The Israeli Plan
to Reduce
Income-Support Payments

Barbara Swirski

October 2000
Contents

A Global Trend To Reduce Welfare Payments
Israel Joins the Countries Cutting Back on Welfare Support
Income Support in Israel
Working Age Income-Support Recipients
Who are the Working-Age Recipients of Income Support?
Single-parent families
Workfare in Israel
Israeli Cabinet Decisions in August and September 2000
Vocational Training: Who Will Supervise the Supervisors?
Summary and Conclusions
Bibliography
A Global Trend To Reduce Welfare Payments

During the 1990s, the governments of several countries -- Australia, Belgium, Canada, France, Ireland, Holland, the United Kingdom, the United States, and others - - took steps to reduce the amount of money allocated to welfare. They did this, first, by tightening the eligibility criteria for welfare payments; and, second, by encouraging welfare recipients to go out and work. In the United States, this policy was dubbed "from welfare to work", or "workfare" in short.

The prime motivation behind the workfare programs was the desire to reduce welfare allocations. The public, however, was given a more altruistic explanation: the desire to improve the lot of those on the welfare rolls and help them break out of the "cycle of poverty."

Workfare programs combine the carrot and the stick. The biggest stick is the conditioning of further payments on participation in a program designed to bring the welfare recipients into the labor force. A 1996 law passed in the United States sets a 5-year limit on welfare support, and a 2-year limit for those who do not start working. English law requires that welfare applicants go in for an interview in which employment possibilities are explored. Another decision taken by the British government sets a 6-month limit on welfare payments for persons aged 25 or less.

The carrot, on the other hand, includes the possibility of continuing to receive welfare payments even after entering the labor force; basic education and job-training programs; ongoing professional support; and subsidies for various kinds of support programs, including child care. In the United States, England, and Australia, workfare programs also provide incentives to employers to hire former welfare recipients.

Governments tend to present workfare programs as a success story, primarily because they achieved their immediate goal -- reducing the budget for welfare payments. In the United States, for example, the number of recipients was cut in half within a few years (Besharov and Germanis, 2000).

On the other hand, the ability of workfare programs to put individuals (back) into the labor force is much less impressive: According to estimates by the OECD, only 5-10% of the participants in various welfare programs are employed as a direct result of those programs; the others, it is estimated, would have found jobs even without the programs (OECD, OECD Employment Outlook 2000: 8). In the United States, where the welfare rolls were halved within four years, no one can state definitively how much of this decline was due to workfare programs and how much to the booming economy. Critics of workfare note that a significant portion of the success of the programs can be attributed to the economic growth in countries where they were implemented. Where growth was low and unemployment high, on the other hand, workfare participants have had a hard time finding stable employment.

But even in countries enjoying significant economic growth, most jobs open to welfare recipients do not allow them to "break out of the cycle of poverty." In the United States, where there is full employment, the jobs found by most former welfare recipients were for unskilled labor -- positions with no job security and paying only a
minimum wage. This is primarily because most welfare recipients have little education and lack the skills needed for finding a better job.

Thus, despite the promise, workfare programs are not taking their participants out of poverty. A survey of programs carried out in Wisconsin between 1989 and 1997 reveals that while the number of welfare recipients decreased by two-thirds, the number of poor dropped by no more than about 12%. What's more, the survey showed a rise in the number of persons mired in deep poverty (having incomes totaling less than 50% of the poverty line): the proportion of food stamp recipients rose from 10% in 1989 to 32% in 1997 (Moore and Selkowe, 1999).

Another shortcoming of the workfare program is that welfare recipients absorbed into the job market often take jobs away from unskilled workers who are already there. The entry of new workers into low skilled jobs pushes out those who previously held these jobs, or lowers the wage and worsens the job conditions for all (Solow, 1998).

More specific criticism relates to women heading single-parent families. The need to work outside the home can detrimentally affect children who remain behind without proper supervision or child care. At least one study found that single mothers who participated in workfare suffered from both severe economic distress and a high incidence of depression (Selkowe and Neale, 1999).

