.
6. **Vocational training.** In 2002, it was decided to reduce the benefit level of unemployment insurance recipients participating in a vocational training program from 100 percent to 70 percent. As a result of the crisis, it was decided that individuals in vocational training will receive the full unemployment insurance payment.

In addition to these modifications, in November, the Knesset Labor, Welfare, and Health Committee approved a grant of NIS 2,000 for veteran unemployment insurance recipients during this crisis. Similarly, in order to encourage a more rapid return of unemployment insurance recipients to the labor market, the government introduced a grant intended to increase the income of unemployed individuals who return to the labor market at a lower wage than their previous one.

The rising unemployment and the modifications to the unemployment insurance program that were meant to provide a safety net to those hurt by the crisis led to a steep and exceptionally large increase in the number of unemployment insurance recipients, which was the largest since the program was introduced in 1973. The data in Figure 4 show an 13-fold increase in the number of unemployment insurance recipients — from a monthly average of about 70,000 in recent years to about 900,000 in April 2020.

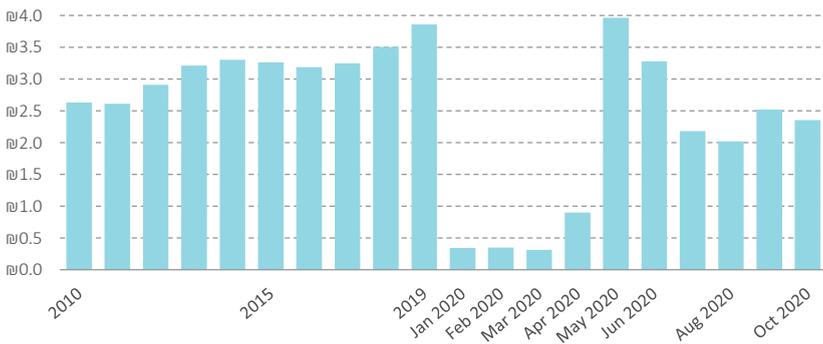
**Figure 4. Recipients of unemployment insurance benefits or income support**  
Monthly average



Source: John Gal and Shavit Madhala, Taub Center | Data: NII

This increase in the number of unemployment insurance recipients is also evident in the level of funding of unemployment insurance, which reflects this year’s exceptional reality. Thus, the total cost of unemployment insurance payments to eligible individuals during the first half of 2020 reached NIS 9.2 billion. The dramatic increase is well illustrated by the fact that the total expenditure of the NII on unemployment insurance during the month of May 2020 alone exceeded the expenditure during the entire year of 2019 (see Figure 5).

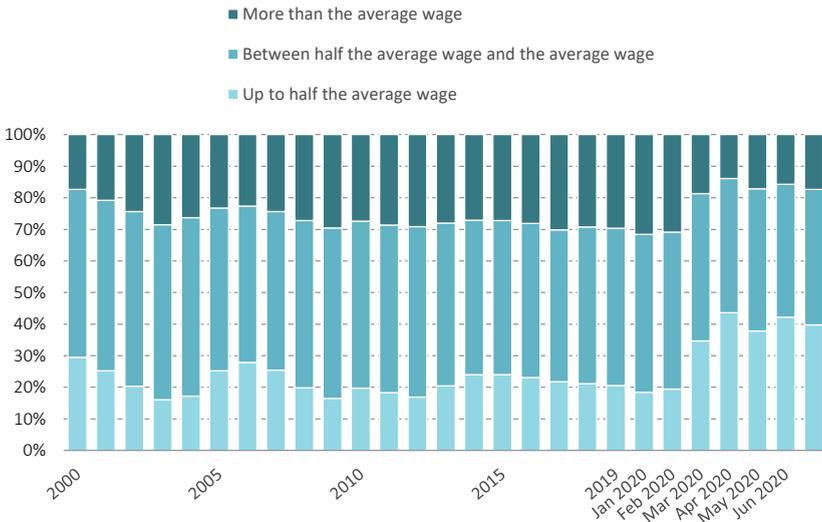
**Figure 5. Total expenditure on unemployment insurance**  
NIS billions, 2019 prices



Source: John Gal and Shavit Madhala, Taub Center | Data: NII

A breakdown of the recipients of unemployment insurance according to wage level (Figure 6) shows a change in their composition. Prior to the crisis, the share of unemployment insurance recipients whose wage was up to one-half of the national average stood at less than 20 percent while during the months of April–May it doubled to about 40 percent. This statistic reflects the adverse effect on employees in low-paying sectors (Heller, 2020), as well as low-earning employees in sectors that were less affected by the crisis (Ministry of Finance, 2020a). A breakdown of the unemployment data for June shows that even after the first month of the lockdown the unemployed were still characterized by significantly lower wages than those who remained employed (Ministry of Finance, 2020b). However, it should be taken into account that unemployment insurance does not fully compensate for the loss in wages. A Bank of Israel study revealed that the income from labor and from unemployment insurance of households that had at least one salaried employee prior to the crisis and at least one jobseeker during the month of June declined by about 20 percent (Bank of Israel, 2020).

