

Preface

by the Director-General

After four consecutive years of growth, 2009, the year under review, was in the shade of an economic recession in Israel – the result of a world-wide recession. This year witnessed a deceleration in salary increases and a surge in the extent of unemployment in the country. The activities of the National Insurance Institute of Israel (NII) during 2009 were affected not only by economic developments, but also – due to the inherent delays in benefit adjustment – by the steep price increases of 2008. Benefits linked to price changes were adjusted by 4.5% in January 2009. NII benefit payments increased in real terms by 7.4%, reaching 7.1% of the GDP in 2009, as compared to 6.8 in 2008. This greater increase in 2009 is mainly due to a rise in unemployment – which boosted unemployment benefits by approximately 50% – and to an increase in the number of benefit recipients and legislative amendments that augmented old-age pensions and child allowances. In 2009 the NII managed to improve social security for the unemployed through a temporary agreement with the government which eased conditions of entitlement to unemployment benefits.

Poverty among large families and economic gaps in Israel declined somewhat in 2008; however, this does not indicate a real turning point. The level of poverty was still high in 2008 and findings collected up to now and succinctly presented in the second chapter of this Survey show that poverty even increased slightly as a consequence of Israel's economic crisis in 2009. Approximately one-fifth of the families – that is, roughly a quarter of the country's population – and nearly one-third of the children in Israel are poor. The OECD report that examined Israel's socio-economic situation before Israel was accepted into the Organization repeatedly raised disconcerting findings that had been submitted by the Research and Planning Administration of the NII over the past few years: Israel unfortunately heads the list of developed countries in poverty among persons and children. Alongside an improvement in the condition of specific population sectors, including the elderly population – regarding whom the welfare system has consistently and constantly improved their condition in recent years – there still remain poverty pockets in Israel: working-age unemployed heads of families, sole providers in low-salaried families and large families. The rate of poverty among large families is at least twice as high as that of the country's population as a whole. It is well known that Arab and ultra-Orthodox families constitute the major share of large families, but the problem is not limited to those two sectors only. The disproportionate spread of poverty is also reflected in the differences detected regarding poverty data based upon geographic distribution: peripheral towns are poorer than most towns in the center of the country. Moreover, those whose subsistence is based solely on NII benefits – such as the elderly who have no income from pensions or any other source, as well as recipients of income support benefits and the severely disabled – are usually unable to extract themselves from poverty solely on the basis of their benefits. Therefore, benefit payments are not sufficient to improve the condition of the lower deciles, and novel and daring steps are

required to create new sources of employment and to redirect the economy towards rapid growth by involving the government in distributing the fruits of economic growth in a way that will foster equality in society. The first chapter of this Survey, which contains the macro picture and reviews the activities of the NII, offers an entire system of tools and recommendations aimed at achieving these goals.

The NII is committed to continuing to act with dedication to implement and foster crucial amendments wherever necessary to ensure the welfare and take-up of rights of every sector of society on the one hand, and to ensure that the system is not abused, on the other. Several teams established by the NII submitted their proposals for improving the NII benefit system. Some of the recommendations proposed, the result of the teams' comprehensive and thorough work, have already been discussed with relevant government bodies with a view to their implementation.

At the same time, the National Insurance Institute, which provides services to a very broad cross-section of the population, will continue in its efforts to improve the service provided to citizens in the its local branches throughout the country, and will work towards the continued development of new self-service resources. Training local branch employees, supporting them in both numbers and quality, and developing supportive computerized systems will contribute to achieving the our goals to improve services for citizens and to enable all those requiring the services of the NII to exercise their rights to their full extent.

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Director-General

Foreword

This Survey presents a picture of the social situation of Israel and the activities of the National Insurance Institute of Israel during 2009.

Poverty and social gaps constitute one of the principal problems in Israel's economy and society today. Alongside the successful integration of Israeli economy into the global economy, particularly in the sphere of high technology, poverty continues to grow at an unusual rate in comparison with other countries. Chapter 1 of the Survey presents the NII's development goals of the previous year, and the changes that took place during 2009 regarding benefit levels and numbers of recipients are reviewed. This is achieved through an analysis of the effects of legislative changes and economic and demographic developments upon benefit levels, and how they are financed. Chapter 1 also proposes plans to combat poverty, since the state of poverty reflects one of the main weaknesses in Israel's economy and society. The chapter presents selected recommendations from social security and other tangential fields, all part of the program to combat poverty and inequality in Israel. The complete program will be published at a later date.

Chapter 2 presents NII data on the development of welfare expenditure in Israel and the dimensions of poverty and inequality broken down according to 2008 income levels in Israel, relating to Israel's standing on an international basis. Chapter 3 deals with developments in the collection of national and health insurance payments, and Chapter 4 describes the development of the various benefit branches.

The survey has three appendices: summaries of research reports and surveys published by the Research and Planning Administration in 2009 and of evaluation studies of the Fund for Demonstration Projects; insurance branch tables; and a survey of data resources together with additional tables related to poverty and inequality.

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