

2011

# Annual Survey



**National Insurance Institute of Israel**  
Research and Planning Administration





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Research and Planning Administration

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**Scientific editing:** Miri Endeweld

**Administrative coordinating:** Jacques Bendelac

**Hebrew language editing and prepress:** Maya Orev-Attal

**Production of the English edition:** Sarah Gargi

**English translation:** Hever Translators Pool

**Production and printing assistance:** Nira Amir

**Design and typesetting:** Erga Yaari-Weitzman

**Cover design:** Studio Esh

This survey, in both Hebrew and English, as well as abstracts in Arabic, can be downloaded from the NII website at [www.btl.gov.il](http://www.btl.gov.il).

For questions and comments about the survey, or to order a print version, contact [skira@nioi.gov.il](mailto:skira@nioi.gov.il).

## Preface

This Survey reviews the activities of the National Insurance Institute in the context of Israel's socioeconomic situation in 2011.

Chapter 1 discusses the social protests that were prominent in the second half of that year, including its causes and a debate of what the government policies should be in response. The chapter suggests ways to reduce poverty and income gaps without putting the country's macro-economic stability at risk, that is, without increasing the deficit. One effective way to accomplish this is by re-evaluating the country's tax benefits policy as part of the overall budget policy – including, inter alia, the benefits granted under the Encouragement of Capital Investment Law, and benefits granted for putting savings into the stock market, which amount to billions of shekels. As shown in this Survey, not only do these benefits reduce state revenues (thus contributing to the deficit), but also they are distributed in a most inequitable fashion. The chapter then ranks several different social policy proposals in terms of their effectiveness in reducing income inequality.

Further on in the chapter, the primary changes and trends in the two major NII activities – benefits and collection – are surveyed, including both the immediate and the long-term ramifications of these changes.

Chapter 2 portrays the state of poverty and social gaps in Israel and compares the country's socioeconomic situation to that of other OECD countries, as reflected in the distribution of benefits in cash and in kind to various population groups (such as the elderly and children). The chapter also discusses poverty and inequality indices related to income in these groups. This year, an in-depth analysis of the influence of transfer payments on reducing poverty, in comparison to other countries, was conducted in two periods of time.

Chapter 3 details the main developments in the benefits provided by the various insurance branches in 2011 and chapter 4 reviews trends in the NII's collection system. Topics on the agenda relating to the NII and social policies are elaborated on in the boxes (sidebars) that appear in various chapters.

To assure that the public, both in Israel and abroad, has maximum accessibility to the information that appears in this Survey, it has been translated into English in its entirety, with summaries in Arabic, and it has been posted on the Internet. This year the Hebrew version was posted online before the bound version was published.

The survey has four appendices: abstracts from research reports and surveys published by the Research and Planning Administration in 2011 (in Hebrew only), insurance branch tables, an appendix on measuring poverty and poverty data sources, and poverty and inequality tables.

I would like to thank the staff of the Research and Planning Administration who participated in preparing the Survey and bringing it to press. Special thanks go

to Miri Endeweld for professional editing of the Survey; to Jacques Bendelac for the administrative coordination; to Maya Orev-HaTal for the Hebrew language editing and for producing the Hebrew edition, and to Sarah Gargi for producing the English edition. Thanks also to Nira Amir for her help with the production and printing.

A handwritten signature in black ink, appearing to be 'D. Gottlieb', written in a cursive style.

Dr. Daniel Gottlieb  
Deputy Director-General for Research and Planning

## Foreword

### by the Director-General

The Israeli economy continued to thrive in 2011, standing out against the economic crises in many other western countries: there was rapid growth and a further drop in unemployment. The most significant public phenomenon in that year, however, was without a doubt the social-justice protest, which broke out during the summer and encompassed broad sectors of the population. The government responded quickly to the protest and suggested some welcome changes in taxation and financial support of families, as well as in education funding, in keeping with the recommendations of the Trajtenberg Committee (which included NII representatives). Still, it appears that despite the government's willingness to make changes (some of which are already being implemented in 2012), there is much work to be done before a complete solution can be implemented to the many problems raised in the course of the protest.

It is generally agreed that the protest, initiated and led primarily by young adults from the middle class, was not the result of anything specific that occurred in the specific year in which it erupted (2011), but was rather the result of ongoing economic and social processes reflected in the growing gaps in the standard of living of families in Israel. Indicators of these processes have been widely and consistently surveyed over the years in the NII's reports on poverty and social gaps and in its Annual Surveys, and have appeared also in our position papers, particularly those written during the early stages of the protest. These publications, including the present Survey, show that this year Israel has still not succeeded in improving its position with regard to poverty and inequality relative to the other OECD countries. Furthermore, the ratio of welfare expenditure to the GDP in Israel, particularly with regard to the working-age population, is low in an international comparison.

The government took several significant steps in 2012 that may generate a real improvement in the social situation – for example, improving benefits for the disabled, including the benefit for disabled child, and more strictly enforcing labor laws – at a standard that approaches that of the OECD. Increasing subsidies to low-wage workers by extending the negative income tax program from a limited pilot project to a national program is also expected to reduce poverty in 2012.

Although recent years point to a stabilization or even moderate decline in poverty and inequality in Israel – and specifically to a decline in poverty among the elderly, due to government policy adjustments aimed at this population – there is still much to do before we reach poverty rates acceptable in developed countries.

NII cash and in-kind benefits rose by 2.4% in real terms in 2011, reaching NIS 62.7 billion, or about 7% of Israel's GDP. This real increase stems primarily from an increased number of benefit recipients, as well as a real increase in some of the benefit amounts,

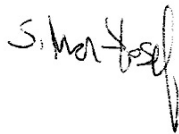
primarily those of the old-age and survivors pensions and child allowances. At the same time, the receipts of the NII from national and health insurance contributions went up by 3.7%, totaling NIS 51.1 billion, out of which NIS 31.2 billion were for insurance branches and NIS 17.4 billion for the health system.

The NII, as an institution responsible for the social security of Israel's citizens which has as one of its primary objectives the redistribution of income and the reduction of social gaps, must be the spearhead in meeting the challenge facing decision-makers to improve the country's socio-economic situation. An analysis of possible tools to do so, ranked according to their efficacy, appears in the first chapter of this Survey. These tools are partially based on the potential of NII benefits to increase social justice and reduce the poverty and social gaps among various population groups in Israel.

As the NII approaches the end of the 2012 budgetary year and the start of 2013, we have been working with the relevant government ministries to try to improve the position of the middle and low-class populations. This effort is especially important in light of the continuing financial crisis in Europe and elsewhere, which is being felt in Israel as well.

Together with its efforts to improve welfare and to play an active role in formulating social policy, the National Insurance Institute is also committed to raising the quality of the service that Israeli citizens receive at the NII local branches, making it more efficient, sympathetic and accessible. This commitment, which will also hopefully make a crucial change in the public perception of the NII, necessarily relies on the Institute's skilled employees and sophisticated computer systems, which are constantly being upgraded and adapted to new needs.

Upon my assumption of the post of Director General of the National Insurance Institute, I am happy to take this opportunity to note how impressed I am by the professional work being carried out by those involved in Israel's social security system – in the NII head office and local branches and sub-branches throughout the country. I hope that our continuing efforts to carry out the Institute's diverse activities and advance social policy will merit the support of government decision-makers, for the benefit of the public at large.



Prof. Shlomo Mor-Yosef  
Director-General



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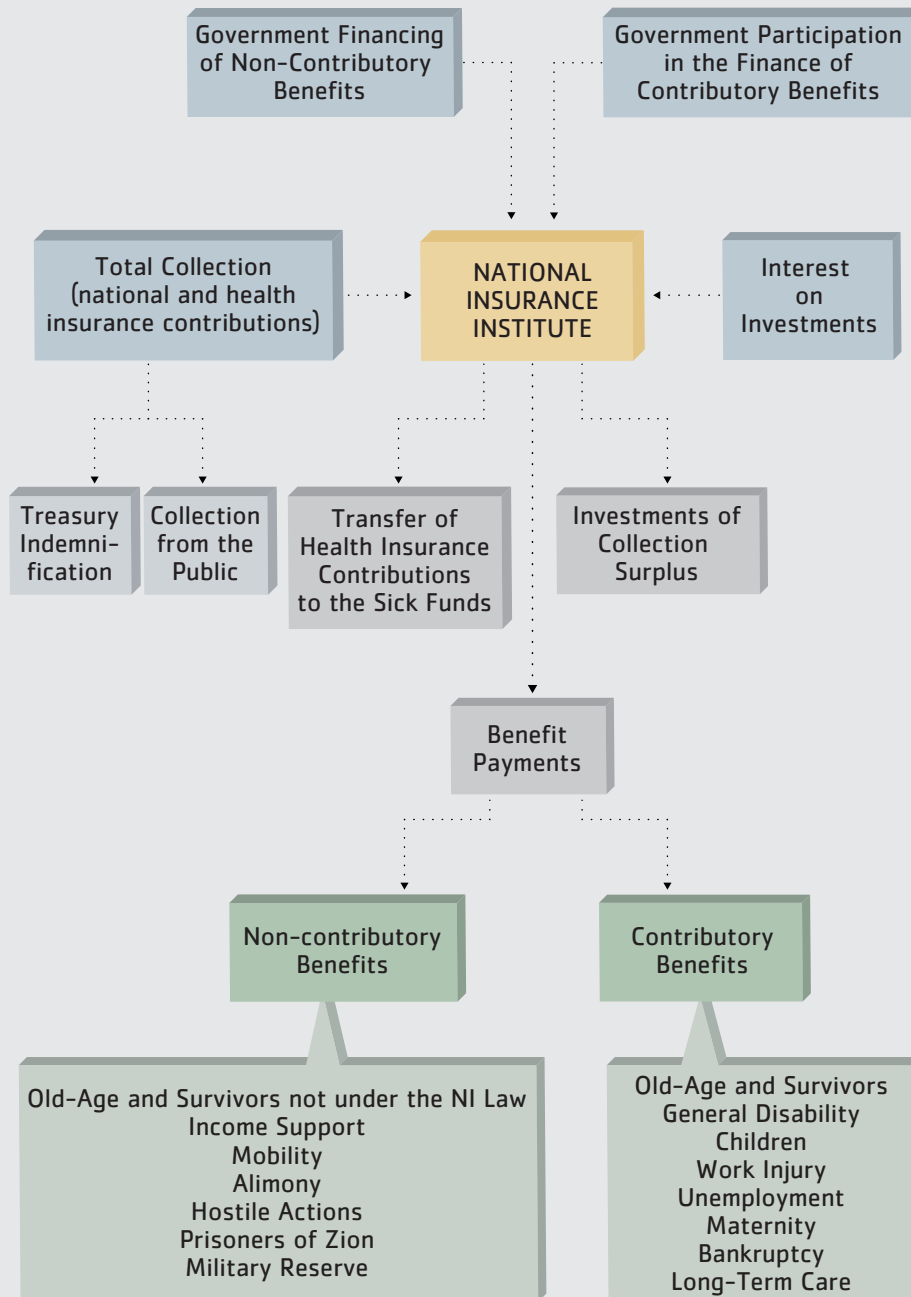
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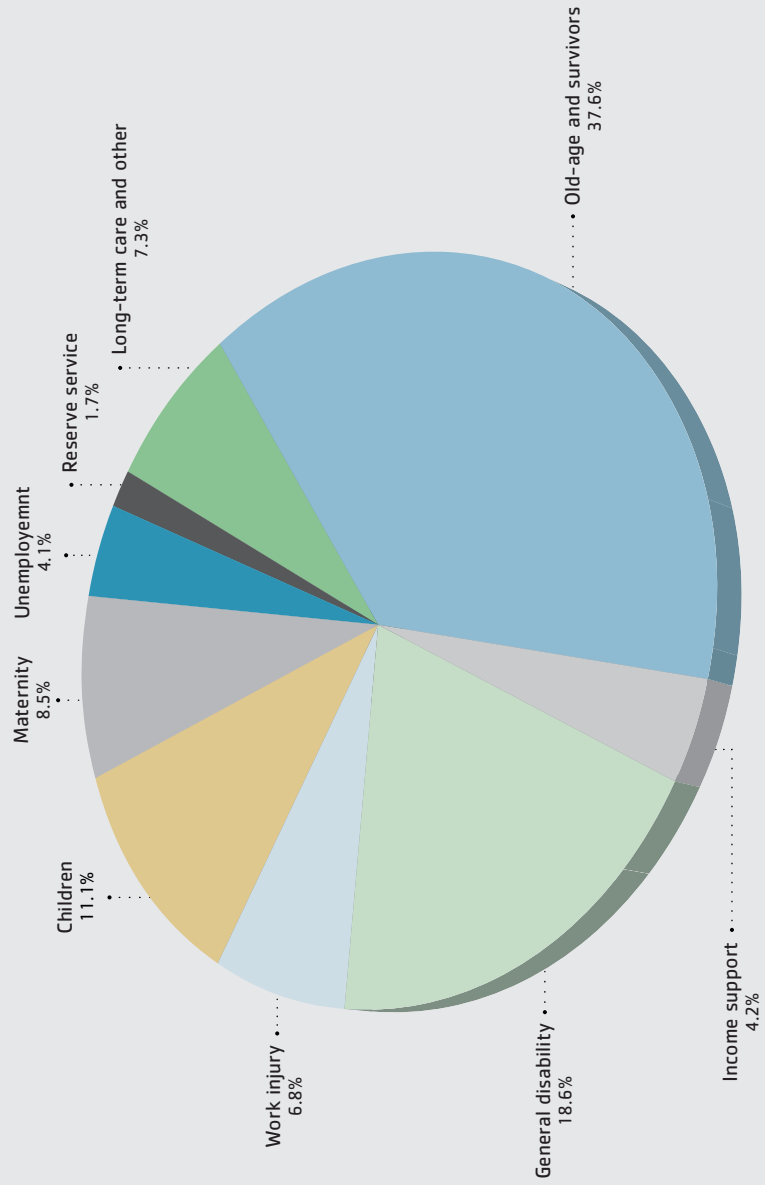




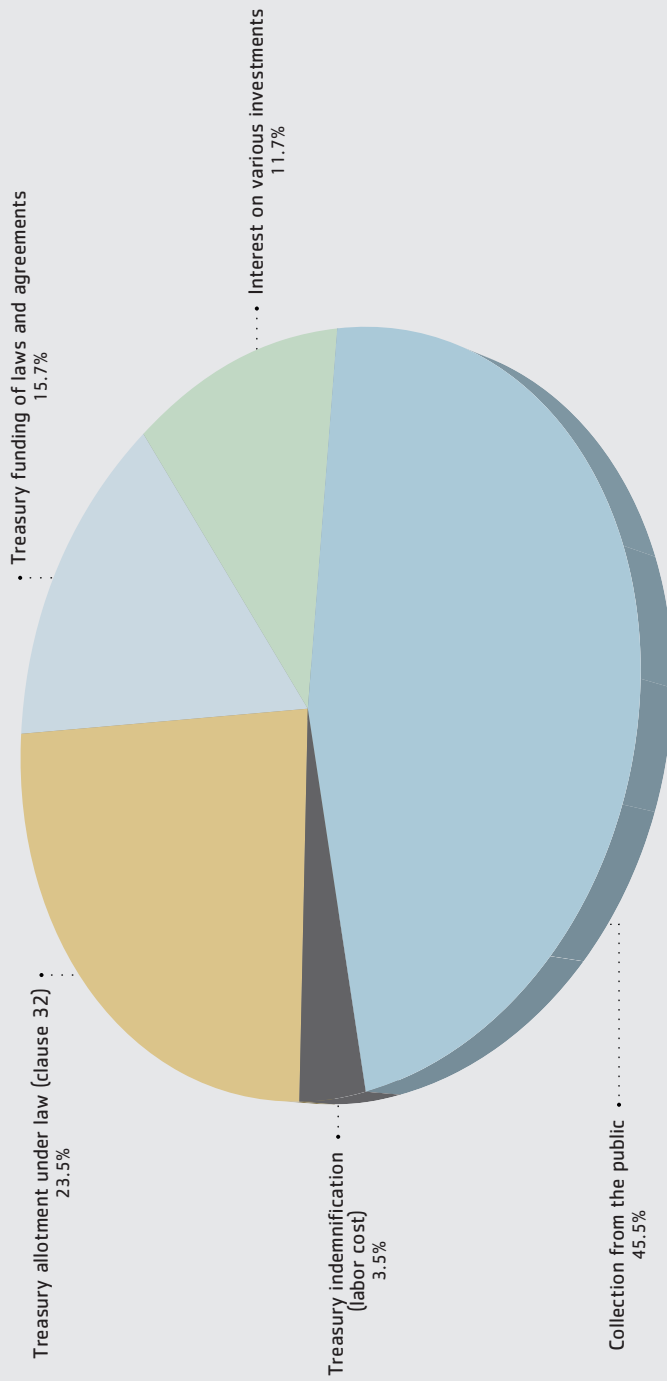
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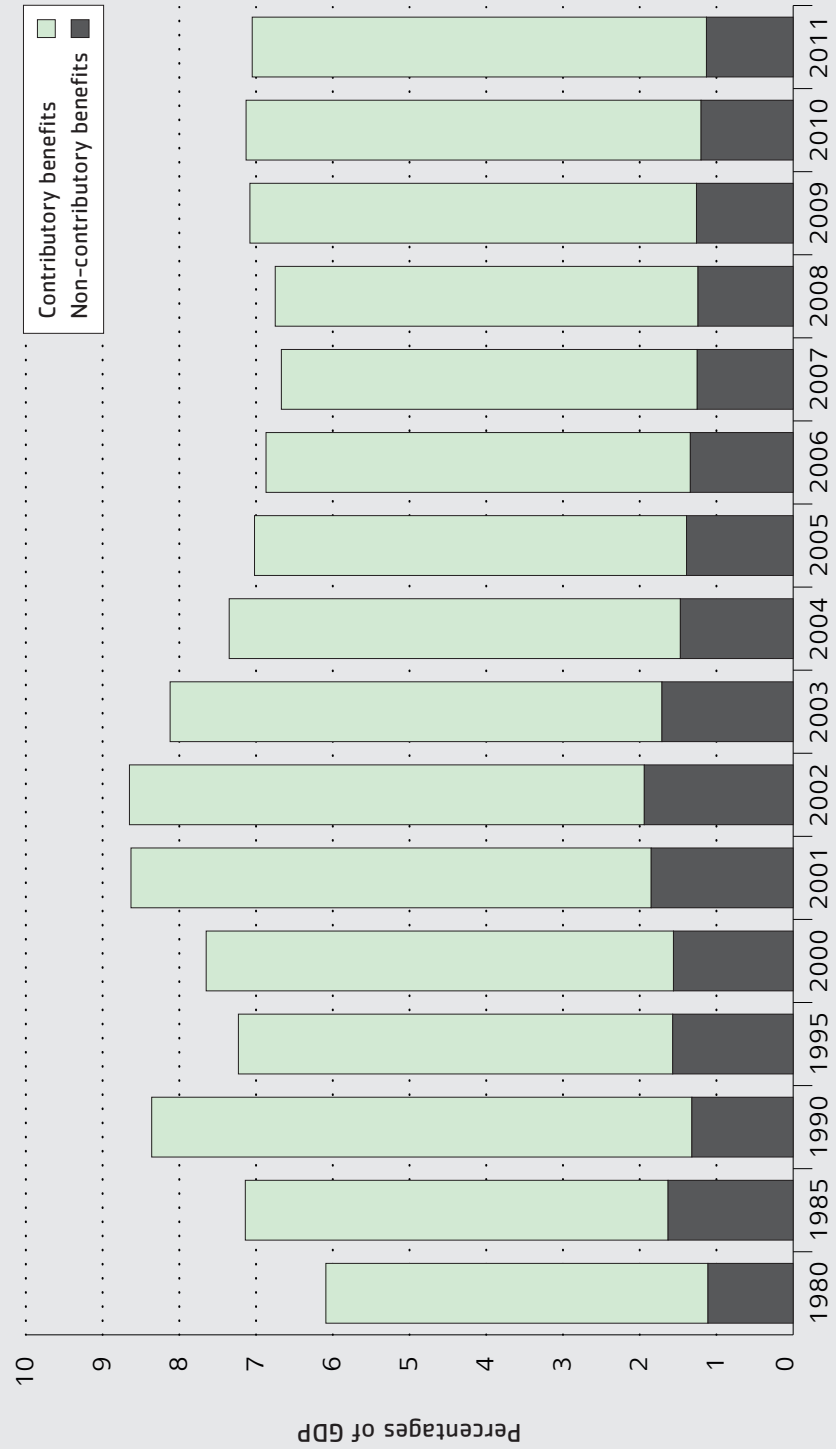
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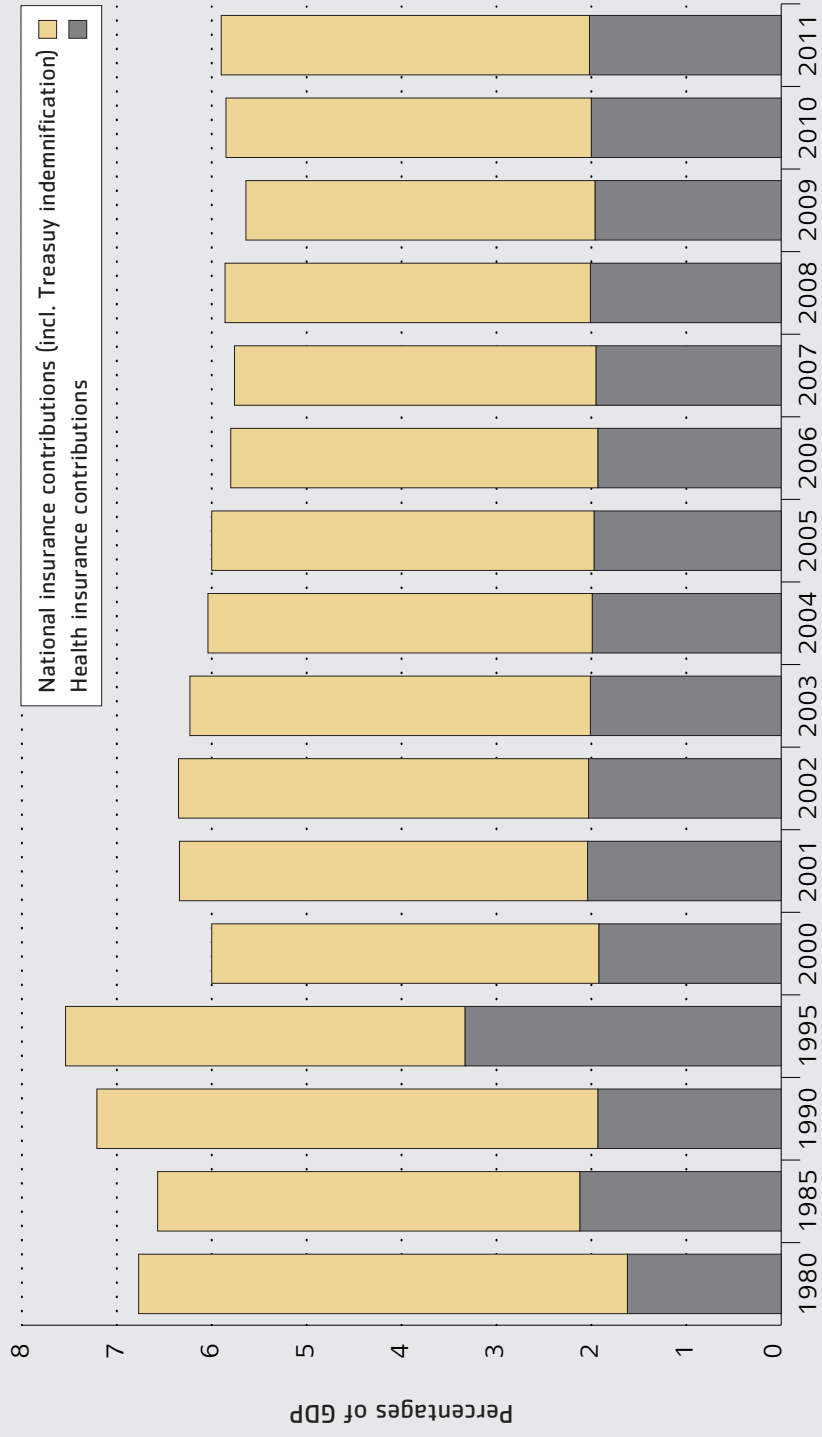


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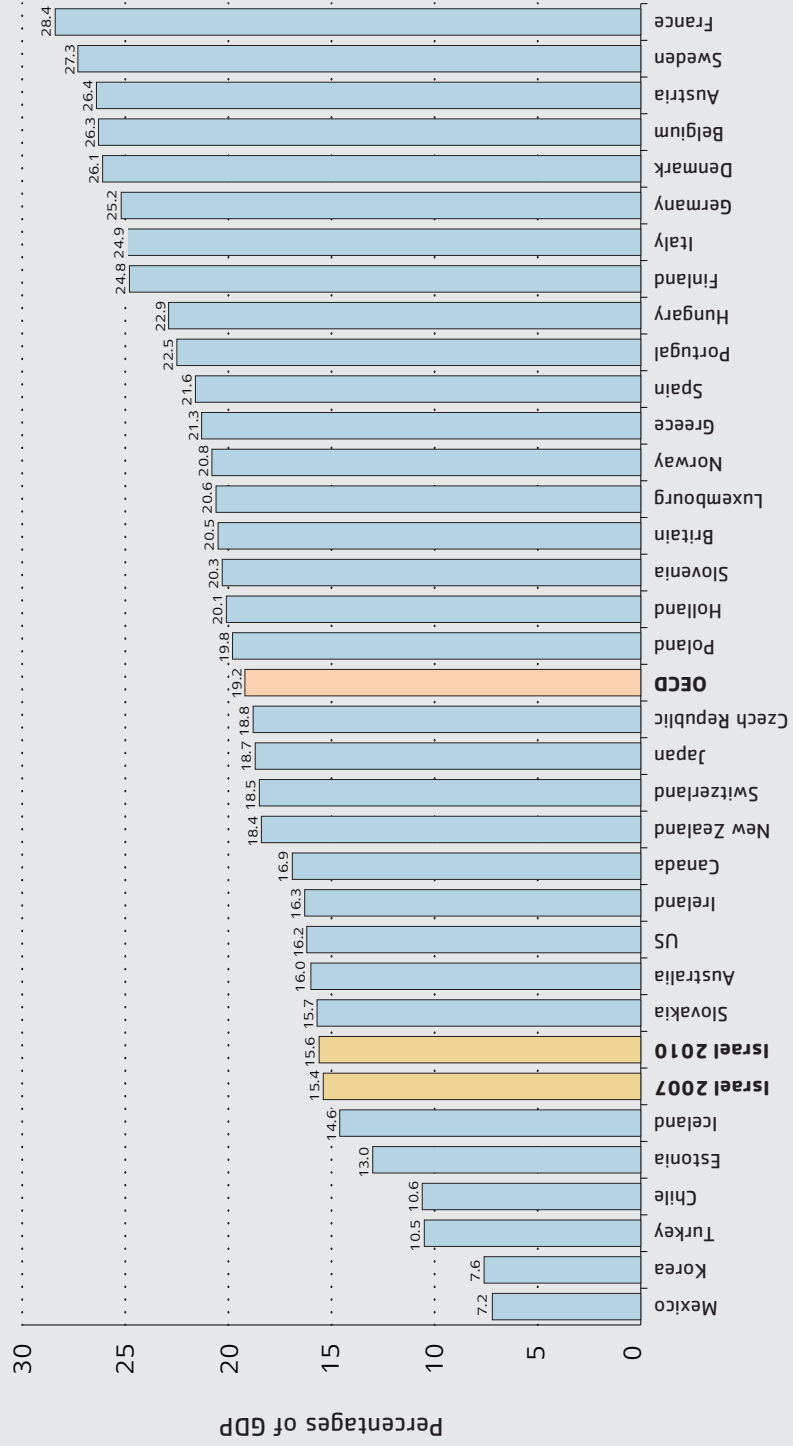




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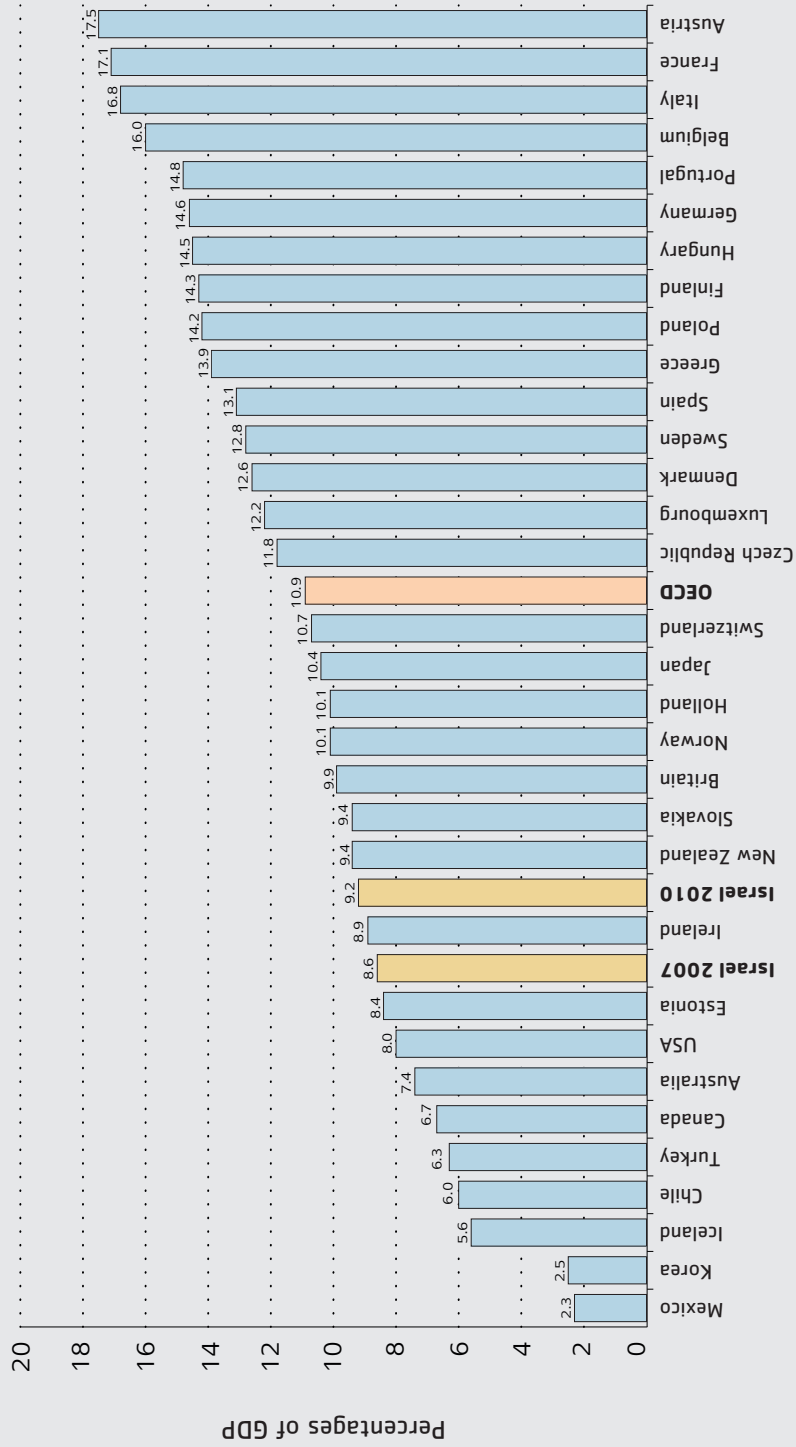


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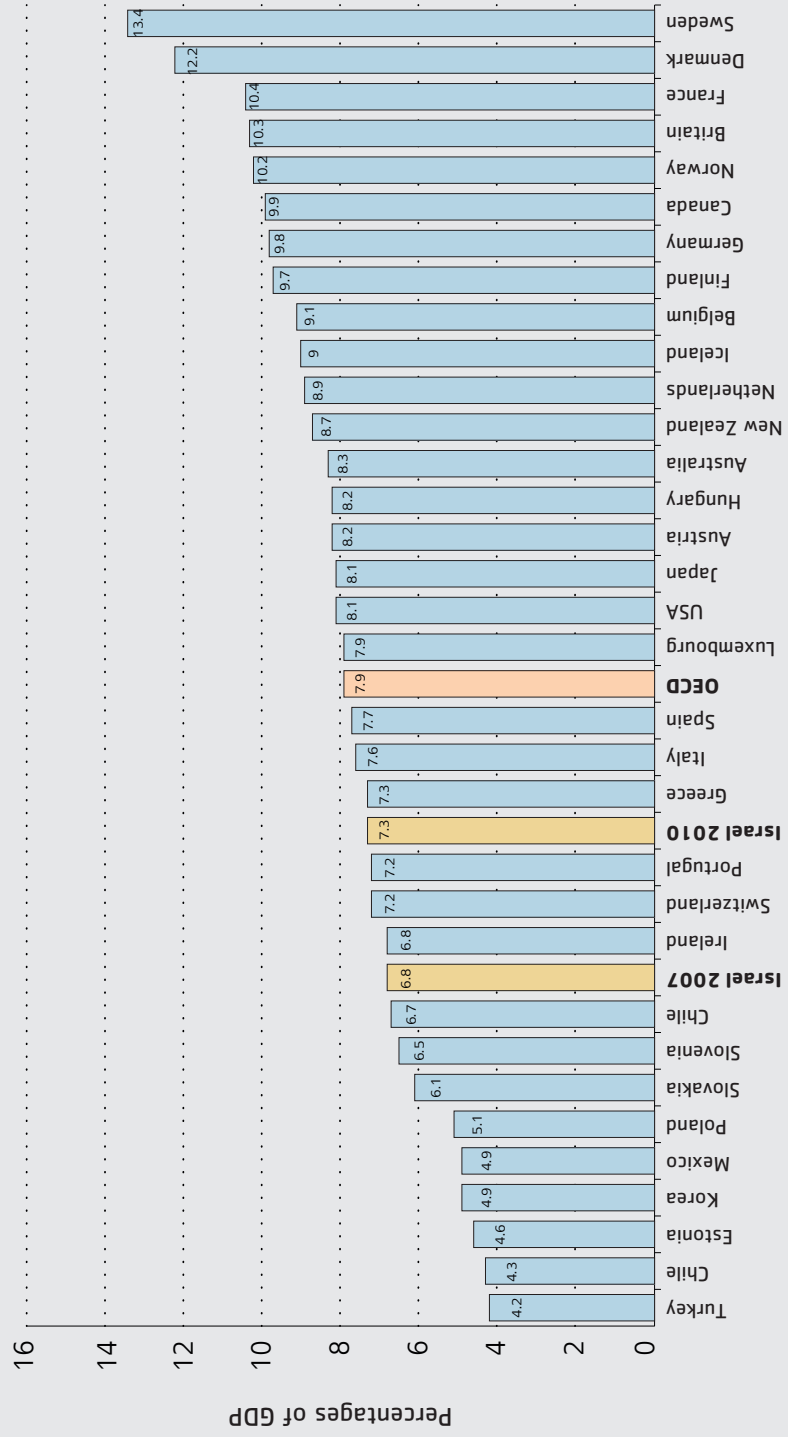
\* Source of international data: OECD; source of data for Israel: the National Insurance Institute and the Israeli Central Bureau of Statistics

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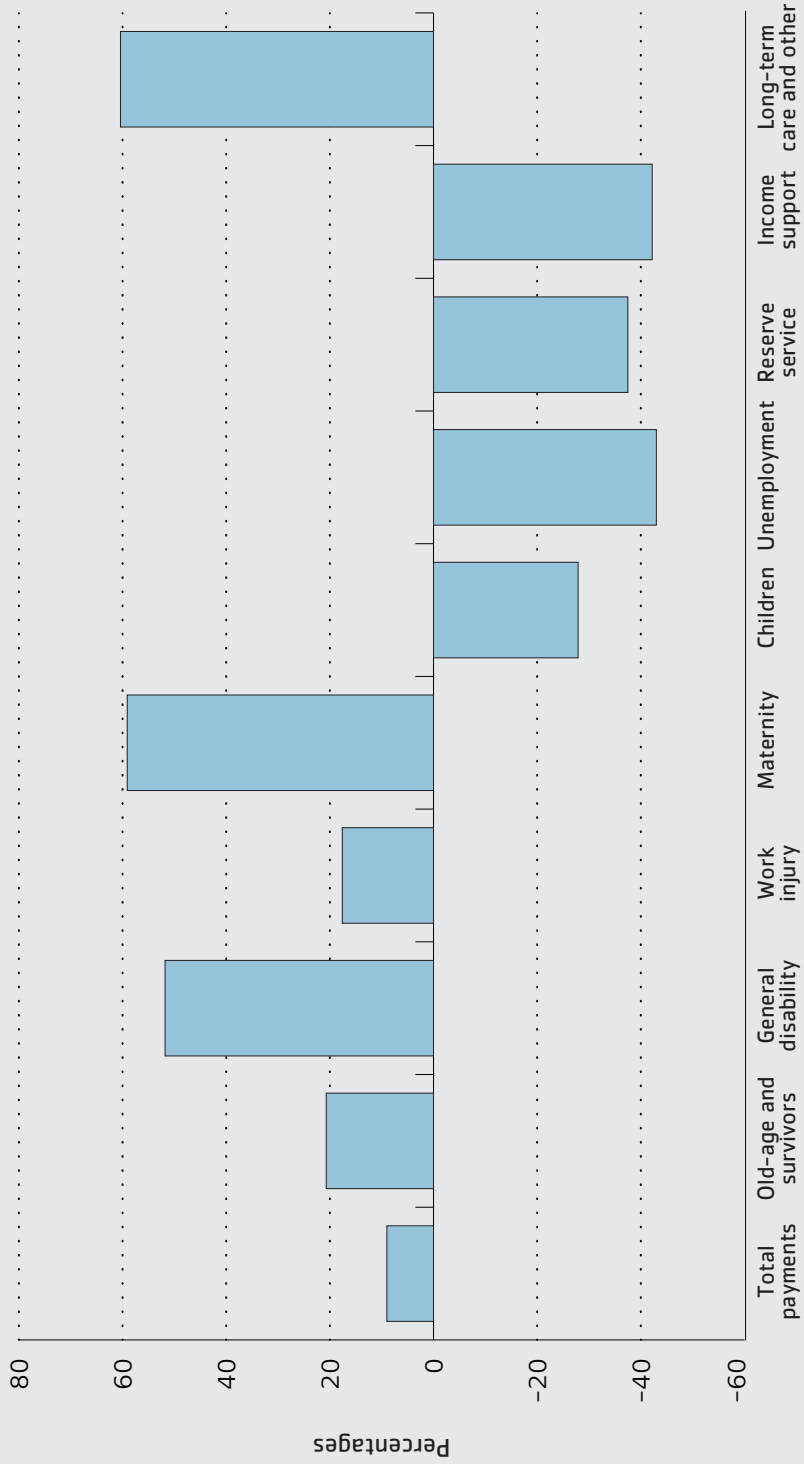
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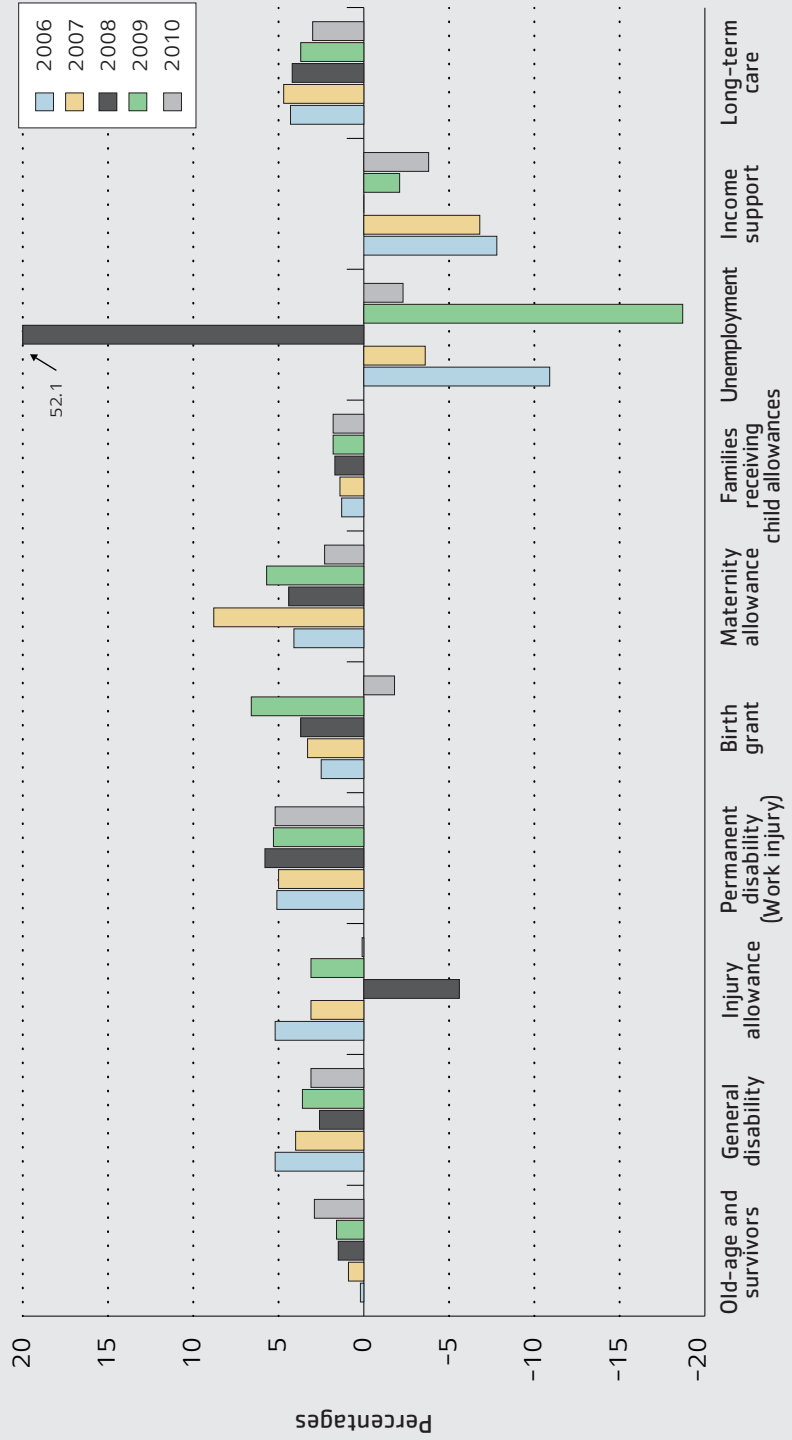


\* Source of international data: OECD; source of data for Israel: the National Insurance Institute and the Israeli Central Bureau of Statistics

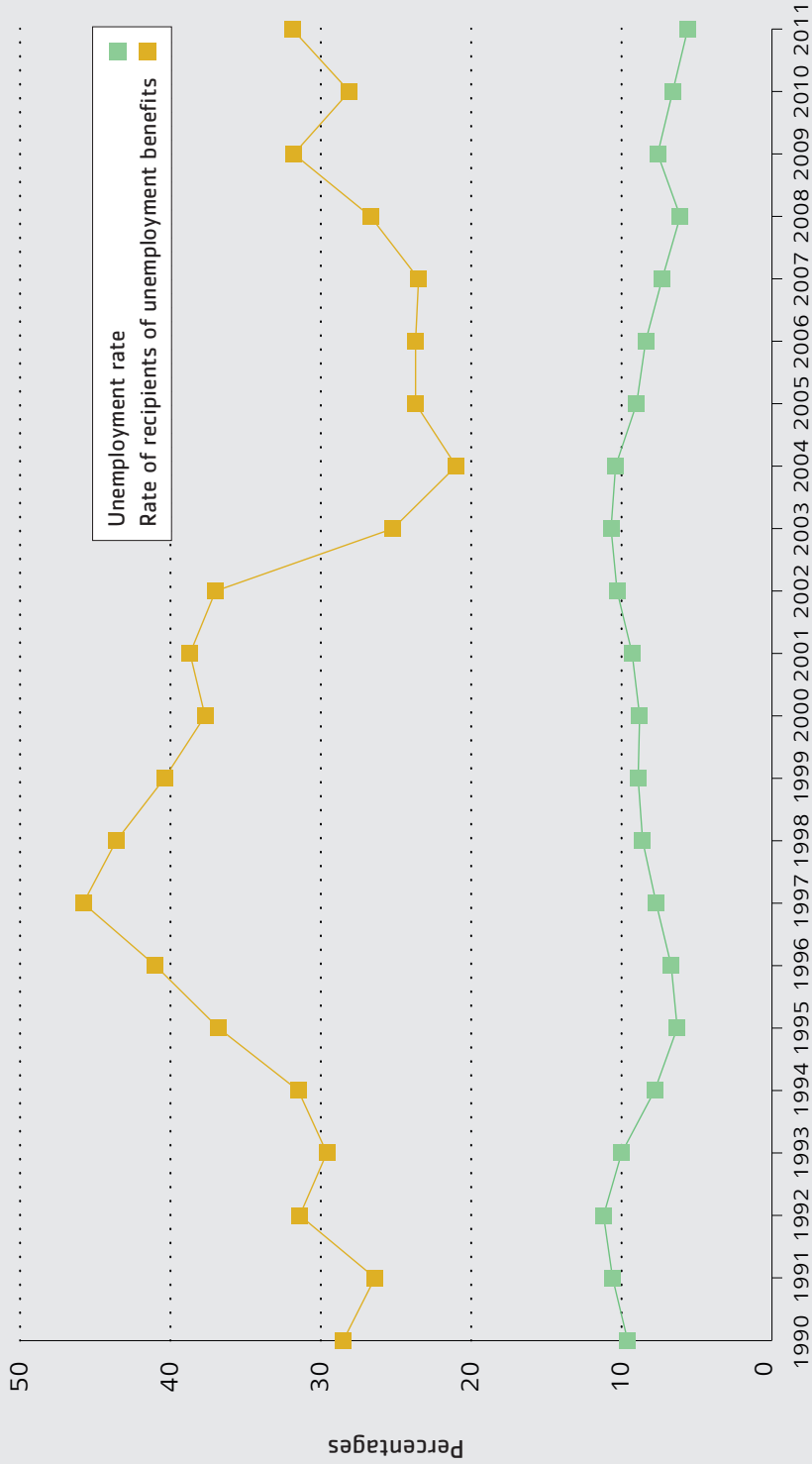
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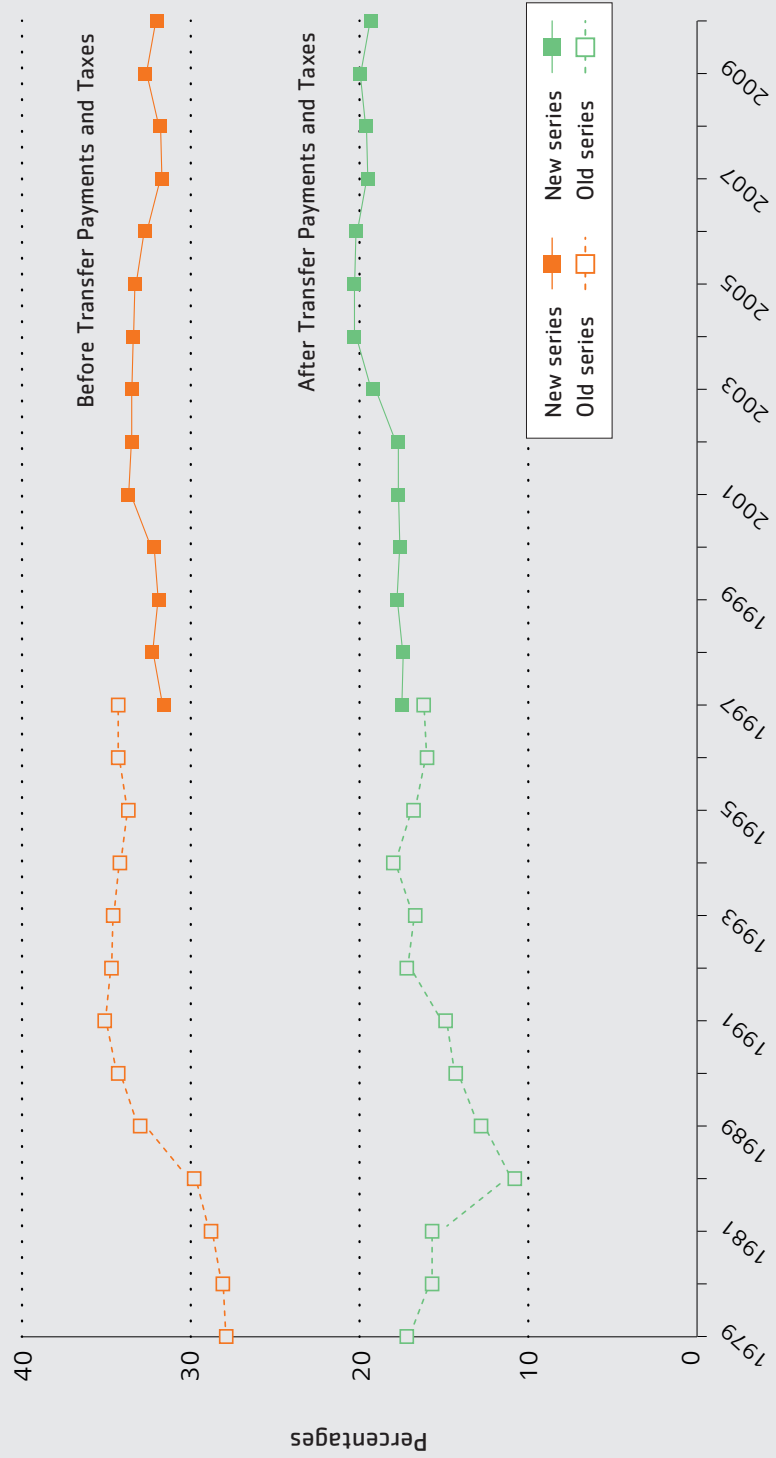
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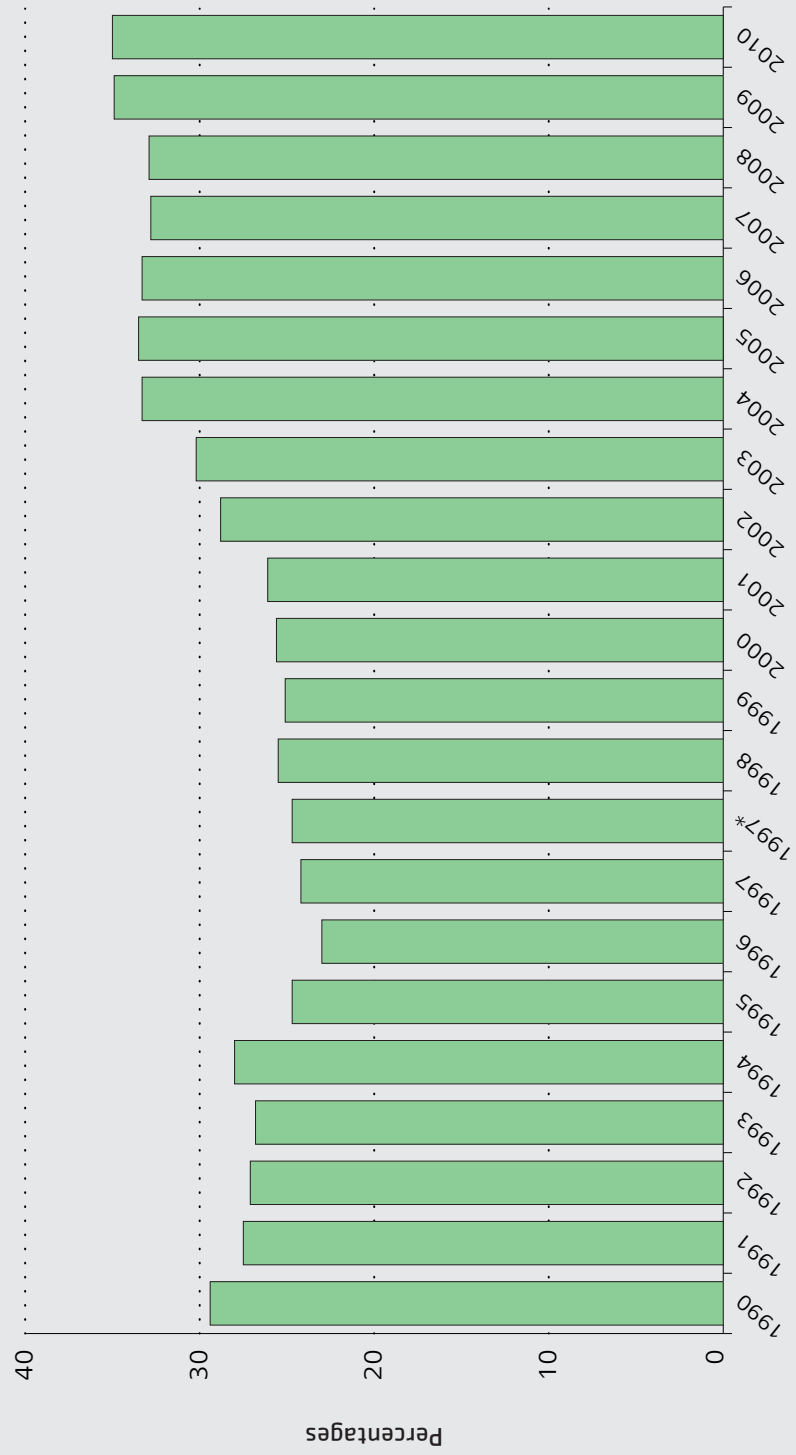




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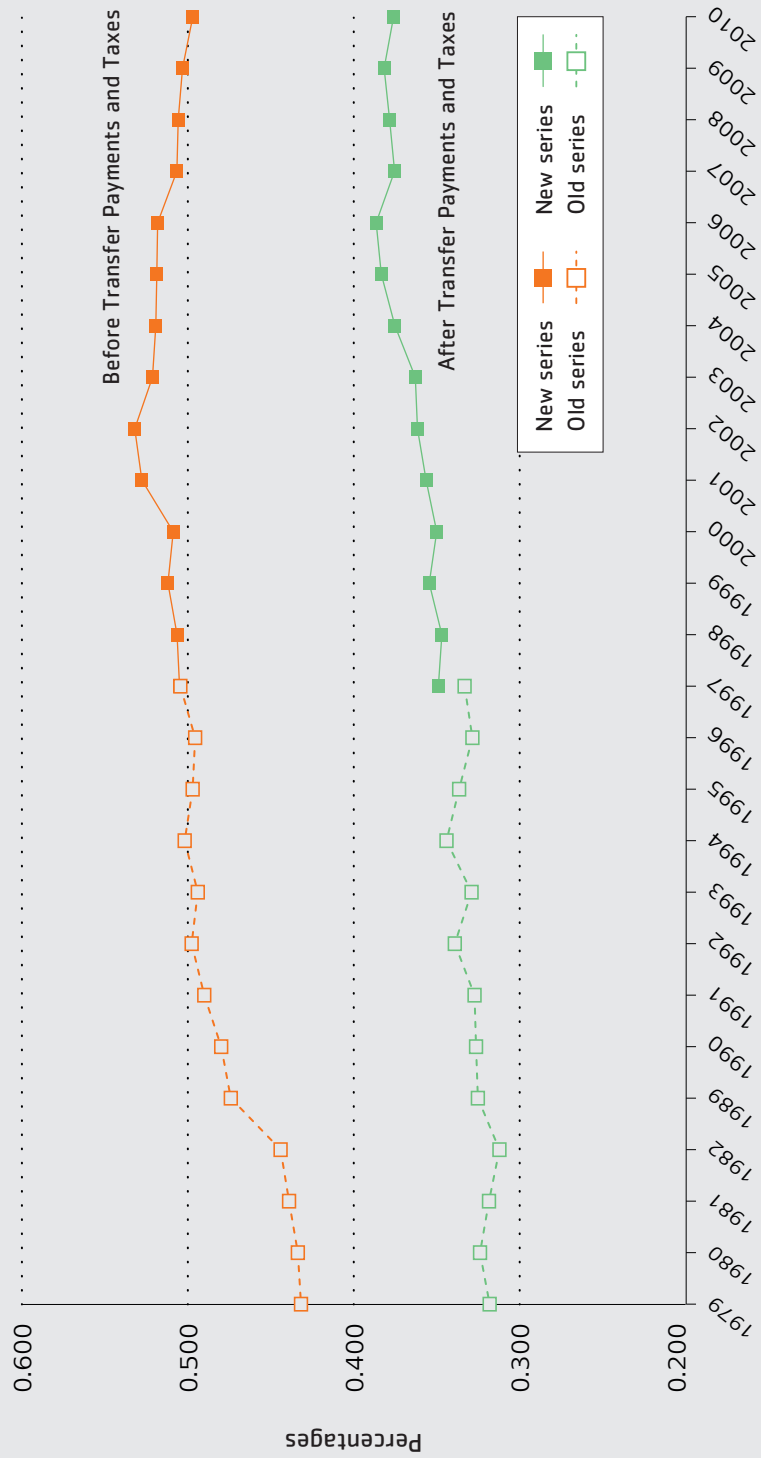


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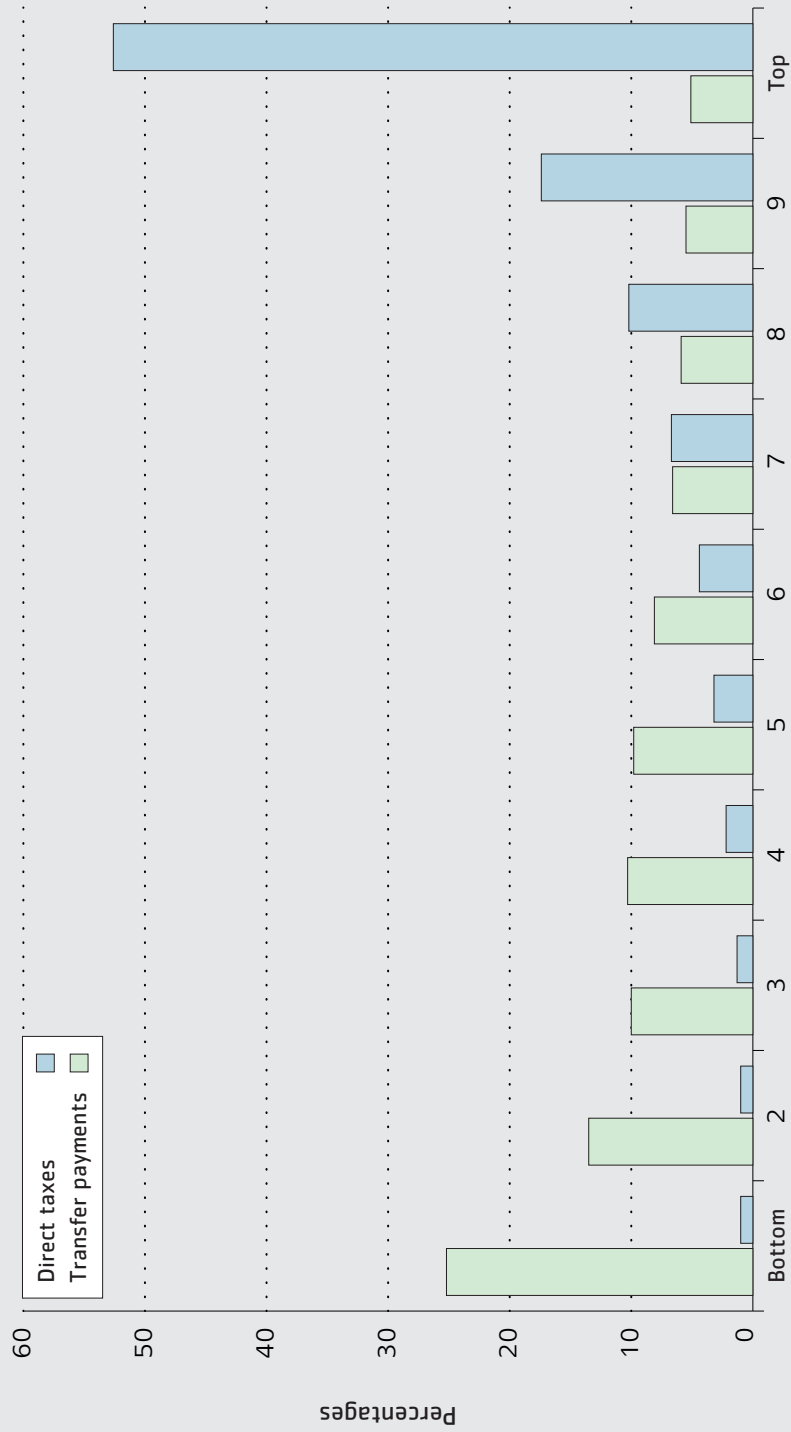


\* From 1997, new series

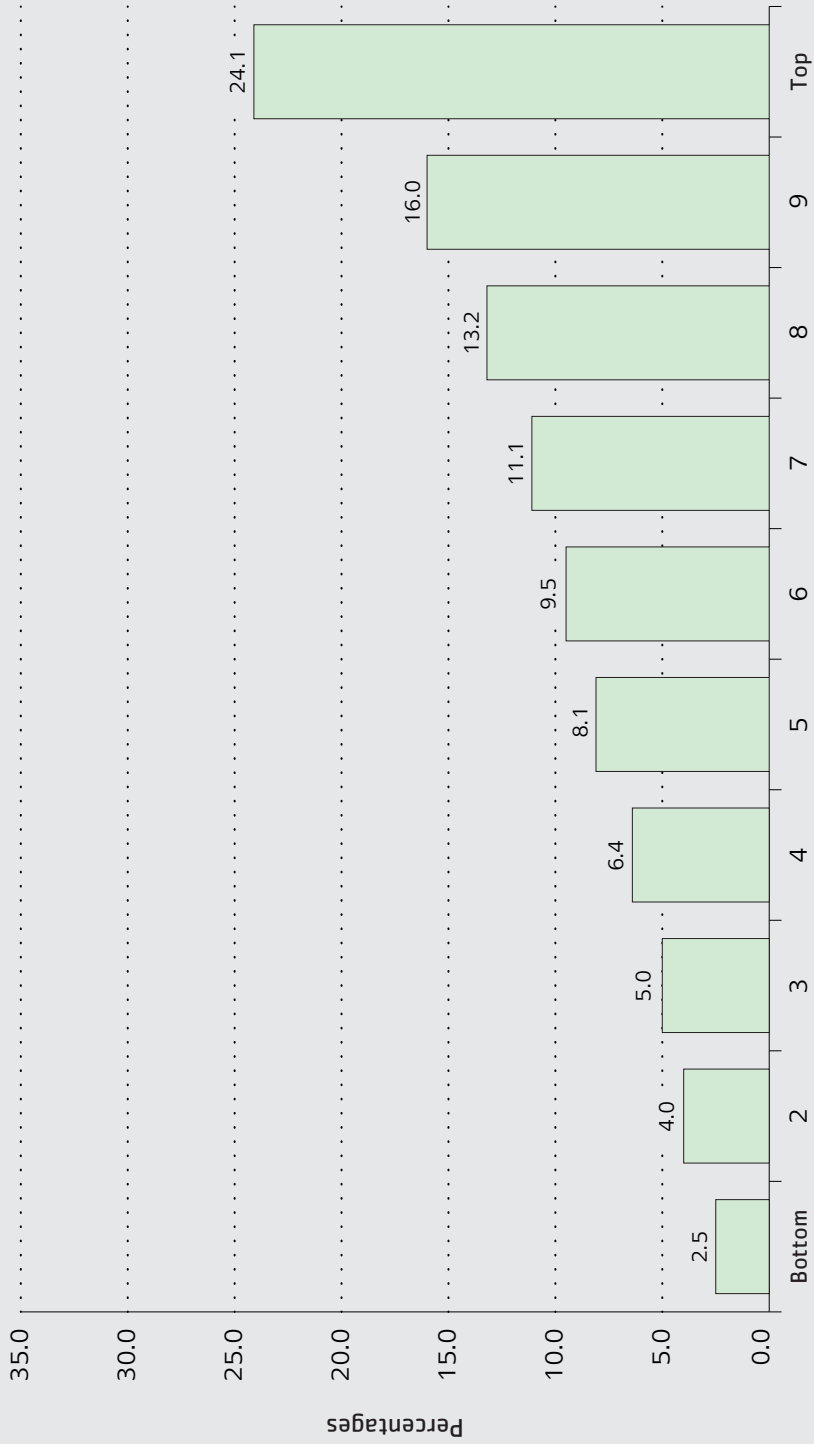
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## **Chapter 1**

# Social Policy and Trends in National Insurance





## 1. Introduction<sup>1</sup>

Social policy in 2011 was set in the shadow of the social protests that erupted with great force during that summer, and spread rapidly from Rothschild Boulevard in Tel Aviv throughout the length and breadth of the country, emerging in large cities and small towns alike. Despite the ongoing social distress that exists in Israel, which has been described year after year in the National Insurance Institute's poverty reports, not only those living in poverty were protesting, but mainly people from the socioeconomic stratum generally referred to as the middle class.

The wave of protests in Israel was part of a larger phenomenon that emerged suddenly in many parts of the world, including the United States, England, Italy, Greece, Spain and Chile. In all these demonstrations more social justice was demanded, though the demands took on a different character in different places. To fully understand the major factors that led to the outburst of the social protest, the perspective of time is needed. However, one can already point to certain factors that distorted income distribution in such a way that the benefits of economic growth were not distributed equally.<sup>2</sup>

In recent years there has been increasing evidence that the world's capital markets are subject to systemic risks that endanger large swaths of the population by undermining their pension and employment security. This risk is sometimes so significant that it is perceived as all-encompassing. As opposed to a specific risk against which a person can insure himself to mitigate the damage, a systemic risk raises concerns of a total systemic collapse, as witnessed during the crisis of 2008/9 and afterward, as the EU's monetary union faced the threat of collapse. During the 2008 crisis, the governments of many important countries were very afraid that a meltdown similar to the crash of the late 1920s could develop.

Given these grave concerns, the International Monetary Fund (IMF) issued a recommendation to implement an expansionary fiscal policy on a global scale.<sup>3</sup> This need stemmed from the feeling among decision-makers that the international financial system was at the brink of a systemic risk crisis. The panic was so great that world economic leaders were prepared to accept the financial credibility problems that fiscal expansion would later create, in order to remove the immediate risk of recession and collapse.

And indeed, the worst was averted, but as expected, this policy led to large budget deficits that undermined the financial reputations of major economies such as France, Italy and Ireland, which were obligated to impose fiscal restraint. Thus the economic

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- 1 Parts of this chapter (Sections 1-3) are based on a document from the Research and Planning Administration which was written in August 2011: A Plan for Strengthening the Middle Class and Reducing Poverty and Inequality (Hebrew). It can be found at [http://www.btl.gov.il/Publications/more\\_publications/Documents/hizuk.pdf](http://www.btl.gov.il/Publications/more_publications/Documents/hizuk.pdf).
- 2 See the OECD document at <http://www.oecd.org/dataoecd/40/12/49499779.pdf> which is the summary of a more comprehensive paper on the OECD website entitled: Divided we stand: Why inequality keeps rising, 390-1, 2011.
- 3 See: Spilimbergo, A., Symansky S., Blanchard O., and Cottarelli, C., (2008) Fiscal Policy for the Crisis, IMF Staff Position Note, December 29th, 1-38.

To fully understand the major factors that led to the outburst of the social protest, the perspective of time is needed. However, one can already point to certain factors that distorted income distribution in such a way that the benefits of economic growth were not distributed equally

problems were exacerbated and the burden of public debt in many countries grew. But the demand for fiscal restraint at a time of rising unemployment in countries like Spain, Italy, Ireland and France hurt public confidence in their countries' policies. The public felt that it was being called on to pay twice for the mistakes of others, first through the economic and employment insecurity that the crisis had caused and again through government belt-tightening. People began to feel alienated from the financial system, which they perceived as grossly unfair.

Examples of other financial crises include the 1996-97 crisis in Southeast Asia and the crisis that began with Russia's insolvency in 1998, the influence of which was felt in Israel as well. This phenomenon was dubbed "financial contagion," comparing it to the spread of a contagious disease. Within a short time the American hedge-fund crisis (requiring the bailout of LTCM) erupted.

During all these crises there were financial entities that took moral hazards, meaning huge, disproportional risks that ignored the consequences of possible failure, primarily out of an assumption that there would be someone to bail them out if they failed, while the profits, if there were any, would remain in their hands.<sup>4</sup> That is how the global financial crisis of 2008/9 developed from an ostensibly localized mortgage crisis into a worldwide calamity that expressed itself in sharp rises in unemployment in many countries, particularly those where it was already high. It is no surprise that the first country that experienced the outbreak of social protests was Spain, which has a high unemployment rate. The macro-economic belt-tightening manifested itself in most cases in cuts in welfare systems.<sup>5</sup>

Another reason for the weakening of employment security for young adults was the accelerated pace of privatizing government companies, which generally led to a worsening of workers' employment conditions, particularly those of women, younger workers, those with less education and those in sectors exposed to competition from migrant workers. That the social protest spread so quickly from country to country is evidence of another new type of contagion: social contagion.

In Israel the social protest first focused on the high costs of housing, food and energy, but at some point spread to education, health care and child care for working mothers, as well as wages and employment. As the protest consolidated the public debate deepened and included experts in all these issues and researchers from various disciplines<sup>6</sup>.

The government's response to the protest was rather quick and decisive as compared to its usual response to social issues. It immediately established a committee headed by

The social protest first focused on the high costs of housing, food and energy, but at some point spread to education, health care and child care for working mothers, as well as wages and employment

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4 See Djankov S., La Porta, R., Lopez-de-Silanes, F. and Shleifer, A. (2005). The Law and Economics of Self-Dealing, NBER, WP 11883, December, 1-67

5 See Alesina, Alberto and Roberto Perotti, 1997, "Fiscal Adjustments In OECD Countries: Composition And Macroeconomic Effects," International Monetary Fund Staff Papers, 1997, 210-248.

6 See <http://j14.org.il/spivak>

Prof. Manuel Trajtenberg, which held open hearings and issued a lengthy report. At the same time, committees of experts were set up by the protesters. The panels of both sides offered proposals for improving social welfare issues in Israel, each as it understood them.

Both frameworks, however, lacked a defined, consistent and accepted objective that would enable the government, which naturally operates under budgetary pressures, to choose those proposals that would advance this objective in the most effective manner.

In the next section, Section 2, the causes of the social protest are discussed in detail and a consistent outline of goals and tools is proposed, using an index that measures the effectiveness of each tool, enabling the ranking of different policy plans by means of a uniform measure. Afterward several proposals are presented, examining how effectively they can achieve the goal.

Sections 3 through 8 summarize developments in the NII's benefit and collection systems during the year surveyed. The box in this chapter presents findings from a study on intra-generational mobility and Israeli wage inequality during 1990–2005. From this box we see that during this period there was a process of diminishing wage mobility, which may have also contributed somewhat to the outbreak of the social protest.

## 2. Causes of the Social Protest and Creating Criteria and Rankings for Policy Tools to Address It

Given that the social protest was dominated by young adults, we will examine the cost of living as expressed in how expenses are apportioned among the different income levels by age group.

### A. Housing and education expenditure

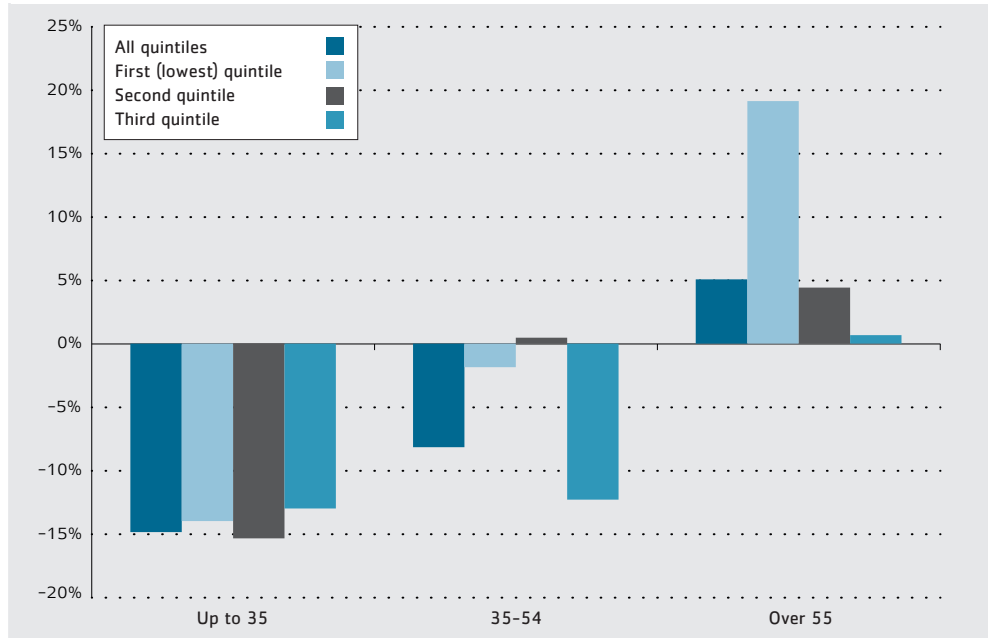
One of the central issues that led to the erecting of tents all over the country was the housing problem. This problem is reflected in the sharp decrease in apartment ownership in every quintile, but particularly in the first quintile.

From the graph it emerges that the rate of apartment ownership dropped drastically in the last decade among people under 35, and not just among the lowest quintiles. This means that the chance of young adults or even relatively mature families to own their own apartments has decreased. Again, this phenomenon exists among all families, and particularly among the lower quintiles.

The situation of families forced to rent an apartment has deteriorated over time as well, as the share of housing expenses of young and growing families increased. Graph 2 shows that among those belonging to the young age groups who rent an apartment, the outlay for rent as a share of family income went up, particularly among the two lower deciles.

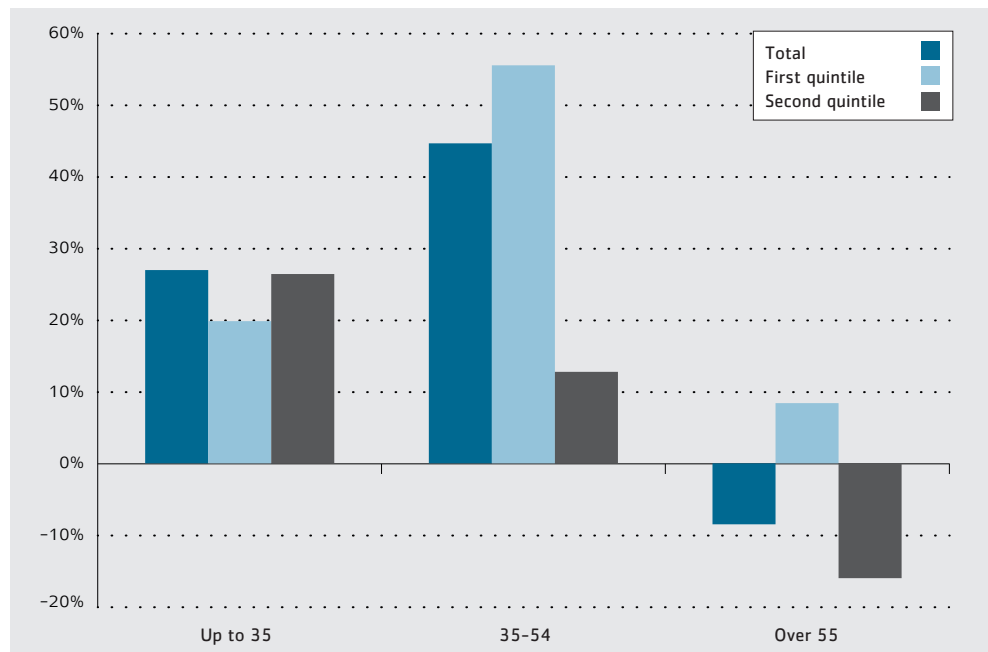
The rate of apartment ownership dropped drastically in the last decade among people under 35, and not just among the lowest quintiles

**Graph 1**  
**Change in Rate of Home Ownership by Age Group, 1999 vs. 2010<sup>7</sup>**



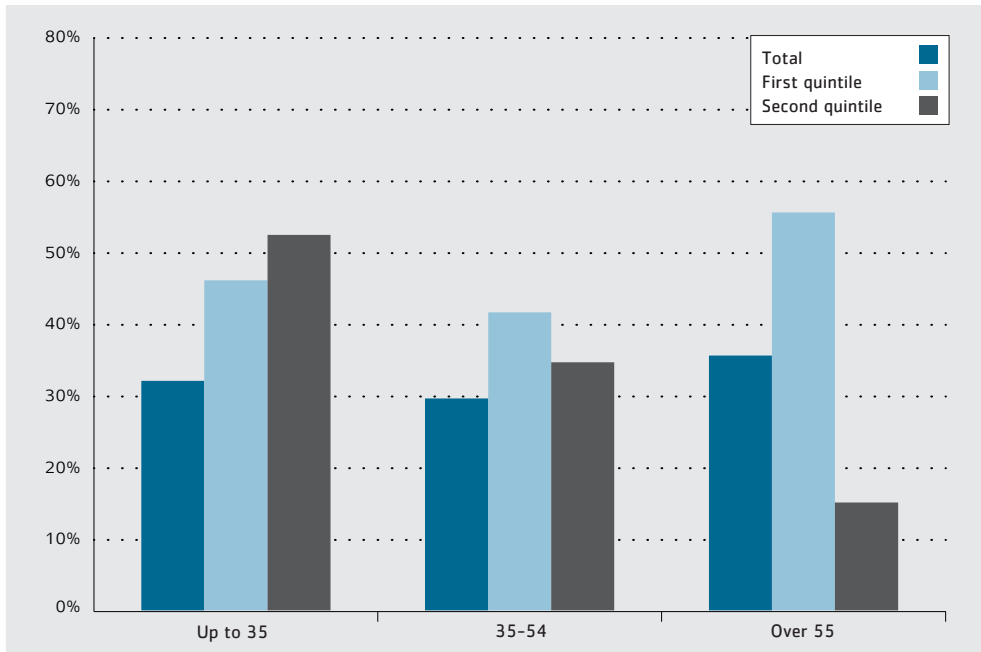
\* The source for all the graphs unless otherwise indicated: Calculations by the Research and Planning Administration for Income Surveys at the Central Bureau of Statistics, 1999 and 2010.

**Graph 2**  
**The Change in Rent Expense by Age Group, 2010 vs. 1999**



7 Including Jerusalem Arabs.

**Graph 3**  
**The Change in Education Expenses by Age Group, 2010 vs. 1999–2001**



Graph 3 captures the significant increase in outlays for education relative to net family income. Among young families the increase is especially noticeable in the lower two quintiles.

To finance the increase in education and housing expenses that have far exceeded the rise in incomes, young people over the past 10 years have had to reduce other expenses; that is probably part of the reason that the relative outlays for food, fruits and vegetables, health care, home maintenance and transportation and communications decreased during the same period.

Outlays for education increased significantly relative to net family income

### B. Taxation policy and benefits over the past decade

Contrary to the common assumption that reducing income taxes leads to an increase in general welfare, one of the main causes of the worsening of the situation of the middle class has been government taxation policies, which primarily helped the wealthier strata and increased the gaps in income from work.

Several years ago the government decided on a plan to reduce direct marginal taxation (**reducing progressivity**) in two stages: The first stage was planned for the years 2003–2008 and the second for 2009–2016.<sup>8</sup> Benefits, on the other hand, (particularly in 2002–

Government taxation policies primarily helped the wealthier strata and increased the gaps in income from work

8 One of the Trajtenberg Committee’s recommendations was to stop the final stage of direct tax reductions (from 2012–2016). The fate of this recommendation was not clear when this report was being compiled. The last budget, meanwhile, included an expansion of the negative income tax program, which benefits low income workers, from a pilot to a country-wide plan.

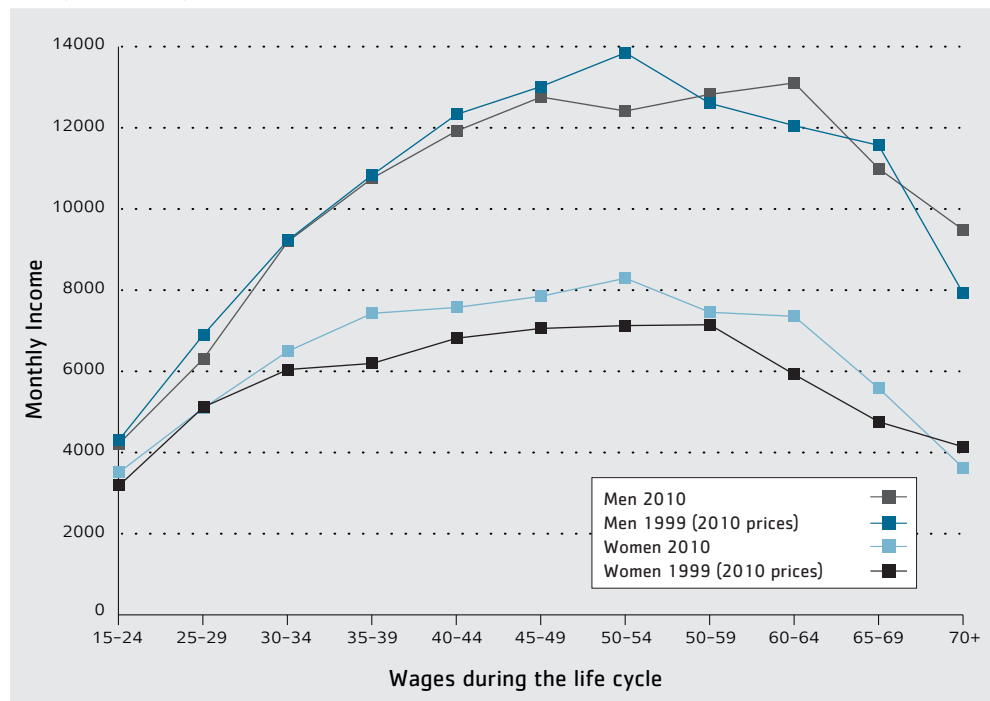
2004) were substantially reduced (particularly child allowances, income support and unemployment benefits) and these changes also had a regressive effect (to the detriment of those with low incomes).

National and health insurance contributions were portrayed as taxes like any taxes, making the total system of mandatory payments look very progressive, even though there is a substantial difference between mandatory insurance payments, for which one receives clearly defined social and health services in return, and taxes, which finance general government activities. Thus the government, during the first decade of the 21st century, cut benefits and the marginal tax rates, which resulted in a marked increase in net income inequality.<sup>9</sup>

The income tax reform benefited primarily those with high incomes. At the same time, the changes in the welfare system hurt the middle-income and lower-income families

The income tax reform benefited primarily those with high incomes. The chance of benefiting from the reform thus increased with age, given the tendency of income during one's lifetime to rise with age (up to a point). At the same time, the changes in the welfare system hurt the middle-income and lower-income families. It is therefore not surprising that young people suffered, since the blow to welfare was aimed primarily at young adults

**Graph 4**  
**Wages During the Life Cycle – Men and Women, 2010 vs. 1999 (2010 prices)**

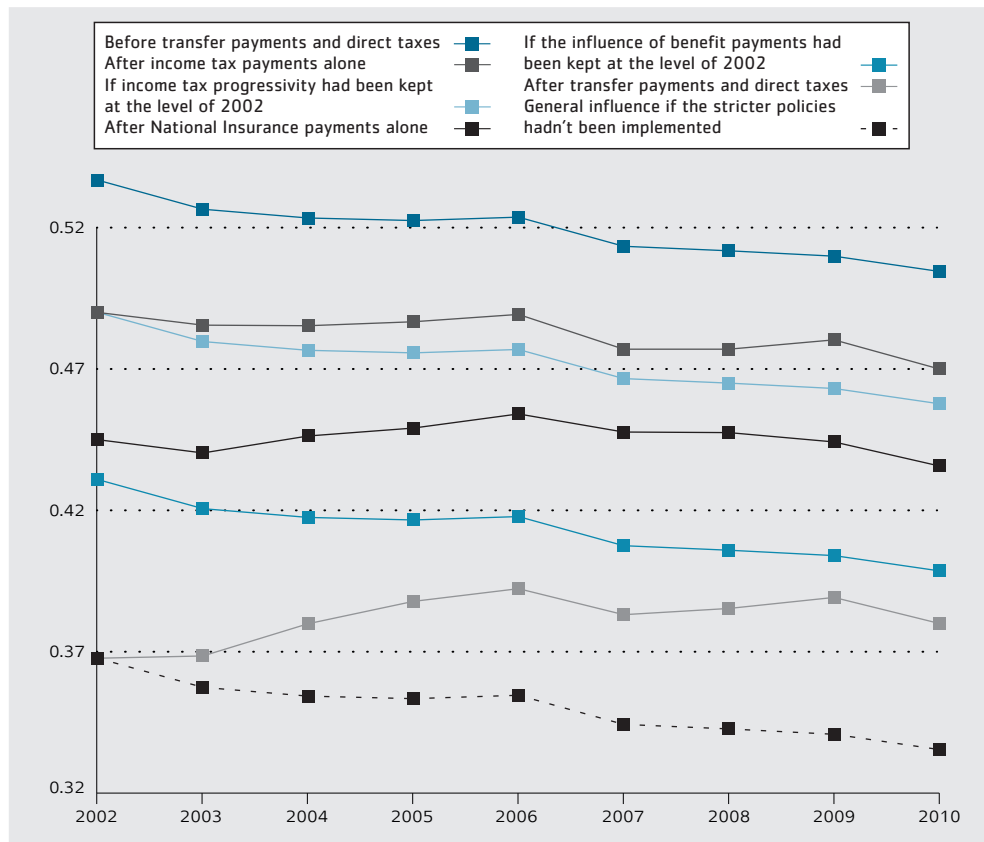


9 If this calculation had included the VAT rate, which influences inequality via consumption, the influence would have been even stronger. Although the VAT rate in Israel is lower than in many OECD countries, the average rate is higher in Israel than in other OECD countries because it is imposed on a broader base.

and others of working age. This was felt in many areas, such as tougher conditions for receiving unemployment or income support; erasing an income tax credit point and reducing the progressivity of marginal income tax, which, as noted, benefit primarily those with high incomes – more characteristic of people in their later working years (Graph 4). These processes expressed increased inequality, as revealed in the ongoing deterioration of the Gini index and income distribution by age group (Graphs 5 and 6).

Graph 4 shows that the income of those belonging to the older age groups usually peaked over the past decade, with a shift in this peak among men to later ages. From the graph one can also see that the wage gap between men and women narrowed slightly in most age groups over the past decade, though the drop at later ages is sharper among women than among men.<sup>10</sup>

**Graph 5**  
The Influence of Taxation and Benefits on Inequality (as per the Gini Index)



10 A possible reason for this is the improvement in women's education in recent years, such that part of the income drop by age among the older women is explained by improvements in human capital that would manifest itself more strongly in the younger age groups.

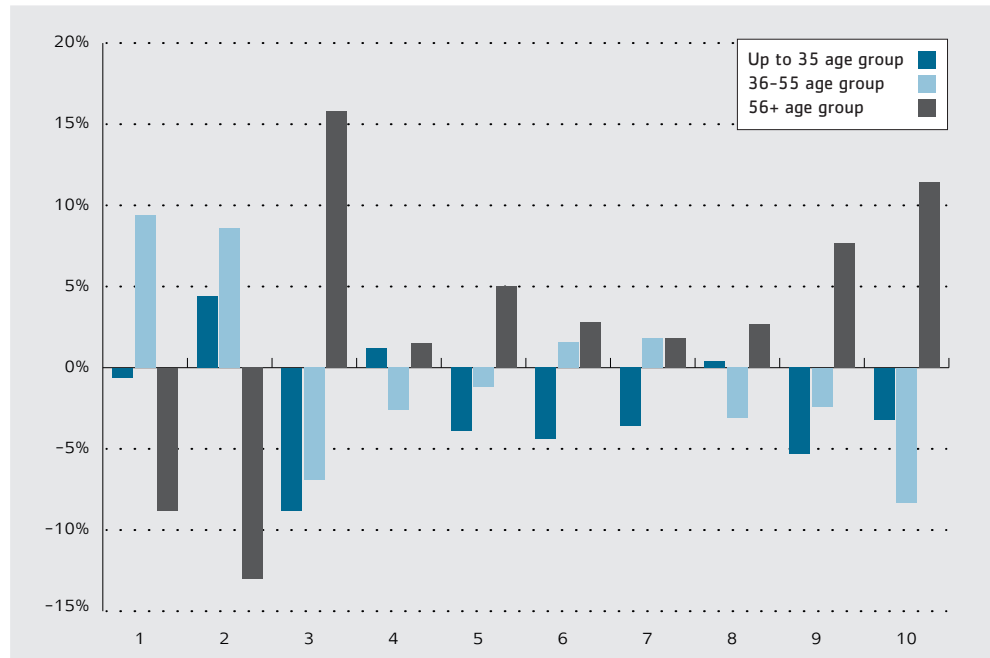
Graph 5 shows that the primary blow was borne by social benefits, and that a significant additional reason for the increased inequality was the reform in direct taxes. It is therefore clear that the government policies over the past decade offset the recent welcome reduction of inequality in economic income from work. In other words, instead of strengthening the trend of reducing inequality being generated by market forces, the government contributed to the widening of economic gaps in families' disposable income.

The chances of benefiting from higher income due to the tax reforms increased with age

It emerges, therefore, that the chances of benefiting from higher income due to the tax reforms increased with age. An indication of this can be found in the distribution of age groups by income decile. Graph 6 shows that over the past decade, the young and middle-aged groups were pushed down to the lowest quintile at the expense of those who were older (56+), whose representation in the third decile increased accordingly. In deciles 4-8 there were minor changes, all in favor of the older groups, and the greatest changes in that direction occurred in the top quintile. One can conclude that all of the changes that influenced income distribution over the past decade, including changes to taxation and benefits policies, worked strongly against the young and intermediate age groups and to the benefit of the older age groups.

The inequality of income distribution was intensified through government benefit and taxation policies: During the first half of the 2000s the primary cause was the more stringent conditions for receiving benefits if one was of working age, and during the

Graph 6  
Changes in the Distribution of Age Groups by Income Decile, 1999 vs. 2010





second half, it was the improvement in old-age pensions that relatively strengthened the older population group.

### Goals, tools and measures that monitor policy

The demand of the protesters – particularly the younger ones but to a lesser extent the intermediate age group as well – to improve their economic situation, is reinforced by the deterioration of their economic circumstances relative to the other age groups over the past decade. With that, both sides – the government and the protesters, their advisers notwithstanding – did not effectively address these considerations with the many plans that were presented to the public.

Ranking the different plans is important because it enables one to choose those plans that will best achieve their goals. Therefore, it is important for the government to decide on and announce a specific goal. The simple goal suggested below is derived directly from the above analysis: **correcting the ongoing deterioration in the inequality of net income per standard person.**

This objective reflects a desire to return to the previous situation in terms of socioeconomic gaps, and encompasses all strata, not just a certain group (such as the middle class or the poor), since the Gini Index of inequality takes all families of all ages into account, without discriminating against any population group or using any demographic considerations.

The present analysis subjects the different available tools to a cost-effectiveness test – determining which tool can best achieve the objective of reducing inequality using the resources available. Thus, different action plans can be ranked rationally and fairly, based on a transparent objective acceptable to all.

### C. Is the target nominal income or income from all sources?

The Gini Index is defined by nominal income, not only because it is difficult to obtain full and reliable information about income from all sources, but also because nominal income offers the person receiving it more flexibility than in-kind income or income conditioned on the consumption of a specific service or product. To calculate the changes in disposable income that are derived from the different plans, the change of in-kind expenses or the transferring private expenses to public budgets were translated into changes in nominal income.<sup>11</sup>

The income derived from the funding of the educational system via the state budget (in this case, the education budget) does not influence the net nominal income after

11 From time to time calculations have been made of the changes resulting from policies using a broader definition of income. The Research and Planning Administration is working on broadening the definition of income for previous years. There is a paper on this topic: Government Funding of Health and Education Services and Income Distribution 2001-2005, (Endeweld, 2005). No. 88 in the series of NII publications (Hebrew) at <http://www.btl.gov.il/Publications/research/>.

The present analysis subjects the different available tools to a cost-effectiveness test – determining which tool can best achieve the objective of reducing inequality using the resources available

taxes and compulsory payments, but the income saved by parents who no longer have to make payments to schools can be diverted to other consumption or to savings (on the assumption, of course, that educational services are not cut) as a type of nominal income. This is because nominal income is influenced only by changes in economic income, direct taxes, other compulsory payments (national and health insurance contributions) or cash benefits, and not by changes to in-kind benefits, public services, VAT (value added tax), etc.

In order to evaluate different budget tools one needs to define what income is relevant to calculating the target (the Gini Index before and after implementing the policy). In other words, in order to consider turning a specific payment, currently financed by families, into an outlay to be financed via the state budget, one needs to calculate the money equivalent of the move. One can thereby estimate the contribution of a specific change toward increasing disposable income for other consumption or savings as a result of supplying the service from the state budget rather than as a private expense as before the change.<sup>12</sup>

The proposed method enables one to compare the effectiveness of numerous and varied tools in reducing inequality, such as rolling back the privatization processes of expenses that were once budgetary but are now private (such as payments of parents to schools), or changes to VAT versus changes to income tax.

The plan presented here will require significant budgets, along with the use of tools that will directly influence the net nominal income, such as changes to benefits policies; budget changes of the magnitude being suggested here have not been implemented for many years in Israel, perhaps not since the social security infrastructure was established in the early years of the state. One important contribution made by the social justice protests in the summer of 2011 is that major and principled social policy moves are once again on the public agenda.

Our aim, as already noted, is to assist in preparing a rational framework for defining objectives, tools and the expected socioeconomic influences, which can be measured once the policy changes are finally chosen. To enable a rational choice among the alternatives, the proposed plan is modular. The large scope of the proposals demands a multiyear framework and clear interim goals, so that the government and the public can discern how well the chosen measures are working. The broader the program, the more important it is to deploy it over a longer period, while closely monitoring the implementation of each stage.

To convince the public that the government is serious, it is important that the first stage of the plan be substantial and broad enough to be felt, and constitute a significant .....

12 A more exact calculation calculates the inequality index using this definition before changing government policy. For simplicity's sake we are using the Gini Index of net nominal income as the starting point.

chunk of the overall plan. It is preferable that this first stage contain a critical mass of several of the plan's components, even if their full implementation is liable to be spread out over an extended period of time.

Concretely, we suggest measuring the effectiveness of any plan by using the budgetary cost of reducing the inequality index (in its broader definition) by 1% (column 1 in Table 1). The overall influence (in percentages) on inequality is calculated by dividing the full budgetary change by the budgetary cost needed to reduce inequality by 1% (column 3 in Table 1).

Preserving the budget framework over time will assure the feasibility of the plan chosen, particularly if it is an ambitious plan that may take a long time to fully implement. The higher the budgetary increase needed to implement the plan, the more it will have to be financed by additional taxes or by reducing tax benefits. Of course, one can finance budget increases in certain areas by a parallel reduction in other budget clauses, but this type of financing generally cannot be sustained over time.

#### D. Proposed policies, ranked by their potential to reduce inequality

The plans to be examined here relate to a variety of areas: taxation policies, reversing the process of privatizing education and health expenses to the relevant public budgets, increasing rent subsidies, improving the income support benefit for those of working age and increasing enforcement of labor laws.

##### 1. Taxation policies

Returning progressivity to taxation policy is presented as rolling back the marginal tax rates to what they had been in 2004. The intention here is to present the latent potential of restoring progressivity to the direct tax system. The proposal demonstrates the degree to which a policy of restoring progressivity could be a powerful social policy tool due to the double impact it would have: it improves the Gini Index of inequality and also generates funds to implement public policy in recommended areas such as education, health care and housing. Such policies can be carried out only by increasing taxes, reducing tax benefits (see below) or changing priorities in government spending.

The results relating to taxation policies are displayed in Table 1. After the examination of several options of plans to increase progressivity, Table 1 presents the result of a plan to restore the marginal tax rates to what they were in 2004 – a plan that makes substantial social changes, because in order to operate a broad plan within budgetary limitations, it is crucial to increase one's funding sources, first and foremost due to the principle that a strategic social plan cannot be based on deficit spending; but rather must preserve budgetary balance over time. This is an important advantage of this plan over those based on surtaxes or “a tax on the rich,” taxes that in all likelihood would not be included in the

budget base and thus would constitute a temporary funding source at best. Changing the tax brackets, on the other hand, alters an integral part of the regular tax system.

As is shown below, a plan of this type is expected to substantially reduce income inequality and in standard of living among Israeli families. The following suggestions are ranked according to their effectiveness in reducing inequality, with the first being the most effective. The ranking does not include all the proposals made in the above-mentioned policy paper on strengthening the middle class – such as imposing an inheritance tax, or changes in the makeup or scope of tax benefits, even though these would increase the potential for even more anti-inequality initiatives, due to the difficulty in measuring their influence given the lack of some relevant data<sup>13</sup>.

**Social policies involving reducing tax benefits to strong populations and using the freed-up resources to reduce gaps<sup>14</sup>**

Another important aspect of taxation policy that is invisible to the public eye and thus is missing from the debates about the state budget is that of tax benefits, which totaled the enormous sum of NIS 38.4 billion in 2011, or 18% of total state revenue

Another important aspect of taxation policy that is invisible to the public eye and thus is missing from the debates about the state budget is that of tax benefits. From the State Revenue Administration report for 2009-2010<sup>15</sup> one can learn that these benefits totaled the enormous sum of NIS 38.4 billion in 2011, which is 18% of total state revenue and 4.4% of the GDP. These benefits are derived mainly from gaps in tax rates. For example, benefits are generated for those who have income from capital as a result of a decision that the tax rate on such income be lower than the rate on income from work. In other words, the benefit stems from an administrative decision that the tax on the yields from financial or physical capital, such as interest or dividends, will be lower than the tax on income from human capital. That the government has set lower tax rates on financial capital is a benefit primarily the top income decile, particularly the top hundredth or thousandth.