**Figure 6. Recipients of unemployment insurance according to wage level**

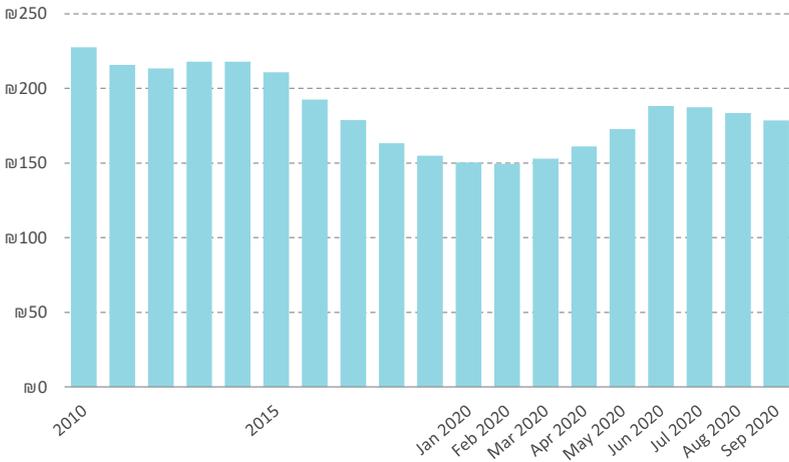


Source: John Gal and Shavit Madhala, Taub Center | Data: NII

The income support program — the traditional safety net of the social security system in Israel — did not undergo a similar increase to that in unemployment insurance. As seen in Figure 4 above, from the adoption of the income support benefit in 1982 and up until 2003 there was a continuous rise in the number of recipients, followed by a sharp decline (the result of cutbacks in the benefit level and eligibility requirements), which continued during recent years. With the onset of the current crisis, this decline has been curbed, and, as can be seen in Figure 7, there was somewhat of an increase in the number of recipients of income support benefits. However, the scope of the increase is unlike the dramatic jump in the number of unemployment insurance recipients. The number of income support recipients rose during the first few months of the year by only about 17 percent — from about 72,000 prior to the crisis to about 84,000 in April. Indeed, the average monthly expenditure on this program during the crisis is still lower than that during the first half of the 2010s. This is apparently related to the relative ease of access to unemployment insurance during this period, to the difference in levels of generosity between the programs, and to the stigma that receipt of the income support benefits carries relative to the normative image of unemployment insurance.

**Figure 7. Total income support payments, monthly average**

NIS millions, 2019 prices



Source: John Gal and Shavit Madhala, Taub Center | Data: NII

Alongside the expansion of the existing social security systems, the NII was responsible for the implementation of two rounds of government decisions to award universal one-time grants to a large share of the population, in April and in August. In the first round, parents with children received NIS 500 per child, up to a maximum of NIS 2,000 per family. The elderly also received NIS 500 while those with a low income received NIS 950. The recipients of subsistence allowances, i.e., income support, alimony and disability pensions, received a grant of NIS 500. In the second round, a one-time grant of NIS 750 was received by all residents aged 18 or older whose annual income did not exceed NIS 650,000. The recipients of the subsistence pensions (income support, alimony, general disability, and long-term nursing care) received a larger grant of NIS 1,500. In addition, parents of children up to the age of 18 received a grant of NIS 500 for each child up to the fourth and NIS 300 each from the fifth child. The total cost of the two rounds is estimated at NIS 9 billion.

Another interesting development involving the NII this year is the implementation of the agreement with the organizations representing persons with disabilities, which was signed in 2017 and was to be implemented in a number of rounds. In September, the government approved an addition of about NIS 900 million for 2020 which was a continuation of these agreements. As part of the agreement, it was decided to continue raising the level of the general disability allowance and to make changes to the disregard (the maximum income allowed that does not affect eligibility for the disability benefit) for those in the labor force. As the planned increase in the disability allowance was not implemented in 2020 due to the lack of an approved budget, it was decided that the NII would provide a grant to disability pension recipients in the amount of the addition that was agreed upon. The grant was provided in two rounds — in October and in December. Thus, for example, the recipients of a full general disability pension will receive a total of about NIS 2,280 this year. The implementation of the agreement in 2021 is meant to be included in the state budget for 2021.

