

Preface

by the Director General

The year 2007, like the three preceding years, was characterized by remarkable economic growth in Israel and continued improvement in the fields of employment and wages. The expansion of employment, which included the disadvantaged population as well, reduced the gaps of financial income – income prior to transfer payments and taxes. However, there was still no substantial change in the year under review in the social situation of the country. The data presented here indicate that both poverty and the cuts in welfare expenditure have been curbed – in certain groups, such as the elderly, there has been even a certain degree of improvement – but the marked improvement in the economy relative to its state in the recession years of 2001-2003 has not been translated into a corresponding improvement in the social situation of the country.

In a document entitled "The Socio-Economic Agenda for Israel 2008-2010" (*The Agenda*), the Israeli government declared its intention of improving the socio-economic situation, while setting specific objectives in the areas of employment and poverty. This government decision constitutes a real change in social strategy, since in the past social objectives had not been a part of government policy. Binding the employment and poverty objectives together indicates that the government recognizes that there is a correlation between alleviating poverty and increasing the employment rate among the working-age population.

The findings clearly indicate a negative correlation between the number of providers in the family and family's chances of being poor. At the same time, the data also indicate a consistent increase in the rate of poor working families, parallel to the increase in the employment of the disadvantaged population in recent years. This means that an improved employment rate alone is not sufficient to alleviate distress, which requires an active government labor market policy aimed at increasing the wages paid to low-wage earners. The Negative Income Tax Law of 2008 was meant to present a partial solution in this context. Simultaneously, assistance should be increased by means of work-support instruments, such as day-care centers and vocational training schools, maintaining its relevancy of such training to the demands of the labor market and ascertaining that labor laws are enforced.

As the institution entrusted with guaranteeing the social security of all Israeli citizens, the National Insurance Institute sees employment as the primary instrument through which to attain a real reduction of poverty and income gaps among the working-age population, while recommending not abandoning the use of supportive and supplementary instruments. Financial support of families, as well as social services and improved infrastructure, have a great importance in shaping the welfare state, especially with regard to those who are involuntarily excluded from the labor market, such as the elderly, the disabled and children, and with regard to those who cannot escape their economic distress even when actively participating in the labor market.

National insurance benefits feature in the *agenda* as an area that requires *improved efficiency*, a term that may imply making the benefits selective (focused on the poor population) at the expense of maintaining their universal nature. It should be remembered that making the benefits selective

may sever the affiliation between regular payment of insurance contributions and receipt of benefits in time of need, and thus erode public support of the social security system. One must therefore act carefully in this area. At the same time, the social security system is also designed to assume the function of reducing poverty and social gaps, supporting those who require assistance. Achieving these two objectives while maintaining the appropriate balance between them on the one hand, and the financial strength of the Institute and public expenditure on the other, constitutes an important challenge for the NII and for Israeli society as a whole.

This Survey, which describes the activities of the National Insurance Institute in the areas of benefits and collection, as well as the social situation of the country, proposes a range of instruments and interventions aimed at securing a more egalitarian distribution of incomes and at reinforcing the positive impact of economic growth on society's weaker population groups, sometimes referred to as *pro-poor growth*.

The situation depicted in the Survey clearly emphasizes the need, upon assumption of my position as Director General of the National Insurance Institute, to act toward building new support systems adapted to the changing circumstances of the Israeli and international labor markets, and to reform the existing systems that currently do not provide adequate solutions for the population they were designed to serve. At the same time, the National Insurance Institute will act to improve the service provided to its clients by alleviating the ever-growing burden on the employees in our local branches – due to the growing population and the multitude of needs –and by developing innovative tools of up-to-date information technology. All this is being carried out while keeping in mind the goals of reinforcing the long-term stability and independence of the National Insurance Institute and the insured public and enhancing the welfare take-up of rights of the entire population.

Esther Dominissini
Director General

Foreword

The present survey, like its predecessors, covers the various activities of the National Insurance Institute in the past year– benefit payments and collection of insurance contributions, social policy and research.

Chapter 1 opens with a presentation of the social situation with reference to fundamental social policy in 2007, while elaborating on the social objectives of the Israeli government. The second part of the chapter describes the main developments in the areas of benefits and collection in 2007. Chapter 2 presents the situation of poverty and the social gaps in Israel until mid 2007. In addition to findings on poverty according to the relative approach, the chapter presents updated findings on poverty according to the basic needs approach. Chapter 3 deals with the developments in the system of collection of national and health insurance contributions. Chapter 4 discusses the changes and trends in the various benefit systems, designating a special part to each of the major NII benefits. The various chapters also incorporate Boxes highlighting specific topics of social concern for Israel. The survey (in English) has two appendices: tables of insurance branches and tables of poverty and inequality.

This year, for the first time, the entire survey is published on the Internet in English, and the first chapter, dealing with official social policy and trends in social security, as well as summaries of all the remaining chapters, are – also for the first time – published in Arabic in a separate publication.

For convenience's sake, the masculine form is used throughout the survey, to refer to both men and women.

I wish to thank the employees of the Research and Planning Administration who diligently prepared the survey and brought it to print. Many thanks to Miri Endweld, the professional editor of the survey; to Maya Orev-HaTal, the linguistic editor; and to Sarah Gargi, the linguistic editor of the English version.

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