



State Comptroller Of Israel | Special Report: The State of Israel's
Coping with the Covid-19 Pandemic | 2021

Welfare, Education, Health and
Employment Topics

Government Handling of the Unemployed during the Covid-19 Pandemic



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Background

The coronavirus, which spread across the world in 2019, caused widespread infection in Israel and triggered one of the worst employment crises in the country's history. Israel's employment rates fell significantly at the onset of the crisis, with hundreds of thousands of workers sent on unpaid leave or laid off. According to data from the Central Bureau of Statistics (CBS), GDP in 2020 declined by 2.6%. The government provided help to unemployed workers in two main ways: payment of unemployment benefits to an unemployed worker meeting the eligibility criteria established in the National Insurance Law [Consolidated Version] 1995 (the NII Law); assistance to unemployed workers in reintegrating into the job market. Under an Emergency Order from July 7, 2020, the period of entitlement to unemployment benefits was extended until June 2021. After completing the audit in February 2021, the Government decided, in July 2021, to extend the period of entitlement for persons aged 45 and over until December 2021¹.

1 The National Insurance Law (Amendment No. 225 and Emergency Order) 2021.



Key figures

**NIS 23.6
billion**

total unemployment benefits paid in 2020, more than six times the total in 2019

880,000

recipients of unemployment benefits in April 2020, more than 11 times the number of recipients in January of the same year

80%

of unemployed workers were satisfied to very satisfied with the service they received from the NII – according to a telephone survey conducted by the State Comptroller's Office in collaboration with the NII in September 2020, about half a year after the first lockdown

**Approx.
110
million**

number of visits to the NII's website in 2020, an increase of more than eight times over 2015

**NIS 923
million**

total cumulative debt of ineligible individuals who were overpaid unemployment benefits, from the start of the crisis until January 2021

51%

percentage of unemployed workers who reported to the Employment Service that they have no computer skills or only basic computer skills

34%


percentage of unemployed workers from the Arab community who reported to the Employment Service that they have only basic knowledge of Hebrew or have knowledge of languages other than Hebrew

37%

decline rate in the participants in vocational training programs funded or subsidized by the government, from 2019 to 2020 (from 11,000 to 7,000 participants)




Audit Actions

 From May 2020 to February 2021, the State Comptroller's Office audited the Government's handling of the unemployed during the Covid-19 pandemic. The audit examined the service provided to claimants of unemployment benefits and steps to reintegrate them into the job market. The audit was conducted at the National Insurance Institute, at the Employment Service, at the Labor Branch of the Ministry of Labor, Social Affairs and Social Services², and the Ministry of Finance. Supplementary audits were carried out at the Prime Minister's Office and the CBS. The interim findings of this report were published in September 2020³. As with every audit report issued by the State Comptroller's Office, this report was prepared using standard audit tools and based on information and documents collected from all the sources relevant to the audit topic. However, since this topic is of personal relevance to a large proportion of the public, the State Comptroller's Office saw fit to add to the standard audit tools two other tools that indicated public perceptions during the Covid-19 pandemic period: an analysis of the discourse on social media⁴, and a telephone survey conducted in September 2020 among unemployment claimants⁵.

Key findings



 **Negative incentive to return to work** – Among some unemployed, a negative incentive has been created to accept jobs offered to them. The high unemployment rate, coupled with the limited number of job vacancies in the economy, may cause many unemployed workers, including those who are not interested in returning to work due to the negative incentive, to remain unemployed for an extended period also after the

- 2 In July 2021, the Government decided (Decision No. 133) to transfer the Labor Branch to the Ministry of Economy and to change the name of the Ministry of Labor, Social Welfare and Social Services to the Ministry of Welfare and Social Affairs.
- 3 Special report – interim findings (2020), "Government handling of the unemployed and job seekers during the Covid-19 pandemic: receipt of reliable monthly data from employers on employee wages."
- 4 An examination and analysis of the discourse on social media about the service experience provided by the NII and the Employment Service in connection with unpaid leave and unemployment during the crisis period, comparing between the period prior to the Covid-19 outbreak (15.12.19-15.3.20) and the initial period of the crisis (15.3.20-15.6.20).
- 5 1,412 unemployment claimants responded to the survey out of a random sample of 2,366 claimants whose claims were handled during March 15-May 15, 2020, broken down into wage quintiles based on the wages reported in the unemployment claims. The survey was initiated by the State Comptroller's Office, which formulated the questions, and was carried out in Hebrew by the NII's Research Department.



unpaid leave arrangement has ended in June 2021 and perhaps even to become "chronic unemployed." This situation may hinder their reintegration into the job market.