# SPOTLIGHT

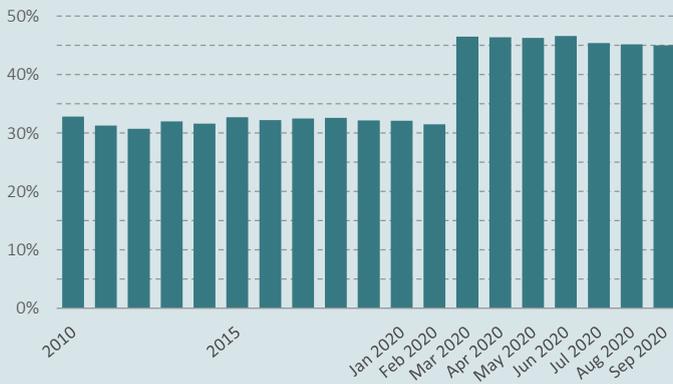
## Young adults during the coronavirus crisis

In Israel, as in the rest of the world, the young are the main casualty of coronavirus induced unemployment. This is due to their relatively weak position in the labor market, their tendency to be employed in sectors that have been particularly affected by the crisis, and the lack of an economic cushion in the form of savings. In contrast to the older unemployed, their access to the social security nets is limited in the various countries (ILO, 2020b). In Israel, it was clear from the beginning of the crisis that the employment of young adults would be more impacted. In April, which saw a peak in unemployment, about half a million young adults up to the age of 34 were registered with the Employment Service as jobseekers, out of a total of 1.15 million jobseekers. In other words, about 44 percent of all employed workers who had been fired or furloughed were young adults, while they only constitute about 38 percent of the labor force (according to the 2019 Labor Force Survey). Even after the first lockdown and the return to routine, there remained a particularly high share of young unemployed. The rate of unemployment in July among salaried employees who had been employed in the business sector prior to the crisis was particularly high among young adults and individuals without children (Bank of Israel, 2020).

The figures for unemployment insurance also indicate greater need among young adults. Almost one-half of the recipients of unemployment insurance during the crisis were under the age

of 35, as compared to about 30 percent during the decade prior to the crisis (Figure 8). In numbers, over 400,000 young adults received unemployment insurance payments in April and with the recovery of the economy and the return to routine that number fell to about 200,000 in July, while their share out of total recipients of unemployment insurance remained relatively unchanged.

**Figure 8. Share of unemployment recipients under the age of 35**



Source: John Gal and Shavit Madhala, Taub Center | Data: NII

The changes in unemployment insurance as a result of the crisis, such as equating payments for individuals up to the age of 28 with a child to those over the age of 28 and the shortening of the qualification period to six months, undoubtedly expanded the number of young eligible recipients and raised the benefits that they received; however, since about 85 percent of the applicants for unemployment insurance under the age of 28 do not have a child,<sup>2</sup> a large share of them are not benefiting from this expansion and as of now they are eligible for unemployment

2 Based on NII figures for unemployment insurance applicants during the period March 1, 2020 to May 10, 2020.

insurance benefits of between 25 and 65 percent of their wage, as opposed to between 30 and 80 percent for recipients over 28 or those with a child. With respect to the shortening of the qualification period, the NII figures for May indicate that about 16 percent of unemployment insurance recipients aged 20 to 27 fulfilled the shortened qualification period condition and without the change would not have been eligible for unemployment insurance benefits.

Despite the relative stability reflected in the share of young adults among recipients of unemployment insurance, the figures of the Employment Service for the months following the first wave of the crisis (May to August) with regard to new jobseekers and workers who returned to the labor market indicate relatively large fluctuations among young workers. Figure 9 presents the trends by age groups according to the two parameters. It can be seen that the share of new jobseekers up to age 34, which stood at about 47 percent of total registered jobseekers in March, rose somewhat during the period of the crisis up to October. In parallel to this increase, the share of young adults among workers returning to the labor market rose from 41 percent in March to 54 percent in August. This trend was halted in September with the imposition of the second lockdown, which led to a decline to about 42 percent in the share of young adults among those returning to work.

