

## 4. Children Insurance

### A. General

**Child allowance** – A child allowance is paid monthly to all families with children in Israel in order to assist with the expenses of raising the children. Child allowances have gone through many changes through the years, and since 2002, their level has been radically reduced under various economic programs.

In 2007, child allowances remained at the level of 2006, since their level was not updated by the increase in the cost of living at the beginning of that year. Under coalition agreements made in 2006, indexation to the cost of living has been waived, thus leaving their sum at the same level as in the previous year. In the following years, the child allowances will be adjusted to the consumer price inflation in the beginning of each calendar year. Thus, the erosion to the child allowances, which began in 2002 with the substantial cutbacks in these allowances, continued this year as well – particularly following the decision to pay a uniform allowance for *new children* – those born after June 2003 who are the third or subsequent children in their family. For these children, the level of the allowance is equal to that paid for the first two children – as opposed to the higher allowance for such children born before June 2003 (*veteran children*).

The addition of *new children* to the system and the natural exit of *veteran children* due to aging reduced the child allowance payments from NIS 4.97 billion in 2006 (in fixed prices) to NIS 4.94 billion in 2007 – a decrease of NIS 30 million. Aside from the change in payment for the *new children*, the decrease in payments in 2007 stems also from a reduction in payment of the *family increment*<sup>1</sup>.

The cumulative erosion of child allowances through the past six years led to significant differences in payments of these allowances over this period: from NIS 8.3 billion in 2001 to NIS 4.9 billion in 2007 – a real decrease of about 40%.

Compared to 2006, the number of families who received child allowances in 2007 grew by approximately 1.2%, and the number of children for whom allowances were paid grew by approximately 1.6%.

**Study grant** – In addition to child allowances paid to all families with children, a *study grant* is paid to single-parent families, as well as to families with four or more children who receive a subsistence benefit from the NII. The grant, paid for children aged 6-14, aims to assist the families in purchase of textbooks prior to the opening of the school year. In 2007, about 158,000 children received a *study grant*, at a total cost of approximately NIS 160 million.

**Family increment** – Beginning in July 2004, an increment began to be paid to families with three or more children who receive an income support benefit or alimony payment from the NII. The *family increment* is paid for the third and fourth child only. Until December 2005, the increment was

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1 See a description of the *family increment* below.

NIS 101 per child, and since January 2006 it is NIS 104. This increment, meant to compensate the families for the double erosion in their benefits, in both the child allowances and the income support benefit, was paid in 2007 to about 30,000 families (including 48,000 third and fourth children). In this year, the total amount of the *family increment* was NIS 58 million, as compared to NIS 62 million in 2006. The reduction is a result of the decrease in the number of persons who receive an income support benefit or alimony payment in this year.

## **B. Changes in child allowance system in 2002-2009**

The series of cutbacks in child allowances through 2002-2006 is anchored in four economic programs, two of which were implemented in 2002 – the Economic Arrangements Law and the extensive Emergency Economic Program Law. These laws determined that the allowance point will not be adjusted, and that child allowances will be uniformly cut back by 15% in that year. This was the first time that child allowances were paid on the basis of an allowance point of 0.88, and not on the basis of a full allowance point.

The series of reductions in child allowances resumed more severely under the Economy Recovery Program Law (June 2003) and under the Economic Policy Law for the 2004 fiscal year. In 2003, a structural change to child allowances was introduced, under which the allowance will be of a uniform level, regardless of the child's position in the family. Since August 2003, children born beginning in June 2003 received a uniform allowance to the amount of NIS 144 (0.84 allowance point), regardless of their position in the family. The recovery program determined that the equalization of the level of allowances for all children will not be implemented on a zero budget, but rather by way of reducing the allowances for the third and subsequent children to that paid for the first and second children. This policy of decreasing allowances was therefore first and foremost impelled by the considerations of curbing public expenditure, for were it not for this consideration, it would have been possible to determine a uniform allowance level of NIS 250 per month for every child. The recovery program further determines that the process of equalization of allowance levels and reducing allowances for third and subsequent children will be gradually implemented during August 2003 -January 2009.

The recovery program also related to the adjustment of child allowances as part of a comprehensive policy on the adjustment of all NII benefits: child allowances were not adjusted in accordance with price increases until the end of 2005.

The policy of cutbacks persisted under the Economic Policy Law for 2004. As part of a temporary order for 2004-2005, allowances were reduced as follows: NIS 24 per month from allowances for the first to third children, from February 2004 to the end of 2005; NIS 24 from allowances for the fourth and subsequent children, from February to June 2004; and NIS 4 from allowances for the fourth and subsequent children, from July 2004 to December 2005. This temporary order expired in January 2006, as did the non-adjustment of child allowances accordance with the Consumer Price Index.