Nobel Prize-winning economist Robert Solow contends that none of the workfare programs tried in the United States provides any basis for optimism concerning the ability of those on welfare to find a job, remain employed, and earn a decent living. According to Solow, the change brought about by workfare programs is not, as the slogan suggests, a move from welfare to work, but rather a move from welfare to unemployment or very low income (Solow, 1998).

Solow asserts that what is being done today to help welfare recipients enter the labor force is inadequate. In Solow's view, jobs must be created for them, whether by government incentives to private employers or by government projects in which welfare recipients are employed in community service at a subsidized wage. Solow also contends that one must recognize the fact that, in addition to a job, many welfare recipients will continue to need income-support payments. Indeed, data from 1999 indicate that the United States government spent $65 billion on assistance to low-wage earners -- more than the entire amount spent by that government on welfare payments prior to the 1996 law (Besharov and Germanis, 2000). In other words, workfare programs designed to reduce government spending could ultimately bring about increased spending.

One study in Wisconsin, which has the best known programs, concluded that in order to get former welfare recipients into jobs, the government cannot just toughen the welfare criteria. It must offer ongoing support, from the period of vocational training through preparation for employment to the end of the initial period on the job. Most workfare programs do not include such extended support.
Israel Joins the Countries

Cutting Back on Welfare Support

In 1999, the government of Israel decided to examine the possibility of reducing income-support payments and unemployment insurance.

The new policy focuses on only one group of those who receive income support -- those of working age. The idea is to push as many working age persons as possible into the labor force.

Most Israeli recipients of income support will not be affected by this measure because they cannot realistically be expected to enter the labor force: In 1999, out of a total of some 462,000 recipients of income-support payments (monthly average), 162,000 received old-age pensions, 35,000 received survivors’ pensions, 127,000 received disability insurance, and 23,000 received alimony payments from the state (some of whom were already working anyway). Only about 114,000 working age heads of households receiving income support were potential candidates to enter the job market that year.

The context for the Israeli workfare program is the sharp increase in the number of income-support recipients of working age over the past decade -- from 32,000 in 1990 to 114,000 in 1999.

Two main factors account for this increase: the large wave of immigration in the early 1990s, which continued at a slower pace throughout the decade, and unemployment, especially after 1996.

Income Support in Israel

Income-support payments are intended for Israeli residents aged 20 or older who lack a source of livelihood, or whose income is below the minimum defined by law. In general, someone who applies for income support must continue to search for a job through the Employment Service of the Ministry of Labor and Social Affairs, unless exempt by law (National Insurance Institute, 2000, *Statistical Quarterly*, vol. 30, p. 66).

Unlike unemployment compensation, which is based on individual earnings, income-support payments are based on household earnings.

There are three levels of income-support payments: a *regular payment*, made primarily to working-age recipients who are on income support for less than two years; an *enlarged payment*, made to working-age recipients on income support for more than two years, or aged 46 or older; and a *special payment to a single parent*, defined as the parent of a child under the age of 18 (ibid.).

The Single-Parent Families Law (1992) established a special payment for single-parent families: In March 2000, the special payment for a single parent with one child was NIS 2,526 monthly, a regular payment was NIS 1,733, and an enlarged payment was NIS 2,209.
Working Age Income-Support Recipients

Working age income-support recipients are the main target-group of Israeli workfare planners. As noted, this group includes about 114,000 households -- about a quarter of all those who currently receive income-support payments. The remainder of the paper will focus on this group.

As evident in the table below, the most significant increase in the number of working-age recipients of income support occurred during the largest wave of immigration from the former Soviet Union and Ethiopia: In 1992 and 1993, the number of income-support recipients of working age almost doubled. Since 1994, this number has steadily increased. The most recent increase derives not just from the arrival of new immigrants, but also from the growing unemployment in Israel, especially in labor-intensive branches of the economy.