The high share of young people among both unemployment insurance recipients and new jobseekers registered with the Employment Service is evidence of the upheaval being experienced by young adults. The fluctuations in their share of those returning to the labor market is further evidence of this population's sensitivity to labor market policies adopted during this crisis. Nonetheless, their relatively high share among those returning to the labor market between the two lockdowns may indicate the greater ease with which they can return to work relative to other age groups.

**Figure 9. Breakdown of new jobseekers registered with the Employment Service and individuals returning to work by age group**



Source: John Gal and Shavit Madhala, Taub Center | Data: Employment Service

Yet, it appears that apart from the adverse effect on their employment situation, a large share of those young adults who were not sent on unpaid leave or fired experienced a drop in their wages. A survey carried out by the Israel Democracy Institute in June indicates that wages declined the most among the 18–24 age group — by about 53 percent relative to the sample average of about 34 percent (Aviram-Nitsan & Keidar, 2020).

In view of the persistence of the crisis, consideration should be given to its future impact on the younger adult population. A prolonged slump in employment, and the employment of young adults in particular, will have long-term effects, such as a reduction in employment experience and pension savings, given that saving at a younger age has the highest return and a large effect on the level of the pension paid out at retirement.

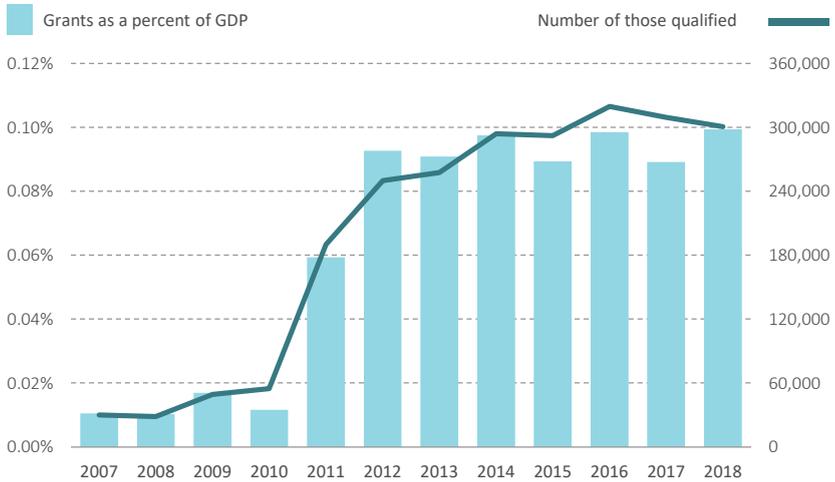
## **The Ministry of Finance during the coronavirus crisis: A safety net for the self-employed and grants for low-wage earners**

During the early months of the coronavirus pandemic, it was clear that the impact on the self-employed, freelancers, and small business owners would be particularly severe, due to both the effects of the economic slowdown and the lockdowns and the fact that they are not covered by the unemployment insurance program. Massive public pressure, including protest activity, led to the creation of a social safety net for this population as well. The safety net included a cash grant for the self-employed which is provided on a bi-monthly basis to self-employed individuals with an annual income of up to NIS 640,000 who were adversely affected by the crisis. Allocation for this funding was about NIS 12.7 billion and, as of October, about 74 percent of that (about NIS 9.4 billion) had been paid out. In addition, assistance grants were provided to cover some of the fixed costs of businesses whose turnover had declined, and an exemption from municipal taxes on businesses for a period of three months was provided to sectors that were particularly affected.

Another tool used to assist those workers whose employment has been adversely affected by the coronavirus is a grant for low-wage earners. This benefit is essentially an implementation of a negative income tax and is a way of increasing the income of low-wage earners with families. This program was introduced in 2011 by the Tax Authority (after a four-year pilot). The expenditure on the program as a percentage of GDP has been relatively stable in recent years at between 0.09 and 0.1 percent (Figure 10). The share of eligible workers who avail themselves of the grant is relatively low at 70 percent, a figure that has also been quite stable in recent years.

The grant is also one of the tools that is part of the government program to deal with the impact of the coronavirus crisis. As part of this program, it was decided to increase the grant by 62 percent for the months of April to December. The cost of this component of the program is estimated at about NIS 320 million, of which NIS 210 million was paid out by the end of October.

**Figure 10. Total grant payments as a percentage of GDP and the number of eligible workers**



Note: Data for 2018 are not final and are correct as of May 7<sup>th</sup>, 2020.