A number of changes were introduced to the child allowance system in 2006. Firstly, similar to the case with other NII benefits, the method of calculating these allowances changed: since January 2006, they are calculated according to the *basic amount*<sup>2</sup>, and after adjustment according to the Consumer Price Index, the allowance level for any one child was set at NIS 148. Moreover, in 2006, coalition agreements instructed to stop the cutbacks in the child allowances and to freeze the allowances at their 2006 level for 2007-2009. Since the *basic amounts* were not adjusted in January 2007, the allowances in 2007 remained as they were in 2006.

### C. Child allowance levels in 2002-2007

Until 2005, the child allowance was calculated on the basis of allowance points determined according to the child's position in the family. From 1987 to 2001, the allowance point was adjusted to the full extent of the price index in the beginning of each calendar year and whenever a cost-of-living increment was paid to employees. From January 2001 to December 2005, the adjustment of allowance points stopped, and the point remained fixed at NIS 171.3 (in 2005 prices), on the basis of which the allowances were calculated. Beginning in January 2006, the child allowance is calculated according to the *basic amount*, which was NIS 148 at the time. The allowances for the first two children therefore increased to NIS 148, for the first child climbed to NIS 178, and for the fourth and subsequent child went down to NIS 329. The allowance for *new children* (born after June 2003), paid regardless of their position in the family, remained equal to that for the first two children – NIS 148. In the beginning of 2007, the *basic amount* remained as it was in 2006, as did the level of child allowances.

Diagram 1 features the average child allowance in 1993-2007<sup>3</sup>. Beginning in 1993, child allowance became universal again, and until 2001, the average allowance per child increased moderately – by about 13.3% – from NIS 283.3 to NIS 321. The "Halpert Law", implemented in 2001, then brought the average allowance per child to its peak, and since 2002 the allowance began to decrease drastically. The series of cutbacks in NII benefits in general and in child allowances in particular reduced the average allowance per child through 2002-2005 by about 50%.

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- 2 The amount on the basis of which most benefits are calculated since January 2006. This amount is adjusted on January 1<sup>st</sup> each year, at the rate of the Consumer Price Index increase in the preceding year. The *basic amount* has three different rates for the purpose of updating the various benefits. For most benefits, the *basic amount* in 2007 was NIS 7,240; for child allowances it was NIS 152, and for old-age and survivor's pensions it was NIS 7,352.
  - 3 The average allowance per child was calculated by dividing the total of all payments for child allowances in a specific year by the number of eligible children in that year.