Other benefits, such as those conferred by the Encouragement of Capital Investments Law or the tax benefits accrued through provident funds, seem to increase income inequality in a sharp and uncontrolled fashion. These two benefits constitute some 43% of the value of benefits in 2011

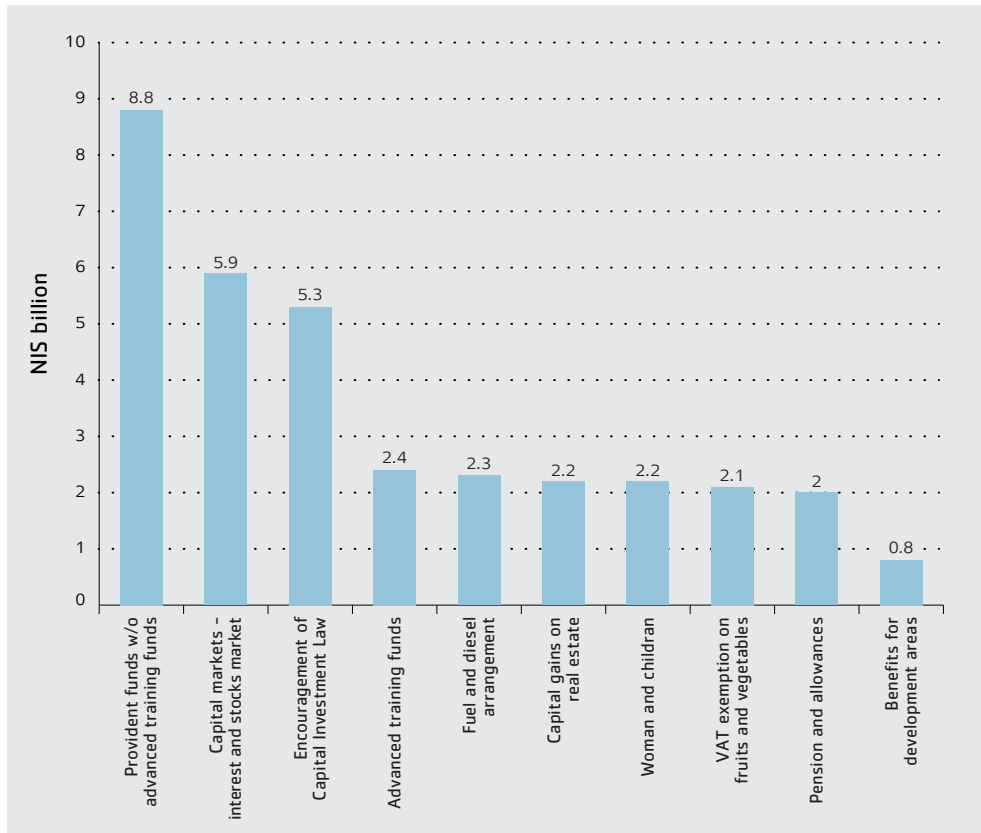
Tax benefit policies are thus generally very regressive, increasing economic gaps. A look at Graph 7 shows that most of the tax benefits in Israel are “non-social” and various governments have used, and continue to use, this tool in a way that strengthens inequality in society.

A small number of benefits do act to reduce inequality -- the tax credit points for working mothers, which are allotted per number of children, for example. But other benefits, such as those conferred by the Encouragement of Capital Investments Law or the tax benefits accrued through provident funds, seem to increase income inequality in a

.....

13 As with the suggestion to increase progressivity, such proposals would have the double impact of reducing inequality and providing more resources to implement new spending policies. That is why such steps are particularly attractive in terms of social influence.  
 14 The section on tax benefits is primarily based on Chapter 4 of the State Revenue Administration report for 2011-2012.  
 15 See the State Revenue Administration report, 2009-2010, Chapter 4, “Forecast for Tax Benefits for the Years 2011-2012”.

Graph 7  
Various Tax Benefits (NIS billion)



sharp and uncontrolled fashion.<sup>16</sup> It's important to note that these two benefits constitute some 43% of the value of benefits in 2011, and that most of the benefits distributed under the Encouragement of Capital Investments Law go to a very few recipients.<sup>17</sup>

Graph 7 below is based on the State Revenue Administration's publication.<sup>18</sup>

As noted, it is difficult to measure the influence of the changes in Table 1 over time because of the meager information available to the public or even to the government during discussions of the state budget.

16 As noted above, there is no reliable data about this, but from information that is periodically reported in the media the bulk of this budget is distributed to those companies that are the strongest economically. One could of course argue that there is no connection between the grants given under the Capital Investment Encouragement Law and personal income distribution. However, it's reasonable to assume that the influence of this division is similar to the distribution of dividends. Thus one can estimate their influence.

17 Because there is no transparency regarding the beneficiaries under the Encouragement of Capital Investments Law, this comment is based on unconfirmed, personally obtained information.

18 See note 16 above.

## 2. Improved information about tax benefits

There is definitely potential for improving the available information, since the raw data exists in the relevant departments of the Finance Ministry (see Graph 7 above). This sum has dropped since 2002 by about a third (some 2.2% of GDP) due to the income tax reform that reduced the gap between income tax rates (on work) and income tax rates on financial capital. An increase in the taxes on capital also reduced the inequality that stems from tax benefits. By contrast, the reduction of benefits to children of disabled parents (“incompetent”), to those temporarily disabled, and to families in which one of the parents is not employed, work in the opposite direction.

In 2012 these tax benefits are expected to increase to NIS 39.6 billion (according to the State Revenue Administration) and to remain steady relative to the GDP. The importance of this from a policy perspective is clear: Theoretically, it would be possible to increase the supply of public services or alternatively reduce tax rates on a scale equal to the total value of the benefits.

To sum up, there is a very broad base for expanding social spending by reducing tax benefits as a whole or some of them. The fact that the value of these benefits is not generally presented during state budget debates and is not analyzed by professionals to determine their influence (by deciles, for example), leads to tax benefit policies remaining concealed from the public.

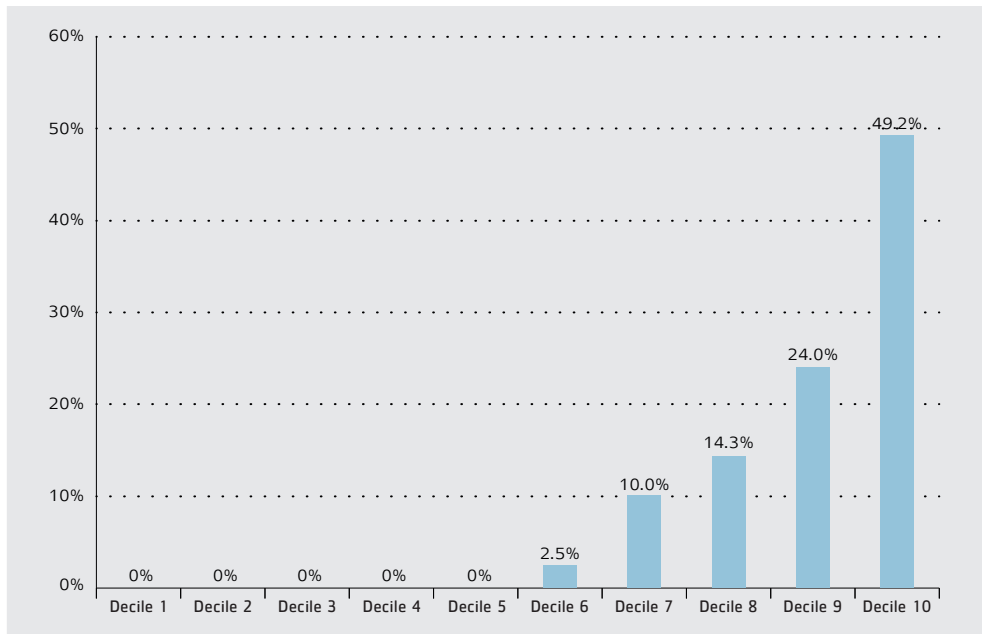
In many countries there is a legal requirement to report on tax benefits and the influence of their distribution.<sup>19</sup> For example, the U.S. Congress in 1974 passed a bill requiring a report on tax benefits in the federal budget. While in Israel there is a requirement since 1986 to attach a chapter on tax benefits to the state budget, there is no requirement that the Knesset ratify those benefits each time the budget outlays are approved, something that would spark debate over this budget tool in particular. For such a debate to be meaningful, it would be important for the also a report on the influence of the distribution of each benefit alone, and of all the benefits together. In the event that exact reporting would be difficult, the Finance Ministry, the entity that has all the data, should be expected to provide reasonable estimates of each benefit’s influence. Given the fact that most of the benefits are focused on the upper decile it is important that the report detail how these benefits are distributed to the 10 top hundredths.

A similar recommendation appears in the State Revenue Administration’s report for 2009/10, to the effect that there should be increased control over tax benefits and that each benefit should have an expiration date, so that each will expire after a certain length of time – unless the legislator debates it anew and decides to extend it. Since at issue are benefits that are the privilege of wealthy, strong pressure groups, one can assume there will be intense pressure to block such a measure.

.....  
 19 See Page 67 in the report cited in Note 15.

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**Graph 8**  
**The Influence of Provident Fund Benefits on Net Income by Decile**



Graph 8 points to the great inequality inherent in the tax benefits on the capital market, which, as noted above, constitutes some NIS 4.4 billion of tax revenue that the state is giving up. According to the Finance Ministry, about half the benefits go to the highest decile and nearly three-quarters to the two highest deciles. Below the sixth decile there is essentially no distribution of benefits in the area of capital markets. The conclusion is that the tax benefits on provident funds (not including advanced training funds) markedly increase income inequality.

### 3. A proposal for a more equitable division of capital market tax benefits

During various discussions of this issue, the NII has proposed a very simple plan under which the tax revenues that would be generated by reducing or cancelling this benefit would be redirected, via the NII, to residents in accordance with the work effort made by all those who worked in Israel. This plan is feasible, since the NII has information on the work history of every individual in Israel, and could thus pay an occupational pension (funded by the cancelled tax benefits) to everyone who works, in accordance with his work effort. Thus it would be possible to distribute the benefits more equitably, taking into account the work effort of the entire public during their working life.<sup>20</sup> As a result,

20 See a specific proposal in Appendix 3 (Seniority increment to employees who reached retirement age instead of tax benefits for contributing to pension funds) in the position paper A Plan for Strengthening the Middle Class and Reducing Poverty and Inequality. [http://www.btl.gov.il/Publications/more\\_publications/Pages/hizuk.aspx](http://www.btl.gov.il/Publications/more_publications/Pages/hizuk.aspx).



even people who because of their low income never get any tax benefits would receive this benefit.

### E. Ranking the plans

The plans relate to several major areas: taxation; returning private education and health care expenses to the relevant budget; rent subsidies; improving subsistence benefits and improving enforcement of labor laws

The plans detailed below relate to several major areas: taxation (restoring the progressivity in taxation and reducing VAT on food products); returning private education and health care expenses to the relevant budget; rent subsidies; improving subsistence benefits (income support to those of working age) and improved enforcement of labor laws.<sup>21</sup>

**Table 1**  
Comparing Proposals by Their Effectiveness on Reducing Inequality via the State Budget

Plans ranked by their influence on economic gaps	Budgetary cost of bringing the Gini Index down 1%	Budgetary cost	Influence in percentages on the Gini Index (the broader definition of income change)
1 Returning tax rates to their level in 2004	-4,478	-13,258	3.0
2 Enforcing the minimum wage	37	33	0.9
3 Increasing income support for working-age people by 30%	1,350	675	0.5
4 Free education – elementary school only	1,681	1,397	0.8
5 Free education – afternoon programs only	1,713	912	0.5
6 Free education – kindergartens only	1,820	2,940	1.6
7 Rental assistance up to median income (NIS 800/month)	1,828	1,865	1.0
8 Free education – until school age (inclusive)	1,841	4,793	2.6
9 Rental assistance up to median income (NIS 600/month)	1,844	1,411	0.8
10 Free education – high school only	1,888	438	0.2
11 Free education – day care only	1,909	1,854	1.0
11 Refunds on supplementary health insurance by the capitation method	3,291	3,195	1.0
12 Differential VAT (7.5% on food products)	4,329	4,329	1.0
13 Refunding education expenses	5,658	7,540	1.3
14 VAT – general reduction in VAT	7,201	1,008	0.1
15 Refunding expenses of the health basket	7,988	3,195	0.4

21 This measure is meant to be implemented following the negotiations that took place during the strike by contract workers.



Reducing tax exemptions, though a desirable and progressive process, is difficult to quantify given the lack of information about their influence on the income of different population groups. Therefore, it's important to lay the groundwork for effectively managing tax benefits by clearly demanding more information about these benefits and in particular, information about their distribution by deciles, if not by even smaller segments.

Adopting the suggestions that appear in the table would bring about a substantial reduction in inequality in both income and the standard of living. As explained above, there is a need for a broader definition of income in order to present the full improvement in income distribution, since one cannot expect that policy changes would be expressed immediately and fully in the official inequality and poverty indices, which are calculated solely according to nominal incomes.

As noted above, to express the different influences in the inequality and poverty indices, in this chapter we broadened the definition of the official poverty index and included in it, in addition to nominal income, in-kind income that would be the result of transferring what are now payments from families' private budgets to the state budget (see the above examples in the realms of education and health care). The significance of this is that the government must decide to add, in addition to the existing poverty and inequality indices, new indices of the type calculated in this document.<sup>22</sup>

### Intra-Generational Mobility and Wage Inequality in Israel, 1990-2005

This box presents some of the main findings of a study that examined the level of wage mobility among employees in Israel and how it has changed during three periods of time – 1990-1995, 1995-2000 and 2000-2005<sup>1</sup>. The data source was the administrative data of the tax authorities, which includes all the information about employee wages in Israel.

The level of wage mobility is examined by using a variety of measures: correlation coefficients, transition matrix indices and indices that estimate income mobility in terms of wage inequality. Despite the use of different indices that are not always comparable, the findings were uniform and consistent: the level of income mobility among employees in Israel decreased in the 15 years surveyed. The drop occurred in two directions, upward and downward. The drop in upward mobility among employees at

1 From the study by M. Endeweld (2012), due to be published shortly as part of a series of research studies by the NII.

22 It should be noted that in recent months, a committee chaired by the Central Bureau of Statistics, which included representatives from the NII, Welfare and Social Services Ministry, the Finance Ministry and the Bank of Israel, convened and formulated conclusions regarding these issues. The conclusions had not yet been published when this report was being prepared.

### Bartholomew (BI) and Shorrocks (SI) Indices for Measuring Mobility by Transition Matrices, Totals and Men and Women During the Three Periods of the Study

Research period	Total		Men		Women	
	SI	BI	SI	BI	SI	BI
1990-1995	0.547	0.547	0.578	0.594	0.582	0.607
1995-2000	0.506	0.506	0.540	0.555	0.525	0.528
2000-2005	0.471	0.469	0.507	0.514	0.481	0.485
<b>Percentage change in level of wage mobility during the third period compared to the first</b>						
2005-2000						
1995-1990	-13.9	-14.3	-12.4	-13.4	-17.4	-20.1

the bottom of the wage ladder portends an uptrend in the level of permanent poverty in Israel, a topic difficult to check empirically because follow-up surveys with families are lacking.

The table below collates the mobility indices in accordance with two indices accepted in the research literature on income mobility: Bartholomew and Shorrocks. These two indices show that the level of wage mobility has diminished during the three periods, from 0.55 in the first period (1990-1995) to 0.47 in the third period (2000-2005). In examining the differences between men and women, it emerges that the drop in wage mobility was greater for women than for men.

Comparing genders shows, as noted, that wage mobility levels are lower for women than for men and that the drop gets steeper over time. When comparing economic status (income levels), it emerges that among the employed population as well as among women, the wage mobility is quite low within the highest and lowest quintiles and higher in the intermediate quintiles, while for men, the higher they are on the income ladder the greater their chances of remaining in that ranking.

It was found that downward mobility among women decreased during the periods researched, apparently due to their increased abilities, participation and stability in the labor market. However, the chances of women extracting themselves from lower salary levels are considerably fewer than those of men, indicating the likelihood of greater permanent poverty among them.

It should be noted that measuring mobility in terms of inequality shows that the increase in income inequality corresponds to the drop in wage mobility. Thus, no support was found for the theory that structural and institutional changes that generally correlate with increased wage inequality (such as reduced regulation or less unionizing) leads to a parallel increase in wage mobility. Another conclusion is that the upward deviation that arises from the measurement of annual income inequality shrank over the period.

A partial explanation for these findings is the marked decrease in immigration to Israel by people with the considerable human capital that contributes to wage mobility, combined with the increase in foreign workers who are not only themselves entrenched at the bottom of the income ladder but who also indirectly influence the availability of opportunities for low-skilled workers in the labor market.

### 3. The Volume of Payments

The NII's payments of contributory and non-contributory benefits, in cash and in kind, totaled NIS 62.7 billion in 2011, compared with NIS 59.1 billion in 2010. These sums also include other payments that the NII pays, mainly to government ministries, for expenses relating to the development of services in communities, as well as for administrative and operating expenses of the national insurance system's entire spectrum of activities (totaling approximately NIS 1.3 billion). The real increase in the NII's total volume of payments reached 2.4%, which stemmed primarily from the increase in the number of benefit recipients and a real increase in some of the benefits following Economic Efficiency Law (Legislated Amendments for Implementing the Economic Plan for 2009-2010) and various agreements pursuant to the law. This increase was partially offset

The NII's payments of contributory and non-contributory benefits, in cash and in kind, totaled NIS 62.7 billion in 2011, compared with NIS 59.1 billion in 2010

**Table 2**  
Benefit Payments and Collection from the Public (excluding administrative expenses) as a Percentage of the GDP, 1980-2011

Year	Benefit payments		Collection	
	Total	Contributory benefits	Total*	National insurance contributions**
1980	6.09	4.98	6.77	5.15
1985	7.14	5.51	6.57	4.45
1990	8.36	7.04	7.21	5.28
1995	7.23	5.66	7.54	4.21
2000	7.65	6.09	6.00	4.08
2001	8.63	6.78	6.34	4.30
2002	8.65	6.71	6.35	4.32
2003	8.12	6.41	6.23	4.22
2004	7.35	5.88	6.04	4.05
2005	7.02	5.63	6.00	4.03
2006	6.87	5.53	5.80	3.87
2007	6.67	5.42	5.76	3.81
2008	6.73	5.49	5.84	3.83
2009	7.06	5.80	5.63	3.67
2010	7.12	5.92	5.85	3.85
2011	7.05	5.92	5.90	3.88

\* Including collection for the sick funds.

\*\* Including indemnification from the Finance Ministry for the reduction in employers' national insurance contributions.

by the difference between the rate at which the benefits were updated (2.3%) and the rise in the Consumer Price Index that year (3.45%)

The ratio of benefits to GDP, which had peaked in 2001-2002 by 8.7%, steadily decreased until it reached 6.7% in 2008. In the two subsequent years it rose to 7.12% in 2010, and then dropped to 7.05% of the GDP in 2011

With that, in terms of percentages of the GDP, the benefits decreased by 0.07 percentage points (Table 2). The ratio of benefits to GDP, which had peaked in 2001-2002 at the rate of 8.7%, steadily decreased until it reached 6.7% in 2008. In the two subsequent years it rose to 7.12% in 2010, and then dropped to 7.05% of the GDP in 2011. In terms of the GDP, the collection rate for national insurance branches rose a bit, from 3.85% in 2010 to 3.88% in 2011, inter alia as a result of the mild real increase in wages. All told, the contributory benefits under the National Insurance Law went up 3.1% in real terms. Payments for non-contributory benefits paid under other laws or under agreements with the Finance Ministry and fully funded by the Finance Ministry, such as income support, mobility allowances, maintenance payments, old-age and survivor benefits for the non-insured (primarily new immigrants) dropped by 2%. In 2011 the non-contributory benefits, including administrative costs, came to NIS 10 billion, which is 16% of all benefit payments.

The data in Table 3 present the main trends in benefit payments by branches of insurance. The old-age and survivors' benefits went up 3.3% in 2011. In recent years, there have been a number of revisions that have increased these payments: In April 2008 the basic old-age and survivors' benefits were increased from 16.2% to 16.5% of the basic amount<sup>23</sup>, while those aged 80 and older received a special increment of 1 percentage point of the basic amount. In August 2009, under the Economic Efficiency Law, the old-age and survivors' pensions were raised again, from 16.5% of the basic amount to 17%, and in January 2010 to 17.35%, as part of a process that concluded in January 2011, when the basic pension was raised to 17.7% of the basic amount.

Payments of old-age and survivors pensions increased by 3.3% between 2010 and 2011 and payments of child allowances rose by 7.4%

The gradual increase in the old-age pensions from 16.2% to 17.7% of the basic amount was accompanied by a parallel process in which income supplements were raised in accordance with the age of those eligible. An increase of 3.3% in these payments between 2010 and 2011 is explained primarily by the 2% increase (to the basic pension) between 2010 and 2011 combined with the increase in the number of old-age and survivors pension recipients.

Payments of child allowances rose by 7.4% between 2010 and 2011. This increase stems, inter alia, from the gradual increase in child allowances that began in July 2009 following the enactment of the Economic Efficiency Law. Under this law, the allowance for the second, third and fourth child in families was gradually increased, so that, in 2012, an additional NIS 100 is being paid for every child in the above birth order.

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23 "The basic amount" is the amount that has been used to calculate most benefits since January 2006. This amount is updated annually on January 1 at the rate of the rise in the consumer price index that applied in the previous year. The basic amount has various tariffs for the purpose of updating the various benefits: in 2011, the basic amount for most benefits was NIS 8,158.

Table 3  
 Payments of National Insurance Benefits (including administrative expenses), 1995, 2000, 2005-2011

Year	Total payments	Old-age and survivors**	General disability	Work injury, victims of hostile action	Maternity	Children (current prices)	Unemployment	Reserve service	Income support***	Long-term care & other
					NIS million					
1995	21,188*	7,675	2,254	1,487	1,206	4,287	1,280	1,053*	1,149	798
2000	39,706	13,670	5,128	2,569	2,423	7,000	3,023	1,039	2,957	1,897
2005	43,305	16,457	7,792	3,192	2,857	4,548	2,044	713	2,859	2,842
2006	45,760	17,376	8,392	3,306	3,103	5,038	2,013	860	2,730	2,941
2007	47,089	17,615	9,034	3,332	3,605	5,038	1,812	760	2,543	3,350
2008	49,920	18,655	9,599	3,506	4,146	5,188	1,896	841	2,518	3,572
2009	55,394	20,180	10,295	3,811	4,604	5,650	3,089	1,169	2,613	3,984
2010	59,137	22,023	11,130	3,986	5,033	6,279	2,606	1,028	2,659	4,394
2011	62,666	23,531	11,664	4,281	5,357	6,974	2,582	1,068	2,617	4,592
					Real annual increase (percentages)					
1995	10.1	8.6	16.1	14.6	20.8	4.5	16.2	2.9	13.7	13.5
2000	8.1	8.4	14.8	11.4	10.8	1.5	-0.9	-7.4	18.1	18.2
2005	0.1-	1.3	4.6	0.2	3.4	-8.1	-6.9	-0.6	-6.0	2.5
2006	3.5	3.4	5.5	1.4	6.4	8.5	-3.6	18.1	-6.5	1.4
2007	2.4	0.8	7.1	0.2	15.6	-0.5	-10.5	-12.1	-7.3	13.3
2008	1.4	1.3	1.6	0.6	10.0	-1.5	0.0	5.8	-5.3	2.0
2009	7.4	4.7	3.8	5.2	7.5	5.4	57.7	34.5	0.4	7.9
2010	4.0	6.3	5.3	1.9	6.5	8.2	-17.8	-14.4	-0.9	7.4
2011	2.4	3.3	1.3	3.8	2.9	7.4	-4.2	0.4	-4.9	1.0
					Distribution by insurance branch (percentages)					
1995	100.0	36.2	10.6	7.0	5.7	20.2	6.0	5.0	5.4	3.8
2000	100.0	34.4	12.9	6.5	6.1	17.6	7.6	2.6	7.4	4.8
2005	100.0	38.0	18.0	7.4	6.6	10.5	4.7	1.6	6.6	6.6
2006	100.0	38.0	18.3	7.2	6.8	11.0	4.4	1.9	6.0	6.4
2007	100.0	37.4	19.2	7.1	7.7	10.7	3.8	1.6	5.4	7.1
2008	100.0	37.4	19.2	7.0	8.3	10.4	3.8	1.7	5.0	7.2
2009	100.0	36.4	18.6	6.9	8.3	10.2	5.6	2.1	4.7	7.2
2010	100.0	37.2	18.8	6.7	8.5	10.6	4.4	1.7	4.5	7.4
2011	100.0	37.6	18.6	6.8	8.5	11.1	4.1	1.7	4.2	7.3

\* The data for 1995 do not include the sums transferred to the Defense Ministry to repay a debt for savings in the number of reserve service days.  
 \*\* Including payments for income supplements.  
 \*\*\* For the working-age population.

It should be noted that, within the scope of the agreement, the increments are purely nominal, and the allowance was not being updated in response to price changes during this period, so that this increase is expected to be eroded in real terms. Moreover, the increase in child allowance payments is being offset, in part, due to “older” children (born prior to 2003) leaving the system and being replaced by new children, for whom a uniform allowance is being paid that is lower than that paid to the older children – a process that began in 2002 as a measure aimed at reducing child allowance payments.

The 2.9% increase in maternity insurance payments is explained by a continuing increase in the number of those eligible for a maternity allowance, and an increase in the average maternity allowance payment, due to the increase in women’s employment rates and in wages over time.

These increases were partially offset by decreases in the benefits paid to unemployed persons of working age: The decrease of 4.9% and 4.2% in the Income Support and Unemployment branches, respectively, is explained primarily by the drop in the average unemployment rate, from 6.6% in 2010 to 5.6% in 2011, the result of the economy’s quick recovery from the global economic crisis.

Table 3 also shows that the Old Age and Survivors branch, the largest in size, pays 37.6% of all the benefits paid in 2011, and compared to the previous year, 2010, this share increased by 0.4 percentage points after increasing at double that rate the previous year. This development is the result of legislative changes that, as noted above, increased the rate of the benefit in relation to the basic amount.

The share of Disability branch payments dropped slightly, from 18.8% of all payments in 2010 to 18.6% in 2011, thus returning to the level of 2009.

The Children branch, which is the third largest, increased its share from 10.6% in 2010 to 11.1% in 2011, while the Maternity branch maintains its share from the previous year, constituting 8.5% of total benefit payments for 2011.

The share of the Unemployment branch continued to decrease, from 5.6% of the total payments in 2009 to 4.4% in 2010 and 4.1% in 2011. Continuing the trend of recent years, the Income Support branch’s share dropped to 4.2% of the total payments, nearly half its share in 2002, when it constituted 8% of all payments. The drop in the ratios of these two branches is an expression of the ongoing erosion of payments made to people of working age compared to those made to the elderly.

#### 4. Benefit Levels

In January 2011, the benefits were updated in accordance with the 2.3% rise in the Consumer Price Index from November 2009 to November 2010. This rate updated the “basic amount,”<sup>24</sup> which has been the basis for updating most of the benefits since January

24 See footnote 23 of this chapter.

The Old Age and Survivors branch, the largest in size, pays 37.6% of all the benefits paid in 2011, and compared to the previous year, 2010, this share increased by 0.4 percentage points after increasing at double that rate the previous year



2006, pursuant to the Economic Recovery Plan Law of June 2003. During that period, the average wage, which had been the basis for updating the benefits in the past, rose by 3.6%, thus during the year surveyed benefit recipients lost out as a result of updating the benefits by the change in prices rather than by the change in wages.

With that, on a cumulative basis, from 2002 to 2011 the average wage rose at the rate of approximately 17%, a rate two percentage points **lower** than the rise in the CPI during that same period. Thus, there has been a reversal of the trend that had prevailed previously – that over a lengthy period the average wage rises at a rate that exceeds the rise in prices. If this trend continues, and the returns received for work continues to drop relative to prices as occurred in the past decade, the erosion of the benefits due to updates according to the CPI rather than by updating them as per wages will disappear.

In 2011, the basic old-age pension for an individual completed its rise in accordance with the plan set down in the Economic Efficiency Law in 2009, and it rose from 17.35% of the basic amount in 2010 to 17.7% for single elderly persons up to age 80 (a rise of 2%). The pension for those who are at least 80 years old was also raised slightly, such that the gap of 1% of the basic amount between these elderly and those under 80 was preserved. The pensions for other types of families, including the old-age and survivors' pensions that include income supplements, were also raised accordingly.

Since the basic amount is linked to price rises it rose at a lower rate than did the average wage in 2011 (2.3% as opposed to 3.8%, respectively), the rates of the pension as a percentage of the average wage as shown in Table 3 are lower than their percentage of the basic amount. Thus, for example, the basic pension for an individual as a percentage of the average wage reached 16.9% in 2011, compared to 17.7% of the basic amount. The average long-term care benefit to the elderly (whose amount is translated into hours of care), dropped in real terms in 2011 by 0.6% compared to 2010.

The minimum guaranteed income for the working-age population generally went down slightly or remained at the same level as in 2010.

The level of old-age and survivors' pensions in their varied configurations are shown in Table 5. The benefit for a single parent up to age 55 with two children, for example, was 42% of the average wage for both years. That is still much lower than its level in 2000, on the eve of the deep cuts in income support benefits under the 2002-2003 economic plan, when the benefit was 51.6% of the average wage. The benefit for an individual aged 55 went down somewhat, from 24.2% of the average wage in 2010 to 23.9% of it in 2011, half a percentage point higher than its percentage of the average wage in 2000.

The average disability pension decreased in real terms from 32.2% of the average wage for an employee in 2010 to 31.7% of the average wage in 2011. The average attendance allowance and benefit for disabled child also dropped a bit between the two years: The attendance allowance dropped from 28.2% to 27.9% of the average wage and the benefit for disabled child went from 26.8% to 26.5% of the average wage. On the other hand, the

In January 2011, the benefits were updated in accordance with the 2.3% rise in the CPI from November 2009 to November 2010. This rate updated the basic amount, the basis for updating most benefits since January 2006. During that period, the average wage, the basis for updating benefits in the past, rose by 3.6%; thus in the year surveyed benefit recipients lost out as a result of updating the benefits by price changes rather than wage changes

The minimum guaranteed income for the working-age population went down slightly or remained at the same level as in 2010

The average disability pension decreased from 32.2% of the average wage for an employee in 2010 to 31.7% in 2011

Table 4  
**Guaranteed Minimum Income for the Working Age Population  
 (fixed prices and its percentage of the average wage\*), Average per Month, 2000–2011**

Year	Individual			Single parent with 2 children (including child allowance)			Couple with 2 children (including child allowance)		
	Regular rate	Enlarged rate	% of average wage	2011 prices (NIS)	% of average wage	2011 prices (NIS)	Regular rate	Enlarged rate	% of average wage
2000**	1,623	2,030	23.4	4,481	51.6	3,848	44.3	4,457	51.3
2000***	2,030	2,030	23.4	4,481	51.6	4,457	51.3	4,457	51.3
2005**	1,575	1,772	20.8	3,354	39.4	2,921	34.4	3,354	39.4
2005***	1,969	1,969	23.1	4,224	47.1	4,181	49.2	4,181	49.2
2006**	1,584	1,783	20.7	3,431	39.8	2,996	34.8	3,431	39.8
2006***	1,980	1,980	23.0	4,338	50.3	4,263	49.5	4,263	49.5
2007**	1,576	1,774	20.3	3,413	39.0	2,980	34.0	3,413	39.0
2007***	1,970	1,970	22.5	4,316	49.3	4,241	48.4	4,241	48.4
2008**	1,613	1,815	20.9	3,481	40.0	3,037	34.9	3,481	40.0
2008***	2,017	2,017	23.2	4,404	50.6	4,328	49.8	4,328	49.8
2009**	1,633	1,837	21.7	3,521	41.6	3,073	36.3	3,521	41.6
2009***	2,041	2,041	24.1	4,455	52.6	4,378	51.7	4,378	51.7
2010**	1,650	1,856	21.8	3,574	41.9	3,121	36.6	3,574	41.9
2010***	2,063	2,063	24.2	4,518	53.0	4,441	52.1	4,441	52.1
2011**	1,632	1,836	21.5	3,589	42.0	3,140	36.7	3,589	42.0
2011***	2,040	2,040	23.9	4,521	52.9	4,445	52.0	4,445	52.0

\* As measured by the Central Bureau of Statistics

\*\* When no family member has reached age 55

\*\*\* When at least one family member is over 55



**Table 5**  
**Old-Age and Survivors' Pensions and the Guaranteed Minimum Income for the Elderly and Survivors (fixed prices and as a percentage of the average wage\*), Average Per Month, 2000, and 2005-2011**

Year	Basic old-age and survivors' pensions				Guaranteed minimum income (including child allowances)			
	Single elderly person		Widow/er with 2 children		Single elderly person		Widow/er with 2 children	
	2011 prices (NIS)	% of average wage	2011 prices (NIS)	% of average wage	2011 prices (NIS)	% of average wage	2011 prices (NIS)	% of average wage
2000	1,300	15.0	2,517	29.0	2,172	25.0	4,779	55.0
2005	1,293	15.2	2,566	30.2	2,352	27.6	4,916	57.8
2006	1,319	15.3	2,575	29.9	2,464	28.6	5,156	59.8
2007	1,331	15.2	2,580	29.5	2,504	28.6	5,204	59.4
2008	1,325	15.2	2,564	29.5	2,480	28.5	5,152	59.2
2008 80+	1,407	16.2		30.4	2,609	30.0		
2009 up to 70	1,364	16.1	2,635	31.1	2,537	30.0	5,250	62.0
2009 70-79	1,364	16.1		31.1	2,570	30.3		
2009 80+	1,446	17.1		32.1	2,723	32.1		
2010 up to 70	1,432	16.8	2,768	32.4	2,640	30.9	5,430	63.6
2010 70-79	1,432	16.8		32.4	2,709	31.8		
2010 80+	1,514	17.7		33.4	2,834	33.2		
2011 up to 70	1,444	16.9	2,798	32.7	2,645	30.9	5,484	64.1
2011 70-79	1,444	16.9		32.7	2,723	31.8		
2011 80+	1,526	17.8		33.7	2,846	33.3		

\* As measured by the Central Bureau of Statistics

average monthly mobility allowance went up a bit in real terms from 2010 to 2011: from 22.2% to 22.7% of the average wage.

The value of a child allowance point, which went up as a percentage of the average wage between 2009 and 2010, from 1.9% of the average wage to 2% of it, remained at that level during 2011 (Table 6). The table shows that the rate of increase in the child allowance changes between different types of families, as well as between older children and those born after June 2003.

Thus, for example, for a family receiving a child allowance for two children, whether they are older or "newer," the allowance went up in real terms by about 14% between 2010 and 2011, while it went up 6% for families with four "new" children. It should be noted that despite the improvement in the level of child allowances in recent years, they are still low compared to their level before the economic plan of 2002-2003. Thus, for example, in a family of four older children, the allowance has gone down 34% in real terms compared to 2001.

**Table 6**  
**Allowance Points and Child Allowances (fixed prices and as a percentage of the average wage) Monthly Average, 1990-2011**

Year	Value of an allowance point		Allowance for two children		Allowance for four children		Allowance for five children	
	2011 prices	% of average wage	2011 prices	% of average wage	2011 prices	% of average wage	2011 prices	% of average wage
1990	222	3.2	444	6.3	1,716	24.4	2,434	34.7
1995	214	2.9	429	5.8	1,723	23.0	2,451	32.7
2000	219	2.5	437	5.0	1,761	20.3	2,506	28.8
2001	216	2.4	433	4.8	1,744	19.5	2,827	31.6
2002	182	2.2	365	4.3	1,460	17.2	2,367	27.9
2003	173	2.1	345	4.2	1,274	15.6	2,034	24.9
2004	146	1.7	291	3.5	994	11.8	1,568	18.6
2005	141	1.7	283	3.3	891	10.5	1,363	16.0
2006	171	2.0	342	4.0	927	10.8	1,306	15.2
2007	170	1.9	340	3.9	922	10.5	1,300	14.8
2008	167	1.9	334	3.8	903	10.4	1,273	14.6
2009	169	2.0	338	4.0	997	11.8	1,372	16.2
2010 older children	171	2.0	357	4.2	1,095	12.8	1,474	17.3
2010 "new" children	171	2.0	357	4.2	861	10.1	1,030	12.1
2011 older children	169	2.0	407	4.8	1,137	13.3	1,512	17.7
2011 "new" children	169	2.0	407	4.8	911	10.6	1,080	12.6

The average injury allowance per day for employees and for the self-employed decreased by 1.7% and 7.8%, respectively, compared with 2010. The average unemployment benefit per day remained more or less at its 2010 level

In those branches paying wage-replacement benefits the trends were mixed. In the Work Injury insurance branch, the average injury allowance per day for employees and for the self-employed decreased by 1.7% and 7.8%, respectively, compared with 2010. This decrease is also expressed in the level of benefit as a percentage of the average wage, and is part of a downtrend that began in 2008 and has continued through the year surveyed. The average maternity allowance per day also dropped by 2.2% compared to 2010.

On the other hand, the average unemployment benefit per day remained more or less at the level of 2010, reaching NIS 175 per day, on average. In terms of average wage, the average unemployment benefit per day went up slightly, from 51% of the average wage in 2010 to 51.2% of it in 2011.

## 5. Benefit Recipients

In 2011, the number of recipients of old-age and survivors' pensions rose by 2.8%. This represents an even higher increase in the Old-Age insurance branch and a moderate drop

Table 7  
Number of Recipients of Benefits in the Main Insurance Branches (average per month), 1990-2011

Year	Old-age and survivors****	General Disability			Work injury			Maternity		Child		Income support (for people of working age)***	Long-term care
		General disability pension	Attendance allowance	Disabled child allowance	Mobility allowance	Injury allowance*	Permanent disability pension	Birth grant*	Childbirth allowance	Families receiving child allowances**	Unemployment**		
		Number of recipients (thousand)											
1990	442.6	73.5	6.5	5.8	11.4	56.7	11.8	107.7	43.7	532.5	50.6	30.8	25.0
1995	553.9	94.0	10.2	10.3	13.2	84.9	14.6	113.4	55.2	814.7	61.5	74.8	59.0
2001	677.0	142.4	18.9	16.4	19.3	69.1	20.8	127.2	71.2	928.2	104.7	141.8	105.4
2003	709.2	157.3	21.7	18.4	22.3	61.5	23.0	136.4	73.9	939.1	70.5	155.2	113.0
2005	719.9	170.9	24.0	21.0	24.9	63.9	25.2	148.4	77.0	956.3	58.8	139.9	115.0
2006	727.5	178.3	25.6	22.2	26.1	64.3	26.4	150.6	82.7	968.3	56.0	130.3	120.4
2007	728.9	187.5	27.4	23.8	27.3	67.6	27.8	151.6	86.0	980.6	49.8	120.2	125.4
2008	735.8	195.0	29.4	25.3	28.9	69.7	29.2	152.0	93.6	994.8	48.0	111.8	131.1
2009	746.9	200.1	31.2	26.5	30.4	65.8	30.9	156.4	97.7	1,012.0	73.0	111.8	136.6
2010	758.5	207.2	33.1	27.9	31.6	67.6	32.3	166.7	103.3	1,030.1	57.7	109.4	141.4
2011	780.1	213.0	35.2	29.5	33.0	67.6	33.9	163.4	105.7	1,048.7	57.4	105.3	145.6
		Annual increase (percentages)											
1986-1990	2.6	3.4	7.2	7.7	1.5	-0.1	3.6	0.5	0.5	-0.5	20.9	8.6	17.4
1991-1995	4.6	5.0	9.4	12.2	3.0	8.4	4.4	1.8	4.8	8.9	4.0	19.4	18.7
1996-2000	3.5	7.6	10.2	8.2	4.9	-2.1	6.3	3.1	5.0	2.3	8.5	11.4	10.2
2001-2003	3.0	5.2	13.9	7.2	14.9	-9.3	5.1	-3.6	0.8	1.7	13.1	10.6	10.1
2003-2005	2.4	4.5	5.3	5.1	6.7	-12.1	5.5	6.1	3.5	0.4	-27.4	2.6	0.7
2005-2006	-0.3	5.2	5.9	7.2	5.9	-2.9	5.0	-	-0.6	1.1	0.7	-3.3	1.4
2006-2007	1.1	4.3	6.7	6.0	4.7	0.6	4.8	0.5	7.3	1.3	-4.9	-6.9	4.7
2007-2008	0.2	5.2	6.9	7.2	4.7	5.2	5.1	2.5	4.1	1.3	-10.9	-7.7	4.3
2008-2009	0.9	4.0	7.3	6.3	5.9	3.1	5.0	3.3	8.8	1.4	-3.6	-6.8	4.7
2009-2010	1.5	2.6	6.1	4.7	5.2	-5.6	5.8	3.7	4.4	1.7	52.1	0.0	4.2
2010-2011	1.5	3.5	6.1	5.3	3.9	2.8	4.5	6.6	5.7	1.8	-21.0	-2.1	3.5
2011	2.8	2.8	6.4	5.7	4.3	0.0	5.0	-1.8	2.3	1.8	-0.5	-3.7	3.0

\* The number of different recipients during the year.

\*\* The data for 1985 and 1990 include those families for whom the allowances for the first and second child were reinstated through the employers. In 1993, the allowances became universal once again.

\*\*\* When calculating the figure for 2004 and thereafter, the benefit that was split among a few recipients was attributed to only one recipient. The number of recipients for 2004, the calculation of which included all recipients of the split allowance, was 145.6 thousand on average per month.

\*\*\*\* From 2010 the number of recipients of old-age and survivors' benefits who were getting benefits split between old-age and survivors' benefits, are being counted as one unit.

In 2011, the number of recipients of old-age and survivors' pensions rose by 2.8%

in the Survivors' insurance branch. The NII paid pensions to 780,100 elderly persons and survivors on average per month (Table 3). In the Children insurance branch, the number of families receiving child allowances rose by 1.8%, as a result of natural population growth. In 2011, child allowances were paid to approximately 2.5 million children who live in more than one million families.

In 2011, child allowances were paid to 2.5 million children who live in over one million families

Between 2010 and 2011 the number of unemployment benefit recipients went down by half a percent. This drop reflects in part the drop in the average unemployment rate between the two years by 1%. From 2003-2009 the number of unemployment recipients dropped consistently, the combined result of the economic situation and changes in eligibility requirements. Following the global economic crisis and the rise in unemployment that began at the end of 2008, an emergency order was passed in early 2009 that aimed to assist unemployed persons not eligible for unemployment benefits under the National Insurance Law by paying them special benefits. As a result, there was a significant, albeit temporary, uptrend in the number of people added to the unemployment rolls: the number of recipients went up more than 50%. This sharp increase was partially offset in 2010, when the number of recipients plunged by 21%, as the emergency order played itself out.

Between 2010 and 2011 the number of unemployment benefit recipients went down by half a percent

The second largest insurance branch, the General Disability branch, recorded a 2.8% rise over last year, a rate lower than the average rise in pension recipients over the past two decades; from beginning of the 1990s, the average annual number of recipients has risen at rates of between 3% and 8%.

The second largest insurance branch, the General Disability branch, recorded a 2.8% rise over last year, lower than the average rise in pension recipients over the past two decades

Regarding benefits deriving from the general disability pension, the increases have continued at rates similar to those in recent years: the number of recipients of an attendance allowance rose by 6.4%, the number of recipients of a mobility allowance rose by 5.7%, and the number of recipients of a disabled child benefit rose at the rate of 4.3%.

In the Work Injury insurance branch, which is generally affected by employment rates, the number of benefit recipients recorded little change. On the other hand, the number of recipients of a permanent disability pension from this branch rose by 5%.

During 2011, the downtrend in the number of recipients of income support continued, with the number going down by 3.7% relative to 2010, after a decline of 2.1% in 2010 compared to 2009

In both benefits of the Maternity insurance branch, birth grants and maternity allowance, the number of recipients remained almost unchanged, while the Long-Term Care insurance branch recorded a rise of 3%.

During 2011, the downtrend in the number of recipients of income support continued, with the number going down by 3.7% relative to 2010, which comes on top of a decline of 2.1% in 2010 compared to 2009, a year in which the number of recipients stabilized after high rates of decrease during the four years before that. On a cumulative basis, the number of income support recipients of working age has declined by about a quarter during the past decade. It should be noted that in April 2010, the Lights to Employment program, aimed at integrating benefit recipients into the workforce, was discontinued, yet

the number of families receiving income support, which is influenced by the employment and unemployment rates in the economy, is continuing to drop.

## 6. Collection of Insurance Contributions from the Public and the Sources for Funding Benefits

The NII's payments of benefits are funded from four sources: the collection of national insurance contributions (direct collection from the public and indemnification from the Finance Ministry in respect of the reduction in national insurance contributions imposed on employers and the self-employed), the government's participation in the funding of the contributory benefits, the government's funding of non-contributory benefits, and receipts from interest on the investment of monetary balances, primarily in government bonds. In addition to the collection of national insurance contributions, the NII collects the health insurance contributions and transfers them to the sick funds.

In the Economic Efficiency Law for 2009-2010 there were two changes that influenced collection from September 2009 until March 2011: the raising of the reduced rate of insurance contributions by the employer from 3.45% to 3.85% (returning to the rate that had prevailed in 2008) until the end of February 2001, and the doubling of the ceiling for NII contributions from five times to 10 times the basic amount until the end of 2010, with no corresponding increase in the basic ceiling for calculating wage-replacing benefits.

Although these two moves were aimed at increasing the total collection of national insurance contributions, this is not what actually happened, because the additional collections and allocations pursuant to Section 32 were transferred in their entirety to the Finance Ministry by the reduced Finance Ministry participation in collecting for the Children branch, from 210% to 207.5% in 2009, to 169% in 2010, and to 208% in 2011.

Two more amendments were made in the Economic Arrangements Law for 2011-2012: (1) the ceiling for the payment of national insurance and health insurance contributions was raised to 9 times the basic amount from the start of 2011 (and to 8 times the basic amount starting January 1, 2012). This change slightly increased collection, but the Finance Ministry's portion did not rise in parallel, and thus its participation in the Children branch was 200.5% from April 1, 2011 (and 204.5% in 2012). (2) the regular insurance collection paid by employers was raised by 0.47 of a percentage point (from 5.43% to 5.9%), as of April 1, 2011. This change, in effect for only 9 of the 12 months of 2011, increased the NII's collection by half a billion shekels.

The amendments to the Economic Arrangements Law for 2011-2012 increased the NII's collection by half a billion shekels

### A. Collection of Insurance Contributions from the Public

The NII's receipts from the collection of national and health insurance contributions went up by 3.7% in 2011 and totaled NIS 51.1 billion: NIS 31.2 billion for the national

insurance branches and NIS 17.4 billion for the health system (Table 8). The receipts for the NII insurance branches and the health system went up in real terms by 3.9% and 3.3%, respectively. Added to the collection from the public are approximately NIS 2.4 billion that the Finance Ministry transferred to the NII as indemnification for the reduced national insurance contributions imposed on employers and the self-employed (under Section 32.C of the National Insurance Law).

Collection as a share of the GDP remained at the same level as the previous year – 5.6% of GDP. In each of the years from 2007 to 2011 except for one year, 2009, collection as a percentage of GDP was at the identical rate of 5.6%. It should be noted that in 2003 collection from the public reached 6.3% of GDP.

**Table 8**  
**Collection for the National Insurance and Health Systems, 2007–2011**

	2007	2008	2009	2010	2011
	Current prices (NIS million)				
<b>Total receipts of insurance contributions</b>	39,740	42,402	43,224	47,626	51,139
<b>Total collection from the public</b>	37,910	40,452	41,228	45,392	48,708
For national insurance branches	24,454	25,877	26,233	29,102	31,294
For the health system	13,456	14,575	14,995	16,290	17,414
Finance Ministry indemnification	1,830	1,950	1,996	2,234	2,431
	Indicators of the development of collection from the public				
<b>Percentage of change in real terms</b>					
<b>Total collection from the public</b>	4.4	2.0	-1.4	7.2	3.7
For national insurance branches	3.3	1.2	-1.9	8.0	3.9
For the health system	6.6	3.6	-0.4	5.8	3.3
<b>As a percentage of the GDP</b>					
<b>Total collection from the public</b>	5.6	5.6	5.4	5.6	5.6
For national insurance branches	3.6	3.6	3.4	3.6	3.6
For the health system	2.0	2.0	2.0	2.0	2.0
<b>As a percentage of the direct taxes for individuals</b>					
<b>Total collection from the public</b>	40.5	43.0	45.8	47.3	47.6
For national insurance branches	26.1	27.5	29.1	30.4	30.6
For the health system	14.4	15.5	16.7	17.0	17.0
<b>As a percentage of direct taxes</b>					
<b>Total collection from the public</b>	28.7	32.5	35.4	35.9	35.8
For national insurance branches	18.5	20.8	22.5	23.0	23.0
For the health system	10.2	11.7	12.9	12.9	12.8



Collections for the health system in terms of GDP also remained steady at about 2% of GDP from 2007 through the year surveyed. The ratio of collection from the public to total direct taxes has continued to rise gradually, from 40.2% in 2003 to 47.6% in 2011, as a result of the tax reductions implemented since 2003 as part of the income tax reform on the one hand, and the legislative amendments that increased collections for national insurance (raising the ceiling and the insurance contribution rate imposed on employers) on the other.

The changes in the rates of increase in collections differ between employees (that is, from both employees and employers) and non-employees. Collection on behalf of employees increased by 4.7% in 2001 (after going up by 7.7% the previous year), while the rate of collections from the self-employed went down 1%, after going up 5.1% the previous year. These increases are influenced by the positive changes in the areas of employment and wages, as well as by legislative amendments that were in effect, as noted above, in 2011, and that worked to increase collection from the public. More effective collection from the self-employed also contributed to the rise in the volume of collection in recent years.

## B. Sources for Funding the Benefits

Table 9 shows that the NII's total receipts for funding the insurance branches in 2011 went up by 4.5% in real terms, reaching NIS 69 billion in current prices. The primary source of the increase in receipts was the increase in national insurance contributions, which constitute half of the total receipts, and which went up by 4.2% in real terms, as well as government funding under Section 32(a) of the law<sup>25</sup>, which went up sharply by 11.4% in 2011 due to the increased participation by the Finance Ministry in the Children branch. This increase partially offset the drop of 1.7% in government funding for benefits through the Finance Ministry. Over the past five years since 2006, receipts have risen by approximately 14% in real terms, primarily due to the increase in receipts from the collection of national insurance contributions by some 16%. The cumulative increase in the government's participation has been somewhat more moderate, around 10%. This trend has led to a slight increase in the share of national insurance contributions to total receipts, from 47.8% in 2006 to 48.9% in 2011, but in comparison to the start of the last decade their percentage has dropped from 50.4%, and from 51.6% in 1995. This increasing reliance on government funding of benefits is an indication of the eroding independence of the NII. Receipts from interest, which make up a very small part of the receipts, rose in real terms during the same period by 20%.

The NII's total receipts for funding the insurance branches in 2011 went up by 4.5% in real terms, reaching NIS 69 billion in current prices

.....  
 25 The NII reached an agreement with the Finance Ministry that its allocations under Section 32 of the NI Law would not be reduced by the reduction in insurance contributions and accordingly, the necessary adjustments were made to the law.

**Table 9**  
**Sources of Funding of the National Insurance Branches, 1995-2011**

Year	Total receipts*	Collection of national insurance contributions**	Government participation***	Government funding of benefits	Interest receipts
<b>At current prices (NIS million)</b>					
1995	23,581	12,171	4,222	4,650	2,504
2000	41,207	20,751	8,336	8,148	3,907
2004	47,513	23,021	10,996	8,548	4,617
2005	49,705	24,299	11,700	8,616	4,850
2006	52,344	25,234	12,600	8,982	5,290
2007	54,974	26,284	13,888	8,906	5,600
2008	58,525	27,827	14,938	9,245	6,150
2009	60,934	28,229	15,657	9,939	6,666
2010	63,821	31,289	15,014	10,032	7,000
2011	68,976	33,736	17,304	10,203	7,304
<b>Real annual increase (percentages)</b>					
2000	7.6	9.8	1.6	10.8	3.6
2004	-0.6	1.3	2.2	-8.9	4.1
2005	3.2	4.2	5.0	-0.5	3.7
2006	3.1	1.7	5.5	2.1	6.8
2007	4.5	3.6	9.6	-1.4	5.3
2008	1.8	1.2	2.8	-0.7	5.0
2009	0.8	-1.8	1.5	4.1	4.9
2010	2.0	7.9	-6.6	-1.7	2.3
2011	4.5	4.2	11.4	-1.7	0.9
<b>Distribution (percentages)</b>					
1995	100.0	51.6	17.9	19.7	10.6
2000	100.0	50.4	20.2	19.8	9.5
2004	100.0	48.5	23.1	18.0	9.7
2005	100.0	48.9	23.5	17.3	9.8
2006	100.0	48.2	24.1	17.2	10.1
2007	100.0	47.8	25.3	16.2	10.2
2008	100.0	47.5	25.5	15.8	10.5
2009	100.0	46.3	25.7	16.3	10.9
2010	100.0	49.0	23.5	15.7	11.0
2011	100.0	48.9	25.1	14.8	10.6

\* Including third-party compensation.

\*\* Including Finance Ministry indemnification.

\*\*\* Under section 32 (a) of the NI Law.

If the income from interest on the NII's investments is disregarded, the budgetary deficit of the NII decreased from NIS 3 billion in 2010 to about NIS 1 billion in 2011

### C. Surpluses/Deficits and Capital Reserves

If the income from interest on the NII's investments is disregarded, the budgetary deficit of the NII decreased from NIS 3 billion in 2010 to about NIS 1 billion in 2011. This



**Table 10**  
**Surpluses/Deficits in the NII's Insurance Branches**  
**(current prices, NIS million), 2008-2011**

Insurance branch	Surplus/deficit, excluding interest on investments				Surplus/deficit, including interest on investments			
	2008	2009	2010	2011	2008	2009	2010	2011
Total	2,454	-1,253.5	-3,006.1	-994.2	8,604	5,412	3,999	6,310
Old-age and survivors	-406	1,571.4	-1,365.4	-2004.8	1,964	941	1,243	692
General disability	-2,934	3,294.3	-3,445.4	-3,606.4	-2,394	-2846.4	-3,118.5	-3,407
Work injury	-1,142	-1,568	-1,460.7	-1,252.2	-902	-1,364.2	-1,304.4	-1,140
Maternity	-1,608	-2006.7	-2,181.7	-2,226	-1,558	-2,023.5	-2,296.7	-2,226.3
Children	11,960	11,970	10,075	12,641	14,660	15,315	14,059	16,752
Unemployment	-1,357	-2468.5	-1944	-1,881.7	-1,356	-2,468.5	-1,981.9	-1,881.7
Long-term care	-2,164	-2,382.3	-2,719.5	-2,786.2	-2,064	-2,373.8	-2,813.3	-2,786.2
Other	107	68	37	123	257	233	212	307

drop comes after an increase of two consecutive years that showed a trend of reversal from surplus to deficit. Contributing to this trend was primarily the growth in the Children branch's surplus by about NIS 2.5 billion, and the mild decrease in the deficits of branches paying wage-replacing benefits, including Unemployment and Work Injury. By contrast, the deficit in the Old Age and Survivors branch went up by NIS 600 million and in the Disability branch by NIS 150 million.

Table 10 shows that including the interest on past surpluses improves the financial status of the NII branches: the deficit turns into a surplus of NIS 6.3 billion, compared to a surplus of NIS 4 billion in the previous year. However, with the exception of the Old Age and Survivors branch, all branches that were in deficit without including interest on investments remained so even after the interest was included.

Including the interest on past surpluses improves the financial status of the NII branches: the deficit turns into a surplus of NIS 6.3 billion, compared to a surplus of NIS 4 billion in the previous year



## Chapter 2

## Dimensions of Poverty and Social Gaps



## 1. Introduction

Measuring poverty in Israel, as in most Western countries and international organizations, is based on the relative approach, whereby poverty is seen as a phenomenon of distress that should be evaluated relative to the characteristic standard of living in a given society. A family is defined as being poor if its standard of living, as reflected by its disposable income per standard person, drops below half of the median disposable income.

The findings presented in the reports on poverty and social gaps and in this chapter of the Survey – which are the result of data analysis by the National Insurance Institute’s Research and Planning Administration – are based on the annual income and expenditure surveys published regularly by the Central Bureau of Statistics.<sup>1</sup>

Beginning with the report on 2007 (which was published in 2008), the annual findings regarding poverty for calendar years are published in a new and expanded format in the **Report on Poverty and Social Gaps**. The expanded report contained new indices and population groups not included in previous reports.

This chapter presents findings on the dimensions of poverty and social gaps in 2010 compared to 2009, as well as a multiyear comparison, while maintaining a balance between two objectives. The first is to elaborate on and add to the information in the **Report on Poverty and Social Gaps**, covering new areas that that report does not include, particularly international comparisons of poverty, inequality and economic welfare. The second aim is to maintain a continuity of reporting from the previous Annual Surveys. This Survey places a special emphasis on the contribution of government policy measures to lifting people out of poverty, both in comparison to other countries and by comparing different benefits and indices in Israel.

The chapter opens with Israel’s ranking in terms of public expenditure on welfare, and includes findings and selected analyses relating to the dimensions of poverty and inequality<sup>2</sup> in Israel as compared to the OECD (Section 2 below). Later on we present the main findings on poverty and standard of living, according to the survey methods used in Israel (Section 3), and a survey of trends among different population groups. The last part of this chapter (Section 4) presents findings relating primarily to inequality of income distribution.

In this chapter there are three boxes: The first contains in-depth statistics on the influence of transfer payments on lifting people out of poverty in Israel; the second presents findings from the poverty index (Market Basket Measure) that was developed by the National Insurance Institute, which are primarily based on a “basic” or “adequate”

1 For more details about survey methods and data sources see the appendix **Measuring Poverty and Data Sources** in this publication.

2 See **Growing Unequal? Income Distribution and Poverty in OECD Countries**, 2008, OECD.

basket of goods and services and a comparison of what is spent on it to the disposable income of a household; and the third summarizes the most updated poverty statistics available as of the writing of this report, which relate to the period between July 2010 and June 2011.

The appendices to this chapter include a detailed description of the poverty survey methodology and the data sources, as well as tables (Appendix of Poverty and Inequality Tables) that elaborate on the findings regarding poverty and inequality.

## 2. Israel's Social Welfare Situation Compared to Other Countries

In 2011 public welfare expenditure was 16 % of the GDP, with more than half of this earmarked for monetary support and the rest for support “in kind”

Table 1 below and the graph after it present data on developments in public welfare expenditure in Israel over the past decade in terms of the GDP, in accordance with the OECD's classification rules. In 2011 public welfare expenditure in Israel was 16 percentage points of the GDP, with more than half of this expenditure – some 55% – earmarked for monetary support and the rest for support “in kind,” i.e., support in the form of services offered to citizens, primarily in the realm of health care. This ratio was more or less the same as that of 2010 (with a slight decline) and continues the stabilizing trend that began in 2009.

Graph 1  
Public Expenditure on Welfare as a Percentage of GDP, Israel, Selected Years

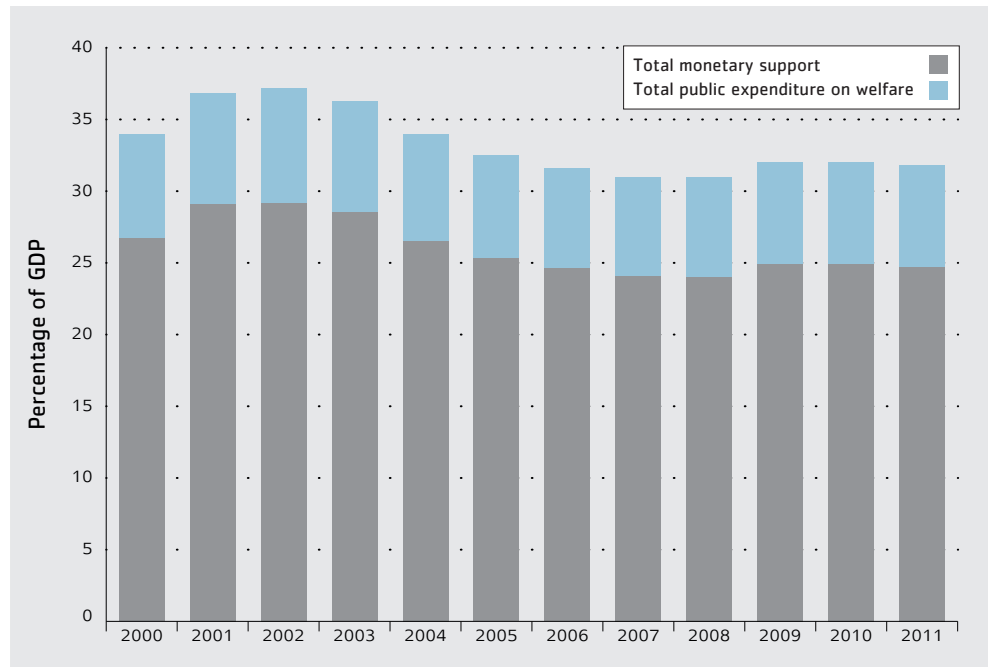


Table 1  
Public Expenditure on Welfare as a Percentage of GDP, 2000-2011

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Total public expenditure on welfare</b>	<b>16.97</b>	<b>18.38</b>	<b>18.61</b>	<b>18.18</b>	<b>16.97</b>	<b>16.26</b>	<b>15.83</b>	<b>15.54</b>	<b>15.52</b>	<b>16.03</b>	<b>16.01</b>	<b>15.95</b>
Total monetary support	9.67	10.69	10.62	10.34	9.48	9.04	8.82	8.62	8.52	8.90	8.93	8.84
Support to the working-age population	5.13	5.67	5.62	5.15	4.55	4.28	4.17	4.03	4.06	4.25	4.18	4.11
National insurance	4.15	4.69	4.64	4.23	3.70	3.48	3.41	3.29	3.33	3.50	3.47	3.42
Hostile action victims	0.47	0.53	0.54	0.55	0.53	0.51	0.49	0.48	0.46	0.50	0.47	0.45
Other*	0.51	0.46	0.44	0.37	0.32	0.30	0.27	0.25	0.26	0.25	0.24	0.24
Support to the elderly	4.54	5.01	5.01	5.18	4.93	4.76	4.65	4.59	4.46	4.64	4.75	4.73
National insurance	2.62	2.90	2.85	2.84	2.75	2.67	2.62	2.51	2.49	2.58	2.66	2.66
State employee pensions	1.51	1.65	1.70	1.87	1.79	1.73	1.72	1.79	1.69	1.80	1.83	1.83
Other**	0.41	0.45	0.45	0.47	0.40	0.35	0.31	0.30	0.29	0.27	0.26	0.24
Total support in kind	7.30	7.70	7.99	7.84	7.49	7.22	7.01	6.93	7.00	7.13	7.08	7.11
Health and long-term care	5.12	5.43	5.52	5.32	5.21	5.11	4.96	4.90	5.05	5.10	5.07	5.15
Other***	2.19	2.26	2.47	2.52	2.28	2.11	2.05	2.02	1.95	2.03	2.01	1.95

Source: Data from the NII and Central Bureau of Statistics, processed by the Research and Planning Administration of the NII according to the classification rules of the OECD.

\* Including support to demobilized soldiers, the absorption basket for immigrants and rent subsidies.

\*\* Including support for Nazi victims and rent subsidies.

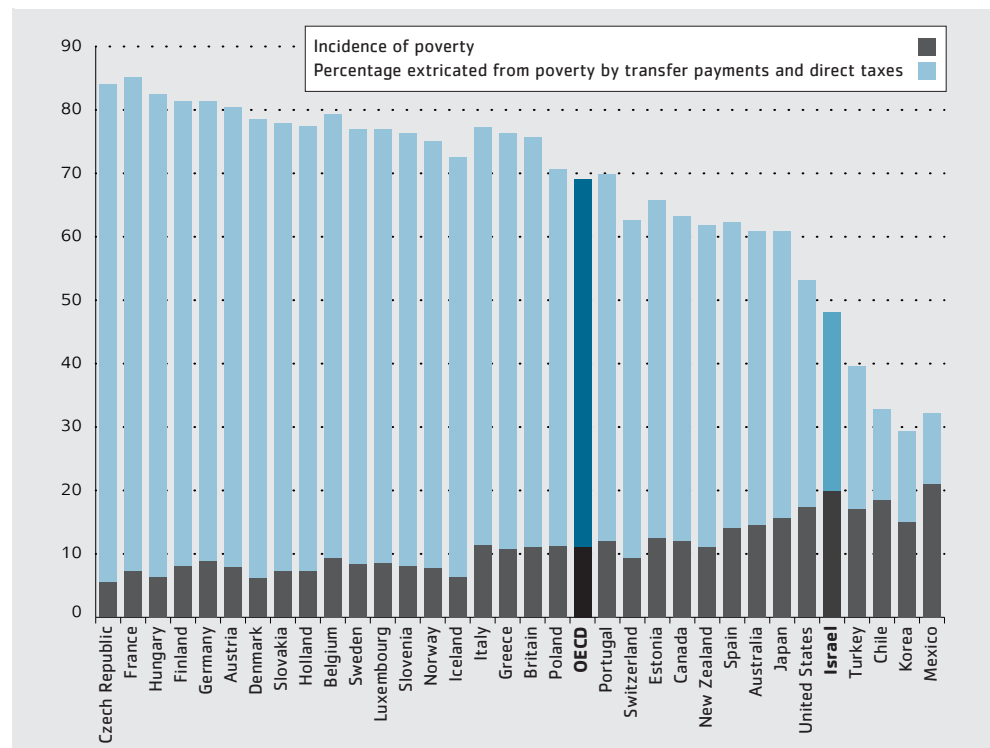
\*\*\* Including support in kind from the NII, local authorities, national institutions, government nonprofit institutions and the Welfare and Social Affairs Ministry.

Dividing this expenditure into its different components (Graph 1) shows that both monetary and in-kind expenditure remained stable. One can see that the expenditure on working-age people decreased, while the expenditure on the elderly increased, but the rate of the increased spending on the elderly was higher than the rate of the decreased spending on the working-age population. This development is expected, given the relatively high increase in old-age and survivors' pensions, which constitute around a third of the monetary support.

Transfer payments and direct taxes lift 28% of the poor out of poverty, compared to more than double that on average in the OECD countries

Graph 2 below shows the change in the incidence of poverty as a result of transfer payments and direct taxes in Israel and in the OECD countries at the end of the first decade of the 21<sup>st</sup> century.<sup>3</sup> The graph shows that in Israel, transfer payments and direct taxes lift some 28% of the poor out of poverty, compared to more than double that (58%) on average in the OECD countries. The graph shows that there are significant

**Graph 2**  
The Influence of Government Policy Measures (Transfer Payments and Direct Taxes) on the Dimensions of Poverty at the end of the First Decade of the 2000s, OECD Countries



3 The measure of poverty in the OECD, as in Israel, is based on a poverty line calculated at half the median disposable income per person, but there are certain differences between the two methods of calculating. Thus, for example, the mechanism that calculates the income per person – the equivalence scale – differs between the two approaches. The equivalence scale used by the OECD gives more of an advantage to size.

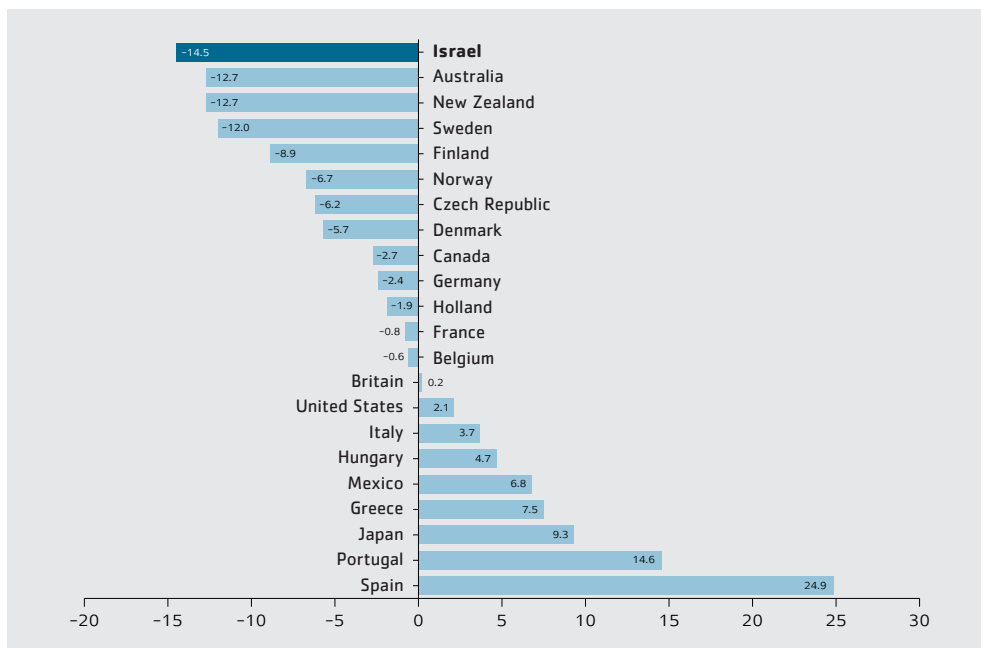


differences among the various countries in the respect, and the rates of extrication from poverty as a result of government policies range from 15%-20% in countries like Chile, Korea, Mexico and Turkey, to 70%-80% in countries like Denmark, Austria, Germany, Finland, Hungary, France and the Czech Republic. Graph 2 makes clear the negative correlation between the scope of poverty in a country and the rate of extrication from poverty as a result of government policy measures, i.e., the higher the rate of poverty, the lower the extrication rate.

Graph 3 shows the change in the influence of government policy measures during the decade between 2000 and 2010. One can see that several of the countries, among them Belgium, France, Holland and Britain, maintained a steady level of assistance to the poor, as expressed in the poverty extrication rate as the result of transfer payments and direct taxes.

By contrast, a few countries, primarily Spain and Portugal, significantly increased assistance to the poor (by 25% and 15%, respectively) while others – with Israel in the lead – reduced assistance to poor families and eroded the government contribution to helping lift people out of poverty. In Israel the proportion of families that were extricated from poverty as a result of government policy measures dropped by some 15%, the highest drop among the countries being compared. Australia, New Zealand and Sweden also show high drops – of some 12%.

**Graph 3**  
The Change in the Influence of Government Policy Measures on Reducing Poverty Between 2000-2010, Selected OECD Countries

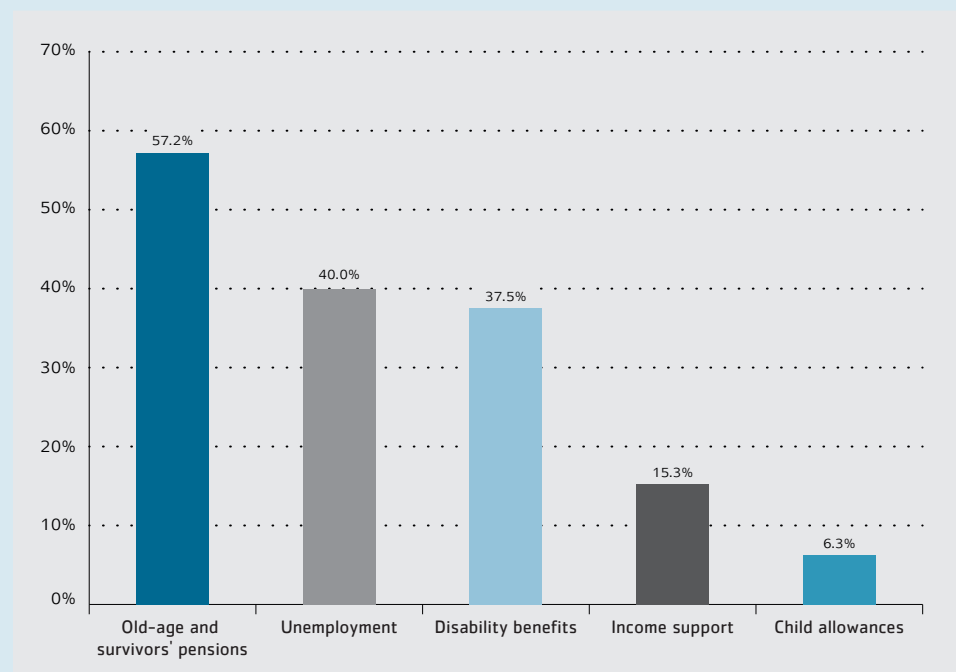


### Box 1 The Influence of Benefits on Poverty

Benefit payments constitute one of the most important tools in reducing poverty. In 2010, the benefits were responsible for 77% of the total contribution to reducing poverty, i.e., of the total of transfer payments and other support payments given to households by the government and other sources. The rate of reduction in poverty among families as a result of benefit payments increased gradually and moderately: from 36.3% in 2008 to 36.7% in 2009 and to 37.6% in 2010.

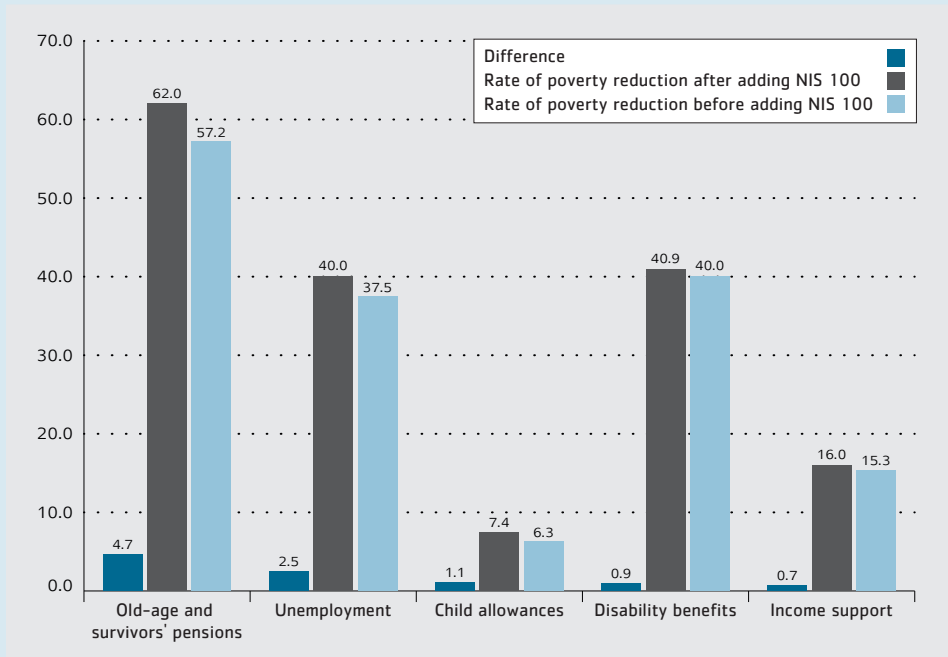
Graph 1 shows the contribution of the various benefits to the reduction of poverty among families. One can see that the payment of old-age and survivors' pensions reduced poverty by around 57%, while unemployment benefits contributed at a rate of 40%. Child allowances, which are now very low, have the least influence, contributing only 6%.

Graph 1  
The Rate by which Poverty was Reduced Among Families Receiving Benefits, After Benefit Payment, 2010



Another interesting analysis is to examine the influence of benefits using a uniform bar: What is the influence of every NIS 100 of benefit on reducing the influence of poverty? Graph 2 presents the rate of reduced poverty among families getting a specific

**Graph 2**  
**The Rate of Reduction in Poverty Among Families Receiving Benefits for Every Additional NIS 100, 2010**



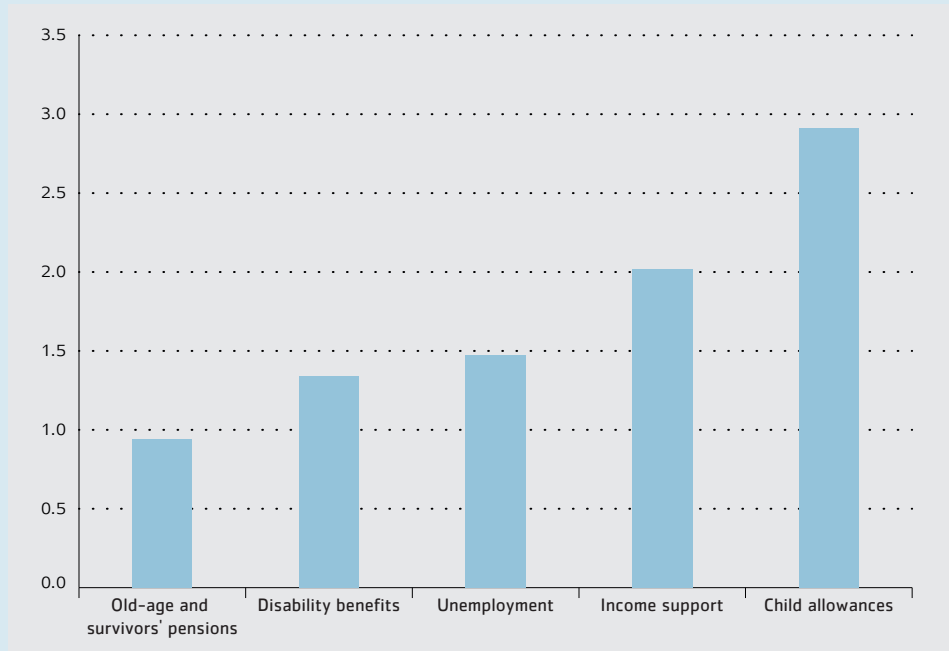
benefit, before and after the addition of NIS 100 of benefit, and the difference between them in percentage points. One can see that the order of the benefits changes, and it is clear that adding NIS 100 to a child allowance is very effective in reducing poverty while the identical addition to an old age or survivors' pension, which percentage-wise is a much smaller addition, is less effective in reducing poverty.

When the analysis is conducted to determine the influence of the additional NIS 100 on the severity of poverty (FGT), the results change significantly. While the NIS 100 added to the child allowances and the income support benefit has a strong effect on easing the severity of poverty, the fact that these benefits are low in the first place makes the addition less effective in lifting people out of poverty. By contrast, among those getting old age, survivors and disability pensions, whose level is already much closer to the poverty line, the additional NIS 100 has little effect on easing the severity of poverty.

When choosing a policy that will achieve the best results in reducing poverty, the budgetary cost of adding this NIS 100 to the benefits must be taken into account, and weighed together with the reduction in poverty in the entire population and not just among benefit recipients.

Graph 3

### The Different Rates of Reduction in the Severity of Poverty (FGT) Among Families Receiving Benefits, Before and After the Addition of NIS 100, 2010



The table below presents the cost of reducing the poverty indices by one percent before and after adding NIS 250<sup>1</sup> to benefit recipients. The three indices that were examined were the incidence of poverty among families, the severity of poverty index (FGT) and the Gini index of inequality of income distribution.

One can see that when taking these three indices together, adding NIS 250 to the income support payment will bring about a 1% reduction at the lowest possible cost. This statistic lends weight to the importance of this minimum subsistence payment and the need to increase it. However, with regard to the incidence of poverty among families, the addition of NIS 250 to the old-age and survivors pensions will achieve the greatest influence at the lowest cost, while regarding the Gini inequality index and the FGT poverty severity index, the greatest influence is also achieved by adding NIS 250 to the child allowances. To sum up, the question of how effective various benefits are in lifting people out of poverty depends on the index chosen for reference and the desired objectives. In this

1 The reason that in the table the results for the addition of NIS 250 (and not NIS 100) are presented, is that in the addition of NIS 100 to the unemployment benefit there is no change in the Gini index, so that the cost is theoretically unlimited, whereas for the addition of NIS 250 one can present a numerical result. The results in the table are similar when the sum of the addition is NIS 100.

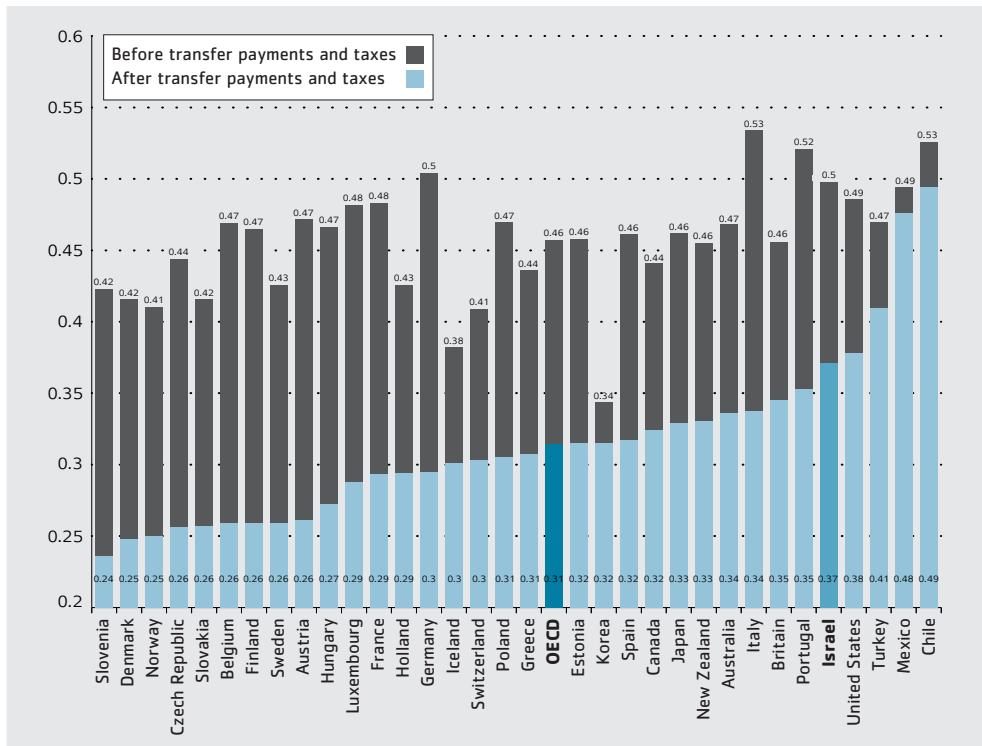
### The Budgetary Cost of a One Percent Reduction in Poverty among Families, in FGT and in Gini Index , (NIS million), 2010

Rating of measures			Benefit	Cost of 1% reduction		
incidence of poverty among families	FGT index	Gini inequality index		in incidence of poverty among families	in FGT index	in Gini inequality index
5	2	2	Children	140.6	90.6	281.5
3	4	3	Disability	49.1	152.8	372.5
4	3	5	Unemployment	93.6	93.6	616.2
2	1	1	Income support	48.1	41.0	173.2
1	5	4	Old age and survivors	35.6	340.6	565.7

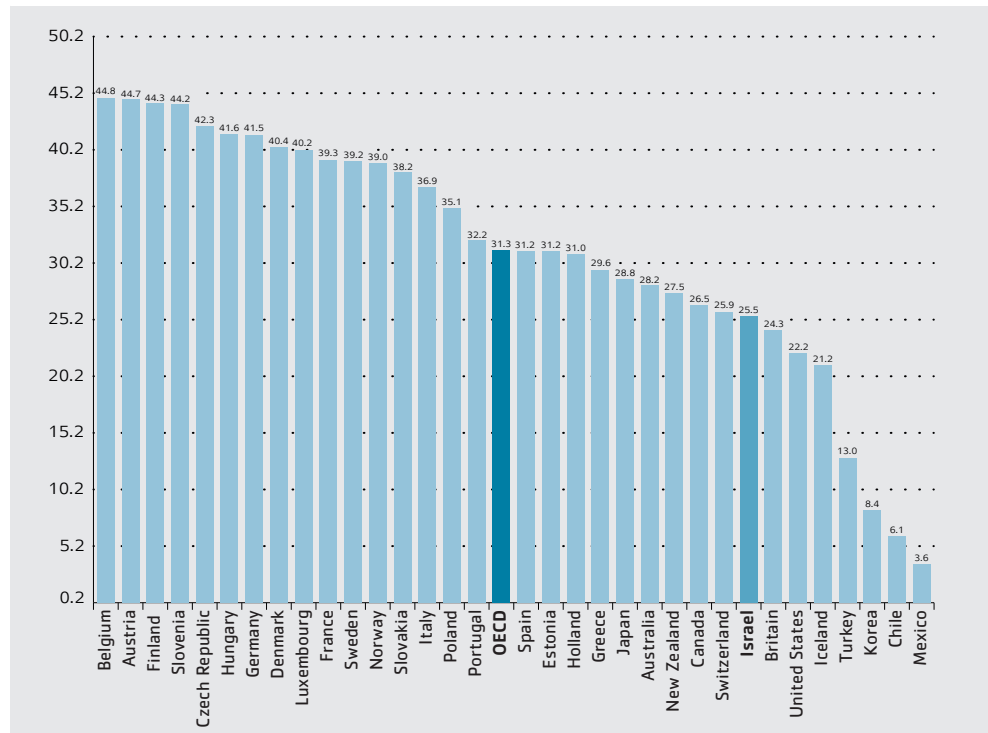
short survey we see that adding NIS 250 to the monthly subsistence benefits, whether long-term or short-term, yields the greatest influence on the incidence of poverty, the severity of poverty and the inequality index, as expressed in the change in the rate of decrease of these indices, while costing the least, as expressed by the budgetary cost of adding NIS 250 to the benefits surveyed.

Graph 4

### The Gini Coefficient Before and After Transfer Payments and Direct Taxes at the end of the First Decade of the 2000s, OECD Countries



**Graph 5**  
**The Drop in the Gini Coefficient as a Result of Transfer Payments and Direct Taxes at the end of the First Decade of the 2000s, OECD Countries**



Graph 4 shows the Gini Inequality Index applied to the income distribution before and after government intervention. One can see that in some of the countries in which the Gini coefficient for economic income is high, the coefficient for disposable income is also high (Chile, Mexico, Turkey, the United States and Portugal). In other words, government intervention in reducing inequality in income is limited. With that, in some of the other countries, like Germany, France, Luxembourg and Poland, the coefficient for economic income is high but the government has succeeded in significantly reducing inequality in disposable income.

Israel is ranked among those countries whose level of inequality is high with regard to both definitions of income, with government intervention reducing the inequality coefficient to about 75% of its actual level.

Graph 5 shows the change in the Gini coefficient as a result of government intervention at the end of the first decade of the 2000s in the OECD countries. Standing out is the group of countries in which the influence of transfer payments and direct taxes is quite small. Countries in this bloc are Turkey, Chile, Korea and Mexico, with changes of less than 20%.

At the other end of the spectrum are countries where government intervention had a particularly high influence (over 40%), led by Belgium, Austria, Finland and Slovenia.

Israel is ranked among those countries whose level of inequality is high with regard to both definitions of income, with government intervention reducing the inequality coefficient to about 75% of its actual level

Israel, with a reduction of about a quarter in the Gini coefficient for inequality in income distribution, is found in the company of Britain, the United States, Switzerland and Canada, whose rankings from this perspective are lower than the average of all the OECD's member countries (31.3%)

### 3. Main Poverty Findings

Table 2 presents some economic factors that help in understanding trends in the dimensions of poverty and social gaps. The recession and subsequent increase in unemployment from the end of 2008 until the middle of 2009 were accompanied by an increase in the incidence of poverty. By contrast, the renewed growth during 2009 and the beginning of 2010 (4.8%) which manifested itself, among other ways, in an increase of 3.7% in the number of employed and a drop in the unemployment rate from 7.6% in 2009 to 6.6% in 2010 (Table 2), led to a drop in the poverty rates in 2010.

This was also expressed in a higher standard of living: in 2010, the median disposable income per standard person (Table 3) registered an increase of 3.6% (Table 3), over and beyond the increase in 2009, which points to families experiencing a higher standard of living.

The recession and subsequent increase in unemployment from the end of 2008 till mid-2009 were accompanied by an increase in poverty. By contrast, the renewed growth in 2009 and early 2010 led to a drop in poverty rates in 2010

**Table 2**  
Economic Factors Affecting the Dimensions of Poverty (percentages), 2005-2011

Affecting factor	2005	2006	2007	2008	2009	2010	2011
Growth rate of the GDP	4.9	5.6	5.5	4.0	0.8	4.8	4.8
Rate of change in price levels in each survey period compared with the previous period	1.3	2.1	0.5	4.6	3.3	2.7	2.0
Rate of real change in the average wage in the economy	1.8	1.3	1.8	-0.4	-2.5	0.8	1.6
Unemployment rate	9.0	8.4	7.3	6.1	7.6	6.6	5.7
Percentage of the unemployed getting unemployment benefits	23.9	23.7	23.5	26.7	31.8	28.1	31.5
Minimum wage as a percentage of the average wage	45.5	46.2	47.5	46.8	47.3	45.8	45.7

**Table 3**  
Average and Median Income Per Standard Person After Transfer Payments and Direct Taxes (NIS), 2008-2010

	Income per standard person			Rate of real growth	
	2008	2009	2010	From 2008 to 2009	From 2009 to 2010
Average	4,261	4,404	4,665	0.0	3.1
Median	3,483	3,629	3,861	0.8	3.6
Poverty line	1,742	1,815	1,931	0.8	3.6

**Table 4**  
**Number of Standard Persons and the Poverty Line for a Family\* Based on the Number of Family Members, 2009-2010**

Number of family members	Number of standard persons in the family	Poverty line for a family in 2009		Poverty line for a family in 2010	
		NIS per month	Percent of average wage	NIS per month	Percent of average wage
1	1.25	2,268	28.0	2,413	28.9
2	2	3,629	44.8	3,861	46.2
3	2.65	4,809	59.4	5,116	61.2
4	3.2	5,807	71.7	6,178	73.9
5	3.75	6,805	84.0	7,240	86.6
6	4.25	7,712	95.2	8,205	98.1
7	4.75	8,619	106.4	9,170	109.7
8	5.2	9,436	116.5	10,039	120.1
9**	5.6	10,162	125.5	10,811	129.3

\* The average wage calculated for 2009 and 2010 is the weighted average of the average wage for a salaried position (Israeli workers) in the respective period of each survey.

\*\* The weight of each addition person is 0.40. Thus, for example, in a family of 10 there are 6 standard persons.

During 2010 the minimum wage was eroded from 47.3% to 45.8% of the average wage, while real wages rose only by 1% – which did not improve the situation of working families

With that, during 2010 the minimum wage was eroded – from 47.3% of the average wage in 2009 to 45.8% of it, and real wages rose very modestly at a rate of less than 1% – which did not improve the situation of working families, as will be shown below.<sup>4</sup>

Table 4 presents the poverty line for 2009 and 2010, and the poverty line as a percentage of the average wage for the respective period of the survey. The poverty line for a family of four, for example, reaches 73% of the average wage, but for a family of seven the average wage by a single wage-earner is not enough for a household to stay out of poverty.<sup>5</sup>

In Table 5 the dimensions of poverty in the years 2008-2010 are presented in accordance with selected indices, which show a pattern of stability in the scope of poverty at a high level, with a return to the proportions that prevailed in 2007-2008 (19.9%) after a temporary increase in 2009 due to the recession. The proportion of families whose disposable income fell below the poverty line dropped from 20.5% in 2009 to 19.8% in 2010, as did the proportion of people and children living in poor families (from 25% to 24.4% and from 36.3% to 35.3%, respectively).

The incidence of poverty as measured by disposable income is the result of transfer payments and direct taxes, which “correct” the economic income, which is defined as pre-tax income from work and capital. Transfer payments, which are primarily NII benefits, increase family income, while direct taxes reduce it. As long as the sum of direct taxes that a family pays is small, its disposable income grows and its chances of being lifting out of

4 In 2011 the minimum wage was raised twice: by about 1% in April and by 5.4% more in July.

5 This calculation does not take into account the benefits or direct taxation; the first acts to increase disposable income while the second acts to reduce it.

Selected indices show stability in the scope of poverty at a high level, with a return to the proportions that prevailed in 2007-2008



poverty rise. The table shows the drop achieved in each of the years appearing in the table, when only transfer payments are considered, and then when the direct taxes are added to the government policy measures. Some of the indices show a significant improvement as a result of policy measures (the FGT and SEN indices and the Gini index of income distribution lose half or more of their value), but in measures of the incidence of poverty, in particular the incidence of poverty among children, the improvement achieved was much more moderate.

**Table 5**  
**Poverty in the Overall Population According to**  
**Selected Poverty Indices, 2008-2010**

Poverty Index	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes
<b>2008</b>			
Incidence of poverty (%)			
Families	32.3	17.2	19.9
Persons	32.7	21.3	23.7
Children	40.4	31.4	34.0
The poor's income gap ratio (%)	59.6	33.5	34.2
FGT index	0.1561	0.0365	0.0417
SEN index	0.260	0.100	0.113
Gini inequality coefficient in distribution of income to the poor*	0.4882	0.2027	0.2051
<b>2009</b>			
Incidence of poverty (%)			
Families	33.2	17.9	20.5
Persons	33.9	22.4	25.0
Children	41.9	33.3	36.3
The poor's income gap ratio (%)	60.3	35.2	35.5
FGT index	0.1636	0.0410	0.0467
SEN index	0.270	0.109	0.123
Gini inequality coefficient in distribution of income to the poor*	0.4922	0.2089	0.2134
<b>2010</b>			
Incidence of poverty (%)			
Families	32.6	17.5	19.8
Persons	32.8	22.0	24.4
Children	40.4	32.8	35.3
The poor's income gap ratio (%)	60.0	35.3	35.8
FGT index	0.1561	0.0399	0.0456
SEN index	0.260	0.107	0.120
Gini inequality coefficient in distribution of income to the poor*	0.4838	0.2059	0.2111

\* The weight given each family in calculating the index is equal to the number of people it includes.

One can see that the improvement achieved without taking into account direct taxes is greater than that achieved when accounting for them, since although direct taxes work to reduce the inequality between those earning different levels of income, as a means of reducing poverty they are not effective since they reduce the disposable income of the poor. It should be noted that most of the poor do not reach the income tax threshold and thus do not pay income tax; therefore, in the case of the poor, the influence of taxation on disposable income is seen only with regard to health and national insurance contributions.

### Box 2 Measuring Poverty Using the Adequate Consumption Basket: The MBM/NRC Approach

The poverty line of the adequate consumption index according to the MBM/NRC method relates to the concept of a minimum for adequate sustenance, and it can be used to determine the level of subsistence benefits for different types of families.

At the end of the 1990s, the official poverty line was about half of the minimal level for adequate sustenance, but during the period surveyed these two lines started to converge somewhat, such that in 2010 the poverty line is now less than 50% of the level of adequate consumption (Graph 2). This means that the starting point of the poverty line in 1997 is significant higher than the official line, but its development was slower. It is impossible to relate to the gaps between these poverty lines separately from income sources, which we will deal with in the next section, but there is still great significance to the fact that the development of the poverty line as measured against adequate consumption develops more slowly over time than does the official poverty line.

**Table 1  
Sources of Financial Income, including in-kind Income, with Crucial  
Expenses Deducted**

Deciles*	Disposable financial income per standard person	Disposable income from all sources (MBM/NRC)	Gap (percentages)
Total	5,105	7,647	50
Lowest	1,028	2,207	115
2	1,747	3,179	82
3	2,279	3,815	67
3.5	2,754	4,330	57
4	2,918	4,635	59
5	3,633	5,580	54
6	4,391	6,494	48
7	5,185	7,704	49
8	6,175	9,094	47
9	7,850	11,566	47
Highest	14,745	20,704	40

\* The families were ranked according to the level of disposable income per standard person. Each decile represents 10% of the population.

This occurs because consumption changes more slowly over time than does income, since families generally do not change their consumption level (that is, ongoing standard of living) following every income change. Moreover, one would expect – based on prevailing economic theory – that a family would tend to increase its savings when its real income increases.

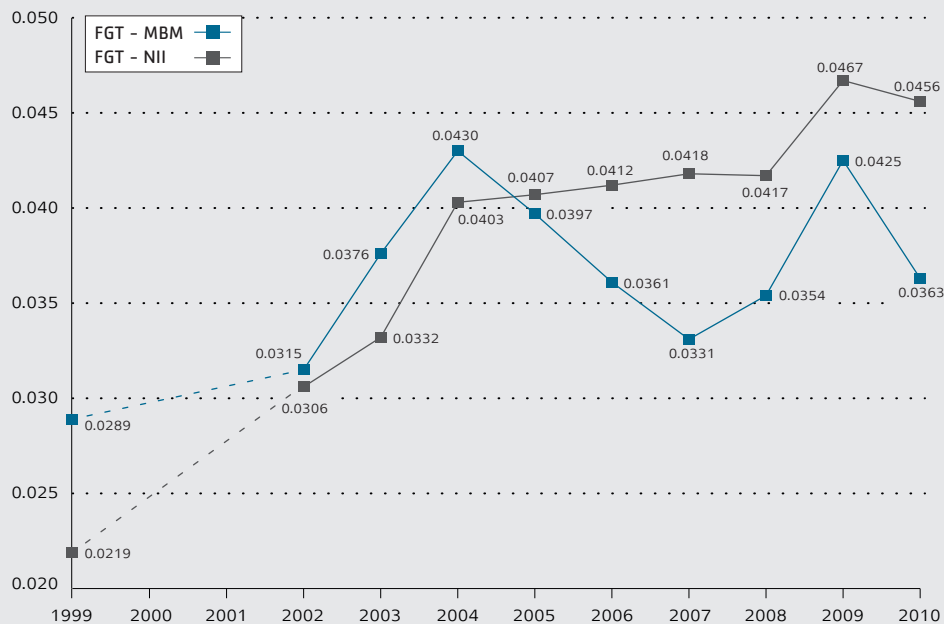
The comparative results in Table 1 between a family's net financial income and its net income from all sources show that including in-kind income (primarily from housing consumption) influences primarily the weaker population; in other words, in-kind income increases the disposable financial income of the lower half of the income distribution levels by more than half. The income of the lowest decile is doubled, while that of the second decile grows by some 80%. Moving up the deciles, this influence wanes, and after the median income level, incomes grow by less than half. This means that these in-kind incomes are critical in terms of assessing the welfare situations of households.