Source: John Gal and Shavit Madhala, Taub Center | Data: Ministry of Finance

## The Ministry of Labor, Social Affairs and Social Services

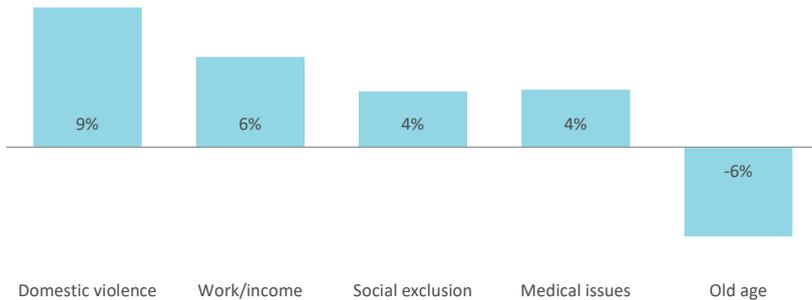
The responsibility for providing assistance to those affected by the coronavirus crisis was assigned to the Ministry of Labor, Social Affairs and Social Services and its social workers. At the same time, the Ministry, through its employment branch, was meant to take a leading role in the process of preparing the newly unemployed to enter the labor market and adapting their skills to match the labor market's needs. During the first six months of the crisis, the main effort was directed toward providing initial assistance to those harmed by the crisis and to adapting the systems operated under the responsibility of the Ministry in local municipalities and the various care institutions to the new reality. This task was particularly daunting in view of the rapid development of distress among the populations dealt with by the Ministry, the heavy burden that the social workers had to deal with, the difficulties being experienced by the non-profit organizations that provide outsourced social services to the Ministry's clients, and the need to adapt care institutions to the crisis and to take extraordinary precautionary measures to prevent infection among the elderly and those with disabilities.

During the early months of the crisis, the need for psychosocial support and material assistance from the social services departments in local municipalities rose. In July, a 47 percent increase was reported in the number of requests received by the departments relative to the previous July and there was an increase of 10 percent in the number of new requests from individuals who were previously unknown to the welfare authorities (Ministry of Labor, Social Affairs and Social Services, 2020). At the same time, there was a large increase in the reports received by welfare services of domestic violence during the crisis. The economic difficulties resulting from the lack of employment, the increased violence within the family due to financial difficulties and lockdown, and the difficulties facing the elderly in need of assistance who cannot leave their homes, are reflected in the number of active welfare cases in October 2020 versus December 2019 (Figure 11). An analysis of the data indicates an increase of 9 percent in the number of active cases of violence, from about 15,000 cases at the end of 2019 to about 16,500 cases in October 2020. There has also been an increase in the number of active case files related to work and income, social exclusion (see details in the figure), and medical issues. In contrast, the only area where there was a notable decline in the number of active cases in this period was among the elderly — from about 134,000 to 126,000 cases. This decline is clearly not indicative of an improvement in the quality of life of the elderly during the last year but more likely is due to limitations on their freedom of movement and obstacles to their actually getting to the social service offices.

Dealing with the new clients and the needs of those with disabilities, the sick, and the elderly confined to their homes or who live in institutions but are cut off from family support systems, has resulted in a particularly heavy workload for social workers and for the non-profit organizations that provide assistance or implement social programs. The workload is intensified by the frustration among social workers with respect to their working conditions and their unreasonable workloads, which undermined even more the already fragile financial situations of a large share of the non-profit organizations. On July 6<sup>th</sup>, social workers declared a strike that lasted 17 days. The agreement that was finally reached promised a coronavirus grant of NIS 9,000–11,000 per worker. Similarly, it was agreed that during the first months of 2021 a new salary agreement would be negotiated and that in July 2021 social workers would receive additional income totaling NIS 200 million. This is in addition to

the general salary increase to all public sector workers. Finally, it was decided to establish a secure environment for workers at a cost of NIS 70 million per year, which will be incorporated into the state budget.

**Figure 11. Rate of change in the number of active welfare cases by main area between December 2019 and October 2020**



Note: Social exclusion distress is related primarily to relations between parents and children, youth, and issues of social isolation.

Source: John Gal and Shavit Madhala, Taub Center | Data: Ministry of Labor, Social Affairs and Social Services

Regarding non-profit organizations, the government decided in May to establish an assistance fund for non-profit organizations in the amount of NIS 5.2 billion. The fund provided a one-time grant of NIS 400,000 to non-profit organizations requiring support. In the following month, it was agreed that the Ministry of Labor, Social Affairs and Social Services would provide additional assistance to non-profit organizations involved in social welfare and in assistance to disadvantaged populations in the amount of NIS 53 million.