Working-Age Recipients of Income Support

And the Rate of Increase, 1990-1998

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Working-Age Recipients</th>
<th>Annual Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>31,818</td>
<td></td>
</tr>
<tr>
<td>1991</td>
<td>34,725</td>
<td>9.1%</td>
</tr>
<tr>
<td>1992</td>
<td>58,187</td>
<td>67.6%</td>
</tr>
<tr>
<td>1993</td>
<td>69,774</td>
<td>19.9%</td>
</tr>
<tr>
<td>1994</td>
<td>70,888</td>
<td>1.6%</td>
</tr>
<tr>
<td>1995</td>
<td>75,311</td>
<td>6.2%</td>
</tr>
<tr>
<td>1996</td>
<td>81,340</td>
<td>8.0%</td>
</tr>
<tr>
<td>1997</td>
<td>89,383</td>
<td>9.9%</td>
</tr>
<tr>
<td>1998</td>
<td>100,000</td>
<td>11.9%</td>
</tr>
<tr>
<td>1999</td>
<td>114,089</td>
<td>14.1%</td>
</tr>
</tbody>
</table>
In 1999, NIS 2.5 billion was expended on income support for working age household heads. During the previous decade, 1989-99, these payments had increased by 73% (National Insurance Institute, 2000, *Annual Survey 1998/99*, p. 23). In the late 1990s alone, income support to the working age population increased by about 50%.

**Increase in Total Income-Support Payments to Working Age Households, 1990-1999**

<table>
<thead>
<tr>
<th>Years</th>
<th>Real Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990-1995</td>
<td>24.1%</td>
</tr>
<tr>
<td>1996-1999</td>
<td>48.7%</td>
</tr>
</tbody>
</table>


**Who are the Working-Age Recipients of Income Support?**

The primary reason that working-age people receive income-support payments is lack of employment (55%): this category includes households whose heads cannot be placed in jobs for various reasons (33%), unemployed heads of households who are no longer entitled to unemployment compensation (18%), and heads of households undergoing diagnostic testing or vocational training (2%) (National Insurance Institute, *Annual Survey 1998-99*: 90-91).

During the period of highest unemployment -- the 1992 and 1993 waves of immigration to Israel -- the proportion of income support recipients on the rolls due to lack of a job was particularly high: 70% and 66%, respectively. This dropped in 1994, but remained above 50%. In 2000, Israel experienced economic growth; if this growth continues, the proportion of persons lacking jobs will presumably decline, as those with education and marketable skills are absorbed into the labor force. On the other hand, persons with sparse education and few skills relevant for the growing (hi-tech) sectors of the economy will continue to need income support, unless they are taught marketable skills.

A large and particularly problematic group is composed of persons aged 45 and over, who account for some 42% of those of working age on income support (National Insurance Institute, 2000). At the current level of unemployment, the marketplace is virtually closed to them. For this reason, the Employment Service routinely records women over 50 and men over 55 as "not placeable." At the end of the period of their entitlement to unemployment compensation, they receive income-support payments -- until they reach retirement age and are entitled to an old-age pension. Even in the high-tech world, older employees often find themselves out of a job during periods of downsizing, i.e., they may choose or be forced into early retirement. Those who are
fired and have no savings or do not belong to a union that will fight for a generous pension package may find themselves on the rolls of income-support recipients.

In the current economic climate of Israel, workfare programs, regardless of how good they may be, will find it hard to place persons 45 years old and over in the work force, unless the government institutes community service projects or provides generous incentives to employers.