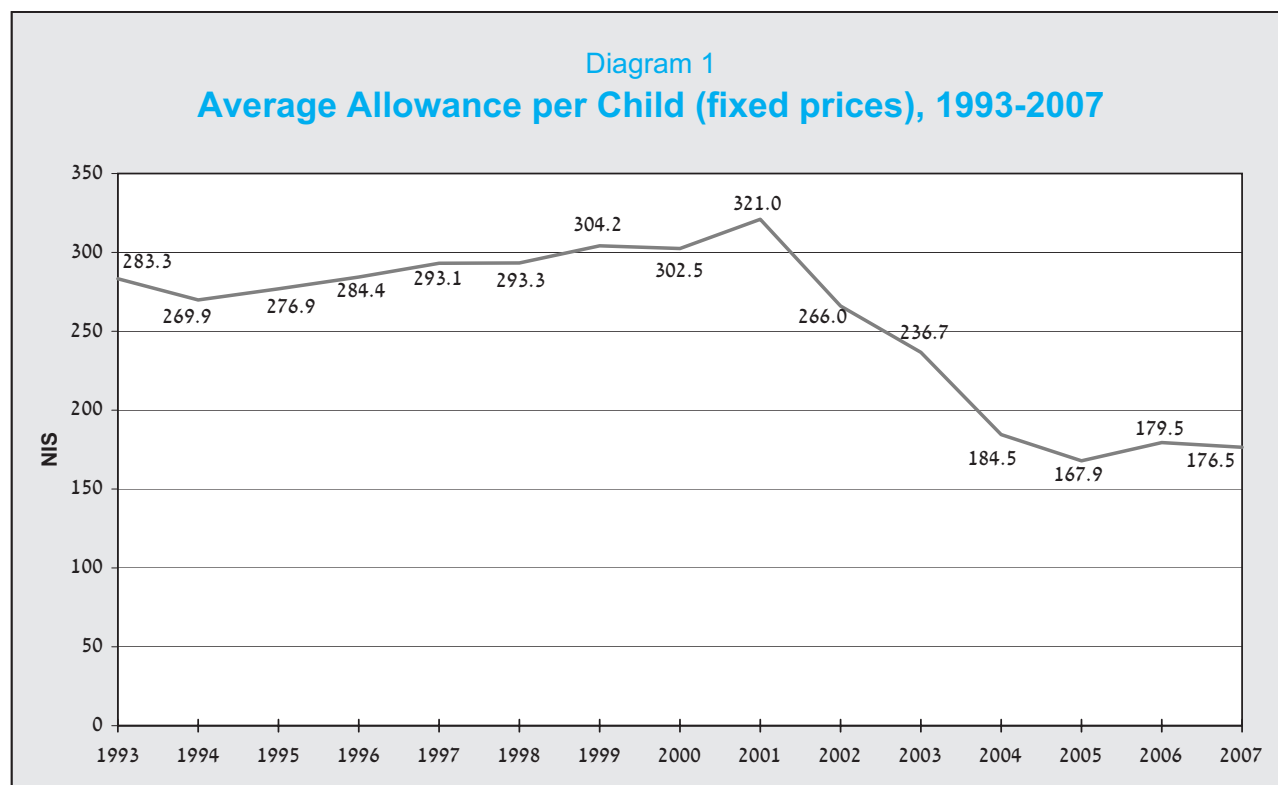


Table 1 features the allowance points for a family through 2002-2005 and the rates in terms of the *basic amount* for 2006 and 2007. Table 2 indicates the amounts of allowance for a child and for a family in these years.

**Table 1**  
**Allowance Points per Family in Terms of the Basic Amount in 2006 and 2007,  
by Number of Children, 2002-2005**

Date	Number of children					
	1	2	3	4	5	6
January 2002	1.00	2.00	3.96	8.00	13.00	18.00
March 2002	0.88	1.76	3.52	7.08	11.48	15.88
July 2002	0.85	1.70	3.39	6.81	11.04	15.27
August 2003*	0.84	1.68	2.82	5.48	8.53	11.58
February 2004	0.70	1.40	2.40	4.91	7.82	10.73
July 2004	0.70	1.40	2.36	4.72	7.40	10.08
January 2005	0.70	1.40	2.31	4.41	6.76	9.10
2006-2007	1.00	2.00	3.20	5.42	7.64	9.86

\* Children born after June 1, 2003 receive an allowance as that for the first child, regardless of their position in their family.

Tables 1 and 2 illustrate the cumulative effect of the Economy Recovery Program Law -June 2003, and the Economic Policy Law for 2004.

Table 2, which shows the amount of allowances through 2002-2007 by the number of children in the family, indicates several facts:

- The amount of allowance for a family with one child decreased between January 2002 and January 2005 by 31%. In the beginning of 2006 the allowance increased by about 20%<sup>4</sup>
- In 2005 a family with 3 children received 57% the amount received in January 2002.
- In 2005 a family with 5 children received half the allowance it received in January 2002.

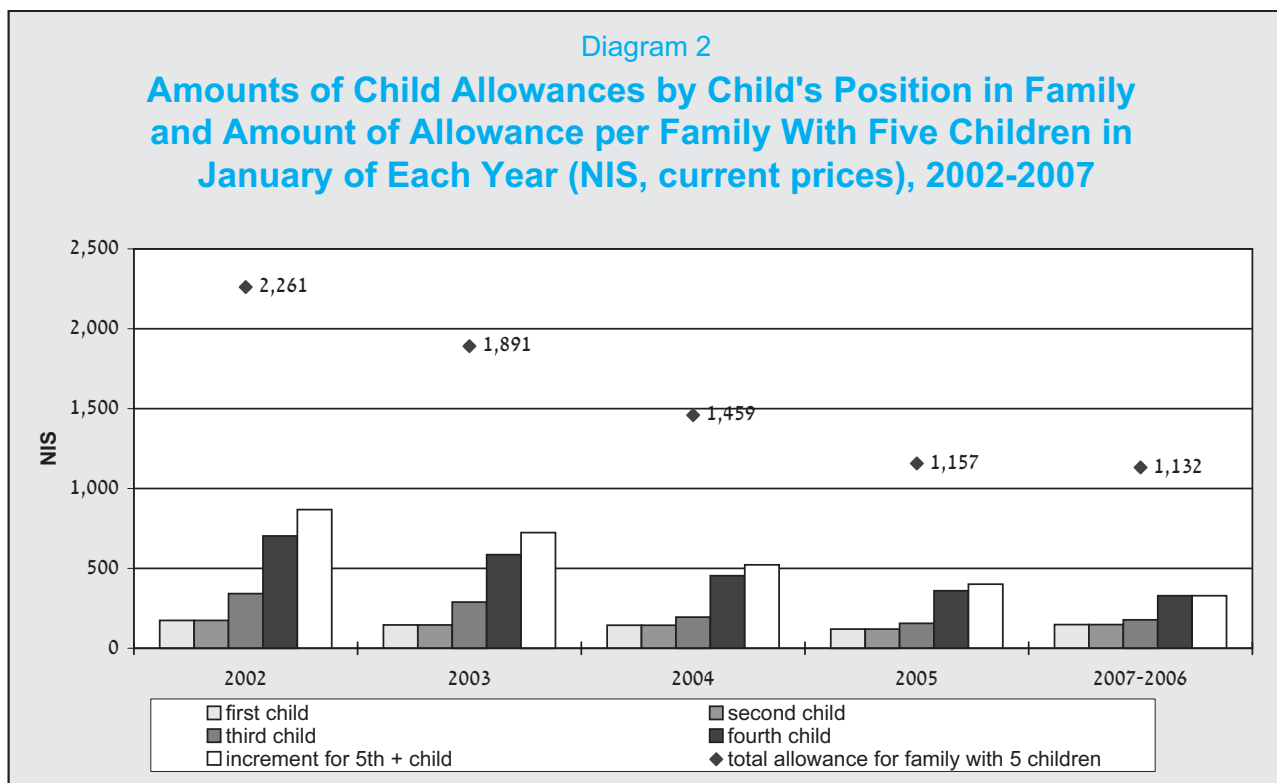
Table 2  
**Child Allowance by Position of Child, and Allowance per Family, by Number of Children (NIS, current prices), 2002-2007**