Recommendations of the Public Committee for the Promotion of Employment in Israel by 2030 (the 2030 Committee) and the Task Force to Encourage Employment

–The 2030 Committee⁶ and the Task Force to Encourage Employment⁷ dealt with core issues, emerging from the employment crisis, crucial for bolstering the job market, but as of the audit completion date the recommendations of both forums had not been submitted to the Government for discussion. Additionally, it was found that by the audit conclusion date, no national strategic plan had been formulated for reintegrating unemployed workers into the workforce.



Government activity in the field of employment – In 2020, during the severe employment crisis, the activity of the two central bodies dealing with the unemployed – the Labor Branch and the Employment Service – contracted their actions, in terms of the number of participants in the programs of these bodies as well as the monetary scope. Thus, the number of participants in government funded or subsidized vocational training programs supervised by the Senior Department for Vocational Training and Manpower Development decreased by 37% between 2019 and 2020. Between these years, the number of participants in courses and vocational training programs of the Employment Service decreased by 40%. Considering that hundreds of thousands of unemployed persons are likely to remain out of work for an extended time, and given the disparities in skills discussed in this report, the reduction in activity in the field of employment may enormously diminish the chances of the unemployed rejoining the workforce.



Availability of the NII's telephone service during the Covid-19 pandemic period

– The NII's call center did not provide callers with quality service. The service level was significantly below the relevant KPIs (abandonment rate and waiting times). It was found that despite the addition of about 200 call center representatives and increased expenditure of NIS 36 million, the call center was still unable to cope with the incoming call load eight months into the Covid-19 pandemic. In October 2020, the average waiting time was 12 minutes – four times the time stipulated in the service agreement. In May 2020, the abandoned call rate was 37% of incoming calls. Between June and October 2020, the abandonment rate "stabilized" at 22%, exceeding by a significant four times the target rate of 5% set in the tender. An analysis of the discourse

6 The 2030 Committee operated in the years 2017-2019 and was tasked with formulating recommendations for increasing employment among populations that are underrepresented in the labor market and promoting those populations, improving workers' qualifications and market skills and strengthening the Government's preparedness for the changing labor market.

7 The Task Force to Encourage Employment – In July 2020, an inter-ministerial steering committee on employment was set up, headed by the then Director General of the Ministry of Finance and acting Director General of the Prime Minister's Office. The task force's summary report dealt with several topics, among them the "collection and cleansing of employment market data."



on social media showed a negative sentiment⁸ towards the NII call center in 100% of the posts.

Double registration procedure for unemployment benefits – Claimants of unemployment benefits were required to register twice, both at the NII and Employment Service. Double registration can delay payments and create problems in transferring information between the Employment Service and the NII. The audit found that up to December 2020, the NII and the Employment Service did not have a unified form for unemployment claims.

Central online apps suitable for unemployment claimants in the Covid-19 pandemic period – Online apps, such as forums and chatbots⁹, that could help improve the NII's online service for unemployment claimants in particular, and benefit claimants in general, are not included in the service provided by the NII to the public. Moreover, certain apps (such as the Personal Area¹⁰, which was visited about 47 million times in 2020) are not accessible in other languages.

Control over unemployment benefit payments – The percentage of those receiving unemployment benefits without the NII knowing whether they returned to work (individuals with whom contact has been lost) declined between November and December 2020 (from 29% to 15%), but their number remains high – more than 90,000 individuals. The NII paid unemployment benefits totaling NIS 380 million without knowing whether or not they are employed. The audit found that the Employment Service does not systematically contact all unemployed persons once a month to check whether they are still unemployed. Since the start of the Covid-19 pandemic until January 2021, the cumulative debt of ineligible individuals who were overpaid unemployment benefits has reached close to a billion shekels, averaging NIS 84 million a month. The rate of investigations by the NII declined from 0.8% in 2019 to 0.1% in 2020.