### The social ministries

Aside from the Ministry of Labor, Social Affairs and Social Services, there are two other social ministries that are dealing with the effects of the coronavirus crisis. The first is the Ministry for Social Equality which promotes the interests of the elderly, the young, women, and minorities. As a result of the coronavirus crisis, the needs of these populations have grown and in particular those of the elderly. As a result, the Ministry received an additional budget of NIS 55.5 million in September that is intended primarily for the elderly in

the community. This includes an expansion of the assistance call-lines for the elderly; the expansion of psychosocial solutions for the elderly suffering from loneliness; the telephone mapping of the needs of about half a million elderly individuals; and the organization of activities in public spaces in a safe manner and according to the rules of social distancing.

In addition, the Ministry for Community Empowerment and Advancement — a new ministry established following the formation of the government in May — focused on the recruitment and management of volunteers. The Ministry has two main branches: one that deals with prevention and treatment of extreme phenomena (drugs, alcohol, and violence), and the other that deals with advancement of volunteerism and community building initiatives.

### The effects of the crisis on distress and poverty

In a situation in which almost one-quarter of the workforce in Israel has been without work and a source of labor income for an extended period and many of those in need of assistance from the welfare authorities are quarantined without a supportive social environment, it is only natural to see signs of deterioration in the economic, physical, and mental states of many individuals. The scope of the crisis' effects on the population has been estimated by various organizations. The NII has run a number of simulations to estimate the effects of the crisis on poverty and inequality. According to these estimates, in a situation with an average unemployment rate of 20 percent and in the absence of government assistance, there would be an expected rise in the incidence of disposable income poverty of about 14 percent (from 18 percent to 20.5 percent of families according to the CBS Household Expenditure Survey) to 30 percent (from 22.5 percent of families to 29.3 percent according to the administrative dataset).<sup>3</sup> This increase is cut in half by unemployment benefits and various grants provided throughout the crisis (up to May 2020). Estimates are that with the assistance the incidence of poverty will rise between 8 and 14 percent (to 19.4 percent and 25.6 percent of families according to the two sets of data, respectively). According to the NII simulations, even with

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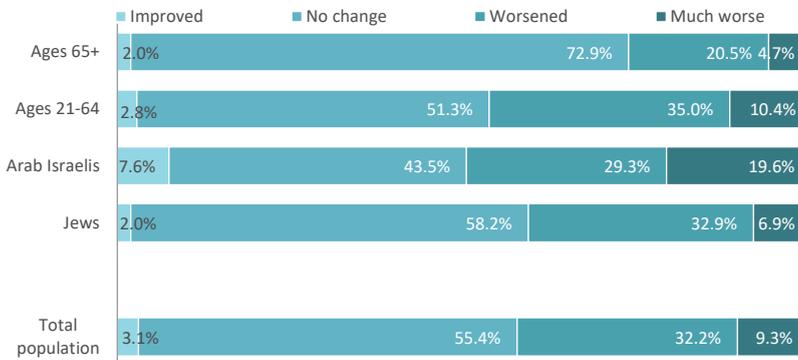
3 The ranges presented are from various simulations based partly on the CBS Household Expenditure Survey and partly on administrative data. According to the CBS data, the incidence of poverty among families is 18 percent while for simulations based on the administrative data, the incidence of family poverty is 22.5 percent. For additional details, see Endeweld, Heller and Karady, 2020.

unemployment insurance payments and grants, those primarily harmed by the crisis are working families, single-parents, and young families. The increase in the Gini index of inequality of disposable income is cut in half by benefits with an expected increase of between 1.5 percent and 4 percent (from 0.356 to 0.361, and from 0.405 to 0.420, according to the two sets of data, respectively) (Endeweld, Heller & Karady, 2020).

Surveys carried out by the Central Bureau of Statistics during the crisis provide a more comprehensive picture of its negative effects.<sup>4</sup> As shown in Figure 12, over 40 percent of the respondents to the survey in July reported a deterioration in their economic situation as a result of the coronavirus pandemic. Among the working age population (aged 21 to 64), a higher share reported a deterioration in their economic situation than among the 65+ population. It is reasonable to assume that this is related to the fact that a low share of the older adult population are still in the labor market or have income that is dependent on the labor market, and those who continue to work tend to be in more senior positions that have been less affected and their economic situation has not been as impacted. In the Arab Israeli sector, a large share of the respondents — almost 20 percent — reported that their economic situation is particularly grave, relative to about 7 percent in the Jewish sector.