	Number of children					Increment for each additional child
	1	2	3	4	5	
January 2002						
Per child	174	174	342	703	868	868
Per family	174	348	690	1,393	2,261	868
March 2002						
Per child	151	151	301	610	754	754
Per family	151	302	603	1,213	1,967	754
July 2002						
Per child	146	146	289	586	724	724
Per family	146	292	581	1,167	1,891	724
August 2003*						
Per child	144	144	195	454	522	522
Per family	144	288	483	937	1,459	522
February 2004						
Per child	120	120	171	430	498	498
Per family	120	240	411	841	1,339	498
July 2004						
Per child	120	120	164	404	459	459
Per family	120	240	404	808	1,267	459
January 2005						
Per child	120	120	156	360	401	401
Per family	120	240	396	756	1,157	401
2006-2007						
Per child	148	148	178	329	329	329
Per family	148	296	474	803	1,132	329

\* Children born after June 1, 2003 receive an allowance as for the first child, regardless of their position in their family.

4 All rates are expressed in real terms.

Diagram 2 below illustrates the great extent to which families with five children were hurt in the 2002-2007 period following the cutbacks of the economic programs. The amount of allowance for such families decreased through 2002-2006 by an annual average of approximately 16%, in real terms. Throughout this period, the family allowance decreased by about a half, reaching NIS 1,132.



#### D. Child allowance recipients

Tables 3 and 4 feature the breakdown of families who received a child allowance by family size and the breakdown of children for whom a child allowance was paid by their position in the family. (The number of families in which children were born after June 2003 and the number of children born after this date is illustrated in detail under the next section.)

In 2007, the number of families to whom child allowances were paid reached about 980,600 as a monthly average – an increase of about 1.2% compared to 2006, which is high in comparison to the moderate increase (0.4%-0.7%) of 2001-2004. The number of children for whom allowances were paid reached approximately 2,333,100 as a monthly average in 2007. The increase in the number of children this year resembles that of 2006 – about 1.6%. The annual average number of families with one child remained as in 2006 – about 321,800 – but was raised for families with two or more children. Accordingly, the breakdown of children also changed this year: the rate of families with one child was reduced, while that of families with two to three children was raised.

Table 3  
**Families who Receive Child Allowance, by Number of Children in Family (monthly average) 2000-2007**

Year	Total	Number of children in family					
		1	2	3	4	5	6+
<b>Numbers (thousands)</b>							
2000	912.5	321.0	276.9	165.7	76.3	34.5	38.1
2001	928.2	327.8	280.9	167.6	77.4	35.6	39.0
2002	935.0	327.9	283.4	169.1	78.1	36.6	39.9
2003*	939.1	324.9	285.6	171.3	78.9	37.4	40.8
2004	945.6	323.2	288.5	174.4	79.9	37.9	41.7
2005	956.3	322.7	292.8	178.6	81.3	38.5	42.4
2006	968.3	321.8	298.3	183.2	82.7	39.3	43.0
2007	980.6	321.8	303.0	188.5	84.4	39.8	43.1
<b>Percentages</b>							
2000	100.0	35.2	30.3	18.1	8.4	3.8	4.2
2001	100.0	35.3	30.3	18.1	8.3	3.8	4.2
2002	100.0	35.1	30.3	18.1	8.3	3.9	4.3
2003*	100.0	34.6	30.4	18.2	8.4	4.0	4.4
2004	100.0	34.2	30.5	18.5	8.4	4.0	4.4
2005	100.0	33.8	30.6	18.7	8.5	4.0	4.4
2006	100.0	33.2	30.8	18.9	8.6	4.1	4.4
2007	100.0	32.8	30.9	19.2	8.6	4.1	4.4

\* Due to a technical malfunction in the administrative children files' for June-October 2003, the number of children is estimated on the basis of data from the beginning of these months.