Proportion of Working-Age Recipients of Income Support
on the Rolls Due to Lack of Employment, 1985-1998

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>55%</td>
</tr>
<tr>
<td>1997</td>
<td>58%</td>
</tr>
<tr>
<td>1996</td>
<td>59%</td>
</tr>
<tr>
<td>1995</td>
<td>59%</td>
</tr>
<tr>
<td>1994</td>
<td>58%</td>
</tr>
<tr>
<td>1993</td>
<td>66%</td>
</tr>
<tr>
<td>1992</td>
<td>70%</td>
</tr>
<tr>
<td>1991</td>
<td>60%</td>
</tr>
<tr>
<td>1990</td>
<td>56%</td>
</tr>
<tr>
<td>1989</td>
<td>52%</td>
</tr>
<tr>
<td>1985</td>
<td>37%</td>
</tr>
</tbody>
</table>

Source: National Insurance Institute, Annual Survey, various years.

Based on the experience of other countries, it appears that a reduction in the ranks of working age recipients of income support requires economic growth that creates low-tech jobs. However, under conditions of chronic unemployment, tightening the criteria for financial assistance will not necessarily promote re-entry into the job market, and it will certainly deepen distress.
Single-Parent Families

Among working age recipients of income support, one group has dramatically grown in the last ten years -- single mothers. Women head 95% of single-parent households. Although there were single mothers in Israel before the recent wave of immigration, the population of new immigrants contains a particularly large proportion of solo mothers.

The role of immigration in augmenting the rolls of working-age recipients of income support is evident from the following table:

**Change in the Percentage of Working-Age Recipients of Income Support**

Who are New Immigrants and Non-immigrants

<table>
<thead>
<tr>
<th></th>
<th>Non-immigrants</th>
<th>Immigrants</th>
</tr>
</thead>
<tbody>
<tr>
<td>1993</td>
<td>9%</td>
<td>49%</td>
</tr>
<tr>
<td>1994</td>
<td>-2%</td>
<td>9%</td>
</tr>
<tr>
<td>1995</td>
<td>2%</td>
<td>13%</td>
</tr>
<tr>
<td>1996</td>
<td>4%</td>
<td>14%</td>
</tr>
<tr>
<td>1997</td>
<td>9%</td>
<td>11%</td>
</tr>
<tr>
<td>1998</td>
<td>15%</td>
<td>10%</td>
</tr>
<tr>
<td>1999</td>
<td>17%</td>
<td>8%</td>
</tr>
</tbody>
</table>


In the early 1990s, the greatest increase among working-age recipients of income support came from the population of new immigrants. Since 1996, the proportion of new immigrants added to the rolls of income support has declined; by 1999, immigrants comprised only some 40% of all recipients. Conversely, there has been an increase in the proportion of veteran Israelis of working-age who receive income support: since 1997, they account for a majority of new recipients of income support.

As noted, one group of new immigrants stands out among those receiving income support -- single-parent families. The influx of new immigrants increased not only the
proportion of single-parent families in Israel, but also public sensitivity to the special needs of these families. This was manifested in the Single-Parent Families Law (1992), which increased the proportion of single-parent families of working age who received income-support -- from 27% in 1992 to 37% in 1999. In absolute terms, this was an increase of 270% -- from 15,507 families in 1992 to 42,019 families in 1999 (National Insurance Institute, 2000).

Proportion of Non-immigrants/New Immigrants Receiving Income Support

Due to their Status as One-parent Families, 1990, 1995, 1999

<table>
<thead>
<tr>
<th></th>
<th>1990</th>
<th>1995</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-immigrants</td>
<td>100%</td>
<td>54.4%</td>
<td>39.3%</td>
</tr>
<tr>
<td>New Immigrants</td>
<td>0%</td>
<td>45.6%</td>
<td>60.7%</td>
</tr>
</tbody>
</table>

Source: Data provided by the National Insurance Institute, September 2000.

The table above indicates that in 1999, 60.7% of the heads of single-parent households who received income support (25,503) were new immigrants.