**Figure 12. Change in economic situation as a result of the crisis**

**Ages 21 and over**



Note: The estimates for the share of those who reported that their situation had improved have a relatively high sampling error and therefore a low level of reliability.

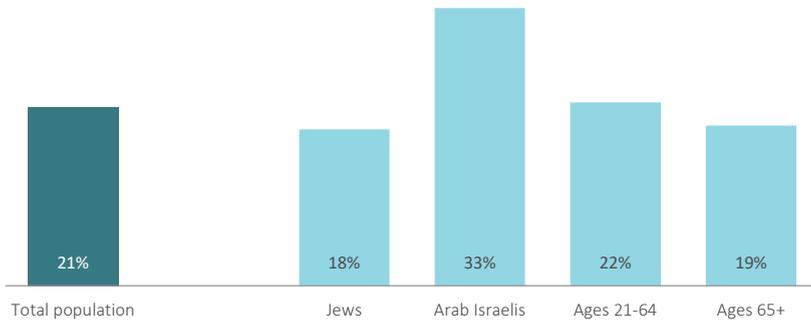
Source: John Gal and Shavit Madhala, Taub Center | Data: CBS, Survey of the Civilian Resilience, July 2020

4 The Survey of the Civilian Resilience During the Coronavirus Crisis was conducted in April, May, and July among respondents aged 18 or over. About 2,300 individuals were contacted in July, of which 1,400 responded.

The reduction in income as a result of the crisis has had an effect on the standard of living of much of the population, as well as on their fears for the future and their emotional state. Figure 13 shows that 21 percent of the respondents or someone in their household cut back on their food consumption or their number of daily meals as a result of the crisis. Here also the effect on the Arab Israeli population has been greater.

**Figure 13. Share of individuals who have cut back their food consumption or their number of meals as a result of the crisis**

Ages 21 and over



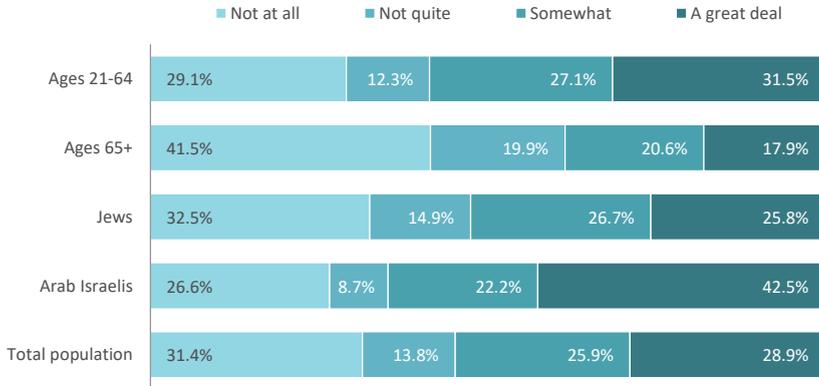
Source: John Gal and Shavit Madhala, Taub Center | Data: CBS, Survey of the Civilian Resilience, July 2020

As shown in Figure 14, there is concern about an inability to cover expenses among more than half of the population (about 29 percent “*a great deal*” and about 26 percent “*somewhat*”).<sup>5</sup> This concern is greater among Arab Israelis than Jews and among the 21 to 64 age group relative to the 65+ age group.

5 According to the data from the 2019 Social Survey, which asked a similar question, about 6 percent of respondents answered that “*they are not managing at all*” to cover their monthly expenses and 24 percent answered that “*they are not quite managing.*”

**Figure 14. Fear of not covering expenses**

Ages 21 and over



Note: The estimates for the share of Arab Israelis who answered “not quite” have a relatively high sampling error and therefore have a low level of reliability.

Source: John Gal and Shavit Madhala, Taub Center | Data: CBS, Survey of the Civilian Resilience, July 2020

The implications of the crisis can also be seen in emotional parameters. About 42 percent of the population reported that they are experiencing a feeling of pressure and anxiety and about 26 percent reported that their emotional state had deteriorated or deteriorated to a great extent during the crisis.