Table 4  
**Children who Receive Child Allowance, by their Position in the Family (monthly average), 2000-2007**

Year	Total number of children	Child's position in the family					
		First	Second	Third	Fourth	Fifth	Sixth and sub-sequent
<b>Numbers (thousands)</b>							
2000	2,118.8	912.5	591.5	314.6	148.9	72.6	78.7
2001	2,154.7	928.1	600.4	319.5	152.0	74.6	80.1
2002	2,178.8	935.0	607.1	323.7	154.6	76.5	81.9
2003*	2,201.1	939.1	614.1	328.6	157.3	78.3	83.7
2004	2,226.4	945.6	622.4	333.9	159.5	79.6	85.3
2005	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	355.8	167.4	82.9	87.5
<b>Percentages</b>							
2000	100.0	43.1	27.9	14.9	7.0	3.4	3.7
2001	100.0	43.1	27.8	14.8	7.1	3.5	3.7
2002	100.0	42.9	27.9	14.8	7.1	3.5	3.8
2003*	100.0	42.7	27.9	14.9	7.1	3.6	3.8
2004	100.0	42.5	27.9	15.0	7.2	3.6	3.8
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

\* See note in Table 3.

## E. New children

Following legislative amendments in 2003-2004, a group of *new children* was defined as including children born in June 2003 and thereafter. These children receive an allowance equal to that for the first two children, regardless of their position in the family<sup>5</sup>. This policy by its nature led to differences in the level of allowances paid to families of equal size. Thus for example, in 2007 there is a difference of NIS 180 between the allowances paid to a family four children in which a child was born before June 2003 and a family with four children in which a child was born after June 2003.

<sup>5</sup> NIS 144 between August 2003 and January 2004, NIS 120 between February 2004 and December 2005, and NIS 148 in 2006 and 2007.



62,000 *new children* were born in the second half of 2003, about 146,000 were born in 2005 and about 145,000 were born in 2007. The overall number of *new children* reached about 639,000 in December 2007 – 27% of approximately 2.3 million children for whom allowance was paid. Out of all the *new children* at the end of 2007, some 42% (about 270,000), are third or subsequent children – for whom a smaller allowance is paid than that paid for third and subsequent children born before June 2003. These, then, are children adversely affected by the equalization of the allowance level for all children.