Women who headed single-parent households, whether new immigrants or veterans, benefited from the Single-Parent Families Law (1992). One of the provisions of this law is that a single mother with a child under the age of 7 is entitled to income support without having to prove that she tried to find a job. Upon passage of this law, the number of non-immigrant single mothers receiving income support increased by 15% in each of the two years 1992 and 1993. Since then, their number has grown by an average of about 5% a year. This increase may have been one of the factors leading to the desire of the Ministry of Finance to effectively cancel the Single-Parent Families Law: As we shall see below, according to a recent government decision, recipients of income-support payments will have to pass a means test to receive additional benefits.

[Note: Due to public opposition, to which this report contributed, the change was rescinded.]

The most common basis for single mothers’ receipt of income-support payments is their having children under the age of 7 (47%). The second most common basis (26%) is low wages.

Every attempt to reduce income-support payments to single mothers must be weighed against the alternative. One can reasonably assume that most of these mothers would like to work, but cannot earn enough to pay for child care. If the state wants to encourage these women to enter the job market, it must pay for child care from public funds. If not, it is doubtful that the savings in income-support payments justify the expected neglect of babies and young children.
Workfare in Israel

Over a year ago, the Israeli government decided to cut back on mounting payments for income support. The first step was to convene a committee of directors-general from the Ministry of Labor and Social Affairs, the Employment Service, the National Insurance Institute, and the Finance Ministry to formulate recommendations for conducting "an experiment to enhance the efficiency of the employment test to determine entitlement to unemployment compensation and income-support payments by introducing competition into this field" (Meirav Shaviv, 1999). A delegation from this committee visited the United States, Holland, and Denmark to study the workfare programs in these countries. The impressions of this delegation were summarized in a report bearing the optimistic title, "From Ensuring Income to Ensuring Employment."

The report cites two groups that are over-represented among income support recipients in Israel: individuals who are "not placeable" in the job market and single mothers. According to the report, those "not placeable" account for some 40% of the recipients of income support. They constitute a diverse group, including persons aged 46 and up, handicapped people, drug abusers, and alcoholics. Single mothers, as noted, constitute 37% of households receiving income support.

Recipients of income support are automatically entitled to additional benefits, such as rent and day care subsidies and discounts on health insurance and municipal taxes. The report contends that the combination of income support and linked benefits creates a negative incentive to look for work. As a result, the report claims, those who receive income-support payments become trapped in poverty.

In light of the recommendations of the directors-general committee, a new committee was established in March 2000, headed by Yossi Tamir, former Director-General of the National Insurance Institute, with the mandate of developing operational principles for an Israeli workfare program. At the time of writing (September 2000), the Tamir Committee has not yet published its recommendations.

Israeli Cabinet Decisions in August and September 2000

Although the Tamir Committee has not yet formulated its recommendations, the Israeli Cabinet made a number of decisions in August and September 2000 that constitute virtual adoption of some of the conclusions of the directors-general committee.

According to Cabinet Decision #2195, the Ministry of Labor and Social Affairs, in coordination with the Finance Ministry, is to launch a program in 2001 designed to "increase the ability of income-support recipients to become part of the labor force." To last three months, it is slated for persons who have received income support from the National Insurance Institute for more than three consecutive months. For those assigned to the program, participation will be a condition for continued receipt of income-support payments.

*It is doubtful that a three-month training program can provide people who dropped out of the work force (or have been unemployed for an extended period of time) with the skills necessary to re-enter the*
Decision #2195 also resolves that in 2001, the adult education course for completing high school, conducted by the Ministry of Education, will be expanded to include job seekers entitled to income-support payments. The current program is intended for residents of development towns and Arab municipalities, where the matriculation rate is low. In 1998, some 2,300 people attended this course; this is to be increased by 2,000 following the Cabinet decision.

*Providing a course to complete one's education is undoubtedly helpful to those without a matriculation certificate. The budget allocation for the program could not be located in the proposed budget for fiscal 2001.*

According to Decision #2195, the Israeli workfare program will include "one or more of the following components: vocational guidance, basic education equivalency courses, basic skills training, job-search assistance and job-skills training, trial period jobs, community service or sheltered workshop training, or occupational rehabilitation."