The NII's service strategy in the post-Covid-19 pandemic period – The use of services simultaneously in several channels results in a waste of the organization's resources and harms the quality of the service. It was found that NII customers who perform activities in the Personal Area use parallel service channels unnecessarily since the information they want already appears in their Personal Area. These customers create a load on other channels, adversely affecting the service for customers who cannot perform activities in the Personal Area for various reasons, such as lack of digital skills or language difficulties. Thus, according to NII data provided to the State

8 The discourse sentiment is derived from a qualitative analysis of the discourse on social media and expresses the degree of discourse positivity or negativity.

9 Chatbot – A person contacting a call center can converse or correspond with it, while actually communicating with an automated smart system (robot) rather than a human call center representative.

10 The Personal Area on the website can be used to obtain a wide range of information, as well as for submitting claims, including for unemployment benefits, and tracking their status.



Comptroller's Office in December 2020, in 2020, about 391,000 unemployment claimants contacted the call centers, of which about 331,000 (84%) visited their Personal Area in parallel.



Transfer of information held by the Employment Service on unemployed persons – As of the audit completion date, there is no mechanism for the regular transfer of data between the Employment Service, which has the most up-to-date database on the characteristics of unemployed persons, and the Labor Branch, which is the primary entity dealing with labor market planning.



Betterment of the Employment Service's database on unemployed persons – The information collected on unemployed persons in March – April 2020 – hundreds of thousands of people signed up with the Employment Service – was incomplete and did not include all the relevant details, such as education and previous employment history. This made it difficult to obtain a reliable picture of the characteristics of those signing up with the Employment Service, placing them in new positions or offering them vocational training. By November 2020, the Employment Service had not completed all the required information about the people who signed up for its services, and it does not have relevant information.



Upgrading the skills of unemployed persons – Approximately 335,000 unemployed persons reported to the Employment Service that they have no computer skills or only basic computer skills. However, between 2019 and 2020, the number of participants in courses for improving computer skills decreased from 2,283 to 1,888 (a drop of 17%). Furthermore, it was found that 34% of the 144,000 unemployed in the Arab sector reported that they have only basic knowledge or no knowledge (approximately 50,000), and 44% reported a high level of proficiency or native proficiency in Hebrew. However, in 2020 there were only 66 participants in the Employment Service's occupational Hebrew course, even less than in 2019, in which there were 98 participants.



Degree of satisfaction with the NII's handling of unemployment claims, as indicated by the telephone survey – In September 2020, about half a year after the first lockdown, 80% of unemployed workers were satisfied to very satisfied with the service they received from the NII (54% specified "satisfied" and 26% "very satisfied").

Employers' reports to the NII – Further to the recommendations by the State Comptroller in the interim report and by the Task Force to Encourage Employment, the NII and the Ministry of Finance acted during the Covid-19 pandemic to promote legislative processes. On November 19, 2020, some two months after the publication of the interim findings, an amendment was enacted to the National Insurance Law [Consolidated Version] 1995 requiring employers to submit to the NII a monthly online report as set out in the amendment, including the wage, job percentage, and classification of each employee. The amendment is effective by April 2021 for employers



with more than 180 employees and as of October 2021 for employers having up to 180 employees.

The Employment Service – In June 2020, after the Employment Service set up an outsourced call center and increased the telephone exchange capacity and the number of call center representatives, there was an improvement in the call center availability.