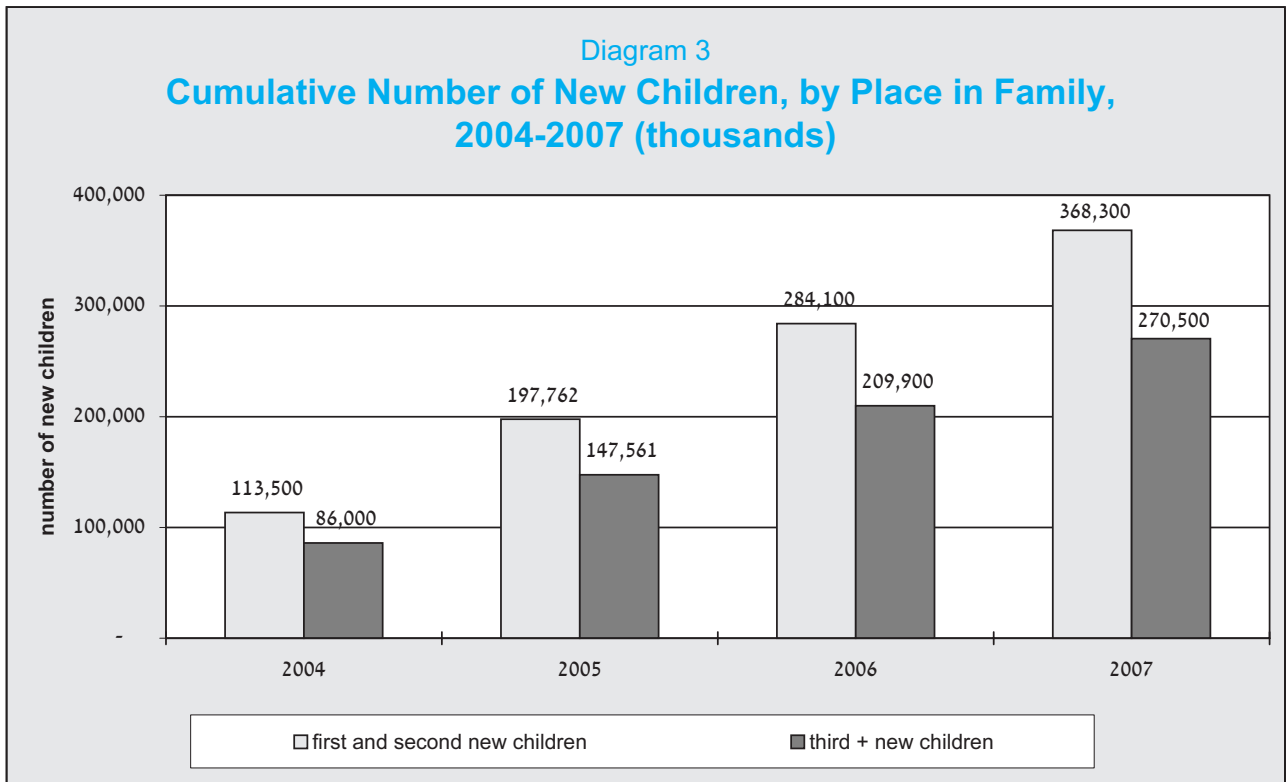


Diagram 3 illustrates the cumulative number of *new children* by their position in the family in 2004 to 2007. The diagram shows that through 2005-2007, 62,000 third and subsequent children were added each year, and at the end of 2007 their total number reached about 270,500 children.

The average number of new children per month was approximately 572,000 in 2007, of which about 243,000 are third or subsequent children. The data in Table 6 indicate the position of these children in the family (average per month). Until 2007, the number of families in which *new children* were born is about 467,000, but the number of *new children* is about 639,000.

Table 5  
**New Children, by Place in Family (cumulative and monthly average), 2007**

	Total	Child's place in family					
		1	2	3	4	5	+6
<b>Numbers (thousands)</b>							
Cumulative	638.8	191.5	176.8	122.7	63.0	34.9	49.9
Monthly average	571.7	170.9	158.2	109.4	56.4	31.4	45.4
<b>Percentages</b>							
Cumulative	100.0	29.9	27.7	19.2	9.9	5.5	7.8
Monthly average	100.0	29.9	27.7	19.1	9.9	5.5	7.9

Table 6  
**Families with New Children, by Number of Children in Family (cumulative and monthly average), 2007**

	Total	Number of children in family					
		1	2	3	4	5	+6
<b>Numbers (thousands)</b>							
Cumulative	466.6	117.4	138.0	100.0	49.8	26.4	35.0
Monthly average	434.0	111.4	127.6	91.3	45.8	24.6	33.3
<b>Percentages</b>							
Cumulative	100.0	25.2	29.6	21.4	10.6	5.7	7.5
Monthly average	100.0	25.6	29.4	21.0	10.6	5.7	7.7

## F. Study grant

Beginning in 1992, in the framework of the Children branch, a *study grant* is paid to single-parent families for children aged 4-6. Beginning in August 1998 the grant is also paid to families with four or more children who receive one of the following subsistence benefits from the National Insurance Institute: income support, alimony, disability, old-age, or survivors. The grant, a lump-sum payment paid close to the opening of the school year, aims to assist the families with the purchase of school supplies. The level of grant for children aged 6-11 is 18% of the *basic amount* (NIS 1,236 in 2007 – the increased grant), and for 12-14 year olds – 10% of the *basic amount* (NIS 686). The amounts have not changed since 2006 because the *basic amount* was not adjusted.

In 2007, the NII paid a study grant to about 86,500 families, of whom approximately 60,000 are single-parent families and the remainder families with four or more children who receive subsistence benefits. The number of children for whom the grant was paid grew from 148,100 in 2006 to 157,600 in 2007. Out of all children who received a study grant, some 60% (about 95,000 children) received the increased grant.

## Box 11

**An Overview of Financial Aid to Families with Children in Britain<sup>1</sup>**

The system of payments and credits for children in Britain<sup>2</sup> has undergone a revolutionary change during the past decade. For years the traditional earning model was practiced in Britain, which did not have a clear policy in the area of family assistance. The only benefit provided to working mothers was a 13-week maternity leave, while women's social rights were derived from those of their husbands – in times of unemployment, illness or old age. This perception prevailed among policy makers, regardless of their political inclination, until the early 1980's. In the mid 1990's, a new consensus began to evolve on the need to implement a national policy for children in a way that more women can hold work in accordance with their skills. The change of policy in this area is strongly connected to the rise of the British Labor Party to power in 1997.

The *child benefit*, first paid in April 1977 under the Child Benefit Act-1975, replaced the family allowance and credits provided through the tax system (child tax allowances). It was paid for every child and was tax exempt. At the same time, a benefit paid to single-parent families for children was combined with the *child benefit* and paid as an increment to it<sup>3</sup>. In 1980, the Conservative Party headed by Margaret Thatcher made a commitment to preserve the value of the benefit in the face of inflation, but this was not carried out and only close to the time of the general elections of 1983 did the value of the benefit return to its 1979 level. In 1986, the Social Security Act 1986 was enacted, under which the statutory commitment to raise the child benefit was cancelled and the value of the benefits was frozen for a three-year period (from April 1988 to April 1990). Child benefits to single-parent families were not frozen. The rationale behind this policy was to provide direct support to those populations who require it and to control the overall rise in welfare expenditure. In April 1991, the level of benefit for the first child in the family was raised by one pound sterling and by a smaller amount for subsequent children.