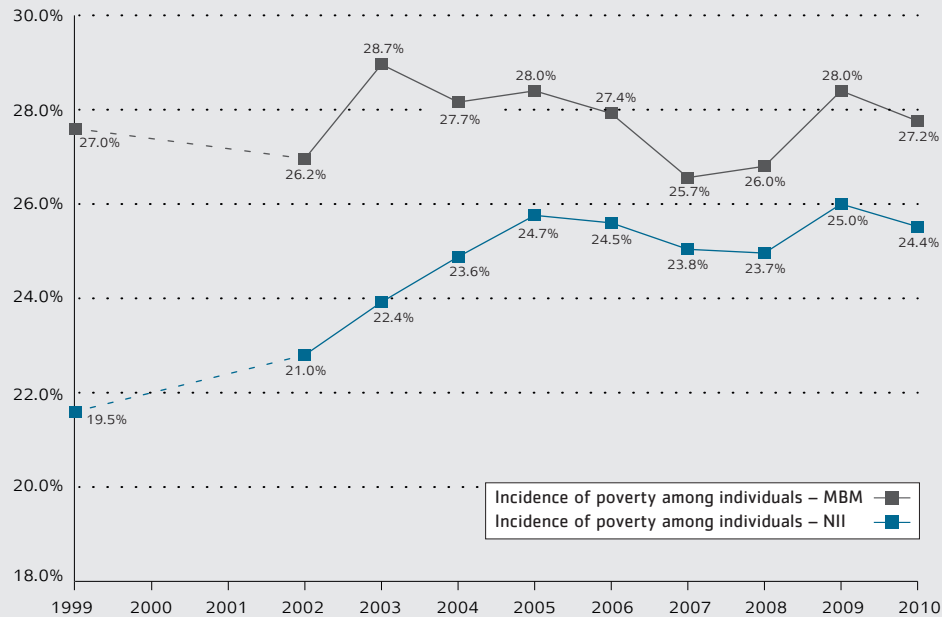
## Results of the Survey

### 1. The Dimensions of Poverty Over Time

Throughout the 1990s and the early 2000s, the incidence of poverty and its severity were considerably higher when measured by the adequate consumption index than

**Graph 1**  
The Incidence of Poverty and its Severity (FGT) for Individuals as Measured by the Adequate Consumption Index (MBM) and the NII Index (Half the Median)





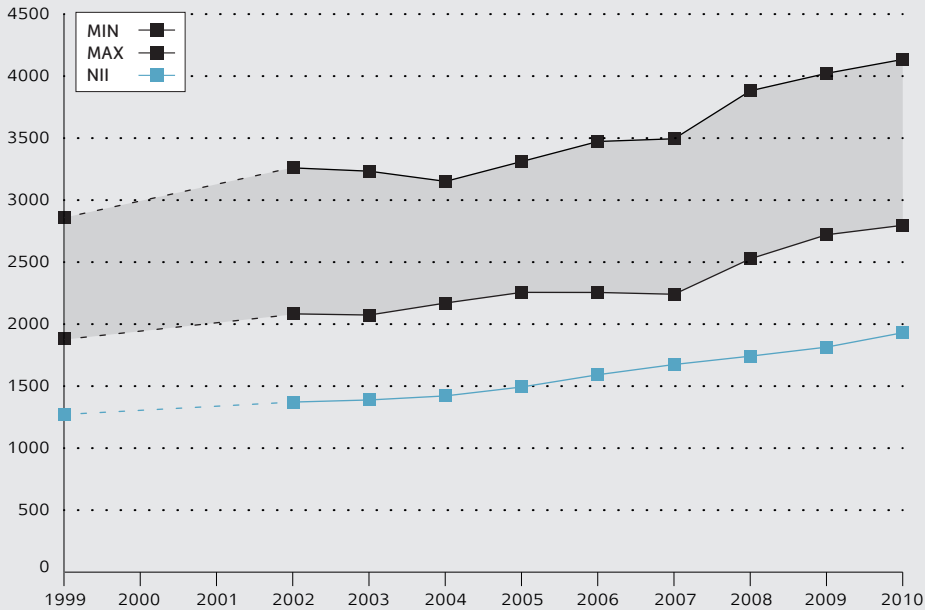
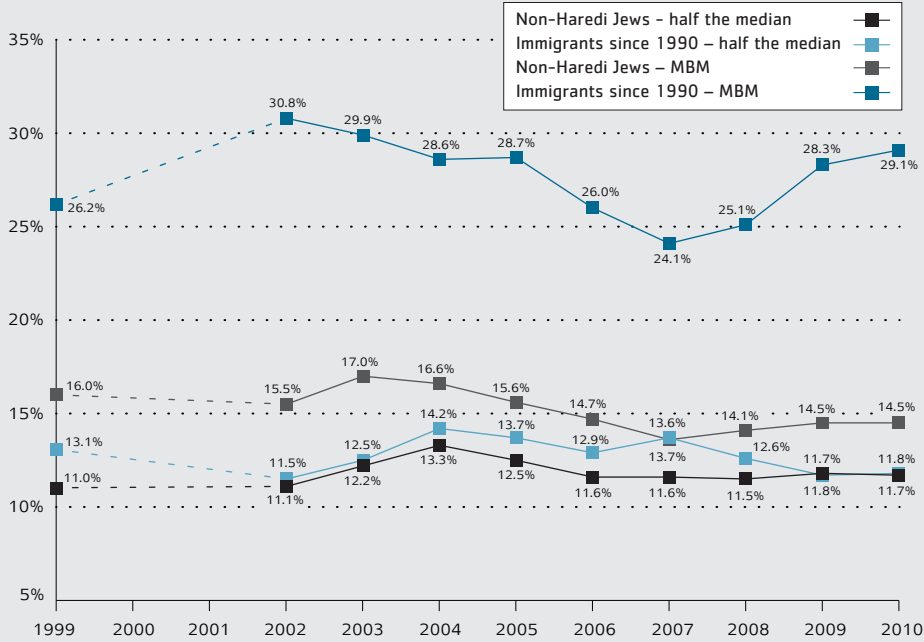
when measured by the official National Insurance Institute index. From around 2005 there was a sharp improvement in the dimensions of poverty as measured by the adequate consumption model, that is, a sharp drop in the incidence of poverty and its severity. Though the incidence of poverty remained higher throughout the period than as measured by the official measurements, it dropped significantly compared to the official poverty statistics.

It is interesting to note that poverty according to the MBM index reached its height in 2003, a result that is consistent with government welfare policies during 2002 and 2003, which caused substantial harm to the weaker sectors.

## 2. The Composition of the Poor Population

Of the 1.8 million people who are poor according to NII data, there is no disagreement among the two approaches regarding around 1.6 million of them (87%). Some 240,000 are not poor according to the consumption index. On the other hand, there are more people (some 400,000) that the consumption index, but not the NII index, identifies as poor. In other words, there are differences of opinion regarding some 640,000 people, or 8.8% of the entire population. This indicates that it is worth better identifying the poor, so as to make more effective use of the resources allocated to the war on poverty.

**Graph 2**  
**The Development of the Poverty Line Among Families, by Population Group, 2009-2010**



**Table 2**  
**The Consumption of the Poor Population**  
**Under the Different Approaches**

		Not poor half of median	Poor half of median	Total
Not poor MBM	Number of people	5,053,400	242,300	5,295,700
	Percentage of total population	69.5	3.3	72.8
Poor MBM	Number of people	398,900	1,575,700	1,974,600
	Percentage of total population	5.5	21.7	27.2
Total	Number of people	5,452,300	1,818,000	7,270,300
	Percentage of total population	75.0	25.0	100.0

The income gap ratio that expresses families' depth of poverty (meaning the distance of the poor's average income from the poverty line), which was 35.5% in 2009, went up slightly: to 35.8%. The FGT index, which reflects the severity of poverty and integrates the influence of the incidence of poverty with the depth of poverty while giving more weight to those who are poorer, went down a bit between the two years, as did the SEN index. The SEN index reflects the combined influence of the incidence of poverty, the income gap ratio and the individual's position in the ranking of the poor, i.e., the inequality in the distribution of income among the poor. The SEN index of disposable income, which rose 9% between 2008 and 2009, dropped as well, by some 2% in 2010.

All the indexes surveyed above – the incidence of poverty, its depth and its severity – point to a slight decrease or stabilization at a high level between 2009 and 2010. The Gini coefficient for disposable income among the poor (Table 5) went down by a rate of 1.0%

**Table 6**  
**The Influence of Transfer Payments and Direct Taxes on the**  
**Dimensions of Poverty in the General Population**  
**According to Selected Poverty Indices, 2008-2010**

Poverty Indices	Percentage of drop in poverty stemming from transfer payments only			Percentage of drop in poverty stemming from transfer payments and direct taxes		
	2008	2009	2010	2008	2009	2010
<b>Incidence of poverty</b>						
Families	46.7	46.1	46.3	38.3	38.4	39.2
Persons	34.9	33.9	32.8	27.7	26.2	25.6
Children	22.3	20.4	18.9	15.9	13.4	12.6
Poor's income gap ratio	43.7	41.5	41.2	42.6	41.1	40.2
FGT index*	76.6	74.9	74.4	73.3	71.4	70.8

\* The weight given each family in calculating the index is equal to the number of people it includes

between 2009 and 2010 after a rise of 4% in 2009, and the Gini coefficient for economic income continued to drop in 2010 (by 1.7%)

Table 6 shows that the transfer payments and direct taxes during the period of the 2010 survey lifted 39% of poor families out of poverty, similar to the two previous years. By way of comparison, in 2002 government intervention kept around half of poor families out of poverty. The contribution of the direct taxation and transfer payments system to pulling individuals out of poverty is smaller: only some 28% of the individuals in 2008 and some 26% in 2009-2010. This contribution also went down over the three years in terms of lifting children out of poverty; some 13% of the children were extricated from poverty as a result of government intervention in 2009 and 2010 compared to 16% in 2008. In 2002 the rate of children saved from poverty as a result of government intervention was around 25%.

#### 4. Poverty by Population Groups and the Composition of the Poor Population

Different population groups differ in terms of the trends and changes in the dimensions of poverty among them during the years surveyed. Tables 7-11 present the dimensions of poverty among the different population groups. Table 7 shows the incidence of poverty according to economic income and disposable income among different populations, and Tables 8 and 9 show the proportion of these groups of the general population and of the poor population in 2009 and 2010, respectively. Table 10 shows the income gap ratios according to population group, while Table 11 shows the rate at which the dimensions of poverty were reduced as a result of transfer payments and direct taxes.

The downward trend compared to 2009 was not common to all population groups. Although most groups saw their dimensions of poverty reduced, in some of them the situation of families deteriorated.

After a sharp increase in the incidence of poverty among Arab families in 2009, it stabilized in 2010 with a slight improvement at a high level (53.2%) that stemmed primarily from an increase in income from work: Between 2009 and 2010 their income from work went up by 5.8%. At the same time, the proportion of Arab families in the poor population went up – from 35.9% of the poor in 2009 to 37.8% in 2010. It should be noted that the proportion of poor Arabs is at least twice as high as their proportion of the population at large.

The contribution of policy measures to reducing poverty went up a bit among the Arabs in 2010, from 11.4% in 2009 to 12.3% in 2010, but that is still a much lower level of effectiveness than among the Jewish population, where poverty was reduced by some 49%.

The explanation for the large gaps between Arabs and Jews stems primarily from the composition of the Arab population in view of the structure of the benefits: the amounts

The Gini coefficient for disposable income among the poor went down by 1.0% between 2009 and 2010 after a 4% rise in 2009

Transfer payments and direct taxes during the 2010 survey period lifted 39% of poor families out of poverty, similar to the two previous years

After a sharp increase in poverty among Arab families in 2009, it stabilized in 2010 with a slight improvement at a high level (53.2%) that stemmed primarily from an increase in income from work

of the old-age and survivors pensions are the highest amounts of benefits paid, while the Arab population is relatively young and characterized by families with many children, which are receiving child allowances and other benefits paid to working-age persons that make a relatively smaller contribution to reducing poverty.

In 2010 the situation of the elderly continued to improve, mainly due to the improvement in old-age and survivors pensions under the Economic Efficiency Law of 2009

In 2010 the situation of the elderly continued to improve, mainly due to the improvement in old-age and survivors pensions under the Economic Efficiency Law of 2009, under which the basic old-age and survivors pensions were gradually increased by 7.3% until 2011. The incidence of poverty was 19.6% in 2010, going down by 0.5 percentage points compared to 2009.

The rates of poverty among the elderly are lower than those in the overall population. Contributing to this positive trend was, as noted, the increase in the old-age and survivors pensions, but the increase in the retirement age also helped raise income from work among certain portions of this population. At the same time, government policies also made a direct contribution to reducing poverty among the families of the elderly, from 59.4% in 2008 to 63.1% in 2009 and 64.3% in 2010, and also served to reduce the income gap among the elderly.

With that, the situation of those elderly who remained below the poverty line deteriorated: the depth of poverty went up from 24.8% in 2009 to 26.7% in 2010, meaning that those who were lifted out of poverty had been very close to the poverty line. The severity of their poverty went up as well (according to the FGT index).

The incidence of poverty among families with children remained almost unchanged in 2010 compared to 2009 (26.6% compared to 26.8%). This was primarily because of the continued drop in the poverty rate among families with four children between these years – from 59.9% in 2009 to 57.2% in 2010 – as the labor market recovered and child allowances were raised. The drop in the incidence of poverty among large families is also reflected in the lower incidence of poverty among the ultra-Orthodox, who generally have large families.

In 2010, there was a partial improvement in the incidence of poverty among single-parent families: After it had gone up in 2009 by 3.5 percentage points, presumably due to the recession, it went down from 32.3% in 2009 to 30.5%. This improvement is the combined result of market forces and higher benefit payments. The incidence of poverty as per economic income went down significantly among single-parent families, from 49.3% to 46.9%, presumably due to the return of single mothers to the work force and the increase in monetary support from various sources.

The monetary support of single mothers went up in 2010 by a rate of some 7%, and this development is also expressed in the slight increase in the contribution of transfer payments to reducing poverty. Even though the income gap ratio went up from 35.3% to 37.1%, the severity of poverty (according to the FGT index) went down slightly year-on-year among this population.



The incidence of poverty among working families, which had been going up steadily over the past two decades, remained at 13.2%, a level at least twice as high as the incidence of poverty among such families during the 1980s, when going out to work was practically a guarantee against poverty. At the same time, the proportion of working families among the poor continued to increase, going up from 49% in 2009 to 50.6% in 2010. The income gap ratio went up among these families from 28.4% in 2009 to 29.5% in 2010 and the severity of poverty as measured by the FGT index went up by 6%.

Poverty among working families, which had gone up steadily in the past two decades, stayed at 13.2%, at least twice as high as in the 1980s

**Table 7**  
**The Incidence of Poverty Among Specific Populations, 2009 and 2010**

Population groups (families)	2009			2010		
	Economic Income	Disposable Income	Concentration Index*	Economic Income	Disposable Income	Concentration Index*
<b>Total population</b>	33.2	20.5	1.00	32.6	19.8	1.00
Jews**	28.9	15.2	0.74	28.0	14.3	0.72
Arabs	60.3	53.5	2.61	60.7	53.2	2.69
Elderly	54.5	20.1	0.98	54.8	19.6	0.99
New immigrants	40.3	17.4	0.85	39.5	16.7	0.84
Ultra-Orthodox Jews	70.4	56.9	2.78	67.2	55.0	??
<b>Families with children – total</b>	32.6	26.8	1.31	32.0	26.6	1.34
1-3 children	26.0	20.2	0.99	25.6	20.1	1.01
4 or more children	65.5	59.9	2.93	62.4	57.2	2.89
5 or more children	75.9	69.4	3.39	75.7	69.5	3.51
Single-parent families	49.3	32.3	1.58	46.9	30.5	1.54
<b>Employment situation of head of household</b>						
Worker	19.5	13.4	0.65	19.4	13.2	0.67
Employee	20.2	13.5	0.66	20.0	13.3	0.67
Self-employed	15.2	12.5	0.61	15.5	13.1	0.66
Working age but not working	89.8	68.9	3.37	90.6	70.1	3.54
Sole wage-earner	36.4	24.9	1.22	37.8	25.6	1.29
Two or more wage-earners	5.6	3.7	0.18	4.9	3.5	0.17
<b>Age group of head of household</b>						
Up to 30	37.7	26.1	1.28	37.7	26.8	1.35
31-45	28.3	22.7	1.11	26.9	21.0	1.06
46-retirement age	22.3	14.5	0.71	21.6	14.8	0.75
Past legal retirement age	57.6	20.7	1.01	57.8	19.9	1.00
<b>Education of head of household</b>						
Up to eight years of study	68.1	42.0	2.05	69.7	42.6	2.15
9-12 years of study	36.9	24.2	1.18	36.3	23.9	1.21
13 or more years of study	22.9	13.0	0.64	21.7	11.8	0.59

\* The Concentration Index is the ratio between the incidence of poverty in a group to the incidence of poverty of the population at large (as measured by disposable income), and reflects the degree of proximity of a specific group to the general population in terms of incidence of poverty.

\*\* In all tables from this one thereafter, citing statistics about Jews, this includes also non-Jews who are not Arabs.

### Box 3 The Dimensions of Poverty in 2010-2011

The emergence of the economy from the recession and the recovery of the job market and salaries started in 2010 and continued through the first half of 2011, as was expressed both in the 2010 Survey and the findings of the survey that started in July 2010 and ended in June 2011 (hereafter 2010/11). The latter survey also sheds light on trends expected in poverty and social gaps in 2011.

The findings of the survey were compared to the entire year 2010 and to the parallel period in 2009/10. Following are the major findings that emerge from analyzing the dimensions of poverty during this period:

- The standard of living, as reflected in the adjusted median disposable income from which the poverty line is derived, went down relative to 2010 (a real decrease of 0.5%). Compared to the parallel period (the period of the 2009/10 survey), the poverty line went up by 3.1% in real terms.
- The incidence of poverty among families dropped from 19.8% to 19.4% relative to 2010. The depth of poverty index (income gap ratio) remained the same: 35.9% in 2010 and 36.0% in 2010/11.
- The incidence of poverty among individuals and children remained at the same level in 2010 (24.3% and 35.3%, respectively), but relative to 2009/10 it decreased (from 24.7% and from 35.8%, respectively in 2009/10). The FGT index of the severity of poverty, which gives greater weight to those who are poorer, was stable compared to 2010 and to the parallel period.
- During the survey period of 2010/11 there were 429,300 poor families in Israel, constituting 1,786,700 people, among them 847,000 children.
- The poverty data measured by economic income show that even though there was a drop in the incidence of poverty among families between 2010 and 2010/11 from 32.6% to 32.3%, the incidence of poverty among individuals went up from 32.8% to 33%, and of children from 40.4% to 40.9%. When compared to the parallel survey period of the previous year, 2009/10, the drop in poverty among families was even greater, while among individuals and children there was almost no change.
- The incidence of poverty among the elderly went down by more than one percentage point, from 19.6% in 2010 to 18.3% in 2010/11. This decrease is explained by increases in the old age and survivors pensions as well as by the hike in the retirement age, which contributed to increased income from work among this population and an improvement in their situation relative to the overall population.
- The incidence of poverty among families with children decreased from 26.6% in 2010 to 26.2% in 2010/11. A similar picture emerged from the comparison with 2009/10. This improvement stemmed from a drop in the rates of poverty among

**The Incidence of Poverty Among Families According to Various Characteristics (percentages),  
2009/10, 2010 and 2010/11**

	Income before transfer payments and taxes		Income after transfer payments and taxes		Rate of the decrease in the incidence of poverty after transfer payments and taxes (percentages)		
	2009/10	2010/11	2009/10	2010/11	2009/10	2010	2010/11
<b>Total population</b>	33.1	32.6	32.3	32.3	39.1	39.2	39.9
Jews	28.4	28.0	28.0	28.0	48.8	48.7	49.4
Arabs	61.2	60.7	58.5	54.1	11.7	12.3	11.9
Elderly*	54.4	54.8	53.2	18.8	65.5	64.3	65.6
Immigrants	39.3	39.5	39.8	16.4	58.4	57.8	60.8
Ultra-orthodox **	68.9	67.2	66.6	56.8	17.6	18.0	19.2
<b>Families with children – total</b>	32.2	32.0	31.9	26.8	16.6	17.0	18.0
1-3 children	25.8	25.6	25.3	20.5	20.7	21.5	22.7
4 or more children	62.8	62.4	63.5	57.4	8.5	8.3	9.1
5 or more children	74.8	75.7	75.0	67.2	10.2	8.2	7.0
Single-parent families	49.2	46.9	45.8	33.3	32.3	35.1	35.3
<b>Employment situation of head of household</b>							
Worker	19.3	19.4	19.4	13.4	30.7	31.9	31.5
Employee	20.1	20.0	19.8	13.6	32.4	33.8	33.5
Self-employed	13.9	15.5	16.8	12.0	13.6	15.5	16.0
Working age but not working	90.6	90.6	90.7	69.8	22.9	22.6	22.6
Sole wage-earner	37.5	37.8	36.9	26.0	30.7	32.2	31.7
Two or more wage-earners	4.6	4.9	5.6	3.2	30.4	30.0	30.9
<b>Age group of head of household</b>							
Up to 30	39.6	37.7	37.0	27.3	31.0	28.8	28.7
31-45	27.5	26.9	27.2	22.2	19.3	21.8	22.3
46-retirement age	21.5	21.6	21.1	14.9	31.0	31.5	30.9
Past legal retirement age***	57.8	57.8	56.7	19.0	67.0	65.6	67.0
<b>Education of head of household</b>							
Up to eight years of study	68.3	69.7	68.9	40.5	40.6	38.9	39.0
9-12 years of study	36.4	36.3	35.6	24.4	33.1	34.1	35.3
13 or more years of study	22.8	21.7	22.1	12.5	45.1	45.7	45.8

\* Under the definition used until now: Over 60 for women, over 65 for men.

\*\* Due to volatility, a moving average of two years was used. Ultra-Orthodox are defined as per the work of Gottlieb and Kushnir, 2009.

\*\*\* The definition was adjusted to the retirement age under the Retirement Age Law. Therefore, this population is not fixed, until the raise of the retirement age is completed.

families with 1-3 children, among which the incidence of poverty dropped from 20.1% in 2010 to 19.5% in 2010/11, and by the drop in the incidence of poverty among single-parent families from 30.5% to 29.6% between the two periods. Among larger families there was a mild increase in between the two periods.

- The incidence of poverty among working families remained stable at 13.3% during the survey period. At the same time, the proportion of working families among the entire poor population continued its uptrend, from 50.6% in 2010 to 52.2% in 2010/11. This increase stems both from families where there are two or more wage earners and from families with only one wage earner.
- The contribution of transfer payments and direct taxes to reducing poverty among the elderly went up, from 64.3% in 2010 to 65.6% in 2010/11, returning to the level of 2009/10.
- 26.2% of individuals and 13.6% of children were extricated from poverty as a result of government intervention by means of transfer payments and direct taxes. Here, too, there was an increase compared to 2010 and 2009/10.

In 2010, the proportion of working-age families in which no one is working went down as a result of the job market's recovery – a long-term trend broken only once, in 2009

The high distribution of families headed by a person around the poverty line is because the minimum income for sustenance to those with almost no income from any other source corresponds to the poverty line

The incidence of poverty among new immigrants continued to drop, from 17.4% in 2009 to 16.7% in 2010, and its level is significantly lower than that of the overall population.

A **new immigrant** is anyone who immigrated to Israel from 1990, but there is a substantial difference between the position of immigrants who arrived during the 1990s and those who arrived from 2000 and on, apparently including numerous foreign workers who are cannot be identified with certainty in the survey.

The situation of more veteran immigrants is better because the length of time spent in the country has a positive effect and there is also a difference in the composition of the immigrants in terms of geographic origin and age. The earlier group of immigrants were generally adults from the former Soviet Union, while in the later group the proportion of foreign workers is clear. The latter constitute a younger population with children who are working for lower wages. In the more veteran group the incidence of poverty went down from 16.4% in 2009 to 15.1% in 2010, while in the later group it went up: from 21.1% to 22.5%. With that, in both subgroups the depth and severity of poverty went up significantly between the two years of the survey.

In 2010, the proportion of families of working age in which no one is working went down as a result of the job market's recovery. This is actually a long-term trend that was broken only once, in 2009. However, the incidence of poverty among these families (which include families of the unemployed) continued to go up in 2010: from 68.9% in 2009 to 70.1% in 2010. It should be noted that in the past decade, more specifically from 1999, the already high incidence of poverty among these families has been climbing, from a ratio of 64.5% to around 70%, as noted. At the same time, the contribution of

**Table 8**  
**The Proportion of Specific Populations Among the Overall Population**  
**and the Poor Population (percentages), 2009**

Population groups (families)	Overall population		The poor population			
			Before transfer payments and direct taxes		After transfer payments and direct taxes	
	Families	Individuals	Families	Individuals	Families	Individuals
Jews	86.2	80.1	75.0	63.1	64.1	54.2
Arabs	13.8	19.9	25.0	36.9	35.9	45.8
Elderly	19.7	10.0	32.4	15.0	19.4	8.1
Immigrants	19.1	16.3	23.2	16.9	16.3	11.7
<b>Families with children – total</b>	46.0	66.5	45.1	72.1	60.2	82.9
1-3 children	38.3	49.6	30.0	38.3	37.8	41.0
4 or more children	7.7	16.8	15.1	33.9	22.4	41.9
5 or more children	3.7	9.4	8.4	21.6	12.5	26.7
Single-parent families	5.7	6.2	8.4	9.2	8.9	8.6
<b>Employment situation of head of household</b>						
Worker	75.0	83.1	44.1	59.5	49.0	61.2
Employee	65.6	72.3	39.8	53.6	43.2	54.0
Self-employed	9.4	10.8	4.3	5.9	5.8	7.2
Working age but not working	9.6	9.7	25.9	26.8	32.2	31.0
Sole wage-earner	34.0	32.8	37.3	48.1	41.5	50.8
Two or more wage-earners	41.0	50.4	6.8	11.4	7.5	10.4
<b>Age group of head of household</b>						
Up to 30	17.2	17.1	19.5	22.1	22.0	21.7
31-45	35.1	43.4	29.9	44.0	39.0	51.0
46-retirement age	30.2	31.0	20.3	20.1	21.4	20.2
Past legal retirement age	17.5	8.4	30.3	13.8	17.6	7.2
<b>Education of head of household</b>						
Up to eight years of study	11.1	9.6	22.7	19.1	22.7	19.9
9-12 years of study	37.9	41.0	42.1	47.3	44.8	49.3
13 or more years of study	51.0	49.4	35.2	33.6	32.5	30.8

transfer payments to reducing poverty in this group continued to drop, from 23.3% in 2009 to 22.6% in 2010.

The extent of the concentration of families around the poverty line is connected to the sources of their income. Table 10 shows the distribution of different population groups around the poverty line. The high distribution of families headed by an elderly person around the poverty line is because the minimum income for sustenance guaranteed by the Income Support Law to the elderly and survivors who have almost no income from any other source corresponds more or less to the poverty line. Thus any supplement, even

**Table 9**  
**The Proportion of Specific Populations Among the Overall Population**  
**and Among the Poor Population (percentages), 2010**

Population groups (families)	Overall population		The poor population			
			Before transfer payments and direct taxes		After transfer payments and direct taxes	
	Families	Individuals	Families	Individuals	Families	Individuals
Jews	85.9	79.8	73.8	61.9	62.2	53.2
Arabs	14.1	20.2	26.2	38.1	37.8	46.8
Elderly	20.4	10.4	34.3	16.6	20.1	9.2
Immigrants	18.2	15.5	22.1	16.1	15.3	11.5
<b>Families with children – total</b>	<b>45.2</b>	<b>65.7</b>	<b>44.4</b>	<b>71.3</b>	<b>60.6</b>	<b>82.1</b>
1-3 children	37.3	48.5	29.3	37.6	37.8	40.7
4 or more children	7.9	17.2	15.1	33.7	22.8	41.4
5 or more children	3.7	9.2	8.5	21.3	12.9	26.2
Single-parent families	5.7	6.2	8.3	9.1	8.8	8.4
<b>Employment situation of head of household</b>						
Worker	75.8	84.2	45.2	61.2	50.6	63.3
Employee	65.8	72.9	40.4	54.6	44.0	55.8
Self-employed	10.0	11.4	4.8	6.6	6.6	7.5
Working age but not working	8.5	8.3	23.6	23.9	30.0	27.9
Sole wage-earner	33.4	32.0	38.7	50.2	43.2	52.5
Two or more wage-earners	42.4	52.3	6.4	11.0	7.4	10.8
<b>Age group of head of household</b>						
Up to 30	16.1	16.0	18.6	21.1	21.7	21.4
31-45	34.9	43.2	28.8	42.6	37.0	48.2
46-retirement age	30.9	31.9	20.4	21.1	23.0	22.3
Past legal retirement age	18.1	8.9	32.2	15.2	18.2	8.1
<b>Education of head of household</b>						
Up to eight years of study	11.2	9.5	23.9	20.0	24.0	20.6
9-12 years of study	38.0	41.0	42.3	47.8	45.8	50.3
13 or more years of study	50.9	49.4	33.8	32.2	30.2	29.1

if small, in the level of the minimum income, will bring about a significant decrease in the number of poor elderly households, since while their income will still be very close to the poverty line, it will nonetheless be above it. Conversely, an erosion, even a minor one, in the level of the minimum income would significantly increase the scope of the poor elderly.

Table 11 shows the influence of government policy measures – transfer payments and direct taxes – on both the incidence and the depth of poverty. It emerges that between 2008 and 2010 there was a small increase in the contribution of government measures toward reducing the incidence of poverty, while there was a drop in their contribution toward reducing the depth of poverty.

**Table 10**  
**The Income Gap Ratio of the Poor\* Among Specific Populations, 2009 and 2010**

Population group (families)	2009			2010		
	Economic Income	Disposable Income	Concentration Index**	Economic Income	Disposable Income	Concentration Index**
<b>Total population</b>	<b>60.3</b>	<b>35.5</b>	<b>1.00</b>	<b>60.0</b>	<b>35.8</b>	<b>1.00</b>
Jews	62.7	33.1	0.93	62.2	34.6	0.97
Arabs	56.0	38.3	1.08	56.3	37.2	1.04
Elderly	80.4	24.8	0.70	80.0	26.7	0.74
Immigrants	65.1	26.4	0.74	67.1	29.0	0.81
<b>Families with children – total</b>	<b>56.4</b>	<b>36.5</b>	<b>1.03</b>	<b>55.6</b>	<b>36.7</b>	<b>1.02</b>
1-3 children	53.3	34.7	0.98	53.3	35.5	0.99
4 or more children	59.8	38.1	1.07	58.3	37.9	1.06
5 or more children	62.8	39.0	1.10	60.4	38.9	1.09
Single-parent families	63.5	35.3	1.00	65.9	37.1	1.04
<b>Employment situation of head of household</b>						
Worker	39.4	28.4	0.80	40.2	29.5	0.82
Employee	39.5	28.0	0.79	40.0	28.8	0.80
Self-employed	39.1	31.3	0.88	42.0	34.8	0.97
Working age but not working	94.6	52.3	1.47	95.5	53.1	1.48
Sole wage-earner	42.7	29.7	0.84	43.1	30.8	0.86
Two or more wage-earners	25.7	21.7	0.61	27.4	23.1	0.64
<b>Age group of head of household</b>						
Up to 30	54.6	35.8	1.01	55.1	37.0	1.03
31-45	55.8	36.1	1.02	54.1	35.9	1.00
46-retirement age	62.4	38.3	1.08	61.8	38.5	1.07
Past legal retirement age	80.6	23.0	0.65	80.5	25.3	0.70
<b>Education of head of household</b>						
Up to eight years of study	68.9	38.4	1.08	71.0	40.1	1.12
9-12 years of study	55.4	35.2	0.99	55.2	35.1	0.98
13 years of study or more	62.1	34.2	0.96	60.2	34.1	0.95

\* The weight given to each family in calculating the index is equal to the number of individuals in it.

\*\* The Concentration Index is a gap ration, and reflects the ratio between the depth of poverty in a group and that of the general population.

One possible explanation for this is that the government in recent years has been increasing benefits primarily for the elderly population, a large portion of whom are very close to the poverty line. A small increase in benefit is thus liable to raise some of them over the poverty line, but it does not help reduce the depth of poverty of these families. And in fact, this development is particularly notable among the elderly, for whom the contribution of government measures to reducing poverty went up some 5 percentage points between 2008 and 2010, while their contribution to reducing the depth of poverty among the elderly went down some 4 percentage points during the same period.



**Table 11**  
**The Influence of Transfer Payments and Direct Taxes on Poverty**  
**in Specific Population Groups, 2008-2010**

Population group (families)	Percentage drop stemming from transfer payments and direct taxes					
	Incidence of poverty			Income gap ratio of the poor		
	2008	2009	2010	2008	2009	2010
<b>Total population</b>	<b>38.3</b>	<b>38.4</b>	<b>39.2</b>	<b>42.6</b>	<b>41.1</b>	<b>40.2</b>
Jews	46.2	47.4	48.7	48.0	47.2	44.4
Arabs	13.5	11.4	12.3	32.8	31.6	33.8
Elderly	59.4	63.1	64.3	71.5	69.2	66.7
Immigrants	55.7	56.7	57.8	56.6	59.5	56.8
<b>Families with children – total</b>	<b>20.6</b>	<b>17.9</b>	<b>17.0</b>	<b>35.2</b>	<b>35.3</b>	<b>34.0</b>
1-3 children	25.8	22.5	21.5	34.7	34.9	33.4
4 or more children	11.1	8.6	8.3	36.0	36.2	34.9
5 or more children	11.4	8.5	8.2	37.4	37.8	35.5
Single-parent families	38.6	34.5	35.1	45.3	44.4	43.7
<b>Employment situation of head of household</b>						
Worker	34.8	31.6	31.9	29.5	28.1	26.7
Employee	36.8	33.2	33.8	30.0	29.2	28.2
Self-employed	17.3	17.3	15.5	26.3	19.9	17.1
Working age but not working	20.2	23.3	22.6	46.0	44.7	44.4
Sole wage-earner	34.7	31.4	32.2	31.7	30.4	28.5
Two or more wage-earners	35.9	32.7	30.0	15.6	15.5	15.6
<b>Age group of head of household</b>						
Up to 30	32.9	30.7	28.8	35.0	34.5	32.9
31-45	22.5	19.6	21.8	36.1	35.3	33.7
46-retirement age	31.9	35.0	31.5	39.4	38.7	37.7
Past legal retirement age	60.3	64.1	65.6	73.7	71.5	68.6
<b>Education of head of household</b>						
Up to eight years of study	35.1	38.3	38.9	46.8	44.3	43.5
9-12 years of study	34.2	34.5	34.1	38.7	36.6	36.3
13 years of study or more	44.9	43.1	45.7	44.5	45.0	43.4

It is accepted to relate to households that live on an income lower than 40% of the median income as households living in extreme poverty

One way to define extreme poverty is to check households whose income falls substantially below the official poverty line of 50% of the median disposable income per standard person. Thus, for example, it is accepted to relate to households that live on an income lower than 40% of the median income as households living in extreme poverty<sup>6</sup>,

6 An approach more widely accepted by poverty researchers is to define extreme poverty with the help of the FGT index, which generally expresses the squared total of the income gaps as explained in other places in this chapter. The approach used in this table is easier to understand.



**Table 12**  
**The Incidence of Poverty, Extreme Poverty, and the Risk of Poverty**  
**Among Individuals in Different Population Groups, 2010**

Population group	Living in extreme poverty: less than 40% of the median income	Living in moderate poverty: 40%-50% of the median income	Living under the official poverty line of 50%	Living above the poverty line but at risk of poverty
<b>Total</b>	<b>16.8</b>	<b>7.6</b>	<b>24.4</b>	<b>6.7</b>
Jews	10.4	5.8	16.2	5.8
Arabs	42.0	14.6	56.6	10.4
Elderly	11.4	10.1	21.5	9.2
Immigrants	10.1	8.0	18.2	8.3
Ultra-Orthodox Jews*	44.6	13.5	58.1	11.2
<b>Families with children – Total</b>	<b>21.7</b>	<b>8.7</b>	<b>30.5</b>	<b>7.4</b>
1-3 children	13.5	7.0	20.5	6.1
4 or more children	44.9	13.8	58.6	11.3
5 or more children	54.2	15.4	69.6	11.4
Single-parent families	24.2	9.1	33.2	8.9
<b>Employment situation of head of household</b>				
Worker	11.4	6.9	18.3	6.5
Employee	11.6	7.0	18.7	6.4
Self-employed	10.1	6.1	16.1	7.2
Working age but not working	73.1	9.0	82.1	4.6
Sole wage-earner	26.4	13.6	40.0	9.4
Two or more wage-earners	2.2	2.8	5.0	4.8
<b>Age group of head of household</b>				
Up to 30	22.5	10.0	32.5	7.8
31-45	19.3	7.9	27.2	6.9
46-retirement age	12.0	5.0	17.1	5.2
Past legal retirement age***	11.4	10.8	22.2	9.7
<b>Education of head of household</b>				
Up to eight years of study	40.2	12.5	52.7	11.5
9-12 years of study	20.8	9.1	29.9	7.7
13 years of study or more	9.0	5.3	14.4	5.0

\* Definition of ultra-Orthodox Jews according to the research of Gottlieb and Kushnir of 2009.

and by the same logic to relate to households whose income, while over the poverty line, is less than 60% of the median income as a household living “at risk of poverty.”<sup>7</sup> Table

7 The 60% factor was prescribed by the European Union as the official poverty line at risk of living in poverty. See “Poverty and Social Exclusion” at the website: <http://ec.europa.eu/social/>.

12 presents the poverty of individuals in different population groups according to this approach. In this table, data are also presented for the ultra-Orthodox, according to a specific method that was developed in a study by Gottlieb and Kushnir (2009) to identify them in the survey, since they cannot be directly identified from data obtained from surveys of income and household expenditure.

The table shows that extreme poverty among the entire population reaches some 17% of the individuals on average, but in large families, ultra-Orthodox families and Arab families, which largely correspond to one another, this rate shoots up to more than 40%.

As one can see from the table, those who live just above the poverty line from among the overall population are only a small percentage more than those who live in extreme poverty. The phenomenon of living at risk of one's situation deteriorating into poverty is very significant in terms of social stability and has the potential to undermine this stability. This is because it hints at a vulnerability to having one significant financial reversal or a series of small ones push a certain group of people into a state of poverty when they are not accustomed to it.

It is of course difficult to determine the degree of the risk of instability, and it is reasonable to assume that such instability is influenced by factors other than poverty. Still, proximity to the poverty line from above constitutes a risk. Some 5% of individuals in households with two wage-earners find themselves in the range of over-but-close-to the poverty line, which means that a sudden reduction in their income is liable to force them under the poverty line, although the likelihood of their falling into extreme poverty is marginal – only 2.2%.

One can also learn from the table that some 80% of individuals in poor families that have more than four children, some 70% of the individuals in single-parent families and some 60% of the individuals in working poor families live in extreme poverty. By contrast, in other groups those percentages are far lower – only half of poor elderly people or families whose head of household is past retirement age and about 40% of households in which there are two wage-earners live in extreme poverty.

80% of individuals in poor families with more than four children, 70% of individuals in single-parent families and 60% of individuals in working poor families – live in extreme poverty

## 5. Inequality in Income Distribution and the Influence of Government Measures

The progressive structure of transfer payments and direct taxes reduces income gaps in the population. The ratio of transfer payments to economic income diminishes as economic income increases while the ratio of direct taxes increases with economic income. The more progressive the transfer payments and direct taxes are, the greater the lower deciles' proportion of income is after transfer payments and direct taxes, while the proportion of income of the upper deciles diminishes.

Table 13 shows the change in average income, benefits and taxes for a family during the survey period. During the period between 2003 and 2010, economic income went

**Table 13**  
**Average Income, Benefits and Taxes per Family**  
**(NIS per month, 2010 prices), 2003–2010**

	2003	2004	2005	2006	2007	2008	2009	2010	2010 vs. 2003
Economic income	10,790	11,130	11,490	11,940	12,540	12,390	12,090	12,530	16.1
Total transfer payments	1,880	1,820	1,820	1,830	1,810	1,770	1,870	1,870	-0.5
NII benefits	1,440	1,360	1,330	1,340	1,320	1,310	1,380	1,410	-2.1
Direct taxes	2,660	2,610	2,550	2,530	2,740	2,520	2,280	2,370	-10.9
Disposable income	10,020	10,340	10,750	11,240	11,610	11,640	11,680	12,020	20.0

up by 16.1%, while disposable income went up by an even higher rate of 20.0 percent. The increase in economic income is the result of broader employment and a real increase in wages between 2003 and 2007, that was halted in 2008. The even greater increase in disposable income relative to economic income is the result of two opposing factors, one of which overcame the other: On the one hand, the real value of transfer payments went down by 0.5%, while on the other, direct taxes also went down under the various tax reform adjustments, by 11%. Because tax reductions generally have a greater influence on disposable income than do transfer payments, disposable income went up slightly more than did economic income between 2003 and 2010.

Table 14 shows the average amounts of transfer payments and direct taxes as a percentage of the average economic income per family in each decile, while Table 15 shows the proportion of transfer payments and direct taxes that applied to each decile (ranked by economic income) in 2008, 2009 and 2010.

The table shows that in 2010 there was a drop in the transfer payments in relation to economic income – from 15.5% in 2009 to 14.9% in 2010 – although the ratio of transfer payments to economic income in 2010 was still higher than in 2008. However, there was barely any change with regard to the direct taxes in the three years and they remained about 20% of the economic income. The two lowest deciles show the largest drop in the ratio of transfer payments as a proportion of economic income. At the same time, the tax burden as a proportion of economic income went down between 2008 to 2010 – from 16% to 14.5% – in the second decile and showed almost no change in the third decile, remaining at 9%. This drop characterizes all the years since 2003 (except for 2007), and this stems from the decreased tax rates that were part of the multiyear income tax reform plan.

Table 15 shows that when ranking the deciles by economic income, the lowest through sixth deciles receive more in transfer payments than they pay in direct taxes. A balance is achieved at the seventh decile, while starting with the eighth decile the ratio

**Table 14**  
**The Ratio of Transfer Payments and Direct Taxes to Average Economic Income in Every Decile\*, Overall Population (percentages), 2008-2010**

Decile*	Proportion of Average Economic Income					
	Transfer payments			Direct taxes		
	2008	2009	2010	2008	2009	2010
Lowest	--**	--**	--**	--**	--**	--**
2	183.3	204.2	157.1	15.2	16.1	14.5
3	47.7	55.8	52.3	8.7	8.8	8.8
4	32.5	34.4	34.6	9.2	9.0	9.3
5	20.6	22.9	23.4	10.2	9.7	9.6
6	14.2	15.3	14.9	10.9	10.8	10.3
7	9.8	9.8	9.5	12.6	12.2	12.3
8	6.1	6.6	6.7	15.7	14.5	14.6
9	4.4	4.8	4.7	20.3	18.9	18.6
Highest	1.7	2.6	2.1	29.9	27.4	28.0
Total	14.3	15.5	14.9	20.3	18.9	18.9

\* To determine the deciles, families were ranked by their economic income per standard person. Every decile constitutes 10% of all the persons in the population.

\*\* This ratio cannot be calculated since families in the lowest decile have almost no economic income, and their sole income is from transfer payments.

**Table 15**  
**The Share of Each Decile of the Overall Population in Transfer Payments and Direct Taxes (percentages), 2008-2010**

Decile*	Total proportion (percentages)					
	Transfer payments			Direct taxes		
	2008	2009	2010	2008	2009	2010
Lowest	25.9	24.8	25.2	0.9	1.0	1.0
2	15.9	14.8	13.5	0.9	1.0	1.0
3	9.3	10.0	10.0	1.2	1.3	1.3
4	9.8	9.5	10.3	2.0	2.0	2.2
5	8.7	9.0	9.8	3.0	3.1	3.2
6	7.8	8.0	8.1	4.2	4.6	4.4
7	7.0	6.6	6.6	6.4	6.8	6.7
8	5.7	5.7	5.9	10.2	10.3	10.2
9	5.6	5.6	5.5	18.1	18.3	17.4
Highest	4.2	6.0	5.1	53.1	51.6	52.6
Total	100.0	100.0	100.0	100.0	100.0	100.0

\* To determine the deciles, families were ranked by their economic income per standard person. Every decile constitutes 10% of all the persons in the population.

**Table 16**  
**The Influence of Transfer Payments and Direct Taxes**  
**on Inequality of Income Distribution in the Overall Population**  
**(percentages), 2008–2010**

Decile*	Each decile's portion of the total income (%)**								
	Before transfer payments and taxes			After transfer payments			After transfer payments and taxes		
	2008	2009	2010	2008	2009	2010	2008	2009	2010
Lowest	0.0	0.0	0.0	1.7	1.6	1.6	1.9	1.8	1.8
2	1.4	1.3	1.4	3.1	3.0	3.0	3.5	3.4	3.4
3	3.1	3.0	3.1	4.1	4.1	4.1	4.6	4.5	4.6
4	4.6	4.5	4.7	5.3	5.3	5.4	6.0	5.9	6.0
5	6.3	6.3	6.4	6.7	6.8	6.9	7.4	7.4	7.6
6	8.1	8.3	8.4	8.3	8.4	8.5	9.0	9.1	9.2
7	10.4	10.7	10.6	10.1	10.4	10.3	10.8	11.0	11.0
8	13.3	13.6	13.4	12.7	12.8	12.7	13.1	13.2	13.1
9	18.1	18.2	17.8	16.8	16.8	16.5	16.5	16.4	16.3
Highest	34.8	34.1	34.1	31.4	30.8	30.8	27.3	27.4	27.1
Ratio of the lowest quintile income to that of the highest quintile	38.9	41.6	36.4	10.2	10.4	10.2	8.1	8.5	8.3

\* The families in each column were ranked according to the level of income corresponding to a standard person.

Each decile represents 10% of the persons in the population.

\*\* In terms of income per standard person.

**Table 17**  
**The Gini Inequality Index of Income Distribution**  
**in the Population, 1999–2010**

Year	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of reduction stemming from transfer payments and taxes
2010	0.5045	0.4260	0.3841	23.9
2009	0.5099	0.4293	0.3892	23.7
2008	0.5118	0.4318	0.3853	24.7
2007	0.5134	0.4323	0.3831	25.4
2006	0.5237	0.4379	0.3923	25.1
2005	0.5225	0.4343	0.3878	25.8
2004	0.5234	0.4300	0.3799	27.4
2003	0.5265	0.4241	0.3685	30.0
2002	0.5372	0.4312	0.3679	31.5
1999	0.5167	0.4214	0.3593	30.5
<b>Change in the index (%)</b>				
2009 vs. 2010	-1.0	-0.8	-1.3	
2002 vs. 2010	-6.1	-1.2	4.4	
1999 vs. 2010	-2.4	1.1	6.9	

reverses itself: The top decile, which pays more than half the direct taxes, receives only 5% of the transfer payments.

Table 16 shows the patterns of all income distribution in the overall population between 2008 and 2010. From the data in the table it emerges that between the two of the years compared, 2009 and 2010, there was no significant change in the distribution of disposable income among the deciles or in the ratio of the income of the lowest quintile of the population to that of the highest quintile (although there was a small decrease from 8.5% to 8.3% between the two years). With that, the Gini inequality index pointed to a worsening in the disposable income distribution between these two years.

The contribution of transfer payments and direct taxes to the reduction of inequality that stems from economic income distribution went up a bit, from 23.7% in 2009 to 23.9% in 2010, but is lower by 8 percentage points than in 2002, when the rate was 31.5% (Table 17).

## **Chapter 3**

## **Benefits: Activities and Trends**





## 1. Income Support (including maintenance payments)

### A. General

In 2011, the number of families receiving an income support benefit continued to decline and reached 105,300 families on average per month, compared with 109,400 families in 2010 – a decrease of 3.8%. The downtrend began after the second quarter of 2003 (when the number of families receiving income support reached a record 159,000) and persisted until 2009, when the level stabilized at the 2008 level. The decrease in the number of recipients of this benefit in 2011 was apparently due to the state of the Israeli economy, which remained robust after recovering from the crisis of 2008/2009.

In 2011, the number of families receiving an income support benefit continued to decline and reached 105,300 families on average per month, compared with 109,400 families in 2010 – a decrease of 3.8%

### B. Highlights of the Income Support Law in its 2003 format

This legislation, the key elements of which were anchored in the 2003 Economic Arrangements Law, introduced far-reaching changes in the following components of the Income Support Law relative to the working-age population: the level of the maximum benefit, the means test and the employment test. The amendments to the Income Support Law also affected the Maintenance (Assurance of Payment) Law. The new legislation went into effect in January 2003, but the sections pertaining to a reduction of the benefit and revisions in the means test were actually implemented in June 2003.

In its present format, the Income Support Law retains two benefit rates for the long term – the regular rate and the increased rate – but prescribes, in effect, three levels of benefit for the transitional period.<sup>1</sup> The law differentiates between eligible persons who are at least 55 years old<sup>2</sup> and those under 55. The benefit and the means tests for those who are at least 55 years old remained unchanged for all family compositions, and they are eligible for a benefit at an increased rate (as had been the case before January 2003), whether they are newly eligible persons or previously eligible persons.<sup>3</sup> The differentiation between newly eligible persons and previously eligible persons is relevant only for persons under the age of 55: all newly eligible and all previously eligible persons for the regular rate are paid a benefit at the regular (now reduced) rate, and all those previously eligible for the increased rate are paid a benefit at the increased (now reduced) rate. The significance of these revisions is that over the years – at the end of the transitional period – anyone under the age of 55 will only be eligible for a benefit at the reduced regular rate.

.....  
1 The revisions in the level of benefits and in the means test are presented in detail in the NII Annual Survey for 2002-2003.

2 The rates of the income support benefit for recipients of old-age and survivors' pensions have remained unchanged. Those eligible for benefits from the Work Injury Insurance branch will be eligible for an income support benefit at the same level as that of survivors from the Old-Age and Survivors' Insurance branch, regardless of the age of the eligible person.

3 A previously eligible person is anyone who began receiving a benefit prior to January 1, 2003, including anyone whose benefit payment had been discontinued for a period not exceeding six months.

Since January 2003, the Employment Service has not been allowed to classify a claimant for an income support benefit as being either temporarily or permanently unemployable. The Income Support Law, in its new format, defines all those who are not required to report to the Employment Service. The most significant legislative amendment concerns mothers of small children: prior to the legislative amendments, these mothers had been exempt from an employment test if their youngest child was under age seven; since the amendments, they are exempt only until their youngest child turns two. The situation for widows relative to the employment test was equated with that of mothers with small children: up until January 2003, widows with minor children (under the age of 18) had been exempt from reporting to the Employment Service, regardless of the age of their minor children. No amendments were made relative to women eligible for maintenance (alimony) payments, and they continue to be exempt from the employment test.

The Economic Policies for the Year 2004 Law – Integration of Benefit Recipients in the Labor Market (Temporary Order) was approved in 2004 and, in August 2005, the responsibility for conducting employment tests in the pilot regions was transferred from the Employment Service to private employment centers. The participants in the program, widely referred to as the “Wisconsin Plan,” had been recipients of an income support benefit under the grounds for eligibility of “lacking employment” or “low wage.” In April 2010 the program was ended, and the responsibility for conducting employment tests was returned to the Employment Service.

Since January 2007, ownership of a car no longer automatically disqualifies claimants for an income support benefit (in the past, ownership of a car was only allowed in instances of special need, such as medical need), if the car owned by the claimant has an engine capacity of up to 1300 cc and seven years since its year of manufacture have elapsed, or up to 1600 cc and 12 years since its year of manufacture have elapsed. A car owner will be eligible to receive an income support benefit only if the benefit claimant (or spouse) has income from work that exceeds 25% of the average wage (17% of the average wage, in the case of a retirement-age claimant). The law also applies to persons who have been dismissed from work.

In addition, easements were instituted for retirement-age persons who are eligible for a benefit (or their spouses) who travel abroad, whereby travel abroad up to three times a year, not exceeding a total of 72 days, will not cause their benefit to be revoked. Travel abroad a fourth time or exceeding the limit of 72 days will result in eligibility being suspended for all periods of absence from Israel during that calendar year. Prior to the legislative amendment, travel abroad more than once during a calendar year revoked one's eligibility.

In July 2008, an additional amendment to the law was passed whereby a single parent shall receive an income support benefit, notwithstanding his studies at an institution of higher education or in a course whose duration exceeds 12 months. The objective of

this amendment is to help single parents acquire a suitable education enabling them to integrate into the work force and extricate themselves from the ranks of those lacking employment, or to improve their potential to earn a higher wage. A claimant applying for a benefit will be eligible for this benefit if the following criteria are met: single parent eligible for a benefit; an income support benefit had been paid for 16 out of the 20 months preceding the first month of studies at an institution; the curriculum does not award a master's or doctoral degree; the duration of the benefit payments in respect of the period of studies shall not exceed 36 months; for those lacking employment – the studies are held in the evening.

During 2011, an amendment was implemented that determines how to take into account the compensation payments made to the evacuees of Gaza and northern Samaria for the land they lost in the 2005 disengagement. A distinction was made between those who received the compensation as a one-time payment and those who chose to receive the compensation in monthly payments (156 equal payments).

In 2012, the High Court of Justice ruled that owning a car or having regular use of a car in and of itself cannot deprive one of an income support benefit, and that the state must find another criteria for determining eligibility and enable car owners to receive the benefit under a suitable means test.

## C. Recipients of an income support benefit

### 1. Development of the number of recipients

The period from June 2003-December 2008 was characterized by a steady downtrend in the number of recipients of the income support benefit. This trend began when stringent legislation was implemented in June 2003, when the benefits of some 5,000 families were revoked and the obligation of meeting an employment test as a precondition for eligibility for a benefit was expanded to additional populations. This downtrend persisted, due to the continuous impact of the reduction of the maximum income qualifying for an income support benefit, and due to improvement in the employment situation in Israel from 2004 until the second half of 2008. The operation of employment centers within the framework of the “From Income Support to Self Sufficiency” program in August 2005 and the “Prospects for Employment” program in August 2007 accelerated the downtrend in the number of recipients of income support benefit.

A reversal in the trend occurred in 2009: the number of families receiving a benefit rose at the beginning of the year and stabilized at a higher level during the second half of the year, which apparently was due to the state of the economy that year. On the other hand, in 2010 and 2011 the number of recipients of an income support benefit decreased – a trend that apparently reflected the recovery of the Israeli economy.

The implementation of the 2003 Economic Arrangements Law led to a decrease in the number of families receiving income support benefits, from a record number of some

159,000 (on average per month ) at the beginning of 2003 to 145,300 during the first half of 2004. The persistent impact of the legislation, coupled with the improvement in the employment situation in the economy, led to an additional – albeit more moderate – decrease in the number of recipients to approximately 142,000 during the second quarter of 2005. The launching of the “From Income Support to Self Sufficiency” program (in August 2005) reinforced the downtrend, and the number of recipients dropped to about 130,300 on average per month in 2006, and continued to drop to 111,800 in 2008 (Table 1).

The average number of recipient families per month in 2009 remained the same as in 2008. Despite the rise in the number of families eligible for a benefit in 2009 – from 109,700 families at the beginning of the year to 112,900 in May – their number at the end of the year was lower than it had been at the beginning of 2008 (112,057, compared with 113,852, respectively). Therefore, the average per month was similar in 2008 and 2009. During 2010 and 2011, the number of families receiving an income support benefit decreased by 2.1% and 3.8%, respectively. Table 1 and Graph 1 clearly illustrate this development.

Furthermore, in 2009, alongside the steady but moderating downtrend in the number of new immigrant families (according to benefit claimants), there began to be, for the first

During 2010 and 2011, the number of families receiving an income support benefit decreased by 2.1% and 3.8%, respectively

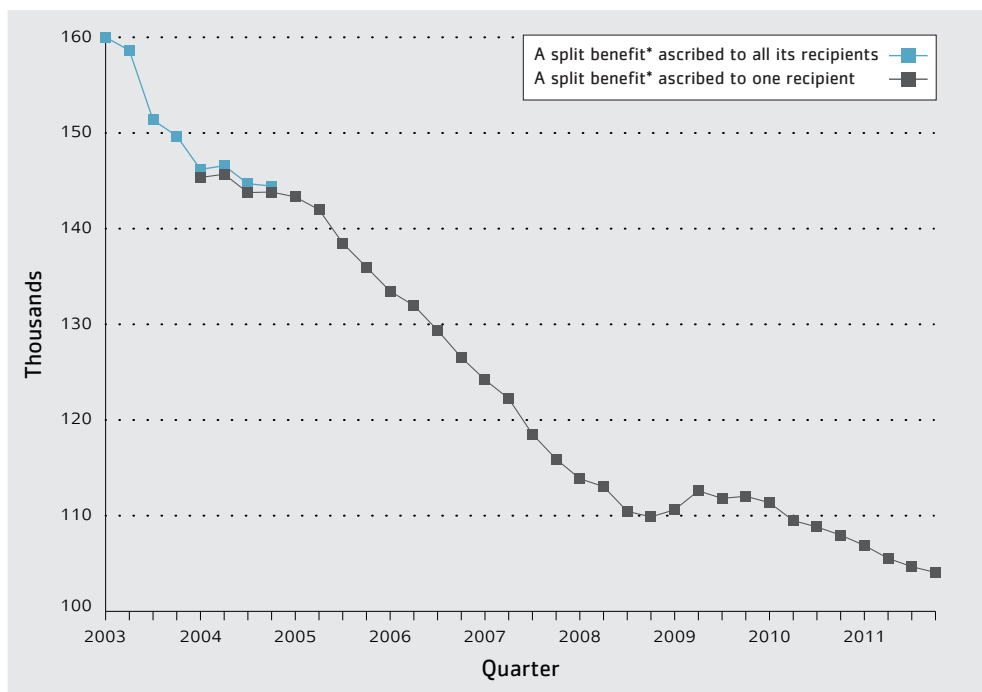
**Table 1**  
**Average Number of Families Receiving Income Support Benefit per Month, by Years in Israel,\* 2005–2011**

Year	Total		Long-standing residents		New immigrants	
	Absolute number	Rate of change	Absolute number	Rate of change	Absolute number	Rate of change
2005	139,940	-3.3	93,037	-1.2	46,903	-7.2
1-7/2005**	142,321	-2.1	94,302	0.2	48,019	-6.3
8-12/2005**	136,606	-5.0	91,267	-3.1	45,339	-8.4
2006	130,337	-6.9	88,144	-5.3	42,193	-10.0
1-7/2006**	132,380	-7.5	89,084	-5.9	43,296	-10.9
8-12/2006**	127,477	-7.2	86,829	-5.1	40,648	-11.5
2007	120,218	-7.8	82,488	-6.4	37,730	-10.6
1-7/2007**	122,748	-7.3	83,931	-5.8	38,817	-10.3
8-12/2007**	116,677	-8.5	80,469	-7.3	36,208	-10.9
2008	111,808	-7.0	78,011	-5.4	33,798	-10.4
1-7/2008**	113,073	-7.9	78,454	-6.5	34,619	-10.8
8-12/2008**	110,037	-5.7	77,390	-3.8	32,647	-9.8
2009	111,765	-0.04	79,461	1.9	32,304	-4.4
2010	109,407	-2.11	79,102	-0.5	30,304	-6.2
2011	105,292	-3.8	77,443	-2.1	27,849	-8.1

\* Years in Israel are determined by the benefit claimant's years of Israeli residence.

\*\* Compared with the corresponding period in the previous year.

**Graph 1**  
**Number of Families Receiving Income Support Benefit,**  
**by Quarter (thousands), 2010-2011**



\* A split benefit paid to more than one recipient in one family.

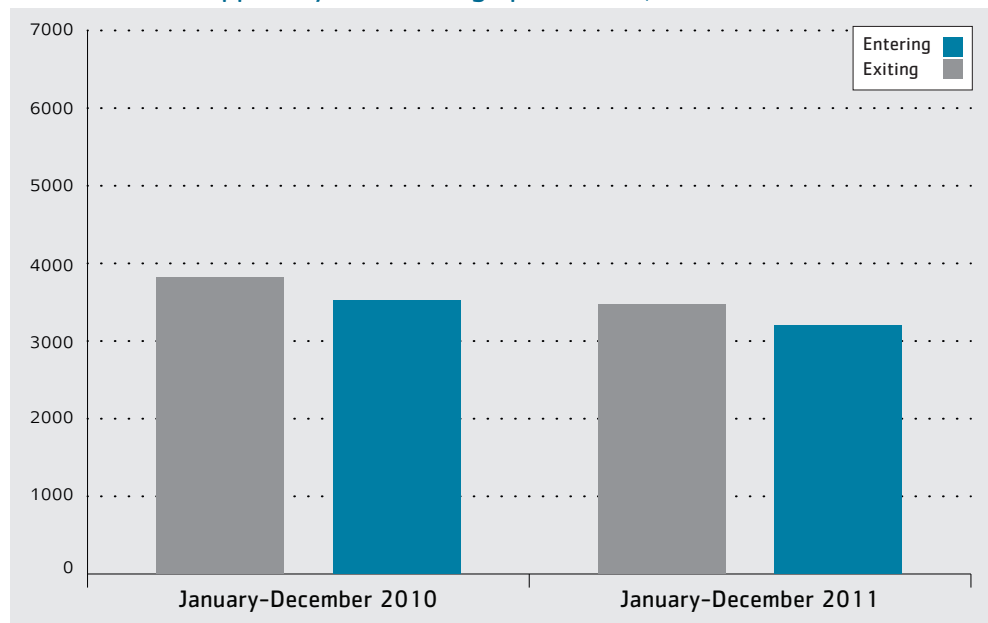
time since 2004, an increase in the number of long-standing resident families receiving benefits (according to benefit claimant). In 2010, the trend reversed once again – the number of long-standing resident family recipients decreased, and there was a sharp drop in the number of new immigrant family recipients compared with 2009. In 2011, the downtrend in the number of families receiving income support continued among both long-standing and immigrant families; the drop in immigrant recipients particularly accelerated, with a drop of 8.1% in 2011 compared to 6.2% drop in 2010.

With that, while in 2010 the drop in immigrant families constituted 85% of the total drop in the number of recipient families, in 2011 they contributed only 60% to the total drop. In other words, while the drop in the number of families receiving income support in 2010 stemmed primarily from the drop in immigrant families receiving the benefit, in 2011 a substantial part of the drop (40%) stemmed from a decrease in the number of long-standing families receiving it.

An analysis of claimants entering and exiting the income support system during the years 2010-2011 as described in Graph 2 show that in 2011 the number of those entering and exiting the system on average per month decreased by a similar rate of some 9%. In

In 2011 there was a slowing of entries to and exits from the income support system

**Graph 2**  
**Number of Families Entering\* and Exiting the Income Support System (average per month), 2010-2011**



other words, there was a slowing of entries to and exits from the income support system. However, because the number of exits was greater than the number of entries, there was a drop in the total number of those receiving the benefit in 2011.

## 2. Characteristics of income support benefit recipients

### a. Family composition and number of years in the country

The decrease in the number of benefit recipients since mid-2003, a period marked by drastic revision of the eligibility criteria and the rate of the income support benefit, was accompanied by a change in the recipients' family composition. The legislative amendments pertaining to the level of benefit, means test and employment test, which continued to receive expression between 2004 and 2007, did not have a uniform impact on the various population groups. Beyond the impact of the legislative amendments, it is possible that not all recipients enjoyed more employment opportunities as a result of the economic growth in Israel during that period, and these differences could have also affected the type of populations receiving an income support benefit. To illustrate the changes in the makeup of the recipient population, data is presented from the beginning of 2003 (prior to the legislative changes) until 2008 (which encompasses the full operation of the "Prospects for Employment" program), and for 2009 through 2011.<sup>4</sup>

4 For details regarding the changes in the family composition of benefit recipients between 2004 and 2007, see the NII's Annual Survey for 2008.

**Table 2**  
**Recipients of Income Support Benefit, by Family Composition**  
**and Years in Israel, 2003, 2008-2011**

Family composition	Numbers			Percentages		
	Total	Long-standing residents	New immigrants	Total	Long-standing residents	New immigrants
<b>January – March 2003</b>						
<b>Total</b>	<b>160,006</b>	<b>102,194</b>	<b>57,812</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Individual	58,331	38,000	20,331	36.5	37.2	35.2
Individual + children	53,191	25,662	27,529	33.2	25.1	47.6
Couple	9,468	5,070	4,398	5.9	4.7	7.6
Couple + children	39,016	33,462	5,554	24.4	32.7	9.6
<b>Average 2008</b>						
<b>Total</b>	<b>111,808</b>	<b>78,011</b>	<b>33,798</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Individual	50,683	33,843	16,840	45.3	43.4	49.8
Individual + children	29,401	17,024	12,377	26.3	21.8	36.6
Couple	8,145	5,179	2,967	7.3	6.6	8.8
Couple + children	23,579	21,965	1,614	21.1	28.2	4.8
<b>Average 2009</b>						
<b>Total</b>	<b>111,765</b>	<b>79,461</b>	<b>32,304</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Individual	51,825	35,177	16,648	46.4	44.3	51.5
Individual + children	28,145	16,906	11,240	25.2	21.3	34.8
Couple	8,283	5,421	2,862	7.4	6.8	8.9
Couple + children	23,512	21,957	1,555	21.0	27.6	4.8
<b>Average 2010</b>						
<b>Total</b>	<b>109,407</b>	<b>79,103</b>	<b>30,304</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Individual	50,904	35,155	15,749	46.5	44.4	52.0
Individual + children	27,101	16,766	10,335	24.8	21.2	34.1
Couple	8,390	5,602	2,788	7.7	7.1	9.2
Couple + children	23,012	21,580	1,432	21.0	27.3	4.7
<b>Average 2011</b>						
<b>Total</b>	<b>105,292</b>	<b>77,443</b>	<b>27,849</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Individual	49,064	34,535	14,529	46.6	44.6	52.2
Individual + children	25,888	16,473	9,416	24.6	21.3	33.8
Couple	8,159	5,541	2,619	7.7	7.2	9.4
Couple + children	22,179	20,895	1,285	21.1	27.0	4.6

The data presented in Table 2 indicate two main developments: the decrease in the number of recipients of income support benefit following the cuts in 2003 occurred among single-parent families and couples with children, while the number of individuals receiving the benefit rose. These developments reflected the changes in the composition of the population of benefit recipients: the share of single-parent families out of all recipients dropped to 24.8% in 2010 (compared with 33.2% at the beginning of 2003)



Changes in the composition of the population of benefit recipients: the share of single-parent families dropped, while that of couples with children declined slightly. At the same time, the share of individuals rose significantly: from 36.5% to 46.6%

and continued to drop slowly in 2011 as well (to 24.6%) while the share of couples with children declined slightly: from 24.4% to 21%, and in 2011 stood at 21.1%.

At the same time, the ratio of individuals rose significantly, from 36.5% to 46.6%, while the relatively small ratio of childless couples rose moderately, from 5.9% to 7.7%. In other words, the data indicate a sharp drop in the percentage and number of recipient families with children from 2003 to mid-2005, and a subsequent moderate decline until 2011.

#### b. Grounds for eligibility

Table 3 presents the distribution of recipients of the income support benefit in 2005, 2007, and in 2009–2011, by grounds for eligibility for a benefit. Between 2003–2010, there was a steady increase in the percentage of persons lacking employment out of all benefit recipients, and a steady decrease in the percentage of mothers of small children and of persons who are at least 55 years old, who cannot be forced to accept employment. The data show that in 2011 the percentage of recipients whose eligibility was contingent upon an employment test dropped slightly, and constituted 79.9% of all recipients, as compared with 80.1% in 2010. Still, the majority of the recipients (around 80%) were required to undergo an employment test.

Over the years there was a decrease in the percentage of benefit recipients on the grounds of training and employment assessment: from 2.5% of all benefit recipients during the first half of 2005 to 0.9% in 2010. In 2011, however, this percentage returned to 1.1% of all benefit recipients.

#### c. Earnings of benefit recipients

Table 4, which presents working families by family composition and income level, shows that the downtrend in the number of recipients of an income support benefit – which had characterized the period from 2004 to 2008 – had been accompanied by a slight uptrend in the ratio of working families receiving it: from 25.5% to 28.6%. In 2009, this ratio dropped to 27.9% and rose again in 2010 to 28.4%, rising further in 2011 to 28.8%. The majority of the rise in the ratio of working families receiving income support occurred in 2006 and 2007, from 26.6% to 28.1% (although the **number** of working families decreased in those years).

The data on the wage levels show that in 2006 the percentage of families earning low wages (up to NIS 2,000) remained stable relative to 2005 (prior to the implementation of the “From Income Support to Self Sufficiency” program), and that since 2007 this percentage has been dropping. In 2011, the earnings from work of 58.6% of the families did not exceed NIS 2,000, compared with 65.3% in 2006. As noted, the share of working families in 2011 rose and is above its level in 2008, and the share of families earning up to NIS 2,000 decreased. In other words, a larger percentage of families receiving income support benefit also have earnings from work and their wage level has slightly improved,

The share of working families in 2011 rose and is above its level in 2008, and the share of families earning up to NIS 2,000 decreased. In other words, a larger percentage of families receiving income support benefit also have earnings from work and their wage level has slightly improved, but is still low



**Table 3**  
**Claimants of Income Support Benefit and their Spouses, by Grounds for Eligibility, 2007-2011**

Grounds for eligibility	Average 2007		Average 2008		Average 2009		Average 2010		Average 2011	
	Numbers	%	Numbers	%	Numbers	%	Numbers	%	Numbers	%
<b>Total</b>	<b>154,427</b>	<b>100.0</b>	<b>143,640</b>	<b>100.0</b>	<b>143,553</b>	<b>100.0</b>	<b>140,808</b>	<b>100.0</b>	<b>135,631</b>	<b>100.0</b>
Lacking employment *	93,817	60.8	90,970	63.4	93,381	65.1	94,222	66.9	88,615	65.3
Training or assessment	2,291	1.5	1,636	1.1	1,612	1.1	1,202	0.9	1,455	1.1
“From Welfare to Self Sufficiency”/“Prospects for Employment”	7,486	4.8	5,526	3.8	4,652	3.2				
Low wage	19,268	12.5	16,723	11.6	16,583	11.6	18650	13.2	19,782	14.6
Addicts	3,788	2.5	3,619	2.5	3,502	2.4	3,447	2.4	3,321	2.4
Not assignable (over 55)	5,778	3.7	5,778	3.7	2,473	1.7	1,639	1.2	1,183	0.9
Mother/father	12,682	8.2	12,682	8.2	11,289	7.9	10,976	7.8	10,386	7.7
Other	9,318	6.0	9,318	6.0	10,067	7.0	10,672	7.6	10,888	8.0

\* In 2010, those who were receiving benefits during the first four months of the year under the From Income Support to Self-Sufficiency program were added to those whose grounds were lacking employment

but is still low. Only 9.1% of the recipient **families** earned a wage that was higher than NIS 3,500 per month.

Pursuant to a legislative amendment, since 2007 recipients of income support benefit who are earning more than 25% of the average wage and who meet the criteria prescribed in the law may maintain a vehicle. In 2010, 570 families on average per month who earned more than 25% of the average wage and owned an appropriate vehicle received an income

**Table 4**  
**Recipients of Income Support Benefit (Families) who had Earnings From Work, by Family Composition and Income Level, 2005, 2008–2011**

Family composition	Total		Income level (NIS)					
	Absolute numbers	% of all families	1-1,000	1,000-1,500	1,500-2,000	2,000-3,000	3,000-3,500	3,500+
<b>January – July 2005</b>								
<b>Total</b>	<b>37,240</b>	<b>26.2</b>	<b>22.5</b>	<b>21.9</b>	<b>21.1</b>	<b>19.2</b>	<b>7.8</b>	<b>7.5</b>
Individual	9,261	15.2	44.9	28.0	19.0	8.0	0.1	0.0
Individual+children	17,313	43.7	15.5	20.0	21.8	22.7	9.5	10.5
Couple	2,327	25.1	30.3	35.3	15.8	14.2	3.2	1.2
Couple + children	8,340	25.7	10.1	15.6	23.4	25.6	14.2	11.2
<b>Average 2008</b>								
<b>Total</b>	<b>31,993</b>	<b>28.6</b>	<b>18.9</b>	<b>21.7</b>	<b>22.0</b>	<b>23.7</b>	<b>5.6</b>	<b>8.2</b>
Individual	9,383	18.5	35.3	32.0	20.2	12.4	0.0	0.0
Individual+children	13,505	45.9	12.1	15.7	21.4	29.6	8.1	13.1
Couple	2,182	26.8	21.4	36.3	20.1	15.3	3.7	3.1
Couple + children	6,923	29.4	9.1	14.7	26.1	30.0	8.6	11.5
<b>Average 2009</b>								
<b>Total</b>	<b>31,128</b>	<b>27.9</b>	<b>17.4</b>	<b>22.0</b>	<b>21.6</b>	<b>25.2</b>	<b>5.6</b>	<b>8.3</b>
Individual	9,499	18.3	31.7	33.3	20.4	14.4	0.1	0.1
Individual+children	12,411	44.1	11.2	15.3	20.2	31.1	8.5	13.6
Couple	2,149	25.9	17.8	34.1	22.7	17.5	4.4	3.4
Couple + children	7,025	29.9	8.8	14.7	25.3	31.5	8.3	11.4
<b>Average 2010</b>								
<b>Total</b>	<b>31,055</b>	<b>28.4</b>	<b>16.4</b>	<b>22.4</b>	<b>21.4</b>	<b>25.8</b>	<b>5.3</b>	<b>8.6</b>
Individual	9,658	19.0	28.9	34.4	20.2	16.3	0.1	0.1
Individual+children	11,820	43.6	11.2	15.2	19.8	31.1	8.3	14.5
Couple	2,240	26.7	17.6	33.1	22.5	18.0	4.4	4.4
Couple + children	7,337	31.9	8.0	15.1	25.5	32.1	7.7	11.6
<b>Average 2011</b>								
<b>Total</b>	<b>30,297</b>	<b>28.8</b>	<b>14.4</b>	<b>23.0</b>	<b>21.2</b>	<b>26.7</b>	<b>5.6</b>	<b>9.1</b>
Individual	9,494	19.3	25.4	36.3	19.6	18.1	0.5	0.1
Individual+children	11,060	42.7	10.0	15.0	19.1	31.9	8.4	15.6
Couple	2,196	26.9	15.8	31.9	21.7	20.5	4.9	5.2
Couple + children	7,547	34.0	6.7	15.4	26.0	31.8	8.1	12.0

support benefit. Pursuant to the criteria defined in the law, 12 families continued to own a vehicle and to receive a benefit during the year after they were laid off. Furthermore, approximately 570 families maintained a vehicle for medical needs (including a vehicle for a disabled child).

Additional benefits for which families are eligible also constitute a source of income. In December 2011, a monthly average of 5.4% of the recipients of income support benefit were eligible for other benefits from the NII as well. The average income per family from NII benefits (excluding wage-replacing benefits, which are classified as earnings from work) was approximately NIS 1,700, and reached as high as NIS 6,400. About 700 families (0.7% of all recipient families) also had earnings from work, as well as additional NII benefits. The total income from both of these sources was about NIS 2,866 per family on average.

Another possible source of income is interest on financial assets, such as bank savings deposits. In December 2011, approximately 23,100 families, constituting 22.2% of all families receiving an income support benefit, had financial assets, with the average asset value per family being NIS 16,788. This sum is under the maximum value of financial assets that may be held without being deemed an asset that must be attributed to income, which would reduce the level of benefit. Only about 2,300 families, constituting 2.2% of all families receiving an income support benefit, owned an asset that caused their benefit to be reduced. The average financial assets per family which resulted in a reduction in benefit level was approximately NIS 44,000.

About 8,500 families had earnings from work as well as from financial assets. These families had income from work at an average of about NIS 2,060 and financial assets at the average value of about NIS 14,700, which is slightly under the general average.

Approximately 3,000 recipient families own real-estate assets, constituting 2.9% of all families receiving income support benefit. The average value of these real estate assets was NIS 103,200, but about half of the families own real-estate valued at under NIS 75,600. Among all families receiving an income support benefit, only 130 families had earnings from work, owned real estate and held a financial asset.

## D. Payments

### 1. Level of benefit

The data in Table 5 show that the level of benefit dropped in 2011; in terms of the average wage, the level of benefit dropped by 4.7%, while in real prices, by 1.1%. The real drop in the benefits occurred because the benefits were updated in January 2011 by 2.3% (based on the rise in the Cost of Living Index during 2010, calculated by comparing November 2010 to November 2009), but the average Cost of Living Index for 2011 (compared to the average Cost of Living Index for 2010) rose some 3.5% and the average wage went up even more, by some 3.7%.

In terms of the average wage, the level of benefit dropped by 4.7%, and in real prices by 1.1%

**Table 5**  
**Monthly Income Support Benefit, at Fixed Prices and as a Percentage of the Average Wage,\* 2006-2011**

Year	Individual				Single parent with two children			Couple with two children		
	Regular rate		Increased rate		2010 prices (NIS)		Regular rate		Increased rate	
	2010 prices (NIS)	% of average wage	2010 prices (NIS)	% of average wage	2010 prices (NIS)	% of average wage	2010 prices (NIS)	% of average wage	2010 prices (NIS)	% of average wage
2006**	1,584	21.2	1,783	23.9	3,089	41.4	2,654	5.5	3,089	41.4
2006***	1,980	26.5	1,980	26.5	3,996	53.5	3,921	52.5	3,921	52.5
2007**	1,576	20.7	1,774	23.3	3,073	40.3	2,640	34.6	3,073	40.3
2007***	1,970	25.8	1,970	25.8	3,976	52.1	3,901	51.1	3,901	51.1
2008**	1,613	20.4	1,815	22.9	3,147	39.7	2,703	34.1	3,147	39.7
2008***	2,017	25.5	2,017	25.5	4,070	51.4	3,994	50.4	3,994	50.4
2009**	1,633	20.5	1,837	23.0	3,183	39.9	2,735	34.3	3,183	39.9
2009***	2,041	25.6	2,041	25.6	4,117	51.6	4,040	50.7	4,040	50.7
2010**	1,650	20.0	1,856	22.5	3,217	39.0	2,764	33.5	3,217	39.0
2010***	2,063	25.0	2,063	25.0	4,161	50.5	4,084	49.5	4,084	49.5
2011**	1,632	19.1	1,836	21.5	3,182	37.2	2,733	32.9	3,182	37.2
2011***	2,040	23.9	2,040	23.9	4,114	48.1	4,038	47.2	4,038	47.2

\* As measured by the Central Bureau of Statistics.  
 \*\* For an adult and members of his/her family under the age of 55.  
 \*\*\* At least one of the family members is over the age of 55.

The child allowance paid to families with children increases the level of income from the NII. Additionally, families with three and four children are eligible for an additional benefit, which is paid in conjunction with the child allowance and also increases income. Thus, for example, a single parent under the age of 55 with three children, who, under the Income Support Law, is eligible to receive 39% of the basic amount, which is 37.2% of the average wage, actually received 46.3% of the average wage, when the child allowance and the increment to families with three children are included.

## 2. Composition of benefit recipients by benefit level

Subsequent to the legislation enacted in 2002 and 2003 regarding the various levels of the benefit, the composition of benefit recipients was significantly revised according to three benefit levels. The percentage of families receiving a benefit at the regular rate rose from 36% in 2004 to 40.5% in 2011, the percentage of families receiving a benefit at an increased rate for those under the age of 55 (“previously eligible”) dropped from 22% to 6.3% in those same years, while the percentage of families receiving a benefit at an increased rate paid to those at least 55 years old rose from 21% to 30.3%. When examining the family compositions presented in Table 6, one can see that, over time, the percentage of individuals receiving a benefit at the regular rate is rising while the percentage of single-parent recipient families is falling, as expected from the data presented in the previous sections. The percentage of families receiving a benefit at an increased rate for those aged 55 and above has risen between 2005 and 2011.

**Table 6**  
**Recipients of an Income Support Benefit, by Family Composition and Benefit Level, 2006–2011**

Family composition	Dec. 2006	Dec. 2007	Dec. 2008	Dec. 2009	Dec. 2010	Dec. 2011
Individual receiving regular rate	25.2	24.9	25.3	26.3	26.7	26.7
Individual receiving increased rate (under 55, “previously eligible”)	6.4	5.9	5.1	4.2	3.5	3.0
Individual receiving increased rate (55+)	14.3	16.0	16.9	17.7	18.2	18.7
Single parent (under 55)	24.1	23.3	22.7	21.5	21.4	21.1
Couple receiving increased rate (55+)	5.6	5.9	6.1	6.5	6.6	7.7
Couple with children receiving regular rate	11.5	11.6	12.1	12.8	13.3	13.8
Couple with children receiving increased rate (under 55, “previously eligible”)	6.7	5.9	5.1	4.3	3.7	3.3
Couple with children receiving increased rate (55+)	3.6	3.7	3.9	3.9	3.8	3.9
Other	2.7	2.7	2.8	2.8	2.8	1.8

### 3. Volume of payments

Although the benefits were updated in January, there was a drop in the scope of payments as a result of the decrease in the number of recipients and in the average benefit

The volume of payments of income support benefits totaled NIS 2.47 billion in 2011, constituting a decline of 5.4% compared with 2010. Although the benefits were updated in January, there was a drop in the scope of payments as a result of the decrease in the number of recipients and in the average benefit (a drop of 4.1% in the average benefit in 2011 compared to 2010).

**Table 7**  
**Volume of Payments of Income Support Benefits**  
**(excluding administrative expenses), 2006-2011**

Year	Current prices (NIS million)	2011 prices (NIS million)
2006	2,623	2,926
2007	2,419	2,685
2008	2,392	2,538
2009	2,482	2,549
2010	2,527	2,527
2011	2,474	2,474

### E. Women Receiving Maintenance (Alimony) Payments

The Maintenance (Guarantee of Payment) Law guarantees a payment to divorced or separated women, common-law wives or women who remarried, in instances when the court awarded them maintenance payments but the debtors ordered to make the payments do not pay up. The amount of the payment is the sum specified in the court ruling or the sum prescribed in the Maintenance Law regulations, whichever is lower. When the maintenance payments awarded by court are higher than the payment prescribed in the regulations, the sum prescribed in the regulations is paid, subject to a means test. The rate of the maintenance payments prescribed in the regulations is equal to the rate of the income support benefit for single parent families. The NII is responsible for collecting the maintenance payments awarded by court ruling through execution proceedings instituted against the debtor. Therefore, a woman is eligible for maintenance payments from the NII only if she herself does not institute proceedings to enforce the court ruling, or if she discontinues such proceedings prior to submitting an application to the NII. If the NII collects a sum from the debtor that is higher than the sum the NII has paid to the woman, she is entitled to receive the difference.

The amendments to the means test instituted under the Income Support Law affected this population as well, and, between 2005 and 2009, a persistent downtrend was recorded in the number of women receiving maintenance payments from the NII – by approximately 4% each year until 2008. During the last three years, the decline has been more moderate, by 2.6% in 2009, 1.2% in 2010 and by 2.9% in 2011. During 2011,

maintenance payments were paid to 19,500 women on average per month. Furthermore, as indicated below, the number of women receiving both maintenance payments and an income support benefit has continued to decrease.

The demographic characteristics of the women who received maintenance payments in 2011 were similar to those in previous years: approximately 69% of the women were divorced, 14% were separated from their spouses but still married to them, 9% had remarried, and the remainder, about 8%, were common-law wives. It should be noted that a slight downtrend is evident in the ratio of divorcees to total recipients of maintenance payments – from 72.8% in 2005 to 68.7% in 2011. On the other hand, the ratio of unmarried women to total recipients has risen – from 5% in 2005 to 9% in 2011. In 2011, the majority of women who received maintenance payments (approximately 80%) have one or two children (compared with 63% among all families with children in the population), while only about 8% have four or more children (compared with 17% among all families with children in the population).

The percentage of women who received maintenance payments under a court ruling and the characteristics of their employment were affected by the legislative amendments in 2003, but remained unchanged between 2004 and 2011. Seventy-three percent of the women received maintenance payments pursuant to a court ruling, while the rest received maintenance payments pursuant to the regulations: 5% received the full rate specified in the regulations while about 22% received a reduced payment due to earnings from work.

The average amount paid to women was approximately 20% of the average wage in the economy (NIS 1,765 per month), but there was a significant gap between the amount received by women under a court ruling and the amount received under the regulations.

Table 10 shows that in 2011, the average amount paid under a court ruling was only 21% of the average wage, while under the regulations – 36% to women who were receiving the full rate and approximately 19% to women who were receiving a reduced rate. The table also shows the rise in maintenance payments as a percentage of the average wage – an increase that might be explained by the fact that maintenance payments (updated

In 2011, the average amount paid under a court ruling was only 21% of the average wage, while under the regulations – 36% to women who were receiving the full rate and 19% to women who were receiving a reduced rate

**Table 8**  
**Recipients of Maintenance Payments, by Marital Status**  
**(absolute numbers and percentages), 2007-2011**

Year	Total		Marital status			
	Absolute numbers	Percentages	Married to the debtor	Divorced	Remarried	Other
2007	21,771	100.0	13.8	72.1	8.2	5.9
2008	20,784	100.0	14.0	71.4	8.4	6.2
2009	20,253	100.0	13.7	70.6	8.7	7.0
2010	20,012	100.0	13.8	69.4	8.7	8.1
2011	19,438	100.0	13.7	68.7	8.7	8.9



in accordance with the Cost of Living Index) went up by more than the average wage, which has remained more or less the same over the past decade.

In 2011, approximately 46% of the women receiving maintenance payments were working (compared with 75% of all women in the population who are married with children), but their economic situation was poor. For most of them, the amount awarded by the court was so low that a means test was unnecessary (since a court ruling takes into account the woman's income from work). The average maintenance payment that working women received was 16% of the average wage in the economy. Even after adding their earnings from work to this sum, their aggregate income was less than half of the average wage in the economy – only 30% more than the maintenance payments received by women who received the full payment under the regulations.

These data show that the Maintenance Law per se does not guarantee a minimum income to all women who need it. Therefore, women to whom the courts have awarded low maintenance payments and who have no other income, or whose income from other sources is very low, are eligible for an income supplement from the NII under the Income Support Law, as long as they meet all other eligibility criteria for an income supplement under this law.

**Table 9**  
**Recipients of Maintenance Payments, by Type of Payment**  
**(absolute numbers and percentages), 2007-2011**

Year	Total		Type of Payment (%)		
	Absolute numbers	Percentages	Under regulations		By court rulings
			Full	Reduced	
2007	21,771	100.0	6.3	22.7	71.0
2008	20,784	100.0	6.2	23.5	70.3
2009	20,253	100.0	5.7	22.0	72.3
2010	20,012	100.0	4.9	21.6	73.5
2011	19,438	100.0	5.2	21.7	73.1

**Table 10**  
**Average Maintenance Payment, as a Percentage of the Average Wage**  
**in the Economy, by Type of Payment and Work Status, 2007-2011**

Year	Total	Type of Payment			Work status	
		Under regulations		By court rulings	Working	Not working
		Full	Reduced			
2007	19.1	35.0	17.2	18.3	15.2	22.6
2008	19.3	34.6	17.6	18.6	15.3	22.9
2009	20.3	36.2	18.6	19.6	16.2	23.8
2010	20.4	35.9	18.7	19.9	16.3	23.9
2011	20.6	35.8	18.8	20.1	16.5	24.2



Indeed, in 2011, an average of about 4,084 women who received monthly maintenance payments also received an income supplement under the Income Support Law, compared with 6,892 in 2006. In 2006, these women constituted approximately 30% of all women receiving maintenance payments, but by 2011, this percentage dropped to approximately 21%.



## 2. Old-age and Survivors' Insurance

### A. General

Old age and survivors' pensions constitute the first tier of the pension system in Israel and ensure a basic income for an elderly insured and for his survivors after his death. Pensions from work constitute the second tier of the pension system, and, in conjunction with the old-age and survivors' pension, they are intended to ensure that the retired and the elderly have a reasonable minimum standard of living (see chapter 4 [2], Old-Age and Survivors' Insurance, the NII's Annual Survey for 2007).

**An old-age pension** is paid to every insured on a universal basis, with no means test (from either work or capital) upon reaching the eligibility age (absolute age), and upon reaching retirement age (the conditional age), but only if the insured passes the means test. Up until June 2004, the retirement age was 60-64 for women and 65-69 for men. In mid- 2004, the Retirement Age Law came into effect, which gradually raised the eligibility age for an old-age pension for both men and women: the retirement age for men to receive an old-age pension was raised from 65 to 67, and therefore, their eligibility during the 67-to-69 age bracket was made conditional on a means test. The eligibility age for men was not changed. The retirement age for women was raised from 60 to 64 in two stages: initially to 62 and, according to the Retirement Age Law introduced in 2004, after a hiatus of 3 years, it was supposed to rise to 64, but in 2011 the Knesset decided to postpone the further rise in the retirement age for women for five years. The gradual process of increasing the retirement age for women from 62 to 64 will resume in 2017 after a hiatus of eight years. The eligibility age for women was gradually raised in the Retirement Age Law from 65 to 70. In 2012, after a hiatus of three years, during which this age was 67, the eligibility age will rise to 67 years and four months.

Under the Retirement Age Law, in May 2009, the process was completed of gradually raising the retirement age for men to 67, as well as the first stage of the gradual raising of the age for women to 62 for retirement and 67 for eligibility (including the eligibility age for housewives<sup>1</sup>). Therefore, 2010 was the first year since the initial raising of the retirement age in which it was possible to submit claims for a pension throughout the year. This is one of the explanations for the growth in the number of the newly eligible relative to the years 2004 to 2009.

Increments for a spouse and dependent children are added to the basic old-age pension (according to criteria set forth in the law, such as the means test), as well as a seniority increment and a pension-deferral increment. Additionally, since April 2008, a special increment has been paid to insureds upon reaching the age of 80. The **seniority increment** is payable to anyone who has been insured for more than ten years, and its

1 The process of deferring the eligibility age for an old-age pension is explained in the NII Survey for the years 2002 – 2003.

rate is 2% of the pension for every year of insurance beyond the first ten years, up to a maximum of 50%. The **pension-deferral increment** is granted to anyone who deferred taking his pension during the age bracket when receipt of a pension is contingent upon a means test of income from work or from capital (from the conditional age to the absolute age), due to having earnings from work. This increment is at the rate of 5% of the pension for each year of pension deferral. The rate of the **special increment for insureds who have reached the age of 80** is 1% of the “basic amount.”<sup>2</sup>

A **survivors pension** is paid to the survivors of an insured after his/her death. A seniority increment is added to the basic pension, and an increment for children who are defined as dependent, and, since April 2008, an increment has also been added for a survivor who has reached the age of 80, as stated above. A widower is defined as being eligible for a survivors’ pension as long as he still has dependent children, or if he meets the means test, as required by law.

An **income supplement for the elderly and for survivors** is paid to recipients of old-age or survivors’ pensions who have little or no income, up to the sum of the pension specified in the Income Support Law for this population, and in accordance with the rules prescribed in this law.

**Pensions not prescribed under the National Insurance Law** – The NII pays special pensions to the elderly and to survivors who are not eligible for a pension under the National Insurance Law. These pensions are fully funded by the government.

The individuals who are eligible for these pensions are primarily new immigrants who were above the retirement age (according to the Retirement Age Law) on the day they immigrated to Israel and, consequently, are not insured under the National Insurance Law. The rates of the basic pensions paid to them are identical to the pension rates under the law, with eligibility usually conditional upon the means test. No seniority or pension-deferral increments are added to these pensions; however, since April 2008, an increment has been paid to eligible new immigrants who reached the age of 80, as stated above. The maximum income supplement to recipients of these pensions is the same as that paid to pension recipients under the law. Any changes in the eligibility age for a pension under the law also apply to recipients of pensions that are not prescribed under the law.

**Counseling service for the elderly** – Since the early 1970s, a counseling service for the elderly has been operating within the framework of the NII, on a volunteer basis, with elderly people volunteering to help their peers. As one of the NII’s activities in the community, the counseling service supplements the activities of the funds for the development of services for diverse populations in Israeli society.<sup>3</sup> In 2011, approximately

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2 See footnote 3 in Chapter 1.

3 A description of the Counseling Service for the Elderly, its objectives and activities, is given in the NII Annual Review for 2005.

4,600 volunteers on average took part in the counseling service each month and made approximately 375,000 home visits to the elderly. The service handled approximately 143,000 requests for counseling.

**A death grant** – is paid for a deceased insured who was eligible for an old-age or survivors' pension (under the National Insurance Law) and who is survived by a spouse, or, in the absence of a surviving spouse, by a child, as defined in the National Insurance Law.

**Burial expenses** – Every person who dies in Israel is entitled to be interred at no cost. The NII pays the said burial expenses to a duly licensed burial society to cover the burial day expenses for every deceased who is interred in Israel. Population groups who customarily bury their dead without using burial societies may receive these burial expenses personally. The tariff for burial expenses is categorized according to the age of the deceased and the size of the community in which the burial society operates. In certain instances, the burial society is permitted to collect a fee for an interment (pre-purchasing of a burial plot, purchasing of a plot for a deceased in a particular location, and burial in a closed cemetery). If the number of paid interments exceeds the ratio specified in the regulations, the burial society is eligible for reduced payments. In 2011, burial expenses were paid for approximately 41,000 interments.

## B. Legislative amendments

### 1. Legislative amendments to the rates of old-age and survivors' pensions

Pensions under the National Insurance Law – The Economic Efficiency Law for 2009 prescribed that the basic old-age and survivors' pensions would be gradually increased until 2011 at the rate of approximately 7.3%. The pensions are to be increased at a uniform rate in order to maintain the difference (at the rate of 1% of the basic amount) between the pensions of insureds under the age of 80 and those who are 80 and above.

In August 2009, the pension for an individual was 17% of the basic amount; in January 2010, it was increased to 17.35% and, in January 2011, to 17.7% of the basic amount. The pensions for all other family elements increased accordingly. Altogether, the pension for an individual rose by 2.0% from 2010 to 2011.

This increase in the pension rate is in addition to the increases in the pension rates in recent years. In July 2006, the pension was increased from 16% of the basic amount to 16.2%; in April 2008, from 16.2% to 16.5%, with a further increment of 1% of the basic amount for those aged 80 and above. In 2009, the rate of the increase in the old-age and survivors' pensions totaled approximately 3%, in January 2010 it was approximately 2.1%, and in January 2011, the increase to 7.3% was completed.

Old-age and survivors' pensions, including income supplements, also rose in line with the increase in the basic pension. Additionally, an age bracket (70-79) was added in August 2009, and those in this age bracket were paid an increment of approximately

In August 2009, the pension for an individual was 17% of the basic amount; in January 2010, it was increased to 17.35% and, in January 2011, to 17.7% of the basic amount. The pensions for all other family elements increased accordingly. Altogether, the pension for an individual rose by 2.0% from 2010 to 2011

NIS 120 for an individual or approximately NIS 180 for those with dependents (this increment also includes the increase in the basic pension). Those aged 80 and above were paid an increment of NIS 75 for an individual, or NIS 107 for a person in this age bracket who has dependents. In 2010 and 2011, the rate of the pension including the income supplement, increased according to the increase in the basic pension.

From January 2010, the pension for an individual eligible for income supplement was 29.9% of the basic amount for those under 70, 30.7% for those in the 70-79 age bracket, and 32.1% for those in the 80-and-above age bracket. As of January 2011, these rates were increased to 30.3%, 31.2% and 32.6% of the basic amount, respectively.

The pension for an individual, which was 25% of the basic amount until June 2005, increased to 27.3% in July 2005, to 28.5% in July 2006 and to 28.8% in April 2008. The rate for individuals in the 80-and-above age bracket was 30.8% of the basic amount until August 2009

It should be noted that the increase in the rates of the old-age and survivors' pension, including income supplement, is in addition to rate increases in this pension in recent years. The pension for an individual, which was 25% of the basic amount until June 2005, increased to 27.3% in July 2005, to 28.5% in July 2006 and to 28.8% in April 2008. The rate for individuals in the 80-and-above age bracket was 30.8% of the basic amount until August 2009.

## 2. Legislative amendments to the other eligibility criteria

In 2011 the means test for widowers being examined for eligibility for the survivors' pension was changed. To the total income (from any source) that is not taken into account, which was previously 57% of the average wage according to the National Insurance Law, it is possible to add 15.2% of the average wage for income from these sources: income from work and occupational pension. Consequently, widowers may have greater income from these sources without losing their eligibility for the survivors' pension.

The heating grant for old people who live in cold regions and who are eligible for income supplement has been doubled and from 2011 it is 6.4% of the basic amount (NIS 522). By the end of 2011, the heating grant for the winter of 2011/12 was paid to about 37,600 eligible elderly people.

## C. Pension recipients

### 1. Recipients of old-age and survivors' pensions

In 2011, the NII paid old-age pensions under the National Insurance Law and special old-age benefits to approximately 678,000 elderly persons, and survivors' pensions to approximately 102,000 survivors on average per month. In 2011, the recipients of old-age pensions included approximately 93,400 elderly persons who received a full old-age pension and half of the survivors' pension (see clause 3 hereunder), and approximately 40,000 disabled elderly persons who received a disability pension supplement (clause 4 hereunder). The number of recipients of an old-age pension under the National Insurance Law increased in 2011 by approximately 4.3%, while the number of recipients of a survivors' pension only declined by 0.3%.

In 2011, the NII paid old-age pensions under the National Insurance Law and special old-age benefits to approximately 678,000 elderly persons, and survivors' pensions to approximately 102,000 survivors on average per month

**Table 1**  
**Recipients of Old-Age and Survivors' Pensions, by Pension Category and Legal Basis (monthly average), 2009-2011**

	Number of recipients (average)			Rate of annual increase	
	2009	2010	2011	2010	2011
<b>Total</b>	<b>742,725</b>	<b>758,490</b>	<b>780,107</b>	<b>2.1</b>	<b>2.9</b>
<b>Total old-age pension</b>	<b>639,940</b>	<b>656,034</b>	<b>678,134</b>	<b>2.5</b>	<b>3.4</b>
Under the NI Law	568,424	587,949	613,476	3.4	4.3
Not under the NI Law	71,516	68,085	65,658	-4.8	-3.6
<b>Total survivors' pension</b>	<b>102,786</b>	<b>102,456</b>	<b>101,973</b>	<b>-0.3</b>	<b>-0.5</b>
Under the NI Law	102,310	102,026	101,590	-0.3	-0.4
Not under the NI Law	477	431	383	9.6-	-11.1

The number of recipients of benefits not under the National Insurance Law continued to decline in 2011 at the rate of 3.6%, although this indicates a slowdown in the rate of decline: in 2010 the rate was 4.8% and in 2009 it was 4.9%. The ratio of recipients of the special benefits to all recipients of old-age and survivors' pensions increased from 8.4% in 1990 to 18.7% in 1996. As of 1997, this rate gradually decreased until it reached 9.7% in 2009, and continued to decline in 2010 to the rate of 9% and in 2011 to 8.5%. This development reflected the downward trend in the pace of the growth of this population since the second half of the 1990s. These trends are an outcome of the decrease in the number of elderly immigrants arriving in Israel and of the mortality rate among elderly new immigrants. As a result of the diminishing volume of immigration, the size of this population will, in fact, continue to dwindle as time passes. The total number of recipients of old-age pensions, both under the National Insurance Law and not under the law, increased in 2011 by 3.4%, while the total number of recipients of old-age and survivors' pensions increased by 2.9%.