Key recommendations

- 💡 **Negative incentive to return to work** – It is recommended to give unemployed workers an incentive to rejoin the labor market, and upgrade the skills of recipients of unemployment benefits based on their personal characteristics, at least until they return to work.
- 💡 **Recommendations of the 2030 Committee and the Task Force to Encourage Employment** – It is recommended that the Government study the recommendations of Task Force to Encourage Employment and the 2030 Committee and decide which recommendations to adopt and accordingly prepare a national strategic plan for the reintegration of the hundreds of thousands of unemployed into the workforce. It is recommended as a preliminary step to set up a directors-general forum to implement the recommendations, as suggested in the Task Force to Encourage Employment report, by the government decisions. The adoption and implementation of the recommendations of the 2030 Committee and the Task Force to Encourage Employment can give a significant boost to policy-making on employment and enable better management of the exit from the employment crisis and dealing in the long term with the expected changes in the employment market.
- 💡 **The NII's service strategy in the post-Covid-19 pandemic period** – It is recommended that the NII consider its post-Covid-19 pandemic service strategy, emphasizing the integrated management of the service channels. In this context, it should reduce the number of parallel inquiries in the different channels and consider how to make as much personal information as possible accessible online – utilizing advanced apps and in other languages – to steer customers who are conversant with these means to the online service channels. This will allow the NII to focus its in-person and telephone services on customers who cannot use the online channels or did not receive a satisfactory response through these channels.
- 💡 **Transfer of information held by the Employment Service on unemployed person** – It is recommended that the Employment Service, the Labor, Branch and the NII in collaboration with the Prime Minister's Office and the Ministry of Finance, which led the Task Force to Encourage Employment, regulate the data transfer between the relevant bodies, to enable all the entities authorized to deal with unemployed persons.



If difficulties arise in reaching agreements, the instructions of the Attorney General should be followed in this regard.



Betterment of the Employment Service's database on unemployed persons –

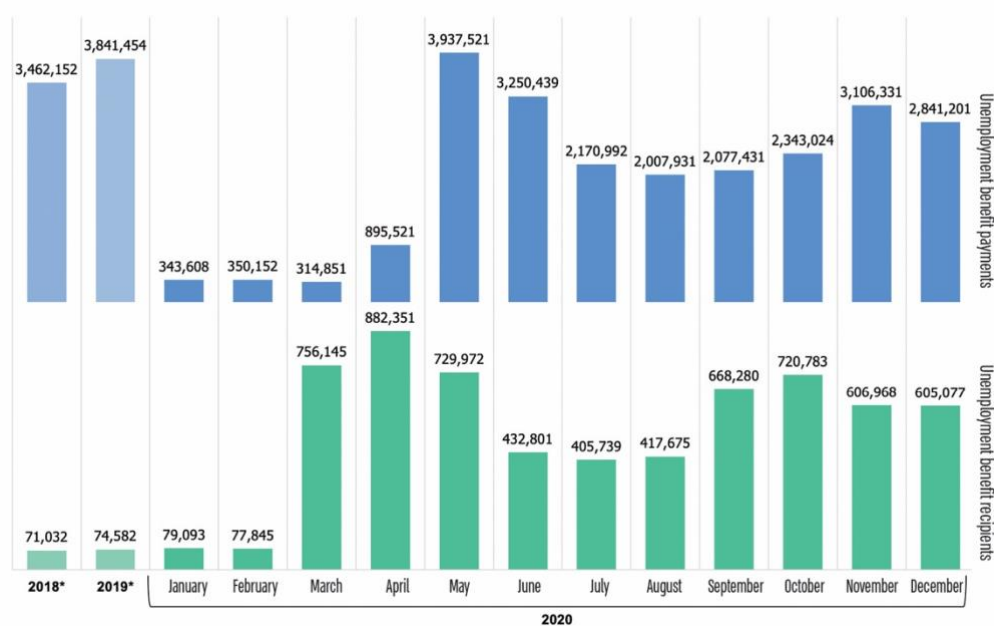
It is recommended that the Employment Service complete the missing information on unemployed persons, validate their answers, and consider updating the form for registering with the Employment Service to enable a more accurate employment characterization.