The Labor Party, which rose to power in 1997, brought about various changes in welfare policy: in the area of payments for children, in aid, in expansion of day-care centers for children, in vocational training, and more. In 1999 the British Government had set the restoration of "social inclusion" and the war on poverty as national socio-economic objectives, part of a long-term policy<sup>4</sup>. These objectives coincide with that set by the EU heads of State to banish poverty in European countries. Four main goals were set in this context:

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- 1 The Box was prepared by Tami Eliav.
  - 2 The benefit is paid by the government in England, Wales, Scotland, and Northern Ireland.
  - 3 This change, as implemented in Britain during the second half of the 1970's, resembles the multi-system change made in Israel in the wake of the Ben-Shahar Committee report: a committee for the income tax reform, headed by Prof. Ben-Shahar, of which main recommendations to be implemented were payment of a tax-exempt and uniform child benefit; paid directly to the family; the level of benefit per child was the same for the first two children and higher for a third and subsequent child.
  - 4 United Kingdom National Action Plan on Social Inclusion 2003-2005, Department for Work and Pensions; Working Together United Kingdom National Action Plan on Social Inclusion 2006-2008, Department for Work and Pensions.

- A. Banishing poverty among children: to reduce poverty among children in half by 2010, and eradicating poverty altogether by 2020 – out of a conception holding that order to break the cycle of poverty, one must first deal with poverty among children;
- B. Increasing the number of workplaces and enhancing integration into the work cycle;
- C. Providing access to quality services in welfare, health and education;
- D. Eliminating discrimination of various groups in society: women, residents of certain geographic regions, members of certain ethnic groups and persons with disabilities.

On the basis of the assumption underlying the program, whereby work is the best way to escape poverty, efforts were devoted to opening the labor market to all persons capable of working. At the same time the support system was developed and expanded in order to afford a safety net to persons unable to work. The policy of minimizing poverty among children included encouragement and support to parents – especially single-parent mothers – in work integration and vocational training, establishment of high quality day-care centers for children, an increase in maternity allowance, extension of maternity leave, and more. Concomitantly, credits and financial support were provided through the tax system (CTC and WTC).

In April 1999, the child benefit was increased by about 20% in real terms for the first child. Thus, the real value of this benefit increased beyond its value in 1979, when tax credits had been canceled as a substitute for child benefit. The benefit's real value, beginning with the first child and onwards, still remained lower than its rate in 1979. An additional change, besides the significant increase in the level of child benefits, was the expansion of the number of eligible persons, as explained below.

The above government policy brought about a significant reduction in the rate of poverty among children, from 27% of poor children in 1997/98 to 22% in 2004/05 – similar to the rate in EU countries (about 20%)<sup>5</sup>. In order to meet the defined objectives, cooperation existed between all factors involved in social matters: the government and non-government social organizations.

### **Following is a brief account of the various payments currently provided for children:**

#### **A. Child benefit<sup>6</sup>**

A universal child benefit is paid in Britain for every child up to the age of 16, regardless of income. If the child is studying (attends a study program of at least 12 hours per week) the benefit is paid until he turns 19. Also children aged 16-17 who have stopped studying, but are working or in

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5 Poverty among children in Israel stood in 2006 at 35.8%. In European countries a measurement scale is practiced which is different than that practiced in Israel. Even according to the European measurement scale, poverty among children in Israel ranges in recent years around 30%.

6 Source: the British government Website - [www.hmrc.gov.com](http://www.hmrc.gov.com), HM Revenue&customs

vocational training, are eligible for a child benefit. The benefit is paid every four weeks directly into a bank account. The frequency of payment to single-parent families, or to families in which the parent or his spouse receive income support or an unemployment benefit, is higher than that for the other recipients (each week instead of each month).

The benefit paid for the first child (or only child) is about 4% of the average wage, and the benefit for every additional child is about 2.7% thereof. It should be noted that in most European countries an inverse model is practiced in which the rate of benefit for the first child is lower than its rate for the remaining children. In several countries, the level of the benefit changes in accordance with the child's age.

Until 2006/7, children in a single-parent family who received an income support benefit or an unemployment benefit received a higher child benefit than that paid for children in two-parent families. Beginning in 2007/8, a uniform benefit is paid to all types of families.

A number of changes that came into effect In April 2006 increased the number of children eligible for child benefit, by expanding the age of those who are eligible and by paying a benefit for working children as well. A further increase to the number of eligible persons, which came into effect at the end of 2005, concerns same-gender couples (civil partners): for purposes of the child benefit, civil partners living under one roof are treated in the same way as married or unmarried couples who live together.