Participants in the program will be entitled to transportation subsidies, and those with children will be entitled to child care subsidies during program hours.

*The details of this program have yet to be worked out by the Tamir Committee. The 2001 state budget proposal contains an allocation of NIS 100 million for its implementation.*

**Decision #2198** states that the Israeli workfare program will be managed by non-governmental bodies, but monitored and supervised by the government.

*This decision was made as a result of dissatisfaction with the Employment Service of the Ministry of Labor and Social Affairs and in the context of the ideology currently prevailing among Israeli policymakers that private services are more efficient, by definition, than public services.*

*However, no economic theory posits that private management is necessarily better than public management, and no evidence from the field proves it. What's more, there is no reason to assume that government supervision of private companies will be superior to current government supervision over the public Employment Service.*

**Decision #2197** asserts that changes must be made in the laws, regulations, and procedures related to exemptions and discounts in housing, education, and municipal taxes, so that income support recipients will no longer be automatically entitled to the benefits they currently receive. As of 2001, income support recipients who apply for other benefits are to undergo a means test, with income-support payments counted as income, like any other.
**Decision #2356** from September 2000 modifies the August decision: New immigrants will be exempt from the means test with regard to rent stipends.

Following the public protest aroused by this position paper, the change was rescinded for single mothers, who will continue to be exempt from the means test and will continue to receive additional benefits.

Regarding single mothers, if policy makers wish to encourage them to work outside the home, they should do so while protecting their entitlement to income support even after they have entered the labor force, and safeguarding their entitlement to other benefits as well. Payments and benefits should be reduced gradually, in accordance with the level of income and job security of each individual.

**Decision #2196** relates to professional training. According to this decision, "The Minister of Labor and Social Affairs, in cooperation with the Minister of Industry and Trade and the Minister of Immigrant Absorption, and in coordination with the Finance Minister, will conduct professional training and retraining programs for jobs required in the high-tech industry, including the retraining of immigrant university teachers and engineers who are unemployed or under-employed." The plan is to serve some 4,000 program participants in the years 2001 and 2002.

This decision will help well-educated immigrants and veterans, as well as high-tech firms that are desperately seeking employees. It will not help most non-immigrant recipients of income support, who have, on average, less than a high school education.

**Vocational Training: Who Will Supervise the Supervisors?**

Vocational training is a key element in workfare programs. One of the factors motivating the Israeli workfare program is dissatisfaction with the public Employment Service and its vocational training programs.

A few figures will illustrate the problems. In 1999, out of an average of 103,841 persons unemployed each month, only 13,202 received vocational training. Not only is this a small number, but the outputs were ambiguous: According to data from the Labor Planning Authority in the Ministry of Labor and Social Affairs, the large majority of graduates of vocational training courses found employment (in 1997, 88.6% of the graduates of day-time adult education courses, 95.4% of the graduates of vocational retraining courses, and 86.8% of the graduates of practical engineering and technician courses). Fewer than half the graduates, however, found jobs in the areas studied: Half a year after the course, only 31.3% of the graduates of day-time adult education courses, 40.4% of the graduates of vocational retraining courses, and 37.7% of the graduates of practical engineering and technician courses reported that they were working in a job relevant to the course they had taken (Labor Planning Authority, *Follow-up Survey of Graduates of Professional Training, Summary of Findings, 1997*: 8).
The data about output raise troubling questions, as noted by the State Controller: "The Division [for Vocational Training] did not conduct comprehensive and rigorous evaluations of the effectiveness of the courses…For example, in the district of Beersheba and the south, where there is a large number of unemployed persons, especially in development towns, no follow-up was conducted about program graduates and their placement in the fields they had studied" (Report of the State Controller, 2000: 463).