Upgrading the skills of unemployed persons – Given the disparities in computer skills and proficiency in the Hebrew language, and to integrate the unemployed persons with poor skills in the labor market, it is essential to give them an incentive to improve their skills during the period of entitlement to unemployment benefits. Accordingly, the Labor Branch and the Employment Service, in collaboration with the Ministry of Finance, should prepare an integrated plan, based on the data presented in the report and cross-reference of other administrative data, to provide an incentive to the population requiring immediate improvement in its computer skills and Hebrew language proficiency to do so during the period of receipt of unemployment benefits. It is appropriate that the ministries prepare the plan to consult with the local government and other relevant entities in the third sector that is familiar with the characteristics of the different populations and implement the plan in the geographical regions in which those populations live.



Development Recipients of unemployment benefits in 2020 by month compared with the monthly average for 2018–2019 and amount of unemployment benefit payments (in thousands)

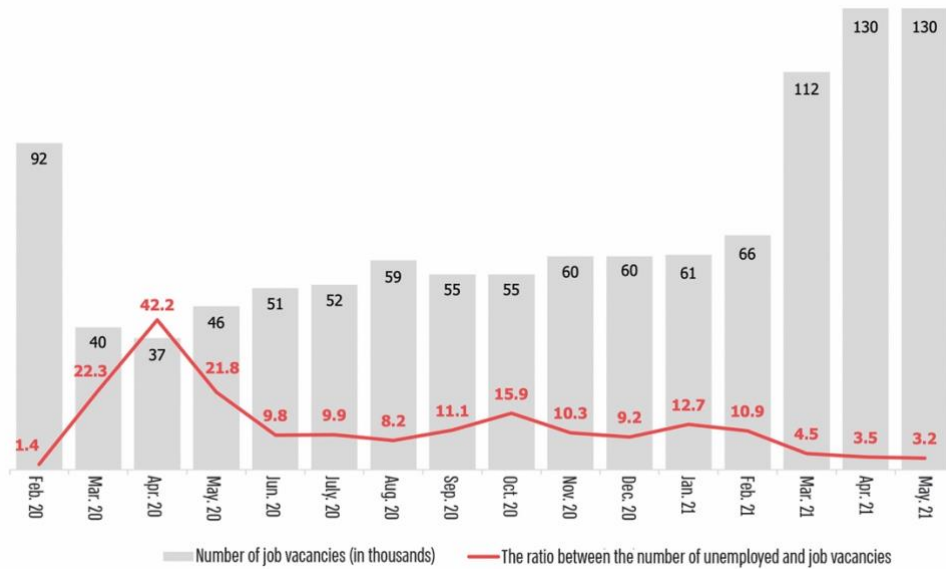


According to the National Insurance Institute data, Statistical Monthly – Unemployment, as processed by the State Comptroller's Office.

* Monthly average number of unemployment benefit recipients and amount of unemployment benefit payments.



Difference between number of unemployed and number of job vacancies, February 2020 – May 2021



According to data from CBS publications, as processed by the State Comptroller's Office.



Summary

The restrictions imposed by the Government in the wake of the covid-19 pandemic outbreak and the placement of employees on unpaid leave plunged Israel into one of the worst employment crises of its history. According to CBS data, in October 2020, about 16 unemployed individuals "competed" over each job vacancy in the employment market, 11 times more than in February 2020, on the eve of the crisis. This ratio began to decline in February 2021, with the economy's return to normal, reaching 3.2 in May 2021. However, at the same time, the number of job vacancies climbed to a record high of 130,000. In practice, the Covid-19 pandemic was a "pressure test" of sorts. In this sense, it exposed deficiencies in the quality of the NII's service to unemployment claimants and government actions to reintegrate the unemployed into the labor market, particularly in the cooperation between the three primary bodies: the NII, the Employment Service, and the Labor Branch. In this context, it was found that there are no mechanisms for the regular transfer of information between the different bodies dealing with employment. It further emerged that the issue of coordination between the Labor Branch and the Employment Service was the subject of disagreements already before the Covid-19 pandemic, and this situation worsened during the crisis. It is recommended to pool the bodies' resources dealing with the employment market under one organizational roof, thereby reducing the existing organizational fragmentation, which lessens the effectiveness of government activity. The importance of this step is highlighted given the contraction in the Labor Branch activity and the Employment Service in 2020, and given the negative incentive for unemployed workers to return to work or at least improve their skills due to the extension of the period of entitlement unemployment benefits.