**B. Child support<sup>7</sup>:** an additional benefit that supports the policy of reducing poverty among children.

### **C. Child trust fund<sup>8</sup>**

This is a tax-exempt long-term saving plan in which the State invests the initial amount. Since September 2003, every child born after September 2002, providing he is eligible for a child benefit and resides in Britain, is eligible for a payment of at least 250 pounds sterling as an initial deposit. This initial deposit is used for opening a special savings account which he can open at the age of 18. It is possible to put into the account, independently, a maximum of 1,200 pounds sterling per year. Low-income families receive an additional amount of 250 pounds sterling and have total of 500 pounds sterling available to them. An additional payment of 250 pounds sterling is awarded once the child turns 7.

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7 Cited from: Working Together United Kingdom National Action Plan on Social Inclusion 2006-2008, Department for Work and Pensions.

8 Source: United Kingdom National Action Plan on Social Inclusion 2003-2005, Department for Work and Pensions and the website [www.directgov.gov.uk](http://www.directgov.gov.uk)

## **D. Credits for children in tax system<sup>9</sup>**

### **Child Tax Credit – CTC**

As part of the policy to alleviate poverty and encourage employment, tax credit is awarded in Britain for children (in addition to the universal benefit). The credit is provided according to criteria that match the conditions of eligibility for the child benefit, and is conditioned on an income test. The person actually caring for the children – not necessarily the child's parent.– is eligible for the tax credit. The amount of credit per family depends on the number of children in the family, whether any of them are disabled and the family's total annual income.

In the system of tax credits as well, there were changes in recent years as part of the overall agenda regarding the increase of government participation in expenses of raising children. The current plan was thus set in motion in April 2003 and replaced the tax credits in use until that time: Working Families Tax Credit, Disabled Person's Tax Credit, and Children's Child Credit. Furthermore, in April 2004, they substituted components that depend on children, paid through the income support benefit and the unemployment benefit. Such credits are not related to the regular tax system and are independent of the rate of tax on the individual or the family.

### **Working Tax Credit – WTC**

In addition to the tax credit for children, a tax credit system (*negative income tax*) exists for employees and the self-employed – Working Tax Credit-WTC. The tax credit is intended for the working population whose wage is relatively low (the common income of both spouses is taken into account) and it also includes disabled workers. The new credit replaces, inter alia, the components which are independent of children, and which were included in the former credits (Working Families Tax Credit, Disabled Person's Tax Credit). This credit also includes a component of support in respect of tax-deductible expenses incurred in relation to child care, reaching 80% of such expenses.

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9 Source: The NII document "Presentation of the New Plan Concerning Tax Credit for Children and Workers in Britain", not published; United Kingdom National Action Plan on Social Inclusion 2003-2005.

## G. Scope of payments

The data in Table 7 shows that the payments for child allowances registered a real decrease in 2007 at a rate of about 0.6% compared to 2006, due to two factors: firstly, a real decrease of about 6% in payments for *family increment*, from about NIS 62 million in 2006 to about 58 million in 2007, and secondly, the addition of *new children* to the system, for whom a smaller allowance is paid than that paid for the veteran children who leave the system (this of course applies to children whose position in the family is third and subsequent).

The decrease in the scope of child allowance payments is also reflected in the relative portion of the branch payments' out of all NII payments', which went down in recent years: from 16.8% in 2001 to 11.4% in 2004 and to 10.7% in 2007.

Table 7  
Child Allowance Payments (NIS million, 2007 prices), 2000-2007

Year	Total amount		Child allowance		Study grant	
	Current prices	2007 Prices	Current prices	2007 Prices	Current prices	2007 Prices
2000	6,941.7	7,732.1	6,808.7	7,588.5	128.8	143.5
2001	7,571.9	8,347.3	7,416.0	8,175.3	155.8	171.7
2002	6,706.0	6,994.0	6,544.0	6,835.5	152.0	158.6
2003	6,067.3	6,284.0	5,914.4	6,125.5	152.8	158.2
2004*	4,765.0	4,954.9	4,583.5	4,766.2	153.0	159.2
2005	4,460.7	4,579.0	4,244.6	4,357.1	152.4	156.4
2006	4,947.0	4,973.7	4,730.0	4,755.5	155.8	156.6
2007	4,940.4	4,940.4	4,725.4	4,725.4	157.1	157.1

\* Payments since 2004 include, in addition to child allowances and study grants, also payments for family increment.

Diagram 4 shows the annual child allowance payments in 2001-2007 in fixed prices. The development of the scope of payments reflects the series of cutbacks made through 2002-2005. The steepest cutbacks occurred in 2004, following which the scope of payments went down by more than 20%. In 2006, the scope of payments increased by approximately NIS 400 million due to the increase in the allowance for the first three children.

Were not for the cutbacks prescribed under the economic programs of recent years, the forecasted expenditure for child allowances in 2007 would have been close to NIS 8 billion, double the actual expenditure for that year.

Diagram 4  
**Payments for Child Allowances (fixed prices, NIS billion),  
2001-2007**