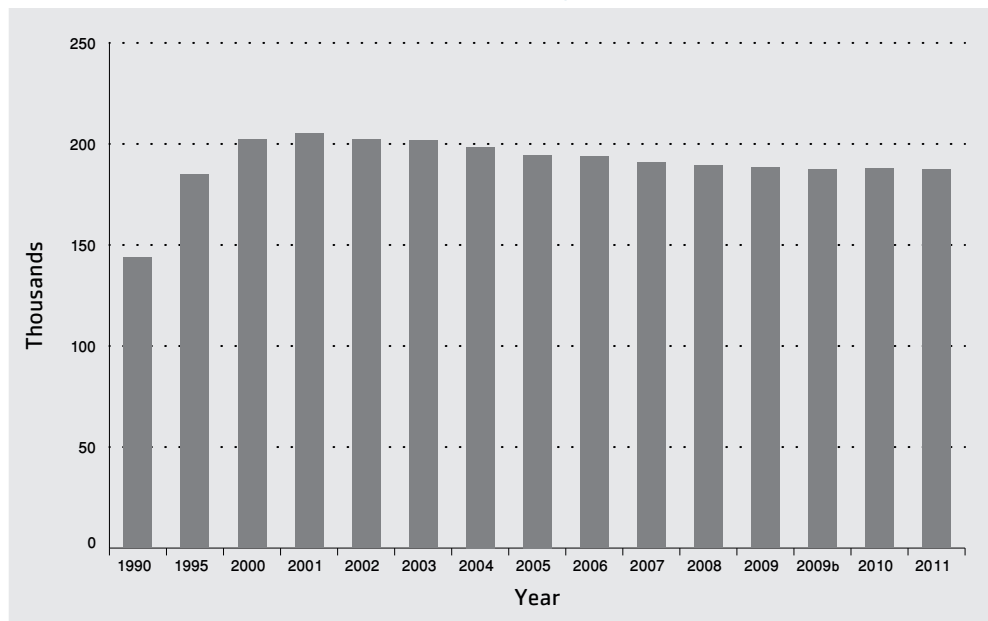
## 2. Recipients of old-age and survivors' pensions plus income supplement

Recipients of old-age and survivors' pensions, who have extremely little or no additional sources of income, are eligible to receive a supplement to their pension by virtue of the Income Support Law. The number of recipients of an income supplement between the years 1990-2001 increased steadily as many new immigrants joined the system, but subsequently, it gradually declined (Graph 1), primarily as a result of the decline in the number of new immigrants receiving special benefits.

The number of recipients of income supplement decreased slightly in 2011 compared with 2010 – 187,300 recipients on average per month versus 188,000 recipients

The number of recipients of income supplement decreased slightly in 2011 compared with 2010 – 187,300 recipients on average per month versus 188,000 recipients respectively – thus returning to its 2009 level

**Graph 1**  
**Recipients of Old-Age and Survivors' Pensions plus Income Supplement**  
**(thousands, monthly average), 1990-2011\***



\* Up until 2009, recipients of split pensions were counted as a separate unit; since 2010, they have been counted as a single unit. In order to enable a comparison over time, the data for 2009 are shown in both forms (2009 – as a separate unit, 2009.b. as a single unit).

respectively – thus returning to its 2009 level. Their ratio relative to all pension recipients also decreased slightly, from 24.8% in 2010 to 24.0% in 2011.

Table 2 presents the percentage of recipients of income supplement in December 2011, by category of pension and number of dependents (which determines the pension rate). The percentage of persons who were eligible for income supplement among all recipients of old-age and survivors' pensions, reached 23.7% in December 2011, compared with 24.5% in December 2010. The percentage of recipients of income supplement among all recipients of an old-age pension under the law and among recipients of a survivors' pension under the law fell slightly to 15.9% and 27.8%, respectively.

As expected, the percentage of recipients of income supplement was the highest among recipients of old-age and survivors' benefits not under the National Insurance Law, most of whom were new immigrants: 94.4% of these recipients of old-age benefit and 65.3% of these recipients of a survivors' benefit in December 2011. Since the payment of old-age and survivors' benefits not under the National Insurance Law is conditional upon a means test, it is not surprising that the percentage of persons eligible for an income supplement among the immigrants is very high. Notwithstanding their high rate among the recipients of special benefits, there are signs of a decline in the ratio of recipients of income supplement even among these benefit recipients. In December last year they

Notwithstanding their high rate among the recipients of special benefits, there are signs of a decline in the ratio of recipients of income supplement even among these benefit recipients



**Table 2**  
**Recipients of Old-Age and Survivors’ Pensions, by Pension Category**  
**and Number of Dependents\*, December 2011**

Pension category	Total	No dependents	One dependent	Two dependents	Three or more dependents
Old-age & survivors’ pension – total	789,610	689,669	67,078	6,079	4,570
Percentage receiving income supplement	23.7	21.1	38.9	21.8	21.0
Old-age pension under the NI Law	624,761	576,651	44,901	2,020	1,189
Percentage receiving income supplement	15.9	13.8	39.9	34.8	52.8
Old-age pension not under the NI Law	63,206	50,886	11,923	199	198
Percentage receiving income supplement	94.4	95.2	91.2	93.5	95.0
Survivors’ pension under the NI Law	101,268	86,361	7,914	3,828	3,165
Percentage receiving income supplement	27.8	30.2	15.1	14.8	10.5
Survivors’ pension not under the NI Law	375	306	39	16	14
Percentage receiving income supplement	65.3	66.0	76.9	50.0	35.7

\* Including spouse and/or children in relation to old-age pensions, and including children in relation to survivors’ pensions.

**Table 3**  
**Recipients of Old-Age Pension under National Insurance Law,**  
**with Income Supplement (monthly average), 2004-2011**

Year	Recipients of an old-age pension under the National Insurance Law		Percentage receiving income supplement
	Total	thereof: receiving income supplement	
2004	527,363	81,271	15.4
2005	528,273	81,288	15.4
2006	539,265	84,127	15.6
2007	544,630	85,817	15.8
2008	555,508	88,011	15.8
2009*	570,854	91,139	16.0
2009**	568,424	90,288	15.9
2010	587,949	94,438	16.1
2011	613,476	97,598	15.9

\* Recipients of split pensions were counted as a separate unit.

\*\* Recipients of split pensions are counted as a single unit.

represented 94.7% of recipients of special old-age benefits and 69.1% of recipients of special survivors' benefits.

It should be noted that, between 2000 and 2006, there was a decrease in the percentage of recipients of an income supplement from among recipients of old-age pensions under the National Insurance Law (Table 3). The increase in the rate of the pension, including income supplement, in recent years (2006-2011) payable to the various age brackets (clause B above) has contributed to the rise in the percentage of those eligible for this pension since 2006. The cumulative data indicate that, in years when the rate of the pension was increased, the rise in the number of persons eligible for it is striking (for example, in 2006, 2008, 2009 and 2010).

### 3. Recipients of an old-age pension and half of a survivors' pension

Some recipients of old-age and survivors' pensions receive both an old-age pension and a survivors' pension (hereinafter: "both pensions"). The old-age pension is payable by virtue of the insured's own old-age insurance, while the survivors' pension is payable by virtue of the spouse's insurance for his survivors. Anyone who is eligible for both pensions receives the entire old-age pension for which he is eligible, as well as half of the survivors' pension for which he is eligible, irrespective of the primary type of eligibility. Only recipients of a pension under the National Insurance Law are eligible for both pensions. Recipients of a benefit not under the National Insurance Law receive their pension by virtue of an agreement, and not by virtue of insurance rights in the old-age and survivors' insurance branch.

In December 2011, 94,619 widows and widowers were eligible for both pensions, representing 15.1% of all recipients of old-age pension under the NII Law

In December 2011, 94,619 widows and widowers were eligible for both pensions (Table 4), representing 15.1% of all recipients of old-age pension under the NII Law, and 94.5% of them were women. The high percentage of women among the recipients of both pensions is not surprising, for a number of reasons. One is that the percentage of insured men is higher than the percentage of insured women: only women who are insured because they are working can vest their spouses a survivors' pension (housewives cannot vest insurance to their spouses at all), while all men vest eligibility for insurance to their spouses. The second reason is that the right to a survivors' pension for a widower without children is contingent upon a means test. The third reason is that women usually marry men who are older than they are, and women's life expectancy is higher than that of men. Therefore, the situation where a higher percentage of women are eligible for both pensions is more prevalent.

The rate of increase in recipients of half the survivors' pension is lower than the rate of increase in all recipients of old age pension under the law (2.8% and 4.3% respectively). In December 2011, the average total of both pensions was NIS 2,942, approximately one third of which is the survivors' pension. The average total of both pensions for which men are eligible is higher than that of women, because men's old-age pensions are usually higher, due to their higher seniority and pension-deferral increments.

**Table 4**  
**Recipients of an Old-Age Pension and Half of the Survivors' Pension,**  
**by Gender, December 2011**

	Total	Men	Women
Number of recipients	94,619	5,240	89,379
Percentage receiving an income supplement	7.4	13.1	7.1
Average pension (NIS)	2,942	3,029	2,937.1
thereof: half a survivors' pension	1,006	863	1,014
Average age	77.9	79.7	77.8

As expected, the percentage of recipients of an income supplement among recipients of both pensions is not high – only 7.4% – since the total of both pensions is itself usually higher than the total pension plus an income supplement. The ratio of male recipients of an income supplement is nearly double that of women, because widowers (without minor children) must pass the means test in order to be eligible for the survivors' pension, while widows are exempted from the means test. Since only widowers whose economic situation meets the criteria of the means test are eligible to receive a survivors' pension, the economic situation of widowers who are receiving a survivors' pension tends to be worse than the economic situation of widows, who are not obligated to pass the means test as a precondition for receiving a survivors' pension.

Moreover, women are usually eligible for a higher survivors' pension than are men (NIS 1,014 compared with NIS 863), because their husbands usually accumulate more years of seniority.

The average age of recipients of both pensions is higher than the age of all persons eligible for an old-age pension under the law. The average age of men is 79.7, compared to 76.5 among all recipients of an old-age pension under the law, and among women it is 77.8, compared with 72.5, respectively.

#### 4. Recipients of an old-age pension for the disabled

The disability pension is paid to a disabled person until he reaches retirement age; subsequently, he is paid an old-age pension. As a result of the legislative amendments that were passed in 2002 to improve the disability pension system, the old-age pension paid to an elderly disabled person who reached retirement age after January 1, 2002 is the same as his disability pension, including the "additional monthly pension" (see the chapter on disability) which was paid to him prior to his reaching retirement age. The additional monthly pension is paid to a disabled person whose medical disability is at least 50% and whose earning incapacity is at least 75%, and, in most cases, in December 2011, this supplement ranged between NIS 237 and NIS 351 per month, depending upon the percentage of medical disability. During the transition from a disability pension to an old-age pension, the disabled elderly person receives, in fact, a sum that supplements

Women are usually eligible for a higher survivors' pension than are men (NIS 1,014 compared with NIS 863), because their husbands usually accumulate more years of seniority

**Table 5**  
**Characteristics of Recipients of an Old-Age Pension for the Disabled,  
 by Gender, December 2011**

	Total	Men	Women
Total recipients	39,725	20,665	19,060
Thereof: recipients of an additional monthly pension	34,344	17,930	16,414
Average pension (NIS)	2,670	2,749	2,648
Thereof: disability supplement and additional monthly pension (NIS)	511	430	598
Average age	68.7	71.2	65.9

his disability pension and “additional monthly pension,” if he is so eligible, in addition to his old-age pension.

In December 2011, approximately 40,000 elderly disabled persons received an old-age pension with a disability supplement or an additional monthly pension (Table 5), representing an increase of 10.2% compared with December 2010 (lower than the rate of growth in 2010). Approximately 48% of them were women and approximately 85% of the elderly disabled persons also received an additional monthly pension. The average old-age pension for an elderly disabled person totalled approximately NIS 2,670 in December 2011, and approximately one-fifth thereof constituted a supplement to the disability pension, including an additional monthly pension. Approximately a quarter, 24.2% of the recipients of a disability supplement or an additional monthly disability pension were also eligible for income supplement, with a similar proportion of men and women being eligible for income supplement, 51.2% and 48.8% respectively.

### 5. Recipients of a seniority increment

A seniority increment to the old-age pension is granted to elderly persons who have been insured under national insurance for more than ten years. This increment is at the rate of 2% of the basic old-age pension for every year of insurance beyond the first ten years of insurance, up to a maximum of 50% of the pension. Table 6 shows that, in 2011, the percentage of women and men who were paid a seniority increment continued to grow and reached 74.8% and 93.7% respectively. The average seniority increment paid to a recipient of a pension under the National Insurance Law also rose, from 29.9% of the basic pension in 2010, to 30.3% in 2011 (the average rate of seniority increment payable to those eligible for this increment is 36.9%). In other words, the percentage of recipients of a seniority increment rose, and the average number of years for which the increment is paid also increased. The average increment received by men was nearly double the average increment received by women – 41.7% compared with only 23.0%, respectively (the average rate of the seniority increment payable to those eligible for this increment is 44.6% and 30.8% respectively.)

The percentage of recipients of a seniority increment among newly eligible persons rose from 97.6% to 98.2% for men, and from 82% to 83.6% among women. These percentages were higher than the percentages of men and women who received this increment out of the total population of recipients. In 2011, the average seniority increment paid to newly eligible persons rose for women but not for men, but the gap between the genders in respect of this increment remained wide: 44.6% for men and 27.7% for women. With the increase in participation of women in the labor force and the increase in the number of years they work, it is expected that the percentage of women receiving a seniority increment will increase, particularly the maximum seniority increment, and that their average seniority increment will increase.

Recipients of a survivors' pension are granted the seniority increment for which the deceased had been eligible. The majority of recipients of a survivors' pension, 86%, are eligible for this increment, and, as expected, the percentage of women receiving the seniority increment accumulated by their deceased husbands is higher than the percentage of men receiving this increment – 88.5% compared with 52.7%, respectively. Furthermore, the gap between the average seniority increment for which men and women are eligible is very wide: women receive an average increment of 37%, while men are eligible for only 20%. The average increment among all recipients of a survivors' benefit is 31.1%, while recipients of the increment are eligible for an increment of 36.2% on average; i.e., an increment for 18.1 years beyond the first ten years of insurance.

## 6. Recipients of a pension-deferral increment

The old-age pension for the age bracket between the retirement age and the eligibility age is conditional upon a means test. An individual whose income from work does not exceed 57% of the average wage, is eligible for the full pension (for a couple – 76% of the average wage). For every additional shekel, 60 agorot are deducted from the pension (reduced pension) until it is completely eliminated. An individual whose income is higher than this is not eligible for a pension and will receive a pension-deferral increment at the rate of 5% of the basic pension for each year of deferral. Anyone eligible for a reduced pension may opt not to receive the pension and thus be eligible for a pension-deferral increment. This increment is less significant than the seniority increment, both in terms of the number of recipients and in terms of its rate.

In 2011, the percentage of men who received a pension-deferral increment continued to decline slowly to 14.5%. The average increment paid to pension recipients decreased slightly for men, and for the first time since 2008 fell below 2.5%, to 2.4%. The percentage of women who received this increment remained the same as in the previous year at 12.5%. The average increment paid to a woman also remained the same, at 2.2%. In fact, the average increment paid to women has remained unchanged since 2003. The average increment for those who received this increment was 17.2%, representing an average retirement deferral of 3.4 years.

In 2011, the average seniority increment paid to newly eligible persons rose for women but not for men, but the gap between the genders in respect of this increment remained wide: 44.6% for men and 27.7% for women

**Table 6**  
**Recipients of an Old-Age Pension under the National Insurance Law, by Percentage of Recipients of a Seniority Increment and a Pension-Deferral Increment, and the Rate of the Average Increment (percentages and averages) 2007-2011 (December)**

Year	% receiving an increment			Average increment per pension recipient		
	Total	Men	Women	Total	Men	Women
<b>Seniority increment</b>						
2007*	80.1	92.9	70.8	29.4	44.0	20.8
2007**	85.7	94.4	78.0	31.6	41.0	25.2
2008*	80.4	92.9	71.5	29.4	41.0	21.3
2008**	83.7	94.4	77.7	29.9	39.3	24.6
2009*	80.1	93.1	72.6	29.7	41.2	21.8
2009**	88.4	96.8	83.2	32.9	43.1	26.6
2009*,***	80.9	93.1	72.6	29.6	41.2	21.8
2009**,***	88.4	96.8	83.2	32.9	43.1	26.6
2010*	81.5	93.4	73.8	29.9	41.5	22.5
2010**	87.7	97.6	82.0	33.3	44.7	26.7
2011*	82.2	93.7	74.8	30.3	41.7	23.0
2011**	89.2	98.2	83.6	34.2	44.6	27.7
<b>Pension-deferral increment</b>						
2007*	13.5	14.4	12.9	2.3	2.4	2.2
2007**	10.4	13.2	8.4	2.0	2.5	2.6
2008*	13.5	14.6	12.8	2.3	2.5	2.2
2008**	12.8	18.5	9.6	2.5	3.6	1.9
2009*	13.5	14.8	12.7	2.3	2.5	2.2
2009**	13.8	19.2	10.5	2.5	3.3	2.0
2009*,***	13.6	14.9	12.7	2.3	2.5	2.2
2009**,***	13.8	19.3	10.5	2.5	3.2	2.0
2010*	13.4	14.7	12.5	2.3	2.5	2.2
2010**	10.0	11.9	8.9	1.9	1.9	1.9
2011*	13.2	14.5	12.5	2.3	2.4	2.2
2011**	11.4	11.1	11.6	2.0	1.4	2.4

\* All recipients.

\*\* New recipients.

\*\*\* Up until 2009, the recipients of split pensions were counted as a separate unit. Since 2010, they have been counted as a single unit. In order to enable a comparison over time, the data for 2009 are shown in both forms, as a separate unit, and as a single unit).

The percentage of newly eligible men and women showed an increase in both respects: the rate of eligibility for the increment, 11.4%, and the rate of increment paid, 2.0%. In fact, this increase included contrasting trends among men and women: a rise in the rate of newly eligible women (11.6%) and the increment for which they were eligible (2.4%), and a drop in both figures among newly eligible men (11.1% and 1.4% respectively). The increment paid to all newly eligible persons for pension deferral in 2011 was lower than the increment paid to all recipients, 2% compared to 2.3%, respectively.

On the other hand, the average increment for new recipients of this increment is higher than for all recipients – 17.6% compared to 17.2%. This indicates that new retirees eligible for this increment work a similar number of years beyond retirement age to the number of years worked by all recipients, notwithstanding the rise in the retirement age.

As a result of the Retirement Age Law, it is expected that the rate of the increment for women will increase. For the next five years the retirement age for women will remain 62, while the age of eligibility will continue to rise gradually, reaching 70 in 2020. Therefore the number of years that women can defer their retirement will gradually increase from 5 years in 2011 to 8 years, thereafter gradually returning to 6 years when the process of raising the retirement age is complete. The number of years by which a man can defer his pension is only 3 years. Therefore the gap in the rate of this increment between men and women is expected to close and the rate of the increment for women may even be higher than the rate of the increment for men (as was already observed this year among newly eligible men and women).

## D. Payments

### 1. Pension rates

In 2011, the basic old-age and survivors' pensions rose relative to 2010 at the real rate of 0.8% (for an individual up to the age of 80, with no income supplement), after an increase of 5% in 2010. The real increase in the pensions derives from an update of the pensions at the rate of 2.3% in January 2011 in line with price rises, and from an additional increase of approximately 2% in the basic pension rates as part of the gradual process (see clause B above), which affects the annual growth of the pension. Old-age and survivors' pensions with income supplement rose in 2011 at a real rate of 0.2% for an individual under the age of 70, 0.5% for individuals in the 70-79 age bracket, and 0.4% in the 80-and-above age bracket. The pension also rose as a percentage of the average wage.

In 2011, the basic old-age and survivors' pensions rose relative to 2010 at the real rate of 0.8%, after an increase of 5% in 2010

### 2. Volume of payments

In 2011, the total payments of the old-age and survivors' insurance branch (excluding administrative expenses) increased at constant prices at the rate of 3.4%. Pension payments under the National Insurance Law rose at the rate of 4.7% in real terms, and pension payments not under the National Insurance Law decreased at the rate of 2.9% in real terms. The ratio of pension payments not under the law (which also include payments of income supplements to pension recipients under the National Insurance Law) to all payments of old-age and survivors' pensions was 16.3% in 2011. The total payments of National Insurance pensions (excluding administrative expenses) increased in 2011 by 2.3% in real terms, which was lower than the rate of the increase in payments made by the old-age and survivors' insurance branch. Therefore, the share of payments of the Old-age and Survivors' insurance branch in the total volume of payments by the NII in 2011 increased to 37.9%, compared with 37.6% in 2010.

The share of payments of the Old-age and Survivors' insurance branch in the total volume of payments by the NII in 2011 increased to 37.9%, compared with 37.6% in 2010



**Table 7**  
**Amount\* of the Basic Old-Age and Survivors' Pensions,**  
**by Selected Family Compositions, 2007-2011**

Year	Individual		Elderly person with dependent spouse		Widow with two children**	
	2011 prices (NIS)	% of the average wage	2011 prices (NIS)	% of the average wage	2011 prices (NIS)	% of the average wage
2007	1,331	15.2	1,995	22.8	2,580	29.5
2008	1,325	15.2	1,991	22.9	2,564	29.5
2008 – eligible person at age 80 or above	1,407	16.2	2,072	23.8		
2009	1,364	16.1	2,048	24.2	2,635	31.1
2009 – eligible person at age 80 or above	1,446	17.1	2,130	25.1		
2010	1,432	16.8	2,150	25.2	2,768	32.4
2010 – eligible person at age 80 or above	1,513	17.7	2,231	26.2		
2011	1,444	16.9	2,170	25.4	2,798	32.7
2011 – eligible person at age 80 or above	1,526	17.8	2,252	26.3		

\* After the reduction instituted in the old-age pension in the period from July 2002 to June 2006.

\*\* Not including the child allowance.

**Table 8**  
**Pension Payments by the Old-Age and Survivors' Insurance Branch**  
**(excluding administrative expenses), 2007-2011**

Pension category	2007	2008	2009	2010	2011
	At current prices (NIS million)				
<b>Total payments</b>	<b>17,395</b>	<b>18,391</b>	<b>19,931</b>	<b>21,783</b>	<b>23,299</b>
Under the NI Law	13,922	14,837	16,284	17,946	19,444
Not under the NI Law	3,473	3,554	3,647	3,837	3,855
	At 2011 prices (NIS million)				
<b>Total payments</b>	<b>19,971</b>	<b>20,186</b>	<b>21,175</b>	<b>22,534</b>	<b>23,299</b>
Under the NI Law	15,983	16,285	17,300	18,565	19,444
Not under the NI Law	3,988	3,901	3,875	3,969	3,855



### 3. Long-term Care Insurance

#### A. General

A long-term care insurance program within the scope of the National Insurance Law was approved by the Knesset in 1980 and came into effect in April 1988. The purpose of Long-term Care insurance is to help the elderly to continue leading relatively independent lives within the community for as long as possible, by providing personal care to those needing assistance with daily activities or supervision and thus, help families who are caring for them. The law applies to all insureds under Old-age and Survivors' insurance, to housewives (married women who do not work outside the home) and to new immigrants who are not insured under Old-age and Survivors' insurance. Every elderly person residing in Israel with impaired physical and/or cognitive functioning and who passes the means test and the test of dependence on others in performing activities of daily living is eligible for the benefit, provided that he is living in the community (in his home, in the home of a family member or in an "assisted living" residence). Anyone residing in a long-term-care (nursing) institution or in a nursing ward in a senior-citizens residence is not eligible for this benefit.

The ADL (Activities of Daily Living) dependence test evaluates the extent of a person's dependence on assistance from others to perform basic activities of daily living: bathing, dressing, mobility (moving about the home, or frequent falls), continence/incontinence and eating (including the ability to heat up food and beverages). The ADL dependence test also evaluates the need for supervision due to impaired cognitive capabilities, deteriorating mental health or a need for supervision due to a physical-medical condition.

Professional evaluators, including nurses, occupational therapists and physiotherapists who undergo appropriate training, perform the ADL dependence test. A person aged 90 or over may have the ADL evaluation done by a physician specializing in geriatrics in a hospital, clinic or public institution. On January 9, 2012, the Knesset passed a government bill under which the option of being evaluated by a geriatric physician would be given to those aged 80-89 in three geographic areas as a pilot project.<sup>1</sup> For the means test, whose rules were also set by this legislative amendment, only the income of the elderly person and his spouse are examined.<sup>2</sup>

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 1 According to the National Insurance Law (Amendment #132 – Temporary Order) 5772-2012, the test project was set to start on May 1, 2012.

2 The law differentiates between those who receive the benefit in cash as part of the experimental program and those who get the benefit in cash because there is no way to supply them with services in kind. For the former, the means test conducted is identical to the one conducted for those getting the benefit in kind (i.e. services). The latter, as a condition for receiving the benefit in case, the income of the family member caring for the elderly person and living with him is also taken into account.

In January 2007, three levels of long-term care benefits were defined, corresponding to three levels of dependency: a benefit at the rate of 91% of the full disability pension for an individual, which funds 9.75 hours of home caregiving per week; a benefit at the rate of 150% of the full disability pension for an individual, which funds 16 hours of home caregiving per week; and a benefit at the rate of 168% of the full disability pension for an individual, which funds 18 hours of home caregiving per week.

An individual is eligible for a full long-term care benefit according to the determined level of dependence if his or her income does not exceed the average wage (NIS 8,307 in 2011). If the individual's income is over the average wage and up to 1.5 times the average wage, then he or she is eligible for half of the benefit. If the individual's income exceeds 1.5 times the average wage, then he or she is not eligible for a benefit. In the instance of a couple, eligibility for a full benefit is contingent upon their combined income not exceeding 1.5 times the average wage; if their combined income does not exceed 2.25 times the average wage, they are eligible for half of the benefit. Anyone whose income exceeds 2.25 times the average wage is not eligible for a long-term care benefit.

In January 2011, the long-term care benefit was updated by 2.3% in accordance with the price rise in 2010, and in January 2012 – by 2.6%, according to the price rise in 2011

When both spouses are filing a claim for this benefit, their combined income is divided in half and the means test is performed for each of them separately as if they were single individuals. In January 2011, the long-term care benefit was updated at the rate of 2.3% in accordance with the rise in prices in 2010, and in January 2012 – at the rate of 2.6%, according to the rise in prices during 2011.

The long-term care benefit is not paid in cash, but rather in the form of services to those eligible, which are provided by organizations whose services are paid for by the NII. The basket of long-term care services covered by the benefit includes personal caregiving or supervision provided in the elderly person's home, transportation and personal caregiving at a seniors' day-care center, the provision of absorbent products, laundry services and funding for the use of medical-alert transmitters.

A benefit in cash is granted to eligible persons residing in any locality nationwide where services are not available or where services cannot be provided within the timeframes specified in the law, and to those eligible within the framework of a pilot program being operated at a number of NII local branches.<sup>3</sup>

In March 2008, the NII initiated a pilot program providing a benefit in cash in communities belonging to the NII's branches in Ashkelon, Bnei Brak, Nahariya and Ramat Gan. In May 2010, the program was expanded and also began operating in communities belonging to the NII's local branches in Ashdod, Tiberias and Jerusalem, and, in June 2011, also in communities belonging to the NII's local branches in Holon and Netanya. Under the program, elderly persons residing in these communities can opt

.....  
3 In December 2011, 217 persons eligible for the long-term care benefit received the benefit in cash who were not part of the pilot program, while 1,177 eligible persons received the benefit in cash as part of the pilot program.

for a long-term care benefit in cash provided that they are eligible for the benefit at the rate of 150% or 168% (or to half of the benefit, as a result of the means test) and provided that they are actually receiving long-term care services from a caregiver who is other than a family member for at least 12 hours a day, six days a week. Elderly persons may choose to switch to a benefit in cash or to return to a benefit in kind at any time.

The pilot program was the subject of a research study that examined the characteristics of those who opted for the benefit in cash compared with all those eligible, and audited the quality of the long-term care that recipients of the benefit in cash are receiving, compared with the long-term care that recipients of the benefit in kind are receiving in the same regions as well as in other regions.

A recipient of a long-term care benefit at the two highest benefit levels who employs an Israeli caregiver only and no foreign worker at all (whether as a caregiver in the scope of the long-term care benefit or outside the scope of the benefit, in another capacity), is eligible for additional weekly hours of care. Anyone meeting these criteria who is severely dependent on assistance from others – i.e., is eligible for a benefit at the rate of 150% of the full disability pension – is eligible for an additional three hours of care per week. Anyone who is totally dependent on assistance from others and, therefore, is eligible for a benefit at the rate of 168% of the full disability pension, is eligible for an additional four hours of care per week. Anyone who is eligible for half of the benefit as a result of the means test is eligible for half of the additional hours according to the level of dependence determined for him.<sup>4</sup>

The law prescribes that the Minister of Welfare and Social Services must appoint local professional committees, whose members include a social worker at the local authority, a nurse from a sick fund and a representative of the NII. These local committees are charged with formulating a plan for caring for those elderly persons who are eligible for the benefit: what services should be provided to each elderly person and who will be providing them. The committees must also ensure that these services are indeed being provided, or alternatively, to expressly determine that no services are available for a particular elderly person. The committees are authorized to refuse requests to receive the long-term care benefit in cash in the scope of the pilot program, if they believe that the elderly person and his family are not fit to use the benefit money for the purposes for which it is intended. The committees are also authorized to determine whether the personal caregiver is suitable and whether the long-term care services that the elderly person is receiving are adequate. The committees are also empowered to revoke the payment of a benefit in cash, and to obligate the recipient to receive the benefit in kind (through services).

.....

4 Between March and September 2009, these additional hours were paid for under an agreement with the Treasury, which also financed them. From October 2009, in accordance with the Economic Efficiency Law for 2009-2010, these additions are covered under the National Insurance Law and funded by it.

## B. Legislative changes

- Under the National Insurance Law (Amendment No. 126) 5771-2011, the pilot plan for choosing to receive the long-term care benefit as cash was extended for two more years, until the end of 2012. In addition, from June 2011, towns served by the NII branches in Holon and Netanya were added to those areas where the pilot program is in effect.
- Under the National Insurance Law (Amendment No. 129), 5771-2011, the income that Holocaust survivors receive as monthly pensions from other countries (pensions as defined in clauses (1) to (3) as “pensions due to Nazi persecution” in the Benefits to Holocaust Survivors’ Law 5767-2007, and pensions paid under the stipulations of the law with regard to Pensions for Work in Ghettos, as stated in the amendment to Germany’s Sixth Book of Social Legislation, passed on June 20, 2002) are not considered income for purposes of the means test to determine eligibility for the long-term care benefit. This law is effective for all long-term care benefit claims submitted from August 11, 2011.

Recipients who had been receiving only half the long-term care benefit because of such income and who would now be eligible for the full benefit due to these legislative amendments can receive the full benefit from the first day of the month after the month in which they present the NII with documentation from other countries affirming their receipt of the above-stated pensions.

## C. Administrative changes

**“Fast-track” functional assessments:** As of April 2011, a “fast track” functional assessment to determine eligibility for the long-term care benefit was introduced for those who are in a very serious physiological or cognitive state. Under the fast track, the dependence assessment is based on documents, including detailed medical information, from which conclusions can be drawn.

In instances where the medical documentation points to severe physiological or cognitive limitations, which are likely to make the person eligible for the highest level of the long-term care benefit, an NII claims official can make a dependence assessment based on documents. In such cases no ADL dependence test will be administered by a home visit.

## D. Claims for a long-term care benefit

The number of claims for long-term care benefits in 2011 rose by 2.1% compared with 2010, and reached approximately 79,500 claims (Table 1). Thus, the uptrend in the number of annual claims is persisting, as it has during most of the last decade. The number of initial claims in 2011 declined by approximately 0.7% compared with 2010; but the number of repeat claims (second claim or higher) rose by approximately 3.9%.

The number of claims for long-term care benefits in 2011 rose by 2.1% compared with 2010, and reached 79,500 claims. Thus, the uptrend in the number of annual claims is persisting, as it has during most of the last decade

**Table 1**  
**Claims, Percentages of Approved Claims and Repeat Claims, 2007-2011**

Year	Claims	Annual growth rate	Percentage of repeat claims	Percentage of claims approved*
2007	75,375	4.3	58.2	47.3
2008	74,085	-1.7	59.1	47.4
2009	77,003	3.4	59.0	46.0
2010	77,926	1.2	59.7	44.1
2011	79,537	2.1	60.8	44.9

\* Claims approved for initial eligibility. The calculation does not include claims submitted by people who subsequently died or whose eligibility was suspended.

The ratio of repeat claims to total claims in 2011 rose from 59.7% in 2010 to 60.8% in 2011.

In 2011, the percentage of claims approved for initial eligibility rose to 44.9%. The ratio of approved claims to all initial claims submitted rose to 52.3% in 2011 from 51.6% in 2010, and the ratio of approved repeat claims also rose from 39.1% from 40.3%. The percentage of “false claims” (claims for which a score of 0 to 1 was obtained in the ADL dependence test) rose from 41.5% in 2010 to 43.4%,<sup>5</sup> and the percentage of applicants who received 2.5 points – which is the threshold score conferring eligibility for a benefit – increased from 15.3% in 2010 to 15.6% in 2011.<sup>6</sup>

## E. Persons eligible for a long-term care benefit

### 1. General

Table 2 shows that the number persons eligible for a long-term care benefit continued to rise in 2011 by approximately 2.9%, and reached a monthly average of 145,500 persons. The number of eligible persons has risen from 1991 to 2011 by 362%, despite the higher eligibility age. This is an extremely high percentage, significantly higher than the increase in the number of elderly persons during that period. One possible explanation is that more eligible people are claiming the benefit because awareness of it has risen over the years.

During 2009, the eligibility age for women was raised to 62, and this will remain in effect until the end of 2016. The process of raising the eligibility age for men to age 67 was completed in 2009. In 2011, as in 2010, the eligibility age for men and women did

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5 In analyzing the percentage of claims that were approved, the percentage of false claims and the rate of those who received the minimum score for eligibility includes claims for which a dependence test was never conducted and thus claims were not approved because of pre-conditions such as the claimant's age.

6 This statistic does not include those awarded 2.5 points because they need only partial supervision. The rate of all those who received a score of 2.5 points on the dependence test for initial eligibility in 2011 was 16.3%, while the rate for 2010 was 15.8%.

**Table 2**  
**Persons Eligible for a Long-Term Care Benefit, and**  
**the Elderly Population in Israel, 2007-2011**

Year	Elderly persons eligible for a long-term care benefit*		Elderly persons in Israel**		Coverage ratio***
	Numbers (thousands)	Annual growth rate	Numbers (thousands)	Annual growth rate	
2007	125.5	4.3	836.5	2.8	15.1
2008	131.5	4.9	859.1	2.8	15.3
2009	136.6	3.9	788.4	4.7	17.3
2010	141.4	3.5	816.8	3.6	17.4
2011	145.5	2.9	837.1****	3.0	17.4****

\* Monthly average.

\*\* Until 2008 – average population of men at and above the age of 65 and women at and above the age of 60, according to data from the Central Bureau of Statistics. The data for 2009 – 2010 are for men at and above the age of 67 and women at and above the age of 62.

\*\*\* The number of those eligible for a benefit as a percentage of the number of elderly persons in the population. Since mid-2004, the retirement age has been raised gradually from 65 to 67 for men and from 60 to 62 for women. Therefore, up until 2008, the number of elderly persons according to the former retirement age was greater, while the coverage ratio was lower. Since 2009, the ratio relates to the same age brackets both relative to the number of elderly persons in the population and the number of those eligible for a benefit.

\*\*\*\* The figures for 2011 are estimates.

not change during the entire year. The ratio of elderly persons eligible for a long-term care benefit to total elderly persons in the population rose significantly: from approximately 6% during the initial years after implementation of the law to 17.4% in 2010 and 2011 (estimated). This ratio of eligible elderly persons was calculated using an estimate of the number of elderly persons who have reached the eligibility ages for a long-term care benefit (62 for women and 67 for men).

## 2. Characteristics of eligible persons

An examination of the demographic characteristics of eligible persons in 2011 shows that seven out of every 10 eligible persons are women, and the ratio of eligible women to all eligible persons rose slightly compared to 2010. In terms of the distribution by age, more than one-third of all eligible persons are at or above the age of 85, and nearly two-thirds (65.3%) are at or above the age of 80. As in 2010, in 2011, the increase in the number of eligible persons was mainly among those at or above the age of 85, which rose from 36.9% of all recipients to 38.6%, while the ratio of those eligible who are at or below the age of 84 is steadily decreasing.

The aging of the recipients of the long-term care benefit has been a steady trend: thus, for example, in 2001, elderly persons at and above the age of 85 constituted less than one third (32.1%) of those eligible, and elderly persons at and above the age of 80 constituted less than three-fifths (55.2%) of all eligible persons. The aging of the eligible derives, in part, from the raising of the retirement age: the number of women in the age bracket of 60-64 who are eligible for a benefit is decreasing, and so is the number of both men and women in the 65-69 age bracket, due to the raising of the retirement age for men.

Seven out of every 10 eligible persons are women, and the ratio of eligible women to all eligible persons rose slightly compared to 2010. More than one-third of all eligible persons are at or above age 85, and nearly two-thirds (65.3%) are at or above age 80



**Table 3**  
**Persons Eligible for a Long-term Care Benefit, by Demographic Characteristics and Benefit Level (monthly average), 2011**

	Absolute numbers	Percentages
<b>Total</b>	<b>145,461</b>	<b>100.0</b>
<b>Gender</b>		
Men	42,232	29.0
Women	103,229	71.0
<b>Age bracket</b>		
Up to 64*	1,165	0.8
65-69	5,521	3.8
70-74	15,860	10.9
75-79	27,864	19.2
80-84	38,847	26.7
85+	56,204	38.6
<b>Family composition</b>		
Living alone	67,382	46.3
Living with a spouse	57,942	39.8
Living with children or with others	20,137	13.9
<b>Residence in Israel</b>		
Veteran residents	109,259	75.1
Immigrants** – total	36,202	24.9
Thereof: immigrated after 1999	4,475	3.1
<b>Benefit level</b>		
Very dependent (91%)	79,932	55.0
Severely dependent (150%)	36,435	25.0
Totally dependent (168%)	29,094	20.0
Eligible for an additional 3 hours	19,890	54.6***
Eligible for an additional 4 hours	11,981	41.2***

\* This age bracket includes women only.

\*\* Elderly who immigrated to Israel after 1989.

\*\*\* Eligible for additional hours as a percentage of all those eligible at that level of benefit.

When we examine family composition<sup>7</sup>, the data between 2010 and 2011 have remained stable: nearly half of those eligible are living alone, two out of every five are living with a spouse, and one out of seven is living with someone else, usually a son or daughter. When we examine the statistics relative to number of years since immigration to Israel, the data between the two years have also remained stable: one out of every four eligible persons immigrated to Israel after 1989, while one out of every eight eligible persons immigrated after 1999.

Table 3 illustrates the aging of the population of eligible persons, and indicates a trend of a change in the composition of those eligible by benefit levels in 2011 compared

When we examine family composition, the data between 2010 and 2011 have remained stable: nearly half of those eligible are living alone

7 In the data for 2011 there was a change in definition “living with a spouse” and “living with their children or others.” The definition of living with a spouse now includes those living with a spouse and other people. The similarity between 2010 and 2011, however, remained even after adjusting the 2010 data to match the new definitions: 46.6% lived alone; 40.1% live with their spouse and 13.3% live with their children or with others.

with 2010: the ratio of recipients of a benefit at the rate of 91% of a full disability pension for a single person (the lowest level of dependency) decreased from 55.6% in 2010 to 55.0% in 2011; the ratio of recipients at the rate of 150% (severely dependent) rose from 24.9% in 2010 to 25.0% in 2011; and the ratio of recipients at the rate of 168% (totally dependent) rose from 19.5% in 2010 to 20.0% in 2011.

The share of those eligible for a benefit at the highest level has been steadily increasing – from 13.7% in 2007 to 20.0% in 2011

The share of those eligible for a benefit at the highest level has been steadily increasing – from 13.7% in 2007 to 20.0% in 2011 – and this group has the highest growth rate. Compared with 2010, the number of benefit recipients at the lowest level in 2011 increased by 1.7%, at the high level (severely dependent) by 3.8%, while at the highest level (completely dependent) the number of benefit recipients has increased by 5.8% compared with 2010.

In March 2009, hours of care were added to whoever employs an Israeli caregiver only. The absolute numbers of recipients of additional hours for the employment of Israeli caregivers at both benefit levels increased in 2011 compared to 2010 – approximately 1,500 persons were eligible for additional hours at the severely dependent benefit level and 1,100 persons were eligible for additional hours at the totally dependent level.<sup>8</sup>

The rate of long-term care benefit is determined by the level of the recipient's dependence on others to perform basic daily tasks or their need to be supervised to prevent any risk to themselves or to others. Box 1 presents the way the level of dependence is determined and examines the most common problems at the various levels of dependence, as characterized by the dependence test. Box 2 focuses on the link between the level of dependence and the level of benefit, on the challenges that arise from the structure of the current benefit levels and on suggestions for changing the levels of benefit that were debated by the NII during 2011 but are not yet developed enough to apply.

### Box 1

#### Common Profiles of Long-Term Care Benefit Recipients

The population of those elderly eligible for long-term care benefits is a heterogeneous group with regard to the physical and cognitive/mental limitations from which they suffer. At different levels of dependence, from which the levels of long-term care benefits are derived, one can identify a wide variety of common profiles (characteristic features) or features that are more common than others at a given level of dependence.<sup>1</sup>

1 See a presentation of the common profiles at each dependence level in Ramsees Gharrah, Recipients of the Long-Term Care Benefit, 2003, Jerusalem, the National Insurance Institute, Periodic Surveys, No. 193, July 2004, pp. 19-20.

8 A discussion of the additional hours of care-giving and of its possible influence on a shift from the employment of foreign caregivers to the employment of Israeli caregivers was covered in the annual survey for 2010, and the explanation there applies to this survey as well.



**Table 1**  
**Score Rankings for the Dependence Tests**

Component/criterion in the dependence evaluation	Possible points/scores
ADL	0-8.5* in increments of 0.5
Mobility (ambulation at home)	0; 0.5; 1
Falls (ambulation at home)	0; 0.5; 1
Dressing	0; 0.5; 1
Bathing	0; 0.5; 1; 1.5
Eating	0; 0.5; 1; 1.5
Bowel/bladder control	0; 0.5; 1; 2; 2.5; 3
Supervision	0; 2.5 (partial supervision)** 9 (constant supervision)
Living alone	0: 0.5 (for those getting 0-4 points); 1 (for blind people 85 and older living alone); 2 (for those getting 4.5-9 points)
<b>Total</b>	<b>0-11 in increments of 0.5; minimum score for a benefit: 2.5</b>
* Under the guidelines of the Long-Term Care Branch, claimants are not (other than in exceptional circumstances) to get a maximum score of 1 point for movement and also for falling.	
** From January 2012 the score for partial supervision was raised from 2.5 to 4 points.	

At the different levels of dependence one can find a wide range of profiles, some of which are common to many eligible persons. In this box we focus on a different way of presenting the frequency of the different handicaps by presenting the average scores on every section of the dependence test at the different dependence levels.

Identifying the profiles of those eligible for a long-term care benefit is necessary to identify the most common problems at the different dependence levels. The distribution of the profiles within the different dependence levels and between these levels shows the process of the primarily physical deterioration of those eligible for a long-term care benefit. The move from one level of dependence to another stems in many cases from further deterioration caused by an existing condition in a specific category or from the addition of an additional limitation at a milder level in another category.

A long-term care benefit is given in accordance with the level of dependence that is diagnosed during a dependence test performed on the claimants. The score on the dependence test is made up of three elements: (1) the extent of the claimant’s dependence on others for mobility within the home, dressing, bathing, eating, and handling bowel/bladder activity;<sup>2</sup> (2) the extent to which the elderly person needs supervision;<sup>3</sup> (3) whether or not the claimant lives alone. The score .....

2 The National Insurance Institute, Long-Term Care Branch, Long-Term Care Insurance – A Guide to Conducting an Evaluation of Functioning, January 2012, P. 3  
 3 Ibid, Ibid.

**Table 2**  
**Level of Disability Among Those Eligible for a Long-Term Care Benefit, December 2011\***

Category	Level of disability	Number of incidents	Percentage out of disability category
Bathing	1.5	36,586	25.0
	1.0	69,163	47.3
	0.5	40,023	27.3
	0.0	529	0.4
Dressing	1.0	132,054	90.2
	0.5	12,824	8.8
	0.0	1,423	1.0
Mobility	1.0	17,628	12.0
	0.5	48,698	33.3
	0.0	79,975	54.7
Falls	1.0	5,732	3.9
	0.5	23,727	17.6
	0.0	114,842	78.5
Bowel/bladder control	3.0	14,118	9.7
	2.5	16,764	11.5
	2.0	21,064	14.4
	1.5**	3	0.0
	1.0	24,054	16.4
Eating	0.5	26,949	18.4
	0.0	43,349	29.6
	1.5	5,427	3.7
	1.0	11,724	8.0
	0.5	120,894	82.6
Supervision	0.0	8,256	5.7
	9.0 (constant)	24,933	17.1
	2.5 (partial)***	3,709	2.5
Living alone	0.0 (no supervision needed)	117,659	80.4
	2.0	39,762	27.1
	1.0****	67	0.1
	0.5	42,802	29.3
	0.0	63,670	43.5

\* Not included are eligible persons who stopped receiving the long-term care benefit in the course of the month (died or moved to a nursing home or for a lengthy hospitalization) nor eligible persons whose benefit was determined in the "fast track" arrangement (see sub-chapter C).

\*\* In the past, it was possible to get 1.5 points for bowel/bladder control. This was for very few incidences in which dependence tests weren't done in recent years.

\*\*\* Because the data in this Annual Survey refer to 2011, partial supervision in this box confers 2.5 points in the dependence assessment.

\*\*\*\* In 2011 it was decided to increase the additional points for the "living alone" category for blind people 85 or older living alone from 0.5 points to 1 point.

on the dependence test is the higher of the two:<sup>4</sup> The score on the claimant's level of dependence on other for daily activities<sup>5</sup> (ADL) and the level of supervision needed – constant/partial (because of cognitive deficiencies, mental illness or certain physiological illnesses)<sup>6</sup>. To the higher of these two scores, additional points are given for living alone.

Among most of those receiving a long-term care benefit the activities of daily living (ADL) that are affected as their physical condition worsens are in this order: bathing, dressing, mobility, bowel/bladder control and eating. Therefore it is possible to expect that in the most common profiles and in the weight of each category of activity there will be an expression of this in the various levels of dependence, and between them.

Table 2 presents the frequency of physical limitations and their intensity in the population of eligible persons. The distribution in the areas of bathing, dressing, mobility (and falls) bowel/bladder control and eating correspond well with the sequence of activities that are affected as the eligible person's physical condition deteriorates. Therefore, very few eligible persons had no points in the bathing and dressing categories – 0.4% and 1.0% respectively – while the overwhelming majority accumulated 1 or 1.5 points (for bathing) in these categories, 72.3% for bathing and 90.2% for dressing.

We see the opposite with regard to mobility (ambulation and falls) and eating; most of those eligible did not score points or scored low (0.5) on these: 88.0% for mobility, 96.1% for falls and 88.3% for eating.<sup>7</sup> The bowel/bladder control category is an exception in the sense that a relatively high percentage of those eligible attained a high score (2 or above) for this – 35.6%.

Characterizing the profiles at each dependence level can be a tool to diagnose exceptions and problems in conducting the dependence tests (or in recording their results). In the most common process of physical deterioration, basic activities such as dressing and bathing are affected before eating, bowel/bladder control and mobility. As a result, indentifying elderly persons characterized by profiles that are medically or statistically less frequent can help determine whether there were faults in the way that some of the dependence tests were conducted.

At a number of dependence levels it was found that most of those eligible are characterized by one common, dominant profile. For example, 1,591 of 2,209 (72%) of those who scored 5 points on the dependence test were characterized by getting 1

4 Ibid, 65.

5 Ibid, 31.

6 Ibid, 65, 70.

7 The Long-Term Care branch guidelines call for giving 0.5 points in the eating category for needing help with heating and serving food and/or for taking medication. The ability to heat and serve food is affected at an earlier stage than is the ability to eat and drink independently.

point each in the bathing and dressing categories, 0.5 points each in the mobility and eating categories and 2 points in the bowel/bladder control category.

At other dependence levels, it was found that the most common profiles were not really all that common, but did occur more often than other profiles. Thus, among those receiving 11 points on the dependence test, 783 out of 12,436 (6.3%) received 9 points because they needed constant supervision, 2 points for living alone, 3 points in the bowel/bladder category, 1.5 points each in the bathing and eating categories and 1 point each for dressing and mobility. It should be noted that anyone who receives 11 points on the dependence test is designated as “alone” and is eligible for constant supervision, irrespective of the physical limitations they suffer from.

At most levels of dependence, one can find a number of common profiles, meaning more than a thousand incidences, but no profile constituted more than half the profiles. As an example, among those getting 3 points on the dependence test, one can find three common profiles: One profile characterizes 7,254 of 21,962 people (33.0%), whereby the score is made up of 1 point each in the bathing and dressing categories and 0.5 points each in the eating and living alone categories; in the second profile, covering 3,753 of 21,962 people (17.1%), the score was made up of 1 point each for the bathing and dressing categories and 0.5 points each for the eating and bowel/bladder categories; and the third profile, found among 3,046 of the 21,962 people (13.9%), the score was made up of 1 point in the dressing category, and 0.5 in each of the bathing, eating, bowel/bladder and living alone categories.

Table 3 shows the average score on each of the components of the dependence test at each of the dependence levels. The initial rates (dependence level of 2.5) and rate of their growth at the later dependence levels show the pattern of deterioration in the ability to perform the activities of daily life (as the physical limitations increase): Dressing and bathing are the first to be affected, and they are the primary components of the dependence score at the lower levels.

For example, at a dependence level of 3.5, the average score on the dressing and bathing components is 0.97 and 0.84, respectively, compared to average scores of 0.94 and 0.81 among those at a dependence level of 3 points. Another example is the gradual increase in the average score given to bowel/bladder control between dependence levels of 2.5 points to 6 points, going from 0.15 to 2.34. One can identify, by following the changes in scores, the broadening range of disabilities as one moves between levels of dependence. Thus, for example, the scores for mobility and bowel/bladder control are insignificant at the lower dependence levels while at the higher dependence levels these average scores rise and constitute a significant part of the dependence score. One can also see the degree to which the dependence level at scores of 6.5-7.5 are influenced by the living alone category, given that the level of physical dependence of those receiving scores of 5.5-6 are similar, or even higher.

**Table 3**  
**Scores for the Components of the Dependence Test**  
**According to Dependence Level – Average Weight of Each Category in the Final Score**

Dependence level	Instances	Living alone	Supervision	Bowel/Bladder	Eating	Bathing	Dressing	Falls	Mobility
2.5	34,478	0.25	0.06	0.15	0.42	0.70	0.91	0.06	0.01
3	21,962	0.33	0.15	0.29	0.47	0.81	0.94	0.07	0.03
3.5	10,088	0.28	0.07	0.65	0.50	0.84	0.97	0.12	0.13
4	6,469	0.23	0.07	0.92	0.51	0.93	0.98	0.12	0.31
4.5	4,259	0.31	0.06	1.13	0.52	0.98	0.98	0.17	0.40
5	2,209	0.00	0.06	1.91	0.52	0.99	0.99	0.08	0.50
5.5	1,098	0.07	0.07	2.14	0.54	1.15	0.99	0.14	0.55
6	5,267	0.00	0.06	2.34	0.56	1.31	1.00	0.18	0.62
6.5	10,065	1.16	0.06	1.78	0.58	1.20	0.99	0.26	0.52
7	8,852	1.46	0.05	2.12	0.58	1.13	0.99	0.14	0.57
7.5	5,482	1.66	0.06	2.24	0.62	1.20	1.00	0.19	0.59
8	4,239	1.74	0.07	2.43	0.67	1.31	1.00	0.22	0.64
8.5	2,399	1.96	0.05	2.56	0.63	1.39	1.00	0.23	0.72
9	15,282	0.36	7.38	1.84	0.73	1.24	0.92	0.15	0.48
9.5	1,056	2.00	0.08	2.80	1.03	1.49	1.00	0.28	0.89
10	600	2.00	0.09	2.95	1.37	1.50	1.00	0.22	0.96
10.5	60	2.00	0.13	2.93	1.39	1.49	1.00	0.76	0.93
11	12,436	2.00	8.99	1.42	0.68	1.13	0.87	0.15	0.33

In the final analysis, although the diversity of characteristics of physical dependence on others to perform basic daily tasks among those with dependence scores of 9 and 11 in the dependence evaluation is very broad, the primary component among these elderly people (most of those who score 9 and almost all who score 11) is the need for supervision.

## Box 2

### Levels of Dependence and Long-Term Care Benefits

One of the criteria for determining a person's eligibility for a long-term care benefit is his dependence on others for the performance of basic activities of daily living (ADL) such as movement, dressing, bathing, eating, drinking and bowel/bladder control, or the need for supervision because of cognitive, mental or physical deterioration. Each of these areas is given a point score, and persons living alone are eligible for additional points. The points assigned to the different areas are shown in Table 1 of Box 1.

The level of a person's dependence on others is determined by a dependence assessment. The final dependence score is the higher of the ADL score, and the need for supervision score with points added for those who live alone.<sup>1</sup> To be eligible for a long-term care benefit, the claimant must receive a score of at least 2.5 points. The level of benefit is determined first and foremost by the level of the person's dependence, as shown in Table 1.

**Table 1**  
**Long-term Care Benefit and Level of Dependence**

Score on the dependence evaluation	Level of benefit	The number of home long-term care hours for those receiving the full benefit*	The number of home long-term care hours for those receiving half the benefit**
2-0	No eligibility	-	-
5.5-2.5	91%	9.75	5
8.5-6	150%	16	8
11-9	168%	18	9

\* Those entitled to benefit at one of the two higher levels and who do not have a valid permit for employing a foreign caregiver are entitled to an additional 3-4 hours. Those receiving half the benefit at the two higher levels are entitled to half of the additional hours.

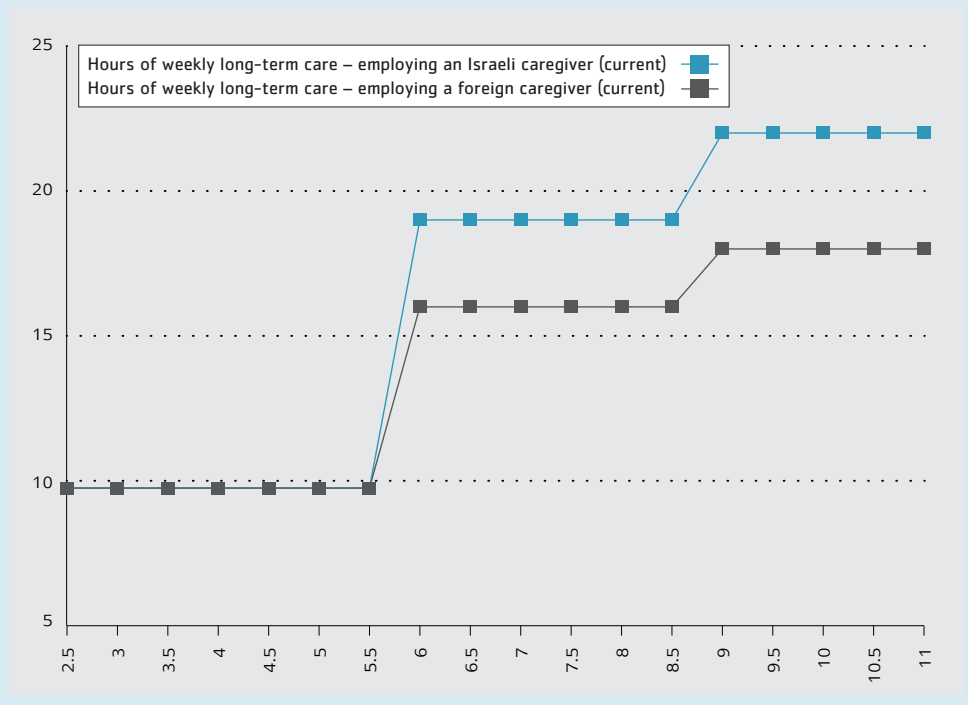
\*\* The benefit rate is dependent on a means test as well.

- .....
- 1 In the letters sent to those entitled, affirming the approval of their claims, the cumulative score is for the three components of the dependence assessment, except for those eligible for constant supervision (for whom the calculation of the dependence score is as described above), which means that the score can reach as high as 20. Under the law, the rate of benefit is derived from the level of dependence on others to perform daily tasks or from the need for supervision. In reality, however, there is no significance to the cumulative score of the three components, since a score higher than 9 currently confers eligibility for the highest possible level of benefit.

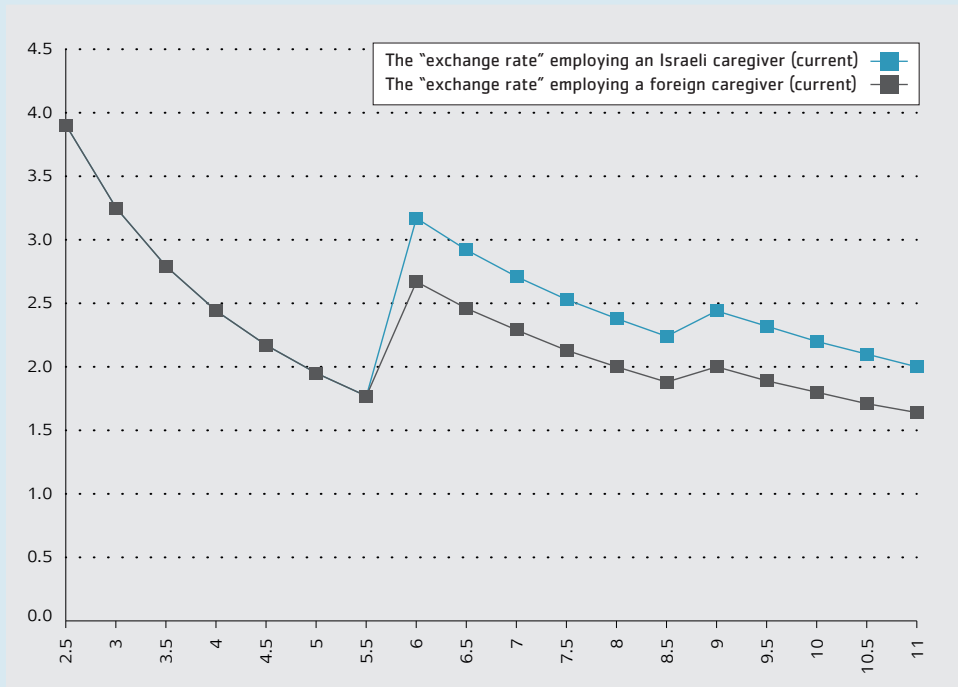
The current structure of long-term care benefits is based on a rather weak connection between the person's level of dependence and the level of benefit to which he is entitled (Graph 1). This structure has three problems that are linked to one another: (1) The level of coverage is low compared to need at the higher dependence levels, resulting in a number of weekly long-term care hours that is lower than what is actually needed. The gap between the two higher benefit levels, for example, results in an addition of only two hours of care a week, while between the first and second levels, the addition ranges from 6.25 to 9.25 weekly hours of care; (2) The regression level is too high; in most cases, a person who is highly dependent on others receives too few hours to meet his needs, compared to someone who is less dependent (Graph 2). Thus, for example, someone who has a dependence score of 5.5 points receives the benefit at the same level as someone has a dependence score of only 2.5 points. (3) There's a non-linear progression as expressed in the too-large jump in the value of the benefit when moving from a score of 5.5 dependence points to a score of 6 dependence points.

The structure of this benefit evolved in two basic stages. At the end of the 1980's, when the long-term care program was enacted as part of the National Insurance Law, two levels of benefit were adopted. In 2007, the higher level of benefit was split into two

**Graph 1**  
**Connection between Hours of Weekly Long-term Care and Score on the Dependence Evaluation**



**Graph 2**  
**The "Exchange Rate" – the Number of Weekly Long-term Care Hours for Each Dependence Point**

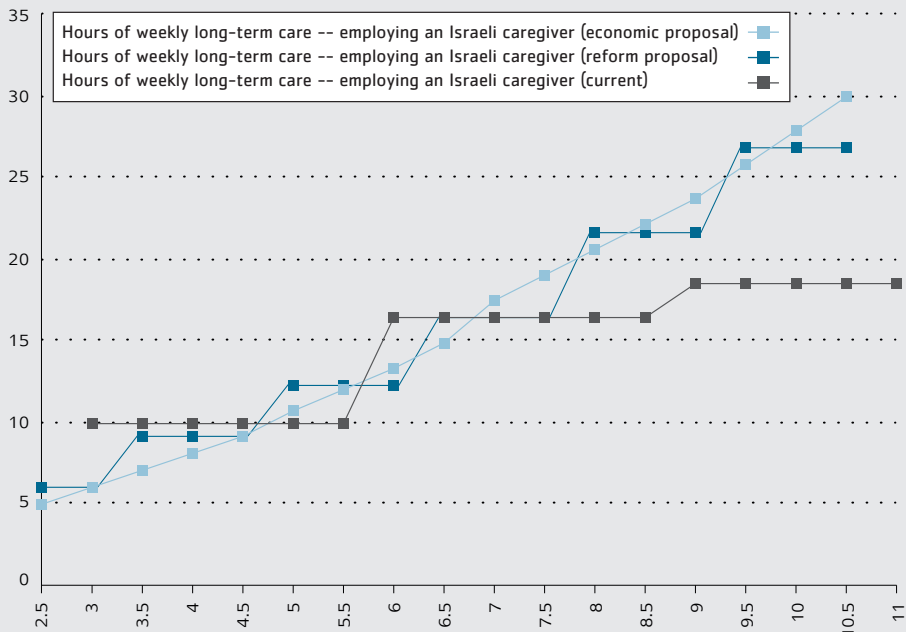


levels. Defining the limits of the benefits in terms of dependence points and the rate of the benefits according to the scope of services that they can supply was influenced over the years by three factors: recognition of the eligible population's changing needs; budgetary limitations and past decisions (such as a reluctance to reduce the number of weekly long-term care hours to those who have fewer points on the dependence evaluation).

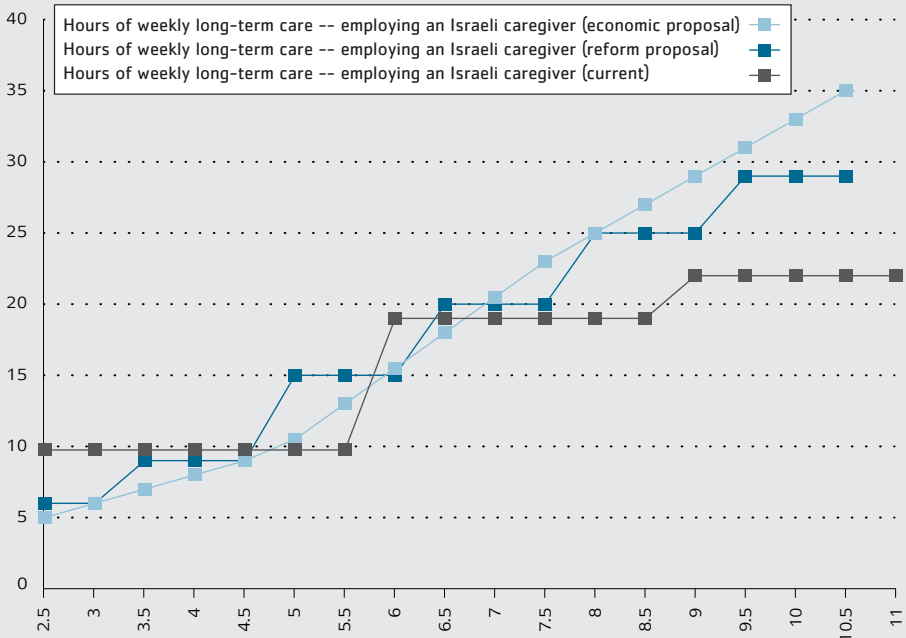
In recent years the NII has become increasingly aware that at the higher levels of dependence there is an acute need to raise the quota of weekly long-term care hours, and that those entitled to benefit at the lowest levels of dependence have a surplus of hours compared to their needs. Thus, so as not to increase the budget outlay by very much and to preserve the financial strength of the long-term care insurance branch, the number of weekly long-term care hours must be reduced for those with a very low score on the dependence evaluation. Graphs 3 and 4 illustrate two alternatives for changing the level of the long-term care benefit; Graph 3 illustrates the alternatives for those employing Israeli caregivers while Graph 4 shows the alternatives for those employing foreign caregivers.



**Graph 3**  
**Alternatives for Benefit Levels for Those Employing Israeli Caregivers**



**Graph 4**  
**Alternatives for Benefit Levels for Those Employing Foreign Caregivers**



The “economic” proposal maintains that to arrive at a the fairest possible distribution of the long-term care benefit, there must be a different benefit level for every dependence level, and a relative increase in the number of hours granted as the state of dependence or the need for supervision grows. The “reform” proposal has been debated in recent months by the NII and the Finance Ministry in an effort to advance critical changes to the long-term care insurance program. Both alternatives preserve the current budget framework for the long-term care benefit and both preserve the incentive to employ Israeli caregivers at the highest dependence levels, as is true today.

The two alternatives present five changes to the current long-term care benefit structure: (1) Increasing benefit levels with the aim of dealing with the primary problems of the current long-term benefit system. (2) transferring some of the benefit money from the lower dependence levels to the higher levels. (3) Changing the way points are awarded to those living alone by awarding a uniform 1.5 additional points (except for the 0.5 points given to those who score 2 points on the ADL test, as is done today, to enable them to be eligible for a benefit). (4) The scoring sequence on the dependence tests would run from 0 to 10.5 (the minimum eligibility threshold would not change). (5) In both alternatives the incentive for employing Israeli caregivers begins at a lower level of dependence than today (at 5.5 points for the “economic” proposal and at 5 points for the “reform” proposal).

From Graphs 3 and 4 it emerges that both proposals (the red line and the green line), particularly the “economic” one, respond to the three problems faced by the long-term care benefit system today. The main principle of the “economic” proposal is that it preserves a progressive exchange rate, through all the dependence levels; between the dependence level and the number of long-term care hours: The number of weekly long-term care hours for each dependence point rises gradually from 2, at 2.5 points, to 3.33 at 10.5 points in Graph 3 and rises gradually from 2, at 2.5 points, to 2.76 at 10.5 points in Graph 4. In the long-term care benefit system today, the exchange ratio is regressive, dropping from 3.9 long-term care hours for a dependence score of 2.5 points, to 2 and 1.64 weekly long-term care hours for a dependence score of 11 points, for employing an Israeli caregiver and a foreign caregiver, respectively (after 6 dependence points, the long-term care system provides additional hours only for employing an Israeli caregiver). The “economic” proposal is also likely to somewhat moderate the current pressures at the threshold point for entering the benefit system and at the moves between benefit levels, which puts many entitled persons above the thresholds compared to a minority of those entitled under the thresholds.

The “economic” proposal, however, may present a problem that the “reform” proposal is meant to overcome. It is known that in evaluating dependence, in addition to the objective measures and the detailed instructions the evaluators must follow, there is an element of judgment at work. The current structure of the long-term care

benefit allows freer exercise of judgment because in any case over a range of scores the benefit remains the same. Under the “economic” proposal, there is likely to be pressure brought to bear on the evaluators that could push scores upward or downward. The “reform” proposal increases the number of benefit levels from 3 to 6 (broadly splitting each of today’s benefit levels into two levels), and every level is made up of three adjacent scores (except for the lowest level, which covers two scores). This, therefore, constitutes a compromise between the advantages and goals that the “economic” proposal tried to promote and the limitations involved in providing Long-term Care insurance under the National Insurance Law.

### 3. Benefit in cash: The pilot program

At the end of 2011, eligible persons affiliated with nine local branches of the NII were being given the option of receiving the benefit in cash, rather than in services. In December 2011, 1,177 eligible persons received a long-term care benefit in cash under this arrangements, while in December 2020, 908 eligible persons received it. The growth stems from the addition of two regions to the program (an increase of 135 recipients) and an increase in the number of recipients in the other regions (of 134). Table 4 shows the changes in the number of those receiving the cash benefit in 2011.

In all the local branches that were participating in the pilot at the end of 2010, except for the Ashkelon branch, the number of those choosing to receive their benefit in cash grew between the end of 2010 and the end of 2011. The rates of increase were greater in those local branches that had joined the program in May 2010 than among those who started in March 2008. The lower rate of growth in those branches that are in the program longer indicates that one could expect the ratio of those choosing the benefit in cash from among the potential eligible persons in those regions to stabilize over time.

There are differences in the cash benefit utilization rates among the different local branches under the pilot program that is tied to the dates the branches joined. In the four local NII branches that have been taking part in the pilot since March 2008 (Ashkelon, Bnei Brak, Nahariya and Ramat Gan), the rate of those choosing this benefit was 8.0% of potential eligible persons compared to 8.1% at the end of 2010. In the three local NII branches that have been taking part in the pilot since May 2010 (Ashdod, Tiberias and Jerusalem), the ratio of those choosing the benefit in cash in December 2011 reached 3.5%, compared to 2.5% in December 2010, and their number grew by 108. In the two local branches that joined the program in June 2011, 1.8% of those eligible, 135 men and women, chose this benefit over the subsequent seven months.

It should be stressed that because the different local branches joined the program at different starting points and because of the differing lengths of time between them, the total utilization rate – meaning the portion of those choosing the cash benefit at a given time from among the total of those potentially eligible -- is insignificant.

Table 4  
 Recipients of Long-term Care Benefit in Cash, December 2011 Compared to December 2010

Local branch	Joined the pilot program	Potential eligible persons in December 2011	Potential eligible persons in December 2010	Change (%)	Number of cash benefit recipients, December 2011	Percentage of potential eligible persons	Number of cash benefit recipients, December 2010	Percentage of potential eligible persons	Change in the number of cash benefit recipients in 2011 (%)
Ashdod	May 2010	2,296	2,174	5.6	79	3.4	57	2.6	38.6
Ashkelon	March 2008	1,854	1,802	2.9	145	7.8	149	8.3	2.7-
Bnei Brak	March 2008	1,005	943	6.6	51	5.1	45	4.8	13.3
Holon	June 2011	3,693	-	-	81	2.2	-	-	-
Tiberias	May 2010	1,491	1,514	1.5-	38	2.5	33	2.2	15.2
Jerusalem	May 2010	6,006	5,596	7.3	225	3.7	144	2.6	56.3
Nahariya	March 2008	1,514	1,319	14.8	34	2.2	30	2.3	13.3
Netanya	June 2011	3,801	-	-	54	1.4	-	-	-
Ramat Gan	March 2008	4,390	4,222	4.0	470	10.7	450	10.7	4.4

Nevertheless, among those branches that joined the program at the same time, one can discern differences among the rates of those choosing the cash benefit. Possible reasons for these differences include the availability of foreign caregivers (since almost all those who receive the cash benefit employ non-Israeli caregivers), particularly between the center of the country and the peripheral areas, as well as cultural and socio-economic differences between the regions and between the cities within these regions regarding the willingness to employ foreign caregivers or the financial ability to employ them.

## F. Organizations providing long-term care services, and the services provided

The services provided under long-term care insurance are provided through official organizations that have been recognized by the Welfare and Social Services Ministry as authorized service providers under a contract drawn up between them and the NII. The NII published a number of tenders in recent years to establish a pool of long-term care service-providers for eligible persons; however, agencies and nonprofit organizations filed petitions against each of the published tenders, which were not pursued for various reasons, among them the intense pressure applied by service-providers, who preferred working under a format of contractual engagements. At the end of 2009, the results of a new tender were published, along with the names of the agencies eligible to provide long-term care services.

A long-term care service-provider can be a public nonprofit organization, such as “Matav” (an association of home caregivers) or seniors’ daycare centers; or it can be a private organization operating as a business. In August 2011, 112 long-term care service-providers were operating: 46 nonprofit organizations and 66 private agencies. Table 5 below presents the distribution of the number of hours of personal home caregiving provided in August 2011 by type of service-provider. In August 2011, service-providers provided approximately 7.75 million hours of personal caregiving in the homes of those eligible for the long-term care benefit. Approximately 5.6 million hours were provided by private organizations (72.2%), approximately 2.15 million hours were provided by caregiver organizations (27.8%).

Table 6 presents the distribution of recipients of long-term care services in December 2011 by the type of service provided to them. It should be recalled that a person who is

**Table 5**  
**Number of Hours of Personal Caregiving Provided,**  
**by Type of Service-Provider, August 2011**

Type of service-provider	Numbers (thousand)	Percentages
<b>Total</b>	<b>7,747</b>	<b>100.0</b>
Private organization	5,591	72.2
Nonprofit organization	2,156	27.8

**Table 6**  
**Recipients of Long-Term Care Services, by Type of Service,**  
**December 2011**

Type of service	Number of recipients	Percentage receiving the service	
		Out of all those eligible for a benefit	As the sole item, out of all recipients of this service
Total*	207,068	–	–
Personal caregiving in the home	145,744	97.8	68.5
Personal caregiving at a seniors' daycare center	10,710	7.2	6.2
Absorbent products	31,647	21.2	0.3
Medical-alert transmitter	18,431	12.4	0.4
Laundry services	545	0.4	1.5

\* A person eligible for a benefit can receive more than one type of service. Therefore, the total number of recipients of long-term care services in this table is larger than the number of persons eligible for a benefit; in December 2011 – 149,072 persons.

eligible for a benefit can receive more than one type of service and, it is for this reason that the total number of recipients of long-term care services is greater than the number of persons eligible for a benefit.

The vast majority (97.8%) of recipients of long-term care services in December 2011 received personal care at home from an Israeli or foreign caregiver; 7.2% received personal care at a seniors' daycare center, 21.2% received absorbent products and 12.4% received a medical-alert transmitter. 68.5% of the recipients of personal care in the home received this service as the sole item from the basket of services. Only 6.2% of the recipients of personal care at a seniors' daycare center received the service as the sole item, while the rest combined this service with other services.

## G. Volume of payments

Concurrent with the direct payments of benefits, the National Insurance Law mandates that payments be made for additional items associated with long-term care insurance. Fifteen percent of the annual receipts are allocated to the Health Ministry and to the Welfare and Social Services Ministry to fund the growing number of persons hospitalized in institutions. In fact, the Health Ministry usually utilizes its entire allocation, while the Ministry of Welfare and Social Services utilizes only a portion thereof. Funds are also allocated to the Fund for the Development of Community and Institutional Services for the Elderly.

In 2011, the total volume of payments transferred to fund long-term care insurance under the National Insurance Law reached approximately NIS 4.2 billion (at 2011 prices): approximately NIS 4 billion for the provision of services to those eligible, while the balance was for developing services in institutions and services in the community, and

The vast majority (97.8%) of recipients of long-term care services in December 2011 received personal care at home from an Israeli or foreign caregiver; 68.5% received this service as the sole item from the basket of services

**Table 7**  
**Total Payments of Long-Term Care Insurance, by Type of Payment**  
**(NIS million, 2011 prices), 2007-2011**

Year	Total	Long-term care benefit	Transfer to entities outside the NII*	Development of services	Hospitalization in long-term-care institutions	Pursuant to agreements with the Treasury
2007	3,409.3	3,196.1	78.4	39.6	92.5	2.5
2008	3,501.3	3,310.4	83.8	21.9	82.6	2.3
2009	3,778.0	3,506.7	83.1	22.4	81.0	82.5
2010	3,996.4	3,778.1	85.2	43.8	85.9	3.4
2011	4,212.9	3,996.0	90.1	30.4	94.1	2.4

\* Transfers to the Ministry of Welfare and Social Services and to Clalit Health Services to fund the preparation of treatment plans for eligible persons, and transfers to fund the conducting of ADL dependence tests.

for conducting ADL dependence tests. The sum of NIS 85.9 million was transferred to the Ministry of Health and to the Ministry of Social Affairs and Social Services to help cover the growing number of those hospitalized in long-term-care institutions (Table 7). Additionally, the sum of NIS 90.1 million was transferred to the Ministry of Welfare and Social Services, to the sick funds and for conducting ADL dependence tests.

In 2011, the volume of payments under Long-term Care insurance increased by approximately 1.9% at constant prices (2011 prices). The payments of benefits increased by approximately 2.2% as a result of an increase in the number of persons eligible for the benefit, particularly those eligible for the highest level of benefit. The average level of benefit at constant prices decreased in 2011 at the rate of 0.6%.

In 2011, the volume of payments under Long-term Care insurance increased by 1.9% at constant prices. The average level of benefit at constant prices decreased in 2011 by 0.6%





## 4. Children Insurance

### A. General

**Child allowance** – The child allowance is paid monthly to every family with children in Israel to help defray the expenses of raising children. The Children's Insurance Law came into effect in 1959 and prescribed a fixed payment to families with many children. Over the years, the child allowances have been subject to frequent revisions, which were intended to respond to changes in fiscal policy in Israel. The revisions in the child allowances focused, inter alia, on the amounts the eligibility criteria for receiving the allowance.

In 2011, the child allowances rose relative to their level in 2010, for two reasons:

1. The allowance was updated by 2.4%, in line with the rise in the consumer price index of the previous year.
2. In April 2011, the allowance for the second child was increased by NIS 57 compared to the previous year – as the second stage in the plan approved under the Economic Arrangements Law for 2009 - 2010.

**Table 1**  
**Changes in Child Allowances under the Economic Arrangements Law, 2009-2010\***

Order of birth	June 2009	After Stage A 7/2009 through 6/2010	Stage B 7/2010 through 3/2011	Stage C 4/2011 through 3/2012	As of 4/2012
<b>Amount of the allowance</b>					
New fourth child	159	252	252	252	259
Older fourth	353	446	446	446	453
New third child	159	219	252	252	259
Older third child	191	251	284	284	291
Second child	159	159	195	252	259
<b>The increment over the allowance paid in June 2009</b>					
New fourth child		93	93	93	100
Older fourth child		93	93	93	100
New third child		60	93	93	100
Older third child		60	93	93	100
Second child		0	36	93	100
<b>Estimated annual cost of the increment in NIS compared with 2008 (cumulative cost)</b>		<b>240,000,000</b>	<b>700,000,000</b>	<b>1,280,000,000</b>	<b>1,500,000,000</b>

\* No changes have been made to the allowances paid for the first child or for the fifth and subsequent children.

In July 2009, under the Economic Arrangements Law for 2009 - 2010, the decision was made to gradually revise the amounts of the child allowances

In July 2009, within the scope of the Economic Arrangements Law for 2009 - 2010, the decision was made to gradually revise the amounts of the child allowances through a plan that had originated in coalition agreements. Within the scope of the plan, the allowance for the second, third and fourth child born in a family will be gradually increased so that in 2012, an increment of NIS 100 will be paid for each of these children. This increment is based on the amount of the allowance actually paid in June 2009; i.e., the child allowance for the second child to the fourth child in the family will not be updated during 2010 and 2011 according to the index, as is customary every January, and therefore, the increment will be purely nominal and will be eroded over the years.

The additional expenditure in 2010 to cover the cost of this plan is estimated at about NIS 700 million

During Stage A, beginning in July 2009, the fourth child received an increment of NIS 93, while the third child received an increment of NIS 60. The second child received an increment of NIS 36 only in Stage B, as of July 2010 (Table 1). The additional expenditure in 2010 to cover the cost of this plan is estimated at about NIS 700 million. The cumulative cost of the plan is expected to reach about NIS 1,500 million in 2012.

**Study grant** – In addition to the child allowances paid to every family with children, a study grant is also paid to single-parent families and to families with four or more children who receive a subsistence benefit. The grant is paid for children between the ages of 6 and 14, and its purpose is to help families purchase school supplies prior to the start of the school year. In 2011, approximately 147,000 children received a study grant. The cost of the grant in 2011 totaled approximately NIS 181 million.

**Family increment** – In July 2004, families with three or more children who receive an income support benefit or a maintenance payment from the NII began receiving a family increment. The family increment is paid only for the third and fourth child. From NIS 116 per month per child in January 2010, the allowance was raised to NIS 118 per month in January 2011 – in other words, it retained its value in real terms. The objective of this increment is to compensate families for the double blow, of cuts in both the child allowances and the income support benefit resulting from the economic plan of 2003. In 2011, this increment was paid to approximately 25,000 families (representing approximately 39,000 children in the third and fourth order of birth) and reached the aggregate total of approximately NIS 55 million, compared with NIS 57 million in 2010.

### Total Fertility in the Last Two Decades

A study carried out in 2009 by the Research and Planning Administration of the NII in collaboration with the Research Division of the Bank of Israel looked, inter alia, at changes in total fertility up to 2007<sup>1</sup>. Total fertility in a given year is defined as the

1 Effect of Child Allowances on Fertility, Esther Toledano, Roni Frisch, Noam Zussman and Daniel Gottlieb, Working papers. 101, 2009.

average number of children a woman is expected to give birth to during her lifetime, assuming her childbirth patterns are identical to those of all women of childbearing age that year.

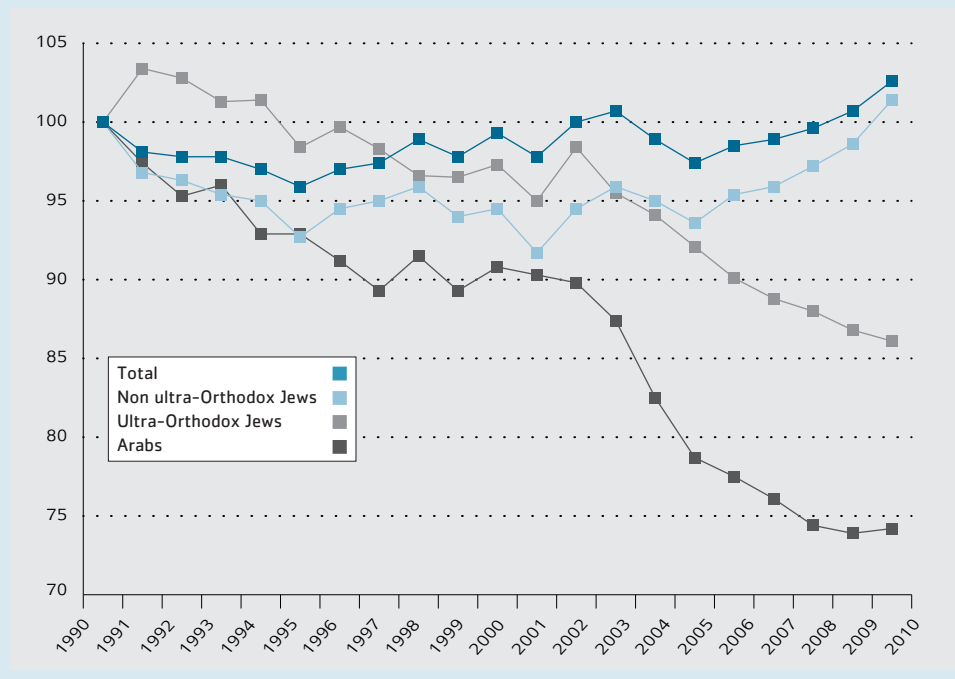
The study looked at changes in birth rates in the last two decades, in various population groups – non-Ultra Orthodox Jews, Ultra Orthodox Jews, and Arabs. It found that among non-Ultra Orthodox Jews the trend was for a rise in total fertility that grew stronger in the last five years, contrary to the falling trend among the Ultra Orthodox and Arabs, where the decrease was steeper among Arabs.

This box presents the data according to the latest databases for 2008-2010.

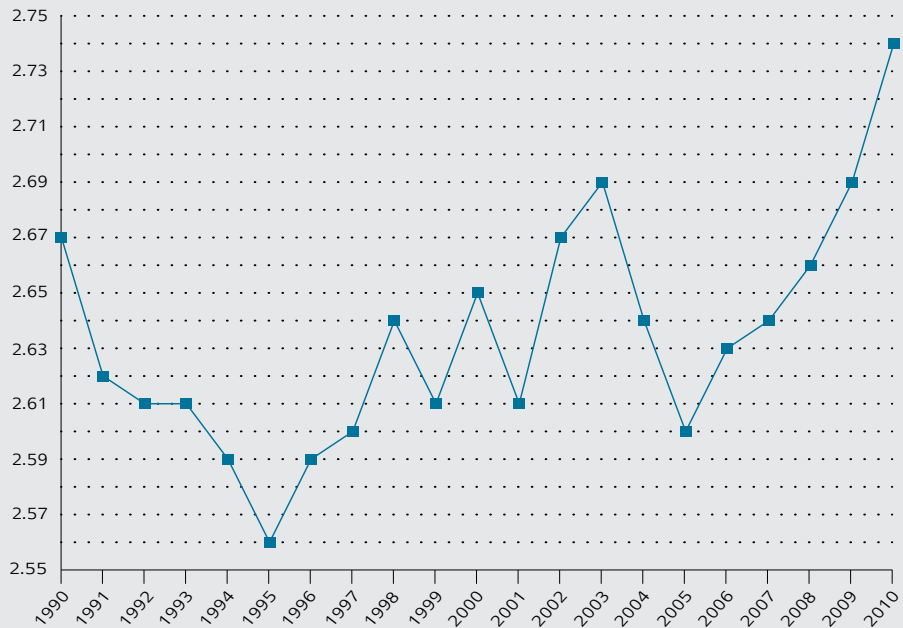
Total fertility of all women of childbearing age (15-40 years) rose steadily from an average of 2.6 children per woman in 2005 to 2.74 in 2010 – an increase of 5.4%. This increase is made up of a rise of 8% in the fertility of non-Ultra Orthodox Jewish women and a drop of 6% in the fertility of Orthodox women and Arab women.

In the years 2005-2009, there was a downward though fluctuating trend in total fertility among **non Ultra Orthodox Jewish women** – from an average of 2.18 children per woman down to 2.05. After 2005 there was a constant rise in fertility, which reached 2.21 in 2010 – slightly higher than the fertility of these women at the start of the 1990s.

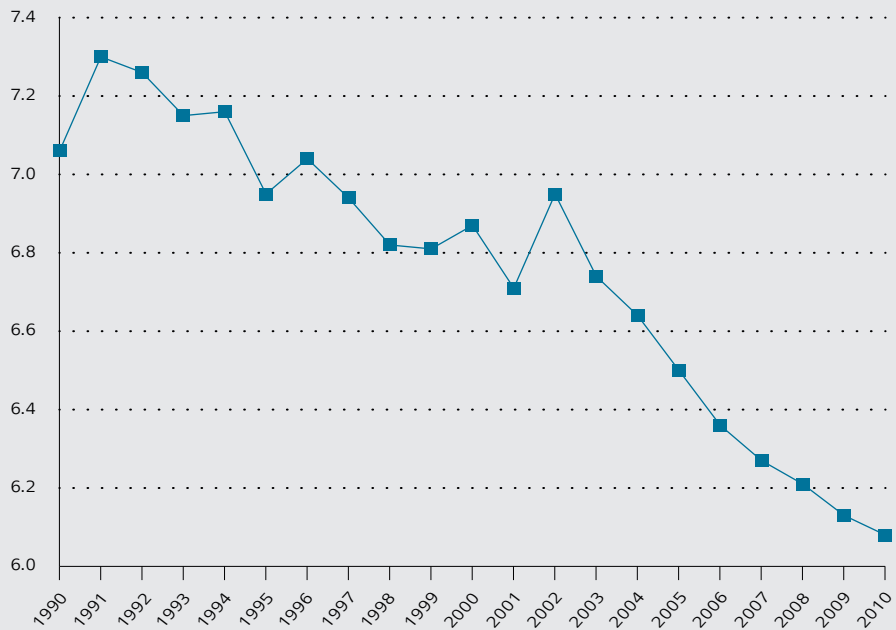
Graph 1  
Fertility Index (base 1990), by Population Group, 1990-2010



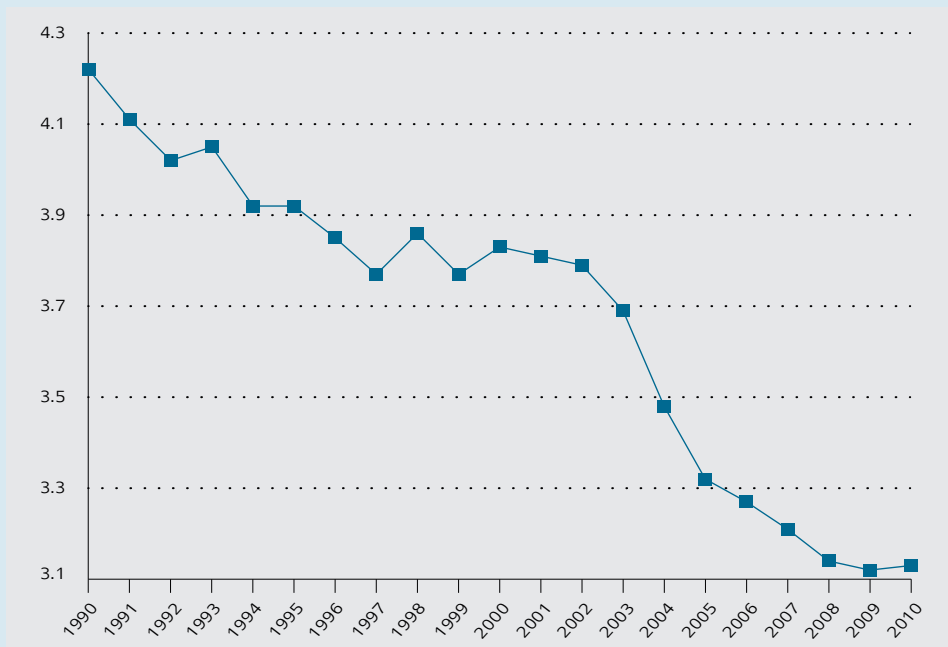
**Graph 2**  
**Total Fertility in the Non Ultra Orthodox Population, 1990-2010**



**Graph 3**  
**Total Fertility in the Ultra Orthodox Population, 1990-2010**



Graph 4  
Total Fertility in the Arab Population, 1990–2010



The total fertility of **Ultra Orthodox women** has been on a downward trend since the start of the last two decades. In the early part of the period there were some fluctuations, but since 2003 there has been a continuous drop in the birth rate. The average number of children per Ultra Orthodox woman reached 7.3 at the start of the 1990s, then plunged to about 6 in 2010. From the start of the 1990s to 2010 there was some fluctuation in the fertility of Ultra Orthodox woman around the 7 children mark, but in the last two decades the total fertility of this group fell by about 14%.

The total fertility of **Arab women** fell by more than 25% in the last two decades – from an average of 4.2 children per woman in 1990 to 3.1 in 2010. Unlike the other two groups presented, the downward trend in the fertility of Arab woman was continuous and uniform throughout the period.

## B. Allowance recipients

### 1. Recipients of child allowances

Tables 2 and 3 present the distribution of families receiving a child allowance by size of the family, and the distribution of the children for whom the child allowance was paid based on their order of birth. The number of families with children who were born after June 2003 and the number of children born after that date are presented in detail below in the section “New Children.”

**Table 2**  
**Families Receiving a Child Allowance, By Number of Children in the Family (monthly average), 2007-2011**

Year	Total	Number of children in the family					
		1	2	3	4	5	6+
Numbers (thousands)							
2007	980.6	321.8	303.0	188.5	84.4	39.8	43.1
2008	994.8	322.9	307.5	194.4	86.2	40.3	43.5
2009	1,012.0	326.7	311.9	200.6	88.2	40.7	44.0
2010	1,030.0	329.8	316.5	207.3	90.7	41.4	44.5
2011	1,048.7	331.5	322.3	214.2	93.2	42.2	45.2
Percentages							
2007	100.0	32.8	30.9	19.2	8.6	4.1	4.4
2008	100.0	32.5	30.9	19.5	8.7	4.1	4.4
2009	100.0	32.3	30.8	19.8	8.7	4.0	4.3
2010	100.0	32.0	30.7	20.1	8.8	4.0	4.3
2011	100.0	31.6	30.7	20.4	8.9	4.0	4.3

**Table 3**  
**Children for Whom a Child Allowance was Paid, by Order of Birth in the Family (monthly average), 2007-2011**

Year	Total children	Child's order of birth in the family					
		First born	Second child	Third child	Fourth child	Fifth child	Sixth & subsequent children
Numbers (thousands)							
2007	2,333.1	980.6	658.9	355.8	167.4	82.9	87.5
2008	2,372.5	994.8	671.8	364.4	170.0	83.8	87.8
2009	2,417.0	1,012.0	685.3	373.5	172.9	84.6	88.4
2010	2,466.0	1,030.0	700.2	383.8	176.5	85.9	89.1
2011	2,519.1	1,048.7	717.1	394.8	180.6	87.4	90.4
Percentages							
2007	100.0	42.0	28.2	15.3	7.2	3.6	3.7
2008	100.0	41.9	28.3	15.4	7.2	3.5	3.7
2009	100.0	41.9	28.4	15.5	7.2	3.5	3.7
2010	100.0	41.8	28.4	15.6	7.2	3.5	3.6
2011	100.0	41.7	28.5	15.7	7.2	3.4	3.6

In 2011, the number of families who were paid child allowances reached an average of one million families a month – an increase of about 1.8% compared with 2010

In 2011, the number of families who were paid child allowances reached an average of approximately one million families a month – an increase of about 1.8% compared with 2010. The number of children for whom allowances were paid in 2011 reached a monthly average of approximately 2.5 million children, an increase of about 2.0% over the previous year, compared to 2% between 2009 and 2010. The number of families who received a child allowance for one child increased by 0.5% relative to 2010 and

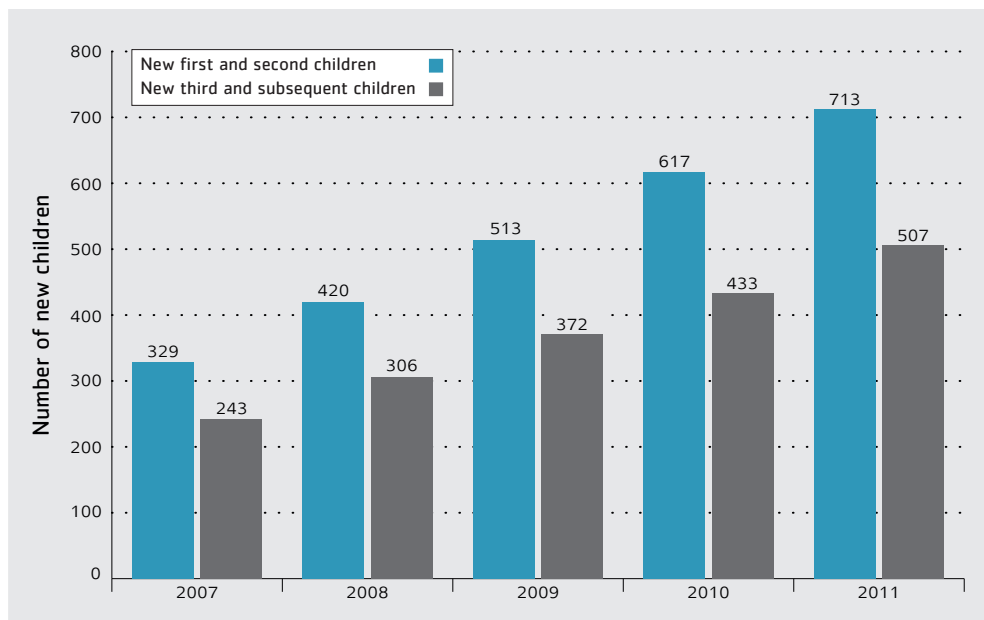
reached approximately 332,000 families. The number of families who received a child allowance for two and more children increased by 1.8% relative to 2010. Concurrently, the percentage of families with three and four children rose relative to other family sizes.

## 2. “New children”

Subsequent to the legislative amendments during 2003 and 2004, a category of “new children” was defined, which includes children born since June 2003. Up until June 2009, these children received an allowance that was equivalent to the allowance for the first two children in the family, regardless of their order of birth in the family.<sup>1</sup> This policy inherently led to disparity in the level of allowances among families of equal size.

The total number of “new children” in December 2011 was approximately 1.2 million children – 48% of the nearly 2.5 million children for whom an allowance was paid at that time. As expected, the ratio of “new children” to total children for whom an allowance was paid has been steadily increasing over the years and should encompass all children by the end of the next decade. Approximately 42% (some 507,000) are the third or subsequent child in the family, and are, in effect, those children whose allowances had been adversely affected in the past as a result of equating allowances for all the children,

**Graph 1**  
Cumulative Number of “New Children” by Order of Birth in Family (thousands), 2007-2011



<sup>1</sup> NIS 144 between August 2003 and January 2004; NIS 120 between February 2004 and December 2005, NIS 148 in 2006 and in 2007, NIS 152 in 2008, NIS 159 in 2009, NIS 165 in 2010 and NIS 169 in 2011.

and the amendment made within the scope of the Arrangements Law was intended to rectify this disparity.

Graph 1 shows the cumulative number of new children according to their order of birth in the family from 2007 to 2011. In 2011, the aggregate total was approximately 1.2 million children.

### 3. Recipients of study grants

Since 1992, study grants have also been paid within the scope of children's insurance, to single-parent families for children between the ages of 6 and 14. Since August 1998, the grant has also been paid to families with four and more children, who are receiving one of the following subsistence benefits from the NII: income support benefit, maintenance payments, a disability pension, an old-age pension or a survivors' benefit. The grant is a one-time payment that is paid just prior to the start of the school year and its purpose is to help the families eligible for this grant to purchase school supplies. The amount of the grant for children between the ages of 6 and 11 is 18% of the basic amount<sup>2</sup> (NIS 1,468 in 2011) and for children between the ages of 12 –14 – 10% of the basic amount (NIS 816).

In 2011, the NII provided study grants to approximately 83,000 families, of whom approximately 61,000 were single-parent families, and the rest were families with four or more children who are receiving subsistence benefits. The grant was paid for approximately 147,000 children, compared with 157,000 children in 2010, a decrease of approximately 6% between the two years. Approximately 58% of all children who received the study grant (about 86,000 children) received the increased grant.