This is the context in which planners seek to change the system of vocational training and privatize some parts of it. This is a problematic decision, first and foremost because it was taken in the absence of any systematic evaluation of existing programs. Before introducing change, it should be determined why the graduates did not find jobs in the relevant fields: Was it because of the lack of job offers, the lack of employment at a reasonable distance from their homes, the low wages offered, or the incompatibility between the course content and the job requirements? The success or failure at finding a job in the relevant field also needs to be examined according to demographic factors such as gender, nationality, place of residence, and age.

The State Controller's findings suggest that the courses offered are often incompatible with market demand. For example, many adult day courses offered in 1998 -- printing, cosmetology, and several computer professions -- had little success in placing graduates. Some of the retraining programs for academics -- software engineering, computer applications, and programming -- also met little success in placements (ibid.). On the other hand, there was a market demand for some professions that were not filled by courses -- ironworkers, insulation experts, receptionists, marketing and sales managers, warehouse managers, bus drivers, and travel agents (ibid.).

The decision to privatize part of the vocational training apparatus is also problematic: As noted, no economic theory has yet proven that private management is necessarily better than public management, nor is there proof of this in the field. What's more, there is no reason to assume that government supervision of private companies will be any better than its current supervision of the Employment Service!

Economic theory does posit that competition will improve the service, and the expectation of Israeli social planners is that private outfits will vie with one another to provide the best occupational training. The question is whether they will compete on quality or quantity, on better training for each and every individual, or on higher placement figures -- at low wages and unstable jobs -- the main thing being to check off the name and get paid for the placement.

**Summary and Conclusions**

Israel is planning to join the ranks of countries that reduced support for welfare. This is a change of direction for the state of Israel: Less than a decade ago, Israel adopted a generous policy of immigrant absorption in which immigrants were awarded entitlement to a wide array of social benefits, and a Single-Parent Families Law was enacted to provide for the needs of the single mothers among them. Today Israel is retreating from this generous spirit.
The danger is that the government wants to follow the footsteps of western countries without applying the lessons that they have learned. First, most western observers agree that the decreased number of unemployed welfare recipients was primarily a product of economic growth, and not necessarily the direct result of the workfare programs. Second, western experience indicates that pushing people into the work force may lead to increased government expenditure, some of it significant: In the United States, for example, assistance to low wage-earners increased more than welfare was reduced. Furthermore, if the government wants to encourage single-mothers to enter the job market, it must pay for public alternatives to the child care provided at home, such as nurseries, free preschool programs from age 3, and the like.

Based on what has been learned in the countries that have already tried these programs, we would like to make the following recommendations:

1. Israel should not blindly follow the current fashion of "welfare reform." It should avoid measures that may cause undue suffering for individuals whose skills would allow them entry to the labor force only at the lowest level, if at all. It should also avoid pushing people into jobs that would cause others to be pushed out.

   Israeli workfare planners appear intent on increasing the demand for workers by increasing the supply of workers. When there is a recession in branches of the "traditional" economy, pumping thousands of people into the labor market will create a gap between expectations and the number of jobs available.

2. It should be expected that unemployed persons designated as "not placeable" - most aged 45 or older -- will continue to need income support payments, so long as the economy is in recession or experiencing slow growth. During times of high unemployment, most persons in this age category can be expected to find work only if the government is willing to give generous incentives to employers.

3. The idea of ending income-support payments altogether should be abandoned: Some recipients will continue to need it even if they find work. Even today, almost a fifth (18%) of those receiving income support are entitled to it on the basis of low earnings.

4. Clearly the system of vocational training can be improved. However, before taking measures such as privatizing the system, the reasfor the failof adult education courses to place graduates should be examined. Privatizing the Employment Service or the professional training courses will not in itself guarantee improvement.
Bibliography


Cabinet Decisions, August 2000 [Hebrew].

Cabinet Decisions, September 2000 [Hebrew].


www.wisconsinsfuture.org/reports/EMPNEED.HTM.

Fax. 03-5602205 ,Adva Center, POB 36529, Tel Aviv 61364, Tel. 03-5608871

e-mail: advainfo@netvision.net.il