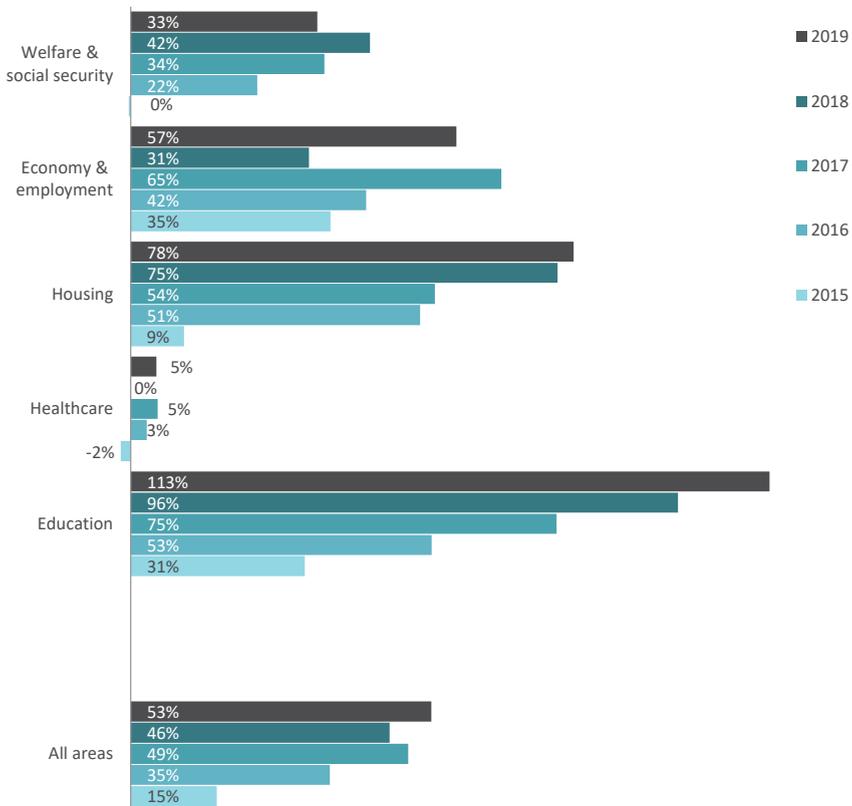
### Monitoring the recommendations of the Elalouf Committee

In 2014, the Committee for the War Against Poverty in Israel (the Elalouf Committee) published comprehensive recommendations for reducing the incidence of poverty in Israel within a decade, that is, from 19 percent of households in 2012 to the average level in the OECD countries of about 11 percent (Elalouf Committee Report, 2014). The Taub Center has been following the implementation of the Committee’s recommendations for about five years, since they were approved by the government. This process shows that the additional expenditure on the areas included in the Committee’s final recommendations stood at about NIS 3.9 billion in 2019, which is about 53 percent of the annual expenditure that was recommended by the committee (NIS 7.4 billion) (Figure 15). During the last two years, there does not appear to

have been any significant increase in the expenditure devoted to implementing the Committee's recommendations; in fact, in the area of welfare and social security there has been a drop in expenditure.

The Committee's recommendations refer to a number of programs including the Savings for Every Child program, although this program was not allocated a budget and was not included in the overall budgetary calculations. The inclusion of the additional expenditure for this program would increase the total addition devoted to the implementation of the Committee's recommendations to about NIS 7.5 billion in 2019.

**Figure 15. Additional expenditure for the implementation of the recommendations of the Elalouf Committee for the War Against Poverty**



Source: John Gal and Shavit Madhala, Taub Center | Data: Ministry of Finance, State budget, various years

## Conclusion

The year 2020 was an outlier — a year in which the Israeli welfare state was forced to deal with illness, unemployment, and distress on an unprecedented level. The health and economic crisis required that the state's systems invest significant financial resources in order to provide solutions for hundreds of thousands of those harmed by the pandemic. Following several years of stagnation in social welfare spending, this year witnessed a dramatic increase in welfare expenditure of NIS 58 billion relative to the previous year, a growth rate of 47 percent. The response to the crisis included an expansion and modification of existing programs, alongside the creation of new ones. The unemployment benefit program was at the center of the effort to mitigate the effects of unemployment on hundreds of thousands of individuals.

Despite the various programs implemented and the additional resources devoted to the effort, the data so far paint a picture of major distress among large groups in the population and particularly among young adults and marginalized populations. It is expected that the effect of the crisis will also contribute to an increased incidence of poverty and greater inequality, at least in the short run. The long-term effects of the crisis on the Israeli welfare state and on the welfare of its citizens are difficult to predict; but there is no doubt that they are largely dependent on the social policies that will be adopted by the government both during the crisis and after it has passed. In any case, any retrenchment of welfare budgets due to the pandemic and its repercussions, or because of political instability and the lack of an approved state budget for 2020, is likely to further hurt those vulnerable populations who will most need support as the crisis continues and in its aftermath.

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