## C. Payments

### 1. Level of the child allowance

Since January 2006, the child allowance has been calculated according to the "basic amount," which is updated according to the rate of the rise in the consumer price index. Accordingly, between 2010 and 2011, the child allowances increased as follows: firstborn child – from NIS 165 to NIS 169, and for the second child – from NIS 195 to NIS 252. The levels of the child allowance for the third and subsequent child remained without change at their nominal values.

Graph 2 presents the average allowance per child between 2007 and 2011.<sup>3</sup> In 2011, the average allowance per child rose by approximately 6.1% in real terms compared with 2010.

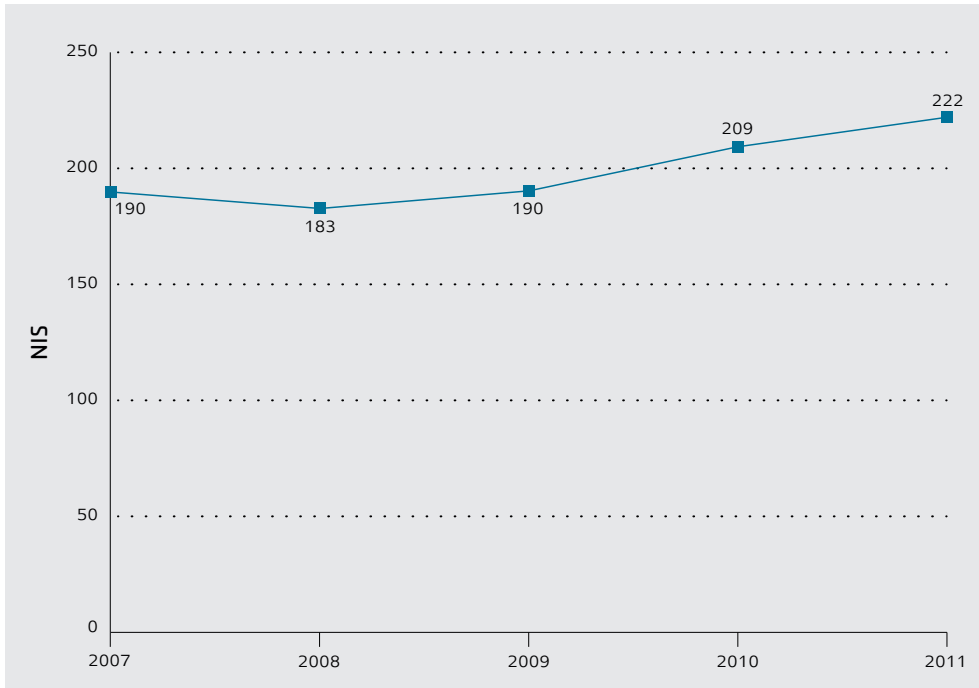
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<sup>2</sup> See note 23 in Chapter 1.

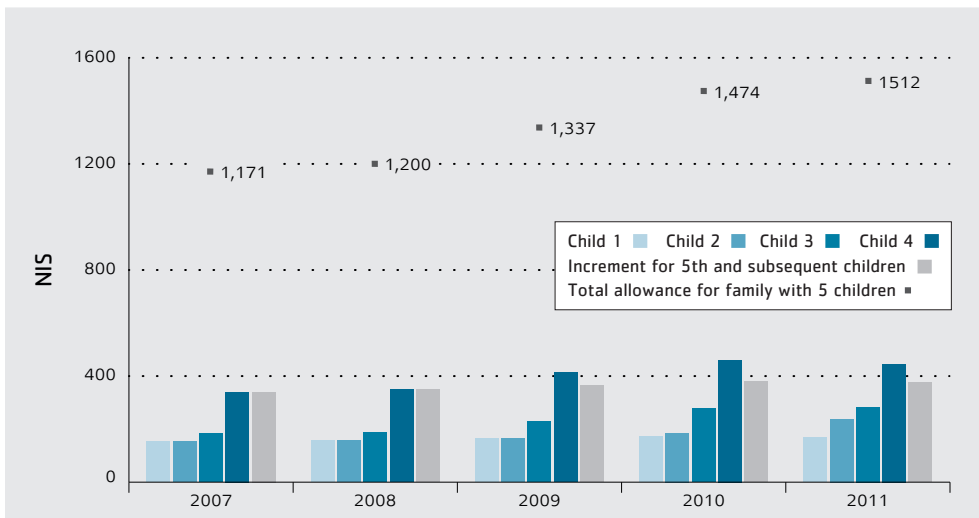
<sup>3</sup> The average allowance per child was calculated by dividing the total payments for child allowances in a given year by the number of eligible children during that same year.



**Graph 2**  
**Average Monthly Child Allowance per Child**  
**(NIS, 2011 prices), 2007-2011**



**Graph 3**  
**Allowances for Children Born Prior to 1.6.2003,**  
**by Order of Birth in the Family, and Total Allowance to a Family with Five**  
**Children (NIS, 2011 prices), 2007-2011**



**Table 4**  
**Child Allowance, by Order of Birth, and the Allowance to the Family,**  
**by Number of Children (NIS, current prices), 2007-2011**

Date	1	2	3	4	5	Increment per additional child
<b>2007</b>						
For the child	148	148	178	329	329	329
To the family	148	296	474	803	1,132	329
<b>2008</b>						
For the child	152	152	182	337	337	337
To the family	152	304	486	823	1,160	337
<b>January 2009</b>						
For the child	159	159	191	353	353	353
To the family	159	318	509	862	1,215	353
<b>July 2009</b>						
For the child	159	159	251	446	353	353
To the family	159	318	569	1,015	1,368	353
<b>January 2010</b>						
For the child	165	165	251	446	366	366
To the family	165	330	581	1,027	1,393	366
<b>July 2010</b>						
For the child	165	195	284	446	366	366
To the family	165	360	644	1,090	1,456	366
<b>January 2011</b>						
For the child	169	195	284	446	375	375
To the family	169	364	648	1,094	1,469	375
<b>April 2011</b>						
For the child	169	252	284	446	375	375
To the family	169	421	705	1,151	1,526	375

Table 4 shows the development of child allowances during the last five years relative to the number of children in the family, revealing a number of facts:

- In 2007, the allowance for a family with one child declined slightly in real terms at the rate of less than 1% compared with 2006, and, in 2008, at the rate of 2% compared with 2007. In 2009, the child allowance rose again slightly at the rate of 1.3%, in 2010 it continued to rise by about 1.1%, and in 2011 it fell by about 1% compared with 2010.
- In 2011, the average allowance per family with three children rose by approximately 9% in real terms compared with 2010, in addition to its rise in 2010 relative to 2009 (real increase of approximately 11%). It should be kept in mind that the amendment to the Economic Arrangements Law which increased the child allowance for the third and fourth child took effect in 2009.

Graph 3 below illustrates the effect of the amendment to the Economic Arrangements Law starting in 2009, and emphasizes the fact that allowances for the third and subsequent children once again increased. For example, the average family allowance for a family with five children increased by approximately 7.8% in real terms in 2009, and continued to rise by 7.4% in 2010, and 1.7% in 2011. In 2011, the average family allowance for a family with five children reached NIS 1,512 per month. However, the allowance is 3.6% less in real terms than in its 2002 level.

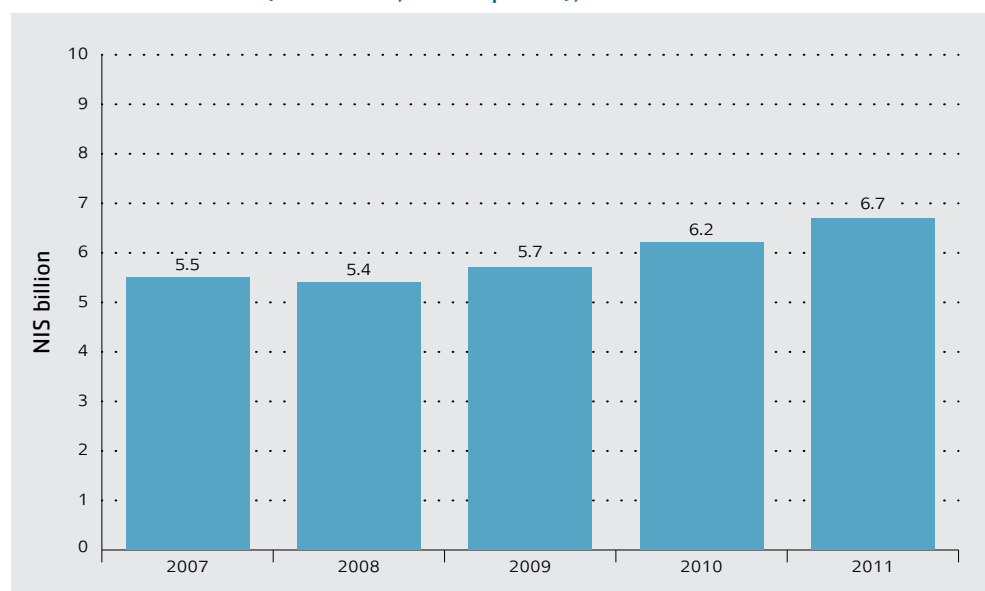
## 2. Volume of payments

Table 5 shows that in 2011, the volume of child allowance payments rose by approximately 8.4% in real terms compared with 2010. On the one hand, this rise is comprised of a moderate increase in the number of children for whom the allowance is paid and from the increase in the rate of the allowance for the second child, and, on the other hand, a decrease in the number of children for whom a high allowance was paid since they were born prior to June 2003.

The changes in the volume of child allowance payments are also reflected in the ratio of payments of the children's insurance branch to all NII payments. The ratio of children's insurance payments to total volume of NII payments rose from approximately 10.7% in 2010 to approximately 11.2% in 2011. It should be noted that 2010 was the first year in the last decade that the payments for child allowances have increased relative to the preceding year.

Allowances for the third and subsequent children once again increased. However, the allowance is 3.6% less in real terms than in its 2002 level

**Graph 4**  
Total Volume of Payments for Child Allowances  
(NIS billion, 2011 prices), 2007-2011



**Table 5**  
**Volume of Payments for Child Allowances**  
**(NIS million, 2011 prices), 2007-2011**

Year	Total		Child allowance		Study grant	
	Current prices	2011 prices	Current prices	2011 prices	Current prices	2011 prices
2007	4,940.5	5,671.7	4,783.3	5,491.4	157.1	180.4
2008	5,062.2	5,556.2	4,896.7	5,374.6	165.5	181.7
2009	5,537.3	5,882.5	5,365.9	5,700.3	171.4	182.1
2010	6,164.5	6,377.2	5,984.5	6,191.0	180.0	186.2
2011	6,892.0	6,892.0	6,711.0	6,711.0	181.0	181.0

Graph 4 presents the annual payments for child allowances from 2007 – 2011 at fixed prices. In 2011, the total annual payments for the child allowance reached approximately NIS 6.9 billion, and thus rose by approximately 8.1% in real terms, relative to 2010.

## 5. Maternity Insurance

### A. The benefits

Maternity insurance came into effect on April 1, 1954 and was among the first five insurance branches covered by the National Insurance Law. Maternity insurance grants women giving birth in Israel the following benefits:

**Hospitalization grant** – This grant is intended to fund the hospitalization and delivery-room expenses of women giving birth and their newborn children, and is paid directly to the hospital. Since December 1993, an increased hospitalization grant has been paid in the case of premature births. During the first two years after the enactment of the National Health Insurance Law (in January 1995), the hospitalization of women giving birth and their infants, including premature infants, was included in the basket of health services prescribed by the law. The NII funded childbirth hospitalization from the sums collected for the maternity insurance branch, which were transferred to the Ministry of Health. Since January 1997, the hospitalization grant is again being paid directly to the hospitals. If a woman gives birth while she is abroad, the hospitalization grant is paid directly to the mother upon submission of a claim.

The amount of the hospitalization grant varies as follows:

1. Every January, the amount is updated according to the formula prescribed in the law, whereby the payment for normal deliveries and an additional payment for premature deliveries will be equal to the total sum that would have been paid for these deliveries had there been no difference in the amounts of the grant between normal and premature deliveries.
2. Whenever the Ministry of Health changes the daily price of general hospitalization, the amount of the hospitalization grant changes at the same rate.
3. Pursuant to a government decision under the Arrangements Law – In recent years, the government has updated the amount of the hospitalization grant within the scope of the arrangements laws: in April 2005, the hospitalization grant for a premature birth was increased by about 50%; in January 2007, the hospitalization grant was increased for all births by 12.1%; in August 2009, the grant was increased again by about 10%. Government intervention in determining the amount of the hospitalization grant is, in effect, a means for injecting funds to hospitals via the NII.

**Expenses of transportation to a hospital** – The NII also participates in the expenses of transporting a woman in labor to a hospital. In 2008, the eligibility criteria for transportation to a hospital were made less stringent. Previously, a woman in labor had been eligible for transportation only if she lived a great distance from a hospital. Since March 16, 2008, every woman in labor is eligible for transportation to the hospital nearest to her place of residence.

**Birth grant** – This grant is designated for the purchase of a layette for the newborn and is paid directly to mothers. Until July 2002, the rate of the birth grant was uniform,

irrespective of the number of previous births, and was 20% of the statutory average wage. In August 2003, the rate of the grant was revised for the second and subsequent births and was set at 6% of the average wage. In January 2004, the rate of the birth grant was increased for the second child only, to 9% of the average wage. When two or more children are born in a single delivery, the birth grant is higher: for twins – the amount is equivalent to the average wage, and for each additional infant – another 50% of the average wage. Since January 2006, the amount of the birth grant has been calculated according to basic amount-1.

**Maternity allowance** – This benefit is intended to compensate working mothers for their loss of earnings during the maternity leave that they are obligated to take under the Employment of Women Law. All working mothers are eligible for a maternity allowance – employees, the self-employed and those in vocational training – for whom insurance contributions have been paid during the period prior to the birth, for the periods prescribed in the law. The maternity allowance is paid for seven or 14 weeks, depending on the qualifying period that the woman has accumulated by the date prescribed in the law (prior to an amendment to the law in May 2007, the maternity allowance had been paid for six or 12 weeks). Since November 1994, the maternity allowance per day replaces the full wage or the average earnings per day of the mother during the three months before she stopped working (upon going into labor or before it), but does not exceed the maximum amount prescribed in the law. Withholding tax, national insurance and health insurance contributions are collected from the maternity allowance.

Pregnant women may begin receiving a maternity allowance before their estimated delivery date, but for no more than half of their eligibility period for the allowance. Under certain circumstances, the maternity leave may be extended for a maximum of four weeks. Since 1998, men who share the maternity leave with their spouses can receive a maternity allowance, provided that the mother has returned to work.

Foreign working women are also eligible for a maternity allowance. The 2003 Arrangements Law prescribed that foreign workers who are staying in Israel without a permit as required by law are not eligible for a birth grant or for a maternity allowance.

**Childbirth allowance** – This allowance is paid to women who give birth to three or more babies in one delivery, who have remained alive for the period prescribed by law, and is intended to assist her with economic expenses. This multiple-birth allowance is paid monthly for 20 months. The amount of the allowance is derived from the basic amount and gradually diminishes during the period of eligibility.

**Risk pregnancy benefit** – This benefit is paid to working women who, for medical reasons relating to their pregnancies, are forced to stop working for at least 30 days and receive no payment from their employers or from any other source for those days. The qualifying period for eligibility for this benefit is the same as the qualifying period for a maternity allowance. At the beginning of 1995, the risk pregnancy benefit was set at

the woman's average wage during the three months before she stopped working, but not more than 70% of the average wage. In 2000, the law was amended, so that the maximum amount payable was the full average wage (since 2006, it is the full basic amount).

**Special pension and special benefit** – These benefits are paid if a woman dies during childbirth or within one year of that childbirth: a monthly pension of 30% of the average wage is paid for a period of 24 months for every infant born during that delivery. If the child is receiving survivors' benefit or a dependent's benefit, the pension is paid for 12 months only. A special benefit is paid to the spouse of the deceased, if he stopped working in order to care for his child, at the rate of injury benefit and for up to 12 weeks. This special pension is paid in about ten cases per annum.

## B. Main trends

In 2011, birth grants were paid to approximately 163,000 women (Table 1) – a decrease of 2.2% compared with 2010. At the same time, the number of women of childbearing age (15 to 44) rose by 1.9%. In other words, the number of births per 1,000 women of childbearing age fell from about 95 births in 2010 to about 91 births in 2011.

Approximately 46,100 of the births in 2011 were first births, approximately 42,700 were second births, and approximately 74,000 were third or subsequent births, as shown in table 2. Approximately 3,900 were births of twins and approximately 80 were births of triplets or more.

Of the total number of hospitalization grants paid in 2011, 2,718 grants were paid in respect of premature births – about 40 more than in 2010.

In 2011, approximately 106,000 women received a maternity allowance, compared with approximately 103,000 women in 2010 – an increase of 2.3%. In those years the number of women of child-bearing age participating in the work force rose by 2.2%. In other words, the number of women who received a maternity allowance per 1,000 women participating in the work force remained the same in 2011 as in 2010 – 75 women.

The percentage of women who received a maternity allowance in 2011 was about 65% the number of women who received a birth grant. This is a significant increase compared

In 2011, birth grants were paid to 163,000 women – a decrease of 2.2% compared with 2010

In 2011, 106,000 women received a maternity allowance, compared with 103,000 women in 2010 – an increase of 2.3%

**Table 1**  
**Live Births by Order of Birth (percentages), 2007-2011**

Year	Total	First birth	Second birth	Third birth	Fourth and subsequent births
2007	100.0	28.6	27.3	19.6	24.6
2008	100.0	29.9	27.8	19.8	22.5
2009	100.0	29.8	27.1	20.0	23.1
2010	100.0	29.0	27.4	19.9	23.7
2011	100.0	29.6	27.4	19.7	23.3

**Table 2**  
**Women Receiving a Birth Grant and a Maternity Allowance**  
**(monthly average) (absolute numbers and percentages), 2007-2011**

Year	Received a birth grant		Received a maternity allowance		
	Absolute numbers	% change from previous year	Total	% change from previous year	Percentage of all women who received a birth grant
2007	147,245	2.5	88,285	5.0	58.4
2008	152,319	3.5	93,630	5.1	61.5
2009	157,702	3.5	97,715	4.4	62.0
2010	166,694	5.7	103,318	5.7	62.0
2011	163,402	-1.8	105,740	2.3	64.7

to 2010 (in which this percentage was about 62%) and it is explained inter alia by an increase in the rate of employment between those two years. It should be noted that at the same time the number of women who received a maternity allowance fell by about 1.8% compared to 2010. The average age of recipients of the maternity allowance rose slightly in comparison with 2010 – 31.5 years of age. Approximately 95% of the women who received a maternity allowance were salaried employees, while the remainder – 5% – were self-employed, or members of a kibbutz or a cooperative settlement (*moshav*).

The distribution by the daily rate of the maternity allowance indicates that, in 2011, less than one third of the women received a maternity allowance at a daily rate that was no more than half of the average national wage, while approximately one quarter received a daily maternity allowance that exceeded the average wage. The percentage of women who receive a maternity allowance at a rate exceeding the average wage has been steadily rising, from 20% in 2007 to 24.5% in 2011. Concurrently, the percentage of women who are earning up to half of the average wage has been diminishing, from approximately 36% in 2007 to 32% in 2011.

Since the maternity allowance is paid at the rate of the woman's pay prior to giving birth, distribution by the amount of the maternity allowance represents the distribution of wages among these women. In 2011, the average earnings from work of women giving

**Table 3**  
**Recipients of a Maternity Allowance, by Per-Day Rate of the Maternity Allowance as a Percentage of the Average Daily Wage**  
**(absolute numbers and percentages), 2007-2011**

Year	Total recipients (numbers)	Up to ¼ of the average wage	¼ - ½ of the average wage	½ - ¾ of the average wage	¾ to the full average wage	Higher than the average wage
2007	88,285	8.5	27.3	28.4	15.9	20.0
2008	93,630	7.5	25.5	27.4	16.8	22.8
2009	97,715	7.1	23.8	27.3	19.2	24.6
2010	103,318	7.7	24.7	26.6	16.9	24.1
2011	105,740	7.4	24.8	26.4	16.9	24.5



birth was NIS 6,991 per month, which represents approximately 82% of the average wage in the economy, compared with NIS 6,702, representing approximately 81% of the average wage in 2010.

The amount of the maternity allowance, like wages, varies according to demographic and employment characteristics:

- The maternity allowance increases with the woman's age. In 2011 the average maternity allowance was NIS 226 per day, which is about 80% of the average wage. Women up to the age of 24 received maternity allowance at the rate of approximately 45% of the average national daily wage, while among women who were at least 35 years old, the rate rose above the average daily wage (105% of the average daily wage).
- The maternity allowance paid in places in the center of the country was higher than that paid in outlying regions of Israel. The NII's Tel Aviv and Kfar Saba branches recorded the highest average rate per day for the maternity allowance (114% of the average national daily wage), while the NII's Bnei-Brak and Nazareth branches recorded the lowest average daily rate (approximately 60% of the average daily wage).
- In 2011, the number of men who received a maternity allowance rose sharply to 536 men, compared with 369 in 2010, an increase of 45%. For every 1,000 women who received a maternity allowance, about five men received a maternity allowance. This increase continues the trend of previous years: in 2007, 246 men received maternity allowance, in 2008 – 281 and in 2009 – 285.

### C. Volume of payments

Table 4 presents the volume of benefits paid by the Maternity insurance branch under the National Insurance Law, by benefit category. The data show that, in 2011, there was a 3.2% increase in the volume of benefit payments by the branch (at fixed prices). Payments of hospitalization grants and maternity allowances constitute approximately 93% of all payments by the branch. The rise in the total volume of payments was primarily due to an increase in the number of births.

The share of payments by the Maternity insurance branch out of total NII payments fell from 8.6% in 2010 to 8.2% in 2011, due to the decrease in the number of women

The share of payments by the Maternity insurance branch out of total NII payments fell from 8.6% in 2010 to 8.2% in 2011, due to the decrease in the number of women giving birth

**Table 4**  
**Payments of Maternity Benefits, at 2011 Prices**  
**(NIS thousand), 2007-2011**

Year	Total benefit payments	Hospitalization	Birth grant	Maternity allowance	Risk pregnancy
2007	3,809,904	1,727,462	157,475	1,813,115	97,479
2008	4,225,037	1,709,521	165,474	2,214,290	124,438
2009	4,565,787	1,894,540	174,271	2,333,999	146,033
2010	4,880,199	2,102,763	182,325	2,423,582	154,734
2011	5,036,540	2,150,201	180,234	2,527,285	159,758

giving birth. It should be noted that for the first time since 2006, the rate of payments in the Maternity branch is falling with respect to the previous year.

### Risk Pregnancy Benefit: A Convenience or a Solution for At-Risk Pregnancies?

The risk pregnancy benefit has been paid since 1991 to insured women, both salaried or self-employed who, for medical reasons related to their pregnancy, must stop working for at least 30 days and are not paid for those days by their employer or by any other entity.

The number of recipients of this benefit has grown steadily every year, as has the scope of the payments: from some 2,000 recipients in 1995 to 10,300 in 2011, and from payments totaling NIS 11 million to NIS 155 million, respectively, in fixed prices.

Given this data the question has arisen whether the risk pregnancy benefit is meant to make it more convenient for women to stop working because of their pregnancy or rather to provide a solution to situations of complications or high risk? To answer this question, women who received risk pregnancy benefits were compared to those who did not, with regard to three aspects: was the baby premature, was the baby hospitalized after birth and was the pregnancy a single or a multiple-fetus pregnancy.

The following table shows that 22% of those who received the risk pregnancy benefit either gave birth to two or more children or their baby needed special treatment after the birth, compared to only 4% of the women who did not receive the benefit.

It was also found that among women who received the benefit, 3.4% gave birth to a premature baby compared to only 1% of the women who did not receive the benefit; 5% of the babies were hospitalized after the birth compared to 1.9% of those who did not receive the benefit, and 13% gave birth to two or more children compared to 1.4% of the women who did not receive the benefit.

In light of these findings, one can conclude that there is justification and great importance to the risk pregnancy benefit.

#### Comparison Between Women Who Received the Risk Pregnancy Benefit and Those Who Did Not

	Received benefit		Did not received benefit	
	Numbers	Percentages	Numbers	percentages
<b>Total</b>	<b>9,622</b>	<b>100.0</b>	<b>93,657</b>	<b>100.0</b>
Thereof: had one or more premature babies	327	3.4	899	1.0
Thereof: had a baby that was hospitalized	496	5.2	1,814	1.9
Thereof: had two or more babies	1,264	13.1	1,314	1.4

## 6. General Disability Insurance

### A. Benefits

The General Disability insurance branch pays the following benefits under the National Insurance Law:

- **Disability pension**, aimed at compensating disabled persons for their loss of earning capacity and to guarantee them a minimum subsistence income. Paid since 1974.
- **Attendance allowance**, which reimburses the expenses of disabled persons who are dependent on the assistance of others for the performance of daily activities or who need constant supervision. Paid since 1979.
- **Benefit for disabled child** – reimbursement for expenses incurred by families who are caring for their disabled child at home. Paid since 1981.

The branch also handles the following benefits that are not derived from the National Insurance Law:

- **Mobility allowance**, which is paid to those whose mobility<sup>1</sup> is restricted, to subsidize their mobility expenses out of the house. Paid since 1975.
- **Compensation to radiation-affected persons**, which is paid to those who receive radiation to treat scalp ringworm (tinea capitis) between 1946 and 1960, and fell ill as a result. Paid since 1995.
- **Compensation to polio victims**, which is paid to those who contracted polio in Israel and suffered a medical disability as a result. Paid since 2007.

At the end of 2011, the number of disabled adults receiving a benefit (one or more) from the NII's General Disability insurance branch reached over 238,000, an increase of 2.55% over the parallel month in 2010. As one can see from Table 1, recipients of a general disability pension constitute some 90% of all those eligible for benefits from the branch, and during the past year their average monthly number reached 212,951,

At the end of 2011, the number of disabled adults receiving a benefit (one or more) from the Disability branch reached over 238,000, an increase of 2.55% over the parallel month in 2010

**Table 1**  
**Recipients of General Disability Benefits, Attendance Benefit, Benefit for Disabled Child and Mobility Allowance (average per month) 2006-2011**

Year	Disability		Attendance		Disabled child		Mobility	
	Number of recipients	Percent change	Number of recipients	Percent change	Number of recipients	Percent change	Number of recipients	Percent change
2006	178,263		25,648		22,208		26,078	
2007	187,525	5.2%	27,424	6.9%	23,810	7.2%	27,306	4.7%
2008	194,988	4.0%	29,390	7.2%	25,255	6.1%	28,915	5.9%
2009	200,072	2.6%	31,196	6.1%	26,527	5.0%	30,364	5.0%
2010	207,174	3.5%	33,134	6.2%	27,870	5.1%	31,616	4.1%
2011	212,951	2.8%	35,219	6.3%	29,483	5.8%	32,964	4.3%

1 A disabled person who has a leg impairment, as specified in the law.

**Table 2**  
**Adult Benefit Recipients, by Benefit Category, December 2011**

Number of Benefits	Benefit category	Number of recipients	Percentage change over 2010
<b>Total</b>	<b>Adult recipients</b>	<b>238,465</b>	<b>2.6%</b>
	General disability pension	214,749	2.1%
	Attendance	36,098	6.1%
	Mobility allowance	29,364	4.5%
	Polio victims	3,749	2.3%
	Radiation	3,997	3.7%
One benefit	General disability pension only	178,733	1.8%
	Attendance only	6,591	8.5%
	Mobility allowance only	10,164	4.1%
	Polio only	943	8.9%
	Radiation only	3,165	6.4%
Two benefits	General disability + attendance	19,018	4.6%
	General disability + mobility	7,165	2.0%
	General disability + polio	317	-3.9%
	General disability + radiation	511	-9.7%
	Attendance + mobility	1,717	13.0%
	Attendance + polio	16	6.7%
	Attendance + radiation	98	24.1%
	Mobility + polio	1,151	1.1%
	Mobility + radiation	46	2.2%
	Polio + radiation	1	.
Three benefits	General disability + attendance + mobility	7,775	6.8%
	General disability + attendance + polio	66	4.8%
	General disability + attendance + radiation	80	-16.7%
	General disability + mobility + polio	581	-3.5%
	General disability + mobility + radiation	26	8.3%
	General disability + radiation + polio	.	.
	Attendance + mobility + polio	231	14.4%
	Attendance + mobility + radiation	28	64.7%
	Attendance + polio + radiation	1	.
	Mobility + polio + radiation	3	.
Four benefits	General disability + attendance + mobility + polio	439	-0.9%
	General disability + attendance + mobility + ringworm	38	-17.4%
	General disability + attendance + polio + radiation	.	.
	General disability + mobility + polio + radiation	.	-100.0%
	Attendance + mobility + polio + radiation	.	.
Five benefits	General disability + attendance + mobility + polio + radiation	.	-100.0%

**Table 3**  
**Benefit Recipients Who Are Minors, by Benefit Category,**  
**December 2011**

Number of benefits	Type of benefit	Number of recipients	Percentage change over 2010
<b>Total</b>	<b>Disabled minors</b>	<b>30,679</b>	<b>8.4%</b>
One benefit	Disabled child	26,387	9.5%
	Mobility	283	0.7%
Two benefits	Disabled child and mobility	4,009	2.3%

representing an estimated 4.6% of the population that is of the age of potential eligibility (18 through retirement age). One can also discern a lower rate of increase in the number of those receiving a benefit compared to 2010. This is apparently because the potential for new recipients becoming eligible under the provisions of Amendment 109 to the law (the “Laron Law”) has maxed out.

Among those receiving attendance allowances, the average annual change was stable compared to the two previous years: some 35,000. Among those receiving the benefit for disabled child one can discern an uptrend in the rate of change of recipients compared to the previous two years, following the Or-Noy amendments, which included new grounds for eligibility for the benefit. The rate of change in the number of those receiving mobility allowances is slightly higher than what was observed in 2010, but is still lower than in previous years, even though the criteria have not changed.

Since November 1999, a disabled person who meets all the criteria and conditions of the laws and regulations can receive more than one benefit at the same time. From Tables 2 and 3, it emerges that in December 2011, 38,869 disabled adults and 4,009 disabled minors (who together constitute 16% of the number of recipients in the branch) received two or more benefits simultaneously in 2011. This was particularly obvious with regard to the following benefits: the attendance allowance, 82% of whose recipients were eligible for other benefits (usually a disability pension), and the polio victims’ benefit, 75% of whose recipients also got another benefit (usually a mobility allowance).

## B. Disability pension

### 1. Main points of the law

The general disability pension is a monthly pension paid to someone who is a resident of Israel, between the ages of 18 and retirement age, whose ability to earn a living from work<sup>2</sup> has been affected by his disability. This benefit assures those eligible a minimal subsistence income.

.....

2 Income from sources other than work are not considered when determining eligibility for a disability pension.

The law defines two types of eligible persons:

- **Disabled wage-earners:** Men or women who, as a result of a physical, cognitive or mental impairment deriving from an illness, accident or congenital defect, have lost their ability to earn a living from work or their ability to earn a living has been reduced by at least 50%; or their earnings do not exceed 45% or 60% of the average wage (depending upon what group they belong to, as will be explained below), as defined in the National Insurance Law.<sup>3</sup>
- **Disabled housewives:** Married women who have not worked outside the household for the periods defined in the law, and who, as a result of a physical, cognitive or mental impairment deriving from an illness, accident or congenital defect, have lost at least 50% of their capacity to perform routine household tasks.

The process of determining eligibility for a disability pension has several stages:

1. Establishing the degree of medical disability (expressed as a percentage) – An NII-appointed physician, based on medical examinations and records, determines the medical disability percentage in accordance with the criteria set by the law. The disability percentage expresses the seriousness of a person's medical conditions. Both the doctor and claims clerk check whether the threshold requirements for a disability percentage have been met: For a disabled wage-earner – at least 60%, or 40% in instances whereby the medical disability percentage for one impairment is at least 25%; and for a disabled housewife – at least 50%.
2. Examination of the recipient's income from work at the time he enters the program – The level of income from work that allows for a benefit payment is not consistent, but rather varies in accordance with the person's medical condition and period of eligibility. Group A: People with a serious impairment<sup>4</sup> or a lengthy eligibility period<sup>5</sup> are entitled to a benefit if their income from work is no more than 60% of the average wage. Group B: Everyone else. They can receive a disability pension when their income from work doesn't exceed 45% of the average income.
3. Setting the degree of incapacity – The NII claims clerk, after consulting with the NII physician and rehabilitation clerk, sets the disabled person's degree of inability to earn a wage<sup>6</sup>, which is influenced by his ability to return to work (on a full- or part-time basis), or to find other work suited to his education, physical abilities and state of health.
4. Setting a degree of full or partial earning incapacity expresses the partial or total loss of the disabled person's ability to earn a living, while setting a degree of permanent or temporary earning incapacity indicates either a permanent or temporary loss of the ability to earn a living.

.....  
 3 In 2011 the average wage under the National Insurance Law was NIS 8,307.

4 Serious impairment: those whose medical disability has been set at 70% or more, or who suffers from retardation or mental disability at a rate of at least 40%.

5 Lengthy eligibility: those who were eligible for a benefit for at least 60 months out of the seven years that preceded August 1, 2009.

6 Those with a loss of wage-earning capacity under 50% are not eligible for a pension.

In August 2009, Amendment 109 to the National Insurance Law (the “Laron Law”) came into effect, whose objective was to improve the conditions of disability pension recipients who found work, out of a desire to improve their quality of life, integrate them into society and improve their public image. The amendment allows the disabled person to increase his income from work without losing his eligibility for the pension and assures that his combined income from work and the pension will **always** be higher than the amount of the pension alone.<sup>7</sup>

Moreover, in accordance with the recommendations of the Laron Commission, the disabled were divided into two categories<sup>8</sup>, Group A and Group B (See Section 2 above). This differentiates between disabled persons possessing high potential for integration in the labor market and those whose prospects for finding employment are lower, while creating different criteria for assessing income from work to encourage the integration into the work force. As part of the amendment a new benefit was added to the disability insurance array: the incentive allowance. This benefit is paid instead of a disability pension to those whose income from work now exceeds the amount determined by law and who had been eligible for a disability pension for at least 12 months.

A disabled wage-earner or housewife who is assigned a full incapacity ranking (a rate of at least 75%) is eligible for a monthly pension of 26.75% as defined by law.<sup>9</sup> In 2011 the sum of a full pension for an individual was NIS 2,210. Recipients who are deemed full incapacitated, who are not in an institution and whose medical disability is at least 50%, receive an increment to the monthly pension (hereafter: the additional monthly pension), which ranges between NIS 237 to NIS 351, as of 2011. About 65% of disability pension recipients qualify for this increment.

Similarly, a disabled person is eligible for an increment for his **dependents**: (a) A spouse who is an Israeli resident (married to the disabled person or his/her common-law spouse), whose monthly income does not exceed 57% of the average wage. The disabled person is eligible for an increment of 50% of the individual pension being paid to him. (b) A child who is an Israeli resident as defined by the NII entitles the disabled person to an increment of 40% of the individual pension being paid to him. This increment is paid only for the first two children. A disabled housewife is eligible for an increment for her first two children only, and is not eligible for an increment for her spouse.

In 2011 the sum of a full pension for an individual was NIS 2,210. Recipients deemed full incapacitated, who are not in an institution and whose medical disability is at least 50%, receive an increment to the monthly pension

7 Until the amendment went into effect, the disability pension was usually stopped when the insured’s income from work exceeded 37.5% or 45% of the average wage, depending on his education level. Now, if a person’s income from work does not exceed 21% of the average wage his disability pension does not change. For income between 21%-25% of the average wage, the pension is cut by 10%; for earnings between 25%-65% of the average wage, the pension is reduced by 30%; for income between 68%-93% of the average wage, by 40% and for earnings higher than 93% of the average wage, by 60%.

8 Housewives are not assigned to a group since they are not active in the job market.

9 By law, the disability pension is updated, like all benefits, every January in accordance with the annual change in the CPI as of the previous November.



A disabled wage-earner or housewife who receives a dependents increment but who has income that is not from work will have an amount equal to his or her non-work income deducted from the dependents increment (alone).

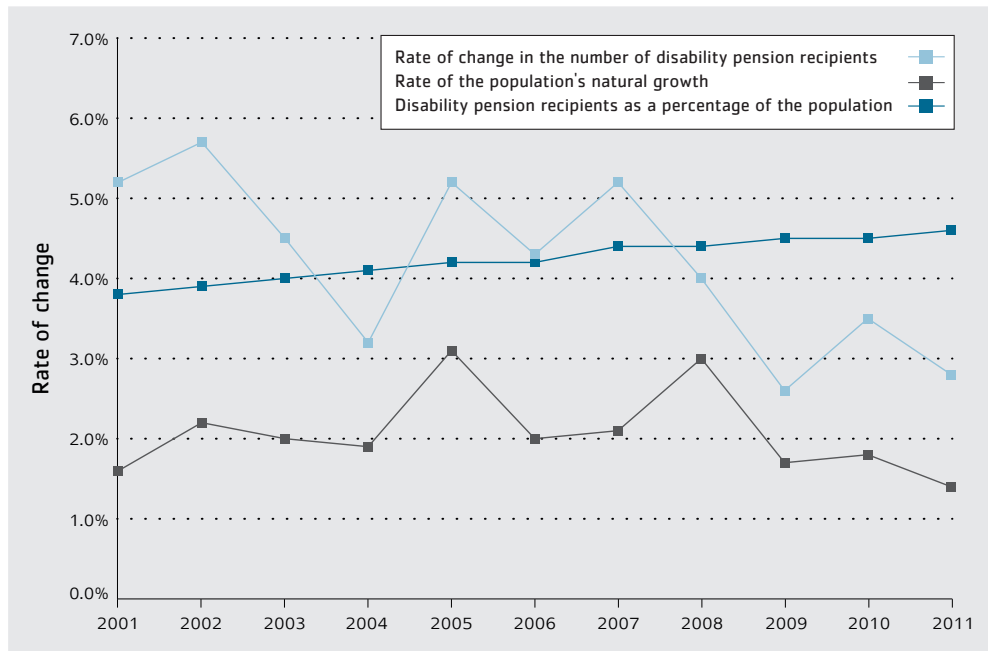
The dependents increment is an important tool in fighting poverty among families with a disabled breadwinner. It should be noted that in addition to the benefits provided by the NII, disabled people are entitled to benefits from other public organizations under conditions that vary from one organization to another.<sup>10</sup>

## 2. Recipients of a disability pension

The number of people receiving a disability pension goes up every year by the nominal rate of 4.2%, over twice the rate of the population's natural growth (1.9%)

The number of people receiving a disability pension from the NII goes up every year by the nominal rate of 4.2%, over twice the rate of the population's natural growth (1.9%). At the end of the year the number of recipients totaled 214,749, i.e., some 4.6% of the population in the qualifying age group (an increase of 2% over 2010).

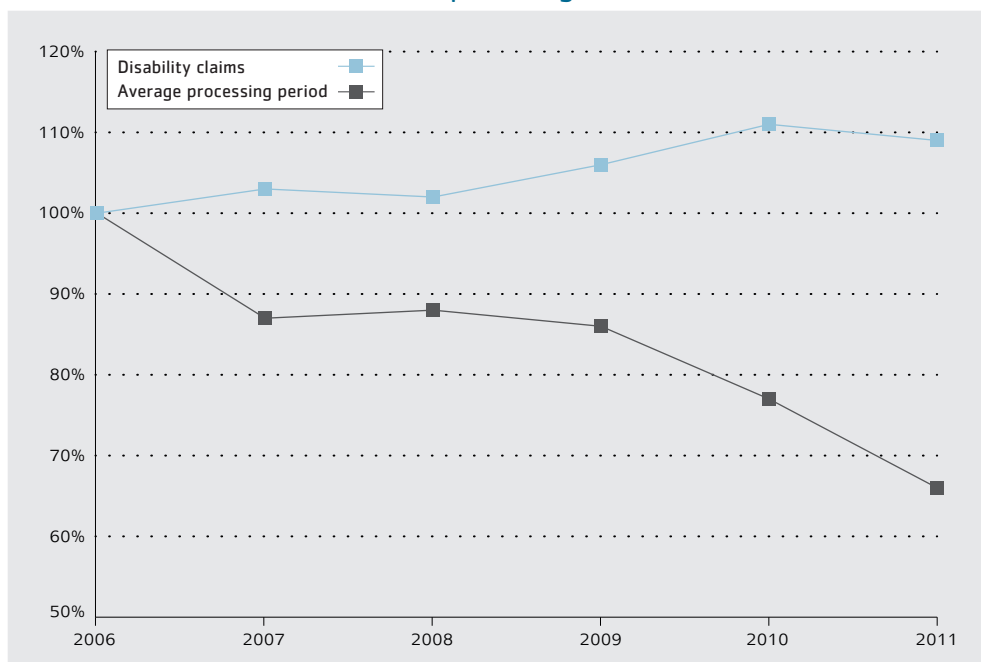
**Graph 1**  
Disability Pension Recipients and the Development of the Working-Age Population, 2001-2011



10 These benefits include, inter alia, an exemption from making insurance contributions to the NII; income tax or property purchase tax exemptions from the Finance Ministry; discounts on local property taxes (armona), rent subsidies or home purchasing assistance from the Construction and Housing Ministry; discounts on fees paid to the Israel Lands Administration; discounts on public transportation, benefits from the Welfare and Social Affairs Ministry and reduced fees to the sick funds. More details can be found on the NII's website and on the websites of the ministries/organizations granting the benefits.



**Graph 2**  
**The Number of Disability Claims and the Average Length of Time to Process a File (percentages) 2006–2011**



This growth has several reasons: (a) The morbidity rates in the population go up each year, because of greater awareness, increased reporting and a drop in the mortality rates among the ill, among other things. (b) The gradual increase in the retirement age, which started in 2002 and continued in 2010, increased the population that could potentially qualify for this benefit. With that, one can see in Graph 1 that the gaps have been closing in the past few years.

By looking at Graph 2, one can discern an uptrend in the number of disability claims (which moderated somewhat during the past year), with slightly less than 93,000 claims submitted in the past year. It should be noted that as part of the effort to improve service, the NII is aiming to reduce the time between when a claim is filed until a decision is made. Graph 2 shows that this goal is being met: The amount of time it takes to process an average file has dropped by 40% compared to 2006 and by nearly 10 days (which is 17%) compared to 2010, and now stands at 54 days.

An examination of the distribution of pension recipients in December 2011 by gender and the degree of incapacity set for them, as shown in Table 4, points to a significant gap in the degrees of incapacity set for the wage-earning disabled and those who are housewives. Eighty-four percent of those who had been working were declared fully incapacitated and thus received a full disability pension, while only 38% of housewives were awarded a full pension. The differences apparently stem from the differing eligibility requirements for the two groups.

One can discern an uptrend in the number of disability claims, with slightly under 93,000 claims submitted in the past year

Eighty-four percent of those who had been working were declared fully incapacitated and thus received a full disability pension, while only 38% of housewives were awarded a full pension

**Table 4**  
**Disability Pension Recipients by Gender and Degree of Incapacity**  
**(absolute numbers and percentages), December 2011**

Gender	Total		Degree of Incapacity			
	Absolute numbers	Percentages	60%	65%	74%	75% -100%
<b>Total</b>	<b>214,749</b>	<b>100%</b>	<b>24,410</b>	<b>13,255</b>	<b>3,950</b>	<b>173,134</b>
Men	124,490	100%	10.0%	4.2%	1.2%	84.7%
Women	90,259	100%	13.3%	8.9%	2.7%	75.0%
thereof:						
Working women	73,829	100%	10.1%	5.0%	1.5%	83.3%
Housewives	16,430	100%	27.7%	26.5%	8.2%	37.7%

Table 5 presents the disability pension recipients by age<sup>11</sup>, average age and primary impairment.<sup>12</sup> Of those receiving the pension, the number of those whose primary impairment is a mental problem continues to be the highest. There are also differences in the characteristics of the primary impairment among the different age groups; those entering the disability pension system at an early age generally suffer from a congenital defect (retardation<sup>13</sup>, mental disorder<sup>14</sup>, deafness and neurological disorders<sup>15</sup>), while those joining at more advanced ages tend to suffer from age-related disorders (internal<sup>16</sup> or urogenital<sup>17</sup>). The family status of the pension recipients and their dependents as defined by law are presented in Table 6. One can see that 48% of pension recipients are married<sup>18</sup>, but 41% do not receive an increment for their families, because of the high (non-work) income of the disabled person or the income of his/her spouse (from work or not from work). One can see that the percentage of married, employed women is low, because a married woman who did not work before the submission of her claim for the length of time prescribed by law is considered a housewife.

The Laron Commission was established primarily to focus on the integration of recipients of a general disability pension in the labor market, with the intention of improving the quality of their lives, integrating them in society and improving their public

11 It should be noted that using the age variable does not allow for a distinction between disabled people who entered the system at an advanced age and those who began receiving a pension at a younger age and are still receiving it. For a more detailed explanation see the publication Disability Pension Recipients in 2011, to be published shortly as part of the series of periodic surveys.

12 Primary impairment is defined as the impairment which confers the highest degree of medical disability among the various impairments one may have. One can notice that cancer is not included in the list of clauses, because medical disability percentages for the NII are not determined by illness but by how well a person's limbs function.

13 Including those with Down syndrome.

14 Including those with autism

15 Including: Brain syndromes, nerve disorders and convulsive disorders

16 Including: Blood, heart, liver and lung diseases, diabetes, asthma and most cancers

17 Including: Kidney problems, urinary and reproductive tract problems and bladder problems (common among people with prostate cancer).

18 Disabled persons with a common-law spouse are not considered married.

**Table 5**  
**Disability Pension Recipients by Current Age, Average Age and Primary Impairment**  
**(absolute numbers and percentages), December 2011**

Primary impairment		Total		Age					Average age
				18-24	25-35	35-44	45-54	55-pension age	
<b>Total</b>		<b>214,749</b>		<b>15,073</b>	<b>30,650</b>	<b>38,707</b>	<b>52,795</b>	<b>77,524</b>	<b>47.3</b>
		<b>100%</b>		<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	
Mental	Psychotic disorders	43,376	20.2%	20.5%	28.8%	28.6%	20.8%	12.1%	43.6
	Psychoneurotic impairments	26,803	12.5%	13.5%	14.5%	14.6%	14.4%	9.1%	45.2
Mental retardation		22,447	10.5%	25.9%	20.5%	14.1%	7.5%	3.6%	38.1
Internal		51,327	23.9%	8.5%	8.8%	13.7%	23.5%	38.2%	53.9
Urogenital		7,138	3.3%	1.4%	1.5%	2.4%	3.7%	4.6%	52.1
Neurological		27,664	12.9%	15.5%	13.3%	12.3%	11.6%	13.3%	47.1
Locomotor		17,648	8.2%	4.7%	4.8%	7.0%	9.5%	10.0%	50.4
Sensory	Sight	10,845	5.1%	5.0%	4.6%	4.7%	4.9%	5.5%	48.1
	Hearing	4,892	2.3%	4.7%	2.7%	2.0%	1.9%	2.1%	44.6
Other		2,609	1.2%	0.3%	0.4%	0.6%	2.1%	1.4%	52.0

**Table 6**  
**Disability Pension Recipients by Family Status and Number of Dependents**  
**(absolute numbers and percentages), December 2011**

Family status		Total		Dependents					
				Individual	Child	2 children	Spouse	Spouse + child	Spouse + 2 children
<b>Total</b>		<b>214,749</b>		<b>141,967</b>	<b>16,079</b>	<b>18,357</b>	<b>16,621</b>	<b>6,790</b>	<b>14,935</b>
		<b>100%</b>		<b>66.1%</b>	<b>7.5%</b>	<b>8.5%</b>	<b>7.7%</b>	<b>3.2%</b>	<b>7.0%</b>
Married	Total	102,943	47.9%	42,556	9,247	13,212	16,492	6,688	14,748
	Men	62,797	29.2%	21,105	3,293	4,277	14,708	5,887	13,527
	Employed wives	23,716	11.0%	12,168	3,434	4,308	1,784	801	1,221
	Housewives	16,430	7.7%	9,283	2,520	4,627	.	.	.
Unmarried	Total	111,806	52.1%	99,411	6,832	5,145	129	102	187
	Men	61,693	28.7%	56,368	2,691	2,258	109	92	175
	Employed women	50,113	23.3%	43,043	4,141	2,887	20	10	12

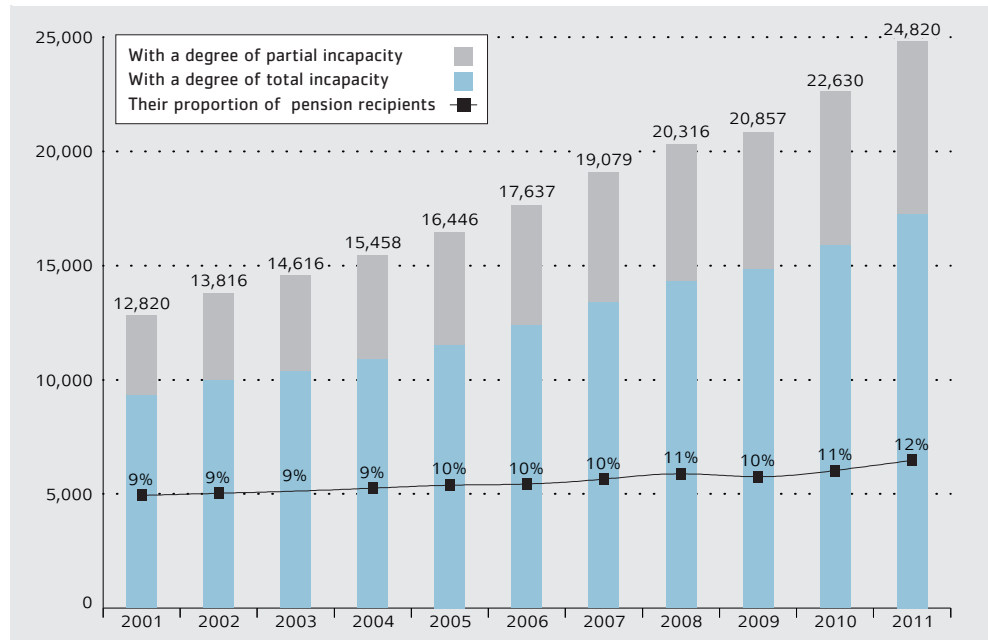
image. The Organization for Economic Cooperation and Development (OECD), which Israel joined recently, stresses in its policy statement the need to encourage recipients of disability pension to integrate in the labor market and overcome the employment barrier. This determination is based on the argument that a large percentage of pension recipients have at least a partial capacity to work that is not utilized for several reasons:

(a) their disabilities put them at a disadvantage in the competitive job market; (b) Many workplaces are not accessible or suited to the disabled; (c) Aside from the pension, pension recipients are entitled to various benefits from other public bodies that can be worth a considerable amount of money. The concern of losing these benefits prevents some disabled people from seeking work.

Graph 3 shows the number of pension recipients who are employed and their percentage among all pension recipients. The low rate of workforce participation by the disabled is one of the significant problems faced by Israeli policymakers. It is still too early to draw conclusions regarding the effect of the Laron Commission on the rate of labor market participation, primarily due to the qualifying period required by the law. However, the above graph illustrates the problem that policy-makers have been contending with in Israel. During the last decade, an average of only 10% of all disability pension recipients have been actively participating in the labor market, though over the past two years a mild uptrend has been observed, possibly as a result of the legislative amendment. Likewise, one can see that the proportion of pension recipients with a partial disability ranking who are employed is high compared to their share out of all pension recipients. Those who support the current earning capacity test argue that it offers a reasonable prediction of the disabled person's ability to find work. It is certainly possible that the pension level has no small influence on the chances of joining the workforce.

During the last decade, an average of only 10% of all disability pension recipients have been actively participating in the labor market, though over the past two years a mild uptrend has been observed

**Graph 3**  
**Disability Pension Recipients Who Are Employed<sup>19</sup>, 2001-2011**



<sup>19</sup> This data includes information that is reported or that is known to the branch, inter alia, with regard to disabled persons employed in sheltered or supported employment.

## Multi-variable Analysis: The Odds of a Disabled Person to Receive a Disability Pension

As part of efforts to compile a profile of the typical disabled person who receives a monthly disability pension from the National Insurance Institute, and with an eye toward assessing the financial stability of the NII given the recent demographic changes in Israel, a multivariate analysis (logistic regression) was conducted, through which we tried to estimate the probability of a person who is not presently receiving a disability pension to begin receiving one in the following year,<sup>1</sup> as well as the relative odds of various population groups to receive a pension.

### Methodology

The conditions of entitlement to a disability pension include the disabled person's employment situation, regarding which the NII receives a report about 18 months after the end of the tax year.<sup>2</sup> That being the case, it was decided to base the regression on the population data of 2009.

The disability pension is aimed to guarantee a minimal level of subsistence for those whose earning capacity has been diminished as a result of their disability. Only Israeli residents of working age, as defined by law (men aged 18–67 and women aged 18–62) may be eligible for a disability pension. Thus, only those who were Israeli residents of working age in 2010 were included in the regression. In the second stage, those who received a disability pension in 2009 were removed from this population, thereby remaining only with those with the potential to become pension recipients in 2010.

The following stage consisted of marking the new recipients of the disability pension in 2010 from among the relevant population, by using a binary variable. Demographic and financial data liable to influence the chances of receiving a pension were collected. Finally, given the large size of the group, a random sample of 10% of the relevant population was taken.<sup>3</sup> In the final analysis, the regression was based on a sample of 408,376 persons, of whom 1,945 joined the ranks of disability pension recipients in 2010.

The following variables were used in the regression:

- Gender – a dummy variable that received a value of 1 for men and 0 for women.
- Age – a discontinuous variable that received a different value for each age.
- Nationality – a dummy variable that received a value of 1 for Arabs and 0 for Jews and all others.

1 It's important to emphasize that the regression does not examine the probability of a person becoming disabled, but rather the probability of his beginning to receive a disability pension (to which medical condition is only one of the criteria of entitlement).

2 The employment and income data are produced by the Israel Tax Authority and are based on reported incomes for all workers, both salaried and self-employed.

3 The data on the population were arranged according to gender and age (from younger to older) so that every tenth person was actually included in the sampling.

- Haredi<sup>4</sup> (ultra-Orthodox) – a dummy variable that received a value of 1 for Haredi and 0 for all others.
- New immigrant – a dummy variable that received a value of 1 for a resident who immigrated to Israel in 1990 or later and 0 for all others.
- Monthly salary – a continuous variable that includes a person's total average monthly income from work in 2009, as reported to the Israel Tax Authority.
- Economic field – a dummy variable that receives a different value for each field as defined by the Central Bureau of Statistics.<sup>5</sup>

### The Results of the Theoretical Statistics

- In 2010, some 20,000 people began receiving disability pension, out of more than four million people of working age – i.e., 0.5% of the relevant population.
- The proportion of men who started getting a pension in 2010 was 11% greater than their proportion of the potential population, and the proportion of Arabs who started to get a pension was 8% of their relative size in the relevant population. These findings correspond to nationwide morbidity data.
- As expected, the proportion of new recipients rises with age: the proportion of those new recipients who are age 20 is 50% lower than their proportion of the population, while the proportion of those aged 60 is 260% higher than their relative weight in the population. These findings correspond to both national and worldwide morbidity data.
- The proportion of employed people who started to receive a pension was 17.1% lower than their proportion in the population. This is because income from work is one of the criteria of entitlement to a disability pension.
- The proportion of new immigrants who started to receive pensions was 15.5% higher than their proportion in the population. This can be explained, inter alia, by their relatively high ages and the difficulty they have entering the workforce.

### The Results of the Regression<sup>6</sup>

Aside from the independent variables for every category, the model included interactive variables. Following are the main results of the odds-ratio obtained for the different values that each of the variables received.

- Except for those aged 18-19 – a group that includes numerous teenagers who stop receiving benefit for disabled child and begin receiving disability pension – the

4 The definition of a Haredi that was used appears in the study “The influence of the level of child allowances on fertility rates,” the Research and Planning Administration, National Insurance Institute, Appendix 1 pages 55-58, October 2010.

5 A person who worked in more than one place was associated with that in which he received the higher salary.

6 The results of the regression verify the conclusions reached from the theoretical statistics analysis.

odds of being among those who begin receive a disability pension rise with age. If age is related to as a continuous variable, its influence increases with age at an increasing pace (that is, a concave curve). If, on the other hand, age is related to as a dummy variable, then until age 44 the marginal addition to the odds is negative, while from age 45, the marginal addition is positive, so that just before retirement age the relative chances of receiving a disability pension are 250% than those of a young person.

- The chances of a man starting to get a disability pension are 33% higher than those of a woman, when all other variables are identical.
- The chances of an Arab man starting to get a disability pension are 17% higher than those of a Jewish man and 47% higher than those of an Arab woman, due to the high morbidity rate among Arab Israelis, as reported in various Health Ministry publications. It's possible that the low odds of Arab women joining the ranks of the disabled stems from the fact that they are mainly housewives.
- Among the Haredi community, the relative odds of a woman receiving a disability pension are 23% higher than those of a man.
- The chances of a woman who immigrated to Israel after January 1990 becoming a disability pension recipient are 29% higher than those of a woman who was born in Israel or moved to the country earlier, and 30% higher than those of a man who immigrated to Israel during that period.
- The chances of a person who earns a salary equal to the average wage of becoming a disability pension recipient is 64% lower than those of a person who is not working and 46% lower than those of a person who earns the minimum wage. This highlights the fact that the disability pension has become a replacement for wages among the poorer populations in Israel, particularly when one takes into account the value of the various other benefits to which disability pension recipients are entitled.
- Unemployed persons and persons employed in agriculture or manufacturing have a higher marginal probability of getting a disability pension than those employed in banking and in public service.<sup>7</sup> It seems that the physical effort invested in one's work influences the odds of joining the ranks of disability pension recipients.

.....  
7 It's important to note that this is not a statistically significant result.

## C. The attendance allowance

### 1. Main points of the law

An attendance allowance is paid to eligible insureds who live in Israel and who need the assistance of another person to perform daily activities (dressing, eating, bathing, mobility



and the like), or who need constant supervision to prevent a danger to themselves or to others.<sup>20</sup>

Also eligible for this allowance are those who require dialysis (at least twice a week), those who are undergoing cancer treatments and require the assistance of another (at least 12 days a month), and anyone who has undergone an organ transplant (kidney, heart, pancreas, lung, liver) or a bone marrow transplant. Blind people who have been given at least a 90% medical disability rating and who live alone or with a blind spouse, or who are blind and also have at least a 50% hearing impairment, are also entitled to an allowance.

The following conditions<sup>21</sup> must be present to qualify for this allowance, so long as the applicant has not reached retirement age before submitting the claim:

- Disability pension recipients are entitled to an attendance allowance if their medical disability degree is 60% or more (in the impairment clauses recognized for the attendance allowance), on the condition they are not receiving any special benefits for work injuries or a payment for personal care or household help under another law.
- An insured who has been determined to have a medical disability degree that is least 75% but is not receiving a disability pension is entitled to a special attendance allowance, on the condition that he is not receiving any special benefits for work injuries or a payment for personal care or household help under another law, and his income from employment is not higher than 5 times the average wage (NIS 41,535 in 2011).
- Someone receiving benefits under the Mobility Agreement is eligible for an attendance allowance if a medical committee determined that he has a mobility limitation degree of 100% or he needs and uses a wheelchair or is confined to bed.

Someone who is hospitalized in an institution in which he is receiving medical service, long-term care or rehabilitation is not entitled to an attendance allowance.

New immigrants (who hold an immigration certificate) who are in the country less than a year are entitled to an immigrant attendance allowance. Similarly, a disabled person who was eligible for an attendance allowance before reaching retirement age is entitled, upon reaching retirement age, to choose between continuing to receive the attendance allowance or receiving a long-term care benefit, generally whichever is higher.

There are three levels of attendance allowance, which are determined by how dependent the disabled person is on another's assistance. The level of the allowance is set as a proportion of the full disability pension for an individual (which is 25% of the average wage).

In addition, those eligible for the allowance are also eligible for a special increment if they: (a) need a great deal of assistance with most daily tasks most hours of the day. Such

.....  
 20 Similar to the eligibility criteria under the Long-Term Care Insurance Law, Section 223 of the National Insurance Law, (Consolidated Version) 5755-1995

21 National Insurance Regulations (Disability Insurance) (Providing Attendance Allowance) 5739-1978.



people will receive a basic attendance allowance of 50% of a full disability pension, NIS 1,033, and an increment of NIS 289. (b) need a great deal of assistance with all daily tasks during most hours of the day. Such insureds will receive a basic attendance allowance at a rate of 105% -- NIS 2,168 -- and an increment of NIS 589. (c) are totally dependent on the assistance of another for all daily tasks during all hours of the day or night. Such insureds are entitled to a basic attendance allowance of 175%<sup>22</sup> of a full disability pension -- NIS 3,614 -- and to an increment of NIS 878. All amounts are correct for 2011.

## 2. Recipients of attendance allowance

In December 2011, 36,098 people received an attendance allowance -- 6% more than the parallel month in 2010. An examination of Tables 3 and 7 shows that most recipients of the attendance allowance receive more than one benefit from the NII. Some 76% of them also receive a disability pension, while another 20% receive an old-age pension.

The data show that the number of those eligible for an attendance allowance goes up with age (the average age of recipients is 52). One can also note the mild rise in the number of elderly among the allowance recipients who chose to continue to receive the attendance allowance rather than a long-term care benefit -- except in the year 2010 (20% today compared to 19%). One explanation for this could be the ongoing drop in Israel's mortality rates.<sup>23</sup>

In December 2011, 36,098 people received an attendance allowance -- 6% more than the parallel month in 2010

**Table 7**  
**Attendance Allowance Recipients by Eligibility Category, Gender and Age**  
**(absolute numbers and percentages), December 2011**

Eligibility category	Gender	Total		Age					
		Absolute numbers	Percentages	18-24	25-34	35-44	45-54	55-64	65 +
Total	Absolute numbers	36,098		2,946	3,556	4,097	6,240	12,264	6,995
	Percentages		100%	100%	100%	100%	100%	100%	100%
Regular attendance allowance	Total	27,416	76%	100%	98%	95%	93%	79%	23%
	Men	15,292	42%	59%	53%	47%	44%	45%	23%
	Women	12,124	34%	41%	45%	48%	49%	35%	0%
Special attendance allowance	Total	1,503	4%	0%	2%	5%	7%	6%	1%
	Men	871	2%	0%	1%	3%	3%	4%	1%
	Women	632	2%	0%	1%	3%	4%	2%	0%
Attendance allowance for the elderly	Total	7,179	20%	.	.	.	.	15%	76%
	Men	3,059	8%	.	.	.	.	.	44%
	Women	4,120	11%	.	.	.	.	15%	33%

22 These allowance rates are being paid since January 2009. Until then, the allowance rates were 50%, 100%, and 150%, respectively.

23 As per the findings of the study entitled Leading Causes of Death in Israel, published by the Health Ministry, July 2011.

**Table 8**  
**Attendance Allowance Recipients by Eligibility Grounds and Level of Eligibility (absolute numbers and percentages), December 2011**

Grounds for Eligibility		Total		Level of eligibility		
		Absolute numbers	Percentages	50%	105%	175%
<b>Total</b>	<b>Absolute numbers</b>	<b>36,098</b>		<b>18,607</b>	<b>9,854</b>	<b>7,637</b>
	<b>Percentages</b>		<b>100%</b>	<b>52%</b>	<b>27%</b>	<b>21%</b>
Are dependent on assistance from others		31,287	100%	44%	31%	24%
Require dialysis		2,532	100%	100%	.	.
Active cancer treatment		748	100%	100%	.	.
Visually impaired		1,270	100%	100%	.	.
Visually and hearing impaired		95	100%	100%	.	.
Underwent bone marrow transplant		99	100%	100%	.	.
Underwent organ transplant		67	100%	100%	.	.

As noted, attendance allowance recipients are divided into three levels of entitlement. Table 8 shows the ground for eligibility and the eligibility level of attendance allowance recipients, and reveals that slightly less than 87% of the allowance recipients are dependent on others for assistance with daily tasks (31,287 of 36,098), and another 10% are entitled to the allowance because they had undergone a special medical treatment.<sup>24</sup>

By law, not all types of impairments are taken into account when determining eligibility for an attendance allowance, and the minimum medical disability degree to qualify is 60%. Table 9 shows the distribution of impairments suffered by those receiving an attendance allowance and the degree of disability assigned to them.<sup>25</sup>

As can be seen, the impairments of those receiving an attendance allowance are different from those suffered by disability pension recipients (Table 5). Recipients of an attendance allowance generally suffer from neurological or internal problems and only a few suffer from mental impairments or retardation. The medical conditions of attendance allowance recipients are more serious than those of disability pension recipients: some 60% have a medical disability classification of 100%, as opposed to only 17% of those receiving a disability pension.<sup>26</sup>

24 It should be noted that the attendance allowance recipients who have one of the automatic grounds (those who are blind or are disabled and underwent special medical treatment) and their serious medical condition entitles them to a higher allowance than that set by the regulations are counted among those dependent on others.

25 The medical disability degree shown is taken into account for determining eligibility for an attendance allowance.

26 See Table F/1 in the Appendix.

**Table 9**  
**Attendance Allowance Recipients by Primary Impairment and Medical Disability Degree (absolute numbers and percentages), December 2011**

Primary impairment	Total		Medical disability degree			
	Absolute numbers	Percentages	60-69	70-79	80-89	90-100
<b>Total</b>	<b>36,098</b>	<b>100%</b>	<b>3,551</b>	<b>5,055</b>	<b>6,161</b>	<b>21,331</b>
Mental	2,682	7.4%	15.3%	23.2%	6.7%	2.6%
Retardation	3,343	9.3%	25.6%	20.7%	8.9%	3.9%
Internal	8,064	22.3%	9.5%	12.5%	18.8%	27.8%
Urogenital	3,033	8.4%	2.2%	1.6%	2.5%	12.7%
Neurological	12,918	35.8%	30.1%	30.3%	46.9%	34.8%
Locomotor	3,049	8.4%	14.8%	9.9%	13.9%	5.5%
Sensory	2,914	8.1%	1.5%	1.3%	1.9%	12.6%
Other	95	0.3%	1.0%	0.3%	0.4%	0.1%

## D. Benefit for disabled child

### 1. Main points of the law

The benefit for disabled child aims to assist families with a disabled child to bear the difficult burden of the child's personal and nursing care, or with any other treatment intended to improve the child's functioning, as well as to encourage families to care for their disabled children within the framework of the home and community.

The process of qualifying for the benefit has two stages: During the first stage, a claims clerk confirms that the family meets the preliminary conditions for eligibility: that the child, as defined by the National Insurance Law, is under 18; that he is the child of an insured (or of an insured who died when he was an Israeli resident<sup>27</sup>), and that he has not been placed in foster care<sup>28</sup> or in an institution (in a dormitory setting in which medical, nursing care or rehabilitation services are provided<sup>29</sup>). During the second stage, an NII-authorized pediatrician examines the child and determines whether he meets one of the following conditions<sup>30</sup>:

- That the child is dependent on the assistance of others: A child who is at least three years old and as the result of an illness, syndrome, accident or birth defect is depen-

27 Including stepchildren or adopted children who are under 18.

28 A family caring for a foster child with special needs is entitled to support from the Welfare and Social Services Ministry.

29 Except in special cases, in which the child is in an institution and the parents are covering all the expenses of maintaining him there.

30 Under the National Insurance Regulations (Disabled Child), 5770-2010, Section 1: Definitions.

dent on the assistance of others to carry out daily activities (dressing, eating, bathing, personal hygiene and mobility at home) in a manner that exceeds what could be expected for a child his age.

- The child needs constant supervision: A child at least 90 days old, and who because of a serious medical impairment, chronic illness, serious behavior disorder or mental deficiency cannot be left without supervision to prevent him from endangering himself and/or others.
- A child with a specific deficiency listed in the regulations<sup>31</sup>: who suffers from a developmental disability; needs assistance in communicating; has a hearing impairment; has a visual impairment; has autism or psychosis; or has Down syndrome.
- The child needs special medical treatment: a child at least 90 days old who, because of a chronic illness, needs special medical treatment (as detailed in the law).

In October 2010 the NII began to implement the recommendations of the Or-Noy Committee which had analyzed the eligibility criteria for a benefit for disabled child and proposed changes to them. As a result of the recommendations, children needing special medical treatments became eligible for the benefit. The rate of the benefit for some of the eligibility grounds was also changed, and the maintenance increment and the school assistance increment were unified and set at the rate of 20% of the full disability pension.

Under the Disabled Child Regulations, the amount of the benefit is calculated as a percentage of a full disability pension for an individual for each category of impairment.<sup>32</sup> A child who meets more than one eligibility criterion receives only one benefit for the criterion that confers the highest rate.

In 2011 the basic monthly benefit for a child receiving it at a rate of 100% was NIS 2,060. For children who spend most of their time at school or who are treated in an educational framework that deals with functional or developmental problems stemming from their impairments, an additional benefit is paid at the rate of 20% of a full individual pension. Since 2002, children who receive at least 80% of the basic benefit<sup>33</sup> are entitled to another increment equal to 17% of a full individual benefit, which came to NIS 351 a month in 2011. A family with two or more disabled children is eligible for an increased payment of 50% for each of their disabled children (based on the rate of benefit received for each child). A family that has two disabled children, one of whom is not entitled to a benefit because he is in an institution or has turned 18, will still receive the enhanced benefit for the remaining eligible child.

.....

31 A child found eligible for a benefit in this category can receive the benefit for disabled child from the date of birth.

32 As opposed to the disability pension, in which the level of the benefit is set for each disabled person individually, there is no difference between those receiving the benefit for disabled child on the same grounds. The rates of the benefit appear in the National Insurance Regulations (Disabled Child), 5770-2010, Section 2: Benefit for Special Arrangements.

33 Not including the studies increment.

In 2011 the basic monthly benefit for a child receiving it at a rate of 100% was NIS 2,060. For children who spend most of their time at school or who are treated in an educational framework that deals with functional or developmental problems stemming from their impairments, an additional benefit is paid at the rate of 20% of a full individual pension

When disabled children reach the age of 18 and can potentially qualify for a disability pension or attendance allowance, the NII automatically initiates an application to obtain their rights to these benefits and will pay the benefit for disabled child for an additional three months.

## 2. Recipients of benefit for disabled child

In December 2011, 30,396 children were receiving a benefit for disabled child – an increase of 8.5% over 2010. This increase is 60% higher than the average rate of annual increase during the previous five years and four times as high as the average annual increase in Israel's child population (which is 2.1%). The main reason for the increase is that it was the first full year during which the Or-Noy amendments were implemented, which eased the eligibility conditions. One also sees that the primary qualifying ages are 6-13, due to the benefit eligibility criteria that evaluate the child in relation to the differences involved in caring for him compared to what is accepted among children his age<sup>34</sup>, as well as to the minimum age set in the regulations for some of the grounds for eligibility.

Table 11 shows the distribution of benefit recipients by age and eligibility grounds while distinguishing between children who are studying and those who are not. Three-quarters of those receiving the benefit for disabled child are in an educational framework, where an attempt is made to provide them with as normal a way of life as possible. One also sees that most of the children not in an educational framework are children younger than 3 or children who are suffering from impairments that require special medical treatment, presumably due to their illness.

The grounds for eligibility and the recipients' level of benefit in December 2011 are shown in Table 12. From the table it emerges that some 26% of recipients of benefit for

**Table 10**  
**Disabled Child Recipients, by Age**  
**(absolute numbers and percentages), 2006-2011**

Year	Total	Age				
		Till 3	3-5	6-9	10-13	14-17
2006	22,601	8.5%	18.0%	27.1%	24.5%	21.9%
2007	24,248	8.3%	18.4%	26.9%	24.4%	21.9%
2008	25,418	7.9%	18.1%	27.0%	25.0%	22.1%
2009	26,633	7.5%	17.2%	27.1%	25.6%	22.7%
2010	28,016	7.7%	16.8%	27.0%	25.7%	22.7%
2011	30,396	7.3%	16.5%	26.6%	25.9%	23.7%

34 As a result of the child's natural development, the influence of his impairment is felt primarily when he is a young child and diminishes as he matures.

**Table 11**  
**Disabled Child Recipients, by Eligibility Grounds, Educational Situation and Age**  
**(absolute numbers and percentages), December 2011**

		Total	Age				
			Up to age 3	3-5	6-9	10-13	14-17
<b>Eligibility grounds</b>		<b>30,396</b>	<b>2,234</b>	<b>5,008</b>	<b>8,089</b>	<b>7,872</b>	<b>7,193</b>
		<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
Studying	Total	74%	51%	73%	74%	71%	86%
	Children with special impairment	37%	47%	43%	37%	31%	38%
	Children who need constant attendance or supervision	8%	2%	8%	8%	8%	8%
	Children who need special medical treatment	7%	2%	5%	7%	8%	9%
	Children dependent on assistance from others	22%	.	18%	23%	24%	30%
Not Studying	Total	26%	49%	27%	26%	29%	14%
	Children with special impairment	11%	16%	9%	14%	13%	6%
	Children who need constant attendance or supervision	2%	6%	3%	2%	1%	1%
	Children who need special medical treatment	9%	27%	13%	8%	7%	4%
	Children dependent on assistance from others	4%	.	2%	3%	7%	4%

Some 26% of recipients of benefit for disabled child are either substantially or totally dependent on the assistance of another, and 9.5% need constant supervision

disabled child are either substantially or totally dependent on the assistance of another, and 9.5% need constant supervision. One can also see the link between eligibility grounds and level of benefit, such that in exceptional cases – as the result of an additional impairment or two disabled children in a family – one can see that the children's rate of benefit is higher than what is set in the regulations.

There are 3,594 children who became eligible for a benefit as a result of a new cause; 45% of them are new beneficiaries while the rest are children who moved within the system from one grounds to another – most of them due to diabetes or to a state of needing constant attendance or supervision.

Taking care of a child with special needs poses difficulties for the parents, and caring for more than one disabled child increases the difficulty many times over. An examination found that there are 2,004 families in which there is more than one child receiving a benefit for disabled child from the NII (a total of 4,318 children). The distribution of common impairments among these children isn't surprising; most are congenital impairments. In 26% of these families the children suffer from hearing problems, another 21% have children with autism, 6% have vision problems and in 31% of these families the children are dependent on the assistance of others or need constant attendance.

**Table 12**  
**Benefit for Disabled Child Recipients, by Eligibility Grounds\*, and Level of Benefit**  
**(absolute numbers and percentages), December 2006-2011**

Grounds for eligibility		Total	Benefit level	
			Less than 100%	100% or more
<b>Total</b>		<b>30,396</b>	<b>25%</b>	<b>75%</b>
Children dependent on the assistance of others	Total	7,947	54%	46%
	Totally dependent on others**	4,678	23%	77%
	Substantially dependent on others	3,269	98%	2%
Children who need constant attendance or supervision		2,893	25%	75%
Children with a special impairment	Total	14,715	11%	89%
	Hearing impairment	3,939	6%	94%
	Autism spectrum	8,075	3%	97%
	Visual impairment	1,156	5%	95%
	Help with communicating	161	93%	7%
	Developmental delay	523	26%	74%
	Down syndrome	861	99%	1%
	Total	4,841	19%	81%
Children who need special medical treatment	Limb impairment	123	.	100%
	Malignancy	617	.	100%
	Bone impairment	126	.	100%
	Three treatments	755	.	100%
	Rare syndrome	404	.	100%
	Respiratory treatment	260	.	100%
	Tube feeding	610	.	100%
	Uncontrollable appetite	61	.	100%
	Urinary tract impairment	398	.	100%
	Constant testing outside the home	587	.	100%
Diabetes	900	100%	.	

\* In instances where the child is eligible for a benefit for more than one impairment, the impairment conferring the highest rate of benefit is used. A full presentation of the impairment combinations can be found in the Appendix of Insurance Branch Tables, Table F/3.

\*\* In January 2012 an amendment to the law passed under which children who are totally dependent on the assistance of others will be eligible for a benefit at the rate of 108% (as opposed to 80% previously).

## E. Benefit for disabled persons with limited mobility

### 1. Main points of the law

The mobility allowance provides benefits to disabled persons who have leg impairments that limit their mobility.<sup>35</sup> The allowance is financed by the Finance Ministry under an agreement between the ministry and the NII.

35 Subject to the list of impairments that appear in Addition A to the Mobility Agreement.



A disabled person with limited mobility is an Israeli resident<sup>36</sup>, age 3 to retirement age,<sup>37</sup> to whom a Health Ministry medical committee has assigned a mobility limitation degree of at least 40%, for those who have a valid driver's license, or a degree of 60% or more for those who do not have a driver's license.

Limited mobility assistance includes the following benefits:

- A monthly allowance – to subsidize the costs of vehicle use<sup>38</sup> (for car owners) and/or mobility (for those without a vehicle)<sup>39</sup>. A person whose home is more than a 40-kilometer round trip from his workplace is eligible for an increment to the allowance. A full allowance is granted only to those of limited mobility defined as employed.<sup>40</sup>
- A standing loan – given to the buyer of a new vehicle, to fully or partially finance the taxes on it. The loan is returned to the NII when the car is sold (subject to the relevant rules)<sup>41</sup>. The amount of the loan is equal to the sum of the taxes that apply to the “regular vehicle” (as defined by law), that was set for the disabled person and not more than the sum of those taxes.
- A loan fund – someone whom a medical committee has determined needs and uses a wheelchair and the Health Ministry's Medical Institute for Road Safety has determined that he needs a specially accessorized vehicle<sup>42</sup>, or he has a limited mobility rating of at least 90%, has a driver's license and is studying/working/undergoing rehabilitation, is eligible for assistance in buying the first vehicle at the rate of 80% of the vehicle's value, without taxes<sup>43</sup>.
- A loan for buying and installing vehicle accessories<sup>44</sup> – Whoever needs and uses a wheelchair is eligible for a loan to finance the special accessories he needs to use the vehicle, if the Medical Institute for Road Safety has determined that he needs a specially accessorized vehicle and to help him buy a lift mechanism, if he already owns an appropriate vehicle.

36 In contrast to other benefits, mobility allowance recipients need not be insured by the NII.

37 Retirement age with regard to the mobility allowance is the conditional retirement age set for men, with no distinction between men and women, i.e., 67.

38 Expenses for fuel, car insurance, and special accessories, repairs, service and window protection.

39 The allowance is updated from time to time as the costs of car maintenance increase.

40 An employed person with limited mobility is someone who works and earns at least 25% of the average wage or who has an 80% or more limited mobility rating and/or he is eligible for the installation of special accessories. A person with limited mobility who is not employed receives 50% of a full allowance.

41 A standing loan to replace a vehicle will be given to a disabled person with a driver's license only if 42 months have passed since he received the previous such loan; a person with limited mobility who doesn't have a driver's license will receive it only if 48 months have passed. An owner of a vehicle with special accessories will receive the loan only if 60 months have passed since the last standing loan.

42 A “specially accessorized vehicle” is a vehicle in which one can place a wheelchair or that one can drive while sitting in a wheelchair.

43 These sums turn into a grant after five years.

44 The loan is for 95% of the value of the accessories and the cost of installing them, including the taxes that apply to them. The loan is given solely for new accessories.



- Reimbursement of expenses for buying and installing accessories in a private car – A person of limited mobility who has a valid drivers license for whom the Medical Institute for Road Safety determined that he needs additional accessories to use the car and to travel safely, is entitled to be reimbursed for the costs incurred in installing these accessories.

It should be noted that the benefits given to a person of limited mobility are not stopped when he reaches retirement age, but in instances where he would be entitled to subsidies for mobility expenses under other laws, he loses his eligibility for benefits under the Mobility Agreement.

Under the Mobility Agreement, one is eligible for double benefits in the following instances: (a) If someone receives an attendance allowance at a rate of less than 100% and he has not been rated as having 100% limited mobility or if he does not need and use a wheelchair. (b) For a child who receives a benefit for disabled child but had not been given a limited mobility rating higher than 80%, or that he does not need or use a wheelchair.

Since 1999, recipients of a benefit for disabled child, who are age 3 and over, whose limited mobility rating is at least 80% or whom a medical committee has determined needs a wheelchair and uses one, can also receive a mobility allowance.

A family with two or more children, each of whom has been given at least an 80% limited mobility rating or it has been determined that they cannot walk on their own, and they live in the same apartment, may be eligible for both the benefit for disabled child and the benefits under the Mobility Agreement even if either of the children is less than 3 years old.

## 2. Recipients of mobility allowances

In December 2011, 33,656 people were entitled to benefits under the Mobility Agreement – an increase of 4.2% over 2010. As was seen from Tables 2 and 3, 69% of the mobility allowance recipients also receive another benefit from the Disability branch, and 1,936 are eligible for a permanent disability pension from the Work Injury branch. One can assume that the rest of those with limited mobility, who are not receiving another disability benefit, earn relatively high wages from their work or had to give up on another benefit in order to receive the mobility allowance.

The limited mobility allowance is aimed at enabling its recipients to carry on a normal life, including integration in the workplace. In addition, those of limited mobility who live more than a 40-kilometer round trip from their workplace are entitled to an increment to compensate them for the additional gasoline expense. Despite this, only 17.5% of mobility allowance recipients work. Of those who work, 17% receive the increment paid for the extra distance between their home and workplace.

In December 2011, 33,656 people were entitled to benefits under the Mobility Agreement – an increase of 4.2% over 2010

Some 81% of those with limited mobility are entitled to a benefit as car owners, and some 37% of them have a small car (with an engine size up to 1300 cc.)

As explained above, the scope of the benefits paid to a person of limited mobility depends on whether or not he owns a car, the size of the car allotted to him (classified by engine size) and his degree of independence (whether he drives himself or not). As can be seen from Table 13, some 81% of those with limited mobility are entitled to a benefit as car owners, and some 37% of them have a small car (with an engine size up to 1300 cc.) Similarly, one can see that slightly more than 72% of those with limited mobility who own a car drive it themselves. Among those who own a van this is not the case: Though they use it, they do not drive it but sit in it in a wheelchair, as a result of their serious medical condition.

Graph 4 below show the ratio of those who own private cars and those who own cars with special accessories among the total number of recipients who receive the allowance as car owners. In recent years the rate of disabled persons who own a private car has dropped, while the proportion of those owning a vehicle with special accessories has increased. The increase is the result of, inter alia, the scope of benefits given to those who own vehicles with special accessories. This phenomenon has a direct influence on the public outlay for Mobility insurance.

Table 14 shows the impairment categories and the ages of those with limited mobility who are receiving the allowance. What stands out is the fact that 27% of recipients are not of working age, half of them children. One also sees that most recipients suffer from paralysis in their lower limbs, and that the younger they are, the higher the percentage of those who are rehabilitated and the lower the proportion of those suffering from other impairments. Among children, most suffer from congenital defects while among adults there is a greater share of those suffering from limitations that developed over time.

By examining the central points of the law it is understood that the degree of dependence experienced by a wheelchair-bound person has a decisive influence on his

**Table 13**  
**Recipients of a Mobility Allowance by Car Ownership, Size of Car and Driving Status (absolute numbers and percentages), December 2011**

Car Ownership	Engine size	Total		Driver	Non-driver
		Absolute numbers	Percentages		
Total	Absolute numbers	33,656		19,810	13,846
	Percentages		100%	59%	41%
Car owner	1300	10,004	100%	79%	21%
	1800	9,591	100%	89%	11%
	2000	1,530	100%	81%	19%
	2500	343	100%	96%	4%
	Van	5,864	100%	31%	69%
Has no car		6,324	100%	0%	100%

Graph 4

The Proportion of Owners of Private Cars and Specially Accessorized Vehicles Among the Disabled Who Own Vehicles, 2006-2011

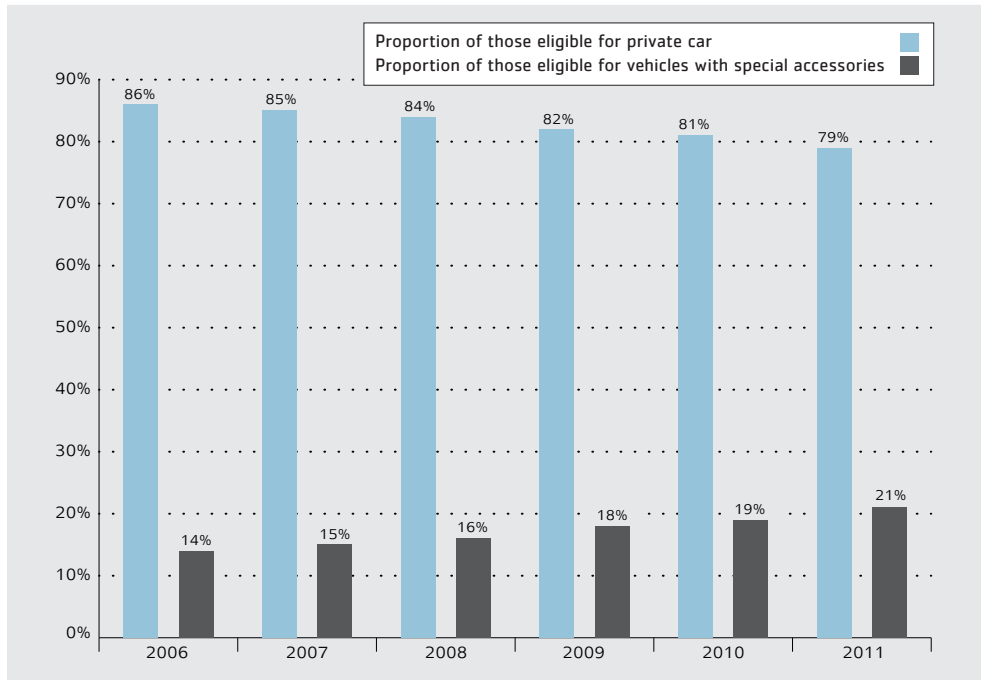


Table 14

Recipients of a Mobility Benefit by Primary Impairment and Age (absolute numbers and percentages), December 2011

Primary impairment	Total		Age						
	Absolute numbers	Percentages	3-17	18-29	30-39	40-49	50-59	60-66	67 and older
<b>Total</b>	<b>33,656</b>		<b>4,292</b>	<b>3,139</b>	<b>3,181</b>	<b>3,833</b>	<b>7,107</b>	<b>7,306</b>	<b>4,798</b>
		<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
Paralysis	22,207	66%	96%	85%	73%	63%	62%	58%	42%
Limited joint mobility	4,036	12%	1%	5%	10%	13%	13%	16%	19%
Arterial insufficiency	1,902	6%	0%	0%	1%	2%	6%	9%	14%
Amputation	1,441	4%	1%	2%	5%	5%	5%	5%	6%
Sprains	1,297	4%	1%	2%	5%	6%	5%	4%	4%
Artificial joints	1,320	4%	0%	1%	3%	5%	5%	4%	8%
Sclerosis	946	3%	0%	1%	2%	3%	3%	3%	6%
Other	507	2%	2%	3%	2%	2%	1%	1%	1%

**Table 15**  
**Recipients of a Mobility Benefit by Gender, Wheelchair Use and Degree**  
**of Mobility Limitation (absolute numbers and percentages),**  
**December 2011**

Gender	Total		Mobility limitation					
	Absolute numbers	Percentages	40-49	50-59	60-69	70-79	80-89	90-100
<b>Total</b>	<b>33,656</b>	<b>100%</b>	<b>2,886</b>	<b>3,423</b>	<b>2,746</b>	<b>3,835</b>	<b>8,917</b>	<b>11,849</b>
Men	21,025	100%	10%	11%	8%	12%	26%	33%
thereof: need and use a wheelchair	8,167	100%	1%	1%	3%	3%	22%	70%
Women	12,631	100%	6%	9%	8%	11%	26%	40%
thereof: need and use a wheelchair	5,900	100%	1%	1%	3%	3%	20%	72%

mobility rating and on the size of the vehicle set for him. A look at Table 15 shows that determining whether a disabled person needs and uses a wheelchair indeed has great influence on the limited mobility rating: some 71% of those of limited mobility, both men and women, who need and use a wheelchair, have a degree of mobility limitation of between 90% and 100%.

## F. Benefits to radiation-affected persons

### 1. Central points of the law

In 1994, the Knesset passed the Tinea Capitis Victims Compensation Law, which is meant to compensate those who had contracted tinea capitis – ringworm of the scalp – and who, between January 1, 1946 and December 31, 1960, had been treated with radiation administered by the state, the Jewish Agency, the sick funds or the Hadassah Medical Organization, and later contracted one of the illnesses specified in the law.

Under the Tinea Capitis Victims Compensation Law, a person eligible for benefit payments (which are funded by the Treasury and paid by the NII) is one who is a resident of Israel who had contracted tinea capitis<sup>45</sup> and whom a medical committee has determined that as a result of the radiation treatments he has contracted various types of cancer in the area of the head or neck; benign tumors in the brain; leukemia; or baldness in the scarred areas of the scalp, and that they have a medical disability of at least 5%.

.....  
 45 Tinea capitis is a disease caused by superficial fungal infection that causes spots and irritations on the skin. Today the condition is treated with pills or creams, but until 1959 there was no effective medical remedy for it and it was treated with radiation, whose side effects turned out to be serious.

As part of the legislative process, regulations were promulgated that arrange the compensation to victims, including lump-sum compensation, a monthly pension, a grant in lieu of a pension or a grant to survivors as defined by law. Eligibility for benefits under the Tinea Capitis Victims Compensation Law does not prejudice the rights of eligible persons from receiving other benefits from the NII, and does not depend on the age of the disabled person.

Following are the payments made under the law (the amounts are correct for 2011):

**Monthly pension:** Any person whose degree of medical disability is at least 40% is eligible for a monthly pension equal to 25% of the average wage under the National Insurance Law, multiplied by the degree of medical disability. For a person whose degree of disability is 100%, the amount of the pension is NIS 2,077.

**Lump-sum compensation:** (a) A candidate who has a 75% medical disability rating or more is eligible for a one-time payment of NIS 178,592. (b) A candidate with a 40%-74% disability rating is entitled to half this sum, or NIS 89,296.

**Grant in lieu of a pension:** Any candidate whose medical disability rating is between 5% and 39% receives a lump-sum grant, calculated as a percentage of the monthly pension (based on his certified degree of disability) multiplied by 70.

**Grants to survivors:** (a) A spouse of an ill person with children receives a grant of 36 full benefit payments (NIS 74,772). (b) A spouse without children living with him, or a child of the deceased, is eligible for 60% of the full survivor's benefit – NIS 44,863.

## 2. Recipients of the monthly pension for radiation-affected persons

At the end of 2011, the number of those receiving a monthly pension under the Tinea Capitis Victims Compensation Law reached 3,997. These are essentially the most seriously ill who are suffering from cancer and its metastases. The average age of recipients is 66.4, as a result of the eligibility period set down in the law. As one can see from Table 16, as opposed to most of the benefits paid by the Disability Insurance Branch, most of those receiving the pension for radiation-affected persons are women. This is the result of their longer life expectancy.

Any person whose degree of medical disability is at least 40% is eligible for a monthly pension equal to 25% of the average wage under the National Insurance Law

At the end of 2011, the number of those receiving a monthly pension under the Tinea Capitis Victims Compensation Law reached 3,997

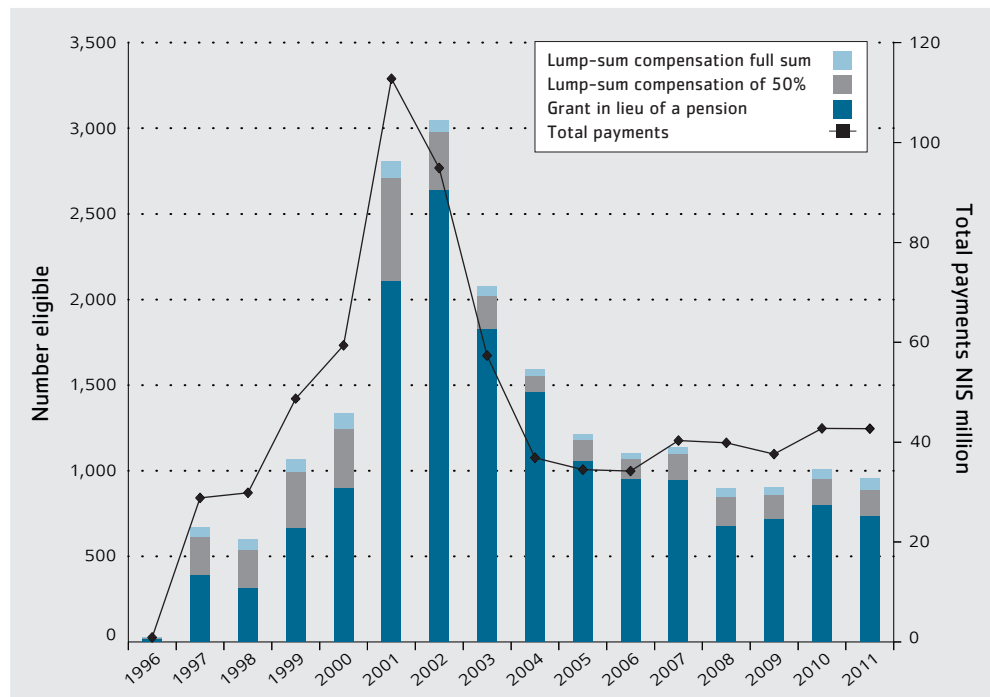
**Table 16**  
**Radiation-Affected Persons Receiving a Monthly Pension, by Gender and Age (absolute numbers and percentages), December 2011**

Gender	Total	Age			
		50-59	60-64	65-69	70 and older
Total	3,997	553	1,295	1,187	962
	100%	100%	100%	100%	100%
Men	39%	35%	37%	39%	44%
Women	61%	65%	63%	61%	56%

**Table 17**  
**Radiation-Affected Persons Receiving a Monthly Pension, by Qualifying Impairment and Medical Disability Degree (absolute numbers and percentages), December 2011**

Qualifying impairment		Total		Medical disability degree			
		Absolute numbers	Percentages	40-49	50-59	60-69	80-100
Total	Absolute numbers	3,997		1,709	812	929	547
	Percentages		100%	100%	100%	100%	100%
Skin defects	Scars and skin damage	1,779	45%	54%	53%	38%	15%
	Baldness	755	19%	33%	14%	7%	1%
Internal	Lymph nodes	413	10%	1%	8%	17%	33%
	Other internal	233	6%	5%	7%	6%	5%
Neurological		792	20%	7%	18%	31%	44%
Other		25	1%	0%	0%	1%	2%

**Graph 5**  
**Grants to Radiation-Affected Persons: Distribution of the Recipients<sup>46</sup> and Total Annual Payments, 1996-2011**



46 Whoever submitted an appeal of the disability rating set for him and won a higher medical disability rating is counted as eligible for full compensation on the date of appeal.

Table 17 shows the pension recipients at the end of the year by the impairment that makes them eligible and their medical disability degree. One can see that most of the pension recipients suffer from skin defects (64%) and only 29% suffer from an internal impairment (generally cancer). It's possible that this is the result of the different life expectancy for those suffering from cancer. One can also see a direct link between the impairment and the disability rating. Most of those suffering from an internal or neurological impairment have a high medical disability degree while most of those suffering from skin defects have a lower disability rating.

It's interesting to see how the flow of compensation recipients has developed over the years. In Graph 5, one can see that once the law came into full force in the early 2000s, the number of compensation/grant recipients for radiation-affected persons started to drop, presumably because those eligible had secured their rights, and for the past four years their number is stable. Looking at Table 17, one can also see the link between the ratio of pension recipients who have high medical disability degrees to the ratio of people receiving the full grant – which is rather low in two instances – a statistic that could explain the changes in the total amount of grants paid each year in relation to the number of recipients.

Most of the pension recipients suffer from skin defects (64%) and only 29% suffer from an internal impairment (generally cancer). It's possible that this is the result of the different life expectancy for those suffering from cancer

## G. Compensation to polio victims

### 1. Central points of the law

In March 2007, the Knesset passed the Polio Victims Compensation Law, for the purpose of compensating persons who contracted polio in Israel<sup>47</sup>, and as a result developed a medical disability or limited mobility. This was an expression of the state's responsibility towards them since it had been negligent in preventing the spread of the disease.

By law, a person is eligible for compensation (funded by the state Treasury) if he contracted poliomyelitis<sup>48</sup> or a subsequent exacerbation (post-poliomyelitis)<sup>49</sup> in Israel, and it was determined by an authorized physician or appellate medical board that he developed a disability as a result. The majority of polio victims contracted the disease during the early years of the state, before the vaccine against polio became available, but some isolated cases are known to have surfaced in later years, most likely among children or adults who were never vaccinated.

The compensation provided to polio victims under this law does not prejudice their rights to receive any other benefit from the NII.

.....

47 From February 2012, people who contracted polio outside of Israel but received medical treatment in Israel until the end of 1969 are eligible for compensation under the law.

48 Polio damages the motor nerve cells in the spinal cord, and as a result the nerve and muscle fibers are affected. Around half of polio victims recover completely from the virus while half suffer from varying degrees of motor impairments.

49 Post-polio syndrome is caused by erosion of the nerve cells and is characterized by reduced muscle activity accompanied by weakness and pain.



Any person whose certified degree of medical disability is at least 20% is eligible for a monthly pension in accordance with the degree of his medical disability. A full pension is equal to 50% of the average wage under the National Insurance Law – NIS 4,154

The benefits paid under the law are as follows (the amounts are correct for 2011):

- **Monthly pension:** Any person whose certified degree of medical disability is at least 20% is eligible for a monthly pension in accordance with the degree of his medical disability. A full pension is equal to 50% of the average wage under the National Insurance Law – NIS 4,154.
- **Lump-sum compensation:** (a) Whoever has a medical disability rating of up to 74% is eligible for a lump-sum compensation of NIS 57,036. (b) Those whose degree of medical disability is 75%-94% are eligible for NIS 114,300 (c) Those whose degree of medical disability is 95% or more are eligible for NIS 136,888.
- **Grant in lieu of a pension:** Any person whose certified degree of medical disability is less than 20% is eligible for a grant in lieu of a pension, which is paid in accordance the ratio of his disability rating (against a full monthly pension), multiplied by 70.

In addition to these payments, the state subsidizes medical treatments, medical accessories and medical equipment needed by polio victims to maintain a normal routine but which are not included in the health basket.

