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Country's economic recovery will take years – Taub report

• By ZEV STUB

The economic effects of the pandemic will continue to be felt in Israel for a long time, with poverty levels growing, according to a report published by the Taub Center for Social Policy.

“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 report said. “The main victims are populations with a weak labor market status who have few support systems and little economic cushion. This is particularly true of younger workers,” as well as those close to or after retirement age.

While Israel’s unemployment rate was a healthy 3.4% at the end of 2019, that figure

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ballooned during the crisis, peaking at 22% in April. Projections show the full-year average to come in somewhere between 15% and 20%. Measures of inequality also rose an estimated 1.5% to 4%, the report said.

Returning to full employment will probably take a number of years. The Finance Ministry projects that the unemployment rate will range between 7.2% and 10.2% a year for a few years, and continue falling gradually after that.

Based on these figures, the National Insurance Institute estimates that poverty increased by 8% to 14%. Without unemployment payments and other welfare benefits, poverty could have grown by as much as 20%, the report said.

A survey conducted in conjunction with the report found that 21% of respondents said someone in their household was forced to cut back on food consumption or their number of daily meals as a result of the crisis. Among Arab-Israelis, that number reached as high as 33%.

Meanwhile, 42% of the population reported feeling pressure and anxiety and about 26% reported that their emotional state had deteriorated during the crisis.

The cost of unemployment and other welfare plans directly

related to the crisis was about NIS 50 billion, the Taub Center estimated. Israel’s expenditures on welfare probably jumped about 47% in 2020 to NIS 183b., the report said, although about 6% of that was attributable to non-corona factors.

The number of people receiving unemployment benefits spiked more than 1,100% as a result of the crisis, from about 70,000 people at the beginning of the year to as many as 900,000 in April. Unemployment payments were larger in May alone than they were for the whole of 2019.

Other welfare efforts also grew rapidly, including “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 wage subsidy program.” At the same time, investments in forward-looking job training programs declined, the report said.

Meanwhile, Israel’s GDP fell by about 3% for the first three quarters of the year, and probably 4.5%- 5% for the year. This could set Israel’s economy back by about six years, the report said.

The decline in GDP, along with declining tax revenues, means the government deficit will likely exceed the Bank of Israel’s forecast of 13% of GDP for the year. For comparison, last year’s deficit was 3.7% of GDP, which was higher than expected at the time.

Despite Israel’s massive emergency expenditures, “the response is clearly insufficient and does not encompass all victims of the pandemic and the economic crisis,” the report concluded.

“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 [already] exceptionally high prior to the crisis.”