## 2. Recipients of a monthly pension for polio victims

In December 2011, the recipients of a monthly pension for polio victims reached 3,749 – an increase of 2.3% over 2010

In December 2011, the recipients of a monthly pension for polio victims reached 3,749 – an increase of 2.3% over 2010. For most of them (75%) this is not the only benefit they are receiving from the NII (see Table 3), and this is not surprising given the eligibility criteria.

Table 18 shows the distribution of recipients of a monthly pension for polio victims by the date they fell ill with the disease. The table shows that 85 percent of recipients fell ill before the vaccine was introduced in Israel in 1961. The rest are children who contracted the disease because they were not vaccinated or people who suffered from a later outbreak of the disease.

With regard to the impairment that qualifies the recipient for a pension, Table 19 shows that some 50% of pension recipients suffer from post-polio myelitis (which is liable

**Table 18**  
**Polio Victims Receiving a Monthly Pension by the Date They Fell Ill and by Gender (absolute numbers and percentages), December 2011**

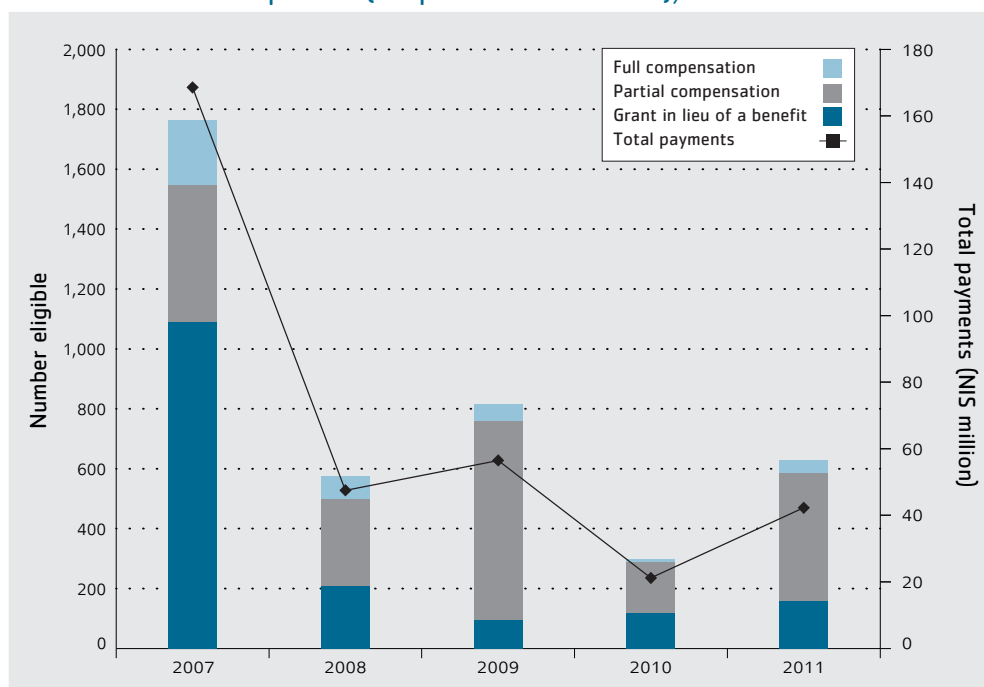
Date of illness	Total		Men	Women
	Absolute numbers	Percentages		
<b>Total</b>	<b>3,749</b>	<b>100%</b>	<b>2,094</b>	<b>1,655</b>
Pre-state	279	7%	7%	8%
1948-1959	2,884	77%	75%	79%
1960-1979	483	13%	15%	10%
1980-present	103	3%	3%	3%



**Table 19**  
**Polio Victims Receiving a Monthly Pension, by Qualifying Impairment and Medical Disability Degree (absolute numbers and percentages), December 2011**

Qualifying impairment	Total		Medical disability rating					
	Absolute numbers	Percentages	20-49	50-59	60-69	70-79	80-89	90-100
<b>Total</b>	<b>3,749</b>	<b>100%</b>	<b>863</b>	<b>419</b>	<b>242</b>	<b>148</b>	<b>1,189</b>	<b>888</b>
Cranial nerve disorders	623	17%	10%	13%	14%	11%	12%	32%
Paralysis of limb nerves	909	24%	65%	26%	45%	40%	5%	2%
Bone disorders or illnesses	336	9%	17%	9%	12%	10%	5%	6%
Post-poliomyelitis	1,881	50%	8%	53%	29%	39%	78%	61%

**Graph 6**  
**Polio Victims: Distribution of Compensation Payments and Lump Sums (recipients and amounts), 2007-2011**



to present up to 45 years after the viral infection), a statistic that could explain the late average age – 59.5 – of the recipients. One also sees that there is a connection between the impairment and the degree of certified medical disability. The percentage of people

with high degrees of medical disability who suffer from cranial nerve disorders and post-polio myelitis is relatively high compared to the percentage of those suffering from limb paralysis or bone defects, apparently due to deterioration in their condition.

2011 is the fifth year in which compensation is being paid to polio victims

2011 is the fifth year in which compensation is being paid to polio victims. Graph 6 shows the distribution of those receiving compensation/grants by type of compensation<sup>50</sup>, and the total payments of the branch during that year. As one can see, this year the number of those receiving compensation/grants has grown since 2010. One can estimate that this is the result of many eligible persons appealing the medical disability degree determined for them and receiving their entitlement increased, since there was not much of an actual increase in the number of net eligible persons.

#### H. Payments by the Disability branch

In 2011, the Disability insurance branch paid a total of NIS 11 billion –1% higher, in real terms, than the volume paid in 2010. Examination of the distribution of this branch's expenditure by category shows that the total ratios of payments for disability and rehabilitation benefits continued to decrease in 2011, compared with 2010, and reached approximately 69% of the expenditure in the Disability insurance branch, the result of intensive efforts by the Rehabilitation Department to identify those suited for rehabilitation (Table 20).

The share of benefit payments by the Disability insurance branch out of all benefit payments has remained stable compared with 2010 – 18.4%, following a steady uptrend between 2003 and 2008

At the same time, as in previous years, the percentages of benefit payments for attendance allowance and benefit for disabled child are gradually rising, while the ratio of mobility allowances remained stable. It should be noted that the total amount of payments to radiation-affected persons in 2011 was NIS 120 million, and to polio victims NIS 177 million, similar to the amounts paid in 2010.

Table 21 shows that the share of benefit payments by the Disability insurance branch out of all benefit payments has remained stable compared with 2010 – 18.4%, following

**Table 20**  
**Payments by the Disability Insurance Branch,**  
**by Payment Category (percentages), 2006-2011**

Year	Total	Disability and rehabilitation	Attendance	Disabled child	Mobility	Fund for the development of services
2006	100	72.8	7.9	7.6	10.5	1.2
2007	100	73.4	8.0	7.5	10.2	0.9
2008	100	72.4	8.3	7.6	10.9	0.8
2009	100	71.3	9.1	7.7	11.0	0.9
2010	100	70.6	9.3	7.8	11.6	0.7
2011	100	69.3	9.9	8.5	11.6	0.7

50 Those who submitted an appeal of the disability degree determined for them and who consequently won a higher medical disability degree are counted as eligible for full compensation on the date of appeal.

**Table 21**  
**Total Volume of Payments of the General Disability Insurance Branch,  
 and Their Portion of Total National Insurance Benefits, 2006-2011**

Year	General Disability branch payments		Ratio of benefits payments by the Disability branch of the total benefits payments
	In NIS thousand (2011 prices)	Real rate of annual growth (percentages)	
2006	9,124,866	6.1	18.3
2007	9,548,096	4.6	19.2
2008	9,762,801	2.2	19.2
2009	10,226,823	4.8	18.6
2010	10,741,689	5.0	18.6
2011	10,819,540	0.7	18.4

what had been a steady uptrend between 2003 and 2008. The reason for this moderation is the rates of growth in the other insurance branches, following the hike in the retirement age and the government cutbacks of 2002-2005.

The average disability benefit<sup>51</sup> is influenced by many variables: (a) The percentage of those eligible for a full benefit. (b) The percentage of those eligible for an increment for those dependent on them. (c) The percentage of those eligible who have income, from employment or not from employment. In 2011, the monthly benefit was NIS 2,710, which was 31.7% of the average wage,<sup>52</sup> i.e., an annual erosion of half a percentage point in relation to the average wage, after it had reached a zenith in previous years.

This statistic also reflects a real decrease of 1.5% in the amount of the benefit compared to 2010. The primary reason for this is the difference between the mechanisms for updating the benefit and wages, but one can also attribute it to the increase in the number of those employed or by the share of those recipients who have other income.

The average attendance allowance (which also includes the additional benefit) went down in real terms by 0.9% compared to 2010 and was NIS 2,383 a month. The main reason in this instance is the difference in the mechanisms for updating the benefit and

In 2011, the monthly benefit was NIS 2,710, which was 31.7% of the average wage, i.e., an annual erosion of half a percentage point relative to the average wage, after it had reached a zenith in previous years

The average attendance allowance (which also includes the additional benefit) went down in real terms by 0.9% compared to 2010 and was NIS 2,383 a month

**Table 22**  
**The Average Monthly Disability Benefit (in current prices, in fixed prices and as a percentage of the average wage), 2006-2011**

Year	Current prices	2011 prices	As a percentage of the average wage
2006	2,398	2,767	32.0
2007	2,394	2,749	31.4
2008	2,457	2,697	31.0
2009	2,567	2,727	32.2
2010	2,658	2,750	32.2
2011	2,710	2,710	31.7

51 The payments also include amounts paid for the additional monthly pension.

52 The average wage under Sections 1 and 2 of the National Insurance Law.

**Table 23**  
**The Average Monthly Attendance Allowance (in current prices, in fixed prices and as a percentage of the average wage), 2006-2011**

Year	Current prices	2011 prices	As a percentage of the average wage
2006	1,933	2,230	25.8
2007	1,947	2,236	25.5
2008	2,011	2,207	25.4
2009	2,236	2,375	28.0
2010	2,324	2,404	28.2
2011	2,383	2,383	27.9

**Table 24**  
**The Average Monthly Benefit for Disabled Child (in current prices, in fixed prices and as a percentage of the average wage), 2006-2011**

Year	Current prices	2011 prices	As a percentage of the average wage
2006	1,973	2,277	26.3
2007	1,975	2,267	25.9
2008	1,888	2,072	23.8
2009	1,973	2,096	24.7
2010	2,207	2,283	26.8
2011	2,266	2,266	26.5

**Table 25**  
**The Average Monthly Mobility Allowance (in current prices, in fixed prices and as a percentage of the average wage), 2006-2011**

Year	Current prices	2011 prices	As a percentage of the average wage
2006	1,513	1,746	20.2
2007	1,534	1,761	20.1
2008	1,649	1,809	20.8
2009	1,756	1,865	22.0
2010	1,828	1,891	22.2
2011	1,939	1,939	22.7

wages, though there also might be a difference between the medical conditions of the year's new benefit recipients compared to those eligible in previous years.

Aside from the additions of new grounds for eligibility, the Or-Noy recommendations united the increments for school expenses and maintenance; as a result, children who were under 14 before the new regulations went into effect are not eligible for the separate

increment for studies that had been paid until then. The average benefit<sup>53</sup> in 2011 was NIS 2,266, which is 26.5% of the average wage, slightly lower than in 2010. There was also a real decrease in the level of the benefit, after it had increased in 2010 (because of the rise in the rate of benefit to those suffering from a special medical impairment).

In 2011 the average mobility allowance was NIS 1,939 a month, 22.7% of the average wage. This reflects a real increase of 2.5% in the benefit over 2010. One can attribute this increase to, among other things, an increase in the percentage of people entitled to a specially accessorized vehicle, to the increase in gasoline prices and to the depreciation of the shekel against the dollar, which made car maintenance expenses more costly.

In December 2011, the average monthly pension to radiation-affected persons was NIS 1,208, up 0.5% in real terms compared to 2010 – which is evidence that there has been no drastic change in the medical conditions of new recipients or those already receiving the benefit. The average monthly pension for polio victims was NIS 2,879, which constitutes 33.7% of the monthly wage, and reflects a real decrease of 0.6% compared to 2010.

In 2011 the average mobility allowance was NIS 1,939 a month, 22.7% of the average wage

In December 2011, the average monthly pension to radiation-affected persons was NIS 1,208, up 0.5% in real terms compared to 2010

.....

53 The payments also include the amounts paid for the additional monthly pension.



## 7. Work Injury Insurance

### A. General

Work Injury insurance provides an insured who has suffered a work-related injury a right to a benefit or other defined assistance, based on the nature of his injury.

- **Injury allowance** – is paid to an employee or to a self-employed person, who, as a result of a work accident, is incapable of engaging in his occupation or in other suitable work. An insured, whether an employee or self-employed, is eligible for an injury allowance for one injury, for a maximum of 91 days (13 weeks).

Until January 31, 2002, the work-injured had been eligible for an injury allowance for a maximum period of 26 weeks, at the rate of 75% of their earnings during the three months immediately preceding their injury. In 2005, the law was amended, and the eligibility period for an injury allowance at the expense of the employer was increased from nine days to 12 days. Work-injured persons who have no employer, such as those who are self-employed, are not eligible for payment for the first 12 days.

- **Disability benefits** – are paid to persons who suffered a work-related injury, and who, as a result of the injury, remained disabled for a limited period or became permanently disabled.

Following are the categories of disability benefits: a **temporary disability pension**, paid to the work-injured whose certified degree of temporary disability is at least 9%; a **permanent disability pension**, paid to the work-injured whose certified degree of permanent disability is at least 20%; a **disability grant**, which is paid to the work-injured whose certified degree of permanent disability is between 9% and 19%; a **special pension** and a **grant for nonrecurring arrangements**, paid to the work-injured whose certified degree of disability is at least 75% (in addition to their monthly pension). The amount of the temporary or permanent disability pension is determined based on the injured person's income during the three months immediately preceding his injury: The full disability pension paid to an injured person whose degree of disability is 100% is at the rate of 75% of his wages during the determining period; the pension for an injured person whose degree of disability is under 100% is calculated proportionately to the degree of his disability.

Payments of **disability grants** to the work-injured have undergone drastic changes in recent years. Anyone injured on or after July 1, 2003 receives a grant equivalent to 43 monthly pension payments (up until that date, the grant had been 70 pension payments). In 2005, the law was amended, and a **work-related disability grant** and a **temporary disability pension** began to be paid for a degree of disability of at least 9%, instead of the previous threshold of 5%.

In May 2008, the list of tests was amended and impairment sections were added for acquired immunodeficiency syndrome (AIDS), low blood pressure, overweight and obesity, pancreatic impairments and impotence.

- **Dependents' benefits** – are paid to the family members of an insured who was killed during a work-related accident or whose subsequent death was a direct consequence of the accident, if the members of his family had been dependent on him for their subsistence. The full amount of the dependents' benefit is 75% of the deceased's wage during the determining period. The amount of a partial benefit is determined according to the degree of eligibility. The degree of eligibility for a dependents' benefit is determined according to the number of dependents (for example, a widow with no children is eligible for 60% of the full disability pension, while a widow with three children – for 100% of this pension<sup>1</sup>).
- **Medical treatment expenses (including hospitalization and medical rehabilitation)** – medical treatment is provided to the injured through the sick funds. Pursuant to an agreement, the NII pays the sick funds for such treatment. If necessary, the treatment includes also medical rehabilitation, convalescence, long-term care, etc.
- **Vocational rehabilitation** – is provided to a disabled person whose degree of permanent disability is at least 10%, and who, as a result of a work-related injury, is incapable of returning to his previous job or to another job.

## B. Benefit recipients

### 1. Injury allowance

In 2011, the number of recipients of an injury allowance declined and reached 67,556 – a decrease of 0.11% compared with 2010 (Table 1).

It should be noted that out of the 61,804 employees who received injury allowances in 2010, 18,016 were employed by “authorized employers” as defined in Regulation 22, and therefore the NII did not reimburse these employers for the injury allowances they paid for the first 12 days of eligibility – payments that other employers are required to pay to the NII. Under Regulation 22, the NII may permit an employer to pay the injury allowance on behalf of the NII, and the employer must pay the allowance on the dates on which it normally pays wages. The employer must submit a claim to the NII for the work-related accident during which the employee was injured, and the NII reimburses the employer for the sums paid (for 13 days and more), adding a commission at the rate of 2.5% of the injury allowance. If the NII rejects the claim, the employer is not reimbursed for the monies it paid to the injured employee.

In 2000, recipients of injury allowance constituted approximately 3% of all employed persons, while in 2006-2011, they constituted 2.2%. The gradual downtrend that began in 1996 and continued until 2011 (Table 2) occurred concurrently with legislative amendments which obligated the employer to assume the payment for the initial days after the injury, and revoked the eligibility for injury allowance of any person without an

1 The rate of the dependents' benefit, according to the number of dependents and kinship, is specified in Section 132 of the law.



**Table 1**  
**Employed Persons, Recipients of Injury Allowance,**  
**and Days of Work Incapacity, 2006-2011**

Year	Employed persons (thousands)	Recipients of injury allowance*	Days of work incapacity	
			Total	Average per injured person
2006	2,832.4**	64,296	2,170,751	33.8
2007	2,968.7**	67,657	2,291,149	33.9
2008	3,093.4**	69,734	2,408,514	34.5
2009	3,116.9**	65,814	2,306,267	35.0
2010	3,219.8	67,633	2,406,337	35.6
2011	3,321.6	67,556	2,405,938	35.6

\* Since 1997, includes work-injured who did not actually receive payment from the NII, due to the legislative amendments that year, but had been approved and would have been eligible for payment had it not been for the amendments.

\*\* As per data from the Central Bureau of Statistics 2011, the National Accounts. The “employed” include Israelis, foreign workers (reported and unreported) and residents of Judea, Samaria and the Gaza Strip.

**Table 2**  
**Rates of Change in Recipients of Injury Allowance and**  
**Days of Work Incapacity, 2006-2011**

Year	Recipients of injury allowance as percentage of all employed persons	Average annual rates of change		
		Employed persons	Recipients of injury allowance	Average number of days of work incapacity
2006	2.2	3.2	0.70	2.40
2007	2.3	4.8	5.20	0.30
2008	2.1	4.2	3.07	1.77
2009	2.1	0.8	-5.62	1.45
2010	2.1	3.3	2.76	1.71
2011	2.0	2.0	0.11-	0.00

employer (in 1997 and in 2005, respectively). In other words, the percentage of recipients of injury allowance from among all employed persons decreased with the decrease in the number of recipients of the allowance and the increase in the number of employed persons.

The average number of days of work incapacity per injured person reached a peak in 2001 (40 days). Since then, there has been a sharp drop which derived, inter alia, from legislative changes (the shortening of the maximum period that an injury allowance is paid from 26 to 13 weeks, since February 1, 2002). The downtrend in the average number of days of work incapacity stopped in 2003 and, since then, apart from minor fluctuations in both directions, has stabilized, with the average in both 2010 and 2011 being 35.6 days.

Over the years, there has been an increase in the number of “severe” injuries for which claims were submitted to the NII (Table 3). In 1996 (the last year prior to the legislative



change prescribing that the initial days are to be paid at the employer's expense), work-injured who had at least 61 days of work incapacity constituted 13.4% of all recipients of injury allowance, while in 2011, they constituted approximately 23.5% of recipients, as part of a steady uptrend. Over the years, the percentage of work-injured with 15 to 45 days of work incapacity has been quite stable. Work-injured with 1 to 14 days of work incapacity constituted 49% of all recipients of an injury allowance in 1996 and slightly less than 35% in 2011, continuing the steady downtrend of recent years.

The percentage of work-injured recipients of injury allowance who are foreign workers or residents of the territories has been lower than the percentage of Israelis throughout the years. One might expect that the percentage of recipients of injury allowance among the above two population groups, considering the very hazardous economic sectors in which they work (agriculture and construction), would at least be similar to that of residents of Israel. The low percentage apparently reflects under-reporting of work-related injuries by these population groups, which stems, apparently, from their being unaware of their rights, from a fear of losing their jobs if they are absent from work due to an accident, from their illegal status or from their apprehension as to their fate should it become known that they are residing in Israel without a permit.

However, when serious work-related accidents occur, these workers have no other choice but to seek medical attention and to submit a claim for injury allowance or work disability benefits. The NII pays directly the expenses of the one-time treatment in the emergency room of foreign workers, and, since April 2008, also of workers from the territories who were injured during work-related accidents and who did not submit claims for an injury allowance.

A foreign worker is insured under Work Injury insurance even if he is staying in Israel illegally. Up until February 28, 2003, foreign workers and residents of the territories who were injured at work had been eligible for all the benefits being provided to any work-injured, whether or not they were working with permits. Since March 1, 2003, the benefit began being revoked from an unreported foreign worker: upon his exit from Israel, the benefit for which he has been deemed eligible is paid to him from the date of his exit from Israel, but the payment does not include the period during which the benefit was revoked. The gradual decrease in the number of foreign workers between 2002 and 2006 had been expected, due to the legislative amendments and the activities of the Immigration Police. In 2007, an increase was once again observed, which continued until the end of 2009. In January 2010, the Israeli Prime Minister announced a new immigration policy, which prescribed more stringent criteria for employing foreign workers, the aim being to reduce their numbers by approximately 30,000 to 50,000.

Another population group for which it is difficult to obtain data regarding safety at work is the category of employees who receive wages from manpower companies and manpower contractors. The Central Bureau of Statistics' manpower surveys identify these

Over the years, there has been an increase in the number of "severe" injuries for which claims were submitted to the NII; in 2011, they constituted 23.5% of recipients

**Table 4**  
**Employed Persons, Recipients of Injury Allowance, and Days of Work Incapacity, by Residency, 2000, 2006-2011**

	Total	Residents of Israel	Residents of the territories	Foreign workers
<b>2000</b>				
Employed persons*	2,519,900	2,217,900	96,000	205,000
Recipients of an injury allowance	76,185	73,680	1,552	953
Ratio of injury allowance recipients to employed persons	3.0	3.3	1.6	0.5
Average days of work incapacity	37.6	37.4	46.5	33.7
<b>2006</b>				
Employed persons*	2,832,400	2,603,200	48,900	180,300
Recipients of an injury allowance	64,296	63,522	175	599
Ratio of injury allowance recipients to employed persons	2.3	2.4	0.4	0.3
Average days of work incapacity	33.8	33.8	44.8	28.4
<b>2007</b>				
Employed persons*	2,968,700	2,722,400	53,100	193,200
Recipients of an injury allowance	67,657	66,868	246	543
Ratio of injury allowance recipients to employed persons	2.3	2.5	0.5	0.3
Average days of work incapacity	33.9	33.9	42.5	27.8
<b>2008</b>				
Employed persons*	3,093,400	2,823,300	58,900	211,300
Recipients of an injury allowance	69,734	68,709	354	671
Ratio of injury allowance recipients to employed persons	2.3	2.4	0.6	0.3
Average days of work incapacity	34.5	34.5	50.7	27.6
<b>2009</b>				
Employed persons*	3,116,900	2,841,000	55,700	220,200
Recipients of an injury allowance	65,814	64,682	440	692
Ratio of injury allowance recipients to employed persons	2.1	2.3	0.8	0.3
Average days of work incapacity	35.0	35.1	43.9	29.1
<b>2010</b>				
Employed persons*	3,219,800	2,938,300	60,600	220,900
Recipients of an injury allowance	67,633	66,900	493	240
Ratio of injury allowance recipients to employed persons	2.1	2.3	0.8	0.1
Average days of work incapacity	35.6	35.6	45.0	22.0
<b>2011</b>				
Employed persons*	3,321,600	3,024,700	65,900	222,000
Recipients of an injury allowance	67,566	66,971	484	101
Ratio of injury allowance recipients to employed persons	2.0	2.2	0.7	0.05
Average days of work incapacity	35.6	35.6	40.8	5.7

\* Source: Central Bureau of Statistics, National Accounts.

employees by the question: “Who pays your salary?” The NII’s Work Injury insurance scheme does not categorize manpower companies by a designated code (economic sector or legal status of the employer); therefore, it is not possible to ascertain whether or not these employees are being exposed to hazards (as it is for employees who receive their wages directly from their workplace), or whether the fact that such employees are considered “exceptions” at the workplace tends to reduce the employer’s sense of responsibility for their safety conditions.

A problem also exists regarding contracting companies that do not supply workers but rather services, since the obligations that apply to manpower companies, particularly relative to licensing, does not apply to them. Ordinarily, receipt and renewal of a license is contingent upon compliance with labor and work safety laws.

The definition of “recipients of wages from a manpower company” does not include employees working through a subcontractor, who is responsible for their work performance and for their safety. These are employees who are employed primarily in two economic subsectors: the guarding, security and cleaning subsector, and home caregiver services subsector.

In 2011, the average number of days of work incapacity among foreign workers was lower than that of Israeli residents, even though one would expect it to be higher, considering the sectors in which they work. The average number of days of work incapacity of workers who are residents of the territories (Judea and Samaria) remained quite high, even though they work in occupations that are similar to those of foreign workers. In 2011, as in 2010, the number of recipients of injury allowance who are residents of the territories was higher than that of the foreign workers. (Table 4)

Table 5 differentiates between injury allowance recipients who are employees and those who are self-employed. The number of self-employed who received an injury allowance dropped from 9,483 in 1997 to 5,752 in 2011, and their ratio to total recipients of injury allowance decreased from 11.3% to 8.5%. This decrease apparently derived from the legislative amendments regarding the first nine days and the first 12 days, as well as from the wave of closures of small businesses during periods of recession. The average number of days of work incapacity among the self-employed was approximately

The number of self-employed who received an injury allowance dropped from 9,483 in 1997 to 5,752 in 2011

**Table 5**  
**Recipients of Injury Allowance, by Employment Status and Days of Work Incapacity, 2011**

Category of insured	Recipients of an injury allowance		Average number of days of work incapacity
	Absolute numbers	Percentages	
Total recipients	67,556	100.0	35.6
Employees	61,804	91.5	34.2
Self-employed	5,752	8.5	50.8

**Table 6**  
**Recipients of Injury Allowance, by Employment Status**  
**and Economic Sector, 2011**

Economic sector	Recipients		Days of work incapacity		
	Numbers	%	Numbers	%	Average days of incapacity per injured person
Total	67,556		2,405,938		35.6
Total employees	61,804	100.0%	2,113,804	100.0%	34.2
Agriculture	2,028	3.3	65,932	3.1	32.5
Industry	12,503	20.2	387,878	18.3	31.0
Electricity and water	621	1.0	18,143	0.9	29.2
Construction	6,104	9.9	284,454	13.5	46.6
Commerce, vehicle repairs	8,976	14.5	318,150	15.1	35.4
Hospitality and food	3,632	5.9	110,880	5.2	30.5
Transportation, storage	4,605	7.5	173,395	8.2	37.7
Banking, insurance	1,106	1.8	33,480	1.6	30.3
Realty, business services	7,492	12.1	254,102	12.0	33.9
Public service	5,965	9.7	171,202	8.1	28.7
Education	2,370	3.8	78,324	3.7	33.0
Community service	1,912	3.1	74,793	3.5	39.1
Health, welfare	4,131	6.7	126,893	6.0	30.7
Other and unknown	359	0.6	16,178	0.8	45.1
Self-employed	5,752		292,134		50.8

48.5% higher than that of employees (50 days, compared with 34 days, respectively). This difference apparently also stems from the fact that the self-employed are not inclined to submit claims to the NII for short absences (of less than 12 days.).

The distribution of employees who suffered work-related injuries by economic sector has remained stable over the years: approximately 20% work in industry, 14.5% in commerce and workshops, 12% in business services (which include manpower recruitment, the supply of manpower services, as well as guarding, security and cleaning activities) and 10% in construction. In terms of the severity of injuries (measured here by the number of days of work incapacity), the construction sector is in first place (47 days), followed by the following sectors: community services, including professional sports activities (39 days), transportation and storage (38 days) commerce and vehicle repair (35 days), real estate and business services (34 days) and agriculture (33 days) (Table 6).

With the increase in the percentage of women participating in the civilian work force which has characterized the last two decades (from 40% in 1988 to 47.0% in 2010), the

In terms of the severity of injuries, the construction sector is in first place

Table 7  
 Recipients of an Injury Allowance, and Employed Persons, by Gender and Age, 2011

Age	Recipients of an injury allowance (numbers)		Israeli employed persons* (thousands)		Recipients of an injury allowance as a percentage of all employed persons				
	Total	Men	Women	Total	Men	Women	Total	Men	Women
Total	67,556	46,268	21,288	3,024.7	1,477.1	1,308.8	2.0	3.2	1.6
Up to 17	174	149	25	20.3	11.2	9.1	0.9	1.3	0.4
18-24	6,979	5,349	1,630	290.6	135.4	155.2	2.4	4.0	1.0
25-34	15,551	11,544	4,007	764.8	404.0	360.8	2.1	3.0	1.1
35-44	15,299	10,904	4,395	684.3	368.0	316.3	3.2	3.0	1.3
45-54	14,519	8,978	5,541	555.1	288.9	266.2	2.6	3.2	2.0
55-64	12,312	7,333	4,979	391.5	215.9	175.6	3.1	3.4	2.7
65+	2,722	2,011	711	79.2	53.7	25.6	3.0	3.3	2.3

\* Source: "Microdata Under Contract" files, Mampower Surveys, the Central Bureau of Statistics, 2011.

**Table 8**  
**Recipients of Injury Allowance, by Accident Location,**  
**and Days of Work Incapacity, 2007-2011**

Year	Work-related accidents			Accidents to or from work		
	Total	During work*	Traffic accidents during work	Traffic accidents en route	En route without a vehicle	Other
<b>2007</b>						
Numbers	67,657	47,757	4,092	9,571	3,991	2,246
Percentages	100.0	70.6	6.0	14.2	5.9	3.3
Average days of work incapacity	33.9	33.4	38.9	32.9	35.4	37.0
<b>2008</b>						
Numbers	69,734	48,472	4,627	10,170	4,180	2,285
Percentages	100.0	69.5	6.6	14.6	6.0	3.3
Average days of work incapacity	34.5	34.3	39.1	32.2	36.1	37.7
<b>2009</b>						
Numbers	65,814	45,412	4,747	10,594	4,191	870
Percentages	100.0	69.0	7.2	16.1	6.4	1.3
Average days of work incapacity	35.0	35.0	39.5	33.0	35.7	35.4
<b>2010</b>						
Numbers	67,633	47,098	4,734	10,719	4,094	988
Percentages	100.0	69.6	7.0	15.8	6.1	1.5
Average days of work incapacity	35.6	35.6	41.2	33.5	37.2	35.2
<b>2011</b>						
Numbers	67,556	46,749	4,542	10,992	4,276	997
Percentages	100.0	69.2	6.7	16.3	6.3	1.5
Average days of work incapacity	35.6	35.4	41.1	33.4	36.9	37.6

\* Work-related traumas and wounds not caused by traffic accidents.

The percentage of women out of all recipients of injury allowance has risen gradually and steadily, from 19.8% in 1995 to 32% in 2011

percentage of women among recipients of injury allowance has also risen. The data for the second half of the 1990s and the beginning of the 2000s show that the percentage of women out of all recipients of injury allowance has risen gradually and steadily, from 19.8% in 1995 to 32% in 2011 (Table G/2 in the Appendix of Insurance Branch Tables).

An examination of the distribution by gender and age brackets shows that in the younger age brackets (up to age 34), men constitute 75% of the recipients of injury allowance, while in the older age brackets (45-59) they constitute only about 61% (Table 7). The average number of days of work incapacity among women is lower than among men – 31, compared with 38.



In 1996, traffic accidents (during work, or to or from work) constituted approximately 14.8% of all work-related accidents, while in 2011, traffic accidents constituted 15.1% of all work-related accidents. Between 1996 and 2011, the number of traffic accidents to or from work increased from about 9% of all work-related injuries to about 16.3% (Table 8). On the other hand, the number of traffic accidents that occurred during work constituted approximately 6.7% of all work-related accidents. In the past, traffic accidents had caused more severe injuries, expressed in the longer period of work incapacity than that of other accidents. This gap has narrowed considerably in recent years and today it almost no longer exists. It is reasonable to assume that this reduction stems from the revoking of eligibility for short periods (up to 12 days), which led to a significant drop in the number of claimants for mild accidents and thus raised the average number of days of work incapacity per injured person.

The distribution of recipients of injury allowance by cause of the accident and the consequences (nature) of the injury has varied only slightly over the years. The most prevalent causes for occupational injuries are: road accidents (15.1%) falls (from scaffolding, ladder or crane, from a building or structure, slipping or stumbling on stairs or on level ground – 13.7% of the recipients); and injuries from objects (that fall on, crush, or hit a person – 9.4%). In terms of the severity of the injury (which is measured by the number of days of incapacity), the severe injuries were caused mainly by falls (42 days). Falls caused mainly contusions, crush injuries, fractured limbs, strains and sprains. Occupational illnesses and explosives were the other two causes of the most serious injuries (occupational illnesses – 49 days of incapacity and explosives – 31 days).

Although the list of occupational illnesses is closed, in instances when the illness does not appear in the list and, in the opinions of the experts, there is a clear causal connection between the illness and the working conditions, the illness is recognized as an occupational injury. The majority of claims for injury allowance stemming from an occupational illness are submitted for the purpose of determining a work-related disability.

Regarding the distribution of recipients of injury allowance by the nature of the injury, the most prevalent consequences of work-related accidents are: crush injuries (16.3% of the recipients of an injury allowance), contusions (9.9%), lacerations of upper limbs (4.8%) and strains and sprains (2.8%). In terms of the severity of the injury (which is measured by the number of days of incapacity), the severe injuries were: injury to the vascular system (61 days), upper limb fractures (59 days), spinal fracture or spinal column injury (56 days) and dislocations without fractures (54 days). Lower limb fractures are at the top of the list in terms of severity of injury (66 days of incapacity).

The upper limbs are the most vulnerable in occupational accidents: fractures and lacerations in upper limbs caused approximately 8.3% of all recipients of injury allowances to be absent from work.

## 2. Work-related disability pension

The number of recipients of a permanent work-related disability pension has been rising steadily every year by more than 1,000 recipients, and it reached 33,925 in 2011. The majority (62.5%) of these recipients have low degrees of disability (up to 39%)

The number of recipients of a permanent work-related disability pension has been rising steadily every year by more than 1,000 recipients, and it reached 33,925 in 2011. The majority (62.5%) of these recipients have low degrees of disability (up to 39%). Among this category of recipients, 63.8% of the women have a degree of disability of between 20% and 39%, compared with 57.4% of the men. Some 9.4% of the men and 7.2% of the women have a degree of disability that exceeds 80% (Table G/3 in the Appendix of Insurance Branch Tables).

Recipients of a work-related disability pension may – when they reach the eligibility age for an old-age pension – choose whether to continue receiving the work-related disability pension or to receive the old-age pension. By law, if the old-age pension is higher than the work-related disability pension, the person may opt to capitalize the disability pension and receive the old-age pension, or to continue receiving the work-related disability pension at the rate of the old-age pension.

**Table 9**  
**Recipients of Permanent Disability Pension,**  
**by Employment Status, 2007-2011**

Year	Total		Employees	Self-employed
	Numbers	% of annual change		
2007	27,799	5.1	24,406	3,393
2008	29,249	5.2	25,665	3,584
2009	30,899	5.6	27,068	3,831
2010	32,331	4.6	28,319	4,012
2011	33,923	4.9	29,797	4,197

## 3. Disability grant

A disability grant is paid to a person disabled as a result of a work accident, when the degree of his disability has stabilized at between 9% and 19%. The amounts of the grants for the work-injured and their eligibility for disability grants have undergone drastic changes in recent years. Until the legislation of the Economic Recovery Plan Law in June 2003, the grant had been the equivalent of 70 monthly pension payments. This law prescribed that anyone injured on or after July 1, 2003 would receive a grant equivalent to 43 monthly pension payments. As a result of the legislation, there was a sharp drop in the amount of the average disability grants. In 2011, 8,927 grants were paid for various injuries – 7,897 to employees and 1,030 to self-employed persons. In 2011, the average disability grant paid to employees was NIS 34,945, compared with NIS 33,833 in 2010, and to the self employed, NIS 33,741, compared with NIS 30,809 in 2010.

#### 4. Special disability benefit

Persons disabled as a result of an occupational accident whose degree of disability is at least 75%, and disabled persons with walking difficulties whose degree of disability is between 65% and 74%, are eligible, in addition to any other benefit, for financial aid for personal assistance and for travelling; they are also eligible for a grant for nonrecurring arrangements, in the form of assistance in buying a car, in solving housing problems and in purchasing special accessories needed as a result of their disability.

In December 2011, 3,141 persons disabled as a result of an occupational accident received a special benefit paid through the Rehabilitation Department, at the average sum of NIS 3,452, in addition to a monthly work-related disability pension. In 2011, 116 rehabilitation grants were paid, averaging NIS 34,400 each.

In 2011, 116 rehabilitation grants were paid, averaging NIS 34,400 each

#### 5. Dependents' benefit

The number of recipients of a dependents' benefit has gradually risen, from 3,286 recipients in 1985 to 4,603 in 2011. The rate of the rise ranges between 0.1% and 1.1% per annum (Table 10).

**Table 10**  
**Recipients of Dependents' Benefit, by Employment Status, 2007-2011**

Year	Total		Employees	Self-employed
	Numbers	% of annual change		
2007	4,482	0.8	3,868	614
2008	4,518	0.8	3,907	611
2009	4,573	1.2	3,954	619
2010	4,565	-0.2	3,941	624
2011	4,603	0.8	3,981	622

#### C. Payments

The average injury allowances per day in real terms and as a percentage of the annual wage to the self-employed decreased in 2011, after they had risen significantly in 2009 and dropped a bit in 2010. The injury allowance to employees decreased slightly in 2010, both in real terms and as a percentage of the average wage (Table 11), reaching 62.6% of the average wage compared to 63.9% of it in 2010.

The average monthly permanent disability pension in 2011 was NIS 3,240 for employees and NIS 3,489 for the self-employed. The level of the pension, in real terms and as a percentage of the average wage, went down for both employees and for the self-employed.

In 2011, the average monthly dependents' benefit was approximately NIS 6,010 for employees and approximately NIS 6,296 for the self-employed. The dependents' benefit

**Table 11**  
Average Injury Allowance Per Day, by Employment Status,  
2007-2011

Year	Employees			Self-employed		
	Current prices (NIS)	2011 prices (NIS)	% of average wage	Current prices (NIS)	2011 prices (NIS)	% of average wage
2007	159.9	183.1	65.2	167.9	193.5	68.4
2008	174.6	191.4	68.0	199.2	218.3	77.6
2009	179.2	190.3	67.6	240.6	255.5	90.8
2010	175.8	182.1	63.9	205.2	212.1	74.5
2011	178.5	178.5	62.6	195.1	185.1	68.4

**Table 12**  
Average Monthly Permanent Disability Pension,  
by Employment Status, 2007-2011

Year	Employees			Self-employed		
	Current prices (NIS)	2011 prices (NIS)	% of average wage	Current prices (NIS)	2011 prices (NIS)	% of average wage
2007	2,823.0	3,241.1	38.4	3,131.1	3,594.9	38.9
2008	2,894.8	3,177.0	37.6	3,204.1	3,517.3	41.6
2009	3,156.2	3,352.8	39.7	3,287.7	3,492.5	41.3
2010	3,419.1	3,537.0	41.4	3,403.2	3,520.4	41.2
2011	3,240.0	3,240.0	37.9	3,489.8	3,489.8	40.8

**Table 13**  
Average Monthly Dependents' Benefit, by Employment Status,  
2006-2010

Year	Employees			Self-employed		
	Current prices (NIS)	2011 prices (NIS)	% of average wage	Current prices (NIS)	2011 prices (NIS)	% of average wage
2007	5,185.3	5,952.5	68.0	5,451.1	6,257.7	71.5
2008	5,342.4	5,863.5	67.4	5,585.2	6,130.4	70.5
2009	5,992.2	6,366.3	75.1	5,812.3	6,174.9	72.9
2010	6,711.8	6,943.6	81.3	6,054.5	6,263.9	73.3
2011	6,010.3	6,010.3	70.3	6,296.1	6,896.1	73.6

Total payments in the Work Injury insurance branch totaled NIS 3.45 billion in 2011, a rise of 1.7% in real terms compared with 2010

dropped in 2011 in real terms and as a percentage of the average wage for employees, and went up for the self-employed.

Total payments in the Work Injury insurance branch totaled NIS 3.45 billion in 2011. Table 14 shows that this sum constitutes a rise of 1.7% in real terms, compared

**Table 14**  
**Total Volume of Payments\* in the Work Injury Insurance Branch**  
**(NIS thousand), 2007-2011**

Year	Current prices	2011 prices	Rate of real change (%)
2007	2,675,225	3,071,241	
2008	2,808,378	3,082,492	0.4
2009	3,087,170	3,279,714	6.4
2010	3,279,105	3,392,241	3.4
2011	3,450,150	3,450,150	1.7

\* Including payments for injury allowances, disability pensions, dependents' benefits, medical treatment expenses and rehabilitation expenses.

**Table 15**  
**Total Volume of Payments\* in the Work Injury Insurance Branch, by**  
**Benefit Category (percentages), 2007-2011**

Year	Total	Injury allowance	Disability pension	Dependents' benefit	Medical treatment expenses	Rehabilitation expenses
2006	100.0	9.1	61.6	11.2	13.4	4.7
2007	100.0	9.6	62.4	11.2	11.6	5.2
2008	100.0	10.6	62.6	11.1	10.6	5.1
2009	100.0	9.7	62.9	10.6	12.8	4.1
2010	100.0	9.8	63.7	10.3	12.1	4.2
2011	100.0	9.7	67.6	10.4	11.5	2.9

\* Not including payments for accident prevention activities, occupational safety activities, research studies, special enterprises, legal assistance, medical boards and expert opinions.

with 2010. The increase derives from the rise in payments of disability pensions and in medical treatment expenses.

Table 15 presents the distribution of all payments by the Work Injury insurance branch by main components: injury allowances, disability pensions, dependents' benefits, medical treatment expenses and rehabilitation expenses. Disability pensions constitute the majority of this branch's payments – approximately 68%. In 2011, a slight decrease was recorded in the payments of dependents' benefits. The disability pensions and the dependents' benefits are components that are paid over time (until retirement age and, sometimes even afterwards, as explained above in Section C).

Since 2008, there has been a consistent decrease in the injury allowance payments (0.9%), but in recent years this component constitutes 10% of the payments made by the branch. This decrease is explained primarily by the legislative changes in recent years that reduced the eligibility period for injury allowances. Medical treatment expenses, which decreased in 2006-2008, went up in 2009, and then dropped again in 2010-2011.



## 8. Hostile Action Casualties

### A. General

The Victims of Hostile Actions (Pensions) Law was enacted by the Israeli government with the aim of ensuring the social benefits of victims of hostile actions and their families. Under this law (and its accompanying regulations), the benefits are paid by the NII and funded by the Treasury. The purpose of the law is to equate the rights of civilian victims of hostile actions with the rights and services granted to IDF soldiers and their bereaved families, which are handled by the Defense Ministry. The law underwent several stages of revision until it reached its present format and wording.<sup>1</sup> The innovations introduced by the law include the definition of a “hostile action,” the establishment of a designated “approving authority,” which confirms whether an incident is considered a hostile action, the definition of the principal rights under the law, full state funding of these benefits, the inclusion of past victims of hostile actions under the law and the transfer of the responsibility for handling cases to the NII.

An **injury caused by a hostile action** has been defined as one of the following:

- Injury resulting from a hostile action by enemy forces hostile to Israel, including actions that occurred outside of Israel whose objective was to harm the Jewish people;
- Unintentional injury inflicted by a person resulting from a hostile action by enemy forces, or an unintentional injury under circumstances whereby it had been reasonable to suspect an impending hostile action;
- Injury caused by a weapon intended for use during hostile actions by enemy forces, or an injury caused by a weapon intended to combat such a hostile action, even if not used, excluding an injury suffered by a person who is at least 18 years old while perpetrating a crime or other offense involving malice or criminal negligence;
- Injury resulting from an act of violence whose main objective was to inflict injury on a person because of his ethno-national origin, providing that it derives from the Arab-Israeli conflict;
- Injury resulting from an act of violence, whose main objective was to inflict injury on a person because of his ethno-national origin, which was committed by a terrorist organization that has been declared as such by the Israeli government pursuant to section 8 of the Prevention of Terrorism Ordinance, 5708 –1948, excluding an organization of enemy forces, or an act of violence committed by order of or on behalf of such an organization.

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1 The Victims of Hostile Actions (Pensions) Law was approved by the Knesset in 1970, retroactively from June 1967, for anyone injured during hostile actions since February 25, 1949. In March 1977, the law was expanded and also applied to anyone injured between May 14, 1948 and February 24, 1949. Since March 1982, persons injured between November 29, 1947 and May 13, 1948 are also eligible.

**A person injured during a hostile action is eligible for a benefit if he is one of the following:**

- An Israeli citizen, who was injured in Israel or in Judea, Samaria or the Gaza Strip, or was injured outside of Israel if less than a year has elapsed since he stopped being a resident;
- Any person who entered Israel legally;
- A foreign resident working abroad for an approved Israeli employer, who was injured during a hostile action abroad during and due to his employment;
- A resident of the territories bearing an Israeli identity card, who was injured within the bounds of the Green Line;
- A resident of the territories bearing an entry visa issued by a commander of the military forces out in the field, who was injured within the bounds of the Green Line.

## **B. Amendments and revisions to the Victims of Hostile Actions (Pensions) Law**

The amendments and revisions made in the Victims of Hostile Actions (Pensions) Law – 1970 for the purpose of its enactment indicate a trend towards broadening the rights to a benefit and to additional and supplementary services, towards recognizing the entitlement of additional family members, and towards expanding the definition of hostile actions covered under the law. Unlike the population of injured persons addressed by the Invalids Law and the Bereaved Families of Fallen Soldiers Law, victims of hostile actions also include children, the elderly and mothers of small children; furthermore, sometimes several members of the same family are injured during hostile actions. Therefore, the solutions proposed within the scope of the Invalids Law and the Bereaved Families of Fallen Soldiers Law do not always address the needs of families who have become victims of hostile actions.

In 2004, the Minister of Welfare and Social Services appointed a committee to examine the rights of victims of hostile actions and their families, in order to propose solutions for the unique problems of this population. The committee's deliberations found that the primary issue lacking an adequate solution under the existing laws concerns the unique problems facing children who have lost both parents (orphaned minor and adult children), as well as family members who have taken it upon themselves to care for these orphans.

In 2006, the definition of an "injury resulting from a hostile action" was expanded to include injuries resulting from any action whose primary objective is to harm the Jewish people (section 18.A of the National Insurance Law). However, the said expansion applies solely to residents of Israel.

In 2005, two amendments were passed that addressed the issue of those orphaned of both parents in a hostile action, and, in November 2008, the Knesset passed a legislative



amendment (which came into effect on December 1, 2008), which specifies and expands the rights of these orphans. In 2009, an amendment was passed stating that a woman widowed by a hostile action who remarried would not lose her monthly benefit, as had been the case prior to the amendment. That amendment went into effect in February 2010.

In 2011, the Knesset passed another amendment (which came into effect on August 1, 2011), that expands the rights of those **who lost both parents in a hostile action**, so long as they were orphaned before turning 37.

Following are the main points of the amendment:

1. Someone orphaned of both parents is entitled to a monthly payment as an independent orphan of NIS 4,278, as well as all the benefits due to an orphan of a hostile action.
2. The benefit (at the rate of 100% of the benefit for an independent orphan) is canceled for a person orphaned of both parents who has reached the age of 21 but is not yet 27. Similarly, the benefit (at the rate of 80% of the payment to an independent orphan) is canceled for a person orphaned of both parents who is at least 27 but not yet 37. Instead, such an orphan will be paid, from age 18 and onwards, a benefit at the rate of that paid a widow with no children, including the benefits that accompany that payment, other than assistance in buying an apartment or moving house or any other double benefit. One of the children of each such family will be paid, for each parent, benefits for the purpose of memorializing them, i.e., an annual memorializing grant and a grant every five years to maintain their graves.
3. An orphan is entitled to choose between the benefit described in Clause 2 above (payment of a benefit equal to that given a widow with no children) and a living stipend, while studying a trade or pursuing general or professional education, under the Families of Soldiers Killed in Action Law.
4. The mobility grant of NIS 26,000 is canceled for a person orphaned of both parents who has not yet reached age 21.
5. The amount of the acclimation grant will be updated in accordance with the updates under the Families of Soldiers Killed in Action Law.
6. The mobility grant to the physical guardian has been canceled.

In 2011, the Knesset passed another amendment (which came into effect on August 1, 2011), that expands the rights of those who lost both parents in a hostile action, so long as they were orphaned before turning 37

### C. Categories of benefits

1. **Medical treatment benefit** – Anyone who is prevented from working or functioning because he is receiving medical treatment (confirmed by a medical certificate) that is approved by an NII physician, is eligible for a special monetary benefit during the period of the treatment, provided that he is not receiving a salary or compensation during this period, and, if he is self-employed, provided that he has ceased to engage in his profession. This benefit is intended as short-term compensation, granted for a limited period, until the degree of disability is determined by a medical board.

2. **Disability benefits** – Anyone who has been certified by a medical board as at least 20% disabled is eligible for a monthly disability benefit. The amount of the benefit or pension is determined by the degree of disability and is equivalent in value to the benefits paid to disabled IDF veterans under the Invalids Law (Compensation and Rehabilitation). A person disabled as a result of a hostile action, who is subsequently injured during an additional hostile action, is re-examined, his degree of disability is re-determined, and all injuries sustained from all of the hostile actions are deemed as having originated during a single hostile action (aggregation of disabilities). Additional benefits and grants are added as needed – to pay for assistance from others, a mobility allowance, monthly and annual benefits and grants.

**Lump-sum disability grant** – is paid to anyone who has been certified by a medical board as having a permanent disability of between 10% and 19%. The amount of the grant is calculated by multiplying the sum deriving from the degree of disability by the number of months in the grant calculation. The grant calculation table specifies the number of months applicable for calculating each degree of disability. For example, for a person whose degree of disability is 10%, the sum is multiplied by 108 months, while for a person whose degree of disability is 19%, the sum is multiplied by 215 months.

In addition to the above ordinary benefits, **special increments for particular categories of disabled persons** are paid, such as a benefit increment for the severely disabled and an age increment, as well as special benefits at increased rates, with eligibility and benefit levels being determined according to degree of disability, earning capacity and potential for rehabilitation. Among the special benefits are:

- **Benefit for a needy disabled person** – is paid to a disabled person whose certified degree of disability is at least 50% and who fulfills the criteria pertaining to income and earning capacity. The benefit to a needy disabled person is paid in lieu of a disability benefit, and the eligibility for this benefit, for a maximum of one year, is determined by an NII committee.
  - **Benefit for the disabled lacking a means of livelihood** – is paid to a disabled person whose degree of temporary or permanent disability is at least 10%, and who fulfills particular criteria pertaining to income and efforts to seek employment. The eligibility for this benefit is determined by a special committee and is paid in lieu of a disability benefit (depending upon the degree of disability) for a limited period only.
  - **Benefit for a person disabled by a hostile action who subsequently died** – entitles the family member named the beneficiary by the disabled victim to continue receiving the benefit for a period of three years.
3. **Medical treatment** – Medical treatment includes hospitalization, treatment in a clinic, including dental treatment for damage caused by the attack, medicines, auxiliary

medical instruments, convalescence and medical rehabilitation. Treatment is provided on the basis of the NII's authorization that the injury is recognized as an injury caused by a hostile action and on the basis of a financial commitment from the NII.

Treatment is provided by state-authorized medical services, which are the government's health services and sick funds. First aid is provided to the injured victim by the first-aid organization Magen David Adom and by any physician or medical institution in the vicinity of the scene of the attack. Medical treatment to disabled persons whose degree of disability is up to 19% is provided by the sick funds under the National Health Insurance Law.

4. **Vocational and economic rehabilitation** – is intended to assist with the rehabilitation of a disabled person lacking a profession or needing retraining due to his disability, or as a result of layoffs at his workplace. Anyone with a degree of disability of at least 20%, who has not received funding for studies from the NII, may receive NII assistance to launch his own business or to put an existing independent business on firmer ground. Such a business must be economically viable and compatible with the disabled person's capabilities, know-how and physical limitations.
5. **Dependents' benefit** – is paid to the survivors of a person killed in a hostile action.

**A monthly benefit** – is paid to widowers, widows and orphans. The amount of the benefit is calculated as a percentage of the salaries of civil servants, to which fringe benefits are added as a monthly grossed-up payment. The rate of the benefit for a widow/widower is determined by the age of the widow/er and, if they have dependent children, also by the ages of their children. The increment for children continues to be paid as long as the child is serving his mandatory military service, even if he has already reached the age of 21. Once the child completes his mandatory military service, the widow/widower receives the same benefit as that paid to those with adult children. In special cases, orphans receive increased rates.

In addition to the monthly payments, dependent families are eligible for **rehabilitation, grants and additional fringe benefits**, such as payment for assistance with daily activities due to a medical handicap, help in purchasing a vehicle, loans and grants for housing, assistance with mobility, assistance with housing and a marriage grant for orphans, as well as other grants and fringe benefits.

**Grants to cover mourning expenses** – are paid to widows/widowers and to bereaved parents, and, lacking these, another surviving blood relation shall be eligible, the aim being to help with the expenses related to the mourning periods.

The data presented in this section solely relate to civilians who were injured during hostile actions and not to soldiers or police officers who were injured during hostile actions. Tables that present benefit recipients do not include injured persons who had received a benefit in the past and who are no longer eligible, or injured persons who did not receive a benefit ab initio.

## D. Hostile actions

Hostile acts have occurred throughout the years of Israel's existence. The NII began collecting data only in recent years, and therefore, the data on the initial years of the state are incomplete. Apart from the period of the War of Independence (1948), during which many civilians were killed or injured, the years between 1946 and 1966, the country's initial years, were characterized by a relatively small number of hostile actions. Immediately after the Six Day War, there was a significant rise in the number of hostile actions, followed by a gradual decline in hostilities until the eruption of the first intifada (1988).

The years 1994-1998 were characterized by a large number of hostile actions and by casualties during every attack, but the number of hostile actions gradually diminished until September 2000, with the outbreak of the second intifada. At the end of 2000, and particularly during 2001 and 2002, the number and severity of hostile actions reached a

**Table 1**  
**Number of Hostile Actions Confirmed by the Approving Authority and Hostile Action Victims, 1947-2011**

Year of the attack*	Number of incidents**	Total cases approved for benefits	Wounded		Fatalities	
			Total	Thereof: approved for benefits	Total	Thereof: approved for benefits
<b>Total</b>	<b>3,660</b>	<b>12,312</b>	<b>20,270</b>	<b>10,599</b>	<b>1,796</b>	<b>1,713</b>
1947-1957	163	201	156	142	67	59
1958-1976	368	662	498	465	220	197
1977-1993	698	1,122	904	785	356	337
1994-1998	614	1,818	1,850	1,627	195	191
1999	53	116	137	110	7	6
2000	191	395	467	370	25	25
2001	306	1,295	1,930	1,115	180	180
2002	187	1,702	2,926	1,397	308	305
2003	129	735	1,201	577	158	158
2004	138	583	885	497	87	86
2005	93	364	632	319	50	45
2006	196	2,033	5,926	1,963	87	70
2007	139	231	355	221	12	10
2008	200	624	1,288	593	31	31
2009	113	351	1,016	345	6	6
2010	72	80	99	73	7	7
2011	76	209	482	192	20	17

\* The distribution of years as presented here is based on the data presented in the study entitled "Victims of Hostilities in Israel: Injuries, Needs, Legislation and the Provision of Treatment and Assistance" (2005), by A. Yanai, R. Prior and S. Baer, published by the National Insurance Institute, which divided the attacks into periods according to the nature of the attack.

\*\* Each of the days on which missiles were fired into the region surrounding the Gaza Strip and during the Second Lebanon War was defined as a separate incident.

peak. The ratio between the number of confirmed casualties and the number of terrorist attacks in 2002 reached 9:1. Between 2003 and 2005, the number of hostile actions diminished (Table 1).

In 2006, there was a sharp increase in the number of fatalities and wounded as a result of the Second Lebanon War. The wounded included those who were lightly wounded and received medical treatment only, wounded who fully recovered after a fairly short period, and the severely wounded who became disabled. Out of approximately 4,500 persons hurt during the Second Lebanon War, 37% suffered from some form of emotional trauma not accompanied by a physical injury. In 2008, there were approximately 200 confirmed hostile actions (since November 19, 2008, each day of rocket attacks on the region surrounding the Gaza Strip is counted as an incident).

In 2009-2010, there was a decrease in hostile actions, while in 2011 there was another increase: there were 76 incidents during which 209 people were confirmed wounded for benefits purposes and 17 people died. Although there were only four more incidents in 2011 than in 2010, there were 2.5 more approved wounded, meaning the incidents were more serious.

In 2009-2010, there was a decrease in hostile actions, while in 2011 there was another increase: 76 incidents during which 209 people were confirmed wounded for benefits purposes and 17 people died

## E. Recipients of benefits

### 1. Recipients of a medical treatment benefit

Immediately after an attack, victims are eligible for a medical treatment benefit, which is paid as compensation for the loss of physical capacity caused to them. Approximately 31% of the victims of hostile actions who received a medical treatment benefit in 2011 were incapable of working or functioning for more than three months as a result of the injury. Another 30% were incapable of working or functioning for one to three months. In certain instances, such as of government employers, the employer pays the victim's full salary and the NII reimburses the employer. Table 2 presents the recipients of the medical treatment benefit and the number of employers, by duration of the incapacity.

The level of the medical treatment benefit is determined according to the injured person's occupational status prior to the incident:

- Anyone who had been working prior to being injured is eligible for a benefit that is equivalent to his average earnings during the three months preceding the injury (net of income tax) up to the maximum benefit paid to a person in reserve service (five times the average wage).
- Anyone who had not been working prior to being injured is eligible for a benefit that is calculated according to his marital status and number of children. The benefit is calculated as a percentage of a civil servant's salary.
- Children up to the age of 14 are not eligible for a medical treatment benefit under any circumstances. Children between the ages of 14 and 18 are eligible for a benefit only if they had been working prior to being injured.

**Table 2**  
**Recipients of a Medical Treatment Benefit,**  
**by Number of Days of Incapacity, 2011**

Days of incapacity	Total	Injured persons	Employers
<b>Total</b>	<b>137</b>	<b>104</b>	<b>33</b>
1-30 days	54	45	9
31-90 days	41	30	11
91+ days	42	29	13

- With regard to a disabled person who has returned to work part-time, but whose rehabilitation capacity has not yet been determined (the disabled person is in some framework of employment and has earnings, but has not returned to full functioning at work due to his recognized disability) – a partial medical treatment benefit may be considered during the period of his disability.

## 2. Disabled persons receiving a benefit

During 2011, a monthly average of 4,216 victims disabled as a result of hostile actions received benefits. Table 3 presents the number of victims of hostile actions who received

**Table 3**  
**Victims of Hostile Actions Receiving Monthly Disability Benefits**  
**(annual average), by Degree of Disability, 2006-2011**

Degree of disability	2006	2007	2008	2009	2010	2011
<b>Total</b>	<b>3,022</b>	<b>3,274</b>	<b>3,564</b>	<b>3,860</b>	<b>4,113</b>	<b>4,216</b>
Up to 39%	2,185	2,376	2,625	2,879	3,116	3,216
40-49%	203	209	219	234	238	240
50-59%	238	256	272	284	294	298
60-79%	216	234	247	259	263	260
80-99%	89	101	102	104	105	103
100%	91	98	99	100	97	99

**Table 4**  
**Disabled Victims of Hostile Actions who Received Benefits**  
**in December 2011, by Gender and Age When Injured**

Age when injured	Total	Men	Women
<b>Total – numbers</b>	<b>4,271</b>	<b>2,258</b>	<b>2,013</b>
percentages	100.0	100.0	100.0
Up to age 19	23.8	25.6	21.9
20-29	19.5	21.2	19.9
30-44	26.5	27.2	26.5
45-65	24.4	21.7	24.4
65+	5.4	4.3	5.4

During 2011 a monthly average of 4,216 victims disabled as a result of hostile actions received benefits.

The primary increase between 2010 and 2011 is in those receiving disability benefits for up to 39% disability

**Table 5**  
**Disabled Victims of Hostile Actions who Received Benefits**  
**in December 2011, by Status (ordinary, needy and lacking income)**  
**and the Benefits Paid to them (2011 prices)**

Status	Recipients	Actual average monthly payment*
Total	4,246	2,227
Ordinary	2,556	2,453
Needy	163	12,418
Without income	100	6,733
Benefit for a disabled victim who died (36 months)	42	1,542
Disabled, whose degree of disability is between 10% - 19%**	1,358	-

\* Including the monthly benefits, but excluding annual benefits.

\*\* Receiving a one-time payment and not a monthly payment.

monthly benefits between 2006 and 2011. The primary increase between 2010 and 2011 is in those receiving disability benefits for up to 39% disability (the lowest level in the table).

Tables 4 and 5 present the demographic and economic characteristics of the disabled who are receiving a monthly benefit, with 52.9% of the recipients being men. The disabled are also differentiated by their economic situation subsequent to their injury. The majority (60.2%) are classified as ordinary disabled persons, while a minority are classified as needy (3.8%) or without income (2.4%). Eligibility for a benefit as a disabled person who is needy or without income is considered for a limited period only and requires periodic re-evaluation of the recipient's situation. The numbers of disabled persons, by status, and the average benefits for the various categories of disabled persons, are presented in Table 5.

### 3. Recipients of dependents' benefits

Widowers, widows, children and parents of a person who was killed during a hostile action are eligible for a dependents' benefit. Table 1 presents the number of hostile actions each year and the number of fatalities during those actions. Tables 6 and 7 present the number of fatalities for whom a dependents' benefit is paid to their survivors, by various cross-sections.

In December 2011, benefits were paid to 1,989 families of various compositions for 1,549 fatalities – of which, approximately 49% were paid to bereaved parents and approximately 41% to widows/widowers with and without children.

Table 7 shows that bereaved parents constitute about half of the victims' families that received benefits in December 2011. Table 8 presents the volume of payments in this insurance branch over the years.



**Table 6**  
**Fatalities During Hostile Actions for Whom Benefits were Paid**  
**in December 2011, by Gender and Age at Time of Death**

Age at time of death	Total	Men	Women
<b>Total – numbers</b>	<b>1,549</b>	<b>1,064</b>	<b>485</b>
percentages	100.0	100.0	100.0
Up to age 18	17.9	14.1	26.4
19-29	21.8	20.2	25.2
30-49	36.3	39.8	28.7
50-64	16.7	17.5	14.8
65+	7.3	8.4	4.9

**Table 7**  
**Bereaved Families That Received Benefits in December 2011,**  
**by Family Composition and Monthly Benefit (current prices)**

Family composition	Numbers	Average Monthly Benefit*
<b>Total</b>	<b>1,989</b>	<b>7,207</b>
Widow/er without children	108	7,170
Widow/er with adult children	440	7,711
Widow/er with minor children	264	9,516
Independent orphans	49	3,918
Bereaved parents	980	6,578
Other	148	-

\* Including equalization, grossing up, health insurance and age increment.

**Table 8**  
**Volume of Payments in the Hostile Action Casualties Branch,**  
**2006-2011 (NIS thousand)**

Year	Current prices	2010 prices	Real year-to-year increase
2006	360,000	401,568	2.2%
2007	356,000	395,068	1.6%-
2008	388,365	412,055	4.3%
2009	400,000	410,775	0.9%-
2010	413,000	413,000	0.5%
2011	475,740	459,873	11.3%

### 3. Total payments

In 2006, approximately NIS 360 million were paid to victims of hostile actions, and, in 2007, the volume was slightly lower (decline of 1.6%). In 2008, a real increase of 4.3% was recorded compared with 2007, and, in 2010, a total of approximately NIS 413 million was paid to victims of hostile actions for various benefits. In 2011 there was a significant increase in the volume of payments by the Hostile Action Casualties Branch that totaled nearly NIS 476 million (a real increase of 11.3%). Because of amendments to the Victims of Hostile Actions (Pensions) Law, there were retroactive payments to orphans who had lost both their parents in a hostile action.



## 9. Vocational Rehabilitation

### A. General

The Vocational Rehabilitation Department helps eligible persons who have lost their jobs, or eligible persons who have no work experience, find work that is commensurate with their professional skills or their innate abilities by giving them vocational training and job placement services. These services are delivered by rehabilitation clerks who provide evaluation and counseling and accompany the recipient throughout the entire rehabilitation process.

The main services provided by the Vocational Rehabilitation Department are in-kind benefits, including: evaluation, guidance and counseling in choosing a profession, pretraining and vocational training, completion of schooling and higher education studies and job placement assistance for those having difficulties finding work. In addition, participants are eligible for funding of the expenses associated with the rehabilitation process. Inter alia, they are eligible for funding of the vocational evaluation and their studies, a rehabilitation allowance and transportation expenses relating to the training process.

The population that the department deals with is divided into three groups<sup>1</sup>: new applicants for vocational rehabilitation, those in the midst of the rehabilitation process and those who have completed their rehabilitation program. Considerable efforts are invested in identifying the people most suited to rehabilitation from among those eligible, so that the percentage of those finding work at the end of the process will be as high as possible.

In addition to vocational rehabilitation, the Vocational Rehabilitation Department provides expert opinions to the Benefits Administration branches on various matters, such as determining the level of a disabled person's earning capacity and the screening of benefit recipients. The branch also helps work-injured and those injured in hostile actions access all the financial benefits for which they are eligible. The rehabilitation employees, who are all social workers, also assist widows and other victims of hostile actions during crisis periods.<sup>2</sup>

### B. Those eligible for vocational rehabilitation services<sup>3</sup>

**General disabled persons** – a resident of Israel who suffered a physical, mental and/or emotional impairment, provided that he fulfills one of the following criteria: (1) he has been certified as having a medical disability degree of at least 20%; (2) he is unable

1 A rehabilitation participant can, in a given year, belong to more than one group.

2 Handling of victims of hostile actions includes therapeutic support and accompaniment throughout the victim's lifetime.

3 In addition to what is detailed here, eligibility for vocational rehab is conditioned on the claimant being below retirement age.

to work in his previous occupation or in other suitable work, due to his impairments; (3) as a result of his impairments, he needs and is suited for vocational training and other rehabilitation services that will enable him to return to his previous occupation or other suitable work. The spouse of a disabled person who cannot be rehabilitated due to his/her impairments and who regularly resides with him/her is also eligible for vocational rehabilitation.

**Work-injured persons**<sup>4</sup> – anyone injured at work with a certified medical disability degree of at least 10%, who, as a result of this injury, is incapable of engaging in his previous occupation or in other suitable work, or who needs special vocational training so that he will be capable of returning to his previous occupation. The NII may approve vocational rehabilitation for a work-injured person with a disability degree of under 10% in instances when it has determined that, if he continues to work at his previous job, he is liable to seriously jeopardize his health or safety (occupational illness).

A widow/widower whose spouse suffered a work-related injury and subsequently died is also eligible for vocational rehabilitation.

**Widows/widowers** – a widow/widower, as defined in the law, who is receiving a benefit and who fulfills one of the following criteria: (a) he/she has no profession or cannot earn a sufficient living in his/her profession (b) he/she cannot continue to work at the previous workplace due to being widowed; (c) a rehabilitation professional has determined that the widow/widower is suitable for vocational training/retraining, subject to his/her medical condition and education.

**Victims of hostile actions** – anyone who was injured during a hostile action,<sup>5</sup> provided that his certified degree of medical disability is at least 20%<sup>6</sup> who, as a result of this injury, is incapable of engaging in his/her previous occupation or in other suitable work, or who needs special vocational training so that he/she will be capable of returning to his/her previous job. Bereaved family members, as defined in the law (widow/widower, orphan and bereaved parents) whose family member died as a result of a hostile action, are also eligible for vocational rehabilitation.

### C. People applying to the vocational rehabilitation department

In 2011, the NII's Vocational Rehabilitation Department handled 27,301 separate inquiries received from 24,542 different people. For the second year running, the department did

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- 4 A work-related injury is a work accident that occurred during and as a result of work, including an accident that occurred en route to or from work and an occupational illness, pursuant to the list of occupational illnesses defined in the Work Injury Regulations.
- 5 A victim of a hostile action is anyone injured by an action of military forces, paramilitary forces or irregular military forces of a country or organization that is hostile towards Israel, or during an action committed on the order of or on behalf of any country or organization, directed against Israel.
- 6 A victim of a hostile action who was wounded prior to 1996 is eligible for vocational rehabilitation if his/her certified degree of disability is at least 10%.

In 2011, the NII's Vocational Rehabilitation Department handled 27,301 separate inquiries received from 24,542 different people

**Table 1**  
**Inquiries to the Rehabilitation Department, by Insurance Branch and Purpose of Inquiry (absolute numbers and percentages), 2011**

Purpose of inquiry	Total inquiries		Branch				Total applicants
	Absolute numbers	Percentages	General disability	Work injury	Survivors	Hostile action casualties	
<b>Total number of inquiries</b>	<b>27,301</b>		<b>24,633</b>	<b>1,682</b>	<b>490</b>	<b>496</b>	
			<b>90%</b>	<b>6%</b>	<b>2%</b>	<b>2%</b>	
Vocational rehabilitation	7,920	100%	80%	13%	6%	1%	7,829
Opinion as to earning capacity	18,300	100%	100%	.	.	.	15,666
Maximizing financial benefits	1,021	100%	.	63%	0%	37%	990
Help during crises	60	100%	.	.	57%	43%	57
<b>Total persons inquiring</b>			<b>21,929</b>	<b>1,641</b>	<b>482</b>	<b>490</b>	<b>24,542</b>

**Table 2**  
**Applicants for Vocational Rehabilitation and First-Time Applicants by Gender and Age (absolute numbers and percentages), 2011**

Age	Total		Gender/Number of application			
			Men		Women	
	Absolute numbers	Percentages	Total	Thereof: first application	Total	Thereof: first application
Total	7,829	100%	4,452	52%	3,377	56%
18-29	2,526	32%	1,439	61%	1,087	58%
30-39	1,727	22%	988	51%	739	50%
40-49	1,674	21%	888	49%	786	55%
50-59	1,526	19%	842	45%	684	60%
60+	376	5%	295	47%	81	56%

an initial mapping of the people contacting the department, to differentiate between those contacting the department to receive information and those actually applying for vocational rehabilitation. As a result, the number of those applying for vocational rehabilitation continued (ostensibly) to decrease, dropping by 25% compared to 2010, for a total drop of 40% applying for vocational rehabilitation over the past two years. During the past year 7,829 people came for vocational rehabilitation, with the rest coming for an expert opinion, professional counseling or for help to maximize their financial benefits. Most of those who applied to the department for help more than once during the year came to receive a professional opinion regarding their earning capacity.

The majority of those who apply for rehabilitation, whether vocational or otherwise, belong to the General Disability insurance branch

Around a third of those applying are people in their 20s, who have the highest potential for rehabilitation

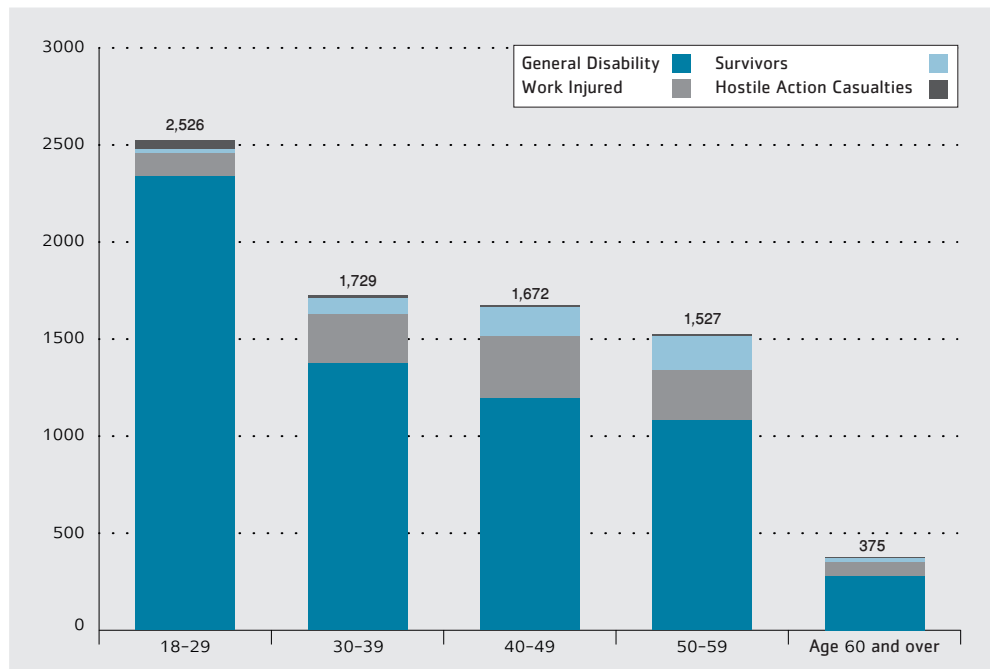
Table 1 presents the distribution of the number of inquiries regarding rehabilitation in 2011. This year too, as is the case every year, the majority of those who apply for rehabilitation, whether vocational or otherwise, belong to the General Disability insurance branch (approximately 90% of all inquiries and 88% of all people applying for vocational rehabilitation).

An examination found that 63% of those applying for rehabilitation are eligible for a monthly benefit from one of the benefit branches of the National Insurance Institute.

Table 2 presents the distribution of persons applying for vocational rehabilitation by age and gender, and the number of times they have applied. As it shows, around a third of those applying are people in their 20s, who have the highest potential for rehabilitation because they generally do not have any higher education, their capacity for learning is greater and there is a greater demand from them in the labor market. This table also shows that for 54% of those applying for vocational rehabilitation, it was their first application for help from the Rehabilitation Department.

Graph 1 shows the segmentation of those applying for rehabilitation at different ages in accordance with the branch they are affiliated with. As expected, most of those applying at younger ages belong to the General Disability branch, since most are people disabled from birth who are applying for rehabilitation, utilizing their right to do so upon reaching age 18, while a few are victims of hostile actions or orphans in bereaved families.

**Graph 1**  
**Applicants for Vocational Rehabilitation by Age and Branch**



**Table 3**  
**Applicants for Vocational Rehabilitation,**  
**by Primary Disability and Medical Disability Level, 2011**

Primary Disability	Total	Medical Disability Level					
		None*	1-19	20-39	40-59	60-79	80-100
<b>Total</b>	<b>7,829</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
Emotional or developmentally disabled	1,996	26%	5%	18%	45%	21%	6%
Internal	1,638	21%	3%	21%	22%	28%	29%
Urogenital	229	3%	0%	3%	2%	4%	7%
Neurological	954	12%	7%	13%	9%	16%	24%
Locomotion	1,600	21%	80%	32%	15%	16%	11%
Sight	335	4%	1%	3%	2%	4%	18%
Hearing	295	4%	2%	4%	2%	9%	5%
Other	782	10%	100%	2%	7%	2%	1%

\* Eligibility for rehabilitation for hostile action victims or survivors is not necessarily linked to the client's medical condition.

At later ages, the proportion of work injured and widowed grows. These data explain the difference between the median ages of those applying for rehabilitation: The median age of those applying from the Hostile Actions branch is 29, General Disability – 36, Work Injury – 44 and Survivors – 48.

Table 3 shows the applicants for vocational rehabilitation in accordance with their primary disability<sup>7</sup> and the level of medical disability that has been determined for them. As can be seen, 40% of the applicants have been assigned a 40-59 percent disability rating. This is no surprise, since this population has the greatest potential for rehabilitation; those with lower medical disability profiles are more independent and able to find work on their own, while as the medical disability level rises, the chance of finding work in the free market drops.

One can also see that among those with a low medical disability profile (1%-19%) the portion of those having mobility problems stands out. As the disability rating goes up, the proportion of people with those problems goes down, while the proportion of those with internal and neurological problems goes up, similar to the proportions of those getting disability benefits.

#### D. Participants in vocational rehabilitation

As stated above, the primary objective of the Vocational Rehabilitation Department is to help participants integrate in the labor market. Participants include are those who began

7 Primary disability is defined as the disability conferring the highest medical profile among the person's disabilities.

a rehabilitation program this year and those who began vocational rehabilitation in the past but have not yet completed their program. The rehabilitation process is comprised of a few stages during which the applicant's capacity for rehabilitation is evaluated and a program is tailored for the applicant that will provide an optimal response to the applicant's needs, desires and capabilities, pursuant to the opinions of the department professionals. The major stages in the vocational rehabilitation process are as follows:

- **Occupational evaluation** – During this initial stage, the participant's occupational qualifications are evaluated, and the participant receives counseling and guidance by department professionals, evaluation institutes or vocational rehabilitation centers. The evaluation is performed in accordance with the disabled person's capabilities and the judgment of the rehabilitation professional.
- **Pre-training stage** – depends upon the occupational evaluation, and as a preparatory stage to integration in a training program or in employment. At this stage, the participants are placed in programs, such as: courses at rehabilitation centers imparting work habits, self-empowerment training and programs to fill educational gaps (high-school matriculation, psychometric exams, college preparatory courses, etc.).
- **Vocational training** – training provided to participants who possess occupational qualifications suitable for an educational framework. This stage includes studies at institutions of higher education (colleges and universities), practical engineering schools, vocational courses (such as technician training, secretarial courses, bookkeeping and cooking), through which the participants acquire a profession enabling them to integrate in the labor market.

**Table 4**  
**Vocational Rehabilitation Programs and Participants,**  
**by Type of Program and Insurance Branch**  
**(absolute numbers and percentages), 2011**

Type of program	Total programs		Branch			
			General disability	Work injury	Survivors	Hostile actions
<b>Total</b>	<b>50,044</b>		<b>33,491</b>	<b>6,776</b>	<b>2,437</b>	<b>7,340</b>
Evaluation	29,989	100%	69%	15%	5%	11%
Pre-training	3,617	100%	77%	13%	7%	4%
Professional training	8,177	100%	79%	10%	6%	4%
Job placement	3,682	100%	81%	12%	6%	1%
Referral to sheltered workshops	331	100%	96%	3%	0%	1%
Referral to community service	156	100%	96%	1%	2%	1%
Help with utilizing rights	4,092	100%	0%	16%	1%	83%
<b>Total participants</b>	<b>24,740</b>		<b>16,288</b>	<b>3,667</b>	<b>1,140</b>	<b>3,645</b>

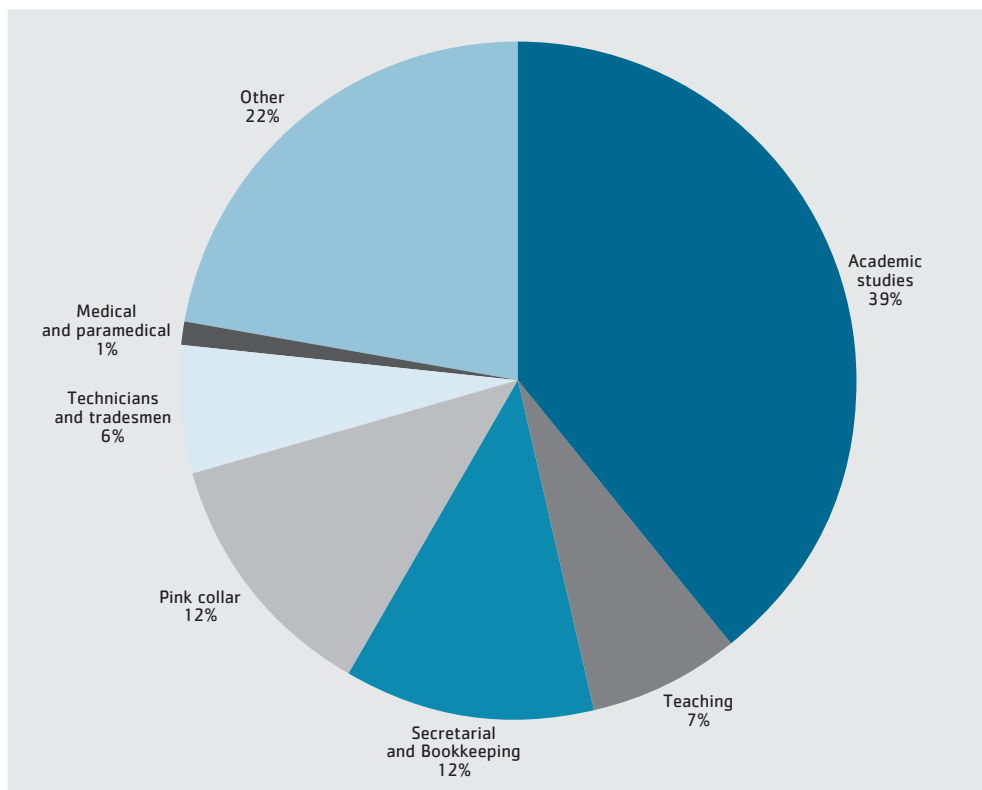
- **Job placement** – During this stage, the department staff assist those participants who have a profession and/or who have completed their vocational training to find work compatible with their capabilities and training, and assist and monitor their assimilation in the workplace.

Table 4 shows the different rehabilitation programs according to the type of program and the branch to which the client belongs, alongside the number of clients who participated in them. One can see that in 2011 some 25,000 clients were referred to about 50,000 different rehabilitation programs, meaning that on average, each client participated this year in two rehabilitation programs, at least one of which was an evaluation. As can be seen, 65% of the clients belong to the General Disability branch. Aside from the area of helping people utilize their rights, work with the generally disabled constitutes some 80% of the department’s activity.

In 2011 some 25,000 clients were referred to about 50,000 different rehabilitation programs, meaning that on average, each client participated in two rehabilitation programs

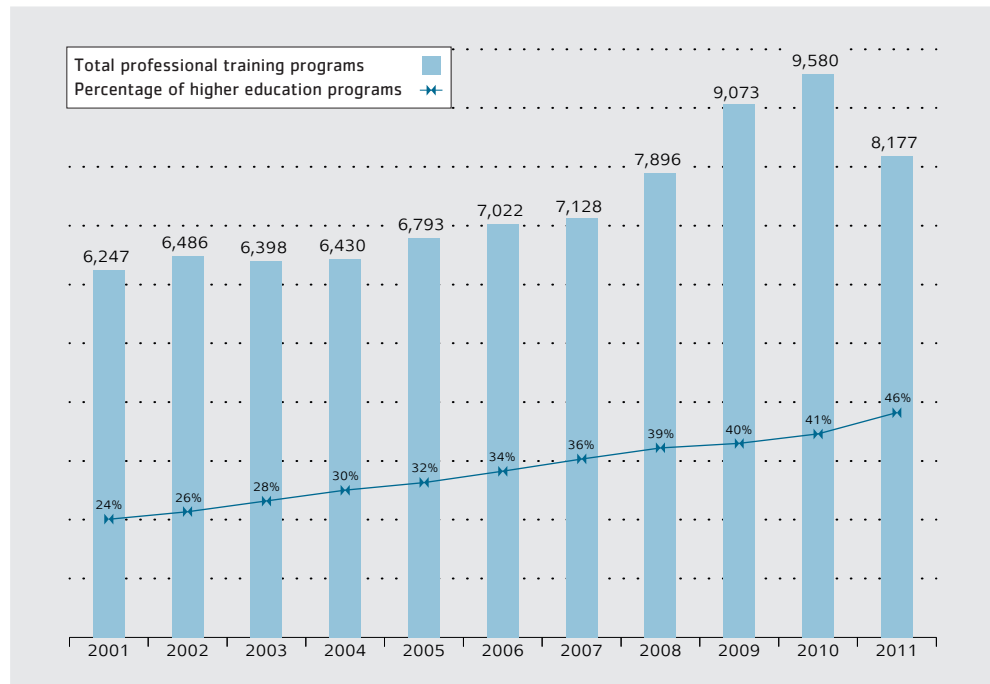
Many economic studies have proven a positive correlation between the number of years of education a person acquires and his income; academic studies are the most efficient

**Graph 2**  
**Participants in Vocational Rehabilitation, by Vocation Studied<sup>8</sup>, 2011**



.....  
8 The “pink collar” category includes such work as cosmetology, cooking, sewing, etc, and the “other” category includes such jobs as car insurance assessors, veterinary aide, etc.

**Graph 3**  
**Programs for Vocational Education and Percentage of Higher Education Programs Among Them, 2001–2011**



46% of participants who underwent vocational training this year were referred to academic studies

tool for integrating into the workforce and moving from welfare to work. Thus it should be no surprise to learn, as we see from Graph 2, that 46% of participants who underwent vocational training this year were referred to academic studies (including those studying to be teachers). On the other hand, only a few people were trained for heavy physical work (agriculture, physical labor, etc.) because of the physical effort needed for such work and because of the drop in demand for such workers today.

Another interesting development is the increasing number of participants who are pursuing academic studies. Israel is one of the leaders in the west its percentage of college graduates, and this phenomenon has not passed over those who participate in vocational rehabilitation programs. As can be seen in Graph 3, the percentage of higher education programs has doubled since the turn of the century, and today they constitute nearly 50% of all the vocational education programs.

### E. Participants who completed vocational rehabilitation

The vocational rehabilitation process is of varying duration, and is influenced by many factors, from the medical condition of the participant through the type of training he receives and the number of stages he participates in. Therefore, sometimes rehabilitation can take more than three years (for example, when the participant is studying in a college



**Table 5**  
**Participants who Completed Vocational Rehabilitation, by Outcome and Insurance Branch (absolute numbers and percentages), 2011**

Program completion/ outcome	Total		Insurance branch			
	Absolute numbers	Percentages	General disability	Work injury	Survivors	Hostile actions
<b>Total</b>	<b>7,672</b>	<b>100%</b>	<b>5,109</b>	<b>1,153</b>	<b>481</b>	<b>929</b>
			<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
Employed in free market	4,081	53%	57%	61%	69%	13%
Employed in sheltered workshop	142	2%	3%	0%	0%	0%
Completed vocational training	683	9%	11%	6%	14%	2%
Completed pretraining	850	11%	14%	8%	10%	2%
Completed counseling or professional opinion	273	4%	5%	0%	0%	0%
Completed welfare assistance	1,643	21%	11%	25%	7%	83%

**Table 6**  
**Completion of Rehabilitation Programs by Outcome and Age Group (absolute numbers and percentages), 2011**

Stage of completion	Total	Age group					
		29-18	39-30	49-40	59-50	60 +	
<b>Total</b>	<b>7,672</b>	<b>2,173</b>	<b>1,745</b>	<b>1,611</b>	<b>1,470</b>	<b>673</b>	
		<b>100%</b>	<b>28%</b>	<b>23%</b>	<b>21%</b>	<b>19%</b>	<b>9%</b>
Employed in free market	4,081	100%	28%	25%	23%	19%	5%
Employed in sheltered workshop	142	100%	18%	25%	19%	24%	14%
Completed vocational training	683	100%	31%	23%	22%	19%	4%
Completed pretraining	850	100%	36%	22%	19%	18%	5%
Completed counseling or professional opinion	273	100%	35%	16%	19%	23%	8%
Completed welfare assistance	1,643	100%	25%	18%	17%	18%	23%

preparatory program and then goes on for an academic degree and then needs job placement assistance, or in cases that a client cannot take a full schedule of classes due to his medical condition).

Those who completed a rehabilitation program in 2011 needed an average of two years and three months to finish. However, there are significant differences among

the clients from different branches and who have different medical disability profiles: While a participant from the Work Injury branch finished a program in an average of 15 months, a participant from the General Disability branch finished in just over two years on average, while the average for a participant from the Survivors branch was about a year and eight months. The differences stem from the different work habits and degree of independence generally exhibited by those from the Work Injured Branch compared to those from the General Disability and Survivors branches.

As might be expected, the participant's medical condition greatly influenced the time spent in a rehabilitation framework: For those whose medical disability was more than 80% the process took 60% longer compared to those whose medical disability degree was less than 20%. This was true both for the disabled from the General Disability branch and the Work Injury branch.

Some 53% of the participants who completed a vocational rehabilitation program (not including those whose treatment was stopped) found work

Table 5 presents the distribution of participants who completed rehabilitation programs in 2011, by program completion and outcome. The success of a vocational rehabilitation program depends on the motivation of the applicants for vocational rehabilitation. Integration in the labor market is impossible if the participant is not interested in working. Still, some 53% of the participants who completed a vocational rehabilitation program (not including those whose treatment was stopped) found work, while another 9% have completed their training program and are expected to find work next year.

The younger the participant is, the greater the chances of his integrating into the work force, given the current demand for workers in the labor market

An examination of the ages of those who completed a rehabilitation program in 2011 compared to the outcome is presented in Table 6. There is no doubt that the age of new participants (as presented in Table 2) has an influence on the percentage of those completing rehabilitation programs in every age group. Using the data in the table, one can state that the younger the participant is, the greater the chances of his integrating into the work force, given the current demand for workers in the labor market.

### Measuring the Activities of the Rehabilitation Branch

In a study of the effectiveness of the NII's Vocational Rehabilitation Department in helping the population groups in their care join the labor force, two measures were used:

- The annual share of those applying for vocational rehabilitation from among all those who began receiving benefits from the NII, and the length of time from when they began receiving benefits until they applied for rehabilitation. This measure is meant to gauge the extent of exposure of benefit recipients to what rights are available from the Rehabilitation Department and the degree to which they take up these rights.
- The share of those who find a job after completing a vocational rehabilitation program out of all those who complete such a program, and the length of time between completion of the program and the beginning of the job. It was decided to

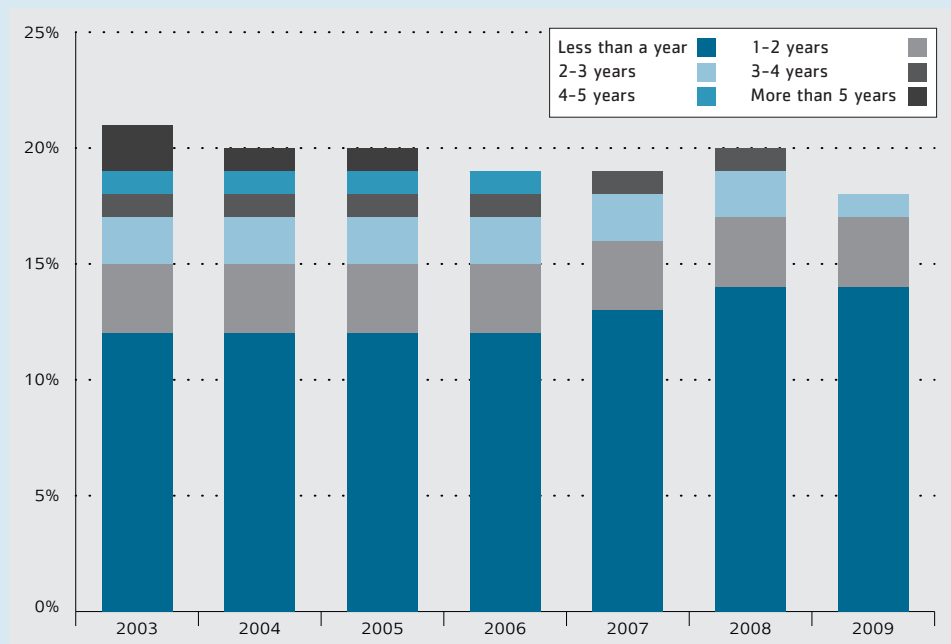
examine only those who had participated in at least one of the following programs: preparatory training, vocational training, job placement or referral to sheltered employment.

To obtain an overall picture – not merely one that is updated to a certain point in time – the trends over the years were examined. It should be noted that the NII receives detailed information about a person's employment status only about 18 months from the end of the tax year,<sup>1</sup> so that at the time of this writing, information is available only up to and including 2009. Moreover, current data regarding new recipients of disability or work injury benefits are only available from 2003. As a result, the study was carried out for the range of those years.<sup>2</sup>

### The share of those applying for rehabilitation

Most new applications for rehabilitation are submitted by the candidate himself; the Rehabilitation Department's outlook is that the person himself needs to be motivated

**Graph 1**  
The Share of New Disability Pension Recipients Who Applied for Rehabilitation, by Year of Eligibility and Length of Time From Date of Eligibility Until Application, 2003–2009



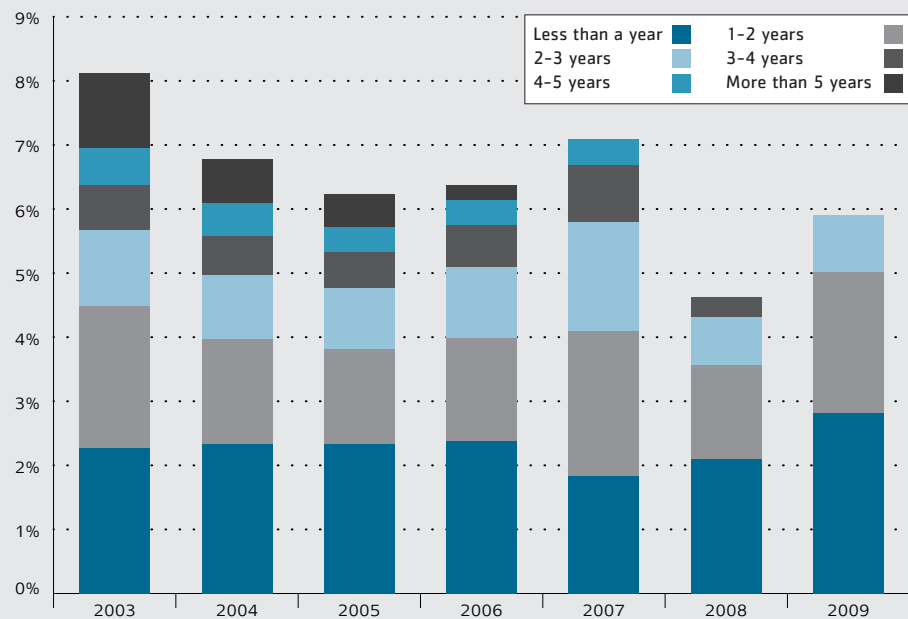
- 1 Data on employment and income are produced by the Tax Authority and are based on the income reported by all workers, both employed and self-employed.
- 2 In Section 2, in which it was not necessary to relate to the disability system, data were examined from the start of the decade.

to succeed in this process and there is no point in trying to force someone into it if he isn't interested. Still, in the framework of various projects, the Department may initiate contact with groups of potential candidates for rehabilitation, with the aim of exposing additional people to what is available.

Many studies prove that the length of time that one is out of the workforce has a great influence of the chances of returning to work: the less time the person is not working, the more likely he is to find another job. There is thus great significance to the amount of time that passes from the day that beneficiary starts receiving a benefit to the day that his application for rehabilitation is approved.

Graph 1 below presents the share of those applying for rehabilitation from out of all those who began receiving a general disability pension between 2003–2009, by year of eligibility and by the length of time that passed until the application. As can be seen, some 20% of the disabled who began receiving a general disability pension during these years applied for vocational rehabilitation, most of them during the first year they were eligible for a pension. Similarly, one can discern a steady increase over these years in the share of those applying for rehabilitation within a year.

**Graph 2**  
The Share of New Work Injury Allowance Recipients Who Applied for Rehabilitation, by Year of Eligibility and Length of Time From Date of Eligibility Until Application, 2003–2009

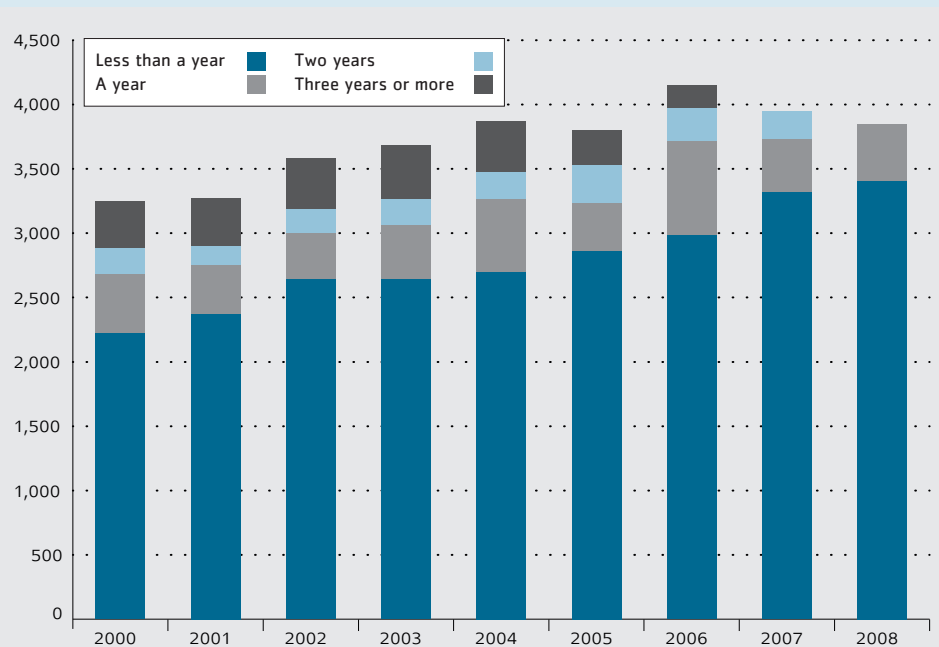


In Graph 2 we see the distribution of rehabilitation applicants from among those receiving a work injury allowance, by year of eligibility and length of time until they applied. What stands out most is the relatively low share of rehabilitation compared to those receiving a general disability pension – only 7.5% of new work injury allowance recipients, on average, apply for rehabilitation each year. One may surmise that this is a result of differences in work habits and the measure of independence among the work-injured disabled as compared to the general disabled.

### Rehabilitation program graduates who joined the workforce

As noted, a significant objective of the Rehabilitation Department is to help rehabilitants find appropriate work that he will be able to stay with for the long run. Successful job placement in this context is the placement of a rehabilitant who completed a rehabilitation program, found a job within two years of completing the program and stays at this job over time. Six months is a widely accepted average for the length of time it takes to find work, though during economic slowdowns<sup>3</sup> it may well take longer.

**Graph 3**  
**Graduates of Work Preparatory Programs, by Year of Completion and Time That Passed Before Finding Work, 2000-2008**



<sup>3</sup> During the last decade the economy experienced two waves of recession (in 2002 and in 2008), which undermined orderly economic activity and led, inter alia, to rises in the unemployment rate.

### Persons who Completed Work Preparatory Programs in 2000-2008, by Branch and Last Program

Programs		Total		Branch			Hostile action casualties
		Absolute numbers	%	General disability	Work injury	Survivors	
<b>Total</b>		<b>33,388</b>		<b>26,153</b>	<b>4,141</b>	<b>2,202</b>	<b>892</b>
			<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
Preparatory training	Total	4,823	14%	15%	13%	13%	22%
	Completing education	1,938	6%	6%	7%	6%	5%
	Instilling work habits	2,885	9%	9%	6%	7%	17%
Vocational training	Total	19,579	59%	54%	71%	80%	72%
	Professional course	15,728	47%	43%	63%	67%	40%
	Higher education	3,224	10%	10%	6%	7%	32%
	Creating conditions for learning	627	2%	2%	2%	6%	1%
Job placement assistance		8,031	24%	27%	16%	7%	5%
Referral to sheltered employment		955	3%	4%	1%	0%	0%

Despite that, among those who completed a rehabilitation program between 2000 and 2008<sup>4</sup> (who participated in at least one of the following programs: preparatory training, vocational training, job placement or referral to sheltered employment in rehabilitation company), there is a consistent uptrend in the number of those successfully integrating into the workforce, particularly among those who found work within a year of completing the rehabilitation program.

The findings show that 86% of those who completed a rehabilitation program in 2000-2008 succeeded in integrating into the workforce; among those completing a higher education program, the rate was 92%, a high rate by all accounts. The findings also show that 10% of the general disability pension recipients who found work lost their monthly pension because their income exceeded the eligibility threshold.<sup>5</sup>

4 For the purpose of this examination, rehabilitants who completed a rehabilitation program through 2008 were used, so as to be able to examine their work status in 2009.

5 The rehabilitants' salary and scope of work data were not examined, but a survey taken two years ago among those who completed a rehabilitation program showed that only 1/3 of those completing a program are working full-time.

The distribution of program graduates who found work is similar to that of the rehabilitants: some 80 percent were from the General Disability branch; 11% from the Work Injury branch and another 10% from the Hostile Action Casualty branch or the Survivors branch, with these trends holding steady over the years. It's important to note that 89% of those finding work were employed before they applied for rehabilitation, a fact that demonstrates how necessary high motivation is in order for vocational rehabilitation to succeed.

The last examination of the rehabilitation programs, which included those who had found work, shows that 60% of the disability and work injury rehabilitants had undergone vocational training programs, and that another 25% had received placement assistance before finding work. In the Survivors branch, most of the rehabilitation activity focused on vocational training, while among the hostile action casualties, attention was focused on instilling work habits and referral to higher education.

The rate of annual dropout from work among rehabilitants was also measured. Studies previously conducted in Israel show that the average annual rate of dropout in the population is about 4%. Among those who had completed a vocational rehabilitation program, the average annual rate of work dropout up to 2007 was 3%.<sup>6</sup>

### Summary

The findings prove that the activity of the Vocational Rehabilitation Department contributes to integrating excluded populations into the workplace. Moreover, when a rehabilitant completes a rehabilitation program and finds work, whether with or without the NII's placement assistance, his diligence and persistence are no less than among those of the overall population. In recent years we have been witness to a steady increase in the number of disabled people applying for rehabilitation annually. Additional population groups should be made aware of the Vocational Rehabilitation Department and what it offers, and efforts must continue to identify eligible populations who could benefit from the rehabilitation programs.

.....  
6 We should note that during 2008, when there was an economic slowdown, the work dropout rates among those who completed rehabilitation programs was twice as high as among the overall population, perhaps because these workers had lower marginal output rates.

### F. Payments associated with vocational rehabilitation

The vocational rehabilitation process involves the funding of associated payments that facilitate rehabilitation. These payments include the NII's participation in participants' living expenses (a rehabilitation allowance, per diem expenses, and rent for housing), studies (tuition, tutoring and equipment) and mobility (travel via public transportation, special transportation and a supplement to a mobility allowance as a wage-earning participant). Following is a brief explanation of the various types of payments:

- Rehabilitation allowance: A monthly maintenance benefit, at the level of a full disability pension, which is paid during the period of studies of the participants in vocational rehabilitation who are not eligible for a general disability pension or a work injury allowance, provided that they are studying at least 20 hours per week.
- Travel: Reimbursement of travel expenses to the location of the training/evaluation by public transportation, by taxi<sup>9</sup> and/or by a supplement to a mobility allowance to those receiving this allowance as wage-earners.
- Tuition: The NII subsidizes the college tuition or the cost of the training of those participating in vocational rehabilitation, up to the maximum amount prescribed in the regulations.
- Tutoring and special services for the disabled: Assistance through tutoring, as needed, according to participant's volume of study hours, and special assistance to disabled participants who, due to their medical disability, need translation into sign language, transcription, readers, etc.
- Rent for housing: Help to pay rent or the cost of the dormitories for participants whose permanent places of residence are more than 40 km from the location of the vocational training, depending upon their course of studies.
- Equipment: Helping the disabled purchase equipment that is necessary for participation in the rehabilitation program (computer, keyboard adapted for the blind, books, school supplies, etc.).
- Other expenses (including per diem expenses): Assistance with exercising financial rights, mainly among victims of hostile actions and the work injured, as well as participation in support expenditures, subject to the regulations.

Under an effort to confirm eligibility for rehabilitation and assure the choice of appropriate rehabilitation programs, there was a significant drop in 2011 in the number of payment recipients and in expenses for rehabilitation: The payments associated with rehabilitation totaled 193.4 million, divided among 13,796 different people, a drop of 15.5% in the total expenses compared to 2010 and a reduction of some 36% in the number of recipients. As can be seen in Table 7, this drop was common to all the branches.

Under an effort to confirm eligibility for rehabilitation and assure the choice of appropriate rehabilitation programs, there was a significant drop in 2011 in the number of payment recipients and in expenses for rehabilitation

**Table 7**  
**Expenses for Vocational Rehabilitation,**  
**by Insurance Branch (NIS thousand), 2006-2011**

Year	Total	General disability	Work injury	Survivors	Hostile actions
2006	208,191	128,738	25,985	12,310	34,080
2007	207,073	128,058	25,845	12,243	33,896
2008	205,415	129,798	25,112	11,516	32,336
2009	220,984	144,967	30,598	14,242	31,072
2010	229,170	151,713	32,452	14,640	30,365
2011	193,360	126,951	26,751	11,875	27,784

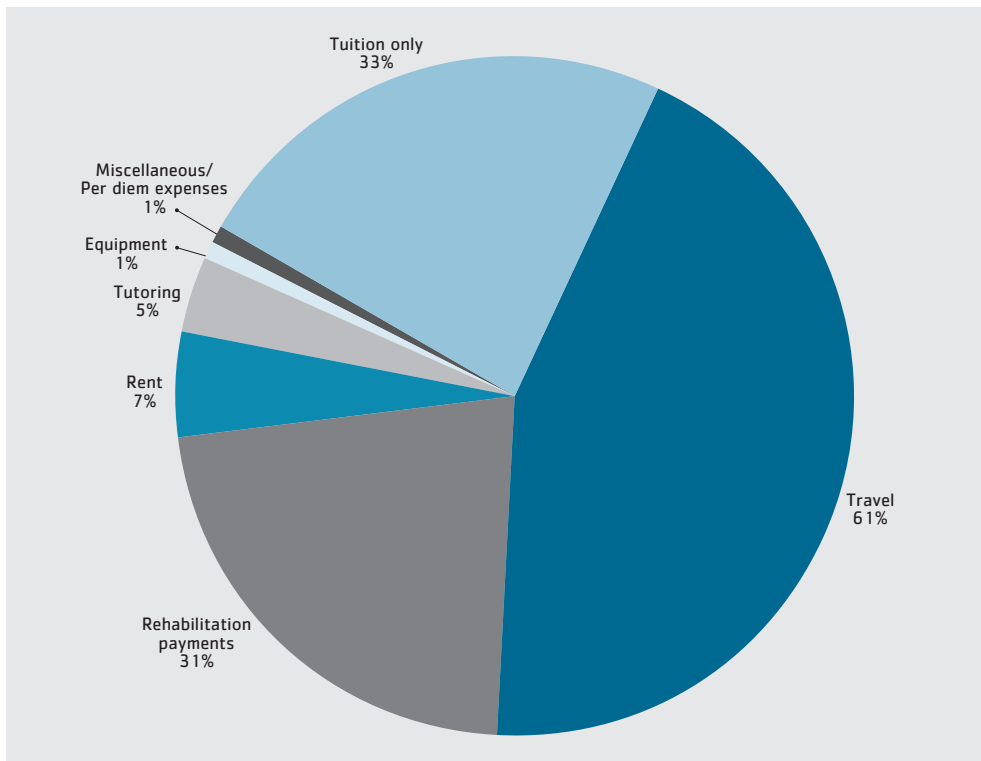
<sup>9</sup> Is paid to the severely disabled who cannot travel by public transportation due to their medical condition and who are not eligible for a mobility allowance.



**Table 8**  
**Payments Associated with Vocational Rehabilitation and Number of Recipients, by Insurance Branch (NIS thousand), 2011**

	Total	Rehab Allowance	Travel	Tuition	Tutoring	Rent	Equipment	Other payments
Total payments	193,360	57,240	11,678	94,382	5,979	7,303	1,363	15,416
General Disability	126,951	33,230	9,103	70,772	5,638	6,948	1,215	46
Work Injury	26,751	14,531	1,515	10,052	292	275	66	20
Survivors	11,875	5,926	936	4,905	33	1	11	64
Hostile Actions	27,784	3,553	124	8,653	16	80	72	15,286
Total recipients	13,796	4,061	8,095	12,312	706	976	169	1,271

**Graph 4**  
**Additional Rehabilitation Payments to Those Receiving Tuition Subsidies, 2011**



Despite what is stated above, an examination of those receiving all types of payments in 2011 compared to 2010 does not point to a major drop in the number of recipients. What's more, the average cost of every participant in 2011 was NIS 15,000 a year, 50% more than the cost of every participant in 2010.

The average cost of every participant in 2011 was NIS 15,000 a year, 50% more than the cost of every participant in 2010

This development is the result of a new policy that is much more cautious about awarding eligibility on the one hand, and a more generous allocation of resources to those who are deemed eligible, on the other. As shown in Table 8, there is a direct relationship between the number of participants in every branch and its total expenses, with the expenses of the General Disability branch the highest, constituting 66% of the annual expenses (and a similar proportion of the participants, see Table 4). What also emerges from the table is that the payments for tuition constitute the main expense (some 50%) and that such payments are made to 90% of the participants.

Whoever is found suited to finishing their education or professional training is entitled to higher associated payments than those who are not studying or in a training course (among them tutoring, equipment, travel expenses and rent). It is therefore clear why the bulk of the associated payments are paid to this population. Graph 4 shows the payments in addition to tuition, keeping in mind that any given person can be receiving more than one payment.

As in past years, about a third of participants who receive tuition payments do not get any other payments, and one can assume that most of them receive other benefits, while 31% have their benefit payment increased to the rate of someone with a total disability because they are participating in a rehabilitation program. In 61% of the instances, the NII subsidizes transportation expenses of participants to the place where they are studying.

## 10. Unemployment Insurance

### A. General

The objective of Unemployment insurance is to guarantee workers an income while unemployed and to prevent a sharp drop in their standard of living. Unemployment benefits constitute an essential safety net, and are meant to help the unemployed maximize their earning potential by giving them time to seek work that is commensurate with their skills. Subsequent to the stringent legislation enacted between 2002 and 2007 regarding Unemployment insurance, unemployment benefits and grants are paid under the conditions presented below.

**Unemployment benefits** are paid to unemployed persons who, prior to becoming unemployed, had worked the requisite qualifying period prescribed by law – 12 months of work out of the 18 months preceding unemployment.<sup>1</sup> Eligibility for unemployment benefits is granted immediately (after a waiting period of five days) to anyone who was dismissed from his job and shows a willingness to accept alternative employment via the Employment Service. Jobs offered to unemployed persons above the age of 35 must be “suitable work” in terms of profession, wage and distance from home. For other unemployed persons, any work offered to them by the Employment Service is work that is deemed suitable in terms of profession and wage.

Unemployment benefits are paid for a maximum period of 50 to 175 days, depending on the age and family status of the unemployed person.<sup>2</sup> Unemployed persons participating in vocational training who have at least 12 years of schooling are eligible for unemployment benefits for the same maximum period as all other unemployed. Unemployed persons participating in vocational training who have fewer than 12 years of schooling are eligible for unemployment benefits for a maximum period of 138 days, even if without the vocational training they would have been eligible for 50-100 days.

Unemployment benefits are calculated according to the age and wage of the unemployed person<sup>3</sup> immediately prior to his becoming unemployed, but the level of

- .....
- 1 In the instance of workers paid per diem, the qualifying period is 300 days of work out of the 540 days preceding unemployment.
  - 2 The maximum benefit utilization period is calculated according to the following criteria:
    - 50 days: for claimants up to the age of 25, with fewer than three dependents.
    - 67 days: for claimants between the ages of 26 and 28, with fewer than three dependents.
    - 70 days: for discharged soldiers (as defined on the next page).
    - 100 days: for claimants between the ages of 29 and 35, with fewer than three dependents.
    - 138 days: for claimants up to the age of 35 with at least three dependents, or claimants between the ages of 36 and 45 with fewer than three dependents.
    - 175 days: for claimants between the ages of 36 and 45 with at least three dependents, or claimants over the age of 45.

3 Portion of the unemployed person's wage	Up to age 28	29+
That portion of his wage up to half of the average wage	60%	80%
That portion of his wage above ½ to ¾ of the average wage	40%	50%
That portion of his wage above ¾ to 100% of the average wage	35%	45%
Portion of wage = average wage, up to maximum insured wage	25%	30%

the benefits is limited: During the first five months of receiving the benefits, the benefits cannot exceed the average wage, and as of the sixth month is limited to 2/3 of the average wage. The unemployment benefits payable to an unemployed person participating in vocational training is 70% of the unemployment benefit he would have received were it not for the vocational training.

**Unemployment benefits for discharged soldiers:** Until June 2007, discharged soldiers had been exempt from the qualifying period and were eligible for unemployment benefits during the first year after their discharge from the army. Since July 2007, discharged soldiers must accumulate a qualifying period of six months of work during the first year after discharge in order to qualify for unemployment benefits. The unemployment benefit is 80% of the minimum wage, for a maximum period of 70 days.

**Grant for discharged soldiers:** Soldiers who worked at a “preferred/in-demand occupation,” as defined by law, during the first two years after discharge, are eligible for a grant of NIS 9,011 in 2011. The grant is calculated by multiplying the rate of the unemployment benefit per day by 138 days and dividing by 2. Soldiers who exercised their right to unemployment benefits are not eligible for a grant.

## B. Amendments to the Unemployment Insurance Law

### 1. Shortening of the qualifying period – agreement under Section 9 of the law

In response to the economic crisis, the recession and the rise in unemployment that began at the end of 2008, a temporary order was enacted at the beginning of 2009 whose objective was to assist those unemployed people not eligible for unemployment benefits under the National Insurance Law by paying them special benefits. Pursuant to the agreement, any unemployed person at least 25 years old who had been dismissed from his job and had accumulated a period of work of nine months out of the 18 months preceding his unemployment (instead of work for 12 out of 18 months), would be eligible for a special benefit from the NII. The special benefit paid was at the level of the unemployment benefit to which he would have received had he been eligible for one, and for a period not exceeding half of the maximum period of payment of unemployment benefit. This agreement prevails for as long as the unemployment rate, as published quarterly by the Central Bureau of Statistics, is at least 7.5%.

The agreement was implemented in June 2009 when the unemployment rate exceeded 7.5%, and expired at the end of February 2010, when the published rate of unemployment dipped to 7.4%. In total, 10,183 unemployed persons benefitted from this agreement, at a cost of NIS 107 million.

### 2. Extension of the maximum payment period of unemployment benefits

In December 2009, in response to the recession, an additional coalition agreement was implemented, enabling the maximum payment period of unemployment benefits

to be extended for young unemployed persons who had accumulated rights under Unemployment insurance. This agreement expired at the end of 2010.

Under the agreement, unemployed up to the age of 25 had been eligible for an unemployment benefit for a maximum of 65 days (an addition of 15 days to the maximum period for this age group). Unemployed aged 25-28 had been eligible for an additional 30 days, not exceeding 97 days. Unemployed aged 28-35 had been eligible for a maximum period of 125 days (instead of 100 days – an additional 25 days of benefits).

As a result of the agreement, approximately 46,000 unemployed persons between the ages of 25 and 35 became eligible for additional days beyond the maximum period to which they had been entitled; however, the data show that only 50% took advantage of this benefit and used at least a portion of the additional days they had been granted. The overall cost of this agreement was some NIS 100 million.

### C. Data and trends

There the unemployment rate dropped during the first half of 2011: from 6.5% (adjusted for seasonal factors) at the end of 2010 to 6% in the first quarter of 2011 and to 5.5% in the second quarter. This drop in the unemployment rate, however, was accompanied by a drop in the civilian workforce as a percentage of the population. This means that some of the unemployed had given up on finding work and dropped out of the workforce. During the second half of the year the downward trend stopped and the unemployment rate stabilized at 5.5%. The civilian workforce as a percentage of the population also remained unchanged. All told, the average unemployment rate for 2011 was 5.7%, as opposed to 6.6% in 2010 – a drop of 14%.

The number of persons receiving unemployment benefits also dropped during the first half of 2011 compared to the second half of 2010, but during the second half of 2011, there was a rise that cancelled out the previous drop. All told, in 2011 the number of unemployed receiving unemployment benefits dropped by around 2% compared to 2010. Some 179,000 different unemployed persons received unemployment benefits – an average of 57,400 per month.

Table 1 presents the number of recipients of unemployment benefits and their percentage out of all unemployed persons since 2006. The percentage of unemployed persons receiving unemployment benefits reached a low of about 21% in 2004, stabilized at around 24% between 2005 and 2007, and rose to 26.7% in 2008 and to 31.8% in 2009, with the rise in the unemployment rate and the implementation of the above-mentioned agreement. The decrease in the number of recipients of unemployment benefits in 2010 was steeper than the decrease in the number of the unemployed, which is why the ratio of recipients dropped to 28.1%. In 2011, the situation was reversed: the drop in the number of those getting unemployment benefits was more moderate, thus the percentage of jobless getting unemployment benefits rose to 31.5%

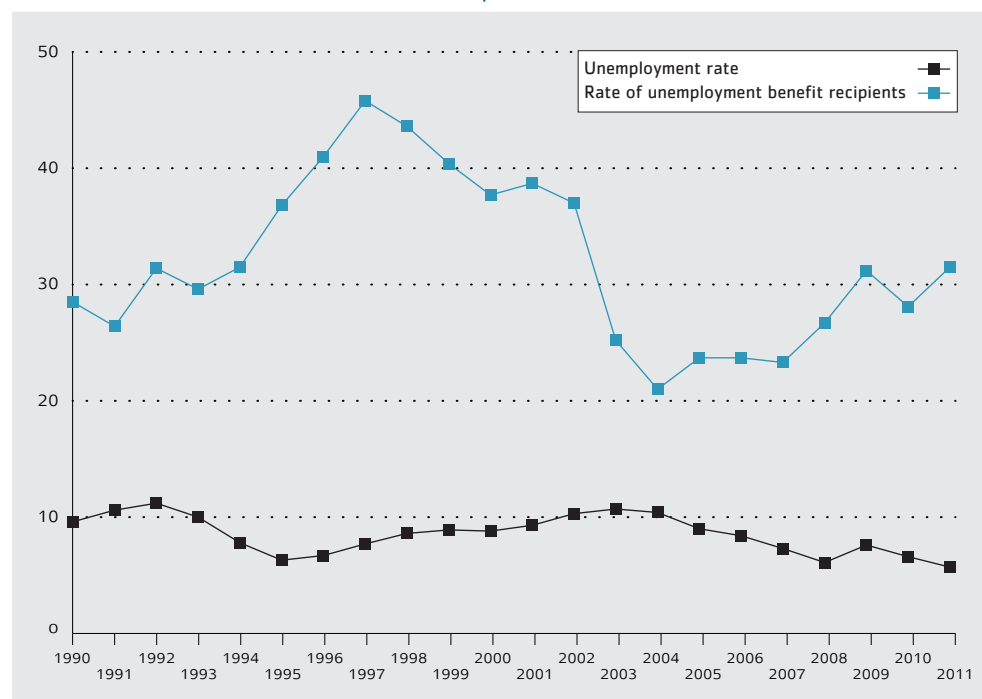
The number of persons receiving unemployment benefits dropped during the first half of 2011 compared to the second half of 2010, but during the second half of 2011, there was a rise that cancelled out the previous drop. In 2011 the number of unemployed receiving unemployment benefits dropped by around 2% compared to 2010. Some 179,000 different unemployed persons received unemployment benefits – an average of 57,400 per month

**Table 1**  
**Unemployed and Recipients of Unemployment Benefits**  
**(monthly average), 2006-2011**

Year	Unemployed		Recipients of unemployment benefits	
	Absolute numbers	Percentage of the workforce	Absolute numbers	Percentage of the unemployed
2006	236,100	8.4	55,941	23.7
2007	211,800	7.3	49,817	23.5
2008	180,000	6.1	48,045	26.7
2009	230,000	7.6	73,025	31.8
2010	209,000	6.6	58,634	28.1
2011	182,000	5.7	57,354	31.5

Graph 1 presents the trends in the ratio of unemployment benefit recipients to all the unemployed, compared with the unemployment rate since the beginning of the 1990s. The graph illustrates how the percentage of unemployment benefit recipients plummeted between 2002 and 2004 (compared with the relatively stable unemployment rate) as a result of the stringent legislation in Unemployment insurance during that period, and the stabilization and slight rise that came in the subsequent years.

**Graph 1**  
**Unemployment Rates and Percentages of Unemployment Benefit Recipients**  
**Over Time, 1990-2011**



**Table 2**  
**Recipients of Unemployment Benefits by Year, 2006–2011**

Year	Recipients of unemployment benefits – total		Previously employed recipients of unemployment benefits			Discharged soldiers		
	Numbers	% change from previous year	Total (numbers)	% of all recipients	% change from previous year	Total	% of all recipients	% change from previous year
<b>Total</b>								
2006	183,439	-3.4	153,538	83.7	-4.4	29,901	16.3	2.6
2007	162,759	-11.3	145,506	89.4	-5.2	17,253	10.6	-42.3
2008	156,450	-3.9	155,485	99.4	6.9	965	0.6	-94.4
2009	218,174	-39.5	218,124	100.0	40.3	40	-	-95.9
2010	182,065	-16.5	182,039	100.0	-16.5	26	-	-35.0
2011	178,547	-1.9	178,525	100.0	-1.9	22	-	-15.4
<b>Monthly average</b>								
2006	55,941	-4.9	49,294	88.1	-5.8	6,647	11.9	2.3
2007	49,817	-11.0	45,936	92.2	-6.8	3,881	7.8	-41.6
2008	48,045	-3.4	47,871	99.6	4.2	174	0.4	-95.5
2009	73,025	52.0	73,016	100.0	52.5	9	0.0	-94.8
2010	58,634	-19.7	58,629	100.0	-19.7	5	0.0	-44.4
2011	57,354	-2.2	57,349	100.0	-2.2	5	-	-

#### D. Recipients of unemployment benefits

It is customary to divide the recipients of unemployment benefits into two main categories: discharged soldiers and previously employed recipients. Discharged soldiers are subdivided into belonging to two periods: those discharged before July 2007 and those discharged subsequently. Prior to July 2007, discharged soldiers were exempt from the qualifying period during the first year after their discharge and had been subject to an employment test only.

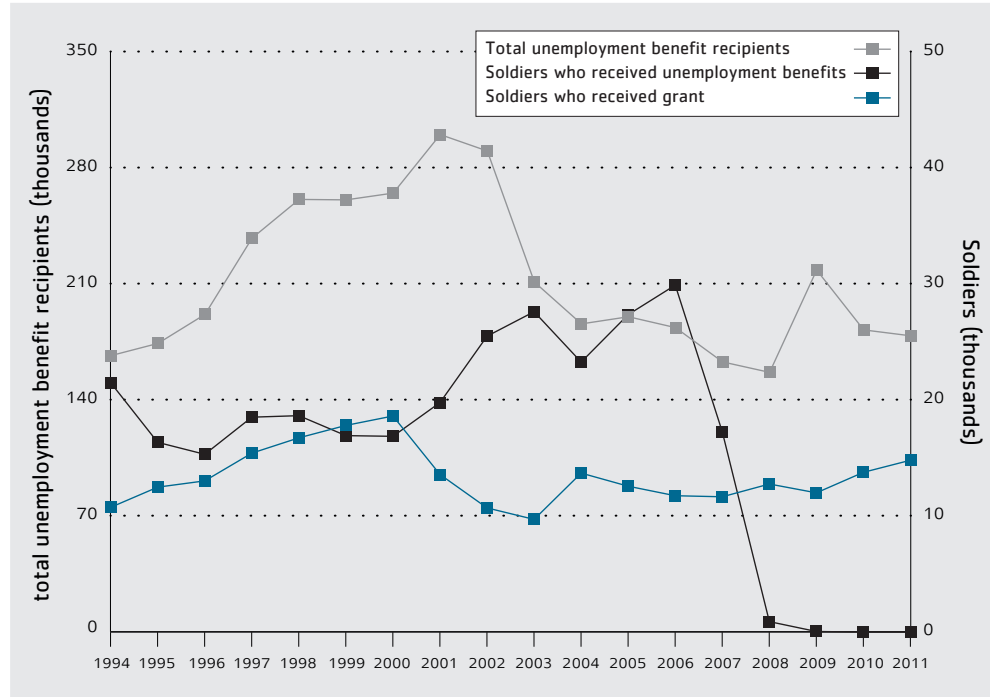
As a result of a change in the law, from July 2007, the number of discharged soldiers eligible for unemployment benefits plummeted from 6,650 in 2006 to 3,880 in 2007, and has reached nearly zero in recent years. In the years preceding the amendment, discharged soldiers had constituted about 12% of all recipients of unemployment benefits.

Table 2 shows that, in 2011, an average of 57,354 unemployed persons received unemployment benefits per month, and this, as stated, constitutes about a drop of around 2% compared with 2010, following the much larger drop of some 20% during 2010.

Graph 2 clearly illustrates the inverse ratio between the change in the number of discharged soldiers who received unemployment benefits and the change in the number of discharged soldiers who received a grant up until 2006. Since 2007, as a result of the legislative change, discharged soldiers are, in effect, no longer eligible for unemployment benefits. There is no connection, of course, between the two series.

As a result of a change in the law, from July 2007, the number of discharged soldiers eligible for unemployment benefits plummeted from 6,650 in 2006 to 3,880 in 2007, and has reached nearly zero in recent years

**Graph 2**  
**Recipients of Unemployment Benefits (Entire Population and Discharged Soldiers) and Recipients of a Discharged Soldier's Grant for Preferred Work, 1994-2011**



**Table 3**  
**Previously Employed Recipients of Unemployment Benefits By Type of Employment Bureau (percentages), 2006-2011**

Year	Total	College graduates	Not college graduates
2006	100.0	26.1	73.9
2007	100.0	26.8	73.2
2008	100.0	28.3	71.7
2009	100.0	29.1	70.9
2010	100.0	28.3	71.7
2011	100.0	28.5	71.5

The percentage of the unemployed who attended vocational training courses from among recipients of unemployment benefits has been less than 1% in recent years

Differentiating by type of employment bureau shows that during the years 2010-2011 the percentage of college graduates among recipients of employment benefits remained stable, after a steady rise in previous years, from approximately 18% in 2000 to 29% in 2009 (Table 3).

The percentage of the unemployed who attended vocational training courses from among recipients of unemployment benefits has been less than 1% in recent years. It should be noted that the more stringent eligibility criteria for unemployment benefits



under the Economic Plan of 2002-2003 essentially did away with vocational training for recipients of unemployment benefits.

### E. Duration of payment

Unemployment benefits are paid to the unemployed for 50, 67, 100, 138 or 175 days, depending upon the recipient's age and number of dependents. In 2010-2011, as a result

**Table 4**  
**Job Seekers Who Received Unemployment Benefits and whose Eligibility Expired in 2010 and 2011, by Number of Days for which they Received Unemployment Benefits (as a Percentage of the Maximum Eligibility Period), and by Maximum Eligibility Period**

Period of eligibility	Total	Number of days of payment, as a percentage of the maximum eligibility period					Average number of days, as a percentage of the maximum eligibility period
		Up to 25% of the eligibility period	From 25%-50% of the eligibility period	From 50%-75% of the eligibility period	From 75%-100% of the eligibility period	100% of the eligibility period	
<b>2009</b>							
<b>Total</b>	<b>100.0</b>	<b>9.5</b>	<b>11.4</b>	<b>11.2</b>	<b>21.6</b>	<b>46.4</b>	<b>79.2</b>
50 days	100.0	7.4	10.8	10.0	21.1	50.8	84.2
67 days	100.0	6.1	11.5	12.7	19.6	50.1	84.0
100 days	100.0	8.6	12.8	15.2	27.1	36.6	77.7
138 days	100.0	10.7	13.2	11.1	21.1	43.9	77.2
175 days	100.0	9.9	9.8	9.1	19.8	51.4	80.1
<b>2010</b>							
<b>Total</b>	<b>100.0</b>	<b>8.2</b>	<b>14.6</b>	<b>11.2</b>	<b>20.5</b>	<b>45.5</b>	<b>78.7</b>
50 or 65 days	100.0	4.7	9.4	11.4	21.1	53.4	85.3
67 or 97 days	100.0	5.8	11.9	18.1	18.5	45.7	81.8
100 or 125 days	100.0	7.7	16.1	13.3	26.2	36.7	77.7
138 days	100.0	8.9	16.1	11.3	20.2	43.7	77.6
175 days	100.0	8.8	14.5	8.7	18.5	49.5	78.8
<b>2011</b>							
<b>Total</b>	<b>100.0</b>	<b>10.7</b>	<b>13.5</b>	<b>12.3</b>	<b>20.3</b>	<b>43.2</b>	<b>76.3</b>
50 or 65 days	100.0	8.1	11.5	14.4	18.8	47.2	81.0
67 or 97 days	100.0	11.6	16.0	17.0	23.9	31.5	73.1
100 or 125 days	100.0	11.1	15.5	16.0	23.0	34.4	72.6
138 days	100.0	10.5	13.8	11.4	21.0	43.3	77.0
175 days	100.0	10.1	11.8	9.5	18.6	50.0	78.7

In 2011 there was a slight drop compared to 2010 in the average number of days benefits were paid as a percentage of the maximum benefit periods for all groups of unemployed. Still, the average duration of payment went up from 103 days in 2010 to 108 in 2011

of the agreement, additional periods were added: 65, 97 and 125 days. Eligibility for unemployment benefits is limited to one year from the first day of unemployment.

Table 4, which presents the take-up rates relative to the permitted period of eligibility under the law, indicates that the take-up rates by young people and older people was higher than that of other groups. These take-up rates reflect the distress of older adults, who have poor prospects for re-entering the labor market, and of the youngest workers who do not manage to find a job before their unemployment benefits expire. It should be stressed that in 2011 there was a slight drop compared to 2010 in the average number of days benefits were paid as a percentage of the maximum benefit periods for all groups of unemployed. Still, the average duration of payment went up from 103 days in 2010 to 108 in 2011.

The reason for the rise in the depth of unemployment is not necessarily that job searches lasted longer: In 2011 depth of unemployment related to jobless people who finished their eligibility period during that year; in other words, their eligibility began in 2010, during which the maximum eligibility period for younger workers was longer. Thus, it's possible that there was no change in the duration of job-seeking, but rather that the unemployment period for which individuals received payment was on average 5 days longer per jobless person compared to 2010.

## F. Unemployment benefit rates and scope of payments

As stated, unemployment benefits in Israel are calculated to ensure a progressively diminishing wage-replacement ratio (ratio of unemployment benefits to wage prior to becoming unemployed), similar to other social insurance schemes. This formula combines

**Table 5**  
**Recipients of Unemployment Benefits,\* by Level of Benefit per Day Relative to the Average Wage per Day in the Economy (percentages), 2006-2011**

Year	Total	Unemployment benefits per day relative to average wage per day in the economy					Average unemployment benefits as a percentage of the average wage in the economy
		Up to 1/4 of the average wage	From 1/4-1/3 of the average wage	From 1/3-1/2 of the average wage	From 1/2-2/3 of the average wage	From 2/3 to 100% of the average wage	
2006	100.0	6.5	8.3	44.2	28.5	12.5	48.7
2007	100.0	7.6	10.6	43.7	25.6	12.5	46.9
2008	100.0	6.7	9.9	40.4	27.3	15.7	49.9
2009	100.0	5.2	7.8	38.0	29.8	19.2	52.9
2010	100.0	6.2	9.1	38.8	29.1	16.9	51.0
2011	100	6.4	8.5	37.9	30.1	17.0	51.2

\* Not including discharged soldiers.

**Table 6**  
**Volume of Unemployment Benefit Payments (NIS million),**  
**2006-2011**

Year	Current prices	Fixed prices (2011)	% of real change
2006	1,957	2,258	-3.8
2007	1,757	2,017	-10.7
2008	1,840	2,020	0.1
2009	3,028	3,217	59.3
2010	2,534	2,622	-18.5
2011	2,499	2,499	-4.7

two considerations: the insurance consideration – insurance against unemployment, whereby the compensation provided to maintain the standard of living of the unemployed person and his family does not fully replace the wage prior to unemployment; and the consideration of the earning distribution – higher compensation to the unemployed who had earned lower wages than to those who had earned higher wages.

Table 5 shows that since 2008 there has been a reversal in the trend. For the first time since 2004, there was a rise in the level of the average unemployment benefit as a percentage of the average wage – from 47% in 2007 to 50% in 2008, and even further to 53% in 2009. Over the past two years the rate has stabilized at 51% of the average wage.

The especially high rate of unemployment benefits in 2009 (53% of the average wage) stemmed from the economic crisis, which triggered a wave of layoffs that included people earning high salaries. As a result, the percentage of unemployed receiving unemployment benefits at a level exceeding half of the average wage in the economy rose, from 38% in 2007 to 50% during the last three years; concurrently, the percentage of the unemployed receiving unemployment benefits at a level that is less than half of the average wage has decreased, from about 62% in 2007 to 50% during the past three years.

In 2011, the overall expenditure on unemployment benefit payments totaled approximately NIS 2.5 billion, compared with NIS 2.6 billion in 2010 – a decrease of approximately 5%. This decrease is a result of the decrease in the number of recipients. Concurrently, the ratio of payments by the Unemployment insurance branch to the total volume of National Insurance benefits decreased, from 5.6% of total expenditure in 2009 to 4.4% in 2010 and to 4.1% in 2011.

In 2011, the overall expenditure on unemployment benefit payments totaled approximately NIS 2.5 billion, compared with NIS 2.6 billion in 2010 – a decrease of approximately 5%

### **Duration of Unemployment Benefits and the Length of Time Needed to Find Work**

Under the Unemployment Insurance Law, the maximum period for payment of unemployment benefits is 50-175 days, depending on the age of the unemployed person and his family situation. Unemployed persons who stop getting unemployment

**Table 1**  
**Unemployed Who Used Up Their Unemployment Benefits**  
**by Length of Job Search After Unemployment Benefits Ended, 2009**

Age and dependents	Maximum period of unemployment benefits	Total		Length of job search after unemployment benefits ended						Were not working after 18 months
		Absolute numbers	%	Up to 1 month	2-3 months	4-6 months	7-9 months	10-12 months	13-18 months	
<b>Total</b>	<b>133</b>	<b>24,305</b>	<b>100.0</b>	<b>36.2</b>	<b>19.5</b>	<b>12.6</b>	<b>7.0</b>	<b>3.5</b>	<b>3.8</b>	<b>17.4</b>
Up to 25, no dependents	50	2,170	100.0	36.9	24.8	13.3	6.9	4.0	3.9	10.2
25-28, no dependents	67	2,650	100.0	38.2	24.6	13.9	8.8	3.9	3.7	6.9
28-35, no dependents	100	3,928	100.0	38.6	19.8	13.9	8.1	3.6	4.2	11.9
Up to 35 with dependents	138	1,353	100.0	33.2	18.6	13.3	8.3	4.4	4.9	17.4
35-45, no dependents	138	3,154	100.0	39.8	19.8	12.3	6.7	3.6	3.8	14.0
35-45 with dependents	175	2,131	100.0	36.3	18.7	13.6	7.6	3.1	4.5	16.1
Over age 45	175	8,919	100.0	33.5	16.9	11.3	5.8	3.1	3.4	26.1

Table 2  
 Unemployed Women Who Used Up Their Unemployment Benefits  
 by Length of Job Search After Unemployment Benefits Ended, 2009

Age and dependents	Maximum period of unemployment benefits	Total		Length of job search after unemployment benefits ended						Were not working after 18 months
		Absolute numbers	%	Up to 1 month	2-3 months	4-6 months	7-9 months	10-12 months	13-18 months	
<b>Total</b>	<b>130</b>	<b>13,693</b>	<b>100.0</b>	<b>33.3</b>	<b>18.5</b>	<b>13.3</b>	<b>7.7</b>	<b>3.7</b>	<b>4.3</b>	<b>19.3</b>
Up to 25, no dependents	50	1,290	100.0	35.9	22.5	13.2	6.8	4.9	3.9	12.9
25-28, no dependents	67	1,656	100.0	35.6	23.2	14.2	9.4	4.5	4.5	8.6
28-35, no dependents	100	2,422	100.0	34.2	18.7	14.5	9.1	4.2	4.5	14.7
Up to 35 with dependents	138	804	100.0	26.9	16.5	15.9	8.8	4.5	6.5	20.9
35-45, no dependents	138	1,915	100.0	38.1	18.6	12.2	7.4	3.2	4.3	16.2
35-45 with dependents	175	1,054	100.0	30.4	16.7	15.6	8.1	3.5	6.1	19.7
Over age 45	175	4,552	100.0	30.9	16.4	11.8	6.3	2.8	3.6	28.2

**Table 3**  
**Unemployed Men Who Used Up Their Unemployment Benefits**  
**by Length of Job Search After Unemployment Benefits Ended, 2009**

Age and dependents	Maximum period of unemployment benefits	Total		Length of job search after unemployment benefits ended						Were not working after 18 months
		Absolute numbers	%	Up to 1 month	2-3 months	4-6 months	7-9 months	10-12 months	13-18 months	
<b>Total</b>	<b>138</b>	<b>10,612</b>	<b>100.0</b>	<b>39.9</b>	<b>20.8</b>	<b>11.8</b>	<b>6.2</b>	<b>3.2</b>	<b>3.2</b>	<b>15.0</b>
Up to 25, no dependents	50	880	100.0	38.3	28.2	13.5	7.0	2.7	4.0	6.3
25-28, no dependents	67	994	100.0	42.5	26.9	13.5	7.8	2.9	2.3	4.1
28-35, no dependents	100	1,506	100.0	45.6	21.4	13.0	6.4	2.5	3.6	7.4
Up to 35 with dependents	138	549	100.0	42.4	21.7	9.5	7.5	4.2	2.6	12.2
35-45, no dependents	138	1,239	100.0	42.4	21.8	12.6	5.6	4.0	3.1	10.5
35-45 with dependents	175	1,077	100.0	42.2	20.7	11.7	7.2	2.7	2.9	12.6
Over age 45	175	4,367	100.0	36.2	17.4	10.7	5.2	3.3	3.2	24.0

benefits before the end of their eligibility period presumably found work before their eligibility period ended, in other words, the duration of their job search was equivalent to the duration of the unemployment benefits. For those unemployed who utilized their entire eligibility period for unemployment benefits, the duration of the job search was at least identical to their maximum benefit period.

This box presents the duration of the job search by unemployed persons who used up their unemployment benefits and their success in finding work after different periods of time, differentiated by age and gender. Those examined included all the unemployed who used up their benefits in the first half of 2008. They were monitored through the salary files of the years 2008-2009 for 18 months from the day they stopped receiving unemployment benefits.

It was found that 36% found jobs immediately after they stopped receiving unemployment benefits. At the same time, 17% were still not working 18 months after their unemployment benefits had ended. The rate is particularly high among unemployed aged 45 or more – more than a quarter of them still had not found work 18 months after their unemployment benefits ran out.

Differentiation by gender shows that the proportion of women who went back to work immediately after their unemployment benefits ran out was lower while the proportion of women who were not employed after 18 months was higher than among men in a similar situation.

The high proportion of adults who still were not working 18 months after their unemployment benefits ran out is also explained by other available sources of income: A comparison made with the old-age pension file showed that more than half the women aged 45 or older who had not found work 18 months after their unemployment benefits ran out had started to receive an old-age pension. Similarly, a quarter of the men not working after 18 months had started receiving pensions from their workplaces.





## 11. Workers' Rights under Employer Bankruptcy and Corporate Liquidation

### A. General

The Workers' Rights under Employer Bankruptcy insurance branch was established in 1975 against the backdrop of the rights of many employees being adversely affected as a result of businesses collapsing and entering bankruptcy and liquidation proceedings. These employees lost not only their jobs and the wages owed to them, but also their obligatory severance pay prescribed in the employment agreements, and their social benefits. This occurred because, in most cases, employers were left without the financial resources or realizable assets necessary to fund the balance of the debt owed to employees and the provident funds (see definition below).

The purpose of the Workers' Rights under Employer Bankruptcy and Corporate Liquidation insurance branch is to pay insurance benefits to employees to cover the debts owed by bankrupt employers in respect of wages and severance pay, and to safeguard the continuity of the social rights in the provident funds.

The benefits paid by this insurance branch to employees and to provident funds are funded by employers' national insurance contributions (in 2010, the rate was 0.02% of the employee's monthly wage, up to the maximum income liable for insurance contributions), and by government participation at a similar rate (in 2011 – 0.02%) within the framework of Ministry of Finance indemnification.

The activities of the Workers' Rights under Employer Bankruptcy and Corporate Liquidation insurance branch enable complete separation between the rendering of payments to employees and provident funds and the realizing of assets of employers under bankruptcy and liquidation. In addition, the benefits to employees and provident funds were linked to changes in the basic amount, as defined in the National Insurance Law.

### B. Some relevant statutory definitions

- Employer under bankruptcy or liquidation: all types of corporations against which a bankruptcy or liquidation order has been issued, when the employees or provident funds did not receive the monies due to them: the self-employed, limited companies, partnerships, cooperative societies and nonprofit organizations.
- Employee: anyone who worked for an employer at the time the bankruptcy or liquidation order was issued, and who has not yet received the balance of his wages and severance pay. This definition encompasses workers who are residents of Israel, foreign residents and residents of the territories who are working by virtue of a valid employment agreement.
- Provident funds: any entity to which, pursuant to the provisions of a collective agreement, employment contract or other agreement between the employee and the em-

ployer, and with the consent of that entity, the employer must transfer contributions from the employer's means or from the employee's wages in order to accumulate or secure the employee's rights pertaining to his job, termination of employment, retirement from that job or his social security.

## C. Benefits paid under the law

### Benefits to employees

**Wages:** sums not yet paid to an employee in respect of his work – wages, overtime pay, convalescence pay, redemption of vacation days, payment for holidays and clothing – including any amount deducted from an employee's wage other than by law that has not yet been transferred to its intended destination. If the wage does not exceed the minimum wage (in 2011 – NIS 4,100 per month), the employee is entitled to receive the minimum wage prescribed by law.

**Severance pay:** compensation to which an employee is entitled up to the employment termination date in respect of the seniority he accumulated during the years of his employment by that employer.

In 2011, the maximum benefit to an employee (for wages and severance pay) was set at 13 times the basic amount (NIS 106,054).

### Benefits to provident funds

The purpose of these benefits is to guarantee the continuity of employees' rights. The benefits are limited to a maximum sum of twice the basic amount (in 2011 – NIS 16,316).

## D. Difficulties applying the law

Despite the significant progress achieved in the realm of protecting workers' wages and rights, some problems have yet to be resolved:

- The law requires the issuance of a liquidation/bankruptcy order. This is usually a protracted process, which often delays the payment of debts to employees.
- The considerable litigation expenses involved in employers' liquidation proceedings could be greater than the amount of the employer's debt to the employee; consequently, the employee has no reason to institute such proceedings and he is unable to exercise his rights under this insurance branch.
- Employees who have accumulated long periods of seniority receive, in most cases, the maximum benefit, which is only a small sum compared to what their employers owe them.

## E. Employers under bankruptcy or liquidation proceedings

Frequently, there is a time lapse of several years between the termination of employer-employee relations and the receipt of the benefit. The figures given in Table 1 indicate that

**Table 1**  
**Number of New Employers in Bankruptcy and Liquidation Being Handled, Number of Employee Claims Received and Approved, and Number of Provident Fund Claims Approved, 2007-2011**

Year	New employers handled by the branch	New employee claims		New provident fund claims		
		Received	Approved*	Received	Approved*	Employees for whom benefits were paid to provident funds
2007	450	7,000	8,400	180	190	1,060
2008	405	6,000	6,800	155	205	1,610
2009	450	7,300	6,800	215	210	2,630
2010	560	9,100	8,400	320	300	4,500
2011	480	7,200	7,000	310	290	4,200

\* Including approvals of claims received in previous years.

**Table 2**  
**New Employers, by Number of Claims Handled in Each File (not including Provident Fund Claims), 2007-2011**

Year case received	Total employers (absolute numbers)	Number of claims per employer, as a percentage of all employers			
		Percentages	1-5	6-25	26+
2007	440	100.0	58.8	32.5	8.7
2008	400	100.0	57.1	31.8	11.0
2009	450	100.0	47.0	38.7	14.3
2010	540	100.0	56.9	29.9	13.4
2011	450	100.0	64.6	28.2	7.2

**Table 3**  
**New Employers Handled by the Workers' Rights under Employer Bankruptcy Branch, by Economic Sector (percentages), 2007-2011**

Year	Total (absolute numbers)	Textile	Metal and electricity	Various industries	Construction and infrastructure	Commerce	Transportation	Services*
2007	450	2.9	5.8	8.7	15.1	34.2	3.3	30.0
2008	405	2.5	6.1	10.3	15.7	32.7	3.9	28.8
2009	450	2.6	7.1	13.3	14.9	30.7	4.2	27.2
2010	560	3.6	5.4	9.7	15.9	33.2	3.4	28.8
2011	480	2.7	6.0	11.6	12.6	33.6	4.1	29.4

\* Including business, public and personal services.

economic recessions of 2005 and 2008 impacted the volume of activity of this insurance branch in the years 2007-2011, and this is expected to continue in the coming years.

In 2011, there were 480 new employers under bankruptcy and liquidation, in which liquidators submitted claims to the insurance branch on behalf of employees and

**Table 4**  
**Approved Employee Claims, as a Percentage of the Total,**  
**by Economic Sector, 2007-2011**

Year	Total (absolute numbers)	Textile	Metal and electricity	Other industries	Construction and infrastructure	Commerce	Transportation	Services*
2007	8,400	5.1	5.0	9.9	8.2	24.4	1.7	45.7
2008	6,800	9.2	5.1	11.9	12.2	18.6	1.2	41.8
2009	6,800	5.0	10.5	13.5	11.0	22.3	1.2	36.5
2010	8,400	6.4	4.4	7.9	10.2	28.8	4.6	37.7
2011	7,000	5.5	10.6	7.9	14.1	16.9	2.5	42.5

\* Including business, public and personal services.

In 2011, there were 480 new employers, in which liquidators submitted claims on behalf of employees and provident funds – a drop of 14.3%

The number of employees on whose behalf provident fund claims were approved in 2011 was 4,200 – an increase of 6.7%

In 2011, these employers were concentrated in: commerce (33.6%), services (29.4%) and construction and infrastructure (12.6%)

In 2011, 240 employees, or 3.4% of all new employees with approved claims, received the maximum benefit due to them

provident funds – a drop of 14.3% compared with 2010. 7,200 new claims were received for handling – a decrease of 21% compared with 2010, and 8,400 employee claims were approved.

The number of employees on whose behalf provident fund claims were approved in 2011 was 4,200 – an increase of 6.7% compared with 2010.

Table 2 shows that, in more than half of the employer files received for handling by the insurance branch between 2006 and 2010, 1-5 claims were approved per file. However, one must take into account additional claims in the same employer files in the coming years, which are likely to change the distribution of employers by number of employee claims in their files.

Table 4 shows that in 2011, these employers were concentrated in the following economic sectors: commerce (33.6%), services (29.4%) and construction and infrastructure (12.6%) (Table 3). In that year, employees in the services sector constituted 42.5% of all new employees whose claims were approved, while employees in the commerce sector constituted 16.9% – almost half the 2010 rate in this branch.

## F. Volume of payments

In 2011, NIS 258.4 million were paid to employees and provident funds – a decrease of 11%, compared with 2010. 81.8% of the payments were paid in respect of wages and severance pay, 15.8% in respect of wages only, and 2.4% in respect of severance pay only (Table 5).

In 2011, 240 employees, constituting approximately 3.4% of all new employees with approved claims, received the maximum benefit due to them. This low percentage apparently reflects the low wages of those employees who filed claims for a bankruptcy benefit and the short duration of their employ. 6.4% of the employees on whose behalf claims were submitted to provident funds received the maximum benefit. It should be noted that these numbers are likely to rise, due to payments of benefit differentials in the coming years (Table 6).

**Table 5**  
**Payments to Employees and Provident Funds, Payments by Benefit Category, and as a Percentage of Total Payments, 2007-2011**

Year	Total payments (NIS million)			Payment by category of employee benefit, as a percentage of the total		
	Total	To employees	To provident funds	Wages and severance pay	Wages	Severance pay
2007	218.1	212.7	5.4	79.7	16.9	3.4
2008	197.2	189.0	8.2	79.2	16.8	4.0
2009	224.9	216.2	8.7	78.6	16.7	4.7
2010	290.2	278.5	11.7	81.2	16.0	2.8
2011	258.4	248.2	10.2	81.8	15.8	2.4

**Table 6**  
**Employees and Provident Funds that Received Maximum Benefits, as a Percentage of the Total Employee and Provident Fund Claims, 2007-2011**

Year	Employees who received the maximum benefit		Employees for whom the maximum benefit was paid to provident funds	
	Total	As a percentage of total approved claims	Total	As a percentage of the total
2007	105	1.2	290	27.2
2008	170	2.5	250	15.5
2009	215	3.2	230	8.7
2010	170	2.0	370	8.2
2011	240	3.4	270	6.4

Under the law, the insurance branch may demand from the employers' liquidators the amounts of benefits that had been paid in respect of every employee by virtue of preferential rights<sup>1</sup> at an amount not exceeding the amount prescribed in the Companies' Ordinance, the Bankruptcy Ordinance, the Cooperative Societies Regulations and more. In 2011, the amount under preferential rights per employee for wages only was NIS 21,995 for wages and NIS 32,993 for wages and severance pay. In relation to benefits paid to provident funds, there are no amounts with preferential rights. With regard to the balance of the debt, the insurance branch is deemed a regular creditor. It should be noted that if the maximum amount was paid to an employee (in 2011, NIS 106,054), the amount to be paid by the liquidator to the insurance branch under preferential rights

1 Debts to which preferential rights are attached are debts that are given priority over other debts, when such priority is given to regular creditors and not to secured creditors who are entitled to all their money in the bankruptcy/liquidation process. The relevant laws define the types of debts that are awarded preferential rights, ranked in the following order of precedence: (1) wages; (2) debts that are awarded preferential rights, ranked in the following order of precedence: (1) wages; (2) debts in respect of income tax deduction at source; (3) other debts, such as maintenance payments and rent; (4) municipal taxes.

will be transferred to the employee to cover a portion of the debt owed by the liquidator to the employee. In this instance, the insurance branch becomes a regular creditor from the first shekel.

Under the same law, the insurance branch will not be entitled to collect from the liquidator the linkage differentials that the insurance branch paid to the entitled employee in respect of the period subsequent to the issue date of the receivership order or liquidation order, unless the liquidator decides to pay interest, linkage differentials or both in respect of the aforesaid period also to all other creditors during the bankruptcy or liquidation proceedings. For example, if an employee was paid wages and severance pay in the amount of NIS 35,000, of which NIS 2,000 constituted the linkage differential in respect of the period subsequent to the issue of the receivership or liquidation order, the remaining amount – NIS 33,000 – is divided into NIS 13,500 under preferential rights, while the balance – NIS 19,500 – is deemed a regular debt.

The significance of the foregoing is that the law limits the insurance branch's ability to collect (if possible) partial amounts from liquidators on account of the benefits paid to employees and provident funds, which have eroded over time. Table 7 presents the amounts of debt under preferential rights and the percentage of those debts out of the total benefits paid in 2007 – 2011, as well as the amounts collected from the liquidators and the percentage of the collection out of the total debt under preferential rights during those years. This table shows that, in 2011, the Worker's Rights under Employer Bankruptcy and Corporate Liquidation insurance branch was entitled to receive, under preferential rights, 52.6% of the benefits paid to employees and provident funds during that year.

In 2011, the NII succeeded in collecting NIS 13.0 million on account of benefit payments paid in the past, and this constitutes 9.6% of the debt under preferential rights during that year

In 2011, the NII succeeded in collecting NIS 13.0 million on account of benefit payments paid in the past, and this constitutes 9.6% of the debt under preferential rights during that year.

**Table 7**  
**Debts Under Preferential Rights, as a Percentage of Total Benefits Paid to Employees and Provident Funds, and Collection from Liquidators, as a Percentage of Total Debt Under Preferential Rights, 2007-2011**

Year	Current debt under preferential rights		Collection from liquidators on account of past debts	
	Amount (NIS million)	As a percentage of total benefits	Amount (NIS million)	As a percentage of total debt under preferential rights
2007	83.0	38.0	6.1	7.4
2008	69.0	35.0	10.0	14.5
2009	74.2	33.0	11.1	15.0
2010	126.0	43.5	32.1	25.5
2011	135.9	52.6	13.0	9.6

## Chapter 4

## Collection: Activities and Trends





## 1. Introduction

The National Insurance Institute is responsible for collecting national insurance contributions to fund the benefits payable under the National Insurance Law, and for collecting health insurance contributions as per the Health Insurance Law to fund the health system. National and health insurance contributions are collected from Israeli residents who are working (employees and the self-employed) and from those who are not working – at varying rates applicable to income liable for insurance contributions. In addition, since 1986, the government has been compensating the NII for losses of collection receipts deriving from the reduction in insurance contributions from employers and the self-employed. This compensation is called “Finance Ministry indemnification,” and it constitutes a component of the NII’s receipts from national insurance contributions.<sup>1</sup>

In 2011, as in previous years, collection from the public was affected by fluctuations deriving from the economic developments, from the average wage, from the number of employed individuals and from the legislative process relative to 2011 and 2012, which progressed towards concluding the legislative amendment process that had begun during previous years.

In 2005, employers’ insurance contributions began to be gradually reduced; concurrently, two insurance contribution rates were imposed on employers – reduced and regular – instead of the uniform rate applicable to all income brackets liable for insurance contributions, similar to the customary rate structure according to the share of the employee and the self-employed. Prior to the legislative amendment, employers had been paying 5.93% of the employee’s income, up to the maximum income liable for insurance contributions. Subsequent to the amendment, during the period January – August 2009, employers paid 3.45% at the reduced rate (up to 60% of the average wage) and 5.43% at the regular rate.

At the beginning of 2006 the following was also instituted: The reduced rate for insurance contributions imposed on employees was reduced from 1.4% of income to 0.4%; the regular rate was increased from 5.58% to 7%; and the reduced rate bracket was increased from 50% to 60% of the average wage. These revisions were made using a zero budget; i.e., without affecting the NII’s total receipts. In order not to cause a loss in the total collection, the increase in the reduced rate bracket was also imposed on the employer’s share.

In July 2009, the Economic Efficiency Law 2009-2010 was enacted, which included two amendments that affected collections from September 2009 through March 2011: An increase in the reduced rate of employers’ insurance contributions from 3.45% to

1 The rate of the insurance contributions imposed on the government instead of on employers appears in the table of insurance contribution rates, and is prescribed in Section 32 of the National Insurance Law, which generally addresses the government’s participation in the funding of the various insurance branches.

3.85% (in fact, reverting the situation to what had prevailed in 2008) until March 31, 2011; and a doubling of the ceiling for the payment of national and health insurance contributions, from five times the basic amount to 10 times the basic amount until December 31, 2010.

Theoretically, these two amendments were expected to increase the total collection of national insurance contributions, but, in fact, the additional collection and the additional allocations pursuant to Section 32 were transferred in their entirety to the Finance Ministry, since, concurrently, the ministry's participation in collection for the Children insurance branch was reduced from 210% to 207.5% in 2009 and to 169% in 2010, and back to 208% in 2011.

In the Economic Arrangements Law for 2011-2012 two additional changes were inserted: the ceiling for the payment of national and health insurance contributions was raised to 9 times the basic amount from January 1, 2011 and the insurance contributions at the regular rate were increased for the employer by 0.47%

In the Economic Arrangements Law for the years 2011-2012 two additional changes were inserted: the ceiling for the payment of national and health insurance contributions was raised to nine times the basic amount from January 1, 2011 (and to eight times the basic amount from January 1, 2012); and the insurance contributions at the regular rate were increased for the employer by 0.47% (from 5.43% to 5.9%). These steps increased the collection of national insurance contributions but not the Treasury's portion; as a result, participation in the Children insurance branch was 200.5% from April 1, 2011 (204.5% in 2012)

Table 1 presents the collection from the public in 2010 and 2011 and the impact of the legislative changes on the volume of the collection. In 2011, the NII's receipts from collection of national and health insurance contributions totaled NIS 51.1 billion: NIS 48.7 billion were collected directly from the public, and NIS 2.4 billion were transferred by the Treasury under Section 32C.1 of the Law,<sup>2</sup> which indemnifies the NII for the reduction in national insurance contributions from employers and from the self-employed. This year, direct collection from the public increased (without Finance Ministry indemnification) by about 3.7% in real terms, compared with an increase of 7.2% in 2010.

The collection of national insurance contributions from the public in 2011 increased by 3.9% while the collection of health insurance contributions increased by 3.3%

The collection of national insurance contributions from the public in 2011 increased by 3.9% (compared with an increase of 8.0% in 2010), while the collection of health insurance contributions increased by 3.3% (compared with an increase of 5.8% in 2010). The ratio of collections of health insurance contributions to total collection from the public continued to decrease but more moderately; in 2011 it reached 35.75% compared to 35.89% in 2010. This was due to the increase of the employers' national insurance contributions as described above – a process that increases the weight of the national insurance contributions from the public and necessarily decreases the weight of the health insurance contributions.

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2 See Table 8 in Chapter 1.

Table 1  
Collection from the Public and the Estimated Impact of the Legislative Amendments  
on the Receipts (NIS million), 2010-2011

	2010			2011			Percentage change 2011 versus 2010	
	Net of legislative changes	Legislative changes*	Actual	Net of legislative changes	Legislative**	Actual	Nominal	Real
<b>Total</b>	<b>43,992</b>	<b>1,400</b>	<b>45,392</b>	<b>47,208</b>	<b>1,500</b>	<b>48,708</b>	<b>7.3</b>	<b>3.7</b>
National Insurance	27,962	1,140	29,102	30,034	1,260	31,294	7.4	3.8
Health Insurance	16,030	260	16,290	17,174	240	17,414	7.1	3.6
							6.9	3.3

\* Legislative changes in 2010 included an increase in the reduced rate of employers' insurance contributions (3.85% instead of 3.45%) and a ceiling of 10 times the basic amount.  
\*\* Legislative changes in 2011 included four months of the reduced rate to the employers' contributions (3.85% instead of 3.45%), eight months of the regular rate of employers' contributions (5.90% instead of 5.43%) and a ceiling of nine times the basic amount.

The ratio of collection from the public to the GDP was 5.6% in 2011. The ratio of collection receipts from the public to total direct taxes<sup>3</sup> collected from individuals increased from 47.3% in 2010 to 47.6% in 2011, as a result of greater improvement in collections by the NII compared to that of the Income Tax Authority.

## 2. Collection of National Insurance Contributions

### A. Rates of national insurance contributions

In 1995, two rates of insurance contributions were instituted – a reduced rate and a regular rate – for all categories of insureds. Since January 2006, the reduced rate has been imposed on that portion of the income liable for national insurance contributions that is 60% or less of the average wage.<sup>4</sup> The regular rate is imposed on the balance of the income up to the ceiling – on the employee's share, on the employer's share, and on the self-employed, without differentiating between his share as an employee or as an employer. As Table 2 shows, the reduced rate applies to all insureds – employees and non-employees – and, since August 2005, the reduced rate has been applied to employers as well.

**Table 2**  
**Rates of National and Health Insurance Contributions,**  
**by Category of Insured (percentages), 2010–2011**

Category of insured	National insurance contributions				Health insurance contributions	
	Regular rate		Reduced rate		Regular rate	Reduced rate
	2010	2011	2010	2011		
<b>Employees – total</b>	<b>13.10</b>	<b>13.57</b>	<b>4.92</b>	<b>4.52</b>	<b>5.0</b>	<b>3.1</b>
Thereof: Employee	7.00	7.00	0.40	0.40	5.0	3.1
Employer	5.43	*5.90	**3.85	*3.45	-	-
Government	0.67	0.67	0.67	0.67	-	-
<b>Self-employed – total</b>	<b>11.82</b>	<b>11.82</b>	<b>7.31</b>	<b>7.31</b>	<b>5.0</b>	<b>3.1</b>
Employee	11.23	11.23	6.72	6.72	5.0	3.1
Government	0.59	0.59	0.59	0.59	-	-
<b>Insured – not working and not self-employed</b>	<b>7.00</b>	<b>7.00</b>	<b>4.61</b>	<b>4.61</b>	<b>5.0</b>	<b>5.0</b>

\* From April 1, 2011.

\*\* Until March 31, 2011.

3 Direct taxes collected from individuals include income tax (from employees, the self-employed, and company directors), national insurance contributions and health insurance contributions. Total direct taxes include, in addition to taxes collected from individuals, the corporation tax (State Revenue Administration, Annual Reports).

4 The average wage as defined in the National Insurance Law – NIS 8,307 per month in 2010, and the basis for reduced rates was 50% of the average wage until year-end 2005.

**Table 3**  
**Employers (by Size of Employer) and Insureds Liable for National Insurance Contributions, by Category of Insured, 2010 and 2011**

Category of insured	2010	2011	Percent change
<b>Insured employees* – total</b>	<b>2,907,000</b>	<b>2,916,000</b>	<b>0.3</b>
<b>Employers** – total</b>	<b>234,751</b>	<b>241,449</b>	<b>2.9</b>
Employing 1-5 employees	172,102	177,046	2.9
Employing 6-20 employees	43,695	44,904	2.8
Employing 21-99 employees	15,226	15,681	3.0
Employing 100-499 employees	3,109	3,177	2.2
Employing 500+ employees	619	641	3.6
<b>Insureds – non-employees** – total</b>	<b>734,118</b>	<b>714,518</b>	<b>-2.7</b>
With liable income – total	443,228	404,545	-8.7
From work (self-employed)	366,980	374,465	2.0
Not generated from work	76,248	30,080	-60.8
Paying minimum level of insurance contributions – total***	290,890	309,973	6.6
Not working and not self-employed (minimum 15%)	174,536	195,485	12.0
Pupils and students (minimum 5%)	51,816	49,518	-4.4
Yeshiva students (minimum 5%)	64,538	64,970	0.7

\* The number of employee insureds reported by employers (using Form 102) – average per month.

\*\* Year-end data.

\*\*\* The income base is a percentage of the average wage.

Table 3 presents data on the number of insureds who are liable for national insurance contributions by category of insured. In 2011, national insurance contributions were paid in respect of approximately 2.92 million employee posts. This year, the number of employee posts has increased by an estimated 0.3%. It should be noted that this category does not include workers from the Palestinian Authority, foreign workers or special categories of Israeli insureds, such as kibbutz members, individuals who took early retirement, domestic workers, individuals undergoing vocational training, and employees of the Defense Ministry.<sup>5</sup>

When referring to the insured population of non-employees, it is customary to differentiate between two categories: those paying insurance contributions based on their income (56.6% of all non-employee insureds), and those with no income who are paying insurance contributions based on the minimum income (39.6%). The first category mainly consists of the self-employed (92.6%); however, as a result of the

5 Section 5 of this chapter presents some information on these populations.

legislative change instituted in 2008, insureds with passive income (dividends and capital income) exceeding 25% of the average wage, whether or not they have income as employees or as self-employed, are liable for insurance contributions. The weight of this group dropped by some 60% in 2011, despite its continuous rise since 2008, apparently because corporations exempt from insurance contributions were opened, a situation that constitutes a tax haven, especially since the ceiling for national insurance contributions was raised. The rates of the insurance contributions applicable to this income are the same as those applying to insureds who were not working and not self-employed.

The second category of insureds paying the minimum level of insurance contributions consists of those who are not working and who have no income liable for insurance contributions (approximately 63%), and pupils and students (37%). The statistics indicate an increase of approximately 6.6% in the number of insureds who paid the minimum level of insurance contributions in 2011. The number of insureds who are not working as employees or as self-employed increased by 12%. The number of students decreased by 4.4%, apparently because they were working, even if only part-time. An average increase of approximately 0.7% was recorded in the number of yeshiva students.

Table 3 also presents data on the number of employers paying insurance contributions for their employees, and their segmentation by number of employees. In 2011, the number of employers increased by 2.9%.

## B. Volume of receipts of national insurance contributions

Table 4 presents the sums of national insurance contributions that were collected in 2007-2011. In 2011, the receipts from national insurance contributions totaled approximately NIS 31.3 billion: about NIS 29.1 billion were collected from the public, and about NIS 2.4 billion were transferred by the Finance Ministry as indemnification for the reduction of the national insurance contributions from employers and the self-employed.

This year, the NII's receipts from national insurance contributions increased by 4.2% in real terms. Collection from the public in 2011 increased by 4.1% in real terms. Furthermore, the sums transferred by the Finance Ministry as indemnification for the reduction of national insurance contributions from employers and the self-employed increased by 5.3% in real terms. In 2011 direct collection from the public accounted for 92.9% of all receipts of insurance contributions – a level similar to that of previous years.

In 2011, direct collection from employees increased by 4.7% in real terms, compared with the increase of 7.7% in 2010. The direct collection from employees and their employers was affected by changes in the labor market: the average wage per employee post in 2011 increased nominally by 4.1% (compared with the increase of 3.1% in 2010). The number of employee posts increased by 3.6% in 2011 (compared with an increase of 3.9% in 2009). The legislative amendments and the improved economic situation during the first three quarters of the year contributed to the significant increase in collection.

In 2011, receipts from national insurance contributions totaled NIS 31.3 billion: NIS 29.1 billion from the public, and NIS 2.4 billion transferred by the Finance Ministry as indemnification for the reduction of national insurance contributions from employers and the self-employed

In 2011, direct collection from employees increased by 4.7% in real terms, compared with the increase of 7.7% in 2010

**Table 4**  
**Collection of National Insurance Contributions for Insurance Branches,**  
**by Category of Insured, Current Prices (NIS million), 2007–2011**

Category of insured	2007	2008	2009	2010	2011	Percentage of real change				
						2007	2008	2009	2010	2011
<b>Total collection</b>	26,284	27,827	28,229	31,335	33,725	3.6	1.2	-1.8	7.4	4.2
Employees and employers	23,944	25,132	25,351	28,220	30,527	3.1	0.4	-2.4	7.7	4.7
Non-employees	2,340	2,695	2,878	3,124	3,198	9.8	10.1	3.4	5.1	-0.9
<b>Total collection from the public</b>	24,454	25,877	26,233	29,101	31,294	3.3	1.2	-1.9	7.4	4.1
Employees and employers	22,234	23,319	23,519	26,139	28,267	2.7	0.3	-2.4	7.6	4.7
Non-employees	2,220	2,558	2,714	2,962	3,027	9.7	10.2	2.7	5.6	-1.1
<b>Total Treasury indemnification</b>	1,830	1,950	1,996	2,234	2,431	8.4	1.9	-0.9	8.3	5.3
For employers	1,710	1,812	1,832	2,072	2,260	8.2	1.3	-2.2	9.5	5.5
For non-employees	120	138	164	162	171	10.5	9.6	15.5	-4.5	2.2

In 2011, direct collection from non-employee insureds decreased in real terms by 0.9%, compared to the real increase of 5.1% in 2010. Receipts of national insurance contributions for employees (including the shares of the employee, the employer and the Finance Ministry), as a component of all receipts increased slightly (from 90.0% in 2010 to 90.5% in 2011), as a result of the legislative amendments to the Economy Arrangements Law for 2009 – 2012.

The collection from non-employees for the various national insurance branches is comprised mainly of collection from the self-employed (about 94%). In 2011, the collection from the self-employed – which was based on the tax assessments from 2009 updated relative to price rises only – increased by 0.2% in real terms. The collection from non-employee insureds who pay national insurance contributions on a minimum basis, which constitutes approximately 5% of the total collection for insurance branches from non-employees, increased by 1.7% in real terms.

Collection from the self-employed increased by 0.2% in real terms

An examination of the payment ethics of the self-employed, as well as of those who are not working and are not self-employed, found a significant difference between them: While relative to collection from the self-employed, the ratio of actual to potential collection (including any debt balance) is about 94.08%, among insureds paying minimum contributions, this ratio reaches only about 48.6% in 2011.

### 3. Collection for the Health System

#### A. Health insurance contributions

The National Health Insurance Law went into effect in January 1995. The Law ensures the right of every resident of Israel to health insurance and prescribes a uniform and



defined basket of health services for all, with the responsibility for funding it imposed on the state. The law specifies the sources of funding for the basket, the methodology for updating the cost of the basket and the formula for allocating the resources among the sick funds. Israeli residents are entitled to choose one of the sick funds recognized by the Health Ministry, and the sick fund is obligated to accept any resident, without any limitations, conditions or payment whatsoever.

The health insurance contributions, one of the main sources of funding for the basket of health services, are collected by the NII and are distributed among the sick funds. For this purpose, the NII keeps a file of all insureds under health insurance, which is regularly updated and provides information on the membership of the various sick funds.

Under the law, every resident of Israel, even if not working, must pay health insurance contributions, apart from a few categories exempted from paying. The health insurance contributions from employees and from insureds who are non-employees are collected in the same way as are national insurance contributions, while the insurance contributions from recipients of NII benefits (who have no additional income) are deducted at source from the benefit.

The health insurance contributions are imposed on employees according to two brackets: a reduced rate of 3.1% on that portion of their income not exceeding 60% of the average wage, and a regular rate of 5.0% on the balance of their income exceeding 60% of the average wage, up to the income ceiling liable for insurance contributions, which is 10 times the basic amount (from August 1, 2009 to December 31, 2010). These updates are also based on the rate of price rises.

Those who are not working and those receiving benefits from the NII are, in most cases, entitled to special rates depending upon their income level. Table 5 specifies the sums of insurance contributions that are deducted from benefits, by category of benefit, as follows:

- Health insurance contributions for recipients of wage-replacing benefits (such as maternity allowance, injury allowance, reserve duty benefits and unemployment benefits) are deducted from the benefit at the same rates as is income from work.
- Health insurance contributions for working-age recipients of benefits who are not working are deducted from their benefit at the minimum sum prescribed by law.
- Health insurance contributions for recipients of old-age and survivors' pensions without income supplement are deducted from the pension at the set sums determined for individuals and couples, as applicable.
- Health insurance contributions for recipients of old-age and survivors' pensions with income supplement are deducted from their pension or benefit at the minimum rate, regardless of the family composition.
- Health insurance contributions for working-age recipients of benefits who have income from work are imposed on their income from work only, and not on the benefit.



**Table 5**  
**Health Insurance Contributions by Benefit Category, 2011**

<b>Benefit category</b>	<b>Monthly health insurance contributions</b>
<b>Wage-replacing benefits</b>	
Maternity allowance	
Injury allowance	
Unemployment benefit	
Reserve duty benefit	3.1% of the benefit up to 60% of the average wage; 5% of the balance of the benefit that exceeds 60% of the average wage up to the prescribed ceiling
Accident allowance	
Bankruptcy and liquidation	
<b>Old-age and survivors</b>	
With income supplement	NIS 97
Without income supplement	
For individual	NIS 184
For couple	NIS 267
<b>Other benefits</b>	
Income support	
Maintenance	
General disability	
Work-related disability, with dependants	
Working-age survivors	NIS 97

Since January 2006, the sums of the benefits are updated according to the rate of the rise in the consumer price index of the previous year (e.g., the index for last November compared with the previous November); therefore, the minimum sums are also updated by this rate. A person who is neither an employee nor self-employed and who does not receive any benefit pays the minimum insurance contribution (NIS 97 per month as of January 2011).

Certain categories are exempt from health insurance contributions: housewives, new immigrants for the first six months after their immigration to Israel, and workers under the age of 18. Students under age 21 who are not working and subsequently enlist in the army are exempted from paying insurance contributions for 12 months, and detainees and convicts who have been sentenced to more than 12 months' imprisonment and who are receiving health services from the Israel Prison Service are also exempt.

## **B. Receipts of health insurance contributions and their distribution among the sick funds**

Until the beginning of 1997, the NII collected the parallel tax and the health insurance contributions for the health system. Upon the enactment of the Economic Arrangements Law for 1997, the parallel tax was abolished, while the funding for the basket of health services from the state budget was increased accordingly.

**Table 6**  
**Collection of Health Insurance Contributions**  
**(NIS million), 2007-2011**

Year	Total	Employees	Non-employees	Recipients of benefits	Rate of change	
					Nominal	Real
2007	13,456	10,820	1,288	1,348	7.1	6.6
2008	14,574	11,755	1,426	1,394	8.3	3.6
2009	14,995	11,975	1,528	1,492	2.9	-0.4
2010	16,290	13,067	1,660	1,563	8.6	5.8
2011	17,414	14,105	1,692	1,617	6.9	3.3

In 2011, 81% of total health insurance contributions were collected from employees, about 9.7% from non-employees and about 9.3% from recipients of NII benefits

Table 6 presents the sums of health insurance contributions collected by the NII from employees, from non-employees and from benefit recipients. In 2011, the NII collected approximately NIS 17.4 billion in health insurance contributions, which constitute an increase of 3.3% in real terms, compared with an increase of 5.8% in 2010. In 2011, 81% of the total collection of health insurance contributions was collected from employees, about 9.7% from non-employees and about 9.3% from recipients of NII benefits. The health insurance contributions collected from insureds who are non-employees are divided as follows: 70% from the self-employed and 30% from insureds who are not working and are not self-employed, and who are paying the minimum level of insurance contributions.

Table 7 presents the sums of health insurance contributions collected from recipients of NII benefits. In 2011, a total of NIS 1,617 million in health insurance contributions were deducted from the benefits, showing no increase in real terms from the previous year. Particularly evident are the increase in health insurance contributions being deducted from maternity benefits and the decrease in health insurance contributions being deducted from income support and unemployment benefits. Approximately 71% of the health insurance contributions deducted from benefits were paid by recipients of old-age and survivors' pensions (including those who receive the pension along with an income supplement). It should be noted that health insurance contributions are deducted from benefits only when the benefit recipient has no income from work, or when he has other income that is exempt from insurance contributions. Married women who work only in their homes (housewives) are exempted from paying health insurance contributions, even if they are receiving a benefit in their own right from the NII, provided that this benefit is not a wage-replacing benefit.

The National Health Insurance Law prescribes that the funds designated for financing the health basket are to be transferred to the sick funds directly by the NII. The principle governing the distribution of these funds is the "capitation formula," which mainly takes into account the number of insureds in each of the sick funds, while weighting the age of each insured. As of November 1, 2010, two new variables have been added to the

**Table 7**  
**Health Insurance Contributions from Benefits,**  
**by Benefit Category (NIS million), 2009 and 2010**

Benefit	2010	2011	Real annual increase (%)
<b>Total</b>	<b>1,563.0</b>	<b>1,617.0</b>	<b>0.0</b>
Old-age and survivors	1,103.4	1,147.7	0.0
Work-related disability	32.8	34.8	2.6
Disability	163.8	169.0	0.0
Income support	78.5	76.7	-5.5
Reserve duty	0.2	0.3	45.0
Maternity allowance	95.4	103.1	4.8
Unemployment	53.2	52.4	-3.9
Injury allowance	10.6	11.4	3.3
Maintenance	7.2	7.2	-3.3
Bankruptcy	4.1	3.5	-17.5
Other	13.7	10.9	-23.0

capitation formula: the gender of the insured and the remoteness of his place of residence from the population centers.

Table 8 shows that the capitation methodology works in favor of Clalit Health Services, because this sick fund has a high percentage of elderly members and members residing in communities far from the center of the country. Thus, for example, about 73% of the very elderly insureds (age 85 and above) and 69% of the residents of outlying regions are members of Clalit Health Services. At the end of 2011, Clalit Health Services covered approximately 53% of all insureds, but Clalit's share of the health insurance funds was about 56%. On the other hand, this methodology reduces the sums transferred to the Maccabi and Meuhedet sick funds, whose members are generally younger.

It should be noted that, since August 1, 2006, the capitation rates have been calculated monthly, instead of quarterly, as was the policy until then. The monthly capitation makes

The capitation methodology works in favor of Clalit Health Services, because this sick fund has a high percentage of elderly members and members residing in communities far from the center of the country

**Table 8**  
**Number of Insureds and the Key to Distribution of Health Insurance**  
**Contribution Receipts, by Sick Fund (percentages),**  
**December 2010 and December 2011**

Sick fund	December 2010		December 2011	
	Total insureds	Distribution key	Total insureds	Distribution key
Total	100.0	100.0	100.0	100.0
Clalit	52.30	56.71	52.52	56.46
Leumit	9.18	8.57	9.13	8.52
Meuhedet	13.59	11.58	13.54	11.62
Maccabi	24.93	22.14	24.81	23.40

it possible to reduce the gap between the number of insureds at the beginning of each quarter and the actual number of insureds in each of the three months of that quarter.

The sources of funding for the health services under the National Health Insurance Law are as follows:

- Health insurance contributions, which are collected by the NII;
- Sums transferred to the NII by the Compensation Fund for Road Accident Victims (since 2010);
- Direct receipts of the sick funds for health services they provide for a fee (such as medicines, visits to doctors, etc.);
- Other sums from the state budget intended as a supplement to help cover the various health expenses and cover the cost of the basket of health services.

According to the estimate for 2011, the cost of the health basket for which the sick funds are responsible increased by about NIS 2.26 billion in nominal terms, reaching about NIS 32.6 billion (Table 9). In real terms, this represents an increase of about 4% compared with the previous year. In 2011, the relative shares of the state, receipts of health insurance contributions and the sick funds' own income remained the same as it had been in 2010 (the state – 39.3%, receipts of health insurance contributions – about 54.3%). It should be noted that the Economic Arrangements Law for 2008 prescribes that the sick funds' receipts from their members' deductibles will be at the rate of 6.45% of the cost of the basket (instead of 5.4% until 2007). This amendment explains the reduction of about 1% in the State's participation starting in 2008.

The standardized per capita cost of the health basket enables examination of the impact of the insured's age on the sick funds' expenses (Table 10). The per capita cost of the basket is calculated in relation to the sources for the basket distributed among the sick funds according to the capitation formula, and does not include sums not being distributed according to the capitation formula, such as expenses for serious illnesses, administrative expenses, allocations to the Health Council and to Magen David Adom

According to the estimate for 2011, the cost of the health basket for which the sick funds are responsible increased by about NIS 2.26 billion in nominal terms. In real terms, this represents an increase of about 4%

**Table 9**  
**Cost and Sources of Health Services Basket Under the Responsibility of the Sick Funds, 2007-2011**

Source	2007	2008	2009	2010	2011*
Cost (NIS million)	24,946	26,583	28,141	30,333	32,593
Sources (%)					
Total	100.0	100.0	100.0	100.0	100.0
Health insurance contributions**	53.4	54.8	53.4	54.3	54.4
State budget	41.2	38.8	40.2	39.3	39.2
Sick funds' own income	5.4	6.4	6.4	6.4	6.4

\* Health Ministry estimate (February 2012).

\*\* Including sums transferred to the NII by the Compensation Fund for Road Accident Victims (since 2010). In 2011, the sum of NIS 410 million was transferred.

**Table 10**  
**Per Capita Cost of the Health Basket, by Age Bracket**  
**(NIS per annum, 2011 prices), 2010–2011**

Age bracket	2010	2011*
Total per standard person	3,656	3,737
Up to one year	5,727	6,176
1-4 years	3,442	3,194
5-14	1,674	1,502
15-24	1,461	1,505
25-34	2,086	2,160
35-44	2,485	2,555
45-54	3,911	4,010
55-64	6,213	6,535
65-74	10,462	10,725
75-84	13,106	13,864
85+	14,680	14,153

\* Estimate.

(the Israeli equivalent of the Red Cross). In 2011, the weighted per capita cost of the health basket was NIS 3,737, compared with NIS 3,656 in 2010 – a real increase of about 2.2%. The cost of the basket reflects the relative costs among the age brackets: The cost of the younger age brackets is lower than that for the older age brackets. Thus, for example, in 2011, the cost of the basket for the elderly population (above the age of 85) was 3.8 higher than the average cost for all of the sick funds' insureds, and 9.5 times the cost of the basket for the 15-24 age bracket.

In 2011, the weighted per capita cost of the health basket was NIS 3,737, compared with NIS 3,656 in 2010 – a real increase of about 2.2%

#### 4. Distribution of the Payment Burden of National and Health Insurance Contributions

The national insurance system, like any insurance system, makes entitlement to benefits conditional, in most cases, on the payment of contributions (premiums). Accordingly, every insured person, irrespective of his employment status, must pay insurance contributions. The parameters of the function of national insurance contributions indicated at the beginning of this chapter – minimum and maximum for income liable for national insurance contributions and the insurance contribution rates applicable to the various categories of insureds – are typical of most social insurance systems in western countries.

Undisputedly, the prescribing of a floor and ceiling for income liable for national insurance contributions constitutes a regressive element in the collection system. The reform introduced in the NII's collection system in 1995 – which broadened the income base liable for national insurance contributions, introduced a reduced rate on that portion of the income not exceeding 60% of the average wage, as well as the amendment that

**Table 11**  
**Employees: Income (average per month of work) and the Burden of Insurance Contributions, by Decile, 2009**

Decile	Average income per month of work	Insurance contribution payments					
		NIS			Percentage of income		
		Total	National insurance	Health insurance	Total	National insurance	Health insurance
1	873	31	3	27	3.5	0.4	3.1
2	2,077	73	8	64	3.5	0.4	3.1
3	3,137	110	13	97	3.5	0.4	3.1
4	4,012	140	16	124	3.5	0.4	3.1
5	4,856	178	26	152	3.7	0.5	3.1
6	5,905	304	99	205	5.2	1.7	3.5
7	7,305	472	197	275	6.5	2.7	3.8
8	9,451	730	348	382	7.7	3.7	4.0
9	13,528	1,219	633	586	9.0	4.7	4.3
10	26,299	2,752	1,527	1,225	10.5	5.8	4.7
<b>Average</b>	<b>7,744</b>	<b>525</b>	<b>228</b>	<b>297</b>	<b>6.8</b>	<b>2.9</b>	<b>3.8</b>

raised the income ceiling in August 2009 (from five times the base sum to 10 times the base sum) – were intended to moderate the regressive nature of the distribution of the national insurance contributions imposed on insured individuals. The decision to delegate the responsibility for the collection of health insurance contributions as of 1995 on the NII, coupled with the principles that every resident is insured and that the majority of insureds are liable for the payment of health insurance contributions, led policy-makers to adopt the elements of the function of national insurance contributions to health insurance contributions.

The latest figures available to us are for 2009. The data in Tables 12 and 13 refer to the legal situation in 2009; that is, taking into account the rate of the insurance contributions for that year and the maximum income liable for national and health insurance contributions (up to 5 times the base sum until July 2009, and 10 times the base sum from August 2009). The steps taken within the scope of the tax reform of 2006 (such as lowering the reduced rate applicable to employees from 1.4% to 0.4%, increasing the regular rate from 5.58% to 7.0% and increasing the reduced rate bracket from 50% of the average wage to 60%) are also reflected in the rate of the insurance contributions that is calculated on the basis of wage and income data for 2009.

Table 11 presents data on income (average per month of work), on national insurance contributions (the employee's share only) and on health insurance contributions, as the average per decile of employees. Employees are ranked according to income liable for insurance contributions (average per month of work), so that each decile represents 10%

of the individuals who are employees.<sup>6</sup> The data show that each of the lowest five deciles pays national insurance contributions at the rate of 0.4% of the income, with the rate gradually increasing to 5.8% in the top decile. A similar picture arises from the health insurance contribution rates by decile, but the lowest rate in the lowest five deciles is 3.1%.

Table 12 presents the insurance contribution rates by decile for the population of the self-employed in 2009. It should be noted that the burden of national insurance contributions is significant in the first and second deciles, as a result of the mandatory minimum payment of insurance contributions (25% of the average wage), which exemplifies the regressive nature of the system at the lower income levels. The rate of the national insurance contributions payable by the self-employed (in their capacity as both worker and employer) is 6.7% in the third decile, which rises gradually to 10.4% in the tenth decile.

The impact of the maximum income liable for national insurance contributions is the most striking among the self-employed, since a larger portion of their total income exceeds the maximum liable income. A similar picture emerges from an analysis of the variability in the rates of health insurance contributions in the various deciles.

**Table 12**  
**Self-employed: Income (monthly average for the year) and the Burden of Insurance Contributions, by Decile, 2009**

Decile	Average monthly income for the year	Insurance contribution payments					
		NIS			Percentage of income		
		Total	NII	Health insurance	Total	NII	Health insurance
1	623	195	133	61	31.2	21.4	9.9
2	1,665	195	133	61	11.7	8.0	3.7
3	2,187	215	147	68	9.8	6.7	3.1
4	3,071	302	206	95	9.8	6.7	3.1
5	4,029	396	271	125	9.8	6.7	3.1
6	5,147	530	363	167	10.3	7.0	3.2
7	6,776	791	543	248	11.7	8.0	3.7
8	9,181	1,177	809	369	12.8	8.8	4.0
9	13,465	1,865	1,282	583	13.8	9.5	4.3
10	33,354	5,057	3,480	1,577	15.2	10.4	4.7
Average	7,950	980	673	307	12.3	8.5	3.9

6 In April 1999, a legislative amendment was enacted, which equated the minimum income for calculating employees' insurance contributions with the minimum wage in the economy, taking part-time jobs into account. When calculating the insurance contributions, we assumed full compliance by employers with the Minimum Wage Law, and that any reported wages that are below the minimum wage are due to part-time jobs. The deviation in the average ratio of insurance contributions to income in the lower deciles is negligible.



It should be noted that, unlike in the instance of employees, the income of the self-employed in each decile is presented in terms of monthly average for the year (and not per month of work), since the collection from them is based on their reported annual income. For this reason, the income of employees in Table 11 cannot be compared with the income of the self-employed in Table 12.

## 5. Special Populations Defined as Employees

The data on the number of employees that are presented in this chapter refer to the number of employees reported by employers on Form 102. The population of salaried employees, as defined by the NII, includes additional categories specified as follows:

**Kibbutz members:** Members of *kibbutzim* (communal settlements) and *moshavim* (cooperative settlements) are defined under the law as employees of the cooperative society (which is deemed the employer), with the cooperative society having the duty and responsibility to register their members as employees and to pay the insurance contributions for them. The members of *kibbutzim* and *moshavim* are insured under all national insurance branches, except for Unemployment insurance. In 2011, an average of about 40,000 members (aged 18 and above) were reported each month, and the insurance contributions paid for them totaled approximately NIS 120 million for the year.

**Domestic workers:** The status and rights of people employed in private households are the same as those of all other employees; however, the insurance contributions payable for them have been prescribed at different rates. At the end of 2011, approximately 60,000 employers reported their employment of domestic workers in their homes, and insurance contributions totaling approximately NIS 20 million were collected from them that year.

**Workers from the Palestinian Authority:** Workers from the territories and the Palestinian Authority employed by Israeli employers are liable for the payment of insurance contributions for three insurance branches: Work Injury, Maternity and Bankruptcy. The insurance contributions for them are collected by the Payments Section of the Employment Service. In 2011, an average of about 27,000 such workers was reported each month, and the insurance contributions paid for them totaled approximately NIS 5.8 million for the year. The average monthly wage per worker, on the basis of which the national insurance contributions were paid, was about NIS 3,430.

**Foreign workers:** This category includes workers who are not Israeli residents and who are employed by Israeli employers. As in the case of workers from the Palestinian Authority, foreign workers are insured under the Maternity, Work Injury and Bankruptcy insurance branches, and the rates of the insurance contributions applicable to them are set by a special regulation. In 2011, an average of about 92,000 foreign workers were employed in Israel each month; their average monthly wage was about NIS 4,700 and the insurance contributions charged for them totaled NIS 50 million for the year.



**Workers who retired prior to reaching retirement age:** These workers are liable for the payment of national and health insurance contributions on their early pension. In 2011, an average of about 54,000 pensioners each month paid insurance contributions, and the sum collected for them totaled approximately NIS 340 million for the year.

**Insureds undergoing vocational training:** This category includes insureds (working and not working alike) who are undergoing vocational training within the framework of the Industry, Trade and Labor Ministry or in locations approved for this purpose under the National Insurance Regulations. The national insurance contributions imposed on the employer and on the insured undergoing vocational training are for only two insurance branches: Work Injury and Maternity. In most cases, the Industry, Trade and Labor Ministry is the employer, unless the insured undergoing vocational training has been sent for training by his employer. The number of insureds who were undergoing vocational training (and who paid insurance contributions) totaled an average of about 32,000 per month in 2011, and the insurance contributions paid for them totaled about NIS 12 million for the year.

This drop from the previous year is due to the fact that in mid-2011, the employer stopped collecting insurance contributions from employees in vocational training as "non-workers and non self-employed", and began to transfer to the NII only the portion of these employees as "workers". From then on, employees in vocational training transfer their portion as "non-workers and non self-employed" directly to the NII.

### Wage Differentials Among Employers in Israel and the OECD Countries – 2008

The issue of wage differentials among salaried workers is at the focus of social policies to reduce inequality in income distribution. Data on the employment of salaried workers and their wage levels appear in two administrative files managed by the National Insurance Institute:

- The employers file, based on the monthly reports submitted by employers to the NII for the purpose of paying insurance contributions (Form 102): This file contains the monthly reports on the employment of salaried workers, as well as information about the employer, such as the company's economic sector, the number of its employees and its legal status.
- The salary file, based on the annual report employers submit about their workers to the Income Tax authority (Form 126): This file contains data about wages and salaried workers, including their annual salaries and the number of months they worked.

The data in this box were compiled by merging the data from both these files (employers and salary) for 2008. This is the first time that these NII files were used

to measure wage differentials among employers in Israel. The calculation was made using data about employees who work full-time and whose income is greater than the minimum monthly wage. Not included were kibbutz members, domestic workers, and workers who retired before the official retirement age and were getting an early pension from their most recent employer. The statistics presented here are based on the entire population (not a sampling).

For the purpose of this box, employees were sorted into deciles calculated according to the average gross monthly salary for each worker, such that every decile contains 10% of all employees. Wage differentials were measured using the D9/D1 ratio, which represents the ratio between the highest income in the ninth decile and the highest income in the bottom decile.

### Wage Differentials by Size of Employer

To sort the employees by deciles for each employer separately, only employers who in 2008 employed at least 30 full-time employees each month were taken into account. The employers were sorted into five groups according to number of employees: 30-70 workers, 71-100 workers, 101-250 workers, 251-500 workers, and 501 workers or more. All told, some 1.5 million employees earning at least the minimum monthly wage and working for 7,900 employers who met the above criteria were taken into account.

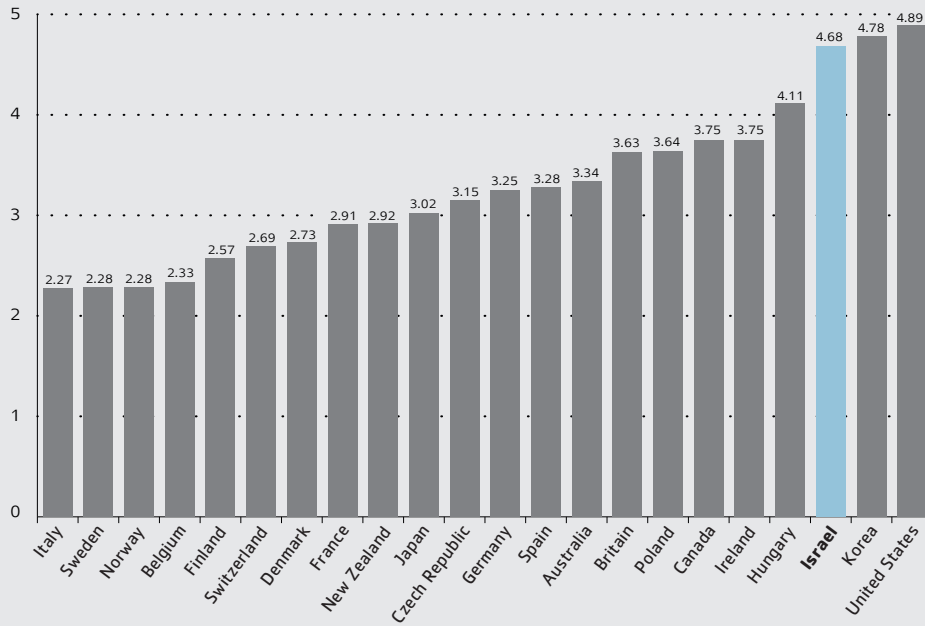
#### Wage Differential by Size of Employer, 2008 (D9/D1 Index)

Groups of employees	Number of workers (thousand)	Number of employees (thousand)	D9/D1 ratio
Total*	2,268.0	167.0	4.68
thereof:			
31-70	246.7	4.6	4.37
71-100	108.2	1.1	4.44
101-250	260.2	1.5	4.48
251-500	170.4	0.4	4.47
More than 500	705.4	0.3	5.15

\* This total includes employers of up to 30 workers.

Table 1 presents the wage differentials by size of employer. In 2008, the ratio between the incomes as expressed by the D9/D1 ratio is 4.68. The findings show that the larger the employer, the greater the differential. Thus the largest differential (5.15) was found at the largest employers (more than 500 workers) and the lowest differential was at the smaller employers (up to 70 workers).

**Graph 1**  
**Wage Differentials in Israel Compared to selected OECD Countries, 2008 (D9/D1 Ratio)**



### Wage Differentials in Israel Compared to OECD Countries

The method of calculating wage differentials in the OECD is similar to that suggested in this box: the ratio between the ninth decile and the bottom decile.<sup>1</sup>

Graph 1 presents the wage differentials in 21 selected OECD countries and in Israel in 2008. Israel is among those countries with the highest wage differentials, after Korea and the United States.<sup>2</sup>

1 Divided We Stand: Why Inequality Keeps Rising, OECD, 2011.

2 It should be noted that while the comparisons are being made using the same inequality ratio, different databases are used in each country. With regard to Israel, administrative data was used, which is likely to generate different results than the survey data usually used to make such calculations.



# Appendix





## Insurance Branch Tables





## A. General

**Table A/1**  
**Receipts and Payments**  
**(at Current Prices<sup>1</sup>, NIS million), 2007-2011**

	2007	2008	2009	2010	2011
<b>Total receipts</b>	<b>68,192.9</b>	<b>72,834.7</b>	<b>75,654.9</b>	<b>79,171.4</b>	<b>86,176.5</b>
thereof: for national insurance branches	54,737.1	58,260.2	60,660.4	62,876.7	68,654.6
Collection for national insurance branches	26,283.7	27,819.3	28,228.8	31,334.5	33,735.5
Government participation under the National Insurance Law	13,888.3	14,937.9	15,657.3	14,296.9	17,303.8
Interest	5,600.0	6,150.0	6,660.0	7,004.7	7,304.1
Miscellaneous	296.3	365.0	442.4	493.1	429.6
Government allocation for non-contributory payments <sup>1</sup>	8,668.8	8,988.0	9,665.9	9,747.5	9,881.6
Collection under other laws	13,455.8	14,574.5	14,994.5	16,294.7	17,521.9
<b>Total payments of national insurance branches<sup>1</sup></b>	<b>46,062.1</b>	<b>48,839.7</b>	<b>54,266.2</b>	<b>57,962.2</b>	<b>61,312.4</b>
For contributory benefits	37,393.3	39,851.7	44,600.3	48,214.7	51,430.8
For non-contributory benefits	8,668.8	8,988.0	9,665.9	9,747.5	9,881.6
Current surplus	2,285.3	2,446.7	-1,125.9	-3,006.1	-994.2
Assets at end of year	121,792.3	135,702.7	171,328.62	183,519.72	

1. Not including administrative expenses.

2. Estimate.

**Table A/2**  
**Receipts and Payments**  
**(at 2011 prices<sup>1</sup>, NIS million), 2007-2011**

	2007	2008	2009	2010	2011
<b>Total receipts</b>	<b>78,274.0</b>	<b>79,940.7</b>	<b>80,370.3</b>	<b>81,902.8</b>	<b>86,176.5</b>
thereof: for national insurance branches	62,829.0	63,944.3	64,441.2	65,045.9	68,654.6
Collection for national insurance branches	30,169.3	30,533.4	29,988.2	32,415.5	33,735.5
Government participation under the National Insurance Law	15,941.4	16,395.3	16,633.2	14,790.1	17,303.8
Miscellaneous	340.1	400.6	470.0	510.1	429.6
Government allocation for non-contributory payments <sup>1</sup>	9,950.3	9,864.9	10,268.4	10,083.8	9,881.6
Collection under other laws	15,445.0	15,996.4	15,929.1	16,856.9	17,521.9
<b>Total payments of national insurance branches<sup>1</sup></b>	<b>52,871.5</b>	<b>53,604.7</b>	<b>57,648.5</b>	<b>59,961.9</b>	<b>61,312.4</b>
For contributory benefits	42,921.2	43,739.8	47,380.1	49,878.1	51,430.8
For non-contributory benefits	9,950.3	9,864.9	10,268.4	10,083.8	9,881.6
<b>Current surplus</b>	<b>2,623.1</b>	<b>2,685.4</b>	<b>-1,196.1</b>	<b>-3,109.8</b>	<b>-994.2</b>

1. Not including administrative expenses.

**Table A/3**  
**Payments and Receipts – Old-Age and Survivors Branch<sup>1</sup>**  
**(NIS million), 2007-2011**

	2007	2008	2009	2010	2011
	<b>Current Prices</b>				
<b>Total payments</b>	<b>17,465.4</b>	<b>18,425.4</b>	<b>19,947.7</b>	<b>21,801.6</b>	<b>23,284.1</b>
thereof:					
for national insurance branches	13,927.9	14,842.4	16,290.1	17,961.0	19,408.2
Receipts					
Total collection from the public	11,803.8	12,559.8	12,791.6	14,200.2	15,082.1
Government participation under the National Insurance Law	1,911.1	2,054.2	2,159.7	2,550.3	2,522.5
Interest	2,210.0	2,370.0	2,506.0	2,608.1	2,697.0
Current surplus	-356.9	-412.6	-1,520.3	-1,365.4	-2,004.8
Surplus including interest	1,844.1	1,957.4	985.7	1,242.7	692.2
Assets at end of year	47,593.1	51,675.3	64,152.32	68,131.52	
	<b>2011 Prices</b>				
<b>Total payments</b>	<b>19,378.8</b>	<b>19,548.6</b>	<b>20,484.3</b>	<b>21,808.6</b>	<b>23,284.1</b>
thereof:					
for national insurance branches	15,453.7	15,747.2	16,728.3	17,961.0	19,408.2
Receipts					
Total collection from the public	13,096.9	13,325.4	13,135.7	14,200.2	15,082.1
Government participation under the National Insurance Law	2,120.5	2,179.4	2,217.8	2,550.3	2,522.5
Current surplus	-396.0	-437.8	-1,561.2	-1,365.4	-2,004.8

1. Not including administrative expenses.
2. Estimate.

**Table A/4**  
**Payments and Receipts – General Disability Branch<sup>1</sup>**  
**(NIS million), 2007-2011**

	2007	2008	2009	2010	2011
	<b>Current Prices</b>				
<b>Total payments</b>	<b>8,472.8</b>	<b>9,328.9</b>	<b>9,987.8</b>	<b>10,796.9</b>	<b>11,269.4</b>
thereof: under National Insurance Law	7,528.0	7,983.1	8,628.2	9,343.1	9,740.4
<b>Receipts</b>					
Total collection from the public	4,229.4	4,558.7	4,665.7	5,178.4	5,518.4
Government participation under National Insurance Law	564.0	607.0	630.0	791.0	735.4
Interest	420.0	540.0	100.9	326.9	199.4
Current surplus	-2,927.2	-2,934.3	-3,506.6	-3,445.4	-3,606.4
Surplus including interest	-2,507.2	-2,394.3	-3,075.6	-3,118.5	-3,407.0
Assets at end of year	8,792.9	10,435.5	9,589.8 2	6,649.5 2	
	<b>2011 Prices</b>				
<b>Total payments</b>	<b>9,725.3</b>	<b>10,239.1</b>	<b>10,610.3</b>	<b>11,169.4</b>	<b>11,269.4</b>
thereof: under National Insurance Law	8,640.9	8,762.0	9,166.0	9,665.4	9,740.4
<b>Receipts</b>					
Total collection from the public	4,854.6	5,003.5	4,956.5	5,357.1	5,518.4
Government participation under National Insurance Law	647.4	666.2	669.3	818.3	735.4
<b>Current surplus</b>	<b>-3,359.9</b>	<b>-3,220.6</b>	<b>-3,725.2</b>	<b>-3,564.3</b>	<b>-3,606.4</b>

1. Not including administrative expenses.
2. Estimate.

**Table A/5**  
**Payments and Receipts – Work Injury Branch<sup>1</sup>**  
**(NIS million), 2007-2011**

	2007	2008	2009	2010	2011
			<b>Current Prices</b>		
<b>Total payments</b>	<b>3,152.0</b>	<b>3,320.9</b>	<b>3,621.5</b>	<b>3,788.0</b>	<b>4,059.5</b>
thereof: under National Insurance Law	2,759.1	2,895.3	3,182.5	3,369.1	3,548.7
<b>Receipts</b>					
Total collection from the public	1,593.8	1,680.8	1,659.9	1,855.1	2,297.2
Interest	190.0	240.0	200.0	156.3	112.2
Current surplus	1,103.5	-1,142.0	-1,350.6	-1,460.7	-1,252.2
Surplus including interest	913.5	-902.0	-1,150.6	-1,304.4	-1,140.0
Assets at end of year	3,805.9	4,673.8	4,473.72	3,489.22	
			<b>2010 Prices</b>		
<b>Total payments</b>	<b>3,618.0</b>	<b>3,644.9</b>	<b>3,847.2</b>	<b>3,918.7</b>	<b>4,059.5</b>
thereof: under National Insurance Law	3,167.0	3,177.8	3,380.9	3,485.3	3,548.7
<b>Receipts</b>					
Total collection from the public	1,829.4	1,844.8	1,763.4	1,919.1	2,297.2
Current surplus	-1,266.6	-1,253.4	-1,434.8	-1,511.1	-1,252.2

1. Not including administration expenses.
2. Estimate.

**Table A/6**  
**Payments and Receipts - Maternity Branch<sup>1</sup>**  
**(NIS million), 2007-2011**

	2007	2008	2009	2010	2011
	<b>Current Prices</b>				
<b>Total payments</b>	<b>3,544.2</b>	<b>4,080.6</b>	<b>4,538.8</b>	<b>4,965.4</b>	<b>5,276.9</b>
thereof: under National Insurance Law	3,323.4	3,853.1	4,301.4	4,721.8	5,039.9
Total collection from the public	1,980.9	2,139.3	2,187.5	2,426.8	2,686.8
Government participation under National Insurance Law	151.6	160.0	166.6	168.2	190.9
Interest	10.0	50.0	30.0-	115.0-	0.0
Current surplus	-1,239.3	-1,606.7	-1,998.7	-2,181.7	-2,226.3
Surplus including interest	-1,229.3	-1,556.7	-2,028.7	-2,296.7	-2,226.3
Assets at end of year	305.9	276.0	-1,860.82		
	<b>2010 Prices</b>				
<b>Total payments</b>	<b>4,068.1</b>	<b>4,478.7</b>	<b>4,821.7</b>	<b>5,136.7</b>	<b>5,276.9</b>
thereof: under National Insurance Law	3,814.7	4,229.0	4,569.5	4,884.7	5,039.9
Receipts					
Total collection from the public	2,273.7	2,348.0	2,323.8	2,510.5	2,686.8
<b>Current surplus</b>	<b>-1,422.5</b>	<b>-1,763.5</b>	<b>-2,123.3</b>	<b>-2,257.0</b>	<b>-2,226.3</b>

1. Not including administrative expenses.

**Table A/7**  
**Payments and Receipts – Children Branch<sup>1</sup>**  
**(NIS million), 2007–2011**

	2007	2008	2009	2010	2011
	<b>Current Prices</b>				
<b>Total payments</b>	4,971.3	5,109.4	5,578.1	6,204.5	6,890.1
thereof: under National Insurance Law	4,813.7	4,931.7	5,406.4	6,024.2	6,708.9
<b>Receipts</b>					
Total collection from the public	5,446.9	5,557.0	5,552.0	6,176.6	6,485.5
Government participation under National Insurance Law	10,592.0	11,405.4	11,937.4	9,994.6	12,973.0
Interest	2,630.0	2,700.0	3,400.0	3,983.6	4,111.6
Current surplus	11,160.5	11,954.2	12,013.0	10,075.0	12,640.8
Surplus including interest	13,790.5	14,654.2	15,413.0	14,058.8	16,752.4
Assets at end of year	57,745.0	64,235.2	91,829.82	100,691.82	
	<b>2010 Prices</b>				
<b>Total payments</b>	5,706.2	5,607.9	5,925.8	6,418.6	6,890.1
thereof: under National Insurance Law	5,525.3	5,412.9	5,743.4	6,232.0	6,708.9
<b>Receipts</b>					
Total collection from the public	6,252.1	6,099.2	5,898.0	6,389.7	6,485.5
Government participation under National Insurance Law	12,157.8	12,518.1	12,681.4	10,339.4	12,973.0
Current surplus	12,810.4	13,120.5	12,761.7	10,422.6	12,640.8

1. Not including administrative expenses.
2. Estimate.

**Table A/8**  
**Payments and Receipts – Unemployment Branch<sup>1</sup>**  
**(NIS million), 2007-2011**

	2007	2008	2009	2010	2011
	<b>Current Prices</b>				
<b>Total payments</b>	<b>1,757.3</b>	<b>1,840.2</b>	<b>3,027.8</b>	<b>2,535.0</b>	<b>2,506.0</b>
thereof: under National Insurance Law	1,741.3	1,826.2	2,943.0	2,468.2	2,483.5
<b>Receipts</b>					
Total collection from the public	483.2	525.9	535.8	595.0	677.5
Interest	30-	0.0	0.0	-37.0	0.0
Current surplus	-1,312.7	-1,355.7	-2,468.1	-1,944.9	-1,881.7
Surplus including interest	-1,342.4	-1,355.7	-2,468.1	-1,981.9	-1,881.7
Assets at end of year <sup>2</sup>	0.0	0.0	0.0	0.0	0.0
	<b>2010 Prices</b>				
<b>Total payments</b>	<b>2,017.1</b>	<b>2,019.7</b>	<b>3,216.5</b>	<b>2,622.5</b>	<b>2,506.0</b>
thereof: under National Insurance Law	1,998.7	2,004.4	3,126.4	2,553.4	2,483.5
<b>Receipts</b>					
Total collection from the public	554.6	577.2	569.2	615.5	677.5
Current surplus	-1,506.4	-1,488.0	-2,621.9	-2,012.0	-1,881.7

1. Not including administrative expenses.

2. The deficit in the unemployment branch is covered by a transfer of funds from the reserves of the Children branch.



**Table A/9**  
**Payments and Receipts - Long-term Care Branch**  
**(NIS million), 2007–2011**

	2007	2008	2009	2010	2011
	<b>Current Prices</b>				
<b>Total payments</b>	<b>3,074.3</b>	<b>3,302.3</b>	<b>3,681.2</b>	<b>3,996.2</b>	<b>4,203.8</b>
thereof: under National Insurance Law	3,072.0	3,300.0	3,598.7	3,992.8	4,201.4
<b>Receipts</b>					
Total collection from the public	442.7	468.4	498.6	529.4	591.2
Government participation under National Insurance Law	660.0	701.4	752.9	782.6	870.8
Interest	30.0	100.0	0.0	-93.8	0.0
Current surplus	-1,999.9	-2,163.3	-2,376.9	-2,719.5	-2,786.2
Surplus including interest	-1,996.9	-2,063.3	-2,376.9	-2,813.3	-2,786.2
Assets at end of year	561.4	1,057.8	-1,092.5	0.0	
	<b>2010 Prices</b>				
<b>Total payments</b>	<b>3,528.8</b>	<b>3,624.5</b>	<b>3,910.6</b>	<b>4,134.1</b>	<b>4,203.8</b>
thereof: under National Insurance Law	3,526.1	3,622.0	3,823.0	4,130.6	4,201.4
<b>Receipts</b>					
Total collection from the public	508.1	514.1	529.7	547.7	591.2
Current surplus	-2,295.5	-2,374.4	-2,525.0	-2,813.3	-2,786.2



## B. Old Age and Survivors

Table B/1  
Recipients of Old Age and Survivors' Pensions, Monthly Average,  
2001–2011

Year	Grand total	Old age			Survivors			
		Total	Under National Insurance Law	Not under National Insurance Law	Total <sup>1</sup>	Under Nat'l Insurance Law		Not under National Insurance Law (new immigrant survivors)
						Total	thereof: Maintenance Allowance for orphans <sup>2</sup>	
<b>All pension recipients</b>								
2001	677,018	571,200	472,761	98,439	105,818	105,188	6,079	630
2002 <sup>3</sup>	698,995	594,376	498,353	96,023	104,619	104,012	6,539	607
2003	709,279	604,786	510,779	94,008	104,493	103,813	6,060	592
2004	722,264	617,832	527,364	90,469	104,431	103,859	6,170	572
2005	719,921	614,886	528,273	86,613	105,035	104,457	6,397	577
2006	727,517	622,335	539,266	83,069	105,182	104,623	6,392	558
2007	728,891	623,691	544,631	78,061	105,199	104,659	6,233	540
2008	735,796	630,904	555,507	75,397	104,892	104,378	6,228	515
2009	746,901	642,534	570,854	71,680	104,368	103,884	6,022	484
2010 <sup>4</sup>	758,490	656,034	587,949	68,085	102,456	102,026	6,681	431
2011	780,107	678,134	613,476	64,658	101,973	101,590	6,572	383
<b>Recipients of income supplement as a percentage of the total</b>								
2001	30.3	30.0	16.4	95.1	32.0	31.4	-	84.1
2002 <sup>3</sup>	29.2	28.9	16.1	95.1	31.4	31.1	-	80.1
2003	28.5	28.1	15.8	95.0	30.8	30.5	-	78.5
2004	27.5	27.1	15.4	95.0	30.0	29.8	-	78.3
2005	27.0	26.6	15.4	95.0	29.4	29.2	-	79.4
2006	26.6	26.2	15.6	95.1	29.1	28.8	-	77.4
2007	26.2	25.8	15.8	95.1	28.5	28.3	-	76.1
2008	25.7	25.3	15.8	95.1	28.1	27.9	-	75.5
2009	25.2	24.8	16.0	95.0	27.9	27.7	-	72.5
2010 <sup>4</sup>	24.8	24.2	16.1	94.9	28.3	28.1	-	70.3
2011	24.0	23.4	15.9	94.6	28.0	27.9	-	66.6

1. Under an amendment to the National Insurance Law, since January 2002, recipients of survivors' pensions only include those entitled to a full survivors' benefit.
2. The annual number of recipients of maintenance allowance for orphans relates to the month of August of every year.
3. The data for 2002 are correct to December 2002.
4. Since 1980, the number of recipients includes recipients of split pensions, each of which is counted as a separate unit; as of 2010, they are counted as a single unit.

Table B/2  
 Recipients of Old Age and Survivors' Pensions, by Family Composition, Monthly Average, 1995-2011

Year	Old age										Survivors				
	Total	Single elderly person <sup>1</sup>		Elderly Couple		Widow/er <sup>2</sup>			Children Only		5 or more children				
		Without children	With one child	With 2 or more children	Without children	With one child	With 2 children	With 3 or 4 children	With 5 or more children	One child		2 children <sup>3</sup>	3 or 4 children		
1995	553,890	345,200	101,600	3,300	1,950	85,600	5,870	3,420	2,300	480	2,730	930	440	70	
2000	657,117	450,712	96,413	3,041	1,905	87,135	6,510	3,559	2,340	556	3,244	1,067	514	121	
2001	677,018	471,205	95,055	3,044	1,895	87,374	6,585	3,547	2,301	551	3,683	1,133	518	127	
2002 <sup>4</sup>	698,995	501,836	88,488	2,212	1,840	85,902	6,707	3,436	2,163	529	4,110	1,136	500	136	
2003	709,279	512,121	87,778	3,028	1,859	85,405	6,694	3,467	2,215	517	4,319	1,134	515	137	
2004	722,264	533,588	80,313	2,206	1,725	85,127	6,753	3,476	2,225	498	4,501	1,151	559	143	
2005	719,921	531,629	78,845	2,840	1,572	85,359	6,816	3,481	2,202	496	4,710	1,227	596	148	
2006	727,513	542,888	75,241	2,721	1,484	85,489	6,800	3,446	2,209	500	4,703	1,263	622	147	
2007	728,891	548,968	70,901	2,466	1,356	85,486	6,747	3,351	2,191	498	4,801	1,340	630	154	
2008	735,796	560,180	67,101	2,314	1,310	85,183	6,619	3,342	2,166	487	4,928	1,369	641	158	
2009	746,901	578,335	61,386	1,513	1,300	84,694	6,589	3,343	2,144	495	4,897	1,372	684	148	
2010 <sup>5</sup>	758,490	594,963	58,170	1,528	1,372	83,968	6,443	3,342	2,250	561	3,442	1,477	806	168	
2011	780,107	619,690	55,481	1,581	1,382	83,371	6,437	3,354	2,254	552	3,521	1,485	824	175	

1. Including elderly persons without spouses and with or without children.

2. See note 1 to Table B/1.

3. Up until August 1994, increments were paid solely for the first two children. Since that date, an increment has been paid for every child and, therefore, data according to the number of children has been added.

4. See note 3 to Table B/1.

5. See note 4 to Table B/1.

**Table B/3**  
**Recipients of Old Age and Survivors' Pensions Plus Income Supplement, Monthly Average, 1995-2011**

Year	Old age				Survivors												
	Single elderly person <sup>1</sup>	Elderly couple		Widow/er <sup>2</sup>	Survivors			Children only									
		Without children	With one child		With 2 or more children	With one child	With 2 children	With 3 or 4 children	With 5 or more children	One child	2 children <sup>3</sup>	3 or 4 children	5 or More children				
	<b>Total</b>																
1995	184,780	104,990	38,800	1,230	1,160	35,250	1,400	880	770	240	120	40	15	5			
2000	202,128	120,799	44,498	1,167	1,183	31,160	1,480	898	576	97	201	41	27	1			
2001	204,985	123,372	45,354	1,225	1,211	30,552	1,480	922	527	84	194	42	20	1			
2002 <sup>4</sup>	204,324	125,655	43,802	888	1,159	29,599	1,476	941	479	63	211	35	13	3			
2003	201,947	124,478	43,039	1,130	1,138	29,019	1,464	906	463	55	203	39	10	3			
2004	198,542	123,773	41,244	1,124	1,039	28,390	1,429	839	416	41	198	36	12	1			
2005	194,537	121,944	39,578	1,105	978	28,041	1,444	778	374	34	218	32	11	-			
2006	193,763	122,765	38,383	1,081	922	27,831	1,416	727	354	30	210	31	12	1			
2007	191,018	122,404	36,730	1,025	865	27,533	1,263	617	312	27	193	37	10	1			
2008	189,225	122,913	35,019	971	830	27,226	1,159	565	290	19	181	43	8	1			
2009	188,399	125,158	32,593	707	808	26,868	1,174	571	278	17	180	36	9	1			
2010 <sup>5</sup>	188,037	126,906	30,628	715	834	26,624	1,181	583	307	44	150	46	16	3			
2011	187,329	128,284	28,961	710	814	26,296	1,154	572	294	38	144	41	17	4			



## C. Long-Term Care

Table C/1  
Insureds Entitled to Long-Term Care Benefit, by Gender,  
Monthly Average, 1989-2011

Year	Total	Women	Men
Numbers			
1989	21,359	14,398	6,961
1990	27,684	19,016	8,668
1991	31,488	21,896	9,592
1992	37,726	26,470	11,256
1993	45,768	32,388	13,380
1994	52,067	37,148	14,919
1995	59,023	42,367	16,656
1996	65,995	47,545	18,450
1997	72,912	52,827	20,085
1998	80,927	58,849	22,078
1999	88,185	64,257	23,928
2000	95,754	69,714	26,039
2001	105,384	76,571	28,813
2002	112,250	81,266	30,984
2003	113,028	81,454	31,575
2004	113,423	81,516	31,907
2005	115,014	82,232	32,783
2006	120,461	85,922	34,539
2007	125,401	89,020	36,381
2008	131,076	92,892	38,184
2009	136,632	96,615	39,747
2010	141,382	100,195	41,188
2011	145,605	103,332	42,273
Percentages			
1989	100.0	67.4	32.6
1990	100.0	68.7	31.3
1991	100.0	69.5	30.5
1992	100.0	70.2	29.8
1993	100.0	70.8	29.2
1994	100.0	71.3	28.7
1995	100.0	71.8	28.2
1996	100.0	72.0	28.0
1997	100.0	72.5	27.5
1998	100.0	72.7	27.3
1999	100.0	72.9	27.1
2000	100.0	72.8	27.2
2001	100.0	72.7	27.3
2002	100.0	72.4	27.6
2003	100.0	72.1	27.9
2004	100.0	71.9	28.1
2005	100.0	71.5	28.5
2006	100.0	71.3	28.7
2007	100.0	71.0	29.0
2008	100.0	70.9	29.1
2009	100.0	70.9	29.1
2010	100.0	70.9	29.1
2011	100.0	71.0	29.0

**Table C/2**  
**Insureds Entitled to Long-Term Care Benefit, by Level of Benefit,**  
**Monthly Average, 1989-2011**

Year	Total	Very dependent (91%)		Severely dependent (150%)		Totally dependent (168%)	
		Full benefit	Partial benefit	Full benefit	Partial benefit	Full benefit	Partial benefit
<b>Numbers</b>							
1989	21,359	15,524	236	5,455	144	-	-
1990	27,684	20,643	324	6,516	201	-	-
1991	31,488	23,841	427	7,012	221	-	-
1992	37,726	28,749	553	8,160	272	-	-
1993	45,768	35,066	730	9,643	337	-	-
1994	52,067	40,127	904	10,666	370	-	-
1995	59,023	45,092	1,109	12,354	468	-	-
1996	65,995	50,207	1,314	13,928	546	-	-
1997	72,912	55,476	1,548	15,267	621	-	-
1998	80,927	61,546	1,760	16,907	714	-	-
1999	88,185	66,462	1,951	18,968	803	-	-
2000	95,754	70,807	2,157	21,868	921	-	-
2001	105,384	77,312	2,379	24,662	1,032	-	-
2002	112,250	81,352	2,479	27,226	1,193	-	-
2003	113,028	79,846	2,550	29,188	1,444	-	-
2004	113,423	76,871	2,537	32,243	1,772	-	-
2005	115,014	73,972	2,620	36,250	2,173	-	-
2006	120,461	73,646	2,814	41,401	2,599	-	-
2007	125,401	71,535	2,752	31,981	1,999	15,982	1,153
2008	131,076	72,351	3,035	30,776	1,950	21,392	1,574
2009	136,632	73,780	3,373	31,542	2,100	23,775	1,792
2010	141,382	74,845	3,796	32,908	2,243	25,572	2,019
2011	145,605	75,765	4,204	34,034	2,444	26,920	2,238
<b>Percentages</b>							
1989	100.0	72.7	1.1	25.5	0.7	-	-
1990	100.0	74.6	1.2	23.5	0.7	-	-
1991	100.0	75.7	1.4	22.3	0.7	-	-
1992	100.0	76.2	1.5	21.6	0.7	-	-
1993	100.0	76.6	1.6	21.1	0.7	-	-
1994	100.0	77.1	1.7	20.5	0.7	-	-
1995	100.0	76.4	1.9	20.9	0.8	-	-
1996	100.0	76.1	2.0	21.1	0.8	-	-
1997	100.0	76.1	2.1	20.9	0.9	-	-
1998	100.0	76.1	2.2	20.9	0.9	-	-
1999	100.0	75.4	2.2	21.5	0.9	-	-
2000	100.0	73.9	2.3	22.8	1.0	-	-
2001	100.0	73.4	2.3	23.4	1.0	-	-
2002	100.0	72.5	2.2	24.3	1.1	-	-
2003	100.0	70.6	2.3	25.8	1.3	-	-
2004	100.0	67.8	2.2	28.4	1.6	-	-
2005	100.0	64.3	2.3	31.5	1.9	-	-
2006	100.0	61.1	2.3	34.4	2.2	-	-
2007	100.0	57.0	2.2	25.5	1.6	12.7	0.9
2008	100.0	55.2	2.3	23.5	1.5	16.3	1.2
2009	100.0	54.1	2.5	23.1	1.5	17.4	1.3
2010	100.0	52.9	2.7	23.3	1.6	18.1	1.4
2011	100.0	52.0	2.9	23.4	1.7	18.5	1.5



**Table C/3**  
**Insureds Entitled to Long-term Care Benefit, by Age,**  
**Monthly Average, 2000-2001, 2003-2011**

Year	Total	Up to 64	65-69	70-74	75-79	80-84	85 +
				Percentages			
2000	100.0	1.5	6.8	14.4	22.4	21.5	33.2
2001	100.0	1.4	6.6	14.4	22.4	23.1	32.1
2003	100.0	1.3	6.3	14.0	21.9	25.5	21.0
2004	100.0	1.0	5.9	13.1	21.3	26.3	32.3
2005	100.0	0.8	5.4	12.4	20.7	27.2	33.4
2006	100.0	0.8	4.7	11.9	20.4	27.6	34.6
2007	100.0	1.0	5.4	12.8	21.5	28.2	31.1
2008	100.0	1.0	4.8	12.4	21.0	28.0	32.7
2009	100.0	1.0	4.3	11.9	20.5	27.5	34.9
2010	100.0	0.8	4.0	11.5	19.5	27.2	36.9
2011	100.0	0.8	3.8	10.9	19.2	26.7	38.6

**Table C/4**  
**Value of Average Long-term Care Benefit, in NIS, Monthly Average,**  
**1989-2011**

Year	Current Prices	2010 Prices
1989	593	2,128
1990	658	2,009
1991	732	1,907
1992	796	1,899
1993	895	1,926
1994	1,007	1,928
1995	1,144	1,990
1996	1,284	2,008
1997	1,420	2,037
1998	1,563	2,127
1999	1,634	2,116
2000	1,747	2,234
2001	1,921	2,430
2002	1,913	2,290
2003	1,844	2,192
2004	1,826	2,180
2005	1,879	2,214
2006	2,011	2,320
2007	2,073	2,380
2008	2,160	2,371
2009	2,269	2,410
2010	2,489	2,574
2011	2,559	2,559

## D. Children

**Table D/1**  
**Families Receiving a Child Allowance, by Number of Children in Family**

Period	Total	Number of children in family						
		1 <sup>1</sup>	2 <sup>1</sup>	3	4	5	6	7+
<b>Absolute numbers</b>								
IV 1975	402,877	205,000		86,731	44,387	24,436	16,497	25,826
1980	579,247	156,793	182,805	120,094	54,370	26,078	16,000	23,107
1985 <sup>2</sup>	531,283	64,758	202,935	144,026	59,675	26,170	14,896	18,823
1990	493,505	44,965	168,189	154,660	66,217	27,797	14,719	16,958
1995	814,652	268,323	251,039	158,201	72,172	30,819	16,230	17,868
2000	912,481	320,956	276,949	165,702	76,293	34,507	17,882	20,192
2005 <sup>3</sup>	956,294	322,671	292,772	178,588	81,311	38,495	20,095	22,363
2006	968,282	321,819	298,313	183,241	82,707	39,290	20,262	22,651
2007	980,632	321,777	303,034	188,468	84,429	39,807	20,332	22,785
2008	994,753	322,927	307,467	194,345	86,161	40,312	20,599	22,894
2009	1,011,998	326,669	311,862	200,583	88,236	40,610	20,957	23,020
2010	1,030,062	329,790	316,483	207,260	90,675	41,375	21,186	23,293
2011	1,058,644	333,160	325,489	217,464	94,399	42,466	21,719	23,947
<b>Percentages</b>								
1980	100.0	50.9		21.5	11.0	6.1	4.1	6.4
1985	100.0	26.5	32.1	22.4	9.3	4.2	2.4	3.1
1990	100.0	12.2	38.2	27.1	11.2	4.9	2.8	3.5
1995	100.0	33.3	30.8	19.1	8.8	3.8	2.0	2.2
2000	100.0	35.2	30.4	18.2	8.4	3.8	2.0	2.2
2005	100.0	33.8	30.6	18.7	8.5	4.0	2.1	2.3
2006	100.0	33.2	30.8	18.9	8.6	4.1	2.1	2.3
2007	100.0	32.8	30.9	19.2	8.6	4.1	2.1	2.3
2008	100.0	32.5	30.9	19.5	8.7	4.1	2.1	2.3
2009	100.0	32.3	30.8	19.8	8.7	4.0	2.1	2.3
2010	100.0	32.0	30.7	20.1	8.8	4.0	2.1	2.3
2011	100.0	31.5	30.7	20.5	8.9	4.0	2.1	2.3

1. From 1965 until 1975, an allowance was paid for the first and second child solely to employed families, and, for this period, there is no separate breakdown for the first and second child.
2. From July 1985 and from October 1990, families with 1 – 3 children received an allowance for the first and second child, respectively, according to an income test (the above data do not include employed and unemployed families who received a refund). Since March 1993, the child allowance is being paid once again to all families, with no income test.
3. Since August 2003, a uniform allowance is being paid to children born since June 1, 2003, regardless of their order of birth in the family.

**Table D/2**  
**Children for Whom Allowances were Paid, by Order of Birth in the Family**

Year	Child's order of birth in the family						
	Total	First-born <sup>1</sup>	Second child <sup>2</sup>	Third child	Fourth child	Fifth child	Sixth and subsequent children
<b>Number of children (thousands)</b>							
1980	1,512.9	579.3	422.4	239.6	119.6	65.2	86.8
1985	1,334.6	354.3	466.5	263.6	119.6	59.9	70.7
1990	1,306.5	331.0	443.8	281.1	126.0	59.5	65.1
1995	1,927.6	814.7	546.3	295.3	137.1	64.9	69.3
1999	2,076.0	891.5	581.6	309.8	146.0	70.8	76.2
2000	2,118.8	912.5	591.5	314.6	148.9	72.6	78.7
2005 <sup>3</sup>	2,260.6	956.3	633.6	340.8	162.3	80.9	86.7
2006	2,297.3	968.3	646.5	348.1	164.9	82.2	87.3
2007	2,333.1	980.6	658.9	355.9	167.4	82.9	87.5
2008	2,372.5	994.8	671.8	364.4	170.0	83.8	87.8
2009	2,416.7	1,012.0	685.3	373.5	172.9	84.6	88.4
2010	2,456.6	1,030.1	700.3	383.8	176.5	85.9	89.0
<b>Percentages</b>							
1980	100.0	38.3	27.9	15.9	7.9	4.3	5.7
1985	100.0	26.6	35.0	19.8	9.0	4.5	5.1
1990	100.0	25.4	34.0	21.5	9.6	4.5	5.0
1995	100.0	42.2	28.4	15.3	7.1	3.4	3.6
1999	100.0	42.9	28.0	15.0	7.0	3.4	3.7
2000	100.0	43.1	27.9	14.9	7.0	3.4	3.7
2005	100.0	42.3	28.0	15.1	7.2	3.6	3.8
2006	100.0	42.1	28.1	15.2	7.2	3.6	3.8
2007	100.0	42.0	28.2	15.3	7.2	3.6	3.7
2008	100.0	41.9	28.3	15.4	7.2	3.5	3.7
2009	100.0	41.9	28.4	15.5	7.2	3.5	3.6
2010	100.0	41.8	28.4	15.6	7.2	3.5	3.6

1. See note 1 to Table D/1.

2. See note 2 to Table D/1.

3. See note 3 to Table D/1.

## E. Maternity

Table E/1  
Number of Recipients of Maternity Benefits

Year	Hospitalization grant	Maternity allowance	
		Number of recipients	Percentage of all women giving birth
1955	44,500	8,735	19.6
1960	51,500	13,118	25.5
1965	60,550	17,225	28.4
1970	79,335	24,843	31.3
1975	96,966	34,918	36.0
1980	96,687	39,785	41.1
1985	101,329	42,688	42.1
1990	105,373	43,711	41.5
1995 <sup>1</sup>	113,892	55,597	48.8
1996	118,051	58,097	49.2
1997	115,067	60,416	52.2
1998	127,526	64,205	50.3
1999	124,168	65,858	53.0
2000	135,785	70,641	52.4
2001	132,044	71,176	53.9
2002	134,187	71,377	53.2
2003	142,363	73,948	51.9
2004	143,387	77,505	54.1
2005	142,890	77,025	53.9
2006	143,599	82,676	57.6
2007	147,245	86,042	58.4
2008	152,319	93,630	61.5
2009	157,702	97,715	62.0
2010	166,694	103,318	62.0
2011	163,402	103,750	64.7

1. In 1995, the figure refers to the birth grants paid for a layette for the newborn.



F. Disability

Table F/1  
 Recipients of General Disability Pensions, by Degree of Incapacity and Percentage of Medical Disability,  
 December 2011

Medical disability percentage	Total	Degree of incapacity																			
		60%			65%			74%			100%										
		Absolute numbers	Percentages	Absolute numbers	Percentages	Absolute numbers	Percentages	Absolute numbers	Percentages	Absolute numbers	Percentages	Absolute numbers	Percentages								
Total	214,749	24,410	100	13,255	100	3,950	100	173,134	100	22,391	12.9	44,849	25.9	26,656	15.4	25,222	14.6	17,758	10.3	36,258	20.9
40-49	30,735	5,611	23.0	2,198	16.6	535	13.5	173,134	100	22,391	12.9	44,849	25.9	26,656	15.4	25,222	14.6	17,758	10.3	36,258	20.9
50-59	59,016	8,629	35.4	4,492	33.9	1,046	26.5	173,134	100	22,391	12.9	44,849	25.9	26,656	15.4	25,222	14.6	17,758	10.3	36,258	20.9
60-69	36,867	5,816	23.8	3,424	25.8	971	24.6	173,134	100	22,391	12.9	44,849	25.9	26,656	15.4	25,222	14.6	17,758	10.3	36,258	20.9
70-79	30,536	2,789	11.4	1,807	13.6	718	18.2	173,134	100	22,391	12.9	44,849	25.9	26,656	15.4	25,222	14.6	17,758	10.3	36,258	20.9
80-89	20,303	1,191	4.9	909	6.9	445	11.3	173,134	100	22,391	12.9	44,849	25.9	26,656	15.4	25,222	14.6	17,758	10.3	36,258	20.9
90-100	37,292	374	1.5	425	3.2	235	5.9	173,134	100	22,391	12.9	44,849	25.9	26,656	15.4	25,222	14.6	17,758	10.3	36,258	20.9

**Table F/2**  
**Recipients of General Disability Pensions by Number of Children<sup>1</sup>,  
 Marital Status and Gender (absolute numbers and percentages),  
 December 2011**

Gender	Marital status	Total		Number of children under age 21				
		Absolute numbers	Percentages	None	1	2	3	4 or more
Total	Absolute numbers	214,749		153,170	26,583	15,993	9,441	9,562
	Percentages		100%	71.3%	12.4%	7.4%	4.4%	4.5%
Men	Total	124,490		92,797	13,777	7,820	4,809	5,287
			100%	74.5%	11.1%	6.3%	3.9%	4.2%
	Unmarried	61,943	100%	89.9%	5.9%	2.6%	1.0%	0.6%
Employed women	Married	62,547	100%	59.4%	16.2%	9.9%	6.7%	7.8%
	Total	73,829		53,309	9,789	5,753	2,958	2,020
			100%	72.2%	13.3%	7.8%	4.0%	2.7%
Housewives	Unmarried	50,118	100%	82.3%	9.8%	4.7%	2.0%	1.2%
	Married	23,711	100%	50.9%	20.5%	14.4%	8.2%	6.0%
	Total	16,430		7,064	3,017	2,420	1,674	2,255
			100%	43.0%	18.4%	14.7%	10.2%	13.7%

1. Only children meeting the NII definition of "child" were included.



**Table F/3**  
**Recipients of Benefit for Disabled Child by Grounds for Eligibility, December 2011**

Grounds for eligibility	Number of eligible	Grounds for eligibility	Number of eligible
<b>Total</b>	<b>30,396</b>	<b>Partial deafness + dependent on assistance from others</b>	<b>Less than 10</b>
P.D.D.	5,003	Partial deafness +Down syndrome	Less than 10
Autism	2,289	Vision impaired	1,067
urethrostomy	Less than 10	Malignant disease	353
Secondary immunosuppression	19	Secondary illnesses of cancer	61
Blood tests out of the home	115	Constant attendance	1,154
Jejunostomy	Less than 10	Assistance in communicating	161
Gastrostomy	167	Diabetes	900
Uncontrollable urge to eat	61	Developmentally delayed	523
Chronic bone infections	Less than 10	Infusions	472
Continuous feeding	167	Psychosis	783
Drop feeding by gastric feeding tube	232	Cystostomy	Less than 10
Intravenous feeding	35	Colostomy	31
Continued payment for malignant disease	108	Pathological bone fractures	122
Absence of limbs	45	3 treatments, including supervision	164
Kidney and urinary tract disorders	357	3 treatments, not including supervision	718
Needs supervision	831	3 medical sections, including attendance	601
Lack of function in two limbs	78	3 medical sections, including hospitalization	34
Deafness	3,695	3 medical sections, including blood pressure stabilizers	Less than 10
Deafness + constant attendance	13	Considerable dependence on others	2,850
Deafness + total dependence on assistance from others	88	Total dependence on others	4,255
Deafness + considerable dependence on assistance from others	88	Down syndrome	857
Deafness + Down syndrome	54	Down syndrome + supervision	19
Immunosuppressive therapy	76	Down syndrome + constant attendance	124
Respiratory treatments	260	Down syndrome + total dependence on assistance from others	334
Partial blindness	89	Down syndrome + considerable dependence on assistance from others	415
Partial deafness	89	Rare syndrome	404



## G. Work Injury

Table G/1  
Recipients of Work Injury Benefits<sup>1</sup>

Period	Injury allowance				Permanent disability pensions		Dependents' benefits	
	Recipients of injury allowance		Number of days for which allowance was paid		Employees	Self-employed	Employees	Self-employed
	Employees	Self-employed	Employees	Self-employed				
IV 1965	54,852	6,455	747,803	132,948	1,766	150	891	-
IV 1975	65,291	10,819	1,067,250	237,112	4,183	508	2,134	-
1980 <sup>2</sup>	63,234	10,679	1,017,877	235,617	6,592	950	2,477	382
1990	51,367	5,346	1,159,645	248,234	10,183	1,412	3,022	490
1995	75,284	9,600	2,340,717	370,817	12,600	1,760	3,260	570
1997	74,586	9,483	2,203,184	319,963	13,745	1,887	3,364	574
1998	73,239	9,272	2,256,143	323,803	15,584	2,127	3,445	576
1999	66,008	7,977	2,104,592	294,229	16,362	2,250	3,508	593
2000	57,785	7,180	2,419,266	374,165	17,442	2,371	3,564	594
2001	52,991	6,509	2,378,497	347,133	18,309	2,501	3,601	598
2002	53,373	6,781	2,194,914	351,520	19,140	2,633	3,647	606
2003	46,850	5,943	1,667,332	256,862	20,176	2,784	3,698	608
2004	51,639	5,844	1,789,878	252,287	21,083	2,920	3,740	609
2005	50,059	5,482	1,726,788	230,934	22,120	3,059	3,792	607
2006	50,316	5,372	1,707,724	214,053	23,216	3,227	3,834	613
2007	52,880	5,308	1,780,131	211,411	24,406	3,393	3,868	614
2008	52,745	5,382	1,867,424	224,471	25,603	3,573	3,905	611
2009	52,165	5,374	1,863,182	230,180	27,069	3,803	3,954	619
2010	53,990	5,357	1,955,207	232,790	28,319	4,012	3,941	624
2011	54,249	5,159	1,970,333	229,904	29,797	4,197	3,981	622

1. The number of recipients of disability pensions and dependents' benefits is the average number of recipients per annum, while the number of recipients of an injury allowance is the number of recipients throughout the year.
2. Since 1980, the annual figure presented under permanent disability pensions is the average number of recipients per month.

**Table G/2**  
**Recipients of Injury Allowance, by Gender, 1995-2010**

	1995	2000	2005	2006	2007	2008	2009	2010
	<b>Numbers</b>							
<b>Total</b>	88,343	76,185	63,856	64,296	67,657	69,734	65,814	67,633
Men	70,810	56,823	46,296	46,044	47,928	49,067	45,906	46,972
Women	17,531	19,362	17,560	18,252	19,729	20,667	19,908	20,661
	<b>Percentages</b>							
<b>Total</b>	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Men	80.2	74.6	72.5	71.6	70.8	70.4	70.0	69.5
Women	19.8	25.4	27.5	28.4	29.2	29.6	30.0	30.5

**Table G/3**  
**Recipients of Permanent Disability Pension, by Gender, Age and Degree of Disability, December 2010**

Age	Total	Degree of disability (percentages)					
		Up to 191	20-39	40-59	60-79	80-99	100
<b>Total population</b>							
Numbers	32,373	1,416	18,866	6,500	2,654	1,317	1,620
Percentages	100.0	4.4	58.3	20.0	8.2	4.1	5.0
Up to 21	52	0	25	14	5	3	5
22-29	822	14	451	170	75	50	62
30-39	3,532	210	1,912	724	296	162	228
40-49	6,523	427	3,693	1,303	502	292	306
50-59	9,341	527	5,581	1,784	702	342	405
60-64	5,045	189	3,142	947	381	166	220
65+	7,058	49	4,062	1,558	693	302	394
<b>Men</b>							
Numbers	28,528	1,327	16,412	5,752	2,376	1,206	1,455
Percentages	100.0	4.7	57.5	20.2	8.3	4.2	5.1
Up to 21	47	0	21	14	5	3	4
22-29	746	12	398	160	72	46	58
30-39	3,128	197	1,658	650	269	148	206
40-49	5,740	396	3,195	1,164	444	267	274
50-59	7,976	490	4,685	1,530	608	308	355
60-64	4,350	183	2,678	802	336	153	198
65+	6,541	49	3,777	1,432	642	281	360
<b>Women</b>							
Numbers	3,845	89	2,454	748	278	111	165
Percentages	100.0	2.3	63.8	19.5	7.2	2.9	4.3
Up to 21	5	0	4	0	0	0	1
22-29	76	2	53	10	3	4	4
30-39	404	13	254	74	27	14	22
40-49	783	31	498	139	58	25	32
50-59	1,365	37	896	254	94	34	50
60-64	695	6	464	145	45	13	22
65+	478	0	285	126	51	21	34

1. Pension recipients who have a partial capitalization.

Table G/4  
 Recipients of Dependents' Benefit, by Year of Death and Family Composition  
 (absolute numbers), December 2010

Year of death	Total	Young widow	Only child or childless widow	Two children only or widow with one child	Three children only or widow with two children	Four children only or widow with three children	Other
<b>Total</b>	<b>4,604</b>	<b>179</b>	<b>3,484</b>	<b>450</b>	<b>246</b>	<b>196</b>	<b>49</b>
Until 1965	185	0	181	0	0	0	4
1966 – 1970	228	0	226	0	0	0	2
1971 – 1975	428	0	426	0	0	0	2
1976 – 1980	489	3	482	1	1	0	2
1981 – 1985	443	4	434	0	0	0	5
1986 – 1990	423	5	372	11	1	0	4
1991 – 1995	692	64	490	104	23	5	6
1996 – 2000	736	36	440	139	70	37	14
2001 – 2005	583	22	278	121	80	75	7
2006	106	4	53	15	14	19	1
2007	104	3	38	25	18	20	0
2008	112	5	39	21	19	27	1
2009 <sup>1</sup>	54	3	17	9	15	9	1
2010	21	0	8	4	5	4	0

1. The processing of the dependents' claims for these years has not yet been completed, and additional families will receive benefits in respect thereof.

## H. Hostile Action Casualties

Table H/1  
**Recipients of Benefits due to Hostile Actions: Disabled by Status and Dependents by Family Composition, 2000–2011**

Year	Recipients of disability benefits			Recipients of dependents' benefits					
	Total	Regular	Unable to earn a living	Benefit to widow/er of disabled	Total	Widows/Widowers without children	Widows/Widowers with children	Bereaved parents	Other
2000	1,688	1,576	24	25	962	301	129	485	47
2001	1,721	1,589	35	25	997	303	138	507	49
2002	1,807	1,678	36	22	1,287	340	199	668	80
2003	2,195	1,753	49	24	1,583	383	248	846	106
2004	2,502	1,905	51	23	1,713	416	263	917	117
2005	2,753	2,041	54	25	1,767	424	267	946	131
2006	3,022	2,164	66	22	1,851	447	267	999	138
2007	3,274	2,283	81	21	1,902	463	271	1,029	139
2008	3,721	2,420	94	29	1,904	476	323	975	130
2009	3,861	2,480	96	30	1,935	482	255	1,028	170
2010	4,113	2,538	95	39	1,991	510	251	1,032	197
2011	4,216	2,552	95	43	1,974	537	239	1,022	114

1. Including 1,113 recipients of one-time grants who are receiving fringe benefits.





## I. Unemployment

**Table I/1**  
**Recipients of Unemployment Benefits Who had been**  
**Previously Employed, by Status of the Unemployed and Type of**  
**Employment Bureau, 2000-2011 (percentages)**

Year	Total	Job seekers	Receiving vocational training	Job seekers		
				Total	College graduates	Not college graduates
<b>Numbers</b>						
2000	88,109	77,906	10,203	77,906	13,789	64,117
2001	99,703	86,434	13,269	86,434	17,928	68,507
2002	90,875	77,790	13,085	77,790	17,121	60,669
2003	63,450	59,208	4,242	59,208	14,444	44,764
2004	52,852	52,186	666	52,186	12,968	39,218
2005	52,433	51,863	570	51,863	12,891	38,972
2006	49,294	48,728	566	48,728	12,816	36,478
2007	45,936	45,517	419	45,517	12,179	33,338
2008	47,871	47,483	388	47,483	13,445	34,038
2009	73,016	42,486	530	72,486	21,086	51,400
2010	58,629	58,273	356	58,273	41,760	16,513
2011	57,349	56,856	493	56,856	40,639	16,217
<b>Percentages</b>						
2000	100.0	88.4	11.6	100.0	17.7	82.3
2001	100.0	86.7	13.3	100.0	20.7	79.3
2002	100.0	85.6	14.4	100.0	22.0	78.0
2003	100.0	93.3	6.7	100.0	24.1	75.9
2004	100.0	98.7	1.3	100.0	24.8	75.2
2005	100.0	98.9	1.1	100.0	24.9	75.1
2006	100.0	98.9	1.1	100.0	26.1	73.9
2007	100.0	98.8	0.9	100.0	27.6	73.3
2008	100.0	99.1	0.8	100.0	28.2	71.8
2009	100.0	99.2	0.7	100.0	29.0	71.0
2010	100.0	99.4	0.6	100.0	28.3	71.9
2011	100.0	99.1	0.9	100.0	28.5	71.5



## Measurement of Poverty and Data Sources



Within the framework of research activities being carried out in Israel on the issue of poverty and income distribution, a relative approach to measuring poverty was formulated in the early 1970s, which is accepted by most researchers and social policy makers in the Western world.

Under this relative approach, “poverty” is a phenomenon of relative hardship that should be evaluated in correlation with the society’s standard of living: A family is considered poor not when it is unable to purchase a basic basket of products it needs for its subsistence, but rather, when its living conditions are significantly inferior to those of society as a whole.

The relative approach also recognizes that hardship is not expressed merely by low income, but may also be expressed by the level of property ownership, by housing conditions, by education and by the public services available to those in need. However, since there is no generally accepted index that reflects all aspects of hardship, and since the NII possesses data only on the current nominal income of households in Israel (based on income surveys of the Central Bureau of Statistics), the measurement of poverty is limited to the aspect of the nominal income.

The relative approach offers some practical methods for measuring poverty based on the level of nominal income, the common denominator being a comparison between the income level of families at the bottom of the income scale and that of all other families. The determination of the “poverty line” as some percentage of the “representative income” of the society’s standard of living is the foundation of any method for measuring poverty. A family whose income is below the poverty line is considered a poor family, without this necessarily implying that the family is going hungry, is suffering from malnutrition, is wearing threadbare clothing or living in dilapidated housing. A poor family, therefore, is simply a family whose income is significantly lower than the representative income.

In Israel, the method for measuring poverty is based on three principles:

- a. **The first principle** is viewing the family’s disposable income as the income that is relevant for examining the phenomenon of poverty. “Disposable income” is defined as the family’s economic income (from work and from ownership of physical means of production and from financial assets) plus transfer payments (payments other than in consideration for economic activity, such as national insurance benefits, support from institutions and from individuals in Israel and abroad), and net direct taxes (income tax, national and health insurance contributions).
- b. **The second principle** is viewing the median disposable income of the population as the society’s representative income.<sup>1</sup> The “median income” is defined as the threshold, when 50% of the families have income that is equal to or below it, while the income

1 In order to represent the typical standard of living, use of the median income is preferable to the average income, since the average income is affected by extreme values in income distribution (that is, by very high or very low incomes).

of the other 50% is above it. The poverty line is defined as the income level that is equal to 50% of the median disposable income. Therefore, a family whose disposable income is less than half of the median disposable income is considered to be a poor family. Economic growth, which stimulates an increase in the level of the median disposable income, also raises the poverty line. A family that is not poor, but whose disposable income is growing at a slower pace than the rise in the poverty line, is liable to become a poor family.

- c. **The third principle** is based on adjusting the poverty line to the size of the family. The assumption is that the size of a family affords advantages in terms of consumption: when a family grows by one additional member, its consumption needs do not increase proportionately, but rather, at a lower rate, so that the additional income needed by a family in order to maintain the same standard of living decreases as the size of the family increases. In order to facilitate a comparison between the standards of living of families of different sizes, an equivalence scale was developed that made it possible to measure the needs of these families compared with the needs of a family of a given basic size. Specifically, the equivalence scale translates the number of persons in a family to the number of “standard” persons (or “standard” adults) in the family. According to the equivalence scale, the basic family is comprised of two persons, which is assigned a value of two standard persons. According to this scale, a one-person family is assigned a value of 1.25 standard persons. In other words, the needs of a one-person family are not assessed as being equal to half of the needs of a two-person family, but rather, slightly more than half. Similarly, the needs of a family of four (which is assigned a value of 3.2 standard persons) are not double those of a family of two (which is assigned a value of two standard persons), but rather, are less than double (only 1.6 times greater).

Based on these principles, the “poverty line per standard person in Israel” was defined as a level equivalent to 50% of the median disposable income per standard person. A family in Israel is considered part of the poor population when its disposable income, divided by the number of standard persons in the family, is under the poverty line per standard person. The poverty line for a family may be calculated in a similar manner – by multiplying the poverty line per standard person by the number of standard persons in the family.

As in many Western countries, the analysis of the dimensions of poverty in Israel is based primarily on the two aggregate poverty indices that are the most generally accepted in empirical studies – “incidence of poverty” and “depth and intensity of poverty” (reflected in the income gap ratio of the poor and the FGT index). The incidence of poverty index indicates the extent of poverty in terms of the percentage of poor families in the entire population. The poverty gap index reflects the depth of poverty: the poverty gap of any poor family is defined as the difference between the poverty line (adjusted to family size) and its actual income, while the poverty gap of the entire population is defined as

the sum of the poverty gaps of all of the poor families. The poverty gap index may be standardized and defined as the ratio between the average income gap for a poor family and the poverty line (hereinafter: “the income gap ratio of the poor”). The FGT Index (also called the Foster Index) was developed by Foster, Greer and Thorbecke in 1989 and became the most accepted index for expressing the depth and intensity of poverty. Contrary to the income gap ratio of the poor, it gives greater weight to those whose income is the farthest from the poverty line.<sup>2</sup> Another aggregate index is the SEN Index, which combines these two indices with the component of inequality in the distribution of income among the poor.

## The Data Sources

The income data are used as a basis for calculating the dimensions of poverty and the distribution of income in Israel are the annual income surveys conducted by the Central Bureau of Statistics (hereinafter: “the CBS”). Up to and including 1997, the population surveyed included solely households headed by an employee or a non-working person in urban communities of at least 2,000 residents, and excluded East Jerusalem.<sup>3</sup>

In 1998, the CBS decided to produce a combined income survey, elicited from the data from the current income survey and the data from the household expenditure survey. The combined income survey has been published since 1997, when the CBS began preparing a current household expenditure survey in addition to the current income survey. The combined survey is based on a larger sampling (1.8 times larger than the previous sampling) and encompasses 95% of all households in most types of communities in Israel. In addition to the employees and non-working persons residing in urban communities, the combined survey also encompasses the self-employed, residents of moshavs, rural communities and community settlements and, in principle, also the residents of East Jerusalem. The populations that are not yet included in the survey are mainly the kibbutzim, as well as Bedouin not residing in permanent communities. The residents of East Jerusalem were included in the combined survey for the years 1997-1999,<sup>4</sup> but not in 2000, due to the security situation, which made it difficult to conduct

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 2 The FGT index accepts values of between 0 (if the income of the poor is at the poverty line) and the incidence of poverty (if the income of the poor is zero). The index is calculated according to the following formula:

$$\frac{1}{n} \sum_{i=1, y_i < z_i}^n \left( \frac{z_i - y_i}{z_i} \right)^2$$

where  $z_i$  is poverty-line income and  $y_i$  is the family's income.

- 3 Up until 1994 (inclusively), the income surveys included non-Jewish communities with at least 10,000 residents (excluding East Jerusalem). Since 1995, the income survey was expanded to also include non-Jewish communities of between 2,000 and 10,000 residents.
- 4 The sampling of the combined income surveys included residents of East Jerusalem fully in 1998 and 1999, and only partially (approximately 65%) in 1997.

a survey. In order to present comparisons for 1997-2000, the poverty and inequality data for 1997-1999 were re-generated, excluding the residents of East Jerusalem.<sup>5</sup>

A household (defined as a group of individuals who reside together most of the week and who have a common household budget) serves as the unit under examination in income and expenditure surveys.<sup>6</sup> For the sake of convenience, it is customary to use the term “family” instead of “household,” even if the terms do not have identical connotations.

When using the historical data presented in the Poverty and Inequality Tables appendix, it is important to take into consideration the following major milestones in the CBS’s income surveys and the NII’s calculations of the poverty line and dimensions of poverty and inequality over the years:

1. In the poverty calculations published by the NII up until 1985 on the basis of income surveys, the poverty line had been defined as the income level that was equal to 40% of the gross median income (after transfer payments, but before deducting direct taxes). Since 1988, the definition of the poverty line has been revised to 50% of the median disposable income.
2. The income surveys conducted since 1985 differ from previous income surveys in their research and measurement methodologies, in terms of the duration of the research period.
3. Up to and including 1997, the population surveyed in the CBS’s income surveys included households headed by an employee or non-working individual (i.e., the surveys did not include households headed by a self-employed individual, which constitute about 10% of all households) in urban communities with at least 2,000 residents, excluding East Jerusalem.
4. Up to and including 1994, non-Jewish communities with at least 10,000 residents (excluding East Jerusalem) had been included in the income surveys. Since 1995, the income survey has been broadened to also include non-Jewish communities with 2,000-10,000 residents.
5. Since 1998, the CBS has been producing the income survey based on the data from the current income survey and the data from the household expenditure survey. The combined survey is based on a larger sampling (1.8 times larger than the previous sampling) and encompasses 95% of all households in most types of communities in Israel.
6. Regarding the new series of surveys since 1997: In 2000 and 2001, no survey was conducted among residents of East Jerusalem. The income survey sampling included the residents of East Jerusalem fully in 1998 and 1999, and since 2002, but only partially (approximately 65%) in 1997.

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5 The Annual Survey for 1999 presents data on the dimensions of poverty in 1997 – 1999 in relation to the population that also includes East Jerusalem.

6 Since 1995, a “head of household” is defined as that member of the household with the greatest “degree” of participation in the labor force, regardless of age or gender.



Following an initiative proposed by the NII, the CBS carried out a feasibility study that showed that it is possible to produce findings on poverty and income distribution on a bi-annual basis. Consequently, since 2004, in addition to data on the calendar year, the CBS publishes findings relative to the second half of the previous year and the first half of the current year. For example, in addition to the 2007 Survey, a survey covering 2007/8 is published, which relates to the second half of the 2007 Survey and the first half of the 2008 Survey. No individual survey with its own sampling framework is conducted to analyze poverty and income distribution for these interim periods; instead, a database was built that is comprised of both parts of the annual surveys. Accordingly, the report on poverty for these periods is more succinct in nature and is used primarily to show the forecasted trends relative to poverty and social gaps in the coming calendar year.



## Poverty and Inequality Tables



**Table 1**  
**Dimensions of Poverty Among the Entire Population, 2007-2010**

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage of decrease	
				Deriving from transfer payments only	Deriving from transfer payments and direct taxes
<b>2007</b>					
The poor population					
Families	669,100	353,800	412,900		
Persons	2,225,700	1,434,600	1,630,400		
Children	901,000	697,000	773,900		
Incidence of poverty (%)					
Families	32.3	17.1	19.9	47.1	38.3
Persons	32.5	20.9	23.8	35.5	26.7
Children	39.9	30.8	34.2	22.6	14.1
<b>2008</b>					
The poor population					
Families	680,900	363,000	420,100		
Persons	2,283,300	1,486,900	1,651,300		
Children	931,300	723,700	783,600		
Incidence of poverty (%)					
Families	32.3	17.2	19.9	46.7	38.3
Persons	32.7	21.3	23.7	34.9	27.7
Children	40.4	31.4	34.0	22.3	15.9
<b>2009</b>					
The poor population					
Families	706,100	380,400	435,100		
Persons	2,405,400	1,589,100	1,774,800		
Children	982,300	781,700	850,300		
Incidence of poverty (%)					
Families	33.2	17.9	20.5	46.1	38.4
Persons	33.9	22.4	25.0	33.9	26.2
Children	41.9	33.3	36.3	20.4	13.4
<b>2010</b>					
The poor population					
Families	706,100	380,400	435,100		
Persons	2,405,400	1,589,100	1,774,800		
Children	982,300	781,700	850,300		
Incidence of poverty (%)					
Families	33.2	17.9	20.5	46.1	38.4
Persons	33.9	22.4	25.0	33.9	26.2
Children	41.9	33.3	36.3	20.4	13.4

**Table 2**  
**Dimensions of Poverty among Jews, 2007-2010**

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage drop	
				Stemming from transfer payments only	Stemming from transfer payments and direct taxes
<b>2007</b>					
The poor population					
Families	506,900	225,800	269,900		
Persons	1,414,400	768,800	893,400		
Children	498,500	349,300	392,500		
Incidence of poverty (%)					
Families	28.3	12.6	15.0	55.5	46.8
Persons	25.7	14.0	16.2	45.6	36.8
Children	30.2	21.2	23.8	29.9	21.3
<b>2008</b>					
The poor population					
Families	516,800	234,200	278,100		
Persons	1,452,400	814,800	916,400		
Children	514,100	369,700	397,000		
Incidence of poverty (%)					
Families	28.4	12.9	15.3	54.7	46.2
Persons	26.0	14.6	16.4	43.9	36.9
Children	30.6	22.0	23.6	28.1	22.8
<b>2009</b>					
The poor population					
Families	529,700	238,900	278,800		
Persons	1,517,500	855,600	961,300		
Children	546,800	398,000	432,100		
Incidence of poverty (%)					
Families	28.9	13.0	15.2	54.9	47.4
Persons	26.7	15.1	16.9	43.6	36.7
Children	31.8	23.2	25.1	27.2	21.0
<b>2010</b>					
The poor population					
Families	525,700	232,100	269,600		
Persons	1,475,200	837,300	943,100		
Children	519,500	384,700	418,600		
Incidence of poverty (%)					
Families	28.0	12.4	14.3	55.8	48.7
Persons	25.4	14.4	16.2	43.2	36.1
Children	29.9	22.2	24.1	25.9	19.4

**Table 3**  
**Dimensions of Poverty among Immigrants (since 1990), 2007-2010**

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage drop	
				Stemming from transfer payments only	Stemming from transfer payments and direct taxes
<b>2007</b>					
The poor population					
Families	158,100	58,400	73,900		
Persons	376,400	170,500	200,600		
Children	93,200	63,500	68,900		
Incidence of poverty (%)					
Families	40.2	14.9	18.8	63.0	53.2
Persons	33.8	15.3	18.0	54.7	46.7
Children	34.2	23.3	25.3	31.9	26.0
<b>2008</b>					
The poor population					
Families	58,300	72,400			
Persons	166,700	191,000			
Children	61,500	65,200			
Incidence of poverty (%)					
Families	14.5	18.0	64.3	55.7	53.2
Persons	15.0	17.2	56.8	50.5	46.7
Children	22.9	24.3	34.7	30.8	26.0
<b>2009</b>					
The poor population					
Families	163,700	57,500	70,800		
Persons	405,800	179,500	208,100		
Children	111,200	73,800	79,300		
Incidence of poverty (%)					
Families	40.3	14.1	17.4	64.9	56.7
Persons	35.2	15.6	18.0	55.8	48.7
Children	39.2	26.0	27.9	33.7	28.7
<b>2010</b>					
The poor population					
Families	157,500	51,500	66,500		
Persons	384,000	168,200	204,300		
Children	101,300	69,200	78,200		
Incidence of poverty (%)					
Families	39.5	12.9	16.7	67.3	57.8
Persons	34.1	14.9	18.2	56.2	46.8
Children	37.3	25.4	28.8	31.7	22.8

**Table 4**  
**Dimensions of Poverty among non-Jews, 2007-2010**

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage drop	
				Stemming from transfer payments only	Stemming from transfer payments and direct taxes
<b>2007</b>					
The poor population					
Families	162,200	127,900	143,000		
Persons	811,200	665,800	737,000		
Children	402,500	347,600	381,500		
Incidence of poverty (%)					
Families	58.3	46.0	51.4	21.1	11.8
Persons	60.0	49.3	54.5	17.9	9.2
Children	65.9	56.9	62.5	13.6	5.2
<b>2008</b>					
The poor population					
Families	164,100	128,700	142,000		
Persons	830,900	672,200	734,900		
Children	417,200	354,000	386,600		
Incidence of poverty (%)					
Families	57.1	44.8	49.4	21.5	13.5
Persons	60.0	48.6	53.1	19.1	11.5
Children	67.0	56.9	62.1	15.1	7.3
<b>2009</b>					
The poor population					
Families	176,400	141,500	156,300		
Persons	887,900	733,500	813,500		
Children	435,500	383,700	418,200		
Incidence of poverty (%)					
Families	60.3	48.4	53.5	19.8	11.4
Persons	62.7	51.8	57.4	17.4	8.4
Children	69.5	61.3	66.8	11.9	4.0
<b>2010</b>					
The poor population					
Families	186,600	150,300	163,600		
Persons	908,600	764,900	830,400		
Children	439,000	392,600	418,600		
Incidence of poverty (%)					
Families	60.7	48.9	53.2	19.4	12.3
Persons	61.9	52.1	56.6	15.8	8.6
Children	69.0	61.7	65.8	10.6	4.6



**Table 5**  
**Dimensions of Poverty among Families whose Head of Household is an Elderly Person, 2007-2010**

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage drop	
				Stemming from transfer payments only	Stemming from transfer payments and direct taxes
<b>2007</b>					
The poor population					
Families	227,600	67,900	92,100		
Persons	365,700	122,400	155,600		
Children	8,400	5,800	6,300		
Incidence of poverty (%)					
Families	55.9	16.7	22.6	70.2	59.5
Persons	54.3	18.2	23.1	66.5	57.5
Children	77.8	53.4	58.3	31.3	25.1
<b>2008</b>					
The poor population					
Families	230,700	68,900	93,700		
Persons	360,100	118,200	149,800		
Children	8,400	6,500	6,500		
Incidence of poverty (%)					
Families	55.9	16.7	22.7	70.1	59.4
Persons	52.5	17.2	21.8	67.2	58.4
Children	62.6	48.7	48.7	22.1	22.1
<b>2009</b>					
The poor population					
Families	63,100	84,400			
Persons	113,400	143,900			
Children	9,300	10,100			
Incidence of poverty (%)					
Families	15.0	20.1	72.4	63.1	59.4
Persons	16.0	20.3	68.6	60.2	58.4
Children	57.3	62.1	19.1	12.3	22.1
<b>2010</b>					
The poor population					
Families	244,000	68,200	87,100		
Persons	395,600	135,700	162,900		
Children	16,600	14,900	14,900		
Incidence of poverty (%)					
Families	54.8	15.3	19.6	72.0	64.3
Persons	52.3	17.9	21.5	65.7	58.8
Children	82.4	73.9	73.9	10.3	10.3

**Table 6**  
**Dimensions of Poverty among Families with Children, 2007-2010**

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage drop	
				Stemming from transfer payments only	Stemming from transfer payments and direct taxes
<b>2007</b>					
The poor population					
Families	291,300	212,000	237,300		
Persons	1,572,400	1,185,500	1,324,100		
Children	901,000	697,000	773,900		
Incidence of poverty (%)					
Families	30.5	22.2	24.8	27.2	18.5
Persons	34.3	25.9	28.9	24.6	15.8
Children	39.9	30.8	34.2	22.6	14.1
<b>2008</b>					
The poor population					
Families	300,000	219,400	238,200		
Persons	1,634,200	1,236,600	1,339,400		
Children	931,300	723,700	783,600		
Incidence of poverty (%)					
Families	30.9	22.6	24.5	26.8	20.6
Persons	35.2	26.6	28.9	24.3	18.0
Children	40.4	31.4	34.0	22.3	15.9
<b>2009</b>					
The poor population					
Families	318,700	239,100	261,800		
Persons	1,734,900	1,339,300	1,470,500		
Children	982,300	781,700	850,300		
Incidence of poverty (%)					
Families	32.6	24.4	26.8	25.0	17.9
Persons	36.8	28.4	31.2	22.8	15.2
Children	41.9	33.3	36.3	20.4	13.4
<b>2010</b>					
The poor population					
Families	316,300	240,100	262,600		
Persons	1,700,300	1,338,100	1,456,800		
Children	958,500	777,300	837,300		
Incidence of poverty (%)					
Families	32.0	24.3	26.6	24.1	17.0
Persons	35.5	28.0	30.5	21.3	14.3
Children	40.4	32.8	35.3	18.9	12.6

**Table 7**  
**Dimensions of Poverty among Families with One to Three Children,**  
**2007-2010**

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage drop	
				Stemming from transfer payments only	Stemming from transfer payments and direct taxes
<b>2007</b>					
The poor population					
Families	189,000	128,700	145,800		
Persons	806,500	561,300	637,800		
Children	370,700	264,900	299,400		
Incidence of poverty (%)					
Families	23.8	16.2	18.4	31.9	22.9
Persons	23.7	16.5	18.8	30.4	20.9
Children	25.4	18.2	20.5	28.5	19.2
<b>2008</b>					
The poor population					
Families	193,400	131,500	143,500		
Persons	834,400	578,800	632,000		
Children	381,300	269,400	295,400		
Incidence of poverty (%)					
Families	24.0	16.3	17.8	32.0	25.8
Persons	24.2	16.8	18.3	30.6	24.3
Children	25.5	18.0	19.7	29.3	22.5
<b>2009</b>					
The poor population					
Families	212,100	150,300	164,300		
Persons	920,700	662,200	727,100		
Children	425,800	313,600	340,400		
Incidence of poverty (%)					
Families	26.0	18.4	20.2	29.2	22.5
Persons	26.1	18.8	20.6	28.1	21.0
Children	27.8	20.4	22.2	26.4	20.1
<b>2010</b>					
The poor population					
Families	208,600	147,400	163,800		
Persons	897,400	649,100	722,600		
Children	408,200	303,000	332,600		
Incidence of poverty (%)					
Families	25.6	18.1	20.1	29.3	21.5
Persons	25.4	18.4	20.5	27.7	19.5
Children	26.7	19.8	21.7	25.8	18.5

**Table 8**  
**Dimensions of Poverty among Families with Four or More Children,**  
**2007-2010**

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage drop	
				Stemming from transfer payments only	Stemming from transfer payments and direct taxes
<b>2007</b>					
The poor population					
Families	102,300	83,400	91,500		
Persons	765,900	624,200	686,200		
Children	530,200	432,000	474,500		
Incidence of poverty (%)					
Families	63.2	51.5	56.5	18.4	10.5
Persons	64.6	52.7	57.9	18.5	10.4
Children	66.0	53.8	59.1	18.5	10.5
<b>2008</b>					
The poor population					
Families	106,500	88,000	94,700		
Persons	799,700	657,800	707,300		
Children	550,000	454,300	488,200		
Incidence of poverty (%)					
Families	65.1	53.7	57.8	17.4	11.1
Persons	67.3	55.3	59.5	17.8	11.6
Children	68.2	56.3	60.5	17.4	11.2
<b>2009</b>					
The poor population					
Families	106,500	88,800	97,400		
Persons	814,200	677,000	743,400		
Children	556,600	468,100	510,000		
Incidence of poverty (%)					
Families	65.5	54.6	59.9	16.6	8.6
Persons	68.1	56.6	62.1	16.8	8.7
Children	68.6	57.7	62.8	15.9	8.4
<b>2010</b>					
The poor population					
Families	107,700	92,700	98,800		
Persons	802,800	688,900	734,200		
Children	550,300	474,300	504,700		
Incidence of poverty (%)					
Families	62.4	53.7	57.2	13.9	8.3
Persons	64.1	55.0	58.6	14.2	8.5
Children	65.3	56.3	59.9	13.8	8.3

**Table 9**  
**Dimensions of Poverty among Single-Parent Families, 2007-2010**

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage drop	
				Stemming from transfer payments only	Stemming from transfer payments and direct taxes
<b>2007</b>					
The poor population					
Families	52,200	30,800	33,100		
Persons	200,000	126,300	134,000		
Children	110,900	74,200	77,800		
Incidence of poverty (%)					
Families	46.9	27.7	29.8	41.0	36.5
Persons	49.4	31.2	33.1	36.9	33.0
Children	54.8	36.7	38.5	33.0	29.8
<b>2008</b>					
The poor population					
Families	52,500	30,700	32,200		
Persons	203,900	127,400	132,500		
Children	110,900	74,000	76,600		
Incidence of poverty (%)					
Families	46.9	27.4	28.8	41.5	38.6
Persons	50.0	31.2	32.5	37.5	35.0
Children	54.1	36.1	37.4	33.2	30.9
<b>2009</b>					
The poor population					
Families	59,300	36,600	38,900		
Persons	221,000	144,600	152,900		
Children	121,500	84,600	88,700		
Incidence of poverty (%)					
Families	49.3	30.5	32.3	38.3	34.5
Persons	50.3	32.9	34.8	34.6	30.8
Children	55.9	39.0	40.8	30.4	27.0
<b>2010</b>					
The poor population					
Families	58,800	35,700	38,200		
Persons	217,700	139,700	149,900		
Children	123,500	84,300	89,100		
Incidence of poverty (%)					
Families	46.9	28.5	30.5	39.3	35.1
Persons	48.3	31.0	33.2	35.8	31.2
Children	55.1	37.6	39.8	31.7	27.9

**Table 10**  
**Dimensions of Poverty among Families whose Head of Household has**  
**Eight Years of Schooling or Less, 2007-2010**

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage drop	
				Stemming from transfer payments only	Stemming from transfer payments and direct taxes
<b>2007</b>					
The poor population					
Families	171,600	95,300	109,400		
Persons	512,400	359,900	393,500		
Children	175,500	155,600	164,500		
Incidence of poverty (%)					
Families	69.4	38.6	44.3	44.5	36.2
Persons	70.4	49.5	54.1	29.7	23.2
Children	80.1	71.0	75.1	11.3	6.3
<b>2008</b>					
The poor population					
Families	165,000	92,200	107,100		
Persons	475,800	332,600	362,400		
Children	156,200	138,400	144,300		
Incidence of poverty (%)					
Families	68.7	38.4	44.6	44.1	35.1
Persons	67.4	47.1	51.3	30.1	23.8
Children	79.5	70.5	73.5	11.4	7.7
<b>2009</b>					
The poor population					
Families	160,300	86,800	98,900		
Persons	459,500	324,700	352,400		
Children	156,100	141,700	148,700		
Incidence of poverty (%)					
Families	68.1	36.9	42.0	45.8	38.3
Persons	67.7	47.8	51.9	29.3	23.3
Children	77.9	70.7	74.2	9.2	4.8
<b>2010</b>					
The poor population					
Families	170,100	92,500	104,000		
Persons	476,900	339,600	365,100		
Children	152,400	140,700	144,000		
Incidence of poverty (%)					
Families	69.7	37.9	42.6	45.6	38.9
Persons	68.8	49.0	52.7	28.8	23.4
Children	81.4	75.2	76.9	7.7	5.5

**Table 11**  
**Dimensions of Poverty among Families whose Head of Household has**  
**Nine to Twelve Years of Schooling, 2007-2010**

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage drop	
				Stemming from transfer payments only	Stemming from transfer payments and direct taxes
<b>2007</b>					
The poor population					
Families	258,700	142,000	165,900		
Persons	956,500	634,600	729,000		
Children	408,400	321,000	360,200		
Incidence of poverty (%)					
Families	32.6	17.9	20.9	45.1	35.8
Persons	34.0	22.5	25.9	33.6	23.8
Children	43.5	34.2	38.4	21.4	11.8
<b>2008</b>					
The poor population					
Families	267,700	155,600	176,200		
Persons	1,013,600	700,600	768,400		
Children	440,700	354,100	380,900		
Incidence of poverty (%)					
Families	33.5	19.5	22.1	41.9	34.2
Persons	35.4	24.5	26.9	30.9	24.2
Children	45.3	36.4	39.1	19.6	13.6
<b>2009</b>					
The poor population					
Families	297,200	170,800	194,800		
Persons	1,137,000	769,900	874,900		
Children	491,500	393,000	435,800		
Incidence of poverty (%)					
Families	36.9	21.2	24.2	42.5	34.5
Persons	39.0	26.4	30.0	32.3	23.1
Children	50.0	40.0	44.3	20.0	11.3
<b>2010</b>					
The poor population					
Families	301,100	178,700	198,500		
Persons	1,138,900	809,200	891,800		
Children	490,900	405,400	438,300		
Incidence of poverty (%)					
Families	36.3	21.5	23.9	40.6	34.1
Persons	38.1	27.1	29.9	29.0	21.7
Children	49.3	40.7	44.0	17.4	10.7

**Table 12**  
**Dimensions of Poverty among Families whose Head of Household has Thirteen or More Years of Schooling, 2007-2010**

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage drop	
				Stemming from transfer payments only	Stemming from transfer payments and direct taxes
<b>2007</b>					
The poor population					
Families	238,900	116,400	137,600		
Persons	756,800	440,000	507,900		
Children	317,100	220,300	249,200		
Incidence of poverty (%)					
Families	23.2	11.3	13.4	51.3	42.4
Persons	22.9	13.3	15.3	41.9	32.9
Children	28.8	20.0	22.6	30.5	21.4
<b>2008</b>					
The poor population					
Families	248,200	115,100	136,800		
Persons	793,800	453,700	520,500		
Children	334,400	231,300	258,500		
Incidence of poverty (%)					
Families	23.2	10.8	12.8	53.6	44.9
Persons	23.3	13.3	15.3	42.8	34.4
Children	29.5	20.4	22.8	30.8	22.7
<b>2009</b>					
The poor population					
Families	248,700	122,800	141,500		
Persons	808,900	494,500	547,400		
Children	334,700	246,900	265,800		
Incidence of poverty (%)					
Families	22.9	11.3	13.0	50.6	43.1
Persons	23.1	14.1	15.6	38.9	32.3
Children	28.8	21.2	22.9	26.2	20.6
<b>2010</b>					
The poor population					
Families	241,100	111,200	130,800		
Persons	768,000	453,500	516,500		
Children	315,200	231,300	255,000		
Incidence of poverty (%)					
Families	21.7	10.0	11.8	53.9	45.7
Persons	21.3	12.6	14.4	40.9	32.7
Children	26.5	19.4	21.4	26.6	19.1



**Table 13**  
**Dimensions of Poverty among the Working Population, 2007-2010**

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage drop	
				Stemming from transfer payments only	Stemming from transfer payments and direct taxes
<b>2007</b>					
The poor population					
Families	281,800	157,900	188,700		
Persons	1,283,100	809,600	960,300		
Children	617,000	440,000	512,800		
Incidence of poverty (%)					
Families	18.2	10.2	12.2	44.0	33.1
Persons	22.6	14.3	16.9	36.9	25.2
Children	31.4	22.4	26.1	28.7	16.9
<b>2008</b>					
The poor population					
Families	167,100	194,400			
Persons	856,200	978,800			
Children	460,900	519,200			
Incidence of poverty (%)					
Families	10.5	12.2	44.0	34.8	33.1
Persons	14.7	16.8	36.6	27.6	25.2
Children	22.9	25.8	28.7	19.7	16.9
<b>2009</b>					
The poor population					
Families	311,500	184,000	213,000		
Persons	1,431,200	938,100	1,085,500		
Children	677,800	501,900	568,800		
Incidence of poverty (%)					
Families	19.5	11.5	13.4	40.9	31.6
Persons	24.2	15.9	18.4	34.5	24.2
Children	33.3	24.7	28.0	26.0	16.1
<b>2010</b>					
The poor population					
Families	321,700	190,300	219,200		
Persons	1,458,300	988,100	1,122,300		
Children	692,400	529,700	587,100		
Incidence of poverty (%)					
Families	19.4	11.5	13.2	40.9	31.9
Persons	23.8	16.1	18.3	32.2	23.0
Children	32.9	25.2	27.9	23.5	15.2

**Table 14**  
**Dimensions of Poverty among Families of Employees, 2007-2010**

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage drop	
				Stemming from transfer payments only	Stemming from transfer payments and direct taxes
<b>2007</b>					
The poor population					
Families	251,100	137,900	163,800		
Persons	1,142,500	714,400	840,200		
Children	546,700	391,300	450,200		
Incidence of poverty (%)					
Families	18.6	10.2	12.1	45.1	34.8
Persons	23.2	14.5	17.0	37.5	26.5
Children	32.3	23.1	26.6	28.4	17.7
<b>2008</b>					
The poor population					
Families	268,100	147,700	169,400		
Persons	1,205,500	756,800	855,600		
Children	565,900	404,300	450,900		
Incidence of poverty (%)					
Families	19.3	10.6	12.2	44.9	36.8
Persons	23.7	14.9	16.8	37.2	29.0
Children	32.5	23.2	25.9	28.6	20.3
<b>2009</b>					
The poor population					
Families	281,100	163,400	187,800		
Persons	1,289,300	835,900	958,300		
Children	604,100	447,600	500,900		
Incidence of poverty (%)					
Families	20.2	11.7	13.5	41.9	33.2
Persons	25.1	16.3	18.7	35.2	25.7
Children	34.5	25.5	28.6	25.9	17.1
<b>2010</b>					
The poor population					
Families	287,800	168,100	190,600		
Persons	1,302,000	883,400	988,900		
Children	614,200	475,200	519,600		
Incidence of poverty (%)					
Families	20.0	11.7	13.3	41.6	33.8
Persons	24.6	16.7	18.7	32.2	24.0
Children	33.9	26.2	28.7	22.6	15.4

**Table 15**  
**Dimensions of Poverty Among Families of Self-Employed, 2007-2010**

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage drop	
				Stemming from transfer payments only	Stemming from transfer payments and direct taxes
<b>2007</b>					
The poor population					
Families	30,300	19,500	24,400		
Persons	137,700	92,300	117,300		
Children	69,200	47,600	61,500		
Incidence of poverty (%)					
Families	15.4	9.9	12.4	35.5	19.3
Persons	18.4	12.3	15.7	33.0	14.8
Children	25.4	17.5	22.6	31.2	11.1
<b>2008</b>					
The poor population					
Families	30,200	19,500	25,000		
Persons	145,800	99,400	123,100		
Children	80,500	56,600	68,300		
Incidence of poverty (%)					
Families	15.3	9.9	12.7	35.6	17.3
Persons	20.0	13.7	16.9	31.8	15.6
Children	29.9	21.1	25.4	29.7	15.1
<b>2009</b>					
The poor population					
Families	30,400	20,600	25,200		
Persons	141,900	102,200	127,200		
Children	73,600	54,200	67,900		
Incidence of poverty (%)					
Families	15.2	10.3	12.5	32.4	17.3
Persons	18.5	13.3	16.6	28.0	10.3
Children	26.2	19.3	24.2	26.3	7.7
<b>2010</b>					
The poor population					
Families	33,900	22,100	28,600		
Persons	156,300	104,700	133,500		
Children	78,100	54,500	67,500		
Incidence of poverty (%)					
Families	15.5	10.1	13.1	34.7	15.5
Persons	18.9	12.7	16.1	33.0	14.6
Children	27.0	18.9	23.4	30.3	13.6

**Table 16**  
**Dimensions of Poverty among the Working-Age Population**  
**who are not Working, 2007-2010**

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage drop	
				Stemming from transfer payments only	Stemming from transfer payments and direct taxes
<b>2007</b>					
The poor population					
Families	176,000	130,000	134,700		
Persons	611,400	507,100	520,000		
Children	276,400	251,300	254,900		
Incidence of poverty (%)					
Families	91.2	67.4	69.8	26.1	23.5
Persons	93.6	77.7	79.7	17.1	14.9
Children	96.7	87.9	89.2	9.1	7.8
<b>2008</b>					
The poor population					
Families	169,900	129,900	135,600		
Persons	606,600	520,200	532,100		
Children	278,000	257,400	258,900		
Incidence of poverty (%)					
Families	89.5	68.4	71.4	23.5	20.2
Persons	93.0	79.7	81.6	14.3	12.3
Children	97.9	90.6	91.2	7.4	6.8
<b>2009</b>					
The poor population					
Families	182,700	135,300	140,200		
Persons	644,600	542,200	550,900		
Children	293,800	270,800	271,800		
Incidence of poverty (%)					
Families	89.8	66.5	68.9	25.9	23.3
Persons	93.8	78.9	80.2	15.9	14.5
Children	98.4	90.7	91.0	7.8	7.5
<b>2010</b>					
The poor population					
Families	168,000	126,000	130,100		
Persons	570,400	483,700	495,200		
Children	251,100	233,700	236,200		
Incidence of poverty (%)					
Families	90.6	67.9	70.1	25.0	22.6
Persons	94.5	80.2	82.1	15.2	13.2
Children	98.7	91.8	92.8	6.9	5.9

**Table 17**  
**Dimensions of Poverty among Families with One Wage-Earner,**  
**2007-2010**

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage drop	
				Stemming from transfer payments only	Stemming from transfer payments and direct taxes
<b>2007</b>					
The poor population					
Families	247,400	139,900	164,900		
Persons	1,098,500	713,400	830,300		
Children	537,300	395,300	454,100		
Incidence of poverty (%)					
Families	35.2	19.9	23.5	43.4	33.4
Persons	48.4	31.4	36.5	35.1	24.4
Children	60.9	44.8	51.5	26.4	15.5
<b>2008</b>					
The poor population					
Families	257,500	146,800	168,300		
Persons	1,113,700	738,600	827,100		
Children	535,500	404,400	446,300		
Incidence of poverty (%)					
Families	35.3	20.1	23.0	43.0	34.7
Persons	47.9	31.8	35.6	33.7	25.7
Children	60.5	45.7	50.4	24.5	16.7
<b>2009</b>					
The poor population					
Families	263,200	159,800	180,500		
Persons	1,156,500	805,400	901,000		
Children	561,100	444,100	487,000		
Incidence of poverty (%)					
Families	36.4	22.1	24.9	39.3	31.4
Persons	49.7	34.6	38.7	30.4	22.1
Children	63.9	50.6	55.5	20.9	13.2
<b>2010</b>					
The poor population					
Families	275,800	164,900	187,100		
Persons	1,196,100	837,100	931,600		
Children	580,100	458,200	501,100		
Incidence of poverty (%)					
Families	37.8	22.6	25.6	40.2	32.2
Persons	51.4	36.0	40.0	30.0	22.1
Children	64.7	51.1	55.9	21.0	13.6

**Table 18**  
**Dimensions of Poverty among Families with Two Wage-Earners,**  
**2007-2010**

	Before transfer payments and direct taxes	After transfer payments only	After transfer payments and direct taxes	Percentage drop	
				Stemming from transfer payments only	Stemming from transfer payments and direct taxes
<b>2006</b>					
The poor population					
Families	34,400	18,000	23,800		
Persons	184,600	96,200	130,000		
Children	79,700	44,700	58,700		
Incidence of poverty (%)					
Families	4.1	2.1	2.8	47.7	30.8
Persons	5.4	2.8	3.8	47.9	29.6
Children	7.4	4.1	5.4	44.0	26.4
<b>2007</b>					
The poor population					
Families	20,400	26,200			
Persons	117,600	151,700			
Children	56,500	72,900			
Incidence of poverty (%)					
Families	2.4	3.0	50.1	35.9	30.8
Persons	3.4	4.4	50.5	36.1	29.6
Children	5.0	6.5	49.1	34.2	26.4
<b>2008</b>					
The poor population					
Families	48,400	24,200	32,500		
Persons	274,700	132,700	184,500		
Children	116,700	57,800	81,800		
Incidence of poverty (%)					
Families	5.6	2.8	3.7	50.0	32.7
Persons	7.7	3.7	5.2	51.7	32.8
Children	10.1	5.0	7.1	50.5	29.9
<b>2009</b>					
The poor population					
Families	45,900	25,400	32,100		
Persons	262,200	150,900	190,700		
Children	112,300	71,500	86,000		
Incidence of poverty (%)					
Families	4.9	2.7	3.5	44.7	30.0
Persons	6.9	4.0	5.0	42.4	27.2
Children	9.3	5.9	7.1	36.3	23.4

Table 19  
Average Salary Per Family Among Different Population Groups by Their Sources of Income and the Ratios of These Difference Sources Before Taxes, 2010

Population group	Source of income*						Income before taxes	Disposable income
	Work payments	Total transfer payments	NII benefits	Thereof:	Support from private sources or abroad	Other income (property, pension)		
				Government payments				
Total	NIS 11,112 (%) 77.2	1,870 13.0	1,415 9.8	215 1.5	241 1.7	1,396 9.7	14,397 100.0	12,024 83.5
Jewish family	NIS 11,802 (%) 77.0	1,912 12.5	1,400 9.1	247 1.6	267 1.7	1,589 10.4	15,326 100.0	12,723 83.0
Non-Jewish family	NIS 6,888 (%) 79.0	1,613 18.5	1,505 17.3	24 0.3	84 1.0	215 2.5	8,716 100.0	7,747 88.9
Family whose head of household is elderly	NIS 2,660 (%) 28.4	3,399 36.3	2,754 29.4	304 3.2	344 3.7	3,283 35.0	9,373 100.0	8,281 88.3
Immigrant family	NIS 8,681 (%) 77.1	2,193 19.5	1,634 14.5	277 2.5	283 2.5	376 3.3	11,255 100.0	9,841 87.4
Family with children	NIS 14,173 (%) 86.5	1,595 9.7	1,189 7.3	183 1.1	224 1.4	600 3.7	16,381 100.0	13,530 82.6
Family with 1-3 children	NIS 15,087 (%) 87.8	1,442 8.4	1,055 6.1	155 0.9	232 1.4	645 3.8	17,185 100.0	14,122 82.2
Family with 4 children	NIS 9,853 (%) 78.3	2,320 18.4	1,827 14.5	312 2.5	182 1.4	388 3.1	12,579 100.0	10,733 85.3

Table 19 (continued)  
 Average Salary Per Family Among Different Population Groups by Their Sources of Income and the Ratios of These Difference Sources Before Taxes, 2010

Population group	Source of income*							Income before taxes	Disposable income
	Work	Total transfer payments	NII benefits	Government payments	Support from private sources or abroad	Other income (property, pension)			
Family with 5 children	NIS	7,687	2,772	2,127	448	196	240	10,710	9,453
	(%)	71.8	25.9	19.9	4.2	1.8	2.2	100.0	88.3
Single-parent family	NIS	8,049	2,636	1,610	172	855	488	11,176	9,818
	(%)	72.0	23.6	14.4	1.5	7.6	4.4	100.0	87.8
Employment status of head of household	NIS	14,651	1,347	1,011	160	178	1,071	17,085	14,076
	(%)	85.8	7.9	5.9	0.9	1.0	6.3	100.0	82.4
Working	NIS	14,386	1,356	1,019	162	175	949	16,706	13,869
	(%)	86.1	8.1	6.1	1.0	1.0	5.7	100.0	83.0
Employee	NIS	16,393	1,287	960	146	199	1,871	19,583	15,446
	(%)	83.7	6.6	4.9	0.7	1.0	9.6	100.0	78.9
Self-employed	NIS	80	3,187	2,195	480	512	1,028	4,308	4,069
	(%)	1.9	74.0	51.0	11.1	11.9	23.9	100.0	94.5
Family headed by someone of working age who isn't working	(%)	4.9	70.3	46.3	10.1	13.9	23.9	100.0	93.5



Table 19 (continued)  
Average Salary Per Family Among Different Population Groups by Their Sources of Income and the Ratios of These Difference Sources Before Taxes, 2010

Population group	Source of income*							Income before taxes	Disposable income
	Work	Total transfer payments	NII benefits	Government payments	Support from private sources or abroad	Other income (property, pension)			
Family with one wage earner	NIS 8,179 (%) 73.1	1,791 16.0	1,306 11.7	223 2.0	265 2.4	1,191 10.6	11,193 100.0	9,429 84.2	
Family with two and more wage earners	NIS 19,741 (%) 90.9	997 4.6	779 3.6	109 0.5	110 0.5	976 4.5	21,719 100.0	17,731 81.6	
Education of head of household									
Up to 8 years of schooling	NIS 2,651 (%) 41.5	2,684 42.0	2,350 36.8	162 2.5	172 2.7	1,033 16.2	6,385 100.0	5,898 92.4	
Between 9-12 years of schooling	NIS 8,899 (%) 75.2	1,852 15.6	1,494 12.6	179 1.5	183 1.5	1,077 9.1	11,838 100.0	10,383 87.7	
Thirteen or more years of schooling	NIS 14,617 (%) 80.9	1,704 9.4	1,151 6.4	255 1.4	299 1.7	1,713 9.5	18,062 100.0	14,590 80.8	

\* Prices of the middle of the survey period in 2010, for a population that includes residents of eastern Jerusalem.

**Table 20**  
**Influence of Transfer Payments and Direct Taxes on Inequality**  
**in Income Distribution Among Working Families (percentages),**  
**2009-2010**

Decile*	(% ) Proportion of each decile of the total income**					
	Economic income		Income before tax		Disposable income	
	2009	2010	2009	2010	2009	2010
Lowest	1.4	1.4	2.1	2.1	2.4	2.4
2	2.7	2.7	3.3	3.4	3.8	3.8
3	3.8	3.9	4.5	4.6	5.0	5.1
4	5.2	5.3	5.7	5.8	6.3	6.4
5	6.7	6.8	7.0	7.1	7.7	7.8
6	8.4	8.4	8.6	8.6	9.2	9.2
7	10.4	10.3	10.3	10.2	10.8	10.8
8	13.0	12.8	12.6	12.5	12.8	12.7
9	17.1	16.7	16.3	16.0	15.8	15.7
Highest	31.3	31.7	29.5	29.8	26.1	26.1
The ratio between the income of the highest and lowest quintiles	23.1	23.3	13.9	14.3	10.8	11.0
Gini index***	0.442	0.443	0.402	0.402	0.359	0.356
Percentage drop in Gini index	-	-	9.1	9.3	18.9	19.6

\* The families in every column were ranked by the level of adjusted income per standard person. Each decile contains 10% of the population

\*\* In terms of income per standard person

\*\*\* The Gini index of inequality of income distribution was calculated on the basis of individual observations and not on the basis of quintiles.

**Table 21**  
**The Average Monthly Salary Per Family in Each Decile,**  
**2008-2009 (total population, in 2009 survey prices)**

Decile*	Before transfer payments and taxes			After transfer payments and taxes		
	2009	2010	Real change	2009	2010	Real change
Lowest	–	–	–	2,552	2,611	2.3
2	1,652	1,927	16.6	4,304	4,537	5.4
3	4,078	4,321	6.0	5,058	5,299	4.8
4	5,822	6,151	5.7	6,652	6,903	3.8
5	7,791	8,222	5.5	8,457	8,951	5.8
6	10,136	10,694	5.5	10,210	10,607	3.9
7	12,643	13,210	4.5	12,171	12,700	4.3
8	16,120	16,416	1.8	14,313	14,693	2.7
9	20,850	21,817	4.6	17,671	18,021	2.0
Highest	37,390	38,317	2.5	26,916	27,352	1.6
<b>Total</b>	<b>12,093</b>	<b>12,527</b>	<b>3.6</b>	<b>11,684</b>	<b>12,024</b>	<b>2.9</b>

\* To determine the deciles, families were ranked by adjusted income per standard person. Each decile constitutes 10% of the entire population.

**Table 22**  
**Incidence of Poverty Among All Families in the Population,**  
**Before and After Transfer Payments and Direct Taxes (percentages),**  
**1979-2010**

Year	Before transfer payments and direct taxes	After transfer payments alone	After transfer payments and direct taxes	Percentage drop	
				Stemming from transfer payments alone	Stemming from transfer payments and direct taxes
1979	27.9	16.4	17.2	41.1	38.4
1980	28.1	13.9	15.7	50.6	44.1
1981	28.8	14.2	15.7	50.8	45.4
1982	29.8	9.1	10.8	69.5	64.0
1983	29.5	11.1	12.5	62.4	57.7
1984	30.7	12.9	14.6	58.0	52.5
1985	31.3	10.3	11.4	67.1	63.5
1988	32.6	13.3	14.3	59.2	56.0
1989	33.0	11.7	12.8	64.5	61.2
1990	34.3	13.4	14.3	60.9	58.2
1991	35.1	14.2	14.9	59.5	57.5
1992	34.7	16.4	17.2	52.7	50.4
1993	34.6	16.0	16.7	53.8	51.7
1994	34.2	17.6	18.0	48.5	47.2
1995	33.7	14.7	16.8	56.4	50.1
1996	34.3	13.6	16.0	60.4	53.3
1997	34.3	13.6	16.2	60.5	52.7
1997*	32.0	14.9	17.7	53.4	44.6
1998	32.8	14.3	17.5	56.4	46.6
1999	32.2	15.1	18.0	53.1	44.1
2002	33.9	14.5	18.1	57.2	46.6
2003	33.9	15.4	19.3	54.6	43.1
2004	33.7	16.5	20.3	51.2	39.9
2005	33.6	17.1	20.6	49.1	38.5
2006	32.9	17.1	20.0	48.0	39.2
2007	32.3	17.1	19.9	47.0	38.3
2008	32.3	17.2	19.9	46.7	38.3
2009	33.2	17.9	20.5	46.1	38.4
2010	32.6	17.5	19.8	46.3	39.2

\* Including Eastern Jerusalem – new sampling.

**Table 23**  
**Gini Index of Inequality of Income Distribution among Families,**  
**Before and After Transfer Payments and Direct Taxes, 1979–2010**

Year	Before transfer payments and direct taxes	After transfer payments alone	After transfer payments and direct taxes	Percentage drop	
				Stemming from transfer payments alone	Stemming from transfer payments and direct taxes
1979	0.432	0.366	0.318	15.2	26.3
1980	0.434	0.369	0.324	14.9	25.3
1981	0.439	0.372	0.319	15.4	27.4
1982	0.444	0.367	0.312	17.3	29.7
1983	0.439	0.360	0.301	17.9	31.6
1984	0.472	0.398	0.327	15.8	30.8
1985	0.468	0.373	0.312	20.2	33.3
1988	0.457	0.370	0.322	19.1	29.6
1989	0.474	0.378	0.325	20.3	31.4
1990	0.480	0.376	0.326	21.7	32.0
1991	0.490	0.377	0.327	23.1	33.2
1992	0.498	0.393	0.339	21.1	31.9
1993	0.494	0.383	0.329	22.5	33.4
1994	0.502	0.399	0.344	20.4	31.4
1995	0.497	0.397	0.337	20.2	32.3
1996	0.496	0.387	0.329	22.0	33.7
1997	0.505	0.395	0.333	21.8	34.0
1997*	0.509	0.414	0.353	18.6	30.6
1998	0.512	0.413	0.352	19.2	46.6
1999	0.517	0.421	0.359	18.4	44.1
2002	0.537	0.431	0.368	19.7	31.5
2003	0.527	0.424	0.369	19.3	30.0
2004	0.523	0.430	0.380	17.8	27.4
2005	0.526	0.434	0.388	17.4	26.2
2006	0.513	0.432	0.383	15.8	25.4
2007	0.524	0.438	0.392	16.4	25.1
2008	0.512	0.432	0.385	15.6	24.7
2009	0.510	0.429	0.389	15.8	23.7
2010	0.505	0.426	0.384	15.6	23.9

\* Including Eastern Jerusalem – new sampling.

**Table 24**  
**The Incidence of Poverty and the Gini Index of Inequality of Income Distribution Among All Families in the Population (except for Eastern Jerusalem) Before and After Transfer Payments and Direct Taxes (percentages), 2000-2010**

Year	After transfer payments and direct taxes	After transfer payments alone	Before taxes and transfer payments	Percentage drop	
				Stemming from transfer payments and direct taxes	Stemming from transfer payments alone
<b>Incidence of poverty, families</b>					
2000	32.2	14.7	17.6	45.3	54.3
2001	33.7	14.3	17.7	47.2	57.0
2002	33.5	14.4	17.7	47.2	57.0
2003	33.5	15.4	19.2	42.7	54.0
2004	33.4	16.5	20.3	39.2	50.6
2005	33.3	17.2	20.3	39.0	48.4
2006	32.7	17.4	20.2	38.4	46.9
2007	31.7	16.9	31.7	38.4	46.6
2008	31.8	17.1	31.8	38.2	46.1
2009	32.7	17.6	32.7	38.7	46.1
2010	32.0	16.9	32.0	39.8	47.0
<b>Gini inequality index</b>					
2000	31.2	19.3	0.350	0.411	0.509
2001	32.4	25.9	0.357	0.420	0.528
2002	32.0	20.0	0.362	0.426	0.532
2003	30.4	19.6	0.363	0.419	0.521
2004	27.7	18.0	0.375	0.426	0.519
2005	26.1	17.1	0.383	0.430	0.519
2006	25.4	16.5	0.387	0.433	0.518
2007	25.9	16.1	0.375	0.425	0.507
2008	25.2	15.9	0.378	0.425	0.506
2009	24.2	16.1	0.382	0.422	0.503
2010	25.2	15.9	0.378	0.425	0.506

## List of Authors

### Chapter 1: Social Policy Developments and Trends in National Insurance

Daniel Gottlieb and Miri Endeweld

### Chapter 2: The Dimensions of Poverty and Social Gaps

Miri Endeweld, Netanela Barkali and Alexander Fruman

### Chapter 3: Benefits: Activities and Trends

#### 1. Income support

Gabriela Heilbrun and Miriam Shmelzer

#### 2. Old-age and survivors' insurance

Gabriela Heilbrun and Miriam Shmelzer

#### 3. Long-term care insurance

Sharon Asiskovitch and Miriam Shmelzer

#### 4. Children insurance

Chantal Wasserstein

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Chantal Wasserstein

#### 6. General disability insurance

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Natalia Gitelson and Rivka Prior

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#### 9. Vocational rehabilitation

Ofir Pinto and Rivka Prior

#### 10. Unemployment insurance

Esther Toledano

#### 11. Workers' rights insurance (consequent to corporate bankruptcy and liquidation)

Avner Sharf

### Chapter 4: Collection Activities and Trends

Aviva Gaibel, Refaela Cohen and Jacques Bendelac

Questions and comments regarding the Survey may be sent to: [skira@nioi.gov.il](mailto:skira@nioi.gov